



2021 Nassau County Mid-Year Report on the County's Financial Condition

JULY 31, 2021

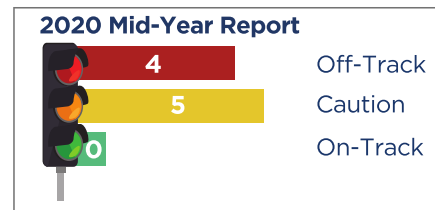
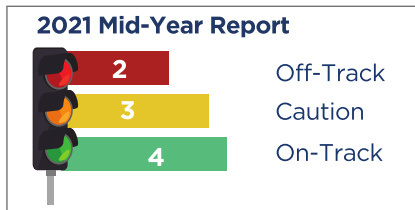
Primary Operating Funds GAAP Operating Surplus

FY 2021 (PROJECTION)

\$79.8 million surplus

Our analysis shows that Nassau County is on track to generate a 2021 GAAP surplus, estimated at \$79.8 million in the three primary operating funds, demonstrating that the County is continuing to move in the right direction fiscally.

As stated in the 2021 Mid-Year Report, 2020 year-end financial results illustrated the County moving in the right direction with an operating surplus of \$128.1 million for the three primary operating funds. 2021 is on track for more positive results, a \$79.8 million GAAP fund balance. By comparing the indicators from the 2021 Mid-Year Report to the 2020 Mid-Year Report, we can see the improvements made.



The Comptroller's Scorecard displays the key indicators that we use to measure Nassau County's fiscal health so that our financial data is easily accessible to the public. The graphics above illustrate where Nassau County stands as of 2021 and 2020. Red indicates that a measure is "off-track," yellow represents "caution," and green reflects an "on-track" measure. The Scorecard is an easy way to see the County's status at a glance and can be found at OpenNassau.NassauCountyNY.gov.

2021 Budget to Projected Actual Variance Drivers: Drivers Impacting Nassau County's Three Primary Operating Funds

Positive "Opportunity" Key Drivers ↑

Payroll and Fringe Savings	+ \$46.6 million	Primarily unfilled positions County-wide and fringe benefit savings, offset by higher Police and Correctional Center Overtime and termination pay.
Rents and Recoveries	+ \$39.2 million	Primarily recovery of \$55.4 million of NIFA sales tax withholdings for its 2020 debt service returned as a result of restructuring (one-time savings) offset by lower projected sale of County property, and lower rents and recoveries in Coliseum revenues and other.
Departmental Revenue	+ \$19.3 million	Strong real estate related revenues offset by lower Income and Expense law projections.
Social Services	+ \$37.1 million	Savings primarily in Recipient Grants (\$13.2 million), and Medicaid (\$24.5 million).
State Aid	+ \$21.9 million	Higher State Aid primarily due to the STOA grant for the bus operations.

Unfavorable "Risk" Key Drivers ↓

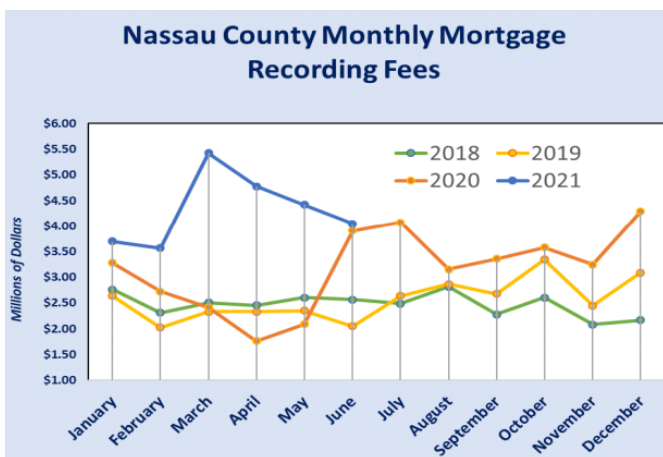
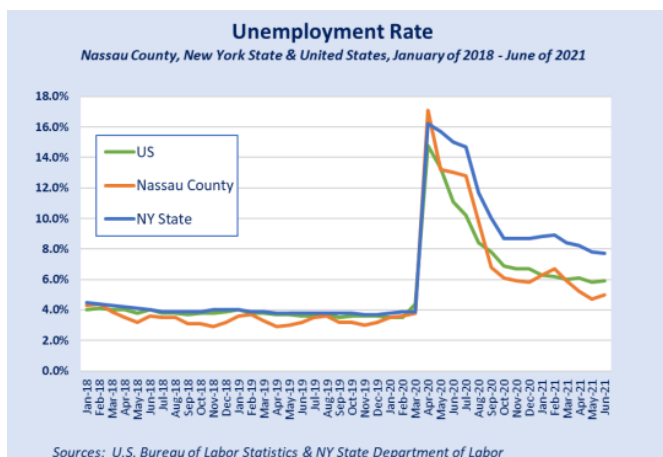
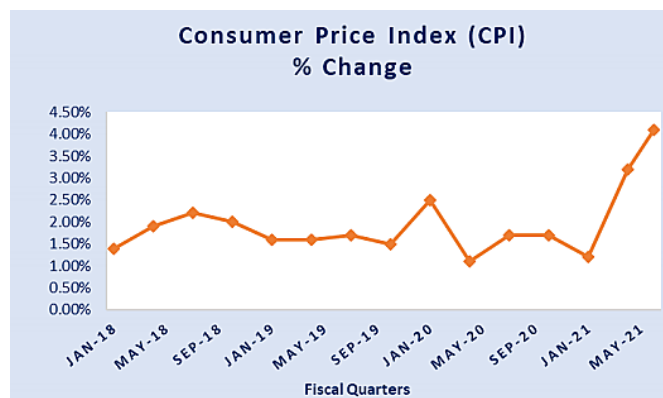
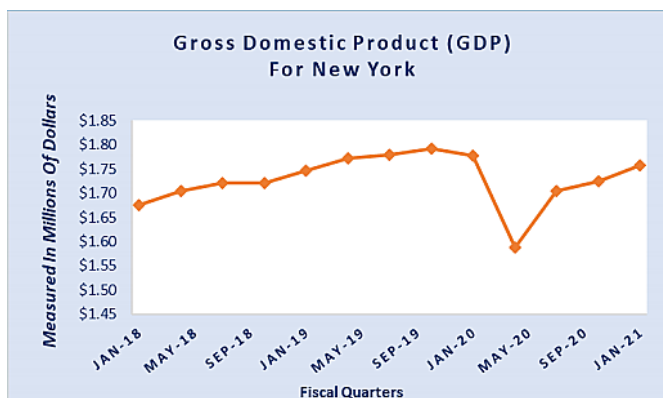
Fines and Forfeitures	- \$38.1 million	Primarily the result of lower Red Light Camera, Public Safety and other traffic violation fines.
Local Government Assistance	- \$16.3 million	Local Government Assistance is projected to be higher due to the higher projected Sales Tax revenue.



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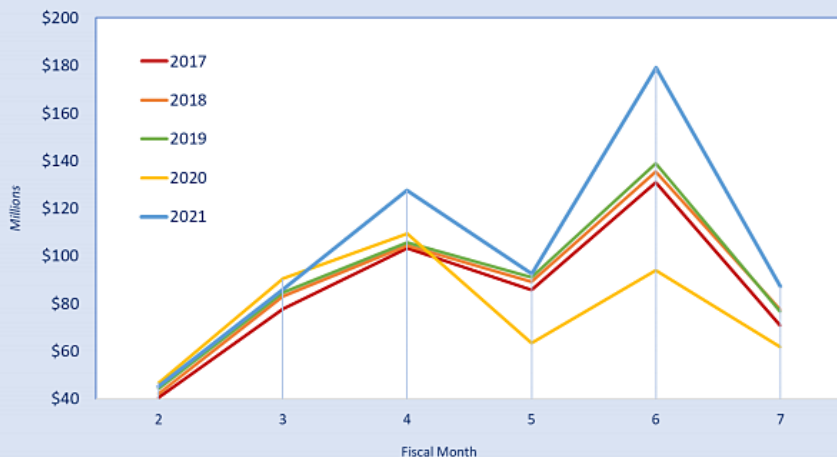
An Economic Snapshot In Time

As we head into the second half of 2021, COVID-19 and emerging variants of the virus may continue to impact the economy and economically sensitive revenues resulting in negative impacts on County finances. Some of the parameters used to analyze how our economy is doing are GDP, CPI, unemployment rates, and the status of the real estate market. The past year has been unprecedented from a trend perspective, with significant and rapid negative swings due to the onset of the pandemic and rolling shutdowns beginning in March 2020. The charts below show these major indicators. The chart below of monthly Nassau County mortgage recording fees shows a positive fiscal impact from the strong real estate market.



Sales Tax Revenues for 2021

Nassau County Actual Sales Tax Revenue 2017 - 2021
by Fiscal Month



Notes: Fiscal year period numbers correspond to the calendar month, i.e. fiscal period 6 is June. Fiscal period 13 represents an adjustment period before the County closes out the financial year. This does not include the net deferrals of pre-empted sales tax. Due to the timing of sales tax checks from New York State, the first sales tax revenues of the fiscal year are recorded in fiscal month 2.

As illustrated in the chart on the left, sales tax revenues for 2021 have been consistently higher than the previous four years on a monthly basis.

Sales tax revenues statewide are on an upward trend. According to a recent report issued by the Office of the State Comptroller (OSC) in July of 2021, actual sales tax revenues have been coming in higher than in previous years.

According to the OSC report, Nassau County's June 2021 sales tax collections were 76.3% higher than June of 2020, and 35.3% higher than June of 2019.



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Sales Tax Revenues for 2021 (continued)

2021 Sales Tax Revenue Forecasts	
Optimistic Scenario	\$ 1,471 Million
Mid-Range Scenario	\$ 1,337 Million
Conservative Scenario	\$ 1,203 Million

Based on our sales tax modeling tool estimates, we have three different ranges for sales tax in 2021. We are projecting 2021 sales tax revenues using the Mid-Range model. Adjusted for deferred Part County Sales Tax, the estimate for 2021 is \$1.319 billion.

Did you know?

One percent of sales tax represents over \$11 million in revenues to Nassau County.

Special Revenue Fund – 2021 Sales Tax Revenues

At the end of 2020, Nassau County adopted Local Law 12-2020, which created a special revenue fund to commence concurrently with the 2021 budget. Pursuant to this Local Law:

- ➔ Sales tax revenues in excess of the Adopted Budget and any budgeted funds that become surplus as a result of the receipt of Federal Aid to address the COVID-19 pandemic shall be deposited into the fund; and
- ➔ It is important to note that the surplus of sales tax revenues we are forecasting for 2021 will not impact the overall results of the County's three primary operating funds. As revenues in excess of the budget will be transferred into the special revenue fund and used for specific purposes as designated in Local Law 12-2020, they will not contribute to end-of-year fund balance in the County's primary operating funds.

To the extent that sale tax revenue outperforms the 2021 Adopted Budget, in 2020, the County established a special revenue fund to use such excess 2021 sales tax revenues over budget for the following specific purposes, to fund:

- ➔ tax certiorari settlements and judgments;
- ➔ principal and interest payments on debt issued in 2021 or later to pay tax certiorari settlements and judgments;
- ➔ claims against the County by the Nassau Health Care Corporation;
- ➔ claims relating to the Fair Labor Standards Act;
- ➔ expenses due to loss of budgeted State Aid; and
- ➔ unbudgeted COVID-19 response costs in the event that no Federal COVID-19 assistance funds remain available.

In summary, over the next few years, there is the possibility that the County will have over \$761 million in additional funds, generated by the estimated 2021 sales tax surplus, 2021 budgetary surplus and the 2021-2022 ARPA funding. With the right investments, these funds could improve the lives of our residents, boost our local economy, and make significant progress towards the County's long-term financial stability. Sometimes in crises, there is an element of opportunity, and we are at such a moment. As detailed in *Guiding Principles: Making Smart Investment with Stimulus Funding* report our Office recently issued, we must approach this moment responsibly.