NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Review of the Fiscal Year 2023 Budget & Multi-Year Plan

Executive Summary

Maurice Chalmers, Director

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Inter-Departmental Memo

To: Hon. Richard Nicolello, Presiding Officer
Hon. Kevan Abrahams, Minority Leader
All Members of the Nassau County Legislature

From: Maurice Chalmers, Director
Office of Legislative Budget Review

Date: October 5, 2022

Re: Executive Summary

Pursuant to §183 of the Nassau County Charter, the Office of Legislative Budget Review has prepared a preliminary analysis of the County Executive's proposed operating budget for Fiscal Year 2023 and Multi-Year Plan. Our report is made up of two parts: the enclosed Executive Summary and a Departmental Analysis.

I would like to thank the County Executive's financial team for their cooperation during this process. As always, my staff and I remain ready to provide whatever assistance the Legislature may require during the budget process. This document will be made available to your constituents at https://www.nassaucountyny.gov/2384/Budget-Documents.

1. EXECUTIVE SUMMARY

Introduction

Pursuant to the County Charter, the Administration submitted its FY 23 Proposed Budget on September 15, 2022. Since 2011, the Nassau Interim Finance Authority (NIFA) according to its statute in §3669 imposed a control period upon determining that there was a substantial likelihood and imminence of a Major Operating Funds deficit of one percent or more. Although the County has ended in a surplus for the past three consecutive years, to date, the control period is still in effect. Furthermore, current projections from all monitors, including NIFA, estimate FY 22 will more than likely end in a surplus.

The prior year budget contained a Major Funds property tax decrease of approximately $70.0 million. The Adopted FY 22 Multi Year Plan (MYP) had anticipated a partial reinstatement of the cut; however, based on the actual financial results and current projections, the Administration subsequently removed the increase in the updated MYP submitted to NIFA in July of FY 22. The Proposed FY 23 Budget contains no property tax increases and retains the same amount throughout all the years of the MYP.

In addition, the FY 23 Proposed Budget pays off the remaining outstanding pension amortization of approximately $34.3 million. Eliminating this outstanding debt will put the County in firmer fiscal footing and provide financial flexibility in the out-years by removing the debt and payments that would have been due. Furthermore, the Proposed FY 23 Budget includes $25.0 million in contingency reserve that can be used should a need arise. The budget adds many positions in the Public Safety area. Some departments with additional staffing include the Police Department, Fire Commission, Public Works, the Correctional Center and the District Attorney; more details are provided in the Labor section of this report. The Proposed FY 23 Budget also identifies funding of approximately $87.2 million which has been earmarked for possible Collective Bargaining Agreements (CBAs) with unions.

Albeit, the FY 23 Proposed Budget takes place in an environment of economic uncertainties and the Administration will need to be measured in its approach to the budget and avoid cost overruns. The U.S. Bureau of Labor Statistics released its report indicating that consumer prices rose 8.3% in August, which is slightly down from the 9.1% inflation rate from June. In addition, the economy had a first quarter negative Gross Domestic Product (GDP) growth of -1.6%. The advanced estimate for the second quarter GDP was -0.9%, then revised to -0.6% late August of this year, which still signals a recession. The U.S. Department of Commerce reaffirmed the negative -0.6% economic contraction on September 29, 2022. The definition of a recession has traditionally been two consecutive negative quarters of GDP growth, and that risk is now real. County finances rely on many revenue sources that are sensitive to economic trends and this needs to be at the forefront of Policy decisions.

The largest revenue source for the County is Sales Tax. The Administration, in drafting the budget, explained that to arrive at the FY 23 Proposed Budget it adjusted the FY 22 base projection to capture gasoline taxes and current year anticipated deferrals. The projections were then increased by **1.8%**. The Multi Year Plan (MYP) contains a 2.0% growth in FY 24 and FY 25, and 2.5% growth in FY 26. This is illustrated in Table 1.0 on the next page:

Table 1.0: Sales Tax Calculation

2022 Adjusted	2023 Budget without Deferrals	2024 Budget without deferrals	2025 Budget without deferrals	2026 Budget without deferrals
$1,479.4	$1,506.0	$1,536.1	$1,566.8	$1,606.0
	1.8%	2.0%	2.0%	2.5%
*OMB's Calculations and Proposed Budget and Plan				

Since the County has experienced current growth rates that have exceeded the economic forecasts, OLBR believes that it is crucial to capture the actual collections as a starting base, then grow the remaining checks in FY 22 by a percentage. The year-to-date growth rate for the County through the September 12, 2022 check is 8.6%. Using this methodology and growing the FY 22 remaining checks by 3.0%, sales tax collections would exceed the FY 23 proposed sales tax budget, meaning that no growth would be necessary. The lower budgeted amount for FY 23 does offer some flexibility for the Administration to recover should the percent growth plummet for the remainder of the year. At the same time, should the growth rate continue to outperform projections, there will be a significant opportunity.

Although smaller than current trends, recent economic forecasts and indicators point to a continued positive economic growth for Nassau County in FY 23 and FY 24. A survey of current U.S. Gross Domestic Product (GDP) forecast reveals that the U.S. economy is expected to grow 0.5% on average in FY 23 and 1.8% in FY 24. Moody's who calculates a more regional Gross **County** Product (GCP) has a higher estimate of **2.6%** in FY 23 and 2.5% in FY 24. Table 1.1 below displays the current economic forecasts:

Table 1.1: Survey of Current US & Nassau GDP Forecasts

Current Real US GDP 2022 - 2024 Forecasts, Aug. - Sept. 2022			
	2022	**2023**	**2024**
Fannie Mae	0.0%	-0.4%	
Mortgage Bankers Association	0.3%	1.4%	1.5%
Federal Reserve Bank - Phil.	1.6%	1.3%	2.3%
The Conference Board	1.3%	0.2%	
Wells Fargo	1.9%	-0.2%	1.7%
Average US GDP Forecast	**1.0%**	**0.5%**	**1.8%**
Moody's 7-22 Nassau GCP Forecast	**3.0%**	**2.6%**	**2.5%**

The FY 23 Proposed sales tax Budget can create a challenge for policy makers who may be contemplating changes to the budget now without having to wait for future surpluses. Any change will be a **Policy** decision. In making any decision, Policy makers need to also consider that the County has received communication from the New York State Association of Counties (NYSAC) warning that there will be a reconciliation in the next quarterly checks that are likely to decrease the percent growth. The communication states that: "The sales tax cash payments counties receive in October (on the 6th & 12th) will include the quarterly reconciliation for sales tax activity occurring in the June-July-September sales tax quarter. The cash payments received by counties for this quarter so far (pre-reconciliation) likely reflect an overstatement of true sales tax activity for this period." Understanding the realities and cognizant of the issues/decisions facing the Legislature, OLBR has estimated how the projected revenue would be impacted at different growth rate assumptions in FY 23, beginning with a 3.0% growth rate on remaining checks for FY 22:

Table 1.2: Scenarios at Different Growth rates

FY 22 Projected Base @ 3.0% on Remaining Checks	$1,539.3
2023 Growth Rate Scenarios	Surplus (millions)
0.0%	$12.0
0.5%	19.7
1.0%	27.4
1.5%	35.1
2.0%	42.8
2.5%	50.5

In recent months, there has been many questions about the overall financial strength of the County. In May of 2022, the County received two bond rating upgrades (Moody's and S&P) which put the County in a more favorable position should it need to borrow money. Based on the FY 21 results, the County was able to establish/replenish many reserves which will allow it to mitigate a potential economic downturn without having a devastating effect on County finances. The table below, illustrates some strategic reserves that were reported by year-end 2021 and were available to the County:

Table 1.3: Key/Strategic Reserves

2021 Key Year-End Balance Status (Budgetary Basis in millions)	2020 YE Balance	2021 YE Balance	2021 vs. 2020
Litigation Fund	29.6	99.7	70.0
Retirement Contribution Fund	0.1	30.1	30.0
Bonded Indebtedness Fund	0.0	20.0	20.0
SRF Excess Sales Tax	0.0	362.2	362.2
Opioid Litigation Settlement	0.0	55.9	55.9
Total :	**29.7**	**567.8**	**538.1**

** Does not include American Rescue Plan Act (ARPA) Funds.

As illustrated above, the largest of the reserves was $362.2 million funding in the Special Revenue Fund. However, there are other transfers to various reserves, illustrated above, as well as the funds from the Opioid Settlement. Some of these balances have changed since the official year-end report, which was based on the Annual Comprehensive Financial Report (ACFR) and will continue to change daily based on activity. As of month end August 2022, the balance in the Litigation Fund was $384.8 million, the Retirement Contribution Fund was $30.1 million, the Bonded Indebtedness was $20.0 million; most of the Special Revenue Fund Excess Sales Tax was moved to the Litigation Fund which now has a $0.0 balance and the Opioid Litigation Settlement Fund currently has a $70.4 million balance.

Furthermore, and not reflected above or captured in the Proposed FY 23 Budget, is the American Rescue Plan Act (ARPA) Fund which the County has now received the second half in FY 22. These funds are partially committed and as of September 14, 2022 the County had only spent $57.7 million of the $186.6 million appropriated but collected the entire $385.0 million. The rules on the usage of these funds have been relaxed to offer even more flexibility to the Administration. Also, total DAF available cash equity balance as of month end August 2022 that can be used for tax cert refunding of class 4 properties was $179.3 million.

The availability of these reserves coupled with a projected surplus for FY 22 are affording the Administration great flexibility to adjust and face challenges at least in the near future, thus making the Proposed FY 23 Budget very manageable. The County has tackled and successfully decreased outstanding liabilities, and this continues in the proposed budget. However, OLBR agrees with warnings that the out-years, beyond FY 24, will be more challenging which makes it that more important to contain costs and enhance revenues where possible.

As previously stated, the County is likely to end FY 22 with a projected surplus, adding to a strong fiscal standing. However, some of the financial flexibility currently available will be eroded compared to the FY 23 budget as more resources will be earmarked for specific expenses, such as debt service. Although the Proposed FY 23 Budget accounts for the increased expenses, the table below illustrates how throughout the MYP, more resources will be needed beginning with a large increase in FY 23.

Table 1.4: Budget Impact of Debt Service in MYP

Object	2022 Budget	FY 2023	FY 2024	FY 2025	FY 2026
FF - Interest	91,421,096	97,249,332	98,363,994	103,696,038	110,483,563
GG - Principal	32,470,001	117,695,000	132,460,000	101,575,000	110,315,000
NIFA Set-Asides / Exp of Loans	57,359,852	98,297,953	104,469,083	125,693,295	113,611,767
EXP Total:	181,250,949	313,242,285	335,293,076	330,964,332	334,410,330
Difference from Prior Year		**131,991,336**	**22,050,791**	**(4,328,744)**	**3,445,997**

The Administration explains the "Debt Service in FY 23 has returned to a more normal baseline as the NIFA refunding provided only minimal debt service savings in FY 23". This is illustrated in the table below:

Table 1.5: Historical Debt Service Expenses

Debt Service Expenses	2018	2019	2020	2021	July 22 Proj	FY 23 Proposed
Total By Year:	381.1	380.6	319.7	148.7	181.3	313.2

However, when NIFA completed the refinancing/restructuring of outstanding debt, it focused on maximizing the savings in the earlier years with the cost being pushed to the out-years. This was a Policy decision which was viewed as providing the County great cash flexibility in the first three years to handle the fallout from the Coronavirus pandemic. However, this will eventually place a heavy burden on County finances in the future years. In the past, the Control Board required that savings be equally distributed during the term of the borrowing and would not allow the front loading of the savings, however, this was seen as extenuating circumstances. To understand the impact of that decision, OLBR asked OMB to run the hypothetical scenario with the savings being equally distributed. The graph OLBR received is shared on the next page:

Table 1.6: Illustration of Debt Service Savings/Costs Based on Different Methodologies

Appendix D: Savings Resulting from 2021AB Restructuring

Year	Savings per PFM	Savings when equally distributed (OMB)*	Difference
2020			
2021	287,963,515	28,468,884	(259,494,631)
2022	199,008,056	17,785,049	(181,223,007)
2023	10,459,167	8,069,922	(2,389,245)
2024	1,673,611	6,671,973	4,998,362
2025	(28,367,707)	7,315,497	35,683,204
2026	(40,569,927)	5,715,809	46,285,736
2027	(40,574,435)	6,519,236	47,093,671
2028	(40,576,995)	7,388,054	47,965,049
2029	(40,584,395)	7,764,189	48,348,584
2030	(40,586,537)	6,388,309	46,974,846
2031	(40,640,451)	5,848,603	46,489,054
2032	(40,577,174)	5,735,581	46,312,755
2033	(40,580,614)	5,442,951	46,023,565
2034	(40,579,120)	4,664,744	45,243,864
2035	(40,581,657)	3,982,779	44,564,436
Total Savings	**64,885,337**	**127,761,580**	**62,876,243**
Total PV Savings	**117,485,764**	**125,485,805**	**8,000,041**

*OMB: Assumes proportional savings such that annual savings are a relatively level percentage of refunded debt service.

As illustrated in the table above, the County did save approximately $64.9 million in total from the refinancing but, could have realized almost twice the savings or $127.8 million had the restructuring/refinancing savings been equally distributed. Even on a Present Value (PV) basis the savings would have been greater. The additional debt service increase will put a strain on out-year finances.

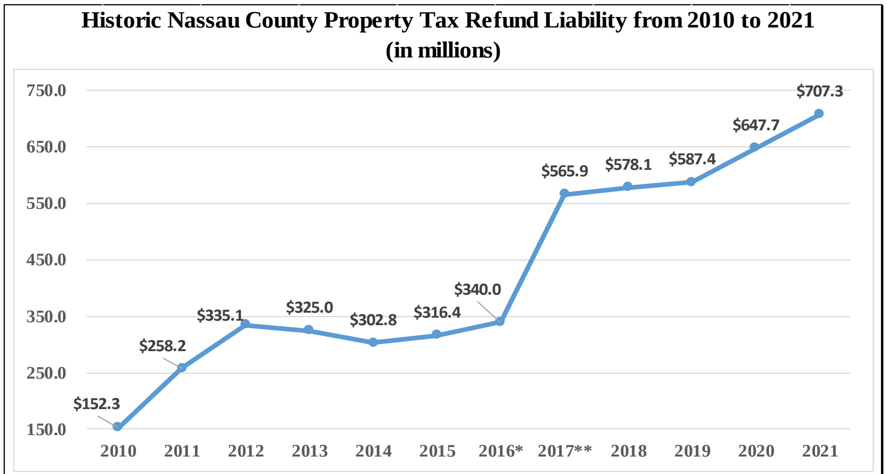
The proposed budget includes no property tax increase. Below is a breakdown of the tax levy by funds:

Table 1.7: Proposed Property Tax Levy by Fund

Property Tax Levy				
Fund	**2022 Adopted**	**2023 Proposed**	**Difference 2022 vs 2023**	**% of FY 22 Total Levy**
Fire Commission	22,254,372	202,676	(22,051,696)	0.0%
General	2,000,000	2,000,000	0	0.3%
Police District	409,795,032	477,953,756	68,158,724	63.3%
Police Headquarters	321,213,733	275,106,705	(46,107,028)	36.4%
Subtotal Major Funds	**$755,263,137**	**$755,263,137**	**$0**	**100.00%**
Sewers (SFA)	154,559,286	154,559,286	0	
Total Major Funds & Sewers	**$909,822,423**	**$909,822,423**	**$0**	
Environmental Bond	9,578,805	8,211,443	(1,367,362)	
College	52,206,883	52,206,883	0	
Grand Total	**$971,608,111**	**$970,240,749**	**($1,367,362)**	

As of December 31, 2021, the County's estimated outstanding property tax liability was $707.3 million which represented a significant increase of 9.2% from the estimated prior year liability of $647.7 million. The increase from 2016 to 2017 was due to the recognition in County reporting of an additional $220.3 million in class 3 liability. Chart 1.0 below illustrates the historical ARC estimated backlog:

Chart 1.0: Tax Certiorari Backlog



Source: Nassau County Assessment Review Commission
*2016 Actual includes a $2.75 million journal entry auditor accrual.
**2017 Includes additional Class 3.

The backlog is another area where the County is expected to make significant progress in decreasing the outstanding liability by settling the utility cases. Class 3 liability was estimated to be approximately $259.8 million of the backlog. Once the year closes for FY 22, it is expected that the liability will decrease significantly. Table 1.8 below breaks down the liability by class as of fiscal year-end 2021:

Table 1.8: Backlog by Class

Annual Nassau County Property Tax Refund Liability by Class

	2020	2021	$ Change	% Change
Class 1	32.5	59.5	27.0	82.9%
Class 2	44.0	59.5	15.4	35.0%
Class 3	249.1	259.8	10.7	4.3%
Class 4	322.0	328.5	6.5	2.0%
Total	**647.7**	**707.3**	**59.6**	**9.2%**

Source: Assessment Review Commission

The Proposed FY 23 Budget contains $30.0 million for suits & damages in the Assessment Department and the County plans to levy $40.0 million in Disputed Assessment Fund (DAF) charges for a total of $70.0 million to pay for tax certiorari expenses. Additionally, the Office of Management and Budget (OMB) includes $45.0 million for other suits and damages in their budget.

Table 1.9 on the next page shows the expense and revenue components for the Sewer & Storm Water Resource District:

Table 1.9: Sewer & Storm Water Resource District Highlight (SSW)

Sewer & Storm Water Resource District			
Expense	**FY 22 NIFA Approved Budget**	**FY 23 Executive Budget**	**FY23 vs FY22**
Salaries	$8,259,717	$8,425,493	$165,776
Fringe Benefits	12,189,615	7,539,363	(4,650,252)
Equipment	10,000	10,000	0
General Expenses	1,290,910	1,724,830	433,920
Contractual Services	73,303,650	75,052,848	1,749,198
Utility Costs	8,414,725	9,020,793	606,068
Interest	3,557,387	7,526,883	3,969,496
Principal	10,442,613	10,650,151	207,538
Interfund Charges	40,057,885	43,681,622	3,623,737
Other Expense	5,358,500	358,500	(5,000,000)
	$162,885,002	**$163,990,483**	**$1,105,481**
Revenue			
Fund Balance	$12,922,402	$13,935,459	$1,013,057
Permits & Licenses	750,000	750,000	$0
Invest Income	80,000	105,000	$25,000
Rents & Recoveries	2,999,826	3,000,000	$174
Dept Revenues	1,253,000	1,253,000	$0
Fed Aid-Reimb of Exp	0	0	$0
Interfund Transfers	144,879,774	144,947,024	$67,250
	$162,885,002	**$163,990,483**	**$1,105,481**

The biggest highlight in the Sewer & Storm Water Resource District is the planned use of $13.9 million in fund balance in order to keep the Sewer Fund in balance. On the expense side, interest expenses are going up due to the amortization of debt; Interfund expenses include $3.6 million more for capital debt charges. In other expenses, the FY 23 Proposed Budget includes $5.0 million less in suits and damages expense. The FY 22 budget for fringe benefits included pension prepayment expenses that were removed in FY 23, thus the decreased fringe expense.

<u>Budget Risks</u>

A review of the FY 23 Proposed Budget reveals that opportunities more than offset any identified risks, making the budget manageable. The recent economic news indicate that the economy may be headed into a recession and the impact / outcome can’t be forecast with accuracy. The County sales tax growth has been resilient and outperformed economists’ forecasts. Should that trend continue, this will provide a large opportunity to the County and place it in a favorable situation to overcome a possible downturn in the economy. In addition, there are other opportunities available to the Administration, although not captured in the budget, that can be used as further offsets should there be a need for it.

OLBR has preliminarily identified approximately **$79.5** million of risks in the Proposed FY 23 Budget for the Major Funds which are offset by **$84.9** million in opportunities for a net opportunity of **$5.5** million. The table below also lists possible offsets that can be available to the Administration. These offsets add up to **$335.6** million which far surpasses possible challenges to the budget. A discussion of the items follows the table:

Table 1.10: Major Funds Risks (millions)

2023

Risks (in millions)	
Items	OLBR Surplus/Risk
Overtime	$27.2
TPVA Fines	24.6
Cash Recoveries	5.0
Annual Survey of Income & Expense	5.0
Coliseum Rental	3.6
Recipient Grants / Entitlements	3.5
Sale of County Property	3.5
Bus Stop Arm Camera	3.0
Boot & Tow	3.0
Public Safety Fee	1.0
Total Risks	**$79.5**
Opportunities (in millions)	
Contingency Reserve Funding	25.0
Fringe Benefits	29.2
Vacancy Value (Half Value)	11.0
Sales tax 0.5% in FY 23 on top of base FY 22 Growth	19.7
Total Opportunities	**$84.9**
Net Opportunity	**$5.5**
Other Possible Offsets	
ARPA Unappropriated Funds	198.4
Funds Earmarked for Labor Contracts	87.2
Projected FY 22 Surplus to Reserves	50.0
Total Of Possibilities	**335.6**

The overtime risk is based on current trends and projections compared to the FY 23 Proposed Budget. The most aggressive decrease is budgeted in the Correctional Center. The Administration believes it can achieve those savings based on past history and strategies it plans to implement. The Police Department has access to Grant and Asset Forfeiture funds that can be utilized to mitigate the impact to the Major Funds. Although there has been a recent downward usage of PD overtime it is unproven if this will continue.

The Traffic and Parking Violations Agency (TPVA) has been severely impacted by the recent pandemic and this revenue source has not fully recovered. Although the year-to-year budget variance has not changed much, the Administration is currently projecting an $18.0 million deficit in TPVA revenue. The OLBR projection is currently a $24.6 million exposure to the budget. As more data becomes available and revenues are recorded in the financial system, OLBR will adjust accordingly.

The cash recovery line which according to the Administration represents capital project close out cash, has been reduced in the Proposed FY 23 Budget to $5.0 million and is seen as a risk based on recent trends.

In FY 23, revenues from the Annual Survey of Income and Expense law (ASIE) are decreasing to $5.0 million. These are penalties to be collected for non-compliance in submitting the ASIE forms. Due to ongoing litigation, this is a risk. However, if this is settled in favor of the County, there can be a significant opportunity.

The County has been collecting revenues from the Coliseum, however with the opening of the UBS arena in Elmont, and on-going plans/talks to transform the area which may or may not include an arena, it is unclear what the future holds.

During the pandemic, recipient grant expenses have decreased, and the proposed budget reduces the costs by $3.5 million from the prior year budget. However, cases have been on the rise lately and with the impending recession, there is a possibility that this expense will surpass the budget.

The sales of County properties is a long and tedious process that sometime comes to fruition but can fall short of expectations.

The School Bus Stop Arm Camera and the Boot and Tow initiatives are both budgeted in TPVA and were flagged for a total of $6.0 million in risks. The School Bus Stop Arm Camera is a program initiative that the Administration has recently been negotiating with the towns on how best to implement it. There seems to be progress on how it will be done, however those efforts have not been discussed or presented to the Legislature. The boot and tow fee budget is another TPVA program for which no specific implementation details are available.

The Public Safety fee is another area directly impacted by the lower trends in fines and is seen as a $1.0 million risk.

The Contingency reserve is included in the proposed budget for $25.0 million and is seen as an opportunity. Similarly, a review of the FY 23 fringe benefits reveals an opportunity of $29.2 million based on budgeted headcount and rates.

Based on current low headcount and continued attrition it is anticipated that many positions will be added/refilled but some may remain open, ending in approximately $11.0 million or half of the value of the vacancies being an opportunity.

Lastly, sales tax has outperformed all GCP estimates and should this trend continue, there will be a significant opportunity for the County.

As illustrated in the Risks and Opportunities Table 1.10, there are many options that are available to the County to overcome a possible downturn in the economy which far outweigh possible risks. The ARPA funds have been received by the County and a plan will have to be drawn and presented to the Legislature for approval. However, these funds are currently in the County's possession.

The County has endeavored to enter into labor agreements with the remaining unions that don't have collective bargaining agreements in place. However, both the PBA and COBA, have recently rejected their proposed agreements and any unused portion of this appropriation will become an opportunity. In addition, the current year budget projections include an estimated transfer of $50.0 million to reserves, which will probably grow by multiples based on FY 22 revised projections.

Conclusion

Although there is now a very real threat of an impending recession based on the latest confirmation by the U.S. Commerce Department of a second quarter GDP negative growth, County finances remain on an upward momentum. Many revenues are sensitive to economic trends and the Administration will need to remain vigilant and take a measured approach to costs overruns and enhance revenues where possible. The County has successfully reduced outstanding liabilities and in May of this year, received two bond rating upgrades (Moody's and S&P), which put the County in a more favorable position should it need to borrow money.

The proposed budget is mainly a breakeven budget in addition to the availability of many reserves and other funds that the County can access. However, looking forward, past FY 23, the County will face increased costs, such as rising debt service, that will place a heavy burden on County finances. This makes it even more important to be strategic in managing the current reserves and the expected FY 22 surplus.

Proposed Expense Budget

The FY 23 Proposed Expense Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, sales tax transfers, interdepartmental charges and debt service chargebacks, is $3.3 billion, a $166.3 million increase in expenses. A breakdown of the budget categories reveals that debt service and salaries have the largest increases. Table 1.11 below shows the budget to budget variances by category:

Table 1.11: Major Funds' Expenses FY 22 vs. FY 23
($'s in millions)

	FY 22 NIFA Approved	FY 23 Proposed	Variance
Expenses			
Salaries	$934.9	$989.9	$55.0
Fringe Benefits	775.3	679.4	(95.8)
Workers Compensation	34.8	37.2	2.4
OTPS	349.8	377.5	27.6
Utilities	36.0	38.5	2.4
Transportation	46.8	50.9	4.1
Government Assistance	84.8	91.1	6.4
Interfund Charges	23.0	21.6	(1.4)
Direct Assistance	182.5	181.1	(1.4)
Early Intervention/Special Ed	144.8	150.0	5.2
Medicaid	236.5	240.1	3.6
Debt Service (Incl NIFA Set Aside)	181.3	313.2	132.0
Contingency Reserve	0.0	25.0	25.0
Other Expenses	129.9	131.3	1.4
NIFA Expense	2.3	2.1	(0.3)
Total Expenses[1]	**$3,162.7**	**$3,328.9**	**$166.3**

1. Excludes sales tax transfers, interdepartmental charges and debt service chargebacks

Salaries are increasing by $55.0 million from the prior year budget. This rise results mostly from an increase in cost of living adjustments (COLA) for the two unions with active labor contracts, additional budgeted headcount, a rise in termination pay and funding for anticipated labor agreements with the unions that don't currently have contracts in place (COBA, CSEA and PBA). It was prudent to earmark an amount in the FY 23 Proposed Budget for possible labor negotiations and the budget includes roughly $87.2 million or approximately $38.0 million more than last year, set aside for this purpose. Meanwhile, the increase in the FY 23 headcount includes funding for new hires mostly within the Public Safety departments, such as the Police Department, Fire Commission, Correctional Center, Probation, Medical Examiner and District Attorney. The value of the funded but vacant positions, has been estimated to be approximately $22.0 million. The growth in the salary line would have been greater; but is partially offset by a decrease of $7.4 million in overtime, most of which is concentrated in the Correctional Center.

In Fringes, the FY 23 Proposed Budget includes funding to pay off the remaining outstanding pension liability from the deferral of prior year pension expenses. In FY 22 not only did the County stop this practice of deferring the expenses, the County made the prudent decision to pay off most of the outstanding liability. Of the total outstanding liability in FY 22, approximately $122.9 million was paid off last year, and roughly $34.3 million has been estimated to remain outstanding.

The FY 23 Proposed Fringe Benefit budget for the Major Funds of $679.4 million represents a significant decrease of $95.8 million from the FY 22 NIFA Approved Budget. The FY 22 budget included $153.9 million for the repayments of previously amortized pension payments as a one-time expense. The Proposed FY 23 Budget has $123.6 million less for that specific expense. The overall fringe benefit decrease is being partially offset by significant increases for health insurance and social security expenses.

The Other Than Personal Services (OTPS) rollup shows an increase of $27.6 million. This consists of a nominal increase of $0.9 million in equipment, $5.9 million in general expenses and a much larger increase in contractual services of $20.8 million. Below is a breakdown of the different components:

Table 1.12: OTPS

OTPS	FY 22 Approved	FY 23 Proposed	Difference
Equipment	$5.9	$6.9	**$0.9**
General Expenses	43.7	49.6	**5.9**
Contractual Services	300.2	321.0	**20.8**
	$349.8	**$377.5**	**$27.6**

The largest OTPS increase is from contractual services. This includes additional contractual funding of $15.1 million in the Department of Public Works (DPW) and $5.0 million in the Police Department.

- In DPW, the expenses for the Nassau Inter County Express (NICE) bus system are increasing by $13.9 million. The added cost is deemed necessary not only to maintain the current level of service but possibly study and reinstate routes that had been cut/reduced in the past.
- In Police, miscellaneous contracts are increasing $4.5 million for Police reform measures. In addition, the radio & communications line is increasing by $0.8 million.

General expenses will increase by $5.9 million year-over-year. The Police Department has $1.4 million more for gasoline costs and $0.4 million more for information technology. The Department of Human Services increased the court remand expenses by $1.1 million. Finally, DPW budgeted $0.3 million more for gasoline and $0.6 million extra in Grainger expenses.

The rise in Debt service makes up 79.4% of the expense increase in Table 1.11 on the previous page. The Administration explains the "Debt Service in FY 23 has returned to a more normal baseline as the NIFA refunding provided only minimal debt service savings in FY 23". As illustrated before in this report, the refinancing/restructuring that was done by NIFA was designed to provide the savings at the beginning of the term of the deal with the ensuing years showing an increase in costs. It was believed at that time that this was needed to deal with the negative impact from the COVID-19 pandemic.

Proposed Revenue Budget

The FY 23 Proposed Revenue Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interfund, interdepartmental charges and debt service chargebacks, is $3.3 billion, a $166.3 million increase from the prior year budget. Table 1.13 below shows the revenue sources from a year to year budget perspective and the corresponding variances:

Table 1.13: Major Funds Revenue FY 22 vs. FY 23
($'s in millions)

	FY 22 NIFA Approved	FY 23 Proposed	Variance
Revenues			
Fund Balance	$0	$0	$0
Department Revenues	245.3	222.1	(23.2)
Fines & Forfeits	106.5	106.1	(0.4)
Non-Tax Sources	269.0	264.1	(4.9)
Federal Aid	156.8	161.1	4.4
State Aid	225.1	261.5	36.4
Sales Tax	1,375.0	1,527.3	152.3
Property Tax	755.3	755.3	0.0
Other Taxes	29.8	31.4	1.6
Total Revenues[1]	**$3,162.7**	**$3,328.9**	**$166.3**

1. Excludes interfund, interdepartmental revenue & debt service chargebacks

The FY 23 Proposed Budget increases revenues compared to the prior year budget. Sales tax, state and federal aid are increasing the most and are offset by loss revenues in department revenues and non-tax sources.

The Administration in drafting the Sales Tax budget explained that to arrive at the FY 23 Proposed Budget it adjusted the FY 22 base projection, then increased the projections by **1.8%** in FY 23. Year-to-date through the September 12 check, the actual growth rate for the County is 8.6%. If this positive trend continues, there can be a sizeable opportunity for the County which is illustrated in Table 1.2.

State aid grows by $36.4 million in the proposed budget. The largest increases are:

- In DPW with $26.1 million more in revenue, all coming from additional STOA grant funding related to NICE.
- In the Health department where $7.6 million more is expected from the reimbursement of expenses.

Department revenues show a decrease of $23.2 million year over year. This is a direct correlation with the current economic climate, and it is fiscally prudent to be more conservative in budgeting for many revenues that may not fully recover by FY 23. The departments with the highest revenue decreases include $11.4 million in the Clerk's department, $5.0 million less in the Assessment Department, $2.0 million less in the Health Department, $1.6 million less in DPW and $1.5 million less in Parks.

- With the current impending fallout of a recession and the many mortgage rate hikes, revenues in the Clerk's office, which are contingent on the number of instruments recorded at the office have experienced double-digit declines. As a result, the proposed budget has been lowered to $50.1 million which is $11.4 million less the prior year budget. This number is more in line with current trends.
- The Assessment Department budget lowers the revenue from the Annual Survey of Income and Expenses (ASIE) to $5.0 million which is all seen as a risk. In addition, the GIS tax map verification revenue remains flat and could have also been lowered to better reflect the current economic climate, like the Clerk fees.
- In Parks, the FY 23 Proposed Budget decreases departmental revenues by $1.5 million, mainly due to the removal of $2.8 million from cabana rentals partially offset by an additional $0.5 million in concession revenue and $0.9 million more from golf revenues.
- In DPW, the NICE Bus fare box revenue has been lowered by $ 1.4 million.
- In the Health Department, Medicaid fees for Early Intervention and Preschool decreased by a combined $2.0 million.

The Non-Tax revenues include many object codes rolled up in this category. Many of the object codes have differences and the major changes will be analyzed separately. Table 1.14 below illustrates the different components of this category:

Table 1.14: Non-Tax Sources Revenue Breakdown

	FY 22 Budget	FY 23 Proposed	Difference
Int Penalty On Tax	$34.8	$34.8	($0.0)
Permits & Licenses	18.4	18.4	0.1
Invest Income	2.3	6.1	3.8
Rents & Recoveries	41.4	33.9	(7.5)
Revenue Offset To Expense	20.5	20.5	(0.0)
Payment In Lieu Of Taxes	55.2	53.4	(1.8)
Capital Resources For Debt	1.5	1.1	(0.4)
OTB Profits	20.0	20.0	-
Interfund Charges Rev	74.9	75.9	1.0
Total:	**$269.0**	**$264.1**	**($4.9)**

- The FY 23 Proposed Budget for Rents & Recoveries was lowered by $7.5 million in the Budget Office which is made up of $5.0 million less in budgeted cash recoveries and $1.5 million less in anticipated disencumbrances. Similarly, DPW lowered the revenue from the sale of County properties by $ 2.1 million.

Multi-Year Plan (MYP)

Table 1.15 below details the Administration's projected expenditures and revenues through FY 26. Although the Proposed MYP by the Administration does not show any deficits in the out-years, the Administration still listed actions that could have positive effects on the budget.

Table 1.15: Multi-Year Plan Projections (Major Funds)

($'s in millions)

	2023 Proposed	2024 Plan	2025 Plan	2026 Plan
Expenses				
Salaries	$989.9	$980.2	$1,015.2	$1,040.5
Fringe Benefits	679.4	675.6	709.0	734.0
Workers Compensation	37.2	37.2	37.2	36.5
OTPS	377.5	380.6	383.8	387.0
Utilities	38.5	37.9	37.9	37.9
Transportation	50.9	51.8	52.7	53.6
Government Assistance	91.1	91.6	93.4	95.7
Interfund Charges	21.6	21.3	20.9	20.6
Direct Assistance	181.1	181.6	182.1	182.1
Early Intervention/Special Ed	150.0	151.3	152.5	153.8
Medicaid	240.1	244.4	240.1	240.1
Debt Service (Incl NIFA Set Aside)	313.2	335.3	331.0	334.4
Contingency Reserve	25.0	35.0	0.0	0.0
Other Expenses	131.3	132.1	128.0	123.9
NIFA Expense	2.1	2.7	2.3	2.8
Total Expenses[1]	**$3,328.9**	**$3,358.5**	**$3,386.1**	**$3,442.8**

1. Excludes sales tax transfers, interdepartmental charges and debt service chargebacks

	2023 Proposed	2024 Plan	2025 Plan	2026 Plan
Revenues				
Fund Balance	$0	$0	$0	$0
Department Revenues	222.1	231.8	245.6	245.6
Fines & Forfeits	106.1	106.1	106.1	106.1
Non-Tax Sources	264.1	273.5	277.6	293.1
Federal Aid	161.1	144.5	144.4	144.2
State Aid	261.5	262.0	262.7	263.3
Sales Tax	1,527.3	1,556.8	1,566.8	1,606.0
Property Tax	755.3	755.3	755.3	755.3
Other Taxes	31.4	31.4	31.4	31.4
Total Revenues[1]	**$3,328.9**	**$3,361.5**	**$3,389.8**	**$3,445.0**

1. Excludes interfund, interdepartmental revenue & debt service chargebacks

Surplus/Gap Projections	**($0.0)**	**$3.0**	**$3.8**	**$2.2**

Over the course of this MYP, total expenses are projected to grow by 3.4% while revenues increase at a rate of 3.5%. There are many uncertainties that can severely affect the proposed MYP. The economy has been improving, however, there is a pending threat of a recession and its impact can't be determined with accuracy. The Administration has proposed a MYP with no out-year gaps and therefore did not include a gap closing plan. Total expenses are growing by approximately $113.9 million while revenues in the plan are increasing by $116.0 million. It will be challenging for the Administration to avoid cost overruns while revenues increase concurrently.

- Salaries and wages will increase by $50.6 million, from a proposed budget of $989.9 million in FY 23 to $1,040.5 million in FY 26. The MYP does assume having new CBAs with all unions in the out-years, the terms of which may impact the MYP. Negotiations are still ongoing with some unions and the exact terms are not yet known.
- Fringe benefits will increase by $54.5 million, or 8.0%, from the $679.4 million in the FY 23 Proposed Budget to $734.0 million in FY 26.
  - Health insurance expenses for active and retired employees from FY 23 to FY 26 are projected to increase by $64.2 million to $433.1 million. Like FY 23, there is a potential surplus of roughly $15.0 million to $18.0 million annually in the out-years for health insurance.
  - The MYP baseline inflator used to project out-year health insurance costs for both active employees and retirees is a recurring 6.0% from FY 24 through FY 25 and 4.5% in FY 26.

    The MYP growth rate appears sufficient compared to the historic five-year average of roughly 5.0% for active employees. The rate is conservative, based on the historic five-year average composite for Medicare eligible retirees, which is a decline of -2.7%.
  - Pension costs for ERS and PFRS are increasing by $2.2 million in FY 24, $8.0 million in FY 25 and by $4.1 million in FY 26. Since both pension contribution rates and salaries are projected to increase in the out-years, the rise appears reasonable to capture the growth. After FY 23, there is no remaining balance left from prior year pension deferrals, so there is no additional funding included in the (AB29F)/(AB29G) sub-object codes in the MYP.
  - The FY 23 Proposed Budget for social security is increasing annually by $1.4 million from FY 23 through FY 26, for a total rise of $4.2 million. Since social security is a function of salaries, and the MYP includes a rise of $50.6 million in the out-year wage expenses, this budget appears reasonable.
- The FY 23 sales tax budget is based on adjusted projections that were then increased by 1.8%. The MYP plan contains a 2.0% growth in FY 24 and FY 25, and 2.5% growth in FY 26. Compared to current actual growth rates, the percentages used by the Administration appear conservative.

Strategic Actions in MYP

The County's Fiscal 2023-2026 Multi-Year Financial Plan shows no gaps in the out-years. Yet, the MYP has identified areas that the Administration will focus on to maintain budget balance.

The MYP anticipates that most of the County's revenue sources will recover to pre-pandemic levels. Sales tax collections are outperforming the estimates and make up a large part of the increase in revenues which is needed to support County operations. The net amount remitted to the County will also grow since the State repealed the law that diverted sales tax to support Aid and Incentives to Municipalities (AIM) and Local Distressed Hospital Funding Pool payments. The MYP includes a contingency of $25.0 million in FY 23 and $35.0 million in FY 24.

eFMAP Reconciliations

Pursuant to the Affordable Care Act, the State reconciles the enhanced Federal Medical Assistance Percentage for the County share for certain single/childless couples on an annual basis. Reconciliations for SFY16-17 and beyond have not yet been released. The Administration estimates this revenue adjustment to be at least $31.0 million.

State Aid Mandated Cap

Nassau County pays vendors to provide preschool education for certain 0-5 year-olds in the County. The County submits a voucher to the State and obtains reimbursement for these services from the State. The current State reimbursement rate on most related expenses is 59.5%. The County portion of this mandated program has been growing with no control available to the County. The County anticipates increased reimbursement being provided to account for the cost to the County.

Building Consolidation

The County's past workforce reduction has opened possibilities for centralization and downsizing of office space. The County hopes to realize utility and maintenance savings from better consolidated space.

Efficiency Program

The Administration proposes to continue to seek opportunities for consolidation and realigning workforce levels to ensure that the County provides essential services for all Nassau County residents in an affordable manner.

Energy Reduction Initiative

The County is finalizing a Master Cost Recovery Agreement with NYPA that will allow the County to finance and realize savings from energy efficiency projects. This Shared Services program includes other local municipalities with the first phase focusing on street lighting improvements.

Economic Development

The County hopes for growth especially where communities are exploring redevelopment of downtown areas. The LIRR Third Track Expansion may also spur additional transit-oriented development along the Mineola-Hicksville corridor. While no specific projects can be discussed at this time, it is clear that upside potential exists.

2. LABOR

The Administration recently introduced a proposed Memorandum of Understanding (MOU) with the Correction Officers Benevolent Association (COBA) which represented a tentative labor agreement that extended through 2026, but the MOU was voted down by the membership. Prior to that proposed agreement, the Police Benevolent Association (PBA) membership had also voted down a proposed agreement with the prior Administration.

However, contrary to these failed labor contracts, in FY 20 the County entered into MOUs with the Police Detectives' Association (DAI) Inc. and the Superior Officers Association (SOA) Inc. Since the expiration of all the County's union contracts on December 31, 2017, these two unions are the only ones that now have active labor contracts. For SOA and DAI, the MOUs provide Cost of Living Adjustments (COLAs) of 2.0% on July 1, 2020 and July 1, 2021, 2.5% on July 1, 2022 and July 1, 2023, and 3.0% on July 1, 2024 and July 1, 2025.

In addition to the signed labor agreements with SOA and DAI, the County made progress in labor negotiations by entering into a Memorandum of Agreement (MOA) and a Stipulation of Settlement for disputed Longevity payments between the County and the Sheriff's Correction Officers Benevolent Association (COBA), Civil Service Employees Association, Inc. (CSEA), the Detectives Association Inc. (DAI), the Police Benevolent Association (PBA), and the Superior Officers Association (SOA). The agreement provided a longevity settlement which resolved a long-standing dispute between the County and unions for which longevity payments had remained frozen. The Administration explained that if the ongoing dispute was settled in favor of the unions, the cost to the County could have been significantly higher and would not have been discounted.

The Collective Bargaining Agreements (CBAs) with the Police Benevolent Association (PBA), the Correction Officers Benevolent Association (COBA) and the Civil Service Employees Association (CSEA) remain expired and to date no new agreements are in place. When the outstanding contracts are settled between the County and unions, these agreements will need to be evaluated within the limitations of the current year adopted budget and the projections to determine if the value can be absorbed.

The Proposed FY 23 Budget includes funding of approximately $87.2 million which has been earmarked in specific codes for possible Collective Bargaining Agreements (CBAs) with unions. The amounts represent a significant increase from the prior year adopted amounts and are reflected in the table below:

Table 2.0: Major Funds Funding

Payroll Adjustments	2022 Adopted	2023 Proposed
AAZRT - RETROACTIVE PAY	$24,582,013	$49,222,627
AAZRW - POLICE SWORN COLA	8,112,975	13,626,217
AAZRY - CSEA COLA	12,748,397	18,782,440
AAZZK - SHOA/COBA ADJUSTMENT	3,495,344	5,104,540
AAZZL - IPBA ADJUSTMENT	283,998	442,368
Total	**$49,222,727**	**$87,178,192**

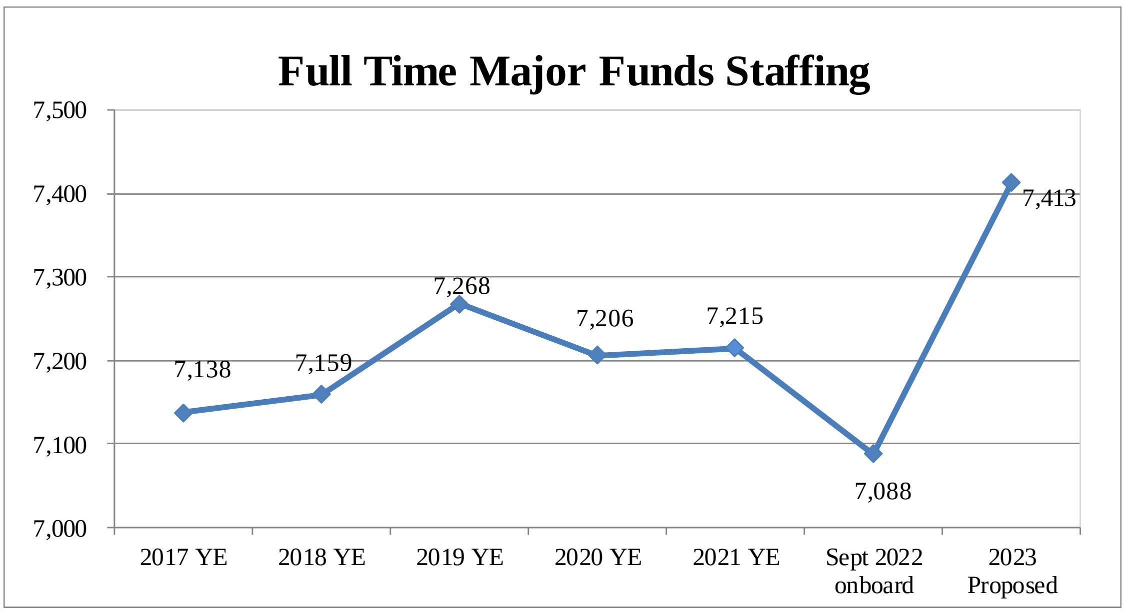
The $87.2 million appropriation identified above will be first used to absorb the cost of possible union agreements. In estimating the cost, the Administration explained that it modeled their estimate based on the expectation that any agreement will have similar terms to the CBAs with the DAI and SOA. Depending on the timing and final terms, the cost may differ from the amount anticipated above; however, it was fiscally prudent to include an amount in the FY 23 Proposed Budget. In addition, the total remaining value of the funded but vacant positions has been estimated to be approximately $22.0 million. This number will be reduced as the Administration hires employees.

Headcount is currently at historical lows as the County continues to benefit from prior workforce management efforts and has managed to keep these positions unfilled. The Proposed FY 23 Budget adds many positions, mainly in Public Safety. Budget to budget, the departments with additional resources include the Police Department full-time staffing increases of 44 positions, the Fire Commission increased by 15 positions, Public Works by 12 positions, the Correctional Center by 10 positions and the District Attorney by 9 positions.

The Proposed Budget funds 7,413 full-time positions in the Major Operating Funds (excluding Sewers) which compared to the September 2022 onboard headcount of 7,088 translates to 325 funded vacant positions.

Chart 2.0 below, illustrates the historical, current and FY 23 proposed full-time headcount:

Chart 2.0: Headcount Trend



Although the Administration could move quickly to fill many positions, there is a high probability, based on the past few year trends, that not all the titles will be filled for the entire year. The longer a position remains vacant, the more savings will be generated from not filling that position. This may become an additional funding opportunity that the Administration could use to cover unforeseen costs.

The Major Funds overtime expense is budgeted at $78.6 million in the Proposed FY 23 Budget which represents a $7.4 million decrease from the prior year budget and a significant $27.2 million decrease from the FY 22 projections. The Police Department budgeted $10.8 million less than the current projection and the department expects to manage to this budget by maximizing grants and Asset Forfeiture funds that can be used to offset overtime. In addition, the Police Department expects the impact of overtime to be mitigated in FY 23 as they hire new recruits which should bring down the blended overtime rate. The

FY 23 Proposed budget adds 44 full-time positions, budget to budget, and the department is planning to hire in FY 23 to stay ahead of attrition and positively impact overtime expenses.

In the Correctional Center, the FY 23 Proposed Budget for overtime is $15.1 million less than the current projections and the reduced budget will be a monumental decrease for the Administration to achieve. The department has seen the inmate headcount drastically decrease in recent years and is implementing measures to consolidate space, hence decreasing expenses. In addition, the department is planning on adding two recruit classes in FY 23.

Table 2.1: Major Funds Overtime Trends

OVERTIME TRENDS				
	2021 YE	**2022 Projection**	**2023 Proposed**	**2023 Prop vs. 2022 Proj Variance**
Police District	33,832,639	28,200,000	22,360,000	(5,840,000)
Police Headquarters	33,187,545	31,800,000	26,800,000	(5,000,000)
Total	67,020,184	60,000,000	49,160,000	(10,840,000)
Corrections	31,870,588	30,111,408	15,008,446	(15,102,962)
Police & Corrections	**98,890,772**	**90,111,408**	**64,168,446**	**(25,942,962)**
Others	13,480,563	15,741,381	14,442,932	(1,298,449)
TOTAL:	**112,371,335**	**105,852,789**	**78,611,378**	**(27,241,411)**

Headcount

Table 2.2 on the next page shows the FY 22 Adopted Budget headcount, the FY 23 full-time Major Funds budget including Sewer & Storm Water positions which is compared to the current on-board headcount by department:

Table 2.2: Staffing Comparison

Full Time Major Funds Staffing Comparison						
Department	**2022 NIFA Adopted Headcount**	**2022 Sept Onboard Headcount**	**2022 Sept Onboard Salaries**	**2023 Proposed Headcount**	**2023 Proposed Salaries**	**Variance 2023 Proposed vs. 2022 Sept Onboard**
Assessment	162	139	9,902,759	164	10,761,886	25
Asian American Affairs	6	3	260,000	6	395,000	3
Assessment Review Commission	70	63	4,890,496	67	5,197,836	4
Board of Elections	160	141	10,797,352	160	13,022,431	19
Civil Service	45	44	3,541,396	46	3,862,556	2
Office of Crime Victims Advocate	7	3	282,500	4	337,500	1
Comptroller	84	73	6,777,476	91	7,602,125	18
Constituent Affairs	15	10	992,000	12	1,092,000	2
Consumer Affairs	26	17	1,124,871	26	1,685,175	9
Correctional Center	930	862	73,423,263	940	78,821,376	78
County Attorney	93	85	8,035,300	89	8,190,532	4
County Clerk	90	81	4,886,588	90	5,369,005	9
County Executive	13	9	1,111,321	13	1,459,794	4
District Attorney	459	396	39,011,301	468	43,827,318	72
Emergency Management	9	7	686,934	8	739,003	1
Health	181	156	12,233,017	181	13,686,412	25
Housing & Intergovernmental Affairs	14	15	1,025,000	15	1,107,500	0
Human Resources	9	7	645,080	9	692,580	2
Human Rights	6	6	446,891	6	446,891	0
Human Services	59	50	4,121,974	60	4,411,878	10
Information Technology	117	111	8,778,317	118	9,378,869	7
Labor Relations	6	6	569,000	6	569,000	0
Legislature	99	91	7,877,109	96	8,350,595	5
Medical Examiner	91	88	8,263,779	93	9,023,077	5
Office of Hispanic Affairs	6	3	215,000	6	395,000	3
Office of Minority Affairs	11	10	788,310	12	960,000	2
Office of Management and Budget	28	23	2,252,848	27	2,740,556	4
Parks, Recreation and Museums	149	137	8,150,968	148	8,639,186	11
Probation	201	185	15,637,601	209	17,534,600	24
Public Administrator	7	5	376,697	6	470,548	1
Public Works Department	405	357	25,576,901	417	28,197,725	60
Shared Services	12	13	979,373	14	1,112,397	1
Records Management	10	7	516,519	10	619,003	3
Social Services	555	472	33,791,690	559	38,662,270	87
Traffic & Parking Violations	45	42	2,636,196	45	2,953,378	3
Treasurer	27	21	1,411,528	27	1,735,827	6
Veterans' Services Agency	9	8	500,163	9	575,842	1
Savings from Initiative & Adjustment	(300)	0	0	(314)	(10,000,000)	(314)
General Fund Total	**3,916**	**3,746**	**302,517,517**	**3,943**	**324,626,671**	**197**
Fire Commission	98	91	6,627,191	113	7,834,722	22
Police District	1,731	1,721	147,593,522	1,730	161,057,371	9
Police Headquarters	1,582	1,530	158,889,489	1,627	166,942,776	97
Total Major Funds	**7,327**	**7,088**	**615,627,719**	**7,413**	**660,461,540**	**325**
Sewer & Storm Water (SSW)	93	73	4,959,623	83	5,580,477	10
Total including Sewers*	**7,420**	**7,161**	**620,587,342**	**7,496**	**666,042,017**	**335**

Note: *The September onboard total for Major Funds includes all FT employees.*

Table 2.3 below illustrates the multi-year salary plan for the Major Funds:

Table 2.3: MYP Major Funds Salary Plan

Major Funds Multi-Year Salary Plan				
Department	**2023 Proposed**	**2024 Plan**	**2025 Plan**	**2026 Plan**
Assessment Review Commission	6,203,375	5,970,280	6,196,462	6,328,710
Assessment Department	13,169,494	12,539,525	12,955,674	13,290,491
Asian American Affairs	537,592	537,592	537,592	537,592
County Attorney	9,497,278	9,330,922	9,435,346	9,481,039
Office of Management and Budget	6,610,222	6,610,222	6,610,222	6,610,222
Office of Consumer Affairs	2,234,829	2,152,243	2,224,499	2,279,822
Correctional Center	120,514,024	116,449,134	121,208,883	128,567,403
County Executive	1,650,762	1,650,762	1,650,762	1,650,762
Office of Constituent Affairs	1,459,700	1,459,700	1,459,700	1,459,700
Clerk	7,076,204	6,861,638	7,104,240	7,290,006
County Comptroller	9,037,515	8,781,309	9,122,154	9,417,897
Civil Service	5,617,496	5,415,608	5,604,123	5,752,494
Office of Crime Victims Advocate	402,000	402,000	402,000	402,000
District Attorney	52,016,017	51,289,770	52,107,600	52,708,629
Board of Elections	23,204,663	22,478,865	22,787,124	22,942,643
Emergency Management	1,120,743	1,091,750	1,104,922	1,111,568
Fire Commission	12,501,361	12,095,292	12,496,133	12,799,114
Health Department	18,497,670	17,725,242	18,306,984	18,753,359
Housing & Intergovernmental Affairs	1,280,675	1,280,675	1,280,675	1,280,675
Commission on Human Rights	560,588	545,555	550,961	553,688
Department of Human Services	5,648,240	5,377,382	5,534,208	5,640,105
Information Technology	11,795,415	11,421,047	11,973,841	12,343,158
County Legislature	9,210,456	9,210,456	9,210,456	9,210,456
Office of Labor Relations	636,513	636,513	636,513	636,513
Office of Minority Affairs	1,133,020	1,133,020	1,133,020	1,133,020
Medical Examiner	11,539,848	11,252,439	11,766,457	12,135,616
Public Administrator	638,600	618,590	626,372	631,250
Probation	23,908,301	23,086,399	23,927,859	24,423,432
Police Department	522,753,479	528,349,333	549,283,008	560,788,336
Department of Human Resources	923,677	923,677	923,677	923,677
Parks, Recreation and Museums	20,365,779	19,839,544	20,258,528	20,565,023
Shared Services	1,396,907	1,364,773	1,410,243	1,464,978
Public Works Department	36,149,687	34,450,194	35,451,553	36,089,836
Records Management	1,004,508	965,582	992,817	1,012,053
Office of Hispanic Affairs	537,592	537,592	537,592	537,592
Social Services	51,933,379	49,491,887	51,370,943	52,522,295
County Treasurer	2,153,653	2,046,139	2,106,553	2,153,253
Traffic & Parking Violations Agency	4,205,618	4,065,873	4,187,413	4,260,010
Veterans Services Agency	754,953	733,542	756,958	780,584
Office of Management and Budget - Attrition	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Grand Total	**989,881,833**	**980,172,065**	**1,015,234,065**	**1,040,468,999**

3. FRINGE BENEFITS

Fringe benefit expenditures include health insurance contributions for active and retired employees, as well as pension and social security contributions. Health insurance and pension contribution costs continue to place a heavy burden on the County's budget.

The FY 23 Proposed Budget includes funding to pay off the remaining outstanding pension liability. From FY 12-FY 21, the County deferred the maximum amount of pension payments under the State's Stabilization program. Through FY 22 total deferred pension costs have been estimated to be $365.9 million, of which $156.4 million was left outstanding (prior to interest) in FY 22. In FY 22 not only did the County stop this practice of deferring the expense but the Administration made the prudent decision to pay off the majority of the outstanding liability. Approximately $122.9 million was paid off in FY 22, and after some accumulated interest occurred, approximately $34.3 million is left outstanding. This is budgeted to be paid and is related to the Police District portion left unpaid last year. Paying off this liability, is good governmental practice since it will save the County millions from paying future interest payments.

The FY 23 Proposed Fringe Benefit budget for the Major Funds is $679.4 million, which is a significant decrease of $95.8 million from the FY 22 NIFA Approved Budget. Compared to the FY 22 projection, expenses are decreasing by $74.0 million. This decrease results from the elimination of the $153.9 million included in the FY 22 Adopted budget for the one-time payoff of the outstanding pension deferrals. The FY 23 budget includes $30.2 million in the Major Funds, which is $123.6 million less in expense. The overall fringe benefit decrease would have been even greater but is being partially offset by significant increases for health insurance and social security expenses, which will be explained further in the report.

The FY 23 budget continues to also include savings for possible health insurance contributions if labor agreements are negotiated with unions that do not currently have a contract in place, however these savings have been reduced from last year's budget. The following Table 3.0 displays the fringe benefit appropriations for the Major Funds and Table 3.1 on the next page itemizes the budget by sub-object.

Table 3.0: Fringe Budget by Major Funds

Fund	Department	NIFA Approved FY 22 Budget	OLBR FY 22 Projection	FY 23 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 22 Proj.
Fire Commission	Fringe Benefits	9,268,921	9,112,649	7,285,820	($1,983,101)	($1,826,829)
General Fund	Courts	850,115	550,035	832,400	(17,715)	282,365
	Fringe Benefits	378,101,701	347,948,359	294,883,348	(83,218,353)	(53,065,011)
	OMB	24,869,620	24,869,620	0	(24,869,620)	(24,869,620)
Police District	Fringe Benefits	149,006,884	154,739,711	197,730,814	48,723,930	42,991,103
Police Headquarters	Fringe Benefits	213,173,194	216,189,638	178,716,176	(34,457,018)	(37,473,462)
Total		**775,270,435**	**753,410,013**	**679,448,558**	**($95,821,877)**	**($73,961,455)**

The FY 22 fringe benefit budget to pay for the cost of the retirees from NuHealth under the Office of Management and Budget (OMB) has been transferred to the Fringe Benefit department in the FY 23 Proposed Budget.

Table 3.1: Fringe Budget by Sub-object for the Major Funds

SubObject & Description	NIFA Approved FY 22 Budget	OLBR FY 22 Projection	FY 23 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 22 Proj.
08F - NYS Police Retirement	92,300,000	110,790,028	102,423,565	10,123,565	(8,366,463)
10F - Fringe Benefits	4,000,000	-	0	(4,000,000)	-
11F - State Retirement Systems	87,115,000	103,296,290	64,811,098	(22,303,902)	(38,485,192)
13F - Social Security Contribution	62,150,000	62,150,000	68,718,936	6,568,936	6,568,936
14C -Employee C	-	(1,367,264)	0	-	1,367,264
14F - Health Insurance	177,017,577	163,785,270	197,685,779	20,668,202	33,900,509
16G - County Exp	10,000	39,347	42,000	32,000	2,653
17F - Optical Plan	1,027,620	760,792	885,059	(142,561)	124,267
19F - NYS Unemployment	910,000	910,000	1,658,500	748,500	748,500
20F - Dental Insurance	5,560,615	4,105,589	5,875,570	314,955	1,769,981
22F - Medicare Reimbursement	37,060,000	29,721,548	40,169,847	3,109,847	10,448,299
22S - Medicare Reimbursement Surcharge	3,665,000	4,303,965	3,329,464	(335,536)	(974,501)
26F - Flex Benefit	2,100,000	2,100,000	2,100,000	-	-
29F - Pension Repayment	153,859,953	85,485,862	2,346,700	(151,513,253)	(83,139,162)
29G - Pension Repayment - PFRS	-	28,418,528	27,872,000	27,872,000	(546,528)
35F - MTA Mobility Tax	3,444,500	3,444,500	3,631,899	187,399	187,399
40F - CSEA Legal Plan	482,000	520,872	533,125	51,125	12,253
41F - COBA Legal Plan	105,000	90,411	98,750	(6,250)	8,339
45F - Disability Insurance	54,000	54,000	54,000	-	-
75F - Health Insurance For Retirees	165,976,595	153,999,384	171,194,612	5,218,017	17,195,228
76F - Employees Optical - Retirees	826,000	800,891	833,941	7,941	33,050
ZZF - Fringe Savings	(22,393,425)	-	(13,213,412)	9,180,013	(13,213,412)
ZZ0 - Capital Backcharge Overtime Fringes	-	-	(302,875)	(302,875)	(302,875)
ZZS - Capital Backcharge ST Time Fringes	-	-	(1,300,000)	(1,300,000)	(1,300,000)
Grand Total	**775,270,435**	**753,410,013**	**679,448,558**	**(95,821,877)**	**(73,961,455)**

08F Pension for the Police and Fire Retirement System, 11F Employee Retirement System & 29F Pension Repayment

The annual bill for the New York State Retirement System covers the period from April 1st of the previous year to the ensuing March 31st. The pension payment date for participating employers is February 1st, but local municipalities have the option to make the payment on December 1st at a discounted amount. The FY 23 budget is based on paying the bill in February, however if the payment is made in December, the County will realize the pre-payment discounted savings of approximately $1.2 million, which is reflected on Table 3.2 on the next page.

Table 3.2 provides the FY 22 and FY 23 pension expenses billed by the State for Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS) based on both the February and December payment dates. Please note, that in addition to the Major Funds within the pension invoice, funds are included for the Nassau Community College (NCC), the Sewer and Storm Water Resource District (SSWRD) and the Grant Fund.

Table 3.2: SFY22-SFY23

Pension Invoices

Pension Payments Based on December & February Schedules			
December			
	2022 invoice	**2023 Invoice**	**2023 vs. 2022**
Total Pension Bill Excluding Amortization			
ERS	114,387,122	70,563,459	(43,823,663)
PFRS	109,971,862	101,766,652	(8,205,210)
	$224,358,984	**$172,330,111**	**(52,028,873)**
February			
	2022 invoice	**2023 Invoice**	**2023 vs. 2022**
Total Pension Bill Excluding Amortization			
ERS	115,229,998	71,034,709	(44,195,289)
PFRS	110,819,249	102,480,713	(8,338,536)
	226,049,247	**173,515,422**	**(52,533,825)**
Savings From December Pre-payment	**1,690,263**	**1,185,311**	

* The Invoices includes NCC Fund, SSW Fund, and the Grant Fund.

The February invoice of $173.5 million includes $71.0 million billed for (ERS) and $102.5 million billed for (PFRS). This is a decrease of roughly $52.5 million compared to the FY 22 pension bill. As previously mentioned, the significant decrease is attributed to paying of the majority of the outstanding liability in FY 22 from the prior year deferrals. This remaining outstanding liability amount in FY 23 has been budgeted separate on the sub-object lines (AB29F) and (AB29G). Since most of the liability has been paid off, there is also a big reduction in the annual installment payments within the annual invoices, which also contributes to the big decline. Furthermore, pension contribution rates decreased in the State Fiscal Year (SFY) 2022-23, compared to SFY 2021-22.

Table 3.3 below details the remaining outstanding liability million based on the February payment date.

Table 3.3: Amortization

	2023 Outstanding Liability	
	Principal	**P&I**
Liability Through 2023	**$34.3**	**$40.1**
2023 Installments Due	5.1	6.0
Total Outstanding to be Paid	**$29.2**	**$34.1**

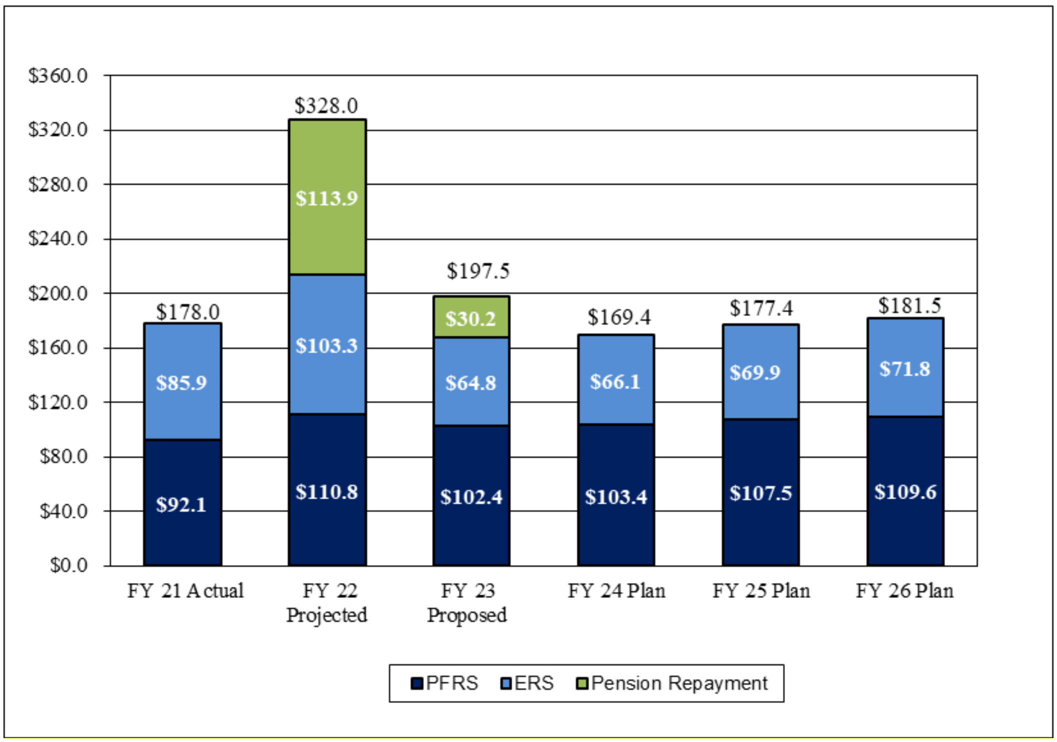
In FY 22, the County made a one-time payment of $122.9 million of outstanding pension deferrals, and after interest accumulated in FY 22, roughly $34.3 million is outstanding. However, the SFY 23 pension bill includes $5.1 million (prior to interest) in installments that will be paid in the SFY 23 bill. Since this amount will be paid in the FY 23 annual invoice, it further reduces the balance to $29.2 million, prior to interest accruing. The projected liabilities are based on the amortization schedules provided by the State.

The FY 23 Proposed Budget includes $30.2 million budgeted in the Major Funds to pay off the remaining balance of prior year deferrals under the subject codes labeled (AB29F) and (AB29G).

By paying off the outstanding liability, the County has saved from owing millions in interest in both FY 23 and in the future years. For example, last year the FY 22 pension bill included an additional $39.2 million in annual pension installments, which included $6.1 million in additional interest; this compares to a much lower amount of $0.9 million in interest from the $6.0 million in installments within the FY 23 pension invoice. After the balance is paid in FY 23, there will no longer be any installments on future invoices.

Chart 3.0 below details the historical pension obligation from FY 21 actual through FY 26 (the out-years of the MYP) for **the Major Funds.** The Administration's FY 23 Proposed Budget includes the pension expense of $102.4 million in PFRS and $64.8 million in ERS for a total budget of roughly $167.2 million. If the $30.2 million is added to the total pension obligation, the pension budget represents a total of **$197.5 million** in payments.

Chart 3.0: FY 21 to FY 26 Pension Costs for the Major Funds (in millions**)**



The New York State Comptroller recently announced Employer Contribution rates for both ERS and PFRS Systems. The adjusted rates will impact payments in the next State Fiscal Year 2023-24 invoice. According to the State Comptroller, 'the estimated average employer contribution rate for ERS will increase from 11.6% to 13.1% of payroll; and the estimated average employer contribution rate for PFRS will rise from 27.0% to 27.8% of payroll.' According to the State Comptroller, "the state pension fund's performance in the State Fiscal Year that ended March 31 was strong, but recent domestic and global economic volatility demands caution.[1]"

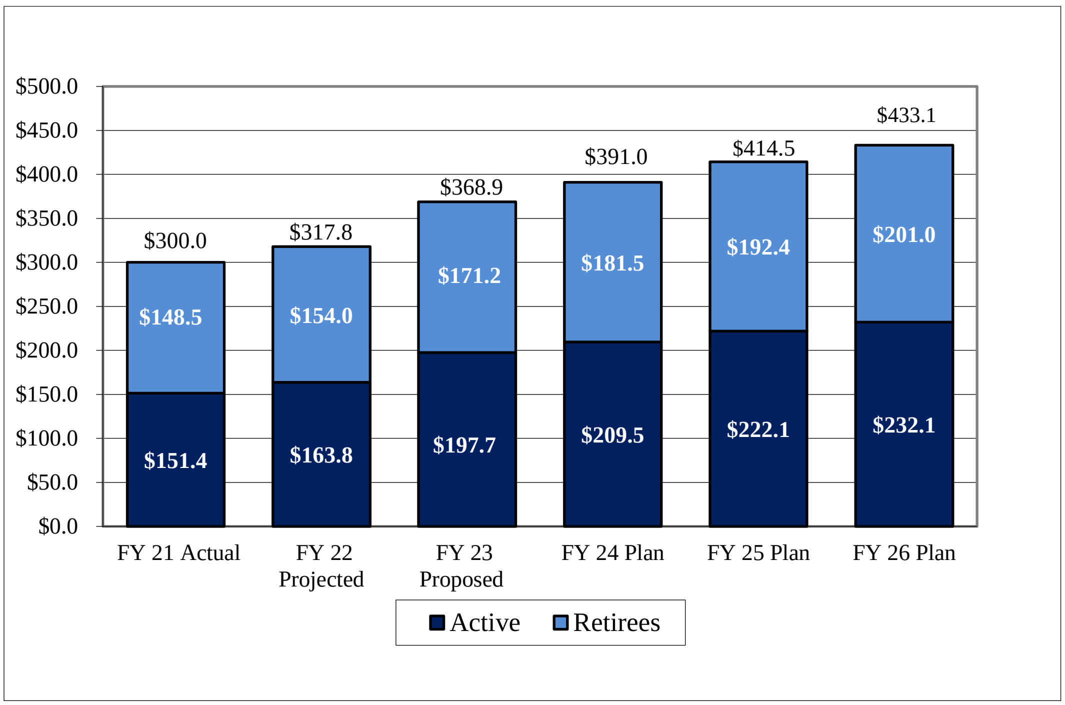
The increase in pension contribution rates will trigger pension costs to rise in the out-years, however, since there will no longer be anymore liability installments the cost is decreasing in FY 24 of the MYP. The Multi-Year Plan (MYP) projects costs to be $169.4 million in FY 24, $177.4 million in FY 25 and $181.5 million in FY 26. The MYP is reflected at the end of this report.

<u>14F & 75F Health Insurance for Current and Retired Employees</u>

In FY 22, The New York State Health Insurance Plan (NYSHIP) Empire individual and family premium plans, which most County workers carry, increased significantly by 11.3% and 12.7%, respectively. According to the Office of Management and Budget (OMB), the FY 23 Proposed Budget is based on a growth rate assumption of 6.7%.

In total the FY 23 Proposed Budget includes $368.9 million for active and retiree health insurance costs (which is shown in the chart and discussed below).

Chart 3.1: FY 21 to FY 26 Health Insurance Costs (in Millions)



The FY 23 Proposed Budget for active and retiree health insurance is increasing by $25.9 million compared to the FY 22 NIFA Approved Budget.

Compared to the **<u>FY 22 projection</u>**, the FY 23 budget is increasing even by a greater amount of $51.1 million, which includes $33.9 million for active employees and $17.2 million for retired employees. The FY 23 health insurance budget increases the headcount by an additional 325 full-time heads, compared to the onboard and incorporates a growth rate assumption of 6.7%.

[1] <u>Office of New York State Comptroller</u>, "DiNapoli: NYSLRS Announces Employers' Retirement System Contribution Rates for 2023-2024". August 25, 2021

The 6.7% growth rate is very reasonable based on an analysis, from the State's benefit consultant AON Empower Results. According to this report, AON projects an overall blended growth of 6.7% for the entire region.

A large surplus of roughly $25.2 million is projected in FY 22, and since the FY 23 is growing even greater, there is still the potential for significant overage to remain in FY 23. Based on projecting the 6.7% growth rate assumption by the budgeted headcount, the health insurance budget appears overfunded both for actives and retired employees up to roughly $19.2 million. The overall health insurance budget provides an ample cushion for both the growth rate, and increased headcount.

ZZF Fringe Savings

As previously mentioned, the health insurance budget also includes a credit, of roughly $13.2 million, which lowers the overall cost, to reflect a possible health insurance contribution if labor agreements are negotiated with the CSEA, PBA and COBA, similar to the terms that were settled in the recently settled contracts with SOA and DAI. This budget is at risk if the unions do not settle contracts in FY 23.

13F Social Security

Social Security tax is comprised of two components: Old-age Survivors and Disability Insurance (OASDI) and Medicare tax. The employer's contribution rate is 6.2% for OASDI and 1.45% for Medicare, which equals a combined rate of 7.65%. Also, individuals with earned income of more than $200,000 ($250,000 for married couples filing jointly) pay an additional 0.9% in Medicare taxes. For the current year, the OASDI portion is applied to salaries up to $147,000 which is an increase of $4,200 from the $142,800 in 2021. Medicare has no maximum.

The social security increase is expected to be the largest in four decades. Given the extraordinary levels of inflation, retirees are expected to receive a huge Cost of Living Adjustment (COLA) in 2023. Preliminary estimates project the wage base to rise between 8.7% to 10.1%. The Senior Citizens League, most recent projection of 8.7%, is lower than the recent slight cooling of inflation to 8.3%. [2]

The Proposed Budget for social security is increasing by $6.6 million, or 10.6%, compared to the FY 22 NIFA Approved Budget and projection. With a rise in wages, social security costs are expected to increase.

17F Optical Plan

This benefit provides optical insurance to full-time County employees. The County's contract with Davis Vision was recently renewed and the rate remains unchanged at the annual per capita premium of $110.40. The FY 23 Proposed Budget is decreasing by $142,561 compared to the FY 22 NIFA Approved Budget, but is increasing by $124,267 compared to the FY 22 projection. Based on the FY 23 Proposed budgeted headcount of 7,413 in the Major Funds, the budget appears to be more than sufficient.

19F New York State Unemployment

The County is required to reimburse the State for all unemployment claims paid to former employees. The County provides quarterly payments to the State. The FY 23 Proposed Budget is increasing significantly by $748,500, or 82.3% compared to the FY 22 NIFA Approved Budget, and the projection.

[2] Miller, Mark, "Social Security's Cost of Living Increase Will be the Largest in Four Decades, an Estimate Says. The New York Times, September 14, 2022.

The increase is not a true rise, since the FY 22 expense reflects a credit from the State, which will not be extended in FY 23.

20F Dental Insurance

This benefit provides dental insurance to full-time employees. The County renewed its contract with Healthplex this year, without an increase in the rates charged. In addition, the contract continues to offer a "buy up" plan, for County employees who choose to contribute towards the cost of a PPO Plan, that would offer a broader range of coverage. The new contract provides for an increase in coverage for cleanings from 2 visits per year to 4 visits per year. Under the renewed contract, the annual premium per capita remains at $561.

The FY 23 Proposed Budget is increasing by $314,955 compared to the FY 22 budget and significantly by $1.8 million compared to the FY 22 current projection. The FY 23 Proposed Budget is more than sufficient to cover the full-time budgeted headcount in the proposal.

22F Medicare Reimbursement

The County provides quarterly payments to cover premium costs related to Medicare coverage for retired employees. The Proposed FY 23 Budget is increasing by $3.1 million, or 8.4%, compared to the FY 22 NIFA Approved Budget; and significantly by $10.4 million compared to the projection.

In FY 22, standard Medicare Part B premiums are $170.10 per month for individual salaries up to $91,000 and joint salaries up to $182,000. The monthly Part B premiums that include income-related adjustments will range from $238.10 up to $578.30, depending on the extent to which an individual beneficiary's modified adjusted gross income exceeds $91,000 (or $182,000 for a married couple).[3] In FY 23, the standard premium is expected to remain at $170.10 for 2023, or possibly decrease. However, the rates won't be finalized until November 2022.

OLBR is projecting a surplus of $7.3 million in FY 22, since the FY 22 Adopted budget for Medicare Reimbursement was significantly inflated. Since Medicare Part B rates are not projected to increase, and there is a current projected surplus of roughly $7.3 million, it is unclear why the FY 23 budget is increasing so significantly. There is the potential for up to a $10.0 million surplus in FY 23 for Medicare reimbursement.

22S Medicare Reimbursement Surcharge

The FY 23 Proposed Budget for the Medicare Reimbursement surcharge is decreasing by $335,536, compared to the FY 22 Adopted Budget, and by $975,000 compared to the current projection.

26F Flex Benefits Plan

All Nassau County employees have the option of contributing a portion of their salary to a flexible spending account for either healthcare or daycare expenses. This allows the employee to use pre-tax dollars on health care costs such as co-pays and deductibles. The FY 23 Proposed budget remains flat at $2.1 million. The FY 23 budget includes corresponding revenue to offset the expense for the same budgeted amount.

[3] "Medicare Part B Costs," Medicare.Gov; https://www.medicare.gov/your-medicare-costs/part-b-costs

29F and 29G Pension Repayment

The FY 23 budget includes $30.2 million, to payoff the remaining liability from the deferral of prior year pension expenses. The FY 22 budget included $153.9 million for the repayments of previously amortized pension payments as a one-time expense. The Proposed FY 23 Budget has $123.6 million less in expense.

35F MTA Mobility Tax

The Metropolitan Commuter Transportation Mobility Tax (MCTD) is a tax imposed on certain employers and self-employed individuals engaging in business within the metropolitan commuter transportation district (MCTD). For employers with payroll expenses above $437,500, the tax is equivalent to 0.34% of payroll expenses. The FY 23 budget is $3.6 million, which is a minimal increase of $187,399 from the FY 22 NIFA Approved Budget and the current projection.

40F CSEA Legal Plan

The FY 23 budget includes $533,125 for the CSEA legal plan, which is an increase of $51,125, or 10.6% budget to budget, and by $12,253 compared to the current projection. As per the CSEA agreement, the County shall pay for each full and regular part time employee the sum of $125 annually. The FY 23 Proposed Budget appears sufficient to cover the increase in headcount.

41F COBA Legal Plan

The FY 23 budget includes $98,750 for the Correctional Officer Benevolent Association (COBA) legal plan as per the COBA contract agreement, which is an increase of $8,339 compared to the FY 22 projection.

45F Disability Insurance

The FY 23 Proposed Budget includes $54,000 for providing New York State disability insurance to CSEA unit members; which remains unchanged compared to the current year's budget and compared to the projections.

76F Employees Optical for Retirees

This benefit provides optical coverage for retired County employees. The County's cost to provide optical insurance coverage to retired employees is the same as the cost to provide insurance for current employees, which is $110.40 per person. The FY 23 Proposed Budget of $833,941 is increasing minimally by $7,941 from the FY 22 NIFA Approved budget and by $33,050 compared to the FY 22 projection. Based on the current projection, the budget appears to be adequately funded.

ZZO Capital Backcharges OT Fringes

The FY 23 Proposed Budget includes a credit of ($302,875) which is the corresponding fringe benefit charge related to overtime salary chargeback.

ZZS Capital Backcharges to Fringes

The FY 23 credit of ($1.3 million) is the corresponding fringe benefit charge associated with the salary chargeback.

Multi-Year Plan

Table 3.4: FY 23 Proposed-FY 26 Multi-Year Plan

SubObject & Description	2023 Proposed Budget	2024 Plan	2025 Plan	2026 Plan
AB08F - NYS Police Retirement	102,423,565	103,353,572	107,487,714	109,637,469
AB10F - Fringe Benefits	0	0	0	0
AB11F - State Retirement Systems	64,811,098	66,057,795	69,924,397	71,827,648
AB13F - Social Security Contributions	68,718,936	70,093,315	71,495,181	72,925,085
AB14F - Health Insurance	197,685,779	209,546,926	222,119,741	232,115,130
AB16G - County Exp	42,000	42,000	42,000	42,000
AB17F - Optical Plan	885,059	902,760	920,815	939,232
AB19F - New York State Unemployment	1,658,500	1,658,500	1,658,500	1,658,500
AB20F - Dental Insurance	5,875,570	5,993,081	6,112,943	6,235,202
AB22F - Medicare Reimbursement	40,169,847	40,973,244	41,792,709	42,628,563
AB22S - Medicare Reimbursement Surcharge	3,329,464	3,329,464	3,329,464	3,329,464
AB26F - Flex Benefits Plan	2,100,000	2,100,000	2,100,000	2,100,000
AB29F - Pension Repayment	2,346,700	0	0	0
AB29G - Pension Repayment PFRS	27,872,000	0	0	0
AB35F - MTA Mobility Tax	3,631,899	3,704,537	3,778,628	3,854,200
AB40F - CSEA Legal Plan	533,125	543,788	554,663	565,757
AB41F - COBA Legal Plan	98,750	100,725	102,740	104,794
AB45F - Disability Insurance	54,000	55,080	56,182	57,305
AB75F - Health Insurance for Retirees	171,194,612	181,466,289	192,354,266	201,010,208
AB76F - Employees Optical for Retirees	833,941	850,620	867,632	884,985
ABZZF - Fringe Savings	(13,213,412)	(13,577,114)	(13,984,428)	(14,191,149)
ABZZO- Cap Backcharge OT Fringes	(302,875)	(302,875)	(318,019)	(333,920)
ABZZS- Cap Backcharge ST Time Fringes	(1,300,000)	(1,300,000)	(1,365,000)	(1,433,250)
Grand Total	**679,448,558**	**$675,591,705**	**$709,030,129**	**$733,957,221**

Fringe benefits will increase by $54.5 million, or 8.0%, from the $679.5 million in the FY 23 Proposed Budget to $734.0 million in FY 26.

- Health insurance expenses for active and retired employees from FY 23 to FY 26 are projected to increase by $64.2 million to $433.1 million. Similar to FY 23, there is a potential surplus of roughly $15.0-$18.0 million annually in the out-years for health insurance.
  - The MYP baseline inflator used to project out-year health insurance costs for both active employees and retirees is a recurring 6.0% from FY 24 through FY 25 and 4.5% in FY 26. The MYP growth rate appears sufficient compared to the historic five-year average of roughly 5.0% for active employees. It is conservative, based on the historic five-year average composite decline of -2.7% for retirees.
- Pension costs for ERS and PFRS are increasing by $2.2 million in FY 24, $8.0 million in FY 25 and by $4.1 million in FY 26. Since both pension contribution rates and salaries are projected to increase in the out-years, the rise appears reasonable to capture the growth. After FY 23, there is no remaining balance left from prior year deferrals so there is no additional funding included in the MYP.

- The FY 23 Proposed Budget for social security is increasing annually by $1.4 million from FY 23 through FY 26. Since social security is a function of salaries, and the budget includes a rise of $50.6 million in the Major Funds out-year wage expense, this budget appears reasonable.

4. SALES TAX

The largest single source of revenue for the County is sales tax. Sales tax is collected by the State and distributed to the County on a regular basis. The current rate in Nassau is 8.625%, of which 4.0% is the State's share, 4.25% is the County's share and 0.375% goes to the Metropolitan Commuter Transportation District. The County distributes one seventeenth of its collections to the Town of Hempstead, the Town of North Hempstead, the Town of Oyster Bay, the City of Glen Cove, and the City of Long Beach. In addition, in FY 23 the incorporated villages are allocated a lump sum amount of $1,250,000 to be divided on a per capita basis.

Year-to-date collections, through the September 12, 2022 sale tax check, are up 8.6% from this time last year, shown in Table 4.0.

Table 4.0: Current Sales Check Percentage Growth

2022 Year-to-Date Sales Tax Receipts

(figures in millions)

	2021	2022	Variance $	Variance %
Gross YTD Sales Tax	$844.6	$917.4	$72.8	8.6%

With so much riding on this revenue source, OLBR has compiled the illustration below to help the Legislature understand how the Administration arrived at its budget and facilitate policy decisions. The proposed sales tax revenue in the FY 23 Executive Budget, including the deferred piece, is $1,527.3 million. According to the Administration, the FY 23 budget reflects a 1.8% growth rate annually from their current FY 22 projection which adjusts for the temporary relief on motor fuel and diesel motor fuel sales tax collections in addition to the current year deferrals.

Table 4.1 below illustrates how the Office of Management and Budget (OMB) calculated the FY 23 Proposed Budget, which shows a 1.8% growth rate annually from the FY 22 adjusted projection and the out years of the plan which contain 2.0% growth in FY 24 and FY 25, and 2.5% growth in FY 26.

Table 4.1: Proposed Sales Tax Budget, Calculations, and Plan

2022 Adjusted	2023 Budget without Deferrals	2024 Budget no deferrals	2025 Budget no deferrals	2026 Budget no deferrals
1,479.4	1,506.0	1,536.1	1,566.8	1,606.0
	1.8%	2.0%	2.0%	2.5%
OMB's Calculations and Proposed Budget and Plan				

OLBR uses the actual collections as a starting base, then grows the remaining checks by a percentage. Using this methodology and growing the FY 22 remaining checks by 3.0%, sales tax collections would exceed the FY 23 Proposed sales tax budget, meaning that no growth would be necessary to meet the

FY 23 budget. In fact, with 3.0% growth in FY 22 and no growth in FY 23, the County would record a $12.0 million sales tax surplus.

However, the average of recent national and regional economic forecasts and indicators point to a positive economic growth for Nassau County in FY 22, FY 23, and FY 24. A survey of current US Gross Domestic Product (GDP) forecasts reveals that the US economy is expected to grow an average of 1.0% in FY 22, 0.5% in FY 23, and 1.8% in FY 24. However, the regional economy is projected to register higher growth rates of 3.0% in FY 22, 2.6% in FY 23, and 2.5% in FY 24. Table 4.2 displays the current forecasts.

Table 4.2: Survey of Current US GDP Forecasts

Current Real US GDP 2022 - 2024 Forecasts, Aug. - Sept. 2022			
	2022	**2023**	**2024**
Fannie Mae	0.0%	-0.4%	
Mortgage Bankers Association	0.3%	1.4%	1.5%
Federal Reserve Bank - Phil.	1.6%	1.3%	2.3%
The Conference Board	1.3%	0.2%	
Wells Fargo	1.9%	-0.2%	1.7%
Average US GDP Forecast	**1.0%**	**0.5%**	**1.8%**
Moody's 7-22 Nassau GCP Forecast	**3.0%**	**2.6%**	**2.5%**

Table 4.3 shows the **gross** revenue in FY 22 at a 3.0% increase on remaining checks and the resultant FY 23 sales tax variances for various rates of growth in FY 23.

Table 4.3: FY 23 with Various growth rates after a 3% growth on Remaining FY 22 checks

FY 22 Projected Base @ 3.0% on Remaining Checks		**1,539.3**
2023 Growth Rate Scenarios	Surplus (millions)	
0.0%	$ 12.0	
0.5%	19.7	
1.0%	27.4	
1.5%	35.1	
2.0%	42.8	
2.5%	50.5	

If the current trends continue, no FY 23 growth would be necessary to achieve the sales tax budget. With 0.5% FY 23 growth and 3.0% growth in FY 22, the County would record a $19.7 million sales tax surplus. With 3.0% FY 22 growth and 2.5% FY 23 growth, the County would record a $50.5 million sales tax surplus. However, as previously mentioned, projecting growth has been very volatile given the many factors that can affect the economic situation. In FY 23, attaining the budgeted sales tax revenue will not require any economic growth, however changes and or adjustments to the current budget will be a matter of policy to be considered by the Legislature.

Additionally, it should be mentioned that the FY 23 Proposed Budget and the out years of the Plan include several sales tax, interfund transfers. In FY 23, $22.4 million in sales tax is being transferred from the General Fund to the Fire Commission Fund. Additionally, all years of the budget and plan include an interfund transfer from the General Fund to the Police Headquarters Fund; $165.6 million in FY 23, $176.4 million in FY 24, $213.6 million in FY 25, and $238.5 million in FY 26.

On October 12, 2022, the County will receive the final check completing the third quarter collections. At that time, OLBR will have an updated projection of where FY 22 sales tax collections will end.

5. FUND BALANCE

For presentation purposes the funds are shown to correlate with the itemization used in the Annual Comprehensive Financial Report (ACFR). Historically, the Total General Fund represented the sum total of the General Fund, Debt Service Fund, Fire Commission Fund, Police Headquarters Fund, Technology Fund, Open Space Fund, Employee Accrued Benefit Liability Fund, Litigation Fund, Retirement Contribution Reserve Fund, Bonded Indebtedness Fund, and Nassau County Power Utility Authority Fund. In FY 21, two new funds, the Excess Sales Tax and Opioid Litigation Settlement funds were added to the Total General Fund. Historically, to calculate the Total Governmental Funds amount, the NIFA, Police District, Sewer, Dispute Assessment, Capital, and Non-Major Funds are added to the Total General. In FY 21, the American Rescue Plan fund must also be added to arrive at the County's Total Governmental Fund Balance.

Table 5.0 itemizes the County's actual fund balance levels from FY 19 through FY 21, along with a projection of the FY 22 and FY 23 current appropriations/usages. All figures are shown on a **budgetary** basis.

Table 5.0: Budgetary Basis Year End Balance 2019 to 2021 & Office of Management and Budget (OMB) Projected Year-End 2022-2023 figures

Bugetary Basis Year End Fund Balance, 2019 to 2021 actuals, 2022 projection & 2023 Appropriation in thousands								
	2019	2020	2021	2021 vs. 2020	2022 Usage	2022 Projected	2023 Usage	2023 Projected
General Fund	201,624	214,067	251,452	37,386	0	251,452	0	251,452
Debt Service Fund	0	0	0	0	0	0	0	0
Fire Commission Fund	0	0	0	0	0	0	0	0
Police Headquarters Fund	0	0	0	0	0	0	0	0
Technology Fund	83	83	83	0	0	83	0	83
Open Space Fund	1,809	1,785	1,805	20	0	1,805	0	1,805
Employee Benefit Fund	13,401	13,620	13,840	219	0	13,840	0	13,840
Litigation Fund	29,709	29,642	99,665	70,023	0	99,665	0	99,665
Retirement Contribution Fund	52	52	30,052	30,000	0	30,052	0	30,052
Bonded Indebtedness Fund	0	0	20,000	20,000	0	20,000	0	20,000
Nassau County Power Utility Authority	(41)	(41)	(188)	(147)	0	(188)	0	(188)
SRF Excess Sales Tax	0	0	362,163	362,163	0	362,163	0	362,163
Opioid Litigation Settlement	0	0	55,928	55,928	14,522	70,450	(15,000)	55,450
Total General Fund	**246,636**	**259,208**	**834,799**	**575,591**	**14,522**	**849,321**	**(15,000)**	**834,321**
NIFA	0	0	0	0	0	0	0	0
Police District	47,284	110,195	115,272	5,077	0	115,272	0	115,272
Sewer	10,653	34,431	54,947	20,516	(12,236)	42,711	(13,935)	28,775
Dispute Assessment Fund DAF	5,838	6,880	7,118	238	0	7,118	0	7,118
Capital	0	0	0	0	0	0	0	0
Non Major	352	148	706	558	98	804	0	804
American Rescue Plan	0	0	(1,603)	(1,603)	0	(1,603)	0	(1,603)
Total Governmental Funds Budget Balance	**310,762**	**410,862**	**1,011,239**	**600,377**	**2,383**	**1,013,623**	**(28,935)**	**984,687**

The projections in the above table take the FY 21 year-end as a starting point and then add or subtract FY 22 and FY 23 appropriated uses incorporated in the July 2022 OMB projections, updated Multi-Year Plan, and the Proposed FY 23 Budget.

The County ended FY 21 with a balance of $834.8 million in Total General Fund balance. This was a $575.6 million budgetary increase from FY 20. The majority of the increase, 72.6%, may be attributed to the addition of the two new funds, the Excess Sales Tax and Opioid Litigation. The County also implemented several transfers into other funds.

From a Major Fund perspective (General, Debt Service, Fire Commission, Police Headquarters and Police District), the County ended FY 21 with a balance of $366.7 million, an increase of $42.5 million from FY 20.

The Mid-Year FY 22 OMB projection reflects the usage of $12.2 million in the Sewer Fund and the addition of $97,641 in additional Environmental Bond Fund Balance. Moreover, the financial system currently reflects the addition of $14.5 million in Opioid Litigation Fund revenues.

In FY 23, the Proposed Budget reflects the usage of $13.9 million in the Sewer Fund as well as the use of $15.0 million in the Opioid Litigation Fund. These FY 22 and FY 23 additions and usages are captured in the chart.

Additionally, the County is required to report its annual financial results on a Generally Accepted Accounting Principles Basis (GAAP basis). The County's year-end GAAP results are reflected in the Comptroller's annual ACFR report. Moreover, per Governmental Accounting Standards Board (GASB) statement number 54, the reserved and unreserved classifications of fund balance were eliminated and replaced with five new classifications, non-spendable, restricted, committed, assigned, and unassigned.

The definition for each category is summarized below:

- The non-spendable balance reflects amounts that can't be spent because they are either not in a spendable form, will not convert to cash within the current period, or are legally or contractually required to be maintained intact.
- The restricted balances are restricted to specific purposes by external parties.
- The committed funds are constrained for specific purposes pursuant to formal action by the government's highest level of authority, the County's Legislature. The funds may not be used for any other purpose unless the constraint is changed by a similar action passed by the Legislature (Ordinance / Resolution).
- The assigned funds are constrained by the government's intent to be used for a specific purpose. The County Legislature may assign fund balance via approval of the annual budget. The assignment generally only exists temporarily, and no additional action is required for the removal of an assignment.
- The unassigned funds show the residual classification for the General Fund.

The table below displays these GAAP based financial results from 2019 through 2021.

Total Gov't GAAP by Type, Exhibit X-14 Note	2021	2020	2019	2021 vs. 2020
Non-Spendable	$3.7	$9.7	$53.5	($6.0)
Spendable:				
Restricted	217.0	116.2	110.9	100.7
Committed	574.4	221.9	339.3	352.5
Assigned	287.3	202.1	2.4	85.2
Unassigned	31.2	84.2	112.2	**(52.9)**
Total Gov't GAAP	$1,113.6	$634.1	$618.2	$479.5

Source: Nassau County ACFR, in millions

The Comptroller reports that the County ended FY 21 with a positive $31.2 million **unassigned** Fund Balance. Although compared to the FY 20 year-end balance, the Total Governmental GAAP unassigned fund balance fell by $52.9 million in FY 21. The positive number represents the flexibility that could be tapped should the County need to and is also viewed positively by rating agencies.