



NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Review of the Fiscal Year 2024 Budget & Multi-Year Plan

Executive Summary

Maurice Chalmers, Director

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Inter-Departmental Memo

To: Hon. Richard Nicoletto, 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 10, 2023

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 2024 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>.

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1. EXECUTIVE SUMMARY

Introduction

Pursuant to the County Charter, the Administration submitted its FY 24 Proposed Budget on September 15, 2023. Although the County has ended with a surplus for four consecutive years, to date, it remains in a control period. 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. Moreover, current projections from all monitors, estimate that FY 23 will more than likely end in a surplus.

The Proposed FY 24 Budget contains no property tax increases and retains the same amount throughout all years of the MYP. The County has made significant gains in labor contracts by recently negotiating and entering into a Memorandum of Understanding (MOU) with the Civil Service Employees Association, Inc. (CSEA). The County currently has agreements in place with CSEA, the Police Benevolent Association (PBA), the Police Detectives' Association (DAI) Inc. and the Superior Officers Association (SOA) Inc. There is a proposed MOU with the Correction Officers Benevolent Association (COBA) that was approved by the membership on October 4, 2023, and should be coming to the Legislature for approval soon. The only outstanding labor contract will be with the Investigators Police Benevolent Association (IPBA). The Proposed FY 24 Budget has earmarked funding of approximately \$31.8 million in specific codes that can be used for payroll adjustments and/or for possible Collective Bargaining Agreement (CBA) expenses.

Furthermore, the Proposed FY 24 Budget includes \$39.5 million in contingency reserve that can be used should a need arise. Compared to the prior year budget, the Proposed FY 24 Budget adds 50 positions, mainly in Public Safety and Health departments. The departments with additional resources include the Police Department, Probation, the Department of Social Services (DSS), and the Health Department. In FY 23, the County paid off all the remaining pension deferred amounts, a prior practice that had accumulated debt. Eliminating this outstanding debt puts the County in a firmer fiscal footing and provides financial flexibility in the out-years by removing the principal and interest payments that would have been due. The proposed budget includes 302 vacant but funded positions with a corresponding budget of approximately \$28.1 million. The proposed budget also includes \$16.4 million more in contractual services for the NICE bus, mainly due to the expansion of the paratransit service.

Albeit the FY 24 Proposed Budget is not without risks as there are growing concerns of an impending recession, and negative trends in the economy may put fiscal pressure on County finances. However, the County is in a good position to face these challenges, because during the past four years, it has been able to build its reserves and that has been seen favorably by rating agencies. The County earned two bond upgrades (Moody's and Fitch Ratings) in FY 23. The continued strategic approach to County finances will be needed to avoid cost overruns and address revenue sources that have diminished. County finances rely on many revenue sources that are sensitive to economic trends and this needs to be at the forefront of Policy decisions. In addition to healthy reserves, FY 23 is on track to register a surplus and the projected positive result will further provide flexibilities to the County to address concerns in FY 24 should they arise.

The largest revenue source for the County is Sales Tax which has been a cornerstone of County finances. The Administration, in drafting the budget, explained that to arrive at the FY 24 Proposed Budget it

adjusted the FY 23 base projection to capture deferrals that would be required from this year. The projections were then increased by **1.5%** to arrive at the FY 24 budget. The Multi Year Plan (MYP) contains a 2.0% growth in FY 25 and 2.5% growth in FY 26 and FY 27. This is illustrated in Table 1.0 below:

Table 1.0: Sales Tax Calculations

2023 Adjusted	2024 Budget without Deferrals	2025 Budget no deferrals	2026 Budget no deferrals	2027 Budget no deferrals
1,554.6	1,577.9	1,609.5	1,649.7	1,691.0
	1.5%	2.0%	2.5%	2.5%
OMB's Calculations and Proposed Budget and Plan				

Year-to-date, the County has experienced growth rates that have exceeded forecasts as the Long Island economy has been resilient and continues to outperform projections. OLBR believes that it is crucial to capture the actual collections as a starting point, then grow the remaining checks in FY 23 by a percentage to arrive at a projected amount. The year-to-date growth rate for the County, through the October 5, 2023, check is 2.8%. Using this methodology and growing the FY 23 remaining checks by 1.7%, sales tax collections would be roughly \$5.0 million shy of the FY 24 proposed sales tax budget, meaning that minimal growth would be necessary to meet the FY 24 budget. The 1.7% is the current Gross County Product (GCP) growth projected by Moody’s for FY 23; however, OLBR cautions that the last two consecutive checks had a **negative** growth rate from the prior year, and growth rates in the remaining FY 23 checks will need to be monitored closely. On October 12, 2023, the County will receive the final check completing the third quarter collections. At that time, OLBR will have an updated projection.

The average of recent national and regional economic forecasts and indicators still point to positive economic growth for Nassau County in FY 23, FY 24, and FY 25. A survey of current US Gross Domestic Product (GDP) forecasts reveals that the US economy is expected to grow an average of 2.0% in FY 23, 0.6% in FY 24, and 1.9% in FY 25.

The regional economy, as forecasted by Moody’s, is projected to register growth rates of 1.7% in FY 23, 0.9% in FY 24, and 1.6% in FY 25. Table 1.1 displays the current forecasts.

Table 1.1: Survey of Current US & Nassau GDP Forecasts

Current Real US GDP 2023 - 2025 Forecasts			
	2023	2024	2025
Fannie Mae	1.9%	-0.2%	N/A
Mortgage Bankers Association	1.5%	0.6%	1.8%
Federal Reserve Bank - Phil.	2.1%	1.3%	2.1%
The Conference Board	2.2%	0.8%	1.7%
Wells Fargo	2.2%	0.5%	1.9%
Average US GDP Forecast	2.0%	0.6%	1.9%
Moody's August GCP Forecast	1.7%	0.9%	1.6%
Moody's May GCP Forecast	1.9%	1.4%	1.8%

OLBR included the Moody’s **May** forecast in the last row of Table 1.1, to highlight how the FY 24 growth projections have decreased from an initial 1.4% projected growth in May to 0.9% by August. As mentioned previously, the September 12th and October 5th checks recorded negative growth and a cautious approach to estimating the FY 24 budget was preferable. Projecting growth has been very volatile given the many looming economic worries including the threat of a recession that can affect the economic outlook.

Recently, especially with the impending threat of a weakening economy, there have been many questions about the overall financial strength of the County. In FY 23, the County received two bond rating upgrades and a big factor of this favorable assessment, was the reserves that the County has built up. Based on recent budgetary surpluses, 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 reported as of July 31, 2023, by the Administration and are available to the County:

Table 1.2: Key/Strategic Reserves (\$’s in millions)

Reserve Balances	7/31/2023
Litigation Fund	\$ 341.9
Retirement Contribution Fund	71.3
Bond Indebtedness Fund	125.0
Employee Benefit Accrued Liability	14.3
Operating Reserve Fund*	55.0
Disputed Assessment Fund	34.5
American Rescue Plan	301.3
Opioid Litigation Settlement	<u>79.5</u>
Total	1,022.8

*New Fund will be established this year.

*The total balance LIT fund is \$396.9, however \$55m will be moved to newly created ORF Fund leaving it a balance of \$341.9m.

OLBR ran an updated balance from the financial system and the total changed minimally by -\$9.2 million as transactions are posted daily. As illustrated above, the largest of the reserves was \$341.9 million in the Litigation Fund, after the transfer of \$55.0 million that will be used to establish the Operating Reserve Fund (ORF).

The availability of these reserves coupled with a projected surplus for FY 23 are affording the Administration great flexibility to adjust and face challenges at least in the near future. In addition, the FY 23 results and usage could positively impact FY 24, thus making the Proposed FY 24 Budget 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 much more important to contain costs and enhance revenues where possible.

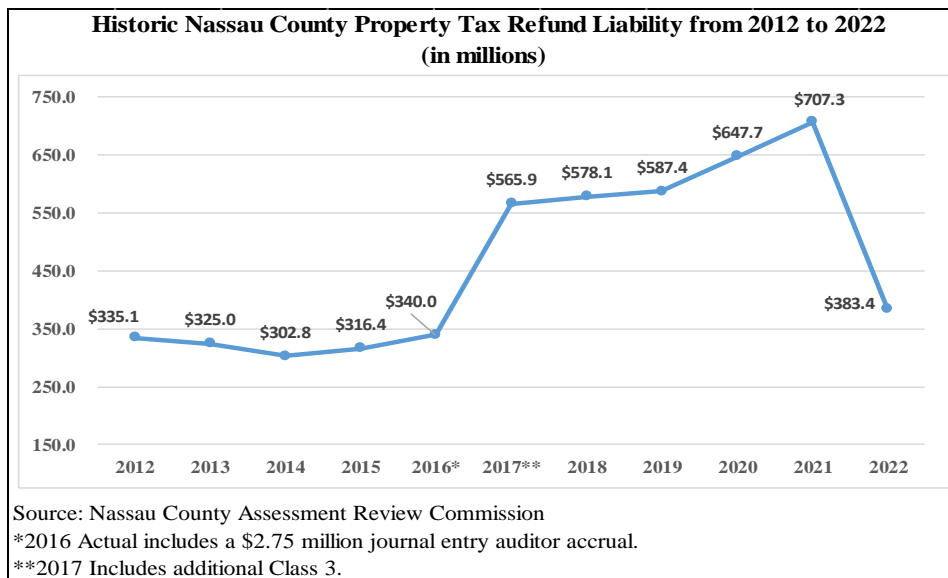
The proposed budget includes no property tax increases. Below is a breakdown of the tax levy by funds:

Table 1.3: Proposed Property Tax Levy by Fund

Property Tax Levy			
Fund	2023		Difference 2024 vs 2023
	Adopted	2024 Proposed	
Fire Commission	202,676	706,251	503,575
General	2,000,000	3,500,000	1,500,000
Police District	477,953,756	466,176,265	(11,777,491)
Police Headquarters	275,106,705	284,880,621	9,773,916
Subtotal Major Funds	\$755,263,137	\$755,263,137	\$0
Sewers (SFA)	154,559,286	154,559,286	0
Total Major Funds & Sewers	\$909,822,423	\$909,822,423	\$0
Environmental Bond	8,211,443	8,211,443	0
College	52,206,883	52,206,883	0
Grand Total	\$970,240,749	\$970,240,749	\$0

As of December 31, 2022, the County’s estimated outstanding property tax liability was \$383.4 million which represented a significant decrease of 45.8% from the estimated prior year liability of \$707.3 million. The increase from FY 16 to FY 17 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



The backlog is another area where the County has made 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 in FY 21 which has basically been reduced/eliminated. Table 1.4 below breaks down the liability by class as of fiscal year-end 2022:

Table 1.4: Backlog by Class

Annual Nassau County Property Tax Refund Liability by Class				
	2021	2022	\$ Change	% Change
Class 1	59.5	47.2	-12.3	-20.6%
Class 2	59.5	28.9	-30.5	-51.3%
Class 3	259.8	0.1	-259.8	-100.0%
Class 4	328.5	307.2	-21.4	-6.5%
Total	707.3	383.4	-323.9	-45.8%

Source: Assessment Review Commission

The Proposed FY 24 Budget contains \$40.0 million for suits & damages in the Assessment Department and the County plans to levy \$40.0 million in the Disputed Assessment Fund (DAF) for a total of \$80.0 million to pay for tax certiorari expenses. The \$40.0 million in the Assessment Department represents an increase of \$10.0 million in operating funds. In addition, the Office of Management and Budget (OMB) includes \$45.0 million for other suits and damages in their budget.

Table 1.5 below shows the expense and revenue components for the Sewer & Storm Water Resource District:

Table 1.5: Sewer & Storm Water Resource District Highlight (SSW)

Sewer & Storm Water Resource District			
Expense	FY 23 NIFA Approved Budget	FY 24 Executive Budget	FY24 vs FY23
Salaries	\$8,425,493	\$8,306,023	(\$119,470)
Fringe Benefits	7,539,363	6,130,624	(1,408,739)
Equipment	10,000	10,000	0
General Expenses	1,724,830	1,694,930	(29,900)
Contractual Services	75,052,848	78,361,828	3,308,980
Utility Costs	9,020,793	6,887,245	(2,133,548)
Interest	7,526,883	10,439,268	2,912,385
Principal	10,650,151	14,108,693	3,458,542
Interfund Charges	43,681,622	43,813,654	132,032
Other Expense	358,500	10,458,942	10,100,442
	\$163,990,483	\$180,211,207	\$16,220,724
Revenue			
Fund Balance	\$13,935,459	\$21,483,133	\$7,547,674
Permits & Licenses	750,000	750,000	\$0
Invest Income	105,000	3,025,000	\$2,920,000
Rents & Recoveries	3,000,000	4,125,800	\$1,125,800
Dept Revenues	1,253,000	1,603,000	\$350,000
Interfund Transfers	144,947,024	149,224,274	\$4,277,250
	\$163,990,483	\$180,211,207	\$16,220,724

Some of the biggest highlights in SSW include the planned use of \$21.5 million in fund balance in order to keep the Sewer Fund in balance which represents an increase of \$7.6 million. The fringe savings of \$1.4 million are primarily due to lower health insurance costs from transferring CSEA members to the new Excelsior health insurance program.

SSW contractual service expenses are increasing by \$3.3 million mainly due to a growth of \$4.8 million in professional services for maintenance of the sewer system, offset by \$1.5 million savings in engineering. For utilities, the budget anticipates savings of \$2.1 million primarily due to lower fuel, brokered gas and light, power & water costs. Finally, other expenses are increasing by \$10.1 million which has been appropriated in the event that an operational or contractual need arises.

Budget Risks

A review of the FY 24 Proposed Budget reveals that there are risks that could materialize, however there are also opportunities that were identified in the budget that offset these risks. Economic indicators point to a possible recession and the impact / outcome can't be forecasted with great accuracy. The County took a cautious approach in estimating sales tax growth which is preferable from a budgetary perspective. In addition, the County has built up many reserves which will allow it to overcome challenging scenarios.

OLBR has identified approximately **\$93.5** million of risks in the Proposed FY 24 Budget for the Major Funds which are offset by **\$99.5** million in opportunities for a net positive of **\$6.0** million. This estimate is prior to factoring the possible usage of the ARPA funds and the projected FY 23 surplus. Given the amounts being projected as risks and opportunities, the budget as it is, gives the Administration the opportunity to manage and implement some mitigating factors as the year progresses and specific items come to fruition.

Table 1.6 below, which continues on the next page, lists the risks and opportunities including additional possible opportunities that can be available to the Administration.

Table 1.6: Major Funds Risks (millions)

Risks (in millions)

<u>Items</u>	<u>OLBR Surplus/Risk</u>
Overtime	\$23.1
Department Revenues	16.2
TPVA Fines	15.7
Bond Surplus	15.0
Prior Year Recoveries	10.4
Recipient Grants & Purchased Services (Entitlements)	8.9
Sale of County Property	4.2
Total Risks	\$93.5

Opportunities (in millions)

Contingency Reserve Funding	39.5
Vacancy Value (Half Value)	14.1
Retro Pay	13.0
Investment Income	11.1
Debt Service Future Obligations	10.6
Sales tax 0.9% in FY 24 on top of base FY 23 Growth	8.6
Parks Dept. Revenues (Cricket)	2.8

Total Opportunities	\$99.5
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Net	\$6.0
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Other Possible Opportunities

ARPA Unappropriated Funds	269.5
Projected FY 23 Surplus to Reserves	100.0

Total Other Possibilities	369.5
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The overtime risk is based on current trends and projections compared to the FY 24 Proposed Budget. The most aggressive decrease is budgeted in the Correctional Center. The Administration believes it can achieve these 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 overtime impact to the Major Funds.

A risk of \$16.2 million has been identified in departmental revenues; \$11.8 million of the risk is in the Assessment and County Clerk’s Department. Aside from the \$5.0 million in Assessment from the Annual Survey of Income and Expense law (ASIE), the remainder of the exposure, in both departments, is driven by a slow housing and mortgage refinancing market. This is the result of significantly higher interest rates that have the potential to stay elevated for a longer period. The remainder of the risks consists of \$2.4 million from ambulance fees and \$1.9 million from fare box revenues.

The Traffic and Parking Violations Agency (TPVA) has not been immune to current negative trends and this revenue source has not fully recovered. TPVA’s overall fines and forfeits revenue budget for FY 24 is \$74.9 million, a decrease of \$3.4 million year over year. Current projections for this revenue are \$59.2 million which translates into a \$15.7 million exposure to the budget. The School Bus Stop Arm Camera and the Boot and Tow initiatives are also included in the total assessed risk.

The Proposed FY 24 Budget includes \$15.0 million from Bond Surplus. The latter, as it has been explained, will be realized by closing capital projects with available funds remaining. This is pending execution and may or may not be realized and it is seen as a risk until it materializes.

The proposed budget includes anticipated revenues of \$10.4 million from prior year recoveries, which happen throughout the budget as prior year funds are disencumbered. However, they are random and not guaranteed.

During the pandemic, entitlement programs experienced expense decreases. However, cases have been on the rise lately and with the possibility of an impending recession, there is a likelihood that direct assistance expenses will surpass the budget if the current trends continue. The FY 24 budget wisely increased funding however, compared to the current projections, there could be a risk of approximately \$8.9 million.

The sale of County properties is a long and tedious process that sometimes come to fruition but can fall short of expectations. The budget includes \$4.2 million in anticipated revenue.

The contingency reserve is included in the proposed budget for \$39.5 million and is seen as an opportunity.

Based on current low headcount and continued attrition, it is anticipated that many positions will be added/backfilled, but some may remain open, resulting in approximately \$14.1 million or half of the value of the vacancies being an opportunity.

The Proposed FY 24 Budget has earmarked funding of approximately \$31.8 million in specific codes that can be used for payroll adjustments and/or for possible Collective Bargaining Agreements (CBAs) with unions. Out of this total, \$13.0 million is anticipated to cover retroactive pay. However, there is a likelihood that this expense will be covered using FY 23 surpluses which would alleviate FY 24.

In the Treasurer's Office, investment income is budgeted at \$38.0 million in the FY 24 Proposed Budget. However, through September 2023, investment income had already exceeded \$35.0 million and is projected to reach \$45.0 million this year. With interest rates expected to stay high, if not move higher, as the Federal Reserve continues to battle inflation and with the County retaining large cash balances, investment income could possibly reach \$50.0 million or more. OLBR sees an opportunity of approximately \$11.1 million for investment income.

The proposed budget includes \$10.6 million in expenses for future debt obligations to be issued. Based on the past practice of new borrowings being structured to require the first payments in the following year, there is an opportunity for FY 24.

Sales tax has outperformed all GCP estimates. Based on current trends, this opportunity is currently estimated to be \$8.6 million.

At the Legislative hearing of September 27, 2023, the Parks Department testified that it expected a minimum revenue to the County of approximately \$2.8 million from the County hosting the Cricket World Cup. The Proposed FY 24 Budget does not capture this opportunity.

As illustrated above in the Risks and Opportunities Table 1.6, the risks are offset by the opportunities. Not all risks will materialize and the same applies to opportunities; therefore, the success of the FY 24 budget will rely on the Administration implementing revenue initiatives while curtailing expense overruns. In addition, the ARPA Funds once appropriated could possibly not only effect FY 23 but also the current proposed budget depending on the usage once that has been decided. Furthermore, the current year budget projections include an estimated transfer of \$100.0 million to reserves, which could possibly grow.

Conclusion

The Proposed FY 24 Budget continues to fund priorities for the Administration. It includes additional funding for areas where expenses continue to escalate, while taking a measured approach to estimating revenues. Staffing has been augmented, the budget includes \$39.5 million in contingency reserve, and earmarks funding in specific codes for payroll adjustments and/or for possible Collective Bargaining Agreements (CBAs). In addition, the proposed budget also includes more contractual service funding for the NICE bus, mainly due to the expansion of the complementary paratransit service.

Nonetheless, the FY 24 Proposed Budget is not without risks as there are growing concerns of an impending recession. OLBR has identified risks in the budget which opportunities offset. Given the amounts being projected as risks and opportunities, the budget as it is, affords the Administration the resources and the opportunity to manage. In addition, the County has established/funded many reserves for a rainy day which will further provide fiscal flexibility. Therefore, the County is in a good position to face challenges if they should arise beyond the projections. Albeit the Administration will need to remain vigilant and continue taking a measured approach to cost overruns and enhance revenues where possible in order to maintain the County's strong fiscal position.

Proposed Expense Budget

The FY 24 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 \$3.5 billion, a \$152.2 million increase in expenses. A breakdown of the budget categories reveals that many have significant variances, and they will be discussed individually later in the report. Table 1.7 below shows the budget to budget variances by category:

Table 1.7: Major Funds Expenses FY 24 vs. FY 23
(\$'s in millions)

	FY 23 NIFA Approved	FY 24 Proposed	Variance
Expenses			
Salaries	\$989.9	\$1,020.5	\$30.6
Fringe Benefits	679.4	645.7	(33.8)
Workers Compensation	37.2	38.1	0.8
OTPS	377.5	417.9	40.4
Utilities	38.5	42.5	4.1
Transportation	50.9	51.8	0.9
Government Assistance	91.1	94.1	2.9
Interfund Charges	21.6	20.7	(0.9)
Direct Assistance	181.1	216.5	35.4
Early Intervention/Special Ed	150.0	162.8	12.8
Medicaid	240.1	245.2	5.0
Debt Service (Incl NIFA Set Aside)	312.2	326.3	14.1
Contingency Reserve	25.0	39.5	14.5
Other Expenses	132.4	157.0	24.6
NIFA Expense	2.1	2.8	0.7
Total Expenses¹	\$3,328.9	\$3,481.2	\$152.2
<small>1. Excludes sales tax transfers, interdepartmental charges and debt service chargebacks</small>			

Salaries are increasing by \$30.6 million from the prior year budget. This increase captures the cost-of-living adjustments (COLA) for the unions that have active labor contracts. The County recently entered into a Memorandum of Understanding (MOU) with the Civil Service Employees Association, Inc. (CSEA) and now has labor contracts with that union in addition to the Police Benevolent Association (PBA), the Police Detectives’ Association (DAI) Inc. and the Superior Officers Association (SOA) Inc. There is a proposed MOU with the Correction Officers Benevolent Association (COBA) which has not yet been presented to the Legislature. This will leave the Investigators Police Benevolent Association (IPBA) as the only expired contract.

In addition to these contractual agreed increases, the County has also included funding of approximately \$31.8 million which has been earmarked for possible payroll adjustments and Collective Bargaining Agreements (CBAs). The proposed budget includes 302 vacant but funded positions with a corresponding budget of \$28.1 million. The prior budget had included funding for the anticipated labor agreements in salary extra codes and that funding is now reflected in the specific unions. For a breakdown of the funding included in the FY 24 budget for labor contracts, please refer to the labor section in this report. This

funding may prove valuable since OLBR is currently estimating that there could be a risk of \$23.1 million from overtime.

In the FY 24 Proposed Budget there is no longer any outstanding remaining liability from the prior year’s pension deferrals that occurred from FY 12 - FY 21. During that timeframe, the County had previously deferred the maximum amount of pension payments under the States Stabilization program. 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 most of the outstanding liability. Approximately \$122.9 million was paid off in FY 22, and the remaining liability was paid in FY 23. Paying off this liability, was good governmental practice and it saved the County millions in future interest payments.

The FY 24 Proposed Fringe Benefit budget for the Major Funds is \$645.7 million, which is a significant decrease of \$33.8 million from the FY 23 NIFA Approved Budget. The decline is due to reductions in health insurance for retirees, a significant reduction in the Medicare reimbursement budget and the elimination of the remaining deferred pension liability that was budgeted in FY 23.

The health insurance reduction reflects the impact of the lower premium rates from the transfer of the health insurance program from the Empire plan to the Excelsior program for CSEA members under the recently negotiated Collective Bargaining Agreement. The overall fringe benefit decrease would have been even greater but is being partially offset by increases in pension costs and social security expenses.

The Other Than Personal Services (OTPS) rollup shows an increase of \$40.4 million. This consists of a smaller increase of \$1.8 million in equipment, \$5.3 million in general expenses and a much larger increase in contractual services of \$33.3 million. Below is a breakdown of the different components:

Table 1.8: OTPS

	FY 23 Approved	FY 24 Proposed	Difference
Equipment	\$6.9	\$8.6	\$1.8
General Expenses	49.6	54.9	5.3
Contractual Services	321.0	354.3	33.3
	\$377.5	\$417.9	\$40.4

The largest OTPS increase is from contractual services. This includes additional contractual funding of \$20.1 million in the Department of Public Works (DPW), \$4.0 million in Police, \$2.0 million in Human Services, \$3.7 million in the County Attorney and \$1.3 million in the Comptroller’s Office.

- The \$20.1 increase in DPW is primarily due to a \$16.4 million increase in contractual services for the NICE Bus, \$1.4 million increase in miscellaneous contractual services, and a \$1.4 million increase in streetlight and signal maintenance.
- The \$3.7 million increase in County Attorney is due to a \$3.3 million rise in legal services and a \$0.4 million increase in expert witness costs.
- In Police, the \$4.0 million variance is from increased miscellaneous contractual services of \$1.8 million, radio & communications expenses growing by \$1.8 million and Police union legal fees for an additional \$0.4 million.
- The \$2.0 million increase in Human Services is mainly due to a \$1.9 million increase funding in program agencies.

- In the Comptroller’s Office, the increase of \$1.3 million is mainly for miscellaneous contractual services anticipated for the implementation of the new Enterprise Resource Planning (ERP) system.

General expenses will increase by \$5.3 million year-over-year. The Police Department has the largest increase of \$3.4 million for building supplies & maintenance; motor vehicle supplies & parts and gasoline.

Table 1.9: Direct Assistance

	FY 23 Approved	FY 24 Proposed	Difference
Recipient Grants	\$47.4	\$55.1	\$7.7
Purchased Services	71.6	98.5	27.0
Emergency Vendor Payments	62.2	62.8	0.7
	\$181.1	\$216.5	\$35.4

Direct Assistance includes the three categories shown in the table above. The largest increase is in Purchased Services with smaller increases in Recipient Grants and Emergency Vendor Payments.

- The Proposed FY 24 Budget for Recipient Grants is \$55.1 million, which is a \$7.7 million increase compared to the prior year budget and \$1.9 million less than current projections. The additional budget funding is primarily due to increases in caseloads for Safety Net and TANF. Through the end of August 2023, Safety Net and TANF caseloads increased by 11.2% and 6.4% from August 2022, respectively.
- The budget for Purchased Services is \$27.0 million more than the prior year budget but \$7.0 million less than the department’s current projection of \$105.6 million. The rise in expenses is based on State mandated rate increases for Day Care services and the reduction of the income-based family share, 12-month eligibility, and expansion of initial eligibility levels.
- The Emergency Vendor Payments for the FY 24 budget proposal is \$62.8 million, which represents a minimal increase from the prior year budget and is in line with current projections. This category includes expenses for the Education of Handicapped Children, Children in Institutions, and Training Schools.

Provider payments for Early Intervention/Special Ed are increasing by \$12.8 million to \$162.8 million in the FY 24 Executive Budget, when compared to the FY 23 NIFA Approved Budget. Of the total FY 24 budget, \$135.8 million in payments is devoted to the Pre-school Education program and \$27.1 million is for Children’s Early Intervention Services. This increase aligns the budget with the current FY 23 projection; however, it does not allow for any growth in reimbursement rates or caseload activity should that occur. Therefore, there could be a risk to the Provider Payment budget if caseloads continue growing.

The Debt Service increase of \$14.1 million includes the increase of \$6.2 million in NIFA set asides, an additional \$9.7 million in principal expenses which are offset by a decrease of \$1.7 million in interest costs. Although not included above, the Administration’s executive summary highlights that Debt Service in the Sewer District Fund is increasing as the County is financing the Bay Park Conveyance project through the NYS Environmental Facilities Corporation.

The FY 24 budget includes \$39.5 million in contingency reserve. This funding source could be used in the event of an economic downturn or to cover unforeseen budget overages.

The Other Expense category is increasing by \$24.6 million of which an additional \$10.0 million is in suits and damages and \$9.3 million for the Bar Association.

Proposed Revenue Budget

The FY 24 Proposed Revenue Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interfund, interdepartmental charges and debt service chargebacks, is \$3.5 billion, a \$152.2 million increase from the prior year budget. Table 1.10 below shows the revenue sources from a year-to-year budget perspective and the corresponding variances:

Table 1.10: Major Funds Revenues FY 24 vs. FY 23
(\$'s in millions)

	FY 23 NIFA Approved	FY 24 Proposed	Variance
Revenues			
Fund Balance	\$0	\$0	\$0
Department Revenues	222.1	194.8	(27.3)
Fines & Forfeits	106.1	101.7	(4.4)
Non-Tax Sources	264.1	316.0	51.9
Federal Aid	161.1	188.1	27.0
State Aid	261.5	288.1	26.6
Sales Tax	1,527.3	1,605.3	78.0
Property Tax	755.3	755.3	0.0
Other Taxes	31.4	31.9	0.5
Total Revenues¹	\$3,328.9	\$3,481.2	\$152.2

1. Excludes interfund, interdepartmental revenue & debt service chargebacks

The FY 24 Proposed Budget increases revenues compared to the prior year budget. Sales tax, state and federal aid as well as non-tax sources makeup the majority of the increase. Offsetting the additional revenues is a decrease in department revenues.

Department revenues show a decrease of \$27.3 million year over year. This is a direct correlation with the current economic climate, especially in real estate, and it is fiscally prudent to be more conservative in budgeting for many revenues that may not fully recover by FY 24. The departments with the highest revenue decreases include \$9.5 million in the Clerk’s Department, and \$20.0 million in the Assessment Department.

- With the possibility of a recession looming and the continued increases in mortgage rates, 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 by \$9.5 million when compared to the prior year budget. This number is closer to current projections and trends.
- The Assessment Department budget lowers the GIS tax map verification fee receipts by \$20.0 million. Lowering the revenue was prudent of the Administration especially given the housing market trends and a pending lawsuit that questions the very imposition of the fee. However, current projections for FY 23 total approximately \$21.6 million. If the current trends continue, there could be a risk to the budget of approximately \$8.5 million based on recent projections. Also

in this department is the revenue from the Annual Survey of Income and Expenses (ASIE) for \$5.0 million which is all seen as a risk.

The Non-Tax revenues include many object codes rolled up in this category which have differences. The major variances will be analyzed separately. Table 1.11 below illustrates the different components of this category:

Table 1.11: Non-Tax Sources Revenue Breakdown

	FY 23 Budget	FY 24 Proposed	Difference
Int Penalty On Tax	\$34.8	\$32.5	(\$2.3)
Permits & Licenses	18.4	18.8	0.3
Invest Income	6.1	38.9	32.8
Rents & Recoveries	33.9	31.2	(2.7)
Revenue Offset To Expense	20.5	23.4	2.9
Payment In Lieu Of Taxes	53.4	53.0	(0.4)
Capital Resources For Debt	1.1	19.9	18.8
OTB Profits	20.0	20.0	-
Interfund Charges Rev	75.9	78.4	2.5
Total:	\$264.1	\$316.0	\$51.9

- The largest increase is budgeted for investment income and is a factor of the current interest rate environment. With several large balances in many accounts, the County can maximize the interest it receives from its investments.
- Capital resources from debt is increasing by \$18.8 million which is made up of \$3.8 million from bond premiums and \$15.0 million in bond surplus.

Federal aid grows by \$27.0 million in the Proposed FY 24 Budget compared to the prior year. The departments with the largest variances include DSS with an additional \$27.5 million; DPW with \$2.6 million less and the Correctional Center with \$1.6 million more in revenue.

- The federal aid reimbursement in the FY 24 Proposed Budget for DSS is \$153.9 million, a \$27.5 million increase from the FY 23 NIFA Approved Budget primarily due to the anticipated reimbursement increase in the Child Care Development Block Grant (Day Care for Children) and anticipated staffing.
- In DPW, the decrease of \$2.6 million is from less Federal Transportation Authority (FTA) grant revenues.
- In the Correctional Center, the FY 24 federal aid budget of \$4.8 million increases by \$1.6 million due to reimbursement from the State Criminal Alien Assistance Program (SCAAP) for actual receipts from prior years reimbursements.

State aid grows by \$26.6 million in the proposed budget. The largest increases are:

- In DPW with \$11.0 million more in revenue, all coming from additional STOA grant funding related to NICE (Bus).

- The FY 24 Proposed Budget for state aid within the Health Department is increasing by \$5.0 million compared to the FY 23 NIFA Approved Budget, which is the corresponding revenue reimbursement from the increase in the budgeted amount for provider payments.
- The Budget Office with \$4.5 million more which represents 50% for Attorney fees reimbursement from NYS. The 50% reimbursement is on the year over year expense increase of approximately \$9.0 million in FY 24.
- The Proposed DSS FY 24 Budget for state aid reimbursement is increasing by \$2.1 million which is reflective of the additional reimbursement from the increased expenses.

The budget to budget increase in sales tax is \$78.0 million. The Administration, in drafting the Sales Tax budget explained that to arrive at the FY 24 Proposed Budget, it adjusted the FY 23 base projection, then increased the projections by **1.5%** in FY 24. Year-to-date through the October 5th check, the actual growth rate for the County is 2.8%. However, the overall sentiments of economists are that there's an impending recession, prompting a cautious approach in estimating growth for sales tax in FY 24.

Multi-Year Plan (MYP)

Changing economic conditions make it difficult to forecast past FY 24 with great accuracy and the attempt to predict beyond a year by monitors have yielded major variances from actuals. However, Table 1.12 below details the Administration’s projected expenditures and revenues through FY 27. Although the Proposed MYP by the Administration does not show any deficits in the out-years, they nonetheless listed actions that could have positive effects on the budget.

Table 1.12: Multi-Year Plan Projections (Major Funds)
(\$’s in millions)

	2024 Proposed	2025 Plan	2026 Plan	2027 Plan
Expenses				
Salaries	\$1,020.5	\$1,044.7	\$1,082.2	\$1,111.1
Fringe Benefits	645.7	696.9	719.8	748.0
Workers Compensation	38.1	38.8	39.5	40.2
OTPS	417.9	416.9	420.9	423.7
Utilities	42.5	37.3	36.7	36.2
Transportation	51.8	52.7	53.6	54.6
Government Assistance	94.1	95.9	98.3	100.7
Interfund Charges	20.7	20.4	20.0	19.6
Direct Assistance	216.5	213.2	209.5	205.5
Early Intervention/Special Ed	162.8	156.8	152.8	150.6
Medicaid	245.2	254.3	256.7	256.7
Debt Service (Incl NIFA Set Aside)	326.3	304.8	308.4	334.6
Contingency Reserve	39.5	21.0	17.0	0.0
Other Expenses	157.0	142.3	137.3	132.3
NIFA Expense	2.8	2.3	2.8	2.5
Total Expenses¹	\$3,481.2	\$3,498.3	\$3,555.5	\$3,616.3
1. Excludes sales tax transfers, interdepartmental charges and debt service chargebacks				
	2024 Proposed	2025 Plan	2026 Plan	2027 Plan
Revenues				
Fund Balance	\$0	\$0	\$0	\$0
Department Revenues	194.8	205.3	220.5	231.5
Fines & Forfeits	101.7	101.7	101.7	101.7
Non-Tax Sources	316.0	313.8	322.3	329.0
Federal Aid	188.1	189.4	190.0	189.4
State Aid	288.1	285.5	286.8	288.6
Sales Tax	1,605.3	1,617.9	1,649.7	1,691.0
Property Tax	755.3	755.3	755.3	755.3
Other Taxes	31.9	31.9	31.9	31.9
Total Revenues¹	\$3,481.2	\$3,500.8	\$3,558.1	\$3,618.4
1. Excludes interfund, interdepartmental revenue & debt service chargebacks				
Surplus/Gap Projections	\$0.0	\$2.5	\$2.7	\$2.1

Over the course of this MYP, total expenses are projected to grow by 3.9% while revenues increase at the same rate. 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 made many assumptions in the proposed MYP which entail a rebound from diminishing economically sensitive revenues. Should these projections not come to fruition, the County may have to rely on the reserves that it has set aside as a rainy-day fund. Over the timeframe of the MYP, expenses are growing by approximately \$135.1 million while revenues in the plan are increasing by \$137.2 million. It will be challenging for the Administration to avoid cost overruns while revenues increase concurrently.

- Salaries and wages will increase by \$90.6 million, from a proposed budget of \$1,020.5 million in FY 24 to \$1,111.1 million in FY 27. The MYP includes COLA increases for the unions with active labor agreements and set asides funding to settle outstanding CBAs with all unions in the out-years.
- Fringe benefits will increase by \$102.4 million, or 15.9%, from the \$645.7 million in the Proposed FY 24 Budget to \$748.0 million in FY 27.
 - Health insurance expenses for active and retired employees from FY 24 to FY 27 are projected to increase by \$43.9 million to \$395.4 million. The MYP baseline inflator used to project out-year health insurance costs for both active employees and retirees is a recurring 4.0% from FY 25 through FY 27. This rate is applied to both the Empire and Excelsior health insurance plans.
 - Pension costs for ERS and PFRS are increasing by \$34.0 million in FY 25, \$5.9 million in FY 26 and by \$6.0 million in FY 27. Since both pension contribution rates and salaries are projected to increase in the out-years, the rise appears reasonable to capture the growth. The growth in FY 25 is attributed to the projected FY 2024-25 pension bill provided by the New York State Comptroller. The New York State Comptroller projects a rise in FY 24-25 contribution rates.
 - The Proposed FY 24 Budget for social security is increasing annually about \$1.5 million from FY 24 through FY 27.
- The FY 24 sales tax budget is based on adjusted projections that were then increased by 1.5%. The MYP contains a 2.0% growth in FY 25 and a 2.5% growth in FY 26 and FY 27.

The **Administration** recognizes that the economy still faces challenges and will seek to implement the following items to fortify the County's finances.

State Aid Mandated Cap

The 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's portion of this mandated program has been growing with no control available to the County and they anticipate increased reimbursement being provided to account for the additional cost to the County.

Building Consolidation

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

Efficiency Program

The Administration will 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.

Economic Development

Nassau County has opportunities for growth especially where communities are exploring re-development of downtown areas. While no specific projects can be discussed at this time, it is clear that upside potential exists.

Sands Casino

In May 2023, the County reached a lease agreement with Las Vegas Sands (LVS) that gave the company control over the more than 70-acre Coliseum site. With approval of the lease agreement, which resulted in a \$54.0 million advance payment, the Sands Casino will begin paying an annual rent of \$5.0 million to the county while it awaits a state gaming license. With the issuance of the license, the annual rent would double to \$10.0 million. The administration intends to develop the Coliseum site into a world-class hotel, and a world-class entertainment center, that is going to be funded by a casino. This will bring jobs, economic prosperity, tax relief, and improved safety here in Nassau County. Regardless of whether LVS is granted a casino license for the location, the County will receive an annual rental amount of \$5.0 million and an annual amount of \$900,000 towards public safety. The licensing decision is anticipated in late 2024, or early 2025. If LVS is granted a casino license, the County has a Gaming Revenue Guarantee of \$25.0 million annually in addition to increases of the figures above.

2. LABOR

The Administration recently negotiated and entered into a Memorandum of Understanding (MOU) with the Civil Service Employees Association, Inc. (CSEA) which represented a labor agreement that extends through 2030. The County currently has agreements in place with CSEA, the Police Benevolent Association (PBA), the Police Detectives’ Association (DAI) Inc. and the Superior Officers Association (SOA) Inc.; there is an MOU for the Correction Officers Benevolent Association (COBA) that was approved by the membership on October 4, 2023, and should be coming to the Legislature for approval soon. The only outstanding labor contract will be with the Investigators Police Benevolent Association (IPBA).

For CSEA members, the MOU includes scheduled General Wage Increases (GWI), also referenced as Cost of Living Adjustments (COLA), that are summarized in the table 2.0 below:

Table 2.0: CSEA COLAs

Proposed MOU Agreement		
<u>Phase</u>	<u>Date</u>	<u>GWI</u>
<u>Phase 1</u>	July, 1 2020	2.00%
	July, 1 2021	2.00%
	July, 1 2022	2.50%
	July, 1 2023	2.00%
	July, 1 2024	3.00%
	July, 1 2025	3.00%
<u>Phase 2</u>	August 1, 2026	2.50%
	September 1, 2027	2.50%
	October 1, 2028	2.50%
	November 1, 2029	2.85%

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.

The PBA agreement stipulated that members would receive raises annually (each July 1st) beginning in 2018 of 1.0% each year through 2021, 2.5% for 2022 and 2023, and 3.0% for 2024 and 2025. The Police GWIs are shown in Table 2.1 below:

Table 2.1: Police COLAs

<u>PBA</u>		<u>SOA</u>		<u>DAI</u>	
<u>Date</u>	<u>GWI</u>	<u>Date</u>	<u>GWI</u>	<u>Date</u>	<u>GWI</u>
July, 1 2018	1.00%	July, 1 2018	0.00%	July, 1 2018	0.00%
July, 1 2019	1.00%	July, 1 2019	0.00%	July, 1 2019	0.00%
July, 1 2020	1.00%	July, 1 2020	2.00%	July, 1 2020	2.00%
July, 1 2021	1.00%	July, 1 2021	2.00%	July, 1 2021	2.00%
July, 1 2022	2.50%	July, 1 2022	2.50%	July, 1 2022	2.50%
July, 1 2023	2.50%	July, 1 2023	2.50%	July, 1 2023	2.50%
July, 1 2024	3.00%	July, 1 2024	3.00%	July, 1 2024	3.00%
July, 1 2025	3.00%	July, 1 2025	3.00%	July, 1 2025	3.00%

Once a CBA is proposed, the agreement will need to be evaluated within the limitations of the current year’s adopted budget and the projections to determine if the value can be absorbed.

However, the Proposed FY 24 Budget earmarked funding of approximately \$31.8 million in specific codes that can be used for payroll adjustments and/or for possible CBA related expenses. The amounts are reflected in the table below:

Table 2.2: Payroll Funding

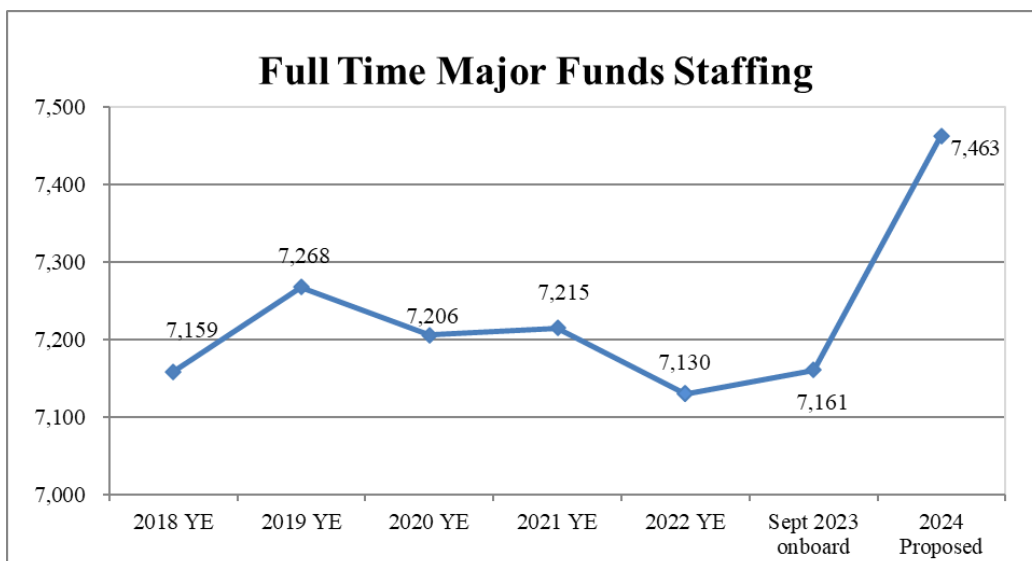
Payroll Adjustments	
	2024 Proposed
AAZRT - RETROACTIVE PAY	12,953,501
AAZZ6 - PAYROLL ADJUSTMENT	11,365,338
AAZZK - SHOA/COBA ADJUSTMENT	7,008,433
AAZZL - IPBA ADJUSTMENT	442,368
Total	\$31,769,640

The \$31.8 million appropriation identified above could be used to absorb the cost of possible union agreements. In estimating the funding, the Administration explained that it modeled their estimate based on the expectation that any agreement will have similar terms to the CBAs with the CSEA, PBA, DAI and SOA. Depending on the timing and final terms, the cost may differ from the amounts anticipated above; however, it was fiscally prudent to include an amount in the Proposed FY 24 Budget. In addition, the total value of the funded but vacant positions has been estimated to be approximately \$28.1 million. This number will be reduced as the Administration hires employees.

Compared to the prior year budget, the Proposed FY 24 Budget adds 50 positions, mainly in the Public Safety and Health Departments. The departments with additional resources include the Police Department, Probation, the Department of Social Services (DSS) and the Health Department.

The Proposed Budget funds 7,463 full-time positions in the Major Operating Funds (excluding Sewers) which compared to the September 2023 onboard headcount of 7,161 translates to 302 funded vacant positions. Chart 2.0 below, illustrates the historical, current and FY 24 proposed full-time headcount:

Chart 2.0: Headcount Trend



Although the Administration could move quickly to hire in many positions, there is a high probability, based on recent 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 \$80.5 million in the Proposed FY 24 Budget which represents a \$1.9 million increase from the prior year budget. However, the funding represents a \$23.1 million decrease from the FY 23 projections. The Police Department budgeted \$12.8 million less than the current projection and the department hopes 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 24 as they continue to hire new recruits which should bring down the blended overtime rate.

In the Correctional Center, the FY 24 Proposed Budget for overtime is \$9.4 million less than the current projections and although the department has made strides in reducing this expense, the lower budget will be challenging to achieve. The inmate headcount drastically decreased in recent years. In addition, the department is planning on adding two recruit classes in FY 24, one in March and the other in July.

Table 2.3: Major Funds Overtime Trends

OVERTIME TRENDS					
	<u>2022 YE</u>	<u>2023 Adopted</u>	<u>2023 Projection</u>	<u>2024 Proposed</u>	<u>2024 Prop vs. 2023 Proj Variance</u>
Police District	24,794,550	22,360,000	25,760,000	22,000,000	(3,760,000)
Police Headquarters	34,894,748	26,800,000	35,800,000	26,793,383	(9,006,617)
Total	59,689,298	49,160,000	61,560,000	48,793,383	(12,766,617)
Corrections	33,816,521	15,008,446	26,222,653	16,821,446	(9,401,207)
Police & Corrections	93,505,819	64,168,446	87,782,653	65,614,829	(22,167,824)
Others	15,485,646	14,442,932	15,886,834	14,920,182	(966,652)
TOTAL:	108,991,465	78,611,378	103,669,487	80,535,011	(23,134,476)

Headcount

Table 2.4 on the next page shows the FY 23 Adopted Budget headcount, the FY 24 full-time Major Funds budget, including Sewer & Storm Water positions, which is compared to the current on-board headcount by department:

Table 2.4: Full-Time Staffing Comparison

Department	2023 NIFA Adopted Headcount	2023 Sept Onboard Headcount	2023 Sept Onboard Salaries	2024 Proposed Headcount	2024 Proposed Salaries	Variance 2024 Proposed vs. 2023 Sept Onboard
Assessment	164	128	9,147,661	164	10,614,144	36
Asian American Affairs	6	2	180,000	6	397,000	4
Assessment Review Commission	67	63	5,007,443	62	4,986,339	(1)
Board of Elections	160	141	11,228,790	160	13,381,924	19
Civil Service	46	44	3,454,489	46	4,035,690	2
Office of Crime Victims Advocate	4	5	392,500	5	392,500	0
Comptroller	91	74	7,092,860	95	8,676,405	21
Constituent Affairs	12	12	1,195,000	12	1,195,000	0
Consumer Affairs	26	21	1,277,598	25	1,631,620	4
Correctional Center	940	847	71,797,714	940	77,243,999	93
County Attorney	89	84	7,944,769	89	8,332,329	5
County Clerk	90	78	4,869,213	90	5,488,015	12
County Executive	13	9	1,069,821	13	1,530,959	4
District Attorney	468	427	42,179,503	458	43,892,850	31
Emergency Management	8	8	791,087	8	787,324	0
Health	181	167	13,434,023	281	24,070,789	114
Housing & Intergovernmental Affairs	15	12	889,570	15	1,099,570	3
Human Resources	9	7	645,080	9	731,330	2
Human Rights	6	6	452,235	7	547,412	1
Human Services	60	59	4,634,811	61	4,405,343	2
Information Technology	118	111	8,840,552	121	9,839,837	10
Labor Relations	6	5	519,000	6	569,000	1
Legislature	96	88	7,775,359	94	8,509,968	6
Medical Examiner	93	87	8,227,709	0	0	(87)
Office of Hispanic Affairs	6	3	215,000	6	412,000	3
Office of Minority Affairs	12	14	1,051,961	13	919,961	(1)
Office of Management and Budget	27	24	2,301,714	25	2,361,714	1
Parks, Recreation and Museums	148	140	8,253,623	151	8,855,866	11
Probation	209	196	16,474,690	221	17,897,334	25
Public Administrator	6	6	423,497	6	431,637	0
Public Works Department	417	383	27,259,822	415	29,385,097	32
Shared Services	14	12	957,230	14	1,114,557	2
Records Management	10	5	436,402	10	622,193	5
Social Services	559	463	33,315,202	566	39,035,853	103
Traffic & Parking Violations	45	41	2,778,371	46	3,148,724	5
Treasurer	27	24	1,574,043	26	1,712,856	2
Veterans' Services Agency	9	8	526,408	9	614,929	1
Savings from Initiative & Adjustment	(314)	0	0	(305)	(10,000,000)	(305)
General Fund Total	3,943	3,804	308,614,749	3,970	328,872,068	166
Fire Commission	113	102	7,323,263	115	8,231,249	13
Police District	1,730	1,731	166,604,244	1,738	189,187,157	7
Police Headquarters	1,627	1,524	167,590,457	1,640	182,970,764	116
Total Major Funds	7,413	7,161	650,132,713	7,463	709,261,238	302
Sewer & Storm Water (SSW)	83	66	4,630,938	79	5,415,740	13
Total including Sewers*	7,496	7,227	654,763,651	7,542	714,676,978	315

Note: The September onboard total for Major Funds includes all FT employees. - FY24 Doesn't include OMB Chargeback.

Table 2.5 below illustrates the multi-year salary plan for the Major Funds:

Table 2.5: MYP Major Funds Salary Plan

Major Funds Multi-Year Salary Plan				
Department	2024 Proposed	2025 Plan	2026 Plan	2027 Plan
Assessment Review Commission	6,137,472	6,369,812	6,787,117	7,122,857
Assessment Department	12,942,238	13,365,052	14,201,464	14,958,230
Asian American Affairs	552,592	552,592	552,592	552,592
County Attorney	9,616,766	9,731,360	9,921,118	10,081,858
Office of Management and Budget	6,951,523	6,951,523	6,951,523	6,951,523
Office of Consumer Affairs	2,096,502	2,169,814	2,297,909	2,431,555
Correctional Center	126,689,020	119,708,516	123,296,179	125,786,005
County Executive	1,700,762	1,700,762	1,700,762	1,700,762
Office of Constituent Affairs	1,628,375	1,628,375	1,628,375	1,628,375
Clerk	6,951,285	7,226,127	7,644,275	8,015,311
County Comptroller	9,489,645	9,836,758	10,470,016	10,977,629
Civil Service	5,912,250	6,114,006	6,471,030	6,785,135
Office of Crime Victims Advocate	443,013	443,013	443,013	443,013
District Attorney	52,856,064	52,640,593	53,872,512	54,829,641
Board of Elections	25,130,203	25,500,116	26,280,265	26,915,825
Emergency Management	1,130,434	1,149,669	1,190,392	1,216,903
Fire Commission	13,827,326	14,294,587	15,079,584	15,714,092
Health Department	31,341,285	32,553,327	34,644,755	36,375,860
Housing & Intergovernmental Affairs	1,207,942	1,207,942	1,207,942	1,207,942
Commission on Human Rights	728,173	741,883	764,592	785,525
Department of Human Services	5,642,980	5,846,840	6,212,154	6,542,767
Information Technology	12,160,031	12,718,700	13,582,373	14,282,298
County Legislature	9,521,470	9,521,470	9,521,470	9,521,470
Office of Labor Relations	667,384	667,384	667,384	667,384
Office of Minority Affairs	1,121,471	1,121,471	1,121,471	1,121,471
Medical Examiner	-	-	-	-
Public Administrator	600,669	610,107	627,156	641,213
Probation	24,721,696	25,639,630	27,155,202	28,439,404
Police Department	539,233,920	562,218,650	578,715,475	590,540,201
Department of Human Resources	911,973	911,973	911,973	911,973
Parks, Recreation and Museums	20,993,139	21,420,557	22,201,589	22,838,153
Shared Services	1,381,407	1,432,468	1,517,468	1,594,356
Public Works Department	37,943,076	39,320,798	41,673,013	43,580,726
Records Management	909,750	929,729	969,386	1,004,519
Office of Hispanic Affairs	552,592	552,592	552,592	552,592
Social Services	52,670,197	54,553,303	57,703,959	60,343,476
County Treasurer	2,192,499	2,260,991	2,370,196	2,472,761
Traffic & Parking Violations Agency	4,813,762	4,938,554	5,141,459	5,321,072
Veterans Services Agency	818,955	851,104	900,496	943,167
Office of Management and Budget - Attrition	(13,733,333)	(14,733,333)	(14,733,333)	(14,733,333)
Grand Total	1,020,456,508	1,044,668,814	1,082,216,898	1,111,066,301

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.

In the FY 24 Proposed Budget there is no longer any outstanding remaining liability from the prior year’s pension deferrals that occurred from FY 12-FY 21. During that timeframe, the County had previously deferred the maximum amount of pension payments under the States Stabilization program. 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 the remaining liability, approximately \$29.4 million was paid in FY 23. Paying off this liability, is good governmental practice since it will save the County millions from paying future interest payments.

The FY 24 Proposed Fringe Benefit budget for the Major Funds is \$645.7 million, which is a significant decrease of \$33.8 million from the FY 23 NIFA Approved Budget. Compared to the FY 22 projection, expenses are decreasing by \$13.1 million. The decline is due to significant reductions in health insurance for retirees, Medicare reimbursement and the elimination of the remaining deferred pension liability that was budgeted in FY 23.

The health insurance decrease reflects the impact of the lower premium rates from the transfer of the health insurance program from the Empire plan to the Excelsior program under the recently negotiated Collective Bargaining Agreement with CSEA. The overall fringe benefit decrease would have been even greater but is being partially offset by increases for pension costs and social security expenses, which will be explained further in the report. In addition, the FY 24 budget eliminates \$13.2 million fringe savings budgeted in FY 23 that was anticipated from possible health insurance contributions.

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 23 Budget	OLBR FY 23 Projection	FY 24 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 23 Proj.
Fire Commission	Fringe Benefits	7,285,820	6,667,455	7,474,878	\$189,058	\$807,423
General Fund	Courts	832,400	832,629	832,400	0	(229)
	Fringe Benefits	294,883,348	278,476,849	272,321,995	(22,561,353)	(6,154,854)
Police District	Fringe Benefits	197,730,814	196,382,419	178,022,961	(19,707,853)	(18,359,458)
Police Headquarters	Fringe Benefits	178,716,176	176,427,631	187,008,180	8,292,004	10,580,549
Total		679,448,558	658,786,983	645,660,414	(\$33,788,144)	(\$13,126,569)

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

SubObject & Description	NIFA Approved FY 23 Budget	OLBR FY 23 Projection	FY 24 Executive Budget	Variance Exec. Vs. NIFA Approved	Variance Executive vs FY 23 Proj.
08F - NYS Police Retirement	102,423,565	101,696,651	107,902,593	5,479,028	6,205,942
11F - State Retirement Systems	64,811,098	59,168,533	66,804,233	1,993,135	7,635,700
13F - Social Security Contribution	68,718,936	68,218,936	76,622,601	7,903,665	8,403,665
14C - Employee Contributions	-	(811,085)	(7,821,689)	(7,821,689)	(7,010,604)
14F - Health Insurance	197,685,779	184,634,034	126,952,107	(70,733,672)	(57,681,927)
16G - County Exp	42,000	42,000	42,000	-	-
17F - Optical Plan	885,059	757,324	887,563	2,504	130,239
19F - NYS Unemployment	1,658,500	1,931,980	1,706,000	47,500	(225,980)
20F - Dental Insurance	5,875,570	3,833,209	4,708,293	(1,167,277)	875,084
22F - Medicare Reimbursement	40,169,847	32,270,479	32,104,263	(8,065,584)	(166,216)
22S - Medicare Reimbursement Surcharge	3,329,464	3,158,913	3,827,184	497,720	668,271
26F - Flex Benefit	2,100,000	2,100,000	2,100,000	-	-
29F - Pension Repayment	2,346,700	1,770,026	0	(2,346,700)	(1,770,026)
29G - Pension Repayment - PFRS	27,872,000	27,629,603	0	(27,872,000)	(27,629,603)
31F - Excelsior Health Insurance	-	-	72,223,097	72,223,097	72,223,097
32F - Excelsior Health Insurance for Retiree	-	-	25,142,243	25,142,243	25,142,243
33F - Healthcare Reimbursement Account	-	-	3,615,729	3,615,729	3,615,729
35F - MTA Mobility Tax	3,631,899	3,628,322	3,615,338	(16,561)	(12,984)
40F - CSEA Legal Plan	533,125	511,250	530,500	(2,625)	19,250
41F - COBA Legal Plan	98,750	89,750	98,750	-	9,000
45F - Disability Insurance	54,000	54,000	54,000	-	-
75F - Health Insurance For Retirees	171,194,612	168,895,742	127,187,346	(44,007,266)	(41,708,396)
76F - Employees Optical - Retirees	833,941	810,191	827,805	(6,136)	17,614
ZZF - Fringe Savings	(13,213,412)	-	0	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)	(3,166,667)	(1,866,667)	(1,866,667)
Grand Total	679,448,558	658,786,983	645,660,414	(33,788,144)	(13,126,569)

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 24 budget is based on paying the bill in February, however if the Administration makes the payment in December, the County will realize the pre-payment discounted savings of approximately \$1.3 million, which is reflected on Table 3.2 on the next page.

Table 3.2 provides the FY 24 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: SFY24-SFY23
Pension Invoices**

Pension Payments Based on December & February Schedules			
December			
	2023 Invoice	2024 Invoice	2024 vs. 2023
<u>Total Pension Bill Excluding Amortization</u>			
ERS	70,563,459	73,874,532	3,311,073
PFRS	101,766,652	106,709,177	4,942,525
	\$172,330,111	\$180,583,709	8,253,598
February			
	2023 Invoice	2024 Invoice	2024 vs. 2023
<u>Total Pension Bill Excluding Amortization</u>			
ERS	71,034,709	74,405,764	3,371,055
PFRS	102,480,713	107,476,523	4,995,810
	173,515,422	181,882,287	8,366,865
Savings From December Pre-payment	1,185,311	1,298,578	

* The pension invoice includes the entire bill for all funds, NCC Fund, SSW Fund, and the Grant Fund.

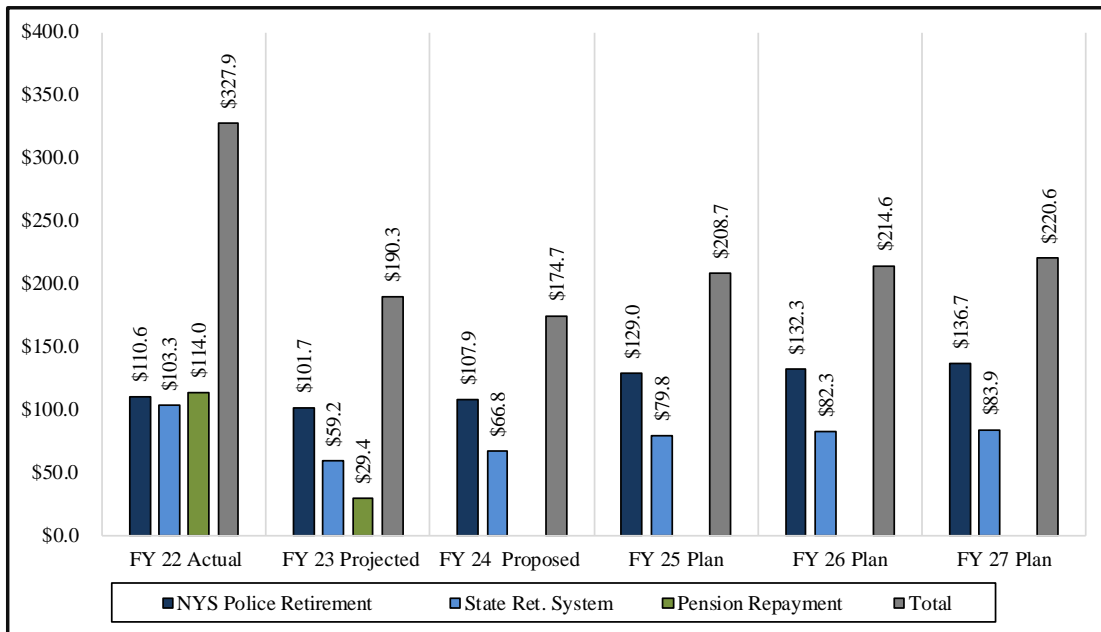
The February invoice of \$181.9 million includes \$74.4 million billed for (ERS) and \$107.5 million billed for (PFRS). This is an increase of roughly \$8.4 million compared to the FY 23 pension bill. The increase in the bill can be attributable to rising pension contribution costs, as well as pensionable salaries. The rise in PFRS pensionable salaries can be attributed to the recently ratified PBA MOU.

The overall pension cost would have been larger, however, there is no more outstanding remaining pension deferred liability, therefore there are no longer anymore annual installments. The FY 2023 pension invoice included an additional \$5.9 in annual installments.

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 was left outstanding (prior to interest). In FY 23, \$29.4 million of the outstanding liability was paid, plus an additional \$5.9 million (with accumulated interest) in additional amortization installments within the SFY 23 pension bill. In FY 24 there are no longer any installments on the pension invoice. Therefore, the separate sub-objects codes for (AB29F) and (AB29G) have been eliminated in the FY 24 Proposed budget.

Chart 3.0 details the historical pension obligation from FY 22 actual through FY 27 (the out-years of the MYP) for **the Major Funds**. The Administration’s FY 24 Proposed Budget includes the pension expense of \$107.9 million in PFRS and \$66.8 million in ERS for a total budget of roughly \$174.7 million. In FY 22, an additional \$114.0 million to pay off a portion of the outstanding pension liability related to the Major Funds, and in FY 23, an additional \$29.4 million was paid off.

Chart 3.0: FY 22 to FY 27 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 2024-25 invoice. According to the State Comptroller, ‘the average employer contribution rate for ERS will increase from 13.1% to 15.2% of payroll; and the average employer contribution rate for PFRS will rise from 27.8% to 31.2% of payroll.’¹ According to the State Comptroller, “there is no doubt that challenges lie ahead, with concerns over a recession and potential interest rate increases, but the state pension fund is well positioned to weather these storms”².

The increase in pension contribution rates will trigger pension costs to rise in the out-years. The Multi-Year Plan (MYP) projects costs to be \$208.7 million in FY 25, \$214.6 million in FY 26 and \$220.6 million in FY 27. The MYP is reflected at the end of this report. As mentioned earlier, the New York State Comptroller projects a rise in FY 2024-25 contribution rates and provides a projected bill. The projected increase of \$34.0 million appears sufficient based on the FY 25 projected pension provided by the State Comptroller.

14F & 75F Health Insurance for Current and Retired Employees, 31F Excelsior Health Insurance, and 32F Excelsior Health Insurance for Retirees

In FY 23, The New York State Health Insurance Plan (NYSHIP) Empire individual and family premium plans, which most County workers carry, increased significantly by 12.5% and 14.9%, respectively. The State later determined that the rates were overstated and did a mid-year rate reduction in July which reduced the rates by 2.7% to 9.4% for individual coverage and 11.8% for family coverage. According to the Office of Management and Budget (OMB), the FY 24 Proposed Budget is based on a growth rate assumption of 6.0% for the employees that will remain in the Empire Plan, non-CSEA employees.

¹Office of the New York State Comptroller, “NYSLRS Announces Employer Contribution Rates for 2024-25”, August 31, 2023.

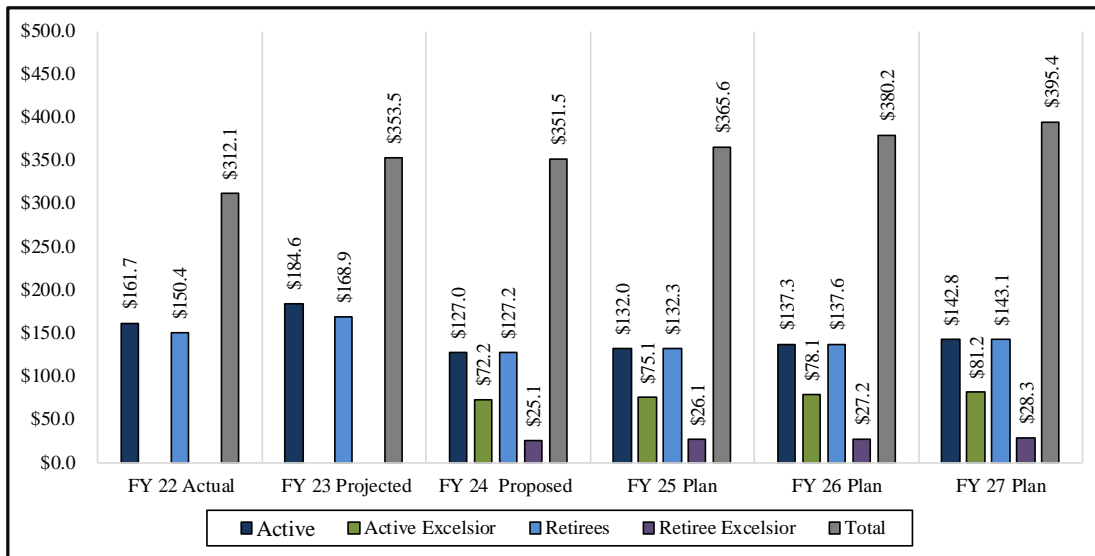
²Office of the New York State Comptroller, “DiNapoli: State Pension Fund Releases Annual Investment Return”, July 6, 2023.

Effective January 1, 2024, all CSEA active and retired employees will have their health coverage provided by the New York State Health Insurance Program (NYSHIP) Excelsior Plan.

NYSHIP’s Excelsior Plan carries lower premium rates than the Empire plan and is an option within the NYSHIP program that includes the same network providers, which offers public employers and their employees affordability including many of the same features and benefits of the Empire Plan. The savings to the County will result from decreased premium costs as the plan requires higher copays and deductibles compared to the Empire Plan. The Administration assumes that Excelsior rates are projected to grow by 20.0% since this is the first year the County will be participating in the plan. Despite the 20.0% growth rate assumption, savings will be generated since the Excelsior rates are much lower than Empire.

In total the FY 24 Proposed Budget includes \$351.5 million for active and retiree health insurance costs (which is shown in the chart and discussed below). The following two charts depict the health insurance costs for both the Empire plan and for the new Excelsior plan that CSEA members will now participate in.

Chart 3.1: FY 22 to FY 27 Health Insurance Costs (in Millions)



The FY 24 Proposed Budget for active and retiree health insurance in both insurance plans is decreasing in total by \$17.4 million compared to the FY 23 NIFA Approved Budget. The proposed budget is more aligned with the current FY 23 projection.

The FY 24 budget includes new sub-object codes (AB31F and AB32F) to breakout the separate cost for CSEA members who will be participating in the Excelsior plan. The chart on the next page provides the total health insurance budget for both Empire and Excelsior health insurance plans by sub-object.

Table 3.3: Health Insurance Costs for the Empire and Excelsior plans

Health Insurance Costs					
Subject	FY 23 NIFA		FY 24 Proposed	FY 24 vs FY 23	
	Approved Budget	FY 23 Projected		FY 24 vs FY 23 Budget Variance	FY 24 vs FY 23 Projection Variance
14F - Health Insurance	\$197.7	\$184.6	\$127.0	(\$70.7)	(\$57.7)
31F-Excelsior Health Insurance	0.0	0.0	72.2	72.2	72.2
Total Active Health Insurance	197.7	184.6	199.2	1.5	14.5
75F - Health Ins. for Retirees	171.2	168.9	127.2	(44.0)	(41.7)
32F-Excelsior Retiree Health Insurance	0.0	0.0	25.1	25.1	25.1
Total Retiree Health Insurance	171.2	168.9	152.3	(18.9)	(16.6)
Total Health Insurance Costs	\$368.9	\$353.5	\$351.5	(\$17.4)	(\$2.0)

This \$2.0 million reduction compared to the FY 23 projection, results from a rise in the active health insurance cost of roughly \$14.5 million, which is offset by a significant decline of roughly \$16.6 million for retirees. The FY 24 health insurance budget for active health insurance increases the headcount by an additional 302 full-time heads, compared to the on-board and incorporates a growth rate assumption of roughly 6.0% for employees in the Empire plan and 20.0% for CSEA members in the Excelsior plan.

The 6.0% Empire growth rate could be understated based on an analysis, from the State’s benefit consultant AON Empower Results. According to this report, AON projects an overall blended growth of **8.3%** for the entire region. Based on projecting the 6.0% and 20% growth rates for members in both insurance plans by the **FY 24 budgeted headcount**, OLBR believes the health insurance budget could be underfunded by roughly \$8.0 million. However, there is a credit reduction of \$7.8 million (AB14C) in the FY 24 Proposed budget for employees who continue to contribute to their health insurance coverage under the Empire Plan.

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%. For the current year, the OASDI portion is applied to salaries up to \$160,200 which is a significant increase of \$13,200 from the \$147,000 in 2023. Medicare has no maximum.

Although not as high as the rise that occurred in FY 23, social security is projected to experience another index increase in FY 24. The October press release from the Social Security Administration (SSA) will provide the specific maximum taxable earnings limit for 2024, but the Board of Trustees currently projects the income cap will reach \$167,700. In this scenario, the SSA projects that some workers will owe social security taxes on an additional \$7,500 in earnings next year.³

The Proposed Budget for social security is increasing by \$7.9 million, or 11.5%, compared to the FY 23 NIFA Approved Budget and \$8.4 million, or 12.3% compared to the projection. With a rise in wages,

³ Jennewine, Trevor, “Two Major Social Security Changes Coming in 2024 May Surprise Most Americans,” The Motely Fool. September 17, 2023.

social security costs are expected to increase, however this budgeted increase is more than adequate and can potentially provide a cushion.

17F Optical Plan

This benefit provides optical insurance to full-time County employees. The County's contract with Davis Vision was renewed last year and the rate remains at the annual per capita premium of \$110.40. The FY 24 Proposed Budget is relatively unchanged with a 0.3% rise compared to the FY 23 NIFA Approved Budget, and \$130,239 compared to the FY 23 projection. Based on the FY 24 Proposed budgeted headcount of 7,463 in the Major Funds, the budget appears 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 24 Proposed Budget is increasing by 2.9%, or \$47,500 compared to the FY 23 NIFA Approved Budget, however it is decreasing by roughly \$225,980 compared to the FY 23 projection. In the current year, OLBR is projecting a deficit, however it is anticipated that this cost will be lower in FY 24.

20F Dental Insurance

This benefit provides dental insurance to full-time employees. The County renewed its contract with Healthplex in FY 22, without an increase in the rates charged. The current 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 contract provides for an increase in coverage for cleanings from two visits per year to four visits per year. Under the renewed contract, the annual premium per capita remains at \$561.

The FY 24 Proposed Budget is decreasing by roughly \$1.2 million compared to the FY 23 NIFA Approved Budget, however it is increasing by \$0.9 million compared to the FY 23 current projection. The FY 24 Proposed Budget appears to be 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 24 Budget is lower by \$8.1 million, or 20.1%, compared to the FY 23 NIFA Approved Budget; and minimally by \$0.2 million, or 0.5% compared to the projection.

In FY 23, standard Medicare Part B premiums are \$164.90 per month for individual salaries up to \$97,000 and joint salaries up to \$194,000. The monthly Part B premiums that include income-related adjustments will range from \$230.80 up to \$560.50, depending on the extent to which an individual beneficiary's modified adjusted gross income exceeds \$97,000 (or \$194,000 for a married couple).⁴ In FY 24, the standard premium is expected to increase to \$174.80, an increase of \$10.00, however, the rates won't be finalized until November 2023.⁵

⁴ "Medicare Part B Costs," Medicare.Gov; <https://www.medicare.gov/your-medicare-costs/part-b-costs>

⁵ Teague, Katie, "Medicare Premium Costs are Going Up in 2024; here's how much." **CNET**, <https://www.cnbc.com/2023/07/20/medicare-part-b-premiums-may-increase-in-2024-due-to-alzheimers-drug.html>.

Since the FY 23 NIFA Approved budget was overfunded, therefore the reduction in FY 24 is a prudent measure to take. OLBR is projecting a surplus of roughly \$7.9 million in FY 23 since the current year's budget was significantly inflated.

22S Medicare Reimbursement Surcharge

The Proposed FY 24 Budget for the Medicare Reimbursement surcharge is rising by \$497,720, compared to the NIFA Approved FY 23 Budget, and by \$668,271 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 24 proposal remains flat at \$2.1 million. The FY 24 budget includes corresponding revenue to offset the expense for the same budgeted amount.

29F and 29G Pension Repayment

The FY 24 does not allocate any funding for pension repayment since this liability was completely paid in FY 23. The current FY 23 projection of \$29.4 million reflects the remaining liability for the repayments of previously amortized pension payments.

33F Healthcare Reimbursement Account

The FY 24 budget includes a new line for **Health Care Contributions** that pertains to CSEA members in the new Excelsior plan. With the transition to this new coverage, the CSEA MOU established a Health Reimbursement Arrangement (HRA) with an annual contribution of \$4.0 million (pro-rata on a monthly basis). The Union and the County will design, jointly the disbursement process but the County's contribution is fixed at \$4.0 million per year. The FY 24 budget of \$3.6 million represents the portion that applies to the Major Funds.

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 of 0.34% of payroll expenses. The FY 24 budget is \$3.6 million, which is a minimal decrease of \$16,561 from the NIFA Approved FY 23 Budget and roughly \$12,984 from the current projection.

40F CSEA Legal Plan

The FY 24 budget includes \$530,500 for the CSEA legal plan, which is minimal decrease of \$2,625 budget to budget, however it is increasing by \$19,250 compared to the current projection. As per the CSEA agreement, the County shall pay for each full-time and regular part-time employee the sum of \$125 annually. The FY 24 proposed budget appears sufficient to cover the increase in headcount.

41F COBA Legal Plan

The FY 24 budget includes \$98,750 for the Correctional Officer Benevolent Association (COBA) legal plan as per the COBA contract agreement, which remains flat against the prior year and increases by \$9,000 compared to the FY 23 projection.

45F Disability Insurance

The Proposed FY 24 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 current projection.

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 24 proposal of \$827,805 is declining minimally by \$6,136 from the NIFA FY 23 Approved Budget but it is increasing by \$17,614 compared to the FY 23 projection. Based on the current projection, the budget appears to be adequately funded.

ZZO Capital Backcharge OT Fringes

The Proposed FY 24 Budget includes a credit of (\$302,875) which is the corresponding fringe benefit charge related to overtime salary chargeback.

ZZS Capital Backcharge to Fringes

The FY 24 proposal includes a credit of (\$3.2 million) which is the corresponding fringe benefit charge associated with the salary chargeback. Compared to the prior year budget and current projections there is a decrease of \$1.9 million.

Multi-Year Plan

Table 3.4: FY 24 Proposed-FY 27 Multi-Year Plan

SubObject & Description	2024 Proposed			
	Budget	2025 Plan	2026 Plan	2027 Plan
AB08F - NYS Police Retirement	107,902,593	128,969,828	132,349,289	136,698,779
AB11F - State Retirement Systems	66,804,233	79,759,881	82,257,774	83,907,513
AB13F - Social Security Contributions	76,622,601	78,155,053	79,718,154	81,312,517
AB14C - Employee Contributions	(7,821,689)	(8,056,573)	(8,175,583)	(4,592,991)
AB14F - Health Insurance	126,952,107	132,030,191	137,311,399	142,803,855
AB16G - County Exp	42,000	42,000	42,000	42,000
AB17F - Optical Plan	887,563	905,314	923,421	941,889
AB19F - New York State Unemployment	1,706,000	1,740,120	1,774,922	1,810,421
AB20F - Dental Insurance	4,708,293	4,802,459	4,898,508	4,996,478
AB22F - Medicare Reimbursement	32,104,263	32,746,348	33,401,275	34,069,301
AB22S - Medicare Reimbursement Surcharge	3,827,184	3,827,184	3,827,184	3,827,184
AB26F - Flex Benefits Plan	2,100,000	2,100,000	2,100,000	2,100,000
AB31F - Excelsior Health Insurance	72,223,097	75,112,021	78,116,502	81,241,162
AB32F - Excelsior Health Insurance for Retirees	25,142,243	26,147,933	27,193,850	28,281,604
AB33F - Healthcare Reimbursement Account	3,615,729	4,593,183	4,593,183	5,570,638
AB35F - MTA Mobility Tax	3,615,338	3,687,645	3,761,398	3,836,626
AB40F - CSEA Legal Plan	530,500	541,110	551,932	562,971
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	127,187,346	132,274,840	137,565,833	143,068,467
AB76F - Employees Optical for Retirees	827,805	844,361	861,248	878,473
ABZZO- Cap Backcharge OT Fringes	(302,875)	(302,875)	(302,875)	(302,875)
ABZZS- Cap Backcharge ST Time Fringes	(3,166,667)	(3,166,667)	(3,166,667)	(3,166,667)
Grand Total	645,660,414	\$696,909,161	\$719,761,668	\$748,049,444

Fringe benefits will increase by \$102.4 million, or 15.9%, from the \$645.7 million in the Proposed FY 24 Budget to \$748.0 million in FY 27.

- Health insurance expenses for active and retired employees from FY 24 to FY 27 are projected to increase by \$43.9 million to \$395.4 million. The MYP baseline inflator used to project out-year health insurance costs for both active employees and retirees is a recurring 4.0% from FY 25 through FY 27. This rate is budgeted for both the Empire and Excelsior health insurance plans. Based on inflating the 4.0% against OLBR’s projected cost.
- Pension costs for ERS and PFRS are increasing by \$34.0 million in FY 25, \$5.9 million in FY 26 and by \$6.0 million in FY 27. Since both pension contribution rates and salaries are projected to increase in the out-years, the rise appears reasonable to capture the growth. The growth in FY 25 is attributed to the projected FY 2024-25 pension bill provided by the New York State Comptroller. As previously mentioned, the New York State Comptroller projects a rise in FY 24-25 contribution rates. The projected increase of \$34.0 million appears sufficient based on the FY 25 projected pension provided by the State Comptroller.
- The Proposed FY 24 Budget for social security is increasing annually about \$1.5 million to \$1.6 million from FY 24 through FY 27. Social security is a function of salaries.
- The HRA contribution will rise in the MYP out-years. The contribution is budgeted to increase to \$4.6 million in FY 25, \$4.6 million in FY26 and \$5.6 million in FY 27. This is based on the new MOU with the CSEA Union to help members pay for higher copays and deductibles.

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 24 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 October 5, 2023, sales tax check, are up 2.8% from this time last year, as shown in Table 4.0.

Table 4.0: Current Sales Check Percentage Growth

2023 Year-to-Date Sales Tax Receipts

(figures in millions)

	<u>2022</u>	<u>2023</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$1,043.1	\$1,072.2	\$29.1	2.8%

Recognizing the magnitude of this revenue source and its budgetary implications, OLBR has compiled the table below to help the Legislature assess and understand how the Administration arrived at its budget. The proposed sales tax revenue in the FY 24 Executive Budget, excluding the deferred piece, is \$1,577.9 million. According to the Administration, the FY 24 budget reflects a **1.5%** growth rate annually from their current FY 23 projection adjusted for current year deferrals.

Table 4.1 below illustrates how the Office of Management and Budget (OMB) calculated the FY 24 Proposed Budget, which shows the 1.5% growth rate from the FY 23 adjusted projection. The out years of the plan contain a 2.0% growth in FY 25 and a 2.5% growth in FY 26 and FY 27.

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

2023 Adjusted	2024 Budget without Deferrals	2025 Budget no deferrals	2026 Budget no deferrals	2027 Budget no deferrals
1,554.6	1,577.9	1,609.5	1,649.7	1,691.0
	1.5%	2.0%	2.5%	2.5%
OMB's Calculations and Proposed Budget and Plan				

OLBR uses year to date actual collections as a starting point, then grows the remaining checks by a percentage. Using this methodology and growing the FY 23 remaining checks by 1.7%, sales tax collections would be roughly \$5.0 million shy of the FY 24 Proposed sales tax budget, meaning that minimal growth would be necessary to meet the FY 24 budget; The previously mentioned 1.7% is the

current GCP growth projected by Moody’s, however OLBR cautions that the last two checks had negative growth rates from the prior year, and growth rates in the remaining checks for the rest of the year will need to be monitored closely.

Nevertheless, the average of recent national and regional economic forecasts still points to a positive economic growth for Nassau County in FY 23, FY 24, and FY 25. A survey of current US Gross Domestic Product (GDP) forecasts reveals that the US economy is expected to grow an average of 2.0% in FY 23, 0.6% in FY 24, and 1.9% in FY 25.

Yet, regional growth as of August is projected by Moody’s to be 1.7% in FY 23, 0.9% in FY 24, and 1.6% in FY 25. Table 4.2 displays the current forecasts.

Table 4.2: Survey of Current US GDP Forecasts

Current Real US GDP 2023 - 2025 Forecasts			
	2023	2024	2025
Fannie Mae	1.9%	-0.2%	N/A
Mortgage Bankers Association	1.5%	0.6%	1.8%
Federal Reserve Bank - Phil.	2.1%	1.3%	2.1%
The Conference Board	2.2%	0.8%	1.7%
Wells Fargo	2.2%	0.5%	1.9%
Average US GDP Forecast	2.0%	0.6%	1.9%
Moody's August GCP Forecast	1.7%	0.9%	1.6%
Moody's May GCP Forecast	1.9%	1.4%	1.8%

OLBR included Moody’s **May** forecast in the last row of the table above, to highlight how the FY 24 growth projections have decreased from an initial 1.4% projected growth rate to 0.9% **in FY 24**. As mentioned previously, the last two checks recorded a negative growth rate and a cautious approach to estimating the FY 24 budget is preferable. Projecting growth, while already difficult, has been even more volatile given the numerous economic uncertainties, including the threat of a recession that could affect the economic outlook.

Additionally, it should be mentioned that the FY 24 Proposed Budget and the out years of the Plan include several sales tax interfund transfers. In FY 24, \$22.8 million in sales tax is being transferred from the General Fund to the Fire Commission Fund. Similarly, the budget includes an interfund transfer from the General Fund to the Police Headquarters Fund of \$185.6 million in FY 24.

On October 12, 2023, the County will receive the final check completing the third quarter collections. At that time, OLBR will have an updated projection of where FY 23 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 was also added to arrive at the County’s Total Governmental Fund Balance. Furthermore, in FY 23 Operating Reserve is a new fund to be created.

Table 5.0 itemizes the County’s actual fund balance levels from FY 20 through FY 22, along with a projection of the FY 23 and FY 24 current appropriations/usages. All figures are shown on a **budgetary** basis.

Table 5.0: Budgetary Basis Year End Balance 2020 to 2022 & Office of Management and Budget (OMB) Projected Year-End 2023-2024 figures

Budgetary Basis Year End Fund Balance, 2020 to 2022 Actuals, 2023 Projection & 2024 Appropriation in thousands								
	2020	2021	2022	2022 vs. 2021	2023 Usage	2023 Projected	2024 Usage	2024 Projected
General Fund	214,067	251,452	277,121	25,669		277,121		277,121
Debt Service Fund	0	0	0	0		0		0
Fire Commission Fund	0	0	0	0		0		0
Police Headquarters Fund	0	0	0.5	0		0		0
Technology Fund	83	83	84	1		84		84
Open Space Fund	1,785	1,805	2,001	196		2,001		2,001
Employee Benefit Fund	13,620	13,840	14,055	215		14,055	(10,000)	4,055
Litigation Fund	29,642	99,665	441,378	341,714		386,378		386,378
Operating Reserve Fund (new in 2023)	0	0	0	0		55,000		55,000
Retirement Contribution Fund	52	30,052	70,347	40,295		70,347		70,347
Bonded Indebtedness Fund	0	20,000	125,000	105,000		125,000		125,000
Nassau County Power Utility Authority	(41)	(188)	(187)	0		(187)		(187)
SRF Excess Sales Tax	0	362,163	0	(362,163)		0		0
Opioid Litigation Settlement	0	55,928	77,251	21,323		77,251	(15,000)	62,251
Total General Fund	259,208	834,799	1,007,050	172,251	0	1,007,050	(25,000)	982,050
NIFA	0	0	0	0		0		0
Police District	110,195	115,272	115,855	583		115,855		115,855
Sewer	34,431	54,947	65,526	10,579	(7,419)	58,107	(21,483)	36,623
Dispute Assessment Fund DAF	6,880	7,118	8,808	1,690		8,808		8,808
Capital	0	0	0	0		0		0
Non Major	148	706	627	(79)		627	(249)	378
American Rescue Plan	0	(1,603)	(17,734)	(16,131)		(17,734)		(17,734)
Total Governmental Funds Budget Balance	410,862	1,011,239	1,180,131	168,892	(7,419)	1,172,712	(46,732)	1,125,980

The projections in the above table take the FY 22 year-end as a starting point and then add or subtract FY 23 and FY 24 appropriated uses incorporated in the July 2023 OMB projections, updated Multi-Year Plan, and the Proposed FY 24 Budget.

FUND BALANCE AND RESERVES

The County ended FY 22 with a balance of \$1,007.1 million in Total General Fund balance. This was a \$172.3 million budgetary increase from FY 21. The Excess Sales Tax has no allocation in FY 22. 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 22 with a balance of \$393.0 million, an increase of \$26.3 million from FY 21.

The Mid-Year FY 23 OMB projection reflects the usage of \$7.4 million in the Sewer Fund.

In FY 24, the Proposed Budget reflects the usage of \$21.5 million in the Sewer Fund. These FY 23 and FY 24 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 on the following page displays these GAAP based financial results from 2020 through 2022.

Total Gov't GAAP by Type, Exhibit X-14 Note 16	2022	2021	2020	2022 vs. 2021
Non-Spendable	\$127.7	\$3.7	\$9.7	\$124.0
Spendable:			0.0	
Restricted	364.0	217.0	116.2	147.0
Committed	646.3	574.4	221.9	71.8
Assigned	368.7	287.3	202.1	81.4
Unassigned	42.1	31.2	84.2	10.9
Total Gov't GAAP	\$1,548.8	\$1,113.6	\$634.1	\$435.2

The Comptroller reports that the County ended FY 22 with a positive \$42.1 million **unassigned** Fund Balance. When compared to the FY 21 year-end balance, the Total Governmental GAAP unassigned fund balance grew by \$10.9 million in FY 22. The positive number represents the flexibility that could be utilized should the County need to and is also viewed positively by rating agencies.