NASSAU COUNTY
OFFICE OF THE COMPTROLLER

COMPTROLLER'S COMMENTS ON THE PROPOSED NASSAU COUNTY 2015 BUDGET AND MULTI-YEAR FINANCIAL PLAN

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Nassau County Comptroller

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Nassau County 2015 Budget and Multi-Year Financial Plan

1.0 Executive Summary

The County proposed 2015 budget increases spending over the 2014 adopted budget by approximately $194 million or 7.0% to $2.98 billion. The increase is primarily due to a GAAP accounting change required by the Nassau County Interim Finance Authority (NIFA) beginning with the 2015 budget. Without this change, which includes the expenses for property tax refund and judgments and settlements, the increase is $76 million or 2.7%. The spending growth is largely to pay for property tax refunds, employee termination expenditures, higher overtime cost, fringe benefits and contractual services. Salary costs are held to approximately 2014 projected levels due to attrition which offsets the higher salaries from the lifting of the wage freeze.

The revenues to pay for the increased expenditures will come primarily from borrowing $151 million, $25.2 million in increased property tax revenues, and $36 million in higher Fines & Forfeitures.

The Comptroller's analysis of the 2015 Proposed Budget projects a budgetary risk of $75.4 million, assuming certain additional risks and opportunities, as identified in Exhibit 1, materialize. The risk may be as high as $221.1 million should the projected borrowing of $151 million not be approved by the Legislature and NIFA, or other revenues, such as property sales not materialize as budgeted. Notwithstanding the borrowing outcome, the proposed budget is projected to result in a NIFA presentation shortfall of $254.7 million (See Exhibit 2). The NIFA presentation basis excludes all borrowing used to pay for operating expenditures, and premium on bonds.

The 2015 budgeted Structural Gap is approximately $198.1 million. The Structural Gap is the difference between recurring revenues and recurring expenditures. This level of Structural Gap on the heels of a $242 million Structural Gap projected for year-end 2014 is unsustainable. Additionally, the proposed level of borrowing will increase the County's Long Term Debt by about $113 million to approximately $3.83 billion after payment of maturing debt.

The County's fund balance for the major funds is anticipated to decline to approximately $49.6 million by year-end 2014 primarily due to a projected sales tax shortfall of $91 million. Assuming that the Administration is successful in obtaining approval for all borrowing budgeted in 2015 the fund balance may still be entirely depleted by the projected risk. This would leave the County exposed to unforeseen emergencies, which may require increased borrowings or severe expense cuts.

An adverse court decision has resulted in an estimated potential liability regarding certain special tax levies received by special districts. These cases date as far back as the 1990's through 2010, and could reach $300 million including interest over time. This is despite the fact that the special districts received the funds, not the County. The County may have avenues to reduce this new liability through negotiations with the Towns and the utility companies or appeals to the New York State Legislature.

The contract with United Water to operate and maintain the County's sewer system will help in reducing operating expenditures, but will still leave the Sewer District underfunded. The proposed $6.0 million tax levy increase, and long-term debt refinancing will not be sufficient to cover the projected SSW District deficits in 2015 and the out years. Additional funding of $15-$20 million annually will be required. There will be no fund balance to fund the District.

The reliance on borrowing to fund operations, inadequate liquidity and increased potential liability for property tax refunds leaves the County with major challenges. The Administration, NIFA and the Legislature are well advised to take initiatives prior to the adoption of the 2015 budget to place the County on stronger financial footing. Additionally, agreements should be acquired by the Legislature and NIFA on the proposed borrowing prior to budget adoption to ensure adequate funding. The budget cannot be adopted as balanced without the borrowing commitments.

Exhibit 1

PROPOSED NASSAU COUNTY 2015 BUDGET
MAJOR FUNDS
SUMMARY OF RISKS and OPPORTUNITIES
($'s Millions)

Revenues		
Proposed Budget - net of interfunds	**$ 2,952.9**	
Use of Fund Balance	(15.0)	
Sales Tax	(40.3)	
Fines & Forfeitures	(1.1)	
Departmental Revenue	(7.2)	
Interfund Revenue	(33.0)	
Debt Service from Capital	(118.0)	
Rents and Recoveries	(3.7)	
Other	(0.5)	
Total Revenue Risk		**$ (218.8)**
Expenses		
Proposed Budget - net of interfunds	**2,952.9**	
Payroll And Fringe (On Boards), excluding overtime	(3.8)	
Overtime	(15.8)	
Budgeted Contingency	15.0	
Local Government Assistance	2.3	
Other	-	
Total Expense Risk		**(2.3)**
Estimated Budget Projection excluding Additional Risks & Opportunities		**$(221.1)**

	Police District	Other Funds	Total
Estimated Budget Projection by Taxpayer Base	**$ (14.9)**	**$ (206.2)**	**$(221.1)**
Additional Risks & Opportunities			
Borrowing for Termination Pay	10.0	23.0	33.0
Borrowing for Termination Property Tax Refunds		100.0	100.0
Borrowing for Judgments & Settlements		18.0	18.0
Sale of County Property		3.7	3.7
Video Lottery Terminal Revenue	-	(9.0)	(9.0)
Budget Projection after Additional Risks & Opportunities	**$ (4.9)**	**$ (70.5)**	**$ (75.4)**

Exhibit 2

County Financial Results on a NIFA Prescribed Presentation Basis
2009 - 2015 (projected)*

BUDGETARY RESULTS 2009 - 2015 (projected)*
($'s millions)

	2015 (projected)	2014 (mid yr report)	2013	2012	2011	2010	2009
Surplus (Deficit) on a Budgetary Basis	**($221.1)**	**($76.9)**	**$55.0**	**$41.5**	**($50.4)**	**$26.6**	**($0.1)**
Net adjustments for to remove the effect of encumbrances	(8.2)	(22.1)	8.5	(8.6)	(5.7)	16.7	(4.2)
Use of Fund Balance	(15.0)	(10.0)	(10.5)				(10.0)
Net adjustment to record pension expense on a modified accrual basis	(7.5)	1.2	(5.7)	(9.8)	(4.8)	(12.3)	4.3
Sale of Mitchel Field Leases	1.3	1.3	1.3	0.9	(37.1)		
Net Change in Fund Balance - modified accrual basis	**($250.5)**	**($106.5)**	**$48.6**	**$24.0**	**($98.0)**	**$31.0**	**($10.0)**

CALCULATION OF NIFA PRESCRIBED PRESENTATION BASIS 2009 - 2015*
($'s millions)

	2015 (projected)	2014 (mid yr report)	2013	2012	2011	2010	2009
Net Change in Fund Balance - modified accrual basis	($250.5)	($106.5)	$48.6	$24.0	($98.0)	$31.0	($10.0)
Add back:							
Borrowing proceeds for operational expenses	151.0						
Subtotal prior to adjustments included in other financing sources	($99.5)						
Less: adjustments included in other financing sources							
Premium on bonds	4.2	8.1	9.0	8.4	9.3	28.4	27.0
Borrowed funds to pay Property Tax Refunds	100.0	75.0	75.0	14.7	21.0	42.5	64.5
Borrowed funds to pay Other Judgments	18.0	17.1	26.5	20.0	4.6	30.4	11.5
Borrowed funds to pay Termination Pay	33.0	0.0	14.0	33.1	17.7	80.0	77.7
Transfer of revenue from other funds to offset debt expense			2.7	16.6	12.5	1.7	0.0
Total other financing sources/uses to be eliminated	155.2	100.2	127.2	92.8	65.1	183.0	180.7
NIFA Prescribed Presentation Basis	**($254.7)**	**($206.7)**	**($78.6)**	**($68.8)**	**($163.1)**	**($152.0)**	**($190.7)**

* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Prevention, Safety, Communication & Education Fund
Debt Service Fund (not including sewer debt)

Beginning in 2015, the Administration revised its presentation, at NIFA's request, of the annual budget to include in revenues, the proceeds from borrowing to cover certain expenditures, such as termination pay, judgments and settlements, and property tax refunds. Therefore, since our 2015 projected budgetary risk already includes these expenditures, for presentation purposes only, the budget revenues related to these expenditures have been added back in the table above (in the 2015 projected column) so as to calculate the NIFA Prescribed Presentation Basis on a consistent manner.

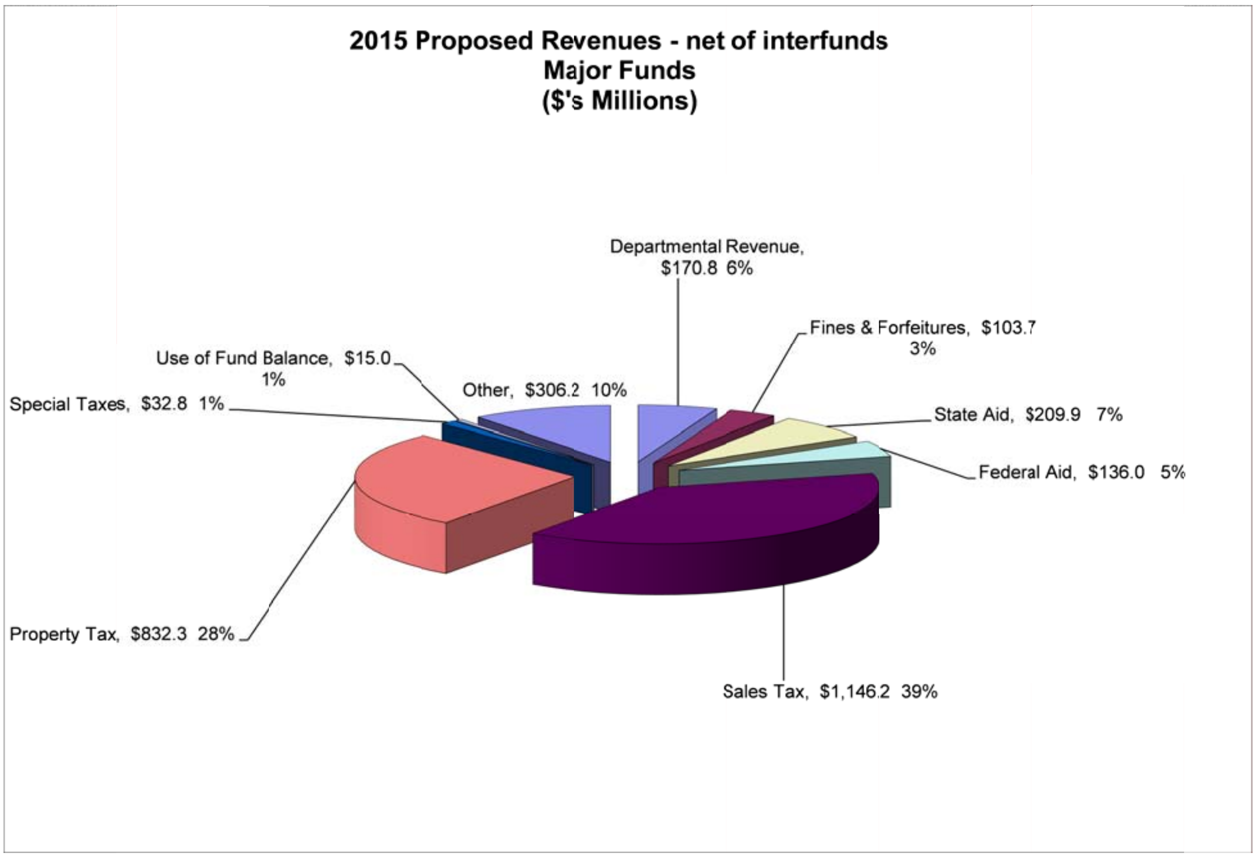
2.0 Discussion of Revenues

This section describes the significant revenue items in the categories, which may fall short of budget projections (“at risk”).

2.1 Major Revenue Sources

Sales Tax is the major revenue source for the County, accounting for 39% of revenue, followed by Property Tax at 28%, and State and Federal Aid at about 12%. Departmental Revenues and Fines & Forfeitures contribute about 9%. These ratios have remained essentially constant in recent years.

Exhibit 3



Total Budgeted Revenue
Major Funds
($ Millions)

	2014	2015
Total Budgeted Revenue	$ 3,207.3	$ 3,412.6
Less:		
Interfunds between major funds	437.8	459.7
Net Revenue	$ 2,769.5	$ 2,952.9

2.2 Use of Fund Balance

The Administration has budgeted the use of $15 million of unreserved fund balance. We do not recommend the use of fund balance as a source of funding. The objective of the budget should be to replenish the fund balance.

Although our 2014 forecast is relatively unchanged from the 2014 Mid-Year Report, it should be noted that the County Legislature approved bonding authorization of $35 million related to the Superstorm Sandy Tax Relief initiative, whereby, property tax refunds would be paid to residents and municipalities who paid property taxes on pre-Sandy assessment values. Should NIFA not approve the bonding, the 2014 results may be negatively impacted by the $35 million, resulting in a lower opening funding balance for 2015 than projected in the Administration's budget.

Exhibit 4

Use of Fund Balance
Major Funds
($ Millions)

2013 Actual	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary Risk	2016	2017	2018
$ 10.5	$ 10.0	$ 15.0	($ 15.0)	$ 0.0	$ 0.0	$ 0.0

2.3 Sales Tax

Sales Tax, at approximately 39% of budgeted revenues net of inter-fund transfers, is the County's largest revenue source.

The proposed budget projects that the County will receive $1,143.3 million in 2015 sales tax (excluding deferred revenues). We project a growth of 3% over our 2014 projection. Consequently, we forecast sales tax to be $40.3 million (excluding the deferred sales tax variance of $2.9 million) under budget for 2015, as shown in the exhibit below.

Exhibit 5

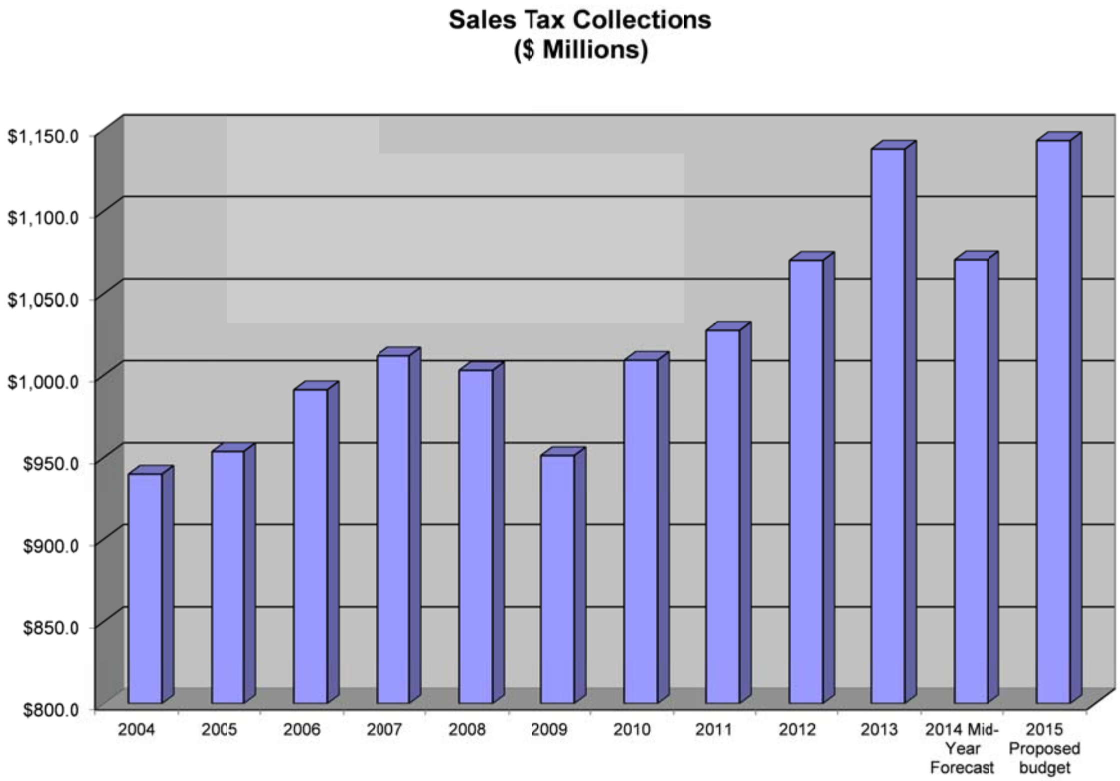


Exhibit 6

Sales Tax (Gross Receipts)
($ Millions)

	2013	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary Risk	2016 MYP	2017 MYP	2018 MYP
Sales Tax *	$ 1,138.1	$ 1,070.8	$ 1,143.3	($ 40.3)	$ 1,171.9	$ 1,201.1	$ 1,231.2

* Excludes deferred portion of sales tax

2.4 Fines & Forfeitures

Our analysis of the proposed budget for Fines & Forfeitures shows a risk of $1.1 million. The risk is mostly comprised of $0.9 million in lower forfeited bail and fines from the County Attorney. This variance is based upon analysis of historical results.

Exhibit 7

Fines and Forfeitures
Major Funds
($ Millions)

2013 Actual	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary Risk	2016	2017	2018
$ 61.4	$ 70.1	$ 103.7	($ 1.1)	$ 106.7	$ 106.8	$ 106.8

2.5 Departmental Revenue

Departmental Revenue is $163.6 million in the 2015 Proposed Budget. We believe that $7.2 million of this amount is at risk.

Based on historical analysis, including the current year projections, Parks Department revenues such as greens fees, concessions and other items of $2.6 million is at risk in the proposed budget. In addition, $0.9 million is at risk in the Police District, primarily related to tow truck franchise fees. The budget also includes risk for the Assessment Department which is mostly related to GIS Tax Map fees ($3.1 million) which have been budgeted since 2013 and has resulted in no revenue so far this year due to implementation delays.

Exhibit 8

Departmental Revenue
Major Funds
($ Millions)

	2013 Actual	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary Risk	2016 MYP	2017 MYP	2018 MYP
Parks	$ 18.0	$ 18.5	$ 21.1	($ 2.6)	$ 21.1	$ 21.1	$ 21.1
Assessment	0.1	0.1	3.4	(3.2)	9.4	9.4	9.4
Police District	2.4	2.9	3.6	(0.9)	3.6	3.6	3.6
All other Departmental Revenue	149.6	133.9	135.5	(0.5)	142.7	142.7	142.7
Total	$ 170.1	$ 155.4	$ 163.6	($ 7.2)	$ 176.8	$ 176.8	$ 176.8

2.6 Interfund Revenue

Beginning in 2015, the Administration revised its presentation, at NIFA's request, of the budget to include the proceeds from borrowing to cover certain expenditures, such as termination pay, judgments and settlements, and property tax refunds. As a result, the budget for Interfund Revenues in 2015 increased by $36.2 million over the $77.2 million projected in our 2014 Mid-Year report.

Interfund revenue is projected to be under budget by $33 million. This represents borrowing for termination pay of $33 million, which is at risk due to the uncertainty of NIFA approval.

Exhibit 9

Interfund Revenue
Major Funds
($ Millions)

2013 Actual	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary Risk	2016	2017	2018
$ 60.0	$ 77.2	$ 113.4	($ 33.0)	$ 79.0	$ 81.7	$ 84.5

2.7 Debt Service from Capital

As mentioned above, beginning in 2015, the Administration revised its presentation, at NIFA's request, of the budget to include the proceeds from borrowing to cover certain expenditures, such as termination pay, judgments and settlements, and property tax refunds. As a result, the budget for Debt Service from Capital in 2015 increased by $114.1 million over the $8.1 million projected in our 2014 Mid-Year report.

Debt Service from Capital is projected to be under budget by $118 million. This represents borrowing for Property Tax Refunds of $100 million and Judgments and Settlements of $18 million, which are at risk due to the uncertainty of NIFA approval.

Exhibit 10

Debt Service from Capital
Major Funds
($ Millions)

2013 Actual	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary Risk	2016	2017	2018
$ 11.7	$ 8.1	$ 122.2	($ 118.0)	$ 121.8	$ 121.8	$ 121.8

2.8 Rents and Recoveries

We believe Rents and Recoveries of $3.7 million related to sales of County property is at risk because the status of these transactions are not known.

Exhibit 11

Rents and Recoveries
Major Funds
($ Millions)

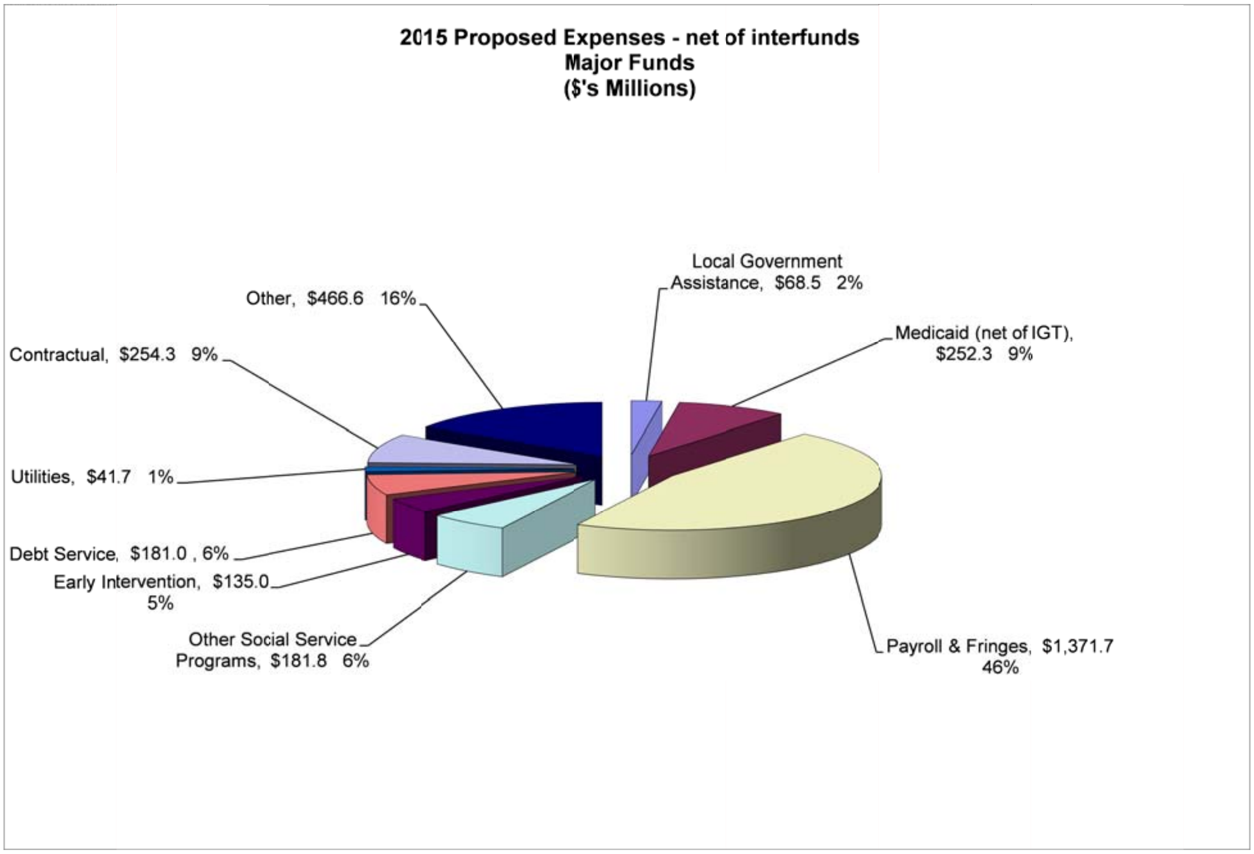
2013 Actual	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary Risk	2016	2017	2018
$ 38.3	$ 36.7	$ 21.8	($ 3.7)	$ 18.4	$ 21.6	$ 21.6

3.0 Discussion of Expenses

3.1 Major Expense Categories

This section describes the significant expense items in the Proposed Budget, which may exceed budget (“at risk”). It is worth noting that 46% of the budget is attributed to payroll and fringe benefits, by far the highest portion of the budget. The next highest budgeted expense categories are Contractual Expenses and Medicaid, both at 9%.

Exhibit 12



Total Budgeted Expenses Major Funds ($ Millions)				
		2014		2015
Total Budgeted Expenses	$	3,207.3	$	3,412.6
Less:				
Interfunds between major funds		437.8		459.7
Net Expenses	$	2,769.5	$	2,952.9

3.2 Salary and Fringes

The 2015 Proposed Budget assumes a full-time headcount of 7,395. The Administration intends to hire full-time employees to reach the projected headcount level of 7,395 from the current on-board headcount of 7,224.We project a $19.6 million negative variance in Payroll, including overtime, which reflects the impact of the CSEA, COBA, SOA, PBA and DAI Labor Agreements that were approved in 2014 by both the County Legislature and NIFA. This variance is primarily due to the additional projected termination pay of $12.7 million and overtime of $14.2 million in the two police funds. We project 2015 termination pay for the Police Funds to be $38.2 million and overtime will reach approximately $66.2 million. Although the 2015 Proposed Budget includes $33 million for termination pay expenses considering average attrition for all operating funds, our projections assume that 2015 will have an additional 50 officers retire from the Police Department. Therefore, we have included in our projections an additional risk of $12.7 million in unbudgeted costs related to the retirement of these additional officers. Also included in our projections are $10.8 million in salaries and $7.2 million in fringe related costs associated with the Sewer and Storm Water District employees who will be transferred to the general operations of the County as a result of United Water assuming operations of the County's sewer system.

We also project that Fringes are over budgeted by $0.3 million, which is principally related to savings in health insurance costs

However, these variances are contingent on the following:

In the 2015 Proposed Budget, the Administration assumes that the County Legislature and NIFA Board will approve the bonding for Termination Pay of $33 million and has included an equal revenue amount from bonding in the 2015 Proposed Budget to offset this cost. The bonding for Termination Pay is at risk because it requires both Legislative and NIFA approval and neither has indicated what action it will take. If bonding is not approved, these costs will have to be paid from other funding sources and as a result will reduce the fund balance in 2015. A risk for the $33 million in bonding has been included in the Comptrollers' analysis.

Overtime is projected to reach $68 million in the two police funds in 2014. To address the continuing overtime cost concerns, the Administration has begun hiring new police classes in 2014 at the reduced salary rate based on the new union contracts and will continue to add additional classes in 2015 and 2016 to achieve the targeted headcount of 2,350 sworn officers. The Administration assumes this increase in headcount combined with a lower average salary, should be sufficient to achieve the budgeted reduction in overtime in the two police funds. We feel optimistic that some overtime savings will be realized in 2015 when compared to 2014, based on current overtime trends, the savings related to the additional officers and salary reductions from new union contracts. However, taking into consideration these salary savings, we still conservatively anticipate a combined shortfall of $15.8 million in overtime expenses, including $10.3 million for the Police Headquarters Fund and $3.9 million for the Police District Fund.

Exhibit 13

Payroll & Fringe
Major Funds
($ Millions)

	2013 Actual	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary Risk	2016 MYP	2017 MYP	2018 MYP
Payroll & Fringe	$ 1,251.2	$ 1,340.4	$ 1,345.4	($ 19.6)	$ 1,391.1	$ 1,436.7	$ 1,463.4
Workers Comp	24.6	28.0	26.3	0.0	26.3	26.3	26.3
Total	$ 1,275.8	$ 1,368.4	$ 1,371.7	($ 19.6)	$ 1,417.4	$ 1,463.0	$ 1,489.7

Exhibit 14

Overtime *
($ Millions)

	2013 Actual	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary (Risk) / Opportunity	2016 MYP	2017 MYP	2018 MYP
Correctional Center	$ 16.6	$ 16.7	$ 17.4	$ 1.5	$ 17.7	$ 18.1	$ 18.5
Police Headquarters	30.6	32.4	24.0	(10.3)	24.5	25.0	25.5
Police Districts	36.7	35.0	28.0	(3.9)	28.6	29.1	29.7
Others	10.4	12.7	9.9	(3.1)	10.1	10.3	10.4
Total Expense	$ 94.3	$ 96.8	$ 79.3	($ 15.8)	$ 80.9	$ 82.5	$ 84.1

*** Overtime amounts included in salaries schedule**

3.3 Property Tax Refunds

According to the 2015 Proposed Budget, the Administration has projected to pay $100 million of property tax refunds. This Administration expects to request bonding of $100 million to help pay down the outstanding backlog. The bond proceeds are reflected in the 2015 budget in the other revenues category, however, we believe these revenues to be at risk as borrowing authorization requires approval by the Legislature and NIFA.

Exhibit 15

Property Tax Refunds
Major Funds
($ Millions)

2013 Actual	2014 Comptroller's Mid-Year Report Forecast	2015 Proposed Budget	2015 Budgetary Risk	2016 MYP	2017 MYP	2018 MYP
$ 6.3	$ 10.0	$ 100.0	$ 0.0	$ 100.0	$ 100.0	$ 100.0

The Exhibit below illustrates the projected long-term property tax refund liability balance as of year-end 2015, assuming $100 million of refunds are paid from borrowed funds and an additional $70 million of commercial and $5 million of residential property tax refunds are added. The Administration assumes minimal new residential liabilities will be added as assessment challenges are being addressed prior to the establishment of the County's tax rolls, thus mitigating the need for residential refunds.

The property tax refund backlog is one of the County's biggest challenges. Working towards its reduction is critical for the continued improvement of the County's financial trends.

On June 20, 2014, the New York State Assembly and the New York State Senate passed legislation, which awaits the Governor's approval that will establish a disputed assessment fund for commercial property assessment disputes in Nassau County. The bill creates a process to satisfy the majority of tax certiorari refunds related to commercial properties and will strive to end the need for borrowing to pay for tax refunds. If approved, the relief from additional commercial property tax refunds will not be realized until the 2017 tax roll, therefore, the property tax refund liability will continue to grow for commercial property liabilities for at least one more year, 2016. However, court challenges may further delay or overturn this ordinance and law.

Furthermore, the New York State of Appeals recently denied the County permission to appeal adverse lower court decisions regarding utilities property tax assessments dating back to the early 1990's. Under the "County Guarantee", the County may now be liable for tax refunds to utilities or reimbursements to the Towns or garbage districts of up to $300 million. This amount may be reduced after further legal determinations, negotiations with the Towns and utilities, or appeals to the State Legislature or the Public Services Commission. The County has previously included $285 million for these matters in its estimate of long-term non-tax certiorari liability. We have conservatively included this liability in the Property Tax Refund Liability table below.

Exhibit 16

Long Term Property Tax Refund Liability ($'s Millions)				
	Bal beg of year	**Additions**	**Payments**	**Bal end of year**
2009	$ 139.0	$ 139.8	$ (114.5)	$ 164.3
2010	164.3	67.4	(79.4)	152.3
2011	152.3	134.7	(64.1)	222.9
2012	222.9	83.8	(9.5)	297.2
2013	297.2	77.7	(81.3)	293.6
2014 est *	293.6	375.0	(75.0)	593.6
2015 est	593.6	75.0	(100.0)	568.6

* additions include $300 million related to utilities and garbage district litigation

4.0 The Multi-Year Financial Plan

As shown in Exhibit 17, the Administration's financial plan projects budget baseline gaps of $49.8 million in 2016, $72.6 million in 2017, and $92.3 million in 2018. We estimate out-year gaps (including gap closing measures) of $243.8 million in 2016, $269.8 million in 2017 and $307.1 million for 2018.

Some potential variances compared to the Multi-Year Financial Plan (including gap-closing items) include:

- Our projections in the out-years continue to reflect higher than budgeted overtime costs for the Police Funds of approximately $15 million per year. In addition, we have included payroll costs for the sewer and storm water employees who will be transferred into the general operations of the County, of approximately $18 million each year, as a result of the United Water agreement. Lastly, the Multi-Year Financial Plan includes increasing attrition savings in the out-years, which differ from our projections.

- Sales Tax increases, which are 2.5% in 2016-2018, are in line with our projection. However, the Administration's 2014 projection upon which the Multi Year Plan is based is too aggressive. Therefore, we project a risk of over $40 million each of the out years.

- We foresee a risk in borrowing for Property Tax Refunds and Suits and Damages of $118 million each year, as it requires both Legislative and NIFA approval.

- The Multi-Year Financial Plan does not include a provision for the historic mission payment to NHCC. Even though the contract will be ending, prudence assumes that NHCC may require the County's continued financial support to sustain its mission.

- Mandate reform would require State Legislation, which we consider a risk.

- We consider the savings from privatization related to Suez Energy NA (Trigen) to be at risk in

- Workforce Management savings related to backfilling at lower salaries has already been accounted for in our projections.

One area of concern is the growing liability related to the County's opting to defer a portion of the annual pension expense. The New York State Retirement System allows local municipalities to elect to "amortize" a portion of their annual invoice and pay via annual installments over 10 or 12 years (depending on the year the deferral was elected). The County has made this election each year beginning with the pension invoices for the period 4/1/2011 to 3/31/2012. As of December 31, 2013, the liability due to the New York State Retirement System was $147.5 million. The County is expected to continue this amortization policy in 2014 and 2015, which will further increase the pension liability to an estimated $240 million by year-end 2015.

Exhibit 17

PROPOSED NASSAU COUNTY 2015-2018
MULTI-YEAR FINANCIAL PLAN
MAJOR FUNDS
SUMMARY OF FUTURE YEAR RISKS and OPPORTUNITIES
($'s Millions)

	2016	2017	2018
Baseline Gap per Financial Plan (before Gap Closing Measures)	**$ (49.8)**	**$ (72.6)**	**$ (92.3)**
Items included in Baseline Gap that are risks/opportunites			
Payroll & Fringe	(25.6)	(29.4)	(47.7)
Sales Tax	(41.4)	(42.3)	(43.5)
Debt Service from Capital	(118.0)	(118.0)	(118.0)
NHCC Mission Payment	(13.0)	(13.0)	(13.0)
Departmental Revenue	(11.9)	(11.9)	(11.5)
Other	1.2	1.4	1.7
Gap Closing Measures			
Office Consolidation	2.0	3.0	4.0
United Water Synergy Savings	8.7	9.0	9.2
Taxi and Limousine Commission	2.0	2.0	2.0
BOE Reimbursement	2.0	2.0	2.0
Net Baseline Gap	**$ (243.8)**	**$ (269.8)**	**$ (307.1)**

Exhibit 18

PROPOSED NASSAU COUNTY 2015-2018
MULTI-YEAR FINANCIAL PLAN
MAJOR FUNDS
SUMMARY OF FUTURE YEAR RISKS and OPPORTUNITIES
(Gap Closing Measures Considered at Risk)
($'s Millions)

	2016	2017	2018
Gap Closing Measures Considered at Risk			
NYS Actions			
Mandate Reform	$ 10.0	$ 10.0	$ 10.0
LIE Surcharge	5.7	5.7	5.7
Sub-Total NYS Actions	15.7	15.7	15.7
Other			
Suez Energy NA (TRIGEN)		10.0	20.0
Health Insurance Cost Reduction	1.0	10.9	11.3
Workforce Management	10.4	10.8	11.2
Advertising Revenue	6.0	8.0	8.0
Sale of Surplus County Property	5.0	5.0	5.0
Strategic Sourcing	2.0	2.0	2.0
ERP Implementation		2.0	2.0
Total Gap Closing Measures at Risk	**$ 40.1**	**$ 64.4**	**$ 75.2**

5.0 Fund Balance Policy

The County's fund balance policy was adopted by the Legislature in 2005 and it is re-submitted to the Legislature as part of the 2014 Budget. The fund balance policy provides that the County will maintain unreserved fund balance of between 4% and 5% of normal prior year expenditures of the General Fund and County-Wide Special Revenue Funds (Fire Prevention Fund and Police Headquarters Fund). Fund balance provides taxpayers with a cushion against unexpected negative events.

If unreserved fund balance falls below that level for two years, the policy provides that the County will replenish the fund balance over the next four years. The fund balance policy includes in its definition of all financial resources, the amounts in the Employee Accrual Liability Reserve Fund, Retirement Contribution Reserve Fund and Tobacco Settlement Fund.

This fund balance is projected to decline to approximately $49.6 million after the projected budgetary deficit in 2014. The remaining fund balance will be less than the 2% guideline of prior year expenditures. In view of the $240.3 million projected 2015 budgetary risks, the fund balance would be inadequate if bonding is not approved to pay for termination pay, judgments and settlements, and property tax refunds.

6.0 Other Entities - Nassau Health Care Corporation

The financial stability of the Nassau Health Care Corporation ("NHCC") is important so that it can continue to operate as a health care safety net for the County's uninsured. In addition, the County is dependent upon the NHCC's ability to repay its outstanding indebtedness of $247 million, which is guaranteed by the County. Of this debt, approximately $244.9 million is tied to variable rates.

The financial condition of the hospital is considered stable but tenuous. It will continue to face increasing challenges due to uncertainty in the health care environment, its funding sources, New York State cutbacks of its funding streams and greater demands for its services. NHCC is addressing these issues by reducing expenses through rightsizing its organization and exploring clinical and billing integration with larger hospital chains. The hospital's financial performance will require monitoring by the County and the NHCC management to ensure that services can be offered where needed without additional demands on the County taxpayers.

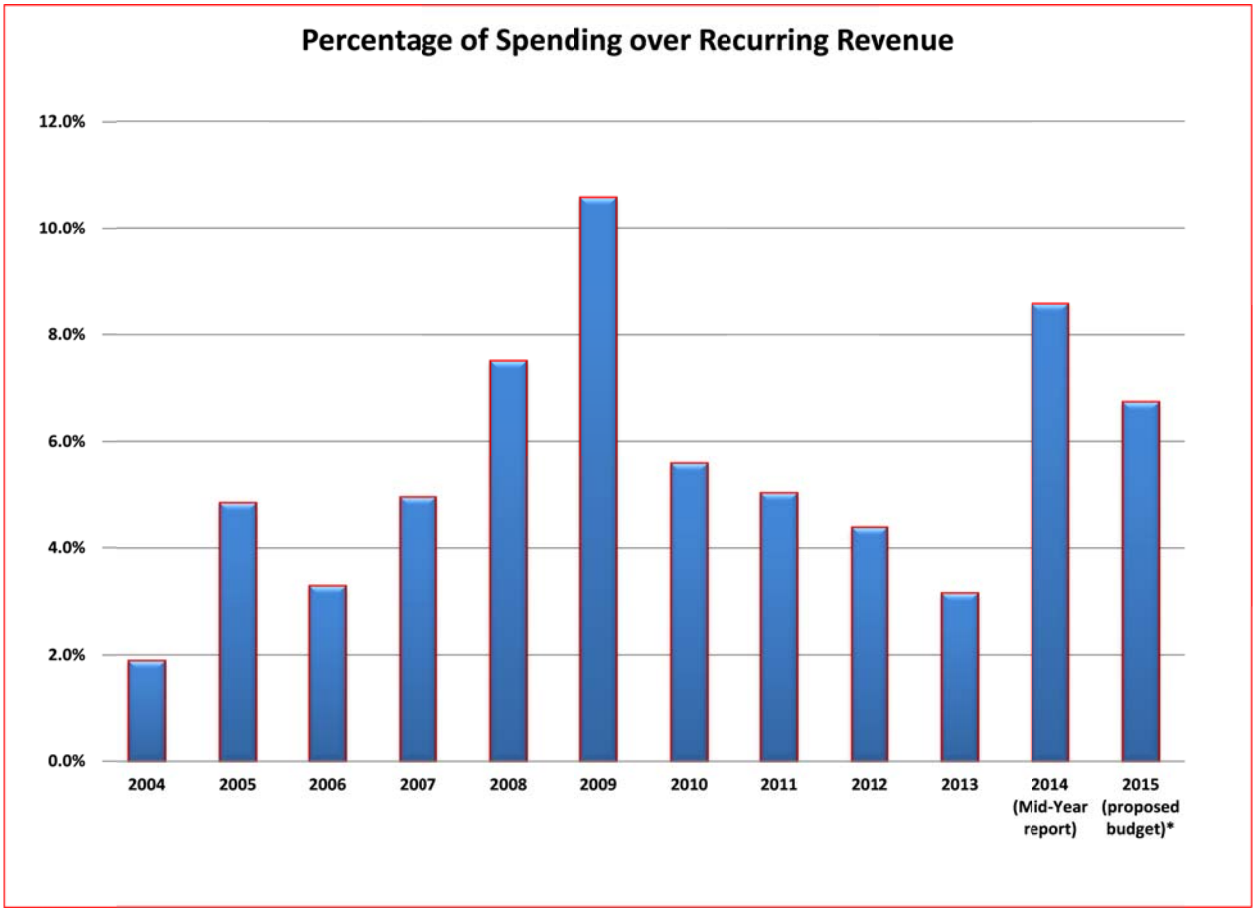
Under the agreement between the County and the hospital that was established when the hospital became a public benefit corporation, the County has had an annual $13.0 million obligation to NHCC, also known as the Historic Mission payment. The Successor Agreement with NHCC provided for the Historic Mission payment through 2014. Although the County is no longer obligated, the 2015 Proposed Budget provides for the Historic Mission payment in 2015.

7.0 Major County Financial Trends

7.1 Revenues and Expense Divergence

The chart below illustrates the progress achieved by the Mangano Administration in bringing expenses in line with revenues. The chart shows the percentage of recurring spending over recurring revenue in each year. The County's overspending increased every year, except 2006, and reached a critical point in 2009, under the Suozzi Administration, exceeding 10% of recurring revenues. This trend was reversed beginning in 2010 by the Mangano Administration and reduced every year to a ten-year low of just 3.2% over the 2013 recurring revenues. The percentage is proposed to increase to 6.7% in 2015.

Exhibit 19

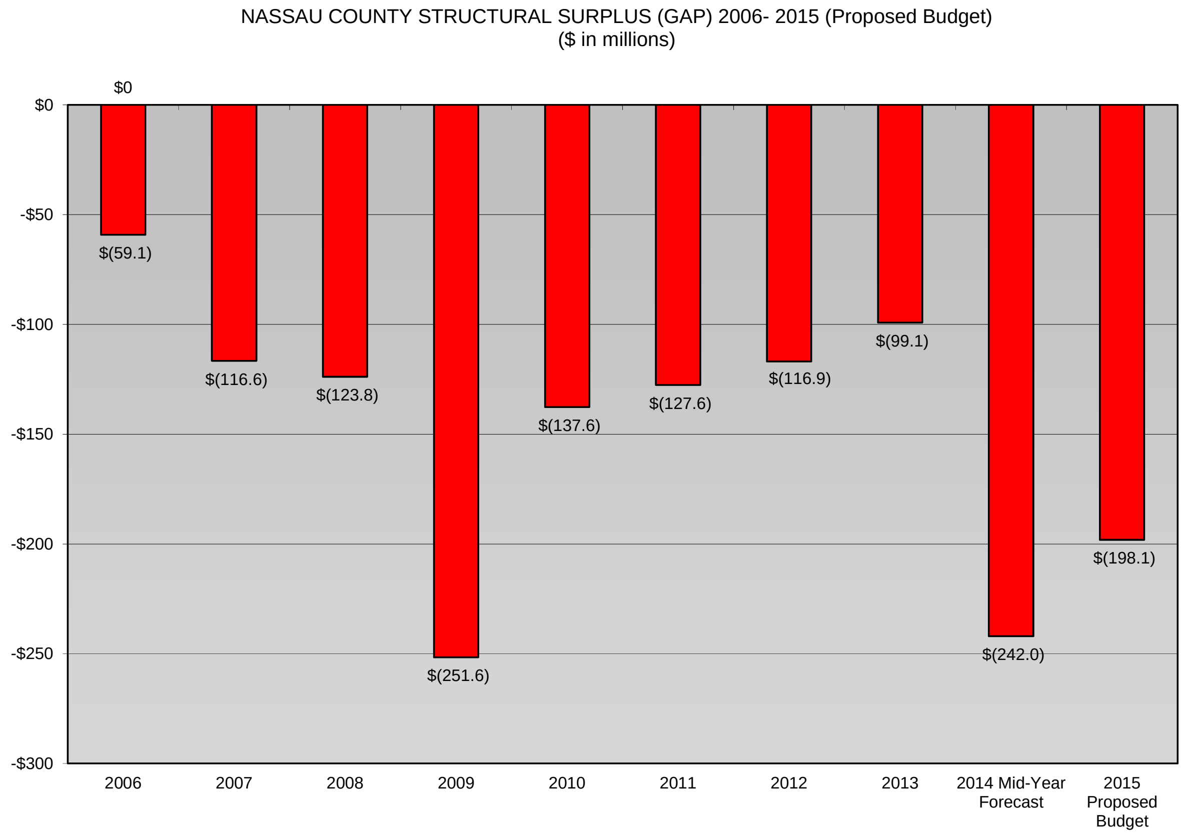


7.2 Budgetary Structural Gap Trend

The County has historically used the Structural Gap as a metric to illustrate fiscal health. It measures the imbalance between recurring operating revenues and expenses. The Structural Gap is not the same as a budgetary deficit. Structural gaps can only be narrowed by reducing recurring expenses or by increasing recurring revenues. When the County balances its budget by using non-recurring revenues, such as drawing down reserves or borrowing for operating expenses, it does not reduce the Structural Gap.

The reversal in the structural gap projected for 2014 and 2015 is primarily due to the steep decline in sales tax revenues and the use of fund balance and borrowing to pay for higher budgetary expenditures.

Exhibit 20



The Exhibit above includes actual budgetary results for 2006 through 2013 and projected results for 2014 as reported in our Mid-Year Report.

Exhibit 21

Nonrecurring Revenues and Expenses
Major Funds
2009 - 2015 (Proposed Budget)
($ Millions)

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Comptroller's Mid-Year	2015 Proposed Budget
Use of Reserves	$ 0.5	$	$	$ 10.4	$	$	$
Use of Fund Balance	10.0				10.5	10.0	15.0
Tobacco Related	15.2						
Nonrecurring							
Federal Medical Assistance Percentages (FMAP)	44.8	45.1	22.4				
Amortization of the Pension Bill				38.8	52.9	60.0	41.9
Residential Energy Tax	21.9	17.3					
Payroll Deferrals & Lag	60.1	17.2	(5.7)	(7.3)	(1.9)	(6.1)	
Bonding for Budgeted Termination Pay	34.5	26.8			8.6		33.0
Use of borrowed funds to pay property tax refunds	64.5	42.5	21.0	14.7	75.0	75.0	100.0
Property Tax Refund Forbearance				88.7			
Mitchell Field Securitization			37.4				
Net Bulk Lein Sale			(7.4)				
NIFA Debt Restructuring				1.3	5.9	23.0	4.3
NIFA Restatement		15.3					
Sale of County Property			9.5	11.8	3.1	3.2	3.9
Excess cash in MTA projects							
Total	$ 251.5	$ 164.2	$ 77.2	$ 158.4	$ 154.1	$ 165.1	$ 198.1

7.3 Borrowing Trends

The 2015 Proposed Budget projects long-term borrowings of $352 million will require NIFA approval, subject to Legislative approval. The Administration expects to issue long-term bonds to pay for property tax refunds of $100 million, termination pay for $33 million, judgments and settlements for $18 million, and capital projects of $201 million, which includes borrowing of $50 million for sewer related projects. In the past, NIFA indicated that it would no longer permit the County to borrow for termination pay, except in special circumstances. NIFA must approve all County borrowing.

The 2015 new money borrowings in Exhibit 22 do not include $90 million of short-term Bond Anticipation Notes (“BANS”) borrowed to pay for Sandy-related repairs. The Administration expects that the BANS borrowed in 2013 through 2017 of $185.5 million, $114.4 million, $90 million, $60 million and $30 million, respectively, to pay for Sandy-related repairs, will be reimbursed by FEMA beginning in 2015 at 90%, with the remainder to be reimbursed by New York State. Through mid-September, the County has received approximately $0.9 million in FEMA reimbursement of capital project expenditures and $98.7 million of FEMA reimbursements to offset the expenses incurred in the FEMA fund; in total, FEMA has obligated approximately $172.3 million. We understand that FEMA has allocated approximately $730 million towards the re-building of the Bay Park Sewage Facilities.

On July 23, 2014, Governor Cuomo announced funding to cover local government costs to repair and rebuild infrastructure damaged by Super-Storm Sandy including debris removal and emergency protective measures, from the state allocated Community Development Block Grant – Disaster Relief ("CDBG-DR"). Through the Governor's action, this allocation of CDBG-DR funds will be applied towards the County's 10% obligation. To date, the County has not received this funding.

Exhibit 22

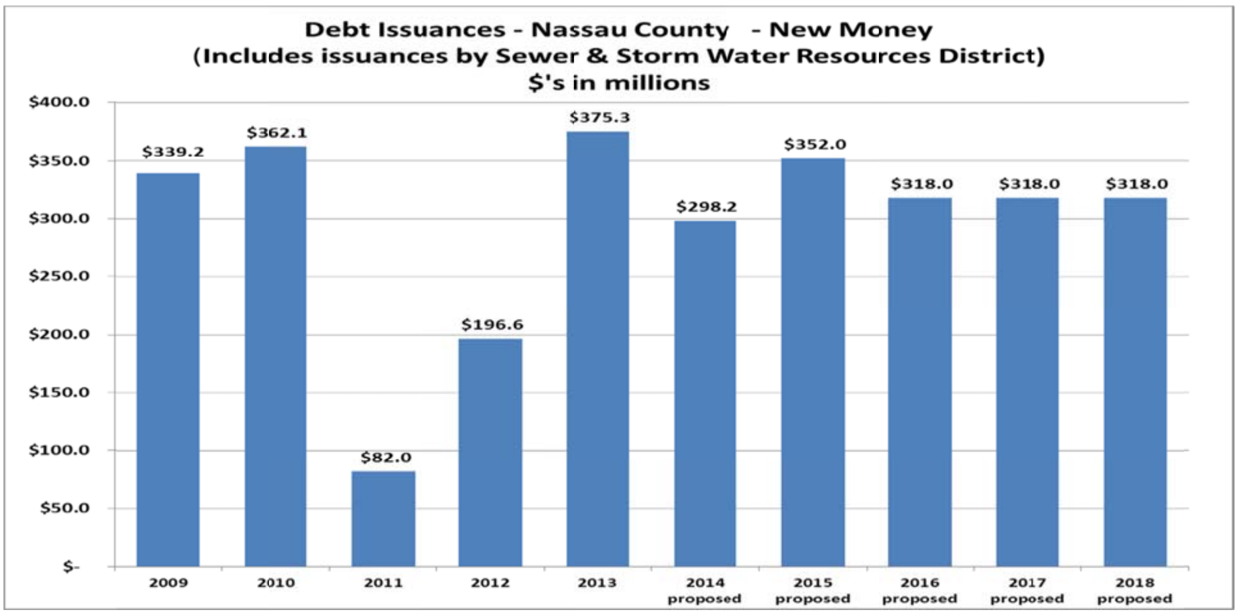


Exhibit 23 below illustrates projected long-term debt issued through December 31, 2015 by the County including Sewer and Storm Water Resources District, NCC, Nassau County Interim Finance Authority ("NIFA"), Sewer and Storm Water Finance Authority ("SFA"), and Nassau County Tobacco Settlement Corp ("NCTSC").

At 2013 year-end, the total of the County's general obligation bonds and its component units' long-term bonds outstanding was approximately $3.6 billion. The 2014 and 2015 anticipated borrowings will increase the total long-term bonds outstanding from $3.6 billion at year-end 2013 to approximately $3.8 billion at year-end 2015 after reductions from maturing debt for an increase of 5.6%

Exhibit 23

Total Projected Long-Term Borrowings
($'s in millions)

	As of December 31, 2013 Actual	2014 Projected Additions	2014 Projected Reductions	As of December 31, 2014 Estimated	2015 Projected Additions	2015 Projected Reductions	As of December 31, 2015 Estimated
County w/SSW	$ 1,758.9	$ 298.2	$ 76.6	$ 1,980.5	$ 352.0	$ 93.3	$ 2,239.3
NCC *	51.0	-	-	51.0	-	-	51.0
NIFA ***	1,228.2	-	140.6	1,087.6	-	143.6	944.1
Sewer and Storm Water Finance Authority (SFA) ***	138.8	-	8.4	130.4	-	8.5	121.9
Tobacco Settlement Corp (NCTSC) **	462.8	6.0	-	468.8	6.4	-	475.2
Total	**$ 3,639.7**	**$ 304.2**	**$ 225.6**	**$ 3,718.3**	**$ 358.4**	**$ 245.4**	**$ 3,831.4**

* Projected additions and reductions are included in the County's projected numbers
** Includes Accreted Interest
*** Assume no additional borrowings for NIFA and SFA

8.0 Sewer and Storm Water District

For the first year, the Comptroller's Office will project the financial performance of the Sewer and Storm Water District ("SSW"). In prior years, only the primary operating funds have been reviewed and projected. However, as a part of the operations of the SSW Fund is in process of being transferred to a private organization, the current and future financial condition of SSW needs to be monitored. The Administration's adopted budget of 2014 is projected to end with a small surplus of $2.6 million after draw down of the entire $45.9 million of fund balance. However, even with the United Water deal, the SSW Fund will continue to be underfunded and face deficits as shown in the Exhibit below. The Administration proposes to increase the tax levy by $6.0 million and refinance the SFA debt and borrow an additional $50 million to meet the capital funding needs of the sewer system in 2015. Beyond 2016, additional funding sources will need to be found.

Exhibit 24

	CATEGORY	Under UW Operation		
Code		2015	2016	2017
AA	Salaries, Wages & Fees		$ -	$ -
AB	Fringe Benefits		$ -	$ -
BB	Equipment	$ -	$ -	$ -
DD	General Expenses	$ 402,000	$ 414,060	$ 426,482
DE	Contractual Services	$ 57,366,000	$ 59,086,980	$ 60,859,589
DF	Utility Costs	$ 7,806,247	$ 8,040,435	$ 8,281,648
FF	Interest	$ 6,810,979	$ 6,236,606	$ 5,783,983
GG	Principal	$ 12,939,000	$ 10,301,000	$ 9,470,000
HH	Interfund Charges	$ 50,539,224	$ 53,246,312	$ 50,960,201
OO	Other	$ -	$ -	$ -
EXP Total		***$ 135,863,450***	***$ 137,325,393***	***$ 135,781,903***
AA	Fund Balance*	$ 2,600,000	$ -	$ -
BC	Permits & Licenses	$ 834,300	$ 859,329	$ 885,109
BE	Invest Income	$ 221,100	$ 222,648	$ 224,652
BF	Rents & Recoveries	$ 7,071,000	$ 7,071,000	$ 7,071,000
BG	Revenue Offset to Expense	$ 180,000	$ 180,000	$ 180,000
BH	Dept Revenues**	$ -	$ -	$ -
BQ	Debt Service From Capital	$ 300,000	$ 300,000	$ 300,000
BR	Due From Other Govts	$ 2,251,394	$ 2,251,394	$ 2,251,394
IF	Interfund	$ 107,249,059	$ 107,169,159	$ 107,350,234
REV Total	***REV Total***	***$ 120,706,853***	***$ 118,053,530***	***$ 118,262,389***
SUR/(DEF)	***SUR/(DEF)***	***$ (15,156,597)***	***$ (19,271,863)***	***$ (17,519,514)***

**Adjusted Fund Balance - Year End 2014*

***The Administration's proposal to institute a County-wide Sewer Fee*
is currently in litigation and has been removed from the analysis.