

NASSAU COUNTY NEW YORK



2023 Mid-Year Report on Nassau County's Financial Condition

July 31, 2023

ELAINE PHILLIPS

Nassau County Comptroller



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Hon. Elaine Phillips
Nassau County Comptroller

July 31, 2023

On behalf of the Office of the Nassau County Comptroller, I am proud to present my administration's second Mid-Year report, as required by the Nassau County Charter. This report provides our projections for the 2023 fiscal year measured against the 2023 Budget, which was adopted and approved by the Nassau County Interim Finance Authority (NIFA) in 2022. This report is based upon year-to-date financial data and our analysis is based on current variables, factors, and known events affecting the County's finances as of mid-fiscal year 2023.

The Comptroller's financial reporting is presented in accordance with Generally Accepted Accounting Principles (GAAP), the national standard for governmental accounting, and is consistent with the reporting in the County's audited financial statements, the *Annual Comprehensive Financial Report*.

I look forward to responding to any questions as our Nassau County stakeholders have the chance to review our findings.

Sincerely,

Elaine Phillips
Nassau County Comptroller

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EXECUTIVE SUMMARY

Purpose

According to the Nassau County Charter §402 (9) “The Comptroller shall on or before the thirty-first day of July of each year commencing July thirty-first, two thousand three, prepare a report on the status of the budget for the first six months of the current fiscal year, which shall include an opinion, for such period, as to whether a surplus or deficit shall exist.”

Financial Reporting

Fund Accounting

The Comptroller’s financial reporting is presented in accordance with Generally Accepted Accounting Principles (GAAP). These principles, standards, and procedures for financial reporting enable the County to comparatively track its performance relative to other municipalities.

A basic principle of governmental GAAP is fund accounting. Given the diverse nature of governmental operations and the numerous legal and fiscal constraints under which those operations must be conducted, it is impossible to record all governmental financial transactions and balances in a single accounting entity. Therefore, unlike a private business which is accounted for as a single entity, a governmental unit is accounted for through separate funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts.

The Governmental Accounting Standards Board (GASB) issues GAAP standards for governments to follow thereby ensuring consistent reporting among municipalities and making comparisons easier.

Three Primary Operating Funds

This report analyzes the County’s actual results for the first six months of the year and projects results for the remainder of 2023. The full year projections are compared against the 2023 Adopted Budget for the “three primary operating funds” to identify potential risks and opportunities to the fiscal year’s adopted budget. The three primary operating funds are:

- the total General Fund¹;
- the Police District Fund; and
- the Sewer and Storm Water District Fund.

In accordance with GASB Statement No. 54, several funds that had previously been reported as separate special revenues funds in the County’s financial reporting, were consolidated with the General Fund beginning in fiscal year 2011. The reconstituted General Fund is more comprehensive than the pre-2011 General Fund.²

¹ GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* was adopted by Nassau County in fiscal year 2011. GASB Statement No. 54 clarified the definition of General Fund, which caused the County to reconstitute the General Fund to include funds that are not defined as Special Revenue Funds. Special Revenue Funds are used to account for and report the “proceeds of specific revenue sources” that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

² The NIFA Control Period Calculation uses the pre-2011 unconsolidated General Fund.

Major Budget Revenues and Expenditures

This report reviews the County’s revenue sources in the three primary operating funds, with particular focus on major revenue sources, such as Sales Tax, State and Federal Aid, and Departmental Revenues. These categories have remained relatively constant as a percentage of total revenues in recent years.

Similarly, the report reviews the County’s expenditures of the three primary operating funds, with particular focus on the largest categories of expenditures, including Payroll and Fringe Benefits, Debt Service, Contractual Services, Early Intervention, and Social Service Programs.

Projected 2023 Fiscal Year GAAP Surplus

The 2023 mid-year financial projections estimate that the County will end the current year with a \$95.3 million operating surplus in the three primary operating funds under GAAP³.

STATE OF THE ECONOMY

Employment and Income

Nassau County is considered an affluent suburban area. The unemployment rate and the percentage of families below the poverty level are low and compare favorably to New York State and the United States. Nassau County’s median household income is high compared to New York State and the U.S. and is ranked 7th highest out of 3,143 counties in the U.S.⁴

Category	Nassau County	New York State	U.S.
Median Household Income (2022)	\$126,576	\$75,157	\$ 69,021
Families Below Poverty Level (2022)	5.80%	13.90%	12.80%
Unemployment Rate (Dec 2022)	2.50%	4.10%	3.50%
Unemployment Rate (May 2023)	2.60%	3.90%	3.70%

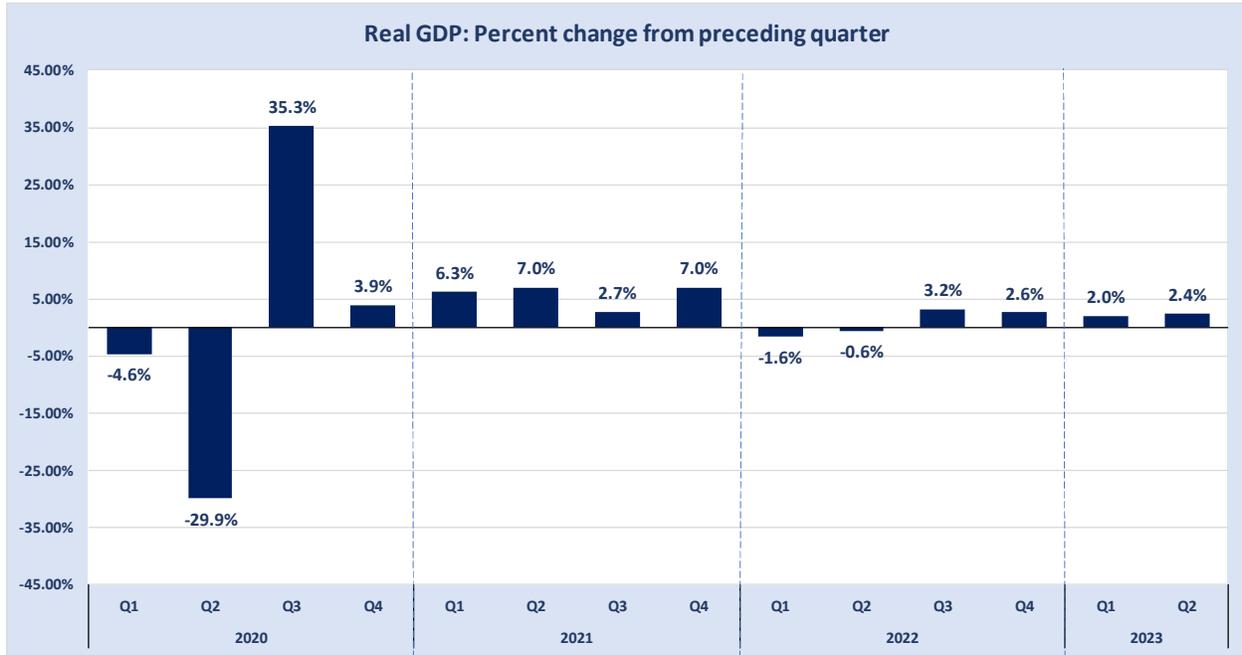
The median household income and the percentage of families below the poverty level are reported annually, while unemployment is reported monthly.

³ GAAP adjustments related to GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, have not been reflected in this projection, and may result in an increase or decrease to the final County GAAP results.

⁴ U.S. Census and 2021 American Community Survey.

Recession Concerns

During the first half of 2022 the United States experienced two consecutive declines in Gross Domestic Product (GDP)⁵, which led to heightened concerns about a potential recession. However, due to strong employment, the National Bureau of Economic Research did not declare a recession. Since then, the GDP has been positive, with 2023 GDP increases of 2% in Q1 and 2.4% in Q2.⁶



Source: Gross Domestic Product, Second Quarter 2023 (Advance Estimate) | U.S. Bureau of Economic Analysis (BEA)

Inflation⁷ and the Federal Reserve

Federal Reserve Rates⁸ were maintained near zero from the beginning of the COVID pandemic until March 2022, when annual inflation reached 8.52% and rose to its highest 2022 level of 8.93% in June. The Federal Reserve began raising the Federal Funds Rate in March 2022 and has continued to raise rates in an attempt to curb inflation to its target rate of 2%. The risk of raising rates to historical highs is that it may cause the economy to slow too much, resulting in a recession. The Federal Reserve has publicly acknowledged this risk and continues to monitor the data. As of July 2023, the Federal Funds Rate range is 5.25%-5.50%, the highest rate in 22 years.

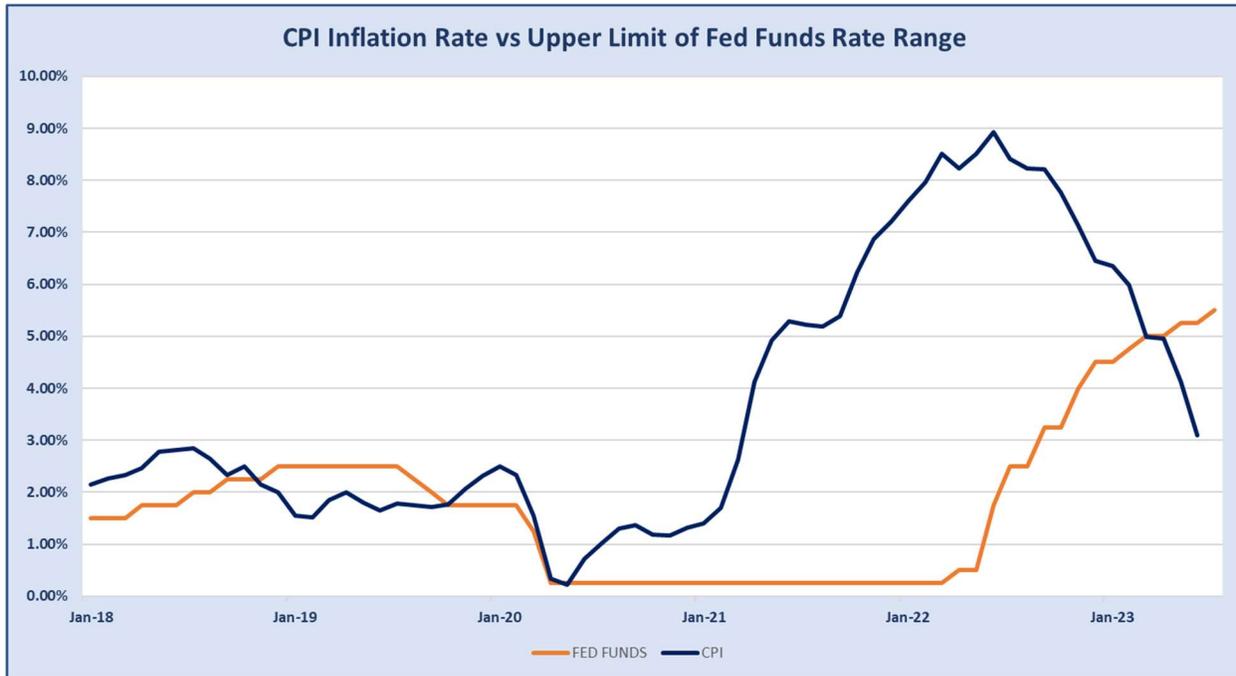
⁵ The National Bureau of Economic Research uses Gross Domestic Product (GDP), a measure of economic output, among other factors, to either declare a recession (when GDP declines for two consecutive quarters) or an expansion (when GDP increases for two consecutive quarters following a recession).

⁶ The second quarter of 2023 GDP rate is based on the “Advance Estimate” which is released 25-30 days after the end of the quarter and is based on source data that are incomplete and subject to revision.

⁷ Inflation is the overall increase in the price of goods or services resulting from demand exceeding supply. Inflation erodes the purchasing power or the buying power of dollars over time. When inflation occurs, consumer spending habits may change as people eat out less, buy in bulk and switch brands. If the country goes into a recession, consumers will likely reduce spending.

⁸ The term "Federal Funds Rate" refers to the target interest rate range set by the Federal Open Market Committee (FOMC). This target is the rate at which commercial banks borrow and lend their excess reserves to each other.

The graph below illustrates the Consumer Price Index (CPI)⁹ and the Federal Funds Rate from January 2018 to July 2023, and suggests that the increases in Federal Funds Rates may be dampening inflation.



Real Estate Market – Mortgage Transactions

Increases in the Federal Funds Rates results in higher mortgage rates. Higher mortgage rates can slow down real estate market sales and contribute to a softening of prices.

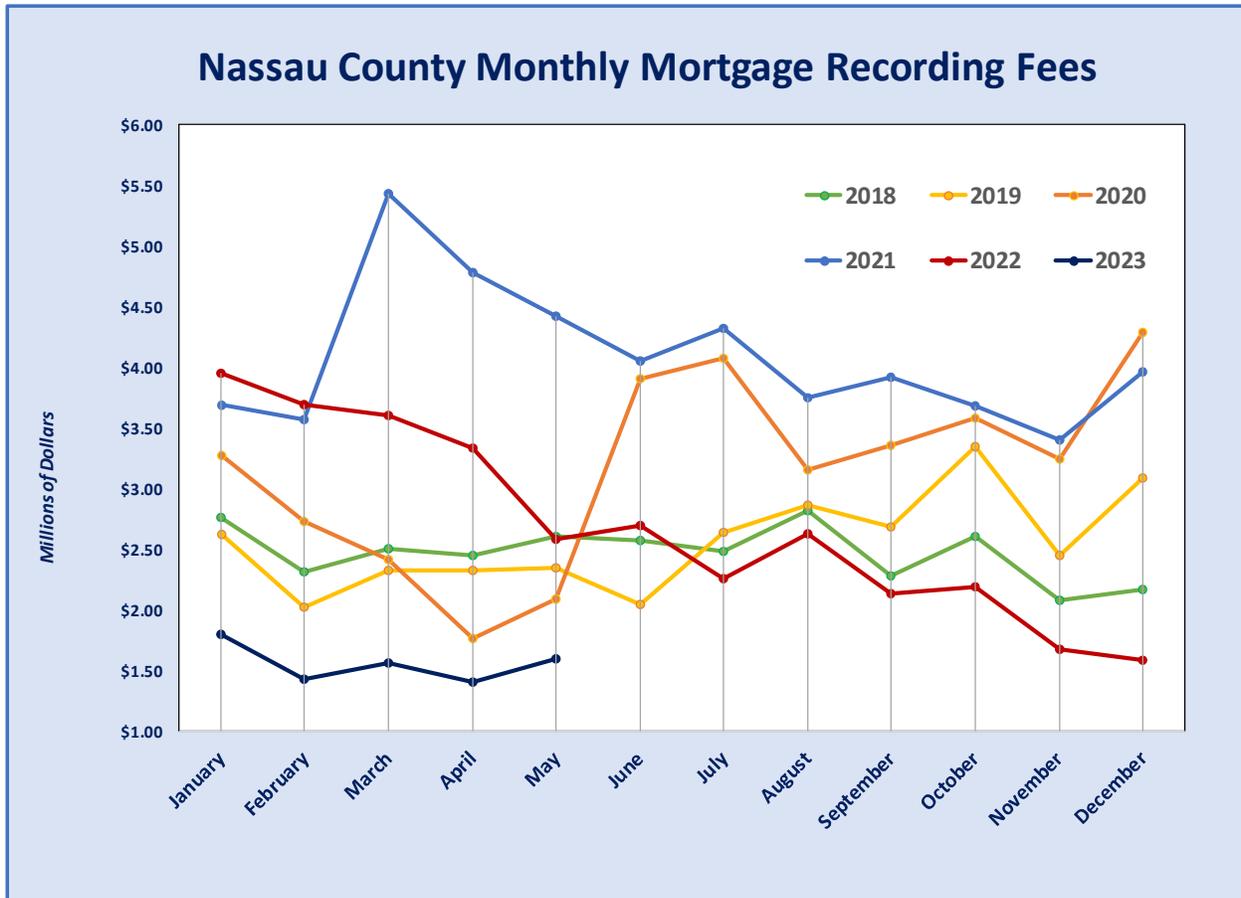
In Nassau County, deeds and mortgages recorded¹⁰ declined in the first six months of 2023 compared to the same period in 2022, as shown in the following table.

Nassau County Deed & Mortgages	June 2023 vs June 2022
Total Deed and Mortgage Transactions YTD # change	-7,938
Total Deed and Mortgage Transactions YTD % change	-35%

⁹ The Consumer Price Index (CPI-U) is provided by the [U.S. Department of Labor Bureau of Labor Statistic](#).

¹⁰ Mortgage and Deed Recording Fees are charged by the County Clerk’s Office to record new mortgages and deeds; the current fees are \$350 each.

The following graph shows monthly revenues reported by Nassau County for Mortgage Recording Fees from 2018 to June 2023. The volume of these fees has declined significantly since 2018. The decline beginning in 2022, and continuing through 2023, is presumably due to higher mortgage rates, fewer mortgage refinancings, higher real estate prices and lower supply.



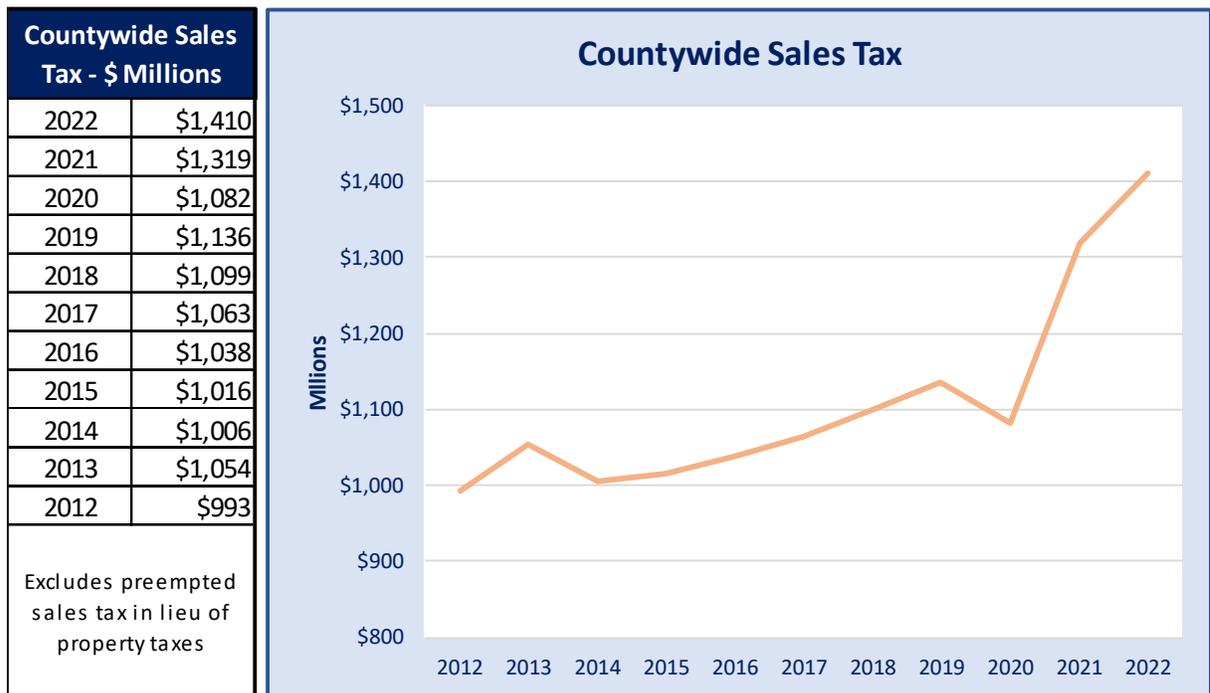
RATING AGENCY UPGRADES

Moody’s and Fitch upgraded the County’s ratings in May 2023 to Aa3 and A+, respectively.

The County’s Long-Term Debt Ratings				
	2022-Dec		2023-May	
	Rating	Outlook	Rating	Outlook
Moody's Investors Services	A1	Positive	Aa3	Positive
S&P Global Ratings	AA-	Stable	AA-	Stable
Fitch Ratings	A	Stable	A+	Stable

These rating agency upgrades are a result of the County’s efforts to address their prior concerns:

- **Improved liquidity and financial reserves** – With surpluses in Governmental Funds in 2021 of \$480 million and in 2022 of \$435 million, the County significantly increased reserves for various purposes with the goal of reducing liabilities, which was mentioned as a contributing factor to the rating upgrades.
- **Pension deferrals** – In fiscal years 2011 to 2020, the County elected to defer mandatory pension contributions under a special program allowed by State Law. The County has not elected to defer contributions beginning with the 2022 pension invoices and as of February 2023, all deferred pension expense has been repaid to the State pension systems. Thus, the County no longer has any deferred pension liability as of the date of this report.
- **Sales tax revenues** –The rating agencies consider sales tax less reliable than property tax. However, the following table and graph indicate that sales tax revenues have been a reliable source of revenue for many years.



- **Tax Certiorari Issues** - As of the middle of July, the County has disbursed approximately \$80 million in tax certiorari payments in 2023, of which approximately 66% paid from the reserves established in the prior year, and 31% paid from the Disputed Assessment Fund (DAF) for commercial properties. The reserves have afforded the County the funding to continue to pay down this long-term obligation. Approximately \$94 million of reserves for tax certiorari remain.
- **The Nassau Health Care Corporation (NHCC)** is a New York State public benefit corporation. NHCC's continuing financial problems present an ongoing concern for the rating agencies. However, the County-guaranteed debt of NHCC is a limited, manageable financial liability of \$100 million of debt outstanding as of August 1, 2023, with scheduled debt service payments of less than \$21 million in any year through final payment in 2029. The debt of NHCC cannot be accelerated regardless of the ability of NHCC to repay the debt.

PROJECTIONS TO 2023 ADOPTED BUDGET

2023 Revenues and Obligations Forecast – Budgetary Basis & GAAP Summary

The Comptroller’s Office projects an estimated surplus of \$95.3 million for fiscal year 2023 on the GAAP basis for operating funds. The table below excludes interfunds.

Revenue and Obligations Risks and Opportunities 2023 Mid-Year Report (excluding interfunds)						
(\$'s millions)						
	2023 Adopted Budget	2023 Projected GEN*	2023 Projected PDD	2023 Projected SSW	2023 Projected Total	Variance
Revenues						
Sales Tax	\$ 1,527.3	\$ 1,587.5	\$ -	\$ -	\$1,587.5	\$60.2
Interest Penalty on Tax	34.8	36.3			36.3	1.5
Departmental Revenue						
Assessment - GIS Tax Map Fees	45.0	21.0			21.0	(24.0)
County Clerk - Mortgage and Deed Recording Fees	39.0	26.9			26.9	(12.1)
Other Departmental Revenue	139.4	130.1	2.9	1.3	134.3	(5.1)
Fines and Forfeitures						
Boot and Tow Fees	3.0					(3.0)
Red Light Camera and Administration Fees	48.1	43.9			43.9	(4.2)
Public Safety Fees	23.5	24.5			24.5	1.0
Other Fines and Forfeitures	31.5	15.1	1.1		16.2	(15.3)
Investment Income	6.3	56.0	0.5	4.6	61.1	54.8
Rents and Recoveries						
Sale of County Property	3.5					(3.5)
Recoveries of Prior Year Appropriations	8.2	2.2			2.2	(6.0)
Other Rents and Recoveries	25.1	69.2		3.2	72.4	47.3
Federal Aid	161.2	170.7			170.7	9.5
State Aid	261.6	280.6			280.6	19.0
Capital Resources for Debt	1.1	2.1			2.1	1.0
Payment in Lieu of Taxes	53.4	36.3	16.8		53.1	(0.3)
Special Taxes	29.8	31.3			31.3	1.5
All Other (includes rounding) **	845.3	336.1	482.5	0.8	819.4	(25.9)
Total Revenue (excluding interfunds)	\$3,287.1	\$2,869.8	\$503.8	\$9.9	\$3,383.5	\$96.4
Obligations						
Payroll	998.2	669.5	255.2	7.1	931.8	66.4
Fringe	686.9	459.2	193.5	6.8	659.5	27.4
Social Services	421.3	433.0			433.0	(11.7)
Early Intervention	150.0	164.4			164.4	(14.4)
Debt service	331.4	300.5		18.2	318.7	12.7
Contractual Expense	411.1	343.0	1.7	75.7	420.4	(9.3)
Utilities	47.4	41.7	1.7	9.0	52.4	(5.0)
Property Tax Refunds	30.0	110.0			110.0	(80.0)
General Expenditures	51.3	45.3	6.4	0.5	52.2	(0.9)
Local Government Assistance	91.1	94.0			94.0	(2.9)
Other (includes rounding)	223.9	187.0	11.9		198.9	25.0
Total Obligations (excluding interfunds)	\$3,442.6	\$2,847.6	\$470.4	\$117.3	\$3,435.3	\$7.3
Estimated Results on a Budgetary Basis for Operating Funds		\$22.2	\$33.4	(\$107.4)	\$103.7	
Estimated GAAP Adjustments***		(\$4.4)	(\$1.8)	(\$2.2)	(\$8.4)	
Estimated Results on a GAAP Basis for operating funds		\$17.8	\$31.6	(\$109.6)	\$95.3	
* Includes: General Fund, Police Headquarters Fund, Fire Communication Fund, Debt Service Fund, Litigation Fund, Employee Accrued Benefits Liability Reserve Fund, Retirement Contribution Reserve Fund, Bond Indebtedness Reserve Fund, Open Space Fund, Technology Fund, Excess Sales Tax Fund and Opioid Litigation Settlement Fund.						
**Variance in All Other Revenues includes variance to Use of Fund Balance.						
*** Estimated GAAP Adjustments do not include GAAP adjustments related to GASB 87 or GASB 96 as the analysis of the agreements that may meet the criteria of those statements has not yet been performed.						

The difference between the revenues and obligation totals in the Adopted Budget is due to the elimination of the budgeted interfunds, \$774.2 million and \$618.7 million, respectively.

2023 Projected Budgetary Basis to GAAP Reconciliation

2023 Estimated GAAP Adjustments * (\$'s in millions)	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
Projected Results on a Budgetary Basis	\$99.5	\$7.5	(\$3.3)	\$103.7
Period of availability adjustments	\$0.2	\$0.0	(\$3.6)	(\$3.4)
Pension expenditure adjustment	(\$7.0)	(\$2.1)	(\$0.1)	(\$9.2)
Use of Fund Balance	\$0.0	\$0.0	\$0.0	\$0.0
Sale of Mitchel Field Leases	\$1.3			\$1.3
NCC adjustment for termination pay	(\$0.9)			(\$0.9)
Effect of encumbrances adjustment	\$3.6	\$0.2	\$1.5	\$5.3
Other GAAP adjustments	(\$1.6)	\$0.1	\$0.0	(\$1.5)
NET CHANGE IN FUND BALANCE (DEFICIT)	\$95.1	\$5.7	(\$5.5)	\$95.3

** GAAP adjustments can significantly fluctuate until finalized in the year-end financial statements primarily due to the effects of encumbrances; the value of unspent encumbrances as of year-end and the expenditures paid after year-end but incurred during the fiscal year are difficult to predict. Thus these adjustments are estimates at this point in time. GAAP adjustments related to GASB 87, Leases, and GASB 96, Subscription-Based Information Technology Arrangements, have not been included above.*

Key Variance Drivers (of \$10 million or more)– Budgetary Basis

Key Highlights: 2023 Projections To 2023 Adopted Budget Variance Drivers		
Drivers Impacting Nassau County’s Three Primary Operating Funds		
<i>Positive Opportunity Key Drivers</i>		
Payroll and Fringe Savings	+ \$93.8 million	Primarily savings from open positions and related to outstanding labor contracts, lower health insurance costs, offset by higher overtime in the Correctional Center and police funds.
Sales Tax	+ \$60.2 million	Year-to-date actuals plus projected 2% growth on 2022 checks collected for the remainder of the fiscal year.
Investment Income	+ \$54.8 million	Due to high interest rate environment coupled with large cash balances.
Rents and Recoveries	+ \$37.8 million	Primarily due to the receipt of \$54 million under the agreement with Sands offset by removal of revenues from disencumbrances.
Contingency	+ \$25.0 million	Projections do not anticipate the need to utilize the budgeted contingency.
State Aid	+ \$19.0 million	Higher state aid primarily due to the STOA grant for bus operations and reimbursements for projected higher Early Intervention and Pre-School costs.
Debt Service	+ \$12.7 million	Savings primarily due to interest expenditures on bonds that were due to delays in issuance.
<i>Unfavorable Risk Key Drivers</i>		
Property Tax Refunds	-\$80.0 million	Primarily due to the projection of \$110 million, which is fully funded in the tax certiorari reserve, but was not included in the 2023 adopted budget.
Departmental Revenues	-\$41.2 million	Primarily the result of lower projections for real estate fees and GIS Tax Map revenues
Fines and Forfeitures	-\$21.5 million	Primarily the related to red-light camera, the Boot and Tow and School Bus Camera programs and other traffic violation fines based on year-to-date trends.
Early Intervention	-\$14.4 million	Primarily due to higher caseloads than budgeted.
Social Services	-\$11.7 million	Primarily due to shortfall in Recipient Grants, Purchased Services and Emergency Vendor Payments offset by a projected opportunity in Medicaid.
All Other Revenues (Use of Fund Balance)	-\$25.9 million	The Adopted Budget included \$28.9 million in Use of Fund balance, which is not projected since it is not revenue.

REVENUE VARIANCES

Sales Tax

Sales tax is the largest source of revenue for the County, representing 37.6% of the 2023 Adopted Budget for the County's three primary operating funds total budgeted revenues of \$4.1 billion.

The Comptroller's Office is projecting 2023 sales tax collections (excluding deferred Part County) of \$1,576.8 million, \$70.8 million or 4.7% higher than budgeted. The projection is based on the year-to-date sales tax collections through July 2023, then 2022's actual results from August through month 13 plus 2%.

Possible Sales Tax Scenarios - Collections						
<i>in \$ millions</i>						
2023 Sales Tax Scenarios	Actual -4%	Actual -2%	Actual + Flat to 2022	Actual +2%	Actual +4%	Actual +6%
2023 Budget	\$1,506.0	\$1,506.0	\$1,506.0	\$1,506.0	\$1,506.0	\$1,506.0
Projected Total Sales Tax	\$1,525.4	\$1,542.5	\$1,559.6	\$1,576.8	\$1,594.0	\$1,611.2
Difference from Budget	\$19.4	\$36.5	\$53.6	\$70.8	\$88.0	\$105.2
% Difference from Budget	1.3%	2.4%	3.6%	4.7%	5.8%	7.0%

The table above provides the projected 2023 results (Actual +2%) and five alternative scenarios with the impact compared to the 2023 Adopted Budget. The five alternative scenarios begin with the 2023 year-to-date actuals plus:

- 4% and 2 % lower than the remaining six periods (periods 8-13, or August through month 13) of 2022 checks (on the left side of the table)
- 6%, 4% higher than the remaining six periods (periods 8-13) of 2022 checks (on the right side of the table) and
- Flat to the remaining six periods (periods 8-13, or August through month 13) of 2022 checks (to the left of Actual +2%).

The 2023 projection considered the impact of:

- year-to-date actual sales tax collections;
- strong employment;
- consumer economic data;
- declining inflation; and
- the continued war in Ukraine.

Sales Tax collections represent the sales tax that is distributed by the NYS Department of Taxation over the course of 26 checks throughout the year. Sales Tax revenues represent the sales tax that is recorded in the County’s financial system and reported in its financial statements. Collections are a part of revenue, however, there are adjustments that are required to be made in accordance with State law as it pertains to Preempted Sales Tax in Lieu of Property Taxes. Appendix B provides more detail on those adjustments. In the following table, sales taxes are reported as Countywide Sales Tax and Part County Sales Tax, which total collections. Part County Sales Tax, or Preempted Sales Tax In Lieu of Property Taxes, and Deferred Part County Sales Tax are explained in the Appendix B of this report.

Total Sales Tax Revenues for 2023 are projected to be \$1,587.5 million, or \$60.2 million over the 2023 Adopted Budget. Of this amount, \$1,576.8 million represents sales tax collections and \$10.7 million represents the net deferrals for Part County Sales Tax.

Sales Tax Revenue - Millions of Dollars					
Category	2022 Actual	2023 Budget	2023 YTD June*	2023 Forecast**	Variance
Countywide Sales Tax	\$1,409.5	\$1,390.4	\$578.6	\$1,450.6	\$60.2
Part County Sales Tax Receipts	\$122.2	\$115.6	\$28.9	\$126.2	\$10.6
Total Collections	\$1,531.7	\$1,506.0	\$607.5	\$1,576.8	\$70.8
Net Deferred Part County Sales Tax	(\$27.4)	\$21.3	\$21.3	\$10.7	(\$10.6)
Total Sales Tax	\$1,504.3	\$1,527.3	\$628.8	\$1,587.5	\$60.2

*excludes NIFA year-to-date adjustments

** computed as year-to-date collections through the July 12, 2023 check plus 2% on remaining checks collected August 2022-end of fiscal year 2022

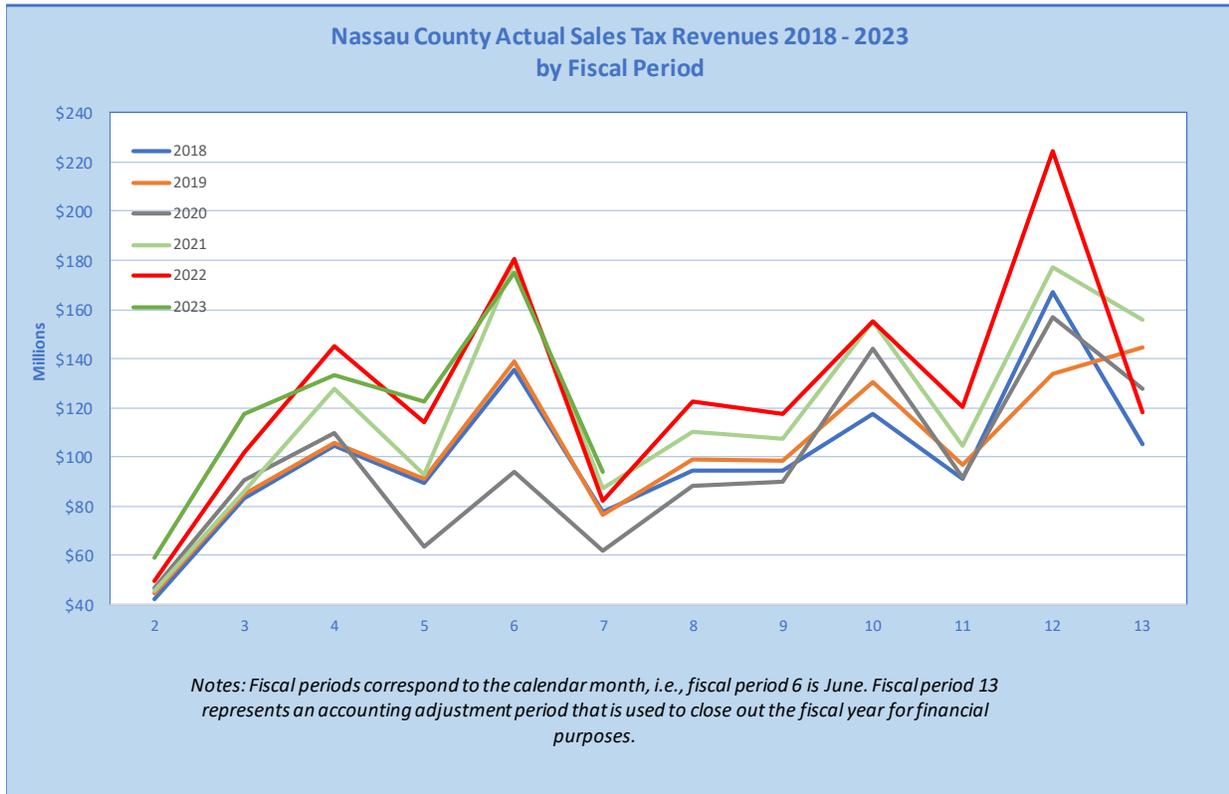
Actual sales tax collections were above the collections in 2022 for the first six months of 2023 by 4.2%. The first quarter of the fiscal year was up 4.5%, however, there has been a slight decrease to 3.9% in May-July, as illustrated in the following table.¹¹

Sales Tax Collections										
<i>in million \$</i>										
<u>Reporting Month</u>	2023			2022			Increase/Decrease			
	County-wide	Part County	Total	County-wide	Part County	Total	County-wide	Part County	Total \$	Total %
February-April	289.5	20.5	310.0	278.9	17.6	296.5	10.6	2.9	13.5	4.5%
May-July	360.5	31.0	391.5	345.5	31.4	376.9	15.0	-0.4	14.6	3.9%
Total	650.0	51.5	701.5	624.4	49.0	673.4	25.6	2.5	28.1	4.2%

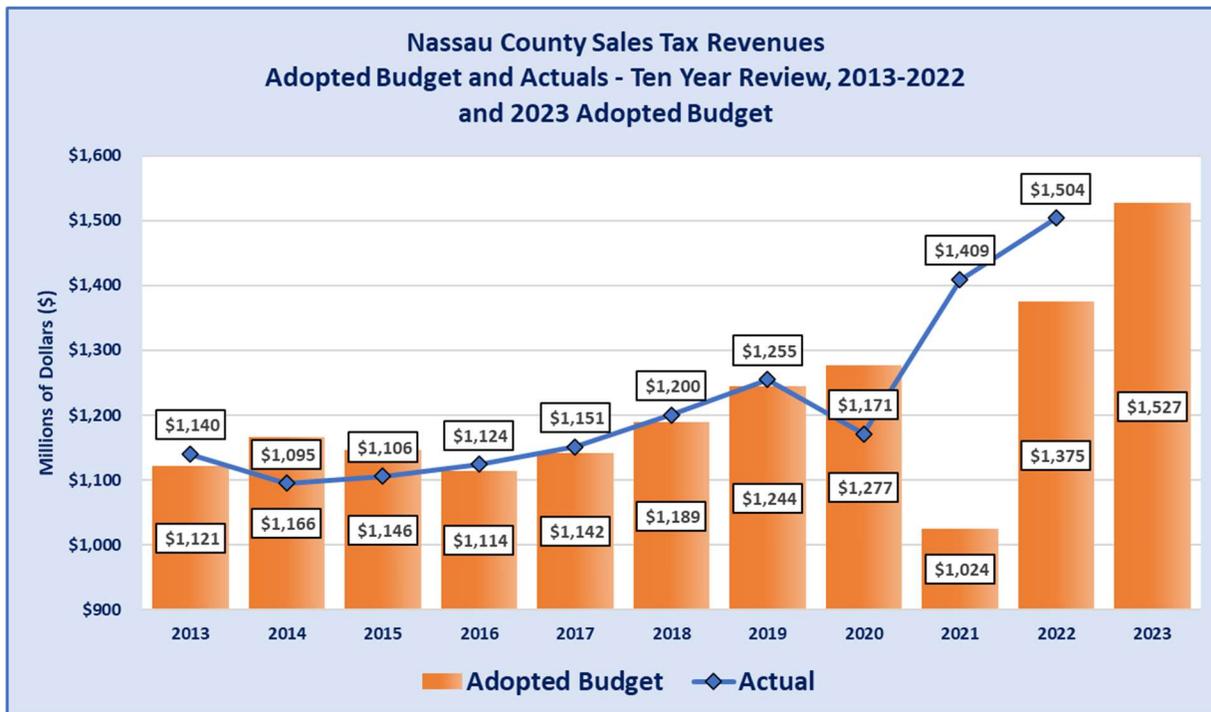
¹¹ The table excludes NIFA set-asides and prior year/current year Part County deferrals.

Sales Tax Trends

As illustrated by the following graph, there was a spike in sales tax revenues from fiscal period 5 to 6 for all years (May to June), followed by a decline from period 6 to 7 (June to July) in all years, followed by a general increase to period 12 (December).



The following chart illustrates how consistent sales tax revenue has been. With the exception of the decline in 2014 following the surge in spending for Superstorm Sandy recovery and the impact of shutdowns in reaction to COVID in 2020, sales tax collections generally continue to increase, due in part to the June 2019 “Enhanced Internet Sales Tax” enacted by New York State, which requires online sellers to charge sales tax to buyers in other tax districts.



Departmental Revenue

Departmental Revenue is projected to be under budget by \$41.2 million. This decline is attributed to various shortfalls as well as opportunities described below.

- Fees related to real estate transactions are projected to be lower than budget due to the slowing of the real estate market.
 - GIS map verification fees in the County Department of Assessment are projected to be lower than budget (\$24.0 million) primarily due to the reduction in the fee to \$270 and a slowing of the real estate sales.
 - Mortgage and deed recording fees in the County Clerk’s Office are projected to be lower than budget (\$12.1 million), primarily due to the slowing of mortgage refinancing and home sales fueled by higher interest rates set by the Federal Reserve.
- Farebox revenues from the NICE bus system are projected to be \$1.1 million less than budgeted based on current run rate of revenues reported.
- Examination fees in the County Department of Civil Service are projected to be lower than budget (\$1.9 million) due to the delay in offering the police civil service examination. Should the examination be announced in 2023, some of the \$1.9 million may be reported in the fiscal year.
- Ambulance fees are projected to be slightly lower than budget (\$2.0 million).

- The projections do not include any revenue from the Income and Expense Law, which was budgeted at \$5.0 million. Lawsuits filed challenging the implementation of penalties for failure to file an Income and Expense Statement are still pending.
- The projections include a positive variance of \$3.5 million for Pre-school Medicaid that was under budgeted.
- The remaining opportunities are comprised of various department related fees based on to year-to-date revenue trends.

Departmental Revenue - Millions of Dollars					
Category	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
GIS Tax Map Verification Fees	\$38.4	\$45.0	\$9.5	\$21.0	(\$24.0)
Mortgage & Deed Recording Fees	\$43.1	\$39.0	\$11.2	\$26.9	(\$12.1)
Bus Farebox	\$27.9	\$30.6	\$9.8	\$29.5	(\$1.1)
Revenue from Income and Expense Law	\$0.0	\$5.0	\$0.0	\$0.0	(\$5.0)
Examination Fees	\$0.5	\$2.5	\$0.2	\$0.6	(\$1.9)
Ambulance Fees	\$20.4	\$24.0	\$9.3	\$22.0	(\$2.0)
Pre-School Medicaid	\$7.4	\$3.7	\$3.6	\$7.2	\$3.5
Other Departmental Revenue	\$71.7	\$73.6	\$27.8	\$75.0	\$1.4
Total Departmental Revenue	\$209.4	\$223.4	\$71.4	\$182.2	(\$41.2)

Fines and Forfeitures

Fines and Forfeitures are projected to be under budget by \$21.5 million.

- Based on the trending year-to-date collections, we are projecting the combined revenues for Red Light Camera and Red-Light Camera Administrative Fees will have a risk of \$4.2 million.
- Police Department public safety fees are projected to have a positive variance of \$1.0 million from the Adopted Budget based on current trends.
- The Comptroller's Office projections include a risk of \$2.5 million related to the School Bus Camera Program. To date, only the Town of Hempstead has implemented the program and, therefore, the amount budgeted by the County will not be achieved. The revenues anticipated to be collected by the County represent two fees that may be charged by the County (\$18 adjudication fee and \$18 contest fee).
- The Boot and Tow program has not been reinstated to date, therefore, the projections are risking the entire budgeted amount of \$3.0 million.
- The remaining Other Fines and Forfeitures are projected to have a shortfall of \$12.8 million, primarily in other Traffic and Parking Violations Bureau revenues based on historical trends.

Fines and Forfeitures - Millions of Dollars					
Category	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
Boot and Tow Fees	\$0.0	\$3.0	\$0.0	\$0.0	(\$3.0)
School Bus Stop Camera	\$0.0	\$3.0	\$0.0	\$0.5	(\$2.5)
PD Public Safety Fees	\$25.3	\$23.5	\$10.6	\$24.5	\$1.0
Red Light Camera and Administrative Fees	\$42.7	\$48.1	\$19.5	\$43.9	(\$4.2)
Other Fines and Forfeitures	\$13.6	\$28.6	\$6.2	\$15.8	(\$12.8)
Total Fines and Forfeitures	\$81.6	\$106.2	\$36.3	\$84.7	(\$21.5)

Federal Aid

Federal Aid is projected to be over budget by \$9.5 million. The opportunity in Federal Aid is primarily due to an increase in Day Care cost reimbursements in the Department of Social Services of approximately \$20.3 million. Day Care Costs have risen substantially due to the State's change in eligibility requirements. The Day Care opportunity was offset with a risk of \$12.5 million in Federal Transit Administration- Coronavirus Response and Relief Supplemental Appropriations receipts. Additional revenues received from the State Criminal Alien Assistance Program (SCAAP) program of \$2.0 million exceeded the budget and contributed to the positive variance.

Federal Aid - Millions of Dollars				
2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
\$174.6	\$161.2	\$49.5	\$170.7	\$9.5

State Aid

State Aid is projected to be over budget by \$19.0 million. The primary reason for this variance includes an opportunity of \$8.8 million due to higher than budgeted State Operating Assistance (STOA) reimbursements, and an opportunity of \$6.0 million in Early Intervention/Pre-School services due to the projected increase in expenditures (the County is reimbursed by the State for a portion of the expenditures incurred). In addition, Day Care costs have risen substantially due to the State's change of eligibility requirements and is projected to have a \$2.3 million opportunity. There is also an additional \$2.4 million opportunity for Safety Net Assistance (SNA) and Foster Care revenue due to an increase in homelessness expenditures and increase in provider rates, respectively. The County is reimbursed for a portion of these programs as well.

State Aid - Millions of Dollars				
2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
\$261.8	\$261.6	\$70.8	\$280.6	\$19.0

Rents and Recoveries

*Rents and Recoveries revenue is projected to be over budget by \$37.8 million. The primary driver of this variance is the \$54.0 million received under the agreement with Sands to lease the Coliseum and surrounding property.*¹²

The projections include a risk of \$5.7 million for capital project closeouts. Capital closeouts occur when a capital project has been completed but there are unspent bond proceeds in that project. Since NYS Local Finance Law only permits those unspent bond proceeds to be used to pay debt service, unspent bond proceeds are transferred to the Debt Service Fund (a component of the General Fund) when a project is closed. Until the unspent bond proceeds are moved to the Debt Service Fund, these revenues are risked as the evaluation of capital projects for closeout has not been completed.

The recovery of prior year appropriations is projected to be lower than budgeted (\$5.9 million). Recoveries of prior year appropriations are comprised of two categories: (1) recoveries in the form of stale checks, refunds, or other cash recoveries of expenditures paid in prior fiscal years, and (2) recoveries of prior year encumbrances, which have the effect of generating revenue on a budgetary basis. In accordance with GAAP, encumbrances are not actual expenditures, and therefore, the budgetary revenues generated from the recoveries of prior year encumbrances (a/k/a, disencumbrances) are removed from the GAAP results when converting from budgetary reporting to GAAP reporting. The projected balance of \$2.3 million represents actual cash recoveries of prior year appropriations.

A negative \$3.2 million is projected for the sale of County property. The projections include what has been closed and recorded year-to-date (\$0.3 million in the General Fund). Although the sale of a property for \$1.2 million has been approved by the Legislature, the closing has not yet occurred, thus, we are conservatively not including these sales in the projection. However, should the sale close prior to year-end, there may be an opportunity related to this sale. Other Rent and Recoveries are projected to be under budget by \$1.4 million. This variance is based on trending year-to-date collections.

Rents and Recoveries - Millions of Dollars					
Category	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
Sands Rental Revenue	\$0.0	\$0.0	\$0.0	\$54.0	\$54.0
Sale of County Property	\$3.9	\$3.5	\$0.3	\$0.3	(\$3.2)
Recovery of Prior Year Appropriation	\$11.2	\$8.2	\$13.1	\$2.3	(\$5.9)
Capital Projects Closeouts	\$0.1	\$5.7	\$0.0	\$0.0	(\$5.7)
Other Rents and Recoveries	\$22.6	\$19.4	\$8.4	\$18.0	(\$1.4)
Total Departmental Revenue	\$37.8	\$36.8	\$21.8	\$74.6	\$37.8

¹² GAAP results will vary for lease agreements that meet the criteria of GASB Statement No. 87, *Leases*.

Investment Income

Investment Income is projected to be over budget by \$54.8 million. The increase over budget is due to significantly higher interest rates as the Federal Reserve has raised rates 11 times since March 2022. Four of the increases took place in 2023, with the Federal Reserve raising rates 25 basis points each time. The Fed Chair stressed that the Federal Reserve is seeking proof that inflation is “durably down” and stated that the policymakers will assess the need for future rate changes on a “meeting by meeting” approach. The strong cash position held by the County, along with the high interest rate environment, has benefited the County to this point, however, the projections in this report have been reduced in the second half of the fiscal year to account for the use of cash to pay for obligations.

Investment Income - Millions of Dollars				
2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
\$19.6	\$6.3	\$32.4	\$61.1	\$54.8

Interest and Penalties on Taxes

Interest and penalties on late or delinquent property taxes are projected to be over budget by \$1.5 million based on June year-to-date revenues of \$21.2 million with the second half flat to 2022 based on year-to-date trends. The year-to-date interest on taxes includes the tax lien sale from earlier this year. The main revenue source for this category is the various penalties, interest, advertisement, and listing fees charged for the late payment of general and school taxes. Taxes are collected by the three towns in Nassau, who then transfer the delinquent taxes to the County, where the County imposes a six percent penalty, adds a \$210 listing fee, and additional \$90 advertising fee. Thereafter, there are additional penalties added the first of each month that the balance is outstanding.

Interest and Penalty on Taxes - Millions of Dollars				
2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
\$45.0	\$34.8	\$21.2	\$36.3	\$1.5

Other Revenue Categories

Special taxes, which include entertainment tax, hotel/motel tax and motor vehicle tax, are projected to have a surplus of \$1.5 million based on year-to-date collections. The positive variance is based on trending year-to-date collections from hotel/motel, motor vehicle registrations and entertainment taxes that are trending above budget. The County collects entertainment tax on

various ticket sales, such as events at Northwell Health at Jones Beach Theater (Jones Beach Theater), UBS Arena and the NYCB Theatre at Westbury.

Beginning in 2021, the County received funds as settlements from the opioid litigation brought against drug manufacturers. The County joined lawsuits brought against pharmaceutical companies and distributors. In total, the County expects to receive nearly \$155 million dollars through the structured settlements with payments being made to the County over the course of 18 years. The County received \$2.8 million as of June 2023; these revenues were not budgeted and the projections in this report include this amount but do not project any additional funds for the fiscal year.

Most of the opioid funds are restricted to approved uses under the Opioid Settlement Sharing Agreement and State Finances Law 99-n(5) and Local Law No. 14-2021. The approved uses in the Settlement Sharing Agreement focus on three general areas: (1) treatment; (2) prevention; and (3) other strategies. While the State and Local Law have similar restrictions, a portion of the funds may only be subject to allowed uses under these laws.

Other Revenue - Millions of Dollars					
Category	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
Special Taxes	\$30.6	\$29.8	\$14.3	\$31.3	\$1.5
Opioid Litigation Settlement Revenues	\$20.5	\$0.0	\$2.8	\$2.8	\$2.8

OBLIGATIONS VARIANCES¹³

This section discusses the expenditure items with variances from the 2023 Adopted Budget as identified in the 2023 Revenues and Obligations Forecast-Budgetary Basis & GAAP Summary.

Salaries, Fringe Benefits and Workers' Compensation

Salaries, fringe benefits, and workers' compensation expenditures are projected to have a combined positive variance of \$93.8 million when compared to the 2023 Adopted Budget.

The 2023 Adopted Budget includes a total of \$1,722.3 million for salaries, fringe benefits and workers' compensation with variances to the adopted budget as follows:

Salaries, Fringe Benefits and Workers' Compensation			
\$ Millions	2023 Budget	2023 Forecast	Variance
Salaries (excluding OT & termination pay)	\$874.7	\$779.1	\$95.6
Overtime	\$79.4	\$112.1	(\$32.7)
Termination Pay	\$44.1	\$40.6	\$3.5
Total Salaries	\$998.2	\$931.8	\$66.4
Fringe Benefits	\$686.9	\$659.5	\$27.4
Workers' Compensation	\$37.2	\$37.2	\$0.0
TOTAL	\$1,722.3	\$1,628.5	\$93.8

Salaries

The Comptroller's Office forecast of salaries and wages is projected to total \$931.8 million by the end of fiscal year 2023, a net opportunity of \$66.4 million. Driving these potential savings are over 260 funded vacant positions and savings identified in the funding for part-time and seasonal employees, based on current trends and anticipated increases in headcount. Also included in the 2023 Adopted Budget is \$53.3 million of funding related to the possible settlement of collective bargaining agreements. This amount relates to retroactive payments and cost of living adjustments with the remaining outstanding labor contracts with the Civil Service Employees Association (CSEA), Correction Officers Benevolent Association (COBA) and the Investigators Police Benevolent Association (IPBA). As such, these amounts have not been included in our 2023 salary forecast since these collective bargaining agreements are still being negotiated and any signed contract would require both County Legislative and NIFA approvals before becoming effective. Savings are offset by underfunding of overtime currently projecting up to \$32.7 million over 2023 budgeted amounts.

¹³ Obligations refer to expenditures and encumbrances.

Total Salaries* - Millions of Dollars					
Fund	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
General Fund:					
General Fund	\$381.7	\$454.6	\$195.3	\$389.7	\$64.9
Police Headquarters Fund	\$254.4	\$264.2	\$114.8	\$268.1	(\$3.9)
Fire Commission Fund	\$10.9	\$12.5	\$5.6	\$11.7	\$0.8
Litigation Fund	\$40.0				
Total General Fund	\$687.0	\$731.3	\$315.7	\$669.5	\$61.8
Police District Fund	\$237.4	\$258.5	\$92.1	\$255.2	\$3.3
Sewer and Storm Water Fund	\$7.3	\$8.4	\$3.5	\$7.1	\$1.3
Total Salaries	\$931.7	\$998.2	\$411.3	\$931.8	\$66.4
<i>* includes overtime and termination pay</i>					

The Adopted Budget assumes a total full-time headcount of 7,496 employees for 2023. The Comptroller’s Office forecast is developed using the County’s on-board headcount of 7,231 employees as of the end of July, adding the projected police and correctional classes for the second half of 2023, and reducing the headcount by anticipated police separations from service.

The increase in budgeted headcount year-over-year includes funding for additional staffing primarily in areas of Public Safety, which include the Sheriff’s Department, and the Police and Correctional Departments. Classes of new police and correctional officers are included to offset attrition, assist in mitigating future overtime costs, and manage the impact of Criminal Justice Reform passed by New York State on the County. Other budgeted increases in headcount include Social Services, Health Department, Assessment, District Attorney, and the Department of Public Works due to the increase of these services. However, as of the end of July many of these funded vacant positions remain open for these departments. The County currently has over 260 vacant positions funded in the 2023 Adopted Budget as of July with an estimated value of \$24.5 million.

The County entered into new labor agreements with the Police Detectives Association (DAI) in December 2019, the Superior Officers Association (SOA) in November of 2020 and the Police Benevolent Association (PBA) in February of 2023, which cover the years 2018-2026. All related contractual wage increases, retroactive payments, non-recurring lump sum payments and cost of living adjustments have been included in our 2023 salary forecast.

The County’s collective bargaining agreements with the remaining labor unions, Civil Service Employees Association (CSEA), Correction Officers Benevolent Association (COBA) and the Investigators Police Benevolent Association (IPBA) have expired as of December 31, 2017, and new agreements are still in negotiations. The 2023 Adopted Budget includes funding for the estimated impact of the open collective bargaining agreements (CSEA, COBA and IPBA). The budget states that the estimated impact is consistent with the pattern established under the three ratified agreements (PBA, DAI and SOA) and includes adjustments retroactive to the expiration of the previous contracts.

No estimates for future collective bargaining settlements have been included in these forecasts.

The Comptroller's forecast includes only scheduled employee step increases and does not include any cost-of-living adjustments or retroactive payments for labor contracts that are still in negotiations. Any new signed contract would require both County Legislative and NIFA approvals before becoming effective.

Fringe Benefits

This analysis projects that the County is expected to end the year with a positive variance of \$27.4 million in fringe benefits when compared to the 2023 Adopted Budget of \$686.9 million for this expenditure category. This surplus is composed of variances in several categories. Based on current trends, major variances include \$8.4 million associated with health insurance costs for both retired employees and active combined due to over 260 full-time funded positions that remain vacant as of the time of this report, \$11.5 million in Medicare reimbursement costs, savings of \$6.3 million in retirement costs resulting from a lower payment to the state than budgeted and lower than budgeted FICA expenses of \$7.3 million also related to funded vacant positions.

However, offsetting these potential savings are: (a) \$11.3 million of FICA expenses related to the 2021 and 2022 PBA contractual retroactive payments paid out by the County in July 2023 and (b). \$6.1 million in savings that are included in the Adopted Budget but not projected in this report. The \$6.1 million represents fringe benefit savings that were built into the budget for a 2% health insurance contribution beginning in 2023 related to the labor agreements that have not yet been settled (CSEA, COBA and IPBA). Labor agreements that have not yet been settled are excluded from projections prepared by the Comptroller's Office as the final terms of those agreements may vary significantly to an estimate and all agreements require both County Legislative and NIFA approvals.

Included in the County's 2023 pension expense is \$29.9 million related to both the Employee's Retirement System (ERS) and the Police and Fire Retirement Systems (PFRS). This amount was the remaining liability of the deferred pension amortization which eliminated the annual installment payments of the pension amortization deferred by the County beginning in 2011. The County has not elected to defer pension contributions beginning with the 2021 fiscal year. The County also prepaid the 2023 retirement bill in December 2022 which resulted in savings to the County of \$1.2 million dollars.

Fringe Benefits - Millions of Dollars					
Fund	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
General Fund:					
General Fund	\$361.7	\$295.7	\$152.1	\$279.9	\$15.8
Police Headquarters Fund	\$213.1	\$178.7	\$117.0	\$172.8	\$5.9
Fire Commission Fund	\$8.8	\$7.3	\$4.0	\$6.5	\$0.8
Litigation Fund	\$3.1				
Total General Fund	\$586.7	\$481.7	\$273.1	\$459.2	\$22.5
Police District Fund	\$150.4	\$197.7	\$141.6	\$193.5	\$4.2
Sewer and Storm Water Fund	\$10.0	\$7.5	\$3.9	\$6.8	\$0.7
Total Fringe Benefits	\$747.1	\$686.9	\$418.6	\$659.5	\$27.4

Workers' Compensation

Our analysis projects that workers' compensation is sufficiently funded by the 2023 Adopted Budget of \$37.2 million for the County's major operating funds.

Termination Pay

The 2023 projected total termination pay for the County could reach up to \$40.6 million for the primary operating funds and current forecasts anticipate this expenditure to be sufficiently funded by the 2023 Adopted Budget. The 2023 Adopted Budget funded termination pay of approximately \$29.8 million for both the Police District and Police Headquarters Funds. A total of 50 sworn officers have retired to date in fiscal year 2023 with actual expenditures of \$12.6 million. Our forecast estimates up to a total of 90 police officers retiring from both Police District and Police Headquarters in 2023, with an estimated cost up to \$26.4 million.

The County has funded a reserve in the Employee Benefit Accrued Liability Reserve Fund of \$13.4 million to address any possible shortages in termination pay specific to the Police District Fund.

Termination Pay - Millions of Dollars					
Fund	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
Police District Fund	\$8.1	\$10.8	\$2.9	\$7.9	\$2.9
Police Headquarters Fund	\$19.0	\$19.0	\$9.7	\$18.5	\$0.5
Other	\$10.6	\$14.3	\$10.6	\$14.2	\$0.1
Total Termination Pay	\$37.7	\$44.1	\$23.2	\$40.6	\$3.5

Overtime

Based on current expenditure trends, overtime costs for the operating funds are expected to be underfunded by \$32.7 million when compared to the 2023 budget of \$79.4 million. The projected deficit is primarily comprised of \$4.3 million in the Police District, \$10.9 million for Police Headquarters and \$14.8 million for the Correctional Center. Projected overtime deficits are expected to be funded by savings from other salary line items.

Overtime - Millions of Dollars					
Fund	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
Police District Fund	\$24.8	\$22.4	\$6.1	\$26.8	(\$4.4)
Police Headquarters Fund	\$34.9	\$26.8	\$13.4	\$37.6	(\$10.8)
Correctional Center	\$34.0	\$15.0	\$12.1	\$29.8	(\$14.8)
Other	\$15.8	\$15.2	\$8.1	\$17.9	(\$2.7)
Total Overtime	\$109.5	\$79.4	\$39.7	\$112.1	(\$32.7)

Our 2023 projections are forecasting a combined deficit of up to \$15.2 million when compared to the combined adopted budget of \$49.2 million for the Police District and Police Headquarters. In the Police Department, a class of 43 new police officers began the Police Academy in May 2023. An additional class of 75 officers is expected sometime in the second half of 2023 and has been funded in the 2023 Adopted Budget. While overtime costs in the future may be mitigated with the additional officers hired in 2023 at a lower average salary, overtime is still trending high in 2023 for both the Police District and Police Headquarters Funds with projected deficits of \$4.4 million and \$10.8 million respectively.

The Correctional Center has experienced a decline in the inmate population due to the 2020 NYS Criminal Justice Reform and the Raise the Age mandate which took effect in 2019, with a current average of 747 inmates. The impact of Raise the Age has created an increase in the volume in the detention of juveniles at the County Juvenile Detention Center.

Our forecast projects a shortfall in this category of \$14.8 million for the Correctional Center, based on current forecasts, although overtime expenses for the Correction Center appear to be trending down from the prior two years due to continued management of this cost at the jail. To date in 2023, the Correctional Center was able to hire a class of 17 new officers with a possible second class planned for some time in the second half of 2023. Funding for this anticipated additional class has been included in the adopted budget.

General Expense and Contractual Expense

Expenditures in the categories of General Expense and Contractual Expense are projected to exceed the original 2023 Adopted Budget by \$10.2 million as illustrated below.

We are projecting \$0.9 million in expenditures over the 2023 Adopted Budget for the General Expense category. This is primarily due to the increase in nationwide gasoline prices, offset by a \$1.2 million opportunity related to diesel fuel costs in the Sewer and Storm Water Fund.

We are projecting a \$9.3 million deficit over the Adopted Budget in contractual expenditures. The primary factor for the deficit is the need for an additional \$3.7 million for the bus service contract with Transdev; this amount is based on the run rate of the year-to-date costs and \$1.5 million needed for the additional routes. According to Public Works, the increase is fully funded with NYS STOA and Federal funds.

There is also a \$2.0 million projected deficit to the Adopted Budget to cover professional services spending in the County Attorney's Office. The projections also include a \$2.0 million shortfall to the Adopted Budget related to unfunded expenses for disinfecting contracts in Public Works, and a \$0.3 million shortfall in Information Technology software contracts that are projected to be higher than budgeted due to additional cyber security contracts. The Police Headquarters Fund has a projected shortfall of \$0.4 million for the second bi-annual payment of Police Union legal fees which is unbudgeted. This report projects a budgetary shortfall of \$0.6 million in the Sewer and Storm Water Fund to cover services performed by Veolia Water Long Island for the operation of the sewer system.

The 2023 Adopted Budget for contractual expenditures also include \$15.0 million budgeted in the Opioid Litigation Settlement Fund, a component of the General Fund for reporting purposes. These funds are earmarked for opioid recovery and education programs. The projections in this report include the \$15 million.

General Expense and Contractual Expense - Millions of Dollars					
	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
General Expense	\$46.3	\$51.3	\$20.7	\$52.2	(\$0.9)
Contractual Expense	\$361.4	\$411.1	\$322.1	\$420.4	(\$9.3)

Utilities

We are projecting a \$5.0 million shortfall to the 2023 Adopted Budget in the category of Utilities. The shortfall is related to projected higher energy and fuel costs primarily due to the new contract with Nassau Energy, LLC.

Utilities - Millions of Dollars				
2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
\$45.9	\$47.4	\$19.2	\$52.4	(\$5.0)

Judgments and Settlements

We are projecting tax certiorari refunds to be over the 2023 Adopted Budget and other judgments and settlements to be flat to budget.

The projections in this report forecast tax certiorari payments of \$110.0 million, to be paid primarily from the Litigation Fund which holds a reserve set aside for these payments. The projection is based on 2022 actual payments and the year-to-date payments of \$49.5 million paid from the Litigation Fund (LIT) through June 2023. There are \$97.5 million available appropriations remaining in the LIT for tax certiorari payments.

While payments are projected for property tax refunds, and other judgments and settlements to be higher than the Adopted Budget, there is adequate funding and appropriations in the LIT Fund to cover the projected expenditures for 2023.

Judgments and Settlements - Millions of Dollars					
Category	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
Property Tax Refunds	\$112.8	\$30.0	\$51.8	\$110.0	(\$80.0)
Other Judgments and Settlements	\$34.0	\$45.4	\$26.6	\$45.4	\$0.0

Debt Service

We are projecting an opportunity of \$12.7 million in debt service costs based on the current bond amortization schedules. The \$12.7 million is comprised of:

- \$12.6 million in interest savings, \$1.1 million in principal savings offset by \$1.0 million in additional cost of issuance expenditures.

Debt Service - Millions of Dollars				
2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
\$169.4	\$331.4	\$120.6	\$318.7	\$12.7

The County issued \$153.5 million in bonds and \$114.4 million in refunding bonds in April 2023. The County anticipates additional bonding of \$90.0 million in 2023 as follows:

- \$70.0 million for general capital improvements; and
- \$20.0 million for sewer system improvements.

The County is continuing to work on the Bay Park Conveyance project, which is estimated to cost over \$500.0 million. The County is funding the project with funds from the New York State Environmental Facilities Corporation (EFC) and \$67.3 million in grants from the NYS Division of Homeland Security & Emergency Services Hazard Mitigation programs which was used to pay down EFC loans. Through June 2023, the County received \$265.6 million in funding from EFC including \$21.4 million in grant funds. The County enters into bond anticipation notes with EFC

that are subsequently converted to long-term bonds payable to EFC. Debt service for EFC bonds is paid from the Sewer and Storm Water Fund.

Social Services Programs

We are forecasting expenditures for Social Services programs to be \$11.7 million over the 2023 Adopted Budget. The primary components of this variance are a projected shortfall of \$34.2 in Recipient Grants, Purchased Services and Emergency Vendor Payments offset by a projected surplus of \$22.5 million in Medicaid. The surplus for Medicaid is projected due to the lower-than-expected payments for indigent cost and County share payments towards Medicaid claims.

The projected shortfalls in Purchased Services and Recipient Grants are primarily due to an increase in the demand for Day Care and higher costs related to Temporary Assistance for Needy Families (TANF) and Safety Net Assistance (SNA) caseloads.

Social Services - Millions of Dollars					
Category	2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
Recipient Grants	\$43.6	\$47.4	\$25.9	\$55.1	(\$7.7)
Purchased Services	\$76.5	\$71.6	\$49.8	\$96.6	(\$25.0)
Medicaid	\$204.6	\$240.1	\$101.4	\$217.6	\$22.5
Emergency Vendor Payments	\$60.2	\$62.2	\$38.3	\$63.7	(\$1.5)
Total Social Services	\$384.9	\$421.3	\$215.4	\$433.0	(\$11.7)

Early Intervention

We project expenditures for Early Intervention will be \$164.4 million, which is \$14.4 million over budget. This shortfall is related to increase in caseloads resulting in higher than budgeted expenditures for Pre-school (3-5 Years) and Pre-school related services. These costs are partially offset by State Aid reimbursements for the additional expenditures incurred by the County (see State Aid).

Early Intervention - Millions of Dollars				
2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
\$163.1	\$150.0	\$106.1	\$164.4	(\$14.4)

Local Government Assistance

We project that the Local Government Assistance Program will have a shortfall of \$2.9 million due to the higher sales tax projection for 2023. The County shares a portion of sales tax with the County's three towns and two cities, and the villages within the County.

Nassau County is required by New York State Tax Law to distribute sales tax collections to the towns and cities within the County. The County makes these distributions through the Local Government Assistant Program.

Local Government Assistance - Millions of Dollars				
2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
\$91.7	\$91.1	\$22.4	\$94.0	(\$2.9)

Contingency Reserve

The Comptroller's Office projects an opportunity of \$25.0 million in the Contingency Reserve line. The 2023 Adopted Budget includes a \$25.0 million contingency expenditure. At the time of this report and based on the projections in this report, there is no event that has been identified requiring this contingent amount. Therefore, it is not included in the projections. However, the budgeted contingency of \$25.0 million will be available to cover shortfalls projected elsewhere in the budget.

Contingency Reserve - Millions of Dollars				
2022 Actual	2023 Budget	2023 YTD June	2023 Forecast	Variance
\$0.0	\$25.0	\$0.0	\$0.0	\$25.0

DEBT

Through July 2023, the County issued \$153.5 million in bonds to fund various public purposes, including capital projects, and to pay costs of issuance. The County also issued \$114.4 million of refunding bonds. At this time, the County does not anticipate issuing Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs) in 2023.

The County anticipates bonding \$90 million in the second half of the year to pay for capital projects as well as various sewer system improvements. Projects issued for sewer related improvements may be funded through borrowing by either the County, NYS Environmental Facilities Corporation (EFC) or the Nassau County Sewer and Storm Water Finance Authority (SFA). The table below details projected new long-term debt issued by the County (including borrowings for Nassau Community College, and Sewer and Storm Water Capital Projects).

At 2022 fiscal year-end, the total of the County's general obligation bonds and its component units' long-term serial bonds outstanding was approximately \$3.7 billion, including serial bonds and accreted interest of the Nassau County Tobacco Settlement Corporation (NCTS) which are secured

by the Tobacco Settlement revenues and the bondholders have no recourse to the County. The 2023 actual borrowings, along with projected borrowings for the remainder of the year and projected reductions from maturing debt, will increase the total long-term bonds outstanding slightly by approximately \$44.0 million.

Total Projected Long-Term Borrowings

Total Projected Long-Term Borrowings (\$'s in millions)				
	As of Dec 31, 2022 Actual	Projected Additions	Projected Reductions	As of December 31, 2023 Estimated
County & SSW (a)(b)	\$ 2,021.3	\$357.9	\$241.7	\$ 2,137.5
NIFA	1,147.7	-	67.9	1,079.8
Sewer and Storm Water Finance Authority (SFA)	74.5	-	13.4	61.1
Tobacco Settlement Corp (c)	496.9	9.1	-	506.0
Total	\$ 3,740.4	\$367.0	\$323.0	\$3,784.4

- (a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt.
 (b) Includes \$20.0 million of bonds projected to be issued in 2023 to be used for Sewer and Storm Water projects.
 (c) December 31, 2022 includes accumulated accreted interest of \$112.1 million.

NASSAU COUNTY INTERIM FINANCE AUTHORITY (NIFA) ACT

Since its enactment in 2000, the Nassau County Interim Finance Authority (NIFA) provides State oversight of the County's finances. NIFA was created pursuant to the NIFA Act (the Act) codified as Title I of Article 10-D of the New York State Public Authorities Law. Under the NIFA Act, the County is prohibited from filing any petition for the composition or adjustment of municipal indebtedness without the approval of NIFA and the New York State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding. NIFA currently has bonds outstanding through 2035. The NIFA Act was amended on April 3, 2020, as part of New York State's 2021 budget, which was passed on April 3, 2021. Included in the legislation for the State's budget for the 2021 fiscal year were modifications to the NIFA Statute that allowed it to issue up to an additional \$400 million of bonds for tax certiorari refunds and an unlimited amount of bonds for other financeable costs through December 31, 2021, allowing any bonds issued by NIFA to mature no later than January 31, 2051.

Control Period Calculation

NIFA has certain powers under the Act to monitor and oversee the County's finances and upon the declaration of a "control period," additional oversight authority. On January 26, 2011, NIFA adopted a resolution which imposed a control period on the County pursuant to the Act. It determined that the County's proposed fiscal 2011 budget reflected a substantial likelihood that

the budget would produce a deficit in excess of one percent of the aggregate result of operations in the major operating funds.

During a control period, NIFA has the authority to:

- Withhold transitional State Aid,
- Approve or disapprove proposed contracts and borrowings by the County,
- Approve, disapprove, or modify the County's financial plan,
- Issue binding orders to the appropriate local officials,
- Impose a wage freeze, and
- Terminate the control period upon finding that no condition exists which would permit imposition of a control period.

The Control Period Calculation requirement was agreed to by NIFA and the County in 2011. The agreement requires that the budgetary results of the County's "major operating funds" include the General Fund¹⁴, Fire Commission Fund, Police Headquarters Fund, Police District Fund, and Debt Service Fund. All revenues and expenditures are converted to GAAP results. Then, adjustments are made to remove the effect of other financing sources that are derived from the issuance of bonds. These include bond proceeds and premiums used to pay for operational expenditures. The projected 2023 fiscal year-end results, in accordance with NIFA's Control Period Calculation, is \$234.5 million¹⁵.

¹⁴ NIFA uses the pre-GASB Statement 54 definition of General Fund. GASB Statement 54 was adopted by Nassau County in 2011.

¹⁵ Excluding the effects of GASB Statement No. 87 and Statement No. 96, as previously explained in this report. Final results may vary accordingly.

The following chart presents the Control Period Calculation that is used by NIFA to determine whether a deficit of more than one percent of the aggregate result of operations in the five major funds (as defined above) exists, thereby triggering a NIFA Control Period.

Control Period Calculation Table

Revenue and Obligations Risks/Opportunities - 2023 Mid-Year Report Reconciled to the Control Period Calculation* (\$ millions)	
Estimated Results on a Budgetary Basis *	\$240.6
Adjustments to reconcile to Modified Accrual Basis**	
Net adjustments to remove the effect of encumbrances	3.8
Use of Fund Balance	-
Net adjustment to record pension expense on a modified accrual basis	(9.1)
Adjustment for cash receipts outside period of availability	0.2
Sale of Mitchel Field Leases	1.3
Other Estimated GAAP Adjustments	(2.3)
Net Change in Fund Balance on a Modified Accrual Basis	234.5
Less: adjustments included in other financing sources	
Premium on bonds	-
Transfer of revenue from other funds to offset debt expense	-
Operating expense paid with bond proceeds	-
Control Period Calculation Results	<u>\$234.5</u>
* Includes: General Fund (pre-2011), Police Headquarters Fund, Police District Fund, Fire Commission Fund, and Debt Service Fund (not including sewer debt).	
** Adjustments to reconcile to Modified Accrual Basis do not include the required GAAP adjustments related to GASB 87 or GASB 96 as the evaluation of the agreements that may meet the criteria has not yet been performed.	

Historical Control Period Calculation and Projected 2023

Control Period Calculation 2019 - 2022 Actual and 2023 (projected)*					
(\$ millions)	2023 (projected)	2022	2021	2020	2019
Net Change in Fund Balance - modified accrual basis **	\$234.5	\$79.7	\$27.2	\$103.1	\$138.9
Less: adjustments included in other financing sources					
Premium on bonds					
Borrowed funds to pay Property Tax Refunds					61.1
Borrowed funds to pay Other Judgments					
Borrowed funds to pay Termination Pay					
Borrowed funds to pay Other Operating Costs					0.2
Transfer of revenue from other funds to offset debt expense	0.0	0.0	0.0	12.5	0.8
Total other financing sources/uses to be eliminated	0.0	0.0	0.0	12.5	62.1
Control Period Calculation Results	\$234.5	\$79.7	\$27.2	\$90.6	\$76.8
* Includes: General Fund (pre-2011), Police Headquarters Fund, Police District Fund, Fire Commission Fund, & Debt Service Fund (not including sewer debt).					
** Adjustments to reconcile to Modified Accrual Basis do not include the required GAAP adjustments related to GASB 87 or GASB 96 as the evaluation of the agreements that may meet the criteria has not yet been performed.					

APPENDICES

Appendix A: GAAP Adjustments and the Effect of Encumbrances

GAAP adjustments, which are estimated to arrive at a projected ending GAAP fund balance, can vary significantly at year-end primarily due to the effect that encumbrances have on the County's financial results. Encumbrances are a budgeting control tool which allows governments to set aside budgeted appropriations for obligations that have not yet been spent. This ensures that appropriations authorized by the government's governing board (the County Legislature in the case of the County) are not exceeded. Since unspent encumbrances are not actual expenditures, unspent encumbrances are added back to budgetary results because they have been included when computing those results. Further, expenditures that are paid subsequent to year-end but were part of the unspent encumbrances, are added back as expenditures to arrive at the GAAP results. Encumbrances that are no longer needed prior to year-end are disencumbered; those that originated in a prior fiscal year generate a budgetary revenue because it is the recovery of a prior year's appropriation that was included in a previous year's budgetary surplus or deficit. Disencumbrances that result in a budgetary revenue are excluded from GAAP results. At the time of the Mid-Year Report, these GAAP adjustments have been estimated based on the information available at this time, based on averages computed using prior year balances or using balances from the prior year. Therefore, these estimates can significantly change depending on how many encumbrances remain unspent and how many encumbrances are spent in the ensuing fiscal year.

In addition to the effect of encumbrances on budgetary and GAAP results, budgetary results may need to be adjusted to accurately reflect the effect of GASB Statements. Certain GASB Statements require significant evaluation of County transactions in order to accurately compute necessary adjustments. Examples include GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the latter of which will be adopted in fiscal year 2023. The evaluation of agreements held by the County has not yet been performed and thus, GAAP results will vary from the estimates in this report.

Appendix B: Sales Tax Terminology

There are several variables other than economic conditions and some specific to Nassau County that are considered in Nassau County's sales tax forecasts. The section below provides a summary of these factors for informational purposes.

NIFA Set-Aside

- The Nassau County Interim Finance Authority (NIFA) intercepts and withholds a portion of the County's sales tax collections in an amount equal to the NIFA operating costs and the debt service costs it pays on its debt. The County reports its sales tax collections on a gross basis with the offset, the amount withheld by NIFA, reported as debt service on a budgetary basis.
- Due to timing issues with the receipt of sales tax and NIFA's due dates for debt service payments, the amounts withheld from sales tax may differ from the debt service reported by NIFA in the financial statements.

Part County Sales Tax

- For 2023, Part County sales tax is estimated to be higher than budgeted. It is likely the County did not provide enough of a credit to the City and towns' property tax levies. This amount will be reflected in the calculation of the County's 2025 property tax levies.
- New York State Tax Law §1262(d), provides cities and towns a share of certain sales taxes related to hotel occupancy, restaurants, and other retail establishments. This law gives cities a choice to receive their share of sales tax revenues directly or to receive them as a credit to their county property tax levies. The towns may only receive the revenues via a credit to the property tax levies.
- Nassau County contains two cities and three towns. The City of Glen Cove elected to receive their share of sales taxes as a credit to their property tax levies, while the City of Long Beach receives a direct distribution of these sales taxes from New York State. All three towns (Hempstead, North Hempstead and Oyster Bay) receive the revenues via a credit to their property tax levies.
- The portion of sales tax revenues that the three towns and the City of Glen Cove are entitled to, are budgeted and recorded separately from other sales taxes and are referred to as "Part County" sales tax. This segregation ensures that the property tax bills for the three towns and the City of Glen Cove properly reflect an equal reduction in what otherwise would have been County property taxes owed.
- As Part County sales taxes offset the payment of County property taxes by the three towns and the City of Glen Cove, actual collections can only be recognized up to the amount budgeted each year.
- Variances of actual sales tax received as compared to what is included in the annual adopted budget must be either credited or collected in a subsequent year. Because of the timing of when the operating budget is adopted and when the County's books are closed, any variance to budget for Part County Sales Tax is delayed for two years. This is called a "Prior Year Deferral."

- If the actual amount of sales tax collected is *greater* than budgeted, the County effectively collected too much in property taxes from the City and towns. The County must credit this difference through the Prior Year Deferral.
- If the actual amount of sales tax collected is *less* than budgeted, the County effectively collected too little in property taxes from the City and towns. The County must collect this difference from the City and Towns.
- The amount of the Prior Year Deferral varies each year based on the year-end results of sales tax collections.
- For 2022, because Part County sales tax received was higher than budgeted, the City of Glen Cove and three towns did not receive enough credit on their property tax levies. This amount of \$27.4 million will be reflected in the calculation of the County's 2024 tax levies.

Aid and Incentives for Municipalities (AIM)

- In the 2022-2023 Enacted New York State Budget, AIM-Related payments would continue to the cities and villages, however, the funding for those payments would no longer be withheld from County sales tax collections.
- The State withheld \$3.9 million of AIM from the County's sales tax collections in 2022.
- No AIM will be withheld in 2023.
- The Aid and Incentives for Municipalities (AIM) program provides State aid to all of New York's cities (other than New York City), and 141 towns and villages.