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**VIA EMAIL**

**Date: April 3, 2014**

**To: Hon. Ed Mangano, County Executive  
Hon. Jon Kaiman, NIFA Chairman  
Hon. Rob Walker, Chief Deputy County Executive  
Hon. Norma Gonsalves, Majority Leader, Nassau County Legislature  
Hon. Kevan Abrahams, Minority Leader, Nassau County Legislature  
Mr. Maurice Chalmers, Director, Office of Legislative Budget and Review**

**From: Hon. George Maragos, County Comptroller**

**Subject: PROPOSED NASSAU COUNTY LABOR AMENDMENTS**

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Attached, please find the Comptroller's Office fiscal impact analysis of the proposed labor amendments. The incremental net cost to the County after implied savings is estimated at \$120.3 million over the four-year period of 2014 through 2017. This cost may be reduced by up to \$57.7 million if legislation is adopted by the New York State Legislature authorizing the installation of speed cameras.

## **FISCAL ANALYSIS OF PROPOSED NASSAU COUNTY LABOR AMENDMENTS**

### **1.0 BACKGROUND AND ASSUMPTIONS**

My office has conducted a financial review of the proposed amendments to the Police Benevolent Association (PBA), Detectives Association Incorporated (DAI), Civil Service Employees Association (CSEA), and the Superior Officers Association (SOA) Collective Bargaining Agreements (CBAs) to estimate the incremental costs to the taxpayers of the County. We have not received a proposed amendment from the Correction Officers Benevolent Association (COBA). In order to estimate the total financial impact, we have assumed that COBA would negotiate a similar framework as the other unions.

Based on the proposed terms, we estimate that the amendments represent a net cost increase of approximately \$120 million over the next four years, 2014 through 2017. After opportunities for new revenues from speed cameras proposed to be installed in the County's 56 school zones, if approved by the New York State Legislature, the net cost increase would be reduced to approximately \$63 million over the four-year period.

As always, the future cost implications and opportunities for new revenues, will be subject to assumptions and interpretations. In evaluating the fiscal impact to the County of the proposed labor amendments, the following assumptions were made;

1. The amendments will have an effective date of April 1, 2014 and extend to December 31, 2017.
2. The PBA will have an attrition rate of 85 officers per year and recruit 150 officers in 2014 and an additional 100 new officers in each of the subsequent three years. DAI and SOA will have annual attritions of 20 and 15 officers, respectively, which will be filled from PBA promotions.
3. The CSEA and COBA will have an attrition rate of 200 employees and 50 officers, respectively, per year and recruit the same numbers in 2014 through 2017.
4. The Correction Officers Benevolent Association (COBA) has not negotiated an amendment to its labor agreement as of the date of this report. In order to estimate the total financial impact, we have assumed that COBA would conclude with an amendment under a similar framework as the other unions.
5. Cost of Living Adjustments, Steps, benefits and salary chart changes are as stated in the amendments for each respective union.

6. Resumption of Longevity payments is not specifically addressed in the proposed amendments and it is assumed by default that they will defer to the original Collective Bargaining Agreements (CBAs). The assumption is that Union members will be eligible to receive longevity pay increases as per the original CBAs.
7. The most senior employees from each respective union will be retiring or leaving and new employees will start at the entry-level pay scale and be subject to health insurance contributions and pension contributions.

## 2.0 INCREMENTAL COST FROM PROPOSED LABOR AMENDMENTS

Based on the above assumptions, we estimate that the costs in lifting the wage freeze will be \$447.2 million as shown in Table 1 below.

**TABLE 1**

Projected Increased Costs from Lifting Wage Freeze (\$ millions)					
Costs	2014	2015	2016	2017	Total
Cola & Steps	\$ 41.9	\$ 85.4	\$ 127.7	\$ 166.9	\$ 421.9
Longevity	3.1	5.9	7.2	8.5	24.7
Termination Pay	0.05	0.05	0.2	0.3	0.6
<b>Total Projected Multi-Year Costs</b>	<b>\$ 45.1</b>	<b>\$ 91.4</b>	<b>\$ 135.1</b>	<b>\$ 175.7</b>	<b>\$ 447.2</b>

Table data is based on proposed labor amendments for PBA, DAI, SOA and CSEA. COBA results are assumed to be similar to the other amendments and are included in these projections.

The proposed amendments, however, also provide labor savings from concessions and new employee salary charts. New employees will be required to contribute 15% towards their health insurance, contribute towards their pensions and accept revised salary scales that will result in these employees taking longer to reach their maximum salaries within each grade, as well as accept more flexible work rules. The savings potential from the proposed amendments are estimated at \$326.9 million as shown in Table 2 below.

**TABLE 2**

<b>Projected Savings from Lifting Wage Freeze (\$ millions)</b>					
<b>Savings</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
Employee Attrition Savings	\$ 10.3	\$ 33.9	\$ 50.0	\$ 62.2	\$ 156.4
New Salary Savings	0.6	7.0	24.2	31.5	63.3
Vacation Leave	6.5	6.8	7.5	7.7	28.5
Crossing Guards	3.2	4.4	5.6	6.9	20.1
Personal Leave and Comp. Time Requests	2.5	2.6	2.9	3.1	11.1
Civilianization	1.8	1.9	2.1	2.4	8.2
Health Insurance Contributions	0.6	1.4	2.4	3.5	7.9
Minimum Staffing	2.9	1.6	1.6	1.6	7.7
Blood Days	1.1	1.1	1.1	1.2	4.5
Retirement Contributions	0.5	0.5	1.1	1.7	3.8
Wage Deferral	1.5	2.2	(0.1)	(0.1)	3.5
Disability Insurance	0.8	0.8	0.8	0.8	3.2
Training Days	0.6	0.6	0.6	0.6	2.4
Operational Schedule Agreement	0.5	0.6	0.6	0.6	2.3
Flex Days	0.5	0.5	0.5	0.5	2.0
New Sergeant Payback Tours	0.1	0.3	0.6	0.6	1.6
Work Rules	0.1	0.1	0.1	0.1	0.4
<b>Total Projected Multi-Year Savings</b>	<b>\$ 34.1</b>	<b>\$ 66.3</b>	<b>\$ 101.6</b>	<b>\$ 124.9</b>	<b>\$ 326.9</b>

Table data is based on proposed labor amendments for PBA, DAI, SOA and CSEA. COBA results are assumed to be similar to the other amendments and are included in these projections.

The net costs of the proposed amendments would be the difference in each year between Table 1 and Table 2 above. The incremental net cost implications from the proposed amendments are estimated for each year as shown in the table below and the total for the four-years would be \$120.3 million (Table 3).

**TABLE 3**

<b>Projected Net Cost from Proposed Amendments (\$ millions)</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
Total Multi-Year Costs	\$ 45.1	\$ 91.4	\$ 135.1	\$ 175.7	\$ 447.2
Total Multi-Year Savings	(34.1)	(66.3)	(101.6)	(124.9)	(326.9)
<b>Projected Net Cost</b>	<b>\$ 11.0</b>	<b>\$ 25.1</b>	<b>\$ 33.5</b>	<b>\$ 50.8</b>	<b>\$ 120.3</b>

Table data is based on proposed labor amendments for PBA, DAI, SOA and CSEA. COBA results are assumed to be similar to the other amendments and are included in these projections.

### 3.0 POTENTIAL NEW REVENUE OPPORTUNITIES

In order to partially pay for the estimated labor cost increases, the Administration and NIFA have indicated that additional revenues could be realized from installing speed cameras in 56 County school zones, possible above-budget sales tax revenues, and increased fees from mortgage recording volumes. We cannot quantify any potential new revenues from sales tax gains or mortgage recording fees.

In order to estimate the potential new revenues from the speed cameras, a study performed by the Administration projected annual revenues ranging from \$28.8 million to \$78.2 million under different violation assumptions per speed camera. However, the speed cameras require New York State Legislature authorization which is anticipated, but has not yet been granted.

Three large cities have already implemented speed cameras on municipal roads; Chicago, Washington, D.C. and Baltimore, however, not all use these cameras in school zones. Using the actual experiences of these three cities, this Office projects that with speed cameras in 56 County school zones, the County would generate annual net income of \$10.2 million using Washington, D.C. statistics, \$17.3 million using Baltimore statistics and up to \$41.0 million using Chicago statistics.

New York City recently released its speed camera results from some of the busiest roads during a test period. Using these results, the County would generate \$26.2 million in the first year.

Based on actual results from the three out-of-state cities and New York City, it would be conservative to use the New York City results, which also fall between the Baltimore and Washington, D.C. experience. On this basis and with a 20% decline factor in each subsequent year as drivers adjust to avoid violations, we project that the revenue potential can amount to approximately \$57.7 million over the four years (2014 through 2017), as shown in Table 4 below. These potential revenues, however, carry significant risk as the State may not approve the speed cameras or the revenue actually realized may be reduced due to revenue sharing requirements with County villages.

**TABLE 4**

Projected Speed Camera Revenue (\$ millions)					
	2014	2015	2016	2017	Total
<b>Projected Revenue</b>	<b>\$ 6.5</b>	<b>\$ 21.0</b>	<b>\$ 16.8</b>	<b>\$ 13.4</b>	<b>\$ 57.7</b>

Table data is based on proposed labor amendments for PBA, DAI, SOA and CSEA. COBA results are assumed to be similar to the other amendments and are included in these projections.

#### 4.0 NET BUDGETARY IMPACT OF PROPOSED LABOR AMENDMENTS

Therefore, after the revenue opportunities from speed cameras, the net cost to the County represented by the proposed labor amendments would be reduced to \$62.6 million over the next four years as shown in Table 5 below.

**TABLE 5**

<b>Projected Net Cost from Proposed Amendments (\$ millions)</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
Total Multi-Year Costs	\$ 45.1	\$ 91.4	\$ 135.1	\$ 175.7	\$ 447.2
Total Multi-Year Savings	(34.1)	(66.3)	(101.6)	(124.9)	(326.9)
<b>Projected Net Cost</b>	<b>\$ 11.0</b>	<b>\$ 25.1</b>	<b>\$ 33.5</b>	<b>\$ 50.8</b>	<b>\$ 120.3</b>
Less:					
Speed Camera Revenue	\$ 6.5	\$ 21.0	\$ 16.8	\$ 13.4	\$ 57.7
<b>Projected Net Cost after Revenue</b>	<b>\$ 4.5</b>	<b>\$ 4.1</b>	<b>\$ 16.7</b>	<b>\$ 37.4</b>	<b>\$ 62.6</b>

Table data is based on proposed labor amendments for PBA, DAI, SOA and CSEA. COBA results are assumed to be similar to the other amendments and are included in these projections.