

OFFICE OF THE
NASSAU COUNTY
COMPTROLLER



**2021 Mid-Year Report on Nassau County's
Financial Condition**

July 31, 2021

JACK SCHNIRMAN

NASSAU COUNTY COMPTROLLER



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July 31, 2021

On behalf of the entire staff of the Office of the Nassau County Comptroller, I am proud to present our team's fourth Mid-Year report. This report provides the Comptroller's Office projections for the 2021 fiscal year measured against the 2021 Adopted Budget based on the first six months of the year. As with all of the Comptroller's Office financial reports, we have strived to present an accurate, clear, and easy-to-understand picture of the state of Nassau County's (the County) finances.

Our financial reporting is presented in accordance with the national standard for government accounting, Generally Accepted Accounting Principles (GAAP). That also means numbers describing the financial status of the "General Fund" are consistent with the reporting in the County's audited financial statements, the *Comprehensive Annual Financial Report*, and discussions of the County's results including the Sewer and Storm Water Fund, which prior to 2017, was not included.

Modernizing the County's finances, using data-driven processes to provide thorough analysis and ultimately identify efficiencies to save taxpayers money are critical priorities. Over the past three years, we have created a way for residents to transparently see the County's finances just like they can with their own with the 2019 launch of the *Open Nassau Transparency Hub*. Not only does *Open Nassau* feature Open Checkbook, allowing the public to see how County money is being spent, but since then, the Comptroller's Office has leveraged the platform to provide a host of financial data in a user-friendly interface, including:

- Open Budget;
- Open Payroll;
- Open Finance; and
- Cash Receipts.

In addition, the *Comptroller's Scorecard*, available on *Open Nassau*, displays 12 key indicators used to measure the County's fiscal health so that our financial data is accessible to all in an easy-to-understand way. Altogether, these platforms comprise holistic transparency and financial data-sharing initiatives that the County Executive and Comptroller's Offices are undertaking,



visualizing all expenditures through the Open Checkbook and Open Payroll, and showing revenues coming in and their sources through Cash Receipts.

2020 Year-End Results – Moving in the Right Direction

Consistent financial reporting is a key component in the effort to lift the County out of a fiscal crisis. Leaders cannot be expected to fix problems if they cannot be properly diagnosed in the first place. As we recently highlighted in the County’s *Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2020*, positive economic trends had supported stronger sales tax receipts than expected in the fourth quarter of 2020.

However, the onset of the Coronavirus (“COVID-19”) pandemic upended that trajectory in 2020 with negative impacts to sales tax, fines, fees, and other economically sensitive revenues. If not for COVID-19, these negative financial impacts would likely not have come to pass, yet we also see corresponding positive impacts such as significant positive spikes to our local housing market, resulting in increases to other revenues such as Mortgage Recording Fees and other related revenues.

At 2020 year-end, the County’s operating surplus was \$128.1 million for the three primary operating funds, demonstrating that the County weathered the unprecedented fiscal storm through the effective use of Federal monies, debt management, and higher than expected sales tax receipts as well as lower expenditures resulting from salary and fringe costs. The 2020 financial results show the County moving in the right direction.

2021 Outlook – On Track for Positive Results

As we head into the second half of 2021, COVID-19 and emerging variants of the virus may continue to affect the economy and economically sensitive revenues resulting in negative impacts to County finances. Nevertheless, Nassau County has taken a leading role in the vaccination effort, and the County continues to demonstrate its resilience both economically and on a human level. Regardless, Federal revenue relief, support for local business, and smart governance continue to be critical for the County to maintain liquidity and take steps to close long-term structural gaps in our budgets as well as equity gaps in our communities.

We see the County is on track to generate a GAAP surplus at the end of 2021, estimated at \$79.8 million in the three primary operating funds, improving the County’s overall financial condition.

Please refer to further sections of this report for more details of the various risks and opportunities to the 2021 Adopted Budget.

As we review these estimates for year-end 2021, it is important to realize this report is a snapshot in time. Our analysis is based on the current variables, factors, and known events affecting the County’s finances as of mid-fiscal year 2021. The severely outdated financial systems throughout Nassau County make producing timely financial data as required, inefficient and arduous, requiring excessive staff resources. This is why we will continue to champion much needed modernization: Enterprise Resource Planning (ERP) migration services to replace its legacy

mainframe financial system, the Nassau Integrated Financial System (NIFS) which was implemented more than 20 years ago.

Federal COVID-19 Related Funding

With the passage of the American Rescue Plan Act (ARPA) infusing trillions of Federal and State dollars into local governments to combat the lingering economic effects of COVID-19, the Comptroller's Office released a report entitled "*Guiding Principles: Making Smart Investments with Stimulus Funding*¹," which focused on smart options for Nassau County to apply this funding. Nassau County is receiving \$385 million over two years in ARPA funding. The report highlights the need for governments to approach the moment responsibly, with an eye toward strategic long-term sustainability and avoid pitfalls that can exacerbate long term operating deficits.

We all know that smart investments can make transformative progress and ensure that structural gaps are narrowed and closed in our budgets and our communities. There are a variety of ways in which local governments can make smart decisions to improve municipal finances and we wanted to offer perspective to this conversation. An economic recovery that helps people will lead to a more sustainable recovery for our County government's finances.

The report highlights the direct impact of COVID-19 fiscal recovery funds:

- \$385 million allocated to Nassau County;
- \$774.2 million for non-entitlement units - towns and villages within Nassau County are expected to receive recovery funds from the non-entitlement unit tranche;
- \$12.7 billion in direct assistance to the New York State government; and
- \$350 billion in total aid to state and local governments.

The report also highlights "smart tips" that will ensure that Nassau County can seize the moment, including:

1. Investing Money to Reduce Operating Costs – Highlighting the need to invest in Nassau's deferred infrastructure investments;
2. Making Overdue Investments in Technology Infrastructure – Highlighting the need to invest in and utilize technology more while reducing operating costs and increasing ease of residents interfacing with government; and
3. Making Investments in Our Residents – Highlighting the need to provide relief for the middle class as well as increasing access to childcare. Some help is on the way, more is needed.

Finally, the report highlights Best Practices around the country to embrace opportunity and limit risk, including:

1. Providing accountability by sharing data on the use and impact of Federal funds;
2. Investing in workforce development;

¹ <https://open Nassau.nassaucountyny.gov/stories/s/jzcw-jeub>



3. Investing in closing equity gaps; and
4. Supporting temporary and targeted efforts that address hardships of the pandemic and focus on areas not supported by Federal and State programs.

The infusion of \$385 million of Federal Funds to Nassau County in a short time frame presents an unprecedented opportunity for the County to improve the lives of our residents and to move towards long-term financial stability. We look forward to seeing and monitoring the good work that can be done with these funds.

2021 Mid-Year Review Highlights

This Office provides our projections for the 2021 fiscal year measured against the 2021 Adopted Budget based on the first half of the year, as required by the Nassau County Charter.

As mentioned, since 2018 in previous financial reports, the County must reimagine how it operates by restructuring, reforming, and modernizing government operations. Given the experience the County has had with accelerating modernizations by necessity during the COVID-19 pandemic, now is the time to continue to build on the progress made. This includes devising appropriate fiscal and operational plans to address the increasing structural imbalances created from fundamental changes in our economy.

Sales Tax is the major revenue source for the County, followed by Property Tax, State and Federal Aid, and Departmental Revenues. These categories have remained relatively constant as a percentage in relation to total revenues in recent years. The Comptroller's Office has made modernization a priority and for the last year, we have utilized a comprehensive sales tax modeling tool that models the County's sales tax collections and breaks down NAICS² industry sub-sectors to present a range of scenarios as to how the County's primary revenue source may perform given environmental and economic conditions. The modeling tool further allows for assumptions to be set on the expected level of business activity; in developing these projections, analysis has considered the County's initial sales tax growth and some of the benchmarks provided by other external sources. Refer to further sections of this report for more details.

By the end of December 2021, we estimate the projected GAAP surplus of \$79.8 million in the three primary operating funds is in many ways driven by the impacts of the pandemic. As noted, Fines and Forfeitures, as well as other revenues are projected to fall under budget due to a confluence of factors. However, the effects of COVID-19 have also supercharged the local housing market, with Mortgage Recording Fees and other real estate related revenues projecting to perform above budget. Debt management and the effective use of federal funds provided much-needed relief in 2020, which helped the positive trajectory of our estimated 2021 year-end results. Most significantly, at this time, sales tax revenues are estimated by our Office to significantly outperform the budget, by \$295.6 million.

² NAICS: North American Industry Classification System



Special Revenue Fund

To the extent that sale tax revenue outperforms the 2021 Adopted Budget, in 2020, the County established a special revenue fund to use such excess 2021 sales tax revenues over budget for the following specific purposes, to fund:

- tax certiorari settlements and judgments;
- principal and interest payments on debt issued in 2021 or later to pay tax certiorari settlements and judgments;
- claims against the County by the Nassau Health Care Corporation;
- claims relating to the Fair Labor Standards Act;
- expenses due to loss of budgeted State Aid; and
- unbudgeted COVID-19 response costs in the event that no Federal COVID-19 assistance funds remain available.

Combating the opioid epidemic is a critical mission of local government to protect our residents and taxpayers. The State and County have initiated litigation against those involved in opioid manufacturing and distribution. Pending approval of the County Legislature, the County is expected to receive approximately \$100 million in funds from settlements of these various opioid litigations. Through State law and expected local law requirements these funds will be placed in a special revenue fund to ensure these funds are used to assist Nassau County's efforts to provide interventions, recovery services, education, support and assistance to those that suffer from an opioid addiction and to their families.

The expenditure composition of the County's three primary operating funds by categories consists of Payroll and Fringe Benefits (greatest expenditure), followed by Debt Service, Contractual Services, Early Intervention and Social Service Programs. We estimate potential overall savings of \$46.6 million in Payroll and Fringe Benefits, as compared to the 2021 Adopted Budget. While the payroll forecasts include annual wage and step increases for employees, it does not include potential financial impacts for any newly negotiated employee labor contracts.

Effective June 1, 2019, New York State expanded the collection of sales tax on internet sales (enhanced internet sales tax) with a portion of the expanded collections to be used to fund Aid and Incentives to Municipalities (AIM), which was eliminated from the State's budget beginning last year. Fiscal year 2020 is the first year that reflects a full-year of the enhanced internet sales tax collections. According to a recent report issued by the Office of the State Comptroller (OSC)³:

- the "economic nexus policy"⁴ and "marketplace provision" which were implemented in 2018 and 2019, have fueled sales tax revenue collections, requiring many out-of-state vendors to collect and remit State and local sales taxes.

³ <https://www.osc.state.ny.us/files/local-government/publications/pdf/local-sales-taxes-surge-in-april-june-2021.pdf>

⁴ See Sales Tax Revenues section of this report for information related to the "economic nexus" and "marketplace provision."



- Statewide, the percent of sales tax revenues generated through the economic nexus policy and marketplace provision has increased from 0.5% (March to May 2019) to 4.6% (December to February 2021).
- OCS estimates that 5.2% of Nassau County’s 2020-2021 sales tax year revenues were generated by the economic nexus and marketplace provision.

Sales tax revenues for the first half of 2021 have been strongly resilient compared to potential catastrophic impacts to local revenues. Initial data indicates that enhanced online sales tax has provided positive results for the County’s finances while leveling the playing field for local, small businesses who previously saw out-of-state competitors offer tax-free options for consumers.

Overall, the County has previously faced and is currently facing unprecedented fiscal challenges, both as a result of COVID-19 and long-term structural issues. The Administration, the Legislature, and NIFA will need to continue to address these challenges, and the Comptroller’s Office will continue to play a constructive role in the process, sharing guiding principles for the use of Federal money, up-to-date estimates for revenue projections, and conservative assessments on the County’s fiscal outlook.

In summary, over the next few years, there is the possibility that the County will have over \$761 million in additional funds, generated by the estimated 2021 sales tax surplus, 2021 budgetary surplus and the 2021-2022 ARPA funding. Used smartly, these funds could improve the life of our residents, boost our local economy and make significant progress towards the County’s long-term financial stability. Sometimes in crises, there is an element of opportunity, and we are at such a moment. As detailed in our *Guiding Principles: Making Smart Investment with Stimulus Funding* report our Office recently issued, we must approach this moment responsibly.

I look forward to discussing this report further as other stakeholders in Nassau County have the chance to review its findings.

Sincerely,



Jack Schnirman
Nassau County Comptroller

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EXECUTIVE SUMMARY

PURPOSE

The Nassau County Charter §402 (9) requires that the Office of the Nassau County Comptroller prepare a report on the status of the budget for the first six months of the current fiscal year and give an opinion concerning whether there will be a surplus or deficit.

FINANCIAL REPORTING

National Standard

In an effort to accurately report and standardize the County's financial reporting, the Office of the Nassau County Comptroller will continue to report its results using Generally Accepted Accounting Principles (GAAP) for governments. GAAP refers to a common set of accepted accounting principles, standards, and procedures that governments must follow when they compile their financial statements.

The purpose of utilizing GAAP is to create uniformity and complete transparency for financial reporting which diminishes the ability for municipalities to decide what financial transactions it chooses to report or withhold. In addition, it maximizes the County's ability to understand and comparatively track its performance relative to other municipalities across the nation.

Primary Operating Funds

Under prior administrations, management's reporting and discussion of the County's primary operating results excluded various funds. The funds that were excluded are key to ensuring our policy makers and management have the relevant information needed to make sound decisions that ultimately have positive long-term impacts on the County's fiscal trajectory.

As presented in the fiscal year 2020 Comprehensive Annual Financial Report, we continue to report the expanded definition of "primary operating funds", which include the total General Fund, Police District Fund, and Sewer and Storm Water Fund. Prior to the 2017 fiscal year, various funds required to be included in the General Fund under GAAP and the Sewer and Storm Water Fund were excluded in the discussions of the County's primary operating funds.

**PROJECTED FISCAL
YEAR 2021 GAAP
SURPLUS**

Nassau County is on track to end fiscal year 2021 with a surplus of \$79.8 million in the three primary operating funds under GAAP. This is primarily the result of forecasting savings in Payroll and Fringe Benefits, potential increases in Departmental Revenue related to the strong real estate market, lower Social Services costs and increased State Aid related to the County's bus system.

The impacts of the COVID-19 pandemic continue, as we are forecasting reduced fines and forfeiture revenues related to lower Red Light Camera, Public Safety and other traffic violation fees.

The projected fiscal year 2021 GAAP surplus in the County's three primary operating funds does not include several major revenue items:

Sales Tax in Excess of Adopted Budget:

- ✓ A potential increase in sales tax revenues of \$295.6 million over the 2021 Adopted Budget is not included in the surplus calculation due to the creation of a special revenue fund created in 2020 for the 2021 budget year (Local Law 12-2020), to which all sales tax revenues in excess of the 2021 Adopted Budget are to be transferred.
- ✓ The use of excess sales tax revenues from the special revenue funds is detailed in Local Law 12-2020, and includes the payment of tax certiorari settlements and judgments.
- ✓ The potential for the County to achieve long-term financial goals such as paying hundreds of millions of dollars in tax certiorari settlements and judgments from the special revenue fund, presents a unique opportunity for the County to address its large tax certiorari obligation and move towards financial stability.

American Rescue Plan Act (ARPA) Funding

- ✓ Nassau County has received \$192.5 million in ARPA funding this year.
- ✓ This funding may be used for a variety of programs and initiatives (as detailed below) but is segregated in a stand-alone fund which is not included as part of the County's primary operating funds.



SALES TAX

Sales tax revenues have been trending upward in 2021, as of the date of this report. On a monthly basis, Nassau County’s 2021 sales tax revenues have been consistently higher than each of the previous four years.

We project that sales tax for 2021 will be \$1,319.5 billion, which is \$295.6 million more than the 2021 Adopted Budget. This forecast is based on a detailed analysis conducted by our Office using our sales tax modeling tool, which takes into account industry modifiers data, seasonality and 13 years of actual trend data analysis.

As noted above, sales tax revenues in excess of the 2021 Adopted Budget will be transferred into a special revenue fund and may only be used for specific purposes as outlined in Local Law 12-2020. Excess sales tax revenue for 2021 therefore does not impact the County’s primary operating funds year end results.

COVID-19
RELATED FEDERAL
FUNDS FOR NASSAU
COUNTY

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”)

Section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) established the Coronavirus Relief Fund (the “CRF”) and appropriated \$150 billion of Federal funds to the CRF. Under the CARES Act, the CRF is to be used to make payments to States and certain local governments, and others for specified uses.

The CARES Act provided \$102.9 million in funding to Nassau County. The funds were used in 2020 primarily for public safety personnel expenses incurred during the public health emergency. It should be noted that CARES funding could not be used to replace lost revenues. The receipt and effective use of CARES funding is a major reason the County ended fiscal year 2020 with a GAAP surplus.

American Rescue Plan Act (“ARPA”) Fund

The Federal appropriations authorized by the American Rescue Plan Act (“ARPA”) includes funding for the Coronavirus Local Fiscal Recovery Fund. As per the U.S. Treasury, the County will receive a total of \$385 million in two equal distributions:



- The first distribution, in the amount of \$192.5 million was received on May 19, 2021.
- The second distribution is not expected until May 2022.
- The County must incur obligations against these funds by December 31, 2024 and must expend those obligations by December 31, 2026.

To date, the County has appropriated \$62.9 million of the \$192.5 million ARPA funds that Nassau County has already received from the Federal Government for the following uses and programs:

- ✓ *Boost Nassau Main Street Small Business Grant Program - \$10 million*
- ✓ *Boost Nassau Small Business Loan Program - \$10 million*
- ✓ *Boost Nassau Resource Center - \$500,000*
- ✓ *Boost Nassau Tourism Program - \$500,000*
- ✓ *Boost Nassau Resource Center Technical Assistance Partner - \$1 million*
- ✓ *Boost Nassau Technical Assistance Partner and Grants to Chambers of Commerce and Business Improvement Districts - \$500,000*
- ✓ *Workforce Development - \$10 million*
- ✓ *Septic Grant Program - \$3 million*
- ✓ *Multi-Year Regional Groundwater Conservation Program - \$6 million*
- ✓ *Veterans Support Programs - \$1 million*
- ✓ *Behavioral Health Support - \$3.4 million*
- ✓ *Expansion of Youth Services - \$1.4 million*
- ✓ *Expansion of Office of the Aging Programs - \$2.1 million*
- ✓ *Health & Social Services Grant Programs - \$10 million*
- ✓ *Assistance to School Districts - \$2.5 million*
- ✓ *Additional Consulting Assistance - \$1 million.*

We anticipate that additional appropriations for eligible uses of the ARPA funding will progress this year.

The Comptroller’s Office recently released a report entitled “*Guiding Principles: Making Smart Investments with Stimulus Funding*”⁵, which focused on smart options for Nassau County to apply this funding. The report highlights the need for governments to approach the moment responsibly, with an eye toward strategic long-term sustainability and avoid pitfalls that can exacerbate long term operating deficits.

A stand-alone fund for the ARPA monies has been created in the County’s financial system. This fund will not impact the 2021 year-end fund balance for the County’s three primary operating funds.

⁵ <https://open Nassau.nassaucountyny.gov/stories/s/jzcw-jeub>



Exhibit 1: 2021 Adopted Budget to Projected Actuals Key Variance Drivers – Budgetary Basis

Key Highlights: 2021 Adopted Budget to Projected Actuals Variance Drivers		
<i>Drivers Impacting Nassau County's Three Primary Operating Funds</i>		
Positive “Opportunity” Key Drivers 		
<i>Payroll and Fringe Savings</i>	+ \$46.6 million	Primarily unfilled positions County-wide and fringe benefit savings, offset by higher Police and Correctional Center Overtime and termination pay.
<i>Rents and Recoveries</i>	+ \$39.2 million	Primarily recovery of \$55.4 million of NIFA sales tax withholdings for its 2020 debt service returned as a result of restructuring (one-time savings) offset by lower projected sale of County property, and lower rents and recoveries in Coliseum revenues and other.
<i>Departmental Revenue</i>	+ \$19.3 million	Strong real estate related revenues offset by lower Income and Expense law projections.
<i>Social Services</i>	+ \$37.1 million	Savings primarily in Recipient Grants (\$13.2 million) and Medicaid (\$24.5 million).
<i>State Aid</i>	+ \$21.9 million	Higher State Aid primarily due to the STOA grant for the bus operations.
Unfavorable “Risk” Key Drivers 		
<i>Fines and Forfeitures</i>	- \$38.1 million	Primarily the result of lower Red Light Camera, Public Safety and other traffic violation fines
<i>Local Government Assistance</i>	- \$16.3 million	Local Government Assistance is projected to be higher due to the higher projected Sales Tax revenue

The projected variances to the County’s 2021 Adopted Budget are shown below in Exhibit 2, including the projected GAAP results. Detailed projected GAAP adjustments are shown in Exhibit 3, and projected ending GAAP Fund Balance in Exhibit 4.

Exhibit 2: 2021 Revenues and Obligations Forecast – Budgetary Basis & GAAP Summary

Revenue and Obligations Risks and Opportunities 2021 Mid-Year Report						
(\$'s millions)						
	2021 Budget	2021 Projected GEN*	2021 Projected PDD	2021 Projected SSW	2021 Projected Total	Variance
Revenues						
Sales Tax	\$1,023.9	\$1,319.5			\$1,319.5	\$295.6
Use of Fund Balance	0.7	0.2		0.6	0.8	0.1
Interest Penalty on Tax	32.7	30.0			30.0	(2.7)
Permits and Licenses	19.1	14.2	3.7	0.9	18.8	(0.3)
Revenue Offset to Expenditures	20.7	17.9			17.9	(2.8)
Departmental Revenue	0.0	0.0				
Assessment - GIS Tax Map Fees	38.2	60.0			60.0	21.8
County Clerk - Mortgage and Deed Recording Fees	39.3	53.3			53.3	14.0
Other Departmental Revenue	139.0	118.7	2.5	1.3	122.5	(16.5)
19.3						
Fines and Forfeitures						
Boot and Tow Fees	2.3					(2.3)
Red Light Camera and Administration Fees	45.1	35.6			35.6	(9.5)
Public Safety Fees	26.7	22.4			22.4	(4.3)
Other Fines and Forfeitures	32.9	9.9	1.0		10.9	(22.0)
(38.1)						
Investment Income	3.9	1.6		0.1	1.7	(2.2)
Rents and Recoveries						
Sale of County Property	8.6					(8.6)
Recoveries of Prior Year Appropriations	9.7	74.0	0.1	1.0	75.1	65.4
Workers' Compensation Settlement Recovery						
Other Rents and Recoveries	27.7	10.1			10.1	(17.6)
39.2						
Federal Aid	143.9	136.9			136.9	(7.0)
State Aid	207.7	229.6			229.6	21.9
Capital Resources for Debt	147.0	8.4			8.4	(138.6)
Property Taxes	825.3	436.0	389.3		825.3	
Payment in Lieu of Taxes	52.4	34.2	16.8		51.0	(1.4)
OTB Profits	5.0	11.8			11.8	6.8
Interfund Revenue	74.4	70.5			70.5	(3.9)
Interfund Revenue (eliminating)	344.5	148.2	0.1		148.3	(196.2)
Interfund Transfers (Other Financing Sources)	144.8			144.8	144.8	
Special Taxes	28.9	28.2			28.2	(0.7)
Other	0.7	1.0			1.0	0.3
Total Revenue	\$3,445.1	\$2,872.2	\$413.5	\$148.7	\$3,434.4	(\$10.7)
Obligations						
Payroll (excluding Termination Pay and Overtime below)	793.7	551.7	180.9	8.6	741.2	52.5
Termination Pay (Police Department only)	32.9	21.6	13.8		35.4	(2.5)
Fringe	614.3	441.7	139.4	8.3	589.4	24.9
Overtime (Police Department and Correctional Center only)	56.4	55.4	29.3		84.7	(28.3)
Workers' Compensation	31.1	23.0	8.9		31.9	(0.8)
Social Services	413.7	376.6			376.6	37.1
Early Intervention	139.6	143.5			143.5	(3.9)
Debt service	302.7	149.4		11.1	160.5	142.2
Contractual Expense	344.8	281.1	0.9	67.7	349.7	(4.9)
Utilities	40.9	31.6	1.5	7.2	40.3	0.6
Judgments & Settlements	35.4	30.0		5.4	35.4	0.0
Property Tax Refunds	30.0	30.0			30.0	
Equipment	3.0	3.7	0.5		4.2	(1.2)
General Supplies	38.4	37.2	3.7	1.3	42.2	(3.8)
Direct Expenses	5.3	5.3			5.3	0.0
Local Government Assistance	62.5	78.8			78.8	(16.3)
Interfund Charges	60.5	22.7		34.5	57.2	3.3
Interfund Charges (eliminating)	344.5	125.2	23.1		148.3	196.2
Transfers Out (Other Financing Uses)		295.6			295.6	(295.6)
Transportation	46.3	46.3			46.3	
Rent Expense	14.3	14.3			14.3	0.0
Other	34.8	35.1			35.1	(0.3)
Total Obligations	\$3,445.1	\$2,799.8	\$402.0	\$144.1	\$3,345.9	\$99.2
Estimated Results on a Budgetary Basis for Operating Funds		\$72.4	\$11.5	\$4.6		\$88.5
Estimated GAAP Adjustments		(\$0.5)	(\$3.2)	(\$5.0)		(\$8.7)
Estimated Results on a GAAP Basis for operating funds		\$71.9	\$8.3	(\$0.4)		\$79.8
* 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 and Technology Fund						



Exhibit 3: 2021 Projected Budgetary Basis to GAAP Reconciliation

2021 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	\$72.4	\$11.5	\$4.6	\$88.5
Period of availability adjustments	(\$0.6)	\$0.1	\$0.0	(\$0.5)
Pension expenditure adjustment	(\$4.1)	(\$3.0)	\$0.0	(\$7.1)
Use of Fund Balance	(\$0.2)	\$0.0	(\$0.6)	(\$0.8)
Sale of Mitchel Field Leases	\$1.3			\$1.3
NCC adjustment for termination pay	(\$0.8)			(\$0.8)
Effect of encumbrances adjustment	\$4.1	(\$0.1)	(\$4.4)	(\$0.4)
Reversal of prior year GAAP adjustments for timing	(\$0.2)	(\$0.2)	\$0.0	(\$0.4)
NET CHANGE IN FUND BALANCE (DEFICIT)	\$71.9	\$8.3	(\$0.4)	\$79.8
<p>* 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.</p>				

Exhibit 4: 2021 Projected Ending GAAP Fund Balance

2021 Projected Ending GAAP Fund Balance (\$'s in millions)	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
<i>2020 Ending Fund Balance</i>				
Total Fund Balance (Deficit) as of 12/31/2020	\$237.4	\$82.4	\$25.2	\$345.0
Total Projected Change in Fund Balance (Deficit) FY 2021	\$71.9	\$8.3	(\$0.4)	\$79.8
<i>2021 Projected Ending Fund Balance</i>				
Total Projected Fund Balance at 12/31/2021	\$309.3	\$90.7	\$24.8	\$424.8



OTHER POTENTIAL RISKS AND OPPORTUNITIES

The unknown nature of our current COVID-impacted economy is both a risk and an opportunity. While Nassau County ended 2020 fiscally moving in the right direction, and although 2021 financial indicators have been promising, we do not know what the second half of 2021 will bring. Current upticks in positive COVID-19 cases, especially with virus variants such as the Delta Variant, bring a level of uncertainty and potential volatility to our local economy. Recent recommendations by the CDC recommending the return to indoor mask wearing and recent New York State action requiring State employees to either be vaccinated or have frequent COVID-19 tests, may indicate another wave of the pandemic is on the horizon, or represents the path to preventing another wave of pandemic related shutdowns.

Our current estimates point to potentially positive 2021 results compared to the 2021 Adopted Budget, with note of the cautions outlined above. The projected operating results in the County's three primary operating funds do not account for the potential fiscal impacts of various other possible transactions noted below. These transactions may materialize by the close of fiscal year 2021; however, the timing and/or possibility of these transactions remains uncertain as of the date of this publication.

POTENTIAL RISKS AND OPPORTUNITIES

1. Real Estate Related Revenues	<u>Potential Impact</u>	To Be Determined
	It is unknown if the currently highly active local real estate market, which is generating additional real estate related revenues for the County this year, will continue. The current positive variance we are experiencing could level off or return to a more normal state.	
2. Fines & Forfeitures	<u>Potential Impact</u>	To Be Determined
	Fines and fees related to Red Light Cameras and other traffic violations, impacted by the pandemic, could increase as more drivers return to the roads, generating additional revenue for the County.	
3. Sale of County Property	<u>Potential Impact</u>	\$3.7 million
	If a property sale approved by the Legislature for sale this year closes in 2021, an additional \$3.7 million in revenues will be generated.	
4. Labor Contracts	<u>Potential Impact</u>	To Be Determined
	The County entered into new labor agreements with the Detective Association, Inc. (DAI) in December 2019 and the Superior Officers Association (SOA) in November of 2020, covering years 2018-2026. All related contractual wage increases, retroactive payments, non-	



recurring lump sum payments and cost of living adjustments have been included in the Comptrollers' 2021 forecast.

The County's collective bargaining agreements with the remaining labor unions, Civil Service Employees Association (CSEA), Police Benevolent Association (PBA), Correction Officers Benevolent Association (COBA) and the Investigators Police Benevolent Association, Inc. (IPBA) have expired as of December 31, 2017 and new agreements are currently in negotiations. Our projections do not include specific potential fiscal impacts of any newly negotiated agreements as the terms and the timing of any agreements can vary widely.



STATE OF THE ECONOMY

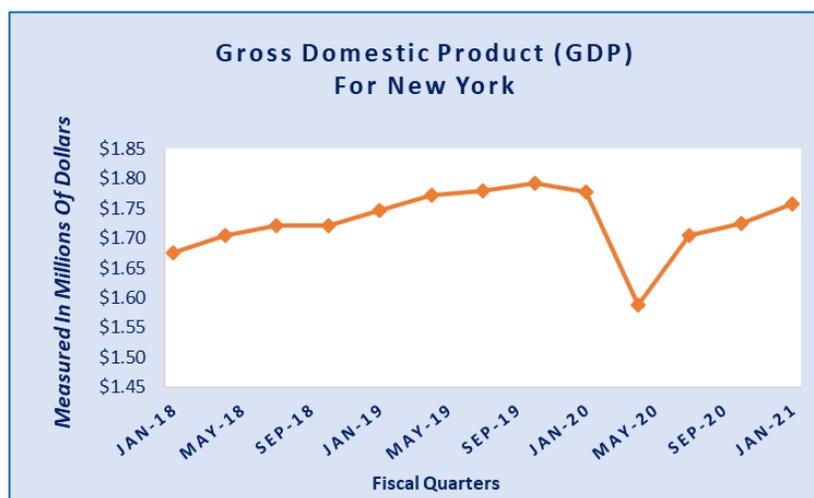
The effects of COVID-19 resulted in a tumultuous 2020 for most taxpayers, businesses, and local governments. The pandemic resulted in the worst economic downturn since the end of the second World War, exceeding the Great Recession of the late 2000’s. The US Economy shrunk by 3.5% overall, a number unseen for decades.

Successful vaccination drives as well as direct payments to millions of Americans have helped the country and our economy take steps to keep the economy running. Some of the parameters we can use to analyze how our economy is doing are GDP, CPI, unemployment rates and the real estate market. The past year has been unprecedented from a trend perspective, with significant, rapid negative swings due to the onset of the pandemic and rolling shutdowns beginning in March 2020.

GROSS DOMESTIC PRODUCT (GDP)

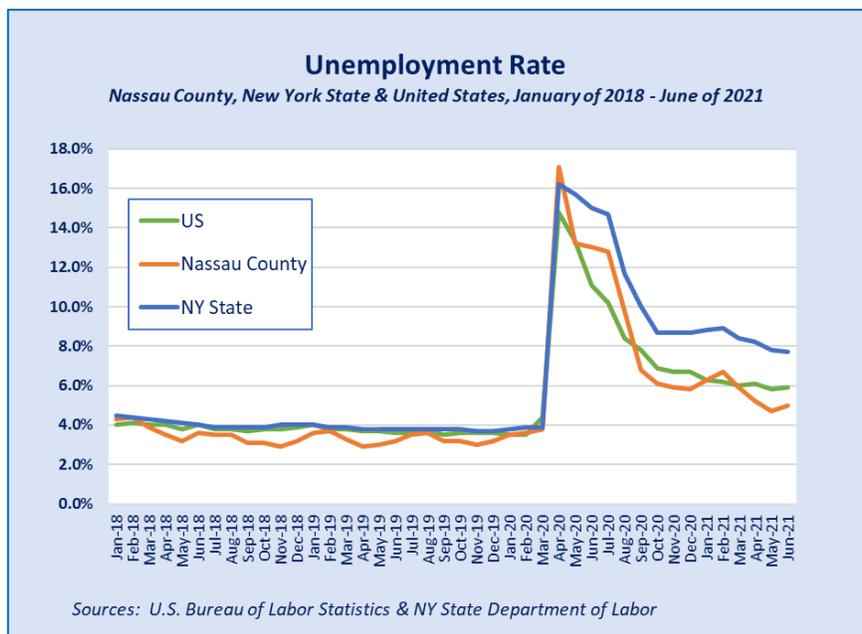
The GDP for New York specifically mirrored the nationwide trends. The second quarter of 2020 saw a 10.71% decrease in GDP from the previous quarter, totaling \$1.588 trillion. This number is down \$1.9 billion from the \$1.778 trillion totaled from the prior quarter. With technological advancements since the last serious recession, e-commerce (commercial transactions purchased over the internet) helped stabilize GDP.

In the second quarter of 2020 when GDP was severely negatively impacted, there was a spike in e-commerce traffic in the total percentage it accounted for in all retail sales. This was a 43.8% increase in total e-commerce use from Q2 in 2019, with the total representation of e-commerce in retail sales tallying up to 15.7% of all retail sales. Companies like Amazon, Walmart, and eBay saw a surge in business and profit from the increase in e-commerce. Currently, New York’s GDP is up 10.72% since it plummeted in March of 2020. The chart below shows the GDP trend of New York since 2018.



UNEMPLOYMENT The onset of COVID-19 upended day-to-day life for all of us, causing not only a public health crisis, but causing a significant temporary economic setback.

- As of June of 2021, Nassau County’s unemployment rate was 5%, compared to the New York State rate of 7.7% and the National rate of 5.9%. These rates are significantly lower than the previous year when Nassau’s unemployment rate was 13% and the State and National rates were 15% and 11.1% respectively.
- The United States unemployment rate rose dramatically at the beginning of the COVID-19 pandemic. The shutdown of the country led to many small businesses closing, and many large corporations having to lay off employees.
- Since April of 2020 when unemployment spiked, the US rate has been steadily decreasing, reaching a low of 5.9% in June of 2021.

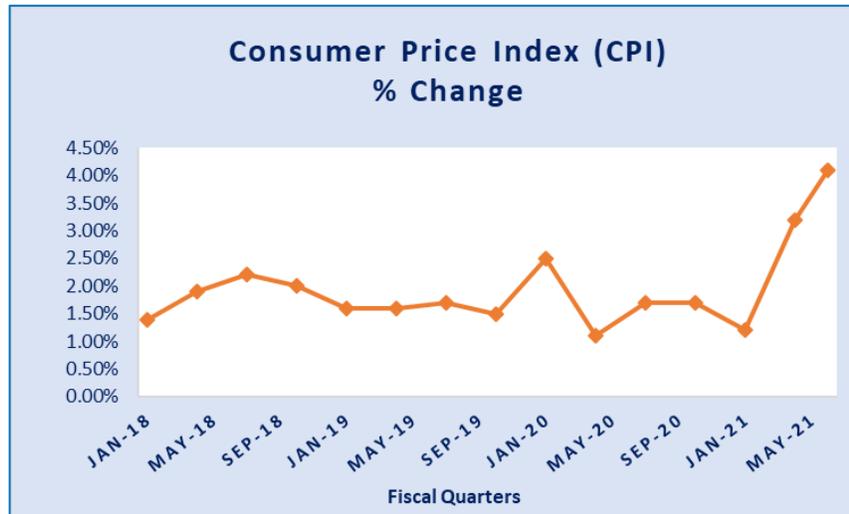


CONSUMER PRICE INDEX (CPI)

CPI or Consumer Price Index measures price changes in certain household goods from a predetermined basket of consumer goods and services and averages those price changes. It is a good indicator of the cost of living, especially that of inflation and deflation.

CPI has trended up in the past three months, with the levels increasing significantly after January of 2021, reaching 4.1% in June of 2021. This increase was driven by the COVID-19 pandemic and various shutdowns, at a time when inflation was extremely low. As the COVID-19 vaccines rolled out for the general public in New York, April of 2021, inflation has been, and still is, rising.





REAL ESTATE MARKET

The Real Estate market has boomed this past year:

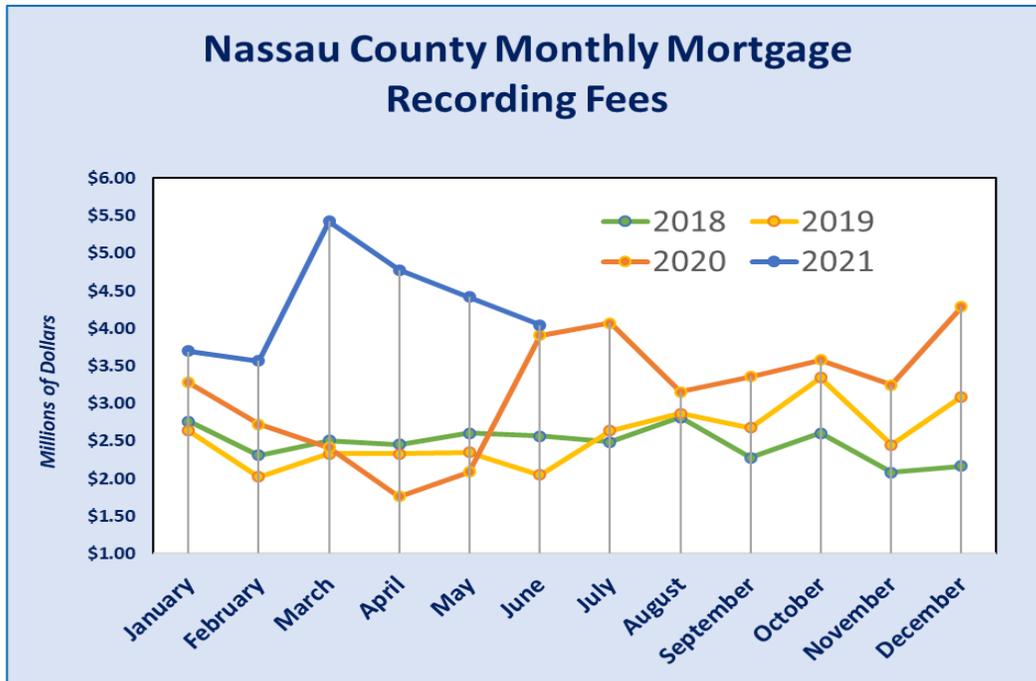
- From May 2019 to May 2021 the median sale price of residential properties in Nassau County rose from \$530,000 to \$635,000, an increase of 19.81% over a two-year period.
- With mortgage interest rates reaching historical lows in 2020, mortgage refinancing activity in the United States reached its highest annual total since 2003.
- Nationally, there were an estimated \$772 billion in inflation-adjusted 2020 dollars in single-family refinances in the fourth quarter 2020.
- For full-year 2020, nationally there were about \$2.6 trillion in inflation-adjusted refinance originations, more than double the volume in the prior year, but still less than the \$3.9 trillion in 2003.
- It is apparent that the Long Island regional housing market is getting a boost from New York City residents moving east seeking more space, less congestion and potential affordability.
- Although the County is considered developed with limited vacant parcels, transit-oriented housing development and re-development, can serve to attract young professionals, and can add great value to the existing traditional housing stock.

Nassau County has benefited from this housing boom, as illustrated below:

- Mortgage and Deed Recording Fees are charges assessed by Nassau County for legally recording the deed, mortgage and documents related to a home loan. The residential rate is 1.05% of the total value less \$30.00, and the borrower pays 0.80% minus \$30.00 if the property is a 1-2 family residence and the loan is \$10,000 or more.

The commercial rate is 1.05% of the total property sale. Other land recording fees are also assessed at the point of sale.

- From May 2019 to May 2021, the median sale price of residential properties, condominiums, and co-op properties in Nassau County rose from \$530,000 to \$635,000. The number of houses sold in March 2021 is 65.0% higher than the number of houses sold in March 2020. A sizzling housing market of high demand has led to low inventory which has resulted in prices at record highs.
- Since more homes are being sold and at higher prices, the revenues the County has collected more money in mortgage recording fees. In 2019, the Nassau County Clerk's Office reported \$30.8 million in mortgage recording fees, while in 2020, these fees were reported at \$37.9 million, or \$8.5 million higher than the 2020 Adopted Budget, indicating the strength of the housing market in Nassau County and the impact that low interest rates had on refinancing.
- With mortgage interest rates reaching historical lows in 2020, mortgage refinancing activity in the United States reached its highest annual total since 2003. There were an estimated \$772 billion in inflation-adjusted 2020 dollars in single-family refinances in the fourth quarter 2020. For full-year 2020, there were about \$2.6 trillion in inflation-adjusted refinance originations, more than double the volume in the prior year, but still less than the \$3.9 trillion in 2003.
- In Nassau County, deeds recorded in April 2021 were 205% higher than the amount recorded in April 2020. Mortgages recorded in April 2021 were 160% higher than the amount recorded in April 2020. Total Deed and Mortgage transactions during this period were 79,211 and total annual difference was 128,327, an increase of 49,116 or 62% in total volume of transactions.
- The chart below shows monthly revenues received by Nassau County for Mortgage Recording Fees from 2018 – June of 2021, illustrating the increase in revenues observed in 2021.



Although the real estate market is strong, it is important to note that the Federal cap on State and Local Taxes (SALT) deductions may pose a risk to the County’s economy and housing activity.

MEDIAN HOUSEHOLD INCOME

Median household incomes in the County are significantly above the national average and the New York State average. According to the 2019 American Community Survey, the County’s median household income totals \$116,100, as compared to the State and national median household income of \$68,486 and \$62,843, respectively.



REVENUE VARIANCES

Sales Tax

Sales tax is the largest source of revenue for the County, historically 40% of all revenues. The snapshot below from the *Open Budget* module of the *Open Nassau Transparency Hub* illustrates 2021 Adopted Revenues by category.⁶ Sales taxes are shown below in two “slices” for County Sales Tax (light blue) and Part County sales tax (brown).

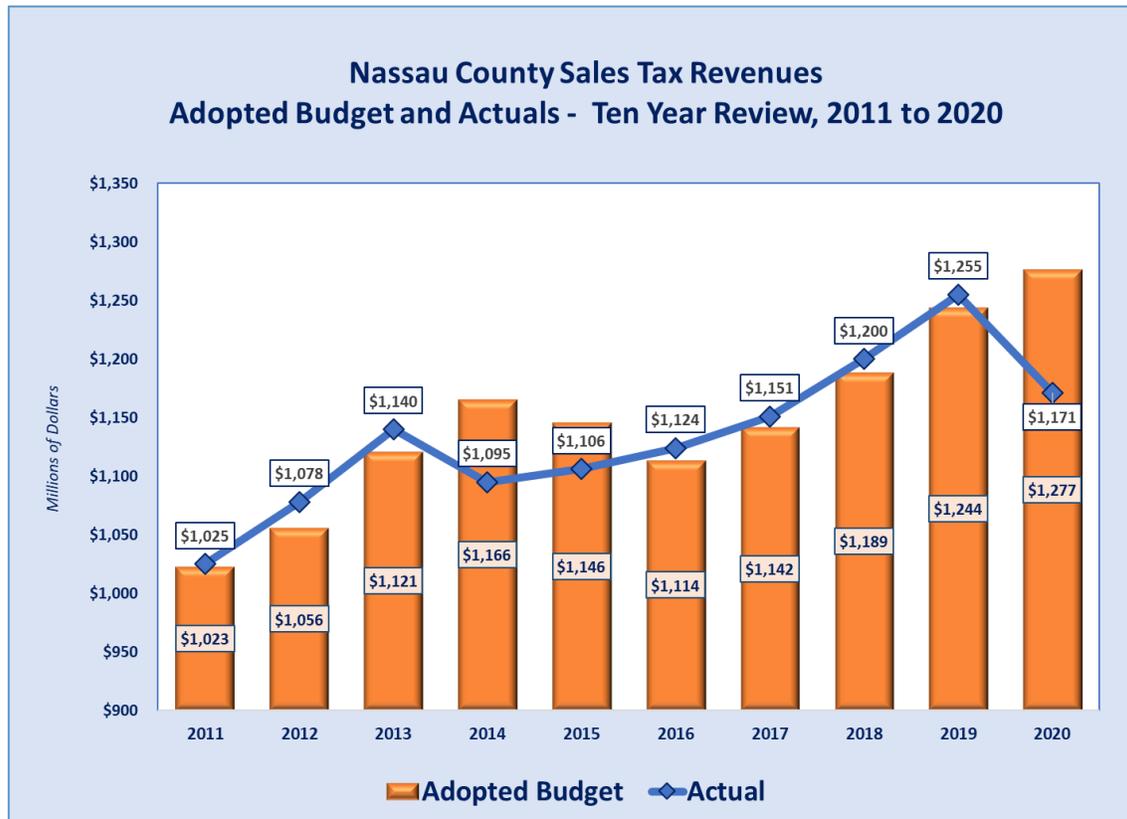


The onset of the COVID-19 pandemic in fiscal year 2020 presented new and uncharted territory for sales tax revenue forecasting not only in Nassau, but across the Country. To provide a deeper level of analysis of sales tax revenues in the County, the Comptroller’s Office created a new, comprehensive sales tax modeling tool. The tool breaks down the facets of sales tax using the North American Industry Classification System (“NAICS”) into sectors and sub-sectors, allowing for assumptions to be set on the expected level of business activity, such as a phased reopening scenario.

Using the sales tax modeling tool, the Comptroller’s Office forecasted various sales tax revenue scenarios, including low, moderate and high impact scenarios and also took into account a potential second wave shutdown. While there was a second wave of the virus in Nassau County during the third and fourth quarters of 2020, it did not result in the same economic impact on the local economy as the first wave, in that it did not result in the same level of shutdowns.

⁶ https://openbudget.nassaucountyny.gov/#!/year/2021/revenue/0/object_title?vis=pieChart

Sales tax revenues had shown an upward trend between 2014 and 2019. That ended in 2020, and actual County sales tax revenues were 8.26% less, or \$105.5 million less, than the Adopted Budget. This was the largest single year decline in sales tax revenues for at least the last ten years (see chart below), but it was not as drastic a decline as could have materialized.

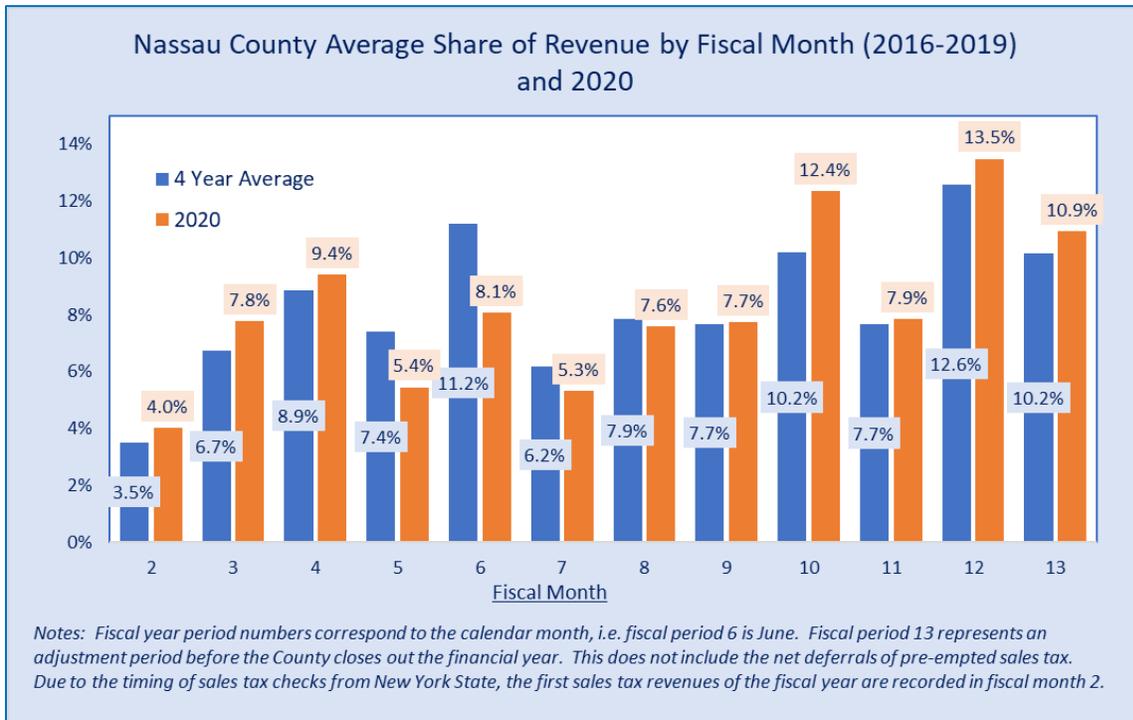


The 2021 Adopted Operating Budget included a very conservative estimate for sales tax, which was based on the trajectory of sales tax seen in the third and start of the fourth quarter of 2020 when the budget was adopted. An analysis of the four-year average share of sales tax revenues by fiscal month included in our 2020 Mid-Year Report has been updated below to include 2020 actual sales tax revenues.

As illustrated by the chart below, there was a spike in sales tax revenues in fiscal month 10 of 2020, which was 2% more than average. While sales tax growth remained positive through the remainder of 2020, it did not diverge significantly from the averages for fiscal months 11 through accounting adjustment period 13, having less than a 1% variance from the averages.

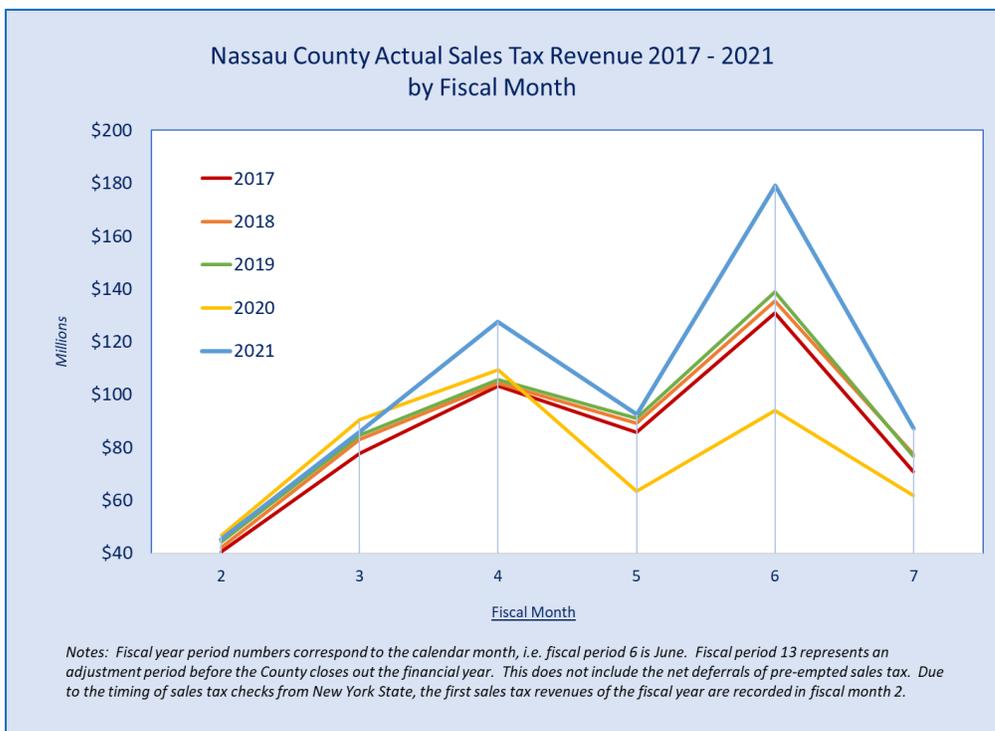
One percent of sales tax represents over \$11 million in revenues to Nassau County.





2021 actual sales tax revenues have been coming in higher than in previous years.

- On a monthly basis, sales tax revenues for 2021 have been consistently higher than the previous four years as illustrated in the chart below.



Sales tax revenues statewide are on an upward trend. According to a recent report issued by the Office of the State Comptroller (OSC)⁷ in July of 2021:

- Statewide, local sales tax collections in the second quarter of 2021 were 49.2% higher than the second quarter of 2020, and 8.7% over the second quarter of 2019.
- The strength of the sales tax results in the second quarter of 2021 may be the result of pent-up consumer demand, and purchases related to recent spikes in new home sales.
- Consumer spending may have been boosted by the continued easing of pandemic-related restrictions on business operations and travel, and a third round of Federal stimulus payments to those eligible that began in the middle of March 2021. National retail and food service sales increased by 21% in the second quarter of 2021 as compared to the same period in 2019.
- Industries with large increases in sales tax revenues include sporting goods and hobby stores (40% increase), motor vehicles and part dealers (33%), and building materials and garden equipment (33%).
- The improvements seen in sales tax revenue collections have been fueled by recent changes that required many out-of-state vendors to collect and remit State and local sales taxes:
 - The “economic nexus policy” expanded the requirement to collect and remit sales taxes to vendors meeting a certain threshold of sales made to New Yorkers, regardless of where the vendor is located (June of 2018). The “marketplace provision” required vendors such as eBay and Etsy, to collect and remit sales taxes on behalf of their third-party vendors (June of 2019).
 - State data on the percent of sales tax revenues generated through the economic nexus policy and marketplace provision show an increase from 0.5% (March – May of 2019) to 4.6% (December to February 2021).
 - For the 2020-2021 Sales Tax Year, 5.2% of Nassau County’s sale tax revenues were generated from economic nexus and marketplace provision providers.
- **Nassau County’s June 2021 sales tax collections were 76.3% higher than June of 2020. As compared to 2019, June 2021 sales tax collections were 35.3% higher.⁸**
- **For the second quarter of 2021, Nassau County’s sales tax revenues were 63.4% higher than the second quarter of 2020, and 18.9% more the second quarter of 2019.**

Sales Tax Modeling Forecasts:

Using the sales tax modeling tool developed by our Office, we have generated three 2021 sales tax forecasts which take into account updated industry modifiers data, seasonality, and 13 years of actual trend data analysis. The scenarios generated by the model vary assumptions to reflect

⁷ <https://www.osc.state.ny.us/files/local-government/publications/pdf/local-sales-taxes-surge-in-april-june-2021.pdf>

⁸ These comparisons are included in the OSC report and do not reflect the withholding for AIM and DPA.



higher and lower levels of consumer activity across a myriad of industry sub-sectors, and are as follows:

2021 Sales Tax Revenue Forecasts	
Optimistic	\$ 1,471 Million
Mid-Range	\$ 1,337 Million
Conservative	\$ 1,203 Million

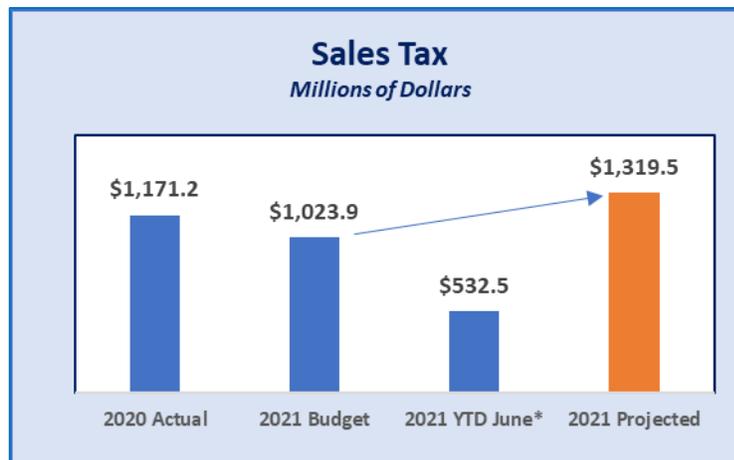
For the purposes of our report, we are projecting 2021 sales tax revenues using the Mid-Range model. Adjusted for deferred Part County Sales Tax, the estimate for 2021 is \$1.319 billion as detailed below:

Sales Tax - Millions of Dollars

Category	2020 Actual	2021 Budget	2021 YTD June*	2021 Projected	Variance**
Countywide Sales Tax	\$1,081.6	\$933.9	\$502.5	\$1,229.5	\$295.6
Part County Sales Tax Receipts	\$82.6	\$88.1	\$28.1	\$107.3	\$19.2
Net Deferred Part County Sales Tax	\$7.0	\$1.9	\$1.9	(\$17.3)	(\$19.2)
Total Sales Tax	\$1,171.2	\$1,023.9	\$532.5	\$1,319.5	\$295.6

*Excludes NIFA year to date adjustments

** Variance does not reflect any potential transfer into the Special Revenue Fund created pursuant to Local Law 12-2020.



Special Revenue Fund – 2021 Sales Tax Revenues

At the end of 2020, Nassau County adopted Local Law 12-2020, which created a special revenue fund to commence concurrently with the 2021 budget. Pursuant to this Local Law:

- Sales tax revenues in excess of the Adopted Budget and any budgeted funds that become surplus as a result of the receipt of Federal aid to address the COVID-19 pandemic shall be deposited into the fund.
- Sales tax revenues shall be deposited by the County Treasurer in the special revenue fund as follows:
 - Sales tax revenues that exceed \$511,939,917 as of June 30, 2021 shall be deposited in the special revenue fund;
 - Sales tax revenues that exceed \$1,023,879,834 as of November 30, 2021 shall be deposited into the special revenue fund;
 - Upon the final closure of the 2021 fiscal year, the balance of such funds (in excess of the 2021 Adopted Budget) will be deposited into the special revenue fund.
- The basis to assess the amounts of sales tax are the Monthly County Budget Reports for the periods ending June 30, 2021 and November 30, 2021.
- The use of the monies in the special revenue fund will be to:
 - fully or partially fund tax certiorari settlements and judgments;
 - fund principal and interest payments on debt issued in 2021 or later to pay tax certiorari settlements and judgments;
 - pay claims against the County by the Nassau Health Care Corporation;
 - pay claims relating to the Fair Labor Standards Act;
 - fund expenses due to loss of budgeted State Aid; and
 - pay for unbudgeted COVID-19 response costs in the event that no Federal COVID-19 assistance funds remain available.

As of the writing of this report, no funds have been transferred into the special revenue fund. After funds are deposited into the account, any use of those funds will require supplemental appropriating resolutions adopted by the County Legislature.

It is important to note that the surplus of sales tax revenues we are forecasting for 2021 will not impact the overall results of the County's three primary operating funds. As revenues in excess of budget will be transferred into the special revenue fund and used for specific purposes as designated in Local Law 12-2020, they will not contribute to end of year fund balance in the County's primary operating funds.

Current Variables of Sales Tax Forecasting

There are a number of variables other than economic conditions and some specific to Nassau County, which must be factored into Nassau County's sales tax forecasts. The section below provides a summary of these factors for informational purposes.

- Part County Sales Tax

- 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 through the Prior Year Deferral.
- The amount of the Prior Year Deferral varies each year based on the year-end results of sales tax collections.
 - For 2020, because sales tax received was lower than budgeted, the City of Glen Cove and three towns received too large a credit on their property tax



levies. This amount of \$25.8 million will be reflected in the calculation of the County's 2022 tax levies.

- For 2021, we estimate sales tax will be higher than budgeted, therefore 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 2023 property tax levies.

- Aid and Incentives for Municipalities (“AIM”)

- 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.
- The 2019-20 Enacted New York State Budget established that AIM-Related payments would be made by the Office of the State Comptroller (OSC) by withholding certain County sales tax revenues, paid in December and May each year, pursuant to Chapter 59 of the Laws of 2019.
- Officials from the Nassau County Interim Finance Authority are required to return to OSC the amount of sales tax distribution needed to make AIM-Related payments to towns and villages in Nassau County.
- The amount of AIM withheld from Nassau County is approximately \$11.4 million for each State fiscal year.

- Distressed Provider Assistance (“DPA”)

- Part ZZ of Chapter 56 of the Laws of 2020 amends New York State Tax Law Section 1261 to direct the Office of the State Comptroller (OSC) to withhold sales tax collections in the aggregate amount of \$50 million from counties outside of New York City and \$200 million from New York City and place them into a New York Agency Trust Fund, Distressed Provider Assistance Account, annually, for two years.
- These funds will be used to provide support to financially distressed hospitals and nursing homes throughout the State.
- Under the new law, OSC determines each county's annual percentage share of the total amount of local sales tax collections.
- In the first year, OSC deferred the four quarterly withholdings (April 15th, July 15th, and October 15th, 2020, and January 15, 2021) until January 15, 2021.
- In the second year, OSC has continued to withhold from each county's local sales tax collections an amount equal to each county's share of \$50 million, in four quarterly installments on April 15th, July 15th, and October 15th in 2021 and January 15th in 2022.
- Nassau County's share of the DPA is \$7.3 million annually for the two year period of 2020 and 2021.

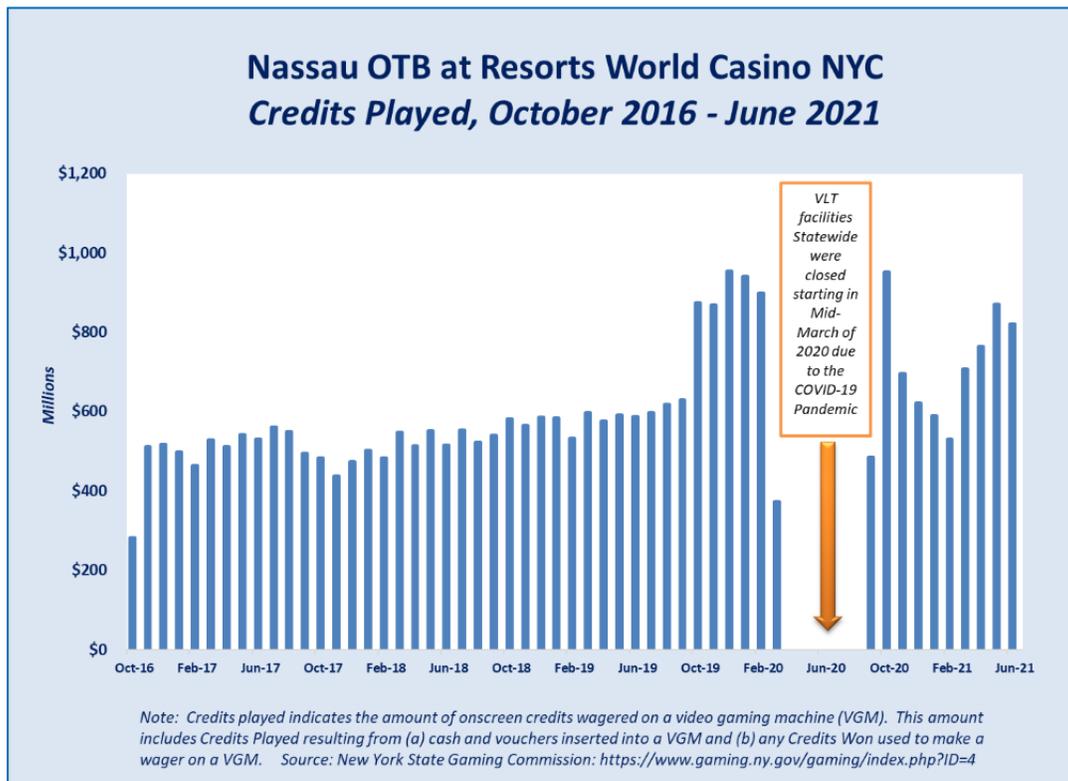
- NIFA Set-Aside:

- The Nassau Interim Finance Authority (NIFA) intercepts and withholds a portion of the County’s sales tax collections in an amount equal to 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.

Video Lottery Terminals Profits from OTB (OTB Profits)

Video Lottery Terminal (VLT) revenues are projected to be \$6.8 million over budget for 2021. In May 2021, the County received \$2.8 million for last year’s commitment from OTB, which was not recognized for 2020 as it was received subsequent to the County’s period of availability. In July of 2021, the County received \$3.0 million for the first quarter 2021 payment.

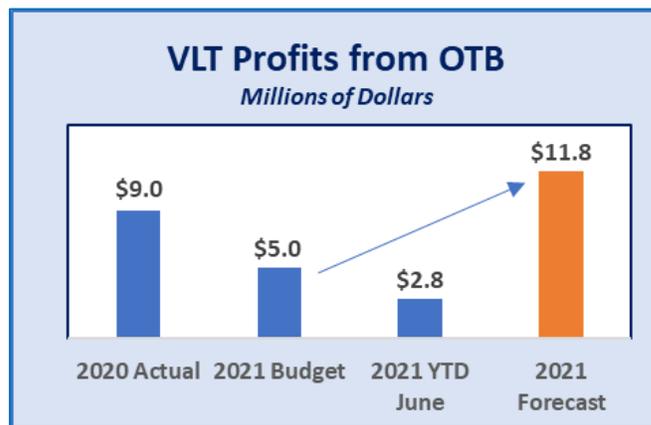
According to data available from the New York Gaming Commission, the amount of credits played at Nassau OTB Resources World Casino NYC has been increasing in 2021. The chart below shows the monthly credits played between October 2016 and June of 2021.



Based on the current trend, we are conservatively projecting total VLT revenues to be \$11.8 million, a \$6.8 surplus forecast for 2021.

VLT Profits from OTB - Millions of Dollars

2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$9.0	\$5.0	\$2.8	\$11.8	\$6.8



Departmental Revenue

Departmental Revenue is projected to be over budget by \$19.3 million. This is primarily attributed to higher GIS tax map verification fees of \$60.00 million (\$21.8 million over budget) and Mortgage and Deed Recording fees of \$53.3 million (\$14.0 million over budget), offset by shortfalls in other Departmental Fees of \$16.5 million.

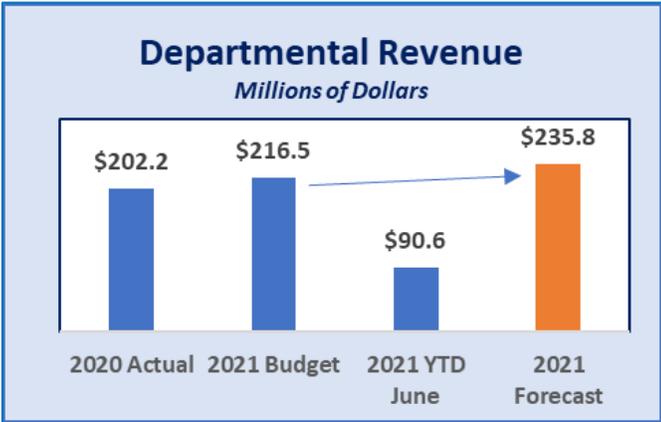
- Mortgage and deed recording fees in the County Clerk’s Office and GIS map verification fees in the County Department of Assessment are projected to be higher than budget primarily due to the strong mortgage refinancing and home purchasing environment, fueled by the record-low mortgage rates and the increased interest in the suburban real estate market during the COVID-19 pandemic.
- We are projecting that farebox revenues from the NICE bus system will be \$7.2 million less than budgeted due to reduced ridership/collections. Bus advertising fees are projected to be \$0.4 million lower than budgeted.
- Our 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 Income and Expense Statement are still pending.
- Ambulance fees are projected to be slightly lower than budget (\$1.5 million).



- The remaining shortfall is comprised of various department related fees due to year-to-date collection trends.

Departmental Revenue - Millions of Dollars

Category	2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
GIS Tax Map Fees	\$45.2	\$38.2	\$25.6	\$60.0	\$21.8
Mortgage & Deed Recording Fees	\$46.9	\$39.3	\$26.6	\$53.3	\$14.0
Bus Farebox & Advertising Revenue	\$19.7	\$32.0	\$0.2	\$24.4	(\$7.6)
Revenue from Income and Expense Law	\$0.0	\$5.0	\$0.0	\$0.0	(\$5.0)
Ambulance Fees	\$22.3	\$22.9	\$9.5	\$21.4	(\$1.5)
Other Departmental Revenue	\$68.1	\$79.1	\$28.7	\$76.7	(\$2.4)
Total Departmental Revenue	\$202.2	\$216.5	\$90.6	\$235.8	\$19.3

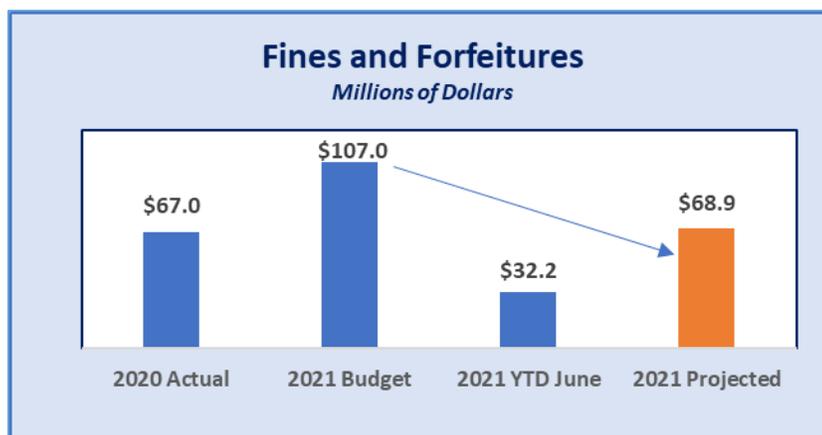


Fines and Forfeitures

Fines and Forfeitures are projected to be under budget by \$38.1 million primarily due to the impacts of the COVID-19 shutdowns. Business closures, quarantines and residents telecommuting resulted in fewer drives on the road and thus fewer violations. Red Light Camera Fines and Administrative Fees are projected to be \$9.5 million less than the 2021 Adopted Budget. Police Department Public Safety Fees are projected to have a shortfall to the 2021 Adopted Budget of \$4.3 million. We project all other fines and forfeitures to have a shortfall to the budget of \$22.0 million, primarily in other Traffic and Parking Violations Bureau revenues.

Fines and Forfeitures - Millions of Dollars

Category	2020 Actual	2021 Budget	2021 YTD June	2021 Projected	Variance
Boot and Tow Fees	\$0.4	\$2.3	\$0.0	\$0.0	(\$2.3)
PD Public Safety Fees	\$20.5	\$26.7	\$8.5	\$22.4	(\$4.3)
Red Light Camera and Administration Fees	\$33.7	\$45.1	\$17.3	\$35.6	(\$9.5)
Other Fines and Forfeitures	\$12.4	\$32.9	\$6.4	\$10.9	(\$22.0)
Total Fines and Forfeitures	\$67.0	\$107.0	\$32.2	\$68.9	(\$38.1)

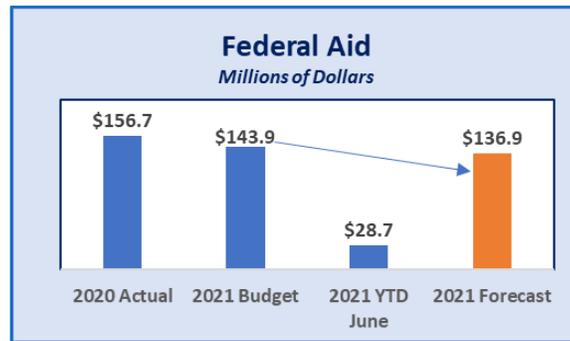


Federal Aid

Federal Aid is projected to be under the 2021 Adopted Budget by \$7.0 million. The negative variance is due to a decrease in Temporary Assistance for Needy Families (TANF) expenditures in the Department of Social Services. We are cautiously projecting that the end of the year reimbursements will be under budget.

Federal Aid - Millions of Dollars

2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$156.7	\$143.9	\$28.7	\$136.9	(\$7.0)

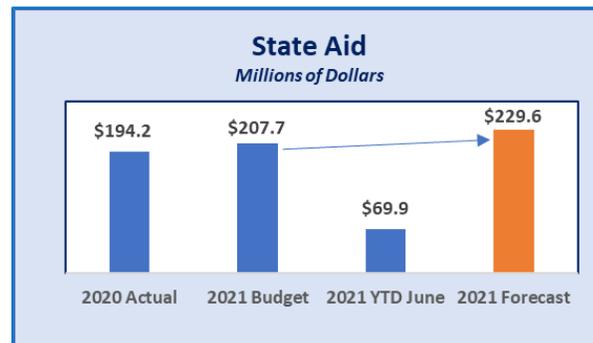


State Aid

State Aid is projected to be over the 2021 Adopted Budget by \$21.9 million, primarily due to the increase in State Aid for the County’s bus service (STOA).

State Aid - Millions of Dollars

2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$194.2	\$207.7	\$69.9	\$229.6	\$21.9



Rents and Recoveries

Rents and Recoveries revenue is projected to be over the 2021 Adopted Budget by \$39.2 million. This is primarily due to the recovery of \$55.4 million from NIFA that had been withheld from County sales tax to pay for NIFA debt service (NIFA set asides) and the projected recoveries from prior year disencumbrances of \$18.4 million. Approximately \$35 million of the NIFA recovery is related to the advanced refunding of the NIFA and County debt that took place in February and is deemed to be restricted. Recoveries of prior year encumbrances have the effect of generating

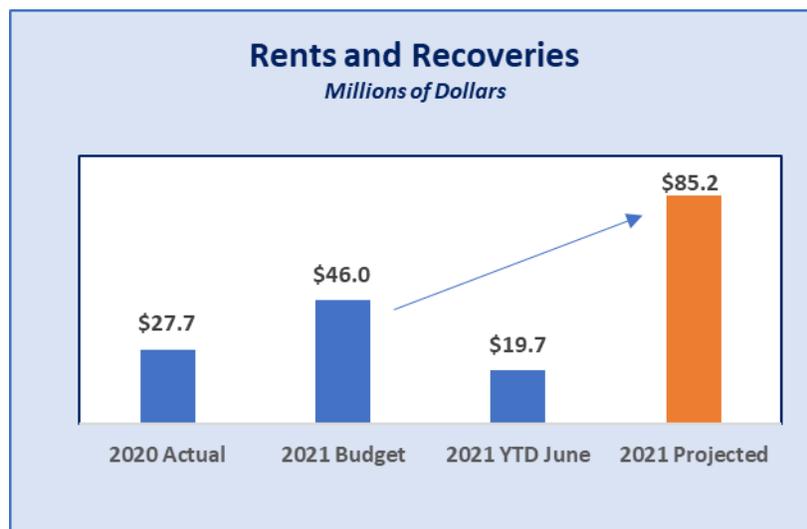


revenue on a budgetary basis; however, under GAAP, encumbrances are not actual expenditures and these revenues are removed from the GAAP results when converting from budgetary reporting to GAAP reporting.

We are projecting a \$8.6 million shortfall in the sale of County property in 2021. Although a sale of \$3.7 million has been approved by the Legislature, the closing has not yet occurred, thus we are conservatively projecting no revenues. There is a possible opportunity of \$3.7 million in revenues if the closing noted above takes place in 2021. The Adopted Budget included \$10 million of capital project closeouts which we continue to risk. The Administration has also removed this from its June projections. We also project Other Rent and Recoveries to be under budget by \$7.6 million. This variance is based on trending year-to-date collections primarily for Recovery Damage to County Properties, Coliseum Rental and Utilities, and Rental Properties.

Rents and Recoveries - Millions of Dollars

Category	2020 Actual	2021 Budget	2021 YTD June	2021 Projected	Variance
Sale of County Property	\$5.8	\$8.6	\$0.0	\$0.0	(\$8.6)
Recovery of Prior Year Appropriations:					
NIFA Debt Service Recovery	\$0.0	\$0.0	\$0.0	\$55.4	\$55.4
Disencumbrances	\$5.3	\$9.7	\$15.4	\$18.4	\$8.7
Other Recoveries	\$0.0	\$0.0	\$0.0	\$1.3	\$1.3
Capital Project Closeouts	\$0.0	\$10.0	\$0.0	\$0.0	(\$10.0)
Other Rents and Recoveries	\$16.6	\$17.7	\$4.3	\$10.1	(\$7.6)
Total Rents and Recoveries	\$27.7	\$46.0	\$19.7	\$85.2	\$39.2

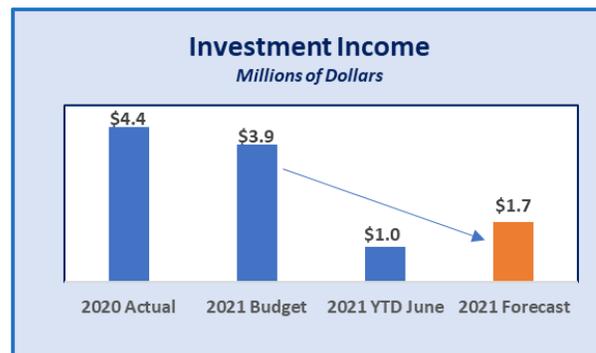


Investment Income

Investment Income is projected to be under the 2021 Adopted Budget by \$2.2 million. Year-to-date revenues have been impacted by the low short-term interest rate environment, which is expected to stay flat for the rest of the year. We are conservatively projecting a similar trend through the end of 2021.

Investment Income - Millions of Dollars

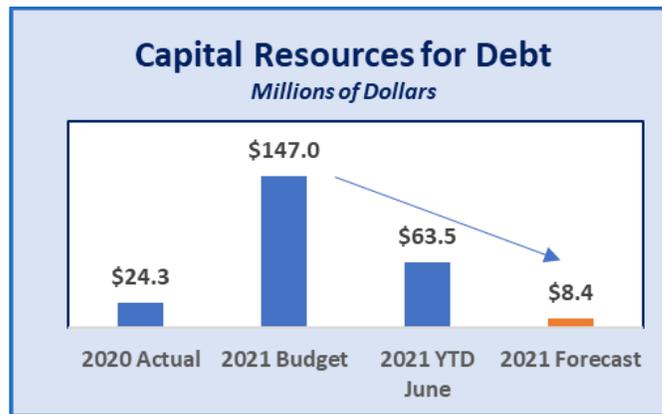
2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$4.4	\$3.9	\$1.0	\$1.7	(\$2.2)

**Capital Resources for Debt**

Capital resources for debt are projected to be \$138.6 million lower than budget. This difference is due to the County restructuring adjustments budgeted in Capital Resources for Debt. There is a positive variance of \$142.2 million in debt service as this is where the adjustment for the debt restructuring should be captured. The \$55.4 million in NIFA set aside recovery that is projected in the Rents and Recoveries section is included in Capital Resources for Debt on a year-to-date basis. See Debt Service section for more information.

Capital Resources for Debt - Millions of Dollars

2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$24.3	\$147.0	\$63.5	\$8.4	(\$138.6)

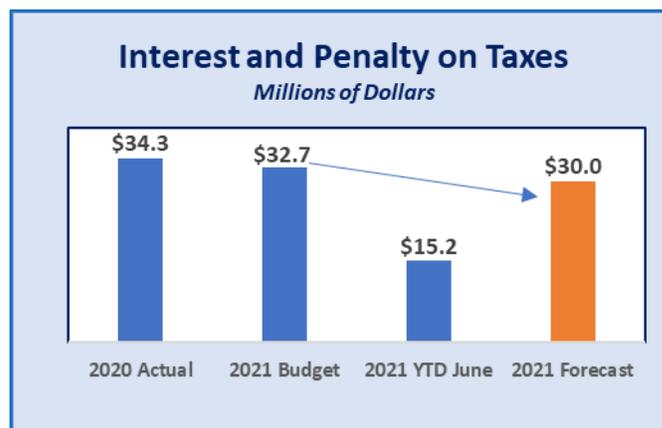


Interest and Penalties on Taxes

Interest and penalties on late or delinquent property taxes are projected to be \$2.7 million under budget. The primary cause of this variance is due to the postponement of the tax lien sales. At this time of the report, the County is planning to conduct the lien sales in November of 2021. In the event that the tax lien sale takes place as planned, the revenues through the end of the year could likely exceed the budget by \$4.2 million.

Interest and Penalty on Taxes - Millions of Dollars

2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$34.3	\$32.7	\$15.2	\$30.0	(\$2.7)



Other Revenue Categories

Special taxes, which include entertainment tax, hotel/motel tax and motor vehicle tax, are projected to have a deficit of \$0.7 million based on year-to-date collections. The negative variance is based on trending year-to-date collections from hotel/motel and entertainment taxes that are trending below budget. The County collects entertainment tax on various ticket sales, such as events at the NYCB Live Nassau Coliseum (Coliseum), Northwell Health at Jones Beach Theater (Jones Beach Theater), and the NYCB Theatre at Westbury.

OTB 5% Tax represents collections the County receives on OTB bets (excluding VLTs). The year-to-date collection trend is showing that this revenue category is projected to achieve the 2021 Adopted Budget target of \$1.0 million.

Interfund Revenues (eliminating) are expected to have a shortfall of \$196.2 million, however, Interfund Charges (eliminating) are expected to have an offsetting savings. Included in this category are debt service chargebacks reported as revenue in the General Fund with the offsetting charges reported in various funds. These categories are included to be able to reconcile to the 2021 Adopted Budget published by the Administration.

Other Revenue Categories - Millions of Dollars

Category	2020 Actual	2021 Budget	2021 YTD June	2021 Projected	Variance
Special Taxes	\$28.3	\$28.9	\$10.9	\$28.2	(\$0.7)
OTB 5% Tax	\$0.9	\$1.0	\$0.4	\$1.0	\$0.0
Interfund Revenues (eliminating)*	\$337.1	\$344.5	\$2.7	\$148.3	(\$196.2)

***this variance is offset equally by the variance in the Interfund Charges (eliminating)**

OBLIGATIONS VARIANCES

This section discusses the expenditure items with variance from the 2021 Adopted Budget as identified in Exhibit 1.

Salaries, Fringe Benefits and Workers' Compensation

The 2021 Adopted Budget included a total of \$1,528.4 million for salaries, fringe benefits and workers' compensation as follows:

- \$883.0 million for salaries;
- \$614.3 million related to fringe benefits, and
- \$31.1 million for workers' compensation expenditure.

We project salaries, fringe benefits, and workers' compensation expenditures to have a combined positive variance of \$45.8 million when compared to the 2021 Adopted Budget.

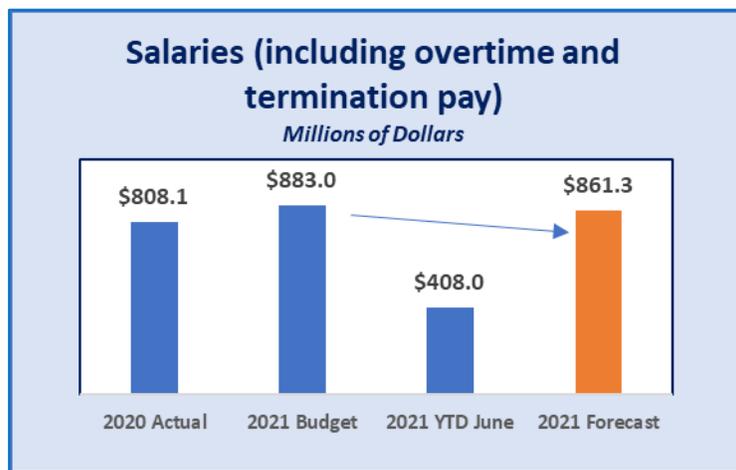
- The variance opportunities identified include \$21.7 million related to salaries and \$24.9 million for expenditures pertaining to fringe benefits.
- This positive variance is primarily attributable to savings from open funded vacant positions due to delays in hiring during 2021, savings in part-time / seasonal employees and FICA expense and health insurance costs.
- These potential salary savings are offset by a \$28.4 million negative variance in total overtime including both the Police Department and the Correctional Center, as well as overages anticipated in termination pay estimated to be \$45.8 million for 2021, or \$3.8 million over the 2021 Adopted Budget.
- Offsetting these potential positive variances is a potential risk in workers' compensation costs which are expected to be underfunded by up to \$0.8 million when compared to the 2021 Adopted Budget.

Salaries

The Comptroller's Office forecast of salaries and wages are projected to total \$861.3 million by the end of fiscal year 2021. When compared to the 2021 Adopted Budget of \$883.0 million, our projections indicate an opportunity of \$21.7 million. Driving this potential savings are open funded positions and savings identified in the funding for part-time and seasonal employees.

Salaries (including overtime and termination pay) - Millions of Dollars

Fund	2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
GEN	\$608.0	\$644.2	\$304.8	\$628.7	\$15.5
PDD	\$191.6	\$229.7	\$99.2	\$224.0	\$5.7
SSW	\$8.5	\$9.1	\$4.0	\$8.6	\$0.5
Total	\$808.1	\$883.0	\$408.0	\$861.3	\$21.7



Our forecast assumes a total full-time headcount of 7,221 with vacancies of 94 positions when compared to the adopted budget total of 7,315 employees. Our projected headcount includes a class of 50 police officers expected to begin in the Fall of 2021. Our forecast is developed using the County’s on-board headcount as of the end of June, adding the projected police class, and subtracting anticipated police separations from service.

The County entered into new labor agreements with the Detective Association, Inc. (DAI) in December 2019 and the Superior Officers Association (SOA) in November of 2020, covering 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 2021 salary forecast.

The County’s collective bargaining agreements with the remaining labor unions, Civil Service Employees Association (CSEA), Police Benevolent Association (PBA), Correction Officers Benevolent Association (COBA) and the Investigators Police Benevolent Association, Inc. (IPBA) have expired as of December 31, 2017 and new agreements are currently in negotiations. Our projections include annual step increases for these employees but do not include any cost of living adjustments which is in line with the 2021 Adopted Budget.

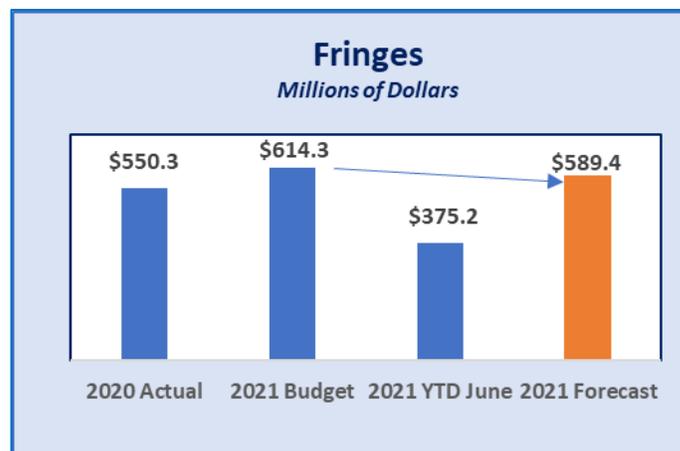


Fringe Benefits

Our analysis projects that we expect to end the year with a positive variance of \$24.9 million in fringe benefits when compared to the 2021 Adopted Budget of \$614.3 million. This surplus is composed of variances in several categories. Based on current trends, we estimate \$5.5 million of savings related to FICA expense and \$17.9 million associated with health insurance costs for both active and retired employees combined, currently trending in line with 2020 amounts. Additionally, there is a surplus in various other categories within the fringe benefit line in the amount of \$2.0 million. These potential savings are offset by increases in Medicare reimbursement costs underfunded by \$0.5 million.

Fringes - Millions of Dollars

Fund	2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
GEN	\$420.9	\$456.8	\$275.6	\$441.7	\$15.1
PDD	\$121.7	\$145.8	\$95.1	\$139.4	\$6.4
SSW	\$7.7	\$11.7	\$4.5	\$8.3	\$3.4
Total	\$550.3	\$614.3	\$375.2	\$589.4	\$24.9



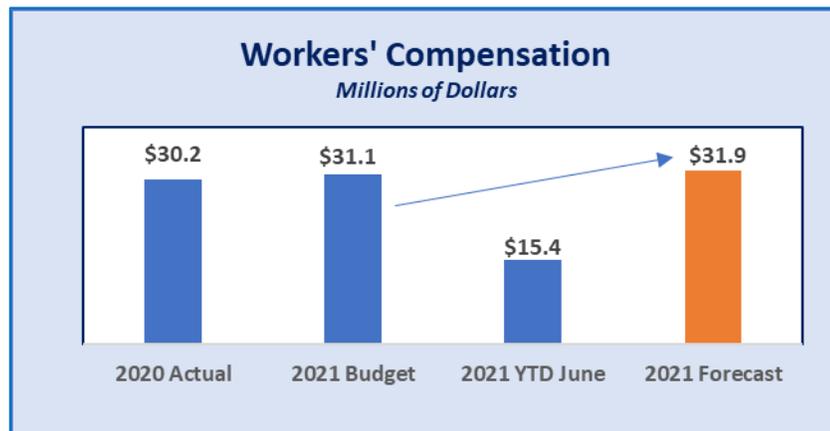
Workers' Compensation

Our analysis indicates that workers' compensation may be underfunded by \$0.8 million when compared to the 2021 Adopted Budget due to an increase in workers compensation cases in 2021. In 2019, the County received \$15 million from the State as a discounted upfront payment of its estimated liability if the County agreed to assume that long-term liability, which was established to pay the injured employees over a span of approximately 20 years. Although these funds are specific to certain categories of injured workers claiming a second injury, the funds from the

Second Injury Fund settlement are available to be used by the Administration to alleviate the projected deficit in this expense category.

Workers' Compensation - Millions of Dollars

Fund	2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
GEN	\$21.8	\$22.2	\$11.1	\$23.0	(\$0.8)
PDD	\$8.4	\$8.9	\$4.3	\$8.9	\$0.0
SSW	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$30.2	\$31.1	\$15.4	\$31.9	(\$0.8)



Termination Pay

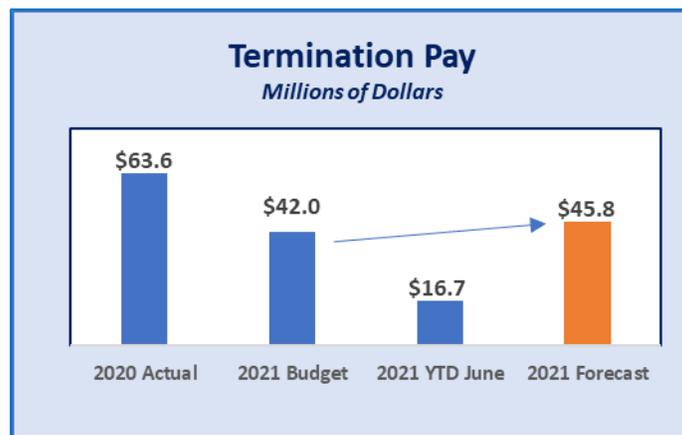
The 2021 Adopted Budget funded termination pay of approximately \$32.9 million for both the Police District and Police Headquarters Funds. A total of 52 sworn officers have retired to date for fiscal year 2021 with actual expenditures of \$14.3 million. Our forecast includes up to a total of 110 police officers retiring from both Police District and Police Headquarters in 2021, with an estimated cost of \$35.4 million. The potential budgetary shortage will be \$2.5 million for termination pay within these two funds.

The 2021 projected total termination pay for the County could reach up to \$45.8 million for the primary operating funds, and in total is estimated to be underfunded by \$3.8 million when compared to the 2021 Adopted Budget. The County has funded a reserve in the Employee Benefit Accrued Liability Reserve Fund to address possible shortages in termination pay specific to the Police District Fund to help address future anticipated budget shortages related to termination pay

for the Police District. Any additional risks within Police Headquarters will have to be funded by the General Fund if it cannot be funded from savings from other salary lines.

Termination Pay - Millions of Dollars

	2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
Police District	\$19.3	\$10.9	\$5.1	\$13.8	(\$2.9)
Police Headquarters	\$33.4	\$22.0	\$4.0	\$21.6	\$0.4
Other	\$10.9	\$9.1	\$7.6	\$10.4	(\$1.3)
Total	\$63.6	\$42.0	\$16.7	\$45.8	(\$3.8)



Overtime

For the Police Department, a class of 161 new police officers began the Police Academy in June 2021 and an additional class of 50-60 officers is expected for the Fall of 2021. While overtime costs in the future may be mitigated with the additional 221 officers brought on to the County in 2021 at a lower average salary, overtime is still trending high for 2021 for both the Police District and Police Headquarters Funds. Our 2021 Projections are forecasting a combined deficit of up to \$15.4 million when compared to the adopted budget of \$45.1 million for the Police Department.

The Correctional Center continues to experience a decline in the inmate population by approximately 300-350 inmates due to the 2020 NYS Criminal Justice Reform and the Raise the Age mandate which took effect in 2019. The impact of Raise the Age has created an increase in the volume in the detention of juveniles at the County Juvenile Detention Center. As a result of the decreased inmate population for the Correctional Center, the County is expecting to implement a jail building consolidation plan which is expected to assist in managing the departments high overtime costs.

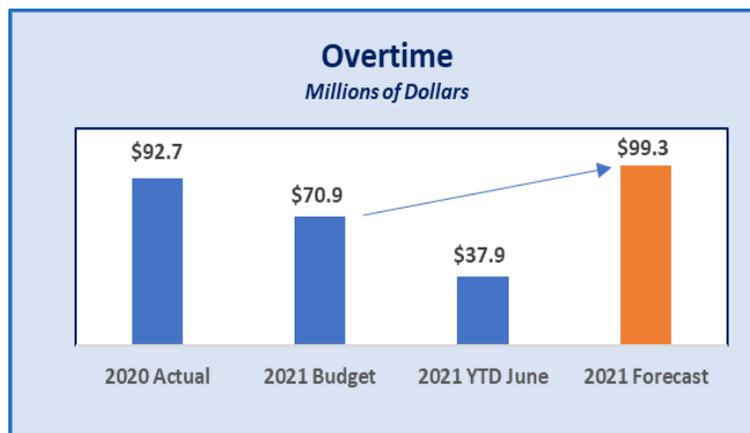


In early 2021, the Correctional Center was also able to hire two additional classes for a total of 47 new officers. Although the Correctional Center overtime trends are benefiting from the reduced inmate population, down by 43% when compared to 2019 and the additional officers hired, our forecast still projects a shortfall in this category of \$12.9 million for this department.

Based on current expenditure trends, overtime costs for the operating funds are expected to be underfunded by \$28.4 million when compared to the 2021 budget of \$70.9 million. The projected deficit is primarily comprised of \$8.1 million in the Police District, \$7.3 million for Police Headquarters and \$12.9 million for the Correctional Center. Projected overtime deficits are expected to be funded by savings from other salary line items.

Overtime - Millions of Dollars

	2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
Police District Fund	\$27.6	\$21.2	\$7.7	\$29.3	(\$8.1)
Police Headquarters	\$32.1	\$23.9	\$11.6	\$31.2	(\$7.3)
Correctional Center	\$21.7	\$11.3	\$11.6	\$24.2	(\$12.9)
Other	\$11.3	\$14.5	\$7.0	\$14.6	(\$0.1)
Total	\$92.7	\$70.9	\$37.9	\$99.3	(\$28.4)



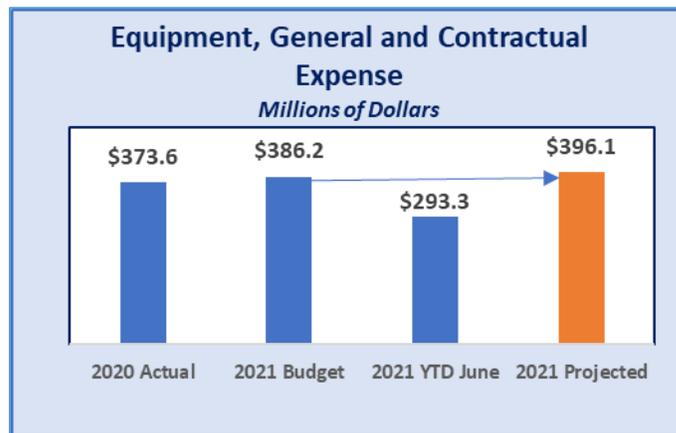
Equipment, General Expense and Contractual Expense

We project expenditures in the categories of Equipment, General Expense and Contractual Expense will exceed the original 2021 Adopted Budget by \$9.9 million as illustrated below. In each category the Administration has already transferred additional appropriations into these categories to cover expected shortfalls. The total variance is related to funding needed by Public Works for bus service contractual expenditures and the Police Department to fund the cost for the

body cameras, offset by projected savings in contractual expenditures in the Sewer and Storm Water Fund.

Equipment, General Expense and Contractual Expense - Millions of Dollars

Category	2020 Actual	2021 Budget	2021 YTD June	2021 Projected	Variance
Equipment	\$3.0	\$3.0	\$0.5	\$4.2	(\$1.2)
General Expense	\$35.3	\$38.4	\$19.1	\$42.2	(\$3.8)
Contractual Expense	\$335.3	\$344.8	\$273.7	\$349.7	(\$4.9)
Total	\$373.6	\$386.2	\$293.3	\$396.1	(\$9.9)



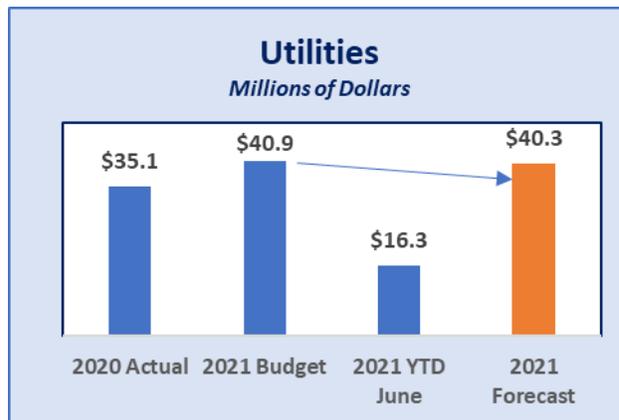
Utilities

We are projecting a \$0.6 million positive variance in the category of Utilities. Savings are projected in both the Police District and Sewer and Storm Water Funds due to lower fuel charges and usage that is lower than what was budgeted.

Utilities - Millions of Dollars

2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$35.1	\$40.9	\$16.3	\$40.3	\$0.6





Judgments and Settlements

We are projecting tax certiorari refunds and other judgments and settlements to be on budget. As detailed in the Sales Tax Revenue portion of this report, a new special revenue fund was established in 2020 pursuant to Local Law 12-2020, to be funded with sales tax revenues in excess of specified amounts and any budget line that becomes surplus as a result of the receipt of Federal Aid to address the COVID-19 pandemic. Funds transferred to this special revenue fund may be used to fully or partially pay tax certiorari settlements and judgments. There is also approximately \$8.6 million of fund balance in the Litigation Fund (which is reported as part of the General Fund), that could be used to pay judgments and settlements in 2021. This could result in budgetary relief that is not currently reflected in our projections, should the fund balance in the Litigation Fund be used.

Judgments and Settlements - Millions of Dollars

Category	2020 Actual	2021 Budget	2021 YTD June	2021 Projected	Variance
Property Tax Refunds	\$23.4	\$30.0	\$12.8	\$30.0	\$0.0
Other Judgments and Settlements	\$39.0	\$35.4	\$5.3	\$35.4	\$0.0

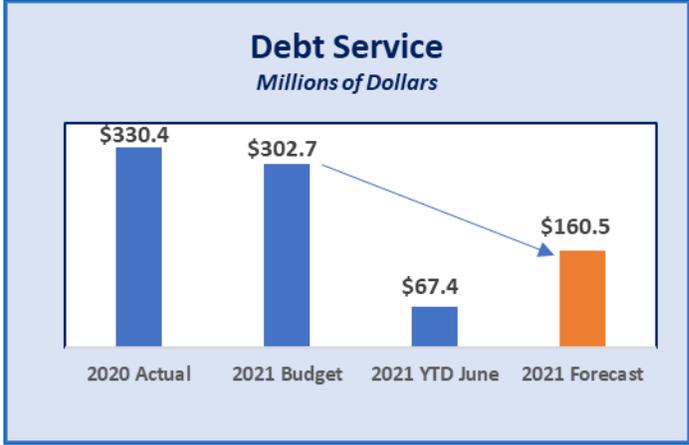
Debt Service

We are projecting a positive variance of \$142.2 million in debt service costs due to the NIFA refunding of \$856.7 million of County debt. The \$142.2 million is comprised of:

- \$78.0 million in interest savings,
- \$84.4 million in principal savings,
- \$2.0 million in Sewer debt service savings; and
- higher costs of \$22.2 million in NIFA set aside and expense of loans.

Debt Service - Millions of Dollars

2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$330.4	\$302.7	\$67.4	\$160.5	\$142.2



The County has issued \$155.1 million in bonds in April 2021. The County anticipates additional bonding of \$250.0 million in 2021:

- \$200.0 million for general capital improvements; and
- \$50.0 million for sewer system improvements.

In March 2021, the County entered into a Bond Anticipation Note with the New York State Environmental Facilities Corporation (EFC) in the amounts of \$225.0 million with a maturity date of March 18, 2026; \$26.8 million with a maturity date of March 18, 2024; and a remaining \$261.9 million in additional note and grants. This is for the Bay Park Conveyance project which is estimated to cost approximately \$513.7 million. The County has received \$18.7 million to date from EFC. When EFC notes mature, they are 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

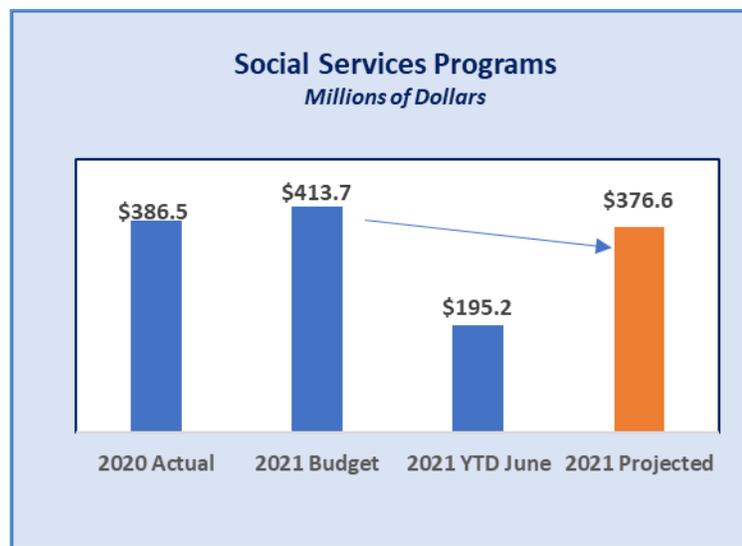
We are forecasting a positive variance to the 2021 Adopted Budget of \$37.1 million in expenditures related to Social Services programs. The primary components of this variance are a projected positive variance of \$13.2 million in Recipient Grants and Purchased Services and a positive variance of \$24.5 million in Medicaid, offset slightly by a shortfall in Emergency Vendor Payments.

Recipient Grants and Purchased Services - These projected savings are a result of less demand for services than what was budgeted. The primary component of Recipient Grants are direct payments to beneficiaries and the primary component of Purchased Services is day care services.

Medicaid - The primary cause of this savings is due to the lower-than-expected payments for indigent cost and County share payments towards Medicaid claims.

Social Services Programs - Millions of Dollars

Category	2020 Actual	2021 Budget	2021 YTD June	2021 Projected	Variance
Recipient Grants	\$42.9	\$50.8	\$17.1	\$39.92	\$10.9
Purchased Service	\$64.0	\$70.4	\$40.5	\$68.1	\$2.3
Medicaid	\$228.5	\$234.9	\$99.4	\$210.4	\$24.5
Emergency Vendor Payments	\$51.1	\$57.6	\$38.2	\$58.2	(\$0.6)
Total	\$386.5	\$413.7	\$195.2	\$376.6	\$37.1



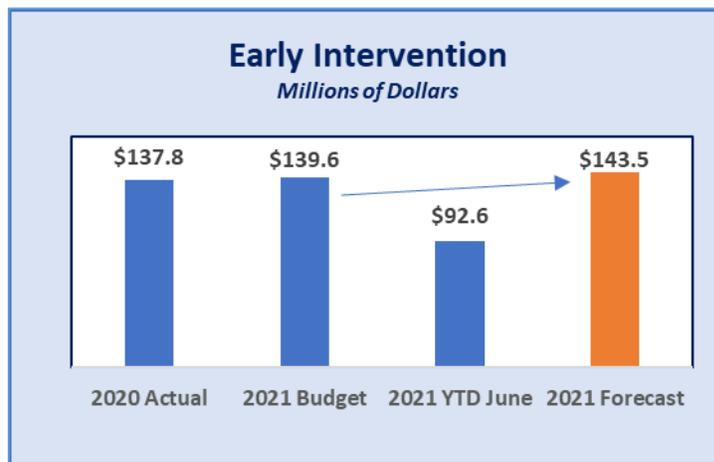
Early Intervention

We project expenditures for Early Intervention will be \$143.5 million, which is \$3.9 million over budget. This negative variance is related to an increase in caseloads resulting in higher than budgeted expenditures for Pre-school (3-5 Years) and Pre-school related services.



Early Intervention - Millions of Dollars

2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$137.8	\$139.6	\$92.6	\$143.5	(\$3.9)



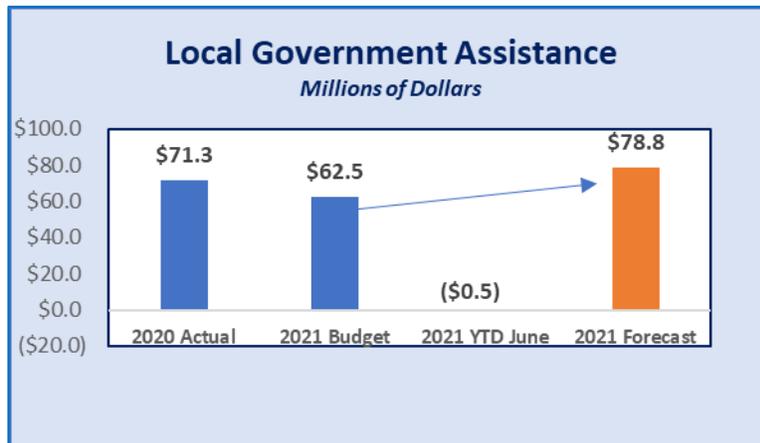
Local Government Assistance

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.

We project that the Local Government Assistance Program will have a shortfall of \$16.3 million due to the higher sales tax projection for 2021. The County shares a portion of sales tax with the County's three towns and two cities, and the villages within the County.

Local Government Assistance - Millions of Dollars

2020 Actual	2021 Budget	2021 YTD June	2021 Forecast	Variance
\$71.3	\$62.5	(\$0.5)	\$78.8	(\$16.3)

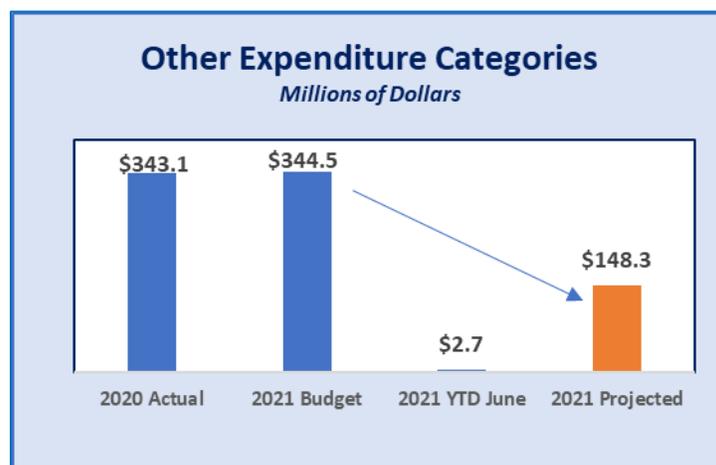


Other Expenditure Categories

Interfund Charges (eliminating) are primarily comprised of the debt service chargebacks received from the Debt Service Fund (part of the General Fund for reporting purposes) to allocate the debt service expenditures reported in the Debt Service Fund among other governmental funds of the County. Due to the savings projected in debt service costs we project a savings in the Interfund charges (eliminating). We project a surplus on this line of approximately \$196.2 million. This surplus offset the \$196.2 million deficit projected in Interfund Revenues (eliminating).

Other Expenditure Categories - Millions of Dollars

Category	2020 Actual	2021 Budget	2021 YTD June	2021 Projected	Variance
Interfund Charges (eliminating)	\$343.1	\$344.5	\$2.7	\$148.3	\$196.2



PROJECTED ENDING GAAP FUND BALANCE

The County's three operating funds ended fiscal year 2020 with a GAAP fund balance of \$345.0 million as reported in the County's *2020 Comprehensive Annual Financial Report*. The projected GAAP fund balance for the three operating funds is estimated to increase the total ending fund balance to \$424.8 million as of December 31, 2021.

The Exhibit below (also shown in the Executive Summary) illustrates the projected changes in fund balance for the ending of fiscal year 2021. The ending GAAP fund balance for the three operating funds is expected to increase by \$79.8 million.

Exhibit 4: 2021 Projected Ending GAAP Fund Balance

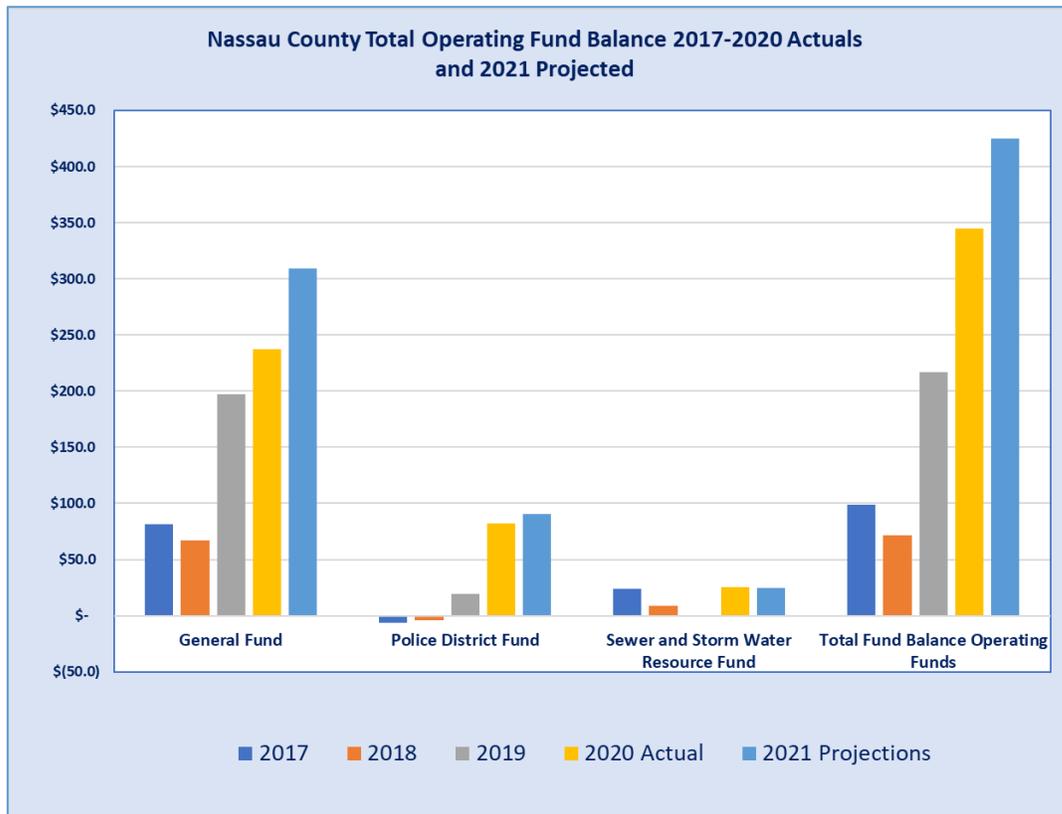
2021 Projected Ending GAAP Fund Balance (\$'s in millions)	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
<i>2020 Ending Fund Balance</i>				
Total Fund Balance (Deficit) as of 12/31/2020	\$237.4	\$82.4	\$25.2	\$345.0
Total Projected Change in Fund Balance (Deficit) FY 2021	\$71.9	\$8.3	(\$0.4)	\$79.8
<i>2021 Projected Ending Fund Balance</i>				
Total Projected Fund Balance at 12/31/2021	\$309.3	\$90.7	\$24.8	\$424.8

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 or based on averages computed using prior year balances. Therefore, these estimates can significantly change depending on how many encumbrances remain unspent and how many encumbrances are spent in the ensuing fiscal year.

Exhibit 5: Historical GAAP Fund Balance 2017-2021 (Projected)



DEBT AND LONG TERM OBLIGATIONS

Through July 2021, the County issued:

- \$155.1 million in bonds to fund various public purposes, including capital projects, to refinance the County’s Bond Anticipation Note, 2020 (renewal) Series A, issued to refinance notes that originally financed various sewer system improvements and other capital projects, and to pay costs of issuance.
- \$108.7 million in TANs Series A;
- \$108.3 million in TANs series B;
- \$108.3 million in RANs series A; and
- \$39.3 million in RANs series B.



The Administration anticipates bonding \$250.0 million in the second half of the year to pay for capital projects as well as various sewer system improvements. The County may substitute BANs for long-term bonds to finance the capital plan, and 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). Exhibit 6 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 2020 fiscal year-end, the total of the County's general obligation bonds and its component units' long-term serial bonds outstanding were approximately \$3.3 billion (including serial bonds and accreted interest of the Nassau County Tobacco Settlement Corporation (NCTS) to which the County has no recourse). The 2021 actual borrowings, along with projected borrowings for the remainder of the year and projected reductions from maturing debt including NIFA's 2021 Series A and B refunding Bonds, will increase the total long-term bonds outstanding by approximately \$260.2 million.

Exhibit 6: Total Projected Long-Term Borrowings

Total Projected Long-Term Borrowings				
(\$'s in millions)				
	As of Dec 31, 2020 Actual	Projected Additions	Projected Reductions	As of December 31, 2021 Estimated
County w/SSW (a)(b)(d)	\$ 2,361.6	\$405.1	\$908.7	\$ 1,858.0
NIFA (d)	369.7	1,110.1	331.2	1,148.6
Sewer and Storm Water Finance Authority (SFA)	99.7	-	12.4	87.3
Tobacco Settlement Corp (c)	492.9	8.2	10.9	490.2
Total	\$ 3,323.9	\$ 1,523.4	\$ 1,263.2	\$3,584.1

(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt.

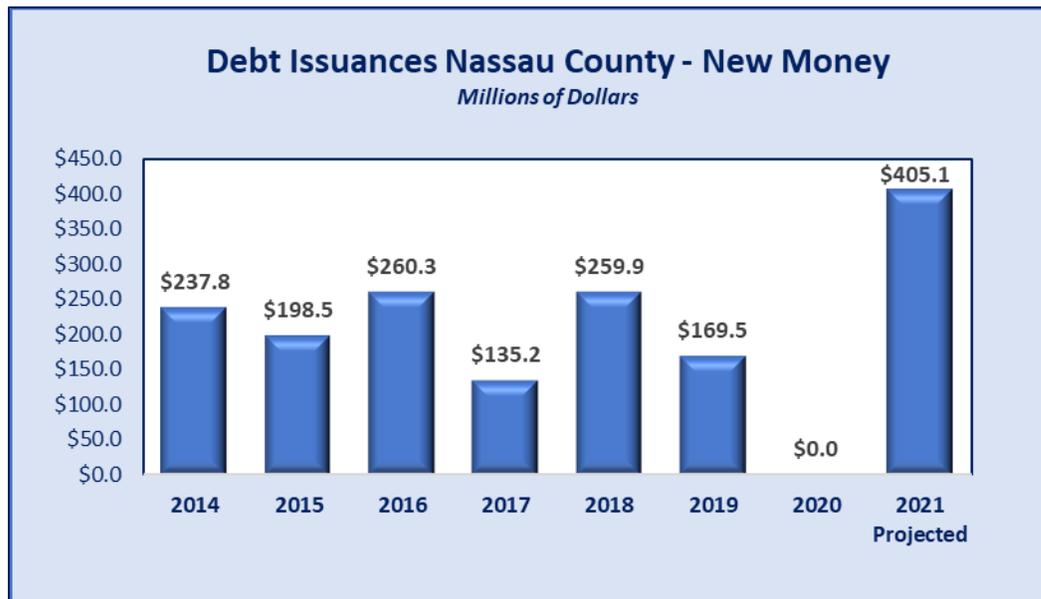
(b) Includes \$50.0 million of bonds projected to be issued in 2021 to be used for Sewer and Storm Water projects.

(c) December 31, 2020 includes accumulated accreted interest of \$93.7 million.

(d) Projected additions and deletions include the NIFA 2021 Series A and B refundings.

Exhibit 7 below illustrates the growth in new money debt issuances. For comparison purposes only with prior year borrowing, the New Money in Exhibit 7 includes borrowings for general improvement bonds, which include sewer district storm-related capital projects. The 2021 projected amount includes \$155.1 million in Bonds issued in April 2021 as well as projected additional bonding of \$250.0 million.



Exhibit 7: Projected Debt Issuances – New Money**Property Tax Refunds (Tax Certiorari)**

As of December 31, 2020, the total property tax certiorari liability was estimated to be \$648.7 million, comprised of:

- \$510.5 million in long-term liabilities:
- \$31.4 million representing liabilities accrued for as of year-end 2020 and expected to be paid in 2021; and
- an estimated \$106.8 million related to the Disputed Assessment Fund (DAF).

The increase over the prior year was primarily due to a higher long-term liability in the government-wide statements and an increase in property tax refunds estimated for commercial property owners, which is expected to be funded through the DAF charges collected from those property owners.

As detailed in the Sales Tax Revenue portion of this report, a new special revenue fund was established in 2020 pursuant to Local Law 12-2020, to be funded with sales tax revenues in excess of specified amounts and any budget line that becomes surplus as a result of the receipt of Federal aid to address the COVID-19 pandemic. Funds transferred to this special revenue account may be used to fully or partially fund tax certiorari settlements and judgments.

The Administration's Updated Multi-Year Financial Plan for the fiscal years 2021-2024, issued in June 2021, no longer reflected any expected borrowing for tax certiorari liabilities in Fiscal Year

2023 or in the future, noting that there are no future borrowings for these costs being contemplated. The 2021 adopted budget included \$30.0 million for tax certiorari expenditures to be paid for in the General Fund and our projections include this amount.

As of July 26, 2021, the DAF had \$177.5 million of assets, with approximately \$86.5 million of refunds paid year-to-date to taxpayers. Additional refunds are expected to be recorded in 2021. At this time, we cannot estimate the DAF charge revenue that may be transferred to the County's General Fund for grievances lost by taxpayers related to 2017 and 2018 collections.

Deferred Pension Expense Amortization Liability

The Employer Contribution Stabilization Program (Chapter 57, Laws of 2010) and the Alternate Contribution Stabilization Program (Chapter 57, Laws of 2013) allowed employers who participate in the NYS and Local Retirement Systems (the Systems) to amortize a portion of the annual pension cost.

- The amortized amount is to be paid in equal installments over a 10-year or 12-year period, depending upon which program was selected.
- Beginning with the NYS retirement invoices due on February 1, 2012 (for the State fiscal year 4/1/2011 to 3/31/2012), the County has opted to defer and amortize a portion of its annual pension bill each year.
- As of December 31, 2020, the County's liability to the Systems for the deferral of annual pension expense totaled \$194 million.
- Based on the projected 2022 pension invoice, of which 75 percent represents costs incurred in the 2021 fiscal year, and assuming the County will opt into the Alternate Contribution Stabilization Program again but not prepay the invoice in 2021, we estimate that the liability as of December 31, 2021 will be \$191.9 million.
- While the deletions to the liability, which represent the installment payments on the previous amortizations taken, are estimated at over \$30 million, due to the economic effects of the COVID-19 pandemic on the markets and increase in the pension costs, the State increased the amount that could be amortized by double the amounts in 2020, thus adding to the projected liability.
- Due to the deferral of the County's pension expenditures opted since 2012, the County is paying more today in pension costs due to the required installment payments for the amounts amortized in the previous years as seen in the Exhibit below.
- In the 2020 fiscal year, the County incurred \$30.4 million more expense (excluding interest) due to installment payments related to the pension costs deferred in the prior years.
- Note that the final liability will be dependent on several factors including, the final pension invoices from the State and the final interest rate on amortization to be taken.

Exhibit 8: Deferred Pension Expense Amortization Liability

DEFERRED PENSION EXPENSE AMORTIZATION LIABILITY				
GAAP Basis				
(\$'s in millions)				
	Balance at beginning of year	Additions	Payments	Balance at end of year
2012	\$ 43.6	\$ 52.2	\$ 5.8	\$ 90.0
2013	90.0	68.0	10.4	147.6
2014	147.6	63.3	15.8	195.1
2015	195.1	46.7	20.8	221.0
2016	221.0	33.1	21.6	232.5
2017	232.5	26.1	23.8	234.8
2018	234.8	17.8	26.4	226.2
2019	226.2	13.0	28.5	210.7
2020	210.7	13.7	30.4	194.0
2021 est. *	194.0	30.0	32.4	191.6

* assumes amortization elected in 2021 with 2022 invoice and no pre-payment.

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 State Public Authorities Law. Under the NIFA Act, the County is prohibited from filing any petition with any United States district court or bankruptcy court for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding. NIFA currently has bonds outstanding through 2025. 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. The major funds are defined in the Act as the General Fund, the Police Headquarters Fund, the Police District Fund, the Fire Commission Fund, and the Debt Service Fund. This is based on the assumption that all revenues and expenditures are reported in accordance with generally accepted accounting principles.

- During a control period, NIFA has the authority to withhold transitional State Aid and is empowered, among other things, to:
- 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.
- Terminate the control period upon finding that no condition exists which would permit imposition of a control period.

Under the Control Period Calculation requirement, which was required by NIFA as a result of an agreement with the County in 2011, the budgetary results of the County's General, Fire Commission, Police Headquarters, Police District, and Debt Service Funds 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 Control Period Calculation for the fiscal year is \$80.5 million.

Exhibit 9 below 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 operating funds (as defined above) exists, thereby triggering a NIFA Control Period.

Exhibit 9: Control Period Calculation

Revenue and Obligations Risks/Opportunities - 2021 Mid-Year Report Reconciled to the Control Period Calculation*	
(\$'s millions)	
Estimated Results on a Budgetary Basis *	\$84.0
Adjustments to reconcile to Modified Accrual Basis	
Net adjustments for to remove the effect of encumbrances	4.0
Use of Fund Balance	-
Net adjustment to record pension expense on a modified accrual basis	(7.1)
Adjustment for cash receipts outside period of availability	(0.5)
Sale of Mitchel Field Leases	1.3
Reversal of prior year on-top GAAP adjustments	(0.4)
Other Estimated GAAP Adjustments	(0.8)
Net Change in Fund Balance on a Modified Accrual Basis	80.5
Less: adjustments included in other financing sources	
Premium on bonds	-
Transfer of revenue from other funds to offset debt expense R1507	-
Operating expense paid with bond proceeds	-
Control Period Calculation Results	<u>\$80.5</u>
* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Commission Fund, & Debt Service Fund (not including sewer debt)	

Exhibit 10: Historical Control Period Calculation

Control Period Calculation 2010 - 2021 (projected)*												
(\$'s millions)	2021 (projected)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net Change in Fund Balance - modified accrual basis	\$80.5	\$103.1	\$138.9	(\$17.4)	(\$58.8)	\$27.1	\$28.0	(\$21.5)	\$48.6	\$24.0	(\$98.0)	\$31.0
Less: adjustments included in other financing sources												
Premium on bonds				2.0		43.8	19.0	4.4	4.0	3.7	6.2	21.3
Borrowed funds to pay Property Tax Refunds			61.1	38.5	0.7	59.0	96.2	126.4	75.0	14.7	21.0	42.5
Borrowed funds to pay Other Judgments								8.3	26.5	20.0	4.6	30.4
Borrowed funds to pay Termination Pay						2.3	26.1	20.1	14.0	33.1	17.7	80.0
Borrowed funds to pay Other Operating Costs			0.2	3.1	3.5							
Transfer of revenue from other funds to offset debt expense	0.0	12.5	0.8	0.2	0.2	5.1	12.0	8.5	2.7	16.6	12.5	1.7
Total other financing sources/uses to be eliminated	0.0	12.5	62.1	43.8	4.4	110.2	153.3	167.7	122.2	88.1	62.0	175.9
Control Period Calculation Results	\$80.5	\$90.6	\$76.8	(\$61.2)	(\$63.2)	(\$83.1)	(\$125.3)	(\$189.2)	(\$73.6)	(\$64.1)	(\$160.0)	(\$144.9)
* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Commission Fund, & Debt Service Fund (not including sewer debt)												



