

Nassau County
Proposed 2024 Budget and
Multi-Year Financial Plan
Review of Risks & Opportunities

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Proposed 2024 Budget and Multi-Year Financial Plan Risks and Opportunities

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**Proposed Nassau County 2024 Budget &
Multi-Year Financial Plan:
Comments on the Risks and Opportunities**



EXECUTIVE SUMMARY

PURPOSE

The Nassau County Charter requires that the Nassau County Comptroller render an opinion as to the reasonableness of the estimates contained in such proposed budget relating to non-real property tax revenues. This report has been prepared pursuant to §402 (8) of the County Charter.

FINANCIAL REPORTING

Accounting Standards and Fund Accounting

The Government Accounting Standards Board (GASB) is an independent, private sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

GAAP refers to a common set of accepted accounting principles, standards, and procedures for financial reporting. GAAP enables the County to comparatively track its performance relative to other municipalities.

Government entities normally derive their income from taxes, user fees, grants or intergovernmental transfers. Fund accounting allows a governing body to achieve fiscal accountability objectives, such as establishing and monitoring how resources are allocated and spent and setting and managing spending limits.

Three Primary Operating Funds

This report by the Office of the Comptroller analyzes the proposed 2024 Budget and Multi-Year Financial Plan (MYP) for the “three primary operating funds”. The three primary operating funds are analyzed to identify potential risks and opportunities to the proposed budget and MYP. The three primary operating funds include the total General Fund¹, the Police District Fund, and the Sewer and Storm Water District Fund, which have different tax bases with activity that represents the daily operations of the County.

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

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Major Budget Revenues and Expenditures

This report reviews the County’s revenue sources and expenditures in the three primary operating funds², focusing on those categories where risks or opportunities have been identified.

STATE OF THE COUNTY

Nassau County’s financial condition is stronger than in prior decades. The County abides by the New York State requirement to approve balanced annual budgets, in which projected revenues equal projected expenditures. Primarily due to the continued strong growth in sales tax revenues, the County has experienced several years of surpluses which the County has used wisely to reduce liabilities and increase necessary reserves.

According to the Standard and Poor’s (S&P) credit rating agency report dated April 11, 2023 “Nassau County’s financial position continues to strengthen through reserve growth and the elimination of a significant portion of its outstanding liabilities... Available reserves for its major operating funds [are expected to] increase to a historic high. The county has also established reserves to fund ongoing tax certiorari appeals, retirement and health care contributions, and employee benefits. In total, reserves will increase, positioning the county over the next couple of years to navigate economic headwinds stemming from inflation, rising mortgage interest rates, and geopolitical uncertainty.”³

S&P continued: “The bond rating’s [AA- rating with a] stable outlook reflects the county’s recent robust operating performance, leading to a substantially improved financial and liquidity position. This is the result of budgetary policies designed to achieve long-term structural balance, along with the county’s commitment to improving reserves.”⁴

Another major accomplishment by the County is the successful negotiation of collective bargaining agreements with four County unions leaving only two unions without current labor contracts; all previous contracts expired December 31, 2017. The most recent agreement approved by the County Legislature and the Nassau County Interim Finance Authority (NIFA) was the collective bargaining agreement with Civil Service Employees Association (CSEA) Local 830, which was approved in September 2023. One contract with the Corrections Officers Benevolent Association (COBA) was recently settled and ratified by the members on October 4, 2023; this contract requires County Legislature and NIFA approval.

² In accordance with GAAP, the General Fund is comprised of the following active County funds: General; Police Headquarters; Fire Commission; Debt Service; Open Space; Technology; Litigation; Employee Accrued Benefit Liability Reserve; Retirement Contribution Reserve; Bond Indebtedness Reserve; Excess Sales Tax Special Revenue Fund; and Opioid Litigation Settlement Fund.

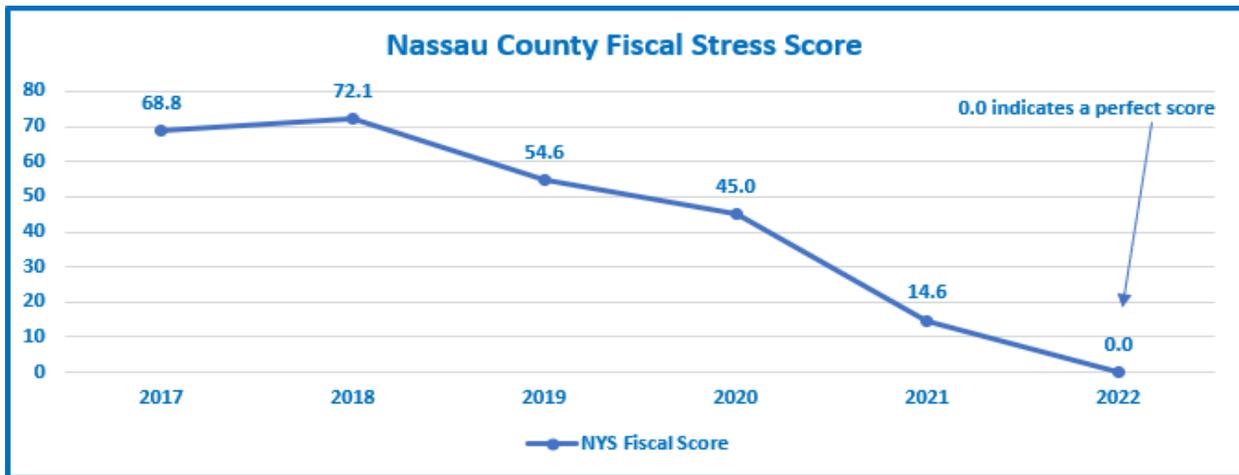
³ Standard and Poor’s Credit Research report dated April 11, 2023, page 2.

⁴ Ibid, page 3

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The Office of the New York State Comptroller announced that it assigned Nassau County a Fiscal Stress score of zero – the best possible result – in its Fiscal Stress Monitoring System (FSMS)⁵, based on 2022 fiscal year results. FSMS is designed to objectively identify issues with budgetary solvency – the ability to generate enough revenue to meet expenditures – for each county, city, town, village and school district in New York. FSMS scores below 45 indicate no fiscal stress or susceptibility to fiscal stress. FSMS assigned a score to Nassau County of 14.6 for fiscal year 2021.

For years prior to fiscal year 2021, the County’s scores indicated various levels of stress or susceptibility to stress.



STATE OF THE ECONOMY

Major issues in the national economy that could affect Nassau County finances are the following:

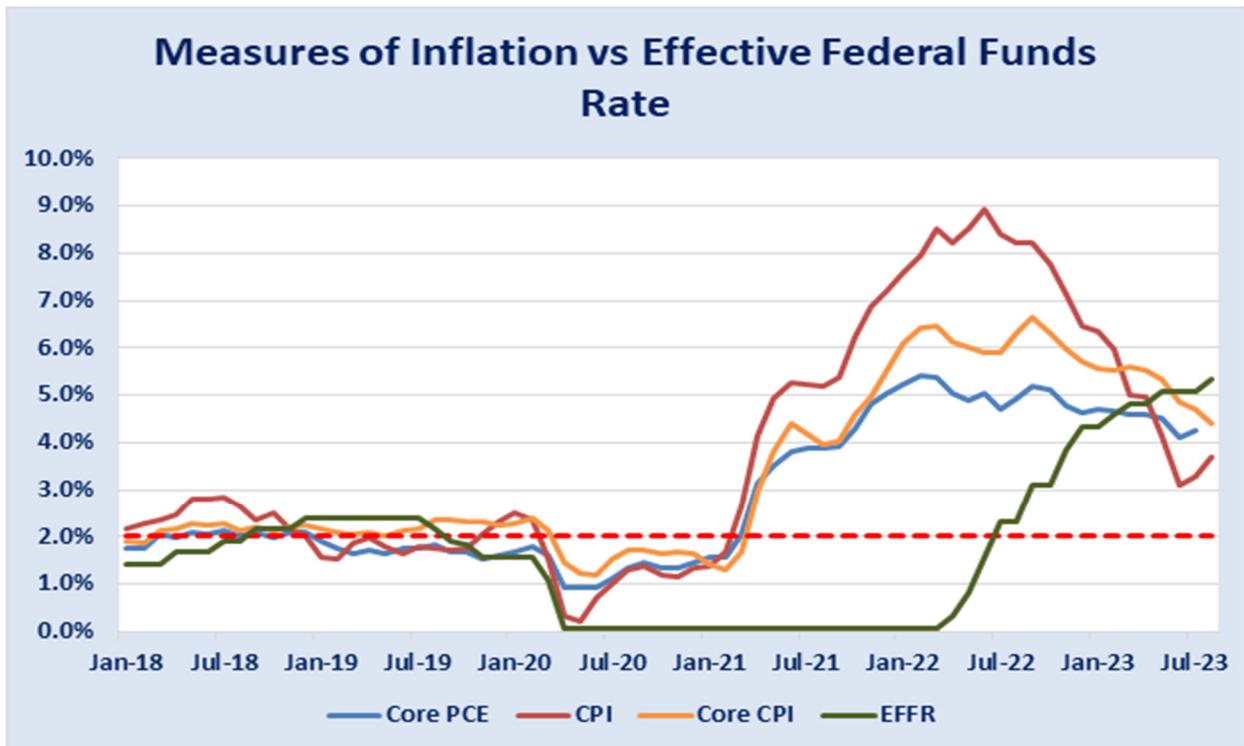
1. Inflation
2. Interest rates
3. Recession
4. Unemployment

Inflation

Inflation has been a major concern since June 2022, when year-over-year inflation measures hit 9.1%. Not only were consumers stressed by increasing prices, but the Federal Reserve Bank (the Fed) began to increase the Effective Federal Funds Rate in an effort to reduce inflation.

⁵ <https://www.osc.state.ny.us/local-government/fiscal-monitoring>

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The graph above compares the monthly year over year changes in the:

- Core Personal Consumption Expenditures Price Index (PCE),
- Consumer Price Index (CPI),
- Core CPI and
- Effective Federal Funds Rate (EFFF).

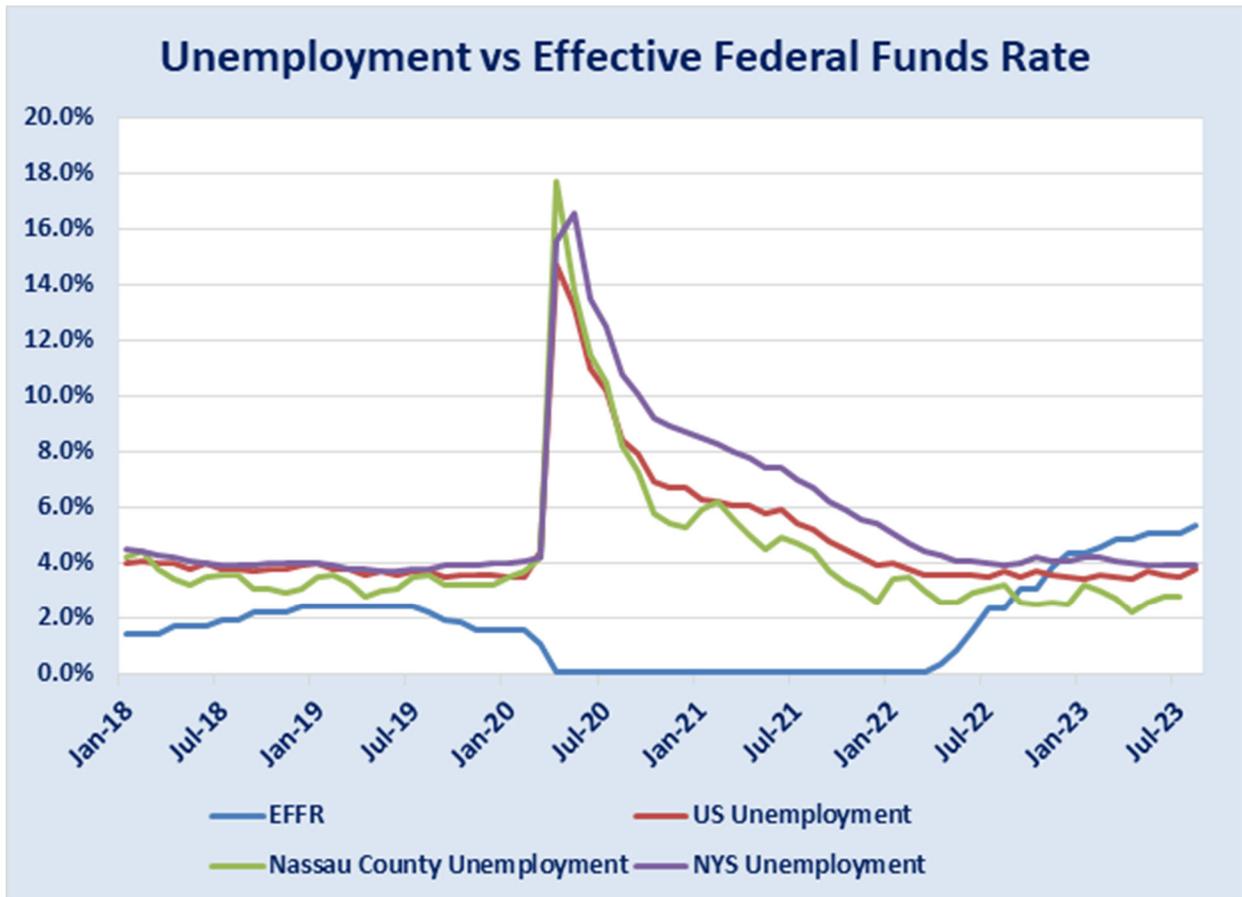
Core CPI and Core PCE exclude food and energy costs due to the price volatility of these goods. Inflation measures dropped with the onset of COVID and then began to significantly exceed pre-pandemic levels in early 2021. The inflation measures began decreasing again in June 2022, after the Fed started increasing the EFFF in March 2022.

Year-Over-Year Change in Consumer Spending in the U.S. 2023								
	Jan 2023	Feb 2023	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023
CPI	6.3%	5.9%	4.9%	4.9%	4.1%	3.1%	3.3%	3.7%
Core PCE	4.7%	4.6%	4.6%	4.6%	4.5%	4.1%	4.2%	3.9%
Core CPI	5.5%	5.5%	5.6%	5.5%	5.3%	4.7%	4.7%	4.4%

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Interest Rates

Due to the rate increases by the Fed to curb inflation to 2%⁶, the EFFR rose from 0.08% in January 2022 to 4.33% in January 2023 and to 5.33% currently. The increase in the EFFR creates higher borrowing costs and could slow spending by consumers and businesses alike. With reductions in spending, employers may reduce their staffing. These factors could result in a recession. The following graph indicates that despite the increases in the EFFR, unemployment has not shown a significant increase except during the pandemic and is now similar to pre-COVID Pandemic levels.



Increases in the EFFR also result in higher mortgage rates. Higher mortgage rates can slow down real estate sales and contribute to a softening of prices. Indeed, the number of Nassau County deeds and mortgages recorded declined in the first eight months of 2023 compared to the same period in 2022, as shown in the following table:

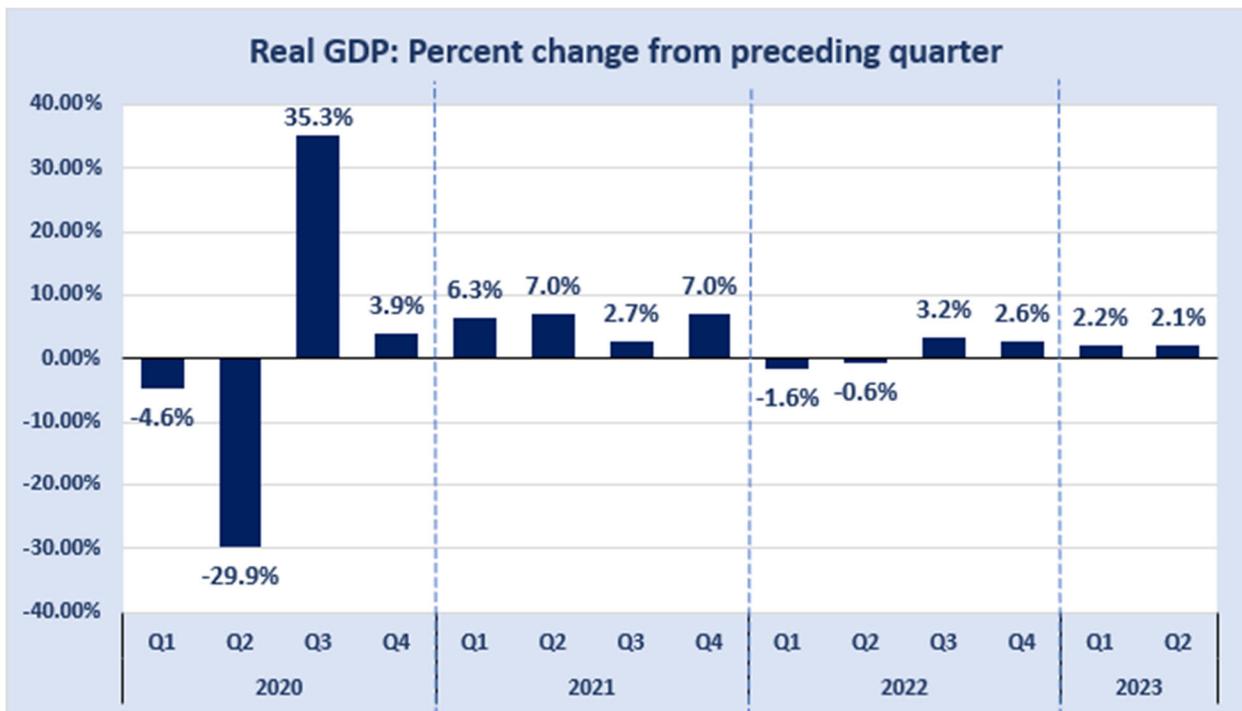
⁶ [Federal Reserve Board - Federal Reserve issues FOMC statement](#)

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Nassau County Deed & Mortgages	August 2023 vs August 2022
Total Deed and Mortgage Transactions YTD # change	-6,986
Total Deed and Mortgage Transactions YTD % change	-30.7%

Recession

Real Gross Domestic Product (GDP)⁷, a lagging indicator of economic conditions, increased at an annual rate of 2.2 percent in the first quarter of 2023 and 2.1 percent in the second quarter. Given these positive changes in the GDP, a recession will not be declared at this time.



Bond yields can provide a leading indicator of economic condition. Normally, long-term bonds pay higher effective yields than short-term notes in exchange for investors tying up their money for longer periods. When investor confidence in the economy declines, short-term securities begin to offer higher yields than long-term securities which creates an inverted yield curve. The inverted yield curve can be a warning sign for the economy. In November 2022, the spread between three-month Treasury bills and 10-year notes became inverted and at the time of this report they remain inverted. In July 2023, expectations of another rate hike by the Fed to tame stubbornly high inflation helped push the yield curve to its deepest inversion since 1981.⁸ Recessions have often

⁷ “Real” GDP is adjusted for inflation, as reported by the Bureau of Economic Advisors

⁸ Ibid

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begun six to 36 months after the curve inverted⁹ but not all inversions of the yield curve have predicted a recession.

Unemployment

The Nassau County unemployment rate in August 2023 was estimated at 3.2%, the same rate as in August 2022,¹⁰ similar to pre-COVID Pandemic levels. The increase in the EFR did not increase unemployment in Nassau County.

Nassau County’s economy is resilient. Nassau County was the 8th richest county in the U.S. in 2022 based on median household income.¹¹ Not only is the Nassau County median household income high, but unemployment and the percent of families below the poverty level are lower than in the U.S. and New York State.

Category	United States	New York State	Nassau County
Median Household Income (2022)	\$74,755	\$79,557	\$136,984
Families Below Poverty Level (2022)	12.6%	14.3%	5.3%
Unemployment Rate (Aug 2023)	3.8%	3.9%	3.2%

The local Nassau County economy provides diverse employment within the County, in more than 18 industries. Reported as of 2022, the industries with the greatest share of employment within the County include Health Care and Social Assistance (23%), Retail trade (12%) and Government (11%). Government employment consisted of 56,761 local, 5,193 Federal, and 3,397 State employees. In addition, 41.1% of employed residents in Nassau County work outside the County.¹²

Expectations for the Future

Several major economic conditions indicate the possibility of a recession. These include inflation, rising interest rates, and geopolitical uncertainty over the next couple of years. The strength of Nassau County’s financial condition and local economy, however, should enable the County to navigate these economic headwinds.

⁹ [US yield curve hits deepest inversion since 1981: What is it telling us? | Reuters](#)

¹⁰ [Bureau of Labor Statistics Data \(bls.gov\)](#) – Unemployment rate for U.S. [Unemployment Rate in Nassau County, NY \(NYNASS9URN\) | FRED | St. Louis Fed \(stlouisfed.org\)](#)

¹¹ [s1903 - Census Bureau Tables](#) - median household income, for Nassau County click “Geos”

¹² [See What the Average Commute is in Nassau County, NY | Stacker](#)

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PROPOSED FISCAL YEAR 2024 BUDGET RISKS/OPPORTUNITIES

Based on the review performed, the Comptroller’s Office estimates that the 2024 Proposed Budget contains approximately \$28.8 million of budgetary opportunity and \$4.0 million opportunity on a GAAP basis¹³. The risks and opportunities are shown in Table 1 and Table 2 below, excluding eliminating interfunds and net of transfers in and out.

Table 1: (Risks) / Opportunities to the 2024 Proposed Budget

(\$ millions)	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
REVENUES				
Sales Tax	\$14.5	\$0.0	\$0.0	\$14.5
Use of Fund Balance	(\$25.0)		(\$21.5)	(\$46.5)
Fines and Forfeitures	(\$14.4)	\$0.0	\$0.0	(\$14.4)
Departmental Revenues	(\$11.0)	\$0.0	\$0.0	(\$11.0)
State Aid	\$3.2		\$0.0	\$3.2
Rents and Recoveries	(\$11.2)	\$0.0	\$0.0	(\$11.2)
Capital Resources for Debt	(\$15.0)			(\$15.0)
All Other (primarily Special Taxes)	\$0.0	\$0.1	\$0.0	\$0.1
Total Revenues	(\$58.9)	\$0.1	(\$21.5)	(\$80.3)
EXPENDITURES				
Payroll, Fringes & Workers' Compensation	\$88.0	\$15.8	\$2.4	\$106.2
Early Intervention	(\$10.8)			(\$10.8)
Social Services	\$1.3			\$1.3
Contractual Expense	\$1.2	\$0.0	\$0.0	\$1.2
Local Government Assistance	(\$0.9)			(\$0.9)
Property Tax Refunds	(\$40.0)			(\$40.0)
General Expenditures	\$1.5	\$0.0	\$1.0	\$2.5
Contingency and All Other	\$39.5		\$10.1	\$49.6
Total Expenditures	\$79.8	\$15.8	\$13.5	\$109.1
Net Transfers In/Out	\$0.0	\$0.0	\$0.0	\$0.0
Total (Risks)/Opportunities	\$20.9	\$15.9	(\$8.0)	\$28.8
Total GAAP Adjustments*	(\$14.3)	(\$8.3)	(\$2.2)	(\$24.8)
Total (Risks)/Opportunities GAAP Basis	\$6.6	\$7.6	(\$10.2)	\$4.0

* do not include adjustments for GASB 87 and GASB 96

¹³ The estimated results are prior the application of any GAAP entries related to GASB 87, *Leases*, and GASB 96, *Subscription Based Information Technology Arrangements* as these entries cannot be estimated at this time.

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Table 2: Estimated GAAP Adjustments for FY 2024

2024 Estimated GAAP Adjustments *	General Fund	Police District Fund	Sewer and Storm Water Fund	Total Operating Funds
Projected Results on a Budgetary Basis	\$20.9	\$15.9	(\$8.0)	\$28.8
Period of availability adjustments	\$0.2	\$0.0	(\$3.6)	(\$3.4)
Pension expenditure adjustment	(\$18.4)	(\$8.5)	(\$0.1)	(\$27.0)
Sale of Mitchel Field Leases	\$1.3			\$1.3
NCC adjustment for termination pay	(\$1.0)			(\$1.0)
Effect of encumbrances adjustment	\$3.6	\$0.2	\$1.5	\$5.3
NET CHANGE IN FUND BALANCE (DEFICIT)	\$6.6	\$7.6	(\$10.2)	\$4.0

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

Below are key assumptions:

- The 2024 Proposed Budget includes \$20.9 million of budgeted costs for the collective bargaining agreements with the County’s two remaining labor unions, COBA and the Investigators Police Benevolent Association (IPBA). COBA’s agreement was ratified by its members on October 4, 2023, however, it has not yet been approved by the County Legislature and NIFA. The IPBA is the remaining union that has not yet negotiated a new collective bargaining agreement. The Comptroller’s Office projections in this report do not include estimates for COBA and IPBA costs, as final agreements may vary to the budgeted amounts and the timing of when new collective bargaining agreements will take effect is not known. Collective bargaining agreements require legislative and Nassau County Interim Finance Authority (NIFA) approval, as well as ratification by union members. It would not be prudent at this time to assume the result of these decisions.
- The 2024 Proposed Budget includes an estimated \$28.1 million budgeted for the 318 vacant positions in the County. The projections in this report do not include a cost for these vacant positions as the methodology used by the Comptroller’s Office is to project using current on-board headcount adjusted for additional police and correctional classes and related attrition.

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The 2024 Proposed Budget does not include an adopted budget for some of the reserve and other funds that are consolidated into the General Fund. As such, and based on discussions with the Budget Office, the projections in this report do not include expenditures in the following funds: Bond Indebtedness Fund (BIF), Retirement Contribution Fund (RCF), Technology Fund (TCF), Open Space Fund (OSF), and the Excess Sales Tax Special Revenue Fund (EST).

The projections do include expenditures in the:

- Litigation Fund (LIT), even though there is no adopted budget proposed for 2024; it is expected that tax certiorari payments, litigation costs and longevity payments to employees, will be paid from this fund in 2024.
- Opioid Litigation Settlement Fund (OLS), which is included in the 2024 Proposed Budget, accounts for use of fund balance for contractual costs.
- The Employee Accrued Benefit Liability Fund (EBF), which is included 2024 Proposed Budget, proposed the use of \$10 million of fund balance to fund Police District Fund termination payments in 2024.

Further Analysis of the individual risks and opportunities can be found beginning on page 11.

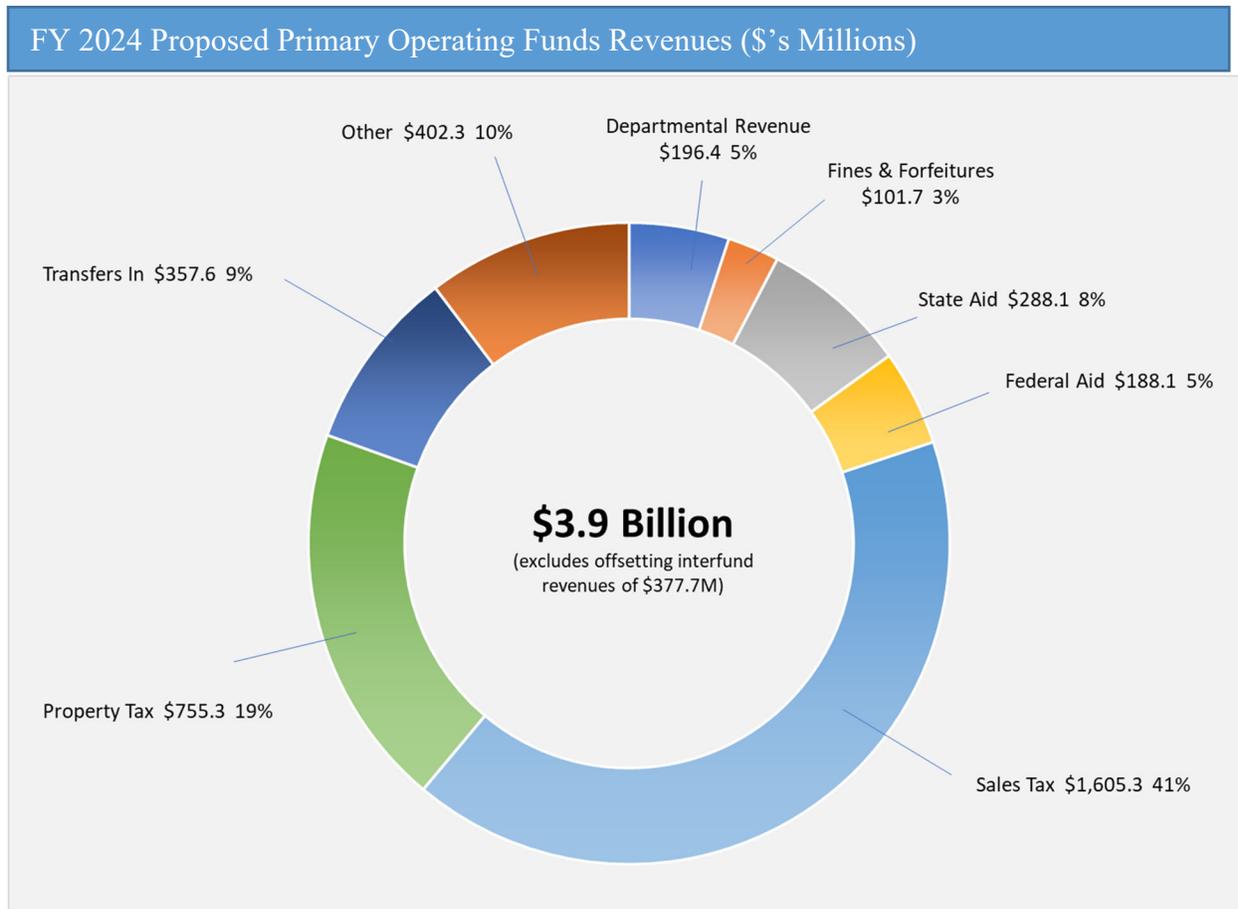
DISCUSSION OF REVENUES: (RISKS) / OPPORTUNITIES

This section discusses significant revenue risks and opportunities presented in the fiscal year 2024 Proposed Budget.

PRIMARY FUNDS REVENUE COMPOSITION

Sales Tax is the major revenue source for Nassau County, accounting for \$1.6 billion or 41% of revenue, followed by Property Tax at \$755.3 million or 19%, State and Federal Aid at \$476.2 million or 13% and Departmental Revenues at \$196.4 million or 5%.

Chart 1: 2024 Proposed Budget Primary Operating Funds Revenues



***Note:**

Other includes: Non-offsetting Interfund Revenues (\$78.4 million), Use of Fund Balance (\$46.5 million), PILOTs (\$53.0 million), Rents and Recoveries (\$35.3 million), Interest Penalties on Taxes (\$32.5 million), Special Taxes (\$31.9 million), Permits and Licenses (\$19.5 million), OTB Video Lottery Terminals (\$20.0 million), Revenue Offsets of Expense (\$23.4 million), Investment Income (\$42.0 million), and Capital Resources (\$19.9 million).

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Sales Tax | Budget Opportunity \$14.5 million

The Comptroller’s Office projects a \$14.5 million opportunity for Sales Tax revenue in the 2024 Proposed Budget, or a 1% growth in sales tax collections over the 2023 Comptroller’s Office mid-year projections.

Sales Tax, at 41% of 2024 budgeted revenues (net of offsetting interfund revenues), is the County’s largest revenue source and is highly correlated to economic conditions.

Table 3: Sales Tax (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller’s Mid-Year Forecast	Proposed Budget	Comptroller’s Forecast	Budget Opportunity
\$1,504.3	\$1,587.5	\$1,605.3	\$1,619.8	\$14.5

2024 SALES TAX PROJECTIONS

The 2024 Proposed Budget includes sales tax revenue of \$1,619.8 million, or \$14.5 million projected over budget. 2024 sales tax collections as proposed in the budget are flat to the Comptroller’s Office mid-year projections. See Table 4 below.

The average growth rate in sales tax revenue for the fiscal years 2015-2019 and 2022 was 3.43%. The 2024 Proposed Budget assumes a conservative growth rate of 1.1% over the Comptroller’s mid-year projection for fiscal year 2023.

It is important to note that sales tax collections are what the County receives from the State. County sales tax revenue is reported as collections net of adjustments for Part County deferred revenue. For further information on Part County sales tax, please see Appendix B.

Table 4 below illustrates the differences between sales tax collections and sales tax revenue.

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Table 4: Sales Tax by Collections and Revenue (\$ Millions)

	FY 2022	FY 2023	FY 2024		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
Sales Tax Collections	\$1,531.7	\$1,576.8	\$1,577.9	\$1,593.7	\$15.8
Prior Year Part County	\$0.0	\$21.3	\$27.4	\$27.4	\$0.0
Less: Current Year Part County	(\$27.4)	(\$10.6)	\$0.0	(\$1.3)	(\$1.3)
Total Sales Tax Revenue	\$1,504.3	\$1,587.5	\$1,605.3	\$1,619.8	\$14.5

Because sales tax revenue is very economically sensitive, Table 5 below outlines several scenarios based on varying growth rates over the 2024 sales tax projections. The projection for 2024 sales tax revenue in this report is denoted in the shaded column “2024 Projection”.

Table 5: 2024 Sales Tax Revenue Scenarios – (\$ Millions)

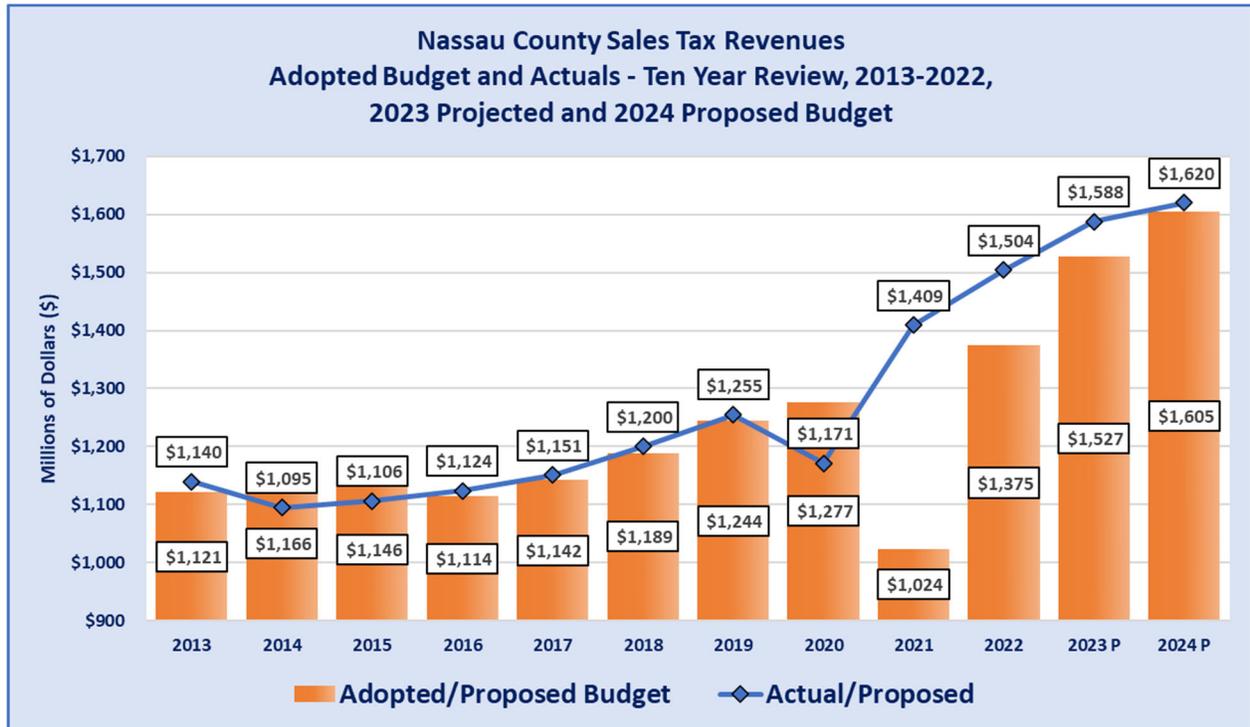
<i>in \$ millions</i>						
2024 Sales Tax Revenue Scenarios	2024 Projection -3%	2024 Projection -2%	2024 Projection -1%	2024 CO Projection*	2024 Projection +2%	2024 Projection +3%
Projected Total Sales Tax	\$ 1,573.3	\$ 1,589.2	\$ 1,605.1	\$ 1,619.8	\$ 1,649.2	\$ 1,663.8
2024 Proposed Budget	\$ 1,605.3	\$ 1,605.3	\$ 1,605.3	\$ 1,605.3	\$ 1,605.3	\$ 1,605.3
Difference from Budget	\$ (32.0)	\$ (16.1)	\$ (0.2)	\$ 14.5	\$ 43.9	\$ 58.5
% Difference from Budget	-2.0%	-1.0%	0.0%	0.9%	2.7%	3.6%

* 2024 CO Projection = 2023 CO Mid-Year Report projection + 1% growth on sales tax collections

The Chart below depicts, by fiscal year beginning in 2013, actual sales tax revenue reported and the adopted budget, with projections for 2023 and 2024 actual revenues, and the 2024 Proposed Budget.

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Chart 2: Sales Tax Collections (\$ Millions) – Actuals & Projected



Use of Fund Balance | Budget Risk \$(46.5) million – GAAP impact \$0.0

The Comptroller’s Office projects Use of Fund Balance with a risk of \$46.5 million, \$15.0 million in the Opioid Litigation Settlement Fund, \$10 million in the Employee Benefit Accrued Liability Reserve Fund (both components of the General Fund) and \$21.5 million in the Sewer and Storm Water District Fund. Since Use of Fund Balance is not a revenue source, it has been excluded from the projections in this report.

Note: On a GAAP basis, use of fund balance is not a revenue source and thus, it has no effect on GAAP results.

Table 6: Use of Fund Balance (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller’s Mid-Year Forecast	Proposed Budget	Comptroller’s Forecast	Budget Risk
\$13.0	\$0.0	\$46.5	\$0.0	(\$46.5)

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Fines and Forfeitures | Budget Risk (\$14.4) million

The projections for Fines and Forfeitures anticipates a risk of \$14.4 million. This risk is primarily attributed to \$9.8 million of risk in the Traffic and Parking Violations Bureau (TPVA), related to TPVA Fines and traffic violation administrative fees, and a \$2.6 million risk for Red-Light Camera fines and Red-Light Camera Administrative Fees. The projections are based on historical trends.

There are additional risks of \$0.5 million for Boot & Tow fines since the reinstatement of the program has not yet occurred, and \$1.5 million risked for the new proposed School Bus Camera revenues, due to a delay in the program.

Table 7: Fines and Forfeitures – (\$ Millions)

Category	FY 2022	FY 2023	FY 2024		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
Red Light Cameras & Admin Fees	\$42.7	\$43.9	\$48.1	\$45.5	(\$2.6)
Public Safety	\$25.3	\$24.5	\$23.5	\$23.5	\$0.0
Boot & Tow	\$0.0	\$0.0	\$0.5	\$0.0	(\$0.5)
School Bus Camera	\$0.0	\$0.5	\$3.0	\$1.5	(\$1.5)
Other Fines and Forfeitures	\$13.9	\$15.8	\$26.6	\$16.8	(\$9.8)
Total Fines and Forfeitures	\$81.9	\$84.7	\$101.7	\$87.3	(\$14.4)

Departmental Revenue | Budget Risk (\$11.0) million

The 2024 Proposed Budget includes \$11.0 million of estimated risk in Departmental Revenues primarily comprised of the following:

- Assessment Department revenue from the Income and Expense Law of \$5.0 million. The litigation surrounding these fees remains adjudicated, therefore, the total estimated in the Proposed Budget is being risked.
- GIS map verification fees in the County Department of Assessment are projected to be lower than estimated in the 2024 Proposed Budget (\$4.0 million), primarily due to the reduction in the fee to \$270 and slowing of the real estate sales.
- Ambulance fees in the Police Department Headquarter are projected to be \$2.0 million lower than the 2024 Proposed Budget due to the year over year collection trend.

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Table 8: Departmental Revenues – (\$ Millions)

Category	FY 2022	FY 2023	FY 2024		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
GIS Tax Map Verification Fees	\$38.4	\$21.0	\$25.0	\$21.0	(\$4.0)
Mortgage & Deed Recording Fees	\$43.1	\$26.9	\$27.0	\$27.0	\$0.0
Bus Farebox	\$27.5	\$29.5	\$30.7	\$30.7	\$0.0
Revenue from Income and Expense Law	\$0.0	\$0.0	\$5.0	\$0.0	(\$5.0)
Ambulance Fees	\$20.4	\$22.0	\$24.0	\$22.0	(\$2.0)
Other Departmental Revenue	\$80.0	\$82.8	\$84.7	\$84.7	\$0.0
Total Departmental Revenue	\$209.4	\$182.2	\$196.4	\$185.4	(\$11.0)

State Aid | Budget Opportunity \$3.2 million

The Comptroller’s Office projects a \$3.2 million opportunity for State Aid revenue in the 2024 Proposed Budget. The opportunity is related to State Aid reimbursement for Pre-School services which are projected to increase due to an increase in related program expenditures. Although the County is pursuing legislation to cap or mitigate the local cost of preschool services, the legislation has not yet materialized, therefore the County’s cost will continue to increase, leading to an increased opportunity for State Aid reimbursement. The County’s State Aid reimbursement for pre-school and related services is 59.5%.

Table 9: State Aid (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
\$261.8	\$280.6	\$288.2	\$291.4	\$3.2

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Rents and Recoveries - Sale of County Property | Budget Risk (\$11.2) million

The 2024 Proposed Budget includes a risk of \$11.2 million in Rents and Recoveries. The 2024 Proposed Budget includes \$4.2 million for the sale of County property, however, at the time of this report, we are not aware of any closing dates for any specific properties for sale in fiscal year 2024. The recovery of prior year disencumbrances is projected to be lower than budgeted (\$7.0 million). 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.

Table 10: Rents and Recoveries and Sale of County Property– (\$ Millions)

Category	FY 2022	FY 2023	FY 2024		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
Sale of County Property	\$3.9	\$0.3	\$4.2	\$0.0	(\$4.2)
Recovery of Prior Year Appropriations:					
Disencumbrances	\$11.4	\$2.3	\$7.0	\$0.0	(\$7.0)
Other Recoveries	\$2.8	\$0.0	\$3.4	\$3.4	\$0.0
Sands Revenue	\$0.0	\$54.0	\$5.9	\$5.9	(\$0.0)
Other Rents and Recoveries	\$19.7	\$18.0	\$14.7	\$14.7	\$0.0
Total Rents and Recoveries	\$37.8	\$74.6	\$35.2	\$24.0	(\$11.2)

Capital Resources for Debt | Budget Risk (\$15.0) million

The 2024 Budget proposes \$15.0 million in revenue from unspent bond proceeds from completed capital projects. When a capital project is complete and all obligations have been paid, the capital project can be submitted to be permanently closed. Any unused cash in the closed project can be used to pay debt service. The Comptroller's Office is risking the \$15.0 million since details regarding the projects that are considered complete with unused cash have not been provided and reviewed to date. If projects are identified and reviewed for available unspent cash proceeds, some or all of the risk may be mitigated.

Table 11: Capital Resources for Debt (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
\$3.0	\$2.1	\$19.9	\$4.9	(\$15.0)

DISCUSSION OF EXPENDITURES: (RISKS) / OPPORTUNITIES

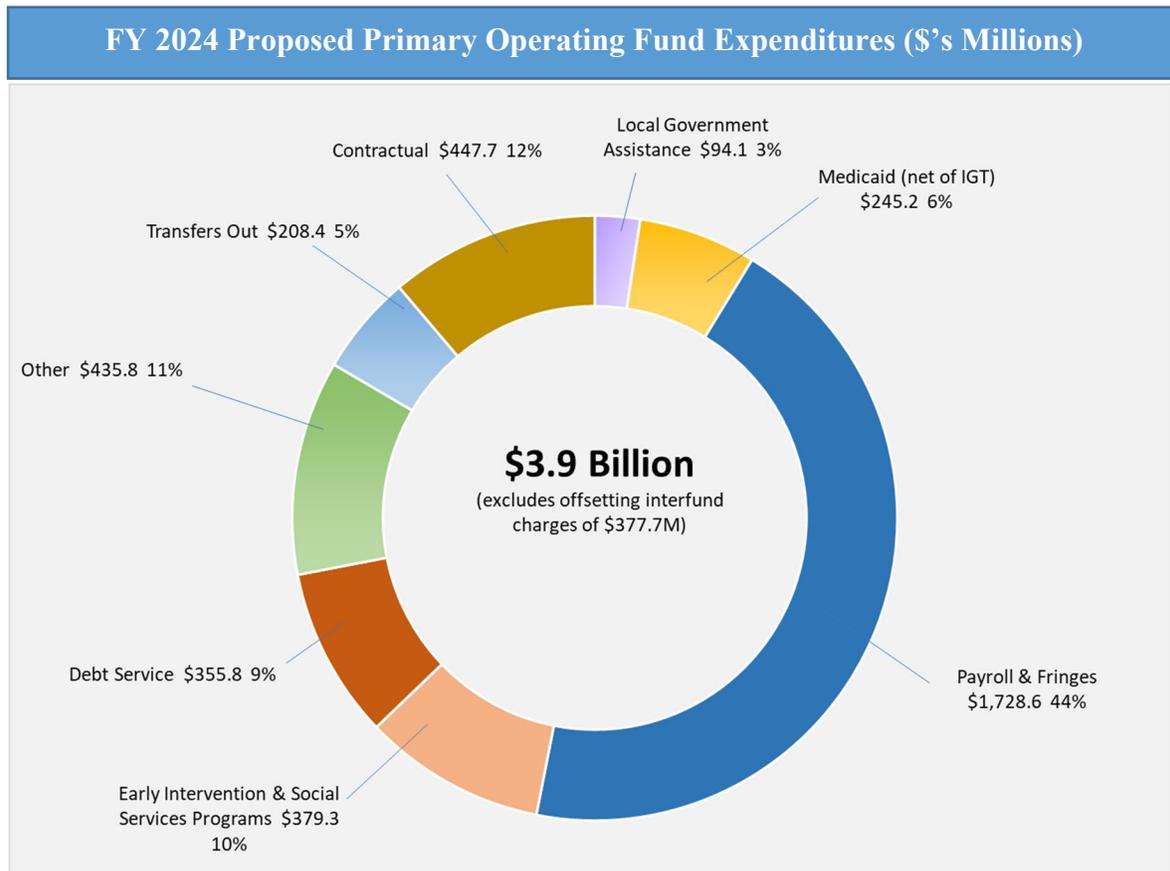
This section discusses significant expenditure risks and opportunities presented in the fiscal year 2024 Proposed Budget.

PRIMARY FUNDS EXPENDITURE COMPOSITION

Major Expenditure Categories

Payroll and fringe benefits, at 44% or \$1.7 billion is the County’s greatest expenditure, followed by Contractual Services at 12% or \$447.7 million, total Debt Service at 9% or \$355.8 million, Early Intervention and Social Service Programs at \$379.3 million or 10% and Medicaid at \$245.2 million or 6%.

Chart 3: Proposed Primary Operating Funds Expenditures



***Note: Other includes:** Non-offsetting interfund charges (\$64.5 million), Mass Transportation (\$51.8 million), Utilities (\$49.4 million), Claims and Judgments (\$45.4 million), Property Tax Refunds (\$40.0 million), General Expenditures (\$56.6 million), Rental Expenditures (\$16.7 million), Contingency reserve (\$39.5 million), FIT and Non-Resident Tuition (\$16.8 million), Legal Aid Society (\$9.3 million), Bar Association (\$17.4 million), Variable Direct Expenses (\$5.3 million), Equipment purchases (\$8.6 million), NIFA expenditures (\$2.8 million), and various other (\$11.7 million).

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Payroll, Fringe Benefits and Workers' Compensation | Budget Opportunity \$106.2 million

Payroll, fringe benefits, and workers' compensation expenditures are projected to have a combined surplus of \$106.2 million when compared to the 2024 Proposed Budget.

The 2024 Proposed Budget includes a total of \$1,728.5 million related to payroll, fringe benefits and workers' compensation expenses combined. Variances to the Comptroller's Office 2024 projections are detailed below:

Table 12: Payroll, Fringe Benefits and Workers' Compensation (\$ Millions)

	FY 2022	FY 2023	FY 2024		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
Payroll excluding OT & Termination Pay	\$784.6	\$779.1	\$908.4	\$810.6	\$97.8
Overtime	\$109.5	\$112.1	\$81.1	\$101.6	(\$20.5)
Termination Pay	\$37.6	\$40.6	\$49.2	\$43.8	\$5.4
Total Payroll	\$931.7	\$931.8	\$1,038.7	\$956.0	\$82.7
Fringe Benefits	\$747.1	\$659.5	\$651.8	\$628.3	\$23.5
Workers' Compensation	\$36.7	\$37.2	\$38.0	\$38.0	\$0.0
Total Payroll, Fringe Benefits and Workers' Compensation	\$1,715.5	\$1,628.5	\$1,728.5	\$1,622.3	\$106.2

The 2024 Proposed Budget assumes a full-time headcount of 7,542, an increase of 4.4% or 318 personnel from the current on-board headcount of 7,224 as of September 7, 2023. The estimated value of the 318 budgeted full-time positions is \$28.1 million.

The increase in budgeted headcount year-over-year includes funding for additional staffing primarily in areas of Public Safety to continue to address the impact of criminal justice reforms, which include the Sheriff's Department, the District Attorney, the Police, Correctional and Probation Departments. Classes of new police and correctional officers are included to offset attrition, assist in mitigating future overtime costs, and manage the impact of Criminal Justice Reform passed by New York State, on the County. Other areas requiring increases in headcount include Social Services, Health Department and Human Services due to an increase in use of these services by County residents.

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Major Assumptions:

Collective Bargaining Agreements (CBAs): The County entered into new labor agreements with the Police Detectives Association (DAI) in December 2019, the Superior Officers Association (SOA) in November of 2020 and the Police Benevolent Association (PBA) in February of 2023, which cover the years 2018-2026. A new labor agreement with the Civil Service Employees Association (CSEA) was approved in September 2023 and spans years 2018-2030. Similar to the 2024 Proposed Budget all related contractual wage increases, retroactive payments, non-recurring lump sum payments and cost of living adjustments have been included in our 2024 salary forecast.

The County's collective bargaining agreements with the remaining labor unions, Correction Officers Benevolent Association (COBA) and the Investigators Police Benevolent Association (IPBA) have expired as of December 31, 2017, and new agreements are still in negotiations. The 2024 Adopted Budget includes funding for the estimated impact of the open collective bargaining agreements (COBA and IPBA). The budget states that the estimated impact is consistent with the pattern established under the four ratified agreements (PBA, DAI, SOA and CSEA) and includes adjustments retroactive to the expiration of the previous contracts. The Comptrollers' office forecast does not include any costs related to the pending labor agreements as the timing and terms of any agreements reached with the unions can vary significantly.

Step Increases and Cost of Living Adjustments: The Comptrollers' Office forecast includes all scheduled step increases and cost of living adjustments (COLAs) consistent with recently ratified labor contracts (DAI, SOA, PBA and CSEA) and the 2024 budget as proposed. For COBA and IPBA the Comptroller's Office forecast only includes scheduled employee step increases as union contracts are still in negotiations and any signed contracts would require both County Legislative and NIFA approvals to become effective.

Workers' Compensation: In 2019, New York State eliminated its workers' compensation (second injury) long-term liability to the County, which estimated the cost of reimbursing the County for certain categories of injured workers. Instead, the State offered, and the County accepted, a discounted upfront payment of its estimated liability when the County agreed to assume that long-term liability, which was established to pay the injured employees over a span of approximately 20 years. The County received a lump sum of \$15 million as the discounted value of the long-term liability, which the State estimated at \$19 million. The Administration began using the \$15 million in 2020 to settle current workers' compensation claims. The County may also use a portion of these proceeds to settle an additional number of long-term claims at a reduced cost. The \$15 million is being reported in the Litigation Fund, a component fund of the General Fund, however, the projections do not include any expenditures paid using these funds.

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PAYROLL EXPENSE (EXCLUDING OVERTIME AND TERMINATION)

The Comptroller's Office projects a surplus in payroll of \$97.8 million excluding termination pay and overtime costs. Potential savings identified in this category include:

- Labor contract assumptions which have been included in the 2024 Proposed Budget for \$20.9 million (include retroactive pay and COLA payments), for COBA and IPBA have not been included in the Comptroller's forecast as these contracts are still in negotiations and not final.
 - The table below illustrates the cost of the COBA agreement in the 2024 Proposed Budget (in millions of dollars).

	FY 2024
COBA contract	Proposed Budget
Retroactive pay	\$12.2
COLA	\$7.0
Bundle pay	\$0.4
Total	\$19.6

- The 2024 Proposed Budget continues to fund approximately 318 vacant positions estimated at \$28.1 million for all the County's primary operating funds. Savings can also be achieved if budgeted positions remain vacant or there are delays in hiring into the year.
- Potential savings of \$10.2 million have been identified in Part time / Seasonal personnel in the General Fund which includes budgetary increases not supported by current trends and anticipated increases in headcount.

In 2022, the Administration reserved \$100 million in the County's Litigation Fund (a component of the General Fund) to absorb the current year retroactive longevity payments related to the 2022 Settlement. The remaining funds reserved in the Litigation Fund are expected to be used by the Administration in 2023 and in the multi-year plan through 2027 to alleviate longevity expenses until the full amount reserved has been depleted or four years from the date of the settlement, whichever is first.

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Table 13: Payroll Expenditures excluding Termination Pay and Overtime (\$ Millions)

Fund	FY 2022	FY 2023	FY 2024		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
General Fund:					
General Fund*	\$365.1	\$331.9	\$424.3	\$356.8	\$67.5
Police Headquarters Fund	\$200.6	\$211.9	\$231.1	\$213.1	\$18.0
Fire Commission Fund	\$7.6	\$8.5	\$11.6	\$9.5	\$2.1
TOTAL GENERAL FUND	\$573.3	\$552.3	\$667.0	\$579.4	\$87.6
Police District Fund	\$204.6	\$220.6	\$233.9	\$225.3	\$8.6
Sewer & Storm Water Fund	\$6.7	\$6.2	\$7.5	\$5.9	\$1.6
Total	\$784.6	\$779.1	\$908.4	\$810.6	\$97.8

* includes Litigation fund and Employee Benefit Accrued Liability Reserve fund

FRINGE BENEFITS

The Comptroller's Office projects a positive variance of \$23.5 million in fringe benefits when compared to the 2024 Proposed Budget total of \$651.8 million for this expenditure category.

The Comptrollers' Office is projecting a total of \$628.3 million for this category resulting in a surplus of \$23.5 million when compared to the 2024 Proposed Budget. The primary fringe benefit savings have been identified in the following categories:

- \$16.3 million related to FICA expense due to vacant positions;
- \$3.7 million in Medicare reimbursement costs with trends remaining steady over the last 3 years; and
- \$2.5 million pertaining to budgeted pension expense.

Also included in the 2024 Proposed Budget are \$7.8 million in potential savings related to the union contracts that is calculated as a 2.5% employee contribution to health insurance for the following unions: PBA, DAI and SOA based on the newly ratified collective bargaining agreements. These savings have been included in the 2024 Comptroller forecast as well. In relation to the CSEA union contract, savings resulting from the health insurance coverage being converted to a lower premium Excelsior program have also been included in both the Proposed Budget and the Comptrollers' Office forecast.

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Table 14: Fringe Expenditures (\$ Millions)

Fund	FY 2022	FY 2023	FY 2024		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
General Fund:					
General Fund*	\$364.8	\$279.9	\$273.2	\$268.3	\$4.9
Police Headquarters Fund	\$213.1	\$172.8	\$187.0	\$181.9	\$5.1
Fire Commission Fund	\$8.8	\$6.5	\$7.5	\$7.0	\$0.5
TOTAL GENERAL FUND	\$586.7	\$459.2	\$467.7	\$457.2	\$10.5
Police District Fund	\$150.4	\$193.5	\$177.9	\$165.7	\$12.2
Sewer & Storm Water Fund	\$10.0	\$6.8	\$6.2	\$5.4	\$0.8
Total	\$747.1	\$659.5	\$651.8	\$628.3	\$23.5

* includes Litigation fund and Employee Benefit Accrued Liability Reserve fund

WORKERS' COMPENSATION

The Comptroller's Office projections agree that there is adequate funding provided in the 2024 Proposed Budget for workers' compensation expenditures in 2024 totaling \$38.0 million, for all the primary operating funds combined. Maximum weekly indemnity payments calculated by the New York State Department of Labor have increased over 2% when compared to the previous year. The increase to the 2024 Proposed Budget reflects the impact of the growth rate.

Of the \$15 million received from New York state (Second Injury Fund Settlement) which eliminated the cost of reimbursing the County for certain categories of injured workers, \$14.0 million is still available for use by the Administration to manage workers' compensation expense in 2024 and in future years.

TERMINATION PAY

The 2024 budget as proposed sufficiently funds the County's anticipated termination expense at a total of \$49.2 million for the three primary operating funds combined. The 2024 Proposed Budget will fund termination pay for up to approximately 120 sworn officers totaling \$35.4 million for the police funds, comprised of \$5.8 million in Police District, \$10.0 million appropriated in the EBF Fund specific to the Police District Fund only, and \$19.6 million in Police Headquarters. The Comptroller's Office is forecasting up to 100 sworn officers retiring in 2024 totaling \$30.0 million.

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Table 15: Termination Pay (\$ Millions)

Fund	FY 2022	FY 2023	FY 2024		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
Police District Fund	\$8.0	\$7.9	\$5.8	\$5.8	\$0.0
Police Headquarters Fund	18.9	18.5	19.6	20.6	(\$1.0)
Employee Benefit Fund	0.0	0.0	10.0	3.6	\$6.4
Other	10.7	14.2	13.8	13.8	\$0.0
Total	\$37.6	\$40.6	\$49.2	\$43.8	\$5.4

OVERTIME EXPENDITURES

Based on current expenditure trends, overtime for the operating funds is expected to be underfunded by potentially \$20.5 million when compared to the 2024 Proposed Budget.

Keeping in line with the Administration’s targeted headcount of approximately 2,500 sworn officers within Police District and Police Headquarters, the 2024 Proposed Budget includes funding for two additional classes to begin the Police Academy in 2024 of up to 75 recruits each. Our projections include these police classes as well.

Classes have also been included in the Comptroller’s Office 2024 projections for the Correctional Center in line with the 2024 Proposed Budget, two classes of up to 40 correctional officers each. Beginning in 2020, the County began to see a decrease in inmate population. This decline in inmate population is related to recent Criminal Justice Reform passed by New York State that eliminated cash bail for many types of misdemeanor and non-violent felonies and referred inmates awaiting trial to the Probation Department for electronic bracelet monitoring until they appear in court. The hiring of the new classes along with the decline in inmate population have resulted in a decline in overtime expense beginning in 2023.

Although the 2024 Proposed Budget increased the total budget for overtime by \$1.8 million for all funds, this represents an increase of only 2.2% over the overtime in the 2023 Adopted budget. Current 2023 trends are forecasting anticipated shortages in this category of up to \$28.3 million. While the Administration feels that a reduction in overtime is achievable in 2024 due to the new classes of police and correctional officers, a 2.2% increase in the overtime budget over 2023 will not be sufficient for total overtime expenses based on current trends. Overtime expense budgeted for 2024 for the primary operating funds combined totals \$81.1 million. The Comptroller’s Office forecasts overtime expenses for 2024 at \$101.6 million. Notwithstanding the initiatives mentioned above, the projections still anticipate a combined shortfall of approximately \$11.2 million in overtime expenditures for the two police funds, of which \$5.0 million is projected for the Police District Fund, \$6.2 million in the Police Headquarters Fund

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and up to \$10.7 million for the Correctional Center, offset by potential savings projected of \$1.4 million for other departments within all other funds combined.

Table 16: Overtime (\$ Millions)

Fund	FY 2022	FY 2023	FY 2024		
	Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget (Risk) Opportunity
Police District Fund	\$24.8	\$26.7	\$22.0	\$27.0	(\$5.0)
Police Headquarters Fund	\$34.9	\$37.7	\$26.8	\$33.0	(\$6.2)
Other	\$49.8	\$47.7	\$32.3	\$41.6	(\$9.3)
Total	\$109.5	\$112.1	\$81.1	\$101.6	(\$20.5)

Early Intervention – Pre-School Programs | Budget Risk (\$10.8) million

The Comptroller’s Office projects a risk of \$10.8 million in the 2024 Proposed Budget in the category of Early Intervention/Pre-School program expenses. Due to the anticipated increase in rates by State Education Department, the exponential growth of the program and based on historical trend, the 2024 Proposed Budget is projected not to have enough funding to cover expenditures in the area of Pre-School education category.

Table 17: Early Intervention/Pre-School Programs (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
\$163.1	\$164.4	\$162.8	\$173.6	(\$10.8)

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Proposed 2024 Budget and Multi-Year Financial Plan Risks and Opportunities

Social Services Programs | Budget Opportunity \$1.3 million

The Comptroller’s Office projects an opportunity of \$1.3 million in the 2024 Proposed Budget for the combined Social Services Programs, including Recipient Services and Medicaid.

Recipient Services: Budget Risk of \$2.7 million

The Comptroller’s Office projects a risk of \$2.7 million in the 2024 Proposed Budget in the category of Safety Net primarily due to mandated state rate increases. Due to the projected increase in expenditures, there will be an offsetting increase in State Aid reimbursement.

Medicaid: Budget Opportunity of \$4.0 million

The Comptroller’s Office projects an opportunity of \$4.0 million for Medicaid in the 2024 Proposed Budget. The potential savings \$4.0 million is projected in the Indigent Care category as the quarterly payments are expected to be lower than the 2024 Proposed Budget. This report has not factored in any additional risk that may result from New York State’s proposed plan to withhold enhanced Federal Medicaid Assistance Percentage (FMAP) from New York State counties. This Federal Medicaid assistance has been shared with counties since the Affordable Care Act was enacted in 2011, and since 2003, every enhanced FMAP has been shared proportionately with counties that are required to pay into the State’s Medicaid program.¹⁴

Table 18: Social Services Programs (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller’s Mid-Year Forecast	Proposed Budget	Comptroller’s Forecast	Budget Opportunity
\$384.9	\$433.0	\$461.6	\$460.3	\$1.3

Contractual Expenditures | Budget Opportunity \$1.2 million

The Comptroller’s Office projects a potential opportunity of \$1.2 million in contractual expenditures related to the projection of lower revenue in Red-Light Camera fines and thus lower payments to the vendor.

¹⁴ www.nysac.org/news/posts/counties-call-on-state-lawmakers-to-reject-governor-s-medicaid-cost-shift-to-local-taxpayers/

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Table 19: Contractual Expenditures (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
\$361.4	\$420.4	\$447.8	\$446.6	\$1.2

Property Tax Refunds | Budget Risk (\$40.0) million

The Comptroller’s Office projects a risk of \$40.0 million in Property Tax refunds in the 2024 Proposed Budget. The 2024 Proposed Budget includes \$40.0 million in property tax refunds (tax certiorari) budgeted in the General Fund and no amount budgeted in the Litigation Fund (a component of the General Fund for reporting purposes). The projections in this report estimate a total of \$80 million in property tax refunds to be paid in 2024, \$40.0 million in the General Fund and an additional \$40.0 million in the Litigation Fund, based on 2022 and 2023 actual trends. To date, property tax refunds paid from the Litigation Fund in 2023 were approximately \$80.0 million.

As of October 5, 2023, the Litigation Fund had \$66.7 million of appropriations available.

Table 20: Property Tax Refunds (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Risk
\$112.8	\$110.0	\$40.0	\$80.0	(\$40.0)

General Expenses | Budget Opportunity \$2.5 million

The Comptroller’s Office projects potential opportunity of \$2.5 million in general expenditures. The savings are mainly driven by a projected reduction in postage delivery and diesel fuel costs.

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Proposed 2024 Budget and Multi-Year Financial Plan Risks and Opportunities

Table 21: General Expenses (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
\$46.3	\$52.2	\$56.7	\$54.2	\$2.5

Contingency and Other | Budget Opportunity \$49.6 million

The Comptroller’s Office projects an opportunity of \$49.6 million in the Contingency line. The 2024 Proposed Budget includes a \$39.5 million contingency expenditure in the General Fund and a \$10.1 million expenditure in Other Expenses in the Sewer and Storm Water fund representing a contingency reserve. At the time of this report and based on the projections in this report, there is no event that has been identified requiring this contingent amount. Therefore, it is not included in the projections.

Table 22: Contingency and Other Expenditures (\$ Millions)

FY 2022	FY 2023	FY 2024		
Actual	Comptroller's Mid-Year Forecast	Proposed Budget	Comptroller's Forecast	Budget Opportunity
\$31.4	\$37.5	\$97.5	\$47.9	\$49.6

THE MULTI-YEAR FINANCIAL PLAN

As shown in Table 2 below, the Administration's Multi-Year Financial Plan (MYP) projects budget surpluses for the three primary operating funds of \$2.5 million in 2025, \$2.7 million in 2026, and \$2.1 million in 2027. Based on the Comptroller's Office projected risks and opportunities, results are estimated to be \$40.2 million in 2025, \$40.3 million in 2026 and \$2.4 million in 2027. Note that these estimates do not include projected payroll and fringe benefits for the unsettled collective bargaining agreements with the COBA and IPBA unions.

Projected risks and opportunities identified in the MYP include:

- **Payroll, Fringe and Workers' Compensation:** The total net opportunity in Payroll, Fringe and Workers' Compensation costs are \$66.3 million, \$85.2 million and \$84.2 million, respectively. Of this opportunity, payroll costs account for \$46.8 million, \$62.2 million and \$57.4 million for 2025, 2026 and 2027, respectively. Fringe benefit expenditures account for \$19.5 million, \$23.0 million and \$26.8 million of the opportunity for 2025-2027, respectively. These large variances are mainly due to assumptions related to labor agreements currently being negotiated by the County and the current vacancies.
 - **Collective Bargaining Agreements:** The MYP includes the following assumption: the MYP includes all contractually related Steps, cost of living adjustments and all other salary and related expenses and fringe savings for all unions in agreement with the four ratified collective bargaining agreements and consistent with the MYP. For purposes of the Comptroller's Office projections, no savings related to possible labor agreements has been projected which include COBA and IPBA.
 - **Overtime:** Years 2025-2027 of the MYP include a potential risk of underfunding in overtime; \$20.5 million for 2025, \$23.0 million for 2026 and \$25.5 for 2027. The Correctional Center overtime is projected to be underfunded by \$10.7 million, the Police District ranging between \$5.0 and \$7.2 million, and for Police Headquarters a range between \$7.6 and \$8.9 million.
- **Sales Tax Revenues:** The Comptroller's Office projects opportunities in sales tax revenues of \$9.7 million, \$1.5 million, and \$0.8 million for 2025, 2026, and 2027, respectively. Estimated growth rates used on sales tax collections were 1.5%, 2.0%, and 2.5% for 2025, 2026 and 2027, respectively.
- **Permits & Licenses:** The Comptroller's Office projects a risk of \$5.0 million for the new revenue program Overweight Vehicle registration, which is budgeted in the 2026 and 2027 MYP. The potential risk in the out years is based on the uncertainty of when this new initiative will be implemented and approved by State Legislation and the County Legislature.
- **Capital Resources:** The Comptroller's Office projects a risk of \$5.0 million for each of the years 2025-2027 for capital project close-outs, which are unknown at this time.

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- Fines & Forfeitures: Projecting a risk of \$11.3 million, \$8.0 million and \$4.5 million for 2025-2027, respectively. Boot & Tow and School Bus Camera revenues are risked at \$0.5 million and \$1.5 million, respectively, for each program and each year in the MYP. In addition, based on the current trends and forecasting the trends forward, the remainder of the risk is primarily in the Traffic and Parking Violation Bureau's fines, administration fees and Red-Light Camera Fees.
- Federal Aid: Projecting risks of \$0.6 million in each fiscal year 2025-2027. Federal Aid passthrough New York State Aid reimbursement related to Traffic Engineering has remained below \$1.8 million. Based on the historical trend, we are projecting a risk for Federal Aid pass-through New York State.
- State Aid: Projecting opportunities of \$6.9 million, \$8.1 million, and \$9.4 million in 2025-2027, respectively. The revenue is projected at \$76 million in State Aid reimbursement for each of the three years. The opportunity is based upon an increase in pre-school related expenditures of which the County is reimbursed up to 59.5% by New York State. Although the County is pursuing legislation to cap or mitigate the local cost of preschool services, the legislation has not yet materialized, therefore the County's cost will continue to increase, leading to an increased opportunity for State Aid reimbursement.
- Departmental Revenues: Given historical trends, the current real estate market and mortgage rates, there is a projected risk in 2025-2027 in Departmental Revenues. The risks projected are \$10.0 million in 2025, \$15.0 million in 2026 and \$17.5 million in 2027. The risks identified in the 2024 Proposed Budget are carried through the MYP. The increase in risk in 2025 to 2027 is driven by the increase of revenues budgeted for the Income and Expense Law that may not be legally available, which increased from \$5.0 million in 2025 to \$10.0 million in 2026 and \$15.0 million in 2027.
- Rents and Recoveries: Projected risks in the MYP for total rents and recoveries are: \$13.7 million in 2025 and \$14.2 million in 2026 and 2027, respectively.
 - Sale of County Property accounts for \$4.2 million of potential risk in each of the out years as closing dates and specific properties have not been identified. Until sales are closed, the revenue is at risk.
 - Recoveries of Prior Year Appropriations account for \$7.9 million of risk in 2025, and \$8.4 million in each year, 2026 and 2027.
- Use of Fund Balance: Projected risk in 2025-2027 to be \$13.9 million, \$5.8 million, and \$16.9 million, respectively. The MYP has projected use of fund balance for the Sewer and Storm Water Fund only. Use of fund balance is not a revenue and thus it is risked in each year.
- Early Intervention: Using 2024 as the base year, the Comptroller's Office projects the amount proposed in the out years for Early Intervention, Pre-School and Special Education

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Itinerant Teachers (SEIT) Services spending will not be sufficient and projects the following risks: \$18.0 million, \$23.5 million and \$27.2 million for 2025-2027, respectively.

- Social Services Programs: Projected opportunities in the MYP are \$7.0 million and \$3.0 million for 2025 and 2026, respectively, and a projected risk of \$3.8 million in 2027. The variances are comprised of the following:
 - Medicaid: Based on the historical trend, allocating 2% growth rate in County Share and a 4% in Indigent Care for the out years with 2024 as the base year, the Medicaid expenditures are projected to have the following opportunities: \$8.6 million, \$5.8 million and \$0.5 million for 2025-2027, respectively.
 - Recipient Grants: Given the historical trend and using 2024 as the base year, the Comptroller's Office projects that Safety Net Assistance (SNA) spending will increase, resulting in a potential risk of \$1.6 million in 2025, \$2.8 million in 2026, and \$4.3 million for 2027.
- Contingency: The Comptroller's Office is projecting an opportunity of \$21.0 million, and \$17.0 million in 2025 and 2026, respectively, for the contingency item included in the MYP. Since there is no known contingency event forecasted at this time, the additional expenditure is not included in the projections in this report.

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Table 23: Multi-Year Plan Budgeted Surpluses and Projected Risks and Opportunities

PROPOSED NASSAU COUNTY 2025-2027 MULTI-YEAR FINANCIAL PLAN 3 PRIMARY FUNDS* SUMMARY OF FUTURE YEAR RISKS and OPPORTUNITIES (\$'s Millions)			
	<u>2025</u>	<u>2026</u>	<u>2027</u>
Budget Surplus per Financial Plan	\$ 2.5	\$ 2.7	\$ 2.1
Items included in Baseline Gap that are risks/opportunities			
Sales Tax	\$ 9.7	\$ 1.5	\$ 0.8
Use of Fund Balance	(13.9)	(5.8)	(16.9)
Permits and Licenses		(5.0)	(5.0)
Departmental Revenue	(10.0)	(15.0)	(17.5)
Fines & Forfeitures	(11.3)	(8.0)	(4.5)
Rents and Recoveries	(13.7)	(14.2)	(14.2)
Federal Aid	(0.6)	(0.6)	(0.6)
State Aid	6.9	8.1	9.4
Capital Resources	(5.0)	(5.0)	(5.0)
Interfund Transfers In (Other Financing Sources)	(259.9)	(290.8)	(320.0)
Other revenues (includes rounding)	(0.1)	0.0	0.1
Total revenue risks	<u>\$ (297.9)</u>	<u>\$ (334.8)</u>	<u>\$ (373.4)</u>
Payroll, Fringe & WC	66.3	85.2	84.2
Social Services	7.0	3.0	(3.8)
Early Intervention	(18.0)	(23.5)	(27.2)
General Supplies	2.4	2.5	2.5
Local Government Assistance	(0.5)		
Interfunds Transfers Out (Other Financing Uses)	259.9	290.8	320.0
Contingency	21.0	17.0	
Other expenditures (includes rounding)	0.0	0.1	0.1
Total expenditure opportunities	<u>\$ 338.1</u>	<u>\$ 375.1</u>	<u>\$ 375.8</u>
Budget Surplus Per Comptroller's Office	<u>\$ 40.2</u>	<u>\$ 40.3</u>	<u>\$ 2.4</u>

* Consolidated General Fund, Police District Fund and Sewer and Storm Water Fund

LONG-TERM OBLIGATIONS AND BORROWING TRENDS

Property Tax Refunds (Tax Certiorari)

The Comptroller's Office projects a risk in the budgeted tax certiorari expenditures, as no budget was provided for the Litigation Fund, which has \$66.7 million of remaining appropriations available for tax certiorari payments as of October 5, 2023. See the Property Tax Refunds section in the discussion of expenditures.

As of December 31, 2022, the total property tax certiorari liability was estimated to be \$383.4 million, comprising:

- \$328.6 million in long-term liabilities;
- \$34.0 million of liabilities accrued for as of year-end 2022; and
- an estimated \$20.8 million related to the (DAF).

At year-end 2022, the total liability had decreased to \$383.4 million from \$707.3 million and \$647.7 million, as of 2021 and 2020 fiscal year-end, respectively. In March 2022, the County settled a \$255.0 million tax certiorari claim with the Long Island Power Authority and National Grid.

The County has funds reserved in the Litigation Fund for property tax payments and in the DAF Fund for the payment of property tax refunds related to commercial properties. Since there is no budget for the DAF Fund payments or the Litigation Fund, and since the total liability is computed at year-end based on input from the County's Assessment Review Commission and the County's Treasurer's Office, it is not feasible to project what the 2023 or future years' year-end liability will be.

Year-to-date through September 2023, approximately \$25.9 million of property tax refunds have been made from the DAF Fund, \$80.3 million from the Litigation Fund, and \$3.0 million from the General Fund.

Borrowing Trends

The 2024 Proposed Budget projects long-term borrowings of \$275.0 million, which will require NIFA approval, subject to Legislative (supermajority) approval. The Administration expects to issue long-term bonds of \$180.0 million to pay for capital projects, which include borrowing of \$40.0 million for sewer related projects and \$140.0 million for general improvement projects. In addition, the 2024 Proposed Budget includes converting short-term notes of \$95.0 million with NYS EFC into a long-term bond.

The Administration's proposed capital borrowings in years 2025-2027 include \$150.0 million

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in general improvement capital projects and \$50.0 million in sewer related projects in each year as well as converting short-term notes of \$95.0 million with NYS EFC into a long-term bond in year 2025. Chart 4 below illustrates the County’s historical and new proposed debt issuances.

Chart 4: Nassau County Historical and New Debt Issuances

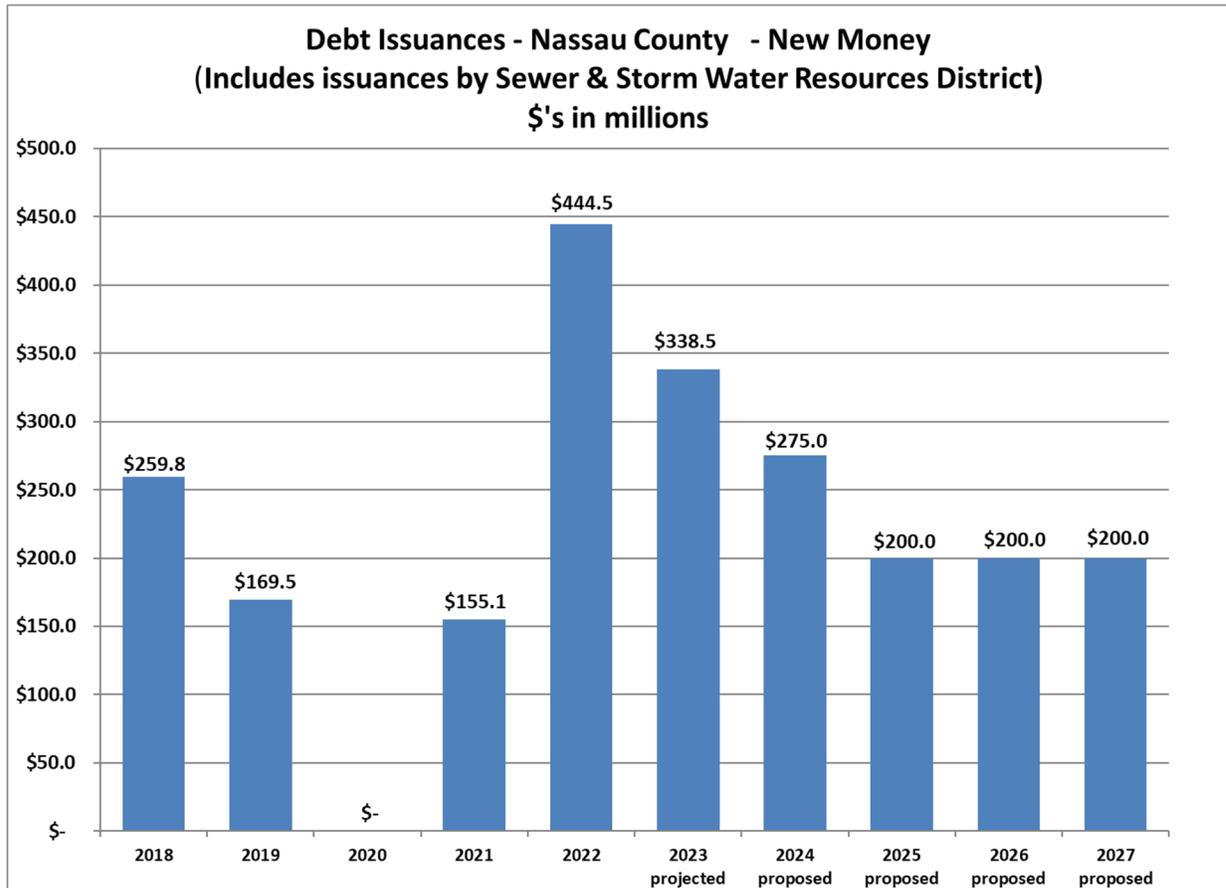


Table 24 below illustrates projected long-term debt issued through December 31, 2024, by the County including SSW District, Nassau Community College, NIFA, Sewer and Storm Water Finance Authority (SFA), and Nassau County Tobacco Settlement Corporation (NCTSC).

At 2022 year-end, the total of the County’s general obligation bonds and its component units’ long-term bonds outstanding was approximately \$3.7 billion (including serial bonds and accreted interest of the NCTSC), both of which have no recourse to the County. The 2023 and 2024 anticipated borrowings will increase the total long-term bonds outstanding from \$3.7 billion at year-end 2022 to approximately \$3.96 billion at year-end 2024 after reductions of maturing debt, for a net increase of 5.87% (see table below). The \$457.7 million in 2023 projected additions is made up of the following: 2023 Series A bonds of \$153.5 million; 2023 Series B refunding bonds of \$114.4 million; projected additional long-term borrowing of \$90.0 million; EFC refunding bonds of \$4.8 million; and projected \$95.0 million of EFC notes converting into long term bonds. Projected reductions are decreasing from 2023 to 2024 primarily due to no anticipated County bond refunding in year 2024.

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Table 24: Total Projected Long-Term Borrowings

Total Projected Long-Term Borrowings (\$'s in millions)								
	As of December 31, 2022 Actual	2023 Projected Additions	2023 Projected Reductions	As of December 31, 2023 Estimated	2024 Projected Additions	2024 Projected Reductions	As of December 31, 2024 Estimated	
County w/SSW (a)	\$ 2,021.3	\$ 457.7	\$ 246.5	\$ 2,232.5	\$ 275.0	\$ 138.7	\$ 2,368.8	
NIFA	1,147.7	-	67.9	1,079.8	-	57.9	1,021.9	
Sewer and Storm Water Finance Authority (SFA) (b)	74.5	-	13.4	61.1	-	10.3	50.8	
Tobacco Settlement Corp (NCTSC) (c)	496.9	9.8	-	506.7	10.4	-	517.1	
Total	\$ 3,740.4	\$ 467.5	\$ 327.8	\$ 3,880.1	\$ 285.4	\$ 206.9	\$ 3,958.6	

(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt
(b) Assume no additional borrowings for SFA
(c) December 31, 2022 includes accumulated accreted interest of \$112.1 million; projected additions for 2023 and 2024 represent accreted interest

NASSAU COUNTY INTERIM FINANCE AUTHORITY (“NIFA”) ACT

Since its enactment in 2000, the Nassau County Interim Finance Authority (NIFA) provides State oversight of the County’s finances. NIFA was created pursuant to the NIFA Act (the Act) codified as Title I of Article 10-D of the New York State Public Authorities Law. Under the NIFA Act, the County is prohibited from filing any petition for the composition or adjustment of municipal indebtedness without the approval of NIFA and the New York State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding. NIFA currently has bonds outstanding through 2035, which are callable in 2031. 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 Act that allowed NIFA 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. This change enabled the 2021 NIFA cashflow refunding.

Control Period Calculation

NIFA has certain powers under the Act to monitor and oversee the County's finances and upon the declaration of a "control period," additional oversight authority. On January 26, 2011, NIFA adopted a resolution which imposed a control period on the County pursuant to the Act. It determined that the County’s proposed fiscal 2011 budget reflected a substantial likelihood that the budget would produce a deficit in excess of one percent of the aggregate result of operations in the major operating funds.

During a Control Period, NIFA has the authority to:

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

The Control Period Calculation requirement was agreed to by NIFA and the County in 2011. The Control Period Calculation is computed beginning with the budgetary results of the County’s “5 major funds” comprised of the General Fund¹⁵, the Fire Commission Fund, the Police Headquarters Fund, the Police District Fund, and the Debt Service Fund, then converting

¹⁵ NIFA uses the pre-GASB Statement No. 54 definition of General Fund. GASB Statement No. 54 was adopted by Nassau County in FY 2011.

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those results to GAAP (modified accrual basis). 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 chart 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 five major funds (as defined above) exists, thereby triggering a NIFA Control Period.

The projected Control Period Calculation results for fiscal year 2024 are \$127.6 million. The modified accrual basis results, which are in accordance with GAAP reporting, do not include adjustments related to GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. GAAP adjustments related to these two GASB Statements will affect the modified accrual basis (GAAP) results.

Table 25 below presents the Control Period Calculation results as projected by the Comptroller's Office. NIFA projects the Control Period Calculation results to determine whether a deficit of more than one percent of the aggregate result of operations in the operating funds (as defined above) exists, there by triggering a NIFA Control Period.

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Table 25: Proposed 2024 Budget Control Period Calculation

Revenue and Obligations Risks/Opportunities - 2024 Proposed Budget Reconciled to the Control Period Calculation*	
(\$ millions)	
Estimated Results on a Budgetary Basis *	\$150.1
Adjustments to reconcile to Modified Accrual Basis**	
Net adjustments to remove the effect of encumbrances	3.8
Use of Fund Balance	-
Net adjustment to record pension expense on a modified accrual basis	(26.9)
Adjustment for cash receipts outside period of availability	0.2
Sale of Mitchel Field Leases	1.3
Other Estimated GAAP Adjustments	(0.9)
Net Change in Fund Balance on a Modified Accrual Basis	127.6
Less: adjustments included in other financing sources	
Premium on bonds	-
Transfer of revenue from other funds to offset debt expense	-
Operating expense paid with bond proceeds	-
Control Period Calculation Results	<u>\$127.6</u>
* Includes: General Fund (pre-2011), Police Headquarters Fund, Police District Fund, Fire Commission Fund, and Debt Service Fund (not including sewer debt).	
** Adjustments to reconcile to Modified Accrual Basis do not include the required GAAP adjustments related to GASB 87 or GASB 96 as the evaluation of the agreements that may meet the criteria has not yet been performed.	

The historical Control Period Calculation results for the fiscal years 2019-2022 and projected 2023 and 2024 are presented below.

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Table 26: Historical Control Period Calculation 2019-2022 Actuals with 2023 and 2024 Projections

Control Period Calculation 2019 - 2022 Actual and 2023/2024 (projected)*						
(\$ millions)	2024 (projected)	2023 (Mid-Year Projection)	2022	2021	2020	2019
Net Change in Fund Balance - modified accrual basis **	\$127.6	\$234.5	\$79.7	\$27.2	\$103.1	\$138.9
Less: adjustments included in other financing sources						
Premium on bonds						61.1
Borrowed funds to pay Property Tax Refunds						
Borrowed funds to pay Other Judgments						
Borrowed funds to pay Termination Pay						
Borrowed funds to pay Other Operating Costs						0.2
Transfer of revenue from other funds to offset debt expense		0.0	0.0	0.0	12.5	0.8
Total other financing sources/uses to be eliminated		0.0	0.0	0.0	12.5	62.1
Control Period Calculation Results	\$127.6	\$234.5	\$79.7	\$27.2	\$90.6	\$76.8
<p>* Includes: General Fund (pre-2011), Police Headquarters Fund, Police District Fund, Fire Commission Fund, & Debt Service Fund (not including sewer debt).</p> <p>** Adjustments to reconcile to Modified Accrual Basis do not include the required GAAP adjustments related to GASB 87 or GASB 96 as the evaluation of the agreements that may meet the criteria has not yet been performed.</p>						

APPENDIX A: GAAP ADJUSTMENTS AND THE EFFECT OF ENCUMBRANCES

GAAP adjustments, which are estimated to arrive at projected GAAP results, may 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 and this report, these GAAP adjustments have been estimated based on the information available at this time, using averages computed from prior year balances or using balances from the prior year. Therefore, these estimates can significantly change depending on how many encumbrances remain unspent, how many encumbrances are spent in the ensuing fiscal year, and what adjustments are necessary for the County to report its financial results in accordance with GAAP.

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

APPENDIX B: SALES TAX VARIABLES AND TERMINOLOGY

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

NIFA Set-Aside

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

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service costs it pays on its debt. The County reports its sales tax collections on a gross basis with the offset, the amount withheld by NIFA, reported as debt service on a budgetary basis.

- Due to timing issues with the receipt of sales tax and NIFA’s due dates for debt service payments, the amounts withheld from sales tax may differ from the debt service reported by NIFA in the financial statements.

Part County Sales Tax

- 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 on their County property tax levies. The towns may only receive the revenues via a credit to the property tax levies.
- Nassau County contains two cities and three towns. The City of Glen Cove elected to receive their share of sales taxes as a credit to their property tax levies, while the City of Long Beach receives a direct distribution of these sales taxes from New York State. All three towns (Hempstead, North Hempstead and Oyster Bay) receive the revenues via a credit to their property tax levies.
- The portion of sales tax revenues that the three towns and the City of Glen Cove are entitled to, are budgeted and recorded separately from other sales taxes and are referred to as “Part County” sales tax. This segregation ensures that the property tax bills for the three towns and the City of Glen Cove properly reflect an equal reduction in what otherwise would have been County property taxes owed.
- As Part County sales taxes offset the payment of County property taxes by the three towns and the City of Glen Cove, actual collections can only be recognized up to the amount budgeted each year.
- Variances of actual sales tax received as compared to what is included in the annual adopted budget must be either credited or collected in a subsequent year. Because of the timing of when the operating budget is adopted and when the County’s books are closed, any variance to budget for Part County Sales Tax is delayed for two years. This is called a “Prior Year Deferral.”
- If the actual amount of sales tax collected is *greater* than budgeted, the County effectively collected too much in property taxes from the City and towns. The County must credit this difference through the Prior Year Deferral.
- If the actual amount of sales tax collected is *less* than budgeted, the County effectively collected too little in property taxes from the City and towns. The County must collect this difference from the City and towns.
- The amount of the Prior Year Deferral varies each year based on the year-end results of sales tax collections.

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- Because Part County sales tax received in fiscal year 2022 was higher than budgeted by \$27.4 million, the City of Glen Cove and the three towns did not receive enough credit on their property tax levies for that fiscal year. The \$27.4 million will be credited to the City of Glen Cove and the three towns in the calculation of the County's 2024 tax levies.