County Comptroller's Comments On the Multi-Year Financial Plan For Fiscal Years 2002 to 2005

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INTRODUCTION

On April 1, Nassau County Executive Thomas R. Suozzi presented his multi-year financial plan covering the years 2002-2005 (the "Plan") to the Nassau County Legislature and the Nassau Interim Finance Authority ("NIFA"). The county executive recognizes that restoring our ailing county to financial health, following years of fiscal mismanagement and inaction, is a daunting challenge. All Nassau County stakeholders will be required to pay a price for the mistakes of the past.

Nassau County's structural deficit -- it spends more money than it takes in every year -- has ballooned. County services and expenses grew over the years without a corresponding increase in revenues. That this occurred in one of America's wealthiest suburban communities during a decade of sustained economic growth nationwide is particularly troubling. Prior plans advanced to reduce expenses and enhance revenues -- some of which were speculative -- never came to fruition. Because the county is legally required to balance its budget each year, prior administrations understated expenses, inflated revenue estimates, made extensive use of one-time revenue sources, and borrowed for operating expenses. But these questionable balance sheet techniques failed to address the central problem – recurring expenses exceeded recurring revenues in each year's budget. The county credo appeared to be spend as you go, rather than pay as you go.

The comptroller's office projects that the county deficit will reach $170 million in 2003, even when one-time revenue sources -- such as tobacco settlement funds and NIFA aid -- are taken into account. In addition, the county executive is forecasting deficits of $279 million for 2004 and $428 million for 2005. These numbers are not cumulative. Rather, the deficits will recur each year, and they are likely to increase unless we institute permanent reductions in expenses and increases in revenues. No amount of non-recurring aid or borrowing can solve our long-term problem.

Overall, we find the Plan developed by County Executive Suozzi and his team to be credible, fiscally sound and achievable. The county executive has produced a serious, substantive Plan that addresses the county's structural deficit and does not rely on one-shot or non-recurring revenues. Rather, this proposed roadmap to financial health recognizes the need for expense cuts, coupled with increased revenues and productivity. The Plan sets forth the county executive's vision for restoring financial balance and routes to achieving it. However, some of the Plan's underlying assumptions -- such as those pertaining to projected county labor concessions and necessary state legislation – may be more difficult to achieve than others. In addition, it is our view that failure to obtain needed state relief from the county's unique requirement to assume the full responsibility to refund claims for real estate taxes the county neither imposed nor benefited from -- as called for by the county executive and supported by the comptroller's office -- may jeopardize the county's fiscal recovery and prompt the need for other contingency actions set forth in the Plan.

As an independent financial watchdog, the comptroller's office welcomed the opportunity during the Plan's development to share ideas with the county executive and to provide recommendations to help resolve the county's current financial crisis. We are pleased to note that a number of initiatives contained within the Plan are consistent with those we have advanced. We are particularly heartened by the county executive's recognition that the county's financial problems are, as he puts it in his plan, "exacerbated by runaway long-term borrowing to pay day-to-day operational expenses instead of investing in long-lived assets like new buildings or infrastructure improvements." To that list we would add, as he does elsewhere in his plan, using 21st century information technology.

Once the Plan is adopted, there will be much additional work to be done. The Plan is not a detailed county budget. The county budgets that are necessary to implement this Plan may be hard pills to swallow, but as difficult as curbing Nassau County's mounting deficits will be, we can be successful if the political will is there to take the tough actions that are needed. Nassau County needs to take some strong and painful medicine to relieve its financial ills and prevent further hemorrhaging. The Plan sets forth a prescription for returning the county to fiscal health. Now, we must act upon it, closely monitor our progress and be prepared to make any necessary modifications.

EXECUTIVE SUMMARY

The Plan developed by the county executive and his team addresses the county's mounting structural deficit. The projected 2002 deficit of $29.9 million should easily be closed through actions already taken or identified. The 2003 estimated deficit rises to $185.5 million and the associated risk also increases. However, we believe that there is sufficient latitude in the Plan to facilitate closing the 2003 gap. For example, property and sales taxes, and debt restructuring, account for $171 million, or more than 90 percent of the projected $185.5 million shortfall. Workforce and other initiatives should yield the additional necessary gap closing funding. The gaps and associated risk continue to grow in 2004 and 2005. If the identified gap closing actions are successful, the projected deficits will be eradicated. (*See* Appendix, 2001 actual and 2002 through 2005 baseline revenues, expenses, and discounted gap closing measures.)

Overall, the Plan is credible, fiscally sound and achievable. At this time, we believe the gaps can be closed. Gap closing will be facilitated by constant oversight, and by immediate response to identified variances. While there are inherent risks in those elements of the Plan that require state and local enabling legislation, most of this legislation should be obtainable provided the county legislature is supportive and provides necessary home-rule messages to the state legislature. In the pages that follow, with the aid of charts and tables, we have commented on key aspects of the county executive's Plan. The six general areas identified by County Executive Suozzi in his summary of gap-closing measures are addressed.

WORKFORCE SAVINGS

Workforce Reductions

Reducing the county workforce by 1,200 positions is, perhaps, the most ambitious of the initiatives contained in the county executive's plan. Recognizing that our employees are among the county's most important stakeholders and will play an important role in returning Nassau to fiscal health, the Plan is an outline for enhancing productivity while reining in costs. However, a net workforce reduction of the magnitude contemplated by the Plan is unprecedented in Nassau County's history, and we have concerns about the feasibility and sustainability of such an endeavor. The Plan only accounts for the elimination of 901 positions; additional planning is necessary to account for the remaining reductions. In addition, detailed plans must be developed to provide for the requisite departmental re-engineering.

Labor Concessions

Like the county executive, the comptroller's office believes the county must restructure its labor contracts. The current contract dispute with the Police Benevolent Association needs to be resolved in a way that is fair to the county. The labor unions must partner with the county to help resolve the county's fiscal crisis. The county must improve productivity while getting a handle on costs as we negotiate with all of our labor unions. Additionally, the county must have a strong labor relations department to establish and implement labor policy.

The $65 million in net negotiated labor concessions contained within the Plan, should be attainable in the context of the costs included in the baseline projections. Nevertheless, particularly in view of the availability of binding arbitration for police officers, we cannot be certain collective bargaining will, in every case, produce the projected results. We believe that the county's labor leaders understand the necessity of working together and of accepting reasonable labor agreements in light of the county's fiscal situation.

SMART GOVERNMENT INITIATIVES

The county executive's Plan outlines a series of departmental initiatives designed to foster building consolidations and the reconfiguration of county offices (and the resultant sale of excess real estate), reduce redundant or non-essential operations, and make the delivery of necessary services more efficient. Although the Plan relies on some guesstimates in arriving at its savings and revenue projections in this area, the underlying assumptions are conservative. Since the projected fiscal impact of these initiatives is substantially discounted, this provides some cushion and allays many of our concerns. We also recognize that these initiatives were developed within the county executive's first 90 days in office and that others will be forthcoming.

In our view, no re-engineering plan can be successful unless the county's inadequate technology is updated. As stated in the Plan, "The state of the county's antiquated technology is a major obstacle to efficient management and expeditious service to taxpayers." While acknowledging this, the Plan needs to place a greater priority on ensuring that funds are allocated for computer and Internet technology to bring the county into the 21st century. This will substantially increase employee productivity, while enhancing public access to county officials, government records and information. In a radical departure from the past, we would be investing in assets that will pay significant dividends over the years to our taxpayers. This makes more sense than issuing debt to cover the county's day-to-day expenses.

Debt Reform

Much innovative thinking has gone into developing the Plan with respect to debt reduction and restructuring of payments. The Plan calls for substantial reductions in the county's annual capital and cash-flow borrowing levels; extension of the maturity of NIFA-issued debt from 20 to 30 years; implementation of a variable-rate debt program; targeted NIFA restructuring, and adoption of a number of progressive debt-management policies. Although a substantial portion of the debt-reform package is dependent upon outside approval, it appears to be a fundamentally sound long-term approach.

County Executive Suozzi and his team recognize the need to drastically reduce the county's reliance on borrowing to supplement its cash flow. Expanding NIFA's authority to refinance the county's property tax refund debt is also meritorious, as is the implementation of pay-as-we-go procedures.

Additional funding, not currently included in the Plan, may have to be obtained for some of the Plan's initiatives. For example, the Plan envisions the reconfiguring of county-owned real estate and the development of four government complexes in place of county offices now scattered throughout Nassau but does not identify a funding source. Also, the total amount of funds needed for such items as information technology, police vehicles, payment of judgments and other ongoing operational costs, which we support, need to be budgeted.

Revenues

The sales tax and property tax are Nassau County's two most significant sources of revenue. The Plan projects that the county's portion of sales tax revenues will account for nearly 38% of all fund revenues in 2002, while the county's portion of the property tax accounts for 28% of the adopted budget for 2002. Like neighboring Suffolk County, Nassau County is becoming increasingly dependent on sales tax revenues. Over-reliance on this revenue stream could prove costly to the county in the event of an economic slowdown such as we experienced last year in the wake of the September 11 tragedy. Although the Plan projects the county will add another $57 million to its coffers in fiscal year 2005 through a projected 3.9% annualized sales tax growth, it assumes a ¼ cent per-dollar sales tax increase (added to the county's share) to fill the gap if expectations are not realized. Since both state and local legislative approvals are necessary to raise the sales tax, this supposition is inherently risky.

Unlike sales tax revenues, property tax revenues are not subject to significant variances due to moderate changes in the economy. The Plan assumes an increase in the county's portion of the property tax that will generate $115 million annually beginning next year. Based on the current average home assessment in the county, a homeowner's taxes would rise on average by $224. However, since the median assessment is $5,800, most taxpayers would actually pay an increase closer to $182. County legislative approval of the proposed property tax hike is required, while the state legislature must approve a senior citizen exemption. As currently formulated, the Plan's exemption follows the state's School Tax Relief Exemption (STAR program), which would create an exemption of $65 per senior household. Consistent with the county executive's intentions, we recommend that the county exempt all low- and moderate-income seniors from the entire property tax increase. It is our understanding that the county executive is considering such a change.

Real Estate Tax Refunds

In his Plan, the county executive points to the huge backlog of tax certiorari claims facing the county as a threat to the county's financial well-being. Indeed, his proposed increase in the county portion of the property tax is designed to enable the county to pay off this bonded indebtedness earlier than had been previously targeted.

We must assess real estate correctly and reduce tax refund claims. The full-value reassessment of commercial and residential real estate that is currently underway should reduce the number of tax challenges filed. But since the reassessment is designed to be revenue neutral (i.e., raise the same amount of taxes), more must be done.

The county executive rightly asserts the need for changes to existing state legislation to put Nassau County's arcane and outdated real estate tax laws on the same footing as other localities in New York. Unlike other assessing jurisdictions, our county must refund all tax money owed because of a successful assessment challenge even though it only retains the county portion, or about 24 percent, of the property tax payments. Thus, of the nearly $1 billion in bonded debt outstanding for tax refunds, the county only received $240 million. The balance went primarily to school districts.

Shifting the burden to pay such refunds to the entities that benefited from them is inherently fairer, but will require state legislation, which is certain to meet some opposition.

Nassau Health Care Corporation

With respect to the Nassau University Medical Center and its associated facilities, about which a separate section appears in this report, the comptroller's office notes the keeping this important medical facility open and fiscally solvent for the sake of the thousands of Nassau County residents who rely on its services, requires creative, cost-effective ideas. But, at the same time, we need to insulate county taxpayers, to the greatest extent possible, from the ramifications of a potential bond default by the medical center on the $256 million in outstanding debt guaranteed by the county. While the financial risk of default for the bond indebtedness appears small, the county would be drawn into a crisis situation if Nassau Health Care Corporation, the public benefit corporation that runs the medical center, were to falter. The corporation has taken some important steps to improve its operations. However, its projected revenue estimates for 2002 and 2003 appear optimistic, and we must continue to monitor its situation and take immediate corrective action as necessary.

WORKFORCE SAVINGS

The Plan projects saving $166 million (discounted to $131 million) on labor costs by the year 2005. This target is comprised of $101 million in anticipated savings through workforce reductions and $65 million through labor union concessions. To the extent that these initiatives are not realized, the Plan assumes that layoffs, while not preferred, will make up the difference.

Workforce Reduction

The Plan calls for a reduction by September 2003 of 1,200 positions from the county's current total workforce of approximately 9,500 employees. This reduction should be achievable without layoffs, assuming an early retirement incentive is approved by the state legislature for 2002 and 2003, and that the number of police retirements continues to be high. The rate of separation from the county will likely rise during 2002 because of the lack of current union contracts for police officers, termination of the CSEA's contract at the end of 2002, and the uncertainty of future increases in contractual benefits. Fear of wage freezes and other benefit reductions may prompt employees to retire at rates similar to those of fiscal year 2000.

Assumptions & Initiatives

Early Retirement Incentive

The Plan projects that 357 employees will leave county employment over the next two years as a result of an early retirement incentive, if offered. The comptroller's office anticipates that a larger number of employees, approximately 600, will opt to take advantage of this program. As a result of state legislation enacted in 2000**,** Tier 1 and Tier 2 employees already have the benefit (outside of the early retirement incentive) of an extra month of service – up to 24 months -- for each year of prior service. Assuming that the early retirement incentive offers another extra month of service for each year of prior service, at the time the incentive goes into effect, a Tier 1 and 2 employee with 17 years and two months in the retirement system can be credited with 20 years of service. Because 20 years of service is the point at which the employee's retirement benefits are enhanced, the number of potential retirees will increase. Although there is a significant cost to the county in adopting an early retirement incentive, the permanent reduction of the workforce, with its attendant annual savings of more than $35 million dollars, would more than offset the approximately $23 million in additional retirement contributions that the county would have to pay into the state retirement system. The Plan incorporates amortizing this payment at 8% interest over five years (at an additional cost of approximately $4 million).

Police Retirement

The comptroller's office anticipates that as many as 200 police officers will retire during 2002, with an additional 125 anticipated to do so each year through 2005. Because many police officers earned large amounts of overtime in the aftermath of the September 11 tragedy and because many eligible police officers' pensions are based on their last year's salary (including overtime), police retirements are expected to continue at a high rate through the summer and fall. While initial salary savings due to retirements are offset by termination pay that police officers receive in their retirement year, the county should experience a savings over the long-term.

Risks

The Plan has the laudable goal of achieving a net workforce reduction of 1,200, while at the same time re-engineering government to provide and improve existing operations and services. Such a workforce reduction appears to be achievable. Whether Nassau County can provide, much less improve, essential operations and services in the face of such a reduction will be answered as the Plan is implemented.

Specific reductions, by department, are denoted on pages 34-35 of the Plan. Staffing reductions that can be achieved through cutting or eliminating services (as is anticipated in the department of senior citizens and the youth board) -- or by operational changes (as is expected in the correctional center and the police department) can result in real ongoing savings. Specific re-engineering and monitoring programs will need to be developed as a follow-up to the Plan so that the elimination of positions -- such as the 50 slated for information technology -- the 63 in the building services department, and 56 in the recreation and parks department -- will not have a negative operational impact. For example -- in the information technology department, the Plan calls for technological advances such as a countywide intranet, computer upgrades and developing functional expertise in-house -- while at the same time reducing dependence on outside consultants. The plan also identifies specific objectives for building renovations and refurbishments and for greatly increasing events at the parks. These goals may be difficult to achieve with a significant reduction of personnel.

Of the 901 identified net reductions in the five major funds (general, police headquarters, police districts, county parks, and fire safety), 136 are to be from the department of drug and alcohol addiction. The department currently has 43 filled full-time positions funded through the general fund and 117 positions funded through the grant fund. The Plan provides that the117 grant fund positions will be eliminated through privatization or the use of lead agencies. Although loss of these positions will not affect the headcount associated with the funds, it will eliminate the chronic deficits. While the movement of 64 fully reimbursable employees from the general fund to the grant fund in the department of social services will reduce the workforce in the five major funds, it will also reduce the revenue in the general fund by a similar amount. The transfer of 136 employees -- with related salary savings in excess of $11 million dollars annually -- to the Sewer District Authority is dependent on the enactment of state legislation authorizing the establishment of the Authority.

Termination payments for both police retirees and employees opting into the early retirement incentive may exceed the budgeted amount allowed for in the Plan, thereby diluting savings during the initial years of separation.

Conclusion

The early retirement incentive, assuming it is enacted by the state legislature, when combined with expected police retirements, should put the county well on the way to achieving the targeted workforce reduction. Before committing to offer early retirement to employees, the county should, however, look carefully at any early retirement incentive and the employee population it would affect to ensure its cost-effectiveness. Instead of paying the state 8% interest over five years on the additional pension contributions, the county should consider either paying for the incentive out of its fund balance if sufficient funds are available or financing the contribution payment at a lower interest rate than the state is offering.

Specific re-engineering and monitoring programs need to be developed, including the goals and timetables for meeting them. A strict benchmarking and monitoring program is necessary so that implementation of the proposed workforce reduction does not cause operations and services that are already in poor shape, to suffer even more.

Labor Concessions

For years, wage increases for each of the county employee bargaining units have consistently outpaced inflation, adding significantly to the county's poor financial situation. Therefore, the outcome of labor negotiations will play a significant role in determining whether the county can fiscally recover.

Assumptions

The Plan assumes that individual employee costs, as well as the number of employees, must be reduced and contained. It also assumes that the labor unions will partner with the county in an effort to resolve the county's fiscal crisis.

Initiatives

An undiscounted total recurring combined wage and fringe-benefit savings impact is expected from five of the county's seven unions as follows:

Union	($ Millions)
CSEA	$25
PBA	30
Sheriffs	3
Superior Off.	5
Detectives	2
Total	$65

The three police unions are entitled to seek binding arbitration before the State Public Employment Relations Board (PERB). The county's previous attempts to control costs have been hampered by PERB's arbitration awards and "prior practice" decisions. In response to these concerns, the Plan contains a proposed amendment to the NIFA Act that would require PERB arbitration awards to be consistent with a NIFA approved plan. While we urge the state legislature to link PERB arbitration awards to a NIFA-approved plan, the county should not place undue reliance on such legislation.

Risk

Passage of the proposed amendment to the NIFA Act amendment in the state legislature may be problematic. Without either the amendment or voluntary police concessions, increases in police wages and fringe benefits may be greater than assumed in the Plan.

Conclusion

Like the county executive, the comptroller's office believes the county must restructure its labor contracts. The current contract dispute with the Police Benevolent Association needs to be resolved in a way that is fair to the county. The labor unions must partner with the county to help resolve the county's fiscal crisis. The county must improve productivity while getting a handle on costs as we negotiate with all of our labor unions.

The $65 million in net negotiated labor concessions contained within the Plan, should be attainable in the context of the costs included in the baseline projections. Nevertheless, particularly in view of the availability of binding arbitration for police officers, we cannot be certain collective bargaining will, in every case, produce the projected results. We believe that the county's labor leaders understand the necessity of working together and of accepting reasonable labor agreements in light of the county's fiscal situation.

SAVINGS INITIATIVES

Within the first three months of its tenure, the Administration has identified 45 "smart government" cost-cutting and revenue-generating initiatives within County operations and, no doubt, will identify many more. The Plan has enumerated these initiatives as follows:

YEAR	INITIATIVE TOTAL ($ Millions)	DISCOUNT	DISCOUNTED AMOUNT ($Millions)
2002	10	50%	5.00
2003	35	50%	17.50
2004	50	50%	25.00
2005	65	15%	55.25

Initiatives

The comptroller's office examined the 45 specific initiatives offered in the Plan. Because the initiatives are heavily discounted and will be supplemented with others during the next four years, we have not commented on each individually. We have specific comments on the following items: (1) an Energy Conservation initiative, including usage reduction and installation of monitoring equipment, that is estimated to save the County 20% of its utility costs, (2) implementation of a comprehensive plan for the management of the vehicle fleet, which is calculated to generate escalating savings, (3) additional audit recoveries by expanding the focus and scope of internal audit, targeting large and high risk contracts and vendors, and identifying key benchmarks and ratios, (4) institution of an Employee Reward Program and Fraud Hotline to generate savings in excess of $3 million in 2005, (5) savings from Risk Mitigation and Worker's Compensation monitoring, (6) receipt of a portion of the E-911 Cell Phone Surcharge, and (7) reduced salary enhancements for day care center employees.

Risks

Although many of the initiatives may ultimately produce the estimated savings, we did not believe that those savings were always calculable.

The 20% energy use reduction is based on the premise that instead of 24-hour energy usage, more energy efficiencies will be implemented. Adjustments in temperature control alone will not yield a 20% cost reduction, and centralized heating and cooling cannot and should not be completely shut off. Centralized monitoring of heating equipment and electrical usage will require a capital investment not accounted for in the savings.

Although the fleet management policy has merit, the savings it projects will be more than offset by the cost of replacing antiquated vehicles. Before the savings from the efficiencies of the proposed fleet management initiative can be realized, these vehicles need to be replaced. It does not appear that the replacement cost has been budgeted.

Savings from audit recoveries appear to be overstated because the overall calculation is based upon savings obtained from the audit of personal services contracts, where audit recoveries are typically achieved. Personal services contracts, while substantial, make up only $140 million-$150 million of the total of $400 million county contracts for all five funds. Based upon that exposure, a more achievable savings would be $500,000, as opposed to the projected $1.5 million.

The savings from the Fraud Hotline and the Employee Reward Program are not calculable. Since these are new programs, there is no basis to estimate their effectiveness.

The savings from risk mitigation and workers compensation appear to overlap. The comptroller's office has evaluated the processing of workers compensation claims and determined that savings can be achieved through streamlining the process; better reviewing claims; post-review of medical claims; and paying one-time settlements, rather than biweekly payments for life. These efficiencies would save approximately $900,000 in 2004 and 2005.

Workers compensation savings have been accounted for in both initiatives; they should appear only once. Ultimately, however, we believe that risk mitigation should produce at least as great, if not greater, savings than suggested in the Plan.

New York State collects a surcharge on each wireless cell phone based on the premise that the state police answers all emergency calls made from wireless phones. In practice, this is not the case. The county is answering these emergency calls. Nassau County, along with other municipalities, is seeking a distribution of a portion of the existing surcharge and for a share of the additional surcharge, which may be imposed. The receipt of a portion of the E-911 surcharge will be a positive revenue source only if the mandated federal expenditures, including installation of high-tech tracking and locating systems, are contained in the budget.

The impact of the reductions in salary enhancements on day care centers needs to be seriously considered. If enhancements have to be reduced at all, the impact on the centers could potentially be offset by state block-grant money, which apparently can be made available for funding of salary enhancements.

Conclusion

Overall, we believe the 45 initiatives are a good initial plan for re-engineering county government. While the actual potential for implementing many of them is uncertain, the total risk for the initiatives quantified is cushioned by the Plan's discounting and the volume of other revenue and expense initiative possibilities. We are pleased that the county executive has considered adoption of a number of our recommendations. In the near future, we will be making additional recommendations. In particular, we are currently examining potential savings in health care and food costs for inmates at the county correctional center. Although not discussed in the Plan, municipal cost-sharing programs and the elimination of overlapping responsibilities with local governmental entities also should be examined.

DEBT REFORM

The Plan appropriately addresses debt reform as one of its six major gap-closing categories. The program is projected to save $198 million (discounted to $121 million) over the four-year period from 2002 through 2005.

Initiatives

The Plan calls for:

1. Substantial reductions in the county's annual capital and cash-flow borrowing levels;
2. Extension of the maturity of NIFA-issued debt from 20 to 30 years;
3. Implementation of a variable-rate debt program, including a variable-rate interest stabilization reserve, consistent with those of New York State and New York City;
4. Targeted NIFA restructuring, and

5. Adoption of a number of progressive debt-management policies.

The management policies include prioritizing projects; competing for grants to offset capital project costs; transitioning costs of judgments and settlements to the operating budget; funding shorter-lived or lower-cost improvements through the operating budget; transferring financial responsibility for water-related projects to a new authority; improving the accuracy of cost estimates, and using in-house expertise to design and construct projects.

Risk

A substantial portion of the debt reform package is dependent upon outside approval. State legislation is required (1) to create a sewer and storm water resource authority, which is needed to restructure and re-organize sewer indebtedness; (2) to provide the assessment review commission with a full year to review administratively every assessment claim so as to reduce the county's property tax refund exposure in future years, and (3) to provide NIFA with the ability to refinance the outstanding county-issued tax certiorari indebtedness ($855 million at the end of 2001). Local legislation is required to impose the property tax increase dedicated to tax certiorari debt elimination.

NIFA should permit a portion of its new debt to be issued as 30-year level debt. This should be a limited measure to relieve some of the burden imposed by the accelerated pay down of tax certiorari debt. NIFA should also institute a variable-rate debt program.

The Plan envisions the development of four government complexes through a Building Consolidation Plan but does not identify a funding source. Through the consolidation of offices, the sale of vacated county property may provide seed money to initiate this project. However, substantial reductions in capital borrowings will limit the construction of large buildings, improvements of roadways and park land, the modernization of aging infrastructure and the acquisition of expensive information technology equipment and applications. The Plan limits capital borrowing to $41 million in 2002, $72 million in 2003 through 2006 and $100 million in 2007 through 2012. The county's need to borrow more than is recognized in the Plan may impact ongoing debt service costs.

Funding shorter-lived and lower-cost improvements through the operating budget is dependent on the availability of a contingency fund. Contingency funds, however, are established for unexpected emergencies. Planned expenditures should be provided for in the operating budget. The total amount required for items such as information technology, police vehicles, payment of judgments and other ongoing operational costs need to be addressed.

Nassau County Sewer and Storm Water Authority

The operations of Nassau County's sewage collection and disposal services are currently managed by the department of public works in the general fund and paid for by the taxpayers who directly receive the services. Storm water management and flood control are also managed by Public Works, but these costs are born by all county taxpayers. The establishment of the Authority is expected to save $41 million (discounted to $25 million). Savings for workforce reductions are accounted for in a separate section of this report.

Initiatives

The Plan's proposed Nassau County Sewer and Storm Water Authority is designed to reduce the general fund structural deficit, while also creating a new, self-contained agency that would take over the department of public works' division of sanitation and water supply and related capital projects. In addition, the various county sewer collection and disposal districts and related capital projects would fall under the Authority's control.

With the aid of the state's Environmental Facilities Corporation ("EFC"), the Authority would issue debt and refinance existing county sewer debt at more attractive rates and terms. Debt service would be paid through the establishment of separate taxpayer *zones of assessment* within newly combined sewer districts. The Authority would establish rates for usage of the wastewater and storm water systems. Not-for-profit users would be charged user fees.

Assumptions

The Authority is expected to save $14.9 million in 2003, $13.9 million in 2004, and $12.5 million in 2005. By combining its water-related functions into the Sewer and Storm Water Authority, the county is expected to benefit in the following ways:

1. The EFC's refunding of water and sewer debt, together with the transference of general fund water-related operating expenses to the authority, will provide the general fund with cash flow and deficit relief. Refunding and debt issuance at rates and terms obtainable via the EFC are not otherwise available.

2. The efficiencies derived from economies of scale will provide significant savings in purchasing and in the deployment of available resources.

3. Nassau County will be in a better position to report on and be compliant with federal, state and local water quality requirements by having a centralized authority.

Risks

Establishment of the authority requires state legislation. The authority is less beneficial if the EFC fails to deliver on the expected interest expense subsidies to the Authority.

The creation of user fees by the Authority may be unpopular and viewed as a hidden tax. Unlike property taxes, user fees are not deductible for income tax purposes by non-business users. Because tax-exempt organizations are not currently charged sewer district taxes, the imposition of user fees on not-for-profit organizations may be problematic, at least initially.

Conclusion

The proposed Sewer and Storm Water Authority appears to be a well-conceived approach to sewer and storm water management. If the initiatives are implemented in accordance with the scheduled timetable, the expected general fund deficit relief appears reasonable. The proposal's steep discounted percentages with respect to general fund savings are wisely conservative.

Additional work, however, needs to be completed on potential rate structures. Keeping the taxpayer zones separate is important because of differing taxpayer responsibilities for costs and allocation of credit for existing fund balances ($25 million at the end of 2001). Clarification of the plan is necessary with respect to the taxpayer impact resulting from the merging of sewer district assets. The taxpayer zones are only briefly discussed in the Plan. The proposal needs to further clarify who benefits from the existing fund balances for each merged sewer district once those districts are eventually dissolved and absorbed.

The proposal also lacks specificity with respect to taxes and/or rates to be imposed on tax/ratepayers, and it lacks a specific plan for the creation and implementation of a tax/rate.

Property Tax

Property taxes are the county's second most significant source of revenue. At $615.7 million, they account for 28% of the total adopted 2002 Budget for the county's five major funds (general fund, police headquarters, police districts, parks and fire safety). Unlike sales tax revenues, property tax revenues are not subject to significant variances due to moderate changes in the economy.

Initiatives

The Plan assumes an increase in the county portion of the property tax that will generate $115 million annually beginning in fiscal 2003. The additional revenues would be used to pay off debt that has been accumulated to fund successful tax assessment challenges. At the end of 2001, this debt exceeded $1 billion.

Increasing low- and middle-income seniors' property taxes can adversely affect their ability to remain in their homes. For senior citizens earning less than $60,000, the Plan as currently proposed follows the STAR formula that would exclude $90,200 of seniors homes' fair market value from the tax increase. The comptroller's office estimates that the exemption as currently formulated would save each such senior household approximately $65 of the overall increase. We have recommended an increase in the exemption and understand that the county executive is considering this revision.

The table on the following page depicts the financial impact on homeowners -- by school district -- of the proposed increase in the county portion of the property tax. Our calculations reveal that, based on the current average home assessment in the county, a homeowner's taxes would rise on average by $224. However, since the median assessment is $5,800, most taxpayers would actually pay an increase closer to $182.

Proposed 2003 County Property Tax Increase by School District

School District	Average Residential Assessment	Average Household Cost	Median Residential Assessment	Median Household Cost
Baldwin	$5,542	$174	$5,400	$170
Bayville	7,004	220	6,450	203
Bellmore	6,456	203	6,130	193
Bethpage	6,021	189	5,930	186
Brookville	30,785	968	26,570	835
Carle Place	6,057	190	5,970	188
Cold Spring Harbor	21,298	669	18,500	581
East Meadow	5,626	177	5,480	172
East Rockaway	4,985	157	5,100	160
East Williston	13,175	414	10,350	325
Elmont	5,024	158	5,050	159
Farmingdale	5,575	175	5,500	173
Floral Park-Bellerose	5,856	184	5,809	183
Franklin Square	5,531	174	5,450	171
Freeport	4,944	155	4,800	151
Garden City	10,404	327	9,050	284
Glen Cove	5,742	180	5,600	176
Great Neck	13,088	411	10,750	338
Hempstead	4,554	143	4,300	135
Herricks	8,659	272	7,650	240
Hewlett-Woodmere	9,299	292	7,840	246
Hicksville	5,341	168	5,650	178
Island Park	5,732	180	5,710	179
Island Trees	5,036	158	4,950	156
Jericho	14,078	443	10,853	341
Lawrence	8,699	273	8,000	251
Levittown	4,937	155	4,800	151
Locust Valley	10,047	316	8,160	256
Long Beach	6,015	189	5,780	182
Lynbrook	6,413	202	5,800	182
Malverne	5,238	165	5,200	163
Manhasset	13,680	430	11,950	376
Massapequa	6,627	208	6,080	191
Merrick	7,297	229	7,200	226
Mineola	5,440	171	5,250	165
New Hyde Pk Garden City Pk	5,637	177	5,492	173
North Bellmore	5,620	177	5,680	179
North Merrick	5,604	176	5,600	176
North Shore CSD	9,721	306	7,808	245
Oceanside	6,160	194	6,000	189
Oyster Bay East Norwich	13,699	431	8,897	280
Plainedge	5,669	178	5,650	178
Plainview-Old Bethpage	6,859	216	6,832	215
Port Washington	10,623	334	8,200	258
Rockville Centre	8,179	257	7,760	244
Roosevelt	4,203	132	4,100	129
Roslyn	11,694	368	11,575	364
Sea Cliff	6,636	209	6,000	189
Seaford	5,786	182	5,700	179
Syosset CSD	10,312	324	8,643	272
Uniondale	4,688	147	4,600	145
Valley Stream	5,162	162	5,050	159
Valley Stream # 30	5,249	165	5,200	163
Valley Stream #13	5,765	181	5,680	179
Wantagh	6,049	190	5,990	188
West Hempstead	5,636	177	5,500	173
Westbury	5,994	188	5,098	160
Nassau County Average	$7,113	$224	$5,800	$182

Cost per $1,000 of Assessed Valuation equals $31.43
Based on 2002 Assessed Valuations

The median costs, before and after the proposed property tax increase, for Nassau County residents living in unincorporated areas are shown in the table below. Note that the median tax increase shown is 3.4% of total property taxes.

Median Property Taxes for Residents of Unincorporated Communities

CLASS 1 AVERAGE PROPERTY TAXES					
	2001/2002 Based Before Tax Certiorari Fund		2001/2002 Based With Tax Certiorari Fund		Tax Certiorari Fund Increase
	Tax Dollars per Taxing Entity	Percentage of Total	Tax Dollars per Taxing Entity	Percentage of Total	
Average School District	$3,238	61.51%	$3,238	59.45%	
General Fund	$166	3.15%	$166	3.04%	
Fire Prevention	$23	0.43%	$23	0.42%	
Police Headquarters	$344	6.53%	$344	6.32%	
Police District	$487	9.24%	$487	8.93%	
Tax Certiorari Fund	$0	0.00%	$182	3.35%	$182
Nassau Community College	$61	1.16%	$61	1.12%	
Average Sewage Disposal District	$148	2.82%	$148	2.72%	
Average Sewage Collection District	$58	1.11%	$58	1.07%	
Total County	$1,287	24.44%	$1,469	26.96%	$182
Average Town	$740	14.05%	$740	13.58%	
TOTAL	$5,265	100.00%	$5,447	100.00%	$182
Average 2001 Median Valuation	$5,800		$5,800		

Nassau County residents living in a municipality with its own police force pay for that police protection through their local municipal taxes and do not pay county police district property taxes. In addition, Village residents pay lower town taxes, depending on the services provided by their individual Villages. Because of the variables involved, the increase could not be estimated for these homeowners.

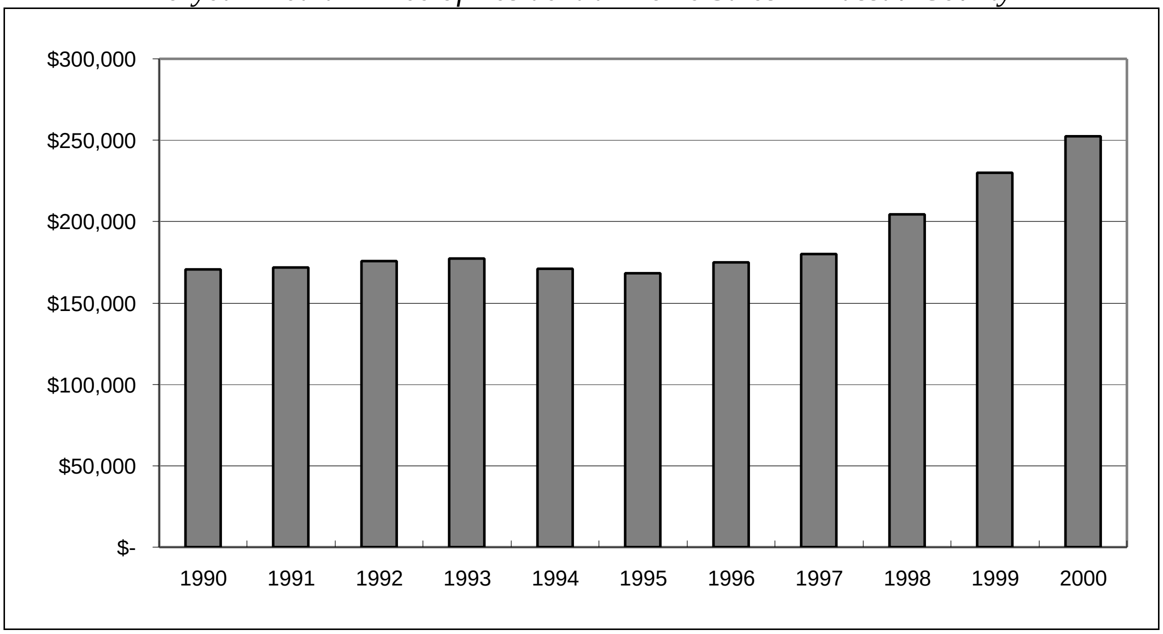
Risk

The proposed property tax increase must be approved by the county legislature. The senior citizen exemption requires state, as well as local, legislative approval. Since the entire tax increase will be dedicated to tax certiorari debt repayment, in the future, the county may be faced with the necessity of funding a police district fund deficit. The police district fund cannot be funded with revenue from the general fund because while all county taxpayers contribute to the general fund, a smaller number—those without their own local police forces—contribute taxes to the police district fund. We have been informed by the county executive that the total tax increase will be capped at $115 million. To the extent that funds are required for the police district, funds available for tax certiorari debt reduction will be reduced.

Comments

The Plan does not take into account that with annual property revaluation, property taxes will increase with rising property values. As the following chart reveals, Nassau County property values have historically risen.

10-year Median Price of Residential Home Sales in Nassau County



In view of this historical record, provided reassessments at fair market value are conducted professionally and accurately each year, the overall value of property in the county should increase annually. If tax rates are not reduced, property tax receipts also increase.

Governmental Accounting Standards Board ("GASB") Statement No. 34

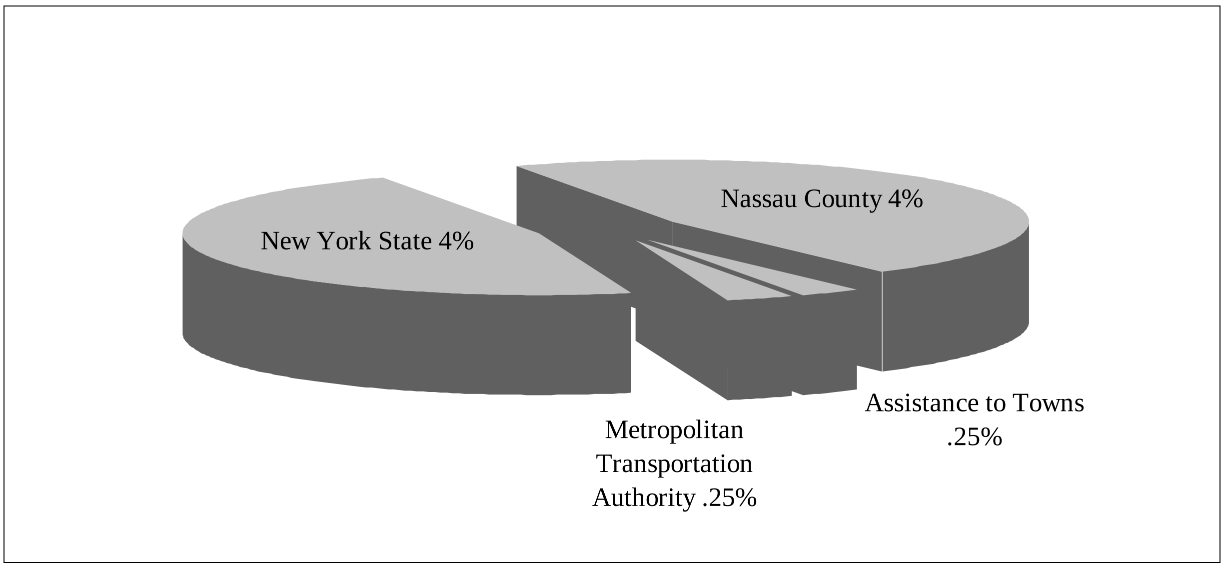
Using a dedicated property tax to pay off tax certiorari debt as quickly as possible will have a positive impact on the county's credit rating. GASB 34, "Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments," which must be implemented during fiscal 2002, places a great deal of importance on a governmental entity's net-asset ratio. Because the county used bond proceeds to pay successful tax certiorari claims, it currently has in excess of $1 billion of bonded indebtedness with no associated offsetting "brick and mortar" assets. The quicker this debt is retired, the faster the net-asset ratio improves.

Sales Tax

The sales tax is the county's single largest revenue generator. Of the current 8 1/2% levy, Nassau County and New York State each receive 4%, the balance being divided equally between the Metropolitan Transportation Authority and assistance to towns. At $855 million, the 2002 Budget assumes that sales tax revenues will account for nearly 38% of the total of all general fund revenues. While sales tax receipts have grown approximately 4.5% annually over the last 10 years, county expenditures have outpaced this growth, thus contributing to an overall structural deficit.

The following chart presents the use of sales tax collected in Nassau County.

Nassau County's 8 ½% Sales Tax

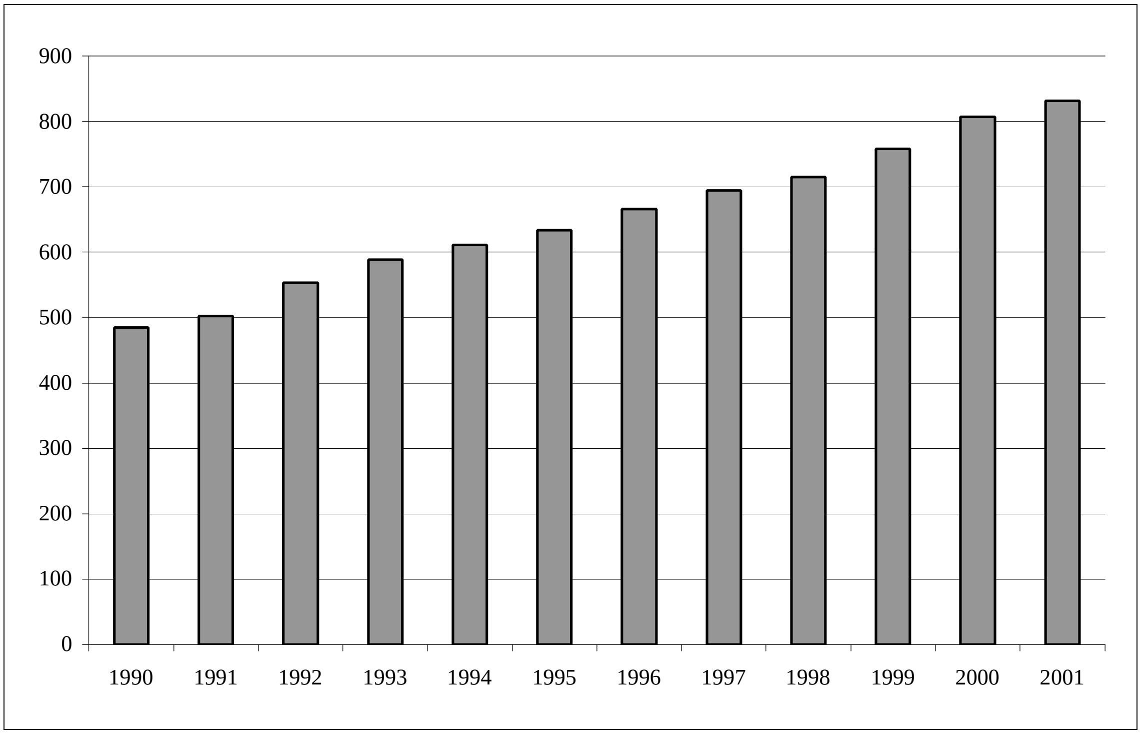


$250,000, or approximately 0.002% of the county share, is distributed to the various villages located within Nassau County.

Assumptions

Economic conditions have a direct impact on sales tax revenues. As the economy weakened during 2001, the overall rate of growth slowed to 3%. The economic slowdown was further impacted by the tragic events of September 11. In response to these events, the Administration's original baseline sales tax growth projection was 2.7%. In view of historic growth and the current national economic recovery, the Plan projects sales tax revenues to grow at 3.9% per year, net of lost taxes for the transmission of energy. The chart on the following page displays sales tax growth since 1990.

10-Year Sales Tax Growth



Dollars in millions. Sales tax rate changed on 8/31/91 from 3.75% to 4.25%. Fiscal years 1995 and 1996 were 9- and 15- month fiscal periods respectively but are shown as 12- month periods for presentation purposes.

Initiatives

If sales tax growth does not meet the Plan's expectations, the Plan assumes a ¼ cent per dollar sales tax increase (added to the county's share) will be enacted to fill the gap. Based on the Plan's projected sales tax growth, this initiative would generate $55 million in fiscal year 2005.

Risk

The county is becoming increasingly dependent upon sales tax revenue, the growth of which is unreliable. Suffolk County recently experienced financial difficulties directly related to the lack of realization of budgeted sales tax revenue estimates. The comptroller's office projects 3.5% growth from fiscal year 2002 through 2005, somewhat less than the Plan's projection of 3.9%. This would result in projected sales tax receipts of approximately $3.5 million less per year than estimated in the Plan. While this variance is not statistically significant, actual results must be monitored closely so that necessary corrective action can be taken as quickly as possible. Any increase in the sales tax will require state and local legislative approval and is likely to face political opposition.

TAX CERTIORARI REFORM

In his Plan, the county executive points to the huge backlog of tax certiorari claims facing the county as a threat to Nassau's financial well-being. Indeed, his proposed increase in the county portion of the property tax (which equates to 3.35 percent of the overall tax for most homeowners) is designed to enable the county to pay off this bonded indebtedness earlier than had been previously targeted. The administration has outlined an ambitious plan, whose detailed measures are all necessary to reform the process.

As the county executive recognizes, assessing real estate correctly and reducing tax refund claims is essential to achieving a balanced budget. The full-value reassessment of commercial and residential real estate that is currently underway should reduce the number of tax challenges filed. But since this revenue-neutral process is designed to reallocate existing county taxes on a more equitable basis, not to increase the county's coffers, more must be done.

As the Plan acknowledges, annual tax certiorari borrowings in excess of $140 million since 1995 have placed Nassau County in the unenviable position of having the highest debt per-capita of any county in the state. The county executive rightly asserts the need for changes to existing state legislation to put Nassau County's arcane and outdated real estate tax laws on the same footing as other localities in New York. Unlike other assessing jurisdictions, our county must refund all tax money owed because of a successful tax assessment challenge even though it only retains the county portion, or about 24 percent, of the property tax payments. Thus, of the nearly $1 billion in bonded debt outstanding for tax refunds, the county only received $240 million. The balance went primarily to school districts.

Shifting the burden to pay such refunds to the entities that benefited from them is inherently fairer. The refunds are not equitably distributed among Nassau County school districts, and county taxpayers are compelled to foot the bill for school districts rich in commercial property. While the preponderance of claims are filed on behalf of homeowners, the lion's share of the monies refunded go to commercial property owners. This system works to the benefit of taxpayers in some school districts and to the disadvantage of their counterparts in school districts with less commercial property.

Changing the current system requires state legislation. Because this piece of the proposed legislation is controversial, the Plan does not assume its passage. The county's authority to issue bonds to pay for tax refunds will expire in 2004. Consequently, the Plan calls for a $42 million appropriation in 2005 to pay real estate tax refunds under a new 'pay-as-you-go' policy. If the county were relieved of responsibility for holding the school districts harmless in the event of successful property tax challenges, then an additional $32 million of that appropriation would be available for the general fund.

If the legislative agenda is realized; the Assessment Review Commission ("ARC"), the County Attorney's Office, The Board of Assessors and the Department of Assessment avail themselves of the additional resources provided for; and these four key agencies work in concert, fiscal year 2005 should see a significant decrease in the cost of tax assessment refunds. Since the county will have fully transitioned to the use of an updated tax roll and the ARC will have a full year to review challenges, there should be a significant reduction in proceedings that must be resolved through litigation. Moreover, the county's exposure will be minimized because the challenge will be based on current, updated data. Advocating for the repeal of the county's guarantee of all tax certiorari claims, no matter how difficult, must be a priority if Nassau County is to have a sensible and fair assessment process.

NASSAU HEALTH CARE CORPORATION

Nassau Health Care Corporation ("the Corporation") is the owner and operator of Nassau University Medical Center, A. Holly Patterson Extended Care Facility and other treatment facilities acquired from the county in 1999. The Corporation's precarious financial position poses a potentially significant financial challenge to the county and merits special mention. The transfer agreement between the county and the Corporation stipulates the county's ongoing financial responsibilities with respect to medical care for the poor and indigent provided by the Corporation, as well as for employee benefits for transferred county personnel. Among other provisions, the agreement provides that the county is guarantor of $256 million of bonds issued in connection with the creation of the Corporation and its purchase of county assets.

The Plan does not provide for additional expenditures by the county to support the Corporation's operations above existing levels. It assumes that the county's legal exposure to a bond default is minimal, because the Corporation's revenues must first be deposited into a reserve account established for retiring this debt before a financial claim could be made against the county.

While this arrangement would appear to mitigate the county's financial risk for the bonded indebtedness, the county would still be drawn into a political crisis if the Corporation were to falter. The debt reserve account takes priority over all other liabilities, including payroll. If the Corporation's revenues were diverted into a reserve account, the hospital might not be able to continue to function. In addition to creating a healthcare crisis, the shutdown of the hospital would end its revenue flows and expose the county to its bond guarantee.

In spite of significant historical deficits, the Corporation's management team is operating under a multi-year plan that does not require additional outside support for its operations. The team is continuing to report results consistent with its plan. Monthly meetings are being held between NIFA and the Corporation, and there has been frequent communication with the comptroller's office. Corporation administrators have been advised that no additional funds are set aside in the Plan above the county's obligation pursuant to the transfer agreement.

The table on the following page contains information from the Corporation's draft 2001 financial statement. It depicts the 2001 actual revenues resulting from Corporation operations, as well as estimates for the fiscal years included in the Plan. The projected revenue increases of 9.5% in 2002 and 6.9% in 2003 appear optimistic, based upon the actual 3.3% decrease in 2001. Accordingly, the Corporation must continue to monitor its situation and take immediate corrective action as necessary. Likewise, it is incumbent on the county to closely monitor the Corporation's financial results as well, and to be prepared to take action should it falter.

NASSAU HEALTH CARE CORPORATION									
				($ Thousands)					
	ACTUAL	ACTUAL	%	BUDGET	%	BUDGET	%	BUDGET	%
	2000	2001	CHANGE	2002	CHANGE	2003	CHANGE	2004	CHANGE
OPERATING REVENUE	442,773	428,221	(3.3%)	469,027	9.5%	501,565	6.9%	523,212	4.3%
OPERATING EXPENSES:									
SALARIES & WAGES	236,357	241,280		238,376		249,070		260,261	
EMPLOYEE BENEFITS	40,872	46,361		49,613		51,845		54,182	
PROVISION FOR BAD DEBTS	73,369	53,139		45,182		45,265		45,350	
SUPPLIES & OTHER	96,455	109,098		125,912		130,414		136,200	
INTEREST	14,300	14,485		15,310		15,310		15,310	
DEPRECIATION & AMORTIZATION.	10,412	11,929		12,294		13,321		13,571	
	471,765	476,292	1.0%	486,687	2.2%	505,225	3.8%	524,874	3.9%
LOSS FROM OPERATIONS	(28,992)	(48,071)		(17,660)		(3,660)		(1,662)	
NON OPERATING GAINS	9,036	6,373		500		3,688		2,993	
EXCESS (DEFICIENCY) OF REVENUES & GAINS OVER (UNDER) EXPENSES & LOSSES	(19,956)	(41,698)		(17,160)		28		1,331	

APPENDIX

FINANCIAL PLAN REVENUE & EXPENSES

EXPENSES	2001 ACTUAL	2002 ADOPTED BUDGET	2002 ADJUSTED BASELINE BUDGET	2002 GAP CLOSING MEAURES	2003 ADJUSTED BASELINE BUDGET	2003 GAP CLOSING MEAURES	2004 ADJUSTED BASELINE BUDGET	CL ME
PAYROLL	695.1	712.0	717.7	(10.8)	750.5	(55.1)	790.5	
FRINGES	235.0	231.0	233.5		250.4		274.8	
EQUIPMENT	2.0	5.9	6.1		6.2		6.5	
MATERIALS & SUPPLIES	7.0	7.8	7.9		8.1		8.4	
GENERAL	26.7	27.2	28.8		29.5		30.5	
CONTRACTUAL	144.4	152.8	156.7		164.0		169.4	
UTILITIES	28.0	27.4	27.8		28.5		29.2	
DIRECT EXPENSES	0.5	0.5	0.5		0.5		0.5	
LOCAL GOVT. ASSIST.	49.1	50.2	50.2		51.6		53.0	
PBC COSTS	41.2	35.1	35.1		35.1		35.1	
INTERFUND CHARGES	81.6	85.0	85.0		85.0		85.0	
DEBT SERVICE INT. & PRINC.	369.8	300.3	308.9	(8.3)	290.2	(31.6)	271.1	
NIFA setasides	21.8	47.1	46.7		81.0		117.7	
NIFA expenses	.3		1.7		1.7	0.1	2.0	
Transferred to debt service fund	(266.6)	0.0						
Debt refinancing by NIFA	(90.4)	(57.0)	(57.0)					
Transfer from Debt Service Fund	(12.8)	0.0						
NET DEBT SERVICE INT & PRINC	(22.1)	290.4	300.3	(8.3)	372.9	(31.5)	390.8	
RESERVES	0.2	0.0						
FCF SUBSIDY	0.9							
PDH SUBSIDY	93.3	10.0	10.0		10.0		10.0	
CPF SUBSIDY	42.8	47.9	47.9		47.9		47.9	
TRANS TO DEBT SERV FUND	227.2	0.0						
MSBA	7.9	5.9	5.9		5.9		5.9	
LIRR-STATION MAINT.	20.5	21.2	21.2		21.7		22.3	
MTA-LIRR OPERAT. ASSIST.	11.6	11.6	11.6		11.9		12.2	
HANDICAP TRANSPORTATION	3.5	4.5	4.5		5.0		5.2	
OTHER	17.4	19.2	19.7		19.7		19.7	
RECIPIENT GRANTS	40.9	46.2	46.2		47.3		48.5	
PURCHASED SERVICES	42.0	49.8	49.8		51.1		52.3	
EMERGENCY VENDOR PAYMENTS	47.3	48.7	48.7		49.9		51.1	
MEDICAID	193.9	215.7	218.3		235.5		258.8	
IGT	94.0	80.7	80.7		82.7		84.8	
EDUCATION HANDICAP. CHILD	72.6	70.3	70.3		72.1		73.9	
SUITS & DAMAGES	0.2	0.6						
TAX CERTIORARI AND ASSESSMENT REVIEW REFORM				1.4		7.9		
DEPARTMENTAL INITIATIVES				(5.0)		(17.5)		
CONTINGENCY						12.5		
TOTAL EXPENSES	2,248.9	2,257.6	2,284.4	(22.7)	2,443.0	(83.7)	2,566.3	

REVENUE	2001 ACTUAL	2002 ADOPTED BUDGET	2002 ADJUSTED BASELINE BUDGET	2002 GAP CLOSING MEAURES	2003 ADJUSTED BASELINE BUDGET	2003 GAP CLOSING MEAURES	2004 ADJUSTED BASELINE BUDGET
FUND BALANCE- BEGIN	27.8	18.0	18.0	9.0			
INTEREST PENALTY ON TAX	19.0	15.8	15.8		18.8		18.8
PERMITS & LICENSES	6.7	8.2	7.5		7.3		6.5
FINES & FORFEITURES	11.9	13.6	12.4		12.4		12.4
INVESTMENT INCOME	10.6	1.0	1.0		1.0		1.0
Investment Income from NIFA	5.6	0.6	0.7		3.4		3.8
Investment Income from Cap	11.8	5.0	5.0		5.0		5.0
Cash Management Initiative	0.0	0.0					
RENTS & RECOVERIES							
0704 Recoveries	21.4	6.4	0.4		0.4		0.4
Tobacco	22.2	20.9	21.9		21.9		21.9
Sales of Land	0.3	0.1	0.1		0.1		0.1
Rents and Other Recoveries	10.8	13.2	19.0		18.3		18.3
REV OFFSET TO EXP	0.5	0.5	0.5		0.5		0.5
DEPARTMENTAL REVENUE	56.6	63.4	61.0		63.0		62.2
Intergovernmental from NHCC	94.0	80.9	80.9		80.7		80.7
CAPITAL BACKCHARGES	5.3	4.7	4.7		4.7		4.7
INTERDEPARTMENTAL REVENUE	27.4	26.5	26.4		27.1		27.1
PAYMENT IN LIEU OF TAXES	3.4	3.0	3.0		3.0		3.0
DEBT SERVICE FROM CAP	15.6	6.0	6.0				
OTB PROFITS	8.6	13.2	13.2		13.2		13.2
INTERFUND REVENUE	72.9	75.0	75.0		75.0		75.0
INTERFUND REVENUE	137.0	57.9	57.9		57.9		57.9
FEDERAL AID	110.2	110.2	111.8		113.9		117.0
STATE AID	175.2	194.0	192.8	(4.0)	203.7		213.4
NIFA	25.0	24.0	24.0		15.0		15.0
SALES TAX	828.8	855.0	854.8		878.0		901.7
Phase out of Energy Transmission					(7.5)		(13.0)
NET SALES TAX	828.8	855.0	854.8	2.2	870.5	27.5	888.7
PROPERTY TAX	563.5	615.7	615.7		615.7	114.4	615.7
OTB 5% TAX	7.3	7.5	7.5		7.5		7.5
SPECIAL TAXES	16.7	17.3	17.5		17.5		17.6
TOTAL REVENUE	2,296.1	2,257.6	2,254.5	7.2	2,257.5	141.9	2,287.4
FUND BALANCE	47.2	0.0	(29.9)	29.9	(185.5)	225.6	(278.9)