NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Review of the Fiscal Year 2018 Budget & Multi-Year Plan

Executive Summary

Maurice Chalmers, Director

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Inter-Departmental Memo

To: Hon. Norma Gonsalves, Presiding Officer
Hon. Kevan Abrahams, Minority Leader
All Members of the Nassau County Legislature

From: Maurice Chalmers, Director
Office of Legislative Budget Review

Date: October 18, 2017

Re: Executive Summary

Pursuant to §183 of the Nassau County Charter, the Office of Legislative Budget Review has prepared a preliminary analysis of the County Executive's proposed operating budget for Fiscal Year 2018 and Multi-Year Plan. Our report is made up of two parts: the enclosed Executive Summary and a Departmental Analysis.

I would like to thank the County Executive's financial team for their cooperation during this process. As always, my staff and I remain ready to provide whatever assistance the Legislature may require during the budget process. This document will be made available to your constituents at https://www.nassaucountyny.gov/2384/Budget-Documents.

1. EXECUTIVE SUMMARY

Introduction

Pursuant to the County Charter, the Administration submitted its FY 2018 Proposed Budget on September 15, 2017. Since 2011, the Nassau Interim Finance Authority (NIFA) has been a control board, which gives the authority more power over County finances. According to its statute, in § 3669 entitled "Control period" the authority imposed a control period in 2011 upon its determination that there was a substantial likelihood and imminence of a Major Operating Funds deficit of one percent or more. The County has endeavored to comply with the authority's demands for budgets that rely less on borrowing and more on recurring revenues to pay its expenses. The FY 2018 Proposed Budget recognizes, in the Major Operating Funds, expenses such as $23.0 million for suits and damages in the Office of Management and Budget (OMB); this expense is no longer expected to be paid from the Litigation Fund which was primarily financed through bond premiums. In addition, Tax Certiorari expenses of $30.0 million will also be paid out of the operating funds, with no corresponding borrowing as the County transitions to a pay-go approach. The Office of Legislative Budget Review (OLBR) estimates approximately $128.7 million of risks in the Major Funds to the Proposed FY 2018 Budget; the components of the risks will be reviewed later in the report. In addition, there are areas outside of this budget such as pending labor contracts that could drastically increase the risk; the final impact would depend on the details of future agreements that the County enters in with labor unions.

The plan also contends with escalating fringe benefits expenses for health insurance and pension contributions, in addition to costs related to the County's practice of deferring pension cost obligations to the out-years. That practice continues in FY 2018 with the County once again amortizing the maximum allowed, approximately $24.6 million, of the pension bill which will accrue interest. In total, the County is now committed to make deferred pension payments through FY 2030. From the inception of the program, total deferred pension costs have been estimated to be approximately $324.2 million for all the amortized amounts prior to interest. With payment of the FY 18 pension bill, approximately $234.7 million will still be outstanding prior to accruing interest. Due to the additional instalments from prior year deferrals, the County has not been able to reap the benefits from recent rate decreases. Fiscal hardships may have forced the County to engage in this practice, however it should be limited and even prepaid in years that end with budgetary surpluses.

The current labor agreements are scheduled to expire by the end of FY 2017. As such, the proposed budget includes steps for all labor unions but no Cost of Living Adjustments (COLA). Depending on future negotiated contracts, there may be potential funding pressure on the budget. A possible cost impact can't be accurately estimated as the terms of an agreement are not known. To keep labor cost down in FY 2018, the County offered in FY 2017 a Voluntary Separation Incentive Program (VSIP) to members of the Civil Service Employees Association (CSEA) union. The Administration reports that 301 employees in the Major funds participated in the incentive with corresponding annual salaries estimated to be $20.8 million. Per the agreement with NIFA, only half of the positions would be backfilled; this has helped the County keep costs down in the proposed budget.

The proposed budget includes a property tax increase in the Sewer Finance Authority Fund and the Environmental Bond Act Fund. Taxes are increasing by 0.8% in the Major Funds including Sewers and approximately 1.6% when also adding the Environmental Bond Act Fund. Currently, there is a cap in

New York State where property taxes levied by local governments and school districts generally cannot increase by more than 2.0%, or the rate of inflation, whichever is lower. The law does allow local governments and school districts to levy an additional amount for certain excludable expenditures and utilize a carryover from one year to the next. As will be reflected below, the levy has been increased in the Sewers and the Environmental bond funds. Below is a breakdown of the tax levy by fund:

Table 1.0: Proposed Property Tax Levy by Fund

Fund	Property Tax Levy 2017 Adopted	2018 Proposed	Difference 2017 vs 2018	% % Of Total Levy
Fire Commission	16,115,628	16,447,540	331,912	2.0%
General	57,628,750	69,023,316	11,394,566	8.5%
Police District	384,142,945	388,661,597	4,518,652	47.7%
Police Headquarters	359,106,917	340,565,216	(18,541,701)	41.8%
Subtotal Major Funds	**$816,994,240**	**$814,697,669**	**($2,296,571)**	**100.00%**
Sewers (SFA)	115,011,707	124,763,530	9,751,823	
Total Major Funds & Sewers	**$932,005,947**	**$939,461,199**	**$7,455,252**	
Enviromental Bond	0	7,702,284	7,702,284	
College	52,206,883	52,206,883	0	
Grand Total	**$984,212,830**	**$999,370,366**	**$15,157,536**	

The Proposed FY 2018 Budget includes approximately $60.0 million in anticipated revenues to be derived from increased fees. The proposed fee increases are illustrated in table 1.1 below:

Table 1.1: Fee Increases

Fee Increase	2018 OMB Projected Revenue Impact
Public Safety Fee	35,000,000
Geographic Information System (GIS) Tax Map	12,000,000
Clerk	12,000,000
Scofflaw	1,000,000
Fee Increase Total:	**60,000,000**

The fees include:

- A proposed increase in the Public Safety Fee in the Police Department from $55 to $120. The fee will be remitted to the Traffic and Parking Violations Agency (TPVA) and the portion attributed to the public safety fee will be booked directly to the Police Department. The fee is estimated to generate new revenues of approximately $35.0 million in FY 2018. This fee was first introduced in FY 2017 but reduced by the Legislature to $55 per violation and only applicable to moving violations.
- The increase in the Clerk revenue, approximately $12.0 million, is mainly driven by a proposed $100 increase in the per block fee; from the current fee of $300 to $400. The Clerk has vocally

opposed these fee increases. The fee is expected to impact the mortgage recording fee, deed recording fee, and miscellaneous fee lines.

- The GIS Tax Map Verification Fee is a service fee to access, acquire, and maintain the most current certified information on each tax map parcel used in any land document recording. Nassau's current GIS Tax Map fee rate is currently $355. The FY 2018 Executive Budget assumes a $100 increase to $455 and additional revenues of approximately $12.0 million.
- In the Traffic and Parking Violations Agency (TPVA) the Administration is proposing to extend the existing $75 fee to include a defendant who appeared in Court, was found guilty after a plea or trial, but has failed to pay in full the amount ordered by the Court. Per the Administration, the Proposed FY 2018 Budget includes an additional $1.0 million for this amendment.

Sales tax remains the County's most substantial source of revenue. County sales tax collections have recorded positive momentum. From an economic perspective, considering the projected FY 2017 deferred sales tax amount which can't be recognized until 2019, the FY 2018 budget is based upon a 2.0% economic growth from where all 2017 collections are projected at year end. The FY 2018 sales tax budget continues this positive trend. Because the County will not recognize all the sales tax growth in FY 2017, from a budget to budget perspective, *net of the deferrals*, FY 2018 collections would require a 2.5% growth rate. Current economic forecasts support the FY 2018 budgeted growth. Sales tax revenue is discussed in detail in the Sales Tax section of this book. Suffolk County's proposed budget includes a sales tax growth of 2.83%.

The Proposed FY 2018 Budget does not appropriate any fund balance in the Major Funds. The County's current fund balance policy sets a recommended level of unreserved fund balance and reserves of no less than 4.0% and no more than 5.0% of normal prior-year expenditures made from the General Fund, the County-wide special reserve funds (the Fire Prevention and Police Headquarters Funds), the Police District Fund, and reserves. It is estimated that the 4.0% minimum requirement equates to approximately $110.6 million of unreserved fund balance and the 5.0% maximum correlates with $138.3 million of unreserved fund balance. Taking into account *pending* usage, year-end FY 2017 unreserved fund balance is currently estimated to be approximately $141.4 million; this is $30.8 million more than the 4.0% minimum and $3.1 million more than the 5.0% maximum.

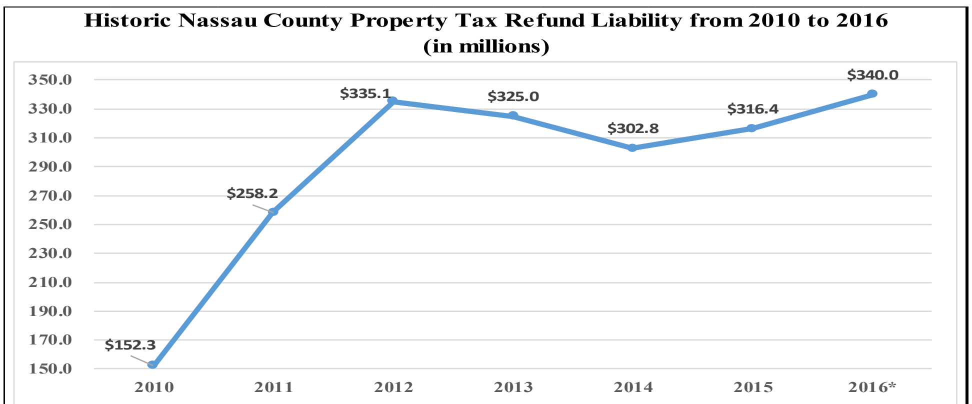
The FY 2018 Proposed Budget includes $30.0 million in tax certiorari expenses to be paid with operating expenses. The County has transitioned to pay-go and did not include any borrowing for this expense. Nassau County is the only County in the State that is subject to the County guarantee, a process by which the County becomes liable for property tax refunds without having had the benefit of the tax collections. This system has burdened County finances. As shown in Chart 1.0, the backlog grew to $340.0 million in 2016. As part of the year-end closeout process, expenses that are deemed payable are accrued for. The FY 2017 budget anticipates $75.0 million in payments which could allow the County to make headway into the backlog. The proposed budget of $30.0 million is not expected to allow the County to make any progress into reducing the backlog. In addition, some cases could potentially become judgements and payable. Based on these facts, OLBR has estimated a possible risk of approximately $44.1 million to the proposed budget. This expense can and will need to be managed by the County.

Cognizant of the tax certiorari problem, the County has implemented several tools with the goal of reducing the backlog liability. These tools include requiring commercial properties to file an Annual Survey of Income and Expense (ASIE) and the creation of the Disputed Assessment Fund (DAF).

The FY 2017 budget included $10.0 million in ASIE revenue which has been reduced to $5.2 million in FY 2018. This revenue is budgeted in the County Attorney's Office. The court's decision upholding the County's ability to require submission of ASIE's is currently on appeal. The enforcement of ASIE penalties continues to be litigated as well. The Temporary Restraining Order (TRO) / preliminary injunction which had inhibited all ASIE collections has been lifted. Per the court ruling, the County can cash checks from non-litigants; however, the County may not collect from any litigants who challenged the law. Once the law is fully implemented, it is expected to greatly increase the accuracy of the data upon which assessments are based.

The Disputed Assessment Fund (DAF) went into effect with the 2016/2017 tax roll. This law mandates that class four parcels who contest their assessment, place up to 10% of their assessed value (or a discretionary greater percentage upon reasonable evidence) into an escrow account. Funds from that account will be used to pay commercial property tax refunds if the business wins its challenge. If the County wins the dispute, the DAF charges will be distributed to the taxing jurisdictions pro-rata. As of August, the County had received $62.1 million in DAF payments from school and first-half general tax bills. According to the Administration, the County cannot make any 2017 DAF refunds until all DAF charges are received. Hence, no class four parcel has received any refund from its 2016/17 DAF charges. The chart below illustrates the County's estimated backlog:

Chart 1.0: Tax Certiorari Backlog

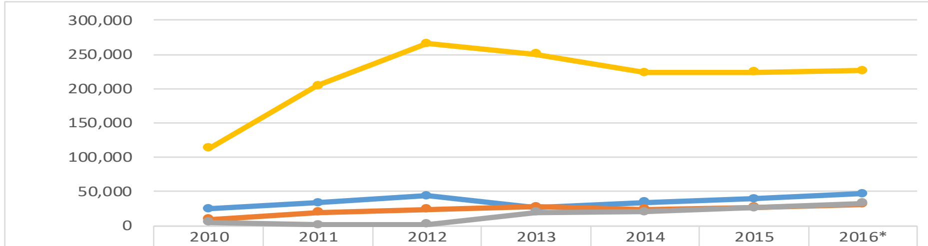


Source: Nassau County Assessment Review Commission
*2016 Actual includes a $2.75 million journal entry auditor accrual.

Chart 1.1 on the next page further breaks down the backlog by class:

Chart 1.1: Tax Certiorari Backlog by Class

Historic Nassau County Property Tax Refund Liability by class (10 to 16), in thousands



	2010	2011	2012	2013	2014	2015	2016*
Class 1	24,806	33,438	43,728	26,974	34,324	39,127	46,852
Class 2	9,607	19,257	23,786	27,399	24,257	27,162	31,365
Class 3	4,941	1,241	2,049	19,745	20,501	25,858	32,588
Class 4	112,960	204,238	265,579	250,866	223,718	224,275	226,415

Source: Nassau County Assessment Review Commission
*2016 Actual **does not** include the $2.75 million journal entry auditor accrual

Budget Risks and Opportunities

OLBR has identified $128.7 million in risks in the Proposed FY 2018 Budget. The budget includes $60.0 million in fee increases that will necessitate Legislative approval. OLBR has also included $44.1 million in FY 2018 as a property tax payment risk. Over the past five years, a large portion in expenses represented judgments. Since the Proposed FY 2018 Treasurer's Office Budget includes $30.0 million in appropriations to make property tax payments, after petitions and small claims payments, a $44.1 million funding shortfall could exist. The Proposed FY 2018 Budget does not enable the County to make any reductions in the backlog. Furthermore, although the County may have some control over the amounts that become payable, the Comptroller's Office and auditors decide the amount to be accrued at year-end. The other areas with risk items are illustrated in the table below:

Table 1.2: Major Funds Risks (millions)

Expense Risks (in millions)

Item	OLBR Surplus/Risk
Tax Certiorari	$ 44.1
Expense Sub Total	**44.1**

Revenue Risks (in millions)

Item	Surplus/Risk
Fee Increases	60.0
Annual Survey of Income & Expense	5.2
Video Lottery Terminals (VLT)	15.8
Sale of County Property	3.6
Revenue Sub Total	**84.6**

Total Risks	**$ 128.7**

The VLT revenues are considered a risk as the County has not yet collected any payments from this revenue source in FY 2017. The County has stated that it expects to accrue for the revenue by year-end and should receive the check by the first quarter of the ensuing year. Additionally, there is uncertainty about OTB future earnings and OLBR was not provided a copy of an agreement to authenticate the annual payment amounts.

The Administration is targeting the sale of seven County properties and included $3.6 million in potential revenue. However, the County's property sale process is lengthy and this revenue is at risk until sale documents are signed and the sale finalized.

Although not captured in the Major Funds risk assessment above, the proposed tax increases will also require Legislative approval and until these items are passed, they would also be considered as risks. In addition, there can be more risks to the proposed budget when new CBAs are negotiated with County unions and the costs are calculated. The current labor agreements with all the unions will expire by year-end and the proposed budget does not set aside any allocations for possible COLA increases.

Proposed Expense Budget

The FY 2018 Proposed Expense Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interdepartmental charges and debt service chargebacks, is $3.0 billion, a $28.3 million increase in expenses. A breakdown of the budget categories reveals that salaries and fringe benefits make up approximately 48.9% of the total budget. Table 1.3 below shows the budget to budget variances by category:

Table 1.3: Major Funds' Expenses FY 18 vs. FY 17
($'s in millions)

	2017 NIFA Adopted	2018 Proposed	Variance
Expenses			
Salaries	$888.1	$887.5	($0.6)
Fringe Benefits	545.9	578.0	32.1
Workers Compensation	35.3	35.4	0.1
OTPS	320.6	339.3	18.7
Transportation	43.7	44.2	0.5
Government Assistance	67.1	70.5	3.4
Interfund Charges	27.5	24.7	(2.8)
Direct Assistance	546.8	542.4	(4.4)
Debt Service	372.9	374.4	1.5
Other Expenses	121.0	100.8	(20.2)
NIFA Expense	2.0	2.0	0.0
Total Expenses[1]	**$2,971.0**	**$2,999.3**	**$28.3**

1. Excludes interdepartmental charges and debt service chargebacks

The Proposed FY 2018 Major Funds salary budget line is relatively flat compared to the previous year, only decreasing by $0.6 million compared to the Adopted FY 2017 Budget. The labor agreements are scheduled to expire by the end of FY 2017. As such, the proposed budget includes steps for all labor unions but does not include COLAs. Depending on future negotiated contracts, there may be a potential funding pressure on the budget. A possible cost impact can't be accurately estimated as the terms of any agreement can widely vary. In addition, the Administration just offered a VSIP to members of the CSEA union. The Administration reports that 301 employees in the Major Funds participated in the incentive with corresponding annual salaries estimated to be $20.8 million. NIFA has approved the separation incentive with the agreement that only half the positions will be backfilled and the Administration would absorb the separation payment in the operating budget. The Administration has centrally included a salary savings in the Proposed FY 2018 budget of approximately $10.0 million with a corresponding headcount reduction of 150 positions. Depending on the timing of the backfills, additional savings can be achieved in FY 2018. Termination expense in the Police Department has been reduced by $4.5 million as the department does not expect as many retirements in FY 2018 as it had in FY 2017.

The Major Funds overtime expense is budgeted at $89.1 million in the Proposed FY 2018 Budget which represents a marginal decrease from the current OLBR projection. The Police Department is expected to finish FY 2017 on budget, which represents a $16.0 million decrease from FY 2016 actual expenses.

Year-to-date, the overtime expenses in the Police Department are approximately $28.7 million prompting the Administration to project that there will be a $4.5 million surplus in that expense category this year. Looking at the FY 2018 budget, the reduced Police overtime expenses have not been reflected in the proposed budget. The budgets are equal year to year.

The largest expense variance is in the fringe benefits line. The FY 2018 fringe benefit budget for the Major Funds is approximately $578.0 million, which is an increase of $32.1 million from the Adopted FY 2017 Budget. This is due mostly to increases in health insurance for active and retired employees, as well as pension contribution costs. For a more in depth analysis, OLBR has devoted section three of this report to the analysis of fringe benefits.

Pension expenses are budgeted to increase by $6.6 million compared to the FY 2017 Adopted Budget. While the total bill is increasing by only $1.9 million, the County is still obligated to pay a higher amount because of instalment payments it owes from previous amortizations. The maximum amortization allowed is also decreasing from $29.7 million, or 14.7% of the total pension bill to $24.6 million, or 12.1% of the bill. The reduction in the maximum amortization allowed, as well as the cumulative annual installments from the prior year deferrals have offset any potential savings from the recent decline in pension rates.

Health insurance is increasing by $23.4 million in FY 2018 due to a rise of $20.8 million in insurance costs for active employees and $2.6 million in insurance costs for retirees. The FY 2018 Proposed Budget is based on a projected health insurance growth rate of 8.7%. This appears reasonable based on the New York State Health Insurance Program (NYSHIP) best estimate scenario of 9.4% for family coverage. The health insurance budget appears adequate to accommodate the FY 2018 budgeted headcount.

The OTPS rollup shows an increase of $18.7 million. This consists of an increase of $0.5 million in Equipment, a $3.0 million decrease in General Expenses, a $22.9 million increase in Contractual services and a $1.7 million decrease in Utilities.

Table 1.4: OTPS

OTPS	2017 Adopted	2018 Proposed	Difference
Equipment	2.0	2.5	**0.5**
General Expenses	36.3	33.3	**(3.0)**
Contractual Services	243.8	266.7	**22.9**
Utility Cost	38.5	36.7	**(1.7)**
	320.6	**339.3**	**18.7**

The contractual expense budget in the Correctional Center of $26.6 million represents an increase of $9.4 million from the prior year. The County entered into a contract with the Nassau Health Care Corporation (NHCC) to provide medical care for inmates at the jail beginning September 1, 2017 and terminating August 31, 2019. In addition, contractual services in the Public Works Department are increasing by $7.2 million, of which $6.0 million directly relates to the County's contract with NICE bus. Other departments with increases include Human Services with $1.2 million more in program agency expenses and the Information Technology department with $1.4 million more in software contracts and systems & programming.

The direct assistance budget is decreasing by $4.4 million. Contained within this category are Provider Payments for Children's Early Intervention and Preschool Education in the Department of Health. Recipient grants, purchased services, emergency vendor payments and Medicaid expenses are in the Department of Social Services. The table below illustrates the categories with discussions following:

Table 1.5: Direct Assistance FY 17 vs. FY 18

Direct Assistance	2017 Adopted	2018 Proposed	Difference
Early Intervention/Pre School Education	134.5	134.5	-
Recipient Grants	59.9	55.7	**(4.3)**
Purchased Services	67.6	67.6	-
Emergency Vendor Payments	48.3	47.0	**(1.3)**
Medicaid	236.6	237.7	**1.1**
		Net Change	**(4.4)**

A large part of Recipient grant funding is used to make payments to DSS clients eligible for Temporary Assistance to Needy Families (TANF) and Safety Net Assistance (SNA) benefits. Recipient grant expenses in the FY 2018 proposal are down about $4.3 million budget to budget. The decrease in recipient grant expenses budget to budget reflects the steep decline in TANF and SNA cases.

Emergency vendor payments are made to cover a variety of services rendered to eligible DSS clients. Among these services are shelter care, institutional services, and utility and maintenance payments. While emergency vendor payments are down budget to budget they are closer in line with current projections. The department anticipates continued decrease in caseloads for this expense; correspondingly, it trimmed some expense lines such as $0.9 million from its room and board budget and $0.3 million from motel bills.

Proposed Medicaid costs are up $1.1 million budget to budget. However, potential changes to the federal healthcare law could jeopardize millions in recent savings from the Affordable Care Act (ACA). Since the ACA was enacted in FY 2014, the State has assumed more responsibility for Medicaid, saving Nassau millions annually on Medicaid, per the department.

The Other Expense decrease of $20.2 million (net of NIFA set-asides) is a result of the suits and damages expenses, which includes tax certiorari expenses, decreasing from $75.0 million to $53.0 million in total. The Administration, in accordance with the agreement with NIFA, will be recognizing $23.0 million for regular suits and damages and $30.0 million for tax certiorari expenses out of the operating budget with no corresponding borrowing revenue.

Proposed Revenue Budget

The FY 2018 Proposed Revenue Budget for the Major Funds, excluding the Sewer and Storm Water Resource District, interdepartmental charges and debt service chargebacks, is $3.0 billion, a $28.3 million increase from the prior year budget. Table 1.6 below shows the revenue sources from a year to year perspective and the corresponding variances:

Table 1.6: Major Funds Revenue FY 18 vs. FY 17
($'s in millions)

	2017 NIFA Adopted	2018 Proposed	Variance
Revenues			
Fund Balance	$0	$0	$0
Department Revenues	242.6	256.9	14.3
Fines & Forfeits	96.2	133.4	37.2
Non-Tax Sources	291.5	232.6	(58.8)
Federal Aid	137.1	134.6	(2.5)
State Aid	212.0	211.6	(0.4)
Sales Tax	1,142.5	1,183.5	41.0
Property Tax	817.0	814.7	(2.3)
Other Taxes	32.2	32.0	(0.1)
Total Revenues[1]	**$2,971.0**	**$2,999.3**	**$28.3**

1. Excludes interdepartmental revenue & debt service chargebacks

The Proposed FY 2018 Budget anticipates $14.3 million more in Department Revenues than the previous year's budget. As noted in the table above, the department revenue line includes fee increases in the Clerk and Assessment departments that the Administration estimates will generate $24.0 million in revenue. The ASIE fee, also discussed above, has been decreased in the proposed budget by approximately $4.8 million. Finally, fare box revenue in the Department of Public Works (DPW) is budgeted to decrease by approximately $3.1 million.

Similarly, the scheduled fee increase for the Public Safety fee in Fines and Forfeits is budgeted to positively impact the proposed budget by approximately $35.0 million.

For Non-Tax revenues, in FY 2017, the County included in its adopted budget $60.0 million in revenue it had anticipated on borrowing to pay for tax certiorari expenses. That amount was removed from the current Proposed FY 2018 Budget, as the County plans to eliminate the borrowing by transitioning to pay-go.

Sales tax remains the County's most substantial source of revenue. Year-to-date County sales tax collections have increased 2.5%. From an economic perspective, considering the amount of 2017 deferred sales tax which can't be recognized until 2019, the FY 2018 budget is based upon 2.0% economic growth from where all FY 2017 collections are projected at year-end. The FY 2018 sales tax budget continues this positive trend. From a budget to budget perspective, *net of the deferrals*, collections reflect a 2.5% growth rate. Current economic forecasts support the FY 2018 budgeted growth. The Multi Year Plan (MYP) projects a 2.0% growth rate from FY 2019 to FY 2021.

Multi-Year Plan (MYP)

Table 1.7 below details the Administration's projected expenditures and revenues through FY 2021. The budgetary gaps represent projected deficits if corrective actions aren't taken.

Table 1.7: Multi-Year Plan Projections (Major Funds)
($'s in millions)

	2018 Proposed	2019 Proposed	2020 Proposed	2021 Proposed
Expenses				
Salaries	$887.5	$902.0	$908.3	$913.2
Fringe Benefits	578.0	606.3	637.6	670.6
Workers Compensation	35.4	35.4	35.4	35.4
OTPS	339.3	340.5	343.1	345.0
Transportation	44.2	45.4	46.6	47.9
Government Assistance	70.5	71.9	73.3	74.8
Interfund Charges	24.7	24.7	24.6	23.1
Direct Assistance	542.4	546.6	552.2	557.3
Debt Service	374.4	388.5	388.1	367.8
Other Expenses	100.8	100.4	101.5	101.9
NIFA Expense	2.0	1.9	2.0	2.1
Total Expenses[1]	**$2,999.3**	**$3,063.6**	**$3,112.8**	**$3,139.1**

1. Excludes interdepartmental charges and debt service chargebacks

	2018 Proposed	2019 Proposed	2020 Proposed	2021 Proposed
Revenues				
Fund Balance	$0	$0	$0	$0
Department Revenues	256.9	256.9	256.9	256.9
Fines & Forfeits	133.4	130.9	130.9	130.9
Non-Tax Sources	232.6	241.9	246.3	249.1
Federal Aid	134.6	135.7	136.8	136.4
State Aid	211.6	213.0	214.5	216.0
Sales Tax	1,183.5	1,207.3	1,225.6	1,250.1
Property Tax	814.7	811.8	811.6	811.7
Other Taxes	32.0	32.0	32.0	32.0
Total Revenues[1]	**$2,999.3**	**$3,029.5**	**$3,054.5**	**$3,083.1**

1. Excludes interdepartmental revenue & debt service chargebacks

Surplus/Gap Projections	**$0.0**	**($34.2)**	**($58.2)**	**($56.1)**

Over the course of this MYP, total expenses are projected to grow by 4.7% while revenues increase at a rate of 2.8%. The plan fails to account for potential labor agreements which will add to the costs and ultimately increase the current projected gaps. In addition, rising costs for expenses such as salaries and fringe benefits will outpace the County's revenue sources. This essentially contributes to the structural gap and highlights the need for long term solutions such as recurring revenues.

- Salaries and wages will increase by $25.7 million, from a Proposed Budget of $887.5 million in FY 2018 to $913.2 million in FY 2021. The growth only takes into consideration the step increases in the out years, since the current labor agreements expire by year-end FY 2017, and could be severely impacted once a new agreement is in place. The Police Department has been successful in reducing overtime expenses from the high numbers it has incurred in the past few years. Keeping staffing optimal as well as absorbing the impact of new labor agreements will be challenging.

- Fringe benefits will increase by $92.7 million, or 16.0%, from $578.0 million in the FY 2018 Proposed Budget to $670.6 million in FY 2021.

  Health insurance expenses for active and retired employees from FY 2018 to FY 2021 are projected to increase by $52.8 million to $373.4 million in FY 2021. The MYP baseline inflator used to project out-year health insurance costs is 6.1% from FY 2019 through FY 2021 for active employees. The MYP growth rates appear reasonable based on the historic five-year average of 6.3% for active employees. However, compared to the two-year average of 8.8%, which maybe a better indicator, the budget may be understated. The inflator for retirees is 4.21%. This growth rate for retirees appears reasonable based on the five-year average, however compared to the more recent two-year average of 5.5% for Medicare eligible, the out-year MYP budget for retirees could be understated.

  Including the amortization amounts, pension costs are increasing by $30.3 million to $198.6 million by FY 2021. The New York State Comptroller announced this month that employer contribution rates will decrease for the SFY 18-19. However, out-year costs are still projected to increase due to increasing salaries, as well as, from the annual installment liabilities associated with amortizing pension payments from previous years.

  From the FY 2018 Proposed Budget, social security expenses are increasing by roughly $2.2 million in FY 2019, by $2.3 million in FY 20, and by $2.4 million in FY 2021. With an increase in salaries, social security is also expected to rise since these costs are a function of salaries.

- Direct Assistance is projected to increase by $14.9 million over the MYP or 2.7%. Depending on future trends, the budget will be able to accommodate a modest growth which is a conservative approach; the final budget requirement will be contingent on caseloads.

- OTPS expenses show an increase of $5.7 million throughout the plan mainly due to a $3.5 million increase in utilities and $1.3 million in contractual services. From a planning perspective, contractual expenses will most likely surpass the amounts that are considered for items such as NICE bus over the MYP.

- The MYP doesn't draw on the undesignated fund balance from FY 2019 to FY 2021.

- Non-tax revenues are projected to increase by $16.5 million through the MYP. The County has budgeted additional revenues in its interfund charges and OTB profits.

Gap Closing Measures

The Administration included in the MYP various items that may reduce the projected out-year gaps. These items are divided into two categories: Expense/Revenue actions and NYS actions, as illustrated in Table 1.8.

Table 1.8: Gap Closing Measures Detail FY 19 – FY 21 (millions)

	2019	2020	2021
Current Baseline Gap	**(34.2)**	**(58.2)**	**(56.1)**
Expense/Revenue Actions			
Revenue Initiatives	15.0	15.0	15.0
Workforce Management	6.0	6.0	8.0
Health Insurance Cost Reduction	5.0	5.5	7.0
Debt Refunding	4.6	3.7	2.0
Program/OTPS Reduction	3.0	3.0	4.0
SUEZ Water Long Island Inc. Synergy Savings	3.0	3.0	4.0
Technology	1.0	2.0	2.0
ERP Implementation	1.0	2.0	2.0
Public-Private-Partnership		20.0	20.0
County's District Energy Facility		10.0	10.0
Strategic Sourcing		3.0	4.0
Consolidation Efficiencies		1.0	2.0
New York State Actions			
Mandate Reform	14.0	28.7	28.7
E-911 Reimbursement	3.5	6.9	6.9
NYS Highway Traffic Offense Reimbursement	2.8	5.7	5.7
Other NYS Legislative Actions	2.5	5.0	5.0
Hotel /Motel Tax Rate Increase	2.4	4.8	4.8
Total Gap Closing Initiatives	**$63.8**	**$125.3**	**$131.1**
Projected Baseline Gap After Gap Closing Actions	**29.6**	**67.1**	**75.0**

The following are explanations by the Administration that were included in the MYP:

Revenue Initiatives:
In addition to the FY 2018 fee increases, the Administration plans on reviewing fees to make sure they reflect the cost of providing the services. In addition, to accomplish the savings, the Administration will seek cost saving / revenue generating initiatives that would offset the growth of recurring expenses.

Workforce Management:
This gap closer essentially will analyze each vacancy as it materializes and determine the need to replace the position. The savings can come from eliminating vacant positions, backfilling at lower salaries, or delayed hiring.

Health Insurance Cost Reduction:
Based on the MYP, savings can come from the Administration's continued exploration of premium cost saving options and seeking savings as collective bargaining contracts sunset at the end of FY 2017.

Debt Refunding
Various underwriters have presented options for the County to refund some of its outstanding bonds. If market conditions remain favorable, the County could seek to complete a refunding before the end of FY 2017 to yield savings throughout the MYP

Program/OTPS Reduction:
The Administration plans to continue developing creative ways to reduce costs through public-private partnerships, consolidating departments, and renegotiating contracts to achieve savings.

SUEZ Water Long Island Inc. Synergy Savings:
The savings are anticipated from County employees not being utilized by SUEZ Water Long Island Inc. and being utilized to optimize workforce productivity in areas of County operations that can substantially reduce the use and cost of overtime, generate revenues, or decrease payments for services performed by contracted vendors.

Technology
The County is exploring opportunities to develop and utilize internet-based technologies to improve resident and business interaction with County government. These improvements will enhance customer service, reduce costs, improve productivity, and increase revenue.

ERP Implementation:
The new Enterprise Resource Planning (ERP) system will streamline core business processes that will lead to efficiencies and savings. This initiative, recommended by Grant Thornton LLP, is currently underway and the first phase (Personnel and Payroll) is anticipated to be operational by the end of FY 2017. Savings are expected to continue in the out years.

Public-Private Partnership ("P3"):
One of the largest components of the gap closing measures is a P3 for the sewer system. It will be up to the next Administration to evaluate the possibility of a Public-Private Partnership (P3).

County's District Energy Facility:
The extension agreement between Nassau County and Suez Energy allows Nassau County to explore opportunities in depth that leverage and reimagine the use of the facility as an important clean and sustainable power resource and economic development tool.

The County is currently exploring a potential public-private partnership that could result in the sale, lease, or private operation of the County's district energy facility. The plant consists of a combined heat and power facility and central utility plant that provides thermal and electrical energy to the marketplace.

Strategic Sourcing:
The County continues to pursue efficiencies and savings through strategic sourcing as recommended by Grant Thornton LLP in its NIFA-commissioned report.

Consolidation Efficiencies:
The County plans on using the NIFA consultant identified operations that could yield savings from consolidation. In addition, the County's workforce reduction has opened possibilities for centralization

and downsizing of office space. The County has hired Smith & DeGroat Real Estate to review the County's real estate assets for potential sale of excess property, consolidation of office space, lease renewal terms, etc.

Mandate Reform:
The County believes that numerous cost containment opportunities exist within some State and other mandated programs.

E-911Reimbursement:
The County should seek State approval to amend current County law and increase the reimbursement on certain telecommunication equipment and telephone service supplier customers in relation to providing an enhanced 911 (E911) emergency telephone system in the County. This would enable the County to raise revenue needed to cover costs associated with providing this technology within the County.

NYS Highway Traffic Offense Reimbursement:
The County should seek approval of State legislation providing a mandatory reimbursement for traffic offenses for incidents occurring on the Long Island Expressway, the Seaford-Oyster Bay Expressway or Sunrise Highway. This will reimburse the County for NCPD costs associated with patrolling State roadways.

Other NYS Legislative Actions:
The County should seek NYS legislation for revisions on Department of Motor Vehicles Registration Fees provided in the New York Tax Law section 1202(e) and VTL 401(6)(d)(ii) for non-commercial vehicles 3,500 lbs. or less, non-commercial vehicles in excess of 3,500 lbs., and for commercial vehicles.

Hotel/Motel Tax Rate Increase:
The County could seek approval of State legislation to provide for an increase in the Hotel/Motel Tax rate within the county from 3.0 percent to 5.875 percent, which is the tax rate allowed within the City of New York.

Conclusion

County budgets continue to face growing expenses with diminished revenue opportunities. The FY 2018 budget is a caretaker budget in that it funds expenses that have historically been important to the Legislature while also satisfying the demands of NIFA. The authority requires that the County relies less on borrowing while recognizing expenses it deems should be part of the operating budget. For example, the proposed budget funds the Youth agencies and the Nassau bus service to levels that should allow these services to continue through the next fiscal year. The operating budget recognizes $53.0 million in expenses in suits and damages for which the County either borrowed or used bond premiums in the past.

To fund these expenses, the Proposed Budget continues a recurring theme of implementing hefty fee increases, bringing into question the manner in which overall revenues are generated and the necessity for the increases. OLBR estimates approximately $128.7 million in risks to the budget. However, with passage of some legislative items, court decisions and actions by the Administration, the current risk can drastically change. Nevertheless, the current financial condition in the County highlights the necessity to address revenues as expenses continue to grow.

2. LABOR

The Proposed FY 2018 Major Funds salary budget line is relatively flat compared to the previous year, only decreasing by $0.6 million compared to the Adopted FY 2017 Budget. In 2014, the County entered into labor agreements with the Police Benevolent Association (PBA), the Detectives Association Inc. (DAI), the Civil Service Employees Association (CSEA), the Superior Officers Association (SOA) and the Correction Officers Benevolent Association (COBA), formerly known as ShOA (Sheriff Officers Association). The agreements are scheduled to expire by the end of FY 2017 and there are currently no agreements with any unions beyond that period. As such, the proposed budget includes STEPs for all Labor unions but no Cost of Living Adjustments (COLA) are added. Depending on future negotiated contracts and their retroactive aspect if any, there may be a potential funding pressure on the budget. However, a possible cost impact can’t be accurately estimated as the terms of any agreement can widely vary.

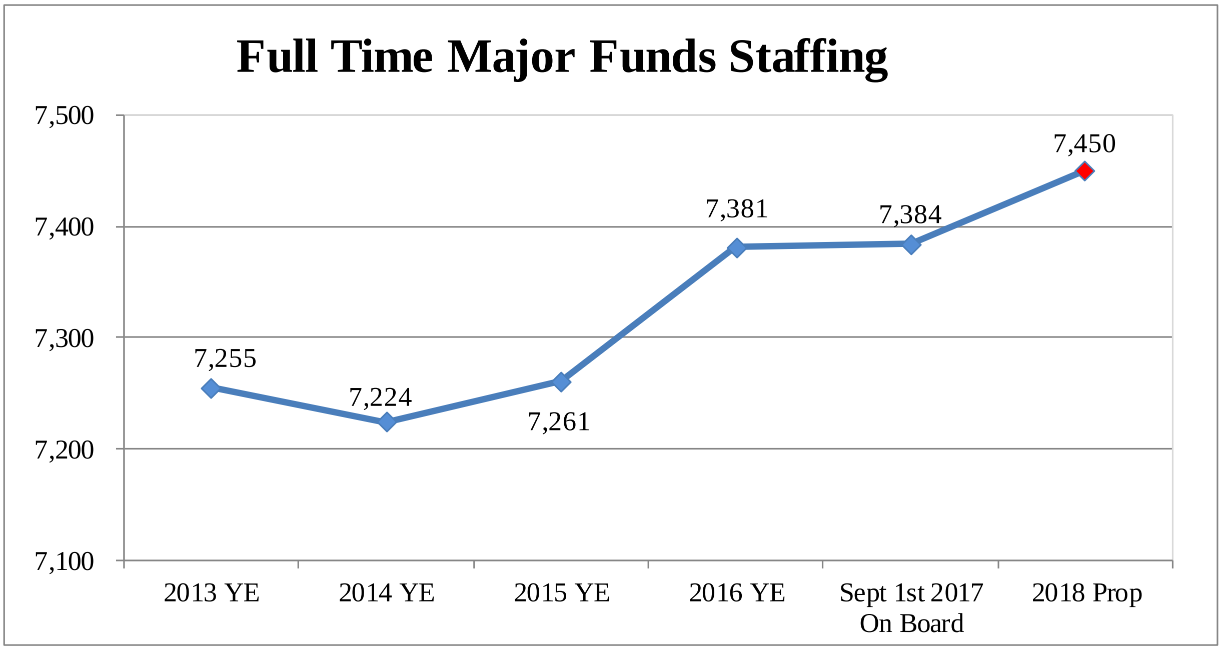
The current labor climate has created a level of uncertainty in regards to any future agreements. For instance, some aspects of the old Collective Bargaining Agreements (CBA) represented structural changes that will continue to garner savings past the timeframe covered by the CBAs. Examples of such structural changes include a 15% health insurance contribution and revised salary plans with lower salary scales for new employees. It is in this fiscal environment that the current Administration has offered a Voluntary Separation Incentive Program (VSIP) to members of the Civil Service Employees Association (CSEA) union.

To be eligible, an individual must have been a full-time Nassau County employee represented by CSEA with ten years of service. The program was not offered to CSEA members of the Nassau Community College. The Separation Incentive Window was until September 15, 2017 and was not completed in time to be reflected at the department level in the Proposed FY 2018 Budget. The Administration reports that 301 employees in the Major funds participated in the incentive with corresponding annual salaries estimated to be $20.8 million. The County is projected to realize salary savings of $6.2 million in FY 2017. The 2017 estimated termination liability is $15.5 million for the employees that opted for the lump sum payments and will cost an additional $6.1 million for the employees that opted for three payments over the next three years. The Nassau Interim Finance Authority has approved the separation incentive with the agreement that only half the positions will be backfilled and the Administration would absorb the separation payment in the operating budget. The Administration has centrally included a salary savings in the Proposed FY 2018 budget of $10.0 million with a corresponding headcount reduction of 150 positions. Depending on the timing of the backfills, additional savings can be garnered.

Workforce management has been one of the Administration’s cost reduction strategies and the proposed budget benefits from the lower expense. From the FY 09 year-end, the proposed 2018 full time budget of 7,450 represents a decrease of approximately 1,083 heads.

However, as will be demonstrated in Chart 2.0 on the next page, the full time headcount will be at a very low levels by the end of FY 2017 and backfilling the VSIP positions may become critical as a number of the participants are related to public safety.

Chart 2.0: Full Time Headcount Trend



With the VSIP being finalized, the projected headcount is expected to decrease by approximately 301 positions less than the September 1, 2017 on board. As the positions are removed and more accurate data becomes available, it will be critical for the County to monitor the vacated positions and backfill those that the Unions and the Administration deem critical for the safe operation of the County.

The Proposed FY 18 Budget includes approximately $7.4 million less in attrition and other savings as illustrated below:

Table 2.0: Proposed Salary Savings

Fund	2017 Included Savings	2018 Proposed Savings
General	5,792,754	2,050,000
Police District	4,850,372	4,969,874
Police Headquarter	3,760,161	-
	14,403,287	**7,019,874**

Headcount

In Table 2.1 on the next page, the FY 2018 Major Operating Funds Budget for **full-time** positions is compared to the current on board headcount of 7,384:

Table 2.1: Staffing Comparison

Full Time Major Funds Staffing Comparison					
Department	2017 Sept Onboard Headcount	2017 Sept Onboard Salaries	2018 Proposed Headcount	2018 Proposed Salaries	Variance 2018 Proposed vs. 2017 Sept Onboard
Assessment	123	8,495,207	123	8,737,604	0
Assessment Review Commission	29	2,249,553	30	2,309,096	1
Board of Elections	159	11,437,298	159	11,347,191	0
C.A.S.A.	4	249,989	4	246,596	0
Civil Service	51	4,152,170	51	4,311,859	0
Comptroller	75	6,276,534	87	7,141,696	12
Constituent Affairs	34	2,090,450	35	2,110,694	1
Consumer Affairs	25	1,720,385	25	1,772,705	0
Correctional Center	969	82,554,535	1,042	85,344,425	73
County Attorney	82	6,858,334	85	7,370,169	3
County Clerk	73	4,273,720	83	5,039,391	10
County Executive	14	1,546,698	14	1,571,229	0
District Attorney	375	32,705,031	375	38,751,931	0
Emergency Management	8	769,695	9	883,720	1
Health	177	14,549,254	182	15,192,595	5
Housing & Intergovernmental Affairs	14	796,659	14	796,659	0
Human Resources	8	673,277	8	673,277	0
Human Rights	6	471,181	7	524,346	1
Human Services	59	4,764,059	63	5,159,958	4
Information Technology	87	7,907,864	87	8,091,618	0
Investigations	2	195,000	4	288,835	2
Labor Relations	4	314,282	4	314,282	0
Legislature	82	5,633,688	90	6,729,591	8
Medical Examiner	71	6,571,192	84	8,086,645	13
Office of Minority Affairs	5	367,610	5	367,610	0
Office of Management and Budget	25	2,479,021	25	2,479,021	0
Parks, Recreation and Museums	149	9,039,571	149	9,239,233	0
Probation	180	14,772,210	191	15,414,605	11
Public Administrator	6	516,485	6	516,485	0
Public Works Department	427	29,659,980	462	31,111,530	35
Shared Services	10	685,849	10	721,352	0
Records Management	12	676,785	12	695,306	0
Social Services	615	42,847,644	616	44,038,230	1
Taxi and Limousine Commission	9	421,131	10	489,375	1
Traffic & Parking Violations	48	3,033,458	48	3,120,863	0
Treasurer	26	1,810,895	27	1,899,023	1
Veterans' Services Agency	7	465,780	7	472,391	0
Savings from Initiative & Adjustment	0	0	(187)	(11,000,000)	(187)
General Fund Total*	**4,050**	**314,032,474**	**4,046**	**322,361,136**	**(4)**
Fire Commission	90	7,007,596	96	7,471,303	6
Police District	1,737	153,398,230	1,676	150,814,422	(61)
Police Headquarters	1,507	154,829,582	1,632	167,965,694	125
Total Major Funds	**7,384**	**629,267,882**	**7,450**	**648,612,555**	**66**
Sewer & Storm Water (SSW)	134	9,006,061	124	8,613,816	(10)
Total including Sewers	**7,518**	**638,273,943**	**7,574**	**657,226,371**	**56**

The Major Funds overtime expense is budgeted at $89.1 million in the Proposed FY 2018 Budget which represents a marginal decrease from the current OLBR projections. The Police Department is budgeted to finish the year on budget, which represents a $16.0 million decrease from FY 2016 actual expenses. Year-to-date, the overtime expenses in the Police Department are approximately $28.7 million prompting the Administration to project that there will be a $4.5 million surplus in Police for that expense category. Looking at the FY 2018 budget, the reduced Police expenses, the surplus, have not been reflected in the FY 2018 Proposed Budget. The budgets are equal year to year.

Table 2.2: Major Funds Overtime Trends

OVERTIME TRENDS				
	2016 YE	2017 Projection	2018 Proposed	2018 Prop vs. 2017 Proj Variance
Police District	33,333,118	27,360,750	27,360,750	-
Police Headquarters	38,499,094	28,480,000	28,480,000	-
Total	71,832,212	55,840,750	55,840,750	-
Corrections	16,332,236	19,907,135	19,888,012	(19,123)
Police & Corrections	**88,164,448**	**75,747,885**	**75,728,762**	**(19,123)**
Others	12,114,509	13,621,112	13,403,885	(217,227)
TOTAL:	**100,278,957**	**89,368,997**	**89,132,647**	**(236,350)**

In FY 2017, it served the Police Department well to rein in the overtime expenses as the savings will be used to offset the additional separation expenses. For FY 2018, termination expenses are budgeted at $29.7 million for 100 projected separations. The termination expense budget reflects the department's anticipation that less separations will occur in FY 2018.

Table 2.3 on the next page illustrates the multi-year salary plan for the Major Funds:

Table 2.3: MYP Major Funds Salary Plan

Major Funds Multi Year Salary Plan				
Department	**2018 Proposed**	**2019 Plan**	**2020 Plan**	**2021 Plan**
Investigations	288,835	289,268	289,714	290,130
Assessment Review Commission	2,409,259	2,435,979	2,463,458	2,489,152
Assessment Department	9,093,857	9,200,748	9,310,408	9,412,969
County Attorney	7,875,444	7,916,424	7,958,357	7,997,616
Office of Management and Budget	(6,242,066)	(4,716,377)	(3,194,718)	(6,663,124)
Office of Consumer Affairs	1,991,006	2,014,092	2,037,024	2,058,478
Correctional Center	118,462,953	119,961,611	120,855,578	122,180,141
County Executive	1,752,408	1,752,408	1,752,408	1,752,408
Office of Constituent Affairs	2,309,226	2,328,743	2,348,128	2,366,276
Clerk	5,988,762	6,042,342	6,096,556	6,147,316
County Comptroller	7,586,253	7,662,187	7,739,720	7,812,273
Civil Service	5,231,659	5,285,014	5,339,047	5,389,554
District Attorney	42,227,778	44,384,908	44,528,061	44,662,925
Board of Elections	15,008,366	15,133,076	15,260,362	15,379,828
Emergency Management	957,578	966,087	974,426	982,227
Fire Commission	11,319,349	11,462,246	11,602,286	11,763,362
Health Department	16,453,217	16,649,705	16,848,053	17,033,545
Housing & Intergovernmental Affairs	806,949	806,949	806,949	806,949
Commission on Human Rights	557,244	563,126	569,176	574,833
Department of Human Services	4,817,291	4,877,181	4,938,777	4,996,421
Information Technology	8,187,840	8,294,184	8,397,098	8,493,345
County Legislature	7,186,585	7,186,728	7,186,874	7,187,023
Office of Labor Relations	316,115	316,115	316,115	316,115
Office of Minority Affairs	420,810	420,810	420,810	420,810
Medical Examiner	9,016,397	9,117,979	9,221,445	9,318,408
Public Administrator	588,014	591,588	595,211	598,597
Probation	17,457,724	17,671,398	17,885,630	18,086,530
Police Department	480,821,738	487,433,951	488,433,269	492,868,753
Department of Human Resources	804,274	804,274	804,274	804,274
Parks, Recreation and Museums	21,034,299	21,174,930	21,308,119	21,432,930
Shared Services	840,708	849,978	859,505	868,414
Public Works Department	33,743,162	34,275,133	34,749,018	35,191,115
Records Management	940,037	950,279	960,330	969,757
C.A.S.A.	249,159	249,159	249,159	249,159
Social Services	49,762,731	50,381,161	50,986,842	51,552,810
Taxi & Limousine Commission	507,875	513,192	518,584	523,643
County Treasurer	2,118,557	2,140,227	2,161,611	2,181,587
Traffic & Parking Violations Agency	4,117,702	4,153,915	4,190,330	4,224,464
Veterans Services Agency	492,884	497,540	502,328	506,806
Grand Total	**887,501,979**	**902,038,258**	**908,270,322**	**913,227,819**

3. FRINGE BENEFITS

Fringe benefit expenditures include health insurance contributions for active and retired employees, as well as pension and social security contributions. Escalating health insurance and pension contribution costs continue to place a heavy burden on the County's budget. The Administration has chosen to amortize the maximum amount of pension expenses allowed under the State's Contribution Stabilization Program for the seventh consecutive year. While this will provide budgetary relief in FY 18 and defer roughly $24.6 million from the overall expenses, OLBR continues to caution that this practice of amortizing the pension obligation creates more of a financial strain when balancing the out-year gaps. From the inception of the program, total deferred pension costs have been estimated to be 324.2 million, however with interest this could accumulate to be approximately $396.3 million for all the amortized amounts. With payment of the FY 18 pension bill, approximately $234.7 million will remain outstanding, prior to interest.

The FY 18 Fringe Benefit budget for the Major Funds is $578.0 million, which is an increase of $32.1 million from the FY 17 Adopted Budget due mostly to an increase in health insurance, pension contribution and dental costs.

Table 3.0 displays the fringe benefit appropriations for the Major Funds.

Table 3.0: Fringe Budget by Major Fund

Fund	Department	Adopted FY 17 Budget	OLBR FY 17 Projection	FY 18 Executive Budget	Variance Exec. vs FY 17 Adopted	Variance Executive vs FY 17 Proj.
Fire Commission	Fringe Benefits	5,864,055	5,799,291	6,168,712	$304,657	$369,421
General Fund	Courts	1,251,891	1,071,383	1,167,636	(84,255)	96,253
	Fringe Benefits	232,321,460	232,001,848	246,798,882	14,477,422	14,797,034
	OMB	25,321,272	24,847,659	25,320,618	(654)	472,959
Police District	Fringe Benefits	132,253,973	133,549,363	143,924,555	11,670,582	10,375,192
Police Headquarters	Fringe Benefits	148,871,528	147,595,292	154,588,825	5,717,297	6,993,533
Total		**545,884,179**	**544,864,836**	**577,969,228**	**$32,085,049**	**$33,104,392**

Table 3.1: itemizes fringe benefit costs by sub-object code:

Table 3.1: Fringe Budget by Sub-object for the Major Funds

SubObject & Description	Adopted FY 17 Budget	OLBR FY 17 Projection	FY 18 Executive Budget	Variance Exec. vs FY 17 Adopted	Variance Executive vs FY 17 Proj.
08F - NYS Police Retirement	87,828,932	87,824,658	91,385,429	3,556,497	3,560,771
11F - State Retirement Systems	73,874,164	74,520,611	76,893,596	3,019,432	2,372,985
13F - Social Security Contribution	60,652,726	61,154,927	60,404,098	(248,628)	(750,829)
14F - Health Insurance	145,542,566	150,416,963	166,382,210	20,839,644	15,965,247
17F - Optical Plan	840,366	813,765	862,823	22,457	49,058
19F - NYS Unemployment	754,229	1,008,458	817,487	63,258	(190,971)
20F - Dental Insurance	2,719,404	4,052,450	4,113,752	1,394,348	61,302
22F - Medicare Reimbursement	18,396,892	18,251,331	18,535,301	138,409	283,970
22S - Medicare Reimbursement Surcharge	747,656	821,906	878,795	131,139	56,889
26F - Flex Benefit	2,100,000	2,100,000	2,100,000	0	0
35F - MTA Mobility Tax	3,050,990	3,023,921	3,049,059	(1,931)	25,138
40F - CSEA Legal Plan	576,000	776,875	548,625	(27,375)	(228,250)
41F - COBA Legal Plan	111,250	101,625	109,375	(1,875)	7,750
45F - Disability Insurance	53,000	53,000	53,000	0	0
75F - Health Insurance For Retirees	151,672,090	142,976,245	154,198,635	2,526,545	11,222,390
76F - Employees Optical - Retirees	629,832	634,019	669,206	39,374	35,187
98G - Fringes Allocable to Grants	(333,000)	(333,000)	(270,248)	62,752	62,752
ZZO - Capital Backcharge OT Fringes	(417,596)	(417,596)	(567,680)	(150,084)	(150,084)
ZZS - Capital Backcharge ST Time fringes	(2,915,322)	(2,915,322)	(2,194,235)	721,087	721,087
Grand Total	**545,884,179**	**544,864,836**	**577,969,228**	**32,085,049**	**33,104,392**

08F State Pension for the Police and Fire Retirement System & 11F Employee Retirement System

The New York State Retirement System is a program designed to help employees and family members maintain financial stability during retirement or in the event of a disability or death. The annual bill covers the period from April 1st of the previous year to the ensuing March 31st. The pension payment date for participating employers is February 1st, but local municipalities have the option to make the payment on December 1st at a discounted amount. The FY 18 budget is based on paying the pension obligation as of the December payment date.

The FY 18 Proposed Budget is based on amortizing the maximum amount of pension expenses allowed under the State's Contribution Stabilization Program. This program began FY 11 and allowed participating employers to defer a portion of their pension expense over 10 years. In FY 14, the State created the Alternate Contribution Stabilization Program which increased the maximum length of amortization installments from 10 years to 12 years. The Administration opted into this program to amortized over 12 years. Once the 12 year program is elected, you cannot return to the Original 10 year program, however it is required that payments continue on any existing amortizations from the Original

Program.[1] The interest rate for the maximum amortization of contributions under the Alternate Program in FY 17 is 2.63%. The preliminary interest rate for the FY 18 amortization is 3.31%.

As shown in the chart below, the maximum amount allowed based on the FY 18 pension invoice is $24.6 million or 12.1% of the $204.1 million total pension bill. The bill includes an estimated $11.2 million for the Nassau Community College (NCC), the Sewer and Storm Water Resource District (SSWRD) and the Grant Fund, in addition to the Major Funds. Table 3.2 provides the FY 18 and FY 17 pension expenses billed by the State for Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS).

Table 3.2: FY17-FY18 Pension Invoices

Pension Payments Based on December Schedule	2017 Invoice	2018 Invoice	2018 vs. 2017
Total Pension Bill Excluding Amortization			
ERS	101,599,622	101,532,808	(66,814)
PFRS	100,543,619	102,554,637	2,011,018
	$202,143,241	**$204,087,445**	**$1,944,204**
Amount Using Maximum Amoritization			
ERS	84,576,962	88,054,338	3,477,376
PFRS	87,828,932	91,385,455	3,556,523
	$172,405,894	**$179,439,793**	**$7,033,899**
Amount Allowed to be Amortized	**$29,737,347**	**$24,647,652**	($5,089,695)

* The Invoices includes SSW Fund, Nassau Community College and the Grant Fund.

The table above provides the ERS and the PFRS disbursements based on paying the bill on the December 15, 2017 date. The early December payment date will result in a savings of $1.6 million. The December invoice of $204.1 million includes $101.5 million billed for (ERS) and $102.6 million billed for (PFRS). Based on the FY 18 pension bill, the amortization of the maximum amount allowed, reduces the pension expense payment by $24.6 million from $204.1 million to $179.4 million.

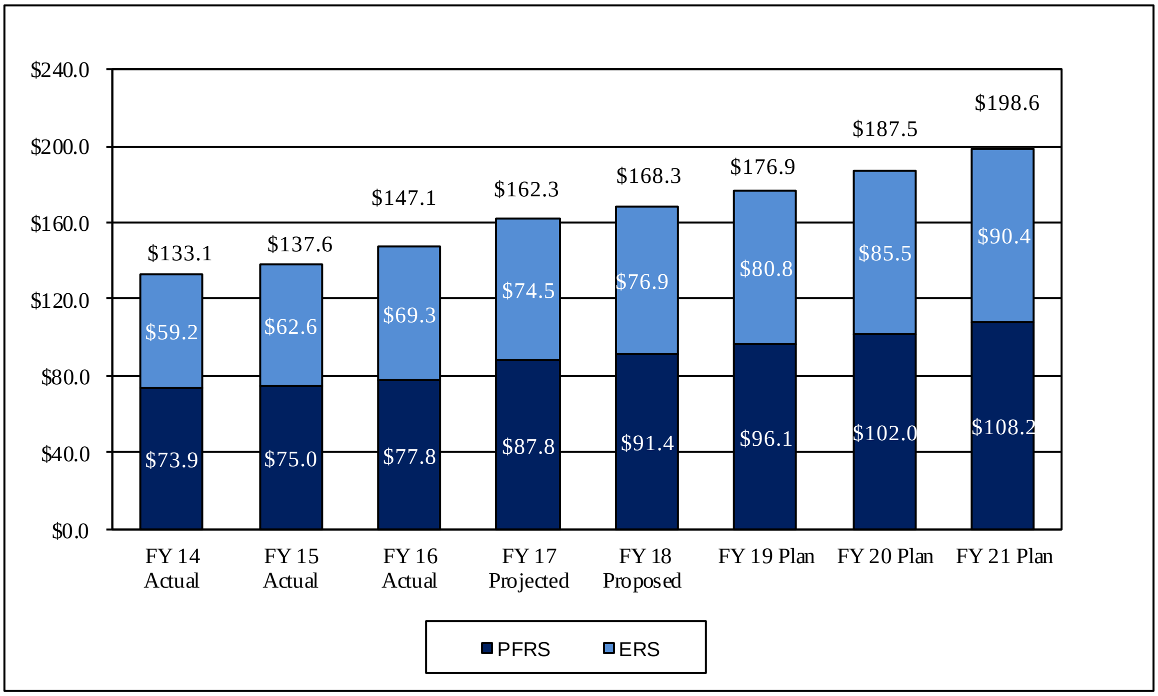
While the total bill is increasing by $1.9 million, the County is still obligated to pay a higher amount, $7.0 million, since the maximum amortization allowed is decreasing by $5.1 million from $29.7 million or 14.7% of the total pension bill to $24.6 million, or 12.1% of the bill. As a result, the minimum amount due under the Stabilization program results in a higher amount due compared to last year. The reduction in the maximum amortization allowed, as well as the cumulative annual installments from the prior year deferrals have offset any potential savings from the recent decline in pension rates.

Chart 3.0 details the historical pension obligations from FY 14 to FY 16 and the projected costs from FY 17 to FY 21 for the **Major Funds.** The Administration's FY 18 Proposed Budget includes the pension expense of $91.4 million for PFRS and $76.9 million for ERS for a total budget of $168.3 million. The

[1] Office of the New York State Comptroller New York State and Local Retirement System. "Alternative Contribution Stabilization Program." http://www.osc.state.ny.us/retire/employers/alt_contribution_stabilization.php.

figures in the chart below include the major funds and exclude the pension obligations for NCC, SSWRD and the Grant Fund.

Chart 3.0: FY 14 to FY 21 Pension Costs for the Major Funds (in millions**)**



Depicted in the above chart, pension costs are projected to continue to rise through FY 21. The Administration's Multi-Year Plan (MYP) projects pension costs to continue to rise to $176.9 million in FY 19, $187.5 million in FY 20 and $198.6 million in FY 21.

The Multi-Year Plan is based on the assumption that a portion of the pension expense will continue to be amortized in the out-years. The first payment from FY 18 amortization will impact the FY 19 bill by an estimated additional $2.5 million. This is in addition to the $32.4 million in annual installments the County is currently obligated to make from the FY 12 through FY 17 amortizations.

The FY 19 through FY 22 County budgets will include, at a minimum, an additional $34.9 million each year from the prior and current pension deferments. This amount could potentially grow if the pension bill continues to be amortized in the out-years.

Table 3.3 below details the outstanding liability from the seven years of deferring theses expenses.

Table 3.3: Amortization

Amounts Amortized by Year (in millions)		
Year	**Without Interest**	**With Interest**
2012 Amortization Liabilty	38.8	47.2
2013 Amortization Liabilty	57.6	67.5
2014 Amortization Liabilty	71.5	90.1
2015 Amortization Liabilty	60.9	75.6
2016 Amortization Liabilty	41.1	50.5
2017 Amortization Liabilty	29.7	35.1
2018 Amortization Liabilty	24.6	30.3 *
Subtotal Amortization 2012-2018	**324.2**	**396.3**
Remaining Liability After Paid Installments	**234.7**	**273.9**

*OLBR Estimates the 2018 liability based on the first installment from the projected FY 19 bill.

As can be seen in the table, the County has deferred a total of $324.2 million through FY 18. However, with interest the total deferred could accumulate to $396.3 million. After deducting the installments paid to date, OLBR estimates the total outstanding liability to be roughly $234.7 million, prior to interest. The projected liabilities are based on the amortization schedules provided by the State.

New York State implemented this program to make it possible for governments in New York to "smooth" their annual pension contributions to get through a prolonged period of market volatility. When the State introduced the plan rates were consistently rising. Pension contribution rates annually increased from (SFY)09-10 through State Fiscal Year (SFY)13-14. However, since then rates have continued to decline thereafter through the current year.

The New York State Comptroller recently announced rates for the (SFY)18-19 will decrease compared to the current year. The estimated average contribution rate for ERS will decrease from 15.3% of payroll to 14.9% of payroll. The estimated average contribution rate for PFRS will decrease from 24.4% to 23.5% of payroll.[2]

For State Fiscal Year (SFY)16-17, the New York State Common Retirement Fund returned 11.42%.[3] According to the Comptroller, "strong returns over the fiscal year, particularly in the fourth quarter, were driven by rising pubic equity markets." At that point in time, the Fund had an estimated value of $192 billion.[4] In April, the Pew Charitable Trust public policy foundation ranked New York's pension system as the third best funded retirement system among states. However, a spokesperson for the Independent

[2] Office of the New York State Comptroller, "DiNapoli: Pension Contribution Rates for Employers Will Decrease for State Fiscal Year 2018-19." https://www.osc.state.ny.us/press/aug17/083117.html.
[3] Office of the New York State Comptroller, "DiNapoli: State Pension Fund Value $192 Billion." http://www.osc.state.ny.us/press/releases/ may17/052317.html.
[4] Ibid.

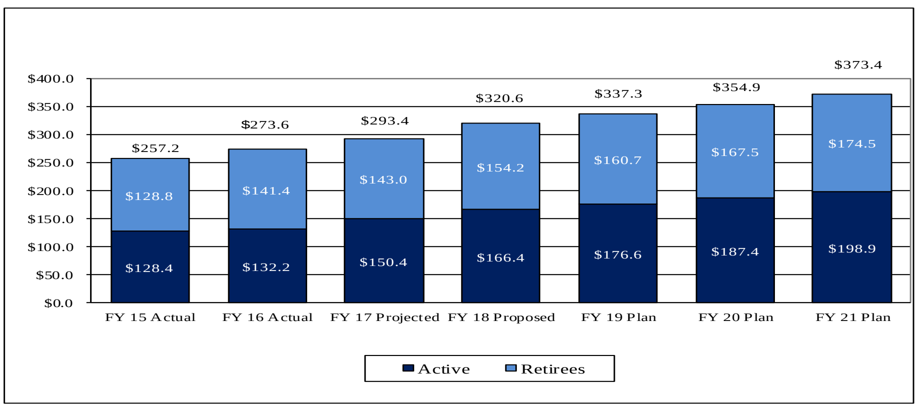
Empire Center, warns that while New York is well-funded compared to other systems, it is not well funded by private sector standards and the pension funds continue to represent a very financial risk to taxpayers.[5]

While pension rates have dropped, Nassau County is not reaping the benefits of this decrease. This is due to the additional installment payments from the previous year's deferment that continue to be added to the annual pension bill and from a reduction in the maximum amortization allowed. In addition, if the County never amortized any of the bills from the previous years, not only would the bill be decreasing, but the amount owed would be less than what the County is currently allowed to pay under the maximum amortization in FY 18.

14F & 75F Health Insurance for Current and Retired Employees

In FY 17, the national average single premium increased 4% and the average family premium rose 3% over the 2016 average premium.[6] The New York State Health Insurance Plan (NYSHIP) Empire family plan, which consists of most County workers increased significantly by 12.2%. The FY 18 Proposed Budget is based on a growth rate assumption of 8.7%. The FY 18 Proposed Budget for active and retiree health insurance is increasing by $23.4 million compared to the FY 17 Adopted Budget and by $27.2 million compared to the FY 17 projection.

Chart 3.1: FY 15 to FY 21 Health Insurance Costs (in Millions)



The FY 18 Proposed Budget includes $320.6 million for active and retiree health insurance costs. Compared to the FY 17 projection, the FY 18 budget is increasing by $16.0 million for active employees and $11.2 million for retired employees, for a total of $27.2 million.

The Office of Management and Budget (OMB) includes a total growth rate projection of 8.7%, this is reasonable and close to the New York State Health Insurance Program (NYSHIP) best estimated FY 18 health insurance rate projection of 9.4% for family coverage. Based on inflating the current headcount by the projected growth rate assumption and adjusting for VSIP separations, as well as the timing of potential hiring, the budget appears to be sufficient to accommodate the budgeted headcount. The health insurance budget is adequate to accommodate the FY 18 budgeted headcount.

[5] Gormley, Michael, NY's $186B Pension System Ranked Third Best-funded Nationally." Newsday. April 20, 2017
[6] "Employer Health Benefits, 2017 Summary of Findings." The Kaiser Family Foundation and Health Research & Educational Trust. September 2017.

It will be up to the Administration to the manage the budget, if the rates happen to finalize closer either the optimistic or pessimistic scenarios provided in NYSHIP's Second Quarterly Experience Report. NYSHIP's optimistic scenario includes a composite estimate of 7.2%, which could produce a projected surplus. However, the pessimistic scenario includes a composite increase of 12.0%, which could create a potential for a projected deficit.

Nationally, premium increases were modest. The modest increase can be attributed to growth in employees contributing to their health care services. Approximately, 81% of covered workers have a general deductible for single coverage that must be met before most services are paid by the plan. Even workers without a general annual deductible often face other type of cost sharing when they use services, such as copayments or coinsurance for office visits and hospitalizations. In addition, most covered workers make a contribution towards the cost of premium for their coverage. More participation in health wellness programs have also made a positive impact. Employers continue to invest in health promotion and wellness approaches including building incentives around programs that collect information about employee health and lifestyles.[7]

13F Social Security

Social Security tax is comprised of two components: Old-age, Survivors and Disability Insurance (OASDI) and Medicare tax. The employer's contribution rate is 6.2% for OASDI and 1.45% for Medicare, which equals a combined rate of 7.65%. Also, individuals with earned income of more than $200,000 ($250,000 for married couples filing jointly) pay an additional 0.9% in Medicare taxes. For the current year the OASDI portion is applied to salaries up to $127,200, which is an increase of $8,700 from 2016. Medicare has no maximum.

The FY 18 Proposed Budget for social security is decreasing minimally by $248,628, or 0.4%, compared to the FY 17 Adopted Budget. This appears reasonable since social security is function of salaries, and salaries are declining by a small percentage.

17F Optical Plan

This benefit provides optical insurance to full-time County employees. The annual per capita premium is currently $110.40. The FY 18 Proposed Budget is increasing by $22,457 compared to the FY 17 Adopted Budget and by $49,058 compared to the FY 17 projection. Based on the FY 18 budgeted headcount of 7,450, the budget appears sufficient.

19F New York State Unemployment

The County is required to reimburse the State for all unemployment claims paid to former employees. The County provides quarterly payments to the State. The FY 18 Proposed Budget is increasing by $63,258, or 8.4%, compared to the FY 17 Adopted Budget, but decreasing by $190,971 compared to the projection. Based on the current FY 17 projection, the proposed budget maybe understated.

20F Dental Insurance

This benefit provides dental insurance to full-time employees. The County recently renewed the contract with Healthplex, for another five-year term. The renew period is from January 1, 2017 through December

[7] Employer Health Benefits, 2017 Summary of Findings." The Kaiser Family Foundation and Health Research & Educational Trust. September 2017.

31, 2021. Under the contract the annual premium per capita remains unchanged at $561. In addition, the contract offers a new "buy up" plan, for County employees who choose to contribute towards the cost of a PPO Plan, that would offer a broader range of coverage.

The FY 18 Proposed Budget is increasing by $1.4 million to $4.1 million, however compared to the current projection, the budget is only growing by $61,302 or 1.5%. The significant increase compared to budget is due to an understated FY 17 Adopted budget. The Administration included savings in the budget last year that did not come to fruition when the Healthplex contract was renewed.

22F Medicare Reimbursement

The County provides quarterly payments to cover premium costs related to Medicare coverage for retired employees. The Proposed FY 18 Budget is increasing minimally by $138,409 or 0.8% to $18.5 million. According to the federal government, in FY 17 standard Medicare Part B premiums were $134 per month for salaries up to $85,000 and $187.50 for salaries up to $107,000. Early forecasts indicate that there will be new income brackets established in 2018 where the higher income tiers will have to pay a larger share of the premium.[8]

26F Flex Benefits Plan

All Nassau County employees have the option of contributing a portion of their salary to a flexible spending account for either healthcare or daycare expenses. This allows the employee to use pre-tax dollars on health care costs such as co-pays and deductibles. The FY 18 Proposed budget remains flat at $2.1 million. The FY 18 budget includes corresponding revenue to offset the expense for the same budgeted amount.

35F MTA Mobility Tax

The Metropolitan Commuter Transportation Mobility Tax (MCTD) is a tax imposed on certain employers and self-employed individuals engaging in business within the metropolitan commuter transportation district (MCTD). For employers with payroll expenses above $437,500, the tax is equivalent to 0.34% of payroll expenses. The FY 18 budget is $3.1 million, which is relatively unchanged, or a 0.1% decline compared to the FY 17 Adopted Budget. Compared to the projection, it is an increase of $25,138 which should cover the budgeted headcount.

40F CSEA Legal Plan

The FY 18 budget includes $548,628 for the CSEA legal plan which is a decline of $27,375, or 4.8% budget to budget, however it is a reduction of $228,250 compared to the current projection. As per the CSEA agreement, the County shall pay for each full and regular part time employee the sum of $125 annually. The FY 18 budget may be understated since the current FY 17 projection is $200,875 greater than the FY 17 budget.

41F COBA Legal Plan

The FY 18 budget includes $109,375 for the Correctional Officer Benevolent Association (COBA) legal plan as per the COBA contract agreement, which is a minimal decrease of 1,875 or 1.7% from the FY 17 Adopted Budget.

[8] "New Income Tiers for Medicare Part B Premiums in 2018" Military Officers Association of America."

45F Disability Insurance

The FY 18 Proposed Budget includes $53,000 for providing New York State disability insurance to CSEA unit members; the budget remains unchanged compared to last year.

76F Employees Optical for Retirees

This benefit provides optical coverage for retired County employees. The County's cost to provide optical insurance coverage to retired employees is the same as the cost to provide insurance for current employees, which is $110.4 per person. The FY 18 Proposed Budget is increasing by $39,374 from the FY 17 budget and $35,187 compared to the FY 17 projection. The budgeted increase appears sufficient to accommodate for the additional retirees that opt into the VSIP program.

98G Fringes Allocable to Grants

The FY 18 Proposed Budget includes a credit of (270,248), which is the corresponding fringe benefit expense to the salaries that are chargebacks to the Grant Fund.

ZZO Capital Backcharges OT Fringes

The FY 18 Proposed Budget includes a credit of ($567,850) which is the corresponding fringe benefit charge related to overtime salary chargeback.

ZZS Capital Backcharges to Fringes

The FY 18 credit of ($2.2 million) is the corresponding fringe benefit charge associated with the salary chargeback.

Multi-Year Plan

Table 3.5: FY 18 Proposed-FY 21 Multi-Year Plan

SubObject & Description	2018 Proposed Budget	2019 Plan	2020 Plan	2021 Plan
AB08F - NYS Police Retirement	91,385,429	96,093,702	101,965,027	108,195,090
AB11F - State Retirement Systems	76,893,596	80,786,369	85,471,978	90,429,353
AB13F - Social Security Contributions	60,404,098	62,626,969	64,931,641	67,321,126
AB14F - Health Insurance	166,382,210	176,581,439	187,405,882	198,893,862
AB17F - Optical Plan	862,823	862,823	862,823	862,823
AB19F - New York State Unemployment	817,487	896,293	982,695	1,077,427
AB20F - Dental Insurance	4,113,752	4,113,752	4,113,752	4,113,752
AB22F - Medicare Reimbursement	18,535,301	19,145,112	19,774,987	20,425,584
AB22S - Medicare Reimbursement Surcharge	878,795	907,707	937,571	968,417
AB26F - Flex Benefits Plan	2,100,000	2,100,000	2,100,000	2,100,000
AB35F - MTA Mobility Tax	3,049,059	3,161,264	3,277,599	3,398,215
AB40F - CSEA Legal Plan	548,625	548,625	548,625	548,625
AB41F - SHOA Legal Plan	109,375	109,375	109,375	109,375
AB45F - Disability Insurance	53,000	53,000	53,000	53,000
AB75F - Health Insurance for Retirees	154,198,635	160,690,398	167,455,463	174,505,338
AB76F - Employees Optical for Retirees	669,206	669,206	669,206	669,206
AB98G - Fringes Allocable to Grant	(270,248)	(270,248)	(270,248)	(270,248)
ABZZO - Captial Backcharge OT Fringes	(567,680)	(567,680)	(567,680)	(567,680)
ABZZS - Capital Backcharges Fringes	(2,194,235)	(2,194,235)	(2,194,235)	(2,194,235)
Grand Total	**577,969,228**	**$606,313,872**	**$637,627,462**	**$670,639,030**

Fringe benefits will increase by $92.7 million, or 16.0%, from $578.0 million in the FY 18 Proposed Budget to $670.6 million in FY 21.

Health insurance expenses for active and retired employees from FY 18 to FY 21 are projected to increase by $52.8 million to $373.4 million in FY 21. The MYP baseline inflator used to project out-year health insurance costs is 6.13% from FY 19 through FY 21 for active employees. The MYP growth rates appear reasonable based on the historic five-year average of 6.3% for active employees. However, compared to the two-year average of 8.8%, which maybe a better indicator, the budget could be understated. The inflator for retirees is 4.21%. This growth rate for retirees appears reasonable based on the five-year average, however compared to the more recent two-year average of 5.5% for Medicare eligibles, the out-year MYP budget for retirees could be understated.

Including the amortization amounts, pension costs are increasing by $30.3 million to $198.6 million by FY 21. The New York State Comptroller announced this month that employer contribution rates will decrease for the (SFY)18-19. However, out-year costs are still projected to increase due to increasing salaries, as well as from the annual installment liabilities associated with amortizing pension payments from previous years.

From the FY 18 Proposed Budget, social security expenses are increasing by roughly $2.2 million in FY 19, by $2.3 million in FY 20, and by $2.4 million in FY 21. With an increase in salaries, social security is also expected to rise since these costs are a function of salaries.

4. SALES TAX

The largest single source of revenue for the County is sales tax. Sales tax is collected by the State, and distributed to the County on a regular basis. The current rate in Nassau is 8.625%, of which 4.0% is the State's share, 4.25% is the County's share and 0.375% goes to the Metropolitan Commuter Transportation District. The County distributes one seventeenth of its collections to the Town of Hempstead, the Town of North Hempstead, the Town of Oyster Bay, the City of Glen Cove and the City of Long Beach. In FY 2018 the incorporated villages will be allocated a lump sum amount of $1,250,000 to be divided on a per capita basis.

The proposed sales tax revenue in the FY 2018 Executive Budget, excluding the deferred piece, is $1,178.0 million. Based on current projections, the Administration is currently expecting to recognize a sale tax surplus of $7.2 million in FY 2017 and projecting to defer approximately $5.7 million to FY 2019 which represents the amount that the "part county" portion of sales tax will exceed the FY 2017 budget.

In assessing the economic growth required to reach the FY 2018 Executive Budget, all sales that occur in FY 2017 should be compared to all FY 2018 sales. Thus, the FY 2018 Executive Budget is based upon 2.0% economic growth.

Table 4.0 below illustrates the growth needed from current projections:

Table 4.0: Proposed Sales Tax Growth

	2017 Budget	Total 2017 Projections	Total 2017 Variance	2018 Budget	2019 Budget	2020 Budget	2021 Budget
Projected Sales Tax	1,141.5	1,154.5	13.0	1,178.0	1,201.6	1,225.6	1,250.1
OMB % Growth Needed				2.0%	2.0%	2.0%	2.0%

**part of the 2017 surplus will be deferred to 2019.

Table 4.1 on the next page shows the annual gross sales tax collections, <u>*excluding deferred pieces*</u>, from FY 2010 through FY 2016, the OMB FY 2017 recognizable projection and the proposed budgets for FY 2018 through FY 2021. The MYP projects a 2.0% growth rate from FY 2019 to FY 2021.

Table 4.1: Annual Sales Tax Collections

Fiscal Year	Actuals	Growth
2010*	1,009.3	6.1%
2011*	1,027.5	1.8%
2012	1,070.4	4.2%
2013	1,138.2	6.3%
2014	1,090.8	-4.2%
2015	1,103.8	1.2%
2016	1,129.6	2.3%
Fiscal Year	**Projections**	**Growth**
2017	1,148.8	1.7%
2018	1,178.0	2.5%
2019	1,201.6	2.0%
2020	1,225.6	2.0%
2021	1,250.1	2.0%

2017 Figure Represents Recognizable Projection
* Includes Residential Energy Tax collections, effective June 1, 2009 through May 31, 2010.

In addition to the above regular sales tax, a $5.5 million addition has been budgeted in FY 2018 for deferred sales tax. That represents the amount by which part-county sales tax collections in FY 2016 exceeded the budget. For accounting purposes, the County is not able to book such revenue until two years after it has been received. In Table 4.1, the gross sales tax collections for each year are shown, excluding any excess over budget in the part-county portion. For that reason, neither the historical actuals nor the projections include the prior year deferred collections.

Current economic forecasts anticipate positive annual economic growth as indicated by real U.S. GDP from FY 2017 through FY 2019. These forecasts may be viewed in Table 4.2. The average of all the FY 2018 forecasts is 2.0%, the required growth when comparing all FY 2017 sales tax collections to the FY 2018 Executive Budget.

Table 4.2: Current U.S Real GDP forecasts

Current Real US GDP Forecasts	2017	2018	2019
Fannie Mae	2.2%	1.8%	
Mrt Bkers Assn.	2.2%	1.9%	1.9%
Federal Reserve	2.1%	2.4%	2.2%
Average	**2.2%**	**2.0%**	**2.1%**

The County received the October 12, 2017 final check completing the third quarter collections. With that check, County sales tax collections have increased 2.5% from the same time period last year. If the remaining checks entail no growth, the County would end FY 2017 with a $7.9 million surplus. Additionally, if the remaining checks entail no growth, part-county sales tax collections would exceed the budget by $7.2 million which would have to be deferred until FY 2019. Suffolk County's 2018 Recommended Operating Budget included sales tax growth of 2.83% from their FY 2017 projection. The growth rate was based upon an analysis by Suffolk County's economic consultant, IHS Markit. The growth rate is slightly more aggressive than Nassau's budgeted growth rate, but doesn't appear overly optimistic.

5. FUND BALANCE AND RESERVES

Table 5.0 shows the unreserved Fund Balance and the balances of the formal reserve funds at year-end FY 14 through FY 16, along with the projected year-end balances for FY 17 and FY 18. The Retirement Contribution Reserve Fund, the Employee Benefit Accrued Liability Fund, and the Bonded Indebtedness Fund represent the County's reserves.

Table 5.0: Total Reserves 2014 to 2016 & Projected Year-End 2017-2018

Item	Year-End 2014	Year-End 2015	Year-End 2016	Projected 2017	Projected 2018
Undesignated Fund Balance	$100.2	$141.4	$177.8	$141.4	$141.4
Technology Fund	1.9	0.1	0.1	0.1	0.1
Open Space Fund	1.2	1.4	1.7	1.7	1.7
Litigation Fund	0.0	20.2	43.6	0.0	0.0
Police District Fund	20.8	21.7	23.2	23.2	23.2
Retirement Contribution Reserve Fund	0.0	8.0	8.0	0.0	0.0
Employee Accrued Liab. Fund	10.2	0.0	13.1	0.0	0.0
Environmental Bond Fund	19.5	19.5	11.1	1.9	0.0
Bonded Indebtness Reserve Fund	0.0	0.0	3.6	3.6	0.0
Tobacco Settlement Fund	18.0	18.0	0.0	0.0	0.0
Sub-total	**$ 171.8**	**$ 230.3**	**$ 282.2**	**$ 171.9**	**$ 166.4**
Sewer/Storm Water Fund Bal.	42.3	44.4	40.6	17.0	1.2
Total Reserves & Fund Bal.	**$ 214.1**	**$ 274.6**	**$ 322.8**	**$ 188.9**	**$ 167.6**

The projections in the above table take the FY 16 year-end as a starting point and then subtract possible FY 17 changes included in OMB's projections and the FY 18 projected uses incorporated in the proposed budget. Depending on budget trends, there is a possibility that some of the planned uses may not be necessary.

At a macro level, in FY 16, the County added $81.6 million and subtracted $33.4 million, to increase its fund balance and reserves by $48.2 million. In FY 17, the Administration is projecting the use of $133.9 million in total fund balance and reserves. Additionally, the Administration mentioned a $45.0 million potential liability from the Restivo case, as well as additional liability from the recent voluntary separation incentive program (VSIP), which could alter the above results. In FY 18, the budget anticipates decreasing the fund balance and reserves by a net of $21.3 million.

In FY 16, the County used its budgetary surplus and bond premium revenues to appropriate monies to several existent funds. The appropriations included $39.7 million to the Undesignated Fund Balance, $0.3 to the Open Space Fund, $23.4 million to the Litigation Fund, $1.5 million to the Police District Fund, $13.1 million to the Employee Accrued Liability Fund, and $3.6 million to the Bonded Indebtedness Reserve Fund. The County expended $3.2 million from the Undesignated Fund Balance, $3.8 million from the Sewer and Storm Water Fund, $8.4 million from the Environmental Bond Fund, and $18.0 from the Tobacco Settlement Fund.

In FY 17, the County expects to use a net of $133.9 million of fund balance and reserves. To pay property tax refunds, the County will use $36.4 million from the Undesignated Fund Balance. To pay lawsuits the County will use $43.6 million from the Litigation Fund. To pay employee termination costs, the $13.1 million in the Employee Accrued Liability Fund are expected to be depleted. To operate the sewer system, the County expects to draw down the Sewer / Storm Water Fund Balance by $23.6 million. To pay pension liability costs, the County anticipates using the $8.0 million in the Retirement Contribution Reserve Fund. To pay environmental bond debt service costs, the County expects to utilize $9.2 million from the Environmental Bond Fund.

The Proposed FY 18 Budget projects the use of $21.3 million of fund balance and reserve funds. To operate the sewer system, the County expects to draw down the Sewer / Storm Water Fund Balance by $15.8 million. To cover debt service expenses, the County expects to use the $3.6 million available in the bonded indebtedness fund. To pay environmental bond debt service costs, the County expects to utilize $1.9 million from the Environmental Bond Fund. This will eliminate the environmental reserve fund balance and the Executive Budget and Financial Plan shows an $7.7 million environmental bond tax levy in FY 18, $10.6 million in FY 19, $10.8 million in FY 20, and $10.7 million in FY 21 to cover environmental bond debt service costs.

The County’s current fund balance policy sets a recommended level of unreserved fund balance and reserves of no less than 4.0% and no more than 5.0% of normal prior-year expenditures made from the General Fund, the County-wide special reserve funds (the Fire Prevention and Police Headquarters Funds), the Police District Fund, and reserves. It was estimated that as of December 31, 2016 the County had $2.765 billion of normal expenditures. Therefore, the 4.0% minimum equates to $110.6 million of unreserved fund balance and the 5.0% maximum correlates with $138.3 million of unreserved fund balance. Taking into account pending usage, year-end FY 17 unreserved fund balance should be $141.4 million, $30.8 million more than the 4.0% minimum and $3.1 million more than the 5.0% maximum.