

**NASSAU COUNTY  
OFFICE OF THE COMPTROLLER**



**COMPTROLLER'S COMMENTS ON  
THE PROPOSED NASSAU COUNTY 2006 BUDGET  
AND MULTI-YEAR FINANCIAL PLAN**

**Howard S. Weitzman  
Nassau County Comptroller**

**October 17, 2005**

**NASSAU COUNTY**  
**OFFICE OF THE COMPTROLLER**

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# **Comptroller's Comments On The Proposed Nassau County 2006 Budget and Multi-Year Financial Plan**

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## **Executive Summary**

On September 15, County Executive Thomas R. Suozzi presented to the County Legislature his proposed Fiscal 2006 (FY 06) Budget ("proposed budget") and Multi-Year Financial Plan ("financial plan") for the years 2006 through 2009, as required by the Nassau Interim Finance Authority (NIFA).

The Comptroller's office analyzed the assumptions and financial estimates contained in the proposed budget and financial plan. This report highlights material revenue and expenses, and areas of potential significant risk.

Consistent with the County Executive's budget submissions for 2003 through 2005, the proposed 2006 budget is balanced and incorporates conservative revenue and expense growth rates. It is the third consecutive budget containing no property tax increase. It also recognizes the impact of two significant changes that will materially affect Nassau County finances: 1) paying for property tax refunds from the operating budget ("PAYGO"), rather than financing them long-term, and 2) state legislation instituting a cap on the county's share of Medicaid costs.

In our *Report on the County's Financial Condition for the First Six Months of Fiscal Year 2005*, we projected that the county would end 2005 with a surplus between \$48.1 million and \$70 million, depending upon the outcome of two uncertainties: 1) the receipt of the last segment of NIFA transitional aid of \$7.5 million and 2) the recognition of approximately \$14.4 million of one-time Medicaid savings related to the implementation of the new "Medicaid cap". The proposed budget indicates that \$53.5 million of the projected 2005 surplus will be reserved to be used to ease the county's transition to PAYGO.

Based on our most recent analysis, we continue to project a 2005 surplus close to the range presented above. The administration has requested transitional aid from NIFA to fill a projected deficit in the Police District Fund. At this time we do not know whether the aid will be released. Based on discussions with the State Comptroller's Office, we believe the one-time Medicaid savings will be realized during 2005.

Nassau County achieved structural balance during 2003 and 2004, and we expect it will come close in 2005. However, the proposed FY 06 budget incorporates the use of \$119.6 million of non recurring revenues, such as the use of the pension reserve and tobacco settlement proceeds, and accumulated capital reserves to achieve balance. \$50 million of this amount is part of the proposed \$90 million transitional funds intended to

ease the shift to PAYGO tax certiorari payments. While we concur with the use of these funds in order to transition to higher costs in the future, these transitional funds will have to be replaced with future expenditure reductions or revenue increases or a combination of both. The financial plan includes projected future year structural gaps of \$175.3 million in FY 07, \$230 million in FY 08, and \$272.3 million in FY 09. These gaps are closed by various revenue generating and cost cutting initiatives, some of which are subject to risk.

The financial plan presents proposed county policies for maintaining accumulated fund balance levels, using reserves, and limiting the issuance of long-term debt. Institutionalizing prudent fiscal policy is an important step in ensuring the county's future fiscal health.

Schedule 1 presents risks to the proposed budget and financial plan identified by our analysis. We believe certain estimates, such as future sales tax receipts, are more optimistic than in prior years, and consequently, subject to risk. Other items have been categorized as risk based on our analysis of year-to-date FY 05 and historic results. The administration has demonstrated an ability to achieve budget surpluses in the past in the face of projected risks of this magnitude and should be able to make adjustments if necessary. Additionally, our report presents estimated savings, such as those generated by vacant budgeted employee positions, which may offset risks that materialize.

Schedule 1

**PROPOSED NASSAU COUNTY 2006 BUDGET  
and MULTI-YEAR FINANCIAL PLAN**

**MAJOR FUNDS  
SUMMARY OF RISKS**

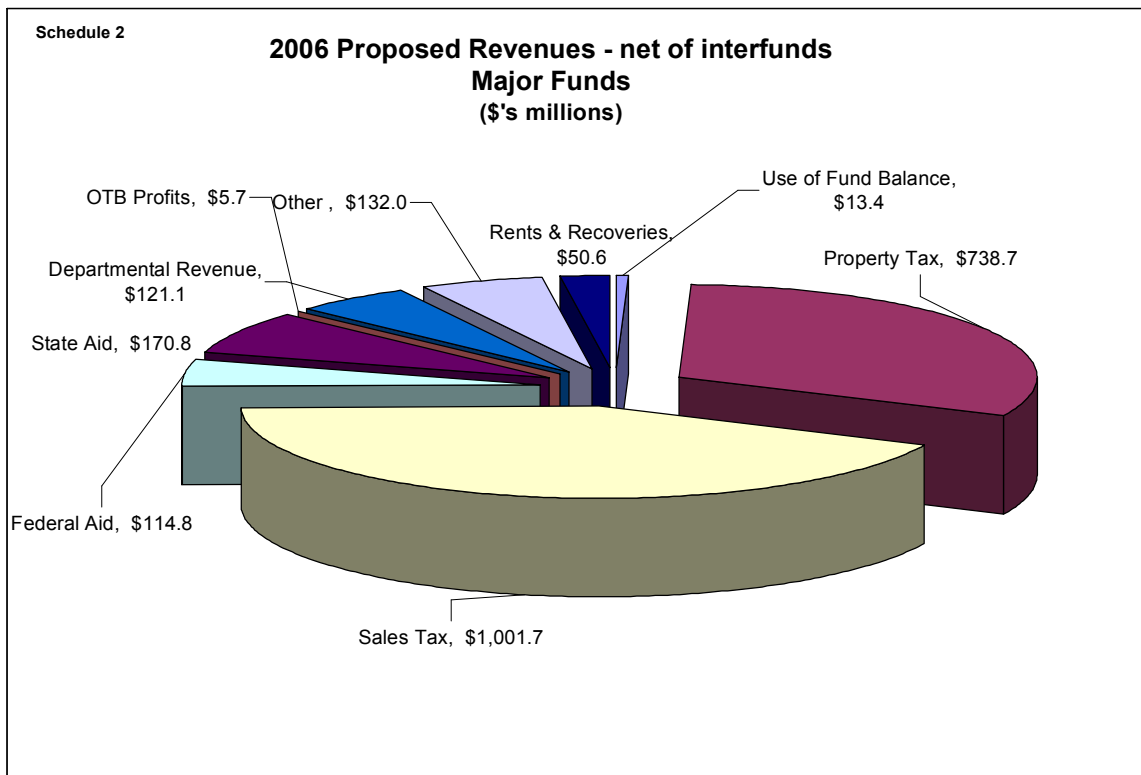
(\$'s Millions)

	2006	2007	2008	2009
<b><u>Quantified Risks</u></b>				
Parks not achieving revenue targets	\$ 1.6	\$ 1.6	\$ 1.6	\$ 1.6
Traffic and Parking Violations not achieving parking fine collection targets	1.3	1.3	1.3	1.3
Federal reimbursement for Medicare Part D not reaching target	2.9	2.9	2.9	2.9
New permits and licenses not receiving Legislative approval (plumbers, electricians, and taxis)	3.5			
Overtime exceeding budget	12.0	12.0	12.0	12.0
Pre-fund debt service obligation		10.0		
Surcharge on Absentee Landlord residential property taxes			5.7	5.7
Revenue from unspecified fee increases		2.1	3.6	5.6
Parks - additional revenue from maximizing facility utilization		2.0	3.0	4.0
HHS administration consolidation (cost savings and increased reimbursements)		1.8	3.3	3.3
Medicaid cost containment		2.6	2.6	2.6
Commercial property tax grievance filing fee			3.4	3.4
Police overtime reduction initiative		2.0	2.0	2.0
Hotel Motel tax extension		1.4	1.4	1.4
Increased federal inmate aid		1.5	1.5	1.5
Ticket processing surcharge		1.5	1.5	1.5
State reimbursement for police training		1.5	1.5	1.5
Nassau Coliseum redevelopment - additional annual lease related revenue		1.5	1.5	1.5
Switching to Basic Core Plan health insurance			13.2	13.2
Automated time and leave system	-	0.9	1.7	1.7
<b>Total</b>	<b>\$ 21.3</b>	<b>\$ 46.6</b>	<b>\$ 63.7</b>	<b>\$ 66.7</b>

**Risks yet not quantifiable**

Risks not yet quantified are discussed in the body of this report. These include sales tax, workforce reduction and turnover savings, labor concessions, health insurance, utility costs, savings from the proposed ShOA contract, and property tax refunds in excess of budget.

# Revenues



Total Budgeted Revenue	\$ 2,778.9
Less:	
Interfunds between major funds	381.6
Interfunds outside of major funds	48.5
Proposed revenues above	<u>\$ 2,348.8</u>

## Tax Revenues

### Sales Tax

We project that gross sales tax receipts for 2005 will be \$3.3 million less than the \$964.7 million adopted budget. Although revenue growth was flat for the first five months of 2005, we have seen a recent increase in receipts. We are projecting that the balance of 2005 will experience 3 percent growth over the same period last year.

The proposed financial plan assumes growth of 3.2 percent for each year. It also includes, as a gap closing measure for FY 07 through FY 09, an additional 0.8 percent

growth per year. The administration has moved away from overly conservative sales tax forecasts, to ones that are more optimistic, and as a result, subject to greater risk. While gross sales tax receipts have increased an average of slightly more than 4 percent over the last three years, recent trends reflect a moderation in the growth rate. Each one percent of sales tax revenue growth represents approximately \$10 million.

Pursuant to state law, sales tax receipts collected on hotel room occupancy and alcoholic beverages due to the county's three towns and the City of Glen Cove are separately accounted for by the county. These sales taxes are used to offset county property taxes that otherwise would have been paid by the residents in those localities. When these sales tax receipts are over budget, the related revenue is deferred and recorded as revenue in a future year. The proposed budget includes a technical change to record these revenues as sales tax, as opposed to property tax, as was done in the past.

Schedule 3						
Sales Tax (Gross Receipts)						
(\$ Millions)						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
Sales Tax	\$ 939.8	\$ 961.4	\$ 1,001.7	\$ 1,027.6	\$ 1,060.6	\$ 1,094.5
Gap Closing Measures - increase in line with historic averages	-	-	-	15.0	25.0	33.0
Sales Tax including Gap Closing Measures	<u>\$ 939.8</u>	<u>\$ 961.4</u>	<u>\$ 1,001.7</u>	<u>\$ 1,042.6</u>	<u>\$ 1,085.6</u>	<u>\$ 1,127.5</u>

## Property Taxes

We project that property tax revenue will be \$7.2 million greater than the \$738.7 million adopted FY 05 budget. This favorable variance is primarily the result of the classification of \$4.5 million of 2003 deferred sales tax revenue, and \$2.2 million of property taxes generated by assessment exemptions that terminated as a result of property sales.

The proposed 2006 budget does not contain any county property tax increase. However, the proposed multi-year financial plan includes property tax increases, related to the estimated growth in the consumer price index of 3.9%, equal to \$28.9 million in 2007, \$30 million in 2008, and \$31.1 million in 2009. The financial plan also provides for property tax on the assessed value of new construction that has occurred in Nassau County since 2002 of \$13.3 million in 2007, \$16.6 million in 2008 and \$20.7 million in 2009.

Schedule 4						
<b>Property Tax Major Funds (\$ Millions)</b>						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
Property Tax	\$ 743.1	\$ 745.9	\$ 738.7	\$ 738.7	\$ 738.7	\$ 738.7
Gap Closing Measures - CPI increase				28.9	58.9	90.0
Gap Closing Measures - capture value of new construction	-	-	-	13.3	16.6	20.7
Property Tax including Gap Closing Measures	<u>\$ 743.1</u>	<u>\$ 745.9</u>	<u>\$ 738.7</u>	<u>\$ 780.9</u>	<u>\$ 814.2</u>	<u>\$ 849.4</u>

## Non-Tax Revenues

### State Aid

We estimate that state aid, excluding assistance from the Nassau County Interim Finance Authority (NIFA), will be \$4.7 million over the FY 05 adopted budget of \$215.3 million. State aid, however, typically offsets county expenditures that are also higher than budgeted. Contributions to this favorable variance include: reimbursements for Department of Mental Health preschool special education programs, which we forecast will be over budget by \$3.3 million; a \$2.2 million retroactive rate adjustment for preschool transportation costs dating back to 2003; and the receipt of an unbudgeted \$1.4 million representing reimbursement of legal costs from the state Indigent Legal Services Fund. A \$5 million shortfall resulting from the postponement of Brownfields Environmental Redevelopment initiative projects will partially offset these favorable variances.

The most significant adjustment to state aid, for fiscal years 2006 through 2009, is associated with the newly established cap on Medicaid growth. The proposed budget and financial plan reflect this recently negotiated limit on the growth in the local share of Medicaid expenses. Beginning in 2006, Medicaid expenditures will be determined by the cap formula. It utilizes actual FY 05 expense as a baseline. Certain items are then either added, such as the local share of administration costs, or subtracted, such as state aid, prescription drug rebates and family health care plus expense, in order to arrive at the 2005 Medicaid cap base. Although 2006 state aid attributed to Medicaid appears to be approximately \$61 million lower than 2005, this lower figure is because the cap formula reflects the deduction of Medicaid related state aid.

Excluding the impact of the change in state aid associated with Medicaid, the financial plan includes increases in other state aid that average approximately 2 percent



per year during the period 2006 to 2009. The state aid estimate increases from \$170.8 million in FY 06 to \$182.9 million in FY 09. State aid specifically related to the county's Health and Mental Health departments accounts for slightly over 51% of the total state aid revenues received annually by the county (\$88.7 million of \$170.8 million in FY 06 proposed budget). Projected health related state aid increases approximately 2.9 percent per year, which closely aligns to projected increases in related reimbursable expenditures.

The financial plan does not include any transitional state aid assistance from NIFA. The final payment of \$7.5 million, which was to be received in 2005, is at risk. The county must demonstrate a potential deficit in order to receive this funding. The administration has requested transitional aid from NIFA to fill the projected deficit in the Police District Fund and is waiting for NIFA's decision.

Schedule 5					
<b>State Aid * Major Funds (\$ Millions)</b>					
2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
\$ 209.9	\$ 220.0	\$ 170.8	\$ 174.7	\$ 178.7	\$ 182.9
* Does not include NIFA aid.					

### Federal Aid

Our FY 05 budget analysis indicates that federal aid will be under budget by approximately \$8 million, as a result of the reallocation of Flexible Fund for Family Services (FFFS) programs administered by the county's Department of Social Services. The federal government has elected to change the method used to allocate related aid, and as a result, the county is projected to receive less than budgeted aid during 2005. The FFFS program encompasses services associated with "Temporary Assistance for Needy Families" programs. The county's Department of Social Services has indicated that this reduction is permanent and will impact the entire financial plan period.

As shown in Schedule 6, the financial plan includes federal aid estimates that increase at an average annual rate of approximately 4 percent during the period 2006 to 2009, from \$114.8 million to \$127.5 million. The increases closely track projected increases in related expenditures during the same fiscal periods. The two largest sources of federal aid, comprising 94 percent of the \$114.8 million FY 06 total, are reimbursements for costs incurred at the Department of Social Services and the Correctional Center. We generally concur with the financial plan's estimates of federal aid revenue, however, the proposed financial plan contains an initiative that generates revenue growth from increased housing of federal prisoners. Based on recent federal

inmate population trends at the county jail, we believe this \$1.5 million annual amount is at risk.

<b>Schedule 6</b>						
<b>Federal Aid Major Funds</b>						
<b>(\$ Millions)</b>						
<b>2004 Actual</b>	<b>2005 Comptroller's Forecast</b>	<b>2006 Proposed Budget</b>	<b>2007 MYP</b>	<b>2008 MYP</b>	<b>2009 MYP</b>	
\$ 126.2	\$ 115.4	\$ 114.8	\$ 118.5	\$ 122.9	\$ 127.5	

### Departmental Revenue

During the first eight months of 2005, the Department of Parks and Recreation collected \$10 million in departmental revenue, 49 percent of the budgeted amount. The total budget for Parks' departmental revenue for FY 05 is \$20.3 million, an increase of 44 percent over last year's actual of \$14.1 million. Based on the current level of revenues, we estimate a shortfall of \$5.3 million for FY 05. This shortfall is attributable to delays in implementing revenue initiatives that are expected to be achieved in future years.

The proposed 2006 budget includes \$17.1 million of departmental revenues for Parks. This estimate represents a decrease of 16 percent when compared with the 2005 adopted budget and a 14 percent increase over our 2005 forecast. Based on our analysis, as well as on Park's past performance compared to its budgeted revenues, we estimate that 2006 departmental revenue for Parks may be as much as \$1.6 million under the proposed budget. Our analysis further concludes that the Department of Parks' revenue levels will remain flat through 2009; however, based on our FY 06 projection, we project revenue to level off at \$15.5 million, not the \$17.1 million stated in the financial plan.

<b>Schedule 7</b>						
<b>Parks Departmental Revenue</b>						
<b>(\$ Millions)</b>						
<b>2004 Actual</b>	<b>2005 Comptroller's Forecast</b>	<b>2006 Proposed Budget</b>	<b>2007 MYP</b>	<b>2008 MYP</b>	<b>2009 MYP</b>	
\$ 14.1	\$ 15.0	\$ 17.1	\$ 17.1	\$ 17.1	\$ 17.1	

## OTB Profits

We project a \$500 thousand shortfall for 2005 in Off-Track Betting Corporation (OTB) profits because the state legislature failed to enact legislation authorizing video lottery terminals. As a result, new construction related activities were less than projected, and the operating budget had to absorb more salaries and related expenses, which otherwise would have been capitalized.

Based on information provided by Off-Track Betting Corporation (OTB) officials, current estimates of profits average approximately \$5.2 million per year over the 2006 through 2009 period. This amount is approximately \$2 million less than recent results. The reduction is primarily related to the annual debt service obligation, incurred by OTB, for the issuance of Nassau County Support Agreement Revenue Bonds. On June 1, 2005, the county entered into a Support Agreement to enable OTB to obtain cost efficient access to credit markets by further securing revenue bonds. The bond proceeds are to be used to refinance notes issued to acquire and reconstruct OTB's Race Palace facility and to acquire other OTB facilities. The debt service savings related to this support agreement, resulting from a lower cost of capital, will ultimately accrue to the county.

We believe the projection of revenues from OTB included in the proposed budget and financial plan is reasonable.

Schedule 8						
Off Track Betting						
(\$ Millions)						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
Profits	\$ 7.0	\$ 7.1	\$ 5.7	\$ 5.1	\$ 5.1	\$ 4.8
Surcharge	<u>7.0</u>	<u>6.9</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>
Total Revenue	<u>\$ 14.0</u>	<u>\$ 14.0</u>	<u>\$ 12.2</u>	<u>\$ 11.6</u>	<u>\$ 11.6</u>	<u>\$ 11.3</u>

## Fines and Forfeitures

We project a favorable variance for 2005 of \$1.7 million against the \$16.9 million budget for fines and forfeiture revenues. Based on revenues reported by the Traffic and Parking Violations Agency, fine related revenue is forecast to be over budget by \$2.1 million. The amnesty program for outstanding traffic and parking tickets is the most significant factor contributing to this projected variance, coupled with fee increases for traffic and parking infractions. Also contributing to this favorable variance is the implementation of a program to enable payment of fines by credit card, either in person

or via the internet. This favorable variance is projected to be partially offset by a \$700 thousand loss of revenue associated with the delay in the County Legislature's authorization of fines for taxis and limousines that lack proper registration.

The administration is projecting that 2006 fines and forfeitures will increase to \$22.7 million. This represents a 34 percent increase versus the 2005 budget and a 22 percent increase against our 2005 current estimate. The primary reasons for this projected increase in revenue are aggressive ticket collections and successful initiatives, including those mentioned in the paragraph above. However, based on our analysis of recent trends, we estimate that 2006 and future years' budgeted traffic and parking collections may be overstated by as much as \$1.3 million.

Schedule 9					
Fines and Forfeitures					
Major Funds					
(\$ Millions)					
2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
\$ 14.7	\$ 18.6	\$ 22.7	\$ 23.1	\$ 23.6	\$ 24.1

### Revenue Offsets to Expense

Revenue offsets to expense represent revenues received in the form of contributions from individuals or entities that receive the benefit of a particular service.

Revenue offsets to expense is forecast to be \$1 million under the FY 05 adopted budget of \$4.5 million. Part of this shortfall reflects the delay in receiving \$500 thousand in reimbursement from property owners related to the postponement, until 2006, of the Brownsfields Environmental Redevelopment project. The remaining \$500 thousand shortfall is related to the county's new Transit Check commuter benefit program. This is due to both a delay in program implementation as well as fewer than budgeted number of participants. Both of these revenue shortfalls are offset by a corresponding decrease in related expenditures.

The proposed 2006 budget of \$14.3 million reflects a \$10.4 million increase for the new Medicare Part D subsidy to the county. This federal subsidy is reimbursement for the county's inclusion of prescription drug coverage in the health insurance benefits it provides to its employees and retirees who are Medicare eligible. Our own analysis of this federal subsidy, using the number of current Medicare eligibles, indicates that the 2006 budgeted amount may be overstated by as much as \$2.9 million.

Schedule 10					
Revenue Offsets to Expense Major Funds (\$ Millions)					
2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
\$ 2.5	\$ 3.5	\$ 14.3	\$ 14.3	\$ 14.3	\$ 14.3

### Permits and Licenses

We project a 2005 favorable variance of approximately \$500 thousand when contrasted against the \$9 million budget.

The proposed 2006 budget of \$12.5 million includes two Consumer Affairs initiatives, which require governmental approval. The first is a \$2.5 million proposal to require plumbers and electricians operating within Nassau County, to be licensed by Nassau County. This proposal requires both State and county legislative approval. The second is a \$1 million initiative to increase taxi and limousine registration fees (from \$5 per vehicle to \$250 per vehicle) on taxis and limousines registered outside, but working within, the county. This initiative requires approval by the county legislature. The outcome of these initiatives is not known at this time, and consequently, the related revenue included in the financial plan is at risk.

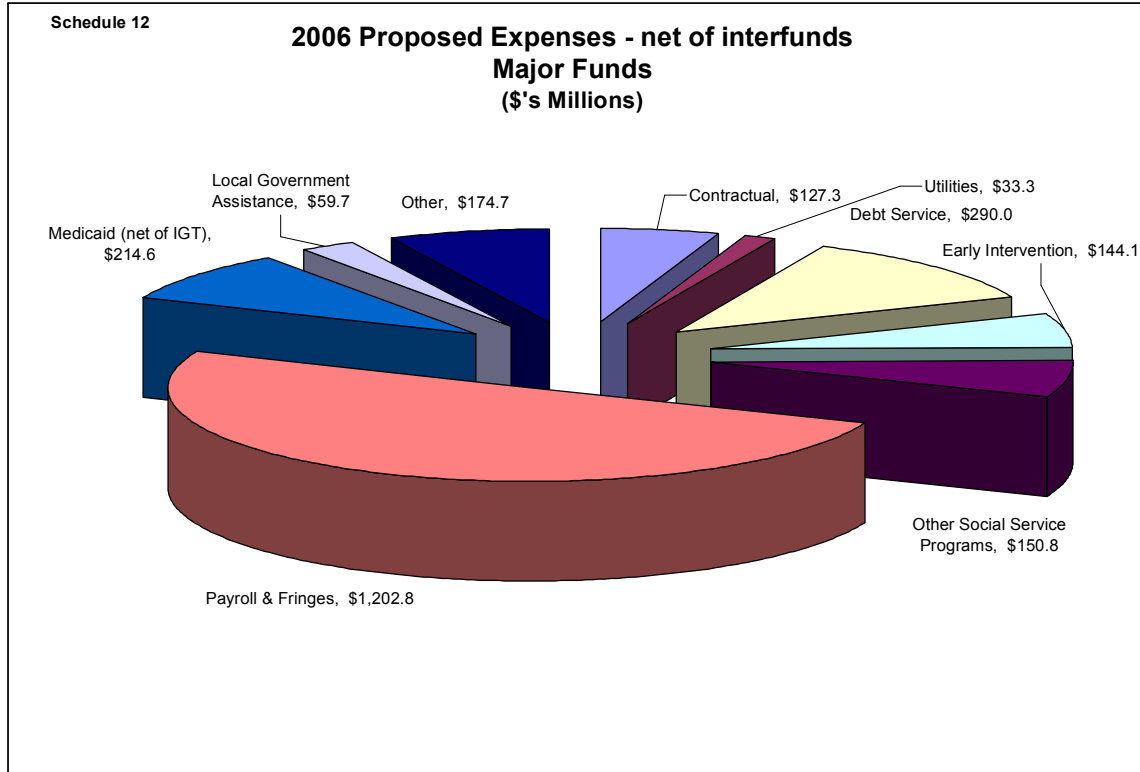
Schedule 11					
Permits and Licences Major Funds (\$ Millions)					
2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
\$ 8.3	\$ 9.5	\$ 12.5	\$ 12.5	\$ 12.5	\$ 12.5

### Interfund Transfers

The proposed FY 06 county Parks budget incorporates the use of \$5.0 million of fund balance for the restoration of the Roslyn Fine Arts Museum. A technical correction, which we have communicated to the Office of Management and Budgets, is required to properly reflect that the fund balance to be utilized originates from the county's General

Fund. The budgeted fund balance in the General Fund will increase by \$5.0 million, to \$13.4 million, with an offsetting transfer to the Parks Fund.

## Expenses



<b>Total Budgeted Expenses Major Funds (\$ Millions)</b>	
Total Budgeted Expenses	\$ 2,778.9
Less Interfunds between major funds	<u>381.6</u>
Proposed expenses above	<u>\$ 2,397.3</u>

## Property Assessment Grievances

As a result of an amendment to the NIFA enabling legislation, the county is now limited to borrowing \$15 million in 2006 and \$10 million in 2007 for the payment of successful property tax challenges. Beginning January 1, 2006 any amounts exceeding these levels must be paid from the operating budget. This shift to pay as you go

financing of property tax refunds is projected to result in \$50 million of additional operating costs in 2006. Historically, property tax refunds have been financed with long-term borrowings which have averaged over \$100 million per year.

The reduction in property tax refunds from historical levels is planned to be accomplished by multiple means: 1) increasing the accuracy of the tax roll as a result of the recent countywide reassessment project; 2) a fifteen month administrative review period in order to resolve tax grievances prior to the finalization of the tax roll (versus the previous 3 month time allotment); and 3) the reduction in the backlog of tax certiorari claims.

During 2004, the county paid \$184 million of accumulated property tax refunds, and as of December 31, 2004, the county estimated its liability for the remaining backlog of tax certiorari claims at \$310 million. The administration plans to make additional payments during 2005. These payments will include payments made pursuant to the new refund without settlement strategy (RWS Strategy). Once the Assessment Review Commission (ARC) has made an offer of settlement that is not accepted by the taxpayer, the RWS strategy will grant ARC the ability to process a non-reversible refund payment to an escrow account. The County Attorney and bond counsel have opined that these RWS payments can be made. This strategy will further reduce the backlog to \$230 million and position the county to be able to pay for property tax refunds from the operating budget. The RWS Strategy will permit the county to maximize its utilization of debt issued by NIFA and to reduce its accumulated refund liability by the end of fiscal year 2005. These funds will be held until ultimately claimed by the taxpayer. Since the county will not have legal access to these funds, they will be recognized as an expense at the time of transfer to the escrow account.

The proposed financial plan contains an additional strategy to transition into PAYGO. As discussed below, New York State has adopted a cap on the growth in the county's local share of Medicaid expenses. Although this cap begins to take effect in 2006, its full financial impact grows each year of the financial plan. The county has decided to transition into PAYGO utilizing the Medicaid savings from the previously presented Multi-Year Plan plus additional funds. These additional funds consist of one time revenues and expense reductions, including: 1) the Capital Project Fund's reserve for retirement of debt account, which is comprised of unanticipated state and federal grants used to retire debt, contributing \$47.3 million; 2) recovery of \$15.1 million of prior-year expenses from the Sewer and Storm Water District Fund; 3) the positive effect of reducing 2005 year end Medicaid net liabilities of \$13.5 million and 4) \$14.1 million of a reserve for the retirement of bonded indebtedness. The county will utilize the Transitional Funds as follows: \$50 million in 2006, \$25 million in 2007, and \$15 million in 2008.

## **Salaries**

We believe that significant salary savings will be realized in FY 05 as a result of vacant budgeted employee positions. While we do not know how many of these positions

will ultimately be filled, we estimate the vacancies will result in a favorable budget variance of over \$12.9 million not including fringe benefits. This favorable variance is offset by the additional overtime costs discussed below. Our analysis indicates that the vacant positions may provide savings of over \$16 million annually in FY 07 –FY 09, as compared to future year estimates included in the proposed financial plan.

The current contract with the Civil Service Employees Association (CSEA) provides raises based on the consumer price index's (CPI) percentage increase from June of one year to the next, limited to between 2.5 and 3.5 percent. The union's January 1, 2006 raise, therefore, will be 2.5 percent because the 2005 CPI was 2.3 percent. This increase, which is substantially less than the contract cap of 3.5 percent, amounts to an annual savings of \$2.8 million, plus fringe benefits.

A collective bargaining agreement for the period 2005 through 2010 has not as yet been reached with the Sheriffs Officers Association (ShOA). The proposed 2006 budget is based on the originally submitted contract and contains \$5.6 million in savings. The form of the final contract is not known at this time and, accordingly the \$5.6 million is at risk.

Schedule 13						
Personal Services Major Funds (\$ Millions)						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
Salaries	\$ 740.2	\$ 784.3	\$ 833.2	\$ 870.7	\$ 901.2	\$ 937.1
Fringe Benefits	322.3	351.6	369.6	419.7	441.0	464.4
<b>Total Personal Services</b>	<u>1,062.5</u>	<u>1,135.9</u>	<u>1,202.8</u>	<u>1,290.4</u>	<u>1,342.2</u>	<u>1,401.5</u>
<b>Gap Closing Measures:</b>						
Workforce Management				(25.4)	(38.7)	(51.4)
Labor Concessions				(24.6)	(48.5)	(50.2)
Pension Reserve	-	-	-	(14.9)	-	-
<b>Total Gap Closing Measures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64.9)</u>	<u>(87.2)</u>	<u>(101.6)</u>
<b>Total Personal Services with Gap Closing Measures</b>	<u>\$ 1,062.5</u>	<u>\$ 1,135.9</u>	<u>\$ 1,202.8</u>	<u>\$ 1,225.5</u>	<u>\$ 1,255.0</u>	<u>\$ 1,299.9</u>

## Overtime

In the Comptroller's *Report on the County's Financial Condition for the First Six Months of Fiscal Year 2005*, we reported that overtime in the Police Department and Correctional Center would significantly surpass the adopted 2005 budget. Overtime costs for the Police Department and the Correctional Center total \$43.6 million through the end of September 2005. Our analysis indicates that overtime for these two departments will exceed the \$56.8 million adopted budget by \$19.9 million. This unfavorable variance is comprised of \$10.0 million in the Police District Fund, \$7.3 million in the Police Headquarters Fund and \$2.6 million in the Correctional Center.



Schedule 14 presents our current FY 05 estimate of Police and Corrections overtime, along with future overtime amounts included in the proposed financial plan. The financial plan includes overtime savings originally estimated as a result of the proposed ShOA contract. The ShOA contract is currently being renegotiated and the final outcome of overtime savings provisions initially negotiated is not known at this time. Based on historical experience, the overtime forecast for uniform police is likely to be significantly understated. Our analysis indicates that overtime, as presented in the plan, is understated and at risk by approximately \$12 million per year.

Schedule 14						
<b>Overtime</b>						
(\$ Millions)						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
Correctional Center	\$ 24.8	\$ 23.5	\$ 20.0	\$ 20.4	\$ 20.4	\$ 21.2
Police Headquarters	20.1	23.2	20.4	21.2	22.1	23.1
Police Districts	<u>26.6</u>	<u>30.0</u>	<u>27.0</u>	<u>28.2</u>	<u>29.4</u>	<u>30.6</u>
<b>Total Expense</b>	<u>\$ 71.5</u>	<u>\$ 76.7</u>	<u>\$ 67.4</u>	<u>\$ 69.8</u>	<u>\$ 71.9</u>	<u>\$ 74.9</u>

## Fringe Benefits

### Employee Pension Costs

During 2004, the State Legislature enacted legislation, proposed by the State Comptroller, that changed the date by which municipalities are required to make yearly New York State & Local Retirement System contributions from December 15 to February 1 of the following year. Consistent with guidance provided by the State Comptroller, the county recognized budgetary savings which facilitated reserving \$78.4 million in its major operating funds, to be used over the next several years to aid the county in paying higher pension fund contributions projected by the state. During 2005, the first year in which the pension savings could be used, the county drew down \$34.4 million of the reserve for use by its major funds.

We project that 2006 pension expense after the use of the pension reserve will be \$74.9 million, marginally lower than the 2005 expense of \$76.5 million. This modest decrease is the result of using \$1.3 million more of the pension reserve than in FY 05 and contribution rates that were lower than originally projected. The proposed 2006 budget included the use of \$29.4 million of the pension reserve. This assumed charging \$6.3 million of retroactive prior-year adjustments to FY 05. We understand that after discussing the prior-year adjustments with the Comptroller's Office, a technical adjustment will be made to the budget that assumes drawing down an additional \$6.3

million from the pension reserve during FY 06. This adjustment, however, creates a \$6.3 million shortfall in FY 07, when there will be less than the originally forecast funding available in the pension reserve.

We are projecting that pension costs will increase moderately throughout the remainder of the plan period (2007 through 2009). This is primarily the result of two factors: 1) contractual salary increases and 2) a moderate increase in Police Department pension rates as indicated by the State retirement systems. Partially mitigating the pension expense increase in 2007 is the utilization of the \$8.3 million remaining balance of the pension reserve originally established in 2004. Therefore, other cost saving measures or revenue generators will have to be identified.

Schedule 15						
Pension Expense Major Funds (\$ Millions)						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
Expense without pension relief	\$ 9.3	\$ 110.9	\$ 111.8	\$ 109.2	\$ 112.6	\$ 116.7
Pension relief	-	(34.4)	(35.7)	(8.3)	-	-
<b>Expense with pension relief</b>	<u>\$ 9.3</u>	<u>\$ 76.5</u>	<u>\$ 76.1</u>	<u>\$ 100.9</u>	<u>\$ 112.6</u>	<u>\$ 116.7</u>

### Employee Health Insurance

In the last Multi-Year Financial Plan, 2005 health insurance expenses were projected to grow 9.5 percent annually for active and retired employees. The New York State Health Insurance Plan (NYSHIP) has indicated that the increase for 2005 is 9.5 percent for active employees and 4.0 percent for retirees. We project that the difference in the rate increase for retirees, coupled with fewer than budgeted active employees, will result in a favorable variance of \$6.9 million.

In the proposed financial plan, future year health insurance is forecasted at an increase of 8 percent for all active employees and 5 percent for retirees. These increases are based on a blend of the Optimistic and Best Estimate projected rates from the *Empire Plan Second Quarterly Experience Report* provided by NYSHIP. We are projecting the rate of increase for health insurance to be 9.2% for active employees and 6.3% for retirees based solely on the more conservative Best Estimate projected rates from the same report. At this time there is no basis to expect the reduction in retiree rate increases experienced in 2005 will continue during 2006 through 2009. We believe the health

insurance forecast as stated in the Financial Plan contains an element of risk that could be significant by the end of the plan period.

Schedule 16						
<b>Health Insurance Major Funds</b>						
(\$ Millions)						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
<b>Employees</b>	\$ 80.5	\$ 89.4	\$ 102.0	\$ 110.2	\$ 119.0	\$ 128.5
<b>Retirees</b>	88.1	92.3	95.3	100.1	105.1	110.3
<b>Total Expense</b>	<u>\$ 168.6</u>	<u>\$ 181.7</u>	<u>\$ 197.3</u>	<u>\$ 210.3</u>	<u>\$ 224.1</u>	<u>\$ 238.8</u>

One of the most significant initiatives in the financial plan is the proposal to change the county's health insurance coverage for employees from the Empire Plan Core Plus Enhancements to the basic Core plan. The financial plan estimates that this change will result in a savings of \$13.2 million in FY 08. Our report, *"Providing Affordable Health Insurance for County Employees and Retirees In the Midst of a Fiscal Crisis,"* issued January 2003, indicated that the county could achieve significant savings without materially changing the level of health benefits if it offered the basic Core plan instead of the Core Plus Enhancements. The Core rates for 2005 are approximately 5.8 percent lower than the Core Plus Enhancement rates. Based on our estimate of \$228.6 million for health benefits for 2008, savings could be \$15 million, slightly more than projected by the financial plan. In addition, there are many other non-contributory cost savings included in our 2003 report that are not contemplated by the financial plan. The savings from switching to the basic Core Plan, however, are contingent upon the county's labor unions agreeing to this change in health coverage, placing the achievement of these savings at risk.

## Medicaid

We are projecting a positive variance of \$7.7 million for FY 05 Medicaid expenses. This primarily results from a slower rate of growth than budgeted, and the provision in the state's 2005-6 budget that accelerates the full takeover of the Family Health Plus (FHP) from January 1, 2006 to October 2005.

In addition to the above referenced savings, it appears likely there will also be a one time 2005 year-end benefit because New York State will relieve the county of significant expense and revenue accruals that historically have been recorded at year end. The net financial benefit is projected to be approximately \$14.4 million.

Fiscal year 2006 will be a watershed year with respect to the funding of Medicaid program costs. New York State has recently implemented a “cap” on Medicaid costs at 2005 levels and limited future growth of the local share of Medicaid. The expense for years 2006 through 2008 is calculated by adding 3.5%, 6.75% and 9.75% respectively, to 2005’s base year level. The future annual growth rates will then be capped permanently at 3% starting in 2009 and the county has the option of continuing to pay an annual increase of 3 percent on the base or it can elect to pay a decreased amount subject to the growth rate of sales tax receipts. As discussed above at page 7, the cap formula utilizes 2005 actual local share expense as a starting point. Certain items are then either added to the starting point figure, such as the local share of Medicaid administration costs, or subtracted from the starting point figure, such as state aid, prescription drug rebates and 2005 family health care plus expense, to arrive at the 2005 Medicaid cap base. The State is currently discussing the specific components of the formula with the New York State Association of Counties (NYSAC) members, and is expected to finalize the formula by June 2006.

The Medicaid Cap provides the type of structural relief that we have repeatedly called for as being essential in past reports. Its impact grows each year of the financial plan. The administration calculates the cap savings as \$26.1 million in 2006, \$52.4 million in 2007, \$76.7 million in 2008, and \$106.9 million in 2009. Based on the preliminary cap formula, we believe the county’s estimates for Medicaid expenses are reasonable.

Schedule 17						
<b>Medicaid net of IGT and State and Federal Reimbursements</b>						
(\$ Millions)						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
<b>Medicaid Expense net of IGT</b>	\$ 247.5	\$ 274.0	\$ 214.6	\$ 221.3	\$ 227.6	\$ 234.4
<b>State Aid</b>	(56.7)	(61.0)				
<b>Federal Aid</b>	(0.7)	(2.5)	-	-	-	-
	<u>\$ 190.1</u>	<u>\$ 210.5</u>	<u>\$ 214.6</u>	<u>\$ 221.3</u>	<u>\$ 227.6</u>	<u>\$ 234.4</u>

## Other Social Service Expenses

The administration projects expenses for Recipient Grants, Purchased Services, and Emergency Vendor Payments to grow at a rate of 3.8 percent a year, from a projected total of \$148.3 in 2005 to an estimated \$172.6 in 2009. These expenses are for social service programs such as Family Assistance, Day Care, and Food Stamps, and for other services designed to aid children and adults in need. The increase in these expenses is projected to increase 5.3% from 2004 to 2005. However, the administration is expected to implement several cost saving initiatives that will limit the rate of growth during the financial plan period. We believe that the county's projections for the proposed budget and financial plan are reasonable.

Schedule 18					
Other Social Services					
Major Funds					
(\$ Millions)					
2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
\$ 140.8	\$ 148.3	\$ 150.8	\$ 157.6	\$ 164.9	\$ 172.6

## Early Intervention / Pre-School Special Education

We estimate that as a result of retroactive provider rate increases granted by the State, the cost of early intervention special education programs administered by the Departments of Health and Mental Health will be over the FY 05 budget by \$5 million (\$145 million over an adopted budget of \$140 million). The increase in this expense will be partially offset by an additional \$3.3 million of state aid.

In the proposed plan, expenditures for combined early intervention and pre-school special education are increasing at an average annual rate of approximately 3.3 percent per year, from \$144.1 million in 2006 to \$158.8 million in 2009. The projected growth in these mandated expenses results from estimated increases in the number of children served, increases in the authorized number of services provided per child and increases in transportation costs. We believe the forecasts included in the proposed budget and financial plan are reasonable.

Schedule 19						
Early Intervention / Pre-School Special Education						
Major Funds						
(\$ Millions)						
2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP	
\$ 133.8	\$ 144.7	\$ 144.1	\$ 148.8	\$ 153.8	\$ 158.8	

### Local Government Assistance

The county provides a quarter of one percent of sales tax collected by the county to the local towns and cities to assist with expenses incurred for the treatment and disposal of municipal solid waste. Since 2001, the county has also provided aid to the county's villages, and has included an increase from the \$750 thousand budgeted in 2005 to \$1 million in 2006 and each of the years included in the financial plan. Since local government assistance is directly tied to sales tax revenue (other than the village sales tax appropriation), we believe the administration's forecast is appropriate, assuming the budgeted amount of sales tax is realized.

Schedule 20						
Local Government Assistance						
Major Funds						
(\$ Millions)						
2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP	
\$ 55.5	\$ 56.6	\$ 59.7	\$ 61.6	\$ 63.6	\$ 65.6	

### Use of Reserves

As presented in Schedule 21, the financial plan incorporates the use of certain excess funds from prior years to pay for approximately \$96.6 million of expenses in 2006. In FY 2007, the administration has included \$10 million of positive operating surplus to pay for debt service payments originally generated in 2004. We believe this use of reserves, taking one-time revenues and using them for non-recurring expenses, is appropriate and has the effect of returning surplus funds to the county's taxpayers.

Schedule 21						
Reserves and Fund Balance						
Primary Funds						
Source (Use)						
(\$'s Millions)						
Source of Reserve (Use of Reserve)	2003	2004	2005	2006	2007	2008
<u>Pension Savings Reserve</u>		\$ 78.4				
(Payment of pension expense)			\$ (34.4)	\$ (35.7)	\$ (8.3)	
<u>Police District Fund Balance</u>	\$ 4.8					
(Payment of expenses)			(4.8)			
<u>Funds Reserved for Pension Bond Retirement</u>	18.4					
(Payment of pension bonds)		(9.9)	(8.5)			
<u>Tobacco Securitization Receipts</u>		23.6				
Establish reserve for future medical expense		(23.6)				
<u>Reserve for future medical expense</u>						
Current year Tobacco receipts		23.6				
Balance of Tobacco funds available		37.0				
<u>Reserve for payment of debt service</u>		10.0				
(Use of reserve)			(10.0)			
<u>Reserve for bond indebtedness</u>		25.0				
(Use of reserve for payment of debt service)				(10.9)		
(Use of reserve - transitional funds)				(14.1)		
<u>Reserve for litigation</u>		3.3				
(Use of reserve)			(3.3)			
<u>Funds set-asides for police terminations</u>	38.5					
(Release of reserves to establish Employee Benefit Accrued Liability Reserve Fund)		(28.9)				
(Anticipated 2004 termination costs)		(7.0)				
(Purchase of additional police vehicles)		(2.3)				
(Deficit fund balance)		(0.3)				
<u>Reserve for Employee Benefit Accrued Liability Reserve Fund</u>		28.9				
<u>Transitional Reserves</u>						
Revenue from Capital reserves			24.9	9.5	6.0	\$ 6.0
Recovery of 2003 sewer charges			15.1			
One time reversal of Medicaid accrual			14.4			
(Use of reserve)				(35.9)	(25.0)	(15.0)
<u>Pre-fund debt service obligation*</u>				10.0		
(Use of reserve)	-	-	-	-	(10.0)	-
<u>Total sources</u>	\$ 61.7	\$ 229.8	\$ 54.4	\$ 19.5	\$ 6.0	\$ 6.0
<u>(Total uses)</u>	\$ -	\$ (72.0)	\$ (61.0)	\$ (96.6)	\$ (43.3)	\$ (15.0)
* This reserve is at risk						

## Police Costs

We have repeatedly called for the correction of cost allocations between the Police Headquarters and Police District Funds. The proposed budget does not completely address certain misallocations. Charges for police academy cadets, surgeons, and

personnel and accounting have been appropriately reclassified to the Police District Fund. However, approximately \$4.5 million of annual expenses related to the Commissioner's office, fringe benefits, and overhead should also be reallocated. We understand that the administration is considering these changes.

Schedule 22						
<b>Police Headquarters Chargeback to Police District</b>						
(\$ Millions)						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
Commands charged back	\$ 4.6	\$ 4.5	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6
Commands to be charged back	-	6.8	-	-	-	-
Total Expense	\$ 4.6	\$ 11.3	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6

## Utilities

We are projecting a negative variance of approximately \$3.5 million against the adopted budget of \$31.4 million, prior to any effect Hurricane Katrina will have on utility costs. This unfavorable variance is a result of increases in the county's oil and electric utility costs caused primarily by the increases in oil prices.

The current volatile condition of world oil markets presents a potential financial issue to the county. Both our electric costs, estimated at \$20.4 million for 2006, and fuel oil costs, estimated at \$1.6 million, are subject to the influence of fluctuating oil prices. The administration anticipates establishing a \$5 million reserve to address unforeseen events. A portion of this reserve can be made available, if necessary, to handle unforecasted spikes in utility costs. The county may want to investigate consolidating fuel purchases with other local governments in order to lessen our exposure to increasing fuel oil prices. We believe the county's estimate of utility costs is at risk due to the uncertainty of future energy prices.

Schedule 23						
<b>Utilities</b>						
<b>Major Funds</b>						
(\$ Millions)						
	2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
	\$ 30.2	\$ 34.9	\$ 33.3	\$ 36.4	\$ 38.7	\$ 41.2



## Contractual Obligations

Contractual obligations for 2005 are projected to be \$2.9 million less than the \$120.4 million adopted budget. Contained within this year's projected budget variance is a \$5 million favorable variance related to the delayed implementation of various Brownfields environmental cleanup projects. These projects, and their associated costs, will instead be incurred during 2006 through 2007 (\$2 million in 2006 and \$3 million in 2007).

In FY 07, projected contractual obligations incurred by the Parks, Recreation and Museums Fund decrease by \$5 million. This reduction is due to the completion of a one time program, in 2006, to upgrade the county's museums. We believe the forecasts included in the proposed budget and financial plan are reasonable.

Schedule 24					
Contractual Expenses					
Major Funds					
(\$ Millions)					
2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
\$ 116.1	\$ 117.5	\$ 127.3	\$ 119.6	\$ 121.1	\$ 122.5

## Special Non Recurring Initiatives

In addition to the \$5 million addressed above, the administration has elected to implement several new 2006 investments. Specifically, these investments are 1) \$1.4 million for community-based service organizations, 2) \$1 million for the "Common Sense for the Common Good" program designed to reduce the number of abortions by supporting homes for single mothers, adoptions and educational efforts, 3) \$1 million for local municipalities to improve their business districts and for business retention and expansion, and 4) the establishment of a \$5 million reserve, a portion of which can be made available to accommodate unforeseen events, such as spikes in utility costs or temporary problems in the local economy related to Hurricane Katrina.

## Equipment

Our analysis indicates that equipment acquisitions for 2005 will be \$2.2 million over the adopted budget of \$7 million.

Equipment expenditures for FY 2006 are budgeted to be \$4.5 million. This decrease in expenditures is due partially to the county's decision to accelerate the purchase of vehicles originally planned to be acquired in 2006. It is our belief that the projections included in the proposed budget and financial plan are reasonably stated.

Schedule 25					
<b>Equipment Major Funds (\$ Millions)</b>					
2004 Actual	2005 Comptroller's Forecast	2006 Proposed Budget	2007 MYP	2008 MYP	2009 MYP
\$ 7.2	\$ 9.2	\$ 4.5	\$ 7.3	\$ 8.1	\$ 8.5

### **Interfund Transfers**

The proposed FY 06 county Parks budget incorporates the use of \$5.0 million of fund balance for the restoration of the Roslyn Fine Arts Museum. A technical correction, which we have communicated to the Office of Management and Budgets, is required to properly reflect that the fund balance to be utilized originates from the county's General Fund. The budgeted fund balance in the General Fund will increase by \$5.0 million, to \$13.4 million, with an offsetting transfer to the Parks Fund.

## **Gap Closing Measures**

### **Workforce Reduction and Turnover Savings**

The administration's plan for workforce reduction has reduced the August 2005 full-time workforce headcount to 450 employees below the September 2002 headcount. The Multi-Year Financial Plan reflects the expectation that further cost savings can be generated through judicious workforce management. The county assumed a level headcount of sworn police personnel and correctional officers for the financial plan period. However, the plan includes backfilling only one of every three CSEA positions that becomes vacant through 2009. These backfill savings, coupled with projected employee turnover savings are expected to yield the following savings versus the baseline: \$25.4 million in 2007, \$38.7 million in 2008 and \$51.4 million in 2009. We cannot reasonably assess the savings that may be realized over the plan period related to workforce savings.

### **Labor Concessions**

The financial plan assumes a new round of labor concessions will help close budget gaps. As current contracts expire, the county believes it will generate those concessions in agreements negotiated with each of the bargaining unions. The value of the concessions is estimated to be between \$24.6 million in 2007 and \$50.2 million in 2009. The administration is also planning on achieving \$13.2 million in savings, beginning in 2008, by transferring county employees from Core Plus to Core health insurance coverage. The 2006 proposed budget includes savings from the proposed labor contract with the Sheriffs Officers Association (ShOA). The County Legislature did not approve the ShOA contract as recently negotiated. If a future ShOA contract does not deliver the level of savings previously anticipated, the administration may have to identify other sources of revenue or cost reductions to balance the budget. Given the significant labor concessions already achieved, the aggressive concession targets included in the financial plan may be difficult to achieve and are subject to risk. We cannot project the value of concessions that will actually be achieved.

### **Pension Reserve**

The financial plan anticipates utilizing \$14.9 million of funds remaining in the Pension Contribution Reserve Fund during 2007. However, a technical correction will require \$6.3 million of the remaining balance to be used during FY 06. Therefore, a shortfall of \$6.3 million will need to be addressed for in FY 07.

### **Smart Government Initiatives**

The financial plan includes new "smart government initiatives" valued at \$23.2 million in 2007, \$37.4 million in 2008 and \$40.7 million in 2009. A number of these

initiatives are subject to uncertainty and risk. They include:

- \$11.5 million surcharge on residential property taxes related to residences that are not owner-occupied;
- \$11.3 million enhancement in various sources of revenue associated with fee increases;
- \$9 million of additional revenue from parks department programs to maximize facility utilization and performance;
- \$8.3 million of revenue maximization and expense minimization associated with the Health and Human Services administrative consolidation;
- \$7.8 million of Medicaid cost containment measures;
- \$6.8 million of revenue pertaining to a new commercial property tax grievance filing fee;
- \$6 million of savings related to Police Department overtime as a result of further civilianization of administrative positions and other operational changes;
- \$4.5 million of federal aid associated with an increased number of federal prisoners at the County Correctional facility;
- \$4.5 million of state reimbursement pertaining to the training of all police officers at Nassau Community College;
- \$4.5 million related to opportunities for the redevelopment of the Nassau Coliseum.
- \$4.2 million associated with the implementation of an automated time and leave system.

## **NHCC**

The financial stability of the Nassau Health Care Corporation (NHCC) is essential so that it can continue to operate as a health care safety net for the county's uninsured. In addition, the county is dependent on the NHCC's financial ability to repay its outstanding indebtedness of \$301 million, which is guaranteed by the county. While financial reforms have been put into place at the NHCC, certain issues may have a significant effect on the corporation's ability to achieve long-term fiscal stability. These issues include an as yet undetermined future funding level from the Intergovernmental Transfer program, the success of changes planned for the NHCC run nursing home, and the county's ability to provide the level of supplemental financial assistance needed by the hospital.