

**NASSAU COUNTY
OFFICE OF THE COMPTROLLER**



NASSAU COUNTY FIRST QUARTER BUDGET REPORT

May 18, 2011

**NASSAU COUNTY
OFFICE OF THE COMPTROLLER**

George Maragos
Comptroller

Francis X. Moroney
Chief Deputy Comptroller

Joy M. Watson
*Deputy Comptroller
For Audit and Special Projects*

Jostyn Hernandez
Communications Director

Kathy Kugler
Director of Accounting

Financial Analysis Staff

Judy Bejarano
Deputy Director of Accounting

Lisa Tsikouras
Inspector (Comptroller's Office)

Corey Friedlander
Accounting Executive

Valerie Markert
Accountant IV

Richard Burkert
Accountant III

Terri Troici
Accountant II

NASSAU COUNTY FIRST QUARTER BUDGET REPORT

As of March 31, 2011

In prior years, and as required by the County Charter, the Comptroller has forecast only semi-annually on the year-end financial condition. Although not a Charter or statutory requirement, the Comptroller had previously committed to monitor the budget progress closely and forecast on a quarterly basis. Closer monitoring of the County budget is especially important now in light of the “control period and fiscal emergency” declared by the Nassau County Interim Finance Authority (NIFA).

Based on the first three months actual financial results and proposed revenue enhancement and expense reduction initiatives outlined by the Administration, the County budget is projected to end 2011 in with a \$52.7 million deficit. The analysis of revenues and expenses as of March 31, 2011 and the projection to year-end is presented in Exhibit 1. The Mangano Administration has identified, but has not yet quantified, further opportunities to close the budget projected gap including personnel reductions and police precinct re-alignment to reduce overtime costs. These and other initiatives will be required to close the projected deficit.

The projected year end budget gap of \$52.7 million is due to an anticipated budgetary revenue shortfall of \$123.4 million from fines, forfeitures and fees as well as risk associated with the sale of properties (See Exhibit 1). Expenses are estimated at \$3.1 million over budget after the NIFA effects of lower payroll costs but higher budgetary tax refunds, lower expense for debt service and contingencies. The net negative variances totaling \$126.5 million is then adjusted by likely revenue opportunities of \$73.8 million resulting in the year-end deficit forecast of \$52.7 million.

Without the NIFA imposed “control period” the County would instead be projecting a surplus of \$7.6 million by year end, as shown in Exhibit 2. This unfavorable budgetary impact was caused by NIFA’s requirement that refunds of prior years’ property taxes of \$70.0 million be entirely paid from current revenues rather than with borrowing, as was budgeted. Concurrently, NIFA is credited with allowing the Administration to freeze wages for an expense savings of \$9.7 million. Although the current year budgetary impact from NIFA’s requirement had a negative overall effect of \$60.3 million, the long term impact would be favorable in reducing reliance on borrowing.

Separated by taxpayer base, we are forecasting that the Police District will have a deficit of \$14.2 million and the County Wide Funds (General, Police Headquarters, Fire, and Debt Service) will show a year end gap of \$38.5 million.

The projected year-end \$126.5 million net budgetary deficit before gap closing opportunities is in line with each of the prior two years. Comparable prior year projected deficits at this time were \$117.2 million in 2010 and \$137.5 million in 2009.

EXHIBIT 1

**NASSAU COUNTY 2011 BUDGET RISKS
MAJOR FUNDS
SUMMARY OF RISKS and OPPORTUNITIES
1st QUARTER REVIEW
(\$'s Millions)**

Risks

Revenues

Proposed Budget - net of interfunds		\$ 2,762.2
Fines & Forfeitures		
Red Light Cameras	\$ (37.7)	
Other Traffic and Parking Fines	(8.1)	
Other	<u>(1.8)</u>	(47.6)
Departmental Revenue		
Ambulance Fees	(4.0)	
Parks Revenue	(4.6)	
Other	<u>(0.4)</u>	(9.0)
L.I.E. Ticket Surcharge		(5.0)
Investment Income		(4.6)
Sales Tax		5.4
OTB Profits and Tax		(2.6)
Sale of Mitchell Field Rent		(30.0)
Sale of Property		(24.0)
Capital Backcharges		(3.6)
Other		<u>(2.4)</u>
Total Revenue Risk		\$ (123.4)

Expenses

Proposed Budget - net of interfunds		2,762.2
Payroll (excluding overtime)		(25.5)
Overtime		(21.4)
Fringe Benefits		7.1
Additional savings from other than personal services		12.6
Property Tax Refunds Paid from Operations		(70.0)
Red Light Camera Expense		7.4
Debt Service		15.7
Contingency		70.3
Savings from MTA		4.5
Other		<u>(3.8)</u>
Total Expense Risk		<u>(3.1)</u>
Estimated Budget Risk excluding Potential Opportunities		<u>\$ (126.5)</u>

	Police District	Other Funds	
Estimated Budget Risk by Taxpayer Base	\$ (14.2)	\$ (112.3)	<u>\$ (126.5)</u>

Opportunities

Sale of Mitchell Field Rent		36.0	
Sale of Property		32.0	
Additional OTPS savings		<u>5.8</u>	
Opportunities available	-	<u>73.8</u>	
Estimated Budget Surplus (Risk) - net of opportunities	<u>\$ (14.2)</u>	<u>\$ (38.5)</u>	<u>\$ (52.7)</u>

EXHIBIT 2

**NASSAU COUNTY 2011 BUDGET RISKS
MAJOR FUNDS
SUMMARY OF RISKS and OPPORTUNITIES
1st QUARTER REVIEW (Assumes no NIFA Takeover)
(\$'s Millions)**

Risks

Revenues

Proposed Budget - net of interfunds		\$ 2,762.2
Fines & Forfeitures		
Red Light Cameras	\$ (37.7)	
Other Traffic and Parking Fines	(8.1)	
Other	(1.8)	(47.6)
Departmental Revenue		
Ambulance Fees	(4.0)	
Parks Revenue	(4.6)	
Other	(0.4)	(9.0)
L.I.E. Ticket Surcharge		(5.0)
Investment Income		(4.6)
Sales Tax		5.4
OTB Profits and Tax		(2.6)
Sale of Mitchell Field Rent		(30.0)
Sale of Property		(24.0)
Capital Backcharges		(3.6)
Other		(2.4)
Total Revenue Risk		\$ (123.4)

Expenses

Proposed Budget - net of interfunds		2,762.2
Payroll (excluding overtime)		(34.6)
Overtime		(21.4)
Fringe Benefits		6.5
Additional savings from other than personal services		12.6
Red Light Camera Expense		7.4
Debt Service		15.7
Contingency		70.3
Savings from MTA		4.5
Other		(3.8)
Total Expense Risk		<u>57.2</u>
Estimated Budget Risk excluding Potential Opportunities		<u>\$ (66.2)</u>

	Police District	Other Funds	
Estimated Budget Risk by Taxpayer Base	\$ (14.2)	\$ (52.0)	<u>\$ (66.2)</u>

Opportunities

Sale of Mitchell Field Rent		36.0	
Sale of Property		32.0	
Additional OTPS savings		5.8	
Opportunities available	-	73.8	
Estimated Budget Surplus (Risk) - net of opportunities	<u>\$ (14.2)</u>	<u>\$ 21.8</u>	<u>\$ 7.6</u>