

EXECUTIVE SUMMARY

When the Mangano Administration came into office on January 1, 2010, it inherited a sluggish economy, unaffordable labor contracts, and burgeoning out year budget deficits. Due to actions taken by County Executive Mangano to close an inherited budget gap, the County ended 2010 with a \$17.2 million surplus in its five major funds (General, Police Headquarters, Police District, Fire Commission, and Debt Service Funds).

The projected 2011 gap, inherited from the prior Administration, totaled \$343 million and was the largest first-year deficit that an incoming County Executive had faced in Nassau County's history. The 2011 projected deficit resulted primarily from a dysfunctional tax assessment system, negotiated labor contracts previously entered into that bestowed salaries and benefits far in excess of rational cost of living adjustments, and State and Federal mandates passed on to the County.

Despite the inherited deficit, the Mangano Administration was able to freeze property taxes on overburdened residents and businesses, and submit a balanced budget to the Nassau County Legislature on September 15, 2010. The Administration achieved this by eliminating positions and reducing the County's workforce to historic lows, reducing contractual and supply expenditures, and increasing a select number of fees and fines to generate additional revenues.

This update to the 2011 Budget reflects updated financial information and addresses concerns expressed by the Nassau County Interim Finance Authority ("NIFA"). The County has successfully managed to reduce its workforce, yielding savings for the overburdened taxpayers of Nassau County. Presently there are over 300 vacant, funded positions that would yield in substantial savings if the positions were left unfilled. To date in this fiscal year, the County has been able to realize over \$5 million in savings through this aggressive management of its workforce.

This update will further reduce the County workforce through layoffs and the elimination of vacant, funded positions. In addition, the County is cutting contractual and general expenses and reducing its OTPS expense by over \$16 million. These reductions are painful, but necessary to prevent homeowners from a 22% property tax increase. In addition, the County is calling on NIFA to implement a wage freeze to protect taxpayers from the impact of the generous labor settlements that were inherited by this Administration.

While these are difficult economic times, many economists are predicting that the worst of the recession is behind us. As of November 2010, New York State Bureau of Labor Statistics ("BLS") figures reveal that the Long Island region gained 6,000 non-farm jobs on an annual basis. Economists are forecasting far greater regional job growth in 2011. According to Moody's Economy.com's January 2011 forecast, Nassau County's real Gross County Product (GCP) is expected to be positive in 2011 and 2012. The forecast for retail sales is also positive.

Excluding receipts from the home energy tax that was repealed effective June 1, 2010, sales tax grew a robust 6.7% in 2010 from 2009 actuals. Keeping the conservative growth assumption of

3.75% that was factored into the 2011 Adopted Budget, sales tax revenues would realize an additional \$5.9 million in 2011.

The following pages detail risks that NIFA has identified and initiatives and actions that the County is undertaking to ensure budgetary balance in 2011.

NIFA Risk		\$	176.0
County Solutions			
	\$ (in millions)	Remaining Gap	
Personnel Reductions (Layoffs/Furloughs & Elimination of Vacant Positions)	50.0	126.0	
Tax Cert Reform Savings	30.0	96.0	
Department OTPS Reductions	17.7	78.3	
Police Precinct Realignment/Overtime Reduction	15.0	63.3	
NIFA Wage Freeze	10.5	52.8	
Red Light Camera Program Expnsion	8.5	44.3	
Sale 100 Quentin Roosevelt Blvd.	8.0	36.3	
Debt Service Savings	8.0	28.3	
FIT Tuition Reimbursement	6.0	22.3	
Sales Tax	5.9	16.4	
Outsourcing Medical Care for Inmates	4.5	11.9	
Privatize LI Bus	4.5	7.4	
Ambulance Fees	4.0	3.4	
County Clerk Fees	4.0	(0.6)	
Correctional Center Overtime Savings	3.0	(3.6)	
Housing of Suffolk Inmates	1.5	(5.1)	
Mitchel Field	0.8	(5.9)	
Sub-Total of County Solutions	\$	181.9	

Personnel Reductions

The County has developed a plan that contains \$50.0 in additional salary and fringe savings. The saving plan has four components:

1. As of March 10, the County had 307 budgeted vacancies worth \$22 million of salary savings, \$15 million of which was already accepted by NIFA.
2. The County also identified layoffs/departments closures of 213 positions from 23 departments worth \$9.7 million in salary and fringe savings. The positions have been identified but the Civil Service review of the bump and retreat provisions in the contracts have not been completed.
3. Reduction of the hiring of seasonal and part-time personnel \$1.2 million.
4. A furlough of County personnel for 13 days which will generate \$17.1 million.

Tax Certiorari

NIFA recently determined that the County could no longer use any tax certiorari borrowing proceeds to balance its 2011 budget under GAAP. In order to avoid a substantial adverse impact on County residents and essential services in 2011, the County is proposing that NIFA approve the phasing in of its application of GAAP to tax certiorari borrowings in accordance with the NIFA act. For 2011, the budget update assumes that the County will use \$35.7 million of previously borrowed and unspent tax certiorari bond proceeds to further this transition, and will use operating revenues to fund the remainder of the payments.

The County believes that this is a reasonable approach for 2011, as it is less than the tax certiorari borrowing amount permitted by NIFA in prior years, and because the proceeds have already been borrowed and are available for use. The County's total tax certiorari liability in 2010 was \$79.4 million and the County is estimating a 2011 tax certiorari liability of \$70 million.

Moreover, the indications to date are that the County Executive's initiative to settle the vast majority of residential and commercial taxpayer challenges on the 2011-12 tentative assessment roll will be quite successful.

Currently, 50,922 out of 61,523 in the residential settlement program have been successfully settled prior to the publication of the final tax roll in April 2011. If 33,837 of these cases, (55% of the 61,523) had proceeded to Small Claims Assessment Review Hearings, the potential refund would have been \$21,994,700. This estimated refund is based on the results of the resolution of cases in the Small Claims Assessment Review Proceedings in 2009/10 and 2010/11 which resulted in average refunds of \$650 per case. The settlements reached for tax year 2011/12 will be applied to the 2012/13 tax assessment roll, and as a result, it is anticipated that no future liability will be incurred for these settled cases next year. It is anticipated that when the 2011/12 settlement program concludes on March 28, 2011, approximately 4,500 cases potentially will proceed to SCAR hearings. Of these remaining 4,500 the County estimates that less than 3,000 cases indicate exposure. To reduce liability further the County will unilaterally reduce cases that would show exposure at trial.

In addition to reducing liability exposure for residential tax assessment challenges, the County will be initiating a similar aggressive settlement program for commercial tax assessment matters. If the 85% of the 10,000 commercial tax claims for 2011/12 are settled prior to the closing of the tax roll in April 2011, than an estimated refund liability of \$47,955,000 will be saved. This estimated refund figure is based on the average refund paid to date for settlements of 2011/12 tax challenges. Again, if the settled assessment values for 2011/12 are applied to the 2012/13 tax assessment roll no future lawsuits will be filed.

Accordingly, the amount of potential new refund liability on the final roll for 2011-12 will be reduced to a small fraction of the historical average payout. Being able to fund associated prior-year backlog liability is a necessary component of the commercial side of the settlement program. The County intends to continue this settlement program for the 2012-13 tentative roll

and subsequent rolls. Along with the County Executive's other assessment reforms, this represents a structural solution to the County's long-term tax certiorari refund problem.

In all, the phasing in of the application of GAAP to borrowing for the payment of tax certiorari refunds will further the purpose of the NIFA act in avoiding substantial adverse impact on the delivery of essential services by the County brought about by a drastic and immediate change in the application of accounting rules, while at the same time allow the tentative roll settlement initiative and other crucial assessment reforms to take hold.

Departmental OTPS Reductions

The County asked all departments to review their outstanding contracts and overall OTPS budgets for services and overall expenditure reductions. OMB has asked for and received from departments reduced OTPS spending totaling \$16,569,194 million. Overall OTPS reductions net of revenue impact is \$7,579,274. Specific contractual reductions account for \$8,989,920 net of revenue impact. Departmental detail is available for all reductions at the contractual and sub object code level.

Police Precinct Realignment/Overtime Savings

The NCPD will redeploy as many as 142 sworn posts and as many as 41 civilian posts to optimize chart flexibility and alleviate overtime requirements. The redeployment intends to save a total of 104,150 hours of police officer, supervisory and civilian overtime with a dollar value of \$8,476,032. The calculations are conservative since an average of 55% to 56% of the redeployed post hours are calculated to displace overtime, in addition to a discount of 17.8% for leave days. The plan will redeploy police officers from Marine Bureau, Problem Orienting Police, Precinct Special Patrols, Bureau Special Operations Caper Unit, Community Affairs Gang Related Educational program, K-9 Unit, Highway Motor Cycle Patrols, Highway Motor Carrier, Records Bureau, Police Athletic League, Applicant Investigation Bureau, Public Information Office and Security police information Network. Sworn posts redeployment of supervisory officers will not only occur in the some of the aforementioned units but additionally in several precincts, Police Academy, and Medical Administration Office. The redeployment of posts also includes a consolidation plan that will eliminate one precinct.

NCPD also expects to have \$3,000,000 in additional attrition due to redeployment dissatisfaction.

NCPD will implement a franchise towing program instead of the current impound towing program which will garner significant operational efficiencies along with increase revenue opportunities of approximately \$1,500,000.

NIFA Wage Freeze

NIFA has represented that they have the ability to implement a wage freeze during a control period. The County is requesting that they implement this wage freeze at the NIFA Board meeting on March 24, 2011. The 2011 estimated savings from this action total \$10.5 million.

Red Light Camera Program Expansion

The County Legislature has passed the necessary Home Rule Message and the NYS Senate has passed the legislation expanding the number of cameras by an additional 50 intersections. The bill has majority sponsorship in the NYS Assembly and the County is anticipating that the legislation will be passed along with the State Budget. In order to address the delayed implementation of this initiative, the County has reduced the expected revenue for this item.

Sale 100 Quentin Roosevelt Blvd.

Land owned (10.3 acres) by the County of Nassau (Sec. 44, Block F, Lots 393-398) that is situated at 100 Quentin Roosevelt Blvd, East Garden City, New York and contains a 210,000 SF office building will be made available for sale to the lessee of the land. This is one of the Mitchell Field ground leases that was not part of the sale of the thirty year rental stream. The lessee (Quentin Roosevelt Associates, LLC) has offered to purchase the fee title of the land for \$8,000,000. The Office of Real Estate Services for the County is conducting due diligence on the value, and is hopeful to conclude negotiations and present to the Legislature in the very near future.

Debt Service Savings

The County does not believe that there is any budget exposure to this item. The County has budgeted ample resources to pay the current outstanding debt service should a restructuring not occur. The County has previously conveyed this information to NIFA and has not received any subsequent comment or analysis explaining the rationale for this risk. The County does not consider this item to be at risk.

FIT Tuition Reimbursement

The Fashion Institute of Technology ("FIT") is a community college subject to the community college financing provisions of the N.Y. Education Law. In 1994, New York State amended §6305 to create a special rule for FIT non-resident tuition whereby the State would reimburse counties for those costs. This was codified as new subsection (10) of §6305. However, in the early 2000's the State stopped appropriating the funds necessary to pay counties under §6305(10).

It is the County's position that when this occurs, we revert to the general rule of §6305(5) authorizing the County to charge towns and cities for community college non-resident tuition, including FIT. The County has received reimbursement for FIT tuition from the City of Long

Beach and has a written commitment from the Comptroller of the Town of Oyster Bay, which is attached as backup. Outstanding payments have been booked as a receivable by the County Comptroller. The County does not consider this item to be at risk.

Sales Tax Update

The 2011 Budget for Sales Taxes (without the Residential Energy Tax component) assumed a 3.75% growth rate over projected 2010 sales tax receipts. The actual 2010 receipts were favorable to the initial projections. Assuming the Adopted growth rate assumption of 3.75% from the 2010 actual sales tax collections would result in additional sales tax receipts of \$5.9 million in 2011.

Outsourcing Medical Care for Inmates

The Correctional Center has selected a winner of the RFP for Inmate Health Care Services, Armor Correctional Health Services, Inc., and has signed a contract with this vendor. It is anticipated that this contract will receive Legislative approval in April, 2011. The new vendor will take over provision of services from the Nassau University Medical Center during the second quarter. Savings will be realized as a result of the provision of a greater number of medical related services at the facility, certain cost efficiencies related to the provision of medical services by the vendor, and overall cost caps as set forth and established in the RFP to be incorporated into the contract. The County does not consider this item to be at risk.

Privatize LI Bus and Remove Remaining Subsidy

On December 3, 2010, the County issued a Request for Proposals seeking proposals from private firms to operate the County's fixed route transit and paratransit services currently operated by the Metropolitan Transportation Authority. On December 22, 2010, the County received responses from three (3) firms. The County is currently in the process of evaluating the proposals and each proposer's response to the County's March 4, 2011 request for additional information. While it will remain necessary for the County to contribute a certain sum to bus operations in order to receive state grant funding, the County expects that privatization of the system will result in a significant savings for the County and more efficient bus operations

Ambulance Fees

The County believes that the Budget amount is reasonable based on the legislatively approved fee increases. Additional ambulance posts, as well as increased fees related to ambulance services currently provided, account for the increase when imposed on a steady base load of cases. These fees are now competitive with fees for comparable services in other nearby municipalities. In addition the County has implemented certain efficiencies in ambulance billing such as extending credit payment options to patients. The County is also formally requesting an increase in Medicaid reimbursement from the NYSDOH which will more than double Medicaid reimbursement. The County does not consider this item to be at risk.

County Clerk Fees

The County believes that the Budget amount is reasonable based on the legislatively approved fee increases. The fees that were approved by the County Legislature on October 30, 2010 are increase in mortgage and deed recording fees. The budgeted \$8 million increased was based on a conservative estimate based on lower than usual volume of real estate transactions in the summer of 2010. The year end results for 2010 reflect the positive effect of this fee increase compared to the previous year of FY2009. Historically the clerks fees have experienced cyclical upward trend in spring and summer closely related to real estate sales. Therefore the increased fee will have a significant impact on clerk revenues during spring and summer months when a large percentage of real estate transactions occur. The County does not consider this item to be at risk.

Correctional Center OT Savings

Savings will be realized through initiatives below:

1. Inmate medical services to be provided by vendor resulting in operational savings
 - Anticipated operational savings from provision of on-site services
 - Decrease in transportation to outside facilities
 - Reduction in staffing/overtime expenses
 - No impact on the actual provision of inmate medical services
 - Estimated savings \$1,000,000
2. Reduction in expenses related to inmate court appearances
 - Anticipated operational savings from reduced court productions
 - Decrease in overall hours of daily operations
 - Reduction in staffing/overtime expenses
 - No impact on actual inmate court appearances
 - Estimated savings \$1,000,000
3. Elimination of extra professional visit session
 - Anticipated operational savings from reduced hours of operation
 - Reduction in staffing/overtime expenses
 - No impact on inmate family visits
 - Estimated savings \$300,000
4. Elimination of evening rehabilitation program sessions
 - Anticipated operational savings from reduced hours of operation
 - Reduction in staffing/overtime expenses
 - No impact on mandated inmate services
 - Estimated savings \$325,000
5. Elimination of non-security post (Fire Watch)
 - Reduction in staffing/overtime expenses
 - No impact on facility safety or security
 - Estimated savings \$375,000

Housing Suffolk County Inmates

The Department of Public Works has completed the needed retro-fit of the jail space to house the Suffolk. Inspectors from New York State have reviewed the site for compliance issues and we are anticipating an answer within the week. The County has received a written commitment from the Suffolk County Sheriff, which was previously forwarded to NIFA, to house Suffolk County inmates that are currently being transported to, and housed in, Rikers Island. The Correctional Center has already started to house some Suffolk inmates within the jail space that was not renovated. The County does not consider this item to be at risk.

Mitchel Field

The Real Estate Department has received the responses to the RFP for the securitization of the leases related to the Mitchel Field properties. The top two proposals are competitive and exceeded expectations, both netting approximately \$37.5 million to the County. The upfront payment to the County of \$37.5 million is \$7.5 million higher than included as revenue in the 2011 Budget. Using the NIFA accounting treatment will result in an additional \$750,000 for the County.