



# SUFFOLK COUNTY FISCAL ANALYSIS TASK FORCE

## *FINAL REPORT*

PRESENTED TO

**SUFFOLK COUNTY EXECUTIVE STEVE BELLONE**

PREPARED FOR

**THE SUFFOLK COUNTY LEGISLATURE'S BUDGET & FINANCE COMMITTEE**

*MARCH 6, 2012*

# TASK FORCE MEMBERS

The seven-member Task Force is comprised of the following independent individuals:

- Richard Halverson ~ *Former Assistant Deputy Director NYC Financial Control Board, Deputy Comptroller for Budget – Hampton Bays*
- Stuart Klein ~ *Former First Deputy Director NYC's Office of Budget & Management – Rockville Centre*
- Nathan Leventhal ~ *Director, Dreyfus Mutual Funds & Former Deputy Mayor NYC - Westhampton*
- Edward W. Money Penny ~ *Former Chief Financial Officer at 7-Eleven, Inc. and at Two Former Fortune 500 Companies - Village of Southampton*
- Steven Newman ~ *Chief Operating Officer Public Health Solutions, Former First Deputy NYC Comptroller – Douglaston*
- Michael Solomon ~ *Managing Director, Ramirez & Co. – Originally from Oceanside*
- Charles K. Stein ~ *Former Deputy County Executive for Finance, Suffolk County - Coram*

# DEFICIT PROJECTIONS

The Task Force's deficit projections are larger than the general consensus of the size of the shortfall of the County Executive Budget Office & Legislative Budget Review Office due to additional revenue shortfalls and expense increases that the Task Force believes could occur over the next two years.

*Deficit projections are summarized as follows, in Millions of Dollars:*

YEAR	COUNTY CONSENSUS FORECAST DEFICIT	FISCAL ANALYSIS TASK FORCE PROJECTED DEFICIT ESTIMATES	DIFFERENCE FISCAL ANALYSIS TASK FORCE <i>MINUS</i> CONSENSUS FORECAST
2011	-\$33	-\$33	\$0
2012	-\$86	-\$148	-\$61
2013	-\$286	-\$349	-\$63
<b>TOTALS</b>	<b>-\$406</b>	<b>-\$530</b>	<b>-\$124</b>

*Note: Numbers in table may not total due to rounding*

DEFICIT  
PROJECTIONS  
DETAIL

COUNTY  
EXECUTIVE &  
LEGISLATIVE  
DEFICIT  
PROJECTIONS

<b>Suffolk County Revenue and Expenses</b>			
<b>Consolidated General Fund and Police District</b>			
<i>(\$ in millions)</i>			
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
<b><u>Revenue</u></b>			
Real Property Taxes	\$548	\$566	\$575
Sales Tax	\$1,098	\$1,139	\$1,191
Other Local Revenue	\$198	\$236	\$220
State Aid	\$260	\$252	\$252
Federal Aid	\$238	\$231	\$234
Interfund Revenues	\$92	\$68	\$47
<b>Total Revenues</b>	<b>\$2,434</b>	<b>\$2,492</b>	<b>\$2,519</b>
<b><u>Expenses</u></b>			
Salary Related	\$843	\$881	\$952
Employee Benefits	\$293	\$320	\$343
Pensions	\$102	\$121	\$192
<b>Subtotal Employee Related Costs</b>	<b>\$1,238</b>	<b>\$1,322</b>	<b>\$1,487</b>
Debt Service	\$89	\$76	\$108
Social Services Costs	\$453	\$483	\$509
All Other Expenses	\$592	\$598	\$601
Interfund Transfers	\$95	\$100	\$100
<b>Total Expenses</b>	<b>\$2,467</b>	<b>\$2,579</b>	<b>\$2,805</b>
<b>County Deficit Projection Detail</b>	<b>(\$33)</b>	<b>(\$87)</b>	<b>(\$286)</b>
As % of Total Revenues	-1%	-3%	-11%

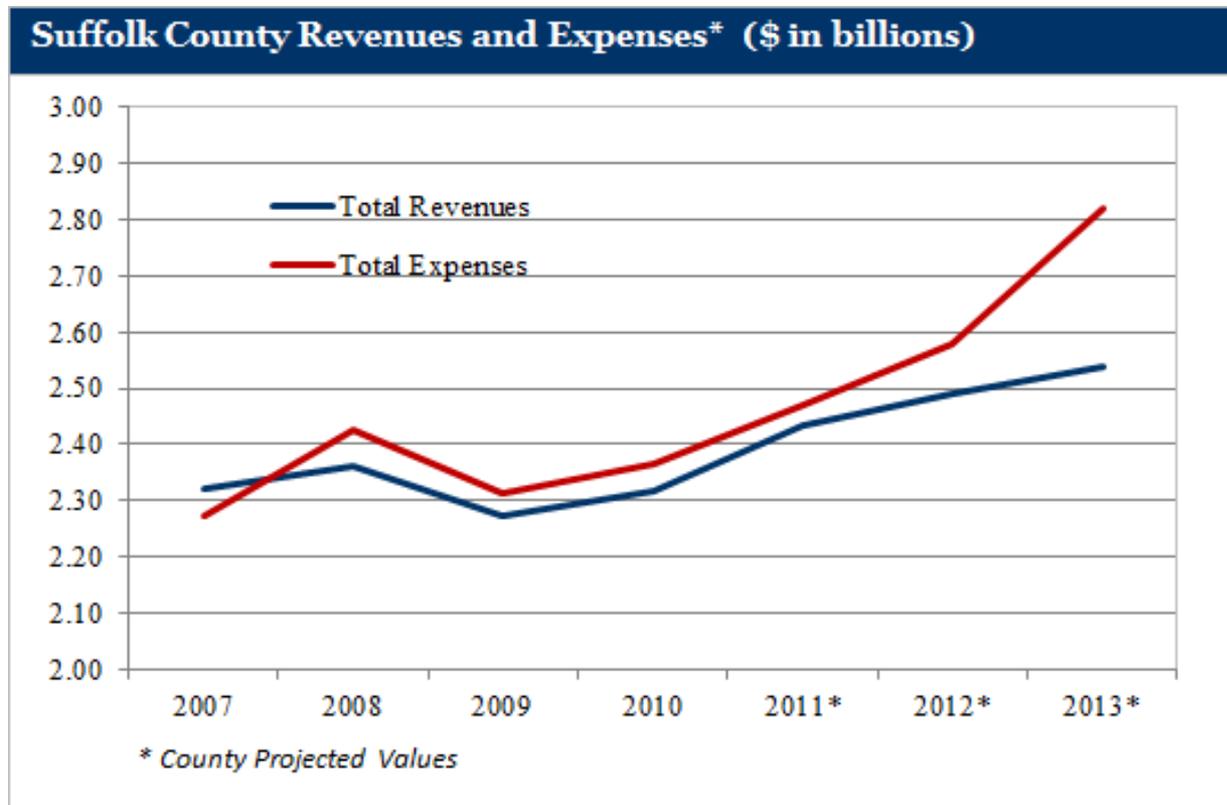
# DEFICIT PROJECTIONS DETAIL - TASK FORCE

## COMPARISON PROJECTIONS

<b><u>Suffolk County Revenue and Expenses</u></b>			
<b><u>Consolidated General Fund and Police District</u></b>			
<b><u>(\$ in millions)</u></b>			
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
<b><u>Executive &amp; Legislative Consensus</u></b>			
<b><u>Deficit Projections</u></b>	<b>(\$33)</b>	<b>(\$87)</b>	<b>(\$286)</b>
As % of Total Revenues	-1%	-3%	-11%
<b><u>Task Force Recommended Adjustments</u></b>			
Sales Tax Revenues (2.6% Annual Growth)	\$0	(\$12)	(\$35)
Overtime Pay Increases	\$0	(\$10)	(\$10)
Layoff Savings Reduction	\$0	(\$3)	(\$5)
Contingency for Less Sales Tax/Higher Energy Costs and Delay of Land Sales	\$0	(\$36)	(\$13)
<b>Final Task Force Projected Deficits</b>	<b>(\$33)</b>	<b>(\$148)</b>	<b>(\$349)</b>
<b>As % of Total Revenues</b>	<b>-1%</b>	<b>-6%</b>	<b>-14%</b>

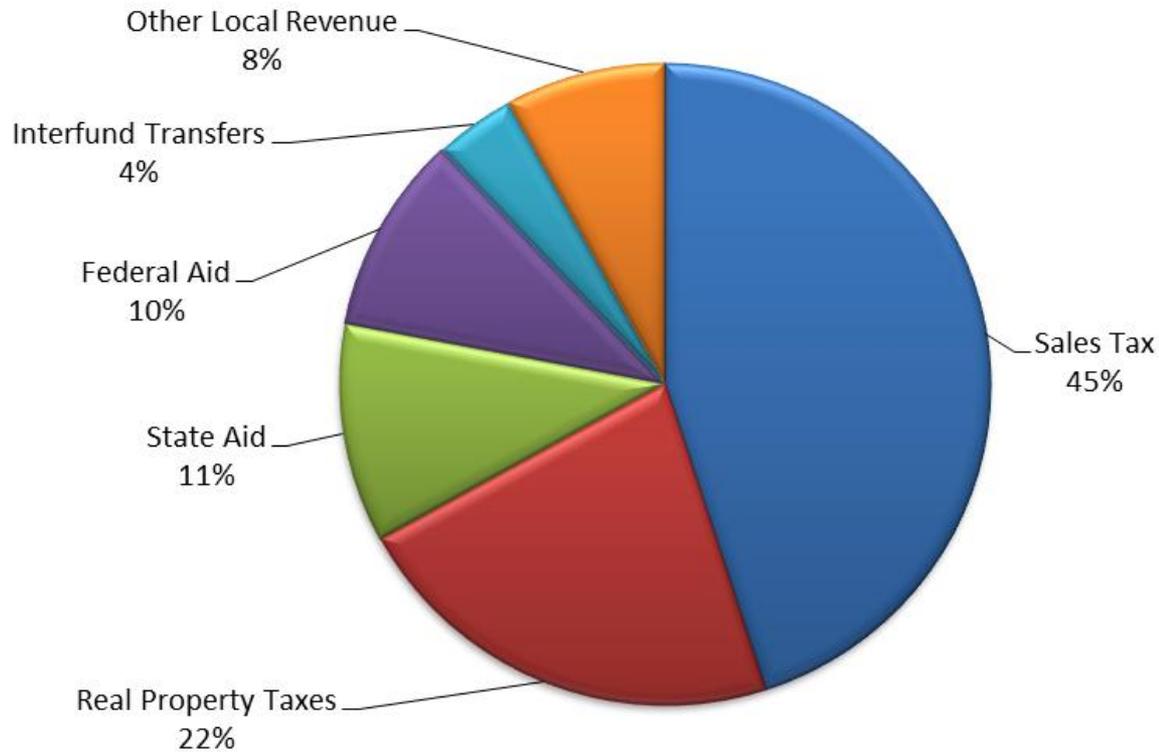
# EXPENDITURE-REVENUE STRUCTURAL BUDGET IMBALANCE

- Expenditure growth has outpaced revenue growth.



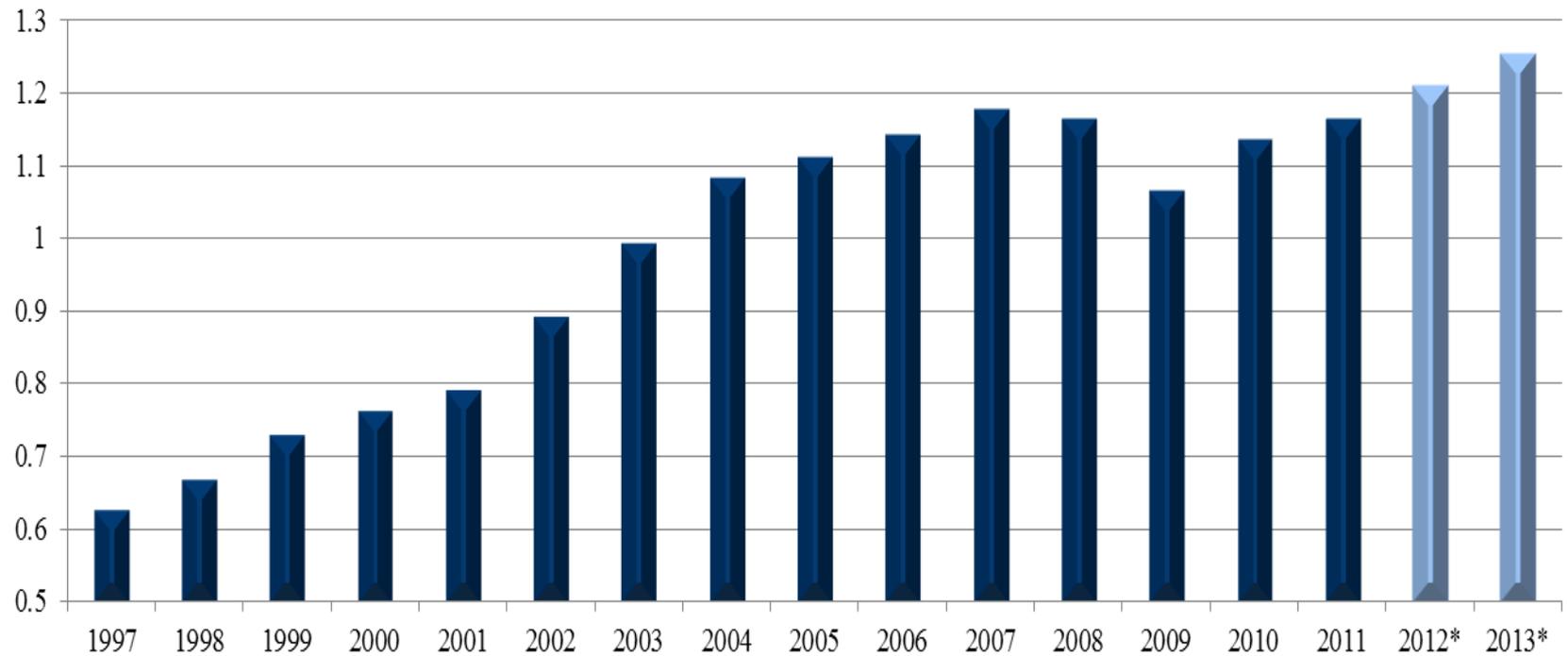
# MAJOR REVENUE DRIVER ~ SALES TAX

## Consolidated General Fund & Police District 2011 Revenues



# MAJOR REVENUE DRIVER ~ SALES TAX *CONTINUED*

Suffolk County Sales Tax Collections (\$ in billions)

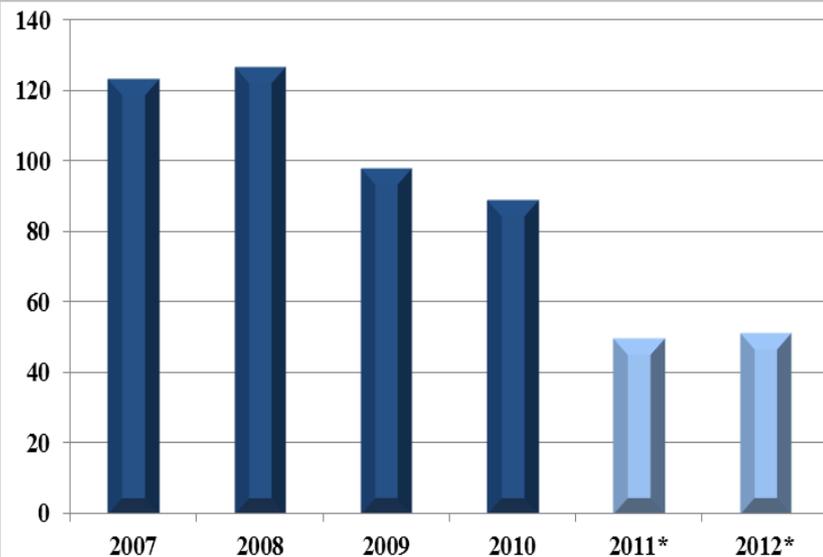


\* County Projected Values

# USE OF RESERVES & BUDGETARY ONE-SHOTS

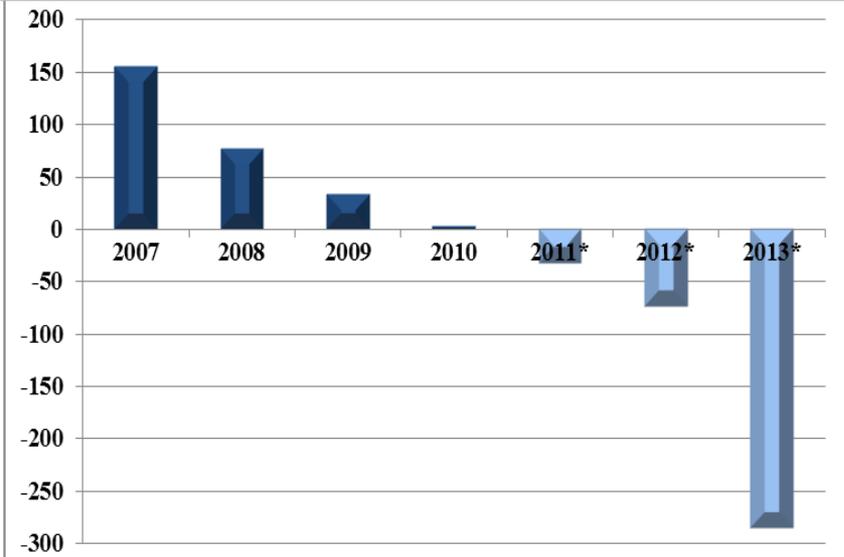
- Together with the use of available reserves, the County has utilized a total of \$424 million in budgetary one-shot events to help balance its operations since 2008. These one-shots include property sales, use of the Assessment Stabilization Reserve Fund, Pension Amortization and Tobacco Securitization.

Suffolk County Tax Stabilization Reserve Fund (\$ in millions)



\* County Projected Values

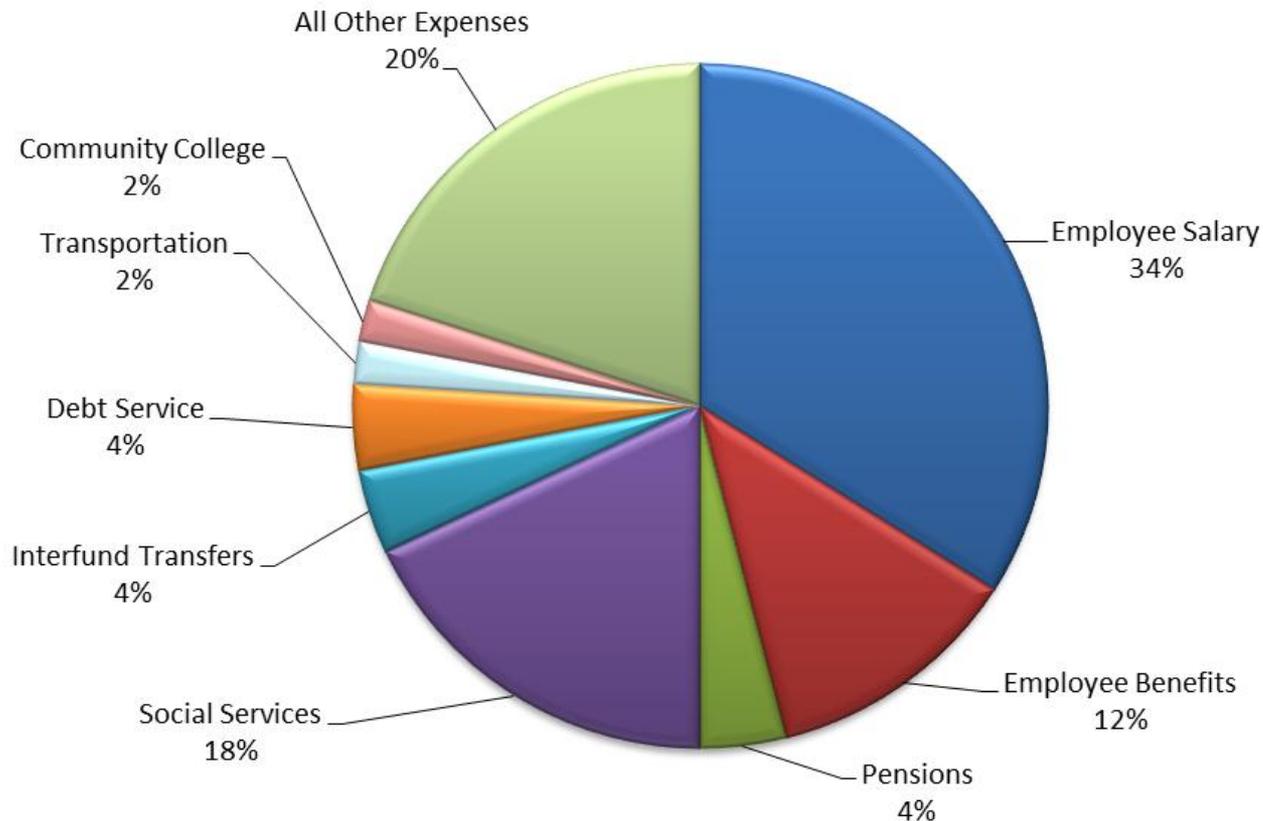
Suffolk County General Fund Balances (\$ in millions)



\* County Projected Values

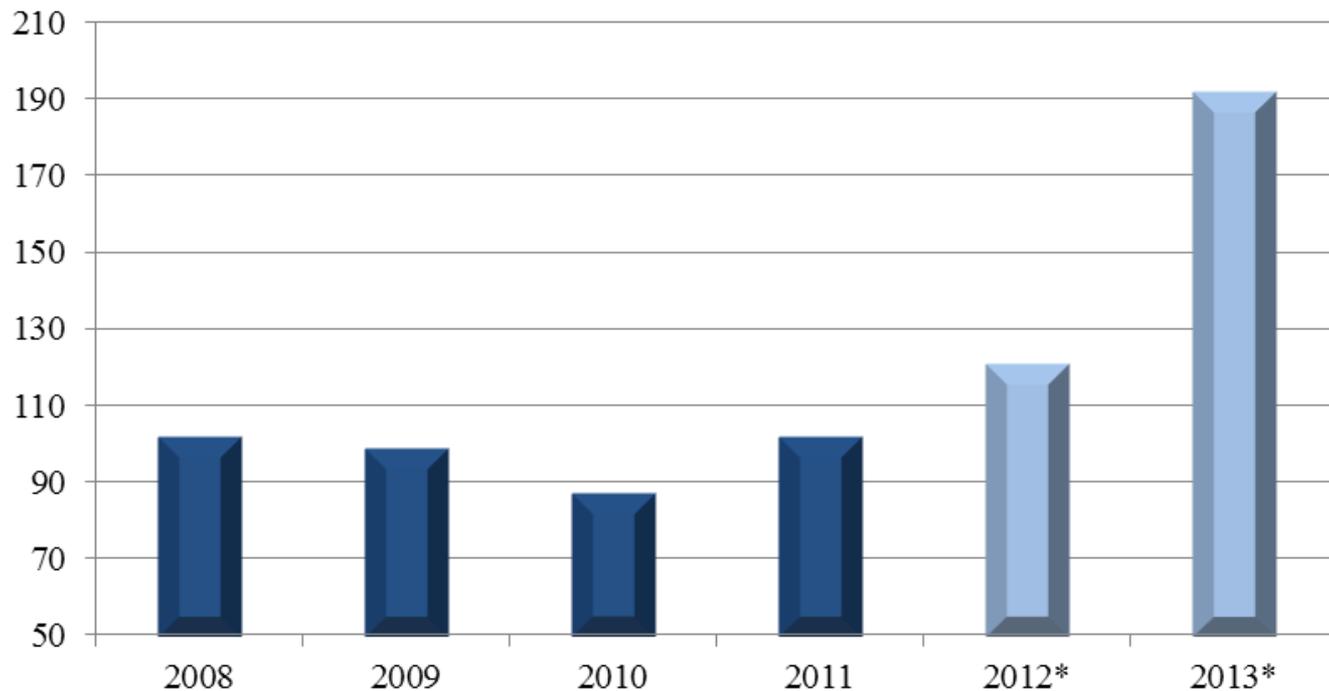
# MAJOR EXPENDITURE COST DRIVERS

## Consolidated General Fund & Police District 2011 Expenditures



# MAJOR EXPENDITURE COST DRIVERS - EMPLOYEE RELATED COSTS

**Suffolk County NYS Retirement System Payments (\$ in millions)**



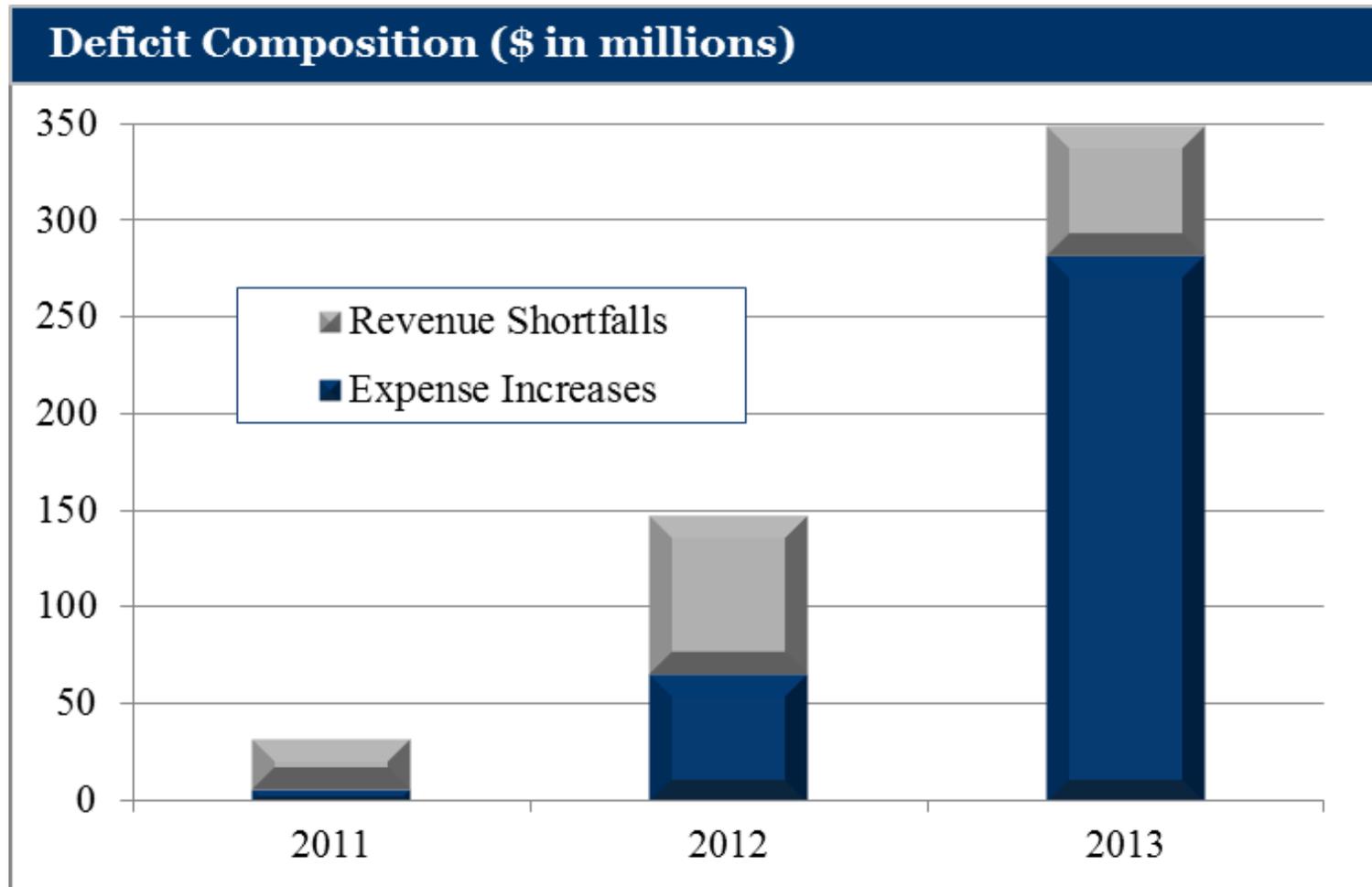
*\* County Projected Values.*

*2011 and 2012 include amortization, 2013 does not include amortization*

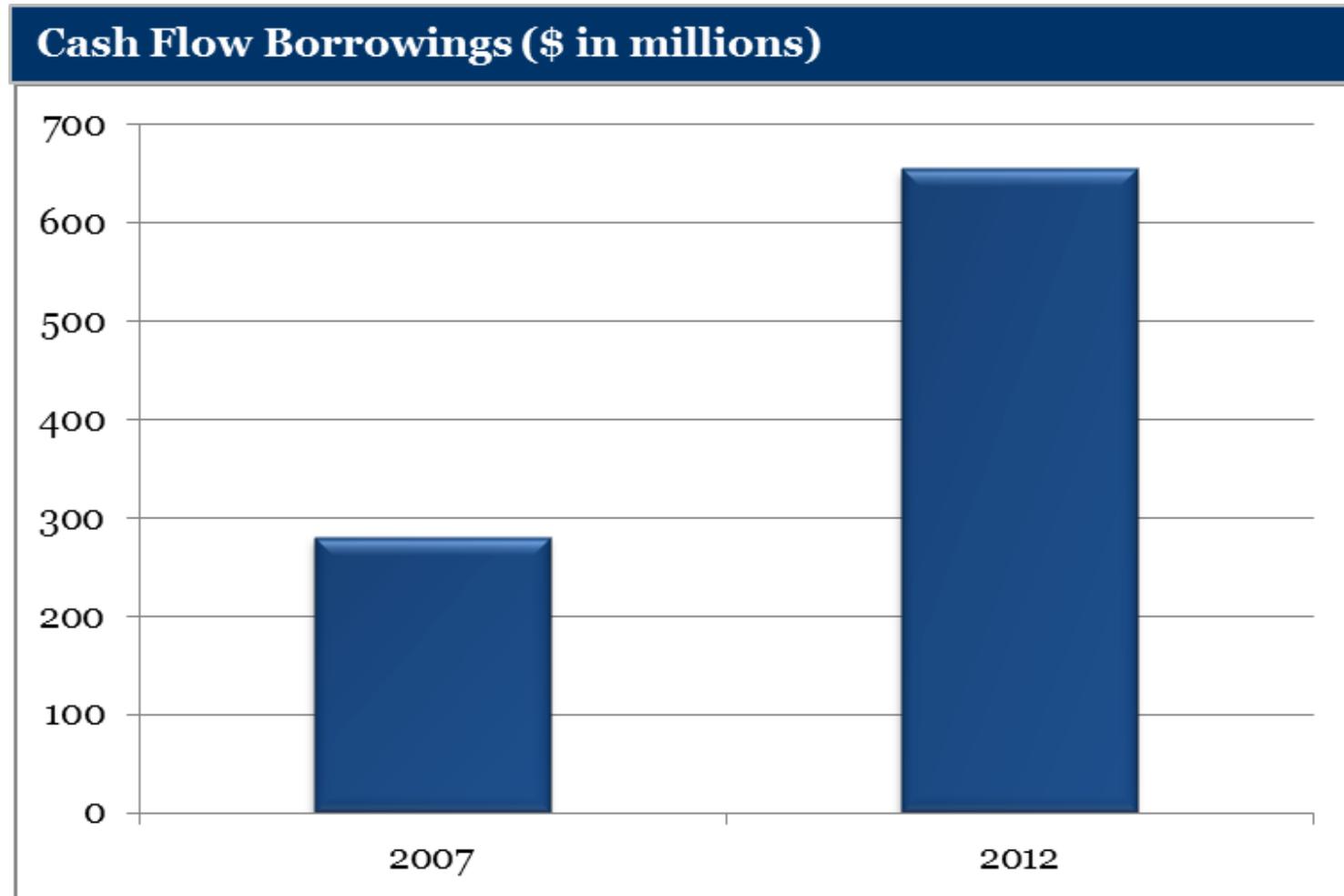
## OTHER MAJOR EXPENDITURE DRIVERS

- Social services growth over the next two years is estimated at 6% resulting in \$86 million in additional costs.
- The County's General Obligation debt service costs are expected to increase by approximately \$32 million in FY 2013.

# ESTIMATED DEFICIT COMPOSITION



# BORROWING TO MEET CASH NEEDS



# SUMMARY

- Task Force members estimate budgetary shortfalls beginning in Fiscal Year 2011 at \$33 million, increasing in FY 2012 to \$148 million and sharply rising in FY 2013 to \$349 million.
- These estimates have been reached by using assumptions the Task Force deems reasonable given the prevailing environment. These figures could be negatively impacted by potential Wall Street job losses and continued uncertainty in the Eurozone.
- While the scope of this report was projecting deficits through 2013, the Task Force believes Fiscal Years beyond 2013 will be challenging as well.
- The Task Force was not charged with finding specific solutions.
- Difficult decisions are on the horizon to bring the County's budget into structural balance, where at the minimum annual revenues equal annual expenditures.

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