BUDGET & FINANCE COMMITTEE
of the
SUFFOLK COUNTY LEGISLATURE

Minutes

A regular meeting of the Budget & Finance Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York, on **Thursday, January 22, 2004**.

MEMBERS PRESENT:

Legislator Andrew A. Crecca - Chairman
Legislator William J. Lindsay - Vice-Chairman
Legislator Allan Binder
Legislator Michael J. Caracciolo
Legislator Lynne C. Nowick
Legislator David Bishop.

ALSO IN ATTENDANCE:

Mea Knapp, Counsel to the Legislature
Ilona Julius, Deputy Clerk
James Spero, Director of Budget Review Office
Robert Lipp, BRO
Fred Pollert, Deputy County Executive
Robert Bortzfield, Budget Director, County Executive's Office
Janet DeMarzo, Commissioner of Social Services
Tedd Godek, Suffolk County Architect
Ken Knappe, Senior Budget Analyst, County Executive's Office
Lydia Sabosto AME
Martin Haley, Treasurer's Office

MINUTES TAKEN BY:

Diana Kraus - Court Stenographer

(THE MEETING WAS CALLED TO ORDER AT 1:16 PM)

CHAIRMAN CRECCA:
Let me first of all apologize for starting late. I was running a little late today. I apologize. If I could ask everyone to please rise for the pledge of allegiance. And we'll ask Vice-Chairman Bill Lindsay to lead us in the pledge.

(SALUTATION)

CHAIRMAN CRECCA:
Thank you. Welcome everybody to the first Budget and Finance Committee meeting of 2004. I think we've got a great group of Legislators on this Committee, people who bring a lot of background either as prior service on the Finance Committee, but also who bring some of their own backgrounds to this Committee. And I think they were chosen wisely. So I welcome all of my fellow Legislators to the Committee. I look forward to working with you all this year.

I just want to add a couple brief comments of some of the places we want to go so to speak as a Committee this year. Two years ago when I chaired Finance, one of the things that we really made an effort to do was to really provide an oversight function of the operating budget, to a certain extent the capital budget; and not just for the present year that we're in 2004, but also with an outlook towards 2005. And certainly with the things we've read in the paper about potential budget deficits for 2005, I certainly think that will be a priority of this Committee this year, is to really take a hard look at the 2004 budget, how we're spending our money, how revenues are coming in throughout the year and what kind of shape we're in for 2005; and try to prepare working in a cooperative way with the County Executive's Office to weather those potential storms.

The other additional thing -- the other thing that I'd like to see the Committee do this year, and we'll do it through not just the members on the Committee, but specifically my staff, we are going to work with Budget Review to make sure that we have very timely physical impact statements on all bills that are filed in the Legislature so that they are available prior to Committee for Committee members' review and other Legislators' review. And there'll be easier access to those hopefully in the next few weeks. I would urge the County Executive staff when they file bills with the Legislature to please try to have those physical impact statements either at the time of filing or certainly within a few days prior to a Committee meeting so that we can take a look at those, whether they're assigned to this as this being the primary Committee or not, we want to look at the physical impact statements of all resolutions. And those that seem like they may have any type of significant financial impact on the County, we may, even though they may not be primary, we may bring them before the Committee to give recommendations or their opinions to the full body before they vote on those resolutions, especially given the financial situation that the County may find itself in the 2005.

And finally, the other thing is we'll have some hopefully it looks like in the process are some technological changes in our computer systems. What we do here and our -- the ease of access to get information at the horseshoe. And hopefully we'll see some of those changes take place in the next few weeks. And I'll ask this Committee -- and certainly we're going to ask this Committee to work on those technology changes here internally at the Legislature and to help us to give your input and ideas as we move forward with that.

So with that we'll -- what I have asked for today is a presentation from both the County Executive's Office as well as our internal Budget Revenue Office to give a brief overlook of the 2004 situation as well as the 2005. I'll remind Committee members that I have not asked for detailed budget projections but rather broad strokes today from both of those participants. So without further ado, I'd like to bring up Mr. Bortzfield, the Budget Director and I believe Mr. Pollert -- Fred, I'm not sure of your title. Is it Deputy County Executive?

MR. POLLERT:
Of Finance, yes.

CHAIRMAN CRECCA:
For Finance. There you go. Thank you, gentlemen.

MR. SPERO:
I don't know if the truth is going to set us free. It may make us a little nauseous. Anyway, since Fred has left, we've tried to recreate a budget model which Robert has been diligently working on for the last week or so. And we have developed a first cut where we think the general fund may be going this year. The year's just started obviously. And one of the things

you realize when you're doing these things that there's so many variables. And, as a matter of fact, it can change daily or hourly depending on the assumptions you include in the model. But you try to take a reasonable stab at where you think the County's going to be going.

And obviously as was clearly illustrated last year, the County's finances are very much dependent on what happens in Albany. And for this year that's no exception. We're looking for mandate relief for Medicaid, fiscal relief on the retirement costs. And F-map federal funding is going to be running out. So there are a number of areas that are -- if things don't break the right way, the County general fund could see a perilously large increase in the tax levy. One of the Achilles heals for the County in our financial picture is that our general fund tax levy is so low that even a small increase in nominal dollars reflects a very large high percentage increase in the levy. The levy for '04 is the same as it was in '03. It's 53 million dollars. The general fund is about 1.8 billion dollars. And the fact that we balance the budget on such a small tax levy really can hurt us.

So anyway, in developing our model, Robert's developed a pessimistic middle case and an optimistic case in the general fund. And just speaking, again, in generalities, our pessimistic case is very close to what Fred and Bob have worked up in their budget model. We just met earlier before the Committee meeting and just started to compare notes on we're at with our two different models. And clearly assumptions are different in each. But basically in our -- the bottom line, our pessimistic scenarios are relatively close together. And in our model, we're looking at about 142, 143 million dollar problem in the general fund.

In the middle case scenario where, again, the assumptions changed, hoping for some positive relief, the problem could go down to about 115 million, which is still pretty serious. In the really optimistic case where we take down the entire tax stabilization reserve, we completely defund pay-as-you-go for another 20 million dollars, health insurance costs don't go up quite as high, the retirement costs aren't quite as steep, we come in with about a 15 million dollars increase in the general fund. And at this point we have not developed a fund 15 model. We are completing our cost analysis of the PBA arbitration, which will be extended to the other bargaining units, which are also under binding arbitration and we'll be coming up with an impact for the police district fund as well later on. So based on the data we've put into our model, that's what we perceive the -- you could say the range of what the problem could be for 2005.

CHAIRMAN CRECCA:

Why don't we -- before we go to questions, why don't we let the County Executive's staff say a few words and give us your perspective. And then maybe open up the questions to all four gentlemen.

MR. POLLERT:
Jim has accurately portrayed the challenges that are going to be facing the County in 2005. The bulk of the challenges relate to costs that are really beyond the control of the County, specifically in Medicaid, in pensions costs. In addition to that, the County also has cost increases with respect to salary cost increases, a group of non-recurring revenues that were used in 2004 as well as employee medical health benefit costs. Surprisingly the two budget models with respect to the general fund are relatively close together. So Jim's model is within that ten million dollars of what our model is as a base case for the general fund. Part of the reason that that number is significantly lower than the number which was given to the transition team by Bob Bortzfield is that the larger number deals with all funds. So if you look at the pension problem, about two-thirds of it is associated with the Police Department next year. So there's a significant problem, not just in the general fund, but also a significant problem in the police district as well.

Jim's model does not factor in contract salary increases of either the PBA or factor in salary increases with respect to contract settlements which may be coming about. It's implicit in his model because he has like another category, but it's not specifically identified. Both of the models are forecasting a growth in sales tax of somewhere in the neighborhood of three and a half to 4%. Perhaps the largest variance at this point in time is what is the forecast on the Medicaid. There's about a 13 million dollar variance between the numbers being worked up by the Budget Review Office and by the Budget Office. What the Budget Office did was forecast a 15% increase, which is what NYSAC is forecasting. What the actual increase last year was close to 17%. The Budge Review Office is forecasting a more modest increase next year.

If you factor that out, the two models are almost perfectly tracking one another at this point in time. There are -- in addition to problems in 2005, there were some challenges that you need to be aware of in 2004 as well. When the 2004 budget was adopted, it pre-supposed that the County was going to be borrowing for the pension costs that were coming due in 2004. That's not yet in place. That's how the budget was adopted. But there's no bonding authorization to the control yet to do the pension bonds. So clearly that's something that has to be resolved prior to the meeting with the rating agencies because at this point in time there is a 65 million dollar hole in the budget until such time as the Legislature authorizes the borrowing of those funds.

Problem number two is, the cost increase of the PBA arbitration award, which is probably going to be followed very closely by an SOA award. The budget offices currently are working on a presentation on the SOA arbitration. That's going to present a challenge because there are not sufficient funds in the budget to be able to pay for that award at this point in time. So that's something which clearly the County has to come to grips with as well.

MR. SPERO:
It's important to realize as we go over these numbers and as the models change as time progresses and new information becomes available, that the problem Suffolk County faces are no different than the problems being faced by any of the other 62 counties in New York State. We're all facing the same difficulties and hurdles and obstacles in the '05 budgets. Now, Suffolk has actually faired better than most. We've gone through -- with '04 budget without a property tax increase in the general fund. This is exceptional. However, like I said earlier, this also hurts us because when we do need the increase, you get into large percentage increases in the tax levy. But we're not facing anything unusual. There's nothing unusual going on in Suffolk that's not happening elsewhere. So we're not doing anything improperly or incorrectly in our finances. We have a very good '04 budget. As Fred pointed out, we need to adopt a bond resolution to pay for the '04 retirement costs. But that was part of our financing plan. And actually if we do bond it ourselves, we'll save money over what the State Comptroller would charge us for the same thing. So I just want to point that out. So as we speak today, we're in good financial shape; but looking to the future, we need to plan ahead as to how we're going to fill the potential gaps that may arise.

CHAIRMAN CRECCA:
When can we expect a fourth quarter -- 2003 fourth quarter sales tax?

MR. SPERO:
We'll be re-estimating our sales tax once we receive the February checks, at which time we'll -- Robert will calculate what the accrual will be for 2003. We'll see where we land vis-a-vie what we had estimated back in the fall for sales tax. And depending on the results of that, we will re-estimate what the '04 sales tax will be and again '05 as well.

CHAIRMAN CRECCA:
Couple of questions. This question goes to either Mr. Pollert or Mr. Bortzfield. The bonding resolution that you're speaking about, would that be forthcoming from the County Executive?

MR. BORTZFIELD:

Yes, it will.

CHAIRMAN CRECCA:

Again, Fred brought up the concern -- Mr. Pollert brought up the concern about timing on that. So we would hope to see that soon given the fact that I believe we'll be going to the rating agencies in early March or so.

MR. POLLERT:

Yes, That's correct.

CHAIRMAN CRECCA:

Okay. Just two other quick questions and then I'll turn it over to the Committee for questions. There seems to be a very -- and I'll quote a loose figure at this point, but a projection on the pessimistic side of about 140 million or plus in possible shortfall. I assume that's for the 2005 operating budget; correct?

MR. POLLERT:

Yes.

CHAIRMAN CRECCA:

A lot of the reports that the media has reported or that the County Executive has quoted have been closer to the -- in the area of 240 million I've heard. And I know, Fred, you pointed out a couple of areas where you think that there's other costs that aren't being -- aren't part of the budget model right now. But that's a huge difference, 100 million dollars. And if you could just point out those areas very generally --

MR. POLLERT:

Sure.

CHAIRMAN CRECCA:

-- that make up that allege difference.

MR. POLLERT:

Okay. The difference is associated with the fact that Jim's model at this point in time just deals with the general fund. There's a significant cost increases in fund 15. So, you're looking at about an 85 million dollar increase on the pension costs. There's only one-third of that is on the side of the general fund. Two-thirds of that is on the side of the police district. There's a 12% increase in employee medical health benefits. There's a small portion on the general fund side. There's a large portion on the police district side. So the 240 million dollars is the general fund and the police district. So what the difference is, is that -- that the budget model that the budget office has includes the police district as well as the general fund.

CHAIRMAN CRECCA:

I'm going to turn it over to Legislator Caracciolo. You had some questions.

LEG. CARACCIOLO:

Thank you. I was thinking with the issue of these projected deficits in excess of 200 million dollars, Fred, do those calculations take into account subsequent collective bargaining agreements that have yet to be negotiated?

MR. POLLERT:

The budget model does model out the PBA contract award. The 240 million dollars that was bandied about does not include the PBA award. At this point in time the County Executive's budget model is higher than 240 million dollars. So we do have that factored in. The 240 million dollars was a number that was given to the transition team by Bob Bortzfield prior to the pricing out of the PBA award. So part of what I had discussed with Jim is that when you deal with the budget models, there's a lot of variabilities and numbers that tend to get worse before they get better because bad news travels very quickly. So in all probability the numbers will continue to get progressively worse as we hear the bad news on the state budget with respect to probation aid and those types of things. But at this point in time the County Executive's budget model is greater than 250 million dollars worth of a projected problem for 2005. That does include projected labor costs.

LEG. CARACCIOLO:

Okay. That was the answer. I mean, right there. So in effect if we took a snapshot today and taking into account that the Governor has now come out with his proposed budget. The Comptroller has poured cold water on his proposal to cap pension liabilities for the state as well as localities. So that has to be worked out. And I'm confident that it will be before the state finally adopts a budget. But 240 million dollars, is that what this Committee and what the Legislature should keep in mind going forward as of today -- I know it's influx -- could change up or down -- and I think it will go down. But it's not going to go down by much. Which brings me to the point of mandate relief. As you know, the Presiding Officer has established a Committee. That Committee will be meeting shortly. What -- and you'll be invited to make a presentation to the Committee. But what can you share with the Budget and Finance Committee about what should be our priorities realistically? Realistically what can we or should we expect out of the state capital this year in terms of any, you know, mandate relief.

MR. POLLERT:

The two largest items that are driving a large portion of the budget forecasts for 2005 are the pension costs. And the projected cost increases in Medicaid. There's a proposal from NYSAC, and has a great deal of support among other counties, to cap Medicaid expenditures. That would provide a tremendous amount of relief to the County. And then the other thing would be with respect to pension relief as well. The Governor has a proposal that has been rejected by the State Comptroller. If we were again given the capability of bonding out, over a number of years that cost increase, that would also dramatically change what the budget forecast is. In large part a lot of these costs in the budget model are being driven by factors from the State of New York. Those two areas would provide tremendous relief to Suffolk County.

LEG. CARACCIOLO:

Okay. So we break down that 240 -- I'll let you answer in a moment, Jim. But if we break down, dissect the projection of 140 to 240 million, we take a low and a high end, what portion of the totals, 140 or 240 would be attributable to increase in County expenditures that we have some control over versus those external forces that we do not?

MR. POLLERT:

There's actually very little that you have control over. The 240 million dollars, about 117 of it is associated with both Medicaid as well as a pension costs. But the other factors that are going into the budget model, like the PBA arbitration award, you have very little discretion over. The bonding of medical malpractice cases, you have very little discretion over because those cases have already been settled. The 12% increase in employee medical health benefits at this point in time, it's going to translate to more than 24 million dollars worth of expenses, is contractual. You've got little control over that. So even though they're not New York State mandates, your degrees of freedom are very, very low. Basically the budget models don't capture anything that you have control over. So, you know, it does not include cost increases for those areas that are purely discretionary on your part. It's capturing the hard core costs components that are tracking up in 2005. We haven't factored in cost increases associated with perhaps renting more space or, you know, increasing benefit funds or anything of that sort. These are just factors that we're relatively certain are going to be taking place.

LEG. CARACCIOLO:
Year over year our operating expense, personnel, equipment, buildings, facilities, what has been the trend?

MR. POLLERT:
Generally if you can back out the mandated costs, the trend is probably in the neighborhood of about 5% per year. Because over the last several years, you've had to pierce the expenditure cap. One of the difficulties of this budget forecast is, even though 117 million dollars is considered to be mandated, the pension cost is on the non-mandated side. You don't have any say in it. The arbitration award is on the non-mandated side. So the budget model is forecasting that we're going to bang up against the expenditure cap big time in 2005. These expenses such as pension, such as employee medical health benefits, even though they're required expenditures, are considered a discretionary expense and are not subject to the mandated tax levy cap.

LEG. CARACCIOLO:
Is it to be expected that the executive branch will be proposing some type of budget deficit reduction plan?

MR. POLLERT:
Yes.

LEG. CARACCIOLO:
And what would you anticipate would be a timetable for that?

MR. POLLERT:
We're currently working on what alternatives the County has. At this point in time I don't know exactly what the calendar is.

LEG. CARACCIOLO:
If you had to quantify, again, a range and I'm not going to hold you to a specific number, but realistically, we all realize that there's very little latitude for cutting expenses in county government until you eliminate jobs. And other counties in this state have done that. Buffalo most recently. Whether there's political will at this horseshoe to do that or not, we'll probably find out. But we both are seeing the County Executive come out with a very modest but yet I think appropriate approach to -- and I'm not familiar with the resolution, but the resolution that failed the other day to get a second in Ways and Means, that would have adjusted pay-out for accumulated sick leave from four days per annum to two. I mean that's a very small measure. And as I understand the argument from both sides, Republicans and Democrats that are on that Committee, well, there was no cost savings. Do you agree that there was no cost savings associated with that proposal?

MR. POLLERT:
No. Apparently what the difficulty is, that the fiscal impact statement never came across the street. There, in fact, will be a rather substantial cost savings that can be associated with the resolution.

LEG. CARACCIOLO:
My guess is it's going to be in excess of a million dollars. Am I correct?

MR. POLLERT:
Yes.

LEG. CARACCIOLO:
I'll look forward to that resolution because I will support it. And I will support whatever it is we have to do within reason to first tighten our own belts before we go to taxpayers and ask them to dig deeper into their pockets. Thank you, Mr. Chairman.

CHAIRMAN CRECCA:
I just -- I need to follow up on the one point, Legislator Caracciolo, and then I'll turn it over to Ms. Nowick. When Mr. Tempora was before us and testified regarding that resolution -- when Jeff was here, when he was here, he said that in 2003 there were five manager employees that retired. And he told us also that the bill would be -- would not be retroactive but would be a policy from here forward. The impression we got from Jeff as well as our own rough calculations

because we did not have a fiscal impact statement was literally it would be in the thousands of dollars; not anywhere near what you're talking about. The million dollars you're talking about, is that a 2005 savings, a 2004 savings? Or is it a multi-year savings?

MR. POLLERT:

You would have a multi-year savings because it would impact everyone as they retire who is a member, you know, of the, like, exempt class. Frankly, we don't have the speakers across the street so we don't know what Mr. Tempora said. But the price-out that has been done by the budget office, is that there's a rather substantial savings.

CHAIRMAN CRECCA:

We certainly would like to see that. And as we stated earlier, too, it would obviously be helpful if we had the financial impact statements ahead of the Committee meetings to be able to do that. Legislator Nowick.

LEG. NOWICK:

Nice to see you back, Fred, sitting there. Just a question on the pension. Over the years -- over the last few years, I always remember hearing that we ran into a lot of problems budgetarily because the pension costs, the investment funds went down so much. And our pension fund could not be fully funded. Do you see any gain for us over the next few years given the fact that there's a substantial rise in the stock market, do you see any good things coming out of that? And, if you do, approximately what do you think we can gain out of that? Or is it too late; is it a fait a compli?

MR. POLLERT:

One of the difficulties is that the State Comptroller has a sole fiduciary oversight and control, you know, of the pension funds. During the fall of last year, the State Comptroller came down and did a presentation in this auditorium to local municipalities with respect to what the forecast was for the pension costs. The Comptroller's strong opinion at that point in time was that because of the rapid decrease in the stock market, that the pension funds were from an actuary point of view were under funded. His comment was that irrespective of how quickly the stock market recovered, he felt that they were under funded. He wanted to see them funded at a higher level. He did not anticipate that the costs would drop below what he had forecast for the year 2007, which is about 12% of what the salaries are.

In addition to that, the -- just because the rates are so high at this point in time, a cost saving alternative that the County had available to it in the past, like an early retirement incentive program, are no longer financially feasible to do any more because the rates are so much higher than they were years ago. So it's really a double edge sword. Number one, our pension costs are higher; and number two, you don't really have the opportunity to reduce the work force gracefully through an early retirement incentive program.

MR. SPERO:

The pension -- since the stock market went down, the pension fund over all is underfunded.

LEG. NOWICK:

That's what I learned in the last few years.

MR. SPERO:

And he must by law have it 100% funded. So -- and just to reiterate the point, the comptroller made it --

LEG. NOWICK:

So would it take a few years of good heavy duty economy to get -- to see any fruits of that particular rise in investment funds?

MR. SPERO:

It would take several years. As a matter of fact, the Comptroller, when he was here stated don't look for relief until after the year 2010.

LEG. NOWICK:

Okay. A lot of us won't be around then. Or we'll be around but not here.

LEG. LINDSAY:

I really think that this state has to find somewhat of a solution to the pension problem besides bonding our pension costs. Bonding our pension costs is just putting off the problem to another day. It's, you know -- we're going to issue 65 million dollars worth of bonds for this year's pension cost that we're going to have to pay next year with interest plus next year's pension costs. That isn't a solution. Might look good for one year, but it's going to come back and bite us. And anything that, you know, the Governor's proposal that I read in the paper would certainly help us, but unless the Comptroller goes along with it, there's really nothing that I don't think the Governor or the Legislature could do. So somebody has to get to the Comptroller and figure out some way of providing relief because -- I mean in very short period of time -- '99, our costs were what? Zero or one or two points? And now --

MR. SPERO:
It's tenths of a percent.

LEG. LINDSAY:
Exactly. I mean, the way the fund has been funded all these years was not fiscally responsible, you know, depending on the whims of the stock market. And that's a hindsight view, but to ask us to go from less than 1% to twelve-and-a-half percent in a matter of a couple of years, is an extreme cost that's -- that'll kill us.

CHAIRMAN CRECCA:
Legislator Binder. I'm sorry I skipped over you. I apologize.

LEG. BINDER:
Thank you. Let me get an idea of the timing. Obviously, we saw the 240 million dollar number and it is of late. That's a January number kind of -- I don't know that all that many numbers change in the last quarter of last year to change their model so drastically. So maybe you can give me an idea of why we weren't hearing this kind of number in the last quarter of 2003 on both sides, I mean particularly on the County Exec's side. You know, Mr. Bortzfield, you've been there, you were last year, you're this year. Why is there such a difference -- and dramatic in literally weeks in that model number? What assumptions do we hear that are different?

MR. BORTZFIELD:
There's no different assumptions. These numbers were made known last year that these were projections for 2005 when we did the 2004 budget. These numbers were made known that 2005 was going to be a very, very difficult year. There wasn't any major changes to it. I mean they're going to fluctuate based on the binding arbitration awards that come out and when we get final numbers on pension and Medicaid. But for the most part, you know, mostly the numbers were available. And they were the projections for 2005. So when the 2004 budget was put together, we tried to put as much money as we could in the tax stabilization reserve fund, which the Legislature and Tom did on top of that, put additional funds in there to try to

address some of these problems in the future. But, again, where they come from, a lot of these being the mandates with either pension costs, Medicaid, education of handicap children, all these costs, I mean they're there.

LEG. BINDER:
All right. That was my question. I knew that the big numbers we knew. We already modeled the Medicaid problem, pension problem, we were talking about already. We didn't think it was going to change much. And I just don't remember the excess of 200 million dollars. I don't know if -- Fred, maybe you remember. I mean I heard problem -- the word problem came up often. The word or number 250 didn't.

MR. POLLERT:
The Budget Review Office report that came out last year on the 2004 operating budget worked up a potential problem in 2005 of about 200 million dollars. You didn't see that number in the County Executive's narrative -- the narrative from the County Executive's Office. It was his last operating budget. And it spoke to the good financial shape that the County was in for 2004, but the narrative didn't go ahead to 2005. That was something which we had identified in the Budget Review Office and was discussed during the omnibus work groups that the budget as was originally presented by the Executive included non-recurring revenues that were going to create problems in 2005; specifically we had 18 month's worth of sales tax revenues that we had not anticipated. And the full 18 months was applied against the 2004 operating budget. In 2005 we moved back to a 12-month worth of sales tax revenue. So the Budget Review Office did identify that there was going to be than a 200 million dollar problem in 2005, but it was not explicit in the County Executive's narrative.

MR. SPERO:
One of the non-recurring revenues was the federal F-map program, which gave us relief for Medicaid costs. And that runs out in June of this year. As part of the lobbying effort, it would behoove the Legislature to -- and the County Executive -- to approach our congress persons to see that that program could be continued for another year.

LEG. BINDER:
Do me a favor. That is important. I don't know if counsel can talk to Budget Review about putting a Sense resolution together probably from myself and Committee. And that will help to direct our Legislative representative to talk to and coordinate with the County Executive's people on that. What kind of number does that represent? I mean that's a big --

MR. SPERO:

I think it was 14.8, wasn't it, Medicaid relief.

MR. POLLERT:

It was over two years.

MR. SPERO:

It was 18 over two years.

LEG. BINDER:

Nine's good. We'll take it.

The other question I have so we understood the numbers, now we're going into a year, obviously with a lot of difficulties. And the County Executive's pre-taking office and now post-taking office is talking about cuts. And I know Legislator Caracciolo had kind of asked when we could be looking at your program plan or whatever. Let me ask you if you can give us some hints or something. My problem is we're -- the discussion here today is discretionary; is very low as you discussed. Medicaid and pensions are the two largest pieces and where all the pain seems to be. Do you think -- let's not get into specifics, but do you think you can come up with a program of reforms, cuts, belt tightening, all the euphemisms we use for this -- do you on the County Exec's side think that you can make a substantial dent in 2004 getting us ready for 2005 going through all the departments, looking at what you can do? What's your feeling, your preliminary feelings on how much progress you're going to be able to make helping us to defeat the problem in 2005?

MR. POLLERT:

The forecasted shortfall of more than 200 million dollars eclipses anything that I have seen in the past. So when Bob Mamone was here and Ken Weiss was here, we were looking in the neighborhood of about 100 million dollars at the worst of times. This is far worst than that. Last year with the pension numbers, we had a group that was formed between Bob Bortzfield and the Budget Review Office looking at alternatives. Clearly it's beyond the County's control to deal with something of this magnitude. We have already started to do from an administrative point of view what we can to start to reduce costs. We have a double sign-off on travel vouchers. As the Commissioner of Social Services can tell you, we have more or less slammed the door on travels and conferences and building service requests. And a whole host of things that come before the County Executive's Office on a regular basis.

This 240 million dollar problem has also brought people out of the woodwork. We have seen probably more requests than I even thought would be hitting just because departments are concerned that they're going to be ratcheted on. So there's lots of requests to fill titles and to fund programs and to buy supplies, materials, computers, everything else. To the extent that we can, we're doing what we can from an administrative point of view. So I have spoken with all the budget analysts. Bob is on top of it. We're trying to be as proactive as possible making sure that we're not expending funds that we don't have to in 2004. There's a limit to what you can do administratively. Clearly the program that the County Executive is going to come up with has to have legislative support as well. So I would manage sometime in the first quarter as the numbers finally work themselves out, we will start to come up with a program to control what we can. Either a trickle down of the work force to re-organizations; that type of thing. Sometime within the first quarter, those plans will be coming across the street.

LEG. BINDER:
Okay. Jim, if you want to --

MR. SPERO:
Last year we had a big ace in the hole; and that was the sales tax on clothing, which the state implemented for us. So the reason we turned the 70 million dollars -- or planned to turn the 70 plus million dollar balance in the general fund is because that's sales tax on -- that revenue was there. On the expenditure end it wasn't anything the County really did that bailed us out. This year we're not looking at that. So the real key to the problem is to get some sort of mandate relief at the state and federal levels. That's where it has to be coming from.

LEG. BINDER:
So what I'm getting is a feeling that no matter what our efforts, no matter how hard we try, more than a drop in the bucket we're not going to be able to do; or much more than a drop in the bucket is beyond our control. I mean this is -- at 240 if we cut five or ten million dollars in expenses, which might be good, that's still is really de minimus in terms of the problem in front of us.

MR. POLLERT:
Yes. The problem is really monumental. And the policy issue becomes to what extent do you want to start to so reduce County services that you just become a function of what the State of

New York says that you have to fund with respect to Medicaid. So when I was a Director of Budget Review Office, how we would try to prioritize the cuts is, I would look at all the programs of the departments and find out were they missioned critical for the department; you can take those out. And then you start to look at the second tier, what are programs that we can do away with. That's a second tier. By the time you hit the third tier, there's not too much left. So if you look at the County's General Fund, more than half of it is mandated between the debt service and the Medicaid and the Sheriff's Department. So now all of a sudden you're trying to cut 200 million dollars out of 900 million dollars worth of expenses. Then if you take the health insurance, if you take employee contracts off the table, all of a sudden you're trying to cut 200 million dollars out of 200 million dollars worth of a budget. So clearly with this order of magnitude, the relief has to come from the state and federal government. It is primarily a function of what we're being told we have to pay. That's where the relief has to come from as well.

LEG. BINDER:

So then on top of that, the discussion now is -- more than a discussion, now we're going to be building a maximum security facility. Legislator Bishop, obviously his concerns were heard; maybe not acted upon in the end. But I heard the voice and I supported that. I had the same concerns. And on top of it, the County Executive with an eye towards environmental -- with an eye towards environmental protection, which is understandable, we have a glorious history of buying more land than most states in the country, let alone counties. Our program is being talked about at least on the County Executive side as being ratcheted up in a very large way, which is going to be a drain on resources on top of it. You know, so while you're talking pension and Medicaid, you didn't talk to programs. One is another state unfunded mandate which is going to be maximum security; it's not unfunded, but it's really our funding. And then -- and now, how do you fit in an environmental program that the County Exec wants to be incredibly ambitious, in the millions of dollars. How are we going to do that in an environment where there was monumental overwhelming -- we can't do it without state and federal. How does that fit in to the plan?

MR. POLLERT:

That's a really, really good question.

LEG. BINDER:

Why, thank you. I appreciate that.

MR. POLLERT:

One of the difficulties is that there's currently more than 300 million dollars worth of pipeline debt. The County Legislature has been like approving projects. Department of Public Works and Real Estate haven't been able to progress those projects. Because they haven't been able to progress the projects in 2004, debt service costs drop by ten million dollars. If you just start to move projects ahead, that debt service cost is going to go back up to historical levels. Well, even a ten million dollar increase is a 20% increase on the general fund.

On January 5th the phase two report came out from the consultant on the jail. Cost estimates are now up to 214 million dollars just in the construction costs. We had a meeting with the Sheriff; I think, it was a day or two ago. That doesn't include the operating costs. I believe that the forecast is about another 130 correction officers and a lot more people in the Health Department because they're going to put in a larger jail medical unit.

LEG. BINDER:

And you know if they're saying 200 million, it's going to be 250, 300 million.

MR. POLLERT:

Part of the difficulty or one of my concerns is they had renovations costs of portions of the old jail in Riverhead at $45 a square foot. You can't even carpet and paint at $45 a square foot.

LEG. BINDER:

Right. The number's not going to be good.

MR. POLLERT:

So it seems to be an optimistic number. Public Works is going to have to look at it. The jail is going to be the defining capital project in the Capital Program. Part of our budget model is starting to forecast in that we're going to have to start to ratchet up correction officers at the rate of 60 or 70 a year when this jail opens up. You don't want to start hire 200 people out of the box or 183 out of the box. So part of my budget model starts to ratchet up the staffing levels in the Sheriff's Department.

LEG. BINDER:

Taking into consideration retirement.

MR. POLLERT:

Yes.

LEG. BINDER:

Because I don't know --

MR. POLLERT:

That's another factor as well. One of my concerns in the 2004 budget is you're going to see some extraordinary pay outs in the Police Department as some of these senior level chiefs are going to be leaving. So my budget model also cracks in that -- what I expect, quarter million dollar pay outs are not going to be the exception; they may be almost the norm. So if three or four chiefs go out with that type of a pay out, that's a substantial impact on the budget. With respect to the land acquisition programs, the land acquisition programs are actually in relatively good shape because they have a dedicated revenue source from the additional quarter cent. And the County hasn't been moving those programs too aggressively forward.
So --

LEG. BINDER:

Right. But aren't they -- they're figured into the overall budget. Once you start expending them, your number still changes. Your deficit number changes even if it's dedicated.

MR. POLLERT:

No, because right now the model just looks at the general fund and the police district.

LEG. BINDER:

I'm sorry. So it has to fund the land acquisition's own budget.

MR. POLLERT:

So I assume the land acquisition fund is going to be self-supporting to the side.

LEG. BINDER:

Well, it's off budget. So the number doesn't include land acquisition.

MR. POLLERT:

That's right.

LEG. BINDER:

That's good. A good answer. Thanks.

CHAIRMAN CRECCA:

Legislator Bishop.

LEG. BISHOP:

You drifted to the jail. So I'm all excited.

CHAIRMAN CRECCA:

We'll remind Legislators let's stay on point here. It was supposed to be a very broad stroke; not so specific.

LEG. BISHOP:

Except to say this: That one thing that should always be remembered about the jail is that it is a non-aided project. It's 100% County. And, therefore, your expense that seeps into the operating budget or naturally flows into the operating budget is not yielding the kind of multiplyer that it does when you have an aided project. So it's inefficient in addition to being very costly.

A couple of things. You know, Pollert, I was onto you when you were here. I would come and say could I have a thousand dollars for the Little League. No, there's no money and the sky is falling. So what I want now is, I want the best case scenario based on reality, of course. I mean on the proposals that are floating out there at higher levels of government, what could be enacted, you know, once Caracciolo goes and speaks to them, that we can do -- that will significantly impact the situation? Oh, Lindsay's going, too?

LEG. LINDSAY:

I'm going, too.

MR. POLLERT:

The two factors that would really have the greatest impact on the County is Medicaid relief. It would have an unbelievably positive salutary benefit. And then the other one --

LEG. BISHOP:

But what's out there? I mean in terms -- I know that. I mean I know that the three horsemen of municipal doom are, you know, health insurance, Medicaid and pension costs.

MR. POLLERT:

Currently what the NYSAC proposal is, is to freeze the Medicaid cost increases at the 2003 or the 2004 levels or whatever they can negotiate with the State of New York. So what NYSAC is looking for is a freeze in the Medicaid costs to the County; the net Medicaid cost to the County.

LEG. BISHOP:

I think they were much better.

MR. POLLERT:

With respect to the pensions, the pension relief can include either the bonding, which the State Comptroller feels is not a good, prudent fiscal practice; but some smoothing out of what we have to pay in the pension costs could have an impact of up to 85 million dollars.

LEG. BISHOP:

On the Medicaid portion, I thought that were proposals that were floating about Albany now that have concrete -- not concrete but numbers attached to them.

MR. POLLERT:

One of the proposals, and I would defer to the Commissioner who's here, is to take up portions of child health and family health plus. Unfortunately from a financial point of view, they tend to be the healthier people on Medicaid. So last time I had looked at the numbers, it's my understanding that the cost savings would be less than 15 million dollars; or less than one half of what the annual increase is. So even if they totally picked up the program, the most you're going to do is shave one half of the growth one year.

LEG. BISHOP:

So a freeze that NYSAC is advocating is a 30 million dollar benefit?

MR. POLLERT:

Yes, at a minimum.

LEG. BISHOP:

And then pensions are also -- and there's nothing on health insurance that's out there -- and by the way don't forget there's federal government. Are there any proposals -- you mentioned one with -- well, that's not a -- that's not a helpful proposal; it's just mitigating further damage, right? But are there federal proposals that are viable out there now that would provide help to the County?

MR. POLLERT:

Just if there was some drug reform, which the County's employee medical health program could tap into. One of the points that the Commissioner had made is that one of the problems of the Medicaid program is that it's a medi case even less restrictive than the County's employee medical health program with respect to drug and treatment options.

LEG. BISHOP:

The Medicare prescription drug benefit, does that have any positive impact if it's enacted? It was enacted.

MR. POLLERT:

I haven't priced it out yet. I would defer to the Commissioner.

LEG. BISHOP:

Nothing significant that we're --

MR. POLLERT:

Not that I'm aware of now.

LEG. BISHOP:

Okay. One of the -- one of the discussions in Washington is that a very efficient way to provide stimulus to the economy would be to provide a package of mandate relief and subsidies to state and local government. I don't know. I think there was some measure of that last year.

MR. POLLERT:

Yes.

LEG. BISHOP:

I don't know what that translated to at this time level of government.

We got 20 million. And I'm sure there -- there should be an additional push this year as they talk about, you know, making permanent certain tax cuts. There'll also be a push back to do more of this type of efficient stimulus. Is there any NYSAC endorsed proposal or is there a proposal that we have endorsed that's in Washington that we can get behind that would provide, you know, tens of millions of dollars of benefit to Suffolk County?

MR. POLLERT:

Clearly I believe that NYSAC is interested in the F-map, but I'm not aware of anything else.

LEG. BISHOP:

Okay. Because that's another area where it would be right for a Sense resolution. It's clearly, you know, it's middle -- because of where local government, county government obtains its revenue and where it spends it, it's a very effective way to stimulate the economy. And so it's good from a national economic perspective and it would be great from a local Legislator's perspective as well. So it may be something that we should get on board and be proactive about. Thank you.

CHAIRMAN CRECCA:

Legislator Caracciolo.

LEG. CARACCIOLO:

Thank you again, Mr. Chairman. Fred, last year when you sat immediately to your left where Mr. Spero now sits as you're successor, you will recall on numerous occasions that as a member of the then Ways and Means Finance Committee, beginning with the first meeting of the year and throughout the year, I would attempt to elicit from Mr. Bortzfield and others about a, you know, budget deficit reduction plan for 2003 because at that time we were talking about something in excess of a 100 million dollars. And as now has been noted for today's record, essentially as Jim pointed out, we got through '03 not as much as a result of County initiatives, Legislative or Executive, but because of relief that came from Washington vis-a-vie the 20 million dollars in Medicaid relief; the relief that the state provided unilaterally where they re imposed the sales tax on clothing. That helped us with about 70 million dollars in revenue.

And then we had the compromise in Albany on the pension issue, which, you know, was -- we thought a year ago as bad as it appears to be now except it's actually worse now. Realistically, and it goes back to a question in my first round that I brought up, realistically what should we expect in terms of external relief from Washington and Albany given the magnitude of the state's problems? It's an election year. We all know what our counterparts in the State Legislature do when they run for re-election. They add to expenditures. Spending goes up. And that's just the way it is. Both parties are responsibile and guilty, if you will, of doing that.

Unless there's a dramatic increase in state revenues, and while there's been somewhat of an improvement in the stock market, none of that is going to be felt immediately in terms of the Comptroller, I think, modifying his position as sole trustee of the pension fund. And saying to the State Legislature and others well, you know, I'll give you, you know, a benefit of the doubt and work out -- I mean I think he will make movement from where he is today. He's a responsible individual. And I'm hopeful and confident he'll do that. But, you know, as you try to contemplate and advise the County Executive on your side; and Jim as you do the same for the Legislature, tell me, both of you, what do you think is realistic so we don't sit around as we did last year waiting for what turned out to be very gratuitous actions by others that bailed us out; because we didn't bail ourselves out. Okay?

The problem, I think, is much more significant. And for us to wait around until July and August until the County Executive proposes his budget in September, is just plain, down right irresponsible. So what should we be doing now so we don't come back here in three months and say, well, the rumor in Albany is this, but, you know, they're probably not going to adopt the budget until July or August and we won't know until then. And then we will have missed some significant opportunities to do things that perhaps we should be doing today.

MR. SPERO:

We were kind of hoping for some fortuitous events happening in upper levels of government. I guess at the state level, it all depends what revenue forecast the Governor has included in his budget and what revenue forecast the State Legislature ultimately comes up with. So perhaps as the process moves forward --

LEG. CARACCIOLO:

Oh, there'll be some give and take.

MR. SPERO:

Yeah, there'll be give and take. And hopefully if there's an increase in revenues, that could translate.

LEG. CARACCIOLO:

It's not going to be of the magnitude that's going to help us with a 200 million dollars budget projected deficit. You know, Mr. Bloomberg, when he took office, what is it now, three years ago, he raised taxes. And you know what he's doing this year in his proposed budget? Just came out last week. He included a tax rebate. $400 for every residential and commercial property owner. Not a bad deal if you're a New York City resident. What did Mr. Suozzi do? He increased taxes 20%. And he's not -- he's not doing any rebates. But as their Presiding Officer was just quoted in the paper yesterday with respect to the holiday on the sales tax next week, while we're on the road back to recovery but we're not there yet and we're not in a position to do that. Is that something we should be looking at? I mean let's not talk in between the lines which happens all too often in this auditorium. I mean let's get down to some brass tactics. What should we be doing? You're the budget advisors. So tell us the elected officials what you think we should be doing, put it on the record, let the public know what looms out there because I know what's coming. Mr. Levy will have no choice but come September to propose a budget with a very significant property tax increase.

And if that's the direction we're going to go, you know, let's start talking about it now so that people will get off their behinds and maybe join me in Albany and Bill Lindsay and try to impress upon our state officials and some in Washington of how dire the situation is in this one of 62 counties. Because last year I remember Peter Scully, who was Mr. Law's predecessor, sent into me periodically between September and November, articles from NYSAC and other entities over the web, about what was going on elsewhere in the state. And you know what was going on? A number of counties closed their park systems completely. A number of them -- and I mentioned the city of Buffalo and some other localities -- laid off and they even included -- they laid off police officers. I mean that's how bad things got in some other parts of this state. Is that what we're talking about here? Because the sooner that realty sets in to elected officials that sit behind this horseshoe, I think the better.

CHAIRMAN CRECCA:

I think, Mike, you're point's we'll taken. And actually I think you're hitting it right on the head. You know, it's probably a good place to wrap up this discussion today because it was a -- I'm sure it was posed as a rhetorical question and not in need of an answer. Certainly those answers will be forthcoming from both our BRO office and from the County Exec's Office and from this Legislature in the months ahead.

I thank you, gentlemen, for your attendance here today. Jim and Rob, don't go far away. Stay right there because we're going to go right to the agenda. A revised agenda was sent out to your offices.

Prime Introductory Resolution 1032 - Appropriating funds for planning, design and site selection in connection with the construction of a Tier II Homeless Shelter. It's a capital Program number 6011, Budget and Finance. It's been assigned by the Presiding Officer. I have no idea why it's here. We got advised several days ago -- Anthony, when did we get advised, yesterday? The day before yesterday. Counsel, can you give us a very -- I don't really need you to give us a brief explanation of the bill.

LEG. BISHOP:
I just want to know, are we going to get all the capital bills this --

CHAIRMAN CRECCA:
I don't know that. I certainly will discuss it with the Presiding Officer. I don't know why this was -- honestly why it was assigned here, but it is here and we are prime at this point. And that's the Presiding Officer's prerogative where to assign bills.

LEG. CARACCIOLO:
Motion to approve.

LEG. LINDSAY:
Second.

CHAIRMAN CRECCA:
There's a motion to approve by Legislator Caracciolo, a second by Legislator Lindsay.

LEG. BINDER:
On the motion.

CHAIRMAN CRECCA:
On the motion, Legislator Binder.

LEG. BINDER:

Do we have an analysis of our costs for the shelter versus the revenue that we will or expenditures, that we'll say really, do you have an analysis on us having a shelter versus the way we're doing it now, as expensive as motels are. I don't know -- well, we have the Commissioner standing there. Now that you're up -- so since the Commissioner is up, maybe she can come up and talk to us a little about this because we just finished a very difficult presentation on what's coming next year. We talked about the jail expenditure. We talked about pensions, Medicaid, all these costs. And now we're talking about the possibility of building one or more shelters which might be a good ten-year program. But at the same time it might not be appropriate at this time in the County's financial history to do it. And I don't know -- so I want to understand when is the correct time or proper time. I'm stalling. I'm waiting for the Commissioner to sit down. There you go.

CHAIRMAN CRECCA:

Actually it would sound from Legislator Binder's questions that in addition to having Ms.DeMarzo, we might want to have somebody from Public Works or no?

COMMISSIONER DeMARZO:

Yes, yes.

LEG. BINDER:

That would be good.

COMMISSIONER DeMARZO:

Because Public Works is, you know, the lead on the capital projects.

LEG. BINDER:

The reason we need both, there's two sides. There's building and then there's reimbursement.

COMMISSIONER DeMARZO:

Okay. What you have that will be passed around to you shortly is a presentation that we did during the capital budget process where we looked exactly at the issue of whether in fact building a Tier II shelter had benefits. And we looked at it both problematically and financially. And problematically we surely feel that it provides a better level of services for the client because it provides child care, it provides housing. It's supportive services. But that wasn't enough to bring us to you. Right now we provide shelter in a variety of settings. We use motels, we have one Tier II shelter. That's the HELP in Bellport. And we have scattered sites and congregate shelters, smaller structured shelters. And HELP Suffolk is one of our most effective -- cost effective shelters as far as dollars go. It's $104 for a family. I think I got the number right. Whereas in a lot of the other situations, we pay by the person. So a family of four could be as high as $240. So when we -- and plus to build a Tier II shelter we get significant state and federal reimbursement. Basically the state and federal government will share 70%. Once we build it, they will share in everything except the land acquisition which we got a grant from the state government of 1.5 million dollars to purchase the land. So the cost of building it will be -- there is an analysis. I don't know. Did you get your handout yet?

LEG. BINDER:

Yes. You didn't number the pages.

COMMISSIONER DeMARZO:

Costs per shelter after reimbursement. Towards the back. The pages aren't numbered. It's close to the back. It's called costs per shelter. We estimate that excluding financing costs it's 20.7 million dollars. We're going to get federal aid of about 70% on everything but the land. But the land is going to be covered under state grants as you'll see later. So that leaves us with about 5.8 when you factor everything out of local costs. When you look at the cost of how we're providing shelter now and you look at the savings that will be generated, on the next page, our break even point is in 6.23 years; the shelter will be completely paid for and it'll still be a resource that we have.

LEG. BINDER:

How many -- 2 point -- let me just finish this. So how many -- 2.3 years you said?

COMMISSIONER DeMARZO:

6.23 years.

LEG. BINDER:

And where is that?

COMMISSIONER DeMARZO:

It's construction costs --

LEG. BINDER:

No, no. Where?

COMMISSIONER DeMARZO:

It's the chart right after --

LEG. BINDER:

Okay.

COMMISSIONER DeMARZO:

I'm sorry, they're not numbered.

LEG. BINDER:

Right. I'm trying to catch up with you here. Cost of shelter after reimbursement, you have 5.8 million. And then you've got 6.23 years. So give me an idea -- when do we think we can build this by?

COMMISSIONER DeMARZO:

Well, we have appropriated this year both the planning and -- we have authorized this year both the planning and design and land acquisition money. We'd like to be able to tell you that we'll be back to you by the end of the year for land acquisition. But we're not confident we can complete that cycle in one year. But we believe that we can do the planning and design and come for the land acquisition money and the construction money in 2005. So we believe -- what do you think once we have the land acquisition and building --

MR. GODEK:

We're probably -- a structure of this size, we're probably looking at a good 12 months to 14 months construction period. So we're looking at '06 before we're occupying it.

LEG. BINDER:

Okay. So there are two sides that I want to ask questions on. One is the construction cost schedule, meaning -- and I mean scheduling the funds. We just got through a presentation in terms of our costs. The relief that we're going to get from this is not going to be immediate because of the time to build, the time of expenditure, the time to build. My concern and what

I'd like to see before I'm comfortable voting for this, is a graph or a chart that shows us what our expenditures are versus what our costs are now year to year; meaning if we start building this, we have a 2005 problem. Is this going to add a half a million dollars to the 2005 problem, a million dollars or is it -- it's not going to save any money. It's clearly in 2005 not going to save money.

In 2006, is this going to be a net cost? The reason I'm asking the question is because to me then a question of schedule -- if we can get past the next question, which is going to be whether it is the right way to go financially. But if we have end up agreeing that, the question then is a question of timing. And I'd like more analysis from the Budget Review Office to understand before we undertake a project even if we believe that in the end it will be something that will overtime cost effective, better for the County, better for the clients, better for everybody; that notwithstanding my concern is the timing of the project in terms of its impact on current fiscal questions that are going on in Suffolk County. And so I think you have to make sure it's done at the appropriate time even if you believe it should work. So rather than add -- getting an answer because I guess -- because my guess is you're not going to have that answer -- unless you have one, what's the impact in 2005 specifically?

COMMISSIONER DeMARZO:
No, I don't think that you're going to have the -- no, I don't have the answer.

LEG. BINDER:
I didn't figure.

COMMISSIONER DeMARZO:
The Budget Review Office is working on the bonding cost. I mean it is -- it's a hundred and forty -- is your bond.

MR. LIPP:
The overall impact is debt service 2.6 million over twenty years --

COMMISSIONER DeMARZO:
And the state and federal government will share in 70% of the cost of financing.

LEG. BINDER:

So we're talking --

COMMISSIONER DeMARZO:

You have to understand that -- $42,000 would be the net cost for 2005. But 2005 would probably -- we wouldn't start recovering until we actually started putting people in there. I'll give them -- if we can't start recovering, that's 2005, right? Since we're not building until 2006, the recovery wouldn't begin until 2006 what we'd be able to start recovering back. So you might have a slight increase because you'll be building and incurring costs before you actually have people placed there. But the question is, are you really expending 2005 dollars for 2006 and subsequent savings? And we still have to place these people. And, I mean, I think it has to be a two-fold decision; it has to be a decision both based upon dollars and based upon the quality of services that we want to provide to the homeless in Suffolk County.

LEG. BINDER:

Then next part is the services. The services we plan to provide through Suffolk County employees or are we going to contract out the service part of it? How do we plan on doing that?

COMMISSIONER DeMARZO:

It's our intention to do a similar situation to now, the operation of the HELP to contract it out. Unlike HELP, we would own the building and own the land and forever be able to control the destiny; unlike the HELP situation which future is a little more uncertain. So it would be our goal to contract it out. There are providers out there that have experience in this area. We do an RFP for the provision of the operating portion of the Tier II shelter.

LEG. BINDER:

Okay. Now, obviously you know in Huntington there's been a big question about where it was going to be; where in the County it'll be but in particularly during the election year, it was a concern in South Huntington School District. Have any decisions been made -- I was just getting it on the record.

COMMISSIONER DeMARZO:

No, that was very premature of the school district. I don't know how they started the rumor and then escalated it to that point. There has been no site selection process. I mean basically we have started to really sketch out the clients, where they come from. I mean there's on-going shelter development of the small scale, but the Tier II shelter -- I mean Ted and I have been scratching our heads and -- you know, scratching on pads figuring out the process and so forth. So for someone to identify a site is totally incorrect.

LEG. BINDER:

To put my position on the record, since we do have a number, we're talking de minimus really. If you're talking $40,000 next year, and I think part of that's picked up by the state, as long as the impact -- there's not going to be an impact on 2005 budget that we're going to have to -- have to deal with as a problem. Jim?

MR. SPERO:

What you could do to have the bond repayment costs match the reimbursement, you could capitalize the interest for a year and roll it into two thousand and --

LEG. BINDER:

Now you sound like LIPA.

MR. SPERO:

It's an option.

LEG. BINDER:

I understand, but you know what? That's LIPA's option; that's not us. Zero coupon bonding is not our thing, I don't think. I appreciate your comment, Jim, but no thanks.

LEG. NOWICK:

Just a question for Budget Review. We build this building and we own it?

MR. SPERO:

Yes.

LEG. NOWICK:

Okay. And it might be on the wrong track because it's Social Services, can we get more reimbursement if we lease the building rather than owned it? And you know what I'm driving at. If the JFA wasn't ever empowered, if we ever got the state and actually Mike went up and lobbied, and -- can we save more money doing it that way because -- or because this is a Social Service entity, it's a flat reimbursement?

MR. SPERO:

In this particular case, the reimbursement may be different. Typically in a lease building because of the way the reimbursement rules are written, we make out better leasing the building. The JFA situation if it comes about, could be a financing vehicle to fund this project.

LEG. NOWICK:

Could we save a little money there?

MR. SPERO:

I would think you might be able to.

LEG. NOWICK:

And could we assure that Legislator Bishop sleeps a little better if he knew the jail was going to be done that way and save some money?

MR. SPERO:

Unfortunately the jail is not aided, but for any aided project the JFA would be a good choice.

LEG. NOWICK:

So maybe that's a way we could get a little bit of a chart to see if we can save a little more money that way. And then we'll just send Mike up there and get things done. Could we have some type of numbers written -- done up on that? Just to see if there's a savings?

MR. SPERO:

We'll talk with Social Services about -- on the reimbursement end of this project.

LEG. NOWICK:

No different?

COMMISSIONER DeMARZO:

It's no different at all whether we own it or whether we lease it. It's 70% reimbursement.

LEG. NOWICK:

That's what I was asking.

LEG. CARACCIOLO:

Mr. Chairman?

CHAIRMAN CRECCA:

Yes, Legislator Caracciolo.

LEG. CARACCIOLO:

Just a couple of follow-up questions that I think are pertinent to the project. Commissioner, this is a project that is long overdue. You mention in the hand out that HELP, the lease we have with them, expires in 2005. Is there some expectation that it may not be renewed beyond that?

COMMISSIONER DeMARZO:

Well, questions have been asked of both the HELP and the Town of Brookhaven officials. And I know it was discussed with great interest at last year's Legislative meeting when we discussed this. There has been no additional information given. It's our understanding that on 2005, in the fall of 2005, the decision reverts to Brookhaven and that no decision has been rendered at this time.

LEG. CARACCIOLO:

Okay. Ted, the question I have for you is, this is 60 thousand square foot structure. What is the per square foot price construction cost?

MR. GODEK:

We're estimating at this point in time approximately $250 per square foot.

LEG. CARACCIOLO:

And you feel that's a very responsible and realistic number?

MR. GODEK:

We do, yes.

LEG. CARACCIOLO:

Not like what we heard a few moments ago with respect to the jail, which is, you know, has special factors and considerations that have to go into building a jail as opposed to perhaps building this type of facility. But as long as you state for the record that you think $250 a square foot is a realistic number; unless we increase the size of this project, then the cost estimate should be on target. And we're not going to re-visit this issue like we did this building when it was proposed to be renovated. I know you don't want to go there because I'm a long time critic of what took place in this building and continues to take place in this building. It seems that the Legislature has two standards; you know, one for everybody else and one for itself. Okay.

And then final question, Commissioner, is with respect to a location, can you give us some general parameter of it'll be located in the five west end towns, I mean, where?

COMMISSIONER DeMARZO:

We are looking at both the areas that would be most convenient for the clients, their community of origin as well as the availability of space in an appropriate site that can be more of a transition zone than in the middle of a residential area. We will -- we have talked to Mr. Isles and Ms. Cositigan to discuss this. And we expect as part of our process, as SEQRA would require, for us to look at a multitude of sites. I will tell you that most of our clients come from the five western towns because it is a population center. Schooling, getting the children to school, is a significant issue, you know bussing them back to their school district of origin, should they opt, is a major concern, keeping them close. Many of our homeless -- not many, but a number of our homeless work. So keeping them close to their employment is also an issue. So those are the factors that will be used in helping us to do site selection.

LEG. CARACCIOLO:

Okay. Thank you very much.

CHAIRMAN CRECCA:

We have a motion to approve by Legislator Caracciolo, seconded by Legislator Lindsay. All those in favor? Opposed? **1032 is approved.**
(Vote: 6 -0)

This meeting is adjourned. Thank you. If I could just ask the Commissioner just to step up, Legislator Nowick and I have something we'd like to discuss with you.

(THE MEETING WAS CONCLUDED AT 2:41 PM)