BUDGET & FINANCE COMMITTEE

OF THE

SUFFOLK COUNTY LEGISLATURE

MINUTES

A 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, 725 Veterans Memorial Highway, Smithtown, New York, on Tuesday, September, 11, 2007.

Members Present:
Legislator Ricardo Montano - Chairman
Legislator Cameron Alden
Legislator Jay Schneiderman
Legislator Steve Stern

Member Not Present:
Legislator Jon Cooper - Vice-Chair - Excused Absence

Also In Attendance:
George Nolan - Counsel to the Legislature
Bob Martinez - Aide to Legislator Montano
Linda Burkhardt - Aide to Presiding Officer Lindsay
Renee Ortiz - Chief Deputy Clerk of the Legislature
Gail Vizzini - Director/Budget Review Office
Linda Bay - Aide to Minority Caucus
Ben Zwirn - Assistant County Executive
Brian Beedenbender - County Executive Assistant
Allen Kovesdy - Deputy Director/County Executive's Budget Office
Debra Alloncius - AME
Joseph Sawicki - Suffolk County Comptroller
Joan Sikorsky - Audit and Control
Richard Tortora - Capital Markets Advisor
All Other Interested Parties

Minutes Taken By:
Donna Catalano - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 10:12 A.M.*)

CHAIRMAN MONTANO:
We are going to start the meeting of the Budget and Finance Committee with the Pledge of Allegiance led by Legislator Stern.

SALUTATION

CHAIRMAN MONTANO:
As everyone knows, today is the 9/11. We're going to take a moment of silence for what's transpired since that day and all the people that we've lost.

MOMENT OF SILENCE

CHAIRMAN MONTANO:
Thank you[.|. |.] I want to thank all of you for being here this morning. I want to particularly thank our Comptroller Joseph Sawicki for agreeing to come before the committee and make a presentation on something that someone earlier said could be as boring as can be. But we're going to try to make it interesting, Joe.

Some issues came up at the last Legislative meeting with respect to some of the bonding resolutions and the period of time for which we were bonding. And I believe that -- if I'm right, Counsel -- some of the resolutions were tabled for further discussion. It was suggested at that time that we ask for a, you know, a better clarification and understanding of the bonding practices. I know you and I spoke, you agreed to come forward and make the presentation and answer some questions and hopefully clarify that. With that, I'm going to give you the floor. And, again, thank you for being here today. You want to identify the people that are with you from your office today.

COMPTROLLER SAWICKI:
Thank you, Chairman Montano and Members of the Budget and Finance Committee, fellow Legislators -- not of me, but of Legislator Montano. It wasn't that long ago I was a Legislator up in Albany. I used to talk about all of this formal jargon, you know? It's kind of neat. But in any event, I'm proud to introduce our financial team to you. And I certainly welcome this opportunity to appear before your committee. I think it's an excellent opportunity whenever we can -- our office can interact with the Legislature and work with you as we've done so well in the past. And it's something I've always strived in my tenure of office is to have a close relationship with the Legislature, and, of course, as well as the County Executive and both the Budget Offices.

But in any event, I asked -- I asked the County's Financial Advisor who has been our financial advisor for over 20 years, Richard Tortora, to join us today just in case there was really highly complex technical questions that I couldn't answer. I would have a man with a wealth of experience who brings that to Suffolk County. And Rich Tortora is the President and CEO of Capital Markets Advisor, which is based in both Great Neck and Manhattan. To my right is Joan Sikorsky, our Municipal Finance -- what is your official title. I know you get paid a lot of money, but what is it.

MS. SIKORSKY:
Not enough money.

COMPTROLLER SAWICKI:
Not enough money.

MS. SIKORSKY:
Administrator.

COMPTROLLER SAWICKI:

Administrator, okay. All these high --

MS. SIKORSKY:
I don't care about the title --

COMPTROLLER SAWICKI:
You just want the pay. I don't blame you. Okay. Joan Sikorsky has been also with our office for over 20 years in that title. And, again, her primary function is to deal with the borrowings both on the capital side for the long term projects as well as the short term with the Tax Anticipation Notes. Sitting right behind is my -- over to my left is Chief Deputy Christina Capobianco, and then there's Jerry Olsen, assistant Municipal Finance Advisor -- Administrator, and then also is Pat Grimes, also Assistant Municipal Finance Administrator.

And actually, we have two -- two assists to Joan Sikorsky right now, because Joan is planning, unfortunately for the County, fortunately for her, she's planning on retiring sometime in '08, so we want to literally prepare Jerry Olsen and Pat Grimes -- Pat's been doing this a long time as Assistant Administrator -- but prepare Jerry Olsen to take -- to fill Joanie's shoes sometime in '08.

But in any event, just to kind of give you a kind of rough overview, a general overview of what we do in terms of borrowing, as you know, the County Charter designates the Comptroller as the Chief Fiscal Officer of the County. And that also gives me statutory authority under New York State Law as well. In terms of the borrowings, we do two borrowings typically each year, one in the spring, one in fall, which reflect our capital long term needs. They range anywhere between 30 and most recently, last fall, $94 million, between 30 and $94 million per borrowing. And they're reflective and they fund all the various projects you the Legislature and the County Executive see fit that you want to implement in your districts.

Typically, the $95 million is extraordinarily high. That was reflective of some open space acquisition that we did. Basically -- typically, it's between 60 and $70 million in the fall and again in the spring. In terms of -- and those are the long term borrowings. We also doing Tax Anticipation Notes in January of each year. The range between 225 million and 275 million. And then later on in the year in October and November when all the property taxes aren't collected, we have to issue another what we call DTANs, Delinquent Tax Anticipation Notes. And they range anywhere from 35 million and 55 million.

All the short term stuff is paid off within -- within nine and ten months of any given year. The capitals -- I'll get into later -- is paid off typically 20 years or less. All of these borrowings that I outlined to you are definitely done with your Legislative approval. I can't do it without your Legislative approval and also with the direct input of Gail Vizzini of your BRO, with the County Executive's Budget Office, certainly with our Financial Advisor Rich Tortora.

I mean, that's what we have our financial advisor for, to advise us of the market conditions and the proper times to actually go into the market and do our borrowings so we can attract the lowest interest rates when we do borrow, which benefit not only the County, but its taxpayers in the long run. And, of course, we do it in conjunction with our bond counsel. Our bond counsel, as many of you know is Bob Smith of Hawkins, Delafield and Wood.

In terms of the specific question that you had, Chairman Montano, of the length of time of the PPU, the Period of Probable Usefulness, of the project, it's the New York State Local Finance Law that our bond counsel follows when he prepares the bonding resolutions for you. And we did a little research, and as far back as we could go into the 1960s, these resolutions always -- the bonding resolutions always quote State Law, State Local Finance Law in terms of the probably usefulness of each project. And it varies -- and we have a few examples in the packet that you have in front of you -- it varies whether it's a water project, whether it's a land acquisition, whether it's a capital improvement for a road, a new road, whatever, but it varies. Again, it's all dictated by New York State Law.

Now keep in mind that New York State Law provides the maximum number of years any municipality could bond and borrow over for these projects. But in no way are we bound to follow that, and we do not follow that. Even though they give you, again, the maximum PPU, there is no way that obligates us and our office or me as the Comptroller to follow that. I think -- I think it's the proper way as a fiscal conservative approach to structure our debt, again, with the advice of our financial advisor, structure our -- so we attract the lowest rates, the best rates, structure our debt so we pay it off as soon as possible. We don't like -- I'm not of the opinion and of the philosophy as a fiscal conservative, I don't believe in debting our grandchildren or even our children if we don't have to.

As you will see from some of the charts that I'll be -- that I'll refer to in a little bit, currently all of our long term debt is structured no longer than 20 years. That's not to say that over the years, over the decades, once in a while, the market conditions would say, okay, maybe we should do this long term project over 30 years. But right now, all of our long term debt is paid of within 20 years, and you'll see that on the front page of the most recent official -- official statements.

Also, another interesting point is even though 20 years is the maximum for us, 80% of our debt, 80% of our debt, is paid off within ten years. So this is a real plus for Suffolk County. This is a -- it's some statistics that I always like to quote when I'm on the speaking circuit, you know, talking about the job as the Comptroller and our financial condition in Suffolk County. And also, when we talk about our bond ratings, it's very reflective in the fact that we have historically high bond ratings in Suffolk County.

And, you know, it's not me that can take credit for all of this, even though, maybe when I'm giving a speech, maybe a kind of lean that way. It's all of us that can take credit, because it's not only reflective of our borrowing policy and our ability to pay off quickly within ten years, but it's also the economic policy and the Legislative initiatives and the budgeting fiscal conservative policies that you, the Legislature and the Steve Levy our County Executive embrace that when the bond rating agencies take a look at our financial condition as a whole, they look at everything. So you can -- my point is that you can certainly share in this kind of distinction of Suffolk in terms of our highest bond ratings ever just as much as I can or the County Executive can, because, again, it's all working together that we've been able to accomplish this feat.

Should I get into the packets now to show you where the PPU fits in. Would you mind turning inside the yellow. The resolutions that were tabled -- I believe it was your last meeting -- on the left side of the yellow packet, you'll see 1815 A -- - there's three of them -- 1815 A 1808 A on the top of the stapled packet -- and 1804 A. These are the bonding resolutions of each of the projects which you, the Legislature, see fit in your infinite wisdom to adopt and pass. In Section 2, you will see -- which is probably what stimulated the questions -- the Period of Probable Usefulness is 30 years in the one, 40 years in 1808 A, and the third one, another 30 years.

Just to show you how -- and what we did is my staff highlighted in yellow the particular project and the description of the project. So, again, going to the first one, in 15 A, it's the Shinnecock -- reconstruction of Shinnecock Canal leaks -- locks. On page two, you will see what -- we took and excerpt out of New York State Local Finance Law -- George, I know this is probably boring to you, it's all legal stuff that you know already like the back of your hand -- the Period of Probable Usefulness as it's spelled out in State Law. And go to page three, Section 3 -- again, this is highlighted -- it talks waterway improvement and drainage. And then below that, you'll see that it cannot be any longer than 30 years. And the same kind of -- and then lastly, on the back is the appropriating resolution, which you -- which you pass as the Legislature to -- once the money is provided, then you actually appropriate the money in the budget to pay for this capital project.

Ultimately -- and the other three- the other two resolutions are of the same analysis, which is to show you how New York State Finance Law fits into and actually delineates what should be paid off and how it should be paid off. If you go to the second packet over on your right, you will see the latest capital borrowing that we did, which was in May of this past year, 62.6 million. And you'll see on the front page that the indebtedness, the 62 million, goes no longer than the year 2027, again, reflective of the 20 years that we chose when we borrowed this money. So you can say, okay, you know, that's $62 million, where is my project on this or where is a specific project.

If you go to page two, highlighted on the bottom, again, just as an example, you'll see improvements to the Riverhead County Center sewer pump station, $47,000. On page three you'll see acquisition of open space, $2 million highlighted. That even -- that -- even though those are eligible to be funded over 30 and 40 years, the purpose of me showing you how we borrowed it, proves that we did it under -- with 20 years.

And that very last resolution attached to that packet is bonding resolution, which, again, sets up the fact that we could do this over 30 years or 40 years or whatever we chose. So of the different statistics that I like to refer to -- am I going too fast? Anybody have any questions? Is this okay?

CHAIRMAN MONTANO:
No, not for me.

COMPTROLLER SAWICKI:
Please interrupt at any time. Some of the -- some of the points that I like to refer to which are reflective of our County as whole and of our financing condition is that we continue to repay our bonding debt service at a rapid pace when compared to governments of our size across the nation. Again, inclusive of our most recent borrowing in May of '07, all of our long term debt currently is repaid within 20 years. And again, most significantly, 80% is paid -- is repaid within ten years.

Now, this is something that I -- I embrace as your Comptroller. This is something that -- again, we always work with an open door, we always have an excellent working relationship with your BRO and the County Executive and his Budget Office. And you know, it's always something that I think we're pretty much all in agreement on; let's pay off our debt as soon as possible as long as between Rich Tortora and our bond counsel, we know we can get the most favorable and attractive rates out there.

Keep in mind that also in terms of the County's debt, because I know, Rick, you asked some -- Legislator Montano, you asked some questions about how are we going down the road in the future, because there's some -- there's some rumors, if you will, that we're getting -- you know, that we're borrowing too long and too much into debt. And I don't know where that's coming from, but right now, our -- the County's net debt, net direct debt, as a percentage of our -- what the New York Constitutional Debt Limit allows us, we have actually reduced it from. 8.6% of what we can borrow to a current 5.35%. So we are only at 5.35% of what we could potentially borrow, God forbid, down the road we ever get up into the 90%, I mean that would be awful. But right now we're only at 5.35% of what the State Constitutional Debt Limit allows us that we could borrow. Jay.

LEG. SCHNEIDERMAN:
Joe, is that because we have less or the debts ceiling went up?

COMPTROLLER SAWICKI:
Both.

LEG. SCHNEIDERMAN:
It's a combination?

COMPTROLLER SAWICKI:
Yeah, it's a combination. Would you agree, Rich?

MR. TORTORA:
That's correct.

COMPTROLLER SAWICKI:
I mean, the Constitutional Debt Limit is defined -- Joanie, define the Constitutional Debt Limit and how it's structured. It's like a formula -- do you know that, Rich? It's a formula of our total assessed value. It's one of these cockamamie formulas that Albany has come up with.

MS. SIKORSKY:
It's the final -- it's the five year final full valuations for the County, an average of those five multiplied by 7%. So we've had significant rise in the full valuation within the County. And it's permitted us in doing certain refundings over the years, we've been able to reduce our debt service to a point when it's compared to that allowable figure. We are at a very low usage of the available debt limit we could approach.

LEG. SCHNEIDERMAN:
I understand that, but I also know those debt limits are very high. And I don't want to go anywhere near those Constitutional Debt Limits.

COMPTROLLER SAWICKI:
We have no idea how Albany comes up with this kind of formula.

LEG. SCHNEIDERMAN:
And I do know our valuations, our property values, have gone up significantly. So when you said that we're a smaller percentage, I just wanted to clarify. In terms of our total outstanding debt County-wide today versus, say, five years ago, is that total number smaller than it was?

COMPTROLLER SAWICKI:
Compared to five years ago?

MR. TORTORA:
We can get back to you on that.

CHAIRMAN MONTANO:
Jay, you want to rephrase that question?

LEG. SCHNEIDERMAN:
Well, the way Mr. Sawicki phrased it, he was talking about our debt as a percentage of our total ability to borrow.

CHAIRMAN MONTANO:
Right.

LEG. SCHNEIDERMAN:
And that it's less today than it was several years ago. But the main reason for that is that the total amount we're allowed to borrow --

CHAIRMAN MONTANO:
Has gone up.

LEG. SCHNEIDERMAN:
-- constitutionally has gone up. So what I wanted to know is the real number in terms of how much the County's bonded indebtedness is, has that increased over the years, have we been retiring more debt than we've been running up. And it appears the answer is probably no, but it might not be a large increase in the County's debt.

MR. TORTORA:
And I think you're exactly correct. I suspect that if we were to take a snapshot of the County's

outstanding debt today and compare that to debt from say five or ten years ago, we would have --

CHAIRMAN MONTANO:
Are we talking in dollars here?

MR. TORTORA:
In raw dollars.

CHAIRMAN MONTANO:
In raw dollars, okay.

MR. TORTORA:
We certainly have more principal amount outstanding today than then, but, of course, that's not at all unusual, because, of course, projects cost more today than they cost ten years ago. Unrelated to our visit here today, coincidentally, we just performed a debt analysis for one of our other clients. Rockland County asked us to do this. And we compared Rockland to a half dozen other jurisdictions, most of which we represent, including Monroe, Erie, Albany County, Suffolk was included. And unfortunately, I didn't -- it's on my laptop, but I didn't print it out, I didn't realize it would be appropriate. The amount of debt outstanding in your per capita indebtedness, when you divide the amount of debt by the population, etcetera, is right in norm with all of the other large jurisdictions in the state, large counties, and actually, it's probably slightly less than most. And as Mr. Sawicki said, the rapidity of your debt repayment is certainly faster than most jurisdictions in New York State and in the country.

LEG. SCHNEIDERMAN:
Can I just ask one other thing on that point then?

CHAIRMAN MONTANO:
Go ahead, Jay. And then what I'd like to do is get to the presentation, hear the presentation, and then go to questions.

LEG. SCHNEIDERMAN:
Right. And just to underscore the difference between debt and debt service, because you can -- you can have a larger debt without having a debt service if you've refinanced it and you're paying your interest at a lower rate, so. What I'm asking really is that -- kind of that overall picture of the amount we're paying for debt service, not just our debt, but our debt plus our interest. Thank you.

COMPTROLLER SAWICKI:
Keep in mind, Legislator Schneiderman, that it's a good thing that our constitutional debt limit increases, because it's reflective of Suffolk's overall economy and our growth as a county. So even though it's a cockamamie formula and we all agree with that, the fact is that -- you know, in my mind, if we look at the fact that 80% of it is going to be paid off in the next ten years, that's a good thing. And I think when you take our Constitutional Debt Limit and compared it to other municipalities in the State, we're quite favorable, quite favorable. If not --

MS. SIKORSKY:
Very favorable.

COMPTROLLER SAWICKI:
Yeah, very favorable. So it's kind of indicator --

CHAIRMAN MONTANO:
I have a question too, but I'm going to hold it. Go ahead, Joe. I'm sorry.

COMPTROLLER SAWICKI:
Does anybody else have any questions? Go ahead, Rich.

MR. TORTORA:
If I could just add one thing with regard to the formula. The credit rating agencies and the investment community, when they make a decision as to your credit quality and whether or not they should invest in your debt, it's based on their assessment of your ability to pay and your willingness to pay. So as the value of real property in the County rises, your ability to levy more and more taxes increases, because rather than have a property base of $500 billion, it might become $600 billion with the passage of time. So your credit quality or your ability to pay your taxes improves as the property values improve. That's your financial wherewithal. So accordingly, the formula that State created, the average five year full valuation and percentage of that, it really does make good sense, because it's most reflective active of your ability to pay based on your inherent wealth.

CHAIRMAN MONTANO:
Joe, I would prefer that you continue, and then we'll pepper you with questions as opposed to doing it in this fashion, because I have some questions also. Unless, you know, you just want to answer questions as they come up.

COMPTROLLER SAWICKI:
That's fine. I mean, whatever is convenient and works for the committee. It doesn't matter to me. I just -- I'm almost at the end anyway.

CHAIRMAN MONTANO:
Okay. Go ahead.

COMPTROLLER SAWICKI:
Just to jump ship a little bit and talk about what -- one of our most current issues facing -- facing the County and facing all of us is the jail. And this year, we probably will -- we anticipate issuing a separate series of serial bonds, which will be a third or what we call the C Series, of about $35 million to further the construction of the new jail facility in Yaphank. But, again, that still is -- we're not -- it's not certain, but that's our plan at this point, to go with another 35 million as a separate series unless market conditions are ripe that we'll kind of, like, weave it into the typical fall borrowing.

Jumping over to the Tax Anticipation Notes and Delinquent Tax Notes for a quick minute. You often have before you resolutions requesting authorization like you do now for $55 million in DTANs. Even though, again, we always request the maximum to give us the flexibility as we come closer to borrowing the money. When we go to the financial community, we typically -- and we always want to ask for the max in the anticipation that we will not be borrowing the max, we'll be downsizing. Last year, we were able to downsize what we asked you for, 55 million in resolution, to 35 million at the end of the year. At this point, we'll be able to say the same thing. Even though the resolution before you now asks for 55 million, if something happens in the economy, if sales tax bottoms out, if something happens to the County's financially, at least we'll be able to borrow the $55 million quickly to help our cash flow. Again, keep in mind that the Tax Anticipation Notes and the DTANs really are strictly a cash flow issue for the County, and as you know, have nothing to do with the long term needs of the County.

And actually, the major -- the main Tax Anticipation Note, the TAN, even though we've asked for $275 million in the past, we've downsized it this past January to 225 million. And, again, these are all notes that are paid off within nine months, ten months. So, again, that's just a little reflection of how on the note side and short term borrowing, the resolutions you have before you, again, are always more, always higher, and we always strive to the most conservative.

How we come up with a final number is a cash flow analysis prepared by our office. We do it in conjunction with the Treasurer, Angie Carpenter, we do it in conjunction with the Budget Office of the County Executive, and, of course, your own Budget Review Office. And we build a consensus of the four of us as to what -- okay, what is our cash flow, you know, what's it look like we need. Again, it's called working together for the benefit of the County.

So that's basically -- you know, that's basically all I have other than just summarizing and say, you know, I embrace and I believe in a conservative fiscal policy when it comes to borrowing and financing. And my door is always open and my phone lines are always open for any Legislators that have any questions.

CHAIRMAN MONTANO:
Thank you. I know Cameron Alden -- Legislator Alden had some questions.

LEG. ALDEN:
You want me to start?

CHAIRMAN MONTANO:
Sure. Go ahead.

LEG. ALDEN:
Hi, Joe. Thanks for coming down, the rest of you too. One quick question on arbitrage. Do we have money sitting in banks, and then do we in addition to that go out and borrow money? Because the -- and the reason why I say this, this year we're going to turn something like about $160 million roughly or from last year to fund balance. That's money that wasn't spent. So obviously -- I'm just taking a guess here -- we had the money come in from revenue sources such as taxes, things of that nature. So that money would be -- some of it would be sitting there unspent. Do we actually participate and is it legal to participate in arbitrage?

COMPTROLLER SAWICKI:
Arbitrage, as you know, is not permitted under Federal Law.

MR. TORTORA:
It is permitted within certain constraints.

COMPTROLLER SAWICKI:
Okay. That's why we have our attorney and financial advisor here.

MR. TORTORA:
You want me to jump into it?

COMPTROLLER SAWICKI:
Yeah, jump into it.

MR. TORTORA:
The County, of course, like all jurisdictions that issue tax exempt debt, is very careful in terms of how the borrow money and how they invest it prior to spending on the project for which they borrowed it. So basically the rule is when you borrow tax exempt monies, as long as you spent that money within a certain time period, any interest earnings you make on it, arbitrage earnings, are yours to keep. And what arbitrage is, in today's market, if the County were to go out for say a 20 year bond issue, you might expect pay approximately 4.4%, that might be your cost of capital over 20 years. You could turn around and invest that money under current market conditions probably at an interest rate just over 5%.

So let's say for simple math we were borrowing at 440 and we could invest it at 540, we had earned 1% in excess of our borrowing costs, that's arbitrage. As long as we spend the money on the projects for which it was borrowed within certain time constraints, we can legally keep that money. So we can certainly earn arbitrage. And then those earnings can only be used to offset the debt service payment, the principal and interest payment, on the money that generated the earnings. So arbitrage is certainly legal within certain constraints, and the County is very careful to comply with the arbitrage spending rules.

LEG. ALDEN:
Okay. So you can keep balances in --

MR. TORTORA:
Certainly.

LEG. ALDEN:
In areas --

MR. TORTORA:
Because obviously when -- not all your projects are simple acquisitions. If you -- if we funded -- if we issued debt and it closed on October 15 and the proceeds were in the bank on October 15, more often than not, there's a lot of money there the 16th, the 17th, etcetera, and for several months thereafter. So accordingly, the Federal Government says, as long as you -- you can legally invest the money, have arbitrage earnings and retain them as long as you spend the money within the time constraints.

LEG. ALDEN:
But you're saying we do that, right?

MR. TORTORA:
Oh, certainly.

LEG. ALDEN:
Okay.

LEG. SCHNEIDERMAN:
You have to spend it on that project.

MR. TORTORA:
I'm sorry?

LEG. SCHNEIDERMAN:
I'm sorry. The interest that you earn above your payments basically can be spent by the municipality, by the County, whatever, but only toward that project, it can't be shifted to another fund.

MR. TORTORA:
Correct. So, for example, on the Shinnecock Canal project, let's say you borrowed $5 million dollars, and between the time you borrowed the money and spent it on the actual project, if you $200,000 in interest earnings, those monies should be used only to pay the principle and interest on those Shinnecock Canal bonds.

LEG. ALDEN:
You said before too that on delinquent taxes, how much has that been averaging?

COMPTROLLER SAWICKI:
Last two years -- well, this year and last year, 35 million.

LEG. ALDEN:
Now, our total tax bill -- our total property tax bill is about 50 million, give or take a couple of million.

MR. TORTORA:
Yeah. The County does two cash flow borrowings annually. The one that closes in January is anticipation of your receipt of real property taxes for the upcoming fiscal year. So if we issue a $200 million TAN, we sell it in -- let's say 225 million, we sell it in December of '07, close it the first week of January of '08, we issue that in anticipation of your receipt of real property taxes for the balance of the '08 fiscal year. What the DTAN is the Delinquent Tax Anticipation Note, that's issue used in anticipation of your receipt of real property taxes that are delinquent say for the previous five years. Because your tax collection rate is so good, well into the 90%, we obviously don't have to issue for the full amount of the collection. So every year we resize the DTAN based on the amount of delinquent taxes from the five previous years.

LEG. ALDEN:
Okay. So it's a build-up. Can you just also go into a little bit more why we're -- we're borrowing 200 million? Is that because we make the payments to the local municipalities?

MR. TORTORA:
In part, certainly.

LEG. ALDEN:
So they're in essence costing us --

MR. TORTORA:
Most jurisdictions in New York State, certainly -- virtually all the school districts and virtually all the counties to my knowledge are involved in cash flow borrowings annually, in part because of the payments that you have make to the underlying jurisdictions. The only county in New York State that doesn't have to make the underlying jurisdictions whole on their property tax collections is Westchester County where it goes the other way, where the underlying jurisdictions have to make the county whole on its tax collections.

LEG. ALDEN:
Why don't we do that?

MR. TORTORA:
Which is why -- one of the reasons they're Triple A rated county.

LEG. ALDEN:
Do we pass that --

COMPTROLLER SAWICKI:
Let's do it.

LEG. ALDEN:
I'd like to. Do we pass along the cost of borrowing to the municipality or do we eat that? So it's the towns --

COMPTROLLER SAWICKI:
That's all part of our borrowing, and that's all involved in the -- that's why we have to borrow the money, because, as you know, if we borrow the $225 million in TANS in January, we don't start collecting -- the County Treasurer doesn't start the money through property taxes only after school districts, libraries, fire districts, etcetera, are all made whole. And oftentimes, we get stuck bailing out some other district that didn't --

LEG. ALDEN:
Right. But that costs the capital. So what you're saying is not passed on, we eat that. That comes out of our Operating Budget.

COMPTROLLER SAWICKI:
Correct.

LEG. ALDEN:
And then you're touching on the answer a little while ago when Legislator Schneiderman was asking, but the percentage of our Operating Budget that goes to repayment of debt, that's -- from what I remember, that's gone up, like, pretty much by leaps and bounds in the past ten years. And as a matter of fact, there's a chart that developed --

COMPTROLLER SAWICKI:
Say that again. Say that again, Cameron, please.

LEG. ALDEN:
That amount of money that we used from our Operating Budget -- and that's where you repay debt from, your Operating Budget -- has gone up I'm going to say a lot from -- if I'm using a ten year time frame or point of reference -- I'm trying to remember the chart, and I think we got it from Budget Review, and it's one of those things that kind of goes, like, straight up this way.

COMPTROLLER SAWICKI:
I think Gail -- Gail can certainly address some --

LEG. ALDEN:
Outstanding debt -- yeah. Because outstanding debt went way up, and also, you know, our -- the amount of money that you have to repay on that debt.

COMPTROLLER SAWICKI:
Don't forget, we're borrowing what you tell us to borrow.

LEG. ALDEN:
Oh, no, I know. This is no reflection on you. I'm just talking about general condition --

COMPTROLLER SAWICKI:
No. But I'm saying, these are all actions of the Legislature and, you know, the budget part of the government, the County Executive and the Legislature. And you also -- I think, a lot of the open space and farmland acquisitions have really skyrocketed in the recent years.

LEG. ALDEN:
Right.

LEG. SCHNEIDERMAN:
There's a lot of nondiscretionary spending. The jail is a big number.

COMPTROLLER SAWICKI:
We haven't even started funding much of that yet at all.

MR. TORTORA:
I want to make sure everyone's clear. So there's two types of borrowing that the County undertakes every year. The two cash flow borrowings, the Tax Anticipation Notes that they close in January, and the Delinquent Tax Anticipation Notes that we close in the fall. Those are to fund the County's ongoing daily operating expenses. So because of the way you -- the timing -- the way you collect taxes, which is your primary revenue stream, you collect sales taxes, you collect mortgage taxes, you collect real property taxes, the way you collect those -- those monies over the course of the year is such that there's often gaps. And by funding -- putting $2 million -- $225 million in the bank the first week of January every year, that assures that you have sufficient cash to get through the year to meet your legal obligations, just as school districts often do the same thing; they issue Tax Anticipation Notes in June or July so that they can fund their school --

LEG. ALDEN:
What's the cost of that? You said two, 225, right? Is that what we've been averaging, between two and 250, right?

MR. TORTORA:
Correct.

LEG. ALDEN:
What's the cost of that just roughly?

MR. TORTORA:
The fees that you pay are -- primarily the fees you pay are fees to bond counsel, to financial advisors, to the credit rating agencies, financial printers, etcetera.

LEG. ALDEN:
And then ten months worth of interest.

MR. TORTORA:
Municipal debt is the cheapest cost of capital that there is in the market. We know that you're borrowing at interest rates that are very often far below what you can get on the investment side. So, for example, when you borrow cash flow notes, when you borrow, say, in December, we'll approximate that you'll borrow at a cost of around maybe 3.75%, whereas Angie Carpenter, your Treasurer, can turn around and invest that money perhaps at 5 and a 1/4, 5 and 1/2%. So there's a very significant arbitrage spread that you can make on those monies that you're borrowing. And the earnings certainly far out -- exceed the cost of you borrowing that money.

LEG. ALDEN:
What's the 3% on, say, 250? Is that what we've been averaging, or 200, roughly.

MR. TORTORA:
The interest rate?

LEG. ALDEN:
The cost -- you know, and just give me a ballpark. If we went out and borrowed the 200 million for ten -- whatever it is, ten months, 11 months, what's a rough idea of the cost on that?

MR. TORTORA:
I would approximate your all-in-cost to borrow say.
The large TAN might be $50,000 -- higher than that, $75,000 -- $95,000.

LEG. ALDEN:
That's it. So 75,000 to get 200 million for ten months?

MR. TORTORA:
Correct.

LEG. ALDEN:
And that's interest and everything.

COMPTROLLER SAWICKI:
Don't forget, that's offset by the Treasurer investing it as well.

LEG. ALDEN:
No, I know.

MR. TORTORA:
Those are your costs of issuance. Those are the costs that you incur --

LEG. ALDEN:
Throw in the interest, how much?

MR. TORTORA:
Your interest expense, if it's, say, 3.75% on $200 million --

LEG. ALDEN:
You're like a calculator, I'm not. So if you could give me that --

MR. TORTORA:
$7.5 million, that's the interest expense. About seven and a half million dollars is your interest expense if it were a year. You don't borrow for that long, so we reduce it, maybe you're looking at an interest expense of 600 million. You'll have to check my math, make sure decimal points are correct.

LEG. ALDEN:
Yeah. No. I just want a rough idea, but about six million.

MR. TORTORA:
And, of course, that's offset by the interest earnings that you make on that money while you're borrowing it.

LEG. ALDEN:
Right. Joe, you're preparing for a special bond issuance just for the jail, you think you might split that off and do it. Have you taken a look at that quarter cent thing that we -- the Legislature passed recently? And that's the program to go out and borrow somewhere around three, $400 million to do open space purchases, because, I think -- correct me if I'm wrong -- but that would actually fall on the -- on the Comptroller to actually issue that debt or manage that debt for us. So have you looked at that? Because if that's passed by the voters in November, I think that calls for spending money right away next year or borrowing money and spending in '08. And it could be somewhere between three and $500 million.

MS. SIKORSKY:
Is that the legislation that provided for the Comptroller to fund, like, about 200 million over a four year period to purchase land?

LEG. ALDEN:
It's up from that. This is the old quarter cent water protection program, they're going to go with a -- I guess the only other way to describe it is it's not pay-as-you-go, it's going to be borrowed money. So they would borrow and spend the money in the next 12 to 24 months, somewhere in that neighborhood, so we're talking about '08, '09 -- I'm sorry, it changed -- it's a little over four years, spending up to $400 million. It could even be more.

CHAIRMAN MONTANO:
Joe, just so I'm clear. Are you following what Legislator Alden is saying? He's talking about the referendum, the proposition that we put on the ballot for November, which would extend the one quarter percent sales tax from 2013 to 2030, I think it is, for purchases of open space. And it would allow the County to bond out these purchases. So it's -- theoretically, we could wind up bonding $350 million in four years for purchases which we're going pay over a period of time based on the 1% -- I mean, the quarter percent sales tax anticipation that we're getting from the State. That's essentially what Legislator Alden is referring to.

And I guess -- if I may, Cameron -- the question that's asked is have you had a chance to analyze that, vis a vis, where we are with our debt situation, because I assume that if we're at 5% right now and we go out and borrow another $355 million, where does that take us from the five in terms of our overall allowable debt, and is it something that economically is, I guess -- I don't want to put words in your mouth, Cameron -- but whether or not it's economically feasible or a good idea for the County to engage in, is that where you are going with this, Cameron?

LEG. ALDEN:
We don't care about, you know, whether you think it's a good idea, because that's --

CHAIRMAN MONTANO:
Well, true.

LEG. ALDEN:
-- that would be Legislative intent. I want to hear what the impact is going to be on our future borrowings as far as -- I know it's a dedicated stream that we're going to repay with, but it still is going to be looked at as outstanding debt. And I can't see anybody looking at it as anything other than that.

MS. SIKORSKY:
All right. Firstly, regarding the resolution, I know usually the Legislature will adopt the resolution following the action of the State Legislature and then have it go on the ballot.

CHAIRMAN MONTANO:
That's what's going on now.

MS. SIKORSKY:
If I'm correct, this legislation is still subject to State approval to extend the sales tax; is that correct?

CHAIRMAN MONTANO:
No. I think the State has already agreed to the extension.

MS. SIKORSKY:
Did they act on it?

CHAIRMAN MONTANO:
They haven't acted? Okay.

MS. SIKORSKY:
They haven't, as far as I know. Have they?

LEG. ALDEN:
No, they haven't.

MS. SIKORSKY:
They haven't.

CHAIRMAN MONTANO:
That's one of the ones that's held up, right. It's anticipated --

LEG. ALDEN:
They haven't acted on the 1% or this quarter.

CHAIRMAN MONTANO:

Right.

MS. SIKORSKY:
So that is still subject to State Legislation, and then eventually to the referendum, then to be enacted and -- because the Legislature -- this Legislature has already adopted the resolution endorsing the policy. And your concern is if all those things happen and the State allows the extension of the quarter cent and the referendum is approved, what would be our outlook on funding that over a four year period.

CHAIRMAN MONTANO:
Right. Well put.

LEG. ALDEN:
Correct. And then -- you know what? It's maybe not fair to have you answer today, because you really should just look at it and prepare a plan that if it all falls into line and you've got to do that, that -- you know, what your plan would be as far as spacing out the issues.

MS. SIKORSKY:
Well, one of the things that -- I'm familiar with the resolution, and we did talk about it somewhat. One of things that is critical to any financing relating to that issue when you have a stream revenue dedicated to it, is a very conservative and professional approach to the validity of that anticipated revenue. That becomes critical to the rating agencies, because it's not just backed by your full ability to tax to repay that debt, you are dedicating that specific revenue from the quarter cent and would have to make a very conservative -- as the Comptroller would do -- a very conservative estimate before he would start funding it. And I believe that is a critical point to the rating agencies.

LEG. ALDEN:
That's correct. Now, the other question is are you on retainer?

MR. TORTORA:
We are.

LEG. ALDEN:
So if I ask you a question, it's not, like, going to run up the meter or anything?

MR. TORTORA:
You can ask all day long.

LEG. ALDEN:
Okay. And you are not going to have the answer today, but could you look at those specifics on this and tell us that --

MR. TORTORA:
Sure.

LEG. ALDEN:
-- what your professional estimation is --

MR. TORTORA:
Of course.

LEG. ALDEN:
-- on the future borrowing, if it's going to be impacted, if it's going to cause higher costs in the future to borrow money for ongoing government -- whatever you want to call it -- services and our normal capital programs, because that's one thing that the voters really should know before they go

and pull the trigger in November, if this ends up on the ballot; how much of an impact is going to be going down the line, not only the fact that if we borrow 350 -- whatever it is, in the 350-360 range -- they're going to pay pack $190 million in interest income -- interest costs over the next 20 or 30 years, but it could bump up the rate that we might pay. And I'm only throwing that out as a question. So -- and I don't expect the answer today, but, you know, some time within a month, because --

MR. TORTORA:
I could give you an answer today if you'd like it.

LEG. ALDEN:
Oh, you can? Good.

MR. TORTORA:
Sure. As we discussed earlier, the County has tapped into a very small portion of its debt capacity. So in terms of legally having the capacity to issue the debt, that certainly isn't a problem. Debt is one of the four rating -- key rating criteria that the rating agencies look at. And even if the County were to issue $400 million in additional debt, as Ms. Sikorsky appropriately said, because the County has a plan, and the County has a dedicated revenue stream and because other jurisdictions in New York State and around the country issue debt for the same reason -- open space acquisition is a very popular and growing need for large jurisdictions -- I don't think it's going to be deemed a credit negative as long as the program is executed carefully.

Another thing that Joan mentioned was coverage ratios. If you have a revenue stream of X coming in or anticipated revenue stream of X coming in every year, we will equate X to how much debt service -- you know, if it's a $10 million revenue stream, for example, how much debt service could that support over the next, say, 20 years or so. And we wouldn't necessarily leverage such that we anticipate every dollar that comes in under this revenue stream will support the debt service on these bonds, maybe we would borrow up to 80% of the anticipated revenue stream. So in the event that in the future --

LEG. ALDEN:
Well, that's what the legislation calls for. But here's where I find a little bit of diversion here, we have property taxes coming into Suffolk County in the -- like I said before, 48-$50 million range, we have the ability to bump that up or we have the ability to knock it down. And the amount of money that you can borrow is predicated on the value of your property. So that would indicate that -- you know, the thinking is that you're going to pay back your debt with property taxes. But we don't do that in Suffolk County. As a matter of fact, we've shrunk the property taxes that goes towards debt service and the running of government every year for the past -- whatever it's been -- ten, 15 years, because at one time, we pilled in 150, $160 million a year with property tax. Now we're down in the upper 40s, maybe 50s. Would that be a factor that somebody's going to look at, the willingness to actually tax its inhabitants to go and repay that, or do they just ignore that and say that you've got the value in the property, we don't really care whether you're taxing it or not?

MR. TORTORA:
They would certainly factor that in. As you well know, there's a dependancy in the County on -- - on sales taxes.

LEG. ALDEN:
Which we don't know what it's going to be tomorrow.

MR. TORTORA:
Certainly. So if you will, having -- because you have such a small real property tax, it's almost an ace up your sleeve, if you will, because you certainly have the capacity to raise real property taxes significantly if you chose to do so.

LEG. ALDEN:
Okay. For those that are going to be here after I leave, you understand you've got that ace up your sleeve to raise our property tax up to about 160 --

CHAIRMAN MONTANO:
I think Legislator Stern has some questions.

LEG. STERN:
I think Legislator Alden is taking that ace with him.

COMPTROLLER SAWICKI:
Chairman, could we just follow up with Cameron first?

CHAIRMAN MONTANO:
Yes. And I actually want to -- in all seriousness want to follow up on that also, but I don't want to belabor it. Go ahead, Joan.

MS. SIKORSKY:
I just wanted to make a point. Cameron, when you talk about the $50 million property tax warrant, you're talking just solely of the General Fund. When we issue Tax Anticipation Notes, we're issuing for the warrants involving the General Fund, the Police District, the Community College, the District Court and the various sewers, which is maybe in the neighborhood of 420 million. So even though you're relating to the General Fund, the expanse of the ability is certainly a lot higher.

LEG. ALDEN:
Thank you.

COMPTROLLER SAWICKI:
I have one comment or question. Now, Cameron, this is something that I presume was debated in this house before it passed.

LEG. ALDEN:
Well, that's a bad assumption, Joe, because I don't think it was really put out there and we really got into a lot of depth on it.

COMPTROLLER SAWICKI:
Because these are good questions to ask during the debate, but you passed this already.

LEG. ALDEN:
Well, it was passed, but I'm working on -- I'm working on -- I'm working on another idea where we actually inform the public --

CHAIRMAN MONTANO:
Whether it was debated is a separate issue, I think is Cameron's point.

COMPTROLLER SAWICKI:
Okay.

LEG. ALDEN:
But what I want to do is get a little bit information so that if I do decide to do what I'm planning, I'm going to -- I'd like to bring to the public an informational piece that will tell them exactly what this is going to mean, what it entails, instead of just seeing a little line up there saying do you want to purchase open space, and we're going to borrow some money to do that. I think that, you know, that's a little bit misleading. And even with the detail that we went into, I think it's grossly misleading. So I'm hopeful that maybe I can get some cooperation and do an educational piece also.

COMPTROLLER SAWICKI:
Whatever information you need --

LEG. ALDEN:
Not from you.

COMPTROLLER SAWICKI:
We'll put together any answers to any questions you have.

LEG. ALDEN:
I appreciate it.

COMPTROLLER SAWICKI:
Good.

CHAIRMAN MONTANO:
Legislator Stern has some questions.

LEG. STERN:
Thank you, Mr. Chairman. Without getting too deeply into the -- how the debt limit is arrived at, you had said that the debt limit number is -- it's a five year average of valuation multiplied by 7%, was that -- that the equation?

MS. SIKORSKY:
It's the final full valuation of the most current five years, an average of that total multiplied by 7%.

LEG. STERN:
My question, what's the significant of the 7%? Is that a fixed number? How do they arrive at 7%? Is that -- does it fluctuate?

MS. SIKORSKY:
That's State decision, that comes from the State of New York, and it's calculated --

LEG. STERN:
Do you know what that 7% is based on?

MR. TORTORA:
It's just statutory. That's what the State Legislature came up with years ago.

LEG. STERN:
It's just a number?

MS. SIKORSKY:
Across the State, everybody uses the same formula.

MR. TORTORA:
I suspect you could -- you could research the Legislative intent and find out what the discussion was when they came up with that, but that's what it always has been.

COMPTROLLER SAWICKI:
Can you imagine being an Assemblyman or a Senator listening to this debate on the floor in Albany? I mean, nobody knows what in the world they're talking about. I mean, seriously, who would understand this topic --

LEG. ALDEN:

Well, hopefully, you did, Joe, when you were there, right? You were the only one.

COMPTROLLER SAWICKI:
Yeah. They probably passed this archaic bill in archeological times.

LEG. STERN:
My other question requests to procedure, back to the issue of the quarter cent. What's the timing? You know, Legislator Alden points out that we are going to be bonding a significant amount of money for the purpose of preserving open space. But in 2008, there may be very few pieces of property that we identify and approved and authorize from this body that might go to 2009, 2010. So I guess my question is at what point do we actually bond the money for the purchase of these various properties? Is that done as a part of an overall plan knowing that over the next four years we will be identifying these -- these properties for preservation, or does that come after we've identified the specific pieces of property?

MS. SIKORSKY:
The adoption of a bond resolution does not automatically trigger a financing. We are -- you know, on behalf of the Comptroller, myself and my associates are in touch with the capital departments. And it's based upon their projections of cash requirements to go forward with projects. When we fund open space, we're in very close contact with the Real Estate Department. And they have targeted certain acquisitions that they know will happen, and I don't want to know about it until they have a closing date. I would rather try to get the Treasurer to advance the funds and replenish that advance than borrow two or $3 million and find out that it blew up at closing and here we are struck -- stuck with cash, and we're -- we've got too much arbitrage and then we have a problem.

COMPTROLLER SAWICKI:
This is when you worry about the arbitrage issue.

MS. SIKORSKY:
So I would anticipate with this program as well -- you know, should it come to be that we would use this type of financing other than looking at the dedicated stream of revenue that we've already discussed in conservatively approaching what might be that stream and structuring an issue, we would not be looking forward to put funding out there until we knew we had solid candidates for acquisition that were going.

LEG. STERN:
So it's really going to be, like, a line of credit, and there are no debt financing charges or costs until those properties are, in fact, purchased. And that could be in the coming years, certainly not that kind of large dollar figure that we're talking about that -- that we can borrow up to -- certainly not all of that is going to come in 2008 or even in 2009.

MS. SIKORSKY:
Right. And I don't know the intricacies of the four year plan if it's mandating that we fund X amount of dollars over each of those years, which in my estimation would be inappropriate until you had potential candidates ready to go.

COMPTROLLER SAWICKI:
When they have potential candidates ready to go, they would have to vote on it again with the appropriating resolution, correct?

MS. SIKORSKY:
No. They can just appropriate the money in full, in bulk. They could do it in bulk.

COMPTROLLER SAWICKI:
Is that because of the referendum process or the dedicated stream?

MS. SIKORSKY:
There's certain capital projects that the Legislature will enact through bond resolution, and it would be for a specific Capital Project for a specific item. And there are other acquisitions or capital projects where you would say, open land, and not name those specific properties. So let's say a project was adopted and there's $10 million in there, for us as the borrowing officer of the County, it behooves us when you adopt it that way, because if we get information from the department that they're going to closing on $5 million worth of property and something happens at the closing table and they lose one, they can go to their next candidate and still spend the money. And we avoid an arbitrage issue, and the money is there to fund and go on. But unless it's specifically dedicated to one project, there is a certain amount of latitude that they have.

LEG. STERN:
Thank you.

CHAIRMAN MONTANO:
Joe, I want to thank you. We're going to wrap up. I just want to go back to one thing first just for clarification with respect to some of the questions Legislator Alden asked. Right now -- my notes escape me -- but I thought we were at, like, 5% of our available borrowing limit, is that roughly where we're at?

COMPTROLLER SAWICKI:
Correct.

CHAIRMAN MONTANO:
Now, assuming we're at the same pace that we've been going and this open space purchase within the next four years brought us to the point where we would actually bond another $350 million, what -- where would that take us in terms of the percentage of our allowable borrowing, would that be 10%? You know, in other words, are we doubling what we owe, would it triple? Where are we at with that assuming we borrow that kind of money?

COMPTROLLER SAWICKI:
Basically -- roughly, our total indebtedness at this point, as of today, is 1.2 billion.

CHAIRMAN MONTANO:
That would be like 25% then.

COMPTROLLER SAWICKI:
That would be another 25%. And don't forget, you're still looking at another 100, 200 million for the jail down the road in the next few years as well. To get you a real answer, we'll have to go back and we can calculate it and be happy to -- you know, estimate it and calculate it and be happy to share it with you?

CHAIRMAN MONTANO:
Now, with respect to our rating, even though we have a designated revenue stream, it seems to me based on the numbers that we've been looking at that the rate of growth in the sales tax is still growing, but the rate of growth is getting smaller, am I correct on that, Gail?

MS. VIZZINI:
Yes.

CHAIRMAN MONTANO:
So, you know, with that's going on now economically in terms of the mortgage situation, the number of layoffs in that industry and possible affect that is it has on consumer spending and on the overall economy, if we wind up with a situation where we go out and borrow this -- this sum of money for the open space, even though we have the designated revenue stream, if the rate is growing at a

smaller percentage and then ultimately winds up in the negative so that our sales tax figures aren't growing, what's that going to do to our overall bond rating when we go back four years down the road? I mean, how -- and if it's going to be a negative, doesn't that increase the cost of borrowing, you know, that the County is going to have to pay? Is that scenario realistic in view of the assumptions that I'm making in the question?

MR. TORTORA:
Sure. We go to the rating agencies twice a year every year we go to the rating agencies. And they are well aware of, you know, the plans including the open space acquisition plan. So they don't like any surprises. We make sure that we keep them up to speed with what's going on. They also track your receipt of sales tax revenue. As you are affected by downturns in the economy, you know, so are other large jurisdictions around the state, around the country, etcetera.

It's a comparative standard that they use, the rating agencies. So any one change, so if one of the revenue streams starts to soften up, like, say, sales tax receipts, or maybe this year we might see mortgage tax receipts soften up, the fact that you have comfortable reserve levels, that enables you to weather the storm, the economic storm, if you will. You asked the question before, I'm not sure if it was answered, if, in deed, the County over time issued an additional three or $400 million in debt, right now, if the percentage of the debt limit exhausted is about 5.3%, even if you issued three or 400 million, that number wouldn't double, it would probably go to maybe something around 8%.

Something else -- because we have a dedicated revenue stream here, when we determine the County's debt -- amount of debt capacity exhausted, we can make exclusions in certain instances, and one of those instances is for debt that's supported by a revenue stream, by a dedicated revenue stream. So that's something that we'll discuss going forward, whether debt issue to fund the open space that secured by the quarter penny sales tax, is it such a strong revenue stream that the rating agencies -- that the rating agencies have their own criteria, the State has it's own criteria, will endeavor to make sure that it's -- you know, the County is viewed in the most favorable light.

CHAIRMAN MONTANO:
Right. So you're saying essentially to segregate that debt based on a separate designated revenue stream.

MR. TORTORA:
Correct, as self-supporting.

CHAIRMAN MONTANO:
Very good. Legislator Stern -- that prompted a question from Legislator Stern.

LEG. STERN:
The 5.3% you said is about average or maybe even slightly below average when put up against various counties. Do you know where a 7% number would put us?

MR. TORTORA:
I wouldn't venture to guess. But I think if you -- debt limits. To my knowledge, the only jurisdiction in recent memory that's come anywhere near its debt limit was New York City. New York City had to stop issuing debt and create a separate entity, the Transitional Finance Authority, to issue debt several years ago, because they had maxed out their debt limit.

You might recall from time to time, the Federal Government hits its debt limit. But local jurisdictions in New York State and elsewhere never come near it. Could it get up to 10%? Would that be a problem? Again, looking from a couple of different standpoints; from an investor's standpoint, from the credit rating agency standpoint, it's one of the factors they look at. But they also look at the fact that Suffolk has a very strong vibrant growing economy, there's still a lot of real property to be developed in the County, your population is increasing. So they look at all of those factors, not just your debt outstanding.

CHAIRMAN MONTANO:
Legislator Alden has a question.

LEG. ALDEN:
While the statutory limit is important, I think to us as Legislators -- and, Joe, you experienced this when you were Upstate -- it's the amount of money from your budget, from your income, that's going to service that debt and to repay that debt.

COMPTROLLER SAWICKI:
Exactly.

LEG. ALDEN:
So while we might be within the, you know, statutory limits and we might have way more room to go up, you know, north of what we're doing right now, the real -- the real issue is how much money do we have to repay that debt, because we've got other costs that are, you know, growing in leaps and bounds also. So I think that that's something we can't lose track of, because that to me is going to be the key going forward as to how much more debt we can file on. And then looking at what the affect of piling on that debt is going to be on normal operations, because our normal operations incur debt, like you said, the Anticipation Notes and the rest of the things, when we bond for all our projects. So that's going to be the key part of it. And any guidance you can give us for the future --

COMPTROLLER SAWICKI:
You know, any time any of these issues come up, we would be more than happy to weigh in on it if you so desire, I mean, especially with the resolution that was just passed. I mean, I'm sure Gail and the BRO could provide you with, you know, very similar figures, but if you wanted, you know, us to say -- you know, talk about the very issue we talk about here, Constitutional Debt, what it's going to do long term -- I mean, you're right. If we tripled our debt right now from 1.2 billion over, you know, three and a half billion, does that still keep us at 15% of our debt limit? That's a lot of debt. I don't think any of us want to go there. So what does the Constitutional Debt Limit really mean other than a gauge compared to other municipalities? Probably not a heck of a lot. I don't think any Legislator or anybody in public office today wants to triple our debt right now. So, again, you have weigh it with what our debt service is and what it means to your Operating Budget each year.

LEG. ALDEN:
What we've already done, we're looking at two major projects that could add a half a billion dollars to our debt if they go in to fruition; the jail and this acquisition of open space.

COMPTROLLER SAWICKI:
Of course, the acquisition of open space, remember, with that dedicated revenue stream, that should be part an parcel by itself, right, Rich?

MR. TORTORA:
Correct.

LEG. ALDEN:
It then begs the question, they wouldn't consider that at all.

MS. SIKORSKY:
They would.

LEG. ALDEN:
They would. Okay. Thank you.

MS. SIKORSKY:

They would, because what would happen when the securities are issued, even with the dedicated revenue stream, it would be in the County's best interest to sell it as a general obligation back by our full faith in credit, which would basically say to the financial community and investors that if by chance this revenue stream blew up, the point that you were driving to, Legislator Alden and Legislator Montano, is it is our debt and we would be responsible for the repayment of that debt.

And I just like to interject one other thing. You know, I think everybody in the room who's been talking and listening to the explanation on the debt limit realizes that that number has been so materially affected by the rise in full value in the County and what's happening in real estate in the past few years. Being an extremely conservative Comptroller, and I think Rich and myself, being very conservative, we would really look to downsize that revenue stream enough that we were all comfortable that there would be sufficient revenue there to pay the debt service. I think that's our overall methodology and our approach.

And in doing so, hopefully, there would be sufficient cash there from the quarter cent that would cover it, and it would never have to be a County direct obligation. But it would behoove us to sell it with that backing.

CHAIRMAN MONTANO:
Jay, you wanted a final question?

LEG. SCHNEIDERMAN:
Just, I guess, more of a final comment. I think when we talk about debt, we talk about capital projects, we really have look at the whole picture. You know, our main goal is to try to keep property taxes down. You know, sometimes by spending money, we're actually doing things that may generate additional sales tax revenues that can help deflate our property taxes. The jail, for example, which is going to be, you know, some 200 -- over $200 million. You have to look at the whole equation. If it means that we're saving money in not having to transport prisoners to other facilities, we may end up, depending upon what the debt service ends up being, it may not be as bad as we think.

And there's certain things that -- you know, we have to maintain our infrastructure, there's no way around that. So the main thing is we have to look at debt in the larger context, which is, you know, the big picture of the County's economy and how it's affecting property taxes.

CHAIRMAN MONTANO:
Rich, one last question on my part. You mentioned earlier -- we didn't really dwell on this -- but it had to do with the delinquent tax collections. A while back, maybe four or five months ago, there was a meeting and an indication that we were about 10,000 -- I'm sorry -- $10 million behind our collections from the previous year. Is that a trend that has resolved itself? Is that an accurate number? Do you have any indication of where we're at? Or maybe Joe, can you give me an idea of where we are with our tax -- - property tax collection?

COMPTROLLER SAWICKI:
That would be tracked, Legislator Montano, by the Treasurer's Office, so I really don't know that right -- at this -- you know, off the top of my head, because they track that as their role.

CHAIRMAN MONTANO:
All right. It was mentioned, but I'll leave that question for another day. Joe, what was going to be a 20 minute presentation turned into an hour and 20 minutes.

COMPTROLLER SAWICKI:
This is fine. I'll do this any time you want.

CHAIRMAN MONTANO:
What I thought was going to be a boring topic actually was quite interesting. I want to thank you

and your team for coming in. I really appreciate you sharing this with us. I wish we had a chance to do this earlier and more often.

COMPTROLLER SAWICKI:
Any time you like, we will be here.

CHAIRMAN MONTANO:
Thank you very much. Thank all of you. Thanks, appreciate it.

COMPTROLLER SAWICKI:
Thanks, gentlemen.

CHAIRMAN MONTANO:
All right. We're going to get back to the agenda, please. We don't have and cards today, right? Is there anyone in the audience that would like to address the committee? Hearing that, we're going to move right on to the Tabled Resolutions.

1434, Amending the 2007 Operating Budget and transferring funds to the Suffolk County Girl Scouts. (Pres. Off.)

LEG. STERN:
Motion to table.

CHAIRMAN MONTANO:
I'll second that. All in favor? Opposed? Abstentions? Motion carries. **TABLED (VOTE: 4-0-0-1 - Not present - Legis. Cooper)**.

1436, Amending the 2007 Operating Budget and the 2007 Capital Budget and Program and appropriating funds for a police officers and firefighters memorial in the Village of Amityville, Town of Babylon (CP 1661). (Mystal)

LEG. STERN:
Motion to table.

CHAIRMAN MONTANO:
I'll second that. Any discussion? All in favor? Opposed? Abstentions? Motion carries. **TABLED (VOTE: 4-0-0-1 - Not present - Legis. Cooper).**

1438, Amending the 2007 Operating Budget and transferring funds for a contract agency in the Department of Social Services. (Stern)

LEG. STERN:
Motion to table.

CHAIRMAN MONTANO:
Second. All in favor? Opposed? Abstentions? Motion carries. **TABLED (VOTE: 4-0-0-1 - Not present - Legis. Cooper).**

1701, Repealing home energy nuisance taxes on Suffolk County residents. (Alden)

LEG. ALDEN:
Motion to table.

CHAIRMAN MONTANO:
Second. All in favor? Opposed? Abstentions? Motion carries. **TABLED (VOTE: 4-0-0-1 - Not**

present - Legis. Cooper).

1702, Establishing a program to reduce unfair home energy nuisance taxes on Suffolk County residents. (Alden)

LEG. ALDEN:
Motion to table by Legislator Nolan (sic).

CHAIRMAN MONTANO:
I'll second -- Legislator Schneiderman seconded. All in favor? Opposed? Abstentions? Motion carries. **TABLED (VOTE: 4-0-0-1 - Not present - Legis. Cooper).**

1782, Requiring petty cash deposits to be made in interest bearing accounts at authorized banks or trust companies. (Co. Exec.)

I'll make a motion to table.

LEG. ALDEN:
Second.

CHAIRMAN MONTANO:
Seconded by Legislator Alden. All in favor? Opposed? Abstentions? Motion carries. **TABLED (VOTE: 4-0-0-1 - Not present - Legis. Cooper).**

1831, Resolution delegating to the County Comptroller the powers to authorize the issuance of not to exceed $55,000,000 Tax Anticipation Notes of the County of Suffolk, New York, in anticipation of the collection of taxes levied for County purposes or returned to the County for collection for the fiscal years commencing January 1, 2004, 2005, 2006, and 2007 and to prescribe the terms, form and contents, and provide for the sale and credit enhancement of such notes. (Co. Exec.)

LEG. STERN:
Motion to approve.

CHAIRMAN MONTANO:
I'll second that. Anyone want an explanation?

LEG. SCHNEIDERMAN:
No.

CHAIRMAN MONTANO:
Okay. All in favor? Opposed? Abstentions. Motion carries. **APPROVED (VOTE: 4-0-0-1 - Not present - Legis. Cooper)**.

1841, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 777-2007). (Co. Exec.)

I'll make a motion to approve and place on the Consent Calendar, seconded by Legislator Stern. All in favor? Opposed? Motion carries. **APPROVED** and placed on the **CONSENT CALENDAR**. **(VOTE: 4-0-0-1 - Not present - Legis. Cooper)**.

1842, To readjust, compromise, and grant refunds and charge-backs on correction or errors/County Treasurer by: County Legislature No. 282. (Co. Exec.)

CHAIRMAN MONTANO:
Same motion, same second, same vote. **APPROVED** and placed on the **CONSENT CALENDAR**.

(VOTE: 4-0-0-1 - Not present - Legis. Cooper).

CHAIRMAN MONTANO:
With that -- there being no further business of the committee, I hereby adjourn it. I'm sorry. Is there something that -- there's an excused absence for Legislator -- we're not adjourned yet. I'll withdraw that. Excused absence for Legislator Cooper. Gail, would you like to --

MS. VIZZINI:
Yes. I did want to bring the committee's attentions to a memo from the Budget Review Office. It's a Kodak moment update in terms of where we are active in terms of active, which is filled, positions. The memo highlights for you a few of our findings. But chart number one shows across all funds that we started the year, January, 2007, at 10,660 filled positions. You recall in May of '07, we passed Resolution 339 of 2007 creating the 50 positions with outside funding for the Medicaid Unit. There was immediate pop up there of about 26 additional filled positions. Currently, there are 43 filled positions in that unit. However, where we are now, Social Services is really only ahead 11 active positions. Chart number two depicts for you --

CHAIRMAN MONTANO:
Gail, if I may, this chart number one, that's all filled positions within the County.

MS. VIZZINI:
Yes. Across all funds.

CHAIRMAN MONTANO:
So is there an indication in the memo, because I didn't really read it, of where these vacancies are coming from, or is this -- you know.

MS. VIZZINI:
No. If you wanted to know where vacancies are or the percentage of vacancies, we can provide that to you. This memo addresses the filled positions.

LEG. ALDEN:
So you need more data really.

CHAIRMAN MONTANO:
Right. Okay.

MS. VIZZINI:
We will be happy to provide that. Chart number two are the active sworn personnel in the Police Department. At this point, from January of '04, 2665 sworn, we are down to 2526 sworn. The memo doesn't make any assumptions in terms of approved SCIN forms or whether or not there will be a class in '07, nor does it make any assumptions in terms of retirements.

CHAIRMAN MONTANO:
If I may, the class that's scheduled now, is that a class of 100 or 50? I thought it was 50 per class, two classes a year, was that correct?

MS. VIZZINI:
There is money in the budget for a class of 75.

CHAIRMAN MONTANO:
Seventy-five, okay. Then I stand corrected.

MS. VIZZINI:
What the policy decision would be, we are not aware. I would have to defer to the County Executive's Office in terms of --

CHAIRMAN MONTANO:
I understand that. But if we were to start that class -- let's say that -- from what I understand, from what I've been told, the reason the class was delayed was because of the failure of the State Legislature to approve the 1% sales tax extension. So if that came in and we filled the class this year, the number would jump by 75?

MS. VIZZINI:
Yes -- well, the number will jump by the number of --

CHAIRMAN MONTANO:
Recruits.

MS. VIZZINI:
Exactly. The size of the class.

CHAIRMAN MONTANO:
Right. And just getting back to my prior question, if I think I misstated it, but what I'm looking at with this chart is the decrease in filled positions. And really what I was looking at is where -- the data for where this decrease comes from, what departments.

MS. VIZZINI:
We can provide that to you.

CHAIRMAN MONTANO:
But that's not provides with this -- at the moment.

MS. VIZZINI:
No. Sometimes we do that, but we don't have that with us.

CHAIRMAN MONTANO:
Right. And just generally, if I may, based on what you know so far, if you can answer, if this a general trend across departments, or are some departments being hit harder than others? In other words, is there a spike in one department that skews the numbers? Because if this represents 200 -- what do we have here -- 200 positions, is that -- is that across the board?

MR. REINHEIMER:
This is also the net difference. So you have some departments that have new employees, some departments, lost employees, butt he net difference from the beginning of the year to where we are now, the biggest portion of that is in the Police Department. We had a net reduction of 90 police officers. In Public Safety, which would include corrections officers, I believe, there was a net reduction of around 15 correction officers, a couple of deputy sheriffs. The net reduction in Public Safety is 127. So out of the 202 net reduction, 127 are in Public Safety. So those departments are where we've seen some significant -- if you want to call it significant -- out of the 202 reduction, 127 is in Public Safety. I would say it's a trend. It's not individual departments, it, you know, across all departments.

CHAIRMAN MONTANO:
Thank you. Cameron, you have some questions?

LEG. ALDEN:
That answered number one question, chart one includes Public Safety Officers and Police. On chart number two, from the beginning of the year to now, we're down 139 sworn officers. So even if we started a class -- now, 75, if we started a class with 75, technically, they would all go on -- they would go on this chart from day one?

MR. REINHEIMER:
That's correct.

LEG. ALDEN:
Okay. So we can never really get back then to the level that we had at the beginning year even if we -- if we had a class with the full 75.

MR. REINHEIMER:
Yeah. And generally, you see a significant number of retirements in January and July. So our assumption, based on history, you'll have some retirements in January from the Police Department also.

LEG. ALDEN:
But we shouldn't see from now until the end of the year -- next year, we should see some retirements, but from now until the end of the year, it usually stays fairly steady, right? One or two, a few here, there.

MR. REINHEIMER:
Correct.

LEG. ALDEN:
So this really shouldn't increase a huge amount as far as the gap between what we have at the beginning of the year and what we have now?

MR. REINHEIMER:
No, it should be pretty steady now.

LEG. ALDEN:
And is there any other was that we can hire sworn personnel other than through the academy, through a class?

MS. VIZZINI:
No. But, you know, it depends on the policy, whether we have a class in '07 and whether we have a class in '08 and what the needs of the department are.

LEG. ALDEN:
Okay. But my point would be from this 25, 26 sworn officers, that's not going to get -- that's not going to get any bigger between now and the end of the year unless we have the class.

MR. REINHEIMER:
It may change as active police on the payroll. So you always have approximately 100 police that are on -- that are not on the payroll for various reasons.

LEG. ALDEN:
Disabled or something like that?

MR. REINHEIMER:
Exactly. So you may see in payrolls a change of two or three on either side, but you're not going to see --

LEG. ALDEN:
Okay. That was what I was getting at. Maybe a couple.

MR. REINHEIMER:
Right. But there is -- historically, there's about 100 that are not on the payroll, and that's why we make -- we note that this is active people on the payroll.

LEG. ALDEN:
Okay. Thanks.

MS. VIZZINI:
The last thing I wanted to point out on this is the civilian positions in the Police Department have experienced a reduction from the normal number by 25. Currently, we're at the lowest level since December of 2005. What the contributing factors to that are could very well be, as you indicated, you know, a soft hiring freeze due to the concern at the State level or just that these IT or other civilianized positions are difficult to recruit for. I don't really know, but we're looking into that.

CHAIRMAN MONTANO:
So that number has gone down by 25?

MS. VIZZINI:
At this moment in time, yes.

CHAIRMAN MONTANO:
And the number of police have gone down. Now, we won't know until 2000 -- we won't know until we do the budget whether or not we're even considering a class for 2008. That's what you mean by the policy considerations?

MS. VIZZINI:
Yes.

CHAIRMAN MONTANO:
Okay.

MS. VIZZINI:
And the last question I would remark to is we talk about the available surplus in the salary lines. That does not necessarily mean that there is a surplus or even a shortfall in the budget. Because we're a low point in terms of filled positions, there are monies available to fill positions, but as you pointed out, we have other constraints and restraints.

CHAIRMAN MONTANO:
Okay. Any questions?

LEG. ALDEN:
It seems everybody is happy. AME should be happy, the police should be happy, the taxpayers should be happy, everybody should be happy.

CHAIRMAN MONTANO:
With that note, I'll adjourn. Thank you very much. On a happy note.

(*THE MEETING WAS ADJOURNED AT 11:30 A.M.*)

{ } DENOTES BEING SPELLED PHONETICALLY