WAYS & MEANS COMMITTEE
BUDGET & FINANCE COMMITTEE

OF THE

SUFFOLK COUNTY LEGISLATURE

MINUTES

A special joint meeting of the Ways & Means Committee and Budget & Finance Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William R. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York on May 23, 2007 to discuss the matter of the Capital Budget.

MEMBERS PRESENT:
Leg. Ricardo Montano, Chairman of Budget & Finance Committee
Leg. Lou D'Amaro, Chairman of Ways & Means Committee
Leg. Thomas F. Barraga, member of Ways & Means Committee
Leg. Steven H. Stern, member of Budget & Finance Committee
Leg. Kate Browning, member of Ways & Means Committee

ALSO IN ATTENDANCE:
William J. Lindsay, Presiding Officer
George Nolan, Counsel to the Legislature
Gail Vizzini, Director of Budget Review Office
Robert Lipp, Deputy Director of Budget Review Office
Lance Reinheimer, Assistant Director of Budget Review Office
Kevin Duffy, Budget Review Office
Ben Zwirn, Assistant Deputy County Executive
Bob Martinez, Aide to Leg. Montano
Justin Littell, Aide to Leg. D'Amaro
Linda Burkhardt, Legislative Aide
And all other interested parties

MINUTES TAKEN BY:
Diana Kraus, Court Stenographer

MINUTES TRANSCRIBED BY:
Denise Weaver, Legislative Aide

(THE MEETING COMMENCED AT 9:42 AM)

CHAIRMAN MONTANO:
We're going to start the joint meeting of Ways and Means and Budget. Would you please rise for the Pledge of Allegiance led by Legislator D'Amaro.

SALUTATION

Since this is a meeting of the Capital Budget joint committee, as I said, Ways and Means, Chairman Lou D'Amaro and myself as Chairman of the Budget Committee, I have no cards. I'm going to ask BRO to make a presentation. And then anyone else that wants to speak can come up and we'll take it from there. Gail?

MS. VIZZINI:
Thank you, Chairman Montano. The County Executive's proposed 2008, 2010 Capital Program consists of $557 million of projects for the years 2008 to 2010. And the total is an $829 million program. The department's requested $1.1 billion in projects. There is a $256 million difference in terms of what the department's requested and what is in the program. 55 million of that, as you aware, is the three college projects that were requested in subsequent years.

The Budget Review Office report is prepared for the Legislature. It consists of a discussion of policy issues, which is in the front portion of the report, that relate to the interrelationship between the capital program, the bonded indebtedness; and more specifically the debt service, which is a line item that is paid out of the operating budget.

You know, you can see the simple connection between the capital program and the operating budget when you think of the replacement jail facility. We will have more beds. The Commission on Correction will determine how many correction officers will be mandated to staff that facility. And hopefully we will have the most energy efficient facility that our budget can provide.

If not, there will be a detriment to the operating budget. Certainly I believe that off the bat we will probably need an additional 50 correction officers. If not the '08 operating budget, perhaps the 2009 operating budget will have those positions in them so that they can be trained and ready for the new method of supervision; the direct supervision that will be required in the new facility. So that just gives you kind of a clear explanation of the interrelationship between the facilities that we may be constructing in the capital and our operating budget. But the other key is the interest -- the principal and interest that is paid back on the bonds is paid through the operating budget.

The other thing that we talk about in the policy overview is the need for a balance between the many, many competing priorities. Certainly there's always competing priorities between highways and dredging's and infrastructure and what have you. But we do have an extremely robust Land Acquisition Program, much of which is bonded. You can bond land for 30 years. The method of borrowing that we have adapted over the years has changed from a very conservative of what we quote 50% rule where you basically front end your payments. And over the period of your loan, your payments are no more than 50% different. It's a front loading method.

In 2004 when we were facing our 2005 anticipated budgetary shortfall, we did a major refunding, which was good to reduce the debt service in 2005. But then the consequences of that refunding were to add more to the debt service in the remaining years. And we also changed from using this 50% rule to using something that's totally legal, totally within the State Finance Law and what many, many municipalities use called level debt, which is something more like our mortgages. But what it has done is -- and what the future impact of this may be is that we will not be able to pay our debt -- so much of our debt off sooner. We'll be spreading it out over a longer period of time.

So I want to bring your attention to several concepts. One is the fact that in addition to the projects that you will be authorizing by resolution proposed in the capital program, we also have pipeline debt. The pipeline debt is authorizations such as the jail. Right now it totals approximately $449 million with -- these are mostly for general fund projects. So once we add to that with our new resolutions, with our new borrowings, we add to our anticipated debt service.

The size of what we borrow -- it used to be that we would borrow for land somewhere in the neighborhood of $30 million. In 2006 the County borrowed 69.5 million just for land. Land is taking up a larger portion of what it is that we borrow. There's a graph I'd like to bring your attention to on page 14 of our report, which differentiates our borrowings; the size of our borrowings has gone up and what portions are attributable to land.

The jail is a piece of our authorized unissued debt but we -- this year we are going to be borrowing 35 million just for the jail. And we will probably close on the 150 million in debt associated with the jail between 2007 and 2010. The jail other than the Southwest Sewer District, as you know, is one of our biggest borrowings.

Our report discusses several policy options for you in terms of addressing and mitigating the escalations in our debt service, which we estimate to increase -- debt service is increasing by $8 million in 2008 and $17 million in 2009 and $24 million in 2010. Just if we did nothing, the debt service, that line in the operating budget is anticipated to grow by that amount. Unless you were to make commensurate reductions or generate revenue to overcome that, you have these following options.

First of all, our current policy regarding reducing the general fund property tax levy -- it's uncertain how long we can sustain that type of policy when you have not only debt service escalating but you have many other factors in the operating budget going up; contractual, salary obligations, health insurance costs, etcetera. So in any budget, household, municipal, things are going up. Other things either have to come down or be cut out. Or you need to find other sources of revenue to continue to have a robust capital program or a manageable capital program for that manner.

One of the other options is to scale back on the capital program. This is not something that we would recommend although the Legislature has been very, very diligent in several of the measures to make the capital program manageable. The Legislature developed the ranking form, which is a manner in which you can compare the relative merit or ranking of different projects. The Legislature was instrumental in strengthening our offset law most recently wherein the general fund projects cannot resort to the sewers for an offset and vice versa; so these are all good things.

Reductions very, very difficult. It will be interesting to see what is in the 2008 operating budget. The call letter has already referred to the need for the departments to submit 0% increases and 2% reductions in certain areas. So we're well aware that the County Executive is concerned regarding our dependence on our fund balance to offset the need for any increases in property taxes. And also the police district continues to grow. And there's a significant property tax associated with that.

One of the other things that we've recommended, too, is to establish appropriate reserves so that we will have the monies to offset these increases. Now we have, of course, a very respectable tax stabilization reserve fund. But as you all know the state law requires a modest increase of 2.5% of property taxes to access that money, which will be $123 million at the end of 2007.

Another area that we point out for you to consider is less borrowing and a more judicious use of cash or pay-as-you-go for those projects that qualify -- are eligible for pay-as-you-go. Basically the pay-go law says if you -- the finance law says that if something has useful life of five years or less, it should be cash; it should be pay-go. Or if the item is -- has a value of $5,000 or if it's radios or something like that, if it's less -- if the whole thing is less than $25,000.

For the last several years we have constantly waived our pay-go policy. Implicit in the proposed capital program there's $1.8 million of cash. The rest are, you know, if it's not federal money then it's serial bonds -- county serial bonds or sewer district serial bonds. So once again I assure you there will be a waiver of the pay-go.

Pay-go has its benefits. It's cash. There's no associated debt service. The downside is you have to put that amount in the operating budget. The Budget Review Office has identified $23 million worth of projects in the proposed capital program that literally meet the definition for pay-go. We've also suggested that it is unlikely that the operating budget could take that type of hit in one year. But that we adopt -- first of all you may want to review the literal language in the pay-as-you-go policy. Maybe we want to revisit the five years. But what we're recommending is that each year we have an incremental approach. If this year there's 1.8 million perhaps next year we should have a goal to either, you know, double it or at least bring it up another million dollars. Because it -- in the long run you do have a payback period for that.

There's no question that for the tax dollar there are tremendous competing priorities. And three of the main areas that we want to bring to your attention are although the land preservation efforts seem to be adequately funded in the capital program, at least they are funded to the extent that -- multifaceted there's $13.3 million each year. The program, it's continued as had been previously adopted. And the Legacy Program, which requires the 50% share with the other municipalities is funded as proposed 15 million in '08 and 15 million in '09.

In addition I want to bring to your attention that the -- there's a resolution before you I think it's 1493, that will add $17 million to the Multifaceted Program. It's in the next packet. And that's coming from the Tier II Shelter, a project that we're not moving forward on.

So at yesterday's Environment Committee, Energy and Environment was here, Mr. Kemp, was indicating that they definitely have parcels that that money will be applied to. But that means more borrowing. My point is the land preservation is adequately funded. Our concerns are the -- that there also be some balance in terms of prioritization. First of all for energy conservation, we pay $30 million out of the operating budget for light, power and water. A significant amount of that is our LIPA cost.

So Budget Review constantly recommends, please put more money in our energy conservation project. There's maybe a million dollars each year in that project. It is used to do some very good energy efficiency efforts in ongoing projects. We would like to see that amount doubled, probably even more so and there -- it's in our write-up on 1664. And we identified several projects that even if you -- well, if you bond the cost to make the improvements, that once you start reaping the benefits, the energy efficiency's from those improvements had to do with the Medical Examiner building. We did some improvements. I think it was solar. And one of the recent precincts. You begin getting a payback the first year. The debt service plus the energy savings, you get an immediate payback. Any money that you add to our Energy Conservation Project, we would recommend be targeted for high payback projects.

The other area that we want to underscore our concern that there also be prioritization is the need for enhanced sewer capacity throughout Suffolk County. We've made a recommendation that a project be added, $1.2 million for a consultant study to assess what locations are the best target for enhanced sewer capacity. We're hoping that the RFP will include efforts to partner with other municipalities and with the private sector. This County is young, growing and robust. We need to look in terms of where we are going to be five, ten and 15 years from now especially in regards to the sewer issue. And we wanted to underscore this. There are several projects that are targeted towards enhanced capacity, which is good. But we would like to step back and take a more holistic look.

Now if any of you have any questions regarding any of these issues or any of the specifics, I'd be glad to talk about it.

CHAIRMAN MONTANO:
I think there are some questions, Gail. I have one or two myself. The pipeline debt, you said it was 449 million. What exactly -- just give me an explanation so I'm sure I understand what you mean

by the pipeline. Is that the authorized but unissued? Or is that --

MS. VIZZINI:
Yes. Say in, you know, 2000 we did a resolution to appropriate $4 million to buy land for a recharge basin --

CHAIRMAN MONTANO:
Right.

MS. VIZZINI:
-- some place in Patchogue.

CHAIRMAN MONTANO:
And we haven't done it yet.

MS. VIZZINI:
We haven't progressed the project --

CHAIRMAN MONTANO:
Right.

MS. VIZZINI:
-- to the point where they need the money. So they haven't bonded it yet.

CHAIRMAN MONTANO:
So the 449 million will be added to the existing debt? Once the project is complete or once the project starts and it's bonded; is that what you're saying?

MS. VIZZINI:
The authorized issued -- unissued is kind of look a warning that there's -- we've authorized a lot of bonding in the past. But we don't need the money yet.

CHAIRMAN MONTANO:
Right.

MS. VIZZINI:
The jail is another good example. We've appropriated $150 million -- correct? For the jail. You know, one of the reasons we did that already was that's a big number to, you know, to have it, to demonstrate to the Commission of Corrections we're ready to go and not to have to reschedule it in any future Capital Programs.

CHAIRMAN MONTANO:
Right. But --

MS. VIZZINI:
But we don't need the money yet.

CHAIRMAN MONTANO:
Exactly.

MS. VIZZINI:
We're only now borrowing in this latter half 35 million for a first phase. And it will be between '07 and 2010 that we actually bond it to get the money to go to bid.

CHAIRMAN MONTANO:

Right. And although it's been authorized, from my understanding we don't always borrow what we authorize. I mean, these are the projects that stay on the list of things to be done in the future. And after five years, if the project isn't commenced, some of those authorized items come off the chart so to speak. Am I right in that?

MS. VIZZINI:
You're absolutely right.

CHAIRMAN MONTANO:
Okay.

MS. VIZZINI:
I neglected to mention that. And that, too, is a Legislative initiative. We, you know, we finally refer to it as the Crecca law but I reference it in my -- if there is no expenditure or no extension of the authorization --

CHAIRMAN MONTANO:
Okay.

MS. VIZZINI:
-- after five years, it's incumbent upon DPW to close it out.

CHAIRMAN MONTANO:
Right.

MS. VIZZINI:
You know. Or get an authorized extension from the Legislature.

CHAIRMAN MONTANO:
Right. So the debt service that we're paying now, if we were to complete all of the projects that equal that 449 million, we would be adding those projects to our existing debt. And, you know, just so I'm clear on this, you said that the increase next year in debt service is $8 million doing nothing further. In other words, no new projects, we're still going to have to include an additional $8 million in next year's budget?

MS. VIZZINI:
Based on our projections, I mean, we've had to make a couple of assumptions that we are going forward with the 35 million on the jail and what we believe. But that's based on our projections.

CHAIRMAN MONTANO:
Okay.

MS. VIZZINI:
As is the 17 and 24.

CHAIRMAN MONTANO:
And the 24. All right, I'm sure there are other questions. Legislator D'Amaro and then Legislator Stern.

LEG. D'AMARO:
All right. Do you have -- to continue with that, do you have a projection based on the new projects, what that would add to debt service?

MS. VIZZINI:
Are you talking about for this proposed capital program?

LEG. D'AMARO:
Yes. Because you were -- what we're saying is if we do nothing, if we just continue with the adapted capital budget and program as is and change nothing, the debt service goes up by $8 million. So there are also new projects that are proposed. How would that impact the debt service?

MR. LIPP:
The way we do the projections is we look at historically how much we've actually borrowed over the years. We look at what's in the pipeline and we look at what's being proposed. We don't separate out by categories. What we're -- so the actual projections that we have are based upon the amount that's in the pipeline we've authorized and issued, what we think is coming in and what we have been told and could understand best about the jail, about the land programs, the debt line with SOS this year, that kind of stuff. So we don't break it down specifically that way. Part of the problem is there is a bit of a disconnect between the capital program and when we actually issue bonds. So you need to basically look at the trends and what we're likely to do.

LEG. D'AMARO:
Right. So even if we add the new projects into the budget this year, they really will not impact debt service unless we actually appropriate the bonding; is that correct?

MR. LIPP:
Well, okay. One thing is -- first of all, you look at the -- at page 18 of our review, that is our projection for debt service in the operating budget. And we break it down into four different categories. The blue on the bottom is the existing debt if we didn't go out and borrow anything at all. Not only do we not close -- not only do we close down the capital program but we also decide to rescind literally everything that has been appropriated in the past. Then on top of that, we have three layers. The top layer, the green, is what we perceive based upon what's in the pipeline and what's being proposed. For instance, there's additional monies in the proposed program in terms of land for Multifaceted, for Legacy so -- and also that there's a deadline this year for the SOS Program.

LEG. D'AMARO:
Right.

MR. LIPP:
So that's our projection on what we think we'll actually issue when we convert that into debt service. Then we have the orange slide switch, or as I like to refer to it as jump suit orange for the jail. And that's what we perceive will be the actual borrowings for that additional somewhat $150 million for construction of phase one of the jail. And then the other slice, the yellow slice, is for all of the plethora of other projects; for instance, the current bond issue this May, we have 118 Capital Projects in there. We have over $62 million, 40 million in change of that is just for land acquisitions.

So there isn't the simple answer in terms of breaking it out. How much will it add to our borrowings if we go forward and we decide to issue a larger or a smaller proposed capital program since there's such a large amount of pressure on the capital program already to borrow.

LEG. D'AMARO:
Right. But looking at this graph on page 18, again, as Gail had mentioned you're making various assumptions on how much we actually authorize; is that correct?

MR. LIPP:
Yes, correct.

LEG. D'AMARO:
The point I'm making is that we -- even after adopting the Capital Budget we retain some control over debt service throughout the year because if we don't appropriate the funds, it never gets added

to debt service.

MR. LIPP:
Correct. In fact the Legislature's --

LEG. D'AMARO:
So.

MR. LIPP:
-- biggest role would be to control appropriations.

LEG. D'AMARO:
Absolutely.

MR. LIPP:
And that has a longer term impact on borrowing and therefore a longer term impact on debt service.

LEG. D'AMARO:
All right. So my question then is looking at this -- we saw the same chart last year. And it's very helpful to see this chart because it really drives it home. You made a projection for last year also. How accurate was that projection against what we actually appropriated?

MR. LIPP:
I'd have to get back to you on that. I haven't looked at the accuracy of that.

LEG. D'AMARO:
Okay, because that is the question. If we're going to rely on the projection, we need to know if we're meeting the projection, if we're exceeding the projection or if we're below the projections.

MR. LIPP:
What we look at, our trends in what's actually happening. So we basically, you know, regardless of whether it's right on the pin -- and I think it's fairly close but I'd have to look -- or, you know, even if we were somewhat off, this is our best understanding of the entire process. We have historical data going back to 1970 --

LEG. D'AMARO:
Right, right. But what I'm interested is when you made the projection last year, how accurate were we? It's really a measure of what we did against that projection when we appropriated funding.

MS. VIZZINI:
Right. He'll get back to you in terms of that.

LEG. D'AMARO:
Right.

MS. VIZZINI:
It's probably conservative --

LEG. D'AMARO:
Yes.

MS. VIZZINI:
-- because, you know, we didn't anticipate that at the end of '06, there'd be another $22 million for --

LEG. D'AMARO:

Okay.

MS. VIZZINI:
-- land. So -- and land you can go out to 30 years. So that's kind of making us, you know, we've got an average borrowing period now 17 to 20 years, that the land is pushing us out. So there are other things that happen. So the projection is, as Robert indicated, is based on historically what we've done and what we know we're doing and then some assumptions.

LEG. D'AMARO:
Gail, I want to just to switch areas. You talk a lot about balance. Balancing I guess what you're saying to us is there seems to be a lack of balance right now because the land acquisition programs are very aggressive. And we're doing that by borrowing. And on top of that the jail is also, you know, stacked on top on debt service at least projected into the future. So if you're recommending more of a balance, are you saying that we should scale back one or both of those programs? Or how do we achieve that balance?

MS. VIZZINI:
Yes. Well, this is certainly a policy decision on your part, but I would like to see us do more in terms of sanitation and economic development as opposed to only seeing the good of the land acquisition. And there's -- environmental protection is not just land acquisition for the sake of land acquisition. We have many, many wonderful programs to provide that. But as you and I have discussed and the report often discusses, we are taking these parcels off the tax rolls. That tax, you know, the $200,000 that AVR was paying to those municipalities is now spread to the rest of those taxpayers; you know, unless there are commencement reductions in those municipalities that those taxes went to.

So we want you to see the whole picture when you make your policy determinations. And I think it's very, very easy to see the positives in terms of land acquisition. Although there are many, many positives in managed economic development. And we're trying, the capital program does have some good economic development projects in it. They're very modestly funded. And it's only recently that we've been able to put money in for enhanced sewer capacity. And we'd like to see more positive on the part of the sewers. That is truly environmental protection.

We are also segueing into having to consider extending the quarter cent to 20/30, which is an admirable proposal, needs to be looked at. But when that quarter cent was originally approved, what precipitated that was the concern for the sewers. The infrastructure being, you know, especially Southwest is over 30 years old. That the environmental protection there was it started with relief for the sewers and then wonderful compromises were struck where we also were able to use it for tax relief, public safety and land acquisition. So that's another area where now you have the two priorities competing against other where less --

LEG. D'AMARO:
Just within that quarter cent consideration, yeah.

MS. VIZZINI:
Yes. So the timing of this important.

LEG. D'AMARO:
One more question. The -- some of the recommendations you're making cash up front, you know, pay-go, energy conservation measures, which although will have a higher cost up front to implement them will save us money over time, studying sewer capacity $1.3 million, I mean can we afford to do it? I mean, putting aside the merits, the merits of doing it, and I agree with you, I would much rather pay the cash then pay cash amount plus another 50% over the life of the bond. But based on the projections for the operating budget coming up later this year and the sales tax and all of that and the state of the economy, can we afford to fully implement those recommendations or to what extent can we implement those recommendations?

MS. VIZZINI:
Our concern is that we can't afford not to, you know. The quote that opens my letter of introduction is planning is bringing the future into the present so that you can do something about it now. You may not be able to do everything in 2008 or 2009 but I think we should plan for some of these things and temper some of the exhilaration of the Land Acquisition Program, you know, the -- as you said, when you started with your questions to me, we really need to strike some balance here.

LEG. D'AMARO:
Okay. Thank you very much.

CHAIRMAN MONTANO:
Legislator Stern.

LEG. STERN:
Thank you, Mr. Chairman. You know, when I look at a number like 449 million, is that the number on pipeline debt, authorized but not issued, I mean I see that kind of a high number and sure it strikes me as a warning, as you state. And, you know, with numbers only scheduled to climb but of course there's good debt and there's bad debt like anything else. I guess my question is, you know, with that kind of a number we still have because of, you know, many of the policies on the part of the County Executive and this Legislature and some of the, you know, the fiscally responsible policies that you had mentioned earlier, you know, our bond rating is at an all time high so I guess my question is has there ever been an analysis done as to what that number can or should be or can we go to in the future and still maintain, you know, many of the policies that we have in place and our historically high bond rating at the same time?

MS. VIZZINI:
Well, the good thing about the historically high bond rating is it's a great time to borrow. The bad thing is, you know, whoa, what are you going to do with that debt service line in the operating budget?

There are so many factors that go into that authorized unissued. The County Executive early on had actually proposed or started discussions in terms of rescinding some of the prior authorizations. So we didn't have an opportunity to look at very carefully, but the fact that you have that Crecca law, that if nothing is expended, nothing progresses in five years, there is a certain natural death that happens. There is a certain evaluation process that goes on. Certainly if you wanted us to we could look at it. But I'm not sure how much we could reasonably reduce that 449 million. I mean, in there is a big chunk of the jail, too.

Road projects are another contributing factor. It might -- I can probably better answer it if we had more of a snapshot of what comprises it. And then when you saw the detail it's probably a lot of large road projects or maybe a lot of little things and one big thing like land and jail. Not necessarily things that we don't want to proceed and do.

Fortunately you have the opportunity. The capital program is a planning document. It's not like the operating budget where the money is in there, okay you can pretty much spend it as long as the Budget Office says it's okay. You do get another bite at the apple in terms of the appropriating resolution. And then because of our stringent offset laws, not everything in here is going to proceed. Emergencies happen, cost escalation and prices happen. And some of these things will be deferred yet another year because we need the money for something else. I don't know if I'd answered your question. I don't know what it should be. I know what it is.

LEG. STERN:
Is there any, I guess, is there any rule of thumb? Is there any kind of percentage as to -- Legislator D'Amaro's question, of course, is an important one as to, you know, what the projections were and what we actually did. But is there any kind of rule of thumb, is there any kind of percentage of what

pipeline debt should be to overall debt, overall expenditures, overall, you know, percentage of the budget? Is there any guiding principal?

MR. LIPP:
I'm not aware of any guiding principal. But I do know, for instance, state law has restrictions on what percent of full equalized value you can -- you can have in terms of debt limits. And we're like way, way, way below that. So just in terms of legal, which is an arbitrary number, we could increase our debt -- we could increase our debt significantly, which is what we wouldn't necessarily want to do.

I also know that the financial markets don't really care if we issue a lot more as long as we have the capacity to pay for it. So if we're willing to spend a lot more, for instance, increase property taxes, that works for them, fine.

And as I stated in the report, one of the policy issues that the Legislature has to come to grips with and the Executive is that whether or not they're willing to see this connect between the capital program and the operating budget and decide whether or not it's, A, worth it to raise property taxes or, B, find some other types of expenditure reductions.

CHAIRMAN MONTANO:
Are you done?

MS. VIZZINI:
Mr. Zwirn reminds me that, you know, the state has certain stipulations in terms of what your constitutional debt limit is. And we are -- we are like 5% of that. We are very, very low. And then, you know, I can -- it's -- so we're certainly nowhere near being told not to borrow. Our concerns are the balance again between property taxes, the operating budget, what's needs to be done in this County where, you know, drive around our facilities you well know we keep them as long as we can possibly keep them standing and then longer.

LEG. STERN:
Thank you.

CHAIRMAN MONTANO:
Legislator Barraga.

LEG. BARRAGA:
Good morning. Even though you're way below on the limit percentage wise, what is the total debt service of Suffolk County right now, dollar wise?

MR. LIPP:
It's over a 100 million in the General Fund. Actually the financial markets they tend to look at not only how we're doing as County, but all the overlapping debt of the schools and the towns and all of that so that plays a role.

LEG. BARRAGA:
So every year based on our --

P.O. LINDSAY:
That isn't the right number. No, the debt service, Robert, not the total debt.

MR. LIPP:
Right. A little over a hundred million.

P.O. LINDSAY:
We're paying a hundred million in interest every year?

MR. LIPP:
No. It's principal and interest repayments. I'll look it up as we're talking and give you an actual number if you'd like.

P.O. LINDSAY:
Yeah.

MR. LIPP:
Okay, as we're talking.

LEG. BARRAGA:
Yeah, because it's nice to talk percentages but I'd like to really know the dollars, you know.

MS. VIZZINI:
Right. It's divided into short-term, long-term, etcetera. But he can pull it up.

LEG. BARRAGA:
And as you pointed out if we do nothing, if there was no additional debt service -- debt service goes up what 8 million this year, 17 million the following year --

MS. VIZZINI:
Yes.

LEG. BARRAGA:
-- 24 million the year after that.

MR. LIPP:
The -- in 2007 adopted serial bond interest and principal is $91.1 million. 35.4 million is just interest and the remaining 55.8 is repayment of principal.

LEG. BARRAGA:
Okay.

MR. LIPP:
And that doesn't include interest that we pay on tax anticipation notes, stuff like that; just for long-term capital projects serial bonds.

LEG. BARRAGA:
From listening to you this morning I get the impression, Gail, that, you know, you folks would like to see maybe a bit of a rebalancing with regard to priorities because, you know, we have been very aggressive. I know I've been sitting here voting for every one of these bond issues as it pertains to land acquisition. I mean, I think you're taking a look at rebalancing from the standpoint of maybe taking a look at what's going to be entailed with the jail, sanitation, economic development. My sense is do you think we're -- we've been too aggressive with reference to land acquisition at this point?

MS. VIZZINI:
I think the County has been very aggressive. Our report talks about the community preservation funds that the towns have over $94 million; was the total on that. The towns from their taxes on the transfer of properties have generated considerable sums of money especially the east end towns and now with Brookhaven developing its own community preservation fund. That's why the Legacy Program is good because it's 50% county and 50% towns.

So I would -- what we said in previous years is we would like to see the towns step up to the plate as far as the land acquisition because the County has a lot of competing priorities.

LEG. BARRAGA:
Yeah, because frankly in sitting here I've been listening, you know, for a good 12, 13 months now, Elie Mystal constantly brings up -- it's the same dialogue with reference to expansion of sewers. And he's, you know, he's been talking about that repeatedly. But I don't -- I'm not so sure we're -- we've been that aggressive in terms of taking a look at the whole issue because obviously if you want economic development, that's one of the things you have to have. So I think you're recommending a $1.2 million sewer study; is that what you're recommending? Okay. All right. Thank you very much.

CHAIRMAN MONTANO:
Any other questions? Mr. Presiding Officer.

P.O. LINDSAY:
First of all, I appreciate the dialogue from our fellow Legislators. I think it's something that we have to have discussions about. Just in the last few years, the last bond issue was what, three years ago? Folks, 175 million, 150 million? What did we bond out when we put before the voters, the SOS?

MS. VIZZINI:
You're thinking of SOS, 75 million.

P.O. LINDSAY:
75 million, okay. And last year 50 million in Legacy?

MS. VIZZINI:
20, 15 and 15, yeah.

P.O. LINDSAY:
Okay. And we're looking at what's before us now. And there's a bill in the hopper to put on the ballot another $350 million.

MS. VIZZINI:
We did reference the quarter cent, yes.

P.O. LINDSAY:
Yes. So, you know, just in the last few years, we could potentially be looking at another half a billion dollars in debt.

MS. VIZZINI:
Just to correct the record, on page 28, the Community Preservation Fund, the towns collectively have collected $410.8 million in their Community Preservation Funds. Unfortunately, we were not able to get information from them in terms of how much of that has been spent. But it's a town by town listing from 1999 to 2006.

P.O. LINDSAY:
And your analysis about the double effect of taking land off of the tax rolls, which hits you on the revenue side and bonding and paying the debt of those bonds on the expense side, but there's another factor, too, that I think we should take into consideration and factor into the whole thing is we live on an island with a defined amount of property. And for every parcel that we take off, that we purchase, it increases the value of the remaining parcels. And if you suddenly threw a pool of $350 million in the pot, I would think that that could have a dramatic effect of increasing the value of the vacant property that's left. I know if I'm a landowner, you know, and I see $350 million out there, I'm going to hold out for the best price I can, which I think is going to raise the cost of real estate. And the net result is we're going to be able to buy less pieces of property with the $350 million if we authorize it.

And having said all of that, I don't necessarily object to the program. But when -- when and if it gets that far to go before the voters, I would like it stated very clearly on the ballot that there is a cost to this program, to the voters. And truthfully I don't see how we can continue this program at this level without raising taxes to pay for the debt. And I'd like the voters to know that and to know, you know, some kind of estimate of what it would cost them annually and let them make a conscious decision. And if our constituents, our voters want to go down that path and want to pay for it, you know, then I wouldn't object to it. But I think that's something that we have to give everybody all the facts. Thank you, Mr. Chairman.

CHAIRMAN MONTANO:
I had one or two questions but I'm going to hold them because we've had a pretty good dialogue. And is there anyone in the audience or anyone from the county departments or the County Exec's Office that would like to come forward and make a presentation on any of the issues that we're discussing? I'll ask it again. Ask it three times, right? Any other nominations, no?
Gail, then I did have one question and I think we can end on that. Going back to this issue of the pipeline debt, the $449 million, just to simplify it, we're authorizing this debt. It then stays -- the debt is authorized but it's not issued. It stays in that category until we decide that we're actually going to do this project. But at the end of a five year period based on the Crecca law, if we haven't taken any action, it goes off the list so it's no longer part of that $449 million; am I correct?

So the question I just want to know is that as we're -- as we're coming into the fifth year, we're dropping programs, deleting that authorization from the list. But on the other hand the Legislature continues to appropriate projects that we'd like to have done. So what I'm asking is what is the balance? I mean, are we authorizing much more than we're deleting at the tail end or are we in balance? Aside from the jail? I understand that you have some big projects that we're going to get to. But I just want to, you know, are we increasing this debt at an alarming rate? It's not debt. It's really -- it's really -- it's appropriated money. It's not a debt until we issue the bond; am I correct?

MS. VIZZINI:
Well, yes. Yes, there's no real expense until we bond --

CHAIRMAN MONTANO:
Right.

MS. VIZZINI:
-- for it. I'm going to defer to Robert on this but we're -- the general fund we're at 449. We just issued 62.5 million --

CHAIRMAN MONTANO:
This year?

MS. VIZZINI:
-- in May. So theoretically that 449 or most -- a good portion of it will drop by the 62. But then we're going to --

CHAIRMAN MONTANO:
Delete.

MS. VIZZINI:
We're going to authorize, you know, another 17 million for land acquisition. And We're going to, you know -- so the 449 will build up again.

CHAIRMAN MONTANO:
Right. But that's my question. As it's building up at the five year phase out period, we are dropping some projects. Are we dropping in equal proportion or are we authorizing much higher?

MR. LIPP:

The answer, is number one, the Crecca law actually took effect in 2002 --

CHAIRMAN MONTANO:
So we're in --

MR. LIPP:
-- so we're just at the -- 2002, so we're just starting the --

CHAIRMAN MONTANO:
Okay.

MR. LIPP:
-- five year period now.

CHAIRMAN MONTANO:
Right.

MR. LIPP:
So it's too soon to say.

CHAIRMAN MONTANO:
Okay.

MR. LIPP:
But what we have observed so far is that the amount of pipeline debt has been, you know, steadily increasing over the last several years.

CHAIRMAN MONTANO:
Right.

MR. LIPP:
It's possible that it could have an effect but it's too early to tell.

CHAIRMAN MONTANO:
Okay. Any other questions then?

LEG. D'AMARO:
Just one.

CHAIRMAN MONTANO:
Legislator D'Amaro.

LEG. D'AMARO:
Just yeah -- just very quickly. The Crecca law as the five year sunset provision, does that apply to projects that are being carried so that we can -- we're showing local support to secure other aid?

P.O. LINDSAY:
Sure.

LEG. D'AMARO:
It does, it does. Okay.

MS. VIZZINI:
Oh, well, no it's a little bit different. In those college projects for example, specifically the ones that they've asked we put in this program.

LEG. D'AMARO:
Right.

MS. VIZZINI:
There hasn't been a resolution yet to appropriate the monies.

LEG. D'AMARO:
No, I understand that.

MS. VIZZINI:
So the authorized unissued, those are ones -- you've already done a resolution.

CHAIRMAN MONTANO:
Right.

MS. VIZZINI:
You've authorized moving forward on this project with the companion bonding resolution.

LEG. D'AMARO:
We appropriated you mean.

MS. VIZZINI:
Yeah, you appropriated the monies from the capital and authorized a bond.

LEG. D'AMARO:
Right, but I wasn't referring specifically to those. I'm just saying as a general principal, if we have not appropriated five years goes by, it drops out even if it needs to remain in the budget?

MS. VIZZINI:
No. You have to -- the authorized unissued is those -- the pile of appropriated and bonding resolutions. It's not something that's just in the capital program.

LEG. D'AMARO:
I'm not following you.

MS. VIZZINI:
Okay. In order to qualify for authorized, unissued, there has to have been a resolution.

P.O. LINDSAY:
It has to be appropriated.

LEG. D'AMARO:
And authorized. What I call appropriated.

P.O. LINDSAY:
Not the budget. That's the thing.

LEG. D'AMARO:
Not the budget.

P.O. LINDSAY:
It's just planning.

LEG. D'AMARO:
Right.

MS. VIZZINI:
Yeah, the budget is step one.

LEG. D'AMARO:
So the only thing that gets dropped out of the budget under that sunset law is the projects where there's been no authorized resolution -- authorizing resolution or what I call appropriated.

MS. VIZZINI:
The Crecca law has nothing to do with the budget.

LEG. D'AMARO:
Oh.

MS. VIZZINI:
The capital program.

LEG. D'AMARO:
Okay.

MS. VIZZINI:
What it has to do with, somewhere probably in the Comptroller's Office is a pile of resolutions. This is not true but I'm just trying to help you understand the concept.

LEG. D'AMARO:
Right.

MS. VIZZINI:
It's Carmine. But that -- they total $449 million. When five years passes, that pile will get reduced.

P.O. LINDSAY:
Mr. Chairman, if I might just add.

CHAIRMAN MONTANO:
Go ahead.

P.O. LINDSAY:
I don't know whether you -- the budget that we do, the capital budget is strictly a planning document. It has nothing to do with the numbers she's talking about. When it gets put in the budget, and like we're, you know, we're considering projects to put in for '08, next year there will have to be an appropriating resolution to make those projects active. Just being in the budget is just a first step. It's a planning document; has no fiscal impact yet. When you appropriate the money, then it becomes a fiscal impact and that's the number she's talking about. We have appropriated $449 million worth of land acquisition, construction projects, maintenance projects, equipment authorizations that are sitting there. And again, even at that stage there's no assurance although the money's appropriated, project die on the vine all the time; that just don't get done for whatever reason.

LEG. D'AMARO:
So if we've appropriated it does not get affected or does not sunset even if it just -- the project does not go forward?

CHAIRMAN MONTANO:
It does.

P.O. LINDSAY:

No, five years. Five years it does.

LEG. D'AMARO:
Okay, so the sunset law is based on actual activity within the project itself?

MS. VIZZINI:
Yes. And that's part --

CHAIRMAN LINDSAY:
It's based on appropriated projects.

CHAIRMAN MONTANO:
Right.

LEG. D'AMARO:
Appropriated projects, so I got it. Thank you. So, who determines whether or not there's been movement in those projects?

MS. VIZZINI:
Well, the Budget Office. You can -- and also there's a shared financial database where we can see what has been expended.

LEG. D'AMARO:
Okay. All right.

MS. VIZZINI:
And since most of them are Public Works projects, they have an ongoing method of reviewing not only the five year limitations but also projects that may have some cash or authorization left over that they'll close out.

LEG. D'AMARO:
Would they sunset even if the bonds were actually issued but there was no activity for that five year period?

MS. VIZZINI:
The way the law reads is there has to be an expenditure. So, yes, if you -- but they wouldn't -- we wouldn't bond unless we were going to bid.

LEG. D'AMARO:
Right.

MS. VIZZINI:
So if we were going to bid --

LEG. D'AMARO:
So it's moving.

MS. VIZZINI:
-- there's a contractor looking for that job.

LEG. D'AMARO:
Right, okay.

MS. VIZZINI:
So that is not a likely scenario.

LEG. D'AMARO:
How many projects -- is this the first year it's being applied? Was it applied in this projected budget?

MS. VIZZINI:
Well, if Robert's accurate that it was 2002 so it will -- it's 2007, right, would be five years exactly. So we'll hopefully see the closeout resolution in 2008 or a request to extend authorization.

LEG. D'AMARO:
Right.

MS. VIZZINI:
You know, and it may or may not be telling in terms of our ability to progress some of these projects.

LEG. D'AMARO:
The reason why I'm asking is what Legislature Montano is asking, I guess, based on the sunset law, the Crecca law, how much has the 449 come down? We don't know yet.

CHAIRMAN MONTANO:
We're not there yet.

LEG. D'AMARO:
Okay, I got it.

MS. VIZZINI:
Yeah, we're not there yet though, yeah, right. The irony, too, is the front cover is the go-to projector, which has been in the capital program since 1992. Lance Mallamo was here yesterday commenting and --

CHAIRMAN MONTANO:
Gail?

MS. VIZZINI:
If I may, one of the reasons it's on, I didn't know if all you knew what it was.

CHAIRMAN MONTANO:
If I may, Gail, I just -- with respect to this pipeline debt, I think sometimes we're looking at appropriating in the same context of as issuing or moving forward on the project. And they're really two different concepts. And that's why if it's just appropriated, it's not an expenditure. It's on a list of something to be spent in the future or within a five year period.

The other component of this was -- and Legislator D'Amaro asked a question -- I'm not sure I got the full answer -- he said who controls that? It's my understanding that once it leaves the Legislature as appropriated, it becomes an Executive function to carry through the project. So the five year period that we're talking about before it sunsets would be -- the factors there are that it's in the Executive Department. Sometimes the project's not ready to go; sometimes it takes years to get the bid out; and sometimes a policy decision is made that we don't necessarily want to move on this project at this time. And, you know, and after the five years it gets knocked out.

It's basically in a nutshell how the process works. All right. And just to reemphasize this 444 million is simply our request or our appropriating monies for a project that may -- and I say may take place. And we don't have to deal with debt service until we start that project and we actually start spending money to see this project through its completion.

MS. VIZZINI:
You don't deal with the debt service until the borrowing actually occurs.

CHAIRMAN MONTANO:
We get the money from whomever we're borrowing it from.

MS. VIZZINI:
Yes.

CHAIRMAN MONTANO:
Is that correct?

MS. VIZZINI:
Yes.

CHAIRMAN MONTANO:
Okay. Any other questions? I want to thank you for the presentation, very enlightening. No further questions? I'll take a motion to adjourn.

LEG. STERN:
Motion.

CHAIRMAN MONTANO:
So moved. Thank you very much.

(*THE MEETING WAS CONCLUDED AT 10:38 A.M.*)

{ } DENOTES BEING SPELLED PHONETICALLY