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, November 25, 2008.

Members Present:
Legislator DuWayne Gregory - Chairman
Legislator Lou D'Amaro - Vice-Chair
Legislator Thomas Barraga
Legislator Edward Romaine
Legislator Brian Beedenbender
Legislator Kate Browning

Member Not Present:
Legislator John Kennedy

Also In Attendance:
George Nolan - Counsel to the Legislature
Maxvel Rose - Aide to Legislator Gregory
Barbara LoMoriello - Deputy Clerk of the Legislature
Gail Vizzini - Director/Budget Review Office
Linda Bay - Aide to Minority Caucus
Ben Zwirn - Deputy County Executive
Allen Kovesdy - Deputy Director/County Executive's Budget Office
Angie Carpenter - Suffolk County Treasurer
Doug Sutherland - Chief Deputy SC Treasurer
Debra Alloncius - AME
All Other Interested Parties

Minutes Taken By:
Donna Catalano - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 10:11 A.M.*)

CHAIRMAN GREGORY:
Good morning, everyone. We're going to start the Budget and Finance Committee Meeting with the Pledge of Allegiance led by Legislator Romaine.

SALUTATION

CHAIRMAN GREGORY:
Okay. Good morning. We have an excused absence by Legislator Kennedy, but other than that, we have everyone here. I'm just going to ask -- we're going to have a presentation by our Treasurer this morning. I'm just going to ask her to come forward before we go into the agenda.

MS. CARPENTER:
Good morning.

CHAIRMAN GREGORY:
Good morning.

MS. CARPENTER:
Thank you for the invitation. Bear with me, I forgot my glasses.
Legislator Gregory, thank you for the invite to review our investment policy. I know that -- well, I'm sure that you guys all have copies of resolution that is adopted or was adopted outlining the County's investment policy. It certainly calls for strict adherence to SLY, Safety, Liquidity and Yield. And given recent economic turmoil and the state of the economy not just here in the County or State, but certainly across the nation, safety seems to be the overriding consideration.

Our policy is more restrictive than that provided by the New York State Comptroller's Office. Some allowable investments in our policy may not be advisable at this time. New purchase agreements are permissible, and that would be an example, but the lack of stability in the underlying securities would make it something that would not be a prudent investment. CDs are allowable, of course, and we do have some money in CDs, but a favorable rate of return means committing to longer terms; two to three years, then liquidity becomes a concern.

Currently, it's not in our policy for reinvestment in municipal agency bonds; school district, cities, etcetera. Liquidity may also be compromised with this type of investment. However, I have been in discussion with the County's financial advisor exploring some of these other options that may give us a better yield. We review our interest rates on all accounts. That is done ongoing. And we transfer accounts around as necessary to maximize the rate of return.

Recently, we moved a Money Market that was earning one and three quarters to another bank that was able to offer 2.9% on a balance of 4 3.4 million. And presently we have accounts with 11 financial institutions. In the current financial environment, some of the larger banks; Citibank, Chase, no surprise, have been under financial distress. This has not positioned them to be able to offer the best rates. Some of the smaller banks have had stricter credit underwriting standards and are weathering the financial storm a little bit better and have been able to be more competitive, still providing the needed service. But again, with some of the smaller banks, they're not in a position to collateralize the larger amounts.

So, for example, Suffolk County National, you know, at one point a number of months ago, was offering us a pretty decent rate. And I said, "You know, I'll give you all I can. You know, what can you take? What can you collateralize?" And he had a cap of about 15 to 20 million. So that is the one problem with the smaller -- smaller banks. And it kind of explains why the requests come in periodically from the Treasurer's Office to amend the depository resolution to add some of the smaller banks. I think we did it twice -- two or three times this year. In fact, the bank that we were able to get the 2.9% with was one of the newer banks that was added.

The other thing I would request perhaps of this committee, if you could explore perhaps a Home Rule Message or a Sense, I know we don't do Sense Resolutions any longer, but to try to push the State to allow us to invest in credit unions, because with their stricter guidelines for loans and all, they are offering some pretty competitive rates. But we are not permitted to invest in credit unions. And, you know, the only ones we can invest in are commercial banks, so that might be something you might want to consider. I know I have talked to some of the members of the State Senate Delegation about it, but, of course, there's a banking lobby that's going to fight, you know, to prevent that from happening because they want to keep their share of the pie as big as they can without letting someone else in. But in this environment, I think the more opportunities that we have to invest, then the more, you know, competitive it makes the market and better ultimately for the taxpayers.

The fund -- the Fed fund rate now at 1%, and the latest discounted T-bill at .15. However, we have still been able to maintain an average interest rate of about 2%. We're in constant negotiations with the banks. And because of the longstanding relationship with Suffolk County, there has been great cooperation, you know, from them in offering us competitive routes.

Being ever mindful of the turbulent financial environment, we constantly take measures to protect the County's investments. We visit the bank rating agencies, not physically, but online. We review the reports and analysis of the institutions that we deal with ; their financial conditions. They're constantly going to bankrate.com, and that gives you a very good overview of the stability of the institution. We scrutinize the pledge securities to ensure compliance with the collateral agreements, the third-party collateral agreements.

We've been approached by a number of institutions that are trying to move towards a secured letter of credit that would be backed up by the Federal Home Loan Bank. And by going this route instead of the traditional third-party custodian collateral agreements that we have now, it's less costly to them. It's easier for them, they want to do it. I've been very reticent to go that route. And I've said to them point blank, well, if it's less costly for you to do that, that's all well and good, but you're going to have to translate that into better earnings for us to, you know, go that way. And we would also most likely have to change our investment policy to allow for that.

So we've been researching that with New York State GFOA, the Government Finance Offices Association, to see what research they've done on that and have talked to -- or, you know, we're contacting other municipalities that may have gone along with that secured letter of credit.

I had our chief accountant prepare some numbers, and I actually was reviewing it last evening. The interest earnings, unfortunately, have diminished greatly from a high in December of 2007 of 24 million. Last October, we were at 21 million. And this October, we are at 11.6 million. And that is with being extraordinarily aggressive with the banks. But the numbers just aren't there. And you can't get blood from a stone, as they say.

In our tenure in the Department of Finances and Taxation, the County Treasurer has to sign off on any departmental accounts. And even at that level, we have rejected requests for bank accounts to be opened that don't earn any interest. And I've sent them back. And initially we contacted some of the -- you know, the municipal contacts that we have in the bank, because when a department goes to a local bank, they're going to go to one that's convenient to either Hauppauge or Yaphank or Riverhead, wherever they're located. They're going to go into the local branch to open their account. And the branch manager, whoever they deal with, doesn't necessarily deal with the municipal side of the bank. So when those requests were coming in with zero percent interest and fees, I contacted our representatives and asked them to, you know -- I said, listen, you know, you guys have a tremendous amount of the County's investment, and whether it's a small departmental account or, you know, $100 million, you need to give interest and not charge fees. So they have all backed down on that.

So any of the departments that have accounts now are getting some modest interest. The departmental interest for this year, that too, took a substantial hit. You know, last year it was -- and again, these are very, very small balances for the most part. But last October, we had nearly $300,000 in interest in departmental accounts, and this year, we're to date at $130,000.

On the revenue side, property taxes, there has been an increase in the General Fund warrant and an increase in cash collections, but the delinquent tax receivables have gone up. And as I've told a number of you, the courtesy letters that the department sends out every November, in 2006, we sent out 13,000; in 2007, we sent out 15,500; but this year, 17,500 courtesy letters went out. And the courtesy letters basically are telling the taxpayers they've missed their January payment, they have missed their November -- their May payment, their May 31st payment, and if they don't pay, and the amount is clearly, you know, set out for them, this year what I did do was prepare a separate insert because there wasn't room on the courtesy letter to go into it, but we prepared a separate little insert that tells the taxpayer that they can make partial payments, because to this day, there are many that are not aware of the fact that they can make partial payments. So I feel that, you know, whatever we get in is better than having them ignore, you know, the entire amount. I made copies of some of these figures for you. You may want to have it just to reference.

The other revenue that is interesting is the fund, the aid that comes in from the Feds and the State. And the total amount in 2007 was 245. In October we had received 245 million. In October of 2008, we're only at 226 million. So we are behind by about 18.9 million in collections on the revenues. They are just holding on to it longer and longer. The sales tax revenue is still up at 1.48%, but I believe down from what has been projected.

The OTB revenues are down 8.6% and -- for a change of 184,000. And to date, October of 2008, we have 1.9 million from OTB. And the one increase is the hotel-motel tax revenue, albeit modest, it's an increase of $69,000 over 2007 or 4.92%. But again, we've tried to be very aggressive in making sure that every hotel and motel that is in Suffolk County gets registered and pays their fair share. And that's an area of revenue that I would suggest we might want to look at increasing. I know you need State authorization to do it, but we are only at three-quarters of 1% in the Hotel-Motel Tax, and that is so far below anywhere. We are lowest, I believe, in the State that collects Hotel-Motel Tax.

And I know when I was in the Legislature, we went from one-half to three-quarter, and there was, you know, as a bit of dialog about it, but for the most part, I think when people go into a hotel or a motel to rent a room, if the Hotel-Motel Tax is three-quarters of 1% or it's 2%, they are not going to say, hey, wait a minute, the tax is 2%, I'm not renting the room. You know. Other parts of the State, you know, Binghamton, we were in Binghamton for a wedding, and I believe it was a good deal higher. So, you know, I say that -- again, the total amount collected was one and a half million, but, you know, you double that, it's appreciable. So with that, I will entertain any questions that anyone may have. Yes.

CHAIRMAN GREGORY:
I just wanted to thank you for coming and presenting some sobering news, but important information that we all should be aware of. I'm just going to have Legislator Romaine, he has a question.

LEG. ROMAINE:
Actually two very quick questions. Angie, currently we're not allowed to invest County's monies into credit unions such as The Teachers Federal Credit Union, the Bethpage Federal Credit Union, The Suffolk County Credit Union; is that correct?

MS. CARPENTER:
Correct. We're not permitted to do that.

LEG. ROMAINE:
Okay. Let me ask you this. Do these credit unions on average tend to pay a higher interest, a higher interest yield -- would they tend to pay a higher interest yield than we're currently getting?

MS. CARPENTER:
Well, because we're permitted, I have not really approached them, but just, you know, anecdotally looking at the newspapers, you see the advertisements all the time for the rates that they're offering. And generally, they seem to be higher. And the safety, you know, factor --

LEG. ROMAINE:
And prohibition is a question of State Legislation?

MS. CARPENTER:
Yes.

LEG. ROMAINE:
So the State is not allowing us to invest our monies in credit unions.

MS. CARPENTER:
Correct. And it's not --

LEG. ROMAINE:
That tend to have a higher stability.

MS. CARPENTER:
I don't want to say it's unique. It's not unique to New York, there are other states that don't permit it, but the vast majority of states do permit it.

LEG. ROMAINE:
But credit unions tend to have -- tend to be more financially stable than some of our larger banks like Citibank or Wells Fargo or Chase or WaMu, Washington Mutual.

MS. CARPENTER:
And again -- well, WaMu is a mutual, we can only invest in commercial.

LEG. ROMAINE:
Right.

MS. CARPENTER:
But as long as they have to -- you know, we still have same criteria that the investments are backed up by 100% collateral. So, you know, your safety is not really compromised then.

LEG. ROMAINE:
Right. Let me ask one last question. Hotel-Motel Tax, I go to rent a room, I'm not only getting hit with a Hotel-Motel Tax, I'm getting hit with sales tax; is that correct?

MS. CARPENTER:
Correct.

LEG. ROMAINE:
Sales tax right now is 8.625?

MS. CARPENTER:
Uh-huh.

LEG. ROMAINE:
And our Hotel-Motel Tax is what?

MS. CARPENTER:
Three-quarters of 1%.

LEG. ROMAINE:
Three-quarters of 1%. So that puts it well over 9%. And you're advocating that as a potential source of revenue we take that up closer to 10 or 11% of the total cost of renting a room.

MS. CARPENTER:
Well, if I were sitting in the Legislature, I certainly -- and especially if I was in your Legislative District, this would be very tough, because the vast majority of --

LEG. ROMAINE:
That's why I'm asking the question.

MS. CARPENTER:
Right. I know that.

LEG. ROMAINE:
I'm all district oriented.

MS. CARPENTER:
But I would say that if you doubled it to one and a half percent, you would still be under 10%, and that to me would be the threshold. You are still, you know, far -- and Nassau County, 3% -- is 3%.

LEG. ROMAINE:
Thank you very much.

MS. CARPENTER:
You are welcome.

CHAIRMAN GREGORY:
Legislator Barraga.

LEG. BARRAGA:
Good morning. I would concur with you on that. I guess I'm on a different wave length than Mr. Romaine with reference to that Hotel-Motel Tax. I mean, you know, it's three-quarters of a percent. I mean, New York City is 18%, and I'm sure they have a sales tax on top of that. I mean, you could go to four or 5% for a Hotel-Motel Tax in Suffolk County, I don't think that deters tourism at all.

MS. CARPENTER:
No.

LEG. BARRAGA:
And I think it's an excellent revenue source.

MS. CARPENTER:
Pennsylvania, I believe, is 6%, six, six and a half percent.

LEG. BARRAGA:
I mean, I think if we took that from three-quarters to four or five percent, I don't really think that they have a negative affect in terms of people going out to Montauk or to the East End. A lot of those people come from New York City, and they're already used to paying -- when they stay at a hotel in the City, that kind of 18% plus sales tax. So I think that's something that we -- you know,

when revenues are so daunting right now in terms of the economic circumstances we face, that's an area I think we really should take a look at.

Let me, just for my own clarification. Obviously banks treat municipalities a lot of different than they treat regular retail customers going in. For example, you talked about the lack of liquidity as it pertains to Certificates of Deposit. Right now, if I were to walk into a bank, I probably can get four and a quarter on a CD for 60 months, all right? And there are certain promotions --

MS. CARPENTER:
It's 5% at Astoria.

LEG. BARRAGA:
Even better than that. But I take it because you churn your money, is that the idea? Because banks take -- you have millions to offer banks, but is it for short term always or are you leaving it in there for six months, nine months, three month?

MS. CARPENTER:
We are leaving it in for probably around six months is the maximum. And, you know, again, I tend to be conservative. I don't want to be put in a position where we have to break a CD because we need the revenue and it's not available.

LEG. BARRAGA:
What happens in the circumstance, say the County has $20 million to invest in the Barraga Bank and Money Markets are running like, you know, three, three and a quarter, three and a half percent, you don't get that? You were talking about, like, 2%. They wouldn't give you the three and a quarter if you basically left the money in there for six months?

MS. CARPENTER:
Well, I don't know that any -- you said Money Market. You meant CD.

LEG. BARRAGA:
No. A CD, you don't have liquidity, so forget the CD.

MS. CARPENTER:
Right. Okay.

LEG. BARRAGA:
But a Money Market, you know, you're able to move that money around.

MS. CARPENTER:
Right. The Money Market that we just did was 2.9, and that was higher than most are. And I don't know that even on a consumer's side that they're offering much more than that for money markets.

LEG. BARRAGA:
So you're competitive when it comes to money markets, I guess is the point I'm making.

MS. CARPENTER:
Yeah.

LEG. BARRAGA:
Now, there's certain things called, like, liquid CDs, for example. They usually run, you know, every three months, but you're allowed to go in and withdraw money --

MS. CARPENTER:
We have some.

LEG. BARRAGA:
-- then you have to wait six or seven days before you can do anything. Do you have some of those?

MS. CARPENTER:
Very limited, yeah. You can only draw out --

LEG. BARRAGA:
Now, are your competitive rates compared to the average consumer or the average person walking in with, say, ten, 15,000? If you walk in with, say, 15 or 20 million, are you getting those rates?

MS. CARPENTER:
We are.

LEG. BARRAGA:
You are.

MS. CARPENTER:
We are. But again, you know, there's just -- most of them are tied to the T-bill rate. So every time they announce, you know -- to the Fed Fund Rate, every time they announced they were lowering the Fed Fund, I'm like -- you know, my heart would stop.

LEG. BARRAGA:
But on a liquid CD, that really doesn't affect you, because the rate is locked at least for three months.

MS. CARPENTER:
Right.

LEG. BARRAGA:
Okay. Thank you.

MS. CARPENTER:
But we do a lot of shopping around, you know. And the people in the Cash Management Unit are like -- I think they're better with the County's money then they are with their own. I know I personally am. And they are very much -- you know, it's a pain in the neck to -- you know, what it is to move an account, you know, to get all the papers and the cards signed and everything. There's never a hesitation. There's never, well, you know, it's not that much and, you know, do we really need to do that. They are very aggressive along with us.

LEG. BARRAGA:
But when you invest, like, 15 or 20 million in a bank, especially a smaller bank, what do they have to show to prove that, you know, you're not going to lose your money, I mean, the collateralization aspect?

MS. CARPENTER:
Well, it's a third-party collateral, it's a custodian agreement, that's backed up 100% by securities. They pay a fee to insure it. And, you know, there's a big document and all of this has to be signed and everything, again, you know, along with the complexity of opening and closing accounts. But, you know, it is as safe as can be.

LEG. BARRAGA:
Because I know some major companies like AIG, for example, have had some problems with reference to insuring these so-called accounts and then finding that there just -- I guess the hope was these toxic assets would never fail this way they would never have to come forward and pay up.

MS. CARPENTER:

I think that's why you're seeing some of the banks wanting to go to that secured letter of credit, because with their being less availability of that, their cost to insure has probably gone up. So they're looking to cut their expenses and go with this, you know, line of credit or letter of credit that's secured by the Federal Home Loan Bank. And again, as I said earlier, we're exploring, and you know, I'm willing to work with them if it's -- you know, if it is deemed to be as safe and it's costing them less, than I would expect that, you know, we would share in the reward of them having less expenses, that we'd have a greater rate of return.

LEG. BARRAGA:
As much as you possibly can feel that anything you've invested as Treasurer is pretty well collateralized and secure and safe.

MS. CARPENTER:
Absolutely. Absolutely.

LEG. BARRAGA:
All right. Thank you.

CHAIRMAN GREGORY:
Just one figure that you threw out, I just wanted to make sure I understood it correctly. You said pretty much that we have a little bit over or about approximately a 50% decrease in interest earnings from last year to this year?

MS. CARPENTER:
Unfortunately, yes.

CHAIRMAN GREGORY:
Okay. Do you have an idea of what our net --

MS. CARPENTER:
It went 21,546,000 to date. End of October, we are at 11 million 635, which is still higher than it was in 2006, I might add.

CHAIRMAN GREGORY:
Okay. Do you have a calculation as too our net loss and holdings from I guess, the year to date? I guess -- I know as a municipality we invest in conservative investments. Is it the interest earnings that are the major?

MS. CARPENTER:
That's our major investment.

CHAIRMAN GREGORY:
Okay. Okay. Well, thank you. Thank you for coming.

MS. CARPENTER:
You're very welcome.

CHAIRMAN GREGORY:
This is very important information. I think that the taxpayers should be aware of that as well and that they're interested in given the economic crisis or climate that we are in. Hopefully, we'll see better days not too far -- not too far in the future.

MS. CARPENTER:
I hope so. As they say, from your lips to God's ears.

CHAIRMAN GREGORY:

Yes. We thank you for all the work that you have done and that your staff has done on behalf of the County's residents.

MS. CARPENTER:
Thank you. And, you know, we have been trying very hard to get information out to the public too, as I said, with that partial payment. And if you in your newsletters could mention that, that would be very helpful. You know, I know we have a series of brochures that we've developed to let people know that there are exemptions out there, there are -- they should be reviewing their assessments. Don't take it for granted that your property tax assessment is correct. Make sure that if you're being, you know, assessed for two bathrooms that you have two bathrooms and it wasn't from -- you know, or a swimming pool that was there from the previous owner and you don't have that pool any longer. So we just encourage people to make sure their information is current. Thank you very much.

CHAIRMAN GREGORY:
Okay. All right. Thank you. Have a good day. We don't have any cards, but is there anyone in the audience that would like to make a comment? No? Okay. I'm going to go through the agenda.

We have **1603. Repealing home energy nuisance taxes on Suffolk County residents (ALDEN).**

I have a motion to table, seconded by Legislator Beedenbender. All in favor? Opposed?

LEG. ROMAINE:
Opposed.

CHAIRMAN GREGORY:
Abstentions? We have one opposed. **TABLED (VOTE:5-1-0-1 - Opposed; Legis Romaine - Not present; Legis. Kennedy).**

IR 1604. Establishing a program to reduce unfair home energy nuisance taxes on Suffolk County residents (ALDEN).

LEG. D'AMARO:
Motion to table.

CHAIRMAN GREGORY:
Motion to table by Legislator D'Amaro, seconded by myself. All in favor? Opposed?

LEG. ROMAINE:
Opposed.

CHAIRMAN GREGORY:
Abstentions? **TABLED (VOTE:5-1-0-1 - Opposed; Legis Romaine - Not present; Legis. Kennedy).**

1749. Adopting a Local Law, a Charter Law to cap County fee increases (SCHNEIDERMAN).

LEG. D'AMARO:
Motion to table for public hearing.

CHAIRMAN GREGORY:
Motion by Legislator D'Amaro to table for a public hearing, seconded by Legislator Beedenbender. All in favor? Opposed? Abstentions? **TABLED (VOTE: 6-0-0-1 - Not present; Legis. Kennedy)**.

1808. Amending the 2008 Operating Budget and the 2008 Capital Budget and Program and appropriating funds for the installation of public bike racks associated with energy conservation at various County facilities (ROMAINE).

Motion to table. Do I have a second?

LEG. D'AMARO:
Second.

CHAIRMAN GREGORY:
Seconded by Legislator D'Amaro. All in favor? Opposed?

LEG. ROMAINE:
Opposed.

CHAIRMAN GREGORY:
Abstentions? **TABLED (VOTE:5-1-0-1 - Opposed; Legis Romaine - Not present; Legis. Kennedy).**

IR 1984. To Readjust, compromise and grant refunds and charge-backs on real property correction of errors by: County Legislature (COUNTY EXEC).

I make a motion to approve.

LEG. D'AMARO:
Second.

CHAIRMAN GREGORY:
Seconded by Legislator D'Amaro and to put on the Consent Calendar. All in favor? Opposed? Abstentions? **APPROVED** and placed on the **CONSENT CALENDAR (VOTE:5-0-0-1 - Not present; Legis. Kennedy)**.

1985. To Readjust, compromise and grant refunds and charge-backs on real property correction of errors by: County Legislature no. 306 (COUNTY EXEC).

CHAIRMAN GREGORY:
Motion to approve and place on the Consent Calendar, seconded by Legislator D'Amaro. All in favor? Opposed? Abstentions? **APPROVED** and placed on the **CONSENT CALENDAR (VOTE:5-0-0-1 - Not present; Legis. Kennedy)**.

IR 2007. Resolution of the County of Suffolk, New York, delagating to the County Comptroller the authority to issue and sell bonds and notes fort he Fiscal Years 2009, 2010 and 2011 in accordance with the provisions of the Local Finance Law (COUNTY EXEC).

LEG. D'AMARO:
Motion to approve.

CHAIRMAN GREGORY:
Motion to approve by Legislator D'Amaro.

LEG. BARRAGA:
Second.

CHAIRMAN GREGORY:
Seconded by Legislator Barraga.

MS. VIZZINI:
Mr. Chairman.

CHAIRMAN GREGORY:
Yes, Gail.

MS. VIZZINI:
Just to place on the record, I just want to caution you. Although in light of our budget concerns and our fiscal circumstances in the economy, it would be prudent to move ahead on this particular resolution at this time. The issue of going back to what we call the 50% Rule, which is a more conservative way of borrowing, versus what this resolution allows us to do, which is work within the framework of the Finance Law and use the level debt service. It's something that Budget Review has discussed in our operating review and our Capital Program.

The short of it is the level debt, which is what this allows the Comptroller to do, is more effective in the upfront years, but in the long run, after 20 years, it costs the County more than when compared with the 50% Rule. So it is Budget Review's hope that once the economy and the budget situation resume some more robust revenue sources, that the Legislature will consider going back to the 50% Rule.

CHAIRMAN GREGORY:
Okay. Thank you. We have a motion and a second. All in favor? Before I go, does anyone have any questions? Yes, Legislator Romaine.

LEG. ROMAINE:
Thank you, Mr. Chairman. Just explain -- I'm going to ask you if I can, Ms. Vizzini, if you would explain what the 50% Rule and what that means and how this resolution changes that, because what you said to me is troubling. We're so focused on our problems today, it would seem like we're going to forget about the problems that we're going to create for tomorrow.

And part of reasons we're in the problems today is because those people making people years ago weren't focused in on some of the problems that we are now confronting that have come to fruition. So before I vote for this, I'd like to know a little bit about the 50% Rule and how we're abandoning this. Is this -- is this type of resolution -- when I say type, are we abandoning that 50% Rule in this resolution that have been in past resolutions of this type.

MS. VIZZINI:
The 50% Rule is the monthly payments. The difference between the monthly payments, the first and the last is no more than 50%. So upfront, you're paying back a little bit more than the level debt, which is more like the conventional mortgage payment where the payment is --

LEG. ROMAINE:
Loaded towards the end.

MS. VIZZINI:
It can be.

LEG. ROMAINE:
It's all interest -- all the payments in the front are interest and you're not getting to principle to the end. And is that essentially what this would be doing?

MS. VIZZINI:
Well, this is not new. When we did the major refunding in 2004-2005, the Comptroller sought the concurrence of the Executive and the Legislature to provide some relief in the Operating Budget to do what is totally permissible under Finance law, is to, you know, go to the level debt. What level

debt also does is instead of being able to package things that have a useful life of, you know, closer to five years or closer to ten years, things are weighted. So much of what we are borrowing now is packaged over a 20 year period.

LEG. ROMAINE:
Does it have a commensurate useful life of 20 years on the average? Because it's useful life that usually determines the length of the debt.

MR. LIPP:
What we do now with the level debt bond issuing, which is -- which is clearly legal, is we take a weighted average maturity of all the bonds that we're -- so for instance, it could be like 40 years for land, 20 to 30 years for buildings, five years for planning, and we take a weighted average weighted by the amounts of dollars that we want to borrow. And if that comes out to be over 20 years, which typically it does, we borrow for 20 years among other things.

Therefore, planning monies for a capital project, which are typically going to be borrowed under the quote 50% Rule for five years, now they're borrowed for 20 years packaged with perhaps 20 other capital projects. We save money in the short run. Just like with a mortgage, it costs us more in the long run. And as you do it each year, it gets more and more of a problem. We actually --

LEG. ROMAINE:
And we started this in 2004?

MR. LIPP:
Roughly speaking I believe. I'm not exactly sure of the date, maybe 2005, I'm not sure. And, you know, it's a concurrence between the Comptroller, the Legislature and the Executive. We've always, you know, tried to tell the Legislature that, A, it's a policy issue, but, B, you're getting short run savings for long run costs. So it structurally raises the budget in the long term. It's an easy thing to do, but we have gotten away from our 50% Rule policy that we always used to do.

LEG. ROMAINE:
Let me ask you this. Oftentimes -- later today, when Mr. Beedenbender Chairs the Public Works Committee, there may be bonding issues that I'll have to be voting on, and they talk about the cost of interest, it's explained usually or we do research and we find out what the cost of interest is. Is that cost reflected based on this resolution, or is that reflected based on the 50% Rule?

MR. LIPP:
Well, the cost of interest is implicit in the fiscal impact statements. And that estimate is only as good as the fiscal impact statement is. There seems to be a slight disconnect with a lot of the fiscal impact statements, I guess, because of the past history that has often -- will show bond issues or -- you know, in the fiscal impact statement, we, the County, per se. That will be, say, five years for planning or maybe 30 years probably --

LEG. ROMAINE:
You know what I'm getting at.

MR. LIPP:
But really we should see them all at 20 years.

LEG. ROMAINE:
Right. Because the fiscal impact statements then are incorrect, because your fiscal impact statements, which seem to be based, let's say for a project that has a five year useful life, based on -- and we've suspended the 5-25-5 Rule, so that doesn't even matter any more. But based on -- it's based on a five year useful life. And what you're telling me now is you're using a weighted average. And really every fiscal impact statement should be reflecting, so we know the cost of the interest we're about to pay -- I mean, I'd be less reluctant to -- I'd be far more reluctant -- excuse me -- to

vote for some of the things when I understand there's a higher interest cost because the average weighted interest cost now is 20 years and the project has a five year useful life.

MR. LIPP:
The fiscal impact statement for bonds are County Executive resolutions, they're not -- they're not the Legislature's resolutions.

LEG. ROMAINE:
And who prepares those fiscal impact statements?

MR. LIPP:
It's the Executive, because it's a County Executive resolution.

LEG. ROMAINE:
I'll have a resolution probably tomorrow or certainly thereafter directing that Budget Review review every fiscal impact statement of the Executive, because -- because what you are telling me is that fiscal impact statement is reflecting the useful life of that specific thing, when that, in fact, isn't the case, that's it's an average weighted useful life of 20 years. And therefore, you're going to be paying a great deal more in interest.

MR. LIPP:
We're just trying to advise the Legislature that there is a policy issue here in adopting this resolution, which is fine if you want to do it. Just understand that short term savings, long term cost.

LEG. ROMAINE:
Legislator Barraga is probably going to have an ally in looking at some of these bonding resolutions. Thank you.

CHAIRMAN GREGORY:
Thank you. Ben, would you like to make a comment?

MR. ZWIRN:
Yeah. What I would like to see, you know, is Budget Review do an analysis of how much more it's going to cost on an annual basis with the 50% Rule up front, seeing as one of these projects is for 20 years.

MR. LIPP:
We have that done --

MR. ZWIRN:
Well, it's good to see.

MR. LIPP:
-- in the Operating Budget Review and we have that done in the Capital Budget review.

MR. ZWIRN:
Then what is it? On an annual basis, how much more would it cost in a year?

MR. LIPP:
We have on Page 124 of the Operating Budget review an actual analysis.

MR. ZWIRN:
What would it be next year based on the Capital Budget if we did it, the 50% Rule as opposed to level debt?

MR. LIPP:
First, let me make it clear. We said they're short term savings versus long term costs.

MR. ZWIRN:
I'm asking a question. I know what you said. I'm just curious. I think everybody would like to know how much the taxpayers would have to pay in one -- next year if you did it the way you suggest.

LEG. ROMAINE:
And then over 20 years.

MR. ZWIRN:
That's right. Some of these projects have a 20 year life. And the reason that they're bonded over 20 years is that people move and people who are going to benefit from these projects who are here -- who are not even living here yet and will get the benefit of it, get the opportunity to pay for some of it. That's some of the thought behind it.

When you have a road project that's going to last 20 or 30 years, you don't pay for it all upfront because you spread it out over a period of time. When you buy a house, generally it's a mortgage. But your level debt which has been recognized by most of your towns -- as a Town Supervisor, everything was level debt. We didn't front load it, because it's very expensive upfront. And people who were paying- - and I'd like to see the numbers. I mean, I'd be curious. If the numbers are the same, then maybe that's a better way to go. But if the numbers are dramatically more expensive in a particular year, I think the taxpayers would like to know that as well.

CHAIRMAN GREGORY:
But in all fairness to BRO, I'm sure you know what the numbers. If you didn't know, you wouldn't recommend this course of action.

MR. ZWIRN:
But I think everybody would like to know and not keep it a secret.

CHAIRMAN GREGORY:
All right. Gail.

MS. VIZZINI:
Well, in the short run, it's less. When I started out -- this is simply a cautionary statement to the Budget and Finance Committee, which we make each time we write up this issue. I'm not suggesting that you not approve or not move forward in light of the climate and the -- you know, the year-by-year approach that we're taking to the budgetary shortfall. But what we did for the Capital Program, and it's going to come up again in the Capital Program, Ben, is, you know, the last time we did $138 million in debt service. Over the 20 years, according to the analysis, you're ahead of the game until you get to year six. You know, Robert did the numbers, so he has a comfort level with this. But over the 20 years, it's another $28 million.

MR. ZWIRN:
I'm not arguing with that. What I'd like to know is what is it in the first six years? How much more do you pay upfront? What is it -- what impact will that have?

MR. LIPP:
Okay. The benefit is following: What we did is looked at the last actual year, which is 2007, where we did $138 worth of serial bonds. In that year, we were able to piece together the five year period of probable usefulness, and those bonds would be issued for five years. The ten year piece is all the way to 20 years. And what we found was you would save in each of the first five years in the cumulative total of $11.3 savings using level debt.

After that, starting year six, it would be -- the savings would reverse. And if you use the old standard, you would start gaining the savings over the next 15 years. You wouldn't actually break even because of the cumulative $11 million loss until year 12 or 13, and then overall, between year 13 and year 20, it would be all savings. And that savings based upon this particular analysis was $28.7 million.

The point being that each year you're borrowing money. Okay. So it accumulates on top of each other so that eventually then you're much better out. Well, like we said all along, it's a short term-long term planning horizon. If you want to structurally bring the size of your budget down, this is a good long term way of doing it. No controversy here. It's a clear time horizon problem.

CHAIRMAN GREGORY:
Okay. We have a motion, we have a second. Any more questions before I call the vote? All in favor? Opposed? Abstentions?

LEG. ROMAINE:
Opposed.

CHAIRMAN GREGORY:
One opposition. **APPROVED (VOTE:5-1-0-1 - Opposed; Legis Romaine - Not present; Legis. Kennedy).**

IR 2086. Authorizing the County Comptroller and the County Treasurer to transfer funds to cover unanticipated expenses in the 2008 Adopted mandated Budget from the 2008 Adopted Discretionary Budget (COUNTY EXEC).

I make a motion to approve.

LEG. D'AMARO:
Second.

CHAIRMAN GREGORY:
Seconded by Legislator D'Amaro. Legislator Romaine.

LEG. ROMAINE:
Quick question for Budget Review. How much does this amount to?

MR. LIPP:
Okay. In the District Court it's $4800, in Southwest Sewer District, a little less than a million, and at the Airport, Fund 625, like $28,000.

LEG. ROMAINE:
Thank you.

CHAIRMAN GREGORY:
All in favor? Opposed? **APPROVED (VOTE: 6-0-0-1 - Not present; Legis. Kennedy)**.

IR 2087. Authorizing the County Comptroller and the County treasurer to transfer funds to cover unanticipated expenses in the 2008 Adopted Mandated Budget (COUNTY EXEC).

I make a motion to approve, seconded by Legislator Beedenbender. Anybody have a question? Okay. All in favor? Opposed? Abstentions? **APPROVED (VOTE: 6-0-0-1 - Not present; Legis. Kennedy)**.

IR 2088. Authorizing the County Comptroller and the County treasurer to transfer funds

to cover unanticipated expenses in the 2008 Adopted Discretionary Budget (COUNTY EXEC).

I make a motion to approve, seconded by Legislator D'Amaro. Anybody have any questions? All in favor? Opposed? Abstentions? **APPROVED (VOTE: 6-0-0-1 - Not present; Legis. Kennedy)**.

We have no more business. I make a motion to adjourn, seconded by Legislator D'Amaro. We are adjourned. Thank you.

(*THE MEETING WAS ADJOURNED AT 10:50 A.M.*)

{ } DENOTES BEING SPELLED PHONETICALLY