

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, January 27, 2009.

Members Present:

Legislator DuWayne Gregory - Chairman
Legislator Lou D'Amaro - Vice-Chair
Legislator John Kennedy
Legislator Brian Beedenbender
Legislator Daniel Losquadro

Also In Attendance:

George Nolan - Counsel to the Legislature
Maxvel Rose - Aide to Legislator Gregory
Renee Ortiz - Chief Deputy Clerk of the Legislature
Gail Vizzini - Director/Budget Review Office
Linda Bay - Aide to Minority Caucus
Ben Zwirn - Deputy County Executive
Paul Perillie - Aide to Majority Caucus
Allen Kovesdy - Deputy Director/County Executive's Budget Office
Debra Alloncius - AME
Jeffrey Reynolds - Bias Help of Long Island
All Other Interested Parties

Minutes Taken By:

Donna Catalano - Court Stenographer

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

CHAIRMAN GREGORY:

Good morning, everyone. Welcome to the first 2009 Budget Committee. We're going to have the Pledge of Allegiance led by Legislator Beedenbender.

SALUTATION

CHAIRMAN GREGORY:

Okay. So far we have one card for the public portion. We have Dr. Jeffrey Reynolds.

MR. REYNOLDS:

Good morning.

CHAIRMAN GREGORY:

Good morning.

MR. REYNOLDS:

I'm going to start out of 2009 with an impassioned plea, I suppose. The last time I was here, which I guess was in November, I was speaking on behalf of our sister organization, The Long Island Association of AIDS Care. And a couple of you had invited me here to talk about John J. Foley and the importance of John J. Foley to people living with HIV infection. And you guys, I think, did a great job at solidifying that institution. We were happy with result as I'm sure a lot of folks were.

I didn't realize at the time that coming here to testify on behalf the John J. Foley Center would mean a cut to Bias Help Suffolk County Program. And ironically enough on November 5th, just before the day of the murder of Marcelo Lucero, the Legislature in that budget amendment bill cut Bias Help's budget by 50% eliminating \$30,000. BIAS Help has been around for ten years and provides hate crime prevention programs in Long Island School Districts across Suffolk County, provides direct assistance to victims of hate crimes and their families and works on public policy issues related to those offenses.

We've been active on the Patchogue-Medford situation, have just completed a round of 15 programs at Patchogue-Medford High School. And I will tell you that the teacher said, "Will you be willing to come back in February and do some more programs?" And my answer to her was, "I don't know if we can." The cut to us, although \$30,000 doesn't seem like a big amount of money, the grant in it's total, \$60,000, has been funded since 2002, funded a full-time FTE. Clearly, we don't have the ability to continue to have that person on staff to do those educational programs without the \$30,000.

I've spoken with Legislator Gregory about this, and I understand there's a potential solution in the works. But I wanted all of you to know the huge impact this is having on our programs. And at that time when Suffolk County has made national news related to hate crimes and the amount of work that absolutely needs to be done not only in Patchogue-Medford, but in the communities across Suffolk County, this has been a major blow to us and is going to really restrict our ability to be able to do those educational programs, to reach out to victims, and to make sure that there's a united front against further hate crimes in this County. So I certainly appreciate your efforts in this area, Legislator Gregory. I hope the rest of you will support those efforts. And I'm more than happy to answer any questions you might have about this cut.

CHAIRMAN GREGORY:

Anybody have any questions? Okay.

LEG. D'AMARO:

Good morning.

MR. REYNOLDS:

Good morning.

LEG. D'AMARO:

Thanks for coming down and telling us what you're experiencing here. What was your -- what was your County funding last year?

MR. REYNOLDS:

Fifty nine thousand and change. I think fifty nine thousand-five. The recommended was sixty thousand-six. The total reduction was half of that.

LEG. D'AMARO:

The adopted was 59,000 from the County?

MR. REYNOLDS:

Last year, yes. It was 59,000.

LEG. D'AMARO:

From Suffolk County.

MR. REYNOLDS:

Yes. The cut is 30,000.

LEG. D'AMARO:

Okay. The cut is 30,000.

MR. REYNOLDS:

30,308 to be exact.

LEG. D'AMARO:

Right. Okay. And can you submit to my office the -- a detailed -- you don't have to reinvent anything, but a brochure or something detailing what your programs are specifically as well as your budget. What's your total budget?

MR. REYNOLDS:

Total budget is about half a million dollars. The vast majority of that, like, for example, more than half of that comes from the Federal Government and actually is dispersed to several of their Long Island organizations. So while that's our total budget, we're giving out about 100 of that to other Long Island organizations in Suffolk County; that's EOC of Suffolk and the Baptist Church in Riverhead.

LEG. D'AMARO:

So of your 500,000 total budget, about 400 is used for your own expenses as well as programs.

MR. REYNOLDS:

Yeah. Prevention programs as well as direct assistance to victims, we operate a hotline. But the heart and soul of what we do are these school-based programs to try to get to kids before we wind up reading about them in the newspaper.

LEG. D'AMARO:

How long has your organization been around?

MR. REYNOLDS:

Eleven years.

LEG. D'AMARO:

Eleven years?

MR. REYNOLDS:

Yeah.

LEG. D'AMARO:

Okay. Have you been with it since its inception?

MR. REYNOLDS:

I'm the cofounder, yes.

LEG. D'AMARO:

You are. Okay. Very good. What I can tell you as a member of the budget working group, and the Chair will also confirm this as well who is also a member, that, you know, we were very careful in making our cuts. We felt, you know, given the economic times that we had to make some real serious and difficult choices. I'm glad to see that we did not completely eliminate your funding. But we did not just do it blind.

What we did in our working group when we were looking at these types of cuts was carefully honing in on your mission, your mission statements and what your specific programs were, looking to see not only what you did, but whether or not it was overlapping with other -- other organizations. But I would like to revisit it. I would like to take another look, and that's why I'm asking you for that information. So if you could supply that to me and perhaps the rest of committee, I think it would be helpful.

MR. REYNOLDS:

I'd be happy to do that. If I could add two things just in regards to two things that you said. As I called around to Legislators to say, "Do you know you cut hate crime services in half around the time of a major murder," almost unanimously the response was, "We did?" So it felt like, you know, there was a whole bunch of cuts without maybe not a lot of detail in terms of what happened. You're saying there was.

LEG. D'AMARO:

Well, I wouldn't expect anyone to answer "yes" to that particular question, it's a loaded question. No one obviously wants to reduce funding for any organization, whether it's for hate crimes or feeding children or providing vaccines. I mean, these are all important priorities that we have here in Suffolk County.

You know, whether -- it's an unfair question to ask, "Did you know what you did," because we reviewed hundreds and hundreds and hundreds of organizations doing the best that we possibly could in coming up with priorities knowing we had a limited and shrinking funding available for the organizations. So nothing was ever done with the intention of trying to hurt an organization certainly. And we did try to do the best that we can, but it doesn't mean that we can't revisit something if there's truly a need. So if you send that information it would be helpful.

MR. REYNOLDS:

I'll be happy to.

LEG. D'AMARO:

All right.

CHAIRMAN GREGORY:

Anybody else? Bill? Okay. Thank you.

MR. REYNOLDS:

Thank you.

CHAIRMAN GREGORY:

We don't have any other cards. Is there anyone else in the audience that would like to make a statement? Seeing no hands, we will go to BRO. BRO wants to make a statement.

MS. VIZZINI:

Thank you, Mr. Chairman. Yesterday the Budget Review Office sent to each of you and all 18 Legislators a memo updating you on the latest developments related to sales tax. With your permission, I'd like to go through some of the highlights.

The memo discusses the economy, the economy's impact on sales tax revenue and the impact on our Suffolk County Operating Budget. Budget Review is projecting a \$27.7 million shortfall in sales tax for 2008. This 27.7 million will repeat itself in 2009 and be further exacerbated by our projections of a negative growth of 4%, which is tantamount to \$55 million. Fifty-five plus 27 is 82.7 million in 2009.

We're projecting -- we would like to be wrong, but we know that this information is very sobering. The 2008-2009 General Fund we anticipate will be short by about \$110.4 million. If you consider all funds including Water Quality, that's another million-six in '08, 5.6 in '09, bringing the total shortfall to 117.6 million.

I'd like to highlight for you how we got there. On the up side, the memo also discusses some possible future relief depending upon the Federal Stimulus Package, some timing in terms of when we hope that that will filter its way into the economy. We also talk about temporary Federal Medicaid relief, that's the Schumer 104 million of which Suffolk is perhaps the recipient of 53 million. It is temporary and it is targeted for Medicaid relief.

The other good news is the Governor had proposed broadening the base of services that are eligible for sales tax. Our preliminary estimates are, assuming that the State Budget is adopted in a timely manner, about \$25 million in new sales tax revenue in '09 and a potential for an additional 50 million in 2010.

What happened at the end of 2008 -- the fourth quarter of 2008 was considerably weaker than our consensus sales tax forecast originally thought. We are basically at a negative 1.5% growth for sales tax in 2008. There is a final check in February, a portion of which there will be some reconciliation. The extent to which that could change this picture is still to be determined once we get that check in February.

As you probably well know, we are in a period of deflation. You know, even the fact that prices are declining, people are hunkering down and asking, you know, why buy something like a car or an appliance when the prices are probably going to go down further. The consumer price index in the New York region has fallen each month since September. As the sales of durable goods are plummeting, companies are cutting production and laying people off. Each day we read in the paper whether it be Microsoft or Home Depot closing Expo, more and more negative bad news.

Compounding the problem is even though the Federal Reserve has reduced interest rates, we're in a bit of a liquidity trap. Even interest rates are almost zero, still people are hanging on to their cash. Nobody -- nobody wants to buy, the banks are unwilling to borrow. It's very, very challenging times, probably unprecedented. The silver lining would be the Federal Stimulus Package, you know, depending on its magnitude and when it filters its way into the economy. The impact of that would probably be by mid 2009 and we really wouldn't see ourselves moving out of the recession until 2010. And as you well know, we don't even realize we're in a recession until we look behind us. This recession began in 2007.

Just to conclude, we are basically in a period most similar to the 1990-1991 recession. You know, if

we go back to those Budget Review Reports and those actions that the County Executive and the Executive had to take, they were very challenge actions. We, in Suffolk County, have had a lot of experience with working cooperatively, the Legislature and the County Executive in mitigating budget shortfalls. I would expect that we would have to go in that direction again this year.

The down side is that we have already pulled a lot of the rabbits out of our hat; we have raised a lot of fees, we have securitized our tobacco revenue, we have refunded, probably to the maximum, although there maybe still things we can look at. Our staffing levels are certainly not at a level that anyone could consider to be in excess. All of you have heard the phrase, "we'll be looking at our core missions." This will, once again, be one of the things. We do, however, have options. There are still options. And Budget Review looks forward to your policy direction, providing you with some of those options and working with cooperatively the County Executive's Office at your direction.

CHAIRMAN GREGORY:

Thank you. So you are saying potentially we could have \$110 million deficit this year.

MS. VIZZINI:

In sales tax alone.

CHAIRMAN GREGORY:

Sales tax alone.

MS. VIZZINI:

This is not the budget model, this is not a comprehensive look at the '09-2010 budget. That is something that we will be meeting with the Budget Office and presenting to this committee some time in the March cycle when we have more information. This is just sales tax.

CHAIRMAN GREGORY:

Now, from what I've heard about the stimulus plan and the package, we may not see those monies until at least 12 or 18 months from now. Are you hearing something different than that?

MR. LIPP:

We're not factoring exactly what's going to happening. We're not sure. You know, it's a lot of speculation at this point. But even, you know, twelve -- if it's 12 months from now or even 18 months, it will still be during 2010. If we had the idea that it would happen then, if there was, like, some sort of a quasi sum certain, then that could be factored into the 2010 Budget. So that would be okay in a sense.

CHAIRMAN GREGORY:

But my concern is yesterday there were, what, 40,000 jobs layoffs yesterday, job cuts. And then I think we lost 12,000 -- over 12,000 late last year. My concern is about putting people to work now. So if there's a way that we can use some of our monies in the short term, say, maybe suspending the Land Acquisition Program and use that 33 million towards ready-to-go projects now and then use the stimulus monies that we may or may not receive at a later point pay off what we've used right now, can we do that? Is there a way to do that? Are there restrictions? I'm not familiar with the Federal guidelines.

MS. VIZZINI:

As you know, the Water Quality money is targeted for water quality projects. You know, that is sales tax money, so that money -- I mean, the shortfall in the Water Quality is 1.6 million for '08 and 5.6 million for '09. So that program will be experiencing some modest reduction. The extent to which you could undo or temporarily suspend the purpose of that program, I would defer to George. You know, there was the referendum involved and there's some legal issues.

CHAIRMAN GREGORY:

There's debt service associated with that.

MS. VIZZINI:

Well, that's cash. So to the extent that you are not opting -- not to, you know, purchase with cash, which was something that the Budget Review Office was -- took a very strong stand on that if we're going to be purchasing, it should only be with cash rather than bond, but to the extent that you were bonding, the proceeds of that bond would be repaid with that same Water Quality money.

P.O. LINDSAY:

Legislator Gregory.

CHAIRMAN GREGORY:

Yes.

P.O. LINDSAY:

Maybe Mr. Nolan would want to weigh in on this, but it's my understanding we -- in order for us to suspend the Land Acquisition Program, we'd need State legislation, and then it would have to go to referendum. I don't -- I agree with you, I don't think in these dire times it's a bad idea, it's just a lot of hurdles to get over. It's something that we don't have within our power to do here unilaterally.

LEG. BEEDENBENDER:

Mr. Chairman, if I just may suggest, we can stop suspend the program just by stop spending money on it, but we can't use it for anything else. But I think that's an important other policy option that's out there. And we have to discuss what the tangible benefit in terms of the budget that would do, but we could suspend anything by simply not doing it.

CHAIRMAN GREGORY:

Yes, Legislator Losquadro.

LEG. LOSQUADRO:

Thank you. Sure we could stop spending the money, we could suspend the program. I think once this cycle is over, because all economic times that we're in are always cyclical, when we come out of this, I think that would just put in a worse situation where we would have more development, have the need for more infrastructure, have the need for more services.

The point of our Land Acquisition Program has always been to balance the needs of development versus open space preservation on an area with finite resources such as an island. I think in times like this where we are fortunate enough to have a dedicated program and funds that cannot be used for anything else, that do not affect our budget, that even if we borrow against them, as Budget Review pointed out, that money still comes out of that dedicated source, that we should avail ourselves of that money in a time where the market is suppressed.

Everyone complained that we were buying when the market was high. Well, now we have the advantage of buying when the market is low. And I think we should avail ourselves of that. I don't think this is the time to be looking to suspend that program when people have clearly stated that that was their wish to take a portion of those sales tax proceeds and use it for this purpose.

MS. VIZZINI:

Mr. Chairman?

CHAIRMAN GREGORY:

Yes.

MS. VIZZINI:

If I could just add to the discussion. In the past, not only have we had the Water Quality-Land Acquisition component, but we also have the Multifaceted Program in the Capital Program as well as the Legacy Program. We will be preparing your 2010-2012 Capital Program in April. And this is

something that we have more control over. So you may -- policy wise, you may want to take a hard look the extent to which any of those programs -- Legacy, I think, is in it's last year -- but the extent to which the multifaceted money, which is debt service paid through the General Fund, is there or is not there. I'm not sure what the Executive will be recommending to us. But you do have, you know, the Water Quality-Land Acquisition component.

CHAIRMAN GREGORY:

Legislator Beedenbender, then Legislator Kennedy.

LEG. BEEDENBENDER:

Just on that real quick. In case -- unless I'm remembering incorrectly, as a Legislature, we removed -- there is no Multifaceted Program in the -- in the current Capital Budget. Well, actually, no. We cut about eight million of the 13 out. There's 5 million left for workforce housing, I think, in that Multifaceted Program.

MS. VIZZINI:

Yeah. We were going in that policy direction. But, you know, we will have the five year Capital Program.

LEG. BEEDENBENDER:

Right. Okay. And while we're on the Water Quality Fund, I wanted to talk about the comment you mentioned that was in your memo about the Water Quality Fund as projected to experience a budget shortfall of 5.6 in '09 and 7.2 million over two years. Can you flush that out a little bit more for me, Gail or Bob, whoever would like to do it? What does that mean for our program? Does that -- are we talking about the County Executive and the Department of Environment and Energy will have less money to spend so we'll see less acquisitions coming to us, or is that something that as a Legislature we have to begin taking proactive steps to address?

MR. LIPP:

I think the first; there's less money coming in is what it means. The way the revised program was structured is that we're allowed to borrow over the course of four years, we just have to make sure that we borrow the appropriate amount. So we may be restricted to the amount we're borrowing. It should be noted also that we have, the Budget Review Office, taken the position that we don't think borrowing at this time is a good idea. We said that during the period of the new referendum too and for the very simple economic reason, it's probably a decent idea to borrow as the market is starting to go up. The argument being that the extra costs in terms of interest could be offset by the fact that, well, you're borrowing at a lower price.

We feel, A, real estate markets are, like, ten year markets, you know, in terms of cycles; B, since prices are depressed now, even if they do stabilize, which they haven't yet, they're not going to be going up. So the extra interest cost probably is not -- does not warrant it. The only argument that we feel that is a good idea to be borrowing for land now -- I'm talking about trying to maximize land acquisitions now too, I'm not saying that we -- you know, the other issue of, you know, should we revises the program and deal with budget problems, assuming that that's not the case, we think you can maximize better if you're borrowing only when the market is going up. You don't borrow when the market is going down, because you get the extra interest earnings, and you're not going to save at lower prices. The only argument I think that -- the major argument for, yeah, you should be borrowing is because, God forbid, some sort of crown jewels will be developed and we'll never get that bite of the apple again, and therefore, it's worth it regardless of the cost.

LEG. BEEDENBENDER:

Well, just to follow up on that. I remember when -- you know, I wasn't here when it was passed, but I remember when the debate was going on about whether to go ahead in those negotiations about the new Water Quality Program. One of things that was said over and over, I think, by yourself, by the County Executive's office, by Legislators was that we have modeled this in using extremely conservative sales tax numbers to make sure that we do not borrow too much and we will

always have the funds to repay without having to access the General Fund or capital.

If you were as conservative as -- for the situation that we've, you know, found ourselves in, I'd applaud you, but I would imagine that nobody had that crystal ball at the time. So my question is if we're seeing this shortfall now and there's less money there, isn't there also a concurrent path that we have to be taking to reduce the overall amount that we're going to borrow to ensure that the money is still there to pay back? Because if we're not going to get as much as in, we can't borrow as much.

MR. LIPP:

Yeah. I think it's implicit, you know, in terms of we're supposed to -- I believe the way the legislation reads, although I haven't looked at it in a while -- that we're supposed to concur with the Budget Office about how much can be borrowed. And it's got to be a conservative amount, so.

LEG. BEEDENBENDER:

Is there a time period on when the Budget Review Office and the County Executive's Budget Office get together to have that discussion, because I think if there's a normal time period, we should accelerate that?

MR. LIPP:

I think what we're talking about, there isn't anything formal set up. That should be established. It has not been. And the time period should be when we're starting to put together the packages, which are twice a year for serial -- well, normally, for serial bond issues. So we -- there should be a conversation maybe in E and E on this.

LEG. BEEDENBENDER:

Well, my encouragement to both you and to Mr. Zwirn from the County Executive's Office is that that meeting should happen soon, because I think as policy directors, we need to have an understanding, do we need to modify the calculations and the expectations we had here, and that can have a dramatic affect on what we're doing. Because I think the last thing any of us want to see is to go down a path, and then later on when we start to pay these things back, we were overzealous and now we have to start dipping into the General Fund or some other funding source just to pay back what we borrowed.

But to move away from that, and I'll be really quick, I won't monopolize the time, Mr. Chairman, on the last page of your memo, you talked about some possible things from the State in terms of the sales tax and then some possible things from the Federal Government. My question is, and I know that the Presiding Officer has been working very hard with members of our State delegation and he's been convening everybody he possibly can to come up with the best ideas in the room. But what if not?

I mean, the Federal Government Stimulus Package I believe is going to happen, but I have no -- no confidence that it will be the golden chariot that we're hoping for. And as far as the State adopting all these new sales taxes, I think if anybody could accurately predict what the State was -- would do, they would make a lot more money than I do. So what if these things don't happen? Because I know in addition to this, we have another budget number that -- hole that's been floating around there. I think I've heard anywhere from 20 to 60 depending on the office and the date that they come up, what the number is for the Operating Budget. So it seems to me that we have a gigantic hole of which if two amazing things happen, we will still be in trouble. So I guess my question is I know we're the policy directors, but from the budget perspective, what if this doesn't happen?

MS. VIZZINI:

Well, if we don't get the relief from the State, then I think we need to seek our own relief. And what we have done in the past is, you know, we've drilled down to our core missions. You know, the County Executive has to manage the budget. We did meet with the Budget Office in terms of the -- our concern regarding sales tax. When we cut that last sales tax check, we immediately put

together a meeting with them.

So their first course of action was to reserve 10% of all discretionary expenditures. Actually, I had a conversation with the Budget Director last night, and just to clarify that a little bit -- and I know Mr. Kovesdy is here, he can probably speak to it better -- but they've basically reserved 3% of salaries and 7% of all other discretionary expenditures. Ten percent would have been about 72 million. What they've done is reserve about 42 million.

So we've already got \$42 million locked up that we know we're not going to spend. We need to see where we are later in the year to see whether there will be spending permitted. The Legislature itself has been blocked from making certain equipment purchases; the replacement laptops for the horseshoe and replacement public speaking systems were denied by the Budget Office. Quite frankly, if I was over there, I'd be doing same thing; basically, you say no to everything the first half of the year. So there are some assertive measures being put into place. You know, Thursday is the State of the County. I'm sure more things will be revealed. And I'm hopeful that we will be working cooperatively with them.

Suffolk is one of the more fortunate counties in that we are sitting on \$130 million Tax Stabilization Reserve Fund. And in the event that we have to -- you know, another option available to you is a modest increase in taxes to mitigate a portion of the problem. Meanwhile, certain caseloads in Social Services are ratcheting upwards. I haven't checked on the jail population lately, but in a poor economy, there are certain traditional things that happen; more people resort to unacceptable behaviors. Usually the jail population goes up, as does the community college population. So some of these things are likely to repeat themselves.

CHAIRMAN GREGORY:

Just to put things into perspective a little bit better. With the County Executive's 10% discretionary cut in funds, that's on top of the 5% that was put in the recommended budget that pretty much the Legislature adopted; is that correct?

MS. VIZZINI:

Actually, anything that the Legislature reduced became the adopted budget. So from that -- the base of the adopted budget, the County Executive is reserving -- it has been referenced as a cut, but the money has been moved over.

CHAIRMAN GREGORY:

I guess what I'm really -- to put it in a more cleaner way, I guess, the Legislature pretty much accepted the County Executive's initial 5% reduction in the discretionary spending. On top of that, you add this 10%. So we're looking at a 15% reduction in discretionary funding from the previous year, am I correct, or am I incorrect?

MR. LIPP:

I'm not 100% sure what you are saying, but I think really -- the only thing that really matters in life is the adopted budget.

CHAIRMAN GREGORY:

I understand.

MR. LIPP:

Right. So that I think what you're talking about is we made some reductions going from recommended to adopted.

CHAIRMAN GREGORY:

Let's put it this way. In the adopted budget, we had a 5% reduction.

MS. VIZZINI:

From the previous year?

CHAIRMAN GREGORY:

Right.

MS. VIZZINI:

Okay.

CHAIRMAN GREGORY:

Okay. And on top of that, we have a 10%. So now we're looking at a 15% reduction from the previous year, or am I looking at it -- no?

MR. LIPP:

No. It's true that if you add those numbers up that would be the case. But once again, what we're trying -- what we're seeing is we're observing a budget deficit for the '09 adopted budget, however high or low it is. So the cuts are only relevant and the shortfall is only relevant for the '09 adopted budget regardless of what happened previously.

CHAIRMAN GREGORY:

I'm just trying to figure out how much we cut in discretionary funding.

MR. LIPP:

Forty million roughly.

P.O. LINDSAY:

A hundred and seventeen million is off of the adopted budget. We're short 117 million off the adopted budget.

MR. LIPP:

Right. And of that, as Mr. Kovesdy could make clear, as Gail had said, about 40 million or so is being restricted or reserved that presumably would be a savings.

CHAIRMAN GREGORY:

Okay. Allen.

MR. KOVESDY:

Good morning. Happy New Year. First, I want to compliment Budget Review. They gave a very nice and concise report. And they did even share it with us last night, which was really nice of them to do. And plus, we have been in contact. I know I have been in contact with Robert last week and Connie with Gail. So we do appreciate working cooperatively with them.

Last year's budget -- the \$150 million plan that was enacted, the County Exec with the Legislature, took some steps. A lot of the reduction was on the mandated side where debt was reduced. There was also the Early Retirement Program. There were some actions that the Legislature took; cutting contracts, cutting 456 and things like that. That was institutionalized in this budget. But Robert's statement -- once it became -- the budget became the new budget, in other words, where you suggested cuts and made cuts in contract agencies or reallocated the contract agencies' funding, that's now institutionalized.

What this does, the word -- rather than cut, the word is reserve. The money hasn't vanished. The money was moved into an account which can't be spent at this particular time. So it's put in a reserve. The staff end of it kind of protects the turnover savings that's in the budget. So the money is put in a reserve account. All the operating departments, the elected officials will be discussed at a separate date. They haven't been moved yet. The same basic philosophy holds. We're reserving the money awaiting to see.

We would be more than happy to explain things in detail. But I think as -- Gail did an excellent presentation -- we would like to wait to March, because, number one, we'll get the last two checks of sales tax. The first check is split between 2009 and 2008. It's in the \$70 million range. And we should get a firm number from the Treasurer as far as property tax. Property tax, as you know, was put in at \$20 million less than was budgeted. We hope to make that number. But we'll get -- we'll get solid numbers. Right now, we don't have all the revenues that have come in. But by the March 17th date, we should have firm numbers and be able to answer your questions a little bit -- a little bit better at that particular point in time.

CHAIRMAN GREGORY:

Okay. Thank you. I'm just trying to -- in my mind, I'm just trying to figure out what measures we've taken to, you want to use cut, put in reserve, what we're holding back on to as far as spending so that I can --

MR. KOVESDY:

We're basically starting the year a little bit later, would be the best way of saying it. Instead of starting it on January 1st, we're pushing it back a little bit later. We haven't cut contracts. As a matter of fact, we've expedited the signing of contract this year, so we haven't touched that. What we're trying to do is the areas that we can control, and the major areas the County Executive and the Legislature can control are new positions and refills, new equipment, supplies and contract -- contract money that hasn't been specified at this particular point in time. That's what we can basically control.

CHAIRMAN GREGORY:

Okay. Legislator Kennedy.

LEG. KENNEDY:

Thank you, Mr. Chair. I had just a couple of questions and maybe some observations for BRO. And I apologize, I have not seen the report. I was without any computer connection in the office all day yesterday. But we've spoken about some of the issues that we've spoken about. And I guess what I -- first, I want to go ask about the County Executive's 10% discretionary freeze. Allen, I know that there's personnel that are a part of that as well, but is that directed only to County funded or are offset personnel like some of our DSS folks and Probation Officers and folks like that, are they excluded or is this a blanket reduction that's applied across the board.

MR. KOVESDY:

I really don't have the answer to that, John, but if you'd like, Fred has offered to come down here and address it today or address it at another meeting. I really don't have the answer. I was in Florida when this was put out. But Fred has offered if you want me to call him up to come down or he can at your next meeting and discuss it in detail.

LEG. KENNEDY:

Well, I think it's important for us to understand. I mean, it's a prudent, cautionary and wise move in the first instance. And I think in times like this, absolutely, you defer buying pencils or painting walls or anything like that at all. But again, as we've had this conversation going on for quite some time, if we have individuals that are 100% offset, does that mean that we're holding out of filling that position if we have to first instance the money, or are we allowing to bring them on with that knowledge we're going to have the recruitment?

MR. KOVESDY:

I know the Social Services people that were put in the people that are 100% Medicaid will be released and funded, because there's no cost to the County.

LEG. KENNEDY:

That was 150 SCINs we saw, right, Ben, on November 5th?

MR. KOVESDY:

Right. There's no hold -- there's no hold on those positions.

LEG. KENNEDY:

Those SCINS have been signed and those people are coming on?

MR. KOVESDY:

Right. As long as there's a place to put them, yes. It's got to be staged. You can't put 150 in at once. They're going to be coming -- they're going to be coming in. They're coming it. It's 100%. There's no hold on that.

LEG. KENNEDY:

Do you know how many of those SCINS got signed against those yet approximately?

MR. KOVESDY:

I know the first group --

LEG. KENNEDY:

Thirty? Forty?

MR. KOVESDY:

I don't know, John. I could find out though.

LEG. KENNEDY:

All right. I just have that question as to how the --

MR. KOVESDY:

No, the 100% positions are not being held. The grant funds are not being held. You see a lot of resolutions accepting grants in this next package, none of that stuff is -- it's the discretionary things that the County can control at this particular point in time.

LEG. KENNEDY:

Okay. Let's go to what you just spoke about in March when Comptroller Sawicki talks about the property tax collections.

MR. KOVESDY:

Angie.

LEG. KENNEDY:

I'm sorry. Angie the Treasurer. Do we have any snapshot yet, though, Allen? Because you know first half has to be tended to the towns by January 10th. Have we done any, you know, just random polling?

MR. KOVESDY:

No, we don't do random polling, John.

LEG. KENNEDY:

No polling, but I mean --

MR. KOVESDY:

We call the Treasurer every week to find out what the numbers -- what the number's going to be.

LEG. KENNEDY:

But, again, you know, as a matter of fact, right now, a conversation with the Treasurer is only

talking about our delinquencies. I'm talking about what's being tended right now for our '08-'09 property tax year, our current property tax year.

MR. KOVESDY:

Without being too specific, and Robert can -- getting information on property tax from the Treasurer is like counting sand on the beach. It's a very inexact science. We have sat down mutual times to try to get a better handle on it. All I can tell you now is we are hopeful that the number in the budget for 2008 will be met.

LEG. KENNEDY:

That number was what?

MR. KOVESDY:

I think it's 31.5.

LEG. KENNEDY:

Right.

MR. KOVESDY:

Okay? As far as 2009, I have no idea whatsoever what the number will be. It's cyclical. We hope the people who didn't pay three or four years ago will pay and will get that boost in. We did make significant additional money in interest and penalties. We were five or \$6 million over on that, which is the reciprocal. When the people don't pay their taxes, we get interest and penalties. We did make some money on that. You'll see that that revenue has come in significantly higher. I think it's five or \$6 million as of today. But we really won't know. That's why we'd really like to wait and give you guys accurate information rather than speculate.

LEG. KENNEDY:

All right. I guess I would just then turn to BRO for a second and talk about some of the things we've spoken about in the laundry list of what we go to do. Gail, you said that we kind of grab for the most obvious rabbits to pull out of a hat in this past budget, but there must be some list of items. You know, several of us were here during that '90-'91 downturn when County Executive Halpin took various actions. We had lag payroll. I mean, that's not new. I can remember it back in the '80s when it worked for OMH. Have we attached cost factors to any of those things to any of those things yet or cost savings like a lag, like a furlough, like any of those items?

MR. ZWIRN:

If I might just jump in, Legislator Kennedy. The County Executive is going to get letters out today to members of the Legislature to try to put together another group like we had last year, another task force to go and review the budget going forward and different options.

LEG. KENNEDY:

Should I check my mail? Should I check my mail?

MR. ZWIRN:

Well, if you'd like to serve on it, I'll pass that on. We talked about it at the end of last year, and I think some of the Legislators that we had invited at that time said we'd like to wait, we didn't want to move forward yet. But I think now -- I hope the invitation goes out to you that you would volunteer to serve on it, because it's going to be a trying year. So we are going to go forward and try to look at the -- we're going to look at everything, everything certainly will be on the table again.

And the only thing I'd just like to respond -- first let me, on behalf of the County Executive, we did a lot of things last year. And we thank the Legislature for working with County Executive, tobacco securitization, we didn't have that \$55 million, just -- you couldn't do it today. You couldn't do that deal today, and we'd be \$55 million further in the hole. I mean, the incentives for people to retire early. There were a lot of things that the County Executive and the Legislature did together last

year that put us in a better position than a lot of counties and a lot of municipalities around -- around the country. You were on top of it, and you moved quickly to try to avoid some of the problems. And that was good government, I mean, at its best. It was bipartisan, and we really appreciate that. And the taxpayers get benefit the benefit of it.

What Legislator Beedenbender talked about was the Federal Stimulus package and the expansion of sales tax revenue that BRO mentioned. And I know the Presiding Officer maybe had more information than we do, but through IR and through our contacts up in the State, we -- we understand that there's not a good feeling on the State Legislature to expand the tax base or raise fees at this time. So the fact that -- I mean, entertainment was going to be taxed, they were talking about hair cuts to expand the tax base which may have been really helpful to the County not only in this tough time but going forward with revenue may not -- very well may not happen.

The Federal Stimulus package, while the numbers may be excellent -- apparently it's going to come through the State. And our fear is that what the State geteth and giveth with the right hand, disappears with the left hand. So we're not sure what the net amount would be to the County even though the numbers that BRO mentioned are the numbers that we could be looking at, which would be very helpful. But there's that term "claw-back" that we're concerned about and that we don't know, because the State is facing such a dire budget crisis itself.

So this is going to be a very trying year. It's going to be a year where the County Executive will do what he can do. Then he's going to ask your indulgence and your support, because there are a lot of good programs that are going to be cut. You know, I don't want to bring up the Vanderbilt, you know, and pound that home, but that's one of those things where you have top -- in a time where we're going to have trouble making payroll to come up with \$800,000 out of -- unless -- unless it comes from some particular location, it's going to be very hard. Because while there may be certain line in the budget that may show surplus, for example, we may have estimated high with our fuel costs, because fuel costs were higher when we were doing the budget, those numbers may be a little bit bigger in those columns, but in other columns, they're getting wiped out on the expense side. So that money is going to have to be moved around.

So you have to be very careful how we work this budget. And again, the County Executive is going to get letters, we're going to try to put together another task force. I know for sure that -- Mr. Chairman, Mr. Gregory, you'll certainly as head of the Budget and Finance Committee, I know you'll be one of the people that will be asked and I'm sure the Presiding Officer. I don't know the other names that the County Executive has, but he'd probably be looking for some of the people that worked last time and maybe getting some new people involved. But we're going to look for a bipartisan effort this year. And we're confident we'll get it and meet the challenge that comes ahead. And it's going to be quite a challenge.

LEG. KENNEDY:

Mr. Chair, I had just one other item. Ben, in talking about the concept of even the Federal Economic Stimulus or likewise what we do at this level to try to begin to spend our way out of what is a downward spiral, something near and dear to my heart, as you know, is sewers. And even as we're looking to target our sewer expansions at this point, there's things that we can do in our departments to help business as they're going forward. And it's a simple item and I'm just going to ask you to bring it back.

We compel letters of credit right now for expansions associated with any of our sewer projects in sewer districts. Because of the continued contraction and the lending environments out there, developers can't get letters of credit. They can get bonds, they can get pledges, they can give underwritings, they can do a variety of other things that protect us as a municipality so that we're not left holding the bag if a developer goes south. But that particular instrument as far as a letter of credit is essentially unattainable right now because of what's going on with the economic environments.

The other thing is our Health Department and our waste water review as well. The few people that are still building are waiting inordinate periods of time to get those approvals. We've got to do something to help take them out of the queue, streamline them and walk them through approvals so that they can move on a build.

MR. ZWIRN:

Legislator Kennedy, you are absolutely right. And we are -- the County Executive is signing SCINs in those departments. We lost some people in the early retirement program, and we are moving to get those permits. That should be moving very quickly. But we agree, that's got to be done. We can't tie people up at the time they want to move forward.

LEG. KENNEDY:

Okay. I'll yield, Mr. Chair.

CHAIRMAN GREGORY:

Legislator D'Amaro.

LEG. D'AMARO:

Thank you. I just want to talk in just more general terms. I just want to respond though. Legislator Kennedy, that did come up in the Sewer Agency yesterday, the letter of credit issue. And I'm sure that you realize one of the issues is you can't get a letter of credit because of the credit risk involved with. Developers are experiencing an extremely tough times. So there's two sides to that coin. I'm sure you realize that.

LEG. KENNEDY:

I do.

LEG. D'AMARO:

We want to encourage continued development, but at the same time, you know, we just don't want to take risks when we know it's going to wind up in a default either, so. So we need to have that discussion.

Last year we went through, as Mr. Zwirn spoke about, the efforts by the County Executive working with the Legislature, and he put together a special committee to look at some budget mitigation measures. I think we were somewhat successful putting together all the different budget measures that we took last year. I just want to get a sense -- one of the things that I took out of that meeting was that it's important to act sooner rather than later. And I just wanted to ask you, Mr. Zwirn, if that's the case again this year. And, Gail also, I'd like your opinion. Just -- you said you would be coming up with some specific recommendations, you want to wait to get some more data and final numbers, but is it as important to move quickly this year as it was last year?

MS. VIZZINI:

Well, when we met with the Budget Office, the Budget Director asked me, he said, "Don't you agree that we should be, you know, reserving the money?" And my response was, "There's a formidable problem, you need to do something. What you do is your determination." And I think one of the reasons we issued this memo is the extreme challenge of the situation. We wanted to know -- wanted you to know what we knew as soon as we knew it. You know, it is subject to some modification; as Allen points out, the February check.

But we want to educate you, we want to prepare you. There are options available to you, none of which you will like. But, yes, we need to -- we need to begin, we need to proceed with caution, and we need to be prepared for the worst.

LEG. D'AMARO:

The options that you are going to present in your usual hard look at our budget and what our options are, are they going to include both, I guess, revenue enhancements as well as spending

cuts? Will there be specific areas? I mean, how -- just what's your framework on presenting those options to us. How do you develop that?

MS. VIZZINI:

Yeah. Well, you know, the past is a good predictor of the future. There are just so many things that are new, novel and creative and work. When we presented last year on or about this time to the budget working group, the County Executive's budget working group, some of the things that fell to the cutting room floor were things like increasing the motor vehicle surcharge, increasing hotel-motel, restoring sales tax to the 8.75, what it was in 2005 as opposed to the 8.625. Nassau is now considering an energy tax, which is something that we already have, which we could increase to 4% without additional State legislation. But again, we have to be concerned about everything that's going on economy. You know, fortunately oil is going down as is gasoline, but people are struggling.

So, you know, these are some of the things. The tax on cigarettes has already been glommed by the state, I think. Allen, if you've heard anything about that. The liquidation of assets, which is something that we don't recommend, but it's something that we need to look at. These are the types of things. You know, what have we done in the past, what has worked, what are other municipalities doing and has that worked for them. And every action has a reaction.

LEG. D'AMARO:

Those are, I agree, all areas that we have to a good hard look at. You know, we can have debates later on about what's more -- has more harm than good and all of that, I understand that. But I wanted to ask you about one area that you didn't really mention -- or maybe you did and I missed it -- but the largest portion of the County budget, of course, is payroll. So are we also going to be looking at salaries, the size of our payroll, ways to reduce it, layoffs, lag payrolls, things like that?

MS. VIZZINI:

I think all of those things have to be on the table, you know. Personally, we may be at the point where we may, through negotiations, be looking at give-backs. We may -- and again, this has really enhanced the County Executive. The County Executive has the administrative function. He administers the budget. You either agree or you don't.

LEG. D'AMARO:

Those are not then subject to Legislative approval in managing the payroll, when you talk about lag payrolls or layoffs or things like that?

MS. VIZZINI:

If they were part of a comprehensive piece of legislation, like, budget shortfall mitigating package, they certainly would be. But the County Executive -- and again, I would defer to George -- has certain discretion certainly with the 10%. The County Executive according to our Charter can move 10% of an appropriation around. In this case, they've opted to reserve, you know, 7% of everything and 3% of salaries. They can do that.

LEG. D'AMARO:

Yeah. I'm not advocating for any one idea obviously, but I think it's important what we see what all the options are and then figure out, you know, what we can and cannot do. I'm encouraged to hear that, you know, we'll be looking -- you even mentioned the sale of assets. It's something that the Legislature, including myself, chose not to do last year. And that was policy decision, and we made it right, and it was the right decision. But I think putting everything on the table just by presenting a comprehensive kind of series of options as to what we can do will just make our job a little bit easier. So I appreciate that. Thank you.

CHAIRMAN GREGORY:

Thank you. Legislator Losquadro.

LEG. LOSQUADRO:

No.

CHAIRMAN GREGORY:

All right. Let's go to the budget -- excuse me -- to the agenda. Tabled Resolutions.

1749-08. Adopting a Local Law, a Charter Law to cap County fee increases. (SCHNEIDERMAN).

I make a motion to table for a public hearing.

LEG. D'AMARO:

Second.

CHAIRMAN GREGORY:

Second by Legislator D'Amaro. All in favor? Opposed? Abstentions? **TABLED (VOTE: 5-0-0-0).**

1808-08. 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).

LEG. BEEDENBENDER:

Motion to table.

LEG. D'AMARO:

Second.

CHAIRMAN GREGORY:

Motion to table by Legislator Beedenbender, seconded by Legislator D'Amaro. All in favor? Opposed? Abstentions?

TABLED (VOTE: 5-0-0-0).

INTRODUCTORY RESOLUTIONS

1000. Adopting a Local Law, a Charter Law to enhance budgeting flexibility and responsiveness (SCHNEIDERMAN).

I make a motion to table for a public hearing.

LEG. BEEDENBENDER:

Second.

CHAIRMAN GREGORY:

Second by Legislator Beedenbender. All in favor? Opposed? Abstentions? **TABLED (VOTE: 5-0-0-0).**

1003. Repealing hone energy nuisance taxes on Suffolk County residents (ALDEN).

Do I have a motion?

LEG. BEEDENBENDER:

Motion to table.

CHAIRMAN GREGORY:

Motion to table by Legislator Beedenbender, seconded by myself.

LEG. LOSQUADRO:

On the motion.

CHAIRMAN GREGORY:

On the motion, Legislator Losquadro.

LEG. LOSQUADRO:

I think that the midst of what we're going through right now, I think it's at least worth it to hold off until we can get a clearer overall picture of how this would factor into our budget picture. But I do still think it's something worth looking at.

CHAIRMAN GREGORY:

Legislator D'Amaro.

LEG. D'AMARO:

I agree with Legislator Losquadro. And I just wanted to see was a financial impact statement prepared, and it was. I just want to ask Budget Review since the bill has been refiled, are the numbers substantially the same? I think it was about 52 million in cost last year. It went up?

MR. LIPP:

Our fiscal impact for this one which would eliminate the home energy tax June 1st would be 31 million this year loss and 59 million, 2010. There are assumptions that are implicit in it, so, you know, we could argue about the exact number, but that's about the size of it.

LEG. D'AMARO:

Okay. I just wanted to see is somehow the economy was affecting the -- you know, if this bill were passed, how the revenue --

MR. LIPP:

Well, actually, one interesting about it is that the home energy tax, the biggest piece of the action is LIPA, and their rates are going up. You know, they've come out with statements that they plan on doing rate increases into the foreseeable future that have serious long-term debt problems. So regardless of what happens with the economy, at least that portion is likely to go up.

CHAIRMAN D'AMARO:

Thank you.

CHAIRMAN GREGORY:

Legislator Kennedy.

LEG. KENNEDY:

Just a technical question, and if we don't know it, I'll try DSS. But the HEAP Program that all of us are dealing with right now for constituents who are without oil. Is the delivery and that procurement under HEAP exempt from our County energy tax, or is that levied as well for that oil?

MR. LIPP:

My understanding is there's nothing in the law that would allow for an exemption. I mean, we could provide aid to anybody in theory for their home energy, but the laws says there's a two and a half percent tax on home energy.

LEG. KENNEDY:

Is that a fact?

MR. LIPP:

Yeah.

LEG. KENNEDY:

Okay. I guess I have to look at that. Thank you.

CHAIRMAN GREGORY:

Motion and a second. All in favor? Opposed? Abstentions? **TABLED (VOTE: 5-0-0-0).**

1004. Establishing a program to reduce unfair home energy nuisance taxes on Suffolk County residents (ALDEN).

LEG. BEEDENBENDER:

Motion to table.

LEG. D'AMARO:

Second.

CHAIRMAN GREGORY:

Motion to table by Legislator Beedenbender, seconded by Legislator D'Amaro. All in favor? Opposed? Abstentions? **TABLED (VOTE: 5-0-0-0).**

1110. Delegating authority to refund certain erroneous tax payments to the Suffolk County Treasurer COUNTY EXEC).

I make a motion to approve.

LEG. BEEDENBENDER:

Second.

CHAIRMAN GREGORY:

Seconded by Legislator Beedenbender. All in favor? Opposed? Abstentions? **TABLED (VOTE: 5-0-0-0).**

2215-2008. To readjust, compromise and grant refunds and chargebacks on correction of errors/County Treasurer by: County Legislature No. 309

LEG. KENNEDY:

Motion to approve.

CHAIRMAN GREGORY:

Motion to approve by Legislator Kennedy and to place on the Consent Calendar, seconded by Legislator D'Amaro. All in favor? Opposed? Abstentions? **APPROVED** and placed on the **CONSENT CALENDAR (VOTE: 5-0-0-0).**

2226-2008. To readjust, compromise and grant refunds and chargebacks on Real Property correction of errors by: County Legislature.

I make a motion to approve and place on the Consent Calendar, seconded by Legislator Losquadro. All in favor? Opposed? Abstentions? **APPROVED** and placed on the **CONSENT CALENDAR (VOTE: 5-0-0-0).**

Agenda is done, no more business to be had. We are adjourned. Thank you.

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

{ } DENOTES BEING SPELLED PHONETICALLY