

BUDGET AND FINANCE COMMITTEE
OF THE
SUFFOLK COUNTY LEGISLATURE
MINUTES

A meeting of the Budget and 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 June 11, 2013.

Members Present:

Legislator Gregory - Chairman
Legislator Schneiderman - Vice-Chair
Legislator Horsley
Legislator Muratore
Legislator Krupski

Also In Attendance:

George Nolan - Counsel to the Legislature
Renee Ortiz - Chief Deputy Clerk
Paul Perillie - Aide to Legislator Gregory
Kevin LaValle - Aide to Legislator Muratore
Michael Pitcher - Aide to Presiding Officer Lindsay
Tom Vaughn - County Executive's Office
Robert Lipp - Deputy Director - Budget Review Office
Lynne Bizzarro - County Attorney
Rick Brand - Newsday
All Other Interested Parties

Minutes Taken and Transcribed By:

Gabrielle Skolom - Court Stenographer

*(*The meeting was called to order at 10:06 a.m. *)*

CHAIRMAN GREGORY:

Good morning, everyone. Welcome to today's Budget and Finance Committee meeting today. If you all rise, we'll do the Pledge of Allegiance, led by Legislator Horsley.

*(*Salutation*)*

Okay. Thank you. We don't have any cards for the public portion, but is there anyone here that would like to make a comment? Please come forward. Seeing none, we'll move on. Is there any statements from the administration that they would like to make?

Just quickly, we're going to stall for a little time. Mr. Lipp, just can you go over the TAN resolution. Where are we -- is that -- I forget the numbers from prior years. Is that generally in the ballpark; is it higher, lower?

MR. LIPP:

Okay. So there's a resolution, IR 1492, tax anticipation note resolution, and it gives you authority for the Comptroller to issue \$105 million in delinquent tax anticipation notes; however, that's the maximum that they give the authority to. Right now, based upon the cash flow, the Comptroller expects to borrow 90 million, not the full 105. So -- and the 2012 DTAN was 105 million, so if they do borrow 90 million, it'll actually be 15 million less than last year, but, you know, stay tuned. And, typically, we'll give them a little extra wiggle room depending upon, you know, how conditions go and the projections, what the cash flow is, so at the time of the borrowing, they'll have to figure that out. Typically the gross interest at this time of year is two percent or -- that translates into 1.8 million off the assumed expected \$90 million borrowing, and the net -- I guess that's basically close enough.

CHAIRMAN GREGORY:

So you're saying last year, we borrowed the full amount; this year, we're looking to --

MR. LIPP:

Last year, we borrowed 105. This year, this resolution will give us the authority to borrow the same amount, but it's expected that the Comptroller will do 15 million less than that.

CHAIRMAN GREGORY:

Okay. That's good news.

LEG. KRUPSKI:

What's the reason for that?

MR. LIPP:

It's -- the Comptroller has cash flow projections, and it shows how much money we need in terms of cash so we could see that we're short on the certain amount of money, whether it's 90 million or 105 to plug in in terms of cash needs so that we aren't short or be how they'll size it. So as they get closer to the date and they see what actually is happening, if there are any negative or positive surprises, then they would resize it, but right now they are thinking they'll need 90.

CHAIRMAN GREGORY:

Okay. And for the record, Legislator Muratore has an excused absence from committee today. Anyone else with any questions? No. Okay. We'll go right into the agenda.

We have *Tabled Resolutions*.

IR 1032, Adopting Local Law No. -2013, A Charter Law to adopt tax policy prior to Election Day ("Taxpayer Awareness Act Part 1") (Cilmi). This has to be tabled for a public hearing. Motion by Legislator Schneiderman. Second by Legislator Horsley. All in favor? Opposed? Abstentions? **Tabled/Public Hearing (VOTE: 5-0-0-1, Not Present: Muratore)**

IR 1033, Adopting Local Law No. -2013, A Charter Law to require open deliberations in budget amendment process ("Taxpayer Awareness Act Part 2") (Cilmi). Same motion, same second. All in favor? Opposed? Abstentions. Bill is **tabled/public hearing. (VOTE: 5-0-0-1, Not Present: Muratore).**

IR 1034, Adopting Local Law No. -2013, A Charter Law to improve transparency and participation in setting spending priorities ("Taxpayer Awareness Act Part 3") (Cilmi). Same motion, same second. All in favor? Opposed? Abstentions. **Tabled/public hearing. (VOTE: 5-0-0-1, Not Present: Muratore).**

MS. ORTIZ:

These are all for public hearing?

CHAIRMAN GREGORY:

Yes.

IR 1312, Amending the 2013 Operating Budget to assure adequate personnel for Wastewater Management (Schneiderman).

I'm going to make a motion -- Jay.

LEG. SCHNEIDERMAN:

I'll make a motion to table.

CHAIRMAN GREGORY:

Motion to table by Legislator Schneiderman. Second by Legislator Horsley. All in favor? Opposed? Abstentions? **Tabled (VOTE: 5-0-0-1, Not Present: Muratore).**

IR 1362, Authorizing additional spending reductions to avoid budget deficit (Kennedy). I'm going to make a motion to table. Do I have a second?

LEG. SCHNEIDERMAN:

Second.

CHAIRMAN GREGORY:

Second by Legislator Schneiderman. All in favor? Opposed? Abstentions? **Tabled (VOTE: 5-0-0-1, Not Present: Muratore).**

Introductory Resolutions

IR 1458, Amending the 2013 Operating Budget and appropriating funds in connection with bonding for a settlement for a liability case against the County (County Executive). I'll make a motion to approve. Do I have a second?

LEG. KRUPSKI:

Second.

CHAIRMAN GREGORY:

Second by Legislator Krupski. I see we have Counsel here.

MS. BIZZARRO:

Good morning.

CHAIRMAN GREGORY:

Good morning.

MS. BIZZARRO:

I'll be happy to answer, to the extent I can, any questions that you have.

CHAIRMAN GREGORY:

Anybody have any questions? Now this is -- you have a question?

LEG. KRUPSKI:

Whatever information you're allowed to divulge.

MS. BIZZARRO:

Okay. The little information that I usually give. This basically concerns settlement of a lawsuit relating to a motor vehicle accident. It was between a police vehicle and an individual. There were two individuals in the other car. Basically, the police officer was responding to a robbery in progress, and it was a fairly significant accident to the extent that the police officer did not even recall the events.

CHAIRMAN GREGORY:

All right. Anyone else? No? Okay. All right.

LEG. SCHNEIDERMAN:

What's the amount on that?

MR. NOLAN:

1.2 million.

MS. BIZZARRO:

1.2 million.

CHAIRMAN GREGORY:

Okay. All in favor? Opposed? Abstentions? Motion passes. **Approved. (VOTE: 5-0-0-1, Not Present: Muratore).**

1462, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 928-2013) (County Executive).

Make a motion to approve and place on the consent calendar. Do I have a second?

LEG. KRUPSKI:

Second.

CHAIRMAN GREGORY:

Second by Legislator Krupski. All in favor? Opposed? Abstentions? **Approved/Consent Calendar (VOTE: 5-0-0-1, Not Present: Muratore).**

1492, Tax Anticipation Note Resolution No. -2013, Resolution delegating to the County Comptroller the powers to authorize the issuance of not to exceed \$105,000,000 Tax Anticipation Notes of the County of Suffolk, New York, in anticipation of the collection of taxes levied for County purposes or returned to the County for collection for the Fiscal Years commencing January 1, 2010, 2011, 2012 and 2013, and to prescribe the terms, form and contents, and provide for the sale and credit enhancement of such notes (County Executive). Make a motion to approve.

D.P.O. HORSLEY:

Second.

CHAIRMAN GREGORY:

Second by Legislator Horsley.

D.P.O. HORSLEY:

On the motion.

CHAIRMAN GREGORY:

On the motion, Legislator Horsley.

D.P.O. HORSLEY:

Just quickly, Robert, is this about the same time we did the last year? How are we doing ton timing on this?

MR. LIPP:

I believe it's a little early this year. The past several years, we've done it at the first meeting in August, so this is a little early.

D.P.O. HORSLEY:

Is there a reason for that, or is there a rationale? I mean, are we falling -- slipping behind or...

MR. LIPP:

Well, it's always good to have the money -- have it in place as soon as you can.

D.P.O. HORSLEY:

Oh, it's just a matter of facilitating the bureaucracy?

MR. LIPP:

I'm not sure. I'd have to look at the difference in cash flows this year and next -- I mean, this year and last year. So I'm not really sure if there's a more significant -- an earlier issue, but the money is a little bit less, so I think we're actually doing a little bit better cash flow-wise. Perhaps Tom Vaughn could add something.

D.P.O. HORSLEY:

Okay. Good. Yeah.

LEG. SCHNEIDERMAN:

The TAN is against.

MR. LIPP:

This is a DTAN, delinquent tax anticipation notes.

LEG. SCHNEIDERMAN:

Against property tax?

MR. LIPP:

Correct.

LEG. SCHNEIDERMAN:

For 105 million?

MR. LIPP:

Correct. Same as last year.

LEG. SCHNEIDERMAN:

That's how much delinquent tax there is?

MR. LIPP:

Well, there's a formula --

LEG. SCHNEIDERMAN:

Oh, 'cause that includes all the towns and vill -- everything, right?

MR. LIPP:

Well, the General Fund makes all of the taxing jurisdictions whole, so it becomes our receivable, for lack of a better term, so -- and we bring in the cash, so it's basically against that, so, yes, it includes schools, towns, all taxing municipalities, except for villages.

LEG. SCHNEIDERMAN:

So we typically -- these are late taxes, but we typically get them all. We'll make 'em whole but we'll get them with the exception of a small amount.

MR. LIPP:

Correct. Right. And this is cash flow. It's not in the budget, other than the interest on it.

LEG. SCHNEIDERMAN:

Right. So it allows us basically to fill the hole created by making the towns, villages, fire departments, schools whole, so we get this money. We can make everybody whole, and then we get the money soon plus interest on -- the late fees, rather.

MR. LIPP:

Yeah, that is correct, but the system is a lot more complicated than that, but that is a broad --

LEG. SCHNEIDERMAN:

Well, simplified, that's basically what's happening here.

MR. LIPP:

Yeah, except that, although we don't have any detailed analysis on it, I'd be surprised if we actually net make money. We lose, I think.

LEG. SCHNEIDERMAN:

Well, because we're paying a little interest on the TAN.

MR. LIPP:

Well, it's also we hold a lot of property that we are paying property taxes on, so if you take that into consideration, I don't think we're doing so great.

LEG. SCHNEIDERMAN:

Mr. Vaughn, do you want add anything on this or no?

MR. VAUGHN:

The only thing that I would add is that we asked the Comptroller's Office the exact same question as to whether or not, when this was laid on the table last year as well, and we were told this was the exact cycle that this was laid on the table as well, and the year before that in June.

D.P.O. HORSLEY:

So Robert's comments are because that's when we passed it. Is that...

MR. VAUGHN:

I'm just telling you that we asked the Comptroller the exact same question you asked, Legislator Horsley --

D.P.O. HORSLEY:

Okay. Good.

MR. VAUGHN:

-- and the response that we got was it was laid on the table in the first meeting of June, adopted in the second meeting of June in the last two years, so 2011 and 2012.

LEG. SCHNEIDERMAN:

It's basically a cash flow issue, right? We have to do this.

MR. VAUGHN:

It remains a cash flow issue, correct.

LEG. SCHNEIDERMAN:

Right. It's probably close to break even for the County between the late fees we collect and the interest we pay. Either way, we have to do it so that we can make payroll and pay our other expenses.

MR. LIPP:

We have to do it, is one way to look at it.

D.P.O. HORSLEY:

Yeah, no, I understand that. So would you read into this that that we're stabilizing?

MR. LIPP:

No.

D.P.O. HORSLEY:

Okay. Fair enough.

No, I wouldn't read a lot into it. In other words, I wouldn't say there's a clear trend. We're doing, I believe --

D.P.O. HORSLEY:

I mean, you can see we're borrowing -- you -- you know, we're using (indiscernible), which means foreclosures. Tax people are paying their taxes on time. You don't...

MR. LIPP:

In terms of the cash flow borrowings, there are three cash flow borrowings. There's this, which is referred to as a DTAN, delinquent tax anticipation note; there's the bigger 400 million, approximately, TAN borrowing, tax anticipation borrowing, in December or January; and then there's the revenue anticipation note, RAN borrowing, that we've done earlier in the year. So if you add the three together as cash flow, we're in the same neighborhood as last year.

D.P.O. HORSLEY:

Okay. So stabilizing was the correct term, perhaps.

MR. LIPP:

Perhaps.

D.P.O. HORSLEY:

I'm not going to get you there. Either way, I think we're stabilizing and so that's -- but, you know, that's a gut reaction.

LEG. KRUPSKI:

Even if you look at -- you can't be made whole. If you look at the brownfield properties alone, the County is putting out almost \$3 million a year just to bring up all the other taxing districts to make them whole, so you can't -- that's a hole that you -- we can't fill.

D.P.O. HORSLEY:

I can't argue that.

LEG. SCHNEIDERMAN:

Yes -- well, no, we can't fill it, but if the land bank proceeds, then we no longer will have to make everybody whole on that. Robert, last year, the TAN, what was the amount?

MR. LIPP:

It was -- the DTAN last year was 105.

LEG. SCHNEIDERMAN:

All right, so it's the same.

MR. LIPP:

Yeah, and actually we will probably issue, as I was saying earlier, only 90.

LEG. SCHNEIDERMAN:

Do you know that, you know, after these people pay the deficit in the -- in terms of making the other taxing jurisdictions whole in terms of how much we then collect from property owners, is that decreasing?

MR. LIPP:

Well, the receivables actually are increasing. Part of the problem is it's the General Fund and the General Fund property tax has been more or less fixed the last several years, while the overall tax warrant rises so that even if, let's say, the percentage of delinquencies was the same, the dollar amount would be more.

LEG. SCHNEIDERMAN:

But I know at the end of the day, the people who basically aren't paying their taxes at all, that number that we're short, has that changed.

MR. LIPP:

Yeah. That seems to be a bit of a head-scratcher for anybody I've spoken to. We had a trend going down until 2012, which actually ended with accruals through February of 2013, and there was an increase, which was surprising to everybody, and the system is so complex, I could spend hours talking about it and even I fully wouldn't fully understand it.

LEG. SCHNEIDERMAN:

Were we not making that up when we --

LEG. KRUPSKI:

Let's not go down that road.

MR. LIPP:

But feel free to ask.

LEG. SCHNEIDERMAN:

When we take those -- Robert, when we take those properties and we auction them off, are we not being made whole?

MR. LIPP:

The auctions are a small percentage of the overall holdings for a variety of reasons, so we have a lot of properties, for instance, that are delinquent that we have liens on. We haven't taken a deed. Typically for residential property, we would take the deed within, say, three and a half years, so if you were delinquent for a full three years, then approximately three and a half years, we'd take deed to your property. And then there are Local Law 13s and 16s 72(h)s where we actually, you know, dispose of the property, give back the deed either to the previous owner or an adjacent owner or a municipality so you take that off right there, and then it's probably a good seven years with the properties that are marketable that we would auction off, and then if you add in the fact that they're a few years back with the lawsuit from Mr. Tucci, where we were not getting anything and we were actually -- some years the revenue we brought in were negative, that being the case because when we dispose of property, for instance, not the full County property tax investment, then we have to write that off, so then you talk about the brownfields and stuff like that, we probably are losing money, but we don't really have the data to fully vet out what that loss might be.

LEG. KRUPSKI:

Plus all the administrative costs associated with all those years of recordkeeping and title searches and all that.

LEG. SCHNEIDERMAN:

I was at a meeting the other day, turns to the brownfield properties, and the number that I -- that came out of that meeting on a yearly average was something in the neighborhood of \$3.5 million. We're making the towns and villages everybody whole. We're not taking those properties because of concern, and that's unfortunate. If they were on the tax rolls or if they were moved to the landbanks. If they're in the landbank, it stops -- it's no longer the County's; it belongs to the landbanks, and we're not then responsible for filling all the holes. But then hopefully they get sold and get on the tax payrolls and they are back and everybody is made whole again.

MR. LIPP:

I guess my same answer that I gave Legislator Horsley: perhaps.

D.P.O. HORSLEY:

It's a matter of glass half full or half empty, Robert. I don't think we're ever going to agree on everything. Is it possible that the, you know, that the 12 number was reflected that way because more the -- those houses that were caught up in the bubble that have been off the tax rolls for a long time are now being placed back on -- are being placed back in -- on for sale after many, many years now?

MR. LIPP:

Right. Actually, that is part of it, so, for instance, as I said earlier, we take the deed to property approximately three and a half years after people are delinquent for a full three years, and that -- and there was a jump in that, so you have a lag from a few years ago that we all of a sudden took the deed for and it pops up our receivable, and, therefore, what we book in terms of property taxes becomes less. If you can understand that, I'm not sure.

D.P.O. HORSLEY:

That was my point, so I guess I understand it.

MR. LIPP:

Yes, and my point before was there's a lot of other moving parts to how the calculation is made for property tax, so you're 100 percent right there, but there are other parts that are head-scratchers.

D.P.O. HORSLEY:

I love it when you say that, Robert.

MR. LIPP:

I guess we're in love.

CHAIRMAN GREGORY:

Okay. We have a motion, a second. All in favor? Opposed? Abstentions? Okay. Motion passes. **Approved. (VOTE: 5-0-0-1, Not Present: Muratore).**

IR 1500, Amending the 2013 Operating Budget and appropriating funds in connection with bonding for a judgment for a liability case against the County. Make a motion to approve. Do I have a second?

LEG. KRUPSKI:

Second.

CHAIRMAN GREGORY:

Second by Legislator Krupski. Counsel?

MS. BIZZARRO:

This is a matter that relates to a \$20,000 judgment obtained by a plaintiff who went to trial on the case. It's a civil rights claim, and with that, there's an attorney fee award, typically, with the 1983 civil rights matters, and the attorney fee award was 130,000. I was told that that needed to be bonded. We do have some money, but that would have basically obliterated the account for the balance of the year, so I'm asking that we bond this.

CHAIRMAN GREGORY:

So the award was 20,000, and there was, I guess, a settlement for attorney fees of 130,000.

MS. BIZZARRO:

Right, yes. It's not a settlement. It goes before the judge, and the judge rendered a decision on the attorney's fees.

CHAIRMAN GREGORY:

Oh, okay. And so it's a total of 150,000 or so.

MS. BIZZARRO:

Correct.

CHAIRMAN GREGORY:

Legislator Krupski.

LEG. KRUPSKI:

When did this happen, the case or the incident, whatever? I don't know what you call it.

MS. BIZZARRO:

The incident was back in September of 2006.

LEG. KRUPSKI:

So I would assume by then that procedures were put in place so that incident wouldn't repeat itself, whatever was involved.

MS. BIZZARRO:

I can't speak to the department, but I do believe they took some -- there may have been some corrective action that had been taken. This case was more of a he said/she said matter. The police officers had one version of the events, the plaintiffs had another so...

LEG. KRUPSKI:

Thank you.

CHAIRMAN GREGORY:

Okay. Any other questions? All in favor? Opposed? Abstentions? **Approved. (VOTE: 5-0-0-1, Not Present: Muratore).**

Okay. That is all that we have on our agenda, so we stand adjourned. Thank you.

*(*Meeting was adjourned at 10:26 a.m. *)*