

**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 September 3, 2013 at 10:00 a.m.

**Members Present:**

Legislator DuWayne Gregory - Chairman  
Legislator Jay Schneiderman - Vice-Chair  
Legislator Wayne Horsley  
Legislator Tom Muratore  
Legislator Al Krupski

**Also In Attendance:**

Legislator Tom Cilmi - Legislative District No. 10  
George Nolan - Counsel to the Legislature  
Robert Lipp - Director, Budget Review Office  
Sharen Wagner - Budget Review Office  
Craig Freas - Budget Review Office  
Michael Pitcher - Aide to Presiding Officer Lindsay  
Paul Perillie - Aide to Legislator Gregory  
Christina DeLisi - Aide to Legislator Schneiderman  
Kevin LaValle - Aide to Legislator Muratore  
Greg Moran - Aide to Legislator Nowick  
Ali Nazir - Aide to Legislator Kennedy  
Tom Vaughn - County Executive's Office  
Rick Brand - Newsday  
All Other Interested Parties

**Minutes Taken By:**

Gabrielle Severs - Court Stenographer

**Minutes Transcribed By:**

Kim Castiglione - Legislative Secretary

*(\*The meeting was called to order at 10:04 a.m.\*)*

**CHAIRMAN GREGORY:**

Good morning, everyone. Welcome to today's Budget and Finance Committee meeting. Welcome back from the break and Labor Day holiday and the first day of school for the school age children. Let's all rise for the Pledge of Allegiance led by our Deputy Presiding Officer, Wayne Horsley.

***Salutation***

Okay. We don't have any cards, but if there's anyone that would like to come forward and speak, please step to the microphone to the left. Seeing none, we will move to the agenda.

**Tabled Resolutions**

We have tabled resolutions. ***IR 1312 - Amending the 2013 Operating Budget to assure adequate personnel for Wastewater Management (Schneiderman)***. I'm going to make a motion to table.

**D.P.O. HORSLEY:**

Second.

**CHAIRMAN GREGORY:**

Second by Legislator Horsley.

**LEG. SCHNEIDERMAN:**

Motion to approve.

**CHAIRMAN GREGORY:**

Motion to approve by Legislator Schneiderman. Do we have a second? No second. Okay. Tabling motion goes first. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

***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?

**D.P.O. HORSLEY:**

Second.

**CHAIRMAN GREGORY:**

Second by Legislator Horsley. All in favor? Opposed? Abstentions? **(Vote: 5-0-0-0)**

***IR 1564 - Amending the 2013 Operating Budget and appropriating funds in connection with bonding for an order on consent settlement with the United States Environmental Protection Agency concerning county underground storage tanks and universal waste (County Executive)***.

We have Tom Vaughn from the Administration here.

**MR. VAUGHN:**

We would ask the committee to please entertain a tabling motion on this, please.

**CHAIRMAN GREGORY:**

Okay. I'll make a motion to table.

**LEG. SCHNEIDERMAN:**

Second

**CHAIRMAN GREGORY:**

Second by Legislator Schneiderman. All in favor? Opposed? Abstentions? **(Vote: 5-0-0-0)**

**Introductory Resolutions**

***IR 1570 - Adopting Local Law No. -2013, A Charter Law to improve the County's Budget approval and amendment process to increase transparency and accountability ("Taxpayer Awareness Act") (Cilmi).*** This has to be tabled for a public hearing. I will make a motion to table. Second by Legislator Schneiderman.

**LEG. CILMI:**

Mr. Chairman?

**CHAIRMAN GREGORY:**

We do have the sponsor here, and I will recognize him at this time.

**LEG. CILMI:**

I just wanted to share with you, I did this in deference to you because the previous bill, as you know, was separated into three parts and so you had to read three different titles, and I've combined them all into one to make it easier for you and for the Presiding Officer. I just want to share that with you.

**D.P.O. HORSLEY:**

What a guy.

**CHAIRMAN GREGORY:**

We appreciate that. Thank you very much. You're such a kind gentleman.

**D.P.O. HORSLEY:**

He's warmed up over the summer.

**CHAIRMAN GREGORY:**

Okay. We do have a motion. We have a second. Okay. All in favor? Opposed? Abstentions? Motion is tabled for a public hearing -- resolution is tabled for a public hearing, excuse me. **(Vote: 5-0-0-0)**

***IR 1579 - To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 930-2013) (County Executive).*** I make a motion to approve and place on the Consent Calendar.

**LEG. SCHNEIDERMAN:**

Second.

**CHAIRMAN GREGORY:**

Second by Legislator Schneiderman. All in favor? Opposed? Abstentions? **(Vote: 5-0-0-0)**

***IR 1580 - To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 931-2013) (County Executive).*** I make the same motion, same second. All in favor? Opposed? Abstentions? Okay. **(Vote: 5-0-0-0)**

***IR 1589 - To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 932-2013) (County Executive).***

Same motion, same second. All in favor? Opposed? Abstentions? **(Vote: 5-0-0-0)**

***IR 1591 - Adopting Local Law No. -2013, A Charter Law to institute a Departmental Omnibus Budget Amendment Process (Cilmi).*** This, too, has to be tabled for a public hearing so I make a motion to table. Second by Legislator Schneiderman. Anything from the sponsor?

**LEG. CILMI:**

Well, thanks for asking, Mr. Chairman. I don't know if now is the appropriate time or I was actually going to just wait until the end of the agenda to ask. Is it appropriate to ask the Chair to discuss, at least on a superficial level, some of the discussions that are going on in the Budget Working Group, in the Operating Budget Working Group, with the committee? Sort of a cursory overview of what's being discussed. I know the group has met, I think, at least two or three times now.

**LEG. SCHNEIDERMAN:**

Can I just -- I have no problem with that. I'm not on it, I'd like to hear myself, but can we do that at the end of the meeting? Can we get through the agenda?

**LEG. CILMI:**

Sure.

**CHAIRMAN GREGORY:**

Do we have a motion? I forgot. Okay. Motion and a second. All in favor? Opposed? Abstentions? **(Vote: 5-0-0-0)**

***IR 1597 - Creating a commission to identify real cost saving measures in Suffolk County Government and affirming the current structure of the Suffolk County Charter as it relates to the Departments of Audit and Control and Finance and Taxation (Kennedy).*** I'm going to make a motion to table. Do I have a second?

**D.P.O. HORSLEY:**

Second.

**CHAIRMAN GREGORY:**

Second by Legislator Horsley. All in favor? Opposed? Abstentions?

**LEG. MURATORE:**

Opposed.

**CHAIRMAN GREGORY:**

One opposition. **(Vote: 4-1-0-0 Opposed: Legislator Muratore)**

***IR 1605 - Adopting Local Law No. -2013, A Charter Law to establish a two-year Budget Planning Process (Cilmi).***

This motion has to be tabled for a public hearing, so I make that motion. Second by Legislator Schneiderman. All in favor? Opposed? Abstentions? **(Vote: 5-0-0-0)**

***IR 1665 - Amending the 2013 Operating Budget and appropriating funds in connection with bonding for a Settlement for Medical Malpractice Case Against the County (Co. Exec.).***

I'm going to make a motion to approve. Second by Legislator Muratore. Mr. Vaughn, do you have anything to add? The amount, what's this about.

**MR. VAUGHN:**

It's a \$400,000 settlement.

**CHAIRMAN GREGORY:**

It's a medical malpractice suit?

**MR. VAUGHN:**

Yes, sir. Is it's a medical malpractice suit. My understanding is that the incident occurred at one of the clinics. I don't have any more information other than that.

**CHAIRMAN GREGORY:**

Okay.

**MR. VAUGHN:**

And it was approved by the Ways and Means Committee.

**CHAIRMAN GREGORY:**

Okay. Anyone else? Legislator Cilmi.

**LEG. CILMI:**

Mr. Vaughn or maybe Budget Review. Do either of you know what our debt service is on settlements, our annual debt service is on settlements that we've bonded specifically for malpractice?

**MR. VAUGHN:**

No, sir, I don't, but I would be happy to ask Budget about it. And the other thing that I would just remind the committee of is that this is one of the advantages of moving to the FQHC model that we've already started to move to at two of our County health clinics, in that we are protected from medical malpractice suits under the FQHC model.

**LEG. CILMI:**

I appreciate -- that's exactly why I asked the question, Tom, so I look forward to that information as soon as possible. Craig, do you have --

**MR. FREAS:**

Off the top of my head, I don't know. I actually answered this question for somebody in the last two weeks, so if you give me a little bit of time I can get it for you.

**LEG. CILMI:**

That would be great. Thank you.

**CHAIRMAN GREGORY:**

Okay. All right. We have a motion and a second. All in favor? Opposed? Abstentions? The motion is approved. **(Vote: 5-0-0-0)**

***IR 1678, Adopting Local Law No. -2013, A Local Law to provide assessment and tax relief to property owners impacted by Superstorm Sandy (Browning).*** This also has to be tabled because it's in a public hearing. I make that motion, second by Legislator Schneiderman. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

Okay. We are finished with the agenda. Now to Legislator Cilmi's question about the informal meetings of the Budget Working Group. I'm going to have the Deputy Presiding Officer Horsley respond to it.

**D.P.O. HORSLEY:**

Thank you very much, Legislator Gregory. I'm pleased to report that the working group has met several times, as noted by Legislator Cilmi, in which they have -- well, let's first of all just mention that of course any Legislator is invited to come to the meetings. If we have an overflow crowd we'll just speak louder and you guys can hang out outside the door. You know, this is certainly an open meeting for all Legislators and we would welcome anyone coming to it.

So that being the case, what we have done is to what I believe is a proactive stance, rather just reacting to the County Executive's budget when it comes over I believe it's the third -- Robert, third Friday? I finally got it right, third Friday in September, that we are looking at some of the alternatives in which we can -- we could go to if the budget needs to. And what that meaning -- meaning is that there are -- you know, we took a list, and many of them were promoted by BRO under different categories. One being taxes, another being fees, another being revenue enhancements of different orders, and we went through them all. And basically what we looked to do is to see what kind of tolerance the Legislature has for certain revenue enhancers. And one of the things we all agreed upon is it would be not in our best interest to talk about the specifics at this point in time. Let us work together with the County Executive and say, listen, you know, this is something that we could look at and -- or not. And so we're an active participant in the game. So we have gone through, and Robert, how many would you say that we have yes and no's that we would take a look at if need be. Do you have any break down without getting into specifics?

**MR. LIPP:**

You mean by category?

**D.P.O. HORSLEY:**

Yeah. Just how many do you think that we have actually said all right, we'll take a look at that.

**MR. LIPP:**

Probably about a dozen -- about a dozen different items.

**D.P.O. HORSLEY:**

So, you know -- and that was out of maybe 30? I'm guessing. Twenty-five?

**MR. LIPP:**

At least.

**D.P.O. HORSLEY:**

Yeah, at least, that we said right off the top of the conversation nah, there's no way we're going to look at that. So it's a very fluid situation. No commitments on anyone that was in the room. That was one of the things that we all agreed upon, that listen, this is just an airing out session. This is just a first go through. You know, let's not commit to anything because we don't want these ideas getting out of the room, because some of them are more draconian than others, depending on where the bottom line ends up with the budget itself. So that's where we're at. Now we're ready pretty much -- we have one more meeting I believe on September 10th?

**MR. LIPP:**

Tenth.

**D.P.O. HORSLEY:**

Just for about an hour and a half to kind of finalize our list so that we can have a discussion with the County Executive, say listen, this is something we'd, you know, this is what our discussions have led to. So pretty much that's where these two meetings have taken us. They have been exhaustive, they have been many hours, maybe ten hours' worth of time which we've spent on it. And again, nothing is conclusive, nothing has been sworn to. The only thing is that we're looking to do is not to have them get into the public media at this point in time because, frankly, they're not real yet and

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we don't want to get ourselves ahead of the game where we're saying you're supporting this and we haven't gotten to that commitment yet. So that's kind of like a thumbnail of where we're at without being anything -- without saying anything specific.

### **LEG. CILMI:**

Mr. Chairman, if I may.

### **CHAIRMAN GREGORY:**

Yes.

### **LEG. CILMI:**

So with respect to -- I think it's great that the Legislature is looking at proactively how to deal with potential budget challenges before the budget comes out, and I think -- I mean, I think we would all agree that we do that on a constant basis.

### **D.P.O. HORSLEY:**

We do.

### **LEG. CILMI:**

Year round basis, really. I continue to be disappointed, to say the least, that that process takes place outside of the public view. I think that to deprive the public of the ability to comment on and to listen to the different ideas that we have I think is wrong, inasmuch as we can put them forth as ideas as opposed to here's what we're doing and here's what we're not doing. I mean, I think we don't give the public enough credit to know that, you know, all of these ideas are out there. You know, you might be talking, for example, about a sales tax increase or a property tax increase. I mean, these are issues that we deal with and, you know, wrestle with all day long, all year long. It would be naive to think that the public doesn't understand that those are options that we might consider, but I'm sure there are a number of other things as well, and it may help us as a Legislature to get public input on some of those ideas as opposed to keeping them behind the door.

So I would encourage the Chairman and the Deputy Presiding Officer, as the Chairman of that Budget Working Group, to be as explicit as possible about some of the suggestions, or all of the suggestions, that are taking place in that Budget Working Group so that we can get public comment and help us make better decisions.

### **CHAIRMAN GREGORY:**

Legislator Krupski, and then I'll respond.

### **LEG. KRUPSKI:**

Just to respond. I have to say that what Legislator Horsley said about being proactive, you know, because this is my first budget here at the County, I think these early meetings have been extremely helpful to me to get to better know the budget process. But as far as keeping the public out, it really -- I mean, it's the public that you, you know, that you consider with all the decisions, so you really don't keep the public out. This just gives the Legislators an opportunity to openly vet different ideas in sort of -- I guess rough and tumble isn't really the word for it, but it's kind of a rougher setting than maybe then you would speak at different things in public. But I get public input on the budget process all the time. You know, anybody can come in at any time and say anything to the Legislature about -- you know, year round.

So I don't really think it keeps the public out. I think more it just -- it's just more of a comfortable setting to talk about any component of the government where you're not going to be criticized because you said something that maybe didn't come out right. So I think it's been, you know, a pretty positive experience and, you know, you should come down on the tenth and we'd be happy to hear any kind of ideas.

**LEG. CILMI:**

See, my -- if I may, Mr. Chairman. My problem with coming down to a meeting is that there's the possibility of there being a full room, that being nine Legislators, and then I have to sit outside. And not that the air isn't clean outside, but, you know, I was elected to this Legislature with equal standing, as all of my colleagues, and I should not have to sit outside and be relegated to joining the conversation only at such a time where another Legislator chooses to leave. When we have committee meetings, although I'm not on this committee I have the ability to come here and talk publicly about my thoughts and ask questions and get answers, and that can't happen in the setting that this Legislature is supporting right now.

So I have -- one of my Aides will be there on the tenth as they've been there before to listen, and then bring that information back to me just so that I'm not totally in the dark. But to come and just, you know, hope that somebody leaves the room so that I can participate in a meeting that in my opinion I should have the ability to participate in regardless, it just doesn't sit well with me. But I appreciate your point of view and, you know, some of what you said makes sense.

**CHAIRMAN GREGORY:**

And I appreciate your sentiment and your concerns. The budget process is a messy process. We all understand that. I think in the setting that we conduct it in, the Budget Working Group, is more -- allows us to get the information that we need to make in an environment where we can process that information. We try to leave the politics out of the conversation and we're able to discuss things, just throw things into the wall, if you will, and look at everything. If we were to discuss say layoffs in an open setting, you would have I'm sure hundreds of phone calls from concerned employees that it somehow would impact them, and we may not even had made a decision on whether we do layoffs or not. The same with contract agencies.

So in this setting we're able to kind of go through that process in a deliberate way before we make those determinations without causing all types of hysteria and concerns and rightfully so. If I were in their positions I would be concerned as well, but allows us to make those decisions without the inside -- outside, excuse me, influences that may affect, you know, the decision of the body. And we do our best to look at, process the information as best as we can without outside influences.

We do have the public hearing process where anyone is allowed to come to the various committees and make their case. We all get the various letters from contract agencies and concerned parties. I was just approached Friday by a contract agency. We know you guys are in the budget process, when can I come see you, we want to sit down and talk about our concerns, because they have been communicating with the County Executive's Office.

So I think it's a process that, you know, it's not the best process but it works and allows us to do our job in a way that I think allows us to make decisions, or at least process the information that we have to process.

**LEG. CILMI:**

If I could just very, very quickly with respect to the layoff issue. I think last year we saw one of the flaws in this process, where as part of the budget process we laid off a number of people in a title, PR person in the Police Department, only to find out afterwards that they weren't really what we thought of as PR people, you know, what we perceived their jobs to be. It was totally different than we what we perceived their jobs to be. That would have been rectified had we discussed that openly in advance of voting on the amendment.

I don't want to belabor this. My intention is to be here at each and every Budget and Finance Committee meeting through the budget process, and hopefully the committee, the Working Group, can share some of the information that is being discussed in that conference room with us, and I'll continue to ask some questions and I appreciate the Chairman's deference in answering the questions. And I'll keep fighting for what I think is just for our process. Thanks.

**CHAIRMAN GREGORY:**

I'll tell you one thing we have not discussed is raising taxes on your constituents and only your constituents. That's something that we have not done. Legislator Schneiderman.

**LEG. CILMI:**

The residents of the 10th Legislative District appreciate that, Mr. Chairman. Thank you.

**LEG. SCHNEIDERMAN:**

This is my tenth year now as part of this esteemed body and I don't -- there's never been a year where we've actually adopted the County Executive's budget. It's always been the Legislature's budget. We've changed it, what we've gotten. At first this year I was a little surprised how early the budget group was meeting, because we respond to the County Executive's budget, that's what we do. The County Executive as the Chief Administrator, as Chief Executive, proposes the budget. We take a look at it. And it often takes a very long time to go through it, and it's a close to three billion dollar budget. It's a lot of moving parts. So if my first thought was why is the group even meeting, it's way too early, but I realize there's some freshman Legislators and there's a learning curve here.

But I think what Wayne was saying I think is really interesting, that there may be this interactive process between the 12th Floor and the Legislature trying to assess the -- kind of the tolerance or appetite of the Legislature. Now, normally I would say keep it separate, but you know, we are in a complicated time, and if it speeds up the process then maybe we can actually get the Legislature's budget done earlier, which would maybe make room for some of the things that I know, Tom, you have been trying to do, which is to have it adopted earlier. So it actually may be a good thing. Though I haven't heard, I heard Legislator Horsley talking about revenue enhancements. I hope there's, you know, Robert maybe you can tell me, there's some discussions about expense reductions as well, you know, kind of the other side of the equation. And if there's anything positive in the news world or even negative that is affecting the overall numbers like the growth in sales tax, I think that's important for the whole body, particularly this committee to be aware of, so if you can chime in on that.

**MR. LIPP:**

No doubt that sales tax is up and we expect to come in this year above what was adopted. Last year we were short about 8.8 million, so we came into the year short. We should make up that 8.8 million and perhaps a little more than that, so that's a good thing.

**LEG. SCHNEIDERMAN:**

Do you know what that current growth rate is? It's around six, right?

**MR. LIPP:**

I can tell you exactly if you would bear with me for one second. There are pluses and minuses, though, in the budget so it remains to be seen as a little challenging. So the growth right now is, going into the third quarter, six and a half percent year-to-date, second quarter.

**LEG. SCHNEIDERMAN:**

Our budget anticipated --

**MR. LIPP:**

Our budget anticipated I think 3.95.

**LEG. SCHNEIDERMAN:**

Point seven five?

**MR. LIPP:**

Three point seven five, yes, you're right. But we would need a little more than that simply because

we came in short. So in other -- last year the base is lower, so you need a higher --

**LEG. SCHNEIDERMAN:**

The base is lower and each percentage is worth about what, 12 million dollars --

**MR. LIPP:**

Correct.

**LEG. SCHNEIDERMAN:**

-- something in that magnitude. So if we're 3% higher we're talking about 36, something in that range, in the \$30 million range.

**MR. LIPP:**

Yeah, and there's good reason to believe even if things slow down a little bit we should do okay, for instance, in the fourth quarter in particular, because the fourth quarter was bad last year because of Sandy, for instance. So we have an easier lift, a lighter weight to lift in the fourth quarter, so we should be coming in okay.

**LEG. SCHNEIDERMAN:**

In some of those forecasts for the deficit over the course of two years this would change those forecasts, because now your base is also changing with these numbers; correct?

**MR. LIPP:**

Correct.

**LEG. SCHNEIDERMAN:**

So if you accelerated at six and a half percent over -- let's say if it continued over a couple of year period, that's going to have a significant impact in terms of reducing that projected deficit.

**MR. LIPP:**

Yes. I don't want to overstate the case, though, because there are a lot of structural problems in the budget that if you want I can talk about, but I don't want to get you depressed.

**LEG. SCHNEIDERMAN:**

Anything else on the good news side?

**MR. LIPP:**

Well, I guess just that the deficit has come down some, but there are serious challenges and, you know, we'll have to see what transpires at the working group and also when the recommended budget comes out in a few weeks and how we're going react to it.

**LEG. SCHNEIDERMAN:**

Can I ask you specifically in terms of what I think is good news in terms of the pension contributions. I saw that the Comptroller had changed the projections.

**MR. LIPP:**

Yeah, all right. So with the pension contributions, this is -- if you look at our review from last year, we actually went and projected out, because nobody does this, we projected out five years. We could have projected out a gazillion years but it gets dicier every year. To make a long story short, we said that the first decrease would come in 2015, that's what it is. The newspaper article isn't -- wasn't clear on that kind of stuff, so the bill we'll be receiving for 2014 is not a decreased contribution rate. That will be for the 2015 budget is what they're talking about. They didn't -- the newspaper article isn't interested in sequencing our budget year --

**LEG. SCHNEIDERMAN:**

But is 2014 flat or is 2014 an increase?

**MR. LIPP:**

Increase.

**LEG. SCHNEIDERMAN:**

Because there was a time when this was going up by tens of millions a year.

**MR. LIPP:**

An increase.

**LEG. SCHNEIDERMAN:**

It is an increase. On what magnitude, do you know?

**MR. LIPP:**

Not on a large magnitude, but the real serious problem, here's where I depress you. The real serious problem is we go from being able to amortize 60 some-odd million to 80 million, so the budget is probably going to be predicated on amortizing or borrowing from the retirement system \$80 million for 2014.

**LEG. SCHNEIDERMAN:**

Do you know the interest rates we're required to pay on that?

**MR. LIPP:**

I believe it's three and a half percent over --

**LEG. SCHNEIDERMAN:**

I thought they adjusted that downward, but you think it's three and a half?

**MR. LIPP:**

I believe so, but you know, that's off the top of my head.

**LEG. SCHNEIDERMAN:**

Okay. You said in 2015 it's actually going down.

**MR. LIPP:**

Yes.

**LEG. SCHNEIDERMAN:**

Do you have a sense of the scale of that progression?

**MR. LIPP:**

Well, the problem is when you amortize it's sort of a poison pill. The State says if it goes down -- well, first of all, what they said in the newspaper it will go down a little less than one percent for the employee retirement system and a little more than that for the police retirement system. That being said, once you amortize -- let's say for argument's sake it goes down five percent, the contribution rate, in let's say the year after. Ours goes down only by one percent, but they put the rest in reserve because we are borrowing money from them. So our bill, A, will not go down as much, and, B, if we don't want to amortize next year we need to -- there's a pop up there besides the normal growth rate of \$80 million. How's that for depressing you?

**LEG. SCHNEIDERMAN:**

In terms of roughly the dollar amount, I mean, if you had it, the reduction in 2015?

**MR. LIPP:**

I'll say like \$30 million.

**LEG. SCHNEIDERMAN:**

So that's also taking pressure then off of -- because that's in that projection for the --

**MR. LIPP:**

Well, the problem is we've been borrowing for a few years in a row, or amortizing as the State calls it, from the retirement system, and now what we're doing is we're moving to a phase where we're layering the repayment or debt service of that on top of the bill.

**LEG. SCHNEIDERMAN:**

Right, but we shouldn't, I mean, we might not have to amortize further once we get to '15.

**MR. LIPP:**

I don't see that.

**LEG. SCHNEIDERMAN:**

Okay. You see we'll still continue to borrow to make those pension payments.

**MR. LIPP:**

Well, for instance, in 2014 we would need \$80 million to not -- amortize or borrow for next year and the number wouldn't be that dissimilar the year after.

**LEG. SCHNEIDERMAN**

Okay.

**LEG. CILMI:**

If I may, Mr. Chairman, just to speak to Legislator Schneiderman's comments. Just to underscore the magnitude of this issue, this year our required pension contribution was how much, roughly?

**MR. LIPP:**

I think it was like -- I want to say 245 plus the 60.

**LEG. CILMI:**

Two-hundred and forty-five million dollars and then -- so that's our acquired contribution, but what we actually paid was 60 million less than that?

**MR. LIPP:**

Well, we paid -- well, let me get you a better number, but yeah, we paid 60 million less than that.

**LEG. CILMI:**

Right, that's how much we amortized, 60 million.

**MR. LIPP:**

More like \$67 million I think.

**LEG. CILMI:**

Sixty-seven. So what's happening is that we're piling this 67 and whatever it is year after year after year, so the reductions in the required contribution probably get overshadowed by the interest cost on the amortized portions year after year after year. And although you're right in saying well, we may not have to amortize quite as much if the required contributions start to descend a little bit, the fact is that is that budgetarily, Robert correct me if I'm wrong, but budgetarily we couldn't possibly find the money necessary to pay the entire bill, at least not for the next several years if -- assuming that the required contributions continued to drop.

**MR. LIPP:**

I prefer the term challenging.

**LEG. CILMI:**

All right. Well, that's fine.

**MR. LIPP:**

I don't disagree with you.

**LEG. CILMI:**

You don't disagree with me.

**MR. LIPP:**

I prefer the term challenging.

**LEG. CILMI:**

Right. So even if pension contributions came down, you know, \$30 million, we're still going to have to amortize a certain portion because of our budget challenges and that will continue then to add on to the debt service and to the cost of -- basically our budgetary costs associated with pension contributions in the future.

**MR. LIPP:**

I believe our pension, actual bill that we paid, was a little over 145 this year, 145 million. And then you could add over 60 million on top of that.

**LEG. SCHNEIDERMAN:**

No, the debt service on the 60 million, not the actual 60 million.

**MR. LIPP:**

No, no, no. We didn't -- I'm saying that the bill that we paid was about 145 this year. I'm not talking about --

**LEG. SCHNEIDERMAN:**

One forty-five and then we amortized an additional 60 million --

**MR. LIPP:**

Right. So --

**LEG. SCHNEIDERMAN:**

So I'm saying --

**MR. LIPP:**

The debt service on the 60 million doesn't start til next year.

**LEG. SCHNEIDERMAN:**

Okay, but we covered last year's amortization this year.

**MR. LIPP:**

Correct.

**LEG. SCHNEIDERMAN:**

Roughly sixty million, too -- is it a ten year note or?

**MR. LIPP:**

Ten year note.

**LEG. SCHNEIDERMAN:**

It's a ten year note.

**MR. LIPP:**

So a couple of years ago we borrowed like 19 million, then the next year we borrowed 45, and then last year we borrowed maybe about 67, and next year it will be 80 million.

**LEG. CILMI:**

What do we have outstanding all together in pension amortization debt, roughly.

**MR. LIPP:**

We have about 130 million, and then you could add the 80 on next year.

**LEG. CILMI:**

So by next year, assuming that the budgetary -- assuming certain budgetary decisions this year for next year, you're thinking that we'll probably have somewhere in excess of \$200 million of pension debt in addition to what we, you know, our annual required contributions.

**MR. LIPP:**

Correct.

**LEG. CILMI:**

Okay.

**MR. LIPP:**

That gets rolled in implicitly, the debt service gets rolled into the pension bill that we would pay.

**LEG. CILMI:**

It's frightening, because the increases in revenue that we'd have to see in order to deal with that would be breathtaking. We wouldn't see those types of increases in revenue, under normal circumstances anyway.

**MR. LIPP:**

It would be challenging.

**LEG. CILMI:**

Right.

**LEG. SCHNEIDERMAN:**

What could change, you know, if the New York State Pension Fund continues to grow, then it, you know, we could have several years of reductions could potentially wipe that debt out, possibly, but that's hopeful.

**LEG. CILMI:**

Our grandchildren might be happier than our children.

**LEG. SCHNEIDERMAN:**

The stock market has rebounded quite a bit, but I think it's all quite tenuous anyway.

**MR. LIPP:**

Like I said before, though, we would only experience a one percent decrease in the contribution rate. They would apply any additional savings to the amounts that we owed.

**CHAIRMAN GREGORY:**

Legislator Krupski.

**LEG. KRUPSKI:**

So a few years ago when the County decided to borrow 19 million at the beginning against the -- against all this, where does the money actually come from?

**MR. LIPP:**

It's the State Retirement System. It was written into State law that the State Retirement System would allow municipalities, once the stock market tanked, to do a certain portion of their retirement bill in terms of amortizing and it would be borrowing from the State Retirement System.

**LEG. KRUPSKI:**

So you said a certain portion. So then is there a limit? At some point are they going to become alarmed when this becomes how many hundreds of millions.

**MR. LIPP:**

Yeah, that's a good question. I don't know what the State is thinking. I did ask them when they're calculating their future growth rates and, you know, how vested we are, are we a hundred percent vested or 95% or whatever, what do you assume with the amounts that we borrowed, and they said simply that we program it in as you are going to repay us over the ten years whatever amounts you owe us, period.

**LEG. SCHNEIDERMAN:**

Can I just add, Al, too, in the earlier days, like when we took that 19 million, it was at a higher interest rate. Robert, do you remember? It was like five percent or something. I actually reached out to the State asking them to allow us to, you know, take advantage of the lower interest rates today, kind of refinance that, and they said no, they wouldn't do that, they couldn't do that, which is unfortunate.

**MR. LIPP:**

They did lower it, though, you're correct.

**LEG. SCHNEIDERMAN:**

They lowered it now, but only on the new borrowing, not on the old borrowing. Or did they? Did they change that?

**MR. LIPP:**

I believe it's in the three percent range. For the last two years it was I think five percent.

**LEG. SCHNEIDERMAN:**

Right, but they won't let us go back and change that five percent to the lower number.

**MR. LIPP:**

Oh, no.

**CHAIRMAN GREGORY:**

Legislator Horsley.

**D.P.O. HORSLEY:**

This -- you know, as much as, you know, we are talking about the pension issues and the downsides and they are substantial and they are to be concerned with and whatever. This is one of the reasons why we got -- we are starting to get together, getting our act together pre-budget for -- because we certainly don't want to get into the position where we're going to rely on one-shots, and one-shots are certainly something that we don't have any more. We've run out of the one-shot deals. So this is the reason for the conversations, so that we can get our ducks in a row and start to cobble together a budget that makes sense.

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Frankly, even though these negatives are accented during this conversation, I mean, there are other issues that are going -- running counter, the TPV, the Traffic Bureau and others that, you know, we may see substantial increases and the health systems monies and stuff like that. They're all going to be balancing out. So we've got to look at the full picture.

And by the way, Legislator, I don't think that we ever reached the nine members in our meetings downstairs, so I think there's room for you. I'd love to have you come and, you know, air your concerns and be part of the discussion because I think your insights are valuable.

**LEG. CILMI:**

I appreciate that, Legislator Horsley. Can I ask another question, Chairman?

**CHAIRMAN GREGORY:**

Sure.

**LEG. CILMI:**

With respect to the Traffic and Parking Violations Agency, we instituted some sort of a fee on red light camera tickets; correct?

**MR. LIPP:**

Yeah. We instituted two fees, one on the red light cameras and one on the regular violations.

**LEG. CILMI:**

And I had heard somewhere, I don't recall where, but I heard somewhere that the State may have a problem with some of those fees; is that correct or incorrect?

**MR. LIPP:**

I'm not the best person to ask on this, but the information that I've received sort of secondhand is yeah, there was a problem but it was worked out.

**LEG. CILMI:**

Okay. Well, that's good.

**MR. LIPP:**

I can't say that with certainty, but that's my understanding.

**LEG. CILMI:**

Right, right. What are the other significant budgetary challenges, and when I say significant I mean, you know, at this point it looks as if the pension contribution will likely exceed our Medicaid contribution as probably the biggest non-payroll expense that the County has. Is that right? The State Medicaid payment I think is in the 230 million range or something.

**MR. LIPP:**

We paid 145 this year because of the fact that we're amortizing, so --

**LEG. CILMI:**

Pensions. For pensions.

**MR. LIPP:**

Right. So if you look at it without the amortization then Medicaid is a lot higher, but if you add in the amortization then you would be correct.

**LEG. CILMI:**

Right. So what else, aside from Medicaid and pensions, each of which is exceeding \$200 million, aside from those two lines and payroll, what would be the next two or three biggest?

**MR. LIPP:**

Well, one problem would be debt service because we're popping up because of the lawsuit coming off the books, the securitization of tobacco revenues. So even though that sounds large, it's a large increase that it's problematic.

**LEG. CILMI:**

And to what extent is the pension amortization increasing our debt service. Is it a relatively small percentage or?

**MR. LIPP:**

It's increasing. It was relatively small, I think like maybe 11 million. It's going to go up because of the 60 this year and the 80 next year.

**LEG. CILMI:**

And what is roughly our total annual debt service?

**MR. LIPP:**

I want to say a little under a 100, 90, General Fund alone.

**LEG. CILMI:**

Okay. And would you say that that would be next in line after pensions and Medicaid as our largest, other than payroll again, as our largest single expense?

**MR. LIPP:**

I'd have to check and look. I mean, that's significant, though.

**LEG. CILMI:**

Okay. All right. Any others that you can think of that might be close to that?

**MR. LIPP:**

No.

**LEG. CILMI:**

Okay. Thank you.

**LEG. SCHNEIDERMAN:**

On the issue of debt service, Robert, and this isn't the case with pensions but it is with brick and mortar projects, so let's say you build a building. The building continues to have value even after the, you know, the debt is all paid back. So when you analyze it are you also looking at fixed assets and the value to the County so that the end of terms of the overall balance sheet is maybe like --

**MR. LIPP:**

Well, see that would that be -- yes, that would be a balance sheet. We tend to look at the Operating Budget, though, which is analogous to an income statement, simply because that's what we have to balance on a year to year basis. We aren't, you know, like selling our buildings and stuff like that.

**LEG. SCHNEIDERMAN:**

But we are. There's been one-shots where we have sold land, we've sold buildings. Foley is an example.

**MR. LIPP:**

Right. Well, Foley is an interesting example.

**LEG. SCHNEIDERMAN:**

So you have debt service. On the case in Foley, although the value is very low I thought in the sale, it still exceeded the debt service.

**MR. LIPP:**

The value of the sale would have turned out to be zero.

**LEG. SCHNEIDERMAN:**

Well, it didn't happen.

**MR. LIPP:**

Right.

**LEG. SCHNEIDERMAN:**

The proposed sale.

**MR. LIPP:**

Correct.

**LEG. SCHNEIDERMAN:**

So in the overall balance -- I'm just mentioning it in light of debt service, and in terms of our overall debt --

**MR. LIPP:**

We could add a little insight on the Foley issue if you'd like.

**MR. FREAS:**

I've made this analogy perhaps to some of you before. Is Foley your house or is Foley your car, right. Programmatically the value of anything that we do, because we're a government, we're not a for profit corporation, is based on what we do. The value in Foley was in the license and in the patients. It wasn't necessarily in the brick and mortar piece of it. And there's a lot of the things that we do that are like that, whether we own the building and rent the building. I think you really have to bear that in mind when we're selling or retaining brick and mortar assets that for our purposes it's almost everything's our car. You know, it's only useful for what we're going to use it for, not as an investment.

**LEG. SCHNEIDERMAN:**

You are saying it has some intrinsic value to it.

**MR. FREAS:**

I'm saying that the service has some value to the people of the County or not depending on what the policy decision is.

**LEG. SCHNEIDERMAN:**

Right. Land continues to have value but because it's in parks it doesn't have any value. So it can't be developed so it loses its value, but it certainly has a lot of value to the public. Robert, in terms of the growth of debt service --

**MR. LIPP:**

Let me give you a little feel on that.

**LEG. SCHNEIDERMAN:**

Yeah, because every year, you know, obviously we're a large county and we have -- there's going to be a certain amount of borrowing for infrastructure.

**MR. LIPP:**

The problem is because of the tobacco bond. So a lot of debt was taken off the books because of the tobacco bond. So, for instance, in the General Fund we had debt service of like 66 million in 2012, this year almost ninety million, next year almost 116 million and then it would drop from 116 to 109 in 2015.

**LEG. SCHNEIDERMAN:**

If you backed out the -- because that's artificially deflating the debt service because we're using the tobacco securitization to defease bonds.

**MR. LIPP:**

Right, and I'm not adding in future --

**LEG. SCHNEIDERMAN:**

What would it have been in '12, that 66 million, if we hadn't put in the tobacco money.

**MR. LIPP:**

It would probably be like flat. You know, we wouldn't have observed any decrease, or increase rather we wouldn't have observed. But, you know, we use that money.

**LEG. SCHNEIDERMAN:**

But basically, just to get a sense, because we're retiring debt every year as well as accumulating debt, so if that tobacco securitization money wasn't kind of artificially deflating that debt service, are we relatively flat in terms of our growth in debt service?

**MR. LIPP:**

I'd have to look at the numbers. I couldn't answer that off the top of my head.

**LEG. SCHNEIDERMAN:**

In your estimation?

**MR. LIPP:**

My estimation?

**LEG. SCHNEIDERMAN:**

You just said -- how much did we put into tobacco securitization in '12?

**MR. LIPP:**

Well, I'd have to look at that, too, because it's two different bonds that we securitized, the one from '08 and the one from 2012.

**LEG. SCHNEIDERMAN:**

Right.

**MR. LIPP:**

I can't do those numbers without looking at them. There's a lot of moving parts.

**LEG. SCHNEIDERMAN:**

So you can't say right now that it's flat?

**MR. LIPP:**

We'd be relatively flat, you know, maybe it would be a slight increase or a decrease, I'm not sure. I'd have to look at the numbers, but the bottom line is we used that tool in the past. We had like a five year one shot in 2008 and a two year one shot in 2012 and that's coming off the books.

**LEG. SCHNEIDERMAN:**

As is our -- we used to have what, 25 million a year coming in in tobacco money and we don't have that any more for our General Fund.

**MR. LIPP:**

About 20 million is a good number.

**LEG. SCHNEIDERMAN:**

Right. So we used that instead, we took it --

**MR. LIPP:**

That's right. Well, we used to have, as you said, about 20 million in tobacco revenue that's all going to pay off the future debt service on the tobacco bonds that will go out many years.

**CHAIRMAN GREGORY:**

Okay. All right. No further questions. We stand adjourned. Thank you.

*(\*The meeting was adjourned at 10:52 a.m. \*)*