

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 April 16, 2013.

Members Present:

Legislator Gregory - Chairman
Legislator Schneiderman - Vice-Chair
Legislator Horsley - Deputy Presiding Officer
Legislator Muratore
Legislator Krupski

Also In Attendance:

George Nolan - Counsel to the Legislature
Renee Ortiz - Deputy Clerk/Legislature
Tom Vaughn - County Executive's Office
Robert Lipp - Acting Director - Budget Review Office
Michael Pitcher - Aide to Presiding Officer Lindsay
Christina DeLisi - Aide to legislator Schneiderman
Paul Perillie - Aide to Legislator Gregory
Kevin LaValle - Aide to Legislator Muratore
Ali Nazir - Aide to Legislator Kennedy
Rick Brand - Newsday
All Other Interested Parties

Minutes Taken and Transcribed By:

Gabrielle Skolom - Court Stenographer

*(*The meeting was called to order at 10:09 a.m.)*

CHAIRMAN GREGORY:

Good morning, ladies and gentlemen. Welcome to today's Budget and Finance Committee. Please rise for the Pledge of Allegiance led by Legislator Horsley.

(*Salutation*)

May we all just keep remain standing in the wake of the horrific acts yesterday at the Boston Marathon, which coincidentally sits in the County seat of Boston of the County of Suffolk, Massachusetts. Our hearts and thoughts and prayers go out to victims and the families of those -- the bombing yesterday. Just maintain a moment of silence.

(*Moment of Silence Observed*)

Do we have any cards, Madam Clerk? Is there anyone here that would like to make a statement? Please come forward, state your name on the record. Tom, do you guys have a statement or any comments you want to make?

MR. VAUGHN:

No.

CHAIRMAN GREGORY:

Acting director of Budget Review, Doctor Lipp, any -- can you make a comment on the recent sales tax projections or receipts?

MR. LIPP:

Yes. We had a very good first quarter, not as good as Nassau did, but we had a very good first quarter, and I did send out an e-mail to each of the legislators on that. That being said, we are well ahead of the game. In particular, by ahead of the game -- I'm pulling up my file now just to make sure I have it right here -- 5.72 percent growth in the first quarter.

D.P.O. HORSLEY:

Should we applaud?

MR. LIPP:

No, we shouldn't applaud, and the reason why we shouldn't applaud is what the -- the translation of that, as far as we're concerned, is that we should be on track to meet the budget, which would have required 3.95 percent when we budgeted it. However, we're talking, like, over four and a half percent growth given that 2012 came in less than was in the budget, so we needed a higher growth rate to come in. But with the 5.72 percent growth in the first quarter, we need a little more than 4.2 percent for the remainder of the year, which is good.

So the point to be made is the budget model that we did, that we presented here in March, we assumed we would come in on budget for 2013, and this just helps us to be more confident that that will the case. At this point, we're not ready to say that we'll be able to do better than that, though.

CHAIRMAN GREGORY:

Any particular factors that are indicated that led to the increase?

MR. LIPP:

Yeah. I would say, and we spoke to this, that what happened is after Superstorm Sandy, it's like a well-known, in the economics literature, that whenever there's, like, any sort of, like, natural disaster, if you will, you wind up having an injection of aid, in this case here, of insurance also into the local economy as bad as -- you know, there are always going to be in any market winners and losers, and of course, because of Superstorm Sandy, there are a lot of losers, no doubt, and that doesn't mean that all those losers will be able to gain back, no doubt, also, but there is additional economic development injection into the local economy from FEMA, from other government agencies, from insurance companies, and we saw some of that in the first quarter.

That being said, there is nothing in the data that could actually allow us to tease out what that impact was, but I'm pretty confident that there's some there. And if you look at Nassau County, they had, like, a double-digit growth rate in the first quarter, and they were more affected than we were, and as a result, they are probably getting more insurance checks, more aid, and, therefore, bigger increases as a result of that. And that should continue for a while, so you know, hopefully, we'll continue this trend, but I don't think -- you know, that would be the conservative way to look at it, that we're still on budget, and the point to be made is between \$50 million shortfall is, other things being equal, it's still a reasonable number.

CHAIRMAN GREGORY:

So we can expect at least some continuation of this maybe for the next quarter or two. Is there any -- because of the events of yesterday and acts like yesterday, what does the literature say or economists -- what is the theory behind that potentially restricting people's travel thus potentially reducing some of our tourism dollars?

MR. LIPP:

There could be some adverse impacts. I don't think -- you know, it's a small event that it's not -- it wasn't, you know -- I don't mean to make light of it at all; it was a horrific event, no doubt, but in terms of the impact on people's everyday lives, it's not like they'd have a major impact. Clearly, to the people that were directly involved, yes. But, you know, you're looking at, you know, millions and millions of people and all sorts of economic activity. You know, people have to get on with their lives, and I don't think there'll be any major impact.

That being said, I believe there was, for instance, a drop in the stockmarket short term, you know. Whenever you have these sort of events, they do tend to have some adverse effect in terms of people don't want to take risks, that kind of thing, so they become a little more conservative. So it could have some impact, but I don't think it would be that significant on our area.

CHAIRMAN GREGORY:

Legislator Schneiderman.

LEG. SCHNEIDERMAN:

I understand on the travel side. You know, going back to Hurricane Sandy, at least it appears right now, you know, because other areas like the Jersey Shore and Long Beach areas were hit pretty hard that are big tourism areas. They are scrambling to try to get themselves back together to get some of that summer business, but a lot of it seems to be heading out our way, particularly to the Hamptons area where bookings are very strong, so hopefully there'll be a boost there. I was tracking those sales tax numbers too. I had January and February, and then I saw your e-mail, which included the full quarter, so March was included. But January and February, I had only tracked it as a 2.4 percent increase, so what happened in March?

MR. LIPP:

Okay. You probably -- I could go over it with you because I'm not sure exactly what you're looking at, but I assume you're looking at the report the Treasurer had used.

LEG. SCHNEIDERMAN:

Yes.

MR. LIPP:

So you don't really want to look at that.

LEG. SCHNEIDERMAN:

Tell me why.

MR. LIPP:

Okay. That's what I'm about to say. And I'm not saying anything disparaging at all about what the Treasurer has. The Treasurer, because of their objective and their purposes, what they need to do is look at cash. So they're saying, How much comes in in January, February, blah, blah, blah. The -- what we're looking at it is in terms of the budget itself. That's our language here, the budget, and that's all that matters -- well, that's not all that matters, but it's the overriding concern in terms of how we're doing, and the way the budget works is all of January's accrued back to the previous year and about two-thirds of February are also accrued back to the previous year. So when I'm saying that the first quarter came in at 5.72 percent, I'm basically looking at one check or about a third, actually, not even a full check, about a third of February, all of March and April checks. So you're looking at cash; I'm looking at the budget. It's two different animals.

LEG. SCHNEIDERMAN:

Okay. Well, I mean, that's certainly good news.

MR. LIPP:

That it's lighter.

LEG. SCHNEIDERMAN:

Hopefully, it will sustain itself. I'm curious it could be an anomaly related to Hurricane Sandy, and particularly related to building materials that people are going out and they have to replace appliances, cabinets, you know, they are going to home depot, they are going to Lowes, places like that, lumber yards. You don't have it by sector where you could see that? Do you have, you know, let's say new car sales versus building materials; you don't have that data like that?

MR. LIPP:

Yes. A couple weeks ago, I would have said, clearly, no, but I have been going back and forth with the Treasurer's Office, Angie Carpenter, and we've been talking about possibly getting a report that shows some detail on vendors, and I believe she's the only person that's allowed to see that report. So to make a long story short, she was able to get permission from the State to receive that data, and I volunteered -- although I didn't think I would be able to get it -- to look at it for her because it's proprietary information. So through Angie Carpenter, I was allowed by the State to be considered her authorized designee, I believe is what they call it. So I'm looking at the data now as we speak. I just got it recently, and it's got over 78,000 line items.

That being said, I cannot show that to anybody on terms of line items, and I had to put it in a secure directory that nobody in my office can even look at, just in case. So I'm aggregating the data now, which was easier said than done. I'm going back and forth with the State to try to understand that, and I'm not sure exactly what level of detail I would be allowed to speak to, and I need to have conversations with the Treasurer. But to make a long story short, there's a little bit of a lag but not

too much, and we might be able to get some useful information about just that kind of stuff. The data is provided on a quarterly basis and it's like about one-quarter lag, I believe, but it could have some very interesting information, and I'm pretty excited about it. But stay tuned for exactly what that means, and I don't want to overstate it because I have to be very careful on what I could say about these data because of the proprietariness (sic) of the information. I don't think "proprietariness" is a real word.

LEG. SCHNEIDERMAN:

Well, you sort it out tell us, and then tell us what you can tell us.

MR. LIPP:

Proprietary nature of the information.

LEG. SCHNEIDERMAN:

It's very cryptic, but when you have some information that you can share.

MR. LIPP:

Yeah. I just wanted to let you know that this is something new, late-breaking news, and we have to be very careful about how to use it, though I'm very cognizant of that. That's a good word, "cognizant."

LEG. GREGORY:

Legislator Horsley.

D.P.O. HORSLEY:

Thank you, Robert, for your report. I'm not sure I understand why the proprietariness (sic) of the issue is --

MR. LIPP:

Well, the one simple thing is if there's the Wayne Horsley Company, I could see it --

D.P.O. HORSLEY:

Oh, you're down to that level where you can actually get into --

MR. LIPP:

Over 78,000 rows of -- or lines of --

D.P.O. HORSLEY:

So you could report on an individual company's progress.

MR. LIPP:

I would probably be thrown in jail.

D.P.O. HORSLEY:

Not you personally but yeah. Yeah, so in other words, the proprietariness of stocks and stuff like that. Yeah, I got it. Okay, now I understand it. I wanted to -- well, first of all, I think that will 5.72 percent is at least worth a single hand clap on our part. I applaud it. I think it's a major step forward for the County. You know, we've been hearing reports for the last five years or so or more of negative growth, and to hear a number like that, that is -- that is -- it's good news for us.

So anyway, besides our one-handed clap, let me ask you a couple quick questions. I would like to have you take a look at the online -- the growth of online purchases, because I think that that would

be outside of the Sandy scope. How much -- how many -- because it seems to me everyone is buying things online. I don't think that necessarily would be hurricane-related. It would be interesting to see, you know, if you take a look at that number, it shouldn't be proprietariness as a general category.

MR. LIPP:

There is one industry code that is our vendors that remit sales tax that are considered internet-type vendors and --

D.P.O. HORSLEY:

Right, as a group.

MR. LIPP:

As a group, yes, and without looking at the data, I did pull that group out, and I believe it's not going up that much.

D.P.O. HORSLEY:

It's not going up that much. Okay, so that would be maybe the baseline --

MR. LIPP:

Well --

D.P.O. HORSLEY:

-- what would be happening without the Sandy experience.

MR. LIPP:

-- I think the point there might be, but I have to look at it a little closer, is that the vendors that are not remitting sales tax are the ones that are going up hand over fist. It might be going up a little. I have to look at the data; I'm not going to call it up.

D.P.O. HORSLEY:

So people are buying online and looking for those places that don't have to pay sales tax.

MR. LIPP:

I suppose.

D.P.O. HORSLEY:

It's possible. I can see, as a consumer, people doing that.

MR. LIPP:

Yeah, I would've thought that there would be a large uptick in both ones that are remitting sales tax as well as ones that aren't, but I don't think the increase was significant at all in terms of the action for the ones that are reporting or remitting.

D.P.O. HORSLEY:

The other thing that -- of note is that major purchases, automobile and things like that, though I can see where they would be Sandy-related around here as well, but nationally, we seem to be seeing an uptick across the country. Are we being brought along with that trend?

MR. LIPP:

That's an excellent question. That I couldn't -- a couple weeks ago, I couldn't be able to answer that because the data is not that detailed, but now with this report, I'll be able to look at that, and I

haven't gotten that far yet.

D.P.O. HORSLEY:

Right. Well, either way --

MR. LIPP:

But that's an excellent that I will definitely respond to you and the rest of the committee as soon as I could extract that data. So I have it going back maybe a few years, these data, by quarter. I'll say two or three years. So I could see --

D.P.O. HORSLEY:

You could pop. Right, right. You can extrapolate it particularly compared to last first quarter.

MR. LIPP:

Correct.

D.P.O. HORSLEY:

Which has got to be the smallest quarter of the year.

MR. LIPP:

I think, if I can recall, it's one quarter lag; so these data, I don't have for the current quarter would've just ended.

D.P.O. HORSLEY:

So this would be, actually, Christmas.

MR. LIPP:

Actually, the way the sales tax quarters work, they're really wacky. That's a technical term.

D.P.O. HORSLEY:

Like "proprietaryness."

MR. LIPP:

No, no, no. I believe the last quarter is December through February. It's not calendar quarters, the sales tax.

D.P.O. HORSLEY:

Oh, okay. All right. So it is during those months that are, I would think of as, sales tax slow months.

MR. LIPP:

Well, it's a hybrid because December would be, you know, a big month, but then January, February, you would think of small months, so it's not like the traditional calendar quarters.

D.P.O. HORSLEY:

Okay.

MR. LIPP:

And really what it is --

D.P.O. HORSLEY:

But either way, it's portrayed next to last year at the same time period.

MR. LIPP:

Correct.

D.P.O. HORSLEY:

So again, the one-handed clap. We're getting there, so that's good news. All right. Well, thanks for the report. Appreciate it.

LEG. GREGORY:

Legislator Schneiderman has another question for you.

LEG. SCHNEIDERMAN:

Actually, two, Robert. I'm sure you're aware there was a Court of Appeals decision recently in the case Amazon.com and Overstock. New York State said that they had to collect sales tax for New York State. The judge ruled -- Court of Appeals, rather, ruled that they did, in fact, have to collect that sales tax. I think there was something like half a billion dollars they were holding -- I think \$500 million -- in sales tax that they had collected but hadn't released. If Amazon and Overstock have to collect sales tax from New York State, doesn't that mean that they have to also collect it for Suffolk County for those residents who purchase from Suffolk County?

MR. LIPP:

Sure. Sales tax is, you know, whatever the rate is, which in Suffolk is 8.625 percent. In other counties, it's lower. The State portion is four percent plus --

LEG. SCHNEIDERMAN:

So are we getting some of that money that's been held?

MR. LIPP:

If we are, I'm not aware right now, but that's a question that I'll pursue. And, unfortunately, I shouldn't be so honest, but you gave me too much credit that I was aware of that.

LEG. SCHNEIDERMAN:

It was just recently in the news. I think it was about within the last two weeks that ruling came down. So if you could find out, we could use the money.

MR. LIPP:

I don't know if there's anything that's either been collected yet or released, or maybe it's something moving forward. I don't know. I'll check into that.

LEG. SCHNEIDERMAN:

They have been charging the sales, but I think they have been holding it waiting on this ruling. Otherwise, it would have to have been returned to their customers somehow. I don't know how they would do that.

The other thing is you are sitting on these, what, 78,000 lines, you say, of data. I would imagine that would be every sales tax collector in the County. One of the things I have been trying to get through the years is --

MR. LIPP:

I know exactly what you're going to say.

LEG. SCHNEIDERMAN:

-- some regional information. Zip codes. Zip codes. I'd like to know where the sales tax is coming from, particularly in my district, how much is coming out of my district. Does your data include zip codes?

MR. LIPP:

Okay. The answer to that question --

LEG. SCHNEIDERMAN:

It's a yes or no, Robert.

MR. LIPP:

Okay. I will say yes and no. So for instance, one of the things when I looked at the file, I said, "Hm." I anticipated that, and that's something that's been asked over the years.

LEG. SCHNEIDERMAN:

Yeah, I have asked it many times. I have never been able to get it.

MR. LIPP:

Let me give you -- the way the sales tax works is -- okay, so let's say you're a vendor. You have a business out in the Hamptons, let's say. I'll just give you an example. Let's say I'm your accountant and everything is sent to me and I live in California, let's say. Okay. I'm making it up, making up an example. So the zip code for the Jay Schneiderman Business is San Diego, California. It's addressed and the zip code, because it's sent to me as your representative, because you can't be bothered with that stuff. You have me as your accountant, so we're observing all this revenue that we're getting in, sales tax revenue from San Diego, California, but in reality it's East Hampton.

LEG. SCHNEIDERMAN:

So it doesn't include the actual brick and mortar presence of the company or no?

MR. LIPP:

No. And, in fact, another case might be that even though you're in East Hampton, maybe you have outlets all over the County and your home base is East Hampton, but, you know, maybe most of the your action is from other parts of the County, so there's a lot of noise there, and, you know, maybe there's somebody that could figure out how to deal with that, but the people I've spoken to in the State, and I have seen reports even, and it's like -- and it's true with these data that I have too -- is there are zip codes in locations all over the country. There's a significant amount of action all over the place. It's hard to --

LEG. SCHNEIDERMAN:

Okay, Robert. I understand that. So there's a margin of error, we'll say, because of that factor. But I can't imagine that that bulk of the businesses are not reporting from, you know, the same zip code of where they're located. So if you could produce that, and we can see as a percentage and actually with real numbers for zip code or for township --

MR. LIPP:

There was a report done, I want to say, two years ago, maybe three years ago that the Comptroller, Joe Sawicki, requested of State sales tax, Tax and Finance for this particular issue, and they ran the report, and their conclusion was -- and they knew beforehand that the number were pretty wacky. I can't recall the details. I probably have it someplace. I'm not sure where. I think there was a substantial amount of action that was off of Long Island, A, and out of New York State, B, and the numbers just didn't seem to make any sense.

LEG. SCHNEIDERMAN:

I would like to see those numbers.

MR. LIPP:

It's going to be a significant project that will take a while so I will --

LEG. SCHNEIDERMAN:

You're saying the data set is not for others to look at because I could run that.

MR. LIPP:

Not even a remote possibility. I would get thrown in jail if I did that. I'm serious I will not give you anything that will be remotely illegal. I will never do anything like that.

LEG. SCHNEIDERMAN:

I could run a query on it.

MR. LIPP:

This job isn't worth it.

LEG. SCHNEIDERMAN:

It can't be that hard to sum each zip code.

LEG. MURATORE:

It's the new jail.

LEG. KRUPSKI:

It's the new jail, though.

(*Laughter*)

MR. LIPP:

Yeah, actually, I think I remember reading a lot of people would be much better off in terms of the surroundings and the digs if they lived at the new jail as opposed to wherever they live now.

LEG. MURATORE:

Three meals and a cot. Can't go wrong.

MR. LIPP:

There ya go.

LEG. SCHNEIDERMAN:

Robert, I can't imagine it would take that long to query each -- do it by zip code.

MR. LIPP:

I'd have to have a crosswalk table to have the zip codes correspond to towns or hamlets too. I don't have a crosswalk table. I'd have to find that.

MR. NOLAN:

Give up.

LEG. SCHNEIDERMAN:

Can you just give me the totals per zip code and I'll take it from there?

MR. LIPP:

I don't think so.

LEG. SCHNEIDERMAN:

All right. We'll talk later.

MR. LIPP:

In any event, I wouldn't do anything with this data without the approval of the treasurer.

CHAIRMAN GREGORY:

Wayne has a question.

D.P.O. HORSLEY:

Just to my esteemed colleague from the East End, I just wanted to -- the fear of sometimes you might get what you wish for, this is a first quarter report January and February that -- what numbers would come out of your home base. That's what I was referring to -- you might find that you might be in the minus.

LEG. SCHNEIDERMAN:

I'm sure it would this time of year.

D.P.O. HORSLEY:

Exactly.

LEG. GREGORY:

It sounds like a potential local law that any business in the second legislative district is mandated to have their account filed within the second legislative district, not San Diego, California.

MR. LIPP:

I believe that's already a local law.

LEG. GREGORY:

All right. Okay. Thank you, Robert. Let's get to the agenda. We have a short agenda. All right.

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. Do I have a second? Second by Schneiderman. Sure, he says. Okay. All in favor? Opposed? Abstentions? 1032 is **tabled. (VOTE: 5-0-0-0)**

1033, Adopting Local Law No. -2013, A Charter Law to require open deliberations in budget amendment process ("Taxpayer Awareness Act Part 2") (Cilmi). Also has to be tabled for a public hearing. Same motion, same second. All in favor? Opposed? Abstentions? **Tabled/public hearing. (VOTE: 5-0-0-0)**

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). Also has to be tabled for public hearing. Same motion, same second. All All in favor? Opposed? Abstentions? **Tabled/public hearing. (VOTE: 5-0-0-0)**

IR 1171, Adopting Local Law No. -2013, A Charter Law to implement One-Year Rolling

Debt Policy under 5-25-5 Law to mitigate budgetary shortfall (County Executive). This has to be tabled for a public hearing. Same motion, same second. All in favor? Opposed? Abstentions? **Tabled/public hearing. (VOTE: 5-0-0-0)**

Introductory Resolutions

IR 1210, To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer By: County Legislature No. 387. (County Executive). I make a motion to approval and place on the consent calendar. Second by Legislator Schneiderman. All in favor? Opposed? Abstentions? **Approved/Consent Calendar (VOTE: 5-0-0-0)**

IR 1211, To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer By: County Legislature No. 388 (County Executive). I make a motion to approve, place on the consent calendar. Second by Legislator Schneiderman. All in favor? Opposed? Abstentions? **Approved/Consent Calendar (VOTE: 5-0-0-0)**

IR 1212, To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer By: County Legislature No. 389 (County Executive). Same motion, same second okay? All in favor? Opposed? Abstentions? **Approved/Consent Calendar (VOTE: 5-0-0-0)**

IR 1213, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 920-2013)(County Executive). Same motion, same second. All in favor? Opposed? Abstentions? **Approved/Consent Calendar (VOTE: 5-0-0-0)**

IR 1218, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 921-2013)(County Executive). Same motion, same second. All in favor? Opposed? Abstentions? **Approved/Consent Calendar (VOTE: 5-0-0-0)**

That is it for our agenda. We stand adjourned.

(*The meeting was adjourned at 10:37 a.m. *)