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 March 11, 2014, at 12:30 p.m.

MEMBERS IN ATTENDANCE:
Legislator Lou D'Amaro - Chairman
Legislator Sarah Anker - Vice-Chairwoman
Legislator John Kennedy
Legislator Monica Martinez
Legislator Steve Stern
Legislator Robert Trotta

ALSO IN ATTENDANCE:
Legislator Robert Calarco - District No. 7
George Nolan - Counsel to the Suffolk County Legislature
Renee Ortiz - Chief Deputy Clerk, Suffolk County Legislature
Robert Lipp - Budget Review Director
Justin Littell - Aide to Legislator D'Amaro
Pam Donovan - Aide to Legislator Anker
Tracey Keays - PFM Asset Management
Steve Faber - PFM Asset Management
William Sullivan - PFM Asset Management
Michael Sharkey - Chief of Staff, Suffolk County Sheriff's Office
Christina Cooke - Suffolk County Treasurer's Office
Lance Reinheimer - Executive Director, Vanderbilt Museum & Planetarium
Joseph Sawicki - Suffolk County Comptroller
Brenda Sloan - Executive Director of Accounting
Jerry Olson - Municipal Finance Director
All Other Interested Parties

MINUTES TAKEN BY:
Kevin Gruebel, Court Reporter

(*The meeting was called to order at 12:37 p.m.*)

CHAIRMAN D'AMARO:
Okay. Good morning or good afternoon, ladies and gentlemen. Welcome to the Budget and Finance Committee of the Suffolk County Legislature. Please rise and join the Committee in the Pledge of Allegiance led by Legislator Martinez.

(*Salutation*)

Turning to our agenda this afternoon, Part II, correspondence, the Board -- the Committee has not received any correspondence for the record.

With respect to the third section of our agenda, public comments, to the Clerk: Have we received any cards this afternoon?

MS. ORTIZ:
No, sir.

CHAIRMAN D'AMARO:
For the record, there is no cards had that had been submitted. Is there anyone present who would like to address the Budget and Finance Committee this afternoon? For the record, there is no response.

We'll turn to Item IV, which are presentations, and this afternoon we're joined by, excuse me, representatives from PFM Asset Management LLC, Mr. Steven Faber, is it?

MR. FABER:
Yes.

CHAIRMAN D'AMARO:
And you're here to present and discuss the management of the Suffolk County Vanderbilt Museum's Trust or Maintenance Fund. So, I welcome you to the Committee this afternoon and please go ahead.

MR. FABER:
Thank you, Mr. Chairman, members of the Committee. First, let me thank you for accommodating the schedule. As you know, we typically report annually to the Parks and Recreation Committee, but scheduling precluded me from doing so, and your accommodation is much appreciated. So, thank you for that. I know that there are some members of Budget and Finance that are also on Parks and Rec, and so you've heard these presentations in the past. For those of you that are new to this, please don't hesitate to interrupt, challenge - although I hope it's not the latter - anything that we do report on.

What I'd like to do is just take a quick look at the markets in 2013. Again, we're reporting on calendar 2013 before we talk about the portfolio itself. 2013, we saw global markets generally appear to regain some of the momentum, forward momentum. You know, here domestically we have begun to see - and did in 2013 - signs of a relatively slow but nonetheless steady economic recovery, which bode well and bodes well moving forward. GDP growth reached the fastest point in the third quarter in its -- in the prior two years. Whether or not that's sustainable or not is yet to be determined. The equity markets continued their tremendous performance we saw in 2012 again in 2013. You know, the broader markets, we're up some 30 percent, 32 percent. I think 30 percent for the Dow, 32 percent for the S&P 500. In elements of the equity markets domestically performed even stronger, and we'll get into a little bit of that in a few moments.

The Vanderbilt Museum Trust portfolio is allocated equally, roughly equally between fixed income and equity. The fixed-income markets, as you're likely well aware have been quite challenged these last few years on the heels of the 2008-2009 credit and liquidity crisis. The ongoing efforts by the Federal Reserve to manage the lending rates by keeping its Fed Funds target rate essentially at or near zero these past five years has kept the bond market and interest rates in the bond market at or near historical lows. That continues to this day. It's not likely that we'll see any move from that through 2014 and maybe through much if not all of 2015's. So, accordingly, it's -- the fixed-income markets have been much more challenged in the returns on that portion of the portfolio that are allocated in the fixed-income markets have been lower than those generated within the equity sector. There is a portion of the portfolio primarily within the equity allocation that is allocated to international equities. That market performed well again, and we'll get into specifics in a minute. Performed well again, you know, developed nations performed much, much stronger than the emerging nations. One of the decisions that PFM's investment committee made in 2013 is to underweight and even ultimately remove all exposure in the portfolio and in client portfolios to emerging markets. That actually resulted in a very favorable performance relative to the overall international equity market. You can see at the bottom of Slide 3 just some of the performance figures for the emerging and developed sectors. I touched on -- Im moving on to Slide 4. I touched on the broad-market returns domestically as represented here by the blue line. The S&P 500 generated a total return of almost 32 and a half percent for calendar 2013, well ahead of the international sector which was about half of that return. Still very positive on an absolute basis; nonetheless, trailing the returns in the Large Cap U.S. sector.

Within the equity market as represented by those particular elements of the S&P 500 index, you can see what really drove performance and what caused performance to lag. You know, consumer-discretionary healthcare and industrials were the top performers in telecom and utilities. Not surprisingly, you know, given the challenges particularly in the bond market, we're the laggers. The cyclical stocks which are the financials, industrials and materials thus far this year, while they performed well last year, thus far this year are kind of leading the way along with healthcare, which is -- has continued to be a very, very strong performer. And there are the managers and the mutual funds that are -- that comprise the Vanderbilt portfolio have -- again, have exposure to each - maybe not all but to many - of the -- these particular sectors of the equity market.

You know, I talked for a second about the emerging markets really struggling in 2013. You can see here as measured by the Morgan Stanley Merging Markets Index a loss of -- or a negative return, I should say, of roughly two and a half percent for calendar 2013 when the balance of the international equity sector, largely the developed nations, you know, were, you know, generating performance in the 20s and 30s. So, significant dislocation between developed nations and emerging as represented in the -- in the markets.

And then just quickly circling back on the investment grade and on investment-grade bond market. You can see on Slide 7 -- I would focus your attention in two areas. One is the Barclays is actually the benchmark, the broad benchmark against which the Vanderbilt Trust's bond portfolio is measured from a performance perspective. You can see for the year a negative two percent return representing the challenges in the market, representing the ongoing efforts by the Federal Reserve to manage the economy as best they can. Much was made in the second, third and fourth quarters of last year about the Fed beginning to reduce or taper its monthly purchases of treasuries' and agencies' securities. They ultimately did do that, but in anticipation of that move by the Fed the interest rate, in yield curve representing kind of the overnight market out the 30 years steepened significantly. So, longer dated treasuries and agencies of fixed-income securities saw some market value depreciation or loss as the case might be. And again, representing the longer end of the bond market, the Barclays aggregate is a representative of the longer end of the bond market. You can see, you know, the return dynamics in that. On the other hand, the high-yield market offered, you know -- or non-core element of the bond market did offer some positive return potential, and there was a tiny element of the -- not tiny but a small element of the portfolio strategy in 2013 that did take advantage of that, and I will share specifics with you in a moment. I'm going to speak to Slides 9 and 10. For your information, Slides 11 and 12 have the actual numbers by sector, by manager. So, feel free to listen and -- to me and look at the return data while I'm talking. I'm pleased to report that the portfolio --

CHAIRMAN D'AMARO:
Mr. Faber, could I, I'm sorry, interrupt you for one moment?

MR. FABER:
Sure.

CHAIRMAN D'AMARO:
Before you go to the next segment, I just wanted to ask you about the overall -- the overview that you just gave. And so, when you're looking at the performance of this particular fund, the Vanderbilt investment, you're measuring that against this Barclays with respect to fixed income?

MR. FABER:
Yes. The Barclays aggregate is --

CHAIRMAN D'AMARO:
Barclays aggregate for fixed-income --

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
-- returns as a benchmark, and what are you using as a benchmark with respect to equity investment?

MR. FABER:
If you turn to the last page of your presentation, you can see the blended benchmark for the overall fund, and let me explain this as quickly as I can.

CHAIRMAN D'AMARO:
So, the benchmark is a blended benchmark --

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
-- that is -- then you measure the performance of the Vanderbilt fund against that benchmark.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
Now, just before you even explain that, what leads you to pick a particular benchmark?

MR. FABER:
It's -- first off, it's driven in large measure by the client's target asset allocation. So, in your case, the fact that the investment guidelines require a 50/50 plus or minus, 50/50-allocation strategy.

That's the largest determinant, and then -- but then within those strategies or with those broader allocations there are individual weightings assigned by benchmark to each of the strategies. So, in the case of the fund, there is this blended benchmark against which the entire portfolio is measured, and you can see the elements of that, the weightings of that on Slide 25 toward the end there. So, 28 percent is to, you know, the Russel 3000 Index, which is a widely available public index of, you know, the large-capped domestic stocks. Seventeen percent is in the Morgan Stanley, you know, AC World ex USA. So, everything but the U.S. in the international equity sector, and then the real estate index at two and a half percent, the commodity index at two and a half percent, and then the Barclays aggregate at 50 percent. That is -- that is what we call the target policy benchmark or in -- the blended benchmark within each strategy. So, if you turn back to 11 and 12, I think it is, that has the portfolio return data, you will see as an example within domestic equity. The Vanguard Total Stock Market fund is measured against its own index, the Russell 3000. The Vanguard Dividend Growth Fund is managed against the S&P 500. The Mid Cap is measured against the Russel Mid Cap, et cetera, et cetera. So, each manager, each fund has its own performance benchmark. So, we're measuring performance at the manager level and at the overall level, and that provides you, the client, with an assessment of, okay, how is the overall portfolio doing, but how is our investment advisor, investment under PFM's manager decisions, how are they doing.

CHAIRMAN D'AMARO:
Right.

MR. FABER:
Are we making the right manager decisions, are we weighting it properly and taking full advantage of opportunities in the market.

CHAIRMAN D'AMARO:
All right. So, the blended benchmark that you measure the entire portfolio against is derived based on the investment objective, the asset allocation.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
Things like that. And then appropriate within the industry you would pick an appropriate benchmark or way to measure success or performance of a fund.

MR. FABER:
Right. And --

CHAIRMAN D'AMARO:
All right. Now, my next question is: How many years have you been managing this fund now?

MR. FABER:
We began in the third quarter of 2010.

CHAIRMAN D'AMARO:
2010. Okay, so, '11, '12, '13. So, a solid three years at this point.

MR. FABER:
Almost four, coming up on four.

CHAIRMAN D'AMARO:
Almost four.

MR. FABER:
Yeah.

CHAIRMAN D'AMARO:
And my question is: With respect to these benchmarks that you're applying, have they been consistently used over that entire time period?

MR. FABER:
Yes.

CHAIRMAN D'AMARO:
It's the same benchmarks.

MR. FABER:
It's the same blended benchmark. That is correct.

CHAIRMAN D'AMARO:
It is.

MR. FABER:
As managers have changed -- and there's been some changes over the years as we've -- as an example, we removed all exposures to the commodity sector. We eliminated emerging-markets efforts. So, the manager benchmarks, those have changed, but the blended benchmark has remained the same.

CHAIRMAN D'AMARO:
Right. Which is the overall --

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
-- benchmark that we're using today.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
Okay. Go ahead, please.

MR. FABER:
And you can see -- just to -- maybe the next logical question is, you know, how has the fund done against the blended or the policy benchmarks since PFM Asset Management assumed management of the fund. You can see along the top line of page -- pages 11 and 12 how the fund has performed what we call since inception since inception is since we began managing these assets. The fund has returned a gross return of 10.61 percent versus the benchmark return of 9.33 percent. And then, you know, the three-year period, two-year period and single-year-of-2013 period, you can see in each of those performance periods the fund has outperformed its benchmark, and then the similar logic applies to each particular manager, and I would invite you to, you know, peruse those lines and, you know, ask any questions you might have.

CHAIRMAN D'AMARO:
So, looking at that page 11, I think you're referring, Combined Asset Allocation and Performance, the total fund, you see a dollar amount, which is roughly 11.1 million.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
This is at the end of 2013, correct?

MR. FABER:
As of December 31, 2013.

CHAIRMAN D'AMARO:
Right. And that's 100 percent of the value of the fund.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
And then you can see the various performance returns for 2013, '12, '11 and then going back five years and since inception, and your point is that the return for the fund has exceeded the standard that you're measuring against or the benchmark.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
Okay, okay. And for this -- for last year, it looks like you exceeded it by about 2.8 percent.

MR. FABER:
Exactly.

CHAIRMAN D'AMARO:
Is that correct?

MR. FABER:
Exactly.

CHAIRMAN D'AMARO:
All right. I just want to make sure I'm reading this chart right. So, 2.8 percent increased return. So, the overall return for the Vanderbilt fund in 2013 was 12.78 percent?

MR. FABER:
That is correct.

CHAIRMAN D'AMARO:
Okay. And measuring that against your benchmark, we did better than the benchmark by 2.8 percent.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
Okay. Now, what's been -- talk to me a little bit about, you know, almost a 13 percent return by this Vanderbilt fund for 2013. What prohibits you from enhancing that return? What limitations are there that prevent you from even increasing -- I'm not saying that it's a bad return, but what I'm saying to you is, you know, we've all watched this -- the stock market soar over the last couple of years now. I understand what you're saying with respect to bonds, which are depressed, but with a 50/50 allocation between equity and debt or bonds or what you call fixed income, you would think that there would be a tendency to believe based on just having a layman's knowledge of what the market is doing that you could do better than 12 and three quarters percent. So, what prohibits you from doing that?

MR. FABER:
The 50 percent allocation to the bond market has really been the tractor in performance for the last couple of years. With interest rates at all-time lows, with spreads between types of bonds - so, treasuries, agencies, corporates, investment corporates and alike - with spreads are the difference, the margins between them at or near all-time lows. The opportunity to add value and generate return is -- has been -- has been -- I don't want to say marginalized, but it's been -- it's been very, very -- it's been much more difficult. To the extent that the legislator -- Legislature, excuse me, wanted to entertain a different asset allocation and move to a heavier weighting or a higher allocation towards the equity sector, again, so long as the equity sector continued to perform as it has these past couple years and the bond market performed as it has these past couple of years, you know, one could intuit that, you know, that the returns on the overall portfolio would be greater.

CHAIRMAN D'AMARO:
Well, that's where you come in because we don't know the answer to that question. Am I reading this chart right? So then the return over the last three years, the period covering all of your management, the return has been 8.35 percent.

MR. FABER:
That's correct.

CHAIRMAN D'AMARO:
Is that what that says? So, and again, you believe that that number is not higher or the return is not greater primarily because you are restricted by the parameters we impose, the County, in requiring 50/50 between fixed income and equity.

MR. FABER:
Well, that's part of it, yes. The other part of it is not -- again, remember not all managers perform equally and not all sectors perform -- kind of march in --

CHAIRMAN D'AMARO:
Well, are there any other restrictions on your investments, on your ability to invest this fund other than the 50/50 split?

MR. FABER:
I'd have to look quickly or carefully through the various resolutions. I think that's that primary driver. I believe there is a --

CHAIRMAN D'AMARO:
A limit on investment grade.

MR. FABER:
Investment grade, yeah. There's an investment-grade limit. I think the overall allocation has to be

on a -- on a weighting basis has to be at least investment grade. So, we couldn't have, as an example, you know, within the bond allocation there couldn't be a 50 or 75 percent weighting to high yield.

CHAIRMAN D'AMARO:
Is there any limit on your ability to move between investments or between fixed income and equity throughout the year?

MR. FABER:
Only based -- only based on the range that's allocated. There's a five to ten percent range on either side of the 50 percent that we have the ability to overweight or underweight, you know, each of those allocations. So, in other words, we could be at 52.2 percent --

CHAIRMAN D'AMARO:
Right.

MR. FABER:
-- equities for whatever reason. We allow, you know, funds to --

CHAIRMAN D'AMARO:
Let me ask you this: If there were no limitation that you had to split between fixed income and equity, would you still invest that way? As the investment advisor to the Vanderbilt fund, would you recommend that today?

MR. FABER:
We would probably be -- we would probably recommend something more aggressive. 65/35, you know, equity to bond, 70/30, 60/40. Something more aggressive than a 50/50, yes.

CHAIRMAN D'AMARO:
Why is that?

MR. FABER:
Now keep in mind -- I'm sorry to interrupt. Keep in mind that for a period of time the trust was drawing on these funds fairly regularly.

CHAIRMAN D'AMARO:
Right.

MR. FABER:
So, the 50/50 being a more conservative investment approach did actually help in that respect because we did have to maintain liquidity within a portion of the fund. I think they were drawing something like 60 -- Lance might remember but 60,000 a month or something to that effect.

CHAIRMAN D'AMARO:
Right.

MR. FABER:
To the extent that operations at the museum, financials at the museum are more secure, stable than a more aggressive, slightly more aggressive investment approach could be a prudent consideration.

CHAIRMAN D'AMARO:
Right. And that would be there are always decisions that go into how to invest and how to allocate based on factors other than dollars and cents or financials, and that would be the needs of operating

the museum itself if you're using that as a source of revenue. Would it be possible for your company to make a written recommendation to the County with respect to, perhaps, reconsidering the investment allocations, weighing all the factors that should properly be considered in doing that, consulting with the museum itself, of course, and the operations of the museum, looking at the markets and making a recommendation because it seems to me that although the 50/50 split between fixed income and equity may have been justified in the past for various reasons maybe we're getting a little beyond that, and maybe it's time to be a little bit more aggressive in investing the fund.

MR. FABER:
We would be happy to -- I think an asset allocation study is very timely, and we'd be happy to do that.

CHAIRMAN D'AMARO:
Okay, all right, please continue. Did you have more?

MR. FABER:
You actually addressed a lot -- or your questions allowed me to address a lot of what I was going to talk about, but let me just for a minute explain kind of within the broader strategy where the outperformance and where the underperformance came from because I think that would be helpful to the Committee. You know, as we've discussed, the overall fund generated a return in 2013 of about 12 and three-quarters percent. The domestic equity portion of the portfolio which itself is about -- what's the domestic about, about 32, 33 percent or so of the overall fund in large measure is managed by -- to passive strategy. So, index funds. You know, there's only one fund currently, the Vanguard Dividend Growth Fund, that is an active fund, and the difference between passive and active is really active managers are actively buying and selling, passive are just trying to kind of, you know, keep pace with the broader market as defined by their performance target. In a -- in a fast-growing market like we've seen the last couple of years, it's very difficult -- not impossible but very difficult for most active managers after fees to keep pace with and generate the same kind of returns as the index funds. So, our decision has been, you know, let's pay less and capture the same, you know, amount of market performance and -- because that benefits the client, and that's effectively what we've done. So, you know, there's 23 percent of the domestic equity allocation, or three quarters of the domestic equity allocation is in the Vanguard Total Stock Market Index Fund. Large fund performed, you know, very, very well, and 2013 was up 33 and a half percent, you know, in line with its performance benchmark. The Dividend Fund, which is the active fund, detracted somewhat relatively speaking from performance. It generated 31 and a half percent versus the 32 and a half percent for the -- for its benchmark, the S&P 500; nonetheless, it was up 31 and a half percent, and then -- and then decisions that we made in middle of 2013 where we reallocated the small and the Mid Cap equity exposure from active managers to passive managers also added to relative performance matching their individual benchmark returns at 35 percent and 41 percent respectively.

CHAIRMAN D'AMARO:
Right. It's fair to say that looking at these two pages where you break down the fund by domestic equity, international equity and real estate and then fixed income, the domestic equity far outperformed the overall performance, and you were basically dragged down by the fixed income, I would say.

MR. FABER:
Yes.

CHAIRMAN D'AMARO:
Right?

MR. FABER:
That's a very fair statement.

CHAIRMAN D'AMARO:
Yeah, so, okay. And that's why I questioned the asset allocation, you know, for that reason, yeah.

MR. FABER:
It's absolutely the right thinking and the right approach.

CHAIRMAN D'AMARO:
Yeah, okay.

MR. FABER:
The -- only a couple more things I wanted to mention: Two changes that we did, two additions that we made in early -- late 2012 or early 2013 and mid 2013 within the bond component of the portfolio. We added the AllianceBernstein High Income Fund and a -- roughly a four percent allocation to it. It itself returned six and a half percent for 2013 but outperformed the Barclays aggregate. It's benchmarked by almost 900 basis points or a full nine percent. So, that decision was a timely decision and added to -- added to the performance. You know, again, if the -- if this were, you know, a much more aggressive group and you said, "Yeah, let's put everything in high yield," and we put everything on high yield, you know, obviously the returns on the aggregate fund would have been better, but, you know, we think that that four to five percent allocation weighting to the high-yield sector makes good sense. And then with bonds underperforming, one of the things - and I think Legislator Stern may have asked this at the Parks and Rec Committee last year - you know, what we were thinking about to address, you know, the challenging bond, you know, environment and the fact that rates may begin to move up. We moved some of the allocation away from the core bond market and the credit sector and into the sector and added a Floating Rate Fund, bank loan fund that -- and again, about a four percent allocation. It was up just under six percent per -- for the year, but for the six months that it was in a portfolio outperformed the agg, the Barclays agg by 350 basis points. So --

CHAIRMAN D'AMARO:
Which really -- which really helped the fixed-income portion of the portfolio.

MR. FABER:
Again, small allocation. But it helped it.

CHAIRMAN D'AMARO:
Right. But it's better than being negative six percent.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
Yeah.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
So, that was the decisions that were made midyear?

MR. FABER:
That particular decision, yes.

CHAIRMAN D'AMARO:
Yeah, okay.

MR. FABER:
Correct.

CHAIRMAN D'AMARO:
Good.

MR. FABER:
You know, going forward, I don't want to spend a lot of time on what we -- what we see for just kind of the broad, you know, economy. That's on 14. I mean, we think there are some risks to the upside; we think there are some risks to the downside. You know, some are political, some are financial, some are economic. You know, we think that the ten-year treasury's going to end the year somewhere in the three and a quarter to three and a half percent range. It's about 280 today. We think domestic equities, U.S. equities will return somewhere in the seven to nine percent range, distinctly different and lower than the returns we've seen in that sector in 2012 and 2013. So, this falls under the greater umbrella of managing expectations, if you will. You know, we don't see the robust growth that we've seen in 2012 and 2013. If we're surprised, it'll be great, but, you know, we think we're going to see kind of more normal historic returns.

CHAIRMAN D'AMARO:
You're projecting six to seven, did you say?

MR. FABER:
Within the U.S. equity sector, domestic equity sector, seven to nine percent returns. There's -- in terms of this portfolio, we're looking at the potential addition of a non-U.S. Small Cap manager. You know, small caps performed very, very well in 2013 and, you know, better than large caps as you can see from, you know, the prior data. We're thinking about adding a non-U.S. Small Cap to try to take advantage of the growth potential and the value, the attractive value in the Small Cap sector but, you know, to diversify away from the U.S. small Cap Sector and try to capture some of that. That's a decision that hasn't, you know, been made by our investment committee, but it is something we're considering. We're going to remain underweight in a longer duration.

Interest-rate-sensitive sectors, like, you know, treasuries and corporates and the managers that are heavy on those like PIMCO, which was very heavy in those and, you know, had underperformance for the year. And, you know, we're looking in the -- in the -- in the fixed-income sector, the bond sector we're looking at the possibility of adding a shorter duration fund. As interest rates rise, as yields rise, being long is not the right place to be, but we still have the obligation to invest at the moment, you know, roughly 50 percent in the bond sector. So, we think the addition, potential addition of a shorter-duration fund -- the Barclays aggregate probably has a seven-and-a-half-year weighted average, eight-year weighted average. So, something in the three, four, five-year weighted average to combat the potential for rising interest rates is something that we are considering. So, those are the broad strategies that we're thinking about for 2014 for our clients including the Vanderbilt trust. I -- that wraps up my formal presentation. I thank you, Mr. Chairman, for your questions. They were outstanding questions, and I'm happy to entertain any additional.

CHAIRMAN D'AMARO:
Thank you. I want to ask if there's any -- thank you for your presentation. Are there any

Committee members who have questions? Legislator Trotta, yes, sir, go ahead.

LEG. TROTTA:
How much are you pulling out of there a year?

MR. FABER:
I beg your pardon.

LEG. TROTTA:
How much are you pulling out of there every year?

MR. FABER:
What is our fee?

LEG. TROTTA:
No, no, no. What the museum needs to survive.

MR. FABER:
Oh, oh, I don't believe -- Bob, did we --

MR. LIPP:
110,000.

MR. FABER:
110,000 this year, okay. Yeah, Lance is here.

CHAIRMAN D'AMARO:
Why don't you come on up, and you can go on the record as well.

MR. REINHEIMER:
Okay, thanks. I don't want to get too used to this chair, Robert. Thank you for giving it up. Great question, and one of the things that Steve mentioned was -- that drove his decisions on investment and being 50/50 was liquidity and the need for the museum to draw cash. As he said, in 2011, we pulled out approximately $65,000 a month. The planetarium was still under renovations. It was closed. We did that for part of the year. If I recall correctly, we probably withdrew about $465,000 in 2011. 20 -- right, in 2011, 2012, 2012, we've pulled out $465,000. In 2013 we took out 110,000. Planetarium opened in March. We did make a distribution shortly after the planetarium opened for the purchase of additional planetarium programs, some -- two rock shows; one alternative and one classic rock. Our plans for 2013, our budget for 2014 -- I'm sorry. Our plans for 2014 and our budget for 2014 shows no distribution from the endowment. We last took something out -- I think it was around September of 2013, and that was for the shows. So, we have no plans to make any withdraws. We have the hotel motel tax. We're managing the revenues from the planetarium, and so we're trying to do -- which was the intention of the hotel motel tax is to give the endowment a rest. I'd like to go on the record personally as a Director. I'm not speaking as the Board, but my concern is rising interest rates and the 50/50 split, and as interest rates do rise which Steve indicates they will, and we all expect that we're going to lose some of our capital appreciation on the -- on the income side. So, you know, I'd like to say on a personal basis that I agree with looking into the investment objective. I'd like it to be a little bit more aggressive because right now the museum isn't looking to make withdraws from the fund. So, this is a perfect time to look at the investment objective with the current markets to see what is prudent and wise for the museum and for the future of the museum.

CHAIRMAN D'AMARO:
Okay, very good. So, I think we're all in agreement, and I think you have agreed you'll send us some type of analysis or recommendation on that as well which would be helpful. Legislator Trotta, did you have any other questions?

LEG. KENNEDY:
Mr. Chair.

CHAIRMAN D'AMARO:
Legislator Kennedy and then Legislator Anker.

LEG. KENNEDY:
Thank you. So, I guess this is combined for the two of you. First of all, I would commend you. It's -- I did a little scratch math here, and the corpus of the trust is 11 million at this point? I'm taking that from this two-page --

MR. FABER:
11.1. A little bit --

LEG. KENNEDY:
Okay, 11.1 mil. And so you generated a 12 and three-quarter percent return, which means, I guess, you threw about 1.4 mil in interest off the investments for this year, 1,415,529.61; is that about right?

MR. FABER:
Off the top of my head, I can't answer that. But it sounds --

LEG. KENNEDY:
Well, I don't need it to the penny. I guess what I'm trying to do --

MR. FABER:
It sounds right.

LEG. KENNEDY:
-- is back-of-the-napkin frame it a little bit. So, if we generated 1.4 million in '13 - now I'm going to go to Lance if I can - tell me again: What did the Board take as a distribution? And of course it was interest only. The corpus of the trust at 11 million remains preserved and is not available for access for operations, right?

MR. REINHEIMER:
Right. The corpus of the fund is 8.2 million. The original request by William K. Vanderbilt, and additional $6.2 million that was made, I think, in 19 -- I can't remember the year, '80s, in the '80s. So, the corpus is 8.2 million.

LEG. KENNEDY:
So, we are looking at approximately three million that we've been able to aggregate in interest over the course of that time?

MR. REINHEIMER:
Interest and capital gains.

MR. FABER:
The market value is now --

LEG. KENNEDY:
Yes, okay.

MR. FABER:
The market value is net of any distributions during the year. So, the market value year over year increased - I believe, Bob, correct me if I'm wrong - about $1.2 million, and that's net of or inclusive of the distribution of $100,000.

LEG. KENNEDY:
Now if I can, just one more question, Mr. Chair, if I can so I can frame it a little bit. What was your budget for 2013; what was the operating budget for the Vanderbilt for 2013?

MR. REINHEIMER:
Approximately $1.7 million.

LEG. KENNEDY:
1.7 million. So, you took how much from the trust?

MR. REINHEIMER:
110,000.

LEG. KENNEDY:
110,000. So, the balance we generated either from admission fees and things like that and hotel motel. What did we do in distribution in '13 from hotel motel?

MR. REINHEIMER:
Right. 930,000.

LEG. KENNEDY:
930 grand from hotel motel. Okay, and now if I came back to -- your name, your --

MR. FABER:
Steve.

LEG. KENNEDY:
Steve, okay. What are you projecting? So, if you were able to generate 1.4 for '13, what is your projection for '14? Will you be able to match that, do better or less?

MR. FABER:
We haven't made that formal projection, but I think I indicated a few moments ago that our return assumptions for 2014 are not as optimistic as those actually achieved in 2013. I think it --

LEG. KENNEDY:
Is that part of the discussion you had with the Chairman as far as the restriction now between equity and cash?

MR. FABER:
What we will -- assuming our contract is renewed, what we would do is perform an asset allocation study which would provide the information that you are asking as well as an analysis of the potential different asset allocation weightings.

LEG. KENNEDY:
Mr. Chair and/or Counsel, what sets that distribution or that investment strategy, is that something that's part of our oversight, or is that determined by the Board?

MR. NOLAN:
I believe we've passed resolutions here setting the allocation.

LEG. KENNEDY:
When was the last time we looked at this?

MR. NOLAN:
It's been a couple of years. But I'm not a hundred percent sure.

LEG. KENNEDY:
Okay. When do you expect that you'll have your presentation for the Board regarding, I guess, the projection for 2014?

MR. FABER:
It could be done certainly within two months at the outside, probably less.

LEG. KENNEDY:
Well, we're in March now, and I guess the assets are distributed as they were last year, and so if you were going to project an asset strategy for '14, we would be at June.

MR. FABER:
In terms of -- in terms of our report to you?

LEG. KENNEDY:
Well, your recommendation to the Board which in turn then, I guess, would advise us, correct?

MR. FABER:
Yes, correct.

LEG. KENNEDY:
Okay. So, if we were going to make an adjustment we would be adjusting for basically less than half a year.

MR. FABER:
Correct.

LEG. KENNEDY:
Okay. So, when you project, do you project annually, or do you do a multiyear projection?

MR. FABER:
Multiyear.

LEG. KENNEDY:
You do. Okay, all right. I'll yield to Mr. Chair. Thank you.

CHAIRMAN D'AMARO:
Thank you, Legislator Kennedy. Legislator Anker, please go ahead.

LEG. ANKER:
I just wanted to thank Lance and also, you know, your investment company for really doing a great job with the Vanderbilt. I was on the Board, what, about six years ago when those big doors were ready to get closed up and it was going to be mothballed and there was nothing that could be done according to the former County Exec. Literally, that jewel of Suffolk County was pretty much going to be thrown away, and it is a very important educational institution, and, Lance, I don't know if you could just mention some of the things that you've done to be able to help the financial situation. I remember, again, the corpus was a little over $8,000,000. We couldn't touch that. What was the highest amount that it had been up to? And again, I'm sorry if I'm throwing these numbers out at you, but do you remember how high it had gotten since the time that it had started?

MR. REINHEIMER:
Yeah. The highest value was somewhere around 17 to $18,000,000. That was before 2001. It took a hit in 2001 with 9/11, and then it kind of hung around $12,000,000 for many years, and at that time the museum was taking out $1.2 million a year. So, in the value of the fund, the market value is 12 million. The museum was withdrawing ten percent a year, which over the long term it can't -- no fund generally can sustain a 12 percent distribution if you're looking into the future and having this go into perpetuity. Some of the things I've done - I don't want to go too long - you know, our planetarium is doing wonderful. We should have about six to $700,000 in admissions. We have a new traveling classroom. One of the things that I'm real excited about is now that's starting to take off with libraries. We went to a library program out in Bellport. We're now taking the Vanderbilt out to Southampton and Southold, and a lot of the East End libraries are contacting us for summer programs. So, we're bringing a little piece of the Vanderbilt out to the whole county, and that's real exciting. Our school programs are doing well. So, we're -- you know, we still need the support of the hotel motel tax, and that's why, you know, I'll go on the record and say the way things look now, the finances now, we have no plans to make any distributions or take any withdrawals out of the endowment. I would say for 2014, and if things continue the way they are at least into 2015 too, and this is a great opportunity for us in these markets to try to grow this fund, and, you know, we have to balance between today, tomorrow. We're all passing through here. My goal is when I leave the Vanderbilt, whether it's tomorrow or three years from now, that it's on automatic pilot for the future, that it's going in the right direction.

LEG. ANKER:
It definitely is headed in the right direction. Also, I just wanted to mention the sponsorships that have increased drastically. You've looked into partnering with catering facilities. I mean, you know, and also your background, you -- what is your financial background?

MR. REINHEIMER:
I'm a graduate from Budget Review, 20 years, and also a student at Suffolk Community College. I took a lot of accounting at Suffolk Community College. So, I have a good finance background. And also, when you talk about sponsorships, you know, with the agreement with the Reichert Family Foundation and other -- we received $100,000 from the Spear Family Foundation, when you add up all that, we've raised over $2,000,000 in private donations, and this year, I should say the past couple years, we'll -- we will have spent close to $300,000 on capital programs that were funded with private money.

LEG. ANKER:
Which is great. And just one other -- one last comment is: I remember when I was on the Board there was an issue with -- there was too much hesitation in waiting to change the type of funding that we're talking about today, and you're saying that you think we should become more aggressive in trying to get a higher interest or, you know, higher revenue. Lance, what are your thoughts on that real quick?

MR. REINHEIMER:
I'm absolutely in support for what Steve says, but this is a legislative decision. You set the policy. The fund is under your supervision, and so it's a decision for the -- for your Board, and all I can say is, you know, on a personal level -- I'm not speaking for the Vanderbilt Board because I have not had discussions with them on changing the investment objective, but I think it's -- we should listen to the experts in these current markets, and as I said before, we know that interest rates are going to pick up, and I have a personal concern that when that happens the income side of the fund is going to take a hit on capital appreciation.

LEG. ANKER:
Thank you.

CHAIRMAN D'AMARO:
Thank you, Legislator Anker. Legislator Stern.

LEG. STERN:
Thank you, Mr. Chairman, and Steve, welcome, good to see you. It's a transitional year, new chairperson at the Fed. So, I was wondering if you or the managers that you're working with have any thoughts -- I guess the general understanding is that many of the policies are going to remain in place. So, I was wondering what your thoughts were and how continued policies might specifically affect our fund here going forward in the next year or two.

MR. FABER:
Great questions. And, yes, I think not only PFM but most of, you know, the talking heads would -- are in agreement that Chairman, Chairperson Yellen will maintain much of what Chairman Bernanke began under his direction at the Fed. That means that they will continue to taper their purchases. Part of the fiscal stimulus, that tool that the Fed has is its ability to use its balance sheet, and they've used it very aggressively these past five years. I mentioned the tape earlier. You know, they had been purchasing -- the Fed had been purchasing some $85,000,000,000 a month of treasuries and agencies to support the longer end of the yield curve which is where, you know, the consumer rates, loans, et cetera are driven. We think that that -- the monthly -- or the reduction in those monthly purchases will continue which will have an impact on the longer end of the yield curve driving longer rates up, causing more challenges for the bond market, which we've discussed ad nauseam. And I think -- a couple other things that we have seen thus far under Chair Yellen is that two of the metrics that the Bernanke fit had announced would be integral to them before they begin -- began to tighten monetary policy; in other words, raise the Fed fund's target rate is the unemployment rate. They wanted to see the Fed one to see unemployment rate at six and a half percent, and they wanted to see inflation at two and a half percent-ish. It's quite clear that with unemployment rate quickly approaching if not, you know, at that six and a half percent that the Fed is concerned that that number is a arbitrary -- not arbitrary but an artificial number. The real unemployment picture is not that we're at six and a half percent unemployed. We're at far greater than that if you take into account the millions that have stopped looking for jobs. So, we think that until there's some additional guidance on that that, you know, there's a bit of a question in terms of when they may begin to tighten. And again, just to -- you know, the general sustainability of this economic recovery, is it sustainable? Is it real? Is it slow and moderate, or will it accelerate at some point? And if and when, you know, what will the Fed do? I mean, the last remaining tool is that they have -- is to begin, you know, to tighten the target rate, the discount rate, the interbank discount rate, et cetera from its current zero to quarter of a percent. You know, as that goes higher the entire interest rate environment will move higher as opposed to right now where we just have this steepening of the curve where, you know, this is 30 years and this is one day, you know, it's going like this. Well, ultimately when they start -- we're going to start seeing kind of a parallel shift across the entire curve which will, you know, have ramifications in the lending and consumer sectors, but I think the participants in the bond market, you know, would welcome

that because it would be in some sense a return to normalcy in terms of how returns are generated, et cetera. Did that answer your question?

LEG. STERN:
That's very good. And on the equity side, if you believe that the market is appropriately priced at this point - and you can debate that all day long - when you frame the expectations for us here that perhaps we should not expect as optimistic returns in this coming year as we might have seen in the past, I mean, the seven to nine percent even on the U.S. equity side, would you characterize that number as conservative or optimistic based on what may be coming up particularly as you go through the discussion about what's going to happen on the other side?

MR. FABER:
I wouldn't use either of those adjectives maybe because I'm afraid to in a public setting, but I would say that that represents the best thinking of our research team and investment committee when they put together - as we do annually - our capital markets assumptions. So, taking into account, you know, all of the dynamics that drive the markets and value and, you know, and movements and shifts within sectors, that is our, you know, best guess, if you will. So, you know, for domestic equity, U.S. equity, you know, to be in that seven to nine percent range, we think, you know, is -- we think makes sense. We may be wrong, you know, but right now that's -- or right now, when we published it back in February or January, February, that was what the research led us to believe.

LEG. STERN:
And lastly, just to go to Lance, Lance is -- you've obviously had the opportunity to have ongoing discussion, and you've looked at all of the numbers, and you've also had opportunity to discuss outlook in the coming year and even to talk about perhaps change in strategy going forward. You know, we all look to you and your experience based on what we're looking at here. Impressions, all looks good.

MR. REINHEIMER:
Yeah, absolutely. And just one other point that Robert brought up, you know, the timeframe, if it takes two months for PFM to come up with an asset allocation projection for changing the distribution of investments, then, you know, you look at that, you introduce a resolution, July you're on vacation. It could be August or September before some -- you know, it's hard to believe that here we are, the beginning of March, and we're saying that this process could take almost six months. That concerns me because the discussion today and the markets today will probably be significantly different in three to six months. So, my concern is that the longer we wait to look at our investments with the current market environment is possibly an opportunity missed, but as I said, this is a policy decision on your part. All I can say on a personal basis because I am not speaking for the Vanderbilt Board is that I think we have an opportunity here and the longer we wait and deliberate the markets change and, you know. Also, if you develop a policy that gives a range of flexibility, it allows PFM to respond to markets in a way that we haven't predicted or projected. Nobody can look into the future. So, the larger your latitude the better they can respond to a market as it changes and going forward. So, if the market isn't what we expect it to be, maybe 50/50 is fine in six months from now. I don't know, but if it isn't, if we have a general policy, that has to be somewhat conservative for them to respond. That's better, so.

LEG. STERN:
In fact, I'm really -- and I'm glad you brought that up because that was really the next point. We have to remember context from a few years ago when there was the substantial downturn and there was a scramble and by far the top priority was to protect principal that we had remaining, and now going forward when we have better opportunity to perhaps take advantage of opportunities maybe coming up with something that provides for a greater flexibility going forward so that we can operate

at the speed of business and the markets rather than our advisors operating at the speed of government, is something that we need to build into our system. So, thank you for that, Lance, and, Steve, thank you for being with us.

MR. FABER:
The one thing I just wanted to add if I may that it's come up a couple times in terms of the investment policy. As part of any effort that we would do on behalf of the trust and ultimately presented to the legislature would be a review of the investment policy as well and some potential suggested changes, some dealing with the -- kind of the latitude issue, if you will, but that will be part of what we would present to the various bodies.

CHAIRMAN D'AMARO:
Your contract is directly with the County; is that correct? Not with the -- not through the --

MR. FABER:
That is correct, yes.

CHAIRMAN D'AMARO:
Yeah. When is that contract up?

MR. FABER:
We are operating under a one-year extension currently, and I believe the contract allows for yet another one-year extension, I believe, sometime next month or later this month.

CHAIRMAN D'AMARO:
The second extension is up later this month?

MR. FABER:
No, no, no. The first extension, I believe, is up -- it expires in April sometime. I don't know the exact date.

MR. NOLAN:
We have a resolution that would exercise a second extension for another year. I think that's coming in as a procedural and going before Parks.

MR. FABER:
Thank you.

CHAIRMAN D'AMARO:
Okay. And the other thing was -- and I think you touched upon this, when you do submit to us a recommendation as we've been discussing here this afternoon, would you include a portion of that and highlight what restrictions through County law are placed on your ability to invest, you know, so it's clear to us as the lawmakers and having the oversight that the restrictions that we can control -- you know, if you list those, it would be helpful to us just to have that all in one place.

MR. FABER:
Of course.

CHAIRMAN D'AMARO:
Okay, all right. Are there any other questions?

LEG. KENNEDY:
Mr. Chair, just if you'll indulge for a second, towards that renewal for this firm's advising, your

advice to us but you do it in the context of the Board, I guess. Do you have any Board members here, Lance?

MR. REINHEIMER:
No, I don't. And actually, this is solely the responsibility and comes under jurisdiction of the Suffolk Legislature. The Board -- in my experience with Budget Review, I don't recall the Board ever getting involved with determining your investment objective.

LEG. KENNEDY:
So, the gentleman is advising us he's doing the best to go ahead and maximize the Fund's interest within the framework we establish, and then those proceeds are part of whatever may be available for the Board to implement whatever the policies are for running Vanderbilt. Is that about it?

MR. REINHEIMER:
That's a good summary.

LEG. KENNEDY:
Okay. Thank you.

CHAIRMAN D'AMARO:
Okay, if no other questions, okay. Lance, Mr. Faber, I want to thank both of you for your presentations today. We look forward to receiving some additional advice or recommendations from you hopefully before two months are up, but I do appreciate you taking the time to come here. I think you're doing a nice job with the investment as well as presenting it to us. So, again, thank you and on behalf of myself and all the Committee members.

MR. FABER:
Thank you, all.

CHAIRMAN D'AMARO:
I'm going to offer a motion to take a resolution out of order. This afternoon, we're joined by our Comptroller, Joseph Sawicki, who's here to speak to us on Resolution No. 1220 of 2014. It's on page three of our agenda.

So, I'm going to offer a motion to take ***Resolution 1220*** of 2014 out of order. It's a Resolution ***delegating to the County Comptroller the power to authorize the issuance of not to exceed $100,000,000 Revenue Anticipation Notes of the County of Suffolk, New York, in anticipation of the receipt of certain revenues for the Fiscal Year Ending December 31, 2014, to prescribe the terms, form and contents of such notes, and to provide for the sale and credit enhancement thereof. (Co. Exec.) BUDGET AND FINANCE.***

That is a motion to take that bill out of order.

LEG. STERN:
Second.

CHAIRMAN D'AMARO:
Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries.

The resolution is now before the Committee and, Comptroller Sawicki, good afternoon and welcome.

MR. SAWICKI:
Thank you, Mr. Chairman. Nice to be back again.

CHAIRMAN D'AMARO:
Okay. And we're here to have our -- what's becoming an annual discussion about revenue anticipation notes. I'll give you an opportunity to address us and to start off.

MR. SAWICKI:
Very good. And thank you, Mr. Chairman, and the Committee for having us today. First off, I'd like to introduce to you on my left is Brenda Sloan, our chief -- I'm sorry, Executive Director of Accounting, and also Jerry Olson who's our Municipal Finance Administrator. As you know, this'll be the third year, third consecutive year that the County's financial situation necessitates a revenue anticipation note for borrowing. Back in 2012, we borrowed 85 million. Last year, it was increased to 115 million, and this year even though the authorization is for a hundred million, at this point in time we're planning to ask for another -- to drop it down to an 85-million-dollar borrowing. The borrowing is based once again on Federal and State aid receivables, and basically we have roughly 410 to $420,000,000 in receivables to borrow against in the 2014 budget. The 85 million is about 21 percent of that amount. That's down significantly from last year. Last year, it was approximately 26 percent of the Federal and State aid that we borrowed against. You're probably curious in terms of interest rates that we would -- that we expect in this money and what we've received in the past. Last year's borrowing, the 115 million came in at .61 percent. That RAN is going to be repaid this month, the month of March of '14. Last -- in 2000 and -- the year before we borrowed -- I'm sorry. That was, right, .61 percent, and then the prior DTAN last September, we borrowed a .72 percent, and the tax anticipation notes of 400 million this past December, we received a .81 percent. So, we're hoping to fall in somewhere between a .6 to .8 percent; again, hoping. Rather than it go on, it's -- basically, the need for it is that according to our cash flow we project that if we do not have money, this money available to us in this borrowing somewhere between late May and early June we will literally be out of cash. Not budget funds but cash to pay our bills. And that are -- that's basically the overall gist of the issue. Anyone have any questions, I'd be more than happy to --

CHAIRMAN D'AMARO:
The revenue anticipation note, as we've discussed in the past, is really a cash-flow management device that we use to ensure that we have cash on hand to pay expenses as they come due. I thought it was interesting that this year the amount that we're seeking to borrow - you said roughly 85 million - is 21 percent of the total assets available or total revenue available to borrow against; whereas, last year, it was more like 26 percent. Would you take that as a positive indication? Are we moving in the right direction?

MR. SAWICKI:
Yes. That coupled -- Legislator D'Amaro, that coupled with the fact that we're reducing it down to 85 million, $30,000,000 less. We're projecting next year -- 'cause I'm sure somebody will ask. We're hoping -- you know, this is, like, sometimes predicting the weather as you're going to have to grapple with every year, projecting revenues and expenses for the budget.

We're hoping that next year - and we plan on sharing this with the rating agency meetings in the next -- in the next week or so - that the RAN will drop down to 75 million again, but that's a year, you know, roughly a year away. So, please don't hold me too tightly to that.

CHAIRMAN D'AMARO:
And, Mr. Comptroller, has it been the fact that the State is not paying as quickly, or is it more that the revenue itself, the aid itself is less? What's the largest factor in necessitating the need to borrow up front, if you will, in anticipation of that revenue?

MR. SAWICKI:
Good question, Legislator D'Amaro. The -- basically, it's an overall -- I mean, when we first went out two years ago, as you recall, we were having problems with collecting timely receivables from the State. That's pretty much leveled out over the last year and a half or so, and it's just a function of our overall economy, our overall budget, and, you know, again, synonymous back to the early 1990s, I believe it took, like, four or five years to get away from the RAN. So, hopefully we're on that track and we'll be out of that --

CHAIRMAN D'AMARO:
It's also a function of we have less available cash to move around within our own accounts, I would presume.

MR. SAWICKI:
Yes, exactly.

CHAIRMAN D'AMARO:
Yeah. Because everything took a hit in the last five years.

MR. SAWICKI:
Right, exactly.

CHAIRMAN D'AMARO:
All right. I appreciate you making your presentation this morning. Are there questions? Legislator Trotta, please go ahead.

LEG. TROTTA:
This 85 million is in addition to the 87 million we borrowed from the pension fund?

MR. SAWICKI:
This 85 million, really, it's, like -- it's totally different. This is strictly for cash-flow borrowing. Legislator Trotta, I think what you're talking about is borrowing from the pension fund for the budget purpose of the County. Instead of paying the budget -- the pension expense all in one shot, we deferred it over five years which was an option that the State gave all municipalities.

LEG. TROTTA:
You borrowed it over five years. You didn't defer it, you borrowed it. You have to pay it back.

MR. SAWICKI:
Correct.

LEG. TROTTA:
So, this is another 85 million.

MR. SAWICKI:
This is for cash flow. That was for budget purposes.

LEG. TROTTA:
That's different from the 33 million that we took from the sewer fund also?

MR. SAWICKI:
Now you're getting into some more budget questions, and, therefore, I'll -- I might even throw these questions over to your Budget Review Director.

MR. LIPP:
Okay. The Comptroller is right, that use is specifically for cash flow. So, the items that you're talking about - for instance, the amortization or the borrowing of 87.1 million from the pension system - is an on-budget item. This reflects the shortfall of revenue or cash, in the form of cash, relative to expenditures that we have to cut checks for. What shows up in the budget for this -- so, for instance, when we do the $85,000,000, if that's what it turns out to be next month, it'll show up next year just in terms of the interest expense on it, which was somewhere between one and $2,000,000, I believe, in fiscal impact that they did. So, we will only see that. The $87,000,000 will show up actually over the next 12 years starting next year in the form of -- it'll be implicit in our pension bill. So, we'll be paying that back with interest.

LEG. TROTTA:
So, this is a short term? This will be paid back by this time next year?

MR. LIPP:
Correct.

LEG. TROTTA:
And if we don't do it, the employees won't get paid; is that a fair assessment?

MR. LIPP:
That's a distinct possibility. It remains to be seen. I mean, we -- April is a short month in general. That's why they're doing this in April, and it is a very high probability that we won't be able to pay certain bills and we might have to potentially - if that was the case, if we didn't do it - not meet payroll.

CHAIRMAN D'AMARO:
Yeah. And if I could just add to that, Legislator Trotta, it took me a little bit of time just conceptually to understand the difference between all these types of borrowings, and I appreciate your question.

LEG. TROTTA:
Just conceptually between all -- I understand.

CHAIRMAN D'AMARO:
Well, the difference in my mind is that a revenue anticipation note is just really getting the money up front of what you anticipate to come in down the road or throughout the year. When you talk about borrowing to pay a pension liability or borrowing from another County fund, that's more of part of the budget process and spending the funds as opposed to just anticipating revenue and paying it back. There are risks associated with revenue borrowing as well, but we've been successful for the last couple of years now. And doing these borrowings, we're getting a decent interest rate and managing -- it's an effective tool for managing our cash flow. So, I wouldn't consider this type of borrowing as something that's adding to the overall borrowing picture of the County or the debt of the County. There is an interest expense attached to it, but relative to the risks that we're avoiding of not meeting payroll, I think it's an acceptable amount that we're paying in interest in order to ensure that the government continues to function. So, again, I think you're exactly right. It's more of a short-term borrowing that doesn't add to the County's overall debt picture, especially, you know, if you go out past one year. Legislator Kennedy, did you have a question?

LEG. KENNEDY:
I did.

CHAIRMAN D'AMARO:
Yeah.

LEG. KENNEDY:
Thank you, Mr. Chair. Joe, hi, how are you? Thank you, ladies, for being here. So, let me just make sure that I understand the receivables, I guess, and so that I see how the percentage is framed. Obviously, it's a good thing that we're moving down over the three-year period since we've had to institute the RAN. We came out the first year at 80 what? 80, 85, 75?

MR. SAWICKI:
85 again. 85 in the first year.

LEG. KENNEDY:
85. So, that was 85 in '12, 115 in '13, and now although we're doing a hundred mil you're saying in all likelihood you're probably going to go in for about 85.

MR. SAWICKI:
That is correct.

LEG. KENNEDY:
Okay. Over that three-year time period now, as we know, there's been a lot of volatility at both the Federal and State level regarding those streams of aid and revenue. You know, in some cases we're looking at Social Service funding, you know, may be static, maybe a little bit of -- down and food stamp stuff, but we also had a large infusion of Sandy money. Is that considered in the receivable? What is the aggregates for those three years as far as the receivables?

MS. SLOAN:
The Sandy money was actually in the 2013 recognized revenue. The calculation that they have us prepare in order to determine what the receivable is, it's based on either the adopted budget or the previous year's recognized revenue. So, it's the lesser of those two less any receipts that you would have brought in. So, if the Sandy money in 2013 was higher, we would have then been forced to use the 2014 budgeted amount as the lower amount. So, it's not really being inflated.

LEG. KENNEDY:
Okay. Because I recall we originally budgeted Sandy aid coming in higher than what we actually saw. So, 440 mil in '14 for the combined receivables as against 85 that we're actually going to seek, that's how you get your 21 percent?

MS. SLOAN:
Yeah. 400 million, right.

LEG. KENNEDY:
Okay.

MS. SLOAN:
Versus the 85.

LEG. KENNEDY:
And then, so in '13, what did you use for your aggregate as far as the receivables?

MS. SLOAN:
417 million versus the 115. I don't -- no, that's what I'm doing wrong. I keep pressing it.

LEG. KENNEDY:
So, we're projecting an increase in combined Federal and State aid in '14?

MS. SLOAN:
Well, like I said --

LEG. KENNEDY:
From '13 to '14, right?

MS. SLOAN:
An increase --

LEG. KENNEDY:
No, no. 417 in '13. You're talking 440 in '14.

MS. SLOAN:
No. 411 in '14.

LEG. KENNEDY:
Oh, 411. I'm sorry. I -- mistake. And so, we're down though to 85 as opposed to 115. All right.

MS. SLOAN:
I mean, you have to keep in mind too that they -- we calculate it on the day that we go out for the borrowing too 'cause at this point we haven't closed 2013. So, it's possible that this is, you know, moving target at this point.

LEG. KENNEDY:
Tell me then just a little bit if you can what the cash-flow cycle itself -- we'd all like to think that Albany and Washington send us money on a fairly predictable and regular basis, but in fact going back a couple of years ago we found that wasn't so at all. What are we looking at now? When will we wind up being solvent? Because our biweekly payroll cracks 20 mil, I think. 85 million really is only carrying us for less than two months as far as payroll goes, right?

MS. SLOAN:
Right.

LEG. KENNEDY:
Okay. So, are we going to be solvent? Are we going to be cash positive then by the end of June, beginning of July?

MS. SLOAN:
I mean -- right. The property tax receipts come in during --

LEG. KENNEDY:
After May 31st, right. That's when we start to get our pay over from the treasurer.

MS. SLOAN:
Right.

LEG. KENNEDY:
So that's what we're anticipating that will put us in the cash-positive position then?

MS. SLOAN:
Yes. That's usually when we run into our problems, the end of May, early June because we're waiting for those payments to come in.

LEG. KENNEDY:
Okay. You folks and Robert, you agree?

MR. LIPP:
Yes. Other than to look at the total picture, you shouldn't just look at RANs. You should look at the combination of the cash-flow borrowings, which are RANs, TANs and DTANs.

LEG. KENNEDY:
Well, they're here to talk to us on RANs, I guess. Yea, if we have the -- the one thing that I always try to make sure that I recall is by definition a RAN is a dead instrument that must be less than 365 days.

MR. LIPP:
Yes. All three of these shut-down borrowings are within a year.

LEG. KENNEDY:
The TANs and the DTANs too?

MR. LIPP:
Correct.

LEG. TROTTA:
What are we borrowing? Are we borrowing any bills?

LEG. KENNEDY:
Hold on.

CHAIRMAN D'AMARO:
Hold on.

LEG. KENNEDY:
Let me finish with 'em, and then I'll get back to the Chairman. So, 85 on the RAN. The DTAN we're already into? You referenced that before, Joe, that was November of last year we went out on that?

MR. SAWICKI:
That was -- Legislator Kennedy, that was September. September, we did 100 million, which was --

LEG. KENNEDY:
A hundred. Okay, so add a hundred, 185.

MR. SAWICKI:
John, in 2011, our DTAN was 120. It went down to 105 in 2012. Last year it was at one hundred.

LEG. KENNEDY:
Okay. So hopefully our collections are coming up.

MR. SAWICKI:
This year, our cash-flow projection is another hundred million.

LEG. KENNEDY:
So, we got a RAN, we got a DTAN, and then what did we have on the TAN?

MR. SAWICKI:
TAN was 410 million.

LEG. KENNEDY:
410, 510, 85, knocking on the door of 600 million as against --

MR. SAWICKI:
Short term. Remember, all short term.

LEG. KENNEDY:
I understand. So, what is it on the total revenue side then, Robert? I mean, it's a 2.6-billion-dollar budget, but we break that down on the revenue side.

MR. LIPP:
Well, this is cash, not budget. It's really apples and oranges, and it's 2.8 billion is the budget. That being said, it's a different beast. What the cash-flow borrowings reflect is whether or not we're bringing -- being able to bring in enough revenue to meet our daily expenses, and to the extent that the sum of the three - the TANs, the DTANs and RANs - are going up is the extent that we're -- there's more pressure. We're doing worse in terms of the budget because there's a lot of things in the budget that you could adjust; for instance, we borrowed last year 37 million for the retro pay for the correction officers. We did a sale of lease back --

LEG. KENNEDY:
Back to the Dennison Building, yeah.

MR. LIPP:
Yeah. So, the budget looks like it's in much better shape due to those things. The cash flow to the extent that it -- the cash-flow borrowings are going up is the extent that there's greater pressure on the budget.

LEG. KENNEDY:
Okay. All right, thank you. Thank you, Mr. --

MR. LIPP:
That being said, it's a good thing that we're going from 115 to 85.

LEG. KENNEDY:
And it's a good thing that he's getting the money for .6 percent as opposed to what the fellow from, you know, Vanderbilt was here at, getting us 12. All right, thank you.

CHAIRMAN D'AMARO:
Very good, Legislator Kennedy. I wanted to also ask just to clarify, and, Dr. Lipp, I think you make an excellent point that when we talk about borrowing for tax anticipation notes or default notes or even for the revenue-anticipation notes, that is different than when we have a capital problem, for example, and we borrow in order to pay for projects and infrastructure. This is really more about managing our cash flow, as you've said, and it's only borrowing money, a small -- or 20 or 21 percent of funds we expect to get in throughout the year so we know that the funds will become available to pay off these notes as opposed to a ten or a 15-year borrowing, build some infrastructure or roads or bridges which we pay off over time and amortize over time. Two

completely different things, but what's interesting about it is the consequences to not doing either are severe. I think the consequences to not doing some borrowing for capital projects is apparent because as needs arise, costly projects arise we need to do that, but also the consequence of not borrowing against the revenue in times when we don't have other funds available is critical because if we should - as the Comptroller and our own Budget Director has stated - should we run out of cash, we're going to have to make -- you know, you think we had tough choices up 'til now. We'll have some real tough choices: Are we going to take the police off the street, some of them; are we going to take the health inspectors out of the health department, tell them to not come in the next day, we can't pay you. I mean, these are the serious types of questions that we would be facing, and there's no need to face those questions if we could have the access to this type of borrowing, especially at a favorable interest rate. So, I'm certainly going to support this resolution. Yes, Legislator Anker.

LEG. ANKER:
You know, so the bottom line is we're waiting for the State for the most part to pay us the funding that we need to, you know, secure our balance.

MR. SAWICKI:
Legislator Anker, it's not -- we really can't characterize it by saying that the State's at fault. We're waiting for all our receivables to come in, but it's almost on a rolling type of basis. You know, they're all lagging behind. I mean, don't forget in 2011 when we were criticizing the State it was because they were facing a lot of their own fiscal problems and they just didn't have the cash to let go to other municipalities. So, there's -- pretty much out of that, I believe, and, you know. So, this is just kind of a rolling. So, there's no one State issue that we could --

LEG. ANKER:
Right. But there was a point where we didn't do this, and that was because the economy was better, the tax -- sales taxes, property taxes, we were able to catch up on the end. Is there any way to create a different process in some way? I mean, again, I hope the economy picks up, you know, dramatically to kind of get everybody to where they need to be, but, you know, again, we're still spending -- even if it's .6 percent, it's still a lot of money when you're borrowing millions of dollars.

MR. SAWICKI:
Yeah. The .61 percent was -- or for the current RAN that we're paying off will cost us 658,000 even though I believe Robert budgeted between one and two percent, right, on that RAN. So, that's good on top. For $115,000,000, I mean, why we all wince at 658,000, on the other side it's 115 million we have the use of for a year.

MR. LIPP:
Right. So, we show the gross interest in one place. So, it's a larger number, and we have to do it that way, and then we show the revenue in a different place, and what the Comptroller's talking about is the net which really is what counts, but if you look in the budget you'll see a higher number that he's talking about, and the net is exactly what he's saying.

LEG. ANKER:
And I wish we didn't have to spend even a penny to, you know -- but again, I think we're fortunate to at least have that available, and I guess with the situation, you know, we need to take advantage of it but thank you.

CHAIRMAN D'AMARO:
Legislator Trotta, did you have another question?

LEG. TROTTA:
Between the 410 million, the 85 million and the 100 million, the RAN, the TAN and whatever the other one is, you're paying millions of dollars in interest. You know, three million; is that a fair number? $4,000,000 in the short term?

MR. SAWICKI:
I haven't calculated it, Legislator Trotta, in front of me. But the 115 million RAN was -- net interest cost us 658,000. So, extrapolate from that.

LEG. TROTTA:
Plus the 410 would be another two and a half million dollars. Another -- so, probably about three or $4,000,000.

MR. SAWICKI:
I think I can answer that, okay. So, there are three things to look at, but the bottom line is it's 3.4 million in 2013 for instance, the net, correct.

LEG. TROTTA:
$3,000,000.

CHAIRMAN D'AMARO:
Right. And are there options that we have in lieu of doing this borrowing?

MR. SAWICKI:
Well, the --

CHAIRMAN D'AMARO:
Could we find another source of cash-flow management or perhaps revenue? I mean, obviously we don't have enough in other funds to bring cash across from one fund to another to cover and to do the maneuvers that you normally would to manage cash flow, but I guess it's just the function of not having enough revenue at the right time. So, I guess one thing we can consider is enhancing revenues, perhaps, you know, if we want to talk about on the revenue side maybe raising property taxes or something like that. So, that would ensure that we have enough cash coming in at the appropriate time. So, that would be one alternative. Are there other alternatives you could think of in lieu of supporting this?

MR. SAWICKI:
Exactly, Mr. Chairman. The -- I think, Legislator Trotta, I think what you're seeing is the difference between the budget. Again, it's like -- like Dr. Lipp said earlier, the budget accounting and preparation is like apples and oranges compared to what we do over on the accounting side. We deal with actual numbers and actual cash and actual financial statements. At the end of the year, the Legislature votes on obviously the budget every year, and Robert has to -- and the County Executive's budget office has to monitor the budget and maintain the budget so we have a fund balance at the end of the year. So, while we deal with actuals, you deal with the budget side. On the budget side, as you know, and on the actual side as Legislator D'Amaro was just referring to -- and I'd like to share with you the tax anticipation note necessity. That's been around probably since the County was created, and we need to wait until July to collect the money from the Towns. So -- but the County needs cash to operate from January to July until we get those receivables or those taxes collected from the treasurer and the Town tax receivers. So, in that -- during that six months of time we have bills to pay, and that's exactly the reason for the tax anticipation note.

LEG. TROTTA:
I understand.

CHAIRMAN D'AMARO:
Okay, very good. If there are no other questions --

MR. SAWICKI:
Mr. Chairman?

CHAIRMAN D'AMARO:
Go ahead.

MR. SAWICKI:
Can I just share with you if we're finished with the RAN?

CHAIRMAN D'AMARO:
Yes, please

MR. SAWICKI:
Just to share with this Committee, the -- another -- a refunding that we're in the process of doing just for nothing else but an FYI. Again - and I'd just like to reflect back a little bit - last summer, we had quite extensive debate on checks and balances and internal controls. I'm sure most of you remember that, and this is a prime example of checks and balances in our County system, we can't go out to borrow until we convince the Legislature and the County Executive and work with both budget offices the amount that has to be borrowed. So, this is a perfect example of checks and balances. Just like the refunding of prior debt, you gave us authorization to monitor our debt, our outstanding bonds, and several years ago -- and you identify particularly which bonds could be eligible in the future for refinancing. As such -- and we monitor this weekly and more so monthly, we identified a few weeks five bond issues that have high interest rates between four and five percent. They total almost $70,000,000. We hope to refund them, and in discussion with our financial advisors - and some are bankers - we anticipate that we would get through a refinancing or a refunding anywhere from a half a point to 3.8 percent. So, again, we would refinance from four to five-percent bonds to a half percent to a 3.8-percent range depending on the particular bond. We keep the same original life out to 2025, and what we anticipate saving over the life of the refunding over the next 11 years is anywhere between 3.6 and $4,000,000. So, actually, we'll be analyzing the RFPs and the various bankers this afternoon, choosing a banker to negotiate this deal which we'll be doing in conjunction the same day with the BAN rollover and this RAN issue. So, I just wanted to share that with you, and hopefully that'll get some budget savings of anywhere from $450,000 a year to hopefully a little higher.

CHAIRMAN D'AMARO:
It all counts. It all matters. I appreciate you bringing that to our attention, thank you. All right, Mr. Comptroller, thank you for appearing today and helping us out. Ms. Sloan, Ms. Olson, thank you also to you. I'm going to offer a motion to approve ***Resolution No. 1220 of 2014.***

LEG. STERN:
Second.

CHAIRMAN D'AMARO:
Second by Legislator Stern. All in favor? Opposed? Abstentions? Resolution passes, the motion carries. Motion carries, resolution passes rather. ***(Vote: 6-0-0-0)***

Next, are we joined by -- Chief Sharkey is here. So, I'm going to ask the Committee if we could take several bills --

LEG. KENNEDY:
Mr. Chair, as a matter of fact, why don't I go ahead and make the request. I have about 15 bills on beginning with Introductory Resolution 1230.

CHAIRMAN D'AMARO:
I think it's 17.

LEG. KENNEDY:
There you go. Look at that. Running all the way through to --

CHAIRMAN D'AMARO:
That's --

LEG. KENNEDY:
-- 1274.

CHAIRMAN D'AMARO:
-- 1255 of 2014 right through 1274 of 2014.

LEG. KENNEDY:
Yes. And as a matter of fact, they all involve invoking our override process regarding positions that were in the Sheriff's office that had been unfilled promotions, and I believe Chief Sharkey is here to go ahead and talk to us specifically about these resolutions if we could.

CHAIRMAN D'AMARO:
All right. Well, first what we'll do is we'll offer a motion or I'll offer a motion to take each of these resolutions out of order so we can get them before the Committee.

LEG. KENNEDY:
Second.

CHAIRMAN D'AMARO:
Legislator, if you don't mind. So, that's 1255-2014, 1256-2014 -- excuse me. Oh, I apologize. Scratch the prior list. Starting with Resolution No. 1254 of 2014 going sequentially right through to Resolution No. -- no, it's not sequentially. I'll read them. ***1254 of 2014, 1255-2014, 1256 of 2014, 1257 of 2014, 1258 of 2014, 1259 of 2014, 1260 of 2014, 1261-2014, 1262 of 2014, 1263 of 2014, 1264 of 2014, 1265 of 2014, 1266 of 2014, 1267 of 2014, 1268 of 2014 and 1272 of 2014, 1273 of 2014 and 1274 of 2014.***

I'll offer a motion to take all of those resolutions out of order.

LEG. KENNEDY:
Second.

CHAIRMAN D'AMARO:
Second by Legislator Kennedy. Those resolutions are now pending before the Committee, and, Chief Sharkey, thank you for joining us this afternoon. Please go ahead. And I might add, as Legislator Kennedy said, each of these resolutions seeks to fill a vacant position in the Sheriff's Department.

CHIEF SHARKEY:
That is correct, and I am pleased to be able to come before you today and say that the end of last week we were able to work cooperatively with the County Executive's office and the Budget office to

come to a successful conclusion regarding these positions, and at the close of business yesterday we received fully-executed SCIN forms and authorization to fill these positions. That being said, I would like to - on behalf of Sheriff DeMarco, myself and the men and women of the Sheriff's office - thank this legislative body as a whole and specifically Legislator Kennedy, Legislator Browning, Presiding Officer Gregory for their input which was very impactful upon this process. So, I thank you, and we did successfully receive authorization to fill the positions.

LEG. KENNEDY:
Mr. Chair, if I may then, well, thank you, Mr. Sharkey, thank you, Chief Sharkey. And as a matter of fact, all of the Committee is here and is mindful of the good work that the Sheriff's Department does, and Mr. Chair, I would also like to express my thanks for the Presiding Officer. He was instrumental. I know Sheriff DeMarco and County Executive Bellone did have what was obviously a fruitful and productive meeting on Friday. I want to thank the administration for getting an opportunity to see the importance, I guess, and the message that was being brought forward from the Sheriff's Department, that these positions really were critical to, you know, the continued operations of Public Safety. And also, I would like somebody from Budget Review - or maybe, Chief, you can confirm to us - that these promotions are all within the context of the 2014 adopted operating budget, I believe.

CHIEF SHARKEY:
Yeah. We had discussed that in another Committee meeting, in the Public Safety Committee that in fact all of these positions were budgeted positions for 2014.

LEG. KENNEDY:
Right. And so, not only are we going to be in context for the 2014 budget, but in fact this will relieve some of what's been a fairly continued and ongoing overtime function for some of these areas, I guess, that now will be able to be diminished.

CHIEF SHARKEY:
Yes. That's correct.

LEG. KENNEDY:
Okay. Mr. Chair, based on that testimony of the Chief then, I'm prepared to go ahead and ask the Clerk if she would go ahead and withdraw all of those resolutions that we had just articulated. Obviously the facts that the SCINs had been signed makes the resolutions moot. I'm glad we have the process that's in place that'll kind of bring the issue here to floor, and I thank you for this part of the Committee.

CHAIRMAN D'AMARO:
All right. Thank you, Legislator Kennedy. And to the Clerk, those resolutions will be withdrawn for the record, and Chief Sharkey, thank you very much for updating us.

All right, I'm going to take one more resolution out of order this morning. I understand there's a representative from the Treasurer's office present; is that correct? Is someone here from the Treasurer's office? Come on up. And this is for Resolution -- it's the first resolution under introductory resolutions on page two of the agenda, ***Resolution 1175 of 2014***, and I'll offer a motion to take -- ***Authorizing the County Treasurer to execute an amendment to the Cooperative Liquid Asset Securities System Municipal Cooperation Agreement. (Pres. Off.) <u>BUDGET AND FINANCE.</u>***

I'll offer a motion to take that resolution out of order.

LEG. STERN:
Second.

CHAIRMAN D'AMARO:
Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries.

Okay, welcome. Please state your name.

MS. COOKE:
Christina Cooke.

CHAIRMAN D'AMARO:
Hi, Christina. Thank you for joining us today.

MS. COOKE:
Thank you.

CHAIRMAN D'AMARO:
And we asked you to come down today because this resolution is not something that we normally see. I understand the County is already a party to this cooperation agreement, and it's been in place for a few years now or maybe even several years if I'm not mistaken.

MS. COOKE:
Yes. Since 2002.

CHAIRMAN D'AMARO:
Since 2002. And my understanding is that this permits the County to cooperatively invest with other municipalities or whoever's a member of this cooperative to enhance our rate of return on investment when the Treasurer is placing funds; is that generally what this does?

MS. COOKE:
Yes. That's correct.

CHAIRMAN D'AMARO:
Okay. Can you explain to us then why the bill and what changes are being made?

MS. COOKE:
The original agreement with the cooperative investment program was first formulated in 1999, which is 15 years ago, and I guess the Board of Governors of the cooperative revisited it and felt that they wanted to make -- tweak some language in the agreement, clarify some terms in it. And as a participant they require each participant to file a resolution and amend the agreement basically as an acknowledgement that we're aware of the changes that the cooperative investment program is doing.

CHAIRMAN D'AMARO:
Right. And this particular bill is making which changes? Can you share with us what changes we're making?

MS. COOKE:
There is a change of their financial advisor, and the rest of it is just tweaking some of the language in the original agreement.

CHAIRMAN D'AMARO:
All right. So, by -- excuse me, we've been participating since 2002. Has it been to the County's advantage to be a participant?

MS. COOKE:
It has. It's an account that holds about approximately 500 escrow accounts for the Department of Public Works, and it's been a very -- the product has worked very well for us. It's worked very well for DPW.

CHAIRMAN D'AMARO:
When you say "worked very well," in what sense? Rate of return? Security? How is it working well for us?

MS. COOKE:
The product works very well for us. It's very easy to move money, funds in and out of the investment. We are very happy with the online system for managing the funds. We're very happy with the specialized and custom reporting that we have gotten from the cooperative. DPW was able to reconcile their escrow accounts very efficiently, very quickly at the beginning of the month. We've been very happy with the customer service. It's been working well for both departments for the last 12 years.

CHAIRMAN D'AMARO:
Okay. And the Treasurer's office wishes to continue, but you cannot unless we pass this bill to make these amendments to the agreement?

MS. COOKE:
Yes. That's correct. If the resolution --

CHAIRMAN D'AMARO:
To conform.

MS. COOKE:
-- isn't passed then we would have to withdraw as a participant.

CHAIRMAN D'AMARO:
Okay, all right. Are there any questions? Legislator Kennedy.

LEG. KENNEDY:
Yes. Thank you, Mr. Chair. Hi, Christina. So, if the primary -- well, not the primary. Actually, you said all of the money that sits in this account are escrow accounts with Public Works?

MS. COOKE:
Yes. That's correct.

LEG. KENNEDY:
So, what should I infer from that? Is that money that, let's say, a contractor puts up some type of a bond associated with a project, good-faith money?

MS. COOKE:
Yes. A couple of examples of what this account is used for, it could be funds held in lieu of a letter of credit; for example, the Bellport industrial building. It could be funds held to guarantee easement like the Vineyards at Miller Place, or it could be a sewer -- a connection sewer-fee deposit like the Club at Melville.

LEG. KENNEDY:
Okay. Typically, interest follows principal. So, is that the case with these deposits? Does the interest off this account ultimately devolve to these deposits, or is the interest going to us?

MS. COOKE:
The interest goes to the holder of the escrow account. It does not go to the County.

LEG. KENNEDY:
Right. So, then what's our expense to be involved in this product?

MS. COOKE:
There is no expense.

LEG. KENNEDY:
It's just this is a convenience that's offered for us, and all we have to do is modify?

MS. COOKE:
Yes.

LEG. KENNEDY:
As long as it's not costing us anything I'm fine with that, okay.

CHAIRMAN D'AMARO:
Okay. Thank you, Legislator Kennedy. Any other questions? Okay, I'll offer a motion to approve to ***Resolution 1175-2014, Authorizing the County Treasurer to execute an amendment to the Cooperative Liquid Asset Securities System Municipal Cooperation Agreement. (Pres. Off.)*** ***<u>BUDGET AND FINANCE.</u>***

LEG. STERN:
Second.

CHAIRMAN D'AMARO:
Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. Resolution is approved. ***(Vote: 6-0-0-0)***

Ms. Cooke, thank you very much.

MS. COOKE:
Thank you very much.

CHAIRMAN D'AMARO:
Appreciate your help. Okay, there are no other resolutions to take out of order, I don't believe, this afternoon. So, we'll go to Section V, tabled resolutions, beginning at the top of page two of the agenda. Just note for the record, Resolution 1045 of 2014 - if you have the old agenda - was reassigned to a new Committee. So, we'll start with ***Resolution 1050-2014, Approving County funding for certain contract agencies. (Schneiderman)*** ***<u>BUDGET AND FINANCE</u>***

I'll offer a motion to table. Second by Legislator Kennedy. All in favor? Opposed? Abstentions? Motion carries ***(Vote: 6-0-0-0)***

Resolution 1052-2014, Amending the 2014 Operating Budget to restore Vocational Education and Extension Board (VEEB) funding --

LEG. KENNEDY:
I will make a motion to table, Mr. Chair, but I would also just like to advise as to what I've been able to hear most recently on this.

CHAIRMAN D'AMARO:
Okay. I'll just finish reading the title. -- ***to continue current operations and staffing at the Suffolk County Fire Academy for a full twelve months in 2014. (Kennedy) <u>BUDGET AND FINANCE</u>***

Legislator Kennedy, you're offering a motion to table. I'll second. Please go ahead.

LEG. KENNEDY:
Apparently, there has been a couple of meetings between the Board, the VEEB Board, and representatives from FRES. I am told that items that were raised in the draft contract that was presented to them a couple of weeks ago. There's been a willingness on the part of FRES to reconsider, modify or possibly even eliminate. So, there is earnest dialogue and discourse going on at this point. The next time we see this will probably be a month from now. My hope is we have an executed contract, or else we'll probably have to revisit it in some earnest. So, for right now, it seems like the process is working.

CHAIRMAN D'AMARO:
Very good. Thank you, Legislator Kennedy. There is a motion to table pending. I've received a second. I'll call the vote. All in favor? Opposed? Abstentions? Motion carries. Resolution is tabled. ***(Vote: 6-0-0-0)***

Next is resolution 1052 of 2000 -- I'm sorry. Next is ***Resolution 1146-2014, Amending the 2014 Operating Budget to provide additional funding for the Citizens Advisory Board for the Arts. (Schneiderman) <u>BUDGET AND FINANCE</u>***

I'll offer a motion to table.

LEG. STERN:
Second.

CHAIRMAN D'AMARO:
Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

Resolution 1159-2014, Adopting a Local Law to implement one-year rolling debt policy under 5-25-5 Law to mitigate budgetary shortfall. (Co. Exec.) <u>BUDGET AND FINANCE</u>

This, I believe, would authorize a waiver of that policy; is that correct, Dr. Lipp?

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
Which we've been doing since 2002?

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
Okay. I'm going to offer a motion to approve. Second by Legislator Martinez. Any discussion? All in favor? Opposed? Abstentions? Two in opposition. Motion carries. ***(Vote: 4-2-0-0)***

Okay, Section VI of the agenda, introductory resolutions. 1175 of 2014 we already approved. Next is ***Resolution 1180 of 2014, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 949-2014). (Co. Exec.) BUDGET AND FINANCE***

I'll offer a motion to approve and place on the Consent Calendar.

LEG. STERN:
Second.

CHAIRMAN D'AMARO:
Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

1191-2014, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 950-2014). (Co. Exec.) BUDGET AND FINANCE

Same motion, same second and without objection same vote. ***(Vote: 6-0-0-0)***

1195-2014, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 951-2014). (Co. Exec.) BUDGET AND FINANCE

Same motion, same second, same vote. ***(Vote: 6-0-0-0)***

No 1196-2014, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 952-2014). (Co. Exec.) BUDGET AND FINANCE

Same motion, same second, same vote. ***(Vote: 6-0-0-0)***

Resolution 1220-2014 was previously approved.

Resolution 1230-2014, To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature No. 403. (Co. Exec.) BUDGET AND FINANCE

I'll offer a motion to approve and place on the Consent Calendar. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

Resolution 1231-2014, To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature No. 402. (Co. Exec.) BUDGET AND FINANCE

Same motion, same second, same vote. ***(Vote: 6-0-0-0)***

Resolution No. 1248-2014, Removing HSBC as a bank doing business with the County of Suffolk --

LEG. KENNEDY:
Mr. Chair.

CHAIRMAN D'AMARO:
-- and amending Resolution No. 7-2014. (Kennedy) <u>BUDGET AND FINANCE</u>

Yes, Legislator Kennedy.

LEG. KENNEDY:
I apologize for interrupting. I was contacted by the treasurer. While she is mindful of some of the concerns that Mr. Kovesday brought to our attention during the last cycle, she has asked that I table this bill while she engages in some dialogue with the local reps from HSBC to see if there's any opportunity to have them reconsider their policy with small business. Actually, I'll accommodate a County-wide elected. So, I'd offer the motion to table.

CHAIRMAN D'AMARO:
Okay. That's encouraging news. Motion to table by Legislator Kennedy. I'll second. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

Resolution 1252-2014, Adopting a Local Law to update, clarify and improve process for budget deficit mitigation. (D'Amaro) <u>BUDGET AND FINANCE.</u>

I'll offer a motion to table. Requires a public hearing. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

We've previously addressed the balance of the agenda. If there's no further business before the Committee, we stand adjourned. Thank you, everyone, for your patience today.

(*The meeting was adjourned at 2:21 p.m.*)