BUDGET AND FINANCE COMMITTEE

OF THE

SUFFOLK COUNTY LEGISLATURE

MINUTES

A meeting of the Budget and Finance Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on April 22, 2014, at 12:30 p.m.

MEMBERS PRESENT:
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:
Presiding Officer DuWayne Gregory - District No. 15
Legislator Robert Calarco - District No. 7
Legislator Thomas Cilmi - District No. 10
George Nolan - Counsel/Suffolk County Legislature
Timothy Laube - Clerk of the Legislature
Alicia Howard - Legislative Aide/Clerk of the Legislature
Robert Lipp - Director/Budget Review
Justin Littell - Aide to Legislator D'Amaro
Debbie Harris - Aide to Legislator Stern
Bill Schilling - Aide to Legislator Calarco
Connie Corso - Budget Director/County Executive's Office
Angie Carpenter - Suffolk County Treasurer
Christina Cooke - Suffolk County Treasurer's Office
Todd VanScoy - Suffolk County Treasurer's Office
Samuel Chu - Suffolk County Commissioner of Labor
All Other Interested Parties

MINUTES TAKEN BY:
Kevin Gruebel - Court Reporter

MINUTES TRANSCRIBED BY:
Kevin Gruebel - Court Reporter
Kim Castiglione - Legislative Secretary

(*The meeting was called to order at 12:39 p.m.*)

(The following was transcribed by Kevin Gruebel - Court Reporter)

CHAIRMAN D'AMARO:
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 Anker.

(*Salutation*)

Please be seated, thank you. Once again, welcome to the Committee, and the first -- looking at the agenda, the Board -- the Committee has not received any correspondence this afternoon. We'll go to Section III, which are public comments. To the Clerk, has anyone submitted a card to be heard?

MS. HOWARD:
No, sir.

CHAIRMAN D'AMARO:
Is there anyone in the audience today who would like to address the Budget and Finance Committee? All right, for the record, there's no response. We'll turn then to presentations.

We have two presentations scheduled during the Committee today. The first will be our Treasurer, who is kind enough to join us here today, and the second will be the Budget Review Office will jointly present along with the County's Budget Office the annual budget model. So, first, Madam Treasurer, welcome again to the Budget and Finance Committee. I want to thank you for accepting the invitation to come down and address us today and speak with us and answer our questions.

MS. CARPENTER:
Thank you, and thank you for the invitation.

CHAIRMAN D'AMARO:
And before you get started, I just wanted to point out that we were trying to focus this afternoon on two areas; the first being the cash flow and the management of the County cash flow. We recently passed the revenue anticipation note as a cash flow tool. And in addition to that, we were also going to ask you to have a discussion concerning the payment of the tax refunds and especially how those payments are being processed, the timing of those payments and how they're affected by the increased level of claims that you're seeing due to Hurricane Sandy. So, again, welcome and please go ahead.

MS. CARPENTER:
All right. Well, thank you very much. I guess we'll start with the cash flow. Good news, bad news. We're not as bad as last year so the cash is flowing a little bit more, but it's flowing out sometimes faster than it's coming in, which is why we're doing the RAN and the BAN. On the good news side, the RAN this year was 87 million as opposed to last year's, which was 115, and that was paid back on time; in fact, a little bit early. And I think the last time I was here we were concerned that we might have to actually borrow from ourselves to make that RAN payment, and fortunately we had received some State aid, one which was not anticipated at that juncture, so that we were able to make that payment without borrowing from ourselves. That was always a plus and something, you know, we'll mention to the rating agencies that, you know, the tool of the RAN is being utilized appropriately and we're moving along.

The -- I don't know if it was shared with you, but you do know that every day we have our cash report from the Treasurer's Office, the daily statement of cash that's in the bank, and you can see at a glance where we're at and what we anticipate having to go out. The thing that is a little bit of a concern is the BAN payment that is due May 2nd, and I believe it's 33 -- 37 million that's due, and we've only restricted under a million of that so far. So -- but the payment will be made somehow. We will make it. We do have sales tax anticipated to be coming in May 6th after the due date on the BAN, and that is generally a high payment, that particular one. Last year at this point it was 75 million. So, that's usually a larger infusion of sales tax revenue.

To the cash flow, I have with me Christina Cooke, who heads up the Cash Management Unit, and is quite an expert in moving cash. I don't know how she does it sometimes, but just keeping track of the nearly a hundred different accounts that we have. In fact, her expertise is such that for a second year in a row when we went up to the Government Finance Office's annual conference in Albany the beginning of April, Christina did a presentation on cash flow, and they actually took away what we use as a best practice model. So, there were over a hundred people in the worship this year as there were last year. So, that was received really well, and our efforts down here in Suffolk were being noted by finance experts from across the State. So, that was a plus. Had an opportunity to meet with some of the rating agency reps up there, and, again, tried to, you know, assure them that we were making, you know, moving in the right direction. So, hopefully we'll have a positive outcome when we meet with them next month.

Christina, if you want to go through where we are with the cash.

MS. COOKE:
As Angie said, we did borrow the RAN. We got the RAN proceeds on April 11th of this year. Last year, we got them April 17th. So, it's around the same time of year. We borrowed approximately 30 million less this year than last year. So, that looks to be a sign in the positive direction. As far as our cash balances, around the same time last year they were about $30 million more, but we borrowed $30 million more. So, cash position-wise we're about in the same position as we were last year at is this time.

But a little bit of a positive note. As of last year we had tapped into the RAN proceeds of about 34 million. This year so far it's only been about 27 and a half million. So, a little bit less that we've had to reach into it at an earlier point in time. So, that's a little bit of good news. As well as on our interfund borrowings, last year at this time we had borrowed just over $180 million from ourselves. At this point now this year, we've borrowed about 136 million. So, it's about almost $45 million less in interfund borrowings this year than last year. So, it looks like we're in a little bit of a better position than we were last year given the scenario that there have been one-shots and things like that that have contributed.

CHAIRMAN D'AMARO:
So, as you're managing cash flow we can say that as opposed to last year you're relying less on the RAN proceeds, slightly less on the RAN proceeds.

MS. COOKE:
Yes. That is correct.

CHAIRMAN D'AMARO:
The revenue anticipation note proceeds, which means that there's more cash available within our accounts as opposed to going to the borrowed funds.

MS. COOKE:
Yes. That is correct.

CHAIRMAN D'AMARO:
We consider that moving slightly in the right direction at this point.

MS. COOKE:
Yes, I would.

CHAIRMAN D'AMARO:
Okay. Very good. Go ahead, please continue. I didn't mean to cut you off. I just wanted to clarify.

MS. COOKE:
I was just going to conclude by saying last year when we started our interfund borrowing procedure we started February 19th, which was very early. This year, it was March 3rd. So, it was even 12 days later that we needed to borrow from ourselves to meet our obligations. So, a couple of signs of a little bit of positive good news.

MS. CARPENTER:
One thing I wanted to take the opportunity to mention today, you know, as expenses keep going up we need to look at increasing revenues, and of course no one wants to raise taxes; although, we do have the option of increasing the sales tax. That was done back in '93. A quarter of a percent, we'd see about $75 million, I believe was the numbers. But, you know, to the credit of the County Executive, we have instituted the Traffic Violations Bureau, and right now there's about $9 million sitting in that account, and with the red light cameras there's about 14 million in that account, and I've had some conversations about it. At one point in time, that money went right to the General Fund. Right now they're in dedicated accounts. So, I think that we should look at -- and the Legislature being the policymakers -- creating a mechanism so that the revenue flows into the General Fund on more of a regular basis.

Now, with the TVB money, you -- the numbers change a little bit in what we have to remit to the State. So, even if we're being on the ultra, ultra, conservative side and leaving enough money to take care of those payments, I would say that off the top a third of the revenue, and I had this discussion with Robert yesterday, a third of the revenue on the TVB side should go right to the General Fund. And with the red light camera, it probably would be more like 75 percent because they're basically just keeping that, what they need to operate.

CHAIRMAN D'AMARO:
How does it hamper you if the funds do not go into the General Fund but are kept segregated in a different account?

MS. CARPENTER:
Well, if they're segregated from a different account we can use those, but then we have to pay back to that fund with interest when we use fund -- you know, when we use -- borrow from ourselves, we pay back to the fund we borrowed from we have to pay back with interest. But if it's in the General Fund it's there for us to use to meet our obligations.

CHAIRMAN D'AMARO:
Okay.

MS. CARPENTER:
I think that pretty well covers the cash on hand and the whole cash flow. The other issue that we wanted to discuss with you or that you wanted a report on was the property tax adjustment side of what we do in the Treasurer's Office, and Todd VanScoy, who heads up our Accounting Unit works very closely with that. They review all the calculations and send out the money. So, what we have

done, and we've really tried everything humanly possible outside getting that, you know, additional full-time person that we tried to do in the budget process last year, but what we did -- and I don't like to employ overtime, only when absolutely necessary, but we did decide to authorize some overtime for that unit and -- an hour a day in the morning before the phones start ringing or after, you know, the phones stop ringing at the end of the day and Saturdays for four hours. And we have seen, you know, it has whittled away at a little bit of the backlog, plus we have the temporary staffing. We were able to get another person from Civil Service; although, I believe their tenure is up because they're only allowed to stay a certain amount of time, the beginning of June, I believe. And we have an intern or, you know, a part-time person. Again, when they reach a certain amount of money, we can no longer utilize them, but we have a young man right now who is just whipping through that stuff. Some people really have a knack for it and will just, you know, put their head down and just churn this stuff out.

We looked as, and Todd and I talked about it, there's someone in Accounting who's incredibly attune to loving to do key entry and getting the stuff input, and we're going to minimize the amount of training that we have to do for her because the calculations will be still done in the Cancellation Unit, but she's going to be doing the keying, and so we'll be seeing some further reductions in the backlog because of that. But the investment that we've made in the temporary staffing and the overtime has really cut in our cost because we've seen that even just starting this in the beginning of March that we had an increase of -- let me see. We processed 5,297 since the beginning of March, and that was utilizing a thousand regular hours and 40 overtime hours, and of that thousand hours, 420 of that was temporary staffing. There were 373 abatements processed during overtime hours and 2,000 processed by temporary staff. So, the -- when you take away the cost of the overtime and everything like that, we wound up saving about, say, 500 on the average and about 1,800 from the temporary staffing. So, you know, it does pay, bottom line, to go that route.

Todd, did you want to add anything to that? I know he did an analysis of it all.

CHAIRMAN D'AMARO:
Before we get to that, I just want to go back over what you just stated. You're talking about employing temporary staff and utilizing some overtime to process the refund claims.

MS. CARPENTER:
Right.

CHAIRMAN D'AMARO:
Right. And your conclusion is that it is having a positive effect by doing that.

MS. CARPENTER:
It is a positive effect. It's not as positive as it would be if we had a full-time person there, you know, throughout the year.

CHAIRMAN D'AMARO:
How do you quantify the impact? I'm just, you know -- what's -- let me put it in simple terms for me because I don't deal with this every day obviously, but -- so, what is the backlog presently, and how are we making more progress on that now as opposed to in the past is what I'm saying. If you want to do that by numbers of claims that are processed or whatever information or insight you can give us into that. What is the backlog now?

MS. CARPENTER:
Well, you know, we have about 18,000 right now; correct?

CHAIRMAN D'AMARO:
About 18,000 claims.

MS. CARPENTER:
And --

CHAIRMAN D'AMARO:
Refunds.

MS. CARPENTER:
Let me just preface this by saying there's always going to be a backlog.

CHAIRMAN D'AMARO:
Right.

MS. CARPENTER:
You're never going to clean it all up. As every day passes, there are more and more attorneys doing tax abatements, advertising. People get things in the mail every day it seems, you know, asking them to employ them to do that.

CHAIRMAN D'AMARO:
Well, the climate is right for the refunds.

MS. CARPENTER:
Pardon me.

CHAIRMAN D'AMARO:
It's also right to win your taxer application.

MS. CARPENTER:
Right.

CHAIRMAN D'AMARO:
Because of the declining value in property.

MS. CARPENTER:
Right.

CHAIRMAN D'AMARO:
Yeah, sure.

MS. CARPENTER:
And unless the law is dramatically changed, right now if someone decides to hire a company to grieve their taxes and they're successful, they can go right back and do it again.

CHAIRMAN D'AMARO:
Right.

MS. CARPENTER:
There's no limitation as there is in some states on the number of times that you can do it. There is no penalty if they find out that you are paying the correct amount or that you are paying less than you should be paying. We are not able to then raise their assessment at that point. So, there's no disincentive. So, that's -- you know, unless that changes we can expect that there always will be a

tremendous amount of, you know, these things coming across, you know, our desk.

Todd, do you want to go over some of those numbers there?

MR. VANSCOY:
Sure. Basically, to quantify the savings, the average small claims parcel, which we do have the 18,000 in backlog, is about $500 of taxes that are refunded, but they also earn one percent of interest for each month that they're outstanding. So, obviously, on the average of 500 it's five dollars per month of interest per parcel. So, obviously, the longer that stays in the backlog the more interest that we're going to pay out. So, simply in calculations, we did the 2,000 that the temporary staffing did was 10,000 of interest saved. So, therefore, what was their cost in comparison to that $10,000, and that could also be -- trickles down the line because obviously if they weren't there to do the 2,000 parcels then the next month the permanent staff does the 2,000, and the 2,000 they are currently doing gets pushed back even further.

CHAIRMAN D'AMARO:
So, what you're saying is when you measure the cost of processing against the cost of not processing and paying interest, it's a net positive?

MR. VANSCOY:
Correct.

CHAIRMAN D'AMARO:
All right. So, at least we're being cost effective using our personnel and our overtime. Yes, it costs money to do that, but we're saving even more, right, but -- and there's 18,000 refunds waiting to be processed roughly, round numbers. So, how long have you had this personnel in effect, and how has it brought that backlog number down, to what extent?

MS. CARPENTER:
Well, we basically just started the overtime in the beginning of March because, of course, the policy has been to, you know, minimize overtime and not, you know, utilize overtime, and we've been, you know, very vigilant about that in not granting it, but felt that it was a judicious use of the tool at this juncture, you know, absent having that clerk typist added, you know, in the unit as we had requested. Because back last year when Todd did the analysis, it showed that if we hired the $28,000, you know, clerk typist or clerk, I forget what the title is at that place, but it would have saved about 500 -- we could have -- you quantified about $500,000 savings in interest. And again, it really is just the cash flow that's being assisted for us because at the end of the day we do get that money back.

CHAIRMAN D'AMARO:
Which money do we get back?

MS. CARPENTER:
The interest money.

CHAIRMAN D'AMARO:
Oh, the interest. Right, because it just becomes a charge against taxes.

MS. CARPENTER:
Right. It gets charged back to the towns, exactly.

CHAIRMAN D'AMARO:
Right.

MS. CARPENTER:
But again, that doesn't happen for 12 to 18 months. So, it does impede our cash flow in that --

CHAIRMAN D'AMARO:
Right and --

MS. CARPENTER:
-- you know, it was a million and a half dollars in interest that was spent last year or the year before that if we could have, you know, whittled it down to a million instead of a million and a half by hiring that clerk. So, again, we'll -- when we're putting our budget presentation together this year we will request, you know, that clerk typist because, again, we had four vacancies that were eliminated when all of the layoffs took place. I had asked that the lines be left there so that when, you know, things were a little bit better and we could fund the position but to leave those four blank positions or vacant positions unfunded, but they were all eliminated. So, we have no technical vacancies. So, that's why the position has to be created.

CHAIRMAN D'AMARO:
Let me ask you this: What's the -- has the wait time for a refund been reduced then, slightly reduced?

MS. CARPENTER:
I'd say unnoticeably reduced.

CHAIRMAN D'AMARO:
Okay.

MS. CARPENTER:
A little bit but not -- and, you know, it's so frustrating, too, because the phones are constantly ringing, you know, where is the refund, and the person has to stop what they're doing to answer the phone.

CHAIRMAN D'AMARO:
Right. What's the wait time?

MS. CARPENTER:
About a year, nine months to a year.

CHAIRMAN D'AMARO:
Nine months to a year?

MS. CARPENTER:
Yup.

CHAIRMAN D'AMARO:
Waiting. You're chipping away at the backlog --

MS. CARPENTER:
We are. We are chipping away.

CHAIRMAN D'AMARO:
-- but we're not having an impact where we've cut the wait time in half, let's say, or something like that?

MS. CARPENTER:
No. We could probably cut it in a third if we hired that position.

CHAIRMAN D'AMARO:
Personnel. Okay, all right, please continue.

MS. CARPENTER:
The other thing I'd like to report to the Committee, we did have our first meeting of the Audit Committee. I'm the Chair this year, and at that time we determined that we would bring the external auditors in. Ernst & Young will be coming into our meeting. We've set the meeting May 8th. So, they will be coming in to review their scope of work for the year, their work plan, and part of the discussions centered around, and Robert can add to it if he wishes, but we had a real good discussion about the cash flow and the borrowings and everything that was being done and decided that we would take a closer look at historically where we've been with the borrowings and the cash flow and see if we can address some of the problems and come up with some solutions that might make things a little bit more practical. So, Robert is chairing that endeavor and will be reporting back to the Audit Committee, and we will be meeting a little bit more regularly.

On the Sandy, I've been checking, we've been checking periodically with the assessors. They really cannot tell us when we're going to get it. There is approximately a little over 3,000, mainly from Babylon, Islip and Brookhaven. I think 18 -- 1,682 from Babylon, 700 from Islip and 695 from Brookhaven. So it's a little over 3,000, and a few hundred scattered around the other towns.

CHAIRMAN D'AMARO:
Those are successful claims awaiting a refund? That's what the numbers are?

MS. CARPENTER:
Those are the claims that have gone to the assessors that are in the review process.

CHAIRMAN D'AMARO:
In the review process. Not determined yet whether or not --

MS. CARPENTER:
No. But most likely --

CHAIRMAN D'AMARO:
Yeah. I understand.

MS. CARPENTER:
I'm sure they'll all be successful, but again, we are just guesstimating that it will be about ten million. But on a positive note we had a meeting -- oh, gosh, his name just went out of my head. The gentleman representing the Sandy restoration, and it's a big long title, Mark Grossman, from the Governor's Office reached out to me and really wanted an explanation of what this was all about, and we had a meeting. And he had a gentleman with him who's handling the business side of it, Bob Donnelly, who I think had worked previously in the Town of Brookhaven. And while we were meeting, and Connie Corso was part of the meeting and Sammy Chu, he called someone in the Governor's Office, who when asked about reimbursing us, I had asked the question because I had sent a letter to the Governor about that, he said that it would be coming out of the Community Block Grants. So, that was very, very encouraging, so that I pressed further with will we be getting it before the fact rather than after. Did not get a hard answer on that one, but at least at the end of the day it appears that we will be reimbursed for whatever that amount of money is.

CHAIRMAN D'AMARO:
Just to make it clear, we're talking about the State reimbursing the County for payouts due to reduced assessments caused by --

MS. CARPENTER:
Actually, it's the Federal government that will be --

CHAIRMAN D'AMARO:
Through the Federal government.

MS. CARPENTER:
Right. Through the Sandy, you know, Recovery Act or --

CHAIRMAN D'AMARO:
Right.

MS. CARPENTER:
It would be the Community Block Grant, which was where the money would be funneled.

CHAIRMAN D'AMARO:
So the assessments will be lower, and that will also have an impact, recurring impact, but at least the initial refunds --

MS. CARPENTER:
Refunds, right. For that one year.

CHAIRMAN D'AMARO:
-- will be covered for the first year by the Block Grant.

MS. CARPENTER:
Right, exactly.

CHAIRMAN D'AMARO:
And that's something that's still to be decided, or has that been determined?

MS. CARPENTER:
They said -- and Connie was in on the meeting. I thought I saw Connie.

CHAIRMAN D'AMARO:
There she is.

MS. CARPENTER:
They did say we were getting reimbursed, Connie and Sammy. We heard it; we heard it.

CHAIRMAN D'AMARO:
We heard that.

MS. CARPENTER:
We heard it.

CHAIRMAN D'AMARO:
Right, and if you heard it, it must be true.

MS. CARPENTER:
Oh, it must be true. Well, if it's in Newsday then we'll know it's really true.

(*Laughter*)

CHAIRMAN D'AMARO:
Be careful. Rick Brand is right behind you also.

MS. CARPENTER:
But I --

CHAIRMAN D'AMARO:
But that is good news.

MS. CARPENTER:
Yeah.

CHAIRMAN D'AMARO:
That's encouraging.

MS. CARPENTER:
And Phil Boyle also, because he was the sponsor and is centered on that legislation, sort of reiterated that we would be reimbursed. So, that was a good thing. But other than that, I think that's all we have to report at this juncture.

CHAIRMAN D'AMARO:
Okay. I want to thank you for your presentations, and I'll turn it over to Committee members if there are questions. We'll start with our Vice-Chair, Legislator Anker. Please go ahead.

LEG. ANKER:
Hi, Angie. Thanks again for coming and presenting your thoughts. So, I have a few questions. There was a position that was created. It was called a confidential secretary. Is that the clerk that you referred to as far as trying to help with the backlog?

MS. CARPENTER:
We did not create a confidential secretary position, no.

LEG. ANKER:
Okay. So there was --

MS. CARPENTER:
The position that we were asked to be created was a clerk in the Cancellation Unit.

LEG. ANKER:
And you were able to -- you were able to get that extra clerk, or no, you weren't able to get that extra clerk.

MS. CARPENTER:
No. In the budget process last year we had requested a clerk, and I went to the Working Group and there seemed to be agreement amongst the people as we discussed it that it kind of made sense to hire a $28,000 -- I may be off, you know, a hundred here or there, but about a $28,000 clerk in the Cancellation Unit. It was not included in the Omnibus. Legislator Cilmi had a standalone resolution for that clerk position and he did not get, you know, the amount of votes needed to pass that, and

that was during the budget process last year.

So, as far as a confidential secretary, the Treasurer as the, you know, every other Countywide official has a secretary. That position was vacant. That position has been filled, and part of the duties that I have had my secretary do because of this backlog is to assist in reviewing the calculations. In fact, a couple of weeks ago I actually sent her down there for five mornings one week to learn how to do the calculations, and she's assisting in that. So, the only downside to that is that she cannot now review the calculations since she is doing them. So, someone else in administration is pitching in and doing that so that we can, you know, move it along as much as we possibly can.

LEG. ANKER:
Again, my concern -- I have a couple of numbers here. 2012, we paid $1.3 million in interest on untimely payments. Where are we right now? What is the status?

MS. CARPENTER:
I don't have a figure, and I don't know if you do, Todd, as to where we are to date this year and how that compares to where we were last year, but I certainly can get that to you.

LEG. ANKER:
Yeah. You know, I have a senior community, and I think it had been seven years for them to get their taxes -- tax refund back.

MS. CARPENTER:
Yes. I know that senior community contacts me on a regular basis. In fact, as soon as they were successful they started the process again. And, you know, their refunds were -- we're talking Leisure Village. Their refunds were -- weren't --

MR. VANSCOY:
Their refunds were about 700,000 per year that they grieved as a community.

LEG. KENNEDY:
That's not a STAR.

MS. CARPENTER:
Right.

LEG. KENNEDY:
That's a commercial. That's processed differently.

MS. CARPENTER:
But it's still processed.

LEG. KENNEDY:
Right.

MS. CARPENTER:
Oh, yeah. The condos are done separately and very, very time consuming because, you know, there are 1,500 units going back five years. It's 7,500 calculations. Each one has to be done individually.

LEG. ANKER:
And again, my, you know, my concern is, you know, as everybody's, you know, let's get these

things done as soon as possible, because we're losing money with the interest and also it's frustrating for the resident.

MS. CARPENTER:
Oh, absolutely. I can't disagree with you. You're right on target. So, hopefully we'll remember that in the budget process when we request that position.

LEG. ANKER:
Now, have you looked into new technology as far as increasing the way that the process is done? You know, do you have a new -- a computer program? Is there something that can be done with the technology to help with this issue?

MS. CARPENTER:
We have utilized everything we possibly can technology-wise. But with these calculations you actually have to go into the system and change what the rates are, and from one to the next -- every one's -- if they don't have a senior exemption they may have a veteran's exemption, an enhanced, you know, STAR, a regular STAR. Everybody is different. So, it's very labor intensive.

LEG. ANKER:
Yeah. That's -- again, that's why I'm thinking maybe if we could meet with the Information Technology Department and see if we could find a way to facilitate it because it's just -- you know, those are factors that can be put in the hopper and then a computer could determine -- and, you know, again, I think you had mentioned 18,000. How many are we behind? Eighteen thousand claims, right, that we're currently at?

MS. CARPENTER:
And, you know, part of the frustration is that when we get them from the towns they're already past the date, they're already accruing interest. So, you know, a lot of it is out of our control. And the towns, just like the County, are dealing with diminished staffing levels and very often don't even have dedicated staff depending on which town it is. You know, may have one person or someone that just does it a couple of days a week. So, a lot of what we are, you know, having to deal with, what is a burden to us is being caused by forces outside of our control.

LEG. ANKER:
Right. And I know -- you know, I worked with the County Exec's office to facilitate the health permit process. And again, this is something working directly with the towns to really expedite the issue, you know, that these -- these claims or these permits, and it's been really successful. So, maybe again that's something you can consider to get these, you know, 18,000 claims going.

I'm just curious. How do you prioritize the, you know, the claims as far as the penalties. I have a -- there's an issue in my area. It's the Ridge Motel and they owe $200,000 in back taxes, and I think you're familiar. They're working out a payment plan. It's a blight to the community right now. The building is somewhat abandoned and, you know, is that -- how does that process work as far as how do you prioritize who gets the penalties?

MS. CARPENTER:
Well, they're not -- you're talking about two different things. They're not getting a tax abatement. As far as prioritizing the tax abatements, as they come in that's how we work on them, and there -- we get calls all of the time from people asking us to take something out of order, you know, everyone's got a story, but we have never done that and just won't do it, because once you do that, you know, you open the floodgates. So, it's just easier as they come in. No matter who it comes in from, whose ever it is, as it comes in that's how it gets handled.

LEG. ANKER:
You know, again, this -- you know, the property's just sitting there, and not only is it a blight to the community, but, you know, we could have attained this property, I think, through the, you know, seizure.

MS. CARPENTER:
Are you talking about the parcel that's in Legislator Krupski's District?

LEG. ANKER:
Yes, yes. It's right on the borderline.

MS. CARPENTER:
Right. You know, that is, if I'm not mistaken, on the Brownfield's list. So, it's not something that we wanted to take or that Real Estate, you now, was willing to take. So, in absence of that we're doing the best we can and try to recoup as much of the back taxes as possible.

LEG. ANKER:
I think they've looked into it. That actually was a -- they were looking into acquiring that, even the Town of Brookhaven was looking into it. So, again, there's -- I'm just trying to understand the process, again, to expedite this issue of properties that are sitting around, that are not being taken care of, that are becoming a safety issue for the communities around there, and we can, you know, put them back on the tax roll by really making them more sustainable. Okay, so I think that's it for now.

But I -- the Sandy properties, are -- do you have a special area, a special department that you're going to focus on with the Sandy claims?

MS. CARPENTER:
No. When we get that from the town's that will go into the Cancellation Unit that does abatements. So, we're, again, waiting to get all of that from the towns.

LEG. ANKER:
You had mentioned, you know, as soon as one goes through you're taking it one -- as they come in you're taking them so I'm curious if you're going to have a separate department with people specializing in Sandy claims to get those claims going.

MS. CARPENTER:
As we get them, we will handle them.

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

LEG. STERN:
Thank you, Mr. Chairman. Very quickly, Madam Treasurer, good to see you. Back to the cash flow issue. When you're borrowing funds from other funds in order to pay bills, other than the interest rate, are there any other issues that go along with that? I mean, we're talking about cash flow needs that you're managing, being able to manage almost on a daily basis.

MS. CARPENTER:
On a daily basis.

LEG. STERN:
It's an ongoing concern, literally. So, does timing become an issue? Do you have the ability to

utilize those borrowed funds on a moment's notice the way you would out of the General Fund, or are there other issues that go along with that?

MS. CARPENTER:
No. I mean, there are some funds that we can't tap into, but any that we are permitted to use we do use, and again, there's a process that, you know, has to take place. We have that authorization from the Legislature, and again, I would hope that next year we would consider doing it as part of the Organizational Meeting so that the authorization is in place to, you know, be implemented as needed; not that we're ever in a situation we're having to get a CN because it wasn't, you know, addressed. But once we do borrow, a letter goes to the Presiding Officer, the County Exec's Budget Office, the Budget Review Office alerting them to the fact that we have borrowed X amount of dollars from the fund that we borrowed it from, and consequently when it's paid back a letter goes out saying those funds have been paid back and the amount of money that was accrued in interest that went back to the account. So, there's a process --

LEG. STERN:
What is the interest rate?

MS. CARPENTER:
What are we paying? What is --

MS. COOKE:
It's probably going to be about .15. That's approximately an average of what they would have earned had we not borrowed from ourselves.

LEG. STERN:
That's what it's based on, it's based on an amount that would have been earned but for the fact that it was borrowed for another fund.

MS. CARPENTER:
Right.

LEG. STERN:
Okay. Thank you.

MS. CARPENTER:
You're welcome. Oh, and there's one thing I neglected to mention. We -- I had a meeting a couple of weeks ago with the County's financial advisor asking them -- going through some paperwork. There had been a time that he came in and reviewed the County's investment policy, and there have been changes made to it over the years. It's been a number of years since it has been reviewed or any changes have been made, but there are some investment opportunities that some counties are utilizing that he brought to our attention. He's preparing a memo, and as soon as I have that I will share it with you. So, we may be looking to amend the County's investment policy to allow us to employ some of these other strategies for getting a little bit better return on our money. And I think it might be helpful to have him come in and make that presentation to you as a legislative body because it's a little bit innovative and something that I think will be of interest to the Legislature. So, as soon as I get that memo I will be sharing that with you, and perhaps we can -- if not this Committee, maybe a presentation in front of the full Legislature would be advisable.

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

LEG. KENNEDY:
Thank you, Mr. Chair, and good to see you again, Madam Treasurer.

MS. CARPENTER:
Thank you.

LEG. KENNEDY:
So, we've talked a lot about the SCARs, and the SCARs as you pointed out, really are one of the only ways that the average citizen ever feels like they can -- for want of a better thing, say catch a break. It starts at the town level --

MS. CARPENTER:
The unfortunate part of that break that they catch is that it's at the expense of every other taxpayer.

LEG. KENNEDY:
It is, but I think it also goes back to what you and I know is a partner, like it or not, in this whole process under the Suffolk County Tax Act, which is assessing in the first instance, because had there been a more accurate assessment at the outset, then in fact the citizen would not be receiving a reduction. And so, we're talking about a little bit of a push and tug that goes on sometimes where town assessors or village assessors may not necessarily always be that aggressive, if you will, in truing up their property tax roll. But nevertheless, the citizen goes ahead, they do the grievance, and my experience with it was you usually after about seven, eight, nine months get before some guy that's probably about 30 years older than me who sits there and actually goes between the citizen and the assessor and ultimately makes some kind of determination. Sets down a little bit of language handwritten and does some hand calculations, and that's the decision. Then those get bundled up and they go back to whatever particular town they emanated out of; in our case, Smithtown. And if Peter Johnson over there does some notations to my assessment and everybody else's for the next year, and then they ultimately make their way up to you. Is that pretty much it?

MS. CARPENTER:
Yes.

LEG. KENNEDY:
Okay.

MS. CARPENTER:
Sums it up.

LEG. KENNEDY:
So, that's probably about two years that's elapsed from the time where I first went down and sat before our local assessing board when they denied us. So, I don't want to say it's inevitable, but there is such a long latency that's built into the process before they ever hit you, that using your best efforts to try to whittle that down is important, but as you said, if you had a hundred keypunchers who could go ahead and bang through that whole backlog, per se, citizens still would have 18 months, 24 months, 30 months that would lapse before they'd see economic restitution, if you will, or whatever you want to call it, off that erroneous assessment. Pretty much, that's the way it is?

MS. CARPENTER:
Absolutely.

LEG. KENNEDY:
Okay. I know that you are technologically proficient and you talk with all the assessors. As a

matter of fact, your office often helps advise assessors and the ability to receive electronic transfer of some of this information. Sometimes it's practical; sometimes it's not. Every Town Assessor has a different program.

MS. CARPENTER:
Exactly.

LEG. KENNEDY:
So, therein again -- and this is stuff that we talked about 15 years ago when I was still out in the Clerk's Office. As much as we try to implement some of the technological changes, we're dealing with different levels of government sometimes with different decision-making capabilities. We can put the best technology into place, but if it's not readable from the source you go nowhere. You go back to a keypuncher. Given the extra efforts that you put to place, what's your prediction going forward? You're reducing the backlog, but what are you going to see coming in? What comes in, what goes out? What do you anticipate?

MS. CARPENTER:
Again, you know, as they're coming in now they're going to keep coming in. That's never going to diminish unless, you know, there's some dramatic change in legislation that tells people they can't continually grieve.

LEG. KENNEDY:
Which in all likelihood is --

MS. CARPENTER:
-- never going to happen.

LEG. KENNEDY:
And as a matter of fact, the hundred percent assessed value isn't going to happen either. Coming out of Islip, you know it well.

MS. CARPENTER:
Right.

LEG. KENNEDY:
All right. Well, I'm glad to hear of your efforts on that. The other thing I'll go to is -- let me go to the cash flow issue. You talked about some very close calculations for May 2nd. I want to ask you in that -- I know you factored this already. We'll have a payroll that will hit sometime in there. That payroll is about what, 21, 22 million biweekly?

MS. CARPENTER:
It's gone down. It was, like, yeah, 25.

MS. COOKE:
Biweekly payroll --

LEG. KENNEDY:
Yeah.

MS. COOKE:
-- is about 34 million.

LEG. KENNEDY:
About 34 million. Okay. On top of the other responsibilities you have that factored in, and that will be able to be met?

MS. CARPENTER:
Absolutely.

LEG. KENNEDY:
Okie-doke. All right, thank you. I'll yield.

CHAIRMAN D'AMARO:
Okay, thank you, Legislator Kennedy. Next is Legislator Martinez.
Please go ahead.

LEG. MARTINEZ:
Hi, Angie. How are you?

MS. CARPENTER:
Good.

LEG. MARTINEZ:
Just a quick question. You were just saying there were about 18,000 backlogs. Now, let's say, for example, when the Sandy victim claims come in, okay, in terms of their repairs and so forth, are their claims going to be put on the front end of this list, or are they going to go towards the back end? And if so, like, what preference are you giving to the Sandy victims?

MS. CARPENTER:
To be quite honest with you, you know, we hadn't discussed that, and, you know, I, again, have been communicating with the assessors to find out when we're going to have them. I don't see how I can bump anybody. We've never done that. You know, they're just going to have to take their turn. But, you know, again, we will beef up as much as we can with the overtime when that comes in. But again, it's estimated to be about 3,000, and I don't know if they're all going to come in at once. From the discussions I've had, they're going to be doing the calculations. So, we'll probably spot them to check them because you don't want to ever send a refund out that has an error that you're giving them too much money because you can imagine what would happen trying to chase down somebody who's gotten, you know, $500 more than they really should have gotten. So, we've been really very, very judicious about checking those calculations.

LEG. MARTINEZ:
Thank you.

MS. CARPENTER:
You're welcome.

CHAIRMAN D'AMARO:
Okay. Thank you, Legislator Martinez. Legislator Trotta, please go ahead.

LEG. TROTTA:
Just a quick question. You said that we owe $30 million on May 1st and we only have a million dollars. Just for educational purposes, where do you come up with the other 29 million?

MS. CARPENTER:
Where do we come up with the money to pay it back, or where did we come up with the fact that it's

owed?

LEG. TROTTA:
No. Just -- I know it's owed. You have to -- you owe 29 million on May 1st.

MS. CARPENTER:
It's actually 37 million on May 2nd, and that's the BAN. The bond anticipation note that we borrowed is due to be paid back on May 2nd. And generally -- and you'll see it at the bottom of the daily statement of cash what is anticipated that we're going to have to pay back. We try whenever we have extra funds, that we don't have a heck of a lot of, but whenever we can try to restrict some dollars towards those payments knowing that we're going to have to pay them back. Now, we've only restricted $889,000 towards that $37 million note that has to be paid back on May 2nd, but we do have another borrowing that's coming in. A BAN is coming in on May 1st, so.

LEG. TROTTA:
You have to borrow to borrow.

MS. CARPENTER:
Right.

CHAIRMAN D'AMARO:
Okay. Thank you, Legislator Trotta. I had a question. The 3,000 claims, anticipated claims coming in from the various three towns, the Sandy related claims, how long would it take your office to process roughly 3,000 claims? Not claims, refunds.

MS. CARPENTER:
You know, we -- those numbers that we quantified, we had processed with the overtime and the temporary staff --

CHAIRMAN D'AMARO:
I would just ask you to pull up to the mic a little closer.

MS. CARPENTER:
I'm sorry.

CHAIRMAN D'AMARO:
That's all right. It's still off, the mic. I'm sorry.

MS. CARPENTER:
Since March 3rd, a period of seven weeks, we've processed 5,200. So, I would say four to five weeks to do the 3,000, maybe four weeks because if we were just doing that --

CHAIRMAN D'AMARO:
Right.

MS. CARPENTER:
And maybe we will employ extra overtime for that.

CHAIRMAN D'AMARO:
Yeah. You know, we can have a further discussion, and I'm sure you'll think a little bit more about that.

MS. CARPENTER:
As I get a little bit better handle on when it's going to happen. You know, if it's during the summer when I have more seasonals available, that might be an option, to put more in that unit.

CHAIRMAN D'AMARO:
I understand the position that, you know, you've never given a preference, and I understand why, and it makes sense because once you do for one then you have to do for another.

MS. CARPENTER:
Exactly.

CHAIRMAN D'AMARO:
And as you said, everyone has a story, but this may be --

MS. CARPENTER:
Well, it is extraordinary circumstances, so.

CHAIRMAN D'AMARO:
Right.

MS. CARPENTER:
So, it certainly is worth discussing.

CHAIRMAN D'AMARO:
Right. I'm not sure what the ultimate decision could be, but it's worth further discussion.

MS. CARPENTER:
Absolutely.

CHAIRMAN D'AMARO:
Okay. All right. Are there any other questions from Committee members or anyone else present? Legislator Anker, go ahead.

LEG. ANKER:
I'm just curious. How many employees do you have, I guess, to process?

MS. CARPENTER:
In the department? The entire department now has 38. When I took office in 2006, we had nearly 60. Historically, the department had as many as 80.

LEG. ANKER:
How many employees would you need to catch up in the backlog?

MS. CARPENTER:
You know, it was funny because when I went to the operating group and I said -- and I think it was Legislator D'Amaro who said it, that we kind of quantified that if we had a full-time -- an additional full-time person, that we could save 500 million -- 500,000 in interest, and he said, "Well, then if we gave you two, would you save a million?" And I said I don't know if I would want two, especially, you know, where we are financially as a County and what we've been trying to do as far as staffing levels. I would not feel comfortable requesting two or adding two because, you know, it's not going to go on forever. But, you know, there were five in the unit back, say, seven or eight years ago, and at that time we were getting about 3,000 or less a year coming in. Now we're getting, you know, about 1,600 - I think it's down to a year - coming in, yes?

MR. VANSCOY:
Close to 16,000.

MS. CARPENTER:
Sixteen thousand, I'm sorry.

LEG. ANKER:
But I'm just curious, though. In order to, you know, catch up with that wave that's just gone so far ahead, how many --

MS. CARPENTER:
But you're going to catch up -- it's going to be illusionary because you're never going to catch up because they're always going to keep coming in.

LEG. ANKER:
Well, that's what I'm saying though, but we at least need to catch up -- even if we were caught up right now, we had zero people, you were right there, everyone was all paid out. And so, how many -- 16,000 people come in per year? Is that -- that's what you were saying?

MS. CARPENTER:
Closer to 20,000.

LEG. ANKER:
It just seems like we're going to get further and further behind, and especially when Sandy, you know, comes forward.

MS. CARPENTER:
Well, again this is a policy decision for the Legislature. If you feel that you want to add more staff to the Treasurer's Office in that unit, you know, God bless. We would love it.

LEG. ANKER:
Right. So, my question is: How do you resolve this issue? And it sounds from you're saying your only answer right now is to add additional staff. How many more --

MS. CARPENTER:
That is not the only answer. The answer is that we've used some overtime, we've used some seasonals, we've used the part-time, Strike Force from Civil Service, but again, as Legislator Kennedy said, the people start the process, you know, two years before we even get it. So, you know, we're not the only reason there's a backlog. We're not the only reason people are waiting two years or three years from when they've started the process until they get their check.

LEG. ANKER:
So, let me ask you about the 18,000 that are waiting right now in your office. So, they need to be processed at the town levels, or is that all internal?

MS. CARPENTER:
No. We have them now. We have 18,000 now.

LEG. ANKER:
Okay. Again, I'm still not understanding where are we going to go from here and how are we going to succeed in at least getting caught up? Because we're always going to be behind if we can't figure out how to make a better system, like you had said, be innovated in what we're doing. Is it possible for you to create a timeline for reducing the backlog? Is there any way just so we have

some idea of where we're going?

MS. CARPENTER:
We can take -- since we've instituted the overtime, we can analyze those numbers and get that analysis to you so that, you know, you can see where we are going with that. And again, as the policymakers looking at that, if the decision is yours to add, you know, more staff you can, you know -- certainly, that's the prerogative of the Legislature.

LEG. ANKER:
So maybe, you know, again, thinking out of the box, you know, working with interns, working with colleges, working with the account -- you know, people getting their Master's. Maybe there's a way we can have a summer internship program, hire, you know -- not hire, but bring them in, a hundred of them, and really try to untangle this knot, because it just seems like it's not going to go away any time soon. And it's frustrating for us because we're seeing the interest, you know, being spent, but it's even more frustrating for our constituents waiting for that refund check. Would that be a possibility?

MS. CARPENTER:
Well, we do have summer interns. We do have college students. We do have people who've retired from the County. We've had women who worked in real estate working in our record room with the delinquent taxpayers. We do utilize all of those, but then again, we would have space limitations to bring in a hundred people at a clip, to bring them into an office that at most had five desks. I don't think it would be very practical, and then you'd have to train everyone in what they need to do to accomplish the task.

LEG. ANKER:
Right.

MS. CARPENTER:
I know we are -- I ask that you trust, you know, that we are doing our, you know, best. We are doing our due diligence. We are, you know, very, very committed to that. It's an issue that we grapple with daily, trying to come up with any possible mechanism, any possible tool that we can, whether it is some, you know, new computer program or something. We are constantly seeking out ways to address that. But, you know, I invite you to come into the office and see, you know, what we're doing there. The space limitations that we have, the personnel that are working there, the conditions that are there. Please, I invite you and any other Legislator who would like to -- I know we've been working with Legislator Martinez's office to come up with a date for her to come in, and most everyone else, I think, has been there to see what we're doing there.

LEG. ANKER:
So, could you create -- could you e-mail us your process; in other words, you know, what is the process? Something that -- again, I probably could -- should understand a little better, but I would be more than happy as Chair of Education to contact the colleges and find out, you know, if they have accountant majors to possibly participate in a large internship program to help with the backlog. Because, again, they're -- you know, we're working with the Jobs Opportunity Board, and we're seeing wonderful progress with the colleges and linking them to possible internships. I know there's, you know, details that need to be worked out. As far as where would they work, well, I guess shifts. I guess you might be able to create shifts for this type of personnel or situation, and I'm sure the County can find places. I would hope so because, again, if we can save, you know, $1.3 million in interest it would be, you know, well worth it to find the bodies and also the place for them to work in order to help, you know, with your process.

MS. CARPENTER:
Well, certainly we will be happy to work with you.

LEG. ANKER:
Thank you.

MS. CARPENTER:
You're welcome.

CHAIRMAN D'AMARO:
Okay, thank you. No other questions. All right, thank you, Madam Treasurer, for coming down again and answering our questions and making a presentation. It's always a pleasure to have you and your staff.

MS. CARPENTER:
Thank you.

CHAIRMAN D'AMARO:
Thank you for the great job you do for the County.

MS. CARPENTER:
Thank you.

CHAIRMAN D'AMARO:
Okay. The next presentation on the agenda is the Budget Review Office and the County Executive's Budget Office jointly presenting the County's annual budget model, and for the Budget Office for the County Executive is Ms. Corso, welcome. And, Rob, you're always welcome, of course.

MR. LIPP:
I appreciate it. Okay, first, I'd like to thank my staff for me driving -- allowing them to drive them crazy, allowing me to drive them crazy and myself in trying to prepare this. I will say that after we got together, that is Budget Director, Connie Corso, and myself, we have different methodologies, but the numbers that we came up with were remarkably close. So, that's a good thing. Okay.

So, good news, bad news. Good news is the projected deficit compared to our presentation last year is down. The bad news is it's still significant. In particular, if you look on the screen you'll observe the following: We're projecting a shortfall for 2015 of $170 million combined for the Police District and the General Fund. What that means or translates into is if we didn't do anything based upon the projection now, no revenue enhances or expenditure cuts, that property taxes would by definition free flow to that level of an increase.

The increase of 170 million is approximately 110 and change in the General Fund and almost 60 million in the Police District. That's how it's made up. We're assuming with the $170 million figure that we are going to amortize the allowable portion of the pension bill, which will be -- I'm sorry. We're assuming that it won't be, okay. So, the shortfall automatically goes down to 91.7 million or almost 90 million. I'll repeat that because I was a little confusing, wasn't I? Okay. So, the $170 million shortfall assumes that we will not borrow or amortize anything in 2015 from the pension system. Okay.

The reason why we present it that way is that's a policy option that you need to consider. We will -- the amortization if we do do that, the shortfall will drop to a little over 90 million, 91.7 million right there. So, the breakdown by fund is 59.7 million in the General Fund and 32 million in the Police District. So almost $60 million shortfall in the General Fund and a little over 30 million in the

Police District if we amortize, okay. So, right there, that's not something you want to do, but it makes it a little more manageable if you do do that. Compared to last year, we had a shortfall of $250 million projected at this time last year, which is $160 million more. That's sort --

CHAIRMAN D'AMARO:
How much was that, Rob? I'm sorry.

MR. LIPP:
Okay. We had a $250 million shortfall last year.

CHAIRMAN D'AMARO:
Last year meaning 2013?

MR. LIPP:
Yeah. This time last year when we did the budget model presentation we said there's a shortfall of $250 million if we amortize. So, that's 160 million more than what we're saying today.

LEG. ANKER:
Can we get a printout of that?

MR. LIPP:
I'm sorry. I can't hear you.

CHAIRMAN D'AMARO:
Can you print that?

LEG. ANKER:
Can you print that?

CHAIRMAN D'AMARO:
And distribute it?

MR. LIPP:
Sure. Okay, it's being sent to the printer now.

CHAIRMAN D'AMARO:
So, Rob, you're saying that as of January 1 of 2015 there would be $170 million shortfall without amortization factored in.

MR. LIPP:
Correct. And that is not doing the borrowing, correct.

CHAIRMAN D'AMARO:
Really, you're talking about ending 2014 with $170 million shortfall.

MR. LIPP:
No. We're talking about ending -- in other words, if we were going to put based upon this projection the budget for 2015 together to have a zero fund balance at the end of 2015, we would need $170 million if we don't amortize. We'd need a little over 90 million if we do amortize. Increases in property taxes across General Fund and Police District, almost 60 million increase in the General Fund and a little over 30 million in the Police District, and we'll go over specifics if you'd like once you wrap your head around that.

CHAIRMAN D'AMARO:
Well, I understand you're talking about 2015.

MR. LIPP:
Right. So, the presentation is looking at the -- what happened in 2013. There was a difference between the actual and the estimated, projecting the rest of this year and projecting 2015.

CHAIRMAN D'AMARO:
Right. 2013, '14 and '15, at the end of '15, if we do nothing, you'll wind up with the 170 shortfall.

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
Okay.

LEG. ANKER:
Can you print that too? I can't see.

MR. LIPP:
It's all being printed -- it's all printed out, and Justin is distributing. So there are three pages. So, basically, what we're talking about here is: Here's the big-picture look, and now there's some detail for the General Fund and for the Police District that will be the rest of the presentation.

CHAIRMAN D'AMARO:
But the projection a year ago was 350, you said, in the three year budget model.

MR. LIPP:
So 250 without -- I mean with amortizing and 337 with amortizing.

CHAIRMAN D'AMARO:
So, a year ago when you did the three year budget model without amortizing the pension cost, it was 350 or 370.

MR. LIPP:
Three thirty-seven.

CHAIRMAN D'AMARO:
Oh, 337. I apologize. So, now, here we are a year later, and you're looking at another three year budget model.

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
And you have that down to 170.

MR. LIPP:
Right. And it's a $160 million decrease approximately.

CHAIRMAN D'AMARO:
Okay. So, we're moving in a positive direction.

MR. LIPP:
Exactly.

CHAIRMAN D'AMARO:
Okay.

MR. LIPP:
So as I said before, good news, bad news. The good news is that we're down; the bad news is it's still significant.

CHAIRMAN D'AMARO:
But of the three years in the budget model that we're speaking to today, 2013, '14 and '15 -- so how did we end up in 2013, and how do you project us to end up in 2014?

MR. LIPP:
Okay. So, we have that information here for each of the two funds by year.

CHAIRMAN D'AMARO:
Okay.

MR. LIPP:
So, in terms of 2013, what happened is the -- we finished the year in actual revenue that exceeded expenditures by over $180 million, 187.5 million.

CHAIRMAN D'AMARO:
All right. Let me -- 2013, the actual numbers are in.

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
And we wound up revenue exceeding expenditures by 180 million?

MR. LIPP:
One-hundred eighty-seven point five, correct.

CHAIRMAN D'AMARO:
One-hundred eighty-seven point five. So, that was a surplus.

MR. LIPP:
Other things being equal, yes. There was a deficit coming in of 154 million so that --

CHAIRMAN D'AMARO:
So even after that you still had --

MR. LIPP:
-- over $30 million surplus. So there's an over $30 million surplus that was reported by the Comptroller's Office.

CHAIRMAN D'AMARO:
Okay.

MR. LIPP:
And that was attributed to -- there was $154 million deficit in the General Fund entering the year, and we more than made up for it with $187 and a half million surplus during the year.

CHAIRMAN D'AMARO:
So, as of the end of -- excuse me. As of the end of 2013, even with the carryover deficit from the prior year, at the end of 2013 the County was in the black, not the red?

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
So, when we talk about the 170, $170 million deficit in the budget model for this three years now, '13, '14 and '15, that's made up of now eating into the leftover or the 37 million from 2013, and then going back into the red over '14 and '15.

MS. CORSO:
I think we're going to stay -- we'll stay in the black in '14 and then go back into the red in '15, all things being equal if you don't make any of the decisions.

CHAIRMAN D'AMARO:
Correct.

MS. CORSO:
But I wanted to just note, which is fascinating, is it's the first operating surplus since 2006.

CHAIRMAN D'AMARO:
Correct. And so -- and you're saying in 2014, all things being equal, once again, we will have a surplus.

MS. CORSO:
Small.

CHAIRMAN D'AMARO:
Small. Let's say even we break even, so we're still not in the red. So now you're projecting into 2015 solely really contributing to the $170 million shortfall that we'll experience. So, why is that?

MS. CORSO:
I think we're back to where we were -- used to be, you know, when we used to come here and do these presentations back in, you know, '04, '05 where when you're projecting 2015 then you're looking at 2015, what are your salaries going up, what is EMHP going up, what is your pension going up, net of amortization. So, these are like all your usual suspects now. What's nice about it is that we can deal with the usual suspects. We don't have to deal with the past at this point. So, at least you're not carrying in anything from the past and you're really just looking at, you know, what would a typical year bring you, what are your expenses going to be and what are your revenues going to be. And what -- how Robert and I did it this year is we left a lot of the issues that would be policy out. So, we basically gave you worst case scenario, and now it's the scenarios that will offset that are policy issues, and we, you know, we tend to lay them out for you.

CHAIRMAN D'AMARO:
Right. Because what you're doing here today is not making any of those policy decisions or anticipating them because the budget models that were presented in the last year were, in fact, well off, not in the sense that you didn't do them right, but in the sense that as we made corrections

throughout the year and made policy decisions we were able to correct course and wind up with in effect no deficit at the end of '13 and no deficit at the end of '14.

MS. CORSO:
Right. And that, you know, I keep a -- just for my own sanity, I keep this running total of everything that we've done, you know, Mitigation 1, 2, 3, 4, and, like, you know, so here, how did we start and how did we end up, and to your credit you guys have made a lot of hard decisions that have made a tremendous, tremendous difference to the County's bottom line.

CHAIRMAN D'AMARO:
And so, what you're telling us today is that if we do nothing, 2015 would be a $170 million deficit or shortfall, I like to say. It's not really a deficit. It's a shortfall of revenue to meet expenditures, but we haven't made any decisions yet. So, I just want to make it clear that this is not only a projection, but it's a projection based on us basically sitting on our hands, which is not going to happen. Okay, all right.

MR. LIPP:
Okay. And I won't go into specifics, but there were a lot of one time revenue enhancements that contributed to the 2013 surplus, and really, you really shouldn't look at one year alone. It's like a moving cumulative total. So, if you look at the previous year and the current year, you have the $33 million swing just. And one point I only wanted to make about that was there was a conversation before, Legislator Trotta was asking the Treasurer about the $37 million Correction Officer's Bond. That was a -- instead of issuing a five year note, which is what the original theory was going to be, we -- the Comptroller decided to issue one year bond anticipation notes, and the plan is we will roll them over for each of five years. So, there's a little less than a million dollars we're paying off in the current year, and then an average of about nine million a year of the principal we'd be paying off in each of the next four years. So, it would take five years to pay off that $37 million note with interest.

CHAIRMAN D'AMARO:
But it was a different method of financing it, which I assume is a cheaper method or more efficient method.

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
All right.

MR. LIPP:
Okay. So then in 2014, as we said, there's a -- we start the year with a $36 million surplus. We're projecting a small deficit at the end of the year. I believe Connie had, like, a small surplus. I have a small deficit. I'm showing my numbers. We're talking about a $2.8 dollar budget, you know, if you look at all funds. So, you know, a couple of million dollars is really nothing. We're basically on the same page. So, you could look at that as we should be flat for the year. At the end of day, the shortfall and appropriations are going to be mostly due to the cold winter, and we're going to have to spend more -- the General Fund will have to finance more of the County Road Fund because of that. It is a major factor there.

On the revenue side, there's more of a shortfall. This is somewhat significant where we ran some new projections on sales tax. I was able to hire at the end of last year, if you remember, an economist. So, between the two of us, we looked at the numbers, and I will say that it's very volatile. So, it's hard to get it right on target, but here's the story this year with sales tax. So, the

first quarter, we had a shortfall of 1.74 percent. So, it was a bad winter. It cut down on spending, and that was the result of that.

Moving forward in the next three quarters of the year, we looked at projections, and we felt that we weren't feeling lucky, for lack of a better term; although, we didn't feel unlucky either, and we were projecting three percent for the rest of the year. That three percent for the rest of the year translates into a 2.1 percent growth rate for all of 2014. So, that's implicit in these numbers.

Next year for 2015, implicit in our numbers for sales tax projections is five percent. That's what our forecasts are showing us, and, in fact, Ms. Corso has a consultant that does their sales tax, and they were close to that, I believe, a little bit less.

CHAIRMAN D'AMARO:
So, when you come up with the $170 million shortfall for 2015, if we do nothing, that's included in that number is a five percent growth in sales tax for 2015.

MR. LIPP:
And also a 2.1 percent growth for this year.

CHAIRMAN D'AMARO:
Which is within reach, I would think.

MR. LIPP:
Yeah. So, this year we budgeted three percent, and we're saying -- well, because of the lousy winter if we do three percent for the rest of the year, which our forecasts are showing, then that translates into 2.1 growth for the entire year.

CHAIRMAN D'AMARO:
Okay. I see.

MR. LIPP:
So even if you think that the five percent is a little high, you might, you know, perhaps think that the 2.1 is a little low. So, when -- Ms. Corso's consultant seems to think that our numbers are not exactly the same but close.

MS. CORSO:
Right. So, I asked -- when we got that last sales tax check I asked for an update from Moody's analytics who does our sales tax, and they did not want to reduce down the estimate for 2014. They feel that there's a lot of pent up demand. We had a very bad, you know, winter season. At most maybe, like, a $1.2 million loss. So, my estimate for 2014 is a little bit higher than Robert's, and then for 2015 they believe it'll be someplace around the 4.6 percent increase. So -- so, pretty close. Just kind of like -- and this is how our models go, kind of like '14, '15 are blended. Sometimes I'm a little higher in '14; sometimes he's a little lower and vice versa.

MR. LIPP:
Okay. And one other assumption in terms of perhaps a -- maybe not a policy or maybe it is, implicit in the -- our projections is that we're not going to receive, we the General Fund, from the nursing home the 3.2 million that was in the budget because it does not appear that there will be a sale at least this year. And this position of the Nursing Home Fund, which implicitly in the budget included transfer to the General Fund of 3.2 million, we show that as a zero in the budget model.

CHAIRMAN D'AMARO:
That's included also in your budget model for three years?

MR. LIPP:
Correct, correct. Well, and then in 2015 what -- we're assuming also no sale. So, here comes an example of a policy decision on your part, and as a result we're talking 15 -- over $15 million that we are assuming the General Fund will have to make good to the nursing home to -- as a subsidy in order to close it out for lack of a better term or at least to balance the Nursing Home Fund. And the Nursing Home Fund could carry over a deficit, which it probably will, which it almost definitely will, and, you know, that could be moved forward depending upon how we decide to dispose of it, but right now we're saying it's not going to be solved, period, and we're going to have to fund the deficit in '15.

CHAIRMAN D'AMARO:
Right. And they're all unknowns at this point.

MR. LIPP:
Yes. But it would be wrong for us to make a decision on that.

CHAIRMAN D'AMARO:
I don't take issue with that, but it's very important to understand when we're throwing around these numbers that they make an assumption of doing nothing, they're projections. We don't know -- we could impact that Nursing Home Fund next week somehow. I mean, we just don't know, but we have to make some assumptions.

MR. LIPP:
Right.

CHAIRMAN D'AMARO:
Or we have to keep them in mind. What's the biggest driver of the deficit for 2015?

MR. LIPP:
Well, there are a few things. On the expenditure side, as you may be able to see on the screen on Item 3 and then on the revenue side, Item 4. On the expenditure side, you're talking increases in salaries. Oh, yes, by the way, there isn't a lot of money there, but we're assuming contract settlements for bargaining units that have not settled yet, and we can't talk explicitly about what those assumptions are because that would interject us into contract negotiations would be -- which would be inappropriate, but we tried to size it the best we could. Also --

CHAIRMAN D'AMARO:
Salary, increase in salary is a large factor.

MR. LIPP:
That's $17.4 million increase in salaries in the General Fund.

CHAIRMAN D'AMARO:
If we do nothing, just on the current path.

MR. LIPP:
Well, I don't think there's a lot that can be done there. What we did is we took January payroll and we moved it forward with our contract assumptions through 2015, and we made assumptions about new hires and separations, and we're not talking about anything significant, new hirings. And in terms of layoffs, most of the unions have agreements that you can't do layoffs. So, I think that's going to be sort of on automatic pilot.

CHAIRMAN D'AMARO:
Right. So, we'll have to -- if we're locked into that position, we'll look for other policy decisions to balance that.

MS. CORSO:
Although I think it's important to note that the changes to the payroll -- the payroll right now is below 2007 levels in every year after that. So, the biggest part of the mitigation was unfortunately the layoffs.

CHAIRMAN D'AMARO:
Right.

MS. CORSO:
And the annualized savings to that is $100 million a year. So, we still have to use that strict attrition policy in order to kind of maintain where we are now and keep us -- and bring us to that structural --

CHAIRMAN D'AMARO:
But we're doing it by attrition as opposed to layoff, and we had already gone through the pain and discomfort of layoffs. And so I'm not sure how much we actually really bargained away in doing that because I don't think we were prepared to cut further anyway given the budget model.

MS. CORSO:
No, but I want you to understand that that was a big part of bringing you from 350 million to 170 million.

CHAIRMAN D'AMARO:
Yeah, yeah. It wasn't easy to do, but --

MS. CORSO:
It was not easy, but you could see, you know, the financial benefit to the County.

CHAIRMAN D'AMARO:
Right, okay.

MR. LIPP:
Okay. So, so far we have over $17 million in salary increases. Then, we have a shortfall in nursing home that I said, was 15.9 million actually. Then there was a debt service increase based upon our projections. We make assumptions about how much we're going to borrow in terms of serial bonds and in terms of cash flow borrowing, and we're talking $17 million more there. In terms of health insurance, another 5.6 million. In terms of retirement, if the County chooses to amortize, it would be an increase of 4.4 million; if we don't amortize, then we're talking another almost 60 million on top of that.

LEG. TROTTA:
Sixty.

CHAIRMAN D'AMARO:
Six-zero?

MR. LIPP:
Yeah. This is just for the General Fund, yeah.

CHAIRMAN D'AMARO:
Right. So, 17 million -- shortfall is 17 million in anticipated salary increase, 15.9 for the nursing home deficit; meaning, that we didn't sell it.

MR. LIPP:
Right.

CHAIRMAN D'AMARO:
Or lease it. Seventeen million debt service increase.

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
Five point six health cost increase.

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
Insurance cost increase. And 4.4 with amortization of the retirement bill.

MR. LIPP:
Right. And add another 59.7 to the General Fund portion if we don't amortize.

CHAIRMAN D'AMARO:
Right. What's driving the debt service increase, the 17 million more.

MR. LIPP:
Bear with me for a second. Okay, so, we've been -- because of the loss of tobacco revenue proceeds, which went to lower the debt service costs, we've been observing the last couple of years increases. So, in 2013 total debt service for serial bonds and for cash flow borrowing and everything went up by over $26 million in 2013. In 2014, we're projecting it'll go up by -- and on top of that another 32 million, and then in 2015 it'll go up by another seven million on top of that. So --

CHAIRMAN D'AMARO:
"Going up," you mean because there's less from the settlement?

MR. LIPP:
Correct.

CHAIRMAN D'AMARO:
Okay. I mean, the numbers were always there. It's just how do you pay it.

MR. LIPP:
Yes. Of course, 2015 is on its own. That's why the number is not as large, but it's still an increase of $7 million. And then in 2016 it'll probably go up by another 3.3, and then it'll drop in 2017 is the projection. I should tell you as not part of this -- meant to be as part of this presentation, but I can't help myself. I projected out to the year 2018, which obviously it gets murkier beyond, you know, what's for lunch today. It's hard -- you know, if you asked me that, I probably couldn't have an answer. Anyhow, I decided I would project out just to see what the numbers look like, and it looks like the size of the shortfall in 2016 and '17 are going to drop about 15 million each of those

years. So, we're moving in the right direction subject to policy issues that could either increase or decrease our problem.

CHAIRMAN D'AMARO:
And we'll address that later in the year.

MR. LIPP:
Yeah.

CHAIRMAN D'AMARO:
The policy considerations are and --

MR. LIPP:
Yeah. But the question that I wanted to ask of myself is are we getting increasingly worse or increasingly better, and the answer is a little bit better.

CHAIRMAN D'AMARO:
Well, I would say more than a little bit.

MR. LIPP:
Well, 15 million a year --

(The following was transcribed by Kim Castiglione - Legislative Secretary)

CHAIRMAN D'AMARO:
I mean, 2013, you know, we had some protracted debates and a lot of pain and made some tough decisions, and we wound up with a surplus. In 2014 we did it again and we broke even, let's say, so I'd say that's a substantial improvement over where we've come from. And in 2015 you're projecting $170 million shortfall, which is the appropriate thing to do at this point in time, but we still, you know, I think we've shown the County and the County Executive's office as well as the Legislature have shown the will to make some of those tough decisions and get this under control, and I think we're succeeding in doing that.

MR. LIPP:
And just to finish --

CHAIRMAN D'AMARO:
The real question in my mind is how much are we relying on the structural imbalance, the one-shot as opposed to recurring revenue, and I think even there we're somewhat moving in the right direction. I think that's also had a large impact, a big impact on why you're seeing these numbers start to move in the right direction as well.

MS. CORSO:
Right, and I did bring that with me just so you knew. Like so in 2014 the one-shots basically are the amortization, the transfer from the Assessment Stabilization Reserve Fund and that small amount that was going to come from the nursing home. So, that was $123 million and your structural changes that you made to the budget in that particular year, $248 million.

CHAIRMAN D'AMARO:
You're saying from relying -- from one-shots to recurring?

MS. CORSO:
Those are structural recurring -- right. Whereas conversely, the year before it was 229 million in

one-shots and 167 in recurring. So, kudos. I mean, you're making the right decisions and we are bringing the budget into structural balance. We just have these few one-shots that we've been relying on. And it is amortization one-shot, I mean, you can use it as long as it's available, though I will say that the County Executive is not in favor of amortization and does want to reduce that.

CHAIRMAN D'AMARO:
Right, but we'll get to all of that. I mean, we're not claiming victory, but it's certainly better than going in the other direction, that's for sure.

MR. LIPP:
And just to sort of focus on one little policy issue here that Connie just spoke to. We implicitly have in the budget model that we are going to receive 32.8 million from the Sewer Assessment Stabilization Reserve Fund as part of what the 2014 budget was adopted at, and we're assuming that we won't receive that in 2015. So, there's still a resolution that needs to be adopted to codify that $32.8 million coming over to the General Fund this year.

CHAIRMAN D'AMARO:
Is that a fact?

MR. LIPP:
That's a fact.

CHAIRMAN D'AMARO:
So it's in the budget but we need authorizing legislation?

MR. LIPP:
Right. So the budget was adopted presupposing that a resolution would come forward to codify that into law. There's a good example of another policy issue --

CHAIRMAN D'AMARO:
Well, it's similar to when you increase a fee. You can put it in the budget but you still need the legislation to move it forward.

MR. LIPP:
Exactly.

CHAIRMAN D'AMARO:
Yeah. Okay.

MR. LIPP:
I could do this a little quicker. The Police District budget model, basically 2013 closed pretty close to what estimated. 2014, it looks like there's projected expenditures we project to exceed appropriations by six million, and that's in salaries, mostly overtime, because of to a large extent the triting down of the police workforce.

Next, in terms of 2015, lastly what we have is a shortfall of about $32 million total as we said initially. Expenditures are due to increase by $33 million, and that is attributed to salary increases of 18.3 million increase over the 2014 adopted in 2015. And basically what we did there is we moved people through their contract steps and we made some assumptions about separations and new hires. Retirement cost increase of 7.3 million more, assuming no amortization. And add another 27.1 million to the police portion of the retirement bill if we decide to not amortize. And then lastly, another almost five million in health insurance costs above 2014 adopted.

CHAIRMAN D'AMARO:
Rob, is 2015 the last year that we have the option to amortize a portion of the pension bill, to borrow?

MR. LIPP:
No. As far as we know, that's as of now into perpetuity. Nobody's said anything about that. We've actually spent a lot of work, we projected out to 2018 what the pension bills will look like. We tried getting information from the State. It's a very complex process, and they don't project out past one year. So, we had to make a bunch of assumptions and talk to them about how it works and we would have formulas and they wouldn't work out, and then we'd call them up say I don't get it, it doesn't make sense --

CHAIRMAN D'AMARO:
The budget model assumes, because we have borrowed in the past to meet some of the pension obligation, it also assumes making those payments and paydowns on time.

MR. LIPP:
Correct. So there's an increasing amount of debt service, number one, from year to year, that's implicit in our model. And number two, there is a shrinking or a decreasing in the amount that they will allow us to amortize each year, too. It's just the way the system works.

CHAIRMAN D'AMARO:
Yeah, yeah. Okay.

MR. LIPP:
And at some later date if you'd like I can talk to you about what our projections are and why they are out to 2018. And basically that's sort of it.

CHAIRMAN D'AMARO:
Right, well that's a three year model based on actuals in 2013 and projecting the end of 2014 and then into all of 2015.

MR. LIPP:
Correct. Exactly.

CHAIRMAN D'AMARO:
Okay. Again, I think it's encouraging that we should continue doing what we're doing and stay focused because it's obviously having a positive impact. So, okay, that concludes both of your presentations. Connie, was there anything you wanted to add? All right. Are there any questions? Presiding Officer Gregory, who else?

P.O. GREGORY:
Thank you, Mr. Chair. I want to go back to 2015, the General Fund, Robert. You had mentioned next year in 2015 there'd be an increase, I think it was in relation to the debt service, in relation to increased need for borrowing for RAN and for cash flow purposes?

MR. LIPP:
Yeah, so if you look on the screen now, those are the increased expenditures we're projecting in 2015 in the General Fund. Salaries, 17 million and change; nursing home, making them whole, 15.9 million; debt service, 17 million; 5.6 million in health insurance and retirement, 4.4 million.

P.O. GREGORY:
So that's 17.4 million more than this year is what your presentation is saying.

MR. LIPP:
Yes.

P.O. GREGORY:
Okay. And the reason I ask is because I know the Administration is looking to potentially borrow out of the ASRF again next year, and one of the arguments being to me that cash flow won't be an issue, but it looks like there's more cash flow issues next year than there is this year, so I'm kind of confused.

MS. CORSO:
No, the cash flow right now they're in the 2014 -- in the projections for 2015 are lower. We don't have any increased -- it really isn't -- I mean, this is not related to the short-term borrowing. The debt service on the short-term borrowing is very small.

P.O. GREGORY:
That's what I thought you said.

MS. CORSO:
This is related to your general obligation debt. These are your capital projects and your --

P.O. GREGORY:
I thought it was for -- I thought I specifically heard the RAN, which is --

MR. LIPP:
Okay, so this debt service on everything in the Operating Budget.

P.O. GREGORY:
Okay.

MR. LIPP:
For what Connie's saying, you know, for serial bond debt. So, for instance, we typically borrow on average over 18 years. Sometimes it's 20 years, sometimes it's like 13 or 14, but the typical case is 18 years. So it could have been 18 years ago we're still in the current budget paying for capital projects that we borrowed for 18 years ago. So that's included in there as well as the interest on the short-term borrowing. So, it's all included in there, and there is a difference between --

P.O. GREGORY:
Short-term and long-term.

MR. LIPP:
Correct.

P.O. GREGORY:
Okay. So it's a hodgepodge for lack of a better term.

MR. LIPP:
That's a good term.

P.O. GREGORY:
But nevertheless, there's an increase in this --

MR. LIPP:
Correct.

P.O. GREGORY:
-- mixture of short-term and long-term borrowings.

MR. LIPP:
The major thing right now is the drop off in tobacco.

P.O. GREGORY:
That was since 2014 -- 2012, right?

MR. LIPP:
Through 2014. 2014 it drops off.

P.O. GREGORY:
I thought it dropped off already, the 25 million in 2012.

MR. LIPP:
In 2014 it dropped off.

P.O. GREGORY:
Okay, okay. So, what is -- do you have a separate number, I guess, a separate as far as cash flow with the projected.

MR. LIPP:
I can give you the detail on that but I'd prefer not to fumble through my files now because they are pretty complex and detailed. I'll have to summarize it and then give you the break down of the debt service by type.

P.O. GREGORY:
Right, yeah, because I think it's important that we, we're talking about deficits, we kind of know where it's at and how our cash flow is affected as opposed to short-term and long-term borrowing.

MR. LIPP:
Basically I'm giving you the big picture look. There's an unbelievable amount of detail that we would be here for all night long basically if I went into the detail.

P.O. GREGORY:
Right. Okay. That was generally my concerns that I had. I mean, the picture's getting better, certainly not great, but you know, there's certainly some needs for improvement. It's concerning that our overtime costs are going up potentially in the PD as we're facing a deficit and the, you know, personnel costs but somehow we'll have to address that.

MR. LIPP:
That's going to be a difficult one to address. If you want to talk about it we can, but it was very challenging on how best to project that.

P.O. GREGORY:
All right. Thank you, Mr. Chair.

CHAIRMAN D'AMARO:
Thank you, Mr. Presiding Officer. Legislator Anker, please go ahead.

LEG. ANKER:
I also would like to get a break down of the debt service.

MR. LIPP:
Why don't I give it to everybody on the Committee.

LEG. ANKER:
That would be good, it would be great. Okay, so with that in mind, again, you're talking about -- we were talking about capital projects, do you recommend that we be very cautious with any upcoming capital projects? On a scale of one to ten, how cautious should we be.

P.O. GREGORY:
Twelve.

MR. LIPP:
Well, see, the problem with the Capital Program is let's say hypothetically, which is not a real world scenario, let's say we adopt a zero Capital Program, which isn't going to happen obviously. We're still going to be borrowing at approximately the same levels for a few years because we have a large amount of pipeline debt. So the best you could do is have some sort of restriction in place, a goal if you will, for how much you're willing to authorize per year with an eye towards bringing down the future levels of debt service. But you're not going to have much of a short-term impact on debt service there. Of course, you know, we are borrowing large amounts for cash flow purposes that the more you structurally right the ship the less you're borrowing for cash flow purposes though, and that would be more immediate.

MS. CORSO:
I think one of the things that the County Executive did in sending over your 2015 Capital Program was to try and maintain that same level of bonds. Like he brought down a level of bonds to around the 100 million. If we kind of stay in that 100 million range, as you could see, Robert did -- he gave like a 2016, 2017, 2018 and the debt service is scheduled to go down. So if we just kind of keep those bonds, be cognizant of keeping the bonds at the one level. Unfortunately, what we are faced with is moving forward in 2016 is the Phase II of the jail, so that'll be a major policy issue, and again, probably cause the debt, you know, the debt service to go up to pay for a mandated unfunded jail.

LEG. ANKER:
As far as the latest, we're still basically mandated to build the new jail at this point.

MS. CORSO:
At this point.

LEG. ANKER:
And what is -- $100 million?

MS. CORSO:
Yeah. There is 55 million in the first tranche in 2016.

LEG. ANKER:
So another question for you. You know, what do we invest in? If we're looking to create revenue, and I'm thinking right off the bat is our tourists, how much do we get from our tourist industry that directly affected the County.

MR. LIPP:
Well, we -- I don't have a number off the top of my head, but that translates into two things in the Operating Budget, number one sales tax, number two, the Hotel/Motel Tax, which is probably more direct and that's Fund 192 and then there's different pieces of that that go -- the three percent that

goes to different areas, the General Fund gets a piece of it, but so do other areas.

LEG. ANKER:
So if we get the approval of the casino, will that be part of this tourist and the Hotel/Motel Tax?

MR. LIPP:
Are you talking about the video lottery terminals? Okay, so we do have some implicit in the budget model -- okay. So the 2014 adopted amount of money from OTB was 5.6 million. It was assumed 1.6 for horse racing and the other four for video lottery terminals. What we have in terms of projection is not 5.6 but one million this year. That is we're presupposing that we won't get the 1.6 in, we'll get a million from the horse racing and we'll get a big fat zero from the video lottery terminals because it doesn't appear that that's going to happen this year, and then we're projecting for 2015 a total of 5 million for both the horse racing and the VLT's in 2015, which is hard to size admittedly, but that's where we felt we weren't being too optimistic or too conservative.

LEG. ANKER:
So if there was a casino being built in Yaphank, if they came out here and there was, you know, all the gaming going on, does the County -- how much revenue does the County get from that? Does the County get revenue? I'm assuming.

MR. LIPP:
Well, I think what we're saying is that we will get as part of the revenue proceeds that OTB receives they give us revenue. We have in the General Fund a revenue code for OTB. And like I said, it was 5.6 was budgeted this year, but we're saying they're only going to get a million. And then next year we're not assuming a lot, we're saying the total of five million between the horse racing and the VLT's. That being said, it's hard to size because let's say for instance some of the projections that were made were as much as -- well, I shouldn't say as much, but what I've heard perhaps $20 million we would get from VLT operations a year. That's in -- I think that's in gross revenue and that's before (A) expenses, although I could be wrong, and (B), OTB has a significant deficit so it's not clear how the courts are going to proceed with that. So even if we get 20 million -- OTB gets 20 million in, how that translates beyond the $5 million that we project for 2015, if that is even too high a number, I'm not sure, remains to be seen.

LEG. ANKER:
Okay. And again, I'm just trying to figure out, you know, reoccurring revenue, if there's other ways, other ideas.

MS. CORSO:
You talked about one this morning. I heard it. I almost fell off my chair. The speed cameras, I mean, why we turn away money, you almost made me cry.

MR. LIPP:
Well, actually that brings up a good point because we do have implicit in both of our budget models money from that, from speed camera revenue in 2015. So I guess you might want to chastise us for including that as a possible policy option, but I thought -- we assumed that that was going to happen. So I apologize if that's distasteful for you, but that's what we -- we put in some money there.

MS. CORSO:
And of course I put it in there because my County Executive is, you know, working with the State to bring in these recurring, like we've talked about, TVB, red light cameras, VLT's, you know, speed cameras, all these things to bring this County into structural balance and to help us meet our expenses.

LEG. ANKER:
Just one last --

MR. LIPP:
I believe Legislator Trotta had a question about that?

LEG. TROTTA:
How much money did you put into that?

MR. LIPP:
How much you got? No, I'm sorry. Six point eight million, I believe. I apologize for my sense of humor.

LEG. ANKER:
One closing thought is that, you know, again thinking of reoccurring revenue, how can we, you know, help with our financial issue, but also trying to fix what's broken. Have you noticed any systems that are broken that's just not working as far as, you know, debt, revenue.

MR. LIPP:
Well, the purpose of this particular forum is to present the shortfall and the size of the shortfall. In terms of options to address it, we have in the past -- Connie has provided to the County Executive and my office has provided to legislative working groups, and we can continue that beyond today definitely. I have ideas, but I'd rather not go into stuff that may or may not be distasteful to some.

LEG. ANKER:
That's fine. Well, thank you so much, though, for your input. It's very important to us.

MR. LIPP:
You're welcome.

CHAIRMAN D'AMARO:
All right. And thank you, Legislator Anker. Legislator Trotta, please go ahead.

LEG. TROTTA:
I'm having trouble with the surplus of $33 million. I mean, you borrowed $86 million for the pensions, you sold the Dennison Building and you got 65 million -- excuse me, 62 million. Ultimately you're going to pay 108 million, and you bonded 37 million for the Corrections Officers. You know, just because you end up with $37 million I don't know how you're calling that a surplus when you borrowed so much, you know, maybe I don't know about the financial -- just if I was running my budget at my house and I had to borrow all that money and I ended up with extra money at the end of the year when I had borrowed tons of money and I owe it, I don't know how you can call that a surplus.

MR. LIPP:
Well, first of all, the obvious answer to that would be it's not me calling it, it's what the books closed on -- at, that has yet to be certified, but the outside auditor will probably say yeah, that's what it is. I think what you're talking about, it's really a multiyear problem and the multiyear problem is we'll sort of balance things we think this year on net. It will be close to even with the $33 million, so it'll be a little bit of a shortfall as a result, and then the shortfall we're projecting for '15 will increase. It's sort of a moving target.

LEG. TROTTA:
Yeah, but it's not like we took in $10 million in taxes and we got $10 million in expenditures. We

borrowed. We used money that we didn't have. We borrowed it and we're paying interest on it. A lot of money.

MR. LIPP:
Right. So as an example, the $37 million bond that we recognize as revenue for the Correction Officers retro pay in 2013, and oh yeah, by the way, the payment was booked in 2012, so that was just the revenue side. The loss, the $154 million deficit in 2012 in part was all that retro pay being made in 2012, but the revenue coming up in 2013. So it's really a moving target. You need to look at more than one year combined. But in 2015, for instance, well, in 2014 we're, you know, we're making payments, principal, on top of the interest for that $37 million bond of close to 900,000, and then in 2015 we're paying off perhaps about nine million more of the 37 million plus interest, so it structurally increases 2015, '16, '17 and '18, because of having to pay off that bond. So it is, you know, a multiyear moving target.

LEG. TROTTA:
But we're still -- to be clear, we borrowed 87 or $86 million to pay the pensions this year.

MR. LIPP:
That's right.

LEG. TROTTA:
And 64 million last year.

MR. LIPP:
Correct.

LEG. TROTTA:
Okay. So that $33 million surplus, if we would have paid the pension's 33 million we'd still be in the hole $31 million.

MR. LIPP:
Right. So what we're saying is in a perfect world we would have raised revenues perhaps from perhaps, you know, increased property taxes, increased sales taxes, vehicle surcharges, vehicle registration surcharges. That's a good one.

LEG. TROTTA:
The point is clearly it's not a balanced budget. We're borrowing money to pay our bills.

MR. LIPP:
There's a structural deficit, I agree a hundred percent.

LEG. TROTTA:
Okay. Thanks.

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

LEG. KENNEDY:
Thank you, Mr. Chair.

CHAIRMAN D'AMARO:
Thank you, Legislator Trotta.

LEG. KENNEDY:
Thank you to the both of you. I want to talk about two different areas. Like the Chairman, I mean, I do agree that we are looking at something that seems somewhat better than where we were at 12 months ago, yet I am concerned at the magnitude of the borrowings that we've had to undertake to get there. In my mind, we've really moved from back in like securitization of tobacco and things like that, that were one-shots where for want of a better, you know, description, we had some assets that had some inherit value and we cut them loose. We cut them loose for a particular price and we're now at the point where we're struggling with the different methods of borrowing. It's almost like, you know, we're in the first and second mortgage, I'm just hoping that we don't get to the household finance level, which is, you know, that 15 percent interest.

But let's go to the pension factoring that we continue to do. It's almost an impossibility when we get presented with, you know, the opportunity to reduce the shortfall if, in fact, we take the factor, but we take the factor and what is it that the Comptroller is charging us these days for money?

MS. CORSO:
I think it's three and a half. I'd have to verify that.

LEG. KENNEDY:
So to him we get three and a half. If we go out on the street, half percent, three-quarters of a percent. Some of those most recent short-term borrowings that we had, I think the Comptroller told us we were very fortunate, we paid .6 percent.

MS. CORSO:
Yeah, on the RAN and the DTAN.

LEG. KENNEDY:
Yes. Yeah, yeah. So we really are paying dearly as we continue to go ahead and defer, and in addition -- yeah, in addition we've factored now three years, four years? How far into it are we on the pension that we borrowed.

MR. LIPP:
Let's see. So we did -- I have to go backwards. So in 2014, 87 million; in 2013, 64 million; in 2012, 45 million; in 2011, 19 million. So I believe four years and --

LEG. KENNEDY:
Back of the napkin. So what did we roll up all together, about 150 mill, somewhere around there, 160 mill?

MS. CORSO:
It's over 200.

MR. LIPP:
Yeah, it's over 200 million.

LEG. KENNEDY:
About 200, 200 million and that's been an annual average rate that we're going at? So we are doing three and a half percent on about 200 mill?

MR. LIPP:
We've gone down and then we expect to go back up. I think it's three percent now and it'll be for the next one I think three and a half.

LEG. KENNEDY:
Okay. So we've got a blended rate there that's probably ranging between -- we can say three and a half.

MR. LIPP:
Sure.

LEG. KENNEDY:
What's the extent of that borrowing? How far out are we going to go? Let's just say 2015, you know, we hit Lotto and we can go ahead and pay the whole pension bill cash. How far out are we going to have to pay down on the factoring?

MR. LIPP:
Okay. So first of all, until this year the borrowings were ten year notes. So we will see the borrowings for the previous amortizations for ten years, it will be implicit in our bill as the debt service portion. For the current $87 million one we took the enhanced new method of amortization from the State, which allows us to do 12 years, and we will continue to do that should we amortize moving forward. As I said, implicit in our projections is that we're going to borrow less. So for instance, this year we borrowed 87 million. Next year we're projecting 78 and a half million dollars as the amortization and it will go down from there.

LEG. KENNEDY:
Going down because of what, Robert, because we are finally getting to the level that the Comptroller projected with ERS and PNF or because we have less employees or because we're contributory.

MR. LIPP:
At the risk of sounding, you know, superficial perhaps, they don't really care about Suffolk County. They care about New York State. So they set a rule for all municipalities. Whether Suffolk County is doing good, bad or indifferent, this is the deal. They're not making different deals for different groups. So the method that they have, which is a very complex method, will squeeze the amount that you could amortize each year. It's referred to as the difference between the regular contribution rate and the graded rates.

LEG. KENNEDY:
So they put a downward slope in. In other words, they're deciding you're just going to get less that you can factor and more you got to pay out of pocket.

MR. LIPP:
Yes, but they are not telling us beyond 2015 what's going to happen. We are projecting ourselves. We spent days and hours and talking back and forth to them and this is the best that we could size it getting some detail on how the system works, but not having the detail of data that they have. So we are pretty sure that the amount we'll be amortizing is going to be less and less, and the debt service, because of the layering on top of each year will be more and more, and therefore that will be problematic in the future.

LEG. KENNEDY:
Okay. That's what I thought it was, but I was hoping I was wrong. Let's go to the General Fund budget model for 2013. I have one question about a revenue. You show the FEMA aid of 65 million in 2013. Obviously I guess that would be Hurricane Sandy reimbursements? Am I reading that wrong?

MR. LIPP:
Yeah, that's correct.

LEG. KENNEDY:
Okay.

MR. LIPP:
But there is some offset, though, on the expense side, too, for that. So, you know, it's like, I don't know, what it is like, a quarter of it is an expense at the end of the day. So I'm just looking at here big ticket items that would add up, you know, it's not all the pluses and minuses.

LEG. KENNEDY:
No, I understand that. That's okay. I know embedded in there is probably some local share, piece, that was an expense on our part. Was that the sum of everything that we put in for reimbursement or is there additional funding that we may anticipate off of Sandy claims? Was that the whole FEMA claim or is there more to come?

MS. CORSO:
I believe that's the lion's share of the claim.

LEG. KENNEDY:
That's all of it. Okie doke. I got to go over this and read it for a while. That's enough for now. Thank you.

CHAIRMAN D'AMARO:
Thank you, Legislator Kennedy. Any other questions? Okay. Miss Corso and Dr. Lipp, thank you very much for enlightening us once again with your budget model. We appreciate the annual presentation. See you next year.

MR. LIPP:
Sounds like a plan.

CHAIRMAN D'AMARO:
All right. Let's turn to the next section of the agenda. Section V, Tabled Resolutions. I'll call the first.

Tabled Resolutions

Resolution No. ***1050-2014 - Approving County funding for certain contract agencies (Schneiderman).*** I'll offer a motion to table. Second by Legislator Stern. 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 to continue current operations and staffing at the Suffolk County Fire Academy for a full twelve months in 2014 (Kennedy).*** Motion to table.

LEG. KENNEDY:
Mr. Chair, on that motion. Well, go ahead and get your second.

CHAIRMAN D'AMARO:
Second by Legislator Stern. Legislator Kennedy, go ahead.

LEG. KENNEDY:
We have several members of the Administration here. I'm wondering if any one of them can just speak to what the progress is with the contract between the Academy. I did speak briefly with

Miss Seidman this morning. She said it sounded like signing off of the contract was somewhat eminent. Mr. Chu, how are you?

COMMISSIONER CHU:
How are you, Legislator?

CHAIRMAN D'AMARO:
Commissioner, welcome to the committee. And Legislator Kennedy had a question. Go ahead.

LEG. KENNEDY:
Is that your understanding as well, that the execution or the meeting of the minds between the Academy and, you know, the Executive and the Administration is like eminent?

COMMISSIONER CHU:
I would concur.

LEG. KENNEDY:
Outstanding. Then let's let it table.

CHAIRMAN D'AMARO:
Okay. There is a motion pending. It has received a second. I'll call the vote. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

LEG. KENNEDY:
Thank you. Thank you, Mr. Chair. Thank you, Commissioner.

CHAIRMAN D'AMARO:
Thank you to both of you. Resolution ***1146-2014 - Amending The 2014 Operating Budget to provide additional funding for the Citizens Advisory Board for the Arts (Schneiderman).***

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

1248-2014 - Removing HSBC as a bank doing business with the County of Suffolk and amending Resolution No. 7-2014 (Kennedy).

LEG. KENNEDY:
I'll offer a motion to table. I've not heard anything more from the Treasury yet as to the conversations, so let's let it table for another cycle.

CHAIRMAN D'AMARO:
All right. Motion by Legislator Kennedy to table, second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

Resolution No. ***1252-2014 - Adopting Local Law No. -2014, A Charter Law to update, clarify and improve process for Budget Deficit Mitigation (D'Amaro).***

I am going to make some revisions. I'll offer a motion to table. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. Resolution is tabled. ***(Vote: 6-0-0-0)***

Section VI of the agenda, Introductory Resolutions.

Introductory Resolutions

Number ***1278-2014 - To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 953-2014)(Co. Exec.).*** I will offer a motion to approve and place on the Consent Calendar. Seconded by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

Resolution ***1279-2014 - To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 954-2014).*** Same motion, same second, and without objection, same vote. ***(Vote: 6-0-0-0)***

Resolution ***1280-2014 - To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature No. 404 (Co. Exec.).*** Same motion, same second, same vote. ***(Vote: 6-0-0-0)***

Resolution ***1281-2014 - To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature No. 405 (Co. Exec).*** Same motion, same second, same vote. ***(Vote: 6-0-0-0)***

Resolution ***1305-2014 - Amending the 2014 Operating Budget and appropriating funds in connection with bonding for a settlement for a liability case against the County (Co. Exec.).***

This was a $225,000 settlement for a negligence action against the County, which has been approved by the Ways and Means Committee in Executive Session. I'll offer a motion to approve. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0).***

That concludes the agenda. There is no further business. We are adjourned. Thank you, ladies and gentlemen.

(*The meeting was adjourned at 2:37 p.m.*)