

**BUDGET AND FINANCE COMMITTEE**  
**OF THE**  
**SUFFOLK COUNTY LEGISLATURE**  
**MINUTES**

A meeting of the Budget and Finance Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on September 2, 2014.

**Members Present:**

Legislator D'Amaro - Chairman  
Legislator Anker - Vice-Chair  
Legislator Kennedy  
Legislator Stern  
Legislator Trotta

**Also In Attendance:**

Lora Gellerstein - Deputy Clerk/Legislature  
George Nolan - Counsel to the Legislature  
Debbie Harris - Aide to Legislator Stern  
Ali Nazir - Aide to Legislator Kennedy  
Greg Moran - Aide to Legislator Trotta  
Ali Nazir - Aide to Legislator Kennedy  
Bill Shilling - Aide to Majority Leader Calarco  
Tom Vaughn - County Executive's Office  
Robert Lipp - Director, Budget Review Office  
Rick Brand - Newsday  
All Other Interested Parties

**Minutes Taken and Transcribed By:**

Gabrielle Severs - Court Stenographer

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

**CHAIRMAN D'AMARO:**

Good afternoon. Welcome to the Budget and Finance Committee. Please rise and join the committee in the Pledge of Allegiance led by Legislator Sarah Anker.

(\*Salutation\*)

Please note for the record that Legislator Monica Martinez has an excused absence from the committee this afternoon.

Second item on the agenda is Correspondence. The committee has received two pieces of correspondence. I'll read them both into the record. One is from the Suffolk County treasurer, Angie Carpenter. It's dated August 8, 2014, and that correspondence is addressing IR 1567 of 2014, Updating the County's Investment Policy; and we've also received from Joseph Pecorella an e-mail dated August 28, 2014, advising which not-for-profit agencies are still on our list trying to meet the comptroller's threshold or the administrative threshold, so both of those items will be included in our record.

To the clerk, are there any cards today? The answer is no. Is there anyone present who would like to address the committee this morning in our public portion? For the record, there is no response. There are no presentations today.

I'll turn to *Tabled Resolutions*.

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

**LEG. KENNEDY:**

Motion to table.

**CHAIRMAN D'AMARO:**

Motion to table. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **(VOTE: 5-0-0-1, Not Present: Martinez)**

**1431 of 2014, Adopting Local Law No. -2014, A Charter Law to authorize Reserve Fund transfers (Gregory)**. Requires a public hearing. I'll offer a motion to table. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **Tabled/Public Hearing (VOTE: 5-0-0-1, Not Present: Martinez)**

**1433 of 2014, Approving County funding for a contract agency (Shinnecock Nation Cultural Center and Museum)(Schneiderman)**. This, again, is where the museum has administrative expenses over 20 percent threshold that's required by county law. I believe we've received correspondence asking us to again table, or in the past we've received correspondence asking us to table based on them working with the comptroller to meet the threshold using the form 990, so I'll offer a motion to table.

**LEG. STERN:**

Second.

**CHAIRMAN D'AMARO:**

Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. Tabled  
**(VOTE: 5-0-0-1, Not Present: Martinez).**

**Resolution 1434 of 2014, Approving County funding for a contract agency (South Fork Natural History Museum)(Schneiderman).** This particular agency South Fork is, again, I think, also working with the comptroller. In our correspondence, they are still on the noncompliant list, so I'm going to offer a motion to table once again. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **Tabled (VOTE: 5-0-0-1, Not Present: Martinez)**

**Resolution 1435 of 2014, Approving County funding for a contract agency (Bridgehampton Historical Society) (Schneiderman)** has been withdrawn.

**Resolution 1567 of 2014, Updating County's Investment Policy (P.O. Gregory).** Again, the other correspondence we received today addresses the issues that were raised at the last committee meeting with respect to changing the county's investment policy. If you look at the bill, it's looking to do three different things, and one is a redeposit program where county funds being deposited by the treasurer's office into a particular banking institution could be then redeposited by that banking institution; and what the treasurer sent us today in correspondence is an opinion of the Office of the State Comptroller which lays out exactly how that program works. The proposed resolution also would permit the county's deposits in banking institutions to be secured by an irrevocable letter of credit issued by the federal home-owned bank instead of the traditional securities that have been required in the past, and the third change to the law would permit the investment of the county's deposits into tax anticipation notes and reserve anticipation notes.

I've reviewed the comptroller's opinion and I'm satisfied with that. I would, at this point, not have an issue with changing the investment policy of the county as per this resolution, but I'll open it up to any other committee members and any comments before I propose a motion to approve, if any. Okay. Then I'll offer a motion to approve. Is there a second?

**LEG. STERN:**

Second.

**CHAIRMAN D'AMARO:**

Second by Legislator Stern.

**LEG. KENNEDY:**

Mr. Chair.

**CHAIRMAN D'AMARO:**

Legislator Kennedy.

**LEG. KENNEDY:**

And my recollection was that there were three different items that we were considering in this amendment to the policy, two of which seem to be fairly routine or mundane, but one of them involved -- I apologize. I'm trying to recall. One of them involved something that was a little bit out of what we've typically seen.

**CHAIRMAN D'AMARO:**

Well, the three changes would be, first, again to allow the funds deposited by the county into one bank to then be redeposited by that bank into another bank, and the purpose is this: Just to use an

example, let's say the county puts a million dollars into a bank. 250,000 of that million would be covered by FDIC. 750,000 would be covered by securities. They're required to 100 percent secure them with triple A, whatever is required. When you do that, there's a cost to the depository bank of doing that, which impacts the interest rate, then, that's paid back for the county. So by allowing that bank, instead, to hold 250,000 of the million that gets FDIC not to incur the expense to obtain the other securities but rather redeposit 250, 250, 250 in three other banks lowers the cost to the depository banks, thereby increasing, hopefully somewhat, the interest rate.

**LEG. KENNEDY:**

Do those subsidiary lending institutions have to be institutions that are on our approved banking list?

**CHAIRMAN D'AMARO:**

I don't know the answer to that question, but I would assume the answer would be yes, but I don't know for sure.

**LEG. KENNEDY:**

Because my concern would be that we, as you know, in the beginning of each year, adopt that resolution authorizing 5, 10, 15 banks that county funds will be deposited into.

**CHAIRMAN D'AMARO:**

Let me answer that. I think the way that concern is covered is when that, using my example again, when the 250, 250, and 250 goes into the three other banks, those banks are required to deposit the same amount back into the original bank, thereby, I guess, making the original bank whole as far as making the county whole in the event when you get to withdraw the funds. That's on page two of the comptroller's memo at the top, and it says "At the same time each of the banking institutions into which a piece of the original deposit was made makes a reciprocal deposit back into the bank of such company that holds the local government's original deposit." So although the bank receiving the three deposit may not be on the county list, the original bank that the county made the deposit with has the original amount deposited still there. Look, I'm just going by what I'm reading. I don't know for sure.

**LEG. KENNEDY:**

Until I understand, and I'm not asking that you be an advocate for this, but I believe it was the treasurer who sought this in the first instance, I believe.

**CHAIRMAN D'AMARO:**

Yeah; and, John, if you look at that paragraph, it says, "Because the cost of the FDIC coverage in general is lower than the cost of alternative forms of security acceptable for local governments under the general municipal law, the intent of the amendment is to permit an alternative that may reduce the cost of securing local government deposits." So the state legislature has set up in this program, but I don't know the direct answer to whether or not the banks that receive the redeposits must be on the county-approved list. I don't know the answer to that.

**LEG. KENNEDY:**

Okay. So, then, what I'll ask, Mr. Chair, is not to delay the committee any longer, I will probably abstain at this point, and I'll do my own due diligence, and if it passes, then we'll have it before us at the general.

**CHAIRMAN D'AMARO:**

Oh. Okay. So you'll do that between now and Tuesday.

**LEG. KENNEDY:**

Absolutely, yes.

**CHAIRMAN D'AMARO:**

Or we could table it today.

**LEG. KENNEDY:**

My preference is I, for me personally, I want to be able to go ahead and just look that through as to what the mechanics are there. I do see the restoration process, but nevertheless, my sense of concern goes to in the first instance, I don't want to promote a policy that may have proceeds moved to an entity that we've never had before us or that we don't have a measure of confidence or comfort.

**CHAIRMAN D'AMARO:**

Well, let me just comment on that. I think the redeposit bank that you're talking about that may not be on the approved list is not directly accountable to the county, anyway. It's the original bank that we make that deposit into that has to fully account to the county, and that's why the redeposit is required back from the receiving bank, so I would suspect that what's driving the redeposits is more about what the rate of return is going to be and less about whether or not that other bank is on our list because if they were on our list, then we'd just make that direct deposit.

**LEG. KENNEDY:**

Agreed.

**CHAIRMAN D'AMARO:**

Yeah. So, you know, I understand what you're saying, but from my perspective, I want to make sure that when the county invests or places its funds in a bank, it's on an approved list from the legislature --

**LEG. KENNEDY:**

Absolutely.

**CHAIRMAN D'AMARO:**

-- which is fine, but, you know, what that bank does with those funds to maximize our rate of return, at some point we're going to lose that control; as long as we're fully secure.

**LEG. KENNEDY:**

I agree with you. It's not as if we ultimately somehow control what the operating aspects are with a particular entity. I appreciate your help with this, Mr. Chair, but I think --

**CHAIRMAN D'AMARO:**

Yeah. I just found out about five minutes before the committee also, so I'm doing the best that I can. But the other two items, Legislator Kennedy, was that when we do make a deposit into a bank, rather than <I think -- usually we're secured by treasury securities beyond the 250,000 FDIC. Now that can be secured by an irrevocable letter of credit. If you go back and look at the minutes from the last committee hearing when our investment advisor was here, they speak to why they believe that the state legislature allows this and would accept the federal home loan bank letter of credit for two of those securities. So they're of the opinion that they're triple-A rated and secure.

**LEG. KENNEDY:**

My recollection was two of the items were really relatively very ministerial. They were almost like

internal types of bookkeeping items. There was only one that I think, a number of us, yourself included, kind of raised some kind of like process questions or concerns. I think it's an important issue. If you're more comfortable tabling for another cycle, I'm willing to do that, or if you feel that you can make a decision by Tuesday and you're not under the gun to do so, then I'm happy to keep the motion to approve. It's really your preference.

**LEG. KENNEDY:**

I am going to -- I would abstain on a motion to approve.

**CHAIRMAN D'AMARO:**

All right. Well, then -- all right.

**LEG. TROTТА:**

What's the other thing where you send it out? Discharge?

**LEG. KENNEDY:**

Discharge without recommendation.

**CHAIRMAN D'AMARO:**

Okay. Would you be --

**LEG. KENNEDY:**

Absolutely. Sure. I could support that because then we're just simply moving it without necessarily either saying yea or nay.

**CHAIRMAN D'AMARO:**

Okay. So let's do that other thing, then.

**LEG. KENNEDY:**

Well, there ya go. I'll make a motion to discharge without recommendation. How's that?

**CHAIRMAN KENNEDY:**

All right. I'll withdraw my motion to approve, and I'll second the motion to discharge without recommendation. All in favor? Opposed? Abstentions? Motion carries. Bill is **discharged without recommendation. (VOTE: 5-0-0-1, Not Present: Martinez)**

Okay. That concludes tabled resolutions. Item VI on the agenda are *Introductory Resolutions*.

The first is **1640, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 967-2014)(County Exec.)**. I'll offer a motion to approve and place on the consent calendar. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **Approved/Consent Calendar (VOTE: 5-0-0-1, Not Present: Martinez)**

**Resolution 1675 of 2014, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 968-2014)(County Exec.)**. Same motion, same second, same vote. **Approved/Consent Calendar (VOTE: 5-0-0-1, Not Present: Martinez)**

**Resolution 1722 of 2014, To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature No. 411 (County Exec.)**. Same motion, same second, same vote. **Approved/Consent Calendar (VOTE: 5-0-0-1, Not**

BF 9/2/14

**Present: Martinez)**

And finally, **Resolution 1724 of 2014, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 969-2014) (County Exec.)**. Same motion, same second, same vote. **Approved/Consent Calendar (VOTE: 5-0-0-1, Not Present: Martinez)**

No further business before the committee this afternoon. Thank you, everyone, for your patience. We are adjourned.

*(\*The meeting was adjourned at 12:52 p.m. \*)*