

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 Tuesday, June 14, 2016 at 10:30 a.m.

Members Present:

Legislator Lou D'Amaro - Chairman
Legislator Monica Martinez- Vice Chair
Legislator Thomas Barraga
Legislator Kate Browning
Legislator Leslie Kennedy
Legislator Steven Stern

Also in Attendance:

George Nolan - Counsel/Suffolk County Legislature
Sarah Simpson - Counsel/Suffolk County Legislature
Amy Ellis - Chief Deputy Clerk/Suffolk County Legislature
Michael Crowell - Budget Review Office
Debbie Harris - Aide to Legislator Stern
Justin Littell - Aide to Legislator D'Amaro
Ali Nazir - Aide to Legislator Kennedy
John Kennedy - Suffolk County Comptroller
Joe Pecorella - Audit and Control
Beth Guerriero - Audit and Control
Katie Horst - County Executive's Office
John Marafino - County Executive's Office
Peter Quinn
All Other Interested Parties

Minutes Taken By:

Gabrielle Severs - Court Stenographer

Minutes Transcribed By:

Kim Castiglione - Legislative Secretary

*(*The meeting was called to order at 11:02 a.m.*)*

CHAIRMAN D'AMARO:

Ladies and gentlemen, good morning and welcome to the Budget and Finance Committee of the Legislature. Please rise and join the committee in the Pledge of Allegiance led by Legislator Martinez.

*(*Salutation*)*

CHAIRMAN D'AMARO:

No correspondence for the record today. We'll go to public comments. I do have one card, Mr. Quinn, Peter Quinn. Mr. Quinn, come on up and welcome. You have three minutes. Go ahead, please.

MR. QUINN:

Good morning, members of the Budget and Finance Committee. I'm here to talk about industrial development agency arrangements. I'm particularly concerned about one that I saw on June 11th, the Rechler proposal to build a bunch of buildings at Gabreski Airport in Southampton Town. What I'm particularly concerned about is that the letter calls for a date of June 11th that -- when the proposal was issued, and then the date of the hearing at Gabreksi is on the 21st. That's only ten days. Legal notice used to require 14 days, so I'm questioning whether or not that legal notice is even legal unless the State has changed the law.

In addition, the legal notice says nothing about the number of years during which the company -- who did I say -- Rechler, will be receiving the tax abatements. It calls for mortgage transfer abatements, sales tax eliminations, property tax eliminations, and I know that they changed the State law. It's now up to 20 years. It used to be ten years during which companies would be eligible for tax breaks; now it's up to 20. It seems to me prudent for people reading those legal notices that they ought to be given a chance to see how many years one particular company is being given all these tax breaks. Twenty years seems to be inordinate, but that's what the State changed the law to.

Secondly, Rechler has included information that states that it is now a Delaware company, and we know that Delaware gives far more -- far cheaper tax breaks to companies, so they go ahead and move there. They're eliminating some State taxes by doing that, but in addition they're seeking these inordinately long tax breaks as well. When they eliminate their tax breaks it seems that all the rest of us end up paying more taxes. So if we want to be prudent and we ought to start arguing that the agency, which is the IDA which makes these arrangements, and the full Suffolk County Legislature, which ultimately signs-off on all of these tax breaks, that they begin to question how prudent these arrangements are; mortgage transfer abatements, sales tax abatements, property tax abatements. So when it comes time to making your budget work, we got to watch what we're giving away to businesses in a kind of rubber stamp fashion when you make these arrangements before the full Legislature. Thank you very much.

CHAIRMAN D'AMARO:

Okay. Thank you, Mr. Quinn.

MR. QUINN:

Thank you.

CHAIRMAN D'AMARO:

I don't have any other cards. To the Clerk, are there any other cards?

MS. ELLIS:

No.

CHAIRMAN D'AMARO:

Is there anyone here who would like to address the committee this morning? For the record there is no response. Okay. There are no presentations today so we have a request. We've been joined this morning by our Comptroller Kennedy and his staff or staff member in requesting to take a bill out of order so they can get back to work and we'd be happy to do so. That's 1570 of 2016. I'll offer a motion to take out of order 1570 of 2016. Second by Legislator Barraga. All in favor? Opposed? Abstentions? That motion carries. The bill 1570 is now before us.

1570-2016 - Adopting Local Law No. -2016, A Local Law amending chapter 189 of the Suffolk County Code to require online filing of Contract Agency Disclosure Forms and to clarify provisions relating to contract agency administrative expenditures (Co. Exec.).

This bill makes various changes to the present law that governs the administrative expenditures made by contract agencies receiving assistance or grants from the County. And Legislator Kennedy, good morning and welcome. Thank you for coming down and would you like to address this.

COMPTROLLER KENNEDY:

Good morning, Mr. Chair. Yes, thank you very much and thank you for the opportunity to be before you. Today I'm acting in my capacity as Comptroller. That's quite all right, that's quite all right. I'm joined with one of my Chief Auditors, Joseph Pecorella. Mr. Pecorella has the oversight and does the actual contract compliance function for us. As you know, this body put in the filing requirement some years ago in an effort to go ahead and make sure that we had strong oversight over the multiple millions of dollars that this County winds up funding contract agencies with.

There are approximately 500 contract agencies that do filing with us, compliance filing with us. Typically it is with a 990 profit and loss statement or other types of certified financial reports that come to us. One of the key elements that this Legislature put in place was a requirement that no agency have an administrative expense component that exceeded 20%. If, in fact, the agency does so, then they become subject to review and action on the part of the body in total if you continue to choose to fund the agency, but it's brought to your attention to go ahead and give that additional hard look to the admin component.

These items that you have before you are a couple of different things. One, the online filing, as you can well imagine, will simply help to expedite the free flow of information. Today pretty much any agency that's got access to a computer has the ability to go ahead and scan and transmit electronically. It will eliminate a lot of the back and forth that we wind up having with submission of manual prepared documents and, in fact, it will have an element of fulfilling all of the filing pieces with it.

In addition, we have a greater clarity, if you will, to the admin expense component, and I'm going to let Mr. Pecorella speak to some of the specifics associated with it and some of what he encounters almost on a daily basis discussing this aspect. Joe?

MR. PECORELLA:

Good morning, Chairman D'Amaro, Legislators. As Comptroller Kennedy said, pretty much each year there's approximately 500 contract agency disclosure forms that come into my office. They pertain to about 270 different contract agencies, whereas one contract agency can have five contracts, some may only have one. This is going to be the first year that we require an online submission. There's now a link on the Comptroller's website to the contract agency disclosure form. All financial statements have to be upload to the site. It's a secure website. This will expedite the

process obviously by my -- pretty much by myself as far as reviewing the information, eliminating all the paperwork.

If an agency does not complete all aspects of the form and upload the salary schedule and the financial statement, they won't be able to submit their disclosure form; it will be rejected. There's a final submit button on the form itself online. Everything has to be filled out. No fields can be left blank. When they're submitted it's pretty much that's it, it's a final submit. They can work on it and save it and come back to it at a later date, but when they hit the final submit button it cannot be modified at that time.

The other aspect of the resolution refers to the administrative expenses. We're going to redefine what an administrative expense is. It's pretty clear now as to what exactly is an administrative expense. We're going to change the methodology for calculating the administrative expenses for an agency. According to the old law, it was total administrative expenses divided by total program expenses. This resolution is going to change it to total administrative expenses divided by total agency expenses. It's going to help lower the percentage of some of these agencies and it just makes more sense when you are calculating the admin rate. It's really total admin expenses over total agency expenses.

The last aspect of it, we're going to exempt any contract agency which has less than \$50,000 in revenues for the prior fiscal year. It's probably approximately 50 contract agencies each year, mainly food pantries and smaller agencies, most of which are comprised of all volunteers as it is. So there's only going to be two exemptions this time, under \$50,000 in revenues for the prior fiscal year, an agency that has only volunteers, no salaried employees. I think that was most of what it was. I don't think there's much more to it.

COMPTROLLER KENNEDY:

That's pretty much sum and substance of where we're at. And again, as I said, the rationale to come before you at this point is to go ahead and to give some clarity and specificity as far as what the actual categories are and then to just improve processes. While Mr. Pecorella operates this function for us, at the same time, as I said, he's an auditor and he has at any given time probably between three and four audits that he's supervising, so it is an effort to go ahead and maximize employees' time.

CHAIRMAN D'AMARO:

Comptroller Kennedy, thank you. Mr. Pecorella, thank you. I want to in particular thank your staff member here, Mr. Pecorella. I know it's a lot of applications that you get and a lot of review you have to do for compliance with this law and I appreciate, as I'm sure my colleagues do, all the work that you put into that. I know you take it seriously and you've always been responsive to us and answered all our questions and we appreciate that very much.

I'd like to take a quick look at each of what I see this law clarifying. There are four basic points, I believe. First, as you mentioned, you're clarifying the definition of administrative expenses and how that formula is put together to determine whether or not that threshold is met or not met. Second, you are putting into these exemptions, which will exempt from the 20% requirement agencies that have revenues of less than 50,000 or that are 100% volunteer agencies. The third item is you would allow the Comptroller to reinstate funding upon compliance instead of having coming back -- instead of coming back here to the Legislature for legislative approval. I guess you view that more as an administrative function than a policy or decision or review function, and we'll get to that in a minute. And fourth, the online submission.

So I'll start with the first two that I think are home runs. The online submission is great. It's really coming a long way. I guess you're working with IT or however you're doing it. As you know,

Mr. Comptroller, we pass bonds all the time for this IT stuff and now we finally see it being utilized the way it should be utilized, so there's a good connect there and I appreciate that. So I don't take issue with that of course. Clarifying the definition of administrative expenses, I always thought that we were looking at the total agency expenditure over as compared to what goes to administrative expenses. So the way it was done in the past was that we were going program by program and applying the same administrative expenses to each program within an agency?

MR. PECORELLA:

No, sir. It was actually a total of administrative expenses for the agency divided by the total program expenses. It wasn't contract specific or anything related to the County funded program, it was based on the whole agency's expenses. So in other words, if you look at an agency's form 990, like a statement of functional expenses on page 10, the bottom line numbers, it would be the management and general expenses divided by the total program expenses in the past. Now it can be the management and general divided by the total agency expenses.

CHAIRMAN D'AMARO:

Right. What's the significance of that change?

MR. PECORELLA:

The way the old law was written it's not really correct I don't think. This would help lower the percentage a little bit, too.

CHAIRMAN D'AMARO:

Well, because you're now dividing by a number that includes all the expenses as opposed to just program.

MR. PECORELLA:

But you want the percentage of admin expense to total agency expenses or program expenses, let's say, to total agency expenses. We're not really dividing agency by program. It doesn't really give you --

CHAIRMAN D'AMARO:

The goal of the legislation is that when we give grant funding to an agency we want to know that at least 80% of the funding received by that agency or expenditures by that agency, rather, are going towards delivering the service, fulfilling the agency's mission, if you will. So what you're saying is that you believe that this new formula will more accurately reflect getting to that answer than the way it was written in the past.

MR. PECORELLA:

Yes.

CHAIRMAN D'AMARO:

Okay. That's good. And then the other issues are -- the exemptions. I just want to get your thoughts on that because, you know, although an agency may not have employees or although it may have a smaller budget, some would argue that it might even be more important that we keep an eye on how those expenditures are going out and how much is going to program as opposed to administrative. So what's the theory behind those two exemptions?

MR. PECORELLA:

With the prior law, actually, we were exempting anybody who were volunteers. It's kind of the same thing as this law, just making it a little clearer. Pretty much I don't think it's going to affect too many different agencies as in the past like I said. Some of the smaller ones I know, like the food pantries and stuff, they don't have any administrative expenses as it is. There are a couple of

smaller ones that are on the non-compliant list right now. I know one in particular has like a \$30,000 budget and they're at like 33% with their admin expenses because of an insurance expense. They have, I think, \$9,000 in insurance expenses, they have \$30,000 in total expenses.

CHAIRMAN D'AMARO:

So the expenses are -- when you have a smaller budget it doesn't mean your expenses are smaller or less, meaning that it's going to eat up more of your administration.

MR. PECORELLA:

Correct. In their case it's a really small agency, they only have like \$30,000 in revenues, but they're on the do not pay list because of this insurance expense basically.

CHAIRMAN D'AMARO:

Well, you know, again, it's a policy question, because some would argue that, you know, do we want to fund an agency that's spending so much on insurance as opposed to delivering and fulfilling their mission. Maybe that's something that we need to consider. I know that you're just -- and properly you're looking for a way to how do I make this fair and accurate for the agency, but I'm not sure that we would want to exempt smaller budgeted agencies out from the requirements of the law. You know, maybe the fix there would be for them to be aware of the 20% limitation and they would have to modify or raise more funds or do whatever it is they do. So just food for thought on that, you know.

The last issue that I have with this is the Comptroller's ability to approve those agencies that were not compliant and now are compliant where, Mr. Comptroller, you would then have the sole authority to provide the funding without coming back to the Legislature. And I realize that often we just simply say, you know, we've been advised by your office that it's now in compliance and we approve the funding, because at that point it's not the decision whether or not to make the funding, it's just a matter of whether the costs are meeting the law guidelines. But nevertheless, it is a level of oversight where questions could be asked well, how is the funding being met, why is the funding being met, what changed, and I'm not sure that I would be willing to give up that level of oversight. In fact, I think it might even be in your best interest that, you know, there's two sets of eyes looking at the final approvals as opposed to one. What's your thoughts on that?

COMPTROLLER KENNEDY:

Mr. Chair, we're happy to go ahead and modify the bill to whatever the level of comfort is with the body of course, and in no way, shape or form is there any effort on our part to go ahead and usurp that policy determination that is only made by this body, and properly made by this body. Our thinking was in our experience over the last four or five years with operating under this. It is not uncommon for an agency to start the filing process and then for whatever reason, maybe it's their own fiscal cycle or what have you, there may be some element of the compliance documents that they either don't have in their possession or they have to work with one of their financial professionals to actually revise or secure.

The implementation piece then is predicated only on when they actually achieve the 100% filing element with us. So the intent at the outset does not deviate. They still have to hold to the 20% admin component, the filing of a 990 or a certified PNL. We'll have agencies that on occasion actually attempt to give us numbers that are revised after the fact, and the standard with us, the gold standard is that we can only accept and work off of filings that are done by their certified financial professionals.

As you know, Mr. Chair, over your course of time, your more than a decade of service, agencies run the full gamut. We have larger agencies that are actually operating with certified CPA firms, and then on occasion if we go to that small food pantry or whatever, you may have a well-intended

volunteer, but they don't have either the CPA certification or what have you, and so it is a process that winds up going back and forth, and what happens is we run the calendar over the course of the year. Our filing deadline is September 15th. We then have the obligation to go ahead and report to you those that are compliant and those that, in fact, have not fulfilled the filing requirement. And then we run through the gamut of the year, if you will, with some agencies that attempt to go ahead and fulfill. Some agencies, as a matter of fact, in the 12th Legislative District where we had admin components that exceeded the 20%, contacted us and said thank you for the opportunity for the grant but we can't achieve that, and they renounced the grant, if you will. So, again, whatever the body's will or desire is here we'll be happy to go ahead and work with.

The one element that I would bring to your request, Mr. Chair, is that in fact it is our intention to attempt to have the body adopt this bill, and the Executive's Office has been courteous in extending a willingness to do a CN for us on the 21st out in Riverhead. That being because our transmission deadline or date is June 30th. So we want to make sure that we've had the opportunity for the body to act in whichever the categories you choose to act so that we send out to the agencies valid law.

CHAIRMAN D'AMARO:

Sure, and I appreciate that and I don't take issue with doing it that way. We've had the committee hearing, we're here today, so if you bring a CN, even if there's a modification at this point, I think, is acceptable. But I would really prefer that we retain that oversight of that final decision.

COMPTROLLER KENNEDY:

Okay.

CHAIRMAN D'AMARO:

That would be my preference. I appreciate the fact that you're relying on certified statements and all of that, and it's not ignoring your office's judgment. In fact, we 99% of the time rely on it, but that doesn't mean in the future someone in the legislative body may choose to contest the fact that actually the threshold has been met based on new filings or revised filings.

COMPTROLLER KENNEDY:

Okay.

CHAIRMAN D'AMARO:

So I would prefer to retain that. So the other provisions I think are fine. I appreciate all that effort and I appreciate that you're doing that in the name of efficiency, but as we know, sometimes the bureaucratic process is less than efficient, but there's a reason for that oversight.

COMPTROLLER KENNEDY:

Absolutely.

CHAIRMAN D'AMARO:

I know you appreciate that.

COMPTROLLER KENNEDY:

Okay.

CHAIRMAN D'AMARO:

All right. Are there other questions on this bill. No? Okay. Anything else you'd like to add?

COMPTROLLER KENNEDY:

No, Mr. Chair, that's fine. So what we'll do is we will take up with the Exec's Office, make that

modification as we've discussed, and then we will be prepared to go ahead and to speak to the full body on Tuesday.

CHAIRMAN D'AMARO:

Right. And, John, if there's anything that comes up where short of just deleting that requirement and you need to speak about it, just feel free to give me a call.

COMPTROLLER KENNEDY:

I certainly will. I'll be happy to.

CHAIRMAN D'AMARO:

Thank you, sir. Okay, gentlemen. Thank you.

COMPTROLLER KENNEDY:

Very good. Thank you. Mr. Chair, I do also have my Director of Municipal Finance here as well to go ahead and speak about IR 1498, that is the bond refunding authorization.

CHAIRMAN D'AMARO:

Right. Before you get to that, let me just -- we did have that bill 1570 before the committee and I believe we require a motion. Let me offer a motion to table for public hearing. Second by Legislator Barraga. All in favor? Opposed? Abstentions? That motion carries. **(Vote: 5-0-0-1 Not Present: Legislator Stern)**

And now, Mr. Comptroller, you're speaking to I believe 1495 of 2016?

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

Okay. So let me take that also out of order. Is that all right? Is that what you want to do?

COMPTROLLER KENNEDY:

That would be fine, sure.

CHAIRMAN D'AMARO:

I'll offer a motion to take bill number 1495 of 2016 out of order. Second by Legislator Barraga. All in favor? Opposed? Abstentions? That motion carries. The bill is now before the committee.

1495-2016 - Refunding bond resolution of the County of Suffolk, New York, adopted 2016, authorizing the refunding of certain outstanding serial bonds of said County, stating the plan of refunding, appropriating an amount not to exceed \$540,000,000 for such purpose, authorizing the issuance of not to exceed \$540,000,000 refunding bonds to finance said appropriation, and making certain other determinations relative thereto (Co. Exec.).

I assume this is a refinance and should impact the debt service.

COMPTROLLER KENNEDY:

Yes, Mr. Chair, and I'm joined with my Director of Municipal Finance, Beth Guerriero, and we are before you today with this bill to go ahead and continue what I would offer to you has been an extremely successful opportunity over the last 16 months to identify existing pipeline debt and to take advantage of the low interest rates that we have in the market. We sent to you a briefing memo with an attachment that reflects what, in fact, has been 22 million that we've been able to go ahead and secure in savings, and a total of 271,570,000 of existing pipeline debt that we bought

down. I do have copies of that memo for the committee. I apologize, it's our working draft, but if somebody wants to hand them up so you'll have them in front of you.

CHAIRMAN D'AMARO:

Sure. Thank you.

COMPTROLLER KENNEDY:

What we have done, Mr. Chair, is we have been so successful, and thanks in large part to Miss Guerriero's work and working with Capital Market Advisors, Rich Tortora, we have exhausted the existing authority that we have in order to go into the market and to actually buy down. We have extinguished or taken the opportunity, if you will, for buy down through calendar year 2007, and the bill before you now seeks the same type of authorization for bonds issued in '08 through '11. It is a four year cycle.

Those around this horseshoe know full well that when it comes to the opportunities presented to us with bonding and municipal finance, the key for us is to be able to be nimble, if you will, and I'm going to ask Miss Guerriero to speak specifically about what just preceded, the time line that preceded this most recent opportunity for the spring of '16 in which we bought down 87 million. Beth, do you want to talk a little bit about that?

MS. GUERRIERO:

A refunding is the largest transaction that we do over at the Comptroller's Office. We have to identify the certain outstanding debt. It has to meet strict compliance regulations. We have to seek the State Comptroller's approval. So in terms of that and in terms of trying to be cost efficient and time it with, you know, the market, be proactive. In this case we were very fortunate we could attach it to a note borrowing that we were also doing. You know, to have the authorization, the previous authorization that allowed the refunding in place was the -- allowed the Comptroller to make the decision to go ahead and seek a savings in excess of six million dollars. Without that authorization, the market could have possibly moved away. We know that interest rates just last week, you know, were questionable. We had closed just a few weeks prior to that.

So I think to have the leverage in place with another authorization, a placeholder if you will, really is the tools that you need to be effective in these kinds of transactions.

COMPTROLLER KENNEDY:

Let me also speak a little bit, Mr. Chair, too, to the fact that it's been my observation that this body has extended or engaged in significant, what I would call, financial discipline in that the general obligation of offering that we are doing we just had the rating agency on and we will close on June 28th is probably the lowest one that we have had in the recent past. It is going out at 49,500,0000. In fact, this year it will appear that we will be at or slightly under about 100 million in total that we'll wind up borrowing.

And again, the general obligation borrowings, as you all know, are basically the essence of what we do as a body to effectuate what the policy decisions are and also to maintain all of our assets, a roof on the building, paving the parking lot, curbing, lighting, culverts, the whole gamut of what we do as a municipal entity.

I'll offer to you that by exercising the financial and fiscal discipline that this body did with just adopting the 2017 Capital Budget, you again are sending a clear message that while you're cognizant of the obligations and the responsibility, you're doing so in a frugal, cost efficient manner. This also harmonizes with that policy, if you will, by again having the opportunity to go into the market to take advantage of historically unprecedented low interest rates. It is no different than what each and every one of us does with a home mortgage. If we went out at seven or eight

percent, we're pulling a trigger right now, we're buying down. Save the money, save the interest, keep it where it belongs on what we need to do as far as the business of Suffolk.

CHAIRMAN D'AMARO:

Yes, thank you, and we share those accolades with the County Executive as well, because we all jointly work together to enact that Capital Budget and I appreciate your oversight of that as well.

Let me ask you a few questions on this. I get the general concept, you know, we pay off bonds that have a higher rate and we replace them with bonds that have a lower rate.

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

Right?

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

You said we've exhausted our ability to do refinancing as opposed to refunding. Was that what you said?

COMPTROLLER KENNEDY:

The terms are essentially one in the same.

CHAIRMAN D'AMARO:

They are?

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

Oh, you mean because now we're going to different years that we're refunding.

COMPTROLLER KENNEDY:

Absolutely. We have bought down everything through 2007. Once we refund it is very rare that we would have the opportunity to refund again over the typical life of a project, and that's the other thing that I'll hold out to you. Our average lifetime on issuances is contracting as well. The most recent one that we've done has gone out for eight years, nine years?

MS. GUERRIERO:

Twelve -- eleven.

COMPTROLLER KENNEDY:

Eleven years.

CHAIRMAN D'AMARO:

That was another issue that I had. When you look at savings, you're looking at savings as adjusted for the term of the bond you're paying off as opposed to the term of the bonds that are being reissued.

COMPTROLLER KENNEDY:

Correct, yes.

CHAIRMAN D'AMARO:

In other words, you know, you can pay less by spreading something out longer over time, but the end result is a higher payment at the end, total cumulative payment. So I just want to --

COMPTROLLER KENNEDY:

And to one other point there, Mr. Chair, too, that is the concept that this body has talked about in countless hours I'll never get back of my life, about the WAM as opposed to what we traditionally knew, we called it the 50% rule, or holding to those bond issues with a shorter PPU. As you know, since we have been engaged in the last series three general obligation offerings, every time we go out for a vehicle, a sedan, every time we go out for a computer project, we are holding to the five year PPU. The WAM goes out where we have some longer projects, again, construction of a building, a 30 year PPU or something like that, and the life that you get of the debt issuance is an aggregation or a hybrid, if you will, of what we have for the payout decisions associated with each of those underlying projects. We are attempting to keep it as tight as possible.

CHAIRMAN D'AMARO:

Good. And the shorter time period works, but even with the shorter periods that you're refinancing to you're still coming up with a cost savings; correct?

COMPTROLLER KENNEDY:

Absolutely, absolutely. Yes.

CHAIRMAN D'AMARO:

Well, that's a function of cash flow. I mean, cash flow wise we might be even increasing payments on those particular bonds?

COMPTROLLER KENNEDY:

Well, you know, we level them across the board. There is a school of thought or a strategy out there that in some cases intentionally diminishes the early year payments and loads the back end. We have not done that nor do -- in my opinion, you know, it is not something that I think is prudent.

CHAIRMAN D'AMARO:

Right. My only point is that there are two levels of consideration. One is overall savings over time, which clearly by doing this we are saving money over time.

COMPTROLLER KENNEDY:

Absolutely.

CHAIRMAN D'AMARO:

But also cash flow wise when you shorten the length of the bond, you could actually increase the amount of your payment.

COMPTROLLER KENNEDY:

No doubt. Yes, Mr. Chair, as a matter of fact, you may see a larger debt service payment in those earlier years than if subjectively you had elected to lower the payout, but you pay down that debt instrument cumulatively over the shorter period of time.

CHAIRMAN D'AMARO:

The savings that you're anticipating from this refunding, is there a number? Is it quantified?

COMPTROLLER KENNEDY:

You know, you see the aggregate before you and it is a large amount. I hate to say that every refunding is unique, but it is very hard to apply a metric across the board because the projects we're picking up are projects that are, you know, like mid-way through where they may have been back in the years that the bonding was authorized. The first one we go into would be in '08.

Now, there's another concept that I want to make sure that the body is aware of. Our bonds are callable after a ten year time period. So typically unless we have an extremely significant savings, we don't look to buy down a refund before the ten year time period. So you might say well, okay, why am I here before you now, we're in June of '16. You can, with a very favorable interest rate, escrow what would be the last year before it's callable and you still cumulatively get savings. So you hold what's left for that ninth or ninth and a half year, but the cumulative savings that you get still yields positive.

CHAIRMAN D'AMARO:

Right. I think we've talked about that here --

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

-- before where even with the escrow and paying out until the tenth year you're still coming up with a savings.

COMPTROLLER KENNEDY:

And we've been aggressive even with the escrow rather than going to the desk, Capital Markets has been able to acquire the slugs, those are T-bills that actually have to hold that escrow. They're even securing those at favorable rates for us.

CHAIRMAN D'AMARO:

Does the Comptroller review this and approve this based on cost savings or more of the mechanism?

COMPTROLLER KENNEDY:

The State Comptroller, as a matter of fact, looks at both. And as a matter of fact, at the very basic there has to be a minimum of a three percent overall savings. You'll see with these recent buy downs we've well exceeded that. We've been up in the five, six, seven percent level. Do they look at also the mechanics underneath it? Yes.

CHAIRMAN D'AMARO:

All right. Are there any other questions from the committee? Comptroller Kennedy, anything else you'd like to add at this time?

COMPTROLLER KENNEDY:

I think you have it all, Mr. Chair.

CHAIRMAN D'AMARO:

Okay. We appreciate your continuing efforts at saving us on our debt service. I will -- this bill is before the committee. I'll offer a motion to approve. Is there a second? Second by Legislator Barraga. All in favor? Opposed? Abstentions? The motion carries. The bill is approved.

(Vote: 5-0-0-1 Not Present: Legislator Stern)

COMPTROLLER KENNEDY:

Thank you Mr. Chair.

CHAIRMAN D'AMARO:

Nice to see you.

COMPTROLLER KENNEDY:

Have a good day.

CHAIRMAN D'AMARO:

All right. So we'll go now to the beginning of the agenda. There are no Tabled Resolutions. We'll get Introductory Resolutions next.

Introductory Resolutions

I'll call the first, ***1492-2016 - Approving County funding for a contract agency (Mastic Beach Property Owner's Association) (Browning).***

This is the Mastic Beach Property Owner's Association. It approves \$6,000 for an organization which had failed to file or be in compliance and we've been advised by the Comptroller that they are now in compliance. I'll offer a motion to approve. Oh, I'm sorry. Yes, go ahead.

LEG. BROWNING:

I'm sorry. I do need to make a motion to table. There were some issues that still need to be resolved.

CHAIRMAN D'AMARO:

Okay. Motion to table by Legislator Browning. Seconded by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

Okay. Resolution ***1494-2016 - To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 1027-2016)(Co. Exec.).***

I'll offer a motion to approve and place on the Consent Calendar. Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***. 1495 we already addressed.

1496-2016 - To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 1028-2016)(Co. Exec.).

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

Resolution ***1503-2016 - Adopting Local Law No. -2016, A Charter Law to improve the County's budget approval and amendment process to increase transparency and accountability ("Taxpayer Awareness Act")(Cilmi).***

This requires a public hearing. By the way, that's known as the Taxpayer Awareness Act. I'll offer a motion to table for public hearing. Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. ***(Vote: 6-0-0-0)***

I believe that concludes our agenda and this meeting. Thank you.

(*The meeting was adjourned at 11:42 a.m. *)