

**ECONOMIC DEVELOPMENT & ENERGY COMMITTEE
of the
Suffolk County Legislature**

Minutes

A regular meeting of the Economic Development & Energy Committee of the Suffolk County Legislature was held in Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York, on **January 23, 2003**.

Members Present:

Legislator Jonathan Cooper - Chairman
Legislator Brian Foley
Legislator Lynn Nowick

Members Not Present:

Legislator Angie Carpenter - Excused
Legislator Allan Binder - Excused

Also In Attendance:

Paul Sabatino - Counsel to the Legislature
Barbara LoMoriello - Aide to Legislator Cooper
Meaghan O'Reilly - Aide to Presiding Officer Postal
Thomas Donovan - Aide to Legislator Guldi
Doug Sutherland - Aide to Legislator Carpenter
Joe Muncy - Budget Analyst/Budget Review Office
Joe Schroeder - Budget Review Office
Bill Faulke - County Executive's Office/IR
Carolyn Fahey - Department of Economic Development
Lori Taggart - County Executive Assistant
Janine Manheim - Resident of Brentwood
Peter Quinn - Long Island Coalition for Democracy
Gordian Raacke - Executive Director/Citizens Advisory Panel
Frederic DeFeis - Suffolk County Forum for the Arts
Ronan Mulvey - Resident of Centereach
James Cassara - Atlantic Wind Symphony, Inc.
Michael Rothbard - IMAC
Kenneth Soper - Citizens Advisory Board
Judith Wishnia - Women's Advisory Commission
John Mucci - Festo Corporation
Scott Schuler - Festo Corporation
Randy Smiroldo - Festo Corporation
Kristine Carlson - Ernst & Young
John Doris - KeySpan
All Other Interested Parties

MINUTES TAKEN BY:

Alison Mahoney - Court Stenographer

(*The meeting was called to order at 12:17 P.M. *)

CHAIRMAN COOPER:

Good afternoon. I would like to welcome everyone to the January 23rd, meeting of the Economic Development & Energy Committee. Legislator Nowick, if you can lead us in the Pledge, please.

Salutation

Thank you. Before we move to the agenda, we have a number of speakers that would like to address the committee. First I would like to call up Frederic Defers (sic).

MR. DE FEIS:

De Feis.

MS. LO MORIELLO:

Jon, it's three minutes now.

CHAIRMAN COOPER:

And Frederick, you have three minutes. Is it three minutes or five minutes?

LEG. FOLEY:

It's the discretion of the Chair.

MR. DE FEIS:

I'm a member of the Suffolk County Forum for the Arts. I speak from here, is that all right?

CHAIRMAN COOPER:

That's fine.

MR. DE FEIS:

Okay. I'm a member of the Suffolk County Forum for the Arts and we just discovered that Chris Cooke will no longer be our Chairman and our leader. He's done an excellent job all these years, for twelve years, of guiding us and giving fair allocations to all the arts groups in Suffolk County. And under his aegis we have survived and we have done very well and Suffolk County has become known for its artistic qualities more than Nassau County. So it's with regret that we hear this and we don't know why this has happened and what is going to be the future of this committee, of this Cultural Affairs Committee. That's it, thank you.

CHAIRMAN COOPER:

Thank you very much. One question; is your concern more about

retaining Chris Cooke in this position or is it more about maintaining the cultural arts funding?

MR. DE FEIS:

It's twofold. One about Chris Cooke and the reasons for his dismissal and the other is the future of the organization, because it is through law that we have been established as the Suffolk County Forum for the Arts. Thank you.

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LEG. FOLEY:

I have a question. Sir?

MR. DE FEIS:

Yes.

LEG. FOLEY:

Just as a follow-up to the Chair's question. In your experience, over the numbers of years that you've worked with Mr. Cooke, you have been pleased with the relationship, the working relationship and the fact that he's been able to work well with the -- as I would call them, the different constituent groups within the cultural arts community?

MR. DE FEIS:

Yes. In fact, he went out of his way many times to investigate every group that would want some funding. He would be very successful in helping these organizations survive and do well.

LEG. FOLEY:

So it was a surprise?

MR. DE FEIS:

Yes, it was a distinct surprise. We had no inkling of this at all and we've had no realization that this was going to happen.

LEG. FOLEY:

Thank you, Sir.

MR. DE FEIS:

Thank you.

CHAIRMAN COOPER:

Before we move to the next speaker, for the record, I'd like to point out that Legislator Carpenter has an excused absence, she's out of state, as does Legislator Binder. Next speaker is Ronan Mulvey.

MR. MULVEY:

I'm Ronan Mulvey, I'm with the Arts Advisory Board which operates in the Department of Economic Development, and I have been in dealings

with Chris Cooke over the last six years. I was once the Operational Manager for the Brookhaven Arts Council, I was Treasurer for the Greater Port Jefferson Art Council. In those capacities, we have put in for grants, bringing grants to Chris Cooke, getting them passed, and finally Joe Caracappa put me on the Suffolk County Arts Advisory Board and I've been working with him in that capacity. And I have found Chris Cooke to be not only an advocate for the arts but very fair and judicial in distributing the money that we receive from Suffolk County to the various arts organizations.

At one time he came to us and said that he wanted to do spread -- he had many people that he felt didn't have the kind of talent put in their art groups, they didn't have hired personnel to fill out these grant applications and he requested that we take a look at it and see what we could do to get those applications done. We allowed the people -- I was with the Greater Port Jefferson Art Council at that time, we allowed them to use our computers, we had the forms and the

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applications stored on there, we ran classes for these people. And as a result of Chris Cooke's effort, we brought on maybe six or seven organizations that otherwise would have never been able to on their own put in for those applications. And at the meetings where the money is distributed, it takes particular pains to make sure that organizations that have not been part of it, smaller groups get their fair share of money, because to some small organizations, 500 or \$1,000 can make all the difference in the world and keeping the prior organizations that are getting maybe a larger share of the money to trim them down a little bit. And I thought his behavior and everything, both as an art advocate and as representing Suffolk County and the distribution of the funds that are allocated, he performed excellently. And that's my position on this.

LEG. FOLEY:
Thank you.

CHAIRMAN COOPER:
Thank you very much. Next speaker is James Cassara.

MR. CASSARA:
My name is James Cassara, I'm the Executive Director of the Atlantic Wind Symphony, it's the oldest, fully established concert band based in Suffolk County.

I'm here basically to speak in support of the Office of Cultural Affairs and to make sure that we have a full-time employee who is watching out for the arts in Suffolk County. I think that, you know, the fact that we have -- you have an Office of Economic Development and you only have one employee and that employee is eliminated causes

us great concern. Certainly, the -- I believe the minimal amount of funding that each group receives generates at least an equal amount of funds from the community that comes to watch our performances and frequent the shops and the restaurants and everything else.

So certainly while in my 30 years with the group I have had a wonderful working relationship with the Office of Cultural Affairs, and especially with Chris Cooke most recently, we certainly want from our perspective, to make sure that the department itself remains fully functional with a full-time employee.

CHAIRMAN COOPER:

James, a question. Just how much money do you get from Suffolk County and how does that compare to your entire budget? If you lost the Suffolk County funding, would that have a tremendous impact, a minor impact?

MR. CASSARA:

It would have a tremendous impact. We're a non-profit organization, we consist of 45 musicians who perform concerts, they get paid a whopping \$75 to do a concert, we receive \$5,500 or thereabouts, within 5,500 and \$6,000 from Suffolk County. Our total operating budget is about 37,000, 38,000, it would have a large impact on our group. I mean, we have been in operation for 35 years.

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CHAIRMAN COOPER:

Thank you very much.

MR. CASSARA:

Thank you.

CHAIRMAN COOPER:

Next speaker is Kenneth Soper.

MR. SOPER:

Good afternoon. My name is Ken Soper and I, too, serve on the Citizens Advisory Board with the Office of Cultural Affairs and I guess I'm looking at two sides of the issue. Chris Cooke, I have worked very closely with him for the past six years on the Advisory Board and I will tell you that his knowledge of and awareness of County events has enabled him to take us in some very positive directions to ensure that the funding that came to the board from the County was distributed in a manner that benefitted all the townships of the County, that was not necessarily the case early on and Chris has worked very, very hard to ensure that as the growth of the County arts community has developed that the funding has changed to mirror that growth. He's been very aware of events in the County and he's put a great deal of time into ensuring that the committee functioned

properly under the auspices of this committee. So that's part one. I've worked with him closely, he's done a very, very fine job and I would like forward to continue working with Chris.

On the other side, as Mr. Cassara said, we're very concerned for the office and for the Department of Cultural Affairs and it provides a very important service to the arts community in this County and we're very much interested that it be continued in that line. Thank you.

LEG. FOLEY:
Thank you.

CHAIRMAN COOPER:
Thank you again. Next speaker is Janine Manheim. Hi.

MS. MANHEIM:
Hi. My name is Janine Manheim. I live right here in Brentwood. And unlike these other gentlemen, I'm not representing a large organization, it's just myself. I'm an individual artist and I get a County grant to do a free ICON painting class every summer for junior high and high school kids in Brentwood. And I was really shocked to hear about the situation here with Chris and the department and I just like to say that Chris has always been there for even a small individual artist like me, as much as he's been there for these big guys. And whenever I needed help, either just a question about an application or just a word of support, I knew I could always count on him. He was always very aware of what was happening throughout Suffolk County for small people like me as well as the big organizations.

So I do have a concern about the future of arts in Suffolk County in general. And I know that he really had his finger on the pulse of what was happening, so I am concerned that, you know, without him at

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the helm that, you know, there will be an effect on my kids every summer and, you know, the other big organizations. So I just like to see that there's a positive resolution to this. Thank you.

CHAIRMAN COOPER:
Thank you, Janine.

LEG. FOLEY:
Thank you.

CHAIRMAN COOPER:
Next speaker is Michael Rothbard. Hi, Mike.

MR. ROTHBARD:

Hi there. How are you?

CHAIRMAN COOPER:

Good, thanks.

MR. ROTHBARD:

My name is Michael Rothbard, I'm the Executive Director of IMAC, Intermediate {Right} Center, Inc., in Huntington. We're a 30 year old performing arts center, media arts center. I guess it's been 12 years that Chris has been performing his job and you have to see that he's kept the ship going straight, not foundering. And every year it starts out with a big zero it seems and then somehow, because of efforts done through arts advocacy and Chris who's totally professional about it, never steps out of the role of a government employee but at the same time is able to deliver nurturing kind of job to the arts is I would say a very special characteristic. At the risk of saying this, I don't think it's ever been political and it's really been about deserving efforts and professionalism.

Now, you all know that Nassau County no longer has an office of cultural affairs. And I'll say this, it looks like very possibly that may be someone's intention and we would hate to find out that somewhere lurking in this body or somewhere administratively there's the grinch who stole culture from Suffolk County. You've got to remember that it started out, Long Island was the cultural wasteland back in the 70's and we have come so far that it is really an attractive place to live. It has everything you could possibly want from the finest recreational facilities, the finest restaurants and cultural availability that makes Suffolk County highly desirable. So we're concerned that this could be the beginning of the end. How can you assure us that this is not? That's a question to someone on your side; can someone answer that?

CHAIRMAN COOPER:

First of all, the decision as to whether the department will remain in place and whether this position will be filled is not made by the Legislature, it's made by the County Executive. I will say, Mike, that I've several times with Judith McEvoy who's Commissioner of the Department of Economic Development, was Chris Cooke's boss, and she has assured me that there is no intention whatsoever to terminate the department and that the position will be filled at the earliest possible date. I'm not at liberty to discuss the reason for the

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termination except to say that at least on the part of the administration they felt it was justified.

I had had the same concern over the possibility that there might be plans afoot to ultimately eliminate the Cultural Affair Department and

my concern was that it would jeopardize funding for the arts; I was assured that nothing could be further from the truth. But once again, that's what I've been told. There is someone else from the administration that will be addressing the committee later and you can hear it directly from her, but that is the official position as far as I know it.

MR. ROTHBARD:

I would even go so far as to take it a step further. I would love to see the department become its own thing and maybe separated out from the Office of Cultural Affairs, I mean from the Economic Office of Development and become its own -- I guess, is it a commission or whatever you call it, its own separate entity, because I think that it is really one of the things you can point to. We can't get into this now, but there are many things that are funded with big money, and of course I remember the room tax thing. And if you remember how it originally started, the arts, we were going to get a much larger cut of that, a much larger share, we all went out and advocated like nuts about it and when it came down to the reality it became a percentage of a percentage; nobody consulted with us.

So sometimes it looks as if the arts are certainly not the most important thing in some people's agendas. I would say the community is just beginning to deal with this now, we're all going to be meeting and we're all going to be watching. And I'm sure that our friends who do sit on this Legislature will do their best to protect not only the arts funding but do the right thing about whether or not Chris Cooke gets his job back, I'd like to see that. Thank you.

CHAIRMAN COOPER:

One question. Before Legislator Foley asks his question, Mike, you receive cultural arts funding from the County. Can you give us some idea as to what you think the economic impact has been here in the heart of Huntington Village; how has the funding that you've received from the County contributed to the economic well-being and economic growth of the downtown of Huntington Village?

MR. ROTHBARD:

Well, first I would like to point out that in this field and in the not-for-profit sector, one dollar of grant leverages \$11 in hope and energy. So this is what keeps these groups going. I know this to be a fact, these groups are like little garden patches; when they go they do not come back. And these -- it's a very special kind of a founder which I don't see coming up in great numbers as we had in the 70's. And I think this Sunday, by the way, if you read Peter Goodman's article, I think it's sort of covering that time and what it was, what was the magic that caused all these groups to come up.

Specifically it's a huge impact. I can tell you that the shops and the restaurants call us and say, "Are you sold out? How much food

should I order?" They are very much beneficiaries of the cultural

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activity and work very, very closely with that. And we're proud of the fact that culture has always been the key to downtown revitalization and you lose that and our world gets a little grayer. That five days a week, whatever we do which is usually we do for money, if we don't have these opportunities on the weekends to be enriched, the world gets a little grayer. I hope I answered that question.

CHAIRMAN COOPER:

Thank you. Legislator Foley, do you have a question?

LEG. FOLEY:

Sure, thank you. And I had one question but Michael's most recent remarks bring to mind a whole nother matter. But we have -- we in the greater Patchogue area look particularly at our theatre as one of the main ways to revitalize our downtown and certainly the model that you have carefully cultivated over the years in Huntington, we're trying our best to emulate that.

MR. ROTHBARD:

I worked with Mr. Keagan for a while on that.

LEG. FOLEY:

Right. So we have newer folks who are going to bring even, let's say, renewed energy to that effort. And certainly the model that we see in Huntington we're going to try to replicate in Patchogue. And we have a good beginning to that and Chris has been very helpful in that regard as well.

I just want to say, Mr. Chairman, hearing the remarks so far and also the work that Mr. Cooke has done with the various groups within my Legislative District, I'm going to be very -- number one, very concerned about hearing this news, but secondly, we'll avidly await the explanation from the department. And if we need to go into executive session at some point since it's a personnel issue, then maybe we'll need to do that. But given the fact of the long-standing work that -- outstanding work that he's done for a number of organizations throughout the County, it would have to be a real compelling case, a real compelling case to make this kind of change. So I await to hear from the department.

But at the same time, hearing from some of the advocates today and members of the Advisory Board just, let's say, reinforces the belief that many of us have of the outstanding work that Chris has done over the years. So I thank you for your comments.

MR. ROTHBARD:

I thank you.

CHAIRMAN COOPER:

Legislator Nowick. Mike? Mike? One more question.

LEG. NOWICK:

Mike, I just wanted to make a comment and agree with my fellow Legislators. In my area where I live in Smithtown, we have just gotten a new theatre from an old theatre that when I was a little girl

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I would go to. So we preserved the old building and yet now when I go through Smithtown it's such a pleasure at seven o'clock at night to see all the families walking through the town to the theatre, going to dinner first. And I think that we all agree that this is very important for revitalization.

MR. ROTHBARD:

I have observed the same thing, driving past the theatre, it's a lovely thing.

LEG. NOWICK:

Isn't that nice?

MR. ROTHBARD:

Absolutely lovely.

LEG. NOWICK:

You see everybody walking there. Parking is not great there, but I know that people are going for dinner first, they're out with their families, I see parents with their children. It's a nice thing for a small town.

MR. ROTHBARD:

It's what America should look like.

LEG. NOWICK:

We're still from small towns, yes.

MR. ROTHBARD:

It's what America should look like.

LEG. NOWICK:

We have enough problems, that's a good thing.

MR. ROTHBARD:

Absolutely. Thank you.

CHAIRMAN COOPER:

Thank you, Mike. Next speaker is Judith Wishnia, if I'm pronouncing it right. I couldn't have been that far off. Is there a Judith here? Okay, we will return. Peter Quinn.

MR. QUINN:

Good afternoon. Peter Quinn, Long Island Coalition for Democracy. A number of things. First, the public hearing between Sustainable Energy Alliance and LIPA, those hearings will be held in Brentwood at the Suffolk Campus on February 13th from 3 to 5, 7 to 9. And the reason I'm -- I know that you've already received this information but I think it's critical to have Legislators there to express their views about the need for renewable energy and energy efficiency.

Second, I'd like to comment that the surcharge that LIPA is leveling, after promises of no increases by LIPA and Governor Pataki, seemed to have been lost on both of them. For the last two years we have seen 5.8% increases called surcharges which were actually 13% for two years ago and 9.04% last year, and this year the surcharge or rate increase

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is 8.8%. And I don't quite know yet what the total amount is since the company, LIPA hasn't come clean to explain what their total charges are. What they simply say is, "We will absorb the cost." Well, what happened in the previous two years of the 13% and of the total 5.8% was put in rates under the label's surcharge and the balance was shoved into a black hole of indebtedness which ratepayers pay ultimately like a credit card with interest for fuel that they have already used.

So it's bothersome to me that the utility is doing that and I'm calling upon this body to ask the Budget Review Office for an update on its total electric energy costs. Two years ago they did that, Budget Review showed 13 million for sewer districts and buildings in Suffolk County and I want to see included the Suffolk Water Authority which spends roughly 12 million. So that the total amount two years ago was roughly 25 million and I want to see what the -- want you to inquire what the additional surcharge would mean to taxpayers in Suffolk County.

And finally, the IDA that I spoke about at the Legislative meeting on the 18th, on the 17th of December, Computer Associates received \$750,000, and I explained to you several reasons why they shouldn't have been given that arrangement. One, the company lost 1,500 jobs the year before, it is under Federal investigations for fuzzy accounting practices. Its corporate -- three top corporate officers took \$1.1 billion out of that company three years ago and they wouldn't be in the process of refinancing their debt now if the three corporate officers had taken considerably less. And finally, the

company registered its corporate name in Delaware. One of the reasons companies do that, among other things, is so that they don't have to pay State taxes. So here we have an IDA in Suffolk County taking our tax dollars to give to a company which is really abusing this County.

And on the walk -- one final comment. On the Walcott Property in Brentwood, we support Dick Amper's efforts to get Walcott to cede those 88 acres of Pine Barrens on that location. We have nine Pine Barrens across Long Island, only one of them in western Suffolk County and it's essential we keep that area preserved for future water use and I urge this Legislature to take part in that effort. Thank you.

LEG. FOLEY:
Thanks.

CHAIRMAN COOPER:

Excuse me. Peter, I have a question for you, one moment. Pete, I did file a Sense Resolution yesterday expressing opposition to LIPA's fuel surcharge. But how do you respond to the position taken by Richard Kessel that he's actually doing Suffolk ratepayers a favor by portraying this as a surcharge rather than a rate increase? Because he's only -- he claimed that he's only passing on some of the higher fuel costs and if he went before the -- went through the full evidentiary hearing process he might be required to pass on even higher costs to ratepayers.

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MR. QUINN:

Well, Richy Kessel is fond of using verbiage that resonates in LIPA's favor. The fact of the matter is LIPA has increased its fuel costs immeasurably. They're spending -- they have spent over a billion dollars a year, each of the last three years. This year it goes up to \$1.1 billion and that's an \$89 million increase according to their own budget numbers. And we, those of us involved in issues related to energy efficiency and renewables, have argued that if the company provided adequate renewables and energy efficiency efforts, we wouldn't be confronted with this fuel surcharge increase, we wouldn't be using more fuel, we would be using less. So we have argued that an effort should have been made by LIPA over its last four and a half years of operation to lower megawatt usage. Instead they simply force us into the belief that we're going to have black-outs unless we increase having more plants and the need to generate more electricity through fossil fuel use. I don't know if I have answered your question but I hope I have.

CHAIRMAN COOPER:
Okay. Thank you, Peter.

MR. RAACKE:

Jon, if I could.

CHAIRMAN COOPER:

Hi, Gordian.

MR. RAACKE:

This is Gordian Raacke, Citizens Advisory Panel. Just to add to Peter Quinn's response here, I happen to have with me a document that I obtained from LIPA under the Freedom of Information Law, a heavily redacted document but the document does have the answer to your question in it.

The claim by LIPA that LIPA is absorbing a large part of these fuel and other costs I think doesn't hold any water when you look at the statement in a LIPA presentation here which is marked privileged and confidential and says on a page that is not numbered with a lot of other things whited out, and I quote, "Overview of fuel and purchase power cost issue," the first bullet states, "All of the cost overages will be paid for by the customer either now or later with interest." Thank you.

CHAIRMAN COOPER:

Gordian, I'm sorry. So you're saying that while there might be short term savings, if you believe Richy Kessel's position, long-term it would end up costing the ratepayers money, or what are you saying exactly?

MR. RAACKE:

Well, this memo -- I mean, this presentation I think speaks for itself in that it makes clear that LIPA is not absorbing fuel costs and other costs, LIPA is simply planning to hit us up with another rate increase later on. We're getting hit with an 8.8% rate increase now, this is the third rate increase in a row, we've had a 5.8 in 2001, a 5.8 in 2002 and an 8.8 in 2003 now. The so-called absorption that LIPA has

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been bragging about, that they're doing better than LILCO, that they're only passing along half or a portion of the increased costs to its customers of course is clearly not -- is clearly not true. LIPA will be charging its customers for these, as they call it, overages later on, so we're in for a lot more rate increases according to LIPA's own documents.

CHAIRMAN COOPER:

Why do you think it is that LIPA is fighting so hard to avoid the evidentiary hearings before the PFC?

MR. RAACKE:

That evidentiary hearing process before the PFC is a quasi-traditional

proceeding where parties like the Legislature, parties like the Citizens Advisory Panel and anyone else can engage in discovery, in other words engage in requesting certain documents and backup work sheets and basically force LIPA to put all its cards on the table in an over open process overseen by an Administrative Law Judge. The evidentiary hearing also affords an opportunity to cross-examine witnesses on the witness stand under oath. We have used those opportunities to get LIPA witnesses on the witness stand and obtain information that would otherwise not be available, that's why LIPA is avoiding that process like the plague.

CHAIRMAN COOPER:

And how common is it for power producers such as LIPA to try to portray rate increases as fuel surcharges? I mean, is this the exception to the rule, is this done very widely?

MR. RAACKE:

No, no, that's not -- that's not the case here. The reason why LIPA is camouflaging these rate increases as surcharges, lag surcharges, temporary fuel and purchase power cost adjustments with partial pass-through and so forth is simply to fly below the radar. That's simply to avoid the condition that was imposed on LIPA by the Public Authority's Control Board in 1998 when the takeover took place and that condition was adopted, of course, by the LIPA Board of Trustees unanimously. That condition requires LIPA to submit any rate increase over 2 1/2% to the Public Service Commission for a full evidentiary hearing, that's the end of the story there.

CHAIRMAN COOPER:

Thank you, Gordian. Next speaker we have Lori Taggart.

MS. TAGGART:

Hi, Mr. Chairman, committee members.

CHAIRMAN COOPER:

Hello.

MS. TAGGART:

Different year, different zone today. My name is Lori Taggart, I'm with the County Executive's Office and I'm here in support of IR 1017 which provides for a subzone of the Suffolk County Foreign Trade Zone for Festo Corporation in Hauppauge.

The U.S. Foreign -- in terms of background, the U.S. Foreign Trade Zone's program was created in 1934 and was a key piece of legislation attempting to expedite and encourage foreign commerce in the United States. This goal is accomplished through the designation of geographic areas in or adjacent to customs ports of entry where

commercial merchandise receives the same customs treatment it would if it were outside the commerce of the United States.

Merchandise of every description may be held in the zone without being subject to customs duties and other ad valorem taxes. This tariff and tax relief is designed to lower the cost of U.S. based operations engaged in international trade and thereby create and retain the employment and capital investment opportunities that result from those operations. This special geographic area is established under the supervision of the U.S. Custom Service.

In 1970 there were eight Foreign Trade Zone projects in the United States and Suffolk County Foreign Trade Zone located adjacent to McArthur Airport was established in 1981 as the 52nd zone in the country; today there are 252 zones with over 400 subzones throughout the United States. Over the years the program has evolved into an important means by which U.S. based companies can enhance their cost competitiveness and as a means by which the U.S. can practice both the letter and the spirit of its trade laws.

IR 1017 seeks to establish a subzone for the Festo Corporation in Hauppauge. A Foreign Trade Zone Subzone is a single firm site designated for a special purpose, typically manufacturing under zone procedures. A zone grantee, in this case Suffolk County, may apply for a subzone status on behalf of a firm when the operations of a firm cannot be accommodated within the existing general purpose zone. Currently no vacancies exist within the Foreign Trade Zone adjacent to McArthur Airport; hence, the application for the subzone.

The application must demonstrate that -- our application to the Federal Government must demonstrate that a significant public benefit will result from the use of the zone procedures by the firm on whose behalf the proposed subzone is established. In the case of Festo specifically, designation of a Foreign Trade Zone will involve significant employment growth with all of the income generation, tax revenues and multiplying economic effects which result from the creation of new jobs within Suffolk County. Festo representatives are here today and are available to you for any questions that may arise on how a Foreign Trade Zone designation will facilitate their plans for further investment in Suffolk County.

I've got some information here I can pass to the members of the committee in terms of the key benefits of a Foreign Trade Zone. Very briefly, they are relief from inverted tariffs when a component item or raw material carries a higher duty rate than the finished product; duty exemption on reexports; duty elimination of waste, scrap and yield lost; weekly entry savings, duty deferral until the merchandise is imported from a Foreign Trade Zone into the United States.

Now, as you know, more and more companies look globally when deciding to locate or expand a new manufacturing or processing facility. When these companies make these location and expansion decisions they take into account all costs of manufacturing in a certain country. Unfortunately there are unintended import tax penalties for many companies located in or considering locating in the United States. The Foreign Trade Zones Program plays an important role in providing a level playing field when investment and production decisions are made. While the U.S. Government might incur a reduction in customs duty revenue by the use of the Zones Program, it more than makes up for it by the income tax it gains from the jobs created or retained. In addition, local governments benefit from the sales and property taxes and the multiplying effects that employee salaries have on the local economy.

On behalf of the County Executive, we urge your support of IR 1017 and the creation of the Foreign Trade Zone Subzone as an important economic development tool for Suffolk County.

CHAIRMAN COOPER:

Thank you, Lori. Do you have any idea as to how many Foreign Trade Zone Subzones have been established to date in Suffolk County?

MS. TAGGART:

There are no subzones in Suffolk County, only the general purpose zone which was originally created in Islip.

CHAIRMAN COOPER:

And looking at the original Foreign Trade Zone, do you have a handle as to the number of jobs that have been created as a result of creation of a zone or the additional tax revenues that have been generated?

MS. TAGGART:

I can get that information for you, certainly. The Town of Islip created an authority which manages the operations of the Foreign Trade Zone by intermunicipal agreement with the County, so I can certainly contact them and get the most updated information for you.

CHAIRMAN COOPER:

And is there any -- please, if you can do so. And is there any down side to the County in creating --

MS. TAGGART:

There will be absolutely no cost associated with the creation of a subzone. And cost associated with the creation of the subzone and any managerial or operational costs will be completely borne by Festo Corporation; that will be spelled out specifically in the agreement as we move forward.

CHAIRMAN COOPER:

Thank you.

MS. TAGGART:

Okay.

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LEG. FOLEY:

Question.

MS. TAGGART:

If you have any questions like -- as I said, they're here if you would like to ask them.

LEG. FOLEY:

Mr. Chairman, I just have a question for Ms. Taggart. Thank you. Why is it a subzone status as opposed to a zone, you know, why this differentiation between the two?

MS. TAGGART:

We are the grantee of a Suffolk County Foreign Trade Zone.

LEG. FOLEY:

Okay.

MS. TAGGART:

And the law allows when the zone is to capacity and cannot accommodate opportunities that may come up down the road, then that's why they allow for these subzones.

LEG. FOLEY:

This would also be in the Islip area?

MS. TAGGART:

The subzones will cover the two facilities that Festo currently occupies in Hauppauge, one on Moreland and one on --

MR. MUCCI:

Wireless.

MS. TAGGART:

Wireless Boulevard. It will cover their existing facilities.

LEG. FOLEY:

So this is for current facilities then.

MS. TAGGART:

Right.

LEG. FOLEY:

With the contemplation of an expectation of expansion?

MS. TAGGART:

Exactly.

LEG. FOLEY:

Okay. Mr. Chairman, when we do get to the resolution, I have questions for the corporation, I will wait for the resolution to ask them.

MS. TAGGART:

Okay. Thank you.

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LEG. FOLEY:

Thank you.

CHAIRMAN COOPER:

Lori, I'm sorry, one other -- I don't know whether you're the best one to answer this or not, but clearly not all companies in Suffolk County that perhaps could request subzone status have done so; why is it that only -- I mean, why is Festo the first company to put in this request?

MS. TAGGART:

Well, clearly it is a tool for companies that do business internationally. We were approached by Festo, they're in the process I believe of restructuring their manufacturing operations so it made sense for them to -- I believe it involves -- there is information, I believe it involves the South American operations as well in terms of their -- they're changing their process and this Foreign Trade Zone made sense in terms of moving those operations to Hauppauge, it made it much more competitive for them to do so with a Foreign Trade Zone in place. They have come to us and requested the subzone status and we're hoping that we'll be able to accommodate it here in Suffolk County.

CHAIRMAN COOPER:

Thank you.

MS. TAGGART:

Okay? Thanks.

LEG. FOLEY:

I have one more question. Answers create more questions, okay. So are we setting a precedent here, will this then cause other either like minded competitors or those in some other field of work to ask for similar kinds of benefits?

MS. TAGGART:

Certainly, you know, we're not limited in terms of subzones but it is a large undertaking. The company must make a large commitment to managing and operating the Foreign Trade Zone in a cooperative agreement with the County. They have got to set up the structure which deals with the customs requirements and so on and so forth. It is quite a bureaucratic structure that they'll have to set up, so it is quite an investment on their part in terms of time and energy and so forth.

LEG. FOLEY:

Well, the County itself has to make the application, correct?

MS. TAGGART:

The county itself makes the application, yes.

LEG. FOLEY:

Okay. And how much -- you said it's quite a bit of effort; how much effort will be expended by the County to submit this? Is most of the work done by the applicant?

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MS. TAGGART:

We'll be working very closely with Festo. Yes, they will be providing --

LEG. FOLEY:

Or is most of the work done by the County, is it through the Economic Development Office?

MS. TAGGART:

Most of the work will be done with consultants to Festo who are also here today. They have done a lot of the background work in terms of the requirements of the Federal Government for Foreign Trade Zone Subzone application.

LEG. FOLEY:

When do you expect the application to be submitted?

MS. TAGGART:

As soon as we have an approved resolution authorizing us to submit that.

LEG. FOLEY:

So all the work has been -- all the prep work has been done.

MS. TAGGART:

A lot of work has been done, we're just --

LEG. FOLEY:

So other than this thin backup, this Executive Summary, what don't we have before us today as decision makers on this?

MS. TAGGART:

I can certainly get you a copy of the full application, it's going to be bound, it's a bound volume; I can get that for you.

LEG. FOLEY:

You have that I'm sure in your own --

MS. TAGGART:

I have a copy of it here today, uh-huh. I just have one copy today but I can --

LEG. FOLEY:

I don't need it today.

MS. TAGGART:

Okay.

LEG. FOLEY:

Okay, thank you.

CHAIRMAN COOPER:

Thank you, Lori. I'd like to now invite up Carolyn Fahey. Carolyn, perhaps we can just address once again the issue of Cultural Arts funding.

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MS. FAHEY:

Good afternoon. In listening to the speakers this morning, there are two issues that were addressed, the first being the termination of Mr. Cooke. I can only tell you that it was legal and disciplinary issues. If you want to go into executive session I'd be happy to do that, but there were legal and disciplinary issues that created his termination.

With regards to the Cultural Arts Program, the Commissioner is completely committed to continuing the program and to seeing that the funding mechanism that existed stays in place. We have \$411,000 that the Legislature put into the 2003 budget of which we are in the process of receiving applications for the grant process. The current staff has been briefed on the program, we're working with the applications and the applicants. The funding is there, we have started the mechanism to fill the position so that as soon as possible we have somebody on board who can continue the program. There is no intent on the Commissioner's part or the department's part to phase out the program, there never was any intent to phase out the program.

We understand the importance of cultural arts as an economic development issue. We understand the importance of the Cultural Arts Advisory Committee and the process for the funding. The Cultural Arts funding is broken up by the General Operating Band also the Hotel/Motel Tax; between the two there's \$411,000 that the forum will decide how that money is appropriated. There is an Arts Council that gets the applications, they sit down, they review the applications and they make the determination as to who receives which funding and then that is recommended to the Legislature. That process is ongoing, the applications are due I believe the end of January, we have the process in place within the department to continue the program. Any concern about the program itself being phased out is unsubstantiated.

CHAIRMAN COOPER:

Thank you. Any questions?

LEG. FOLEY:

Yes. Ms. Fahey, you heard earlier from a number of advocates and also from myself and others who have worked with Mr. Cooke over the years. When a decision is made to replace a person who has over the years been integral to the success of the Cultural Arts Programs that Suffolk County runs, as I mentioned earlier, there has to be a very compelling case to be made. So I would ask the Chair if we could go into executive session to hear exactly what went into this decision making and to see -- well, I will just leave it at that point, if we can go into executive session.

CHAIRMAN COOPER:

Okay. I would like to call for executive session.

LEG. FOLEY:

Motion.

CHAIRMAN COOPER:

I'll make a motion to go into executive session for the purpose of getting --

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MR. SABATINO:

Discussing the term -- for the purpose of discussing the termination of Christopher Cooke in the County Department of Economic Development and approving the presence of Carolyn Fahey; anybody else that you want?

MS. FAHEY:

I think the County Executive's representative.

MR. SABATINO:

County Executive's representative, myself, Budget Review.

CHAIRMAN COOPER:

All those in favor? Opposed? We go in executive session.

(*Executive Session: 1:05 P.M. - 1:20 P.M.*)

CHAIRMAN COOPER:

All right. Before we move to the agenda, I thought we could take up the issue of the Foreign Trade Subzone. Is there a representative from Festo that could come up to answer a couple of questions?

MR. MUCCI:

Sure.

CHAIRMAN COOPER:

If you would like to all come up, feel free. If you like, you can even -- a couple of you can sit at the table and use those mikes.

I guess my first question is why did Festo decide to request Subzone status in the first place, what is the benefit to Festo?

MR. MUCCI:

As a subzone or in total as a foreign trade zone?

CHAIRMAN COOPER:

Benefit to Festo of having a subzone created.

LEG. FOLEY:

You have to speak closely into the mike, the pickup isn't the best.

MS. CARLSON:

Good afternoon. My name is Kristine Carlson. I actually work for Ernst & Young and Festo actually engaged Ernst & Young to come in and conduct a study related to Foreign Trade Zone and the potential Foreign Trade Zone operation here in Suffolk County. It was in part related to an overall global manufacturing and logistics restructuring that Festo is undertaking. As part of that, they are designating six strategic locations throughout the world and are moving operations in some countries to others and consolidating, if you will.

The plan for this location in Suffolk County was to actually absorb some of the activity that is currently happening in both Mexico and in Canada. They named the project FSS NFTA and the plan is to actually take some of the labor and operations in those countries and move that into the U.S.. That type of operation is actually an ideal project

program. You heard earlier about the idea of leveling the playing field and allowing companies to move operations into the U.S. without penalty. And for Festo in particular, had they -- for some of their operations they have currently product moving from Europe directly to either Mexico or to Canada, what they'd like to do is move that product to Hauppauge first for either manufacture or for distribution to those other countries. Without Foreign Trade Zone operations in place, they would be adding United States duty to that product, even though it's not staying in the United States they pay duty when the product came here, they'd pay duty again when the product goes into either Mexico or Canada. By using a Foreign Trade Zone operation, they don't have to pay duty on items that are transiting the U.S. going to the other countries. So they're able to move that labor here and it really is an ideal example of what the program was intended to create.

MR. MUCCI:

I couldn't have said it any better.

CHAIRMAN COOPER:

That answered my questions. Does anyone else have any questions?

LEG. FOLEY:

Yes. Just for our records, if we could have from left to right give your names and your affiliation to the company, it would be helpful. Sir?

MR. SCHULER:

My name is Scott Schuler, it's S-C-H-U-L-E-R. I'm a Marketing Manager with Festo Corporation.

MS. KARLSON:

I didn't spell my name, it's Kristine, K-R-I-S-T-I-N-E, Carlson, C-A-R-L-S-O-N, with Ernst and Young.

MR. SMIROLDO:

My name is Randy Smiroldo, S-M-I-R-O-L-D-O. I'm Customer Relations and Logistics Manager of Festo Corporation.

MR. MUCCI:

My name is John Mucci, M-U-C-C-I. I'm Vice-President of Operations and also heading up the -- I have to make one correction, which is now the RSC, not the FSS, it's Regional Support Center for NAFTA. So we will fund and support all Canada and Mexico efforts from Hauppauge.

LEG. FOLEY:

You're with Festo, in other words.

MR. MUCCI:

Yes, I am.

LEG. FOLEY:

Okay. All right, just a couple of items. Number one, you mentioned that -- are you going to be closing operations in Mexico and Canada, is that correct?

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MS. MUCCI:

Currently our plan is to reduce operations in both.

MS. MAHONEY:

Can you speak closer into the microphone, please?

MR. MUCCI:

Sure. Currently yes, we're looking to reduce operations in both locations. Currently most of those operations are handled through our corporate office which is in Germany and the cost of doing business, shipping to all three countries and managing three different countries in our size has become very difficult. So what we're looking to do is centralize the NAFTA locations here in Hauppauge.

LEG. FOLEY:

And when I read the Executive Summary, it mentioned that it shouldn't have an impact on the domestic market because the assembling as well as -- is there any manufacturing involved here or just assembling?

MS. MUCCI:

There is some manufacturing done here.

LEG. FOLEY:

That the intent is for the products that will be assembled and manufactured here to be sent to Canada and Mexico and to other parts of the world as well or just --

MR. MUCCI:

That's right.

LEG. FOLEY:

-- the Western Hemisphere here?

MS. MUCCI:

Canada, Mexico and there's also the possibility of shipping to Brazil.

LEG. FOLEY:

Okay. One of the issues that has arisen when we've granted particularly applications for Industrial Development Agency monies is the issue of living wage and giving working people living wage to live here on Long Island which is always -- it's a challenge, as we all know. And having read some pros and cons about NAFTA and the fact that

in other countries, not so much Canada but south of the Texas border, of the low wages to begin with in many plants in that geographic area, this increase in jobs -- which is a great potential and I hope it's realized -- what kind of wages does the company pay their employees?

MR. MUCCI:
Our wage --

LEG. FOLEY:
With the kind of jobs that you're intending to create.

MR. MUCCI:
Sure. We're covering everything from machining to manufacturing to warehousing and logistical. Also, there is some further sales

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developing also for sales around the whole United States, just not here. Salary ranges vary, they're all above standards, I can tell you that, it's clear.

LEG. FOLEY:
Is it part of the requirement that when the County -- Ms. Taggart, maybe you can answer this. When the County submits this to the Federal Government, does the Federal Government -- do they ask for this kind of information, what are the employees' salaries for jobs that are expected?

MS. CARLSON:
I can answer that. They do ask for the impact and they do ask for terms of employment directly with the company and possibly with other vendors to the company and just general or local economic impact as well as Federal. They don't require payroll numbers, that type of thing, but they do --

LEG. FOLEY:
Not payroll numbers but, for instance, if it's going to be creating jobs throughout the company, whether it's manufacturing; I mean, is it minimum wage, is it above minimum wage? If it's within the management area then, of course, that will be a relatively well paying position.

MR. MUCCI:
Right.

LEG. FOLEY:
Of the 60 to 80 positions that are going to be created, are the bulk of those on the assembly line, are the bulk of those higher than that? These are questions that I'm asking not just simply to be difficult but to give us a better understanding of how your operations are going to not only help your company which is fine, but also the kinds of

jobs, the quality of the jobs that will be created within the County.

MS. MUCCI:

Sure. It's almost at an even split; the higher percentage definitely will go towards the logistics areas, but it is also in the manufacturing areas.

LEG. FOLEY:

And by logistics we mean what, Sir?

MS. MUCCI:

The warehousing and shipping, receiving.

LEG. FOLEY:

Okay. And what's the usual -- what's the starting pay in those particular areas?

MR. MUCCI:

We currently start around ten and above dollars an hour in the warehouse.

LEG. FOLEY:

Okay, that's our minimum for living wage. As far as health care

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benefits, what kind of health care package do you provide your employees?

MR. MUCCI:

Actually we offer a Cigna package which is --

LEG. FOLEY:

I don't need to know the specific company, but you do offer --

MR. MUCCI:

Yeah, full benefits, full coverage, everything from dental, medical.

MR. SCHULER:

401(K).

MR. MUCCI:

401(k).

LEG. FOLEY:

For all the employees.

MR. MUCCI:

All employees.

LEG. FOLEY:
Not just white collar.

MR. MUCCI:
No, not just white collar.

LEG. FOLEY:
Okay, very good. Excellent, I'm thrilled to hear that.

MR. MUCCI:
Great.

LEG. FOLEY:
Thank you, Mr. Chairman.

CHAIRMAN COOPER:
We had heard testimony previously that there would be no cost to Suffolk County to set up the subzone; is that correct from your understanding?

MR. MUCCI:
In my understanding, yes, I can tell you we are funding the project. We also spent quite a bit of money just to actually see if it's economical to us to do this and we believe so. It's really the only way we feel to do this in this manner with a Foreign Trade Zone, to handle the other countries in this location; to keep it cost effective I should say.

CHAIRMAN COOPER:
This sounds like a slam dunk.

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MR. MUCCI:
You know, like I said, we've invested a lot to get to this point, just to realize if it is a benefit for us. And we are taking a lot, remember, we're taking Mexico and Canada's business and moving it back to the USA which --

CHAIRMAN COOPER:
That doesn't happen too often.

MR. MUCCI:
-- doesn't happen too often. And being born and raised on Long Island, I started with the company 15 years ago and I can tell you every day is an effort to keep the company here .

MR. SMIROLDO:
Also, I would like to make a comment, too. I have worked in another manufacturing company -- I have been with Festo five years now -- that

was removed from the Island, and part of the job of economic development is to keep manufacturing jobs on the Island this company was Bennet X-Ray and they were one of the biggest manufacturers here and they now are gone also and this is just another means to keep jobs and the quality of life on the Island and increase what we're doing here now, speaking from Festo's position.

MR. SCHULER:

If I can make one point, too, as well. Having been with Festo for three years, my previous company based out of Port Washington -- I know this is Suffolk County, but in Nassau County -- is closing down, leaving the Island, as a manufacturer, similar type of industry. So I think it's very different, as you've stated, than the norm.

LEG. NOWICK:

Just a question. Reading the resolution, I see that you are going to be combining two companies already in Hauppauge into one area. Will -- are they going to be the same size? I'm trying to find out how that is helping the property taxes being reduced through school districts. It going to be the same size or are you going to be paying more taxes? Getting right to the --

MR. MUCCI:

Let me explain our facility, if I can, just real briefly. One side of our facility is manufacturing and sales and on the Wireless Boulevard is purely a distribution center and also light manufacturing. So they're separated only by physical size, it's approximately 110,000 square feet between the both of them, approximately.

MR. SCHULER:

But it's one company.

MR. MUCCI:

But it's one company.

LEG. NOWICK:

Well, it's one company, but will you be broadening the tax base and the amount of money that your company -- because you're growing I see,

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according to the resolution. Will you be paying more taxes into the school districts and into the --

MR. MUCCI:

I would hope with the people we employ, yes. I mean, I don't mean to --

LEG. NOWICK:

Well, I just didn't know how --

MR. MUCCI:
As far as our tax --

LEG. NOWICK:
Is it the size of the plant or the people you employ?

MS. TAGGART:
It's the physical facility expanding so the --

MR. SCHULER:
It's expanded already.

MR. MUCCI:
It has expanded, I think the last expansion was done two years ago to accommodate future manufacturing here.

LEG. NOWICK:
So the building is there, you're already paying the taxes with or without the subzone then it doesn't change it?

MS. MUCCI:
Yeah. We --

LEG. NOWICK:
Is there any tax abatement on this?

MR. MUCCI:
No tax abatement other than the import duties, no.

LEG. NOWICK:
Okay. So you're paying the higher taxes now, although you're not housing all these people.

MR. MUCCI:
Right. One thing we mentioned and one decision why we decided here on Long Island to continue is one being the support structure and also our facility on Wireless has what we call a knock-out wall, it's basically a brick wall that can come down and a tin wall and we have enough capacity, we could double the facility there for future growth. That was one of the other decisions.

LEG. NOWICK:
I like the growth, I'm just thinking of ways to get you to pay more taxes to the school district.

CHAIRMAN COOPER:
Thank you. This is clearly a win/win for everyone and I wanted to

thank you for your commitment to Suffolk County.

MR. MUCCI:
Thank you.

LEG. FOLEY:
Thank you and good luck.

CHAIRMAN COOPER:
All right, we can move to the agenda.

TABLED RESOLUTIONS

First Tabled Resolution, IR 224502 (P) - Appointing Richard W. Kruse as a member of the Suffolk County Industrial Development Agency (IDA). Is Mr. Cruse in the room? Okay, motion to table.

LEG. NOWICK:
Second.

CHAIRMAN COOPER:
Second. All those in favor? Opposed? IR 2245 is tabled (VOTE: 3-0-0-2 Not Present: Legislators Carpenter & Binder). And we will be reaching out to Legislator Tonna's office to request Mr. Cruse's presence at the next committee meeting.

IR 2256-02 (P) - Requiring Long Island Convention and Visitor's Bureau (LICVB) to advertise Suffolk County Commuter Tax Advantage for Workers (Binder). I'll make a motion to table.

LEG. FOLEY:
Second.

CHAIRMAN COOPER:
All those in favor? Opposed? IR 2256 is tabled (VOTE: 3-0-0-2 Not Present: Legislators Carpenter & Binder).

Procedural Motion 9-02 - Authorizing litigation against LIPA to recover County construction project utility costs (Towle). Paul, where do we stand on this? Why was this tabled before?

MR. SABATINO:
This can be tabled because we're currently moving in a different direction.

CHAIRMAN COOPER:
All right. Motion to table. All those in favor? Opposed? Procedural Motion 9 is tabled (VOTE: 3-0-0-2 Not Present: Legislators Carpenter & Binder).

INTRODUCTORY RESOLUTIONS

And finally, IR 1017-03 (P) - Authorizing the County Executive to submit an application for Foreign Trade Subzone status for Festo

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Corporation (County Executive). I make a motion to approve.

LEG. NOWICK:
Second.

CHAIRMAN COOPER:
All those in favor? Opposed? IR 1017 is approved (VOTE: 3-0-0-2
Not Present: Legislator Carpenter & Legislator Binder).

Thank you very much. Good afternoon. This meeting is adjourned.

(*The meeting was adjourned at 1:35 P.M.*)

Legislator Jonathan Cooper, Chairman
Economic Development and Energy Committee

{ } - Denotes spelled Phonetically

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