PARKS & RECREATION COMMITTEE

OF THE

SUFFOLK COUNTY LEGISLATURE

Minutes

A regular meeting of the Parks and Recreation 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 October 8, 2008.

MEMBERS PRESENT:
Leg. Vivian Viloria-Fisher, Chairperson
Leg. Lou D'Amaro, Vice Chair
Leg. Cameron Alden
Leg. Lynne C. Nowick
Leg. Steven H. Stern (excused absence)

ALSO IN ATTENDANCE:
Legislator Jay Schneiderman, Second District
George Nolan, Counsel to the Legislature
Renee Ortiz, Chief Deputy Clerk
Barbara LoMoriello, Deputy Clerk
Lance Reinheimer, Assistant Director, Budget Review Office
Jill Moss, Budget Review Office
John W. Pavacic, Commissioner, Suffolk County Department of Parks
Tracey Bellone, Deputy Commissioner, Suffolk County Department of Parks
Brendan Chamberlain, County Executive's Office
Paul Perillie, Aide to Majority Leader
Greg Moran, Aide to Leg. Nowick
Brian Amico, Bank of America
John Lawson, Bank of America
Steven Gittelman, Vanderbilt Museum
Carol Ghiorsi Hart, Vanderbilt Museum
William Shilling, Aide to Presiding Officer
Deborah Harris, Aide to Leg. Stern
Justin Littell, Aide to Leg. D'Amaro
Thomas Ryan, Aide to Leg. Viloria-Fisher
Lora Gellerstein, Aide to Leg. Cooper
Elizabeth Kahn Kaplan, Vanderbilt Museum
Gilbert A. Cardillo, Board of Trustees, Parks, Recreation & Cons.
Debra Alloncius, AME Legislative Director
John Seaman, Families of TWA Flight 800
Eleanor Seaman, Families of TWA Flight 800
Frank Lombardi, IGHL Foundation
Thomas Jones, Suffolk Committee for Camping
Bill Raab
And all other interested parties

MINUTES TAKEN BY:
Diana Kraus, Court Stenographer
MINUTES TRANSCRIBED BY:
Kim Castiglione, Legislative Secretary

(THE MEETING WAS CALLED TO ORDER AT 1:27 PM)

CHAIRPERSON VILORIA-FISHER:
Good afternoon, everybody. Although we don't yet have a quorum, I am going to begin our meeting so that we can get settled and we do have another budget work group meeting after this meeting so we are really sandwiched between a number of important -- and we have a presentation. I hope that we have our quorum here before Bank of America does their presentation. Again, welcome and please join us in the Pledge of Allegiance.

SALUTATION

Thank you. We have a number of cards. And just to let everybody know the order in which we're going to be proceeding today, because we do have a lot on our agenda, we want to expedite it. As I said, we are sandwiched between other meetings, we are going to invite the public first to come up and remember that there is a time limit on your presentations. Then we do have Elizabeth Kaplan, who was able to be here, whose name is before us to serve as a member of the Vanderbilt Museum Board. Then we have a presentation, which we are going to hold our breath, it's a Bank of America presentation on the Vanderbilt Museum portfolio. If you can, Elizabeth, this might be a very interesting presentation to listen to in view of your being a perspective member of the Board of Trustees for the Vanderbilt. So we will begin with our public portion. Bill Raab.

MR. RAAB:
I'll be short and to the point. Thank you, Madam Chair, and the members of the committee. I'm here today because of the continued problems we have had with Suffolk County Trap and Skeet. There is a pattern of harassment that's put out by people who are unhappy with the range who, as we have discussed at infinitum, have bought their houses next to a Trap and Skeet Range and then find that they don't like it.

The recent event they had over the weekend, there were numerous calls to the police over noise and all kinds of other things that were not founded but just generated a lot more problems over nothing. This is a legal vendor. He is doing what he is supposed -- yeag.

CHAIRPERSON VILORIA-FISHER:
Excuse me. Okay. Thank you. I'm sorry, Mr. Raab.

MR. RAAB:
Not a problem. This has just -- it's gotten ridiculous. I have -- unfortunately I know you're here all the time and I like to make the meetings, but as much as I like seeing all of you, I have a lot of other things to do. But the generation of all of this by people who are unhappy with the range causes me to be here again.

The range is operating lawfully and there is a few issues that are still being determined and until that time there should be nothing done by anybody until we figure out where everyone is standing, because there are certain things with Pine Barrens, etcetera, etcetera. All of that has to come about before anybody can make determinations on anything.

As I just said, I just have heard lots of things generated by people, most of them untrue, some of them greatly exaggerated. I invite all of you as members of the committee to actually go there while it's in operation and you can see for yourself what it is and what it isn't. That when people make allegations you can say well, I was there and I know what I heard and I know what I saw and you can judge these things fairly. I don't think that that will be too far out of line to ask any one of you to stop by there someday when it is in operation and you can see for yourself what really is going on.

CHAIRPERSON VILORIA-FISHER:

Mr. Raab, although we do have very little time today, I do, out of concern for some of the things that you've said, I'd like to just ask you, when you say that there has been harassment, can you explain what you mean by that? What type of harassment?

MR. RAAB:
Repeated calls for the same thing which has been found to be a nonissue.

CHAIRPERSON VILORIA-FISHER:
Calls to whom?

MR. RAAB:
To the Police Department and to Brookhaven Town and to the Parks Police and to Legislator Browning's office.

CHAIRPERSON VILORIA-FISHER:
So you are not talking about personal harassment when you're going there. You are talking about complaints.

MR. RAAB:
Well, complaints, and I'm talking about harassment of the people who visit the range and use it by people in the neighborhood. When you are trying to use the range they try to generate all kinds of noise, etcetera, to try and disrupt your paying to use the County facility. That's, you know, you're doing what you are supposed to be doing and this -- you know, allegations, both -- if you happen to go on any of the internet things, there's all kinds of wild allegations being made which the internet is like, you know, we all know, is full of a lot of --

CHAIRPERSON VILORIA-FISHER:
I say don't go on the internet looking for trouble.

MR. RAAB:
Well, when people send this to me I saw your name here and it says you did this and you did that --

CHAIRPERSON VILORIA-FISHER:
Oh, you personally. I see.

MR. RAAB:
Me personally as well as a lot of other people who frequent the range. I'm a big boy, I can handle myself, but, you know, no one should have to put up with this type of thing. As I said, people who have a stake in this, stop by there some time, and this way you'll have an informed decision when you go to make one if someone brings allegations to you.

CHAIRPERSON VILORIA-FISHER:
Maybe sometime we'll hold our meeting at the range and see what it's like there.

MR. RAAB:
Not a problem. And if you want to use it, I'm sure that the vendor would not have a problem with that either.

CHAIRPERSON VILORIA-FISHER:
Thank you, Mr. Raab.

MR. RAAB:
Thank you. Oh, one other thing. I know it is not on my card, but on 1846 for the construction and maintenance and operation of facilities for West Sayville and Cathedral Pines, I support that. Thank you.

CHAIRPERSON VILORIA-FISHER:
Okay. Thank you for your input. John Seaman. Hello. How are you?

MR. SEAMAN:
Good afternoon, Madam Chairwoman, committee members.

CHAIRPERSON VILORIA-FISHER:
Excuse me, John. I'm just seeing that on your card it says group of three people. If each of you wants to speak, each of you must fill out a card.

MR. SEAMAN:
I don't think that will be necessary, then.

CHAIRPERSON VILORIA-FISHER:
Okay.

MR. SEAMAN:
We are certainly not going to take more than three minutes of your time collectively. My name is John Seaman. This is my wife, Eleanor, and this is our colleague, Frank Lombardi, who is the Director of the IGHL Foundation. El and I are head of the Families of TWA Flight 800 Family Association and we're involved in the construction and continue with IGHL to manage the maintenance of the memorial at Smith Point Park.

It's in connection with that memorial that we apologize for taking up the time of the committee, but we feel we traveled a great distance to come today to ask for your consideration to assist us in supporting the restoration of the small $25,000 grant, which we expected in the budget as last year, to represent a contribution to the cost of the maintenance of the memorial. It's a critical amount of funding for us and I think I know some of the members of the committee have been to the memorial. I think it's fair to say we leverage that funding to continue to provide a world class international memorial in your community.

We are here to ask you to please, along with your colleagues, do what you can to try to restore this small grant to allow us to continue this maintenance. And that's all we wanted to the ask.

CHAIRPERSON VILORIA-FISHER:
Thank you very much. There is no need to apologize. This is the public portion and it's your time that's available to you to say whatever you need to say. I thank you. I had seen a note vis a vis the request that you're making for monies to help with the continued maintenance and you have done a beautiful job at the site. Thank you for the work that you have done and thank you for your dedication. Is there any member who has a question? Okay. Thank you very much for coming.

MR. SEAMAN:
Thank you for your time.

CHAIRPERSON VILORIA-FISHER:
I'm going to ask the indulgence of Carol Hart and Steve Gittelman. I believe that Mrs. Kaplan -- had you asked to be seen first? Did you have another appointment?

MS. KAPLAN:
If I might be, if it won't interrupt the proceeding.

CHAIRPERSON VILORIA-FISHER:
No, it's not an interruption because our conversation is going to be much longer and they will be staying for the presentation by the Bank of America. So, Elizabeth, if you could come forward, please.

For the members of the committee, Ms. Kaplan is here regarding IR 1730, appointing Elizabeth Kahn Kaplan as a member of the Suffolk County Vanderbilt Museum Commission Trustee Number 15. Okay, if you could go ahead. If I could just -- if Lynne Nowick is in the -- people can hear in the back rooms. If Lynne Nowick is in the back room can you come forward, please? I just wanted to let you know that Ms. Kaplan was here. She's your constituent. Just so you know, we had a long Ways and Means Committee and Legislator Nowick was probably just trying to catch a quick bite. Okay. Thank you. Go ahead.

MS. KAPLAN:
It is a pleasure to be here. Thank you for considering me for the Board of the Vanderbilt Museum. Thank you, Vivian, for appointing my nomination. I'm happy to answer any questions that you might wish to put to me.

CHAIRPERSON VILORIA-FISHER:
Actually, you know, you have a very impressive resume, and knowing you and seeing your activities in the community, I know very well what you do. Can you just tell the committee a little bit about what you do vis a vis the arts and museums in the metropolitan area, not just in Suffolk County, so that they can come to appreciate a little bit of what you do as I do.

MS. KAPLAN:
Thank you. I'm Director of Education for Three Village Historical Society in Suffolk -- in Setauket. I've created with some other people some programs that we bring into the schools on local history. Last year we serviced 60,000 children from Brooklyn, Queens, Nassau and Suffolk, because we do bring programs on our local history to all of Long Island.

In addition, I'm a speaker in the humanities -- excuse me, I have a bad cold -- for the New York Council for the Humanities. I present programs on two artists and works of art. One is the painting Washington Crossing the Delaware, the story behind the painting, which talk a great deal about the early days of the American Revolution and the links it to the painting at the Metropolitan Museum. Again, please forgive my voice.

The other one is on William Sidney Mount, the other program that I present around New York State, for the political puns and social satire in his genre paintings. These are the paintings that form the largest part of the collection at the Long Island Museum of American Art in Stony Brook.

I'm a volunteer at the Metropolitan Museum of Art. I went through a year of training there and then I give weekly highlights tours at the museum just for the fun of it. I recommend it highly. And that's how I became interested, frankly, in Washington Crossing the Delaware, because that's a major painting there. Let me think what else I am doing at the moment.

LEG. NOWICK:
In your spare time.

MS. KAPLAN:
I'm sorry?

LEG. NOWICK:
I said in your spare time.

MS. KAPLAN:
Well, I write articles on art for the Times Beacon Record newspaper on occasion, mostly reviews of either gallery shows at Gallery North or book reviews. I'm a retired school administrator. I was an administrator in the Three Village Central School District, and that was a great pleasure. And here I am and I'm looking forward, if you consider me favorably, to work with the Vanderbilt Museum because that's quite an impressive facility with marvelous programs.

CHAIRPERSON VILORIA-FISHER:
Thank you. Legislator Nowick.

LEG. NOWICK:
It's so nice to have you here and to have you volunteer to take on this position. And from what you're telling us and the dedication to the community, I think we're very lucky to have you.

MS. KAPLAN:
I appreciate that. Thank you.

CHAIRPERSON VILORIA-FISHER:
Vice Chair?

LEG. D'AMARO:
I mean, your record and your enthusiasm speaks for itself and anticipating the vote I wish you lots of success on this Vanderbilt Commission. You know, one of the problems that we've had with this Board is getting people to actually show up and attend the meetings, and I'm confident that you will. So, thank you for being willing to serve.

MS. KAPLAN:
You're very welcome. It will be my pleasure.

CHAIRPERSON VILORIA-FISHER:
That being said, and I have already expressed my feelings about Miss Kaplan, I'm going to make a motion to take IR 1730 out of order.

LEG. D'AMARO:
Second.

CHAIRPERSON VILORIA-FISHER:
Seconded by Legislator D'Amaro. All in favor? Opposed? IR 1730 is before us.

IR 1730, Appointing Elizabeth Kahn Kaplan as a member of the Suffolk County Vanderbilt Museum Commission (Trustee No. 15). (Pres. Off.).

I will make a motion to approve IR 1730. Seconded -- actually, Legislator Nowick makes the motion to approve IR 1730 and I will second that motion. There is a motion and a second to approve. All in favor? Opposed? Abstentions? IR 1730 is approved. **(Vote: 3-0-0-2 Not Present: Legislators Alden and Stern).**

Thank you for being here. This will come before the full Legislature next Tuesday. You do not have to be present there.

MS. KAPLAN:
Thank you so much, and thank you for taking me out of order. I appreciate it very much.

CHAIRPERSON VILORIA-FISHER:
Not at all. Our pleasure. The Chair of the Board, Steve Gittelman, is in the second row in case you want to say hi.

MS. KAPLAN:
And I'm going to join him right now.

CHAIRPERSON VILORIA-FISHER:

All right. Now we have a presentation. John Lawson, who is the Bank of America's new Account Manager for the Vanderbilt Endowment Fund. We will be providing an overview. And I need you both to say your names for the record.

Carol and Steve, I'll call you up after their presentation because we do have other budget issues to discuss. And just as a heads up, there had been before the Budget Committee -- I think it might have been Public Works Committee. There was a list of projects that had -- that were expiring and one of them was the Goto projector and I had asked questions about that and thought that that wasn't going to impact the progress of the Goto. But I understand today from Ms. Hart and Mr. Gittelman that it is going to have an impact. So we'll talk about that after the presentation.

MR. REINHEIMER:
Right. That was passed out of committee. It is part of a standard procedure to strike appropriations that haven't moved forward within five years.

CHAIRPERSON VILORIA-FISHER:
Which is why we're so concerned, because of the striking of that appropriation.

MR. REINHEIMER:
I've also checked with the Executive Budget Office on that also to see what can be done if the Legislature chooses not to have that stricken.

CHAIRPERSON VILORIA-FISHER:
Okay. So can we amend that before it comes before the full Legislature on Tuesday?

MR. REINHEIMER:
Well, that's up to the -- it's a County Executive resolution, so it's up to the County Executive if they choose to do that or not. I'm checking to see what options the Legislature has in the event the County Executive doesn't do that. In any event, a new resolution has to be adopted to reappropriate or to turn the clock back, the five year clock, so whether that can be done after it's stricken or it has to be done before it's stricken, that's what I'm checking into. So I'm aware of it. The County has also gone out and bonded $50,000 of that $100,000 and has received the proceeds. In the event that it's stricken and is not reappropriated, that money would go back to the pay the debt service.

LEG. D'AMARO:
Vivian, can I jump in on that?

CHAIRPERSON VILORIA-FISHER:
Okay. Before you do, I just want to ask one more thing on that. Lance, when we have received the money, isn't that an indication that the project has begun and that money was earmarked for the planning and the process to begin the Goto. So how could it have already been bonded?

MR. REINHEIMER:
Okay. The County goes out and bonds based upon anticipated needs within various projects. The Department of Public Works notifies the Comptroller that these are the projects they assume or expect to be going forward. That doesn't necessarily happen. The resolution that governs this talks about expenditures. There have been no funds incumbered or expended under that $100,000. So we went out, bonded the cash, in anticipation of encumbering or spending those funds, but that hasn't happened yet. So that's why it's in this resolution to be stricken.

CHAIRPERSON VILORIA-FISHER:
But in the resolution is $100,000 and we've already encumbered 50% of that -- we bonded 50% of that.

MR. REINHEIMER:

We bonded but we haven't spent any.

CHAIRPERSON VILORIA-FISHER:
We have not spent it.

MR. REINHEIMER:
Bonding is anticipation of the need for cash. The need, you know, has not happened, so the cash is sitting there. Nothing's been encumbered or expended.

CHAIRPERSON VILORIA-FISHER:
But it has been bonded. That seems unusual to me.

MR. REINHEIMER:
No. It's a combination of looking what the cash needs are through the Capital Program, what projects are expected to go forward. That doesn't always go the way things are planned. Things change.

CHAIRPERSON VILORIA-FISHER:
Okay. Legislator D'Amaro has a question.

LEG. D'AMARO:
It's not a bond for this specific line item. It's part of a larger --

MR. REINHEIMER:
That's correct. It's part of a large bonding in the spring, and in the fall the County goes out and bonds serial bonds.

LEG. D'AMARO:
Right. But when they came up to the bottom line number of the bond, this was included in there.

MR. REINHEIMER:
This 100,000 was included in that bond.

LEG. D'AMARO:
It doesn't mean you can't use it for something else.

MR. REINHEIMER:
Well, no. What it means is that the money if it's not used goes back to pay the debt service.

LEG. D'AMARO:
Okay. Right.

MR. REINHEIMER:
The bond is for this particular project. That small component of the bond was for this specific project. The money would go back, and that's standard, too.

LEG. D'AMARO:
Right. I had a quick question for you on this and I know you want to get to the presentation. The resolution that went out of committee that included this project, if that resolution was passed and the project was stricken, we have the option to put it back in, but that would require an act of the Legislature to do so along with working with the County Executive as opposed to pulling it out of that resolution. It does not automatically sunset, so it would remain in the Capital Program. Is that correct?

MR. REINHEIMER:
Technically the project has sunset. To reauthorize the use of those funds would require a resolution,

whether it's in this resolution or not. Looking at, and I'm not an attorney, but it is my understanding that the five year period has passed. That requires a resolution to reset that clock. And if not, then that project should be stricken. So either way it takes legislative action to reappropriate the funds.

LEG. D'AMARO:
Well, okay. There's a real distinction, I think, there if it's not -- just very quickly. If it's not included in this bill, and it's not stricken, until it's included in a bill to strike it, it would remain in the Capital Program. I mean, you still need a vote to appropriate, but that's different than saying let's get the program itself back into the budget.

MR. REINHEIMER:
That's correct. That's my concern, too.

LEG. D'AMARO:
Okay. That's all.

CHAIRPERSON VILORIA-FISHER:
All right. Thank you, gentlemen. If you could begin your presentation. Everyone does have a copy of the presentation. Gentlemen?

MR. AMICO:
On behalf of Bank of America, I would just like to thank the committee for having us here to present with regard to the endowment for the Vanderbilt Museum. My name is Brian Amico, I am the Senior Relationship Manager for the museum, and next to me I would like to introduce John Lawson. He is our Institutional Portfolio Strategist, replacing Charles Burn.

I think we want to accomplish a few things here today. We want to give some insight, to say the least, with regards to the challenging and interesting times we are living in with the market conditions and the economy, but we're going to go and give some insight with regards to the markets as they stand today. We are also going to review the portfolio, review, go over the performance. John's also going to take a look at the current asset allocation in regards -- in relation to the current spending policy and provide possible recommendations with regards to including further diversification of the portfolio. So that being said, I'm going to hand it off to John Lawson.

MR. LAWSON:
Thank you for having us here. I'm happy to join Brian on the team working on the account, following on for Charlie. I have been with Bank of America, just as brief background, for almost eight years. First in the incarnation of U.S. Trust, and Bank of America purchased U.S. Trust, the deal closed a year ago July. So I've been working with institutional accounts in our combined organization for about eight years, and prior to that seven years at Sanford Berstein and Company.

As Brian said, we wanted to go through and accomplish a number of things, you know, talk about obviously the current market environment, investment performance, asset allocation, the implications of the spending policy and how it is interrelated with asset allocation in terms of the long-term real growth of the assets and having this investment pool sustain itself over the course of time. So, you know, we have a long book here, we're not going to go through every page. I know you're constrained for time. How long would you like us to take? Maybe I should ask that.

CHAIRPERSON VILORIA-FISHER:
Why don't you start and we'll see where we go. We're at a very critical juncture here because we're looking at the market value of the fund being below where we would want it to be to be sustainable, the Operating Budget of the museum, and we're looking at the global economy. With the convergence of those three we are in the middle -- we're in the eye of the storm right now. So we do need you to give us asset allocations, how we can move forward to maintain sustainability, recommendations, so we need to be as fully informed as we can.

MR. LAWSON:
Okay. Well, you're focused on exactly the right critical things for long-term viability and success, which is asset allocation and spending policy. You know, in the environment that we have today, which is extreme by anyone's standards, I mean, it's been a choppy market, you know, for the last 12 months at least, especially this year and especially the last three or four weeks or so. You know, even if you were to look at investment performance up through the end of August, which we have here in the book and I'll review briefly, you know, you would say that it's been a challenging environment, a difficult environment. In the nearer term it's been -- there's a lot of headwinds, there's, you know, risk aversion. We were already seeing in August the preliminary, you know, the uncertainty around Fannie Mae and Freddie Mac, but it wasn't resolved yet. There was a lot of, you know, heightened sense of volatility and clutter in the system that would be, you know, working against any kind of asset that had any sort of risk associated with it.

What's happened in the last, you know, three or four weeks has really just been, you know, taken it into an entirely new level. There is -- in the course of the last month we have seen Fannie Mae and Freddie Mae taken into conservatorship by the Government. We've seen Lehman allowed to fail, the largest corporate bankruptcy in the history of the country. Our company, Bank of America, able to, same day as Lehman, purchase Merrill Lynch, or agree to purchase Merrill Lynch. The deal is not closed yet, at, you know, fire sale prices largely because Merrill Lynch was the next one expected to go down after Lehman had they not, you know, agreed to a deal. So you could say it is a marriage by convenience of some sort. AIG, the largest insurance company in the world, you know, having to be rescued by the government with an $85 billion loan. Washington Mutual taken over by J.P. Morgan as a result of the {Office of Risk} coming in and closing them down. You know, Wachovia today just announced that they are continuing to negotiation with both Citigroup and Wells Fargo, and then of course the government bailout -- they refer to it as the government bailout, whatever you want to call it, bail out, work out.

The government plan for taking mortgages off the books and balance sheets of financial institutions is, you know, been hotly debated. The merits of it could be debated. It's all of these things have been roiling the market to say the least. The first two days of this week, S&P 500 is down 875 points combined. The S&P 500 about a year ago, which was, you know, a recent market high, was at about 1556. As of yesterday it was about nine -- I think it closed at 996. So it's -- through yesterday it was down about 31% year to date. So, you know, these are really extremely trying times. Anything that has, like I said, any hint of risk has been under extreme amount of pressure.

Treasury securities, you know, anything explicitly backed by the Federal Government, you know, treasuries and Ginnie Maes, T bills, you know, various maturity treasuries, have been the only safe haven. In the third quarter the ten year treasury bond was up I think 2.3%. Every other sector, they call them spread sectors, any, you know, agencies, corporates, asset backed securities, mortgages, all were down significantly. If you looked at it on the sector level the financial sector was down 13%, industrials were down. So what had started out with housing issues, you know, the housing mess, the housing mortgage problem, the sub-prime mortgage issues, the question of, you know, the general public, people getting overextended, having refinanced their mortgages into adjustable rate mortgages or lower quality borrowers now not being able to pay, has extended into the institutions that issued those mortgages; then institutions that bought them on the secondary market and packaged them to sell it to other institutional investors and retirement plans.

The impact of that is that there is a lot of uncertainty. There's a crisis in terms of the fact that it's unclear how much exposure different organizations have to some of these mortgages, what are the write downs going to be, is the last write down when a company has to write down assets on it's balance sheet. Nobody really knows. And so the uncertainty that's out there has prevented, dried up liquidity in many respects, and we have seen it incarnated in, you know, forced liquidations from hedge funds. We've seen it incarnated in, you know, this extreme flight to quality, the pressure on money market funds, the pressure on, you know, it's expanding beyond the financial sector nowadays. The Federal Reserve is doing everything they can. They're actually, you know, willing now to issue credit to corporations that are not even financial cooperations just to help them maintain their ongoing operations because the credit market had dried up to such an extent banks weren't lending to each other. They weren't lending short-term debt, overnight debt, that would allow companies to meet their payroll, things as simple as that.

And so, you know, the Federal Reserve this morning in a coordinated effort with Central Banks, European Central Bank and four others, cut the Fed funds rate by 50 basis points, a half a percent. That's viewed -- it was largely priced in so the market opened up down and before I walked in here it was down 200 points. I'm not sure what it's -- what's that?

LEG. NOWICK:
Fifty-nine.

MR. LAWSON:
So, it's, you know, that was largely priced in and, you know, everyone is waiting to see, what, you know, is this going to restart the credit markets, are we going to start to seeing lending and are we going to start to see, you know, business catch up. And so what's happening, you know, it's a headwind to everything and it's starting to spread globally, too. You know, the world economy is slowing down. We've seen commodities come off, significantly oil, which had been roiling the market --

CHAIRPERSON VILORIA-FISHER:
We have to get to the specific account.

MR. LAWSON:
Okay. So that's the environment. I'm sorry about that. So with that in mind, you know, we can jump ahead to the page 17. Like I said, we're not going to go through the whole book. There is a bunch of pages before page 17 that are market oriented, but they are as of August and they are largely out of date.

LEG. D'AMARO:
But you left off one. So whose fault is all of that?

MR. LAWSON:
Whose fault is all of that?

LEG. ALDEN:
Who's in charge of Congress?

CHAIRPERSON VILORIA-FISHER:
Rhetorical question.

MR. LAWSON:
How much time did you say you had? There is a whole host of people you can point to and have a long debate. So, you know, for the Vanderbilt Museum portfolio, though, you know, we manage it in a balanced way, 50/50 equities to fixed income and we have ranges around that target, and that's the plan that's been in place for a number of years. It's diversified within the different categories, meaning within equities and within fixed income.

The thing which you've already touched on briefly, I think, and I've seen it in memos and discussions is, you know, and probably the most significant thing here is the portfolio as of the end of August was about 10.7 million. There is a $100,000 a month drawdown, so that's $1.2 million a year, which equates to about 11 or 12% annualized spending rate at that market value.

And I'll come back to that in a few moments, but, you know, that in and of itself is problematic for the long-term viability of this portfolio because it's, you know, well ahead of inflation. You know, you add an inflation on to that and you're taking 15% out every year and it won't be very long before the corpus is completely exhausted.

You know, our investment strategy group and our expectations and assumptions for capital markets returns, a combination of both income and appreciation across the different asset classes ranges from about 5% for, you know, core fixed income to 13 1/2% for private equity. But of course private equities are liquid, and for, you know, regular S&P 500 large cap, you know, domestic equities we think, you know, over the course of time, too, about 8 1/2, 9% could be a reasonable expected return. But, you know, you've got a balanced portfolio, appropriately so, and you have to, you know, have diversification and everything else. But, you know, all of those numbers are well below the combination of the spending rate and inflation. And so, you know, that's something that we'll get to here in a moment, but that's, you know, the spending rate in combination with what your asset allocation plan are the two main things we should touch on.

Page 20, just briefly, to set the table for it, is the portfolio as to the end of August. It's, like I said, it was about 10.7 million. I think it's -- I understood that it was lower. Obviously it's lower today. It may be below 10 million or 9 1/2 with a current market value -- 9.2. So, you know, we've been generally overweighted in terms of our allocation to equities, so 54% at the end of August. Just by market movement alone I imagine it's right now probably about 50% or, you know, so the relative under-performance of equities to fixed income would have weighed on it.

You know, page 23 is the performance as of August and, you know, the broad theme is that the longer-term results are ahead of the benchmarks and the shorter-term results are, you know, either close to the benchmarks or behind them. You know, I can point to the asset allocation. It is listed in, you know, I guess it is sort of in the middle of the page, the percent of the total. You know, domestic common stock is 37.8%. That's right in line with our tactical allocation for this kind of portfolio at 37. You know, mid-cap is in line. All the allocations are pretty much in line with where we would want to be, with the one exception that there's a larger allocation than we normally would have that I would carry to the high yield fixed incomes. So, you know, that's a granular point. What I would intend to do is to reduce the high yield allocation and revert it back into a core fixed income type of strategy.

But getting back to the performance a little bit. The total equity, the black box or black line in the middle of the page, that's the total equity category, so you can see, you know, the combination of all the different equity strategies. It's predominantly large cap domestic equity, and then there is about 9% in international equity. International has done worse than domestic more recently and a little bit better when you look out over a longer term three years or so.

If you compare the blended equity performance, you know, for the year to date through August, the equity side of the portfolio is down 12 1/2% and the S&P is down 11.4. For trailing one year we're a little bit ahead of it, S&P, and so on. As you get further back the active management of the portfolio is ahead of the S&P.

On the fixed income side, you know, I talked about the risk aversion and the flight to quality. One comment that I would make is, you know, we'll need to adjust this, I think, but the benchmark that's there for the blend and also on the policy calls for the Lehman aggregate index, which is an intermediate term core fixed income index. But predominantly the investments are in one of our proprietary, you know, very short-term, you know, half a year to one year duration fixed income funds. So it doesn't really correspondence apples to apples with the Lehman aggregate as the benchmark. There is a fund fact sheet in the back of the book that talks about, you know, the fund itself and, you know, it would really compare to like a one year type of an index.

For a long-term endowment pool it's more appropriate, in my view, to have more of an intermediate term fixed income orientation so to have a Lehman aggregate style strategy in place there. So, you know, one of the things I'd like to do is also reconfigure the fixed income composition there to be more of core bond allocation and you'll have a better comparison, you'll have, you know, a higher yield and hopefully, you know, if everything that's gone on with the fed and the government can lend some stability to the market and we can start to have some reappearance of liquidity and credit, the spread products that are used in the funds.

LEG. D'AMARO:
Question.

CHAIRPERSON VILORIA-FISHER:
There is a question from Legislator D'Amaro.

MR. LAWSON:
Yes.

LEG. D'AMARO:
You're talking about what benchmark to use for a comparison in the income portion of the portfolio, right?

MR. LAWSON:
Yes.

LEG. D'AMARO:
Okay. We understand that. You know, we rely on you to pick the benchmark, so.

MR. LAWSON:
Okay. That's fine. So this is the performance, I mean, where we can send a September version of it. You know, the message is that, you know, there is right now the domestic large cap portion of the portfolio is a predominant part of it and you can see the returns there and given the environment that we have been in it's not a question of microanalyzing it. It's really just been a question of, you know, riskiness or not.

I'd like to just, I think, jump ahead because I think it is more pertinent probably to what you want to focus on, which is the spending and the implications of it. And so page 26 will start a number of pages that we've put forth here, which I hope illuminates what I'm trying to talk about. So the left hand side of the page, you know, we have assumed just for the sake of exploring this, a $10 million portfolio. Spending, I have 11% there which is just, you know, round numbers, but it's, you know, roughly saying, you know, if you took 1.1 million a year out of the portfolio that's 11%. We have a target rate there which is just more or less for reference as we do some analyses later, 7 1/2%. So that would be a reasonable expectation for a 60/40 or a 50/50 type of mix.

And you can see in the red column, the first red column from the left, that's your current allocation across the different categories. What it boils down to based on our inputs and assumptions for the capital markets, you know, it would imply a long-term expected return of about 7.56% and a standard deviation of that of 9.3. So the boxes on the right hand side of the page, the gray ones here would represent the same weights that you have, and we're going to do an analysis in the coming pages using the left hand gray boxes using a 4% spending rate, then a 5% spending rate and a 6% spending rate. Then I guess the tan or beige boxes to the immediate right of that are what I would recommend, which would be a 60/40 allocation, not a 50/50 allocation, using a 6% spending rate, a 4% spending -- I'm sorry. A four, a five and a six percent spending rate.

So on the bottom you can see the 60/40 versus the 50/50. Your expected return goes from 7.56 to 7.94 and the risk goes up just a little bit. There's a sharp ratio, which is a measurement of the risk adjusted return. That improves. It means it is a more efficient portfolio and so, you know, I'll get into more details on that but it's a portfolio of 60/40 would be more oriented towards long-term growth versus the 50/50 and what you're going to need is long-term growth to help grow the corpus.

LEG. D'AMARO:
But isn't the spending presently, what did you say, 12%?

MR. LAWSON:
Eleven percent.

LEG. D'AMARO:
So the assumptions in this chart would be to reduce the spending and increase the investment in the equities by 10%?

MR. LAWSON:
Yes, because what I'm going to focus on is maintaining -- is increasing the -- maintaining the -- maximizing the real value is protecting the real value of the assets over the course of time, maximizing it and also maximizing the cumulative spending that you could have over the long haul.

CHAIRPERSON VILORIA-FISHER:
The gray boxes versus the beige boxes on the right hand chart.

MR. LAWSON:
Yes.

CHAIRPERSON VILORIA-FISHER:
The gray is how we are currently allocating.

MR. LAWSON:
That's correct.

CHAIRPERSON VILORIA-FISHER:
And the tan are the 60 -- what you are suggesting would be a better allocation.

MR. LAWSON:
That's correct, yes. So, you know, the efficient frontier, which I mentioned, that is just graphically to fix what I was talking about. But, you know, you've got the efficient frontier of potential outcomes of your current profile, the portfolio, with the constraints that we put into place in our analysis. And then we've got two boxes there, the square box, I guess, is the current portfolio, and then the, you know, there is only two boxes because it's the same allocation for the 4%, 5%, and 6% spending. And then the box that's just up above it is the 60/40 allocation so you can see, you know, increased return for just a little bit of risk. It's just a graphical depiction of it.

What I wanted to start to get into now is on page 28 the real ending value. So you can see on the bottom, the left hand side is the current allocation with the 11% spending. We did a Monte Carlo analysis where we ran 2000 simulations for each year over the next 30 years and come up with different scenarios of what the real any value might be. And so if you look at the 50% median results there, which would be if our assumptions and inputs are completely correct, we're right on, we've forecast how the market's going to be behave, we forecast the correlations properly, we've, you know, hopefully we've done our job well and we're pretty close to that, you can see, you know, the median outcome is -- would apply, you know, only $1.6 million left out of the money after 30 years. So in real terms and so, you know, none of these numbers are anywhere near where anybody would like to see them, and it's because the spending at 11% is eating away the corpus over the course of time. It's all coming from principal instead of the income.

LEG. D'AMARO:
Excuse me. What is the 95 to 5% on the left hand side indicate again?

MR. LAWSON:

So the 95% indicates that there is only a 5% chance that the value would be any higher than that. And the 5% indicates there is only a 5% chance that the value would be any lower than that. So, you know, there's -- it's a probability spread. And so then the --

LEG. D'AMARO:
Just real quick. Putting that aside, what this chart is really showing us, then, is if you remain with the current assumptions or investment strategy --

CHAIRPERSON VILORIA-FISHER:
You're not going to have any money left.

LEG. D'AMARO:
There's a 95% chance that the money will be -- will not exceed four million ninety-seven thousand. Is that what you are saying?

MR. LAWSON:
That's correct.

LEG. D'AMARO:
As opposed to the right hand side where you get into the 60/40. What's the difference between the four million number and the four percent spend? It goes from four to 30.

MR. LAWSON:
Right. So the four million dollar number is the current allocation 50/50 at an 11% spending rate. The one right to the right of it where it says 4% spend? That's the current allocation at a 4% spending rate, not an 11% spending rate.

LEG. D'AMARO:
And that's assuming what rate of return?

MR. LAWSON:
That's assuming the rate of return that we saw in the earlier page, 7.56. So, it's, you know, you spent --

LEG. D'AMARO:
So we're not even close to preserving the corpus of this.

MR. LAWSON:
Absolutely, yeah.

CHAIRPERSON VILORIA-FISHER:
When you are looking at it longitudinally over years, if we are maintaining an Operating Budget of 1.2 and drawing that, then that 11% really is going to grow to a higher percentage because we're going into the corpus. It will be then, you know, 1.2 as we draw down it will become --

MR. LAWSON:
If you're maintaining a static dollar amount, yes.

CHAIRPERSON VILORIA-FISHER:
A static dollar amount. Then your percentage is always going to be growing.

MR. LAWSON:
That's right.

CHAIRPERSON VILORIA-FISHER:
Did you factor that in or did you maintain a static 11%?

MR. LAWSON:
I maintained a static 11%, so you're right, that would accelerate --

CHAIRPERSON VILORIA-FISHER:
That would accelerate, sure.

MR. LAWSON:
That would accelerate this, you're absolutely correct.

CHAIRPERSON VILORIA-FISHER:
Okay.

MR. LAWSON:
I'm not certain our model can factor in the hard coded dollar amount. You know, we could figure out what it is and maybe adjust it, but --

CHAIRPERSON VILORIA-FISHER:
But that hard dollar amount is what has gotten us to this point, the problematic point where we are now, because in order to maintain that operating amount, that operating money, we have had to create a greater and greater percentage that we are drawing from our -- not the corpus yet, but that we're drawing against our investment.

MR. LAWSON:
Right. So you could say this is a conservative way of looking at the problem where it's probably even much worse because of the --

CHAIRPERSON VILORIA-FISHER:
Because our percentage has grown from one year to the next. I remember when we first discussed this when I was Parks Chair nine years ago. Lance, am I correct? The percentage was not 11% at that time.

MR. REINHEIMER:
Nowhere near that. Nowhere near that, right.

CHAIRPERSON VILORIA-FISHER:
No. So because every year we draw what we need for the Operating Budget, which is 1.2 million, but over the course of time the amount of money that we have in the fund is being drawn down, is being whittled away, so that 1.2 becomes a greater percentage of the amount that we have in the investment as we draw it down. And when we run a very robust market, where the growth was at that level, we weren't wearing down the base. Now that we don't have that kind of, when you talk about 7 1/2% growth and you're drawing 11%, at some point, you know, you're talking about geometric proportions.

LEG. D'AMARO:
Right. And the 7.5% return assumption is prospective.

MR. LAWSON:
It's prospective. It's based --

LEG. D'AMARO:
In other words, you are starting off with this August, close of August figure, which close of business today is of course even a couple of million dollars less.

MR. LAWSON:

Right.

LEG. D'AMARO:
Okay.

MR. LAWSON:
Right, it's based on our capital markets forecast over the next 15 to 20 years, you know, which are derived from historical relationships. You know --

CHAIRPERSON VILORIA-FISHER:
You know, I just want to make that clear, that what I'm just trying to do is have some mathematical reality here for the other members of the committee that -- what the history is, and I'm not making a policy statement, I'm just giving the mathematical reality of the geometric progression of drawing down a fixed amount. As the corpus gets smaller, the percentage gets higher.

MR. LAWSON:
Yeah. I mean, a traditional way that I have seen, and I think it's standard practice, most endowments that I work with and that I have seen have a spending policy that's a percentage. You know, it may be smoothed over an average of the last couple of market values or it may be just based on, you know, some point in time, you know, as of the prior June's market value they'll spend or 5% each year and so it's a percentage and it is flexible, then. You know, they have to live with the variability of the dollars that that implies versus having the hard coded dollar amount. And so, you know, you have the flip side of it a little bit, but it's, you know, it will make a percentage move around but it will also have the exaggerated effects when things are going down.

LEG. D'AMARO:
Can I ask one more question? Getting away from percentages, talking about dollar figures just to kind of drive home a point. So we're looking historically at 1.2 million to come into operations, to draw down on this fund. What -- how much of that is invading the principal as opposed to the income?

MR. LAWSON:
Okay. I have a page actually that shows that. If you want to look at -- why don't we go forward a couple of pages to look at that. So the effect of the spending policy on the 50/50 -- you know what, I have done it for the four and five. We need to go back to the prior pages. So if you go back to page 28, the median case, you know, over -- I think I'll be answering your question the right way, page 28 is the ending real values after the spending takes place and after whatever growth can be generated from the portfolio takes place. The page 29 is the spending that would have taken place in those situations, and so, you know, essentially, I mean, in the current situation it's eating up nearly all the real principal value.

LEG. D'AMARO:
So one chart is before the drawdown and the other is after? Is that what you're saying?

MR. LAWSON:
No. One chart is the real ending value after the drawdown, so I guess that's page 28. Page 29 is the real cumulative spending that's, you know, been spent over the course of those 30 years.

LEG. D'AMARO:
Cumulative spending.

MR. LAWSON:
Cumulative, yeah. So, you know, in a few pages I have some examples of the comparison of this out of four and a five and a six percent spending rate. Part of the reason I did that is because if you took -- if you reverted now and went to a four percent spending rate and tried to grow it around four percent a year, after 30 years if you compounded that it would be about a six percent spending rate,

you know, having grown the rate that you're working with.

I did some examples of that, but before I get to it there is a page, I mean it's extreme, but page 30 will just show you the probability of the real loss exceeding 25%. We can put any number in here we want, but it's obvious from what we've already talked about that top line is the current situation, current allocation and the current spending rate. You know, you have 100% probability of a real loss exceeding 25% almost, you know, within a very short period of time and it's just going to continue to go out. And then the going below it the blue lines are, you know, using a six percent spending rate, the orange -- your yellow lines are a five percent spending rate, and then red are four percent. So if you were spending -- lower your spending rate, the more real value you maintain obviously.

So on page 32 this, I think, would be useful to look at. This represents, you know, the 50/50 allocation with a spending policy that is either four percent, five percent or six percent. So these would represent the mean values, that's the principal. Look at the four percent column. So the mean outcome after 30 years would be, you know, $14 million in real value and having spent ten million. So you would be growing the, you know, growing the corpus, you know, over the course of that time.

If you look at the five percent, you know, the median ending real value after 30 years is just over ten million, but you've spent a little more than that, so you've drawn down some of the principal to accommodate that spending. And then at six percent it's the same thing, it's just you're now below ten million, you're at 7.8 million but you've spent a little bit more.

LEG. D'AMARO:
So the 60/40 four percent is obviously the best case scenario from just a preserving the fund perspective, but even that scenario would eventually exhaust the fund.

MR. LAWSON:
Yeah. What this page and the next couple of pages will show, either in the 50/50 case before you can spend, you know, somewhere between probably the upper end of four percent, just shy of five percent before you start having to hit into the corpus. At 60/40 you can get into five percent a little bit, but once you go up into a six percent spending rate you start to eat into the corpus. If you look at page 33 it represents that.

So this is the ending real value minus the cumulative real spending. So for the median case of four percent it shows you the real growth of the portfolio, then, you know, five percent, that's the real loss of the portfolio and so on. And so I did the same analysis with the 60/40 allocation on the next coming couple of pages. So if you look at page 35 you can see that --

CHAIRPERSON VILORIA-FISHER:
I'm sorry, but we're getting it, so we can go to the next.

MR. LAWSON:
Okay. Well -- all right. That's the --

CHAIRPERSON VILORIA-FISHER:
I don't mean to be so abrupt, but, you know, we understand the patterns. We see what happens at four percent, five percent, six percent. We understand the spending versus cumulative growth etcetera, and the different choices regarding asset allocation.

MR. LAWSON:
All right. So my recommendation, you know, the spending is, you know, I guess an issue that you all have to decide. The long-term viability, you know, I think a 60/40 allocation if you're trying to, you know, have a portfolio that can grow into perpetuity and, you know, basically live on the strength of its own investments with, you know, approximately a, you know, two-and-a-half to three

percent inflation rate. It's typical, if you have a reasonable spending rate, that you can accomplish that over time with a 60/40 type of allocation. Fifty-fifty I think is a little bit too conservative. Seventy-thirty would place you even stronger, but you'd have to have the stomach for the volatility that that might imply, and nowadays maybe everybody is not having the stomach for a lot of volatility. So I would recommend, you know, shifting to a 60/40 allocation and working on the spending rate and over the course of time, you know, if there's other sources of revenue or anything like that, then --

CHAIRPERSON VILORIA-FISHER:
And a good place for comparison is to look at the charts on 32 and 34 to see --

MR. LAWSON:
Yeah.

CHAIRPERSON VILORIA-FISHER:
-- the comparison of 60/40 and 50/50 over time.

MR. LAWSON:
Right. And I put in for your reference 70/30 as well.

CHAIRPERSON VILORIA-FISHER:
Okay. Legislator Alden has a question I believe.

LEG. ALDEN:
Actually, it's very timely that you make this presentation, but I'm not so sure that we shouldn't take a real long time if we're going to change asset allocation because 60/40, I mean, I agree with you, maybe even 100% in some kinds of stocks. You take on the extra risk, but then you avoid the risk of like what's going on right with our portfolio. On the fixed income end we are actually at a negative. So when you take into consideration treasuries are one and a half percent now, right? They lowered it a half a point?

MR. LAWSON:
That's the short-term fed funds rate. The yield on the ten year treasury bond is about 3.6.

LEG. ALDEN:
Right. So inflation rate actually eats that up, so basically if the -- and if the rate goes up a little bit more, it takes your principal value. So to be short, I mean, short-term is good, but long-term is not real good in that regard. You'd have to stay until the end and collect your principal back that way. So taking on the risk is fine, but our dilemma is what we've looked at for the past five years and we pointed it out and we went into this in depth. If we're going to take money out of this fund, that's the two choices we had. We could take money out of this to keep the Vanderbilt going, or we could take it out of our Operating Budget to keep the Vanderbilt going. We knew that this was going to happen, and unfortunately with the market, what has happened in the last couple of weeks --

CHAIRPERSON VILORIA-FISHER:
It's accelerated.

LEG. ALDEN:
No, but see I'm a long-term believer in the stock market, so if you go long-term will this recover? I think the probability is there that more so than not. Will it recover in the next year? I don't know. But, again, if we were 100% stock, this portfolio of $10 million a year from now could be worth maybe 30 or $40 million. That's speculative, I don't know. I wish I did have a crystal ball because I would be investing a little bit differently than --

CHAIRPERSON VILORIA-FISHER:
Well, they're showing that it's 70/30, which is more aggressive, right?

MR. LAWSON:
Seventy-thirty is more aggressive. There is more chance for capital appreciation but also more risk that you, you know --

CHAIRPERSON VILORIA-FISHER:
It's riskier but they are showing --

LEG. ALDEN:
Riskier, right, and that's all relative because it is a short-term risk. If you look at a long-term view, if you are looking at 10 or 20 years I think that, you know, your risk factor goes down accordingly. As far as push it out -- and that's what -- we were not looking to use this up in our lifetime. We thought we were going to leave a legacy, but unfortunately we had those two choices. Either eat the principal, and that's what we have been talking about for the past, since you and I actually joined the Legislature, eat the principal or supplement their budget out of our Operating Budget. And when you eat the principal this is exactly what's going to happen. There is not going to be anything left in there and you can give a guess as far as what timeframe. If the stockmarket recovers it will be a little longer timeframe, but if we keep going at this rate there's nothing left.

CHAIRPERSON VILORIA-FISHER:
Legislator Alden, that's exactly why we're here looking at this, because we have come to the point where we have to make some hard decisions and none of them are going to made today. But it is important that we're exploring this today and that we have the information, you know, the hard copy of the information so that we can chew on it and discuss it with Budget Review, discuss it in our working groups, discuss it with the County Executive, etcetera.

LEG. ALDEN:
And I'm not on a working group this year, but in the past I have been on there. I think that a long, hard look at possibly augmenting the budget at the Vanderbilt is something that really has to be on the table. And if we are in dire straits for next year, all right, then maybe it's not next year. Next year might not be the opportune time. But that's something that we have to look at as a long-term perspective and really we stopped looking at it when we made the decision to invade the principal.

CHAIRPERSON VILORIA-FISHER:
Okay. Lance and I have been talking about some of the options and we'll be talking about them on the record after the Bank of America has completed their presentation. Legislator Nowick.

LEG. NOWICK:
Just quickly because I know we have that budget meeting and it's kind of an unfair -- it's really very hard to sit here and concentrate when you know you are rushing to do something else. I'm just hoping that we could --

CHAIRPERSON VILORIA-FISHER:
And unfortunately we had set this up long before we set up the meeting with the budget working group.

LEG. NOWICK:
I was kind of hoping we could continue this maybe at another -- I feel like we're not getting --

LEG. ALDEN:
In another couple of weeks we don't even need them because there will be zero market value.

LEG. NOWICK:
I just wanted to ask another question, a quick question.

CHAIRPERSON VILORIA-FISHER:

Just before you continue with your question, just in response to what you just said. What we're doing here today is having Mr. Lawson and Mr. Amico give us a kind of primer on what they've given us in this report, okay, so that we're -- I know we are rushing you through it, but we can deliberate on it and spend time on it so that's why I don't feel guilty about rushing you through it. We still have this and we can always reach out to you for questions and we can always reach out to our Budget Review Office to answer -- reach out to you for questions -- for answers. So, you know, we can go at a, you know, a lively pace, try to get at least this going, and then we will revisit this. For sure we will revisit this.

LEG. NOWICK:
I just want to ask you a question. Are you considering now at this point to make changes or is this not the time to make changes? What is -- I'm hearing from different financial experts this is not the time to make changes. Of course, I'm not a financial expert so I'm not sure. Is that what you're considering, doing it now?

MR. LAWSON:
I think that it may not be today, but some time over the next couple of months it's probably prudent for a long-term portfolio to start to shift some money into equities. We may not be at the bottom right now, but I think that with all of the monetary and fiscal stimulus and the efforts of the authorities out there, that we are going to reach a point where, you know, there is a lot of opportunity that could be seized if you had a longer-term time perspective. And, you know, you don't want to put it all in right away, but to average into some sort of a policy shift. If you were going to decide to go to 60/40 you could do that over a couple of months or a couple of quarters and, you know, you wouldn't run the risk of doing it today and then having another swoon next week per se. But, you know, I think that it's, you know, it's, you know, you could call it a historic period or historic opportunity, but, you know, the fact that, you know, we are where we are right now so rapidly, it's probably not going to go back up as rapidly, but at some point it's going to stabilize and the equity market will start to, you know, head further north we hope.

One other last comment that I guess I'll make is, you know --

LEG. D'AMARO:
Can I just ask a question?

CHAIRPERSON VILORIA-FISHER:
He is going to make his last point and then we'll ask questions again.

MR. LAWSON:
I would just say that, you know, if the 1.2 million, you know, the hard dollar amount can't be adjusted, you are going to find yourself, I think, at some point where you shouldn't probably be talking about going 60/40 or 70/30. You should start to think about playing defense and just preserving the money for as you long can so, you know, you're not subject to a sharp, sudden decline in the market because, as you said, you'll be starting to eat a larger and larger incremental portion of the principal of the assets. And so I think that that's, you know, the manager selection and the vehicles that you might use in the different categories are important, but the two more important things, most important things, are the asset allocation and the spending policy for long-term success.

CHAIRPERSON VILORIA-FISHER:
Thank you. I believe Legislator D'Amaro has one last question.

LEG. D'AMARO:
The investment is about ten million in there or nine now we're down to, so what is the return on bonds these days?

MR. LAWSON:
With the return on bonds, I mean, if you use the ten year treasury as a benchmark, which is kind of commonly used as a benchmark for intermediate term fixed income, you know, that's yielding about 3.6 as we said. Our expectation more or less for yield to maturity for bonds --

LEG. D'AMARO:
That's bonds that would have the same level of risk as we see in this portfolio, six percent?

MR. LAWSON:
The bonds that are in this portfolio are yielding less because it is in that ultra short-term bond fund strategy. If you had a core bond strategy or traditional intermediate term bond strategy you could probably expect a total return of somewhere between four and five percent.

LEG. D'AMARO:
Annually that would only get you like halfway, if halfway, to the 1.2 that we're looking for.

MR. LAWSON:
And that's just the spending. The combination of the spending and the inflation it would be probably, you know, about a third of what you would need to be. If you had a portfolio of 100% bonds and you earned five percent on it, you would still be, you know, you'd be earning five percent, so you'd be, you know, spending a lot more of that and then inflation would be eating away a portion of it as well.

LEG. D'AMARO:
But it would -- as long as you are willing to hold the bond, you would eliminate the volatility, the day to day volatility, wouldn't you?

MR. LAWSON:
You would minimize it. Certainly bonds are less volatile than stocks, but you would sort of set the path for eventually running out of money, you know, if the spending rate stayed --

LEG. D'AMARO:
Right, I agree with you there. One other question. How much of your recommendation to change the mix is driven by the current market conditions as opposed to just, you know, if we had level market conditionals it's really just a matter of time. Which is driving this presentation?

MR. LAWSON:
I would say that it's not driven by the current market conditions at all. I think it's, you know, a prudent long-term allocation, 60/40, a little bit of an element to growth and, you know, providing liquidity when you need to draw liquidity out of the monies.

LEG. D'AMARO:
This is the first time you're recommending -- oh, this has been discussed in the past I would assume. I wasn't -- I don't recall. Okay. It is always good to revisit it. Okay. Thank you.

CHAIRPERSON VILORIA-FISHER:
Based on Legislator D'Amaro questioning, and Lance jump in if you want to on this, we do have a, I don't know if it's statutory, but we have an obligation to maintain the corpus of this.

MR. REINHEIMER:
That's correct. Eight point two million.

CHAIRPERSON VILORIA-FISHER:
Eight point two million. And so because we cannot go into that 8.2 million, couldn't some of that, rather than have been in those short-term bonds have been in the long-term bonds yielding higher

interest?

MR. LAWSON:
You know, we have been, you know, I think taking income orientation with it. I mean, it's an asset allocation portfolio and it's managed for total return. The bond allocation also includes the position -- there's a Proctor and Gamble bond with a very good yield and the mixture of things that you think about are the quality and the risk and the duration and interest rate exposure and whatnot. You know, when I took over the portfolio, you know, this is the structure where it's been, which is, you know, relatively short-term. The expectations up until really, you know, July have been for increased inflation over the course of, you know, the next year or so. We're expecting that with food and energy and everything else, you know, rising and costs rising and the previous history of, you know, monetary accommodation, you know, where people are actually looking for the fed to raise interest rates. And so, you know, there was an expectation that short-term yields were going to rising and you don't want to go too long, so you, you know, run the risk of, you know, inflation invading the principal.

CHAIRPERSON VILORIA-FISHER:
So you have the flexibility. You wanted to maintain flexibility by not --

MR. LAWSON:
I mean, Charlie is not here anymore, but my expectation is probably he was thinking about that, trying to keep a shorter profile given that there is some allocation to the core bond and there is the Proctor and Gamble bond and then, you know, he has got the other, the majority of the fixed income in something, you know, shorter. So on average it's probably, you know, a little bit shorter than an intermediate term strategy.

CHAIRPERSON VILORIA-FISHER:
Okay. One more last question. I'm going to call it the penultimate question.

LEG. D'AMARO:
Just one more. I'll make it a two part question but it's one question. Did this portfolio have any Lehman stock?

MR. LAWSON:
No, it did not. I'm looking at the --

LEG. D'AMARO:
Does this portfolio have any illiquid stock, you know, those cash securities that there is no market for anymore?

MR. LAWSON:
No.

LEG. D'AMARO:
No. Okay. Great.

CHAIRPERSON VILORIA-FISHER:
I knew it was the penultimate question. Legislator Alden.

LEG. ALDEN:
Just in answer to what your question was actually getting at before. If we were 100% in even long-term securities, so just interest bearing, you know, bonds or even whatever, preferred stock, whatever is paying. You technically could end up in violation of our restriction because if the fed went up in rates, and that's what they were doing before this disaster hit to try to get a hold on inflation, if they went up, our market value of those securities would go down. So in a very short

period of time if you bought $10 million worth of stocks, not stocks, but securities today and the fed, if they get this under control and they raise rates one or two percent, that would kill your value of your bond. You are still going to collect that whatever the coupon is on it, but the actual market value of it is going to decrease. So you could get at a point where you bought $10 million, a year from now you'd be at seven and a half or eight million dollars, which would be a violation of where we are supposed to keep the principal at.

CHAIRPERSON VILORIA-FISHER:
Okay. All right. Thank you very much, gentlemen.

MR. LAWSON:
Okay. Well, you know, whenever you need -- if you have follow-up questions we are happy to come back here. Whatever you'd like.

CHAIRPERSON VILORIA-FISHER:
Okay. Well, perhaps Lance would --

MR. REINHEIMER:
I think a couple of points to bring up just to kind of tie the Bank of America presentation to the realities of what we need to do at the Vanderbilt is if you look on page 20, the anticipated income from this, that would be interest and dividends from this account as it stood at the end of August was only 400,000. That means if they're taking $800,000 out of principal and if you look at this also the cash at that point in time was only $65,000.

The need to drive every month $100,000 to generate cash to remit to the Vanderbilt is impacting the way this fund is being managed at this point in time as the stockmarket is going down. It forces the manager to liquidate stocks at a low in order to generate the cash when if they were managing this on the long-term they would hold those stocks. So the need for cash, which is our requirement, they're managing this fund within our objective, is forcing them to sell equities at a time when a prudent person wouldn't do that because over the long-term they would have held on to those stocks.

So I think it's important. We're getting hit twice. We're getting hit for the need for cash and a low stockmarket that's continuing to go down and we can't hold our equities because we need the cash. This going to -- it's going to snowball.

LEG. D'AMARO:
It's very similar to people who are retired.

CHAIRPERSON VILORIA-FISHER:
It is snowballing.

MR. REINHEIMER:
I'm concerned that this time next year we are going to be at 8.2 million and there won't be any discussion as to how much we relent to the Vanderbilt. And just so that we have the full story, this is devastating to the Vanderbilt, and they can't function without some kind of support from the County. It's a policy decision, but looking at their budget, what they've done, this is absolutely devastating and they are trying to address this problem. There is no easy answer. Budget Review doesn't have an answer. We are at a point where we're at the crossroads.

CHAIRPERSON VILORIA-FISHER:
And just for the information of the rest of the committee, I did attend a Vanderbilt Board meeting with Lance and the Vanderbilt is really trying to address this in every way that they can. I believe that the County does have to help them at this point in time in order to keep them running.

LEG. D'AMARO:

Get on line.

CHAIRPERSON VILORIA-FISHER:
I know. Get on line, I know. Thank you, gentlemen. If you could just hang around somewhere just for a few minutes in case there's a question that we need you for, okay?

LEG. D'AMARO:
Guys, thank you very much. Thank you.

CHAIRPERSON VILORIA-FISHER:
Thank you. That's been really helpful. Ms. Hart and Mr. Gittelman. Before we begin to talk about the portfolio, I passed Counsel a little note asking him the question about the Goto on the resolution that was passed out of the Public Works Committee. I'm hoping that you can give us some insight on how we can address that. George?

MR. NOLAN:
I think what you indicate to me that it was $100,000 of Goto money that was closed out by resolution yesterday.

CHAIRPERSON VILORIA-FISHER:
Yesterday's resolution. It expired in the Finance Committee.

MR. NOLAN:
Right, because for five years there was no action on the capital project.

LEG. D'AMARO:
Right. One of the line items in the appendix attached had $100,000 capital project, no funds had been expended, and so it sunsets.

MR. NOLAN:
So if you want to restore that money it would be a capital budget amendment, now funding an offset of $100,000 or including it in next year's Capital Budget Program.

CHAIRPERSON VILORIA-FISHER:
Before we go to your question I just wanted Lance to also let you know that there has been a $50,000 bond that's already been issued, and I still find that confusing because I thought we did not issue bonds until we were ready to spend the money.

MR. REINHEIMER:
When they issued the bond they were under the impression that the money was going to be needed within the next six months. I spoke to the Budget --

CHAIRPERSON VILORIA-FISHER:
Why can't the -- why can't that money go to the Vanderbilt to spend it on beginning the planning for the Goto?

MR. REINHEIMER:
Because the way the law reads it's expenditures, which means incumbered action. There is no action. The cash is sitting there waiting, but there was no action on the capital project to spend any of that money. I have also checked with the Budget Office. It's their understanding that this has happened with the Community College where they had to reset the clock again. I'm asking them for a copy of that resolution to see what they've done.

CHAIRPERSON VILORIA-FISHER:
The Eastern Campus Library?

MR. REINHEIMER:
I'm not sure which project or which resolution. I asked them if they would provide that for me so that would give us a roadmap as to what we need to do. I'm hoping we don't have to use an offset that's, you know, I'm not sure that's a legal interpretation. If that's the case then it's more difficult. If we can just reset the clock that's a lot easier technically.

MR. NOLAN:
I'm going to have to talk to Lance after the meeting. We'll have to look at the resolutions and find out what we have to do to do the hundred thousand.

CHAIRPERSON VILORIA-FISHER:
But we are going to do whatever we have to do. Okay. You have the floor.

DR. GITTELMAN:
Well, Willie would have known what to do with this. He went through a bailout in 1907 and his life changed from that point forward. And I have feeling that the life of the museum is going to change from this point forward.

I think Budget Review made a very important comment, and the $8.2 million threshold has passed upon us. The museum does not have the ability to absorb pretty much anything into its own operating. We can't reduce our operating expenses. We need the $1.2 million. I don't even know if the $1.2 million is there as of this date in the current fund. If you put through legislation that says that we can have it next year, I don't know if it will be there next year when we get there.

LEG. D'AMARO:
That's true.

DR. GITTELMAN:
So with all due respect to the Bank of America, the strategy goes beyond what do we do with the remaining 8.2 million. It goes what do we do with the museum? Because we have to put in a resolution that requests the 1.2 million and then we are going to turn to the wisdom of the Legislature and say "Okay, what do we do?" Okay.

One of the things I would ask for is that, you know, it's just something how the calendar works against you. This is the middle of October fast upon us. You know as well as I do we've got to coin that resolution and put it in or it's not going to be acted upon this year. So we can't wait a couple of months while things get hashed out.

CHAIRPERSON VILORIA-FISHER:
Steve, I hate to interrupt you, but at this point in time the market value of the fund is 9,188,538. So we couldn't --

DR. GITTELMAN:
You couldn't.

CHAIRPERSON VILORIA-FISHER:
-- pass a resolution at 1.2 because it would bring us below eight.

DR. GITTELMAN:
I know. You can't. But even if it was, with all due respect, let's say it was at 9.4 and the 1.2 was there today, there is no guarantee that 60 days from now it will be there anyway. So the resolution, with all due respect, may not be worth the paper it is written on. So we need to come up with a strategy that works somehow to keep this museum open for the public, and probably we're going to put in a resolution and seek to have some language that allows us to take down to the 8.2 million. But given that we can't make up the difference, it will -- this will be the first time in my career at the museum, and there have been many other times when the issue of whether or not we would take

public funding was brought up. I remember Cameron brought it up previously and I said, "No, we don't want it, can't do it." Now we have no choice. It's just that simple. We have to turn and look for operating capital now.

So I need to put the issue on the table as far as how the 8.2 million is invested and what kind of return it yields for the museum in the future. That's a very critical issue, but I think Bank of America is better able to answer those questions for you. I have to put in front of you the operating requirements of an institution that has served the County well for many years. So we will put in a resolution that probably asks you to give us down to 8.2 and asks you to fill in the balance with -- from the County coffers, and I don't know any other route to take.

The other request I'm going to make, and it's just an oral request, is that I think that it would be greatly appreciated by the Trustees, and certainly by me, if we can get together with members of the Legislature and if we could have a committee that talks about what are we doing. What are we doing with this institution? I mean, you know, to come in here -- I was informed about the removal of that $100,000 yesterday 12 minutes before the meeting. I have to admit I didn't come, okay. I wasn't in the position to come, 12 minutes isn't a lot of notice as you might know, and I might have gotten here too late anyway.

So what it comes down to is we need broader planning. We need to get our heads together and come up with something. I have never asked the Legislature to barrel into our planning. It's a scary thought and perhaps there are Trustee who will start building gallows this afternoon. But I don't see us as having any choice because when it comes to the capital project you are the end of the road. And if the capital projects are going to be sunsetted, and yes, we probably should have been smart enough to know that it was going to be sunsetted but we didn't.

CHAIRPERSON VILORIA-FISHER:
Before you beat yourself up I just want you to know that I did catch that in the resolution and I did ask the question and was told that that was old money and we had seen other capital Goto projects before us that we had approved that were more recent and so that comment, which was something to assuage our concerns, was taken at face value by me. Because you do have Legislators without setting up a committee of Legislators to look at the Vanderbilt. There is a committee, it's called the Parks Committee.

DR. GITTELMAN:
Yes.

CHAIRPERSON VILORIA-FISHER:
And we are looking but sometimes the information is not clear. I'm not saying it was a purposely misleading piece of information, but, you know, I was told well that's an old piece, and I know, as I said, we had other more recent votes on money for the Goto projector. And I believe there's no one who sits at this horseshoe who is not cognizant of the fact that the Goto is integral to the success and viability of the Vanderbilt Museum. I believe it was inadvertent, and what we said earlier about restoring, finding a way of restoring that money. If you notice the conversation was is there a will or do we want to, the conversation was how do we. So that's a critical issue for you to understand.

With regards to going below the 8.2, I'd hate to go there. I do want to talk to you about a couple of things that Lance and I did mention at the Trustees meeting, which is we talked about the motel/hotel tax, which isn't coming in that high. Lance, can you address that, please, and see what kind of ability we have to even look at that pot of money, or lack.

MR. REINHEIMER:
Sure. That money is by statute is divided up between Parks Historical Services, Cultural/Recreational Institutions through Economic Development. And the amount of money that's in there estimated for 2008 and then going into 2009, the agencies that were supported by that this past year are taking $100,000 cut next year based on how the income flows. We're looking at the

revenue this year. We feel our analysis is coming up with there may be an additional hundred to $150,000 coming in there over and above what the County Executive has recommended.

LEG. D'AMARO:
What was the total, Lance?

MR. REINHEIMER:
The total from that fund is -- it is around $2 million I think. We estimate there might be 100, $150,000 coming in over that. What that means, the way the distribution formula is, if it's 100,000, it's easier to do it that way, 16% could go to Economic Development for cultural programs, so that's $16,000. You know, it's a policy of how you support the agencies that are currently getting funds from that. They will be taking $100,000 cut in '08, excuse me, in '09. They took a $100,000 cut in '08 also. So that they're down $200,000 from where they were in 2007.

So the point is the Vanderbilt is competing with other agencies that we support in the past, and at this point we're talking 16 to $20,000, which unfortunately in this environment, in the situation that Vanderbilt is in, it's something. Sixteen thousand certainly is better than nothing, but it certainly isn't going to make a strategic difference on how this museum is going to be able to operate next year in light of reducing the distribution from the endowment fund.

CHAIRPERSON VILORIA-FISHER:
Do you have a question?

LEG. D'AMARO:
I really just wanted to, you know, express to Mr. Gittelman that, you know, we hear you and I think you're right. In a very difficult time I think you're coming in with the right frame of mind and saying it's not even about the money, it's about what do we do, what's the big picture with respect to the museum. And, you know, you had mentioned that you have the expenses down as far as you can go and I appreciate that. I know you're trying, but sometimes things just go beyond our control and that's where we are at.

Let me suggest to you -- and I think it's also a positive recommendation that we maybe even use this committee to, you know, like we keep saying, think out of the box, brainstorm, think tank, whatever you want to label it, to see if there is a way that we can preserve the museum for better times while at the same time facing economic realty.

What I wanted to ask you was is there a way to, and I'm just throwing this out there, but is there way of partial shutdown? You can't reduce your expenses given the present level of operation? Is there a way to reduce the level of operation? Obviously it would then be offering less time or availability to Suffolk County residents, but then again maybe it preserves us for brighter days.

DR. GITTELMAN:
The problem with the institution is that its physical infrastructure requires so much maintenance. And, I mean, sadly I find myself at a very --

LEG. D'AMARO:
Just let me -- that's separate, though. That's the capital projects or does the maintenance come from the Operating Budget? Not our Operating Budget, your 1.2.

DR. GITTELMAN:
That comes from heating the building, that comes from securing the buildings --

LEG. D'AMARO:
Which is all your expense out of your 1.2.

DR. GITTELMAN:

That's all our expense.

LEG. D'AMARO:
What's the income in addition to the 1.2, roughly.

DR. GITTELMAN:
About a million dollars.

LEG. D'AMARO:
So your Operating Budget is about 2.2?

MS. GHIORSI-HART:
Two point two.

DR. GITTELMAN:
Right.

LEG. D'AMARO:
The reason why I throw that out there is, you know, for example, if you have a building or a nursing home with patients in it you can't partially shut down operations because there is people in it. But this may be more conducive to that consideration.

MS. GHIORSI HART:
You know, the problem with the museum is that we have -- our buildings have artifacts in them so we have to -- in order to take proper care and do our duty for them, there has to be a certain level of temperature, humidity. So it really puts us in a bind. There are a few buildings that don't have collections that we might be able to, but in looking at that, the savings is utilities, is fairly minimal. Plus again, even the building is an artifact in a sense.

LEG. D'AMARO:
We're not going to solve it today. I just threw it out there. How much of your budget is operational as far as employees salary, that kind of thing, percentage-wise. Just give me a percent.

MS. GHIORSI HART:
It's about a little less than half is salaries and benefits.

LEG. D'AMARO:
Of the 2.2 it's about 50/50 to everything else and then your salary, benefits, structure.

DR. GITTELMAN:
We are prepared to give you a list of employees and sadly the employees are severely underpaid, so it's not even a question of where you could point to any one employee and say could you possibly do it for less. We can give you examples, but we are so understaffed now that to remove anyone would cut into revenue.

LEG. D'AMARO:
I'm not questioning that at all. Just simply saying what are the options.

DR. GITTELMAN:
You know something, I want you to ask these questions, believe me. This is -- you know, I want to be completely transparent. There is no attempt here to say, you know, if we hide this little pot of gold we might get away with it. This is nothing to hide.

LEG. D'AMARO:
My assumption -- my question was really based on this concept. If there is a way to close the operation for the sake of preserving the operation in the future, that may be something you have to

consider at this point.

DR. GITTELMAN:
Believe me, in the back of my mind that occurs to me. One of the problems that resides there is that the physical plant itself is, as you know, a high maintenance physical plant. And when those buildings are not used they will decay very rapidly. And if we say took a three year hiatus, wait until things recovered, built up some money in the endowment, number one, we would lose the entire staff. But besides that, we would probably come back to buildings that would be in such a shambles that we would start to say it's beyond recoup.

LEG. D'AMARO:
I don't have enough familiarity with the operation to even speak to it, but, you know, I hear what you're saying. You know, sometime skeleton staff, that kind of thing. You know, I'm just thinking out loud really.

DR. GITTELMAN:
There was a skeleton staff there when I arrived about 20 years ago. They operated only in, you know, the choice days, if you will. At that time they had I think it was a 14 or 15% income on the $17 million endowment. They did fine. Right now if we were to -- whatever we eliminate is revenue generating or for the security and maintenance of the structures. So we would only be cutting -- if we eliminated teachers we would be eliminating education programs which would be revenue generating. Once you get to a certain critical mass you loose the whole program.

LEG. D'AMARO:
Right. Okay.

CHAIRPERSON VILORIA-FISHER:
All right. We're going to move on to the agenda. Thank you for coming. Yes, Legislator Alden.

LEG. ALDEN:
It might be beneficial for us to see how much of the million dollars that you generate in income we would lose if you shut down operations, and it's a hundred percent of it. So that's something we really have to be very, very much aware that you can maintain, you can make sure that the heat is on and that things don't freeze and deteriorate that way. You still have to have the security, but if we shut down the operations there's another million dollars that --

CHAIRPERSON VILORIA-FISHER:
Of revenue that they're not going.

LEG. ALDEN:
That's gone.

LEG. D'AMARO:
Well, but it's a million dollars in revenue that's used exclusively by the Vanderbilt, so you don't need the revenue if you are not operating.

CHAIRPERSON VILORIA-FISHER:
But actually you do need the revenue because if you are trying to protect the endowment you still need to spend money to keep the climate and the temperature and cooling and humidity control for the artifacts there, because they are like having patients in a hospital. You have to keep the climate right.

LEG. D'AMARO:
Right. I'm not saying we should do this. What I'm saying, though, is that if you eliminate the 1.2 for operations but you don't need the 1.2 for operations, hypothetically, I know that there's a thousand variables in all of this, and if you put the -- if the endowment gets reduced down to the

income levels and draw levels we were talking about with Bank of America, you look at that pot of available resources and say can I at least use that to maintain the facility to get me through a tough time. That's all I'm suggesting.

LEG. ALDEN:
But that was my point, that maybe you should generate a report that shows how if you close down we'll have no income, and yet there is still X amount of expense there. I think that would --

MS. GHIORSI HART:
I think we'll put that. Just quickly, I had thoughts, what if we shut down. Fire everybody and just maintain, put everything on ice. It's about $500,000 because you have to have security, and that's mostly for the fire department to handle the alarms, and you have utilities and certain insurance. It's about a half million just to sort of maintain the buildings and collections.

LEG. D'AMARO:
And the only reason why I even bring that up, and I do support the Vanderbilt, and even my own children have gone there. And the reason why I bring it up, though, is because we may not have the money to give you. It's not about wanting to give you the money. It's about having the money. That's where I am coming from.

MS. GHIORSI HART:
And we are going through all these scenarios like all right, everyone goes home, what will we still need, and we will need about a half million dollars, but then where is that money going to come from because there is zero revenue coming in. So, we look at all these things.

DR. GITTELMAN:
There is one more scenario that's not on the table, and it's the Armageddon scenario.

CHAIRPERSON VILORIA-FISHER:
You mean that wasn't the Armageddon scenario?

DR. GITTELMAN:
No. We have an agreement with Mr. Vanderbilt's family in his will. We took his will and if we no longer use this museum for the benefit of the people of Suffolk County as a museum, are we breaching the will.

CHAIRPERSON VILORIA-FISHER:
If you had a hiatus it wouldn't mean that you -- I don't see that as breaching the will.

LEG. D'AMARO:
Well, the issue is a museum open to the public or a museum presently not open.

CHAIRPERSON VILORIA-FISHER:
Where you are still protecting the artifacts.

LEG. D'AMARO:
Of course you need to ask that question.

CHAIRPERSON VILORIA-FISHER:
Sure.

DR. GITTELMAN:
I have to ask that question. You hired us to do this. So one of the questions becomes would we be in breach of our obligation to the will by shutting it down on a temporary basis. Would we no longer be providing a museum for the benefit of the people of Suffolk County? And there are living

relatives that are in his estate and the will calls for the museum to revert back to the estate.

CHAIRPERSON VILORIA-FISHER:
Okay. Serious questions. We'll mull. We'll mull. Commissioner and Deputy Commissioner, can you come up, please?

LEG. ALDEN:
You got good news for us too?

CHAIRPERSON VILORIA-FISHER:
Actually, they do. They have one piece -- one of our pieces of legislation is good news, as a matter of fact. We're going to, unless you want to say something before we begin the agenda, we'll just start the agenda and you will stop us if you'd like to say something about the legislation or if we have questions, okay?

COMMISSIONER PAVACIC:
That's fine. We definitely have something to say on Resolution 1846.

CHAIRPERSON VILORIA-FISHER:
Okay. When get to that we'll stop and talk to you. I have spoken with both Commissioner Pavacic and Deputy Commissioner Bellone about this.

TABLED RESOLUTIONS

IR 1346, Amending the 2008 Capital Budget and Program and appropriating funds in connection with improvements to historic Chandler Estate (CP 7511). (Losquadro)

I'll make a motion to table.

LEG. D'AMARO:
Second.

CHAIRPERSON D'AMARO:
Second by Legislator D'Amaro. All in favor? Opposed? IR 1346 stands tabled. **(Vote: 3-0-0-2 Not Present: Legislators Alden and Stern).**

By the way, I have been negligent in mentioning that I did receive word that Legislator Stern was unable to attend. His father is just being -- is ill and I think he was just being discharged from the hospital at this point. So he is not here for that reason.

IR 1730 we voted on this and we approved.

IR 1732, To waive fee for use of Smith Point County Park by the Mastic Beach Ambulance Company for an EMS Field Day. (Browning)

I believe that this moot. Has the date passed? It wasn't withdrawn so should we table it again because it's still before us?

MR. NOLAN:
Yes.

CHAIRPERSON VILORIA-FISHER:
I'll make a motion to table IR 1732.

LEG. D'AMARO:
Second.

CHAIRPERSON VILORIA-FISHER:
Seconded by Legislator D'Amaro. All in favor? Opposed? Abstain? IR 1732 stands tabled. **(Vote: 3-0-0-2 Not Present: Legislators Alden and Stern).**

INTRODUCTORY RESOLUTIONS

IR 1817, Reappoint member to the Suffolk County Board of Trustees of Parks, Recreation, and Conservation (Gilbert A. Cardillo). (Pres. Off.)

Mr. Cardillo is not here, is he?

LEG. D'AMARO:
It's a reappointment.

CHAIRPERSON VILORIA-FISHER:
It's a reappointment. I'm sorry. You know, I've been looking at you this whole time and I should have taken this out of order. I apologize. I apologize. I am very proud to make the motion to approve.

LEG. D'AMARO:
Second.

CHAIRPERSON VILORIA-FISHER:
Seconded by Legislator D'Amaro. And my apologies. I have been looking in front of you this whole time instead of looking at you. So there is a motion to approve and a second. All in favor? Opposed? IR 1817 is approved. **(Vote: 4-0-0-1 Not Present: Legislator Stern).**

LEG. ALDEN:
Thank you for your service.

CHAIRPERSON VILORIA-FISHER:
Thank you for being here. Again, my apologies. I was so focused on the Bank of America people I didn't even see you.

MR. CARDILLO:
It was actually very interesting.

CHAIRPERSON VILORIA-FISHER:
It is interesting. Thank you.

LEG. ALDEN:
We are thinking about dropping that whole problem on your lap.

MR. CARDILLO:
Well, the gentleman gave actually an excellent presentation. I don't know the gentleman, but basically --

CHAIRPERSON VILORIA-FISHER:
Gil, the stenographer is going to ask you to put that in the --

MR. CARDILLO:
I don't have to -- that's all I have to say.

CHAIRPERSON VILORIA-FISHER:
Okay. We appreciate your being here. I'll see you at the Trustees meeting.

IR 1833, Approving a license agreement for Hazel Belsen to reside at Prosser Pines County Park, Middle Island. (Co. Exec.)

I had spoken with the Commissioner about this because as we all know we have a new policy regarding our rentals. The committee is not yet meeting because the appraisals have not been completed of all of the parcels. However, we had the ability to rent this property with the new appraisal that's been done where our appraisers have been able to go into the property, look at the inside as well as the outside and do a more thorough assessment of the property and arrived at a market value rate. This a month by month agreement. Commissioner?

COMMISSIONER PAVACIC:
That's correct. And I would ask if the committee has any questions, Deputy Commissioner Bellone can address specific questions and issues on this specific topic.

CHAIRPERSON VILORIA-FISHER:
Okay. Are there any questions for Commissioner Bellone? Legislator D'Amaro.

LEG. D'AMARO:
Yeah, I just have a copy of the resolution. I don't really see the specific terms of the license agreement. If we could just put that on the record I would appreciate it.

MS. BELLONE:
Sure. All housing agreements are month to month.

LEG. D'AMARO:
Right. And the rental amount?

MS. BELLONE:
The rental amount for her presently is $1,150 per month.

LEG. D'AMARO:
It's for a house in the park? Is that what this is?

MS. BELLONE:
It's house in Prosser Pines County Park. It's a stand alone house. It's a two bedroom.

LEG. D'AMARO:
Two bedroom?

MS. BELLONE:
I'm sorry -- two bedroom, one bath. It's a small bungalow type house.

LEG. D'AMARO:
And do we have an appraisal on this?

MS. BELLONE:
We do. When we have -- the recent legislation require that appraisals are redone by Department of Real Estate, and so when we have a tenant we've asked them to do those in a priority order. So we based her rent on the new appraisal. Obviously it still has to go before the committee, but we have her under that appraisal.

LEG. D'AMARO:
Great. Thank you. Very good.

CHAIRPERSON VILORIA-FISHER:

Okay. I'll make a motion to approve.

LEG. D'AMARO:
Second.

CHAIRPERSON VILORIA-FISHER:
Seconded by Legislator D'Amaro. All in favor? Opposed? IR 1833 is approved. **(Vote: 4-0-0-1 Not Present: Legislator Stern)**

IR 1846, Amending the 2008 Capital Budget and Program and appropriating funds in connection with planning for the construction of maintenance and operations facilities - West Sayville and Cathedral Pines (CP 7173). (Co. Exec.)

It bonds $95,000 for planning, design and construction of the maintenance operations at West Sayville and 150,000 -- 105,000 for planning, design and construction of maintenance and operations facilities at Cathedral Pines County Park.

And, again, Commissioner, you and I had spoken about this beforehand because as you know I was rather shaken by some statements or presentations by Mr. Torturo regarding bonding and difficulties thereof and I was concerned about only looking at the most critical bonds. So I asked you if you could give us some kind of overview as to why these are compelling expenditures of monies.

COMMISSIONER PAVACIC:
Although we were prepared to address specific issues in support of this resolution today, I'd ask the committee to table that until such time as we have a clear picture of the municipal bond environment.

CHAIRPERSON VILORIA-FISHER:
Thank you, Commissioner. You have a question?

LEG. D'AMARO:
I just -- I'm very encouraged by that. I really appreciate you making that statement. I think it's a prudent way to go, Commissioner, and I thank you for that.

COMMISSIONER PAVACIC:
You're welcome.

CHAIRPERSON VILORIA-FISHER:
Okay. Good leadership. I'll make a motion to table.

LEG. D'AMARO:
Second.

CHAIRPERSON VILORIA-FISHER:
Seconded by Legislator D'Amaro. All in favor? Opposed? Abstain? IR 1846 stands tabled. **(Vote: 4-0-0-1 Not Present: Legislator Stern).**

That concludes the business of the Parks Committee. We stand adjourned.

(THE MEETING CONCLUDED AT 3:14 PM)

{ } DENOTES SPELLED PHONETICALLY