

**PARKS & RECREATION COMMITTEE**  
**OF THE**  
**SUFFOLK COUNTY LEGISLATURE**  
**MINUTES**

A regular meeting of the Parks & 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 March 17, 2010.

**MEMBERS PRESENT:**

Leg. Lynne C. Nowick, Chairperson  
Leg. Wayne R. Horsley, Vice Chair  
Leg. Thomas Barraga  
Leg. Rick Montano  
Leg. Steven H. Stern

**ALSO IN ATTENDANCE:**

Presiding Officer William J. Lindsay  
George Nolan, Counsel to the Legislature  
Ben Zwirn, Deputy County Executive  
Renee Ortiz, Chief Clerk  
Lance Reinheimer, Assistant Director of Budget Review Office  
Jill Moss, Budget Review Office  
John W. Pavacic, Commissioner of Parks Department  
Brad Stephan, PFM Asset Management LLC, Senior Managing Consultant  
Paul Perillie, Aide to Majority Leader  
Linda Bay, Aide to Minority Leader  
Greg Moran, Aide to Leg. Nowick  
Bob Martinez, Aide to Leg. Montano  
Deborah Harris, Aide to Leg. Stern  
Dot Kerrigan, AME Legislative Representative  
Dennis Brown, County Attorney's Office  
Steve Tricaraco, Aide to County Executive  
Leslie Baffa, Suffolk County Insurance & Risk Management  
Scott Russell  
Carol Ghiorso Hart, Vanderbilt Museum  
Noel Gish, Vanderbilt Museum  
Joseph Miller  
Richard D. Hollborn, appointee Parks Trustee  
William B. Sickles, appointee Parks Trustee  
Tom Malanga, Parks Department  
Ron Beattie  
Dot Kerrigan, AME rep  
And all other interested parties

**MINUTES TAKEN BY:**

Diana Flesher, Court Stenographer

**MINUTES TRANSCRIBED BY:**

Denise Weaver, Legislative Aide

## **THE MEETING WAS CALLED TO ORDER AT 1:12 PM**

### **CHAIRPERSON NOWICK:**

Welcome to the Parks and Recreation Committee. We'll start with the Pledge to the flag led by Legislator Stern.

### **SALUTATION**

Welcome everybody. We do have a few public cards from the public. We'll start with Joseph A. Miller.

### **PUBLIC PORTION**

#### **MR. MILLER:**

Good afternoon. My name is Joseph Miller. I'm an attorney in private practice, former Suffolk County Parks Trustee for Islip for 12 years.

And several years ago we -- several private individuals, former Park Trustees decided to form a foundation known as the Suffolk County Parks Foundation. And we founded that. And as a result of that foundation the whole venue of it was to avoid having delay, myself doing estate planning, etcetera, to have a venue where people who wanted to donate funds or donate assets to the County or Park system could without having to wait.

And since we formed the foundation, we have endeavored in several projects. We've raised about \$10,000. We also are trying to find several projects that we can actually handle and fund. We've had some seminars conducted through our -- through the Parks Department to notify people and advise them what a 501(c)(3) is and how it should be managed and funded.

And if you have any questions, I appreciate you at this time addressing the resolution that's before you so that we can work in partnership with the County, which we tried and have been since 2005 and six.

#### **LEG. MONTANO:**

Excuse me.

#### **CHAIRPERSON NOWICK:**

Yes, Legislator Montano.

#### **LEG. MONTANO:**

I'm sorry, which resolution were you referencing?

#### **MR. MILLER:**

Excuse me, I was referencing the one -- I believe it was 15 -- excuse me, 1240-2010. That was the authorizing agreement with the Suffolk County Parks Foundation Inc.

#### **LEG. MONTANO:**

Okay. Thank you.

#### **CHAIRPERSON NOWICK:**

Thank you.

#### **MR. MILLER:**

Thank you for your time.

#### **CHAIRPERSON NOWICK:**

Scott Russell.

**MR. RUSSELL:**

Thank you, Legislator. My name is Scott Russell. I'm the Supervisor for Southold Town. I'm here to speak in support of resolution 1035-2010. What it calls for is the naming of a parcel that we own jointly in Southold Town called Dam Pond in honor of Ruth Oliva, a lady from -- an iconic lady from our community who recently --

**LEG. MONTANO:**

Excuse me, is your finger on the button?

**MR. RUSSELL:**

No.

**LEG. MONTANO:**

That's why I can't hear you. You got to keep your finger on it.

**MR. RUSSELL:**

Well, you know, the people in my community actually like it when they can't hear me, so.

Let me just explain. My name is Scott Russell. I'm Supervisor for Southold Town. I'm here to speak in support of resolution 1035-2010. It's a resolution that would call for the renaming of Dam Pond, which is jointly owned by the County and Southold Town in honor of Ruth Oliva, a lady who recently passed away in Southold Town.

I understand there's apprehension in the renaming. There should be. Renaming opportunities don't come along very often. Lots of great people that have served in the past and that will serve in the future, we ought to be able to have an opportunity to honor these people. But I do think a few people rise to the iconic level where they support this honor.

Ruth Oliva is an important community figure for all of Southold Town. I stand today as a republican conservative supervisor who still refuses to acknowledge the death of Ronald Reagan in support of a democratic councilwoman who has passed away recently, Ruth Oliva; to understand her in partisan terms would be to completely misunderstand what Ruth stood for.

Ruth was at the forefront of preservation efforts for all of us. I've been in public service for 20 some odd years and I work hard everyday, but I assure you I could spend the next 20 years in public service and not achieve what Ruth has achieved for this community in Southold Town. She's an important person who has the support of the Democratic Party, the Republican Party and all of the community members in this honor.

Ruth passed away recently. We think there's no more fitting honor than to rename Dam Pond after Ruth Oliva. I want my children, my grandchildren and my great-grandchildren to know who Ruth Oliva was. There wouldn't be the preservation that you see taking place today unless there were people in these communities harnessing these efforts. Ruth had been there from the beginning.

I remember meeting Ruth at meetings when I was in high school when it was then Legislator Greg Blass representing the First District. She has been a stalwart for preservation in this community in Southold Town. She has led -- created many of the preservation programs that we all enjoy today. And I couldn't think of a more worthy honor for someone who has really reached an iconic level in the community.

**CHAIRPERSON NOWICK:**

Thank you. That was an excellent presentation and I can't help thinking when you said that, republican, democrat, conservative, it doesn't matter. And my dad was actually a councilman in Smithtown for 24 years. And I -- it was such an honor when the Senior Citizens Center was named

after him because he was the one, in fact, that instituted it and started it. And as a family member I can't think of a better honor. And what you tell us about Ruth, Ruth Oliva, sounds to me as though she did Southampton justice.

Thank you for your presentation. Are there any questions?

**LEG. MONTANO:**

Yeah, I had a question.

**CHAIRPERSON NOWICK:**

Okay.

**LEG. MONTANO:**

I represent the Brentwood, Central Islip community. I didn't know Miss Oliva and I don't get out to Southold too often so I don't know the individual. But one of the things that you stated in your comments was, that I picked up on, you said *I know it's controversial* or *I know there are some issues around that*. And that just struck me as odd. Could you tell me what those issues are so you can enlighten me?

**MR. RUSSELL:**

My understanding is that there's an advisory naming committee that recommended against renaming the preserve. The position, I believe, was that she wasn't known throughout Suffolk County. But I assure you most of the programs, the Purchase of Development Rights Program, that the County had in Southold Town adopted soon after, she was at the forefront of all of those efforts. She wasn't someone who was interested in name recognition; just the hard work behind the scenes to reach out to all parties, bring everybody together behind what was and still is a common good. She was an important part of our history and she's actually an important part of our future. My children, my grandchildren, my great-grandchildren will benefit from Ruth's effort.

**LEG. MONTANO:**

Was she -- did the naming committee deny the -- or did they delay action on this? Did they vote against it? What is -- George, do you know what the outcome is?

**MR. NOLAN:**

I'll defer to Legislator Stern.

**LEG. MONTANO:**

Legislator Stern, could you enlighten me?

**LEG. STERN:**

Through the Chair.

**CHAIRPERSON NOWICK:**

Sure.

**LEG. STERN:**

The Sitings Committee met yesterday and had this measure before us. This was after having been tabled a time prior to that, prior month cycle. We heard from members of the community, not last time but the time before that, in support of this resolution. It was good to hear from them. We heard much of what we're hearing today and what an important role Ms. Oliva played in her community out east.

There were a couple of issues, but I think the most compelling issue and what led the committee to table it last cycle was that although I think it was convincing as to the role that she played in her community, the question was whether or not the role that she played and the legacy that she has in her community, had enough of a lasting legacy for all of Suffolk County as is required under the --

our naming regulations.

It was a question that was posed and that's why it was tabled. We did not hear from community members yesterday. Legislator Romaine was there to speak, you know, in furtherance of this resolution. But we did not hear, I don't think, anything more than what was before the committee the time before.

The Supervisor is here and I appreciate the fact that the Supervisor is here to speak out in support of this resolution. I'm sure that -- that the Supervisor being here and speaking in favor of the resolution would certainly go a long way with members of the committee.

What I can tell you, Legislator Montano and others, is that as of yesterday, again the question was asked, *what was Ms. Oliva's lasting legacy not just for her immediate community but for Suffolk County?* And that was the open-ending question.

**LEG. MONTANO:**

Someone handed me, I think it was Linda Bay, handed me the minutes of yesterday -- was that yesterday's meeting?

**MS. BAY:**

Yes.

**LEG. MONTANO:**

Okay. Was it tabled?

**LEG. STERN:**

It was not tabled. The thought on the part of the committee was that keep in mind that from a procedural aspect --

**LEG. MONTANO:**

Just let me interrupt.

**LEG. STERN:**

I can answer the question as to why.

**LEG. MONTANO:**

Yeah, all right. You know my question.

**LEG. STERN:**

It is because the role of the Sitings Committee is advisory. And if there is no action taken by the advisory committee within a certain amount of time it comes before all of us. So to continue to table the resolution doesn't really do anything because ultimately it's going to end up here anyway. That was the thought.

**LEG. MONTANO:**

So even though no action was taken, if the committee decides to refer it to the full Legislature, it has the option is what I understood at the last meeting; is that correct?

**LEG. STERN:**

We always have the option. That's right.

**LEG. MONTANO:**

Okay.

**LEG. STERN:**

Ultimately it always comes before the Committee and that's why tabling seemed futile. It was --

everybody believed that we owed the resolution an up or down. There were votes in favor. There were votes in opposition. Bottom line is it's coming before us. So it'll ultimately be up to this Committee and then ultimately up to the full Legislature to determine the resolution.

**LEG. MONTANO:**

Do you know -- I'm looking at the members present, but do you know how many members are on this Siting Committee, if you know? Does anyone? There are seven. Okay. So the seven that were on the committee, were present. Everybody was present.

**MS. BAY:**

Yes.

**LEG. MONTANO:**

Okay. Thank you. Thank you, sir.

**MR. RUSSELL:**

Thank you.

**CHAIRPERSON NOWICK:**

Thank you. Okay. I do not have any other cards. We do have a presentation today, but I'm going to do the agenda first. It doesn't seem like it's going to take -- I should never say that, God knows, yeah.

**LEG. MONTANO:**

Yeah, don't say that. You jinxed us.

**CHAIRPERSON NOWICK:**

Commissioner, do you need to speak us about any of the legislation that is coming before us? Or do you just want to sit and wait?

**COMMISSIONER PAVACIC:**

Chairwoman Nowick, I don't have anything in particular to state to the Committee but I will certainly be happy to address any questions or concerns as each item comes up on the agenda.

**CHAIRPERSON NOWICK:**

Okay. Having heard that, we're going to go right to tabled resolutions and we were just discussing this one.

**TABLED RESOLUTIONS**

**IR 1035 - Renaming Dam Pond in East Marion after Ruth D. Oliva. (Romaine)** I'm actually -- I'd like to make a motion to approve maybe for discussion if anybody would second it.

**LEG. BARRAGA:**

Second.

**CHAIRPERSON NOWICK:**

Second by Legislator Barraga. And here is my thought on this. I chaired the Naming Committee for a few years. And while Legislator Stern is correct when he said many times we would sit there and we would lament over whether or not the person that we're talking about actually had a significant -- I'm looking for the right word, actual impact -- yes, the older I get, the harder it is.

**LEG. HORSLEY:**

I'm right behind, you know.

**CHAIRPERSON NOWICK:**

-- significant impact on all of Suffolk County. But many times I know that sometimes in order to have an impact on all of Suffolk County, you would have to start -- you would have to start in the Town in which you served. Ruth Oliva served in Southold. Is it Southold? Southold. And from what we've just heard, she was quite a presence in Southold and she worked very hard. And she worked for her Town, but that certainly filters into the County. And after hearing what I heard from the Supervisor, a well respected hard working government servant, I think she deserves to have a pond, Dam Pond, in East Marion, in her town, named after her.

Anybody else want to address the Committee?

**LEG. MONTANO:**

Yeah, I will.

As I said earlier, I don't know -- did not have the pleasure of knowing Miss Oliva and I don't get out to Southold often. What I would be, maybe, amenable to is just discharge it without recommendation and let the Legislature deal with it on Tuesday.

**CHAIRPERSON NOWICK:**

Okay.

**LEG. MONTANO:**

If you would change your motion.

**CHAIRPERSON NOWICK:**

Okay. I will withdraw that motion and I will second the motion to discharge without recommendation.

**LEG. MONTANO:**

I'm not making the motion. I'm asking you if you would make the motion.

**CHAIRPERSON NOWICK:**

Okay. I'll make a motion to --

**LEG. BARRAGA:**

I'll second the motion then.

**CHAIRPERSON NOWICK:**

-- make a motion to discharge without recommendation, second by Legislator Barraga. All in favor? Opposed? Legislator Stern.

**LEG. STERN:**

On the motion. Thank you, Madam Chair. I would just go back to what I had said earlier that -- that I do believe, I strongly believe that the criteria that is laid out before us requires that when naming any site for someone who has passed, that when this body does it, that it be done on behalf of someone, for someone who had a compelling and lasting legacy for all of Suffolk County.

I appreciate the Supervisor coming down and sharing his thoughts with us. I'm going to join in the -- and support the discharge without recommendation. I think it's important to go before the entire body.

But I just wanted to state for the record that I think an important issue was raised during the Sitings Committee meeting. And I think that perhaps in large part the Supervisor being here today went a long way to answering some of those questions. So thank you for being here and for your comments.

**CHAIRPERSON NOWICK:**

So I have a motion and a second. All in favor? Opposed? **1025 is Discharged Without**

**Recommendation (VOTE: 5-0-0-0. PO LINDSAY NOT PRESENT)** Mr. Supervisor, if you want to come back and tell us some good things that Ruth Oliva did for the County as well as her town that would be great.

**MR. RUSSELL:**

Thank you very much.

**CHAIRPERSON NOWICK:**

Okay. **1105 - Waiving the Vanderbilt Museum's reimbursement for self-insurance. (P.O. Lindsay)**

**P.O. LINDSAY:**

I would make a motion.

**CHAIRPERSON NOWICK:**

Did I hear a motion somewhere? I have a motion by Legislator Lindsay.

**LEG. HORSLEY:**

I'll second.

**CHAIRPERSON NOWICK:**

Second by Legislator Horsley.

**MR. ZWIRN:**

Madam Chair?

**CHAIRPERSON NOWICK:**

All in favor?

**LEG. MONTANO:**

Wait. Hold on, on the motion.

**MR. ZWIRN:**

Madam Chair, I just wanted to point out that Leslie Baffa is here from the Division of Risk Management if there are any questions that the Legislature has about, you know, some of the back -- there were some questions about billing. Legislator Montano had some questions.

**LEG. MONTANO:**

There were some outstanding questions I thought from the last meeting.

**MR. ZWIRN:**

So that's why we have Ms. Baffa here. She can answer any questions that the Legislature might have.

**LEG. MONTANO:**

All right.

**CHAIRPERSON NOWICK:**

Does anybody have any questions?

**LEG. MONTANO:**

Yes, I do.

**CHAIRPERSON NOWICK:**

Leslie, do you want to come on up?

**MS. BAFFA:**

Hi, Leslie Baffa, Risk Management.

**LEG. MONTANO:**

Hi, Leslie, how are you?

**MS. BAFFA:**

Good, Rick.

**LEG. MONTANO:**

I don't know if you had a chance to review the minutes of the last meeting. You did?

**MS. BAFFA:**

No, not the minutes, but I got the gist.

**LEG. MONTANO:**

You got the gist, all right. Could you give us your take on what was discussed at the last meeting? In particular one of the outstanding questions was whether or not this money was owed plus additional sums that might be owed for prior years.

**MS. BAFFA:**

Correct. We've been billing the Vanderbilt every year. I think it started around '99 based on attendance figures from the Vanderbilt. There was a disconnect between 2002 and 2004, but we have been billing them every year since 2005. It is outstanding. They repeatedly told us they have -- don't have the money to pay us, which is easy to believe. And we are currently looking for attendance figures for 2009 to bill them again.

**LEG. MONTANO:**

So these amounts are outstanding?

**MS. BAFFA:**

Correct.

**LEG. MONTANO:**

And is it your intention to -- if not for this resolution, would it be your intention to waive these amounts?

**MS. BAFFA:**

No, it would not.

**LEG. MONTANO:**

Do we normally waive self insurance? Do we have other agencies that are in the same category in terms of providing for their appropriate reimbursement for self insurance?

**MS. BAFFA:**

Yes, the Long Island Maritime Museum. And they are up-to-date on all their insurance bills.

**LEG. MONTANO:**

Okay. I read a comment in Newsday that one of the -- someone from the Board of Trustees of the Vanderbilt made a statement that they weren't obligated to pay the bill because it's our property. Did you read that comment?

**MS. BAFFA:**

Yes, I did. And it might be our --

**LEG. MONTANO:**

Am I misquoting? I looked at it a while back, but am I misstating what I read?

**MS. BAFFA:**

We do own the property, but just like any tenant, if you bring somebody into your office which is rented and they trip on your couch, your furniture, whatever, your landlord isn't going to pay that bill, you will. You're going to be sued.

**LEG. MONTANO:**

Well, but the point I'm making is the statement was made. But you're saying that -- so the way I presented the statement is accurate from Newsday that that statement was made, but it really is inaccurate in terms of the responsibility of the Vanderbilt to pay the bill. Am I correct?

**MS. BAFFA:**

Correct.

**LEG. MONTANO:**

Okay. Thank you.

**CHAIRPERSON NOWICK:**

Legislator Lindsay. I assume you wanted to speak.

**P.O. LINDSAY:**

Yes, yes. And the reason why I sponsored this resolution and made the motion to approve it is the Vanderbilt property and the buildings were left to the County as caretakers with specific instructions to -- that it would be a museum for the public use. We've set up the Trustees over the year to run the museum so we don't have County employees there. But it is -- absolutely the building, the properties, the grounds are our responsibility.

The Vanderbilt, as we all know, has been in serious distress to the point that we had to appropriate County funding to keep them alive last year. We got some temporary relief with the hotel/motel tax money going to them. And, I mean, I understand what Risk Management's saying and I understand what Legislator Montano is saying. But what will happen here is we'll just create a crisis again by paying ourselves. So we wind up going around in a circle here. And, I mean, if that's the will of the body to go that way, but we're trying to get the Vanderbilt back on firm footing. We're trying to get the endowment back. We just changed managers. And it's slowly starting to build up revenue. They're tapping some of it to keep afloat. They're not into the corpus of it. They're taking some interest earnings to keep it afloat.

If this resolution isn't passed and we have to pay it, then we'll probably be back into the corpus again and the whole thing's going to start sliding backwards again. It was very, very difficult to figure out what to do with this facility last year on all of us and we finally battled it out. I just hate to us see us -- we're starting to inch forward to start sliding back again.

**CHAIRPERSON NOWICK:**

Thank you, Legislator. Legislator Horsley.

**LEG. HORSLEY:**

Yeah, hi. Good afternoon. Just quickly, obviously we have made the decision to go -- into the future we're going to be charging the Vanderbilt for the insurance. Is that correct?

**MS. BAFFA:**

Correct, pursuant to resolution.

**LEG. HORSLEY:**

Right, pursuant to resolution. My concern then has been right from the beginning since I heard this

that we never billed the Vanderbilt over the years, they never received a bill for it and suddenly -- that's not true?

**LEG. MONTANO:**

That's not what she said.

**MS. BAFFA:**

Correct, that's not true.

**LEG. HORSLEY:**

Two years, okay. So in past years we didn't bill them. It just seemed to me that we're in the situation now where, you know, *boy, they got the hotel/motel tax, let's go grab the money.* That's my feeling whether that's true or not.

**LEG. MONTANO:**

Point of information Legislator, with all due respect, that's not what she said.

**LEG. HORSLEY:**

Okay.

**LEG. MONTANO:**

What she said, what I heard and just for the record was that they have billed -- been billed continuously except for a disconnect in 2002 to 2004. But from '99 up until the present they have been billed every year with that exception. Is that not what I understood?

**MS. BAFFA:**

That's what you understood.

**LEG. MONTANO:**

Okay.

**LEG. HORSLEY:**

Which is interesting because that wasn't what I understood from the prior testimony. I'd like to have that checked because I don't think that's -- I don't think that was true. But if it is, then I retract it and I apologize for the comment. But it seems to me that we do -- I support Legislator Lindsay's contention that we're finally getting them out of the hole, let's not go after the old debt, let's start forward and move as they do start receiving monies and they get into the better financial shape into the future.

**CHAIRPERSON NOWICK:**

But I think I remember what you did maybe, Carol, yeah, not just now, but I think last time when Carol Hart was speaking and Carol, if you want to come up, I thought I remembered them saying they knew it was going to become due, they had it on the books as a charge, but they never actually got the bill. That's what I remembered.

**LEG. HORSLEY:**

That's what I remember, too.

**CHAIRPERSON NOWICK:**

Now is that what you said the last time? That's what I thought I remembered.

**MS. GHIORSI HART:**

That is what I said. I have to say I was not at the museum from 2000 to September of 2006. So I can't say from my own experience what happened. Our bookkeeper said that after 2002 we had not received any bill. I started as the Acting Executive in August of 2007. The first bill that I received was in September 2009.

**CHAIRPERSON NOWICK:**

That's the first bill you received?

**MS. GHIORSI HART:**

That's the first bill. Certainly I can say during that time that's the first bill we received. That bill did go back to 2005. It was asking for 2005, six, seven, eight.

**CHAIRPERSON NOWICK:**

George, this legislation is asking for what years?

**MR. NOLAN:**

It would forgive everything up 'til the end of 2009 and start billing them going forward.

**CHAIRPERSON NOWICK:**

Okay. Well, be that as it may, I can't help but think in the best of all worlds, of course, the County would want to take payment from the Vanderbilt. But the Vanderbilt, if you'll excuse the expression, is broke. They don't have the money and the Vanderbilt belongs to Suffolk County. So what's -- what's the difference if the Suffolk County -- the Vanderbilt that Suffolk County owns doesn't pay Suffolk County. It's one in the same person. We're one in the same entity from what I'm understanding.

We are trying at this point -- this is bookkeeping. It comes from -- we are trying to have the Vanderbilt stay afloat. I feel that everything we've done is going to be lost or wasted if we mandate that large payment. Or if we make the Vanderbilt make the payment, we're going to wind up having to pay the Vanderbilt for the money that they're short, if you understand what I mean. It's like a catch-22.

So I'm going to have to support this legislation; although as I said in the best of both worlds. I wouldn't want to do it.

**LEG. BARRAGA:**

Lynne?

**CHAIRPERSON NOWICK:**

Legislator Barraga.

**LEG. BARRAGA:**

I guess my concern is that when does it all stop with the Vanderbilt Museum? I mean, only about a year-and-a-half ago we sat here, based on resolution, and funneled in almost \$800,000 to keep them afloat. Then we pass a hotel/motel tax and a big chunk of that's going to go to the Vanderbilt. Now we're waiving \$225,000 because, you know, maybe the County shouldn't get the money back because it's going to put them in the hole again. What is their responsibility here? If you owe \$225,000 and you can't pay it, maybe prorate the 225 in addition to future payments over a period of five or ten years, but pay the 225 back; we have bit of a deficit here, maybe we can take that 225 and funnel it into areas that there was real definitive need.

But, you know, it just gets to a point, you know, you're forgiving here and you're adding there and you're giving the Vanderbilt this and that, when does it really end? What else is out there at the Vanderbilt that's going to pop up and come back into this Legislature in three or four months?

**MS. GHIORSI HART:**

If I could just --

**LEG. BARRAGA:**

That's rhetorical; that's rhetorical.

**P.O. LINDSAY:**

Could I -- if you'll allow me and in all due respect, just -- and this Legislature is probably due a report on how the Vanderbilt is proceeding. And I don't mean to cut off Miss Hart, but there's no doubt about it, it's been a struggle. They're very close to making a deal to bring a caterer into the facility, which would bring in an ongoing revenue stream, which is desperately needed. They're close, and it's a struggle, it's a push and pull. And my office has been involved in the whole thing because I send representatives to their board meetings to try and keep an eye on it in light of how much money we've had sunk into it.

Hopefully within the next couple of months an RFP is going out for a cell tower on the property, which again, will produce ongoing revenue, not one-shot revenue. We're finally at the point of issuing a bid for the new projector, which is anticipated when that's installed, will bring new revenue into the facility.

I had passed a bill last year that was to try and identify any synergies between the College and the Vanderbilt to make that campus more usable and by that bring in more revenue. That's progressing along. The board that -- the committee that we've identified has been studying and is about to come up with a report on mutual recommendations of different things.

So, and forgive me, at times it seems like there's no progress at all. There is progress. It hasn't borne more fruit as yet. But I think we're on the verge of that edge. And I just would hate to see the whole thing slide back down into the mud again. And I hear you guys. I certainly hear you guys.

**LEG. BARRAGA:**

Mr. Lindsay, with all due respect to you, if half of the things that you just mentioned happened, then the Vanderbilt should be in a position to pay the 225,000 over a period of five or ten years in addition to any future amounts that they owe. But I mean, I just sit here and I keep on seeing, for the lack of a better word, continuous bailouts.

**P.O. LINDSAY:**

They don't have the money now.

**LEG. BARRAGA:**

I'm not asking for them to pay it now.

**P.O. LINDSAY:**

And if they do pay it now, it will put them in a fiscal hole again.

**LEG. BARRAGA:**

I would like to see maybe the County work out something with the Vanderbilt, to say, *look, that 225,000, we want you to pay it, but you can pay it over maybe the next five or ten years, spread it out in addition to what you owe in future years.* This way they don't have to come up with 225,000, but there's a commitment to pay it back over the next eight or ten years.

**CHAIRPERSON NOWICK:**

Legislator Montano, you wanted to say something.

**LEG. MONTANO:**

Yes, I have question. Leslie, this bill has been outstanding since -- or these bills have been outstanding since 1999; am I correct?

**MS. BAFFA:**

No. They paid '98, '99, 2000. And they paid 7500 for 2001.

**LEG. MONTANO:**

All right. So they owe from 2001 until today. The bills have been outstanding since that time.

**MS. BAFFA:**

Correct.

**LEG. MONTANO:**

You haven't taken any collection action; am I correct?

**MS. BAFFA:**

Correct.

**LEG. MONTANO:**

And this bill is still outstanding. If this resolution doesn't pass, you're not going to be taking any collection action tomorrow; am I correct?

**MS. BAFFA:**

Correct.

**LEG. MONTANO:**

It's just going to be an outstanding liability that they ultimately will have to deal with; am I accurate in that?

**MS. BAFFA:**

Yes, unless this body suggests otherwise.

**LEG. MONTANO:**

Unless we waive it.

**MS. BAFFA:**

Or tell me a structured way to pay it off or direct me to go to collections, Whatever you want.

**LEG. MONTANO:**

Right. But my point is that if we don't pass this today, the Vanderbilt, you're not going in there and padlocking the place tomorrow; am I correct?

**MS. BAFFA:**

Correct.

**LEG. MONTANO:**

Okay.

**MS. GHIORSI HART:**

I just wanted to clarify one thing.

**LEG. MONTANO:**

Go ahead.

**MS. GHIORSI HART:**

In 2009 the Vanderbilt actually received \$705,000 from the County. We were by resolution --

**LEG. MONTANO:**

I know that, over my objection. Go ahead.

**MS. GHIORSI HART:**

-- by resolution we had up to \$800,000 to meet our responsibilities financial. In September of '09, I

did receive a bill for 200,000 or 180,000 and I did contact Budget Review Office, said, *well here's this bill I have, I'm submitting all my bills that need payment. What do I do here?* Clearly we could have requested another 95,000 to meet our bills for 2009. And in discussion with BRO we -- I guess that bill was not put through that process.

**LEG. MONTANO:**

Okay. All right.

**MS. GHIORSI HART:**

So that's where it would have gotten a little silly for you to give us \$95,000 maybe to pay back.

**LEG. MONTANO:**

Well, it's not silly; it's an inter-fund transfer. It's an accounting tool. If you didn't get the money and maybe you're entitled to it, you could go back. I'm not impressed with that argument. Stay where you are, don't go anywhere. I'm not impressed with that argument, nor am I impressed with the argument that you didn't get the bill and, therefore, we should waive it particularly when your own accountants carried -- excuse me?

**CHAIRPERSON NOWICK:**

I don't think that was the argument.

**LEG. MONTANO:**

Well, that was the statement so I took it as an argument. But I'm not impressed with the statement that you didn't get a bill, particularly when your own accountants carried it as an outstanding liability for ten years. So you can't deny. It's the lamest of positions that the Vanderbilt would take that *we didn't get a bill* when, in fact, you're carrying that as a liability. And you knew you owed it. Not you personally, I'm not, you know, and I'm not going to belabor this or beat this with, you know, beat this horse to death, it's already -- but I'm not going to support this resolution. I haven't supported any of that that's come forward.

The Vanderbilt is in my opinion insolvent. You can't pay your bills. And you keep coming here asking for more money. You remind me of some of the people in my district when I go to the store and hit me up for a dollar to buy a cup of coffee. You come in here with a tin cup every month. And I don't mean to be disrespectful, I know you got a tough job. But the reality is that it is insolvent.

So we're not doing any good until you get back onto the road of solvency. I don't think we need to pass this bill. If you get lucky and you get a benefactor and you come in later with some money or the stockmarket skyrockets and you use your endowment and you make, you know, you make tons of money, you're in that position, at that point you're in a position to pay an outstanding liability.

But there's no need in my opinion -- you know, I got people in my district getting shot. I have cops who can't get on the job because we're cutting overtime, but yet we're waiving fees for an organization that's insolvent. And I think that I have personally had enough of that. You need to -- you and the Vanderbilt need to get your act together, because if I don't pay my bills, they're going to come and foreclose on my house. And if I tell the mortgage company, I didn't get the notice in the mail this month, they're not going to be very sympathetic.

So, I personally as a Legislator am very unsympathetic to what is going on there, particularly where I've heard for the last two years that you're going to do X, Y and Z to get back on the track. And you're here two years later and you haven't done anything that's been productive in terms of getting money into this organization.

So I'm not going to support this. And I hope that the County Executive vetoes it and I hope that the Legislature sustains the veto. Because that would be the responsible and appropriate thing to do

under the circumstances particularly when no one's going in there to padlock your place. This bill is simply going to be outstanding.

**CHAIRPERSON NOWICK:**

Okay. We have a motion and a second. Legislator Stern.

**LEG. STERN:**

Yeah, thank you, Madam Chair. Many of the same concerns I share with Legislator Montano as I did last time. Many of the same suggestions that Legislator Barraga brings up I agree with as I did last time.

My question, I guess, to both of you and maybe to Carol as well is, one of the suggestions that came about, you know, during the course of our discussion last time was whether or not we can come up with a reasonable payment plan going forward. You know, as a supporter of the Vanderbilt, I understand very well what we are trying to do here and what we've been trying to do for the past couple of years. And I certainly don't want to see a situation where all of the good that we're trying to do for an important institution doesn't result in something favorable going forward.

So I had asked the question last time whether or not we could come up with a payment plan going forward. I had asked the administration to come back to us in the next meeting with some type of a plan. But now what I'm hearing is that you have not come back to us with a plan. You are, in fact, suggesting that we come up with a plan to go forward if there is to be a payment plan.

**MS. BAFFA:**

No, I didn't mean that. I just -- in the past they always paid in increments and that was okay. We just kind of kept a running total for what the annual premium was.

**LEG. STERN:**

I guess my question is what, if any, plan does the administration have for periodic payments going forward if there is no such waiver?

**MS. BAFFA:**

We can work with the Vanderbilt on whatever they can afford and work with them in their budget.

**LEG. STERN:**

All right. But that discussion hasn't been had yet and there's certainly no proposal from the administration today.

**MS. BAFFA:**

No.

**LEG. STERN:**

Okay. Well, I would go back then, Madam Chair, to really reiterate what I had said last time. And that is I think we all have a responsibility not to do something here that is going to put the Vanderbilt in any more peril than they already face. But at the same time, you know, we ask and quite frankly demand fiscal responsibility of ourselves and our institutions. And I think it's the Vanderbilt's responsibility working with the administration to come back to us with a reasonable proposal going forward so that we hold the Vanderbilt responsible for their obligations, that we don't waive that obligation, but we come up with something that's going to be workable going forward.

**LEG. MONTANO:**

Do you want to table it?

**LEG. STERN:**

I would make the motion to table.

**LEG. MONTANO:**

I would second the motion. And on the motion, if I may, Madam Chair? This doesn't put you in any worse position than you're in today because there's no action going to be taken. So by tabling this, it doesn't affect your fiscal situation in any way shape or form because it still remains as an account payable. But you need to, you know, you need to get together with Risk Management and you need to analyze your fiscal situation and you need to come back here with realistic and concrete proposals so that then we can say honestly whether or not we're going to support you.

Because I'll keep an open mind if you can get your act together. And I don't mean you personally, I'm sorry that it came out that way, I apologize and retract that. What I mean is the Vanderbilt. I know you have a tough job and you came into a tough situation so I don't hold you responsible personally, you know, as a Legislator; but when I say you, I mean the Vanderbilt and the Board of Trustees and the administration. And I apologize for my harsh tone on that, but I'm very adamant on this.

**CHAIRPERSON NOWICK:**

All right. We have a motion and a second to table. All in favor? Opposed? **1105 is tabled. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE).**

**INTRODUCTORY RESOLUTIONS**

**1224, appointing Richard Hollborn as a member of the Suffolk County Board of Trustees of Parks, Recreation and Conservation. (Lindsay) Mr. Hollborn.**

**MR. HOLLBORN:**

Good afternoon. The name's Rich Hollborn. I was requested to appear here.

**CHAIRPERSON NOWICK:**

Could you just -- I'm sorry, go ahead.

**MR. HOLLBORN:**

Good afternoon. My name is Rich Hollborn. I was requested to appear here before the Suffolk County Park Committee in reference to a vacancy that was left by John Fritz representing the Town of Babylon as the Parks Trustee.

**CHAIRPERSON NOWICK:**

And does anybody have any questions for Mr. Hollborn who wants to offer his time to the County?

**P.O. LINDSAY:**

First of all, I want to thank you for coming forward and volunteering your time to serve our Parks Department. It's much appreciated here. Maybe you could tell us a little bit about your background, Mr. Hollborn.

**MR. HOLLBORN:**

Yes. I have been a lifelong resident of the Town of Babylon for 60 years. Grew up in Copiague and then moved to Lindenhurst. Lived in Lindenhurst for the last 35 years. Started with the Parks Department April 6 of 1970 and completed my service in 2008 of July, 38 years of service. I think I bring the experience and the background and the knowledge, you know, of the Parks Department. And also, you know, the -- looking to represent the Town of Babylon.

**P.O. LINDSAY:**

So we wouldn't have to give you a map to show you where the parks are?

**MR. HOLLBORN:**

No, I don't think so.

**P.O. LINDSAY:**

I don't have any other questions.

**CHAIRPERSON NOWICK:**

Okay. I will make a motion, second by Legislator Horsley. All in favor? Opposed? Okay. **1224 has been approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)** Thank you. And thank you for offering your time to the County.

**MR. HOLLBORN:**

Thank you.

**CHAIRPERSON NOWICK:**

I am going to make a motion to take 1277 out of order. Do I have a second? Legislator Horsley will second that motion. All in favor? Opposed? 1277 is in front of us.

**1277, appointing member to the Suffolk County Board of Trustees of Parks, Recreation and Conservation (William B. Sickles) (Lindsay)** Mr. Sickles, if you could just give us a little bit of an idea of your background, please.

**MR. SICKLES:**

Good afternoon. My name is William Sickles. I'm a lifelong resident of the Town of Southampton. And I was an employee of the Suffolk County Department of Parks from June of 1967 up until July of 2008. Started first as a seasonal and became full-time and I retired as the Senior Superintendant of Parks in charge of operations.

In my role in the Town of Southampton and working with the Parks Department, I worked with the Town Planning Department, the Parks Department and various sundry groups such as the Southampton Town Trails Preservation Society, Friends for the Long Pond Greenbelt, the Nature Conservancy, the Group for the East End, formerly the Group for the South Fork and other local organizations.

So I believe with my past experience in the Parks Department and my experience in the Town of Southampton, I could serve well representing the Town as the Trustee. Thank you.

**CHAIRPERSON NOWICK:**

Sounds like you're a Tier 1, too. I do not have any questions. You sound just very qualified.

**P.O. LINDSAY:**

Just a comment, Madam Chair.

**CHAIRPERSON NOWICK:**

Legislator Lindsay.

**P.O. LINDSAY:**

Mr. Sickles had -- has been the heart and soul of our Parks Department for literally generations. And everybody was sad to see him retire because we certainly miss his services. And I think the Commissioner will validate that. But I'm so happy to see him come back as a volunteer to serve our parks again. Thank you very much, Mr. Sickles.

**MR. SICKLES:**

Thank you all.

**CHAIRPERSON NOWICK:**

Thank you. Do we have a motion on this yet? I'll make a motion, second by Legislator Horsley. All in favor? Opposed? **1277 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)** Thank you, Mr. Sickles. Okay.

**1236, authorizing use of Smith Point County Park property by Mastic Beach Fire Department, Inc., for Public-Safety Services Fund Drive. (Browning)** Motion by Legislator Barraga, second by Legislator Montano. All in favor? Opposed?

**P.O. LINDSAY:**

Question. Just a question to the Commissioner. They are -- we're not waiving park fees or anything here. They're paying the fees, right?

**COMMISSIONER PAVACIC:**

That's correct.

**P.O. LINDSAY:**

Okay.

**COMMISSIONER PAVACIC:**

And this is a continuation of a program that's been in existence for at least the last ten years.

**CHAIRPERSON NOWICK:**

We have a motion and a second. All in favor? Opposed? **1236 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)**

**1239, amending the 2010 Capital Budget and Program and appropriating funds in connection with all aspects of engineering, assessment and oversight for beach erosion and coastline protection (CP 5380) (Co. Exec. Levy)** Do I have a motion?

**LEG. STERN:**

Sure.

**CHAIRPERSON NOWICK:**

Motion by Legislator Stern, second by Legislator Horsley.

**LEG. STERN:**

Quick question.

**CHAIRPERSON NOWICK:**

On the motion.

**LEG. STERN:**

On the motion, thank you, Madam Chair. You know, we're looking at -- on a project we're looking at expenditure. I guess my question for the Commissioner is how is it doing now? And with this appropriation and what was originally planned, is that even appropriate for what might be going on now?

**COMMISSIONER PAVACIC:**

Yes, it's very much appropriate. We've had extensive meetings with FEMA and SEMO. FEMA has already prepared preliminary project work plans to provide the County funding for Smith Point, Meschutt Beach in Hampton Bays as well as Shinnecock East. All those facilities, particularly Smith Point, experienced severe damage in November of 2009 from a Nor'easter. We had previously nourished the beach about a year ago, in fact, with replenishment due to storm damage that was incurred in April of 2007. With this past weekend's storm there has been additional erosion at Smith Point and Meschutt Beaches.

What this will do is provide money that we need right now to provide the County's consulting engineers the ability to go forward and start creating plans, doing design work, doing -- starting the environmental assessments for these beach nourishment projects that will be ongoing at a later

point.

**CHAIRPERSON NOWICK:**

I have a motion and second. All in favor? Opposed? **1239 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)**

**1240, authorizing an agreement with the Suffolk County Parks Foundation, Inc. (Co. Exec. Levy)** I'll make a motion.

**LEG. BARRAGA:**

Second.

**CHAIRPERSON NOWICK:**

Second by Legislator Barraga. All in favor? Opposed? **1240 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)**

**1253, appropriating funds in connection with the removal of toxic and hazardous materials in County Parks (CP 7185) (Co. Exec. Levy)**

**LEG. MONTANO:**

Motion.

**CHAIRPERSON NOWICK:**

Motion by Legislator Montano, second by Legislator Barraga. All in favor? Opposed? **1253 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)**

**1254, appropriating funds in connection with fencing and surveying for County Parks (CP 7007) (Co. Exec. Levy)** I'll make a motion, second by Legislator Horsley. All in favor?

**LEG. MONTANO:**

Quick question.

**CHAIRPERSON NOWICK:**

Yes.

**LEG. MONTANO:**

Just to BRO, these are in the Capital Budget, we're just appropriating these monies.

**MR. REINHEIMER:**

That's correct.

**LEG. MONTANO:**

Gotcha. Just want to be clear.

**CHAIRPERSON NOWICK:**

Okay. All in favor? Opposed? **1254 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)**

**1255, appropriating funds in connection with reconstruction of spillways in County Parks (CP 7099) (Co. Exec. Levy)** Same motion, same second. All in favor? Opposed? **1255 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)**

**1256, appropriating funds in connection with improvements to County marinas Shinnecock and Timber Point (CP 7109) (Co. Exec. Levy)** Same motion, same second. All in favor? Opposed? **1256 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)**

**1264, appropriating funds in connection with Energy Savings and Parks Compliance Plan (CP 7188) (Co. Exec. Levy) Same motion, same second. 1264 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)** We did 1277.

**1289, approving a license agreement for Shannon Barr to reside at unit 109 at Southaven County Park, Brookhaven. (Co. Exec. Levy)** And, Commissioner, that's all said and --

**COMMISSIONER PAVACIC:**

That's correct.

**CHAIRPERSON NOWICK:**

Okay.

**COMMISSIONER PAVACIC:**

This is in accordance with the rental committee's recommendations. The rent that will be charged to Ms. Barr is as per the -- you'll see that in the exhibit attached to the resolution.

**CHAIRPERSON NOWICK:**

And that's great. And that's great to have some of these residences with somebody in there and it protects us as well. 1289, I'll make a motion, second by Legislator Stern. All in favor? Opposed? **1289 is approved. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)**

**1298, adopting Local Law No. -2010, A Local Law to change the composition of the Vanderbilt Museum Board of Trustees. (Lindsay)** That has to go for public hearing. Motion to table for public hearing, second by Legislator Horsley. All in favor? Opposed? **1298 is tabled. (VOTE: 6-0. PRESIDING OFFICER INCLUDED IN VOTE)**

Okay. We have a procedural motion. We do have a presentation today. Well, time is getting short, but we do have a presentation. PFM Asset Management.

I'm sorry to have kept you. And unfortunately we do have Economic Development at two o'clock so I hate to do this to you.

## **PRESENTATION**

**MR. STEPHAN:**

Thank you for your time everyone. I'll be sensitive.

**MR. REINHEIMER:**

We have a representative from PFM Management Asset -- Asset Management Company, Brad Stephan. And we went through an extensive RFP process. We went through expressions for an RFP and then we went through an RFP process and made a selection. There's a procedural motion on the table to appoint PFM Asset managers to the -- manage the assets of the Vanderbilt Museum endowment trust fund, which is approximately \$8.7 million at this point.

The original corpus of the fund was 8.2 so there's about \$450,000 above the original corpus. And it's still -- the endowment's still being managed by the prior asset manager. And PFM will kind of give us a brief overview of their background. And they've also prepared a PowerPoint presentation to give you an idea of how the fund can be managed using conservative, balanced or aggressive approaches to the balancing of the fund. It's up to the Legislature to construct and adopt an asset management objective, asset management plan, which the asset manager would then manage the fund under.

**MR. STEPHAN:**

Thank you everyone. I'll be sensitive to your time given today's meeting. I'd like to introduce myself. My name is Brad Stephan from PFM Asset Management. And we've been working in

conjunction with the Budget Review Office recently to get a better understanding of the endowment that supports the Vanderbilt and offer some potential investment strategies that might assist in growing the corpus over time to a level where sustaining some component of the Operating Budget is a little bit more comfortable as I would say.

So I'll go through some presentation slides here. I'll be very brief about our firm. You can follow along on the PowerPoint or there's books in front of you as well that would be in parallel.

Just a quick comment on PFM as an organization, our single objective is to work with public and not-for-profit institutions in a variety of capacities. The first capacity, which you're reviewing today is PFM Advisors. We serve as an advisor and a consultant to endowments and public institutions like yourself. We do so for about \$10 billion in total assets under advisement.

We have some other components, too. A financial advisory group that serves as an intermediary or an independent financial advisor to institutions who are accessing the capital markets through debt issuance or other vehicles. And then two other components: An asset management arm and a strategic consulting arm. But, again, a singular focus on serving public and not-for-profit institutions.

A few comments on the PFM advisors group, like I said, 10 billion in assets under advisement. Our client base is a mix of different types of funds and different clients. We do everything from define contribution plans to hospitals and public institutions, counties, foundations, universities. And we've been doing so for about 19 years.

So we've been in business for a fairly long time. I think the, you know, the discussion here today is how we can serve the Vanderbilt endowment and help you grow over time. You know, essentially PFM is getting in between the endowment and all the duties that are so critical to growing assets, which you see on the screen is a composition of those duties; everything from, you know, helping set a policy allocation to implementing reporting on a quarterly basis or custody of the assets. So we will serve as an advisor across these different areas to you.

And a little bit about how we come to decisions. Our process with working with clients is very committee driven. We have a research team, an investment committee with different types of backgrounds. We have four CFA's, five MBA's. We have a former CIO on our staff. And everything we do on behalf of our clients is driven by this committee and the research teams that support it. These names won't mean a whole lot to you, but I can tell you there are a variety of different backgrounds, there are portfolio managers. So a broad group of experience.

We meet as a committee twice a month to look at the markets and make decisions on behalf of our clients. That's been fruitful in the type of environment we've had over the past two years, where flexibility in your decisions has really proven fruitful over the past time period.

So I'll spend a few minutes on the analysis we conducted on behalf of the endowment for the Vanderbilt. What you're looking at here are some capital market assumptions that we make on an annual basis. Sort of a forecast for the next five to ten years for some of the broad segments of the market. Everything from large cap domestic equity to fixed income.

But I think this is important for you to review because the first three columns are looking at historical returns going back to 1972. So you have a minimum and a maximum; as you would expect equities have very poor years. Their long-term average return, for instance, for large cap equity was 9.9%. And you could look at all the other columns from 12% all the way down to 8% for fixed income.

What's important to you as you look at the PFM advisor's projections, they're significantly lower than what we have seen historically and that's for a couple of reasons. But as we build an asset allocation for the endowment, it's important to rely on what we see going forward and not

necessarily what's occurred since the 1970's.

So we'll review quickly three portfolios for you to digest. We chose three specific directions here. The conservative portfolio would be 30% equities and 70% fixed income. The balance portfolio would be a 50/50 split between stocks and bonds. And the aggressive portfolio would be a 70/30 equity fixed income mix. And you'll see some real estate and some commodities in there also. Those we view as important tools for a potential inflation protection if that type environment does occur. But, you know, thinking about this strategically, the endowment is around 9 million today. It's a very critical period to build a corpus. After what we have called the last decade, over the last decade, over the last ten years, literally the S&P 500 has had a zero percent return over the last ten years. And when you count on eight to ten percent that could really disrupt some other things.

But the way we think about this, you know, the goal of the Vanderbilt endowment is to build the corpus over the next five years to sustain spending. Once the hotel/motor tax is eliminated after five years, you know, the distribution requirement will be a little bit larger so we need to build a corpus to accommodate that. And these three portfolios will show you how different investment strategies will react to changing market environments.

If you look at page 14, a lot of detail in here. But basically what we're choosing, and if you know your finance classes, the efficient frontier is where you want to be from a portfolio management standpoint. We're looking at these three different options. Everything on the top right is the individual asset classes that one would invest in. And really it's about combining these asset classes in the most appropriate way to manage the risk within this portfolio and to properly build return on more consistent basis.

Some of the assumptions that we use, this is very important to us, years one through five the cash flows coming out of the endowment are expected to be \$300,000 per year. This is, you know, a byproduct of the hotel/motel tax. And what we look at 300,000 out of about 9 million is around a three-and-a-half percent spending policy. So a very manageable number. So when we invest a portfolio, they'll be some room to grow that corpus over the five year period; by how much is the question. And the thing you don't want to do is take on a portfolio, let's say, next year or two years from now there's another poor market scenario, we want to guard against that, too. So setting the right allocation is pretty crucial.

Year six, we've assumed \$1 million outflows at that period of time. That will be a significant percentage of the endowment. So our goal is to build a corpus to a level somewhere around 13 or 14 million and then one -- or 1 million becomes a very manageable percent to spend to support the operations and the budget.

Looking at page 16 of your presentation, this is historical data. I will not go through all of this data; however, when you look at these three portfolios, this is a period from 1972 to 2009, the geometric mean is a return that was produced historically over this time period. The conservative produced about 9.1% all the way up to 10.4% for the aggressive. So you can understand that the more equities you had over this 20 some year time period the better you did.

What I will caution, if you look down to the five-year period in this presentation, I think is very important. The third row within the five-year period, number of negative periods, and this would basically tell you whether any five-year returns that were negative for these portfolios, there were none for conservative, there were none for balanced, but there were for aggressive.

So when you look at aggressive type of portfolios, you know, the return looks higher over a very long period of time. But in the short and immediate term, poor market conditions can place additional stress on the asset values. And I think that's something very sensitive with the status of the endowment and the Vanderbilt today. So we want to definitely think about that as we go forward.

And this is a projection. You'll notice that instead of returns at the top, you'll see 8.7 million, which is where we started the level of the endowment. And the projected returns for each portfolio are listed slightly below that. The conservative would produce about 7%. The balanced 7.9% and the aggressive 8.7%. So you get a sense for, you know, about 90 basis points or .9% as you go from a 30/70 all the way up to a 70/30.

And you if you look down to the five-year horizon, I think what you'll see and what you want to focus on is that projected account value for the 50th percentile. So this would be kind of the expected growth of assets. And this takes into account the spending that would come out of the endowment. So 300,000 over years one through five. And you'll notice we move from 8.7 million up to about 10.8 in the balanced and even a little bit higher in the aggressive. So that's very good news with these projections. And that's kind of the direction we want to head.

If you scale down to the ten-year portion, you'll notice that same row, the 50th percentile comes back down to whether it be 8.3 million or 9.4 or 10.5 for the aggressive. So somewhere around year six is the very critical tipping point where those higher distributions from the endowment will come in. It's necessary over the next five years to have an investment strategy that will appropriately build the corpus without putting too much risk into the portfolio.

If you look at page 19, I'll skip ahead a few bullet points here. But what's important to note about this chart, you're looking at some bar charts here. And this is representative of a range of expected outcomes over a five-year period. What we're looking at as being most comfortable for the endowment is the balanced portfolio, which is representative of a very good risk profile and risk tolerance. But over a five-year period we move from 8.7 million to 10.8 million in the endowment and expected scenarios.

And really this is the last comment I want to make with regards to the potential investment strategy. What you see here is really the path of asset growth over this ten-year period. And what this represents, this is the balanced portfolio. And there's a couple of directions this could take. The blue line in the middle is if we have a very normal ten-year period. What you'll see is the assets grow up to a little over ten million. And then as distributions become larger in year six, there'll be a little bit of a decline in the asset value over time.

The greenish/brownish line at the bottom, is -- let's say from here on in we have another poor market condition for the next ten years, equities don't meet their expected returns, you can see that would be a very tight scenario for the endowment. Starting around 8.7 million in year ten, the distributions as they go to 1 million would place a lot of distress on the endowment.

The good news is the red line. If markets are better over the next ten years than we're projecting in here, which is a distinct possibility, most decades where there's been a poor equity market, the following decade has been very good. It's sort of a regression to the mean. And you can see with that red line over the five-year period it grossed almost 13 million. And by the time year six hits, the distributions of the million dollars are not declining the value of the endowment. So this strategy makes a lot of sense to us because it doesn't impose too much risk. The aggressive portfolio would have a lot of risk in it if there was another poor market condition. But this presents a very good risk return profile to grow the endowment, support the short-term distributions and the long-term goals of the Vanderbilt.

And, folks, my final comment before I open it up to your questions, this is how it would be invested today. We've done a hypothetical portfolio of a 50/50 or balanced mix at an asset level of 8.7 million. This is something that you can access on a daily basis and our investment committee oversees this on a continuous basis as well.

**CHAIRPERSON NOWICK:**

Okay. Legislator Stern, you have questions.

**LEG. MONTANO:**

Very quickly if you don't mind?

**LEG. STERN:**

No.

**LEG. MONTANO:**

Thank you for the presentation. I don't want to bore my colleagues, but I went to law school in Philadelphia and practiced law there so it's a great city. I used to live on 20th and Green.

But I'll get to the point. Your projected fee schedule is 40% out of the first 5 million. Is that --

**MR. STEPHAN:**

Forty basis points. So it'd be .4%.

**LEG. MONTANO:**

Point four percent. Not 40%.

**MR. STEPHAN:**

Point four. No, .4.

**LEG. MONTANO:**

Those are standard figures?

**MR. STEPHAN:**

Yeah, those are figures that we have, you know, this is a fee schedule. It's based on assets under management and it's, you know, standard as far as --

**LEG. MONTANO:**

They're standard in the industry.

**MR. STEPHAN:**

Yes. Oh, yes. And we feel they're actually a little bit more reasonable than many other options.

**LEG. MONTANO:**

Okay. That's all. Thank you very much.

**CHAIRPERSON NOWICK:**

Legislator Stern.

**LEG. STERN:**

Thank you, Madam Chair, and thank you for being with us today.

First of all, you know, before we get into some of the numbers, maybe you could tell us a little more about your company, who's involved, where you're located. My understanding is that you're located in Philadelphia; is that correct?

**MR. STEPHAN:**

That's correct. My group, PFM Advisors, is based in Philadelphia. PFM as a group is a very national organization. We have about 400 employees across our company. The company is owned by 55 of those employees as partners in the firm. So it's an employee owned firm. We have offices in New York City. We have regional offices. There's 34 of them around the country. My group is based out of Philadelphia and my group is headed by a gentleman by the name of John Spagnola. He's a former Philadelphia Eagle, if you will. And he went to school at Yale. When he was done playing football in the NFL, he started a firm called Spagnola-Cosack, which was an independent investment

advisory firm. That firm was acquired by PFM in 2003. And that's really the genesis of where we got our start. And we have an office on Long Island as well.

**LEG. STERN:**

Where is that?

**MR. STEPHAN:**

I have not been to it.

**LEG. STERN:**

Okay.

**MR. STEPHAN:**

I don't have the address. But that's certainly a good follow-up item.

**LEG. STERN:**

Maybe you could share with us what you or members of the company, what your understanding is of the Vanderbilt, the current situation, some of the challenges. Because I think that, you know, the consideration right now and the decision that we have to make goes well beyond asset allocation and, you know, speculative growth in the future. This is a -- look, every situation is unique, but the Vanderbilt is a very unique and special situation for us. Maybe you can share with us what your understanding of the situation is.

**MR. STEPHAN:**

Yes, absolutely. And it was also helpful for me to be here today and listen to some of the discussion with regards to the financial situation. We've learned a lot of it from the Budget Review Office over the last month or so. And, you know, when it comes down to it, there's many non-profit organizations out in the industry. Some rely on their endowment more than others to support an Operating Budget.

I would think the Vanderbilt based on our discussions relies very heavily on that. So this is not an exercise exclusively about achieving a 10% return and whatever the longtime horizon suggests is appropriate risk tolerance. That is not the exercise here. You know, I think common thinking would say, let's come in and, you know, allocate a 70/30 portfolio because we need to get assets. But truth be told, if there are poor financial markets, and I've heard that comment today already, a poor stock market will place more than just a poor return as far as stress goes on the endowment. But the Operating Budget will lose something they expected.

And that is really the crux of, I think, this situation. It's understanding that there is an organization in a period of distress and they have a lifeline that is partially funded by the endowment. And our job is to create an investment strategy that recognizes that short-term risk while the need to grow assets over the long-term and support the Operating Budget.

**LEG. STERN:**

The additional concern that we have over and above just growing the assets is that we can't lose them either. And not just for obvious reasons, but we at the Vanderbilt have a legal requirement floor that we cannot go below. I was wondering to what extent that was part of your, you know, your considerations here.

**MR. STEPHAN:**

Yeah, that was definitely part of the corpus discussion. Once you go under water, there are significant implications. We have looked for many of our clients of strategies where once you reach a certain threshold in terms of an asset value, a lot of peoples' reaction and legislation for foundations out there used to suggest the same thing, once a foundation or endowment went under water, there will be significant repercussions in terms of being able to spend. That legislation led by the Council on Foundations has recently changed. There's been a motion made to look at it in a

total return concept.  
So that's the general answer to your question.

I think more specifically the danger here is if you go with a very conservative route, I mean, I view the aggressive portfolio is kind of rolling the dice. *We have 9 million, let's kind of see what we can get out of the markets.* I think that's very risky. I think just as risky is pulling your assets off the table and going to cash or short-term security, short-term bonds. Will you have limited negative returns over the next couple of years? Yes. But as you get out into years five, six, seven, eight, nine, ten, the million dollar distribution eats away very, very quickly at that corpus if you act conservatively.

So that is really important to us not only to look at the short-term repercussions, but what is going to happen over the intermediate to long-term cycle as well.

**LEG. STERN:**

Well, I was looking at some of the materials that you had submitted. Maybe you could talk a little bit about the number of assets that you have under management, Maybe some of the numbers and amounts under management in different areas of your business. And can you also speak to maybe the difference between what you're defining here as investment consulting services as opposed to discretionary management services.

**MR. STEPHAN:**

I'll answer the second question first. The difference between investment consulting services and discretionary management is the level of delegation that a client is willing to give to an investment manager. So there are some clients who have boards that meet very frequently on a monthly or bimonthly basis and they wish to stay very active in selecting managers and securities and other items that might be of interest.

That would fall under an investment consulting relationship where PFM would make a recommendation to a group and that group would deliberate it and accept or deny it. The idea of discretionary management came from our clients a little over three-and-a-half years ago where, you know, clients trust PFM to make decisions. The markets the way they move nowadays you have to be a little bit more flexible than a quarterly meeting schedule to manage risk and to get the opportunities that are out there. So our clients -- and we built a program around that notion to work with clients to set policy issues, to set asset allocation. And then the details, the blocking and the tackling is left to PFM. We communicate with you on the changes that are being made at those levels. But we do not come and ask for permission. We do ask for delegation upfront.

Question about our types of clients. You know, we work with a lot of different types. We have about 25 endowment foundation clients. That would represent about 4 billion of the 10 billion. All different types and sizes: Health foundations, higher education, private foundations, operating charities. So it's a good mix in the not-for-profit space. We work with hospitals as well, which are a very unique situation because they have to find benefit plans, they have operating capital and a number of other different issues. And then a large portion of our business is to find benefit plans for municipalities, counties and other public institutions.

**LEG. STERN:**

Before I picked up on a number -- a term of years you had mentioned, 19 years -- 19 years in the business. Could you just go back to that 19 year period and specifically what type of services you've been offering over those 19 years?

**MR. STEPHAN:**

The 19 years of providing advice is very specific to PFM Advisors. PFM as a group has been in business since the 1970's. These 19 years started with Mr. Spagnola when he incepted his firm called Spagnola-Cosack. And that group began to operate providing only independent advice to similar institutions as yourself for a period up until 2003.

At that time the organization was acquired by PFM. And Spagnola-Cosack was a part of PFM providing the same services to clients. So the core of his business did not change, but we've been offering these same services. The only revenue we derive is from these independent investment consulting services.

**LEG. STERN:**

The reason I ask is because I'm looking at a letter here. This is a October letter, I guess, this was at the start of this process. And it talks about your discretionary asset management services having been started in June of 2006, which is a much shorter period of time. Maybe you can talk about that.

**MR. STEPHAN:**

That is correct. This program when our clients came to us with really the need to delegate decisions was about three-and-a-half, four years ago. And it sort of launches that type of service was -- at that time period that you stated. For us, the duties that we perform are no different between those two investment consulting and discretionary management practices. It is just the execution is done in a more quicker basis by PFM. What is removed is going back to the client and asking for permission.

So we've been doing that for three-and-a-half-years. We have a track record in the appendix of book. But really these duties are the same as we've been providing for 19.

**LEG. STERN:**

I mean, when we talk about 60/40 allocation, even 50/50 allocation based on what our challenges are, 60/40 you can certainly say is not appropriate, even 50/50 may not be appropriate. You might center somewhere else on that asset allocation. Let me ask you this, PFM multi-asset class 30/70 composite, here that's broken down, benchmark 30/70, S&P 500, Barclays capital aggregate.

In your materials that you had submitted, you're talking about average annual total returns. It looks like this seeks to show one, three, five and ten year performance of these various asset mixes. Here's my -- my question is this: In what appears at first glance to be something that might be appropriate or more appropriate for the Vanderbilt than some of your other class mixes, it looks like the -- the returns here are only shown from 2009. My question is for something that might be appropriate for us, how long of a track record do you have in working with that asset allocation mix? Because I'm only seeing here, this is a composite now, but a composite that begins in the first quarter of '09.

**MR. STEPHAN:**

That is not the material on this presentation. I'm assuming that's from a prior communication? My interpretation is a -- so I guess for that communication we've --

**LEG. STERN:**

Do you want to see?

**MR. STEPHAN:**

Well, I believe you, I believe you. But we do have a longer track record and we'd be happy to share that with you. My apologizes if the composite only began in 2009. We can share -- and on the screen here is some composite information from the discretionary program. We'd also be willing to share actual client performance if that's of interest with something similar to an allocation of interest to Vanderbilt. But clearly over this time period we worked very hard not only to look at the right allocations, but in these composites we have worked very hard to out perform the index we're measured against as well.

**LEG. STERN:**

Which obviously is an important consideration. But when we were talking a moment ago, you know,

when you're looking at projections, when you're looking at, you know, how would various class mixes perform over one year period, three, five, ten, whatever it is, you know, we can all speculate all day long. We can be very wishful as well. But ultimately these decisions go to past performance and a track record. And so when I see here that something that looks pretty close to the kinds of things that we would be considering, and I see a track record only dating back to the first quarter of 2009, I am concerned about that lack of track record to be able to consider.

**MR. STEPHAN:**

And let me assure you, Legislator Stern, we have a track record we can share with you that goes much longer than that. My apologies if that specific communication has shown a shorter track record. But we certainly have examples across allocations and across clients we'd be willing to share with you.

**LEG. STERN:**

Are those -- would those be audited reports?

**MR. STEPHAN:**

Yes, we have GIPS compliant composite performance for a variety of allocations. And that is in adherence to the standards of the CFA Institute.

**LEG. STERN:**

So you'd be able to share audited reports with us?

**MR. STEPHAN:**

Yes.

**LEG. STERN:**

Maybe you can also talk a little bit about, I'm sure some of the issues that are on all of our minds, and for those that have experience with these issues, and many of us don't, you know, we see what happens when things get out of hand, when there is lack of oversight, when there is lack of responsibility, when you have various managers who basically are outsourcing a lot of these decisions that are made. Maybe you could talk about how decisions are made, and who's responsible for making those decisions, whether or not decisions are outsourced? Do you operate with open architecture? What are the various fee agreements going back and forth? Maybe you can take us through how those decisions are made and how ultimately we can be assured that the person sitting in front of us is the person who's making those decisions.

**MR. STEPHAN:**

And I will assure you that it will just not be me making the decisions. There's a number of decisions on a variety of levels. Let me start from the top. Our investment committee at PFM, which is about 13 members strong, is responsible for the oversight and the direction of client portfolios. So it's a group committee driven process that looks out at the markets and, you know, looks to implement different themes that they're seeing. You know, for instance now we're looking at the potential for inflation. Inflation is very -- been very destructive to stocks and bonds historically and how can we help our clients avoid those types of scenarios. So that's one example.

But the investment committee drives allocation through a balancing of portfolios. For instance, in 2008 we chose to underweight equities within clients' investment policy statement targets and ranges. So those are types of decisions being made by that committee.

The committee will also make manager decisions in conjunction with our research team; you're right, as an open architecture agreement. We're looking at, you know, literally 15,000 managers out in the universe. We receive no fees from managers. There is no in-between. We're completely independent.

At that point we do use to execute and implement an asset allocation specialist third party

investment manager so you will see a variety of managers used in the program. And those can be overseen on a daily basis and they're weighted appropriately. We use a mixture of index funds, which are passive investments. They look to replicate an index. And we use a portion of the portfolio and active manager. So we're constantly overseeing the components of this portfolio and making changes as we see fit. I'll direct you to page 26 of the presentation as an example of some of the things that the investment committee has done in 2009 and before.

Legislator Stern's comments were taken well. This is historical performance. And the decisions that went into them, do not believe this is a replication into the future. But the committee is looking for different abnormalities and opportunities in the market and managing risk on a very active measure for client portfolios.

**CHAIRPERSON NOWICK:**

Okay. Yes.

**P.O. LINDSAY:**

I was involved in the RFP process here, but I certainly didn't lead the train. Budget Review did. Maybe you could describe to the Committee, maybe you've done that while I was out of the room, of the process at times the search was long and frustrating because we put out the RFP a couple of times or certainly went back and asked for clarifications because it wasn't coming back the way we wanted it to. So, Lance, if you could go through a description of what we went through to get to this point. All right.

**MR. REINHEIMER:**

Right. We were directed last April by this Committee to start an RFP process. We started with Expressions for Interest -- Expressions of Interest. We had a number of responses to that. The formal committee, RFP committee, reduced -- some respondents didn't comply with County regulations and they were eliminated. Others when they were reviewed for the Expressions of Interest didn't seem to fit the needs of the Vanderbilt. So it was paired down to, I think, seven respondents were sent an RFP.

So the procedure for Expressions of Interest, only those firms that responded to the Expressions of Interest were on the list for an RFP. So the RFP was sent to the seven respondents. The RFP committee met after reviewing the responses. We did have -- we did need some clarification from a couple of them on their fee structure. We asked for all of them to submit a clarified fee schedule so that we could compare them on a like basis. And then we met and reviewed the RFP's again along with the fee structure.

I want to make clear, too, because local preference, there is an office here. I believe it's in Nassau County. I don't remember the address. But even though the firm is home based in Philadelphia, they do have a satellite office here on Long Island and I believe it's Nassau County.

And then the RFP committee selected PFM as the best response to the RFP based on cost and looking at their -- how they compared historically to the indexes. And -- yeah, and they were sent the award letter in January and here we are today.

And we felt, too, that it's important that this selection -- procedural motion goes through Committee so that there is transparency and the Committee has a chance to meet the asset manager and learn a little bit about the firm.

**P.O. LINDSAY:**

And the funds are at currently still with Bank of America?

**MR. REINHEIMER:**

That's correct. They're still with Bank of America.

**P.O. LINDSAY:**

Are they still in a cash position or are they starting to invest now?

**MR. REINHEIMER:**

Currently 83% of the assets are in fixed securities, bonds. And the remainder is cash or cash equivalence.

**P.O. LINDSAY:**

And just to remind the Committee, you know, what happened was last year from September to December of 2008, we were in our normal investment mode that wasn't certainly an aggressive portfolio. It was probably, what would you say, Lance, somewhere in the middle?

**MR. REINHEIMER:**

That's correct. It was a balanced portfolio approximately 50/50.

**P.O. LINDSAY:**

And we took a tremendous beating. And in December of '08 we had an emergency where we pulled the money and converted it to cash because it was losing value at a horrific rate. And I guess somewhere's around mid-'09 we instructed Bank of America to start investing very conservatively and start to get out of cash a little bit. But it's time to take the next step and get back in the market because we have to replenish the endowment or the place is going to go under because there isn't the will or the money here to keep bailing out the institution.

**CHAIRPERSON NOWICK:**

Okay. We have a procedural motion. **Procedural Motion .05 - To retain PFM Asset Management LLC. (P.O. Lindsay)** What's your pleasure from the Committee? We're going to bear with you. Okay. I have a motion to discharge without recommendation by Legislator Montano.

**LEG. MONTANO:**

This way we can, you know, answer some --

**CHAIRPERSON NOWICK:**

Second by Legislator Horsley. All in favor?

**LEG. STERN:**

Just on the motion.

**CHAIRPERSON NOWICK:**

On the motion.

**LEG. STERN:**

I have several other questions that I think are important. I think they're important questions. I would support the discharge without recommendation if there would be more opportunity to ask these questions either in another meeting with our BRO and the representative here today or somebody else from the company prior to our meeting.

**LEG. MONTANO:**

Oh, I agree. I mean, that would be the idea to give you an opportunity to, you know, get all the information. We can discuss it. And if it needs to be tabled on Tuesday I have no objection to that.

**CHAIRPERSON NOWICK:**

Can we come up with a time where you can meet? You probably would be coming out on Tuesday anyway. You have to come from Philadelphia, I assume.

**MR. STEPHAN:**

Whenever the group is willing to meet, we'd be happy to do so.

**CHAIRPERSON NOWICK:**

All right. Let me --

**P.O. LINDSAY:**

I have a meeting before the meeting.

**LEG. MONTANO:**

They don't need to meet with me. They can -- then I'm going to yield to Legislator Stern and let him take the lead on this.

**P.O. LINDSAY:**

I would suggest after the meeting.

**LEG. MONTANO:**

Why don't you two guys talk. Right.

**P.O. LINDSAY:**

Let Legislator Stern meet with Budget Review to setup something between now and Tuesday.

**CHAIRPERSON NOWICK:**

I'm going to let you set that up, Legislator Stern, so you can get your answers. Okay.

Okay. This meeting I'm going to make a motion to adjourn this meeting. Oh, wait. I'm getting carried away. Okay. I have a motion and a second. All in favor? Opposed? **PM.05 is discharged without recommendation. (VOTE: 5-0-0-1 Not Present: Leg. Barraga)** Okay. This meeting is adjourned. Okay.

**THE MEETING CONCLUDED AT 2:45 PM**

**{ } DENOTES SPELLED PHONETICALLY**