

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 2, 2011.

MEMBERS PRESENT:

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

ALSO IN ATTENDANCE:

William J. Lindsay, Presiding Officer
Terrence G. Pearsall, Chief of Staff
Legislator Kate M. Browning, Third Legislative District
Legislator Thomas Cilmi, Tenth Legislative District
George Nolan, Counsel to the Legislature
Sarah Simpson, Assistant Counsel
Renee Ortiz, Chief Deputy Clerk
Eric A. Kopp, County Executive's Office
Gail Vizzini, Director of Budget Review Office
Jill Moss, Budget Review Office
Christine Malafi, Suffolk County Attorney
Joe Montouri, Commissioner of Parks Department
Tom Vaughn, Aide to County Executive
Paul Perillie, Aide to Majority Leader
Greg Moran, Aide to Leg. Nowick
Deborah Harris, Aide to Leg. Stern
Bob Martinez, Aide to Leg. Montano
Dot Kerrigan, AME Legislative Representative
Marge Acevedo, Aide to Presiding Officer
William Shilling, Aide to Presiding Officer
Lance Reinheimer, Interim Director for Vanderbilt Museum
Ali Nazir, Aide to Leg. Kennedy
Brad Stephan, PFM Asset Management, LLC, Vanderbilt Museum
Steve Faber, PFM Asset Management, LLC, Vanderbilt Museum
Miles Borden, Parks Trustee
Andy Caracino, Timber Point
And all other interested parties

MINUTES TAKEN BY:

Diana Flesher, Court Stenographer

THE MEETING WAS CALLED TO ORDER AT 1:08 PM

CHAIRPERSON NOWICK:

Will the Legislators that are on the Parks Committee please come on over to the horseshoe?

Welcome to the Parks and Recreation Committee. We're going to start with the Pledge to the Flag led by Legislator Horsley.

SALUTATION

Welcome, everybody to the Parks and Recreation Committee. We're going to do things just a little bit -- I don't think I have any cards, do I? Okay, so we're starting with the public portion. And we do not have any cards.

So we're going to go right to -- well, before the presentation, I think that the County Attorney wanted to just -- am I right, Christine, you want to address the -- did you want to address the Committee?

MS. MALAFI:

No. Only if the issue that we had e-mailed was going to be discussed.

CHAIRPERSON NOWICK:

Only if the issue was to be discussed?

MS. MALAFI:

Right. If it's not going to be discussed --

CHAIRPERSON NOWICK:

Legislator Browning -- let's do it this way -- Legislator Browning, I know you have joined the Committee, or you've come here to join us today. Did you want to discuss with the County Attorney any issue in reference to the Trap and Skeet?

LEG. BROWNING:

Yeah, but I don't think that anything I asked would be -- necessarily need to be done in executive session. I believe, George, you were contacted by my office?

CHAIRPERSON NOWICK:

Counsel, can you give me an opinion on this, please?

MR. NOLAN:

Well -- kind of. Yeah, I understand that the -- Legislator Browning wanted to discuss the Trap and Skeet with the County Attorney. I believe the County Attorney's Office may have indicated that they prefer to do that in executive session. And I just asked a member of your staff to contact the County Attorney and just ask what was the basis for going into executive session because it's fairly limited circumstances when you can do that. And I have not heard anything back from either your office or from the County Attorney on that issue. So that's the question I had.

CHAIRPERSON NOWICK:

So how about -- and first of all, I know that the County Attorney has limited time today. Am I correct, Christine?

MS. MALAFI:

Yes. But I'm here for whatever I'm needed for.

CHAIRPERSON NOWICK:

Okay. How about then if there's -- I know you say that you can't discuss some of it or all of it, I'm not sure. And our Counsel says you feel that there's not a problem. But how about if we do this: If the questions -- and I don't know if this is okay with you, Christine, if the questions start and you feel uncomfortable, just tell us.

MS. MALAFI:

That's fine. I will tell you that I was not contacted by Legislator Browning's office. I came here because -- at the request of the Parks Commissioner in case he was questioned on it. I have no problem listening to a question and then determining if we need to go into executive session. There are three lawsuits pending with respect to Trap and Skeet.

MR. NOLAN:

Okay.

MS. MALAFI:

But what I had been told is that these issues relate to whether or not recent events affect the contract that the County has with Hunter Sports.

CHAIRPERSON NOWICK:

And that would be for executive session.

MS. MALAFI:

Absolutely, in executive session, because what we will discuss has to do with the County's option under a contract. And it will likely be subject to a lawsuit if action is taken under the contract. And it should not be discussed in open session. It should be discussed in executive session. It's legal opinion and legal advice being given to this body.

CHAIRPERSON NOWICK:

So what I'm understanding is anybody can ask a question here, but if the County Attorney feels uncomfortable answering it, I guess you just won't it and request executive session. That's -- I mean I cannot make her answer the question. I can just throw that out. So -- okay? Is that okay?

MS. MALAFI:

That's fine. Can the Commissioner come up with me, also?

CHAIRPERSON NOWICK:

Yes. Also because I see a member of our Committee wants to ask a question -- Ric, am I right? Did you --

LEG. MONTANO:

Yes, I want to ask a question.

CHAIRPERSON NOWICK:

All right. I'm just going to go to Ric first because -- Legislator Montano first because you are on the Committee.

LEG. MONTANO:

Thank you. I'm not sure I got all of this. Just -- you want to ask some questions on Trap and Skeet but, Miss Malafi, you're saying that we need to go into executive session. And I'm just trying to get the basis upon which -- and I'm going to pull it up now, but my understanding was in order to go into executive session, it has to fall within one of the exceptions to the Open Meetings Law; am I correct?

MS. MALAFI:

Yes, the giving of legal advice falls within the Open --

LEG. MONTANO:

So which section -- so what we're going to do is we're going to ask questions. And then if you feel that one of the answers falls under one of the sections, then you want to go into executive session?

MS. MALAFI:

Yes.

LEG. MONTANO:

Is that the way you want to work it?

MS. MALAFI:

Yes.

LEG. MONTANO:

Okay. Then let's go.

CHAIRPERSON NOWICK:

Are you finished?

LEG. MONTANO:

I'm finished.

CHAIRPERSON NOWICK:

Okay. Now do any other members of the Committee have questions? Okay. Okay. Legislator Browning, the floor is yours.

LEG. BROWNING:

Yeah. And I'm just going to ask you a few simple questions. I think -- you know, I sent a letter with reference to the allegations against Mr. Wrooble. And I would like to ask that, you know, I did see an article after I sent my letters to both you and the Commissioner that there was an article saying that you would be -- there would be a probe as to, you know, what was going on at the Trap and Skeet Range. I would like to know have you been in touch with the District Attorney's Office in Nassau County? And are you currently talking to the District Attorney here in Suffolk County?

MS. MALAFI:

I received your February 23rd e-mail, if that's what you're talking about.

LEG. BROWNING:

Correct.

MS. MALAFI:

Okay. Anything else I did not get.

LEG. BROWNING:

That was on a Friday.

MS. MALAFI:

The answer is, yes, I have spoken to the Nassau County District Attorney's Office and gotten specifics. I have not spoken to the Suffolk County District Attorney's Office because there's been no charges in Suffolk. So there's, to my knowledge, nothing to talk to him about. If you tell me there's something to talk to him about, I will give their office a call as well.

LEG. BROWNING:

It's just that I know he has a federal firearms license, which was issued to him here in Suffolk

County. I believe it's been revoked here in Suffolk County.

MS. MALAFI:

No. I spoke to the District Attorney handling the case in Nassau, who told me that his federal weapons licenses have not been revoked.

LEG. BROWNING:

Okay. So you heard one thing; I heard something different. Okay. And, again, when you look at the contract, the contract that the County has with the vendor, it's very broad. And you have -- I shouldn't say you, but the Parks Commissioner and the County Executive have the discretion to void that contract for various reasons. Are you considering -- have you taken into consideration voiding that contract at all?

MS. MALAFI:

Public safety is the most important thing to the Parks Department and the County Executive's Office and I'm sure the Legislature as well. The -- we are conducting an investigation into the allegations made against Hunter Sports and Mr. Wrooble in Nassau County. It is not complete at this moment. But I believe that what you're asking is based upon the arrest, are we going to take action against Mr. Wrooble on his contract? What I will tell you is that people are innocent until proven guilty. And a mere arrest would not be enough for anyone to say you automatically cancel the contract. I think that there would be dangerous precedents that if automatically based upon charges being brought, contracts were canceled.

I have been in conferences and discussions with the Parks Commissioner regarding potential options under the contract. And those are legal discussions which cannot be discussed in open session.

LEG. BROWNING:

Commission, do you have any comments? No?

COMMISSIONER MONTOURI:

Not at this time.

LEG. BROWNING:

Okay. I guess, you know, I would like to be kept apprised as to what's going on. I know there are allegations. I know there's -- the innocence is there until proven guilty. But based on information that I've received, I'm very concerned about this potentially being an embarrassment to the County that we have possibly unscrupulous, not a very credible person operating a County facility. So I'm very concerned about our reputation as a County. And I am hoping that you can come up with some kind of decision sooner than later.

MS. MALAFI:

We are all concerned about the County. And just so that -- just so that you can be rest assured, the allegations against Mr. Wrooble in Nassau County deal with the sale of rifles. No rifles are sold by Mr. Wrooble at the Yaphank facility.

LEG. BROWNING:

But he does have weapons that he leases at the facility; correct?

MS. MALAFI:

You'd have to -- I believe so, but he does not sell rifles at that facility. And the -- I spoke with his defense attorney who is -- who said that he has very -- he's very confident that Mr. Wrooble will not be convicted of any charges.

LEG. BROWNING:

Okay. I guess we'll let the videos decide. I won't ask anymore questions because I know it's uncomfortable.

MS. MALAFI:

No, ask whatever you want. If we need to go into executive session, we will.

LEG. BROWNING:

Okay. Well, like you said -- I guess we'll talk privately. I do have some serious concerns about this individual. I have since he did take the responsibility as a vendor of the range. And my concerns -- and now we're reading about it in the paper. I'm very concerned about this man, his credibility. And if he actually should be somebody we should be having a contract with. And I believe next month I'm going to request that we follow up on the range, not necessarily about Mr. Wrooble but other issues. I'm hoping that I can have a presentation for you next month's meeting.

CHAIRPERSON NOWICK:

About what?

LEG. BROWNING:

About the range.

CHAIRPERSON NOWICK:

Okay, Legislator Browning -- okay. So, of course, Legislator Browning, just contact my office, whatever you need. That wasn't so bad.

MS. MALAFI:

I didn't think it would be bad. It's just that I wasn't contacted as to what questions would be asked. So that's why I was a little apprehensive.

CHAIRPERSON NOWICK:

Commissioner --

LEG. BROWNING:

I apologize. I was a little delayed. Some of my constituents at the nursing home had called me very upset yesterday so I was a little consumed by my constituents at the nursing home.

CHAIRPERSON NOWICK:

Commissioner, do you have anything you want to add to this or are you getting out of town? You net a dodge.

COMMISSIONER MONTOURI:

On that subject, no.

CHAIRPERSON NOWICK:

Thank you, Christine. Okay, then that subject is completed. Commissioner, I'm going to ask you to come back up in a minute. I want to ask the presenters for the Vanderbilt Museum endowment fund performance, Mr. Bradford Stephen and Steve Faber -- if I say that right, we'll let you get your presentation over with.

MR. STEPHAN:

Good afternoon everyone. My name is Brad Stephan from PMF Asset Management. I've met you all before several months ago. We have been engaged --

CHAIRPERSON NOWICK:

Are you speaking into the mic?

MR. STEPHAN:

Yes, it's actively lit. Sorry. It's a little adjustment period there.

Good afternoon again. We're here to review the calendar year 2010 performance for the Vanderbilt Museum Trust. I'd also like to introduce my colleague Steve Faber who is a Managing Director with PFM and oversees the business operations for PFM Asset Management in New York and New Jersey. He's going to provide an overview of the economy and the markets in 2010, at which point I'll make some specific comments to the performance of the trust. But at this point I will turn it over to Steve to introduce himself and give some broad highlights.

MR. FABER:

Thank you, Brad, and good afternoon everyone. It's a pleasure to be here. As Brad mentioned, my name is Steve Faber. I'm a Managing Director and partner with PFM Asset Management. We're responsible for, among other things, our New York practice. And as you may recall from our presentation during the RFP process, we have a significant business here in New York State and work with any number of public bodies including New York Power Authority, Battery Park City Authority, Port Authority New York and New Jersey and others. And in total manage or advise on a couple billion dollars in public funds assets.

As Brad mentioned, my role this afternoon is to give a brief -- hopefully brief update on the markets, on the sectors within the market, and broadly speaking, the economy before Brad touches on the performance of the trust itself. And on the slide you see on the screen in front of you without getting into too much detail, again, broadly speaking 2010 was a very strong year in the markets. Domestic equity continued its very strong two-year run and closed 2010 on a very positive note.

Generally speaking as represented by the Russell indices, small caps outperformed both mid and large caps. And in the international sector, international equity sectors specifically, while performance was not as robust as it had been in prior years, we still saw generally positive returns. You'll recall that the problems in Europe, particularly Portugal, Spain, Ireland and others within Europe itself, did cause some drag on performance through 2010. The real estate market had another strong year.

And then lastly the domestic fixed income markets had another very positive year despite a very difficult, very challenging fourth quarter. You will recall that the continued efforts by the Obama administration to provide stimulus to the economy resulted in the -- what's called quantitative easing two or QE 2, which was the announcement in November of their willingness to purchase up to \$600 billion in treasuries over the period through June of this year. That had surprisingly the unintended effect of causing interest rates to rise and rise sharply across the entire yield curve which was not the intention of QE 2.

In terms of the economy, again, broadly speaking, some of the highlights of the fourth quarter, I touched on interest rates. The federal reserve continues to maintain its policy while fighting its dual mandate of inflation and growth to keep interest rates low so long as the economy -- I'm sorry -- so long as the fed -- keeps the fed on its target rate in the zero to 25 basis point range, we will continue to see the, you know, a very steep yield curve. And until such time as they see prospects for growth across broad economic sector rebounding, you're likely to see interest rates particularly very low.

Certain highlights in terms of growth in the economy, we saw very -- very welcomed news in the reports on GDP for the third quarter rising 2.6 percent up from 1.7 in the prior quarter. Likewise the fourth quarter saw consumer sentiment indications improving fairly significantly, again, a number of very positive signs from an economic perspective in what has otherwise been a challenging couple of years.

The labor market continues to be one of the headwinds into which the economy is struggling. Until such time as we see, you know, the nine and-a-half, 9.6 percent unemployment rate begin to drop and begin to drop significantly, we're likely not to see the economy, again, broadly speaking pick up.

And then lastly inflation, while certainly cause for concern from the perspective of commodity prices, particularly oil given the tensions in the Mid East, inflation remains generally speaking somewhat

muted. The fed has stated, again, broadly that they still do not see inflation as a short term concern; but, again, they remain vigilant in keeping an eye on that.

MR. STEPHAN:

Make no mistake about it, some of the turbulence we've experienced here in the Middle East, there's something to be aware of. As we go out into the future, we don't think it's going to have a huge long-term impact on returns. As Steve mentioned, there's been a lot of positive metrics we've seen as far as consumer confidence goes. How does that affect the Trust? Very well. And you can follow along on the screen here. We also have included some handouts for your review.

But the page you're looking at now, which is page 12 of the Performance Review Booklet, shows the performance for the endowment. At the top you can see the total fund level, which is representative net of fees the performance from 9/1/2010 at which point PFM Asset Management took over, the management of the --

LEG. BARRAGA:

Excuse me. Can you repeat --

MR. STEPHAN:

2.1. My apologies. Section two, page one. If you look at the performance here, the first column, that's the one quarter return which is September 30th through the end of the calendar year 12/31, and if you were to follow that all the way to the right, you can see "since inception" number, which notates when PFM Asset Management took over which was 9/1/2010. So that's essentially a four-month perform metric. 5.03 for the quarter net of fees. 10.04 percent since inception. A very good period of four months with a lot of tailwinds in the market.

The two line items below that, which are not folded, the first is a blended benchmark, which is a good way of looking at and comparing the performance against a 50/50 benchmark equities and fixed income. That represents the allocation that you currently have. And so we were able to outperform that for both the quarter as well as since inception where you see 10.74 versus 9.11. A lot of that you can attribute to the selection of the mutual funds that PFM has used for investment in this portfolio.

The line item directly below that is an additional benchmark, which you can consider much more plain vanilla which is composed of 50% S&P 500, which is really the large cap portion of the US equity market and 50% Barclay's aggregate, which is the US fixed income market. So as you look at these two benchmarks, the second one is good to consider the benefit of money managers selection through use of mutual funds. The third line item is more about asset allocation against the more vanilla benchmark.

The good news since inception we've outperformed both of these by a fairly consistent manner. We would look to do so. We've started the year very nicely so far in 2011. And we remain at the disposal of the Parks and Recreation Committee as well as the Budget Review Office to answer these questions on an ongoing basis.

Below that you see the returns of the different institutional style mutual funds that are being used in the account. I won't make specific comment to any one of these in particular. The majority of them outperform their specific benchmark. And you can see there's a longer track record for each of these going back to five years. And that's just to give you a sense of how these have performed even before they were in the Vanderbilt's specific portfolio.

LEG. HORSLEY:

Can I ask just a quick question? What was the original corpus of the endowment given to you on 9/1? Just so I can make a judgement -- was it eight million or what was that?

MR. STEPHAN:

8.2 was the corpus of the fund.

LEG. HORSLEY:

8.2? So then it was around there. Okay, thanks.

MR. STEPHAN:

And if I -- let me see here. There's a specific page in this report that might be helpful. Tab two, page five, so 2.5. And this is a reconciliation of the cash flow in the account. You'll see this on an ongoing basis. It'll get more worthwhile once we have longer periods of time to reflect upon here. But what was invested into the account was actually, if you look at the net flows column and the year-to-date category, 8.88 million was what was originally deposited into the PFM account. And so when we got the assets from Bank of America, they were invested primarily in short-term bond securities and cash equivalents. We had talked about phasing --

LEG. HORSLEY:

So that's the difference between the 8.2 and the 8.8 is what the investment period was between when the bank had it?

MR. STEPHAN:

Right, right. That 8.2 is the official corpus of the account. So we're very highly aware of that. The return on the investment column might be useful into the future. This is really the dividend coupon income as well as unrealized and realized gains and losses for the account over each period that's being recorded. So if the quarter was 466 thousand and change year to date, it was about 850 thousand. So this is just a good way to reconcile what we started with, what the corpus is and what exactly was the return on the investment for each of these different time periods.

One other comment I'll make, as we go through the management of this account, you can see we are no longer investing directly in stocks and bonds. So instead of holding Walmart or General Electric, we're holding institutional class mutual funds which are meant for investors like yourself, are very cost efficient and provide excellent diversification. And we're able to target different strategies. Now we manage against the -- the current investment policy targets 50% equities, 50% bonds. We have some latitude within those. So to the extent that there's a change in interest rates or some other mechanism in the market that requires a marginal change, we'll make those on your behalf. Any other changes that we feel might be necessary we'll come back for this group's resolution and review.

We have no official recommendations today as far as changing the asset allocation. But we did bring along some useful information. This is the second handout, the much smaller handout that you received. We wanted to give you some expectation looking forward as to what we think this 50/50 portfolio can be expected to return into the future. The first item at the top of page one in this handout, the expected return we list as 8.09%. And this is looking forward for the period of the next ten years. So every year PFM compiles capital market assumptions for every asset class. And based on the 50/50 portfolio, we expect 8.1%.

The third bullet point here, the change in approach warrants additional policy language. As we reviewed your policy, we feel comfortable at a 50/50 allocation. We would like to insert the text that is the last bullet point on this particular slide. When you switch from investing in individual stocks to institutional mutual funds, you by definition are investing in pool vehicles. And that has to be reflected in the policy statement. So we would propose that the language at the bottom of this particular chart be reviewed and recommended for inclusion in the investment policy.

That really concludes our prepared comments. We'd be happy to answer any questions. There's about 75 pages of data between the two different booklets you have. We won't review that today. Please give us a call if you would like any additional questions answered, but that really concludes our prepared remarks.

CHAIRPERSON NOWICK:

Thank you. Thank you for your remarks and your preparation. And I just -- I just wanted to ask you, and I know it was a good year all around. But -- and of course in the last week things have gone a little crazy. What's your long range, what's your forecast for the situation in Libya and Egypt and the way this market is just all over the place? Do you think this is like a short-termer and it'll readjust soon or do you think this will affect the Vanderbilt?

MR. STEPHAN:

Well, it has the potential to affect the Vanderbilt. Right now what we see obviously through the rise in the price of oil, we're seeing a significant drag on the discretionary spending of consumers. And if this persists for long periods of time, that's when one would have to be concerned; because when consumers aren't spending their discretionary dollars, corporations aren't making as much money, stock returns would not be as bright as we would expect them to. But as it stands today, I think PFM in our point of view is that this is a situation that will be shorter term in nature.

CHAIRPERSON NOWICK:

I hope so.

MR. STEPHAN:

We all hope that.

CHAIRPERSON NOWICK:

But let me ask you a question. The oil prices, they've been going up gradually in just the last week and a half. I'm even thinking up to three weeks ago, talking about discretionary spending, I thought that I heard somewhere where stores such as Saks or Bloomingdales was actually reporting an incredible boost in sales. Do you think it was just in the last -- what you're talking about, do you think that's just in the last week and a half, two weeks, three weeks?

MR. STEPHAN:

No, I don't. We've seen trends -- if you want to look at different metrics in the economy, consumer confidence put out by the University of Michigan is a great, great leading indicator for discretionary spending. It's essentially a fear factor for the average consumer. And consumers have been getting less and less fearful. And so we've seen this trend slowly rising; the number that was reported at -- at its worst was about 30. It's about 75 now. So we've seen a market increase and people's willingness to spend.

Now, it'll be important to monitor that because there will be some correlation to how people feel about saving versus spending when they're reading in the headlines everything that's going on in the Middle East. And it's just a fact that if people set aside a certain amount to spend, the more the price of travelers for gas and airfare, they'll be less to give back to other discretionary items.

So we hope this is short-term in nature. We certainly see it as that right now. But we are aware that this could have a longer term effect. That's why I think it's important that we have the right things in your policy to give us the latitude to make some small changes, if necessary, to protect against things that we see appearing outside of the normal meeting process for this group.

MR. FABER:

I would just add, and, again, I don't know that PFM has an institutional view on the potential length of the challenges, crisis in the Middle East, but I will say that, as Brad indicated, I think we lean toward a shorter bias as individuals and we may be wrong. But I think we would all agree, and I've had significant conversations with members of our investment committee about this, that once tensions in the Mid East do resolve themselves, that the focus on the market will return to fundamentals. It's kind of always been that way. We think that certainly occur again. And as Brad indicated just by his reference to consumer confidence, we have seen a significant number of positive variables, positive indicators recently in the economy. Yes, there are still headwinds. But

we do think that, you know, once the tensions do resolve themselves, that we will return to a focus on fundamentals and hopefully return to, you know, upward growth.

The other thing that I would just add from a broader portfolio management perspective, number one, the mantras of PFM is diversification. The portfolio that you see represented in front of you represents a very well diversified portfolio. So while no one is immune to the global crises that do impact the markets from time to time, the benefits of diversification would hopefully be seen if such a crisis were to play out for a long period of time.

CHAIRPERSON NOWICK:

Thank you. Were you on the list? Who was -- I'm sorry, but Legislator Montano was first on the list; then Legislator Barraga; then over there, Legislator Stern sitting far away.

LEG. MONTANO:

Good afternoon. Just a couple of quick questions. I just want to recap. There was a point in time where, I guess, the principal, the corpus was 2.8. Is that the amount of the corpus, 2.8 million that we --

MR. STEPHAN:

Yes.

LEG. MONTANO:

-- cannot go below? 8.2 million. Okay. So a while back we had reached that point and we were in jeopardy of going below that because of our operating expenses. And I think that we had to appropriate money from the Legislature. You weren't involved with that. I believe that you came in after that.

MR. STEPHAN:

Right.

LEG. MONTANO:

So what I'm seeing here in this chart and what I think you said was that you took over the account, or at least the management of the corpus, from Bank of America. And at that point it had grown to 8.8 million?

MR. STEPHAN:

That's correct.

LEG. MONTANO:

And today it's at 9.7 million?

MR. STEPHAN:

That's correct.

LEG. MONTANO:

All right. So the corpus remains 8.2. I guess the difference is \$1.5 million.

MR. STEPHAN:

(Shaking head yes)

LEG. MONTANO:

Do you know if that money is still -- is that money being used for operating expenses or it's simply sitting in the account that you're continuing to manage?

MR. STEPHAN:

Everything is in the account that we continue to manage. We have recently separated into a sub

account, dividend income, interest income and other types of realized gains that will be stuffed into a separate account.

LEG. MONTANO:

So you're maintaining, if I may, just so I understand this, you're maintaining an account of the corpus, which is 8.2 million. And you've segregated the gain, the 1.5 million. Is that what you're saying?

MR. STEPHAN:

Not exactly. It's not 8.2 and the leftover. We continue to manage them in a co-mingled fashion. We've just with the direction of the Budget Review Office opened a second account to have some more visibility as to the earnings that are coming out. But generally speaking we're managing corpus plus some in the investment strategy.

LEG. MONTANO:

Right. No, I understand that. The two accounts is strictly for just segregating what is corpus and what is principal. But when you invest, you're investing the combination of the two -- of the two accounts?

MR. STEPHAN:

That's correct.

LEG. MONTANO:

All right. That segregated account of the \$1.5 million, is that being drawn upon, as you know, or as you sit here, for any of the operating expenses of the museum? Or is it simply still sitting there and just accumulating more, you know, being used for more of investment purposes?

MR. STEPHAN:

I don't know if I'm exactly the right person to answer this.

LEG. MONTANO:

You may not be. And maybe the Director -- and if you don't know the answer, I will understand that.

MR. STEPHAN:

I can confirm that we received a request for distribution for \$144,000 as of today about an hour ago. So there are draws being made against this account to fund the operations of the museum.

LEG. MONTANO:

All right. And is that the only draw that you're aware of that has been made within the last year from the increased gains?

MR. STEPHAN:

There are additional draws that were under the purview of Bank of America. As I read through the recent reports submitted by the Office of Budget Review, there were some early in 2010. We were not a part of those.

LEG. MONTANO:

Right, exactly, you came in after. So just to recap, then, if our corpus is 8.2, we now presently have 1.5 approximately in additional funds that's in a segregated account of which 144,000 has been requested to be withdrawn?

MR. STEPHAN:

Yes. And the 1.5 million is not segregated. Right now that amount is closer to 300,000. And that's for income reporting purposes. But we do within PFM, you know, dissect the 8.2 internally. Because if we get into a situation where we get closer to the 8.2, we'll come back to you and

communicate that to you with the possibility of a more conservative investment strategy.

LEG. MONTANO:

Okay. Yeah, and I understand. So when I say separate accounts, it's not really separate accounts. It's more or less an accounting mechanism --

MR. STEPHAN:

Account, yes.

LEG. MONTANO:

-- that you use in your office to track the difference between the corpus and the principal and the gain?

MR. STEPHAN:

Yes.

LEG. MONTANO:

Okay. But it's -- because of that, it's easily ascertainable as to what is -- which one falls into which category.

MR. STEPHAN:

Yes, absolutely.

LEG. MONTANO:

Okay thank you very much.

CHAIRPERSON NOWICK:

Legislator Barraga.

LEG. BARRAGA:

Thank you. I want you to think about this a little bit because I'm a little concerned in terms of your long-term projection of 8.09 percent. And I say that because, you know, I take a look at the New York State Pension System, the State Comptroller, he's reduced -- and his people have reduced their return. It used to be 8 percent. They went to 7.5 percent. There are many who feel they should even go below that. But the lower you go, the more of a shift of financial obligation on local municipalities in terms of having to contribute so much more to that particular system.

And I don't know what your criteria is for visibility going forward. I mean I've always felt that Wall Street loves a crisis. Today we talk about Egypt and Libya. It was three or four weeks ago we were talking about Greece, Portugal, Spain, Ireland, monetary crisis. Before that we were talking about 14 trillion in debt. Then we had the housing crisis. We were bailing it out. Every month it's a different scenario. But you're talking about long-term 8.09 percent. You know, if I went back and I took a look at equities from 2001 to 2011, probably I didn't make a penny. And I'm lucky I still have what I have.

So how do you in detail determine the visibility so that you can say we're going to get on a 50/50 split 8.09 percent?

MR. STEPHAN:

We certainly share some of your views with regards to Wall Street. And as far as -- let me give you just some insight in how we build these numbers. They're the last page of the separate handout that you received. Three things go into this compilation of numbers. First is the historical returns dating back to 1926 or so of all the different asset classes. So that will have some implications because it shows equities well and also takes into account the last decade where you didn't make a penny on any stocks.

The second component, we do poll Wall Street and other major asset management firms for their views. We reach a consensus by averaging those views. So generally speaking, we'll have about 30 respondents which represents about another third of these numbers. So the first third is historical. The second third is consensus view from asset managers. And the third third is the view of the PFM Investment Committee. So I would say we're taking a much more broad approach than a lot of other people do in creating these assumptions.

If you look at the -- what's on the screen and then this handout, you can see we've actually been a little bit more conservative than some of our peers and the long-term averages. You can see here on this page, if you look just at the first three lines, the equity component long-term average is 11, 11 and-a-half percent. Our PFM advisors projections are in the nine's. So we have recognized some more conservative estimates here. This is a ten-year number. So we hesitate in trying to pick the next few years. We think that's a dangerous game to play. But a lot of this is used for planning purposes. You'll get a number of 8.09 percent. And I think you can use that in some of your strategic planning items. But it's very dangerous when you use that exact number.

Going forward there is some visibility, but I think it's tough to have great visibility over ten years. You got to trust the input that you have and be aware of more of the range of outcomes of different portfolios. We're much more sensitive to the risk in these portfolios. If we get 7, 8, 9 percent we're happy. But one of our jobs is to make sure if we have another situation like 2008, 2007, that we can diminish the risk in the portfolio during those periods as well. So I know that's not a great answer. I hope you weren't looking for a hundred percent visibility but --

LEG. BARRAGA:

No. What I was looking for was an honest answer. Because most corporations' visibility is limited to maybe three or six months.

MR. STEPHAN:

Right.

LEG. BARRAGA:

Because the world is so complicated, you don't know when the next crisis is going to develop, which is going to have a dramatic negative impact initially. And we seem to have one crisis after another.

MR. STEPHAN:

Right.

LEG. BARRAGA:

I mean there are people who make money on Wall Street because of the crisis. There's a lot of short sellers in that type of thing; but, you know, I just think that's kind of a high figure. I think I would have come in a little more reasonable, over a ten-year period, maybe around five and-a-half, six percent just to be on the safe side before you have people taking this document three or four years from now saying, you know, *you promised 8 percent. We're only getting 4 or 5.* And that will happen.

MR. STEPHAN:

Right.

LEG. BARRAGA:

Because even though it's a planning figure, there will be people who look at this and say, you know, this is what this outfit predicted will happen and it didn't. It may happen; I don't know. Maybe just the opposite. In the recent ten or fifteen years -- not going back to 1923. I mean we can always go back and those numbers look pretty good over 50, 60 years. But in the last 10 or 15 years, the world has changed dramatically and the numbers have not been positive.

MR. STEPHAN:

Yeah, we would agree. And to be honest, this is a difficult thing to discuss. We poll asset managers. Every one of them has different expectations, you know.

LEG. BARRAGA:

I know.

CHAIRPERSON NOWICK:

Legislator Stern.

LEG. STERN:

Thank you, Madam Chair. And welcome.

MR. STEPHAN:

Thank you.

LEG. STERN:

You know, I could not agree with Legislator Barraga more. He's right on. I share those exact same concerns. You know, we can make these -- every time we have the conversation, we can make the numbers dance in so many different ways. And so much of it depends on when we're holding that meeting, you know, we could have said, *well, you know, it was a 50/50 allocation. What if it was a 60/40 allocation?* It doesn't seem like all that dramatic of a difference. *The market is up. Maybe let's take a shot. We can grow this account.* Instead of saying *we'd be up in ten and change, you know, over the same period of time we would have been up 11.72, and an awful lot more money in our account.*

Of course, if we had the conversation during, you know, April to June, if we looked at the S&P 500, we would have been down eleven and-a-half percent. If it was made in June -- just made in June and not April to June, it would have been down 13%. So a lot of this conversation has to do with the timing that -- the time of the year that we're having the conversation.

And that's a big concern. Because, as you know, this is a very special and delicate situation because we can't afford dramatic losses; because from a legal perspective, we are at an absolute floor that we cannot go below. And so when I look at perhaps not over the last quarter, and not from the time you took over the account, but going back a little bit further, today if we were having a conversation and we were looking at the S&P that was down 11 percent, S&P that was down 13%, given the time, I mean it doesn't take that much to go below that legally mandated threshold. We're up; but we can just as easily be down.

And so I share Legislator Barraga's concerns. So let me ask you, when you talk about the management of the account, when you talk about diminishing the risk, maybe you can share with us some of your ideas on risk control measures, those that you have in place, looking forward given, you know, what you see happening over the next six months. Are we in a position where risk is managed adequately? Are there things that we should be concerned about going forward? As we continue the conversation, are there additional mechanisms that you think might need to be put in place?

MR. STEPHAN:

I'll be happy to answer that. You make a good statement, though. Time period reference is a big deal investing where it's -- you know, if we didn't have the crisis in the Middle East, we would be much more optimistic now. Maybe some of the questions or things that we mention would be totally different. But it is our job to be active and vigil in managing the risk. If you want to look back into page 2.1, we can look at some of the things that we're doing in the portfolio on your behalf to manage risk.

The first thing I would note here is the use of index funds. So if you're familiar with Vanguard as a company, there's two types of risks that every investor takes; one being asset allocation and market

risk. Another, when you hire an active investment manager to manage on your behalf, such as a Columbia acorn or an FMI, there's the chance that they'll outperform the index or underperform the index so there's another type of risk with that.

One of the changes we made with your portfolio was to increase the amount of allocation to the Vanguard total stock market index at 23%. We saw a market that was choppy, as Steve mentioned, a market that was not trading on fundamentals. So you have Walmart and Target. And they have two totally different financial futures but they're trading exactly the same. So it's very difficult for an active investment manager to make money between the two stocks.

That same concept is what drove our orientation towards indexing. We also reduced the cost for you. Indexing costs about five to seven basis points where you might pay an active manager much more. That's one time of risk we're managing in the portfolio.

I think another risk, especially for long-term investors, is in the fixed income component of the portfolio. Now this doesn't get as much of the headlines because it's not equity and it's not usually quite as volatile. But what we've based over the past 30 years has been a very long kind of bull market in interest rates. From late '70's kind of meandered down to where they are now with a few hiccups along the way. But where we stand is a potential period rising rates. And that has a negative impact on general bonds.

There's two things I want to mention in the bond component of your portfolio. You'll see an allocation of almost 10% on page 2.2 to the Vanguard short-term bond index. So by being in shorter -- maturity shorter duration bonds, we're reducing the negative risky impact if interest rates rise.

The other addition Artio Global High Income has about 25 percent of their portfolio. We did this in a very conscious way in floating rate securities. So similar to a money market, there's some additional return. As interest rates rise, that component of the portfolio will actually have a positive impact. So we're doing things -- we're comfortable with the 50/50 allocation. It's a good diverse mix. We kind of resisted, I think, what a lot of people have done in the investment community as equity returns have gotten better and better, they continue to increase their equity allocation. And we're seeing that witnessed through strong fund flows into equities.

We were comfortable at the 50/50 and working within the allocation to manage risk. With some of these tools, they might not be as easy to see in a five or ten minute presentation. But we're happy to discuss any of them. These are just a few examples of some of the things we're doing to protect risk in the portfolio.

LEG. STERN:

And I appreciate the time that you come and share with us. And we get the opportunity to go over it. Do you meet with members of the Vanderbilt board at all? And do you have -- how often do you speak with our Budget Review Office and review these numbers?

MR. STEPHAN:

We speak with the Budget Review Office, it's probably been a little bit more frequent here in the beginning as we've gotten things transitioned. We're always at the disposal of the Budget Review Office and of this group, the Parks and Recreation Committee. We have not met with the board of directors at the Vanderbilt, but we would welcome the opportunity to do so. Our, you know, efforts here we are open to meeting with this group as often as possible to discuss the changes in the portfolio. But at this point we are waiting to be scheduled and we welcome the opportunity with the Vanderbilt directly as well.

LEG. STERN:

Have you ever had -- and I understand that it's only been just a relatively short period of time that you've taken over the account, but have you had internal discussions among yourselves or with

anybody at the Vanderbilt over the past few months about donor giving, charitable giving, what role, if any, you and your organization can play in leading the Vanderbilt, the staff, board of directors, this body, through a discussion and implementation of a long-term plan there?

MR. STEPHAN:

We haven't had that conversation yet. We have made initial contact with some of the development staff at the Vanderbilt. Those discussions haven't progressed very far at this point. Many of our clients we do help in enhancing communication of potential donors, presenting a donor a form. We haven't made any significant progress with the development staff at the Vanderbilt yet but we're very helpful in doing so.

LEG. STERN:

Okay. Lance is there. So we're all good. So hopefully it'll be very good and meaningful conversation when you have it. Thank you.

CHAIRPERSON NOWICK:

Thank you. Thank you very much for coming here. Thanks for the presentation.

MR. STEPHAN:

Thank you everyone.

CHAIRPERSON NOWICK:

Okay, before we go any further -- I just wanted to take a minute also to recognize Miles Borden who is my representative for the Town of Smithtown and the Board of Trustees. Thank you for coming.

I also want to say thank you to Andy Caracino who comes from Timber Point all the time. He's our PGA professional and general manager over there. And thank you for caring enough and coming here all the time, Andy.

We have a presentation from Lance. Lance, there you are. Do you want to address the Committee? And welcome. Welcome to your new position and --

MR. REINHEIMER:

Thank you. This is like coming home except I'm standing on the other side of the room looking at Gail.

This is day number 16; not that I'm counting. And being at the Vanderbilt certainly has been a challenge. And I find it energizing. And we've done a lot in the past 16 days. But before I forget, I'd like to address something that Legislator Stern brought up. There was some talk among the trustees about meeting with PFM at an informal meeting that we had; probably with three trustees.

My feeling being from this side of the room and my feeling now being on this side of the room with the Vanderbilt is that the Legislature has fiduciary responsibility for the endowment. You set the policy. And the asset manager follows your direction. I really feel that it's not the concern of the trustees to get involved in how the fund is operated. I distributed the Budget Review report to the trustees. They should know what's going on, how it's managed, what the objective is. But when you start a dialogue with another board that may have different objectives than what you have, and you are the policy-setting board, I think you start colliding and possibly putting the asset manager in the middle. And that's my concern with that.

You know, I respect your decision. If you feel it's to the best interest for the board to meet with PFM, that's fine with me, also. But those are just my thoughts as the Director of the museum. I'm not sure who PFM spoke to and when they spoke to development staff. There isn't that many staff members there, so I'm not sure who they spoke to. And I'm sure they did. And maybe they spoke to Carol and Carol is development staff. We have 9 full-time employees and 70 part-time employees. So I'm one of the 9. I consider myself an employee as a consultant. But in terms of

numbers, I'm equivalent of a full-time person.

So if you want PFM to talk to us as far as charitable giving, growing the fund and things like that from outside contributions, that, I think, is a worthy cause. I'm not used to standing. In the 16 days we have done quite a bit at the Vanderbilt and I feel like I'm on about 12 cups of coffee right now.

CHAIRPERSON NOWICK:

Do you want an energy drink?

MR. REINHEIMER:

Excuse me? Yeah. I didn't want to say anything stronger than coffee.

LAUGHTER

First day I was there, the first thing I did was look at family memberships. And we changed our annual membership to 15 months. Why did we do that? Because the planetarium is going to be renovated starting August 1st. We're closing the planetarium. It's due to be opened December. The equipment is being delivered October 1st. I met with Public Works and it's one of their highest priorities.

So why did we increase it to 15 months? Me being the public, if you're selling me an annual membership and you close the planetarium for three months, you're killing me. So we're doing that for public interest. We will also honor family memberships that expire during the period of August through December and extend them because of the closing. We're into improving the museum experience, building bridges with public and users. I'm looking at family memberships as the base of the financial security of the museum, and working and communicating with those members.

This past week is the busiest week for the Vanderbilt Museum. School break February break, people want, I guess, to get out of the house. It's not nice enough to do things outside. And we had tremendous visitation this past week. We brought in \$48,000 in revenues. We increased family memberships by 126 families. That's a 25% increase in our family membership. That's the base that we have. Even though we brought in \$48,000, our cash flow is significantly a challenge. As you know hotel/motel tax supports the museum in the budget. I think there's \$700,000 for the museum this year, but it flows in like sales tax. So the well's a little dry right now. I think funds come in in March. But that's causing significant cash flows. We have about \$100,000 in payables. And we're concerned about making payroll each payroll, but we're dealing with that.

I'm happy to report that the prefab metal building that collapsed is now being dismantled. It should be gone today. The dinosaurs, they don't move so fast. There seems to be legal issues that the interested parties that own the dinosaurs are still talking about how they're going to move them out, dismantle them, store them. And that's out of our control. And I'm listening to legal counsel. County Attorney is advising us we don't make any moves without their okay.

Today is a special day. We're announcing officially about the renovations to the planetarium. We're sending out a press release. We have channel 55 at the planetarium today. Tonight at the 11 o'clock hour, channel 55 will be playing a piece concerning the planetarium. And I heard from the PR person from the Vanderbilt that they're actually giving us an extra minute because they were so impressed with what we're doing. So that's some good press. For those of you that can't watch it tonight, if you get up at five AM tomorrow, you can see it; but maybe you'd like to see it twice, I don't know.

So we're looking to maximize publicity. We're out also talking to state officials. Everyone in the state gives me the same story. No one knows if they have money. New governor. They don't know what's happening. But I think it's time well spent to build communication and bridges with our state representatives.

In conjunction with the planetarium renovations, we're announcing today Buy-A-Chair Program. We're soliciting individuals to sponsor the purchase of a planetarium chair at \$400. The County has invested \$3 million in the equipment purchase to replace the Goto projector, which includes full dome video, lasers and a surround sound audio system. But not included in that \$3 million is replacement of the carpeting, seats, kiosks for a new ticketing system. So, we're going out today soliciting our friends, which means our supporters and family members and the public; that if you sponsor a chair for \$400, you'll get public recognition with a plaque mounted in the planetarium.

One last thing I'd like to say is, I'd like to speak on IR 1113, which reconstitutes the Oversight Committee. We will support that. I think it's an excellent resolution. It pledges County resources to help the Vanderbilt. And we welcome that oversight. And if anybody has any questions, I'll be glad to answer questions.

LEG. BARRAGA:

Lance, it's good to see you. I just have a few questions. I want to make sure I understood you correctly. It would seem to me that the trustees should be interacting on a regular basis with PFM in terms of the investments that particular entity is making on behalf of the Vanderbilt. I understand we have fiduciary responsibility, but we're not on the line here. I mean there are many other things the Legislature takes up. I would think that the trustees should have a close relationship with PFM so that if the portfolio was doing well, they could develop their own strategy in terms of additional revenues that would really put them on the plus side. If it's not doing well, they could adjust their own strategies within the Vanderbilt to offset any potential losses coming as a result of the investments or a diminution of what was anticipated. If it's not going to be 8 percent, if it's going to be 6 to 5 percent, they should be aware of that. There shouldn't be a situation where in the end they come to the Legislature and say, *okay, you know, now you fellows have a problem*. And they're kind of divorcing themselves of that element.

MR. REINHEIMER:

You make some good points. The experience I've had with the Vanderbilt over the fifteen years, they have different needs and wants. And there's been 180 degree difference in perspective on how the Vanderbilt endowment trust should be run. The Vanderbilt in the past has been concerned about getting through today, making cash flow, paying their payables. When Budget Review -- when I was in Budget Review, we took a longer term approach. Because what happened to the endowment was something that we predicted for years, that you can't make a 10% distribution, like you said, 8% might be optimistic.

If you talk to anybody prior to the 2008 crash of the market, generally 8% was a good return. So if you're running an endowment for the long-term for generations, the benchmark is to distribute 4%. That gives you 4% hedge against inflation. And then that distribution -- you increase the distribution you made by 4% each year. We were doing 10%. What happened to the endowment was something that over the long run was going to happen if you're doing a 10% distribution. We just got there faster than we expected.

We have different objectives. I think the Legislature looks at the endowment over the long-term generations. You get the trustees involved, they're going to want money now because they're concerned about today. And we have to look at the endowment as long-term. So I just think what happens since we have two governing bodies clashing, and you put the investment manager in the middle, first of all, the trustees of the Vanderbilt Museum have no authority to instruct the asset manager on what to do.

LEG. BARRAGA:

No, I understand that. But certainly I think they have an obligation to be aware of what the asset manager is doing, even if they get briefed only, you know, once every quarter. But to totally depend on the Legislature to take action, I'm not so sure we'd be in a position to do that realistically. They're the ones on the line. They're the trustees. They're the ones who have been appointed. I

would think that most of them would want to know what PFM is doing. Because as a result of that, they can determine their own short and long-term plans to offset or increase revenues depending upon the need and what they're told by the adviser.

MR. REINHEIMER:

Well, you know, I'm not arguing with you. I'm just trying to present both sides.

LEG. BARRAGA:

Right.

MR. REINHEIMER:

And whatever you as a body agree to, that's fine.

LEG. BARRAGA:

Well, do we have to agree as a body? Or can they just do it on their own? Can they just get a hold of PFM, invite them in every three months to brief them on how the portfolio is doing?

MR. REINHEIMER:

I think it's better if it goes through the Legislature.

LEG. BARRAGA:

No, I didn't say that, what's better. Do they need us to do that? Can they do that on their own?

MR. REINHEIMER:

If the Legislature, you know, says they can, I think -- they take the direction --

LEG. BARRAGA:

You mean they're prohibited from calling in the financial advisors to get a briefing as to how a portfolio is doing?

MR. REINHEIMER:

No.

LEG. BARRAGA:

They're not prohibited?

MR. REINHEIMER:

The Legislature hired the asset manager. The Legislature has the sole responsibility for the endowment. The County Executive doesn't either. So if you set the policy where the investment advisor comes and talks to the board on a periodic basis, that's fine. You can also just ask that the quarterly report that comes out is distributed to the museum. They can see the investments. Whatever you want is fine. I just don't want to see the investment advisor torn in two different directions because there's two different objectives.

LEG. BARRAGA:

Okay. I have one other quick question. The Oversight Committee, as I understand this Oversight Committee, they will be charged with responsibility of bringing both forth new ideas to increase revenues and cut expenses at the museum. That's what it says here in the resolution. Where does that leave the trustees? Are they going to be sitting around waiting for the Oversight Committee to come in with the ideas on management skill sets and what we have to do in the future to generate revenues? Or, you know, I don't -- I'm not sure at this point what these trustees will do. Isn't it their responsibility? Or are they just going to wait around for an Oversight Committee to come in with certain recommendations?

MR. REINHEIMER:

No. The way I see the Oversight Committee, and the way it worked in the past, it worked in

concert with the museum. The way I look at that resolution, it's additional resources dedicated to help the Museum shore up its finances. It makes the museum more transparent to the Legislature. I think it helps the Legislature have more confidence in what the Vanderbilt is doing; is in accordance with what the Legislature thinks they should be doing.

LEG. BARRAGA:

Well, the history of this Oversight Committee was not very good, though, right? Didn't they just go out of business? Once we got the motel/hotel tax, they kind of fell off the face of the earth?

MR. REINHEIMER:

Well, the original intent for the Oversight Committee was to -- because the County was making distribution from the General Fund, that this was the first time funds from the General Fund supported the museum and operations. They, of course, do the -- pay the debt service. But this is the first time, I think, in history that the General Fund subsidized the Vanderbilt. So with that subsidy, there was a reluctance from the County side to just give them the money and not look to see how it's being spent.

LEG. BARRAGA:

I guess my only concern is that, you know, as I read this, *will be charged with responsibility of, reinforce new ideas to increase revenues and cut expenses at the museum.* I just don't want that to be interpreted, well, we'll sit around on our backsides, trustees, and wait for the Oversight Committee to come in to make certain recommendations.

MR. REINHEIMER:

I don't think that's going to happen because I'm not going to let that happen. I'm charged with the day-to-day operations of the museum. I work with the museum the way I worked with you as a board. The trustees set policy, but I'm the guy that carries out the policy, I'm the person that makes decisions on a daily basis, I'm person that looks at cash flow, I'm the person that looks at expenses, I'm the person that's responsible for raising money. I'm not waiting for the trustees to tell me how to do it. My plan to cut the -- to increase the family membership for three months was my decision solely when I walked in at nine o'clock that Tuesday morning.

I have to take action to shore up the finances. I'm working this job to succeed. I don't want to fail. I don't want the museum to fail. I have a plan to ladder family memberships, raise money through Buy-A-Chair, go out to first public officials, tell them I raised money for part of the 200,000 we need by selling seats, going from there to community groups, broadcasting what the museum is doing in raising money, networking to go into corporations. I have a vision and a plan on how to ladder the finances of the museum.

LEG. BARRAGA:

There's no doubt in my mind you do. I guess my concern is that at some point in time you will not be there. I want to make sure that all of you -- all of what you've just said, is related to whoever succeeds you. Thank you.

CHAIRPERSON NOWICK:

Thank you, Lance.

MR. REINHEIMER:

Thank you.

CHAIRPERSON NOWICK:

Okay. We are going to go ahead with the resolutions, but I know that Commissioner did want to address the Committee quickly so come on up.

COMMISSIONER MONTOURI:

Thank you. I want to talk about 2240 on the rental properties. In reviewing this, what happens is,

on the rental properties we collect about \$371 a year. That was last year. Yeah, 371,000. In my budget, I'm given approximately about \$45,000 to make repairs on all the rental properties.

This resolution, what it wants to do is it wants to set up a separate fund where all this rental income would go into. My budget, the Parks budget, is set up to where I receive money because of the rental properties. And I just fear that what's going to happen is it's going to be taken out. Now, what do I receive? I receive funding for supplies, for staff, for heating and electric. And I just feel that I would lose that.

And one of the other things that I have a problem with is that this fund, that once it's set up, the Commissioner has to go to the Parks Trustees, which meet once a month, and has to ask to spend that money. So let's say if I need an oil burner or something in one of the residence, I have to wait until there's a meeting. And I just feel that, you know, you appoint me as the Commissioner, that I should be making them decisions, and not have to wait for a decision.

All of our rental properties are not in bad shape. We have all but two rented right now. And I believe they're going to be rented shortly. And I also -- one of the things in this resolution was that the funds would be also used for historic buildings. We -- Historic has their own budget line, 7510. So, again, I really don't think we -- you know, we have to set this up. I just feel that the Parks budget right now is so tight, to take anything out of my budget right now would really, really hurt me. And I just don't think this is the time to do this. If times were better, maybe this would be a good fund, if our buildings were really, really in bad shape. We are keeping them up. They need a roof, they need repairs, we're doing it.

And I also just feel that we have a lot of groups that I've been working with that are raising money. And I just feel right now this is a bad signal to send to them. So at this time I'm really not for this resolution. It's something that maybe should be proposed in the future.

CHAIRPERSON NOWICK:

Commissioner, just quickly, because I know we're running late, you get \$371,000 per year for these rental buildings. That right now goes into Parks general? Or Parks with a dedicated line to the fixing of the rented buildings? Where does that money go? I know 45,000 goes to repairs. Where does the rest go?

MS. VIZZINI:

The revenue is not a dedicated revenue. It goes into the General Fund.

CHAIRPERSON NOWICK:

The general Parks fund?

MS. VIZZINI:

Yes -- no, the General Fund.

CHAIRPERSON NOWICK:

The General Fund?

MS. VIZZINI:

Right. Most of which, with the exception of the hotel/motel money, the Parks Department is funded from the General Fund.

CHAIRPERSON NOWICK:

So, Commissioner, what you're saying is that that 326,000 that's left over that goes into the General Fund, then does that go to you, to Parks eventually? Because you're worried that your budget is going to be cut because of this? So, what I'm saying is it goes to the General Fund; it doesn't go to the Parks fund?

COMMISSIONER MONTOURI:

Correct. It goes to the General Fund. And what happens there, it's taken out, you know, it's disbursed around.

CHAIRPERSON NOWICK:

Of your budget? That's what I meant. Not the Parks fund, but your budget.

COMMISSIONER MONTUORI:

I would assume some of it comes to my budget and some of it would go into the General Fund.

MS. VIZZINI:

The revenue goes for general accounting purposes. The resolution ironically establishes a dedicated fund.

CHAIRPERSON NOWICK:

So then it comes out of the General Fund.

MS. VIZZINI:

Revenue from the rentals go directly into the General Fund. It is not specifically dedicated to anything more specific than General Fund purposes.

LEG. BARRAGA:

Dedicated fund --

LEG. MONTANO:

That's not what happens in this process. It goes into the General Fund and then we appropriate money for your operating budget.

COMMISSIONER MONTOURI:

Correct.

CHAIRPERSON NOWICK:

Okay. Too many people talking at once.

MS. VIZZINI:

Did I not answer the question?

CHAIRPERSON NOWICK:

No. What I said was, and I think I got the answer, is that right now 371,000 is collected. 45,000 goes to the Parks budget for repairs? Is that what you said, Commissioner?

COMMISSIONER MONTOURI:

What happens is, in my budget I have \$45,000 for repairs.

CHAIRPERSON NOWICK:

Okay. So the other \$326,000 -- Gail, went into General Fund, right? Goes in the General Fund.

MS. VIZZINI:

Well, I mean the whole thing --

CHAIRPERSON NOWICK:

I know that. But how does this change it?

MS. VIZZINI:

Well, I mean the whole thing -- unfortunately your revenue estimates are a little more optimistic than what we had but --

CHAIRPERSON NOWICK:

So let's assume he was right. But how does it change it, Gail, this legislation?

MS. VIZZINI:

The only change is that the County would be required to capture the rental revenue and put it in a dedicated fund for historic building repair and maintenance. So you couldn't use the money for anything else other than --

CHAIRPERSON NOWICK:

Okay.

MS. VIZZINI:

-- to support historic structure repair and maintenance.

CHAIRPERSON NOWICK:

Okay. That's what I understood it to be. So right now you could use the money for something else if you had to?

MS. VIZZINI:

Yes, correct.

CHAIRPERSON NOWICK:

Is everybody ready to go to the tabled resolutions or do you want to have --

LEG. MONTANO:

No, leave it.

CHAIRPERSON NOWICK:

Okay.

TABLED RESOLUTIONS

CHAIRPERSON NOWICK:

2093, Authorizing Site License Agreement to Strawberry Fields, site Town of Southold. (Romaine) This has to be tabled. I'll make the motion, second by Legislator Barraga. All in favor? Opposed? **2093 is tabled. (VOTE: 5-0-0-0)**

2240, To improve the condition of County Rental Properties. (Romaine)

LEG. HORSLEY:

Motion to table.

CHAIRPERSON NOWICK:

Motion to table by Legislator -- who made the motion -- Horsley, second by Legislator Montano. All in favor? Opposed? **2240 is tabled. (VOTE: 5-0-0-0)**

INTRODUCTORY RESOLUTIONS

IR 1003, To amend the User Fee Schedule for Suffolk County Parks. (Viloria-Fisher) As I understand it, these are the fees that we voted on when we did our budget. Is that correct, Counsel?

MR. NOLAN:

Right. We included additional money in the operating budget for fees. And this resolution actually changes the fee schedule to generate the monies that are in the budget.

CHAIRPERSON NOWICK:

That was the omnibus budget that we agreed on and we put that --

MR. NOLAN:

I believe it was in the omnibus resolution. Gail might know.

MS. VIZZINI:

That's correct.

LEG. MONTANO:

Question. So we have to pass this in order to conform to the budget?

MR. NOLAN:

Right. If you don't, then there's a hole in the budget.

CHAIRPERSON NOWICK:

Okay, I'm going to make the motion.

LEG. MONTANO:

Second.

CHAIRPERSON NOWICK:

Second by Legislator Montano. All in favor? Opposed?

LEG. BARRAGA:

Opposed.

CHAIRPERSON NOWICK:

So one is opposed. **So 1003 is approved. (VOTE: 4-1-0-0. Legislator Barraga opposed)**

1009, Authorizing use of Smith Point County Park property in 2011 by the Mastics-Moriches-Shirley Community Library's Family Literacy Project. (Browning) I'll make a motion, second by Legislator Horsley. All in favor? Opposed? **1009 is approved. (VOTE: 5-0-0-0)**

1027, To amend the user fee schedule for Suffolk County Parks to implement an unlimited annual 9-hole golf pass for seniors who are veterans. (Romaine)

LEG. BARRAGA:

Actually I'm going to support the bill. But the reason for the bill, which I found interesting, is I guess we have roughly 48,000 seniors who are 65 and over. And the bill makes reference to those seniors who were in World War II who were part of the allied force going into Europe. And then those citizens, say, England or Ireland, who eventually became American citizens, would also qualify under this particular bill. It's in the bill. It was sort of a unique aspect that -- is it Mr. Romaine's bill -- yeah, that he put in. And there really can't be that many. Because if you go back to World War II, 1945, you're 18, you got to be like 84, 85 years of age. It was just a rather unique quality -- element associated with the bill, you know.

But it does encompass, when you take those in excess of 65 years of age and all wars, you're talking about, you know, 47, 48,000 people. But as I read the bill, the season is from March to December. And you would have to, before the County would really have a net loss, those people would have to play 44 rounds of golf. It seems like a lot of golf, but, you know -- but I just found the bill to be a little bit different, a little bit -- you know, when you threw in the allies of the European invasion, I

guess they included those English and Irish and maybe French, depending upon what part of the war you're looking at.

LEG. HORSLEY:

Maybe the North Africa --

LEG. BARRAGA:

-- would also qualify, but there couldn't be very many, not with World War II.

CHAIRPERSON NOWICK:

So, Legislator Barraga, you're saying the age would be about 84 and up?

LEG. BARRAGA:

For those -- well, World War II vets just generally, if you were 18 years of age in 1945, do the math, you'd be about 84, 85 years of age today. And I'm sure many of them still play golf, but not as easy as it used to be, not at the age of 84, 85.

CHAIRPERSON NOWICK:

It's not easy now. Legislator Montano, you have a question?

LEG. MONTANO:

Yeah, probably to Counsel. We just amended the user fee schedule to conform with the omnibus budget. Now, does this resolution since it's amending the user fee schedule sort of contradict 1003?

MR. NOLAN:

Well, it doesn't actually amend the user fee schedule. I think we're changing it -- we're broadening a category, I believe.

MS. VIZZINI:

Yes. This exemption does not appear now. So this would be a new one that would be added when the Commissioner does his changes.

LEG. MONTANO:

Well, how much -- what is the fiscal impact of this in terms of his budget?

MS. VIZZINI:

Well --

LEG. MONTANO:

Do you understand where I'm going, Gail?

MS. VIZZINI:

Yeah, but this is kind of tough to show a fiscal impact statement. These 85 to 90-year-old veterans would have to play in excess of 44 times in order for the County to truly be losing money in terms of the pass.

LEG. MONTANO:

So it's not going to happen is what you're saying?

MS. VIZZINI:

I don't -- it could.

LEG. MONTANO:

Theoretically.

LEG. BARRAGA:

I'm sure there's at least one guy out there that's going to break the record.

LEG. MONTANO:

All right, Tom, I'll go along with it. It's not going to -- it doesn't contradict nor amend -- or put a hole in the operating budget; am I correct, Commissioner?

MS. VIZZINI:

I'm sorry, Legislator Montano, I was talking to my colleague.

LEG. MONTANO:

That's all right. I was talking to my colleague. He was telling me that's it's actually going to increase revenue.

MS. VIZZINI:

Only to the extent that these individuals -- that this has an appeal to these individuals, how many of them there are -- considering my father was one of them and he's not with us.

LEG. MONTANO:

Not to belabor this, it does not -- my question was it does not impact on what we just passed 1003?

MS. VIZZINI:

No, because it is a category that will not -- does not exist now but will exist if you should pass this.

CHAIRPERSON NOWICK:

But I have a question. Two questions. One is unlimited annual nine-hole golf pass, that means it's a free pass; right?

MS. VIZZINI:

No. You have to pay 400.

CHAIRPERSON NOWICK:

\$400. Now, next question, that's if they're a walker? And then they have to rent a cart additionally?

MS. VIZZINI:

The cart is separate. And that's not discounted.

CHAIRPERSON NOWICK:

Okay. Legislator Stern?

LEG. STERN:

Thank you. Looking at the bill, it says that in order to qualify -- in order to be able to qualify here, that for those seniors who served in World War II for a nation that was an ally of the United States and is now a citizen, conditioned upon showing discharge papers from their native lands, whatever that means. I'm wondering if anybody knows how that is defined, if there's any type of a standard. I'd also -- I'll throw the question out there to anybody that might have an answer, in what way if at all was this resolution run by our County Veterans Advisory Board to see what they think?

LEG. HORSLEY:

I can't imagine. I think we had 45 allies.

LEG. STERN:

The reason why I asked the last question, Madam Chair, is because when it comes to matters such as these, I recall, you know, sometime ago that we were even considering the placement of an

additional flag in our Armed Forces Plaza, but this Legislature would not proceed until that issue went before our Veterans Advisory Board. I would think that something such as this can and should go to them as well.

LEG. MONTANO:

Do you want to table?

CHAIRPERSON NOWICK:

Here's the problem. We can table it, but the next time we meet is April 24th. And I think this runs from March 1st. Of course, it's up to the Committee, but unless we can get answers from Legislator Romaine and discharge this without recommendation --

LEG. BARRAGA:

Madam Chairman? Madam Chairman, I really don't think you should be -- you should table this particular resolution. The total sphere is a total of 47,000 veterans who are in excess of 65 years of age. Each one to participate in this program, as I understand, would have to pay a fee of \$400. And each one before the County would lose a penny would have to play 44 times. I only brought the bill up because this is a unique element associated it, someone who fought along with Eisenhower in Europe during World War II. And even there it gets kind of complicated because it's not just a question of, like, if you were from England or Ireland and you show up with discharge papers, you have to also show up with US citizenship papers. You have to be a citizen to participate in this quirky element of it. But if -- I think basically it's a bill that is good for veterans. The County really isn't going to lose any money unless they all play 70 or 80 games during that nine-month period. So it should work out to be, if anything, revenue neutral.

CHAIRPERSON NOWICK:

So, Legislator Barraga, are you making a motion to approve?

LEG. BARRAGA:

Yes.

CHAIRPERSON NOWICK:

We have a motion to approve by Legislator Barraga. I will second the motion.

LEG. STERN:

On the motion.

CHAIRPERSON NOWICK:

Excuse me?

LEG. STERN:

On the motion. Through the Chair, I mean I get it. And I see what the bill is trying to accomplish. I'm going to vote to abstain on the motion. Again, I think this is something that we should at least put in front of our Veterans Advisory Board before we ultimately approve it.

CHAIRPERSON NOWICK:

Well, we have a motion and a second.

LEG. MONTANO:

On the motion. Is there a procedural requirement or is it just a practice that we would send these kinds of bills to the Advisory Board first?

LEG. STERN:

Through the Chair, this is no requirement that I'm aware of.

LEG. MONTANO:

It's just good practice.

LEG. STERN:

There is no set procedure. It's just that on a matter such as this, it's my personal preference to at least put it in front of our Veterans Advisory Board to get their take on it.

CHAIRPERSON NOWICK:

Well, how often do they meet?

LEG. STERN:

I don't know the answer.

CHAIRPERSON NOWICK:

Does anybody know the answer?

LEG. MONTANO:

If they don't give them anything to meet about, I guess they don't.

CHAIRPERSON NOWICK:

Legislator Cilmi?

LEG. CILMI:

Through the Chair, if I can just address Legislator Stern's concerns -- and thank you for recognizing me, I'm not a member -- but really this just gives an option to the veterans. They don't have to take advantage of it. They're not forced to pay \$400 or whatever the amount is in advance. They can take advantage of it if they so choose or they can leave it alone and pay for a round as they play. So it doesn't really, you know -- they have the ability to individually choose. I don't see the need to further belabor.

CHAIRPERSON NOWICK:

So you're in favor?

LEG. CILMI:

I'm not voting. I'm not a member, but I'm in favor.

CHAIRPERSON NOWICK:

Okay. I think they can play at the state courses for free. Okay. We have a motion and a second. All in favor? Opposed? And we have one abstention. Okay, 1027 is approved. **(4-0-1-0. LEG. STERN ABSTAINED. FINAL VOTE IS 5-0-0-0. SEE LATER VOTE)**

IR 1031, Authorizing use of Makamah Preserve in Northport by Northport Running Club. (Cooper) I'll make a motion, second by Legislator Montano. All in favor? Opposed? **1031 is approved. (VOTE: 5-0-0-0)**

1034, Appropriating funds in connection with construction of a Skate Park in Sayville (CP 7113) (Pres. Off.) Do we have a motion on that?

LEG. HORSLEY:

It's in the Capital Budget, right?

MS. VIZZINI:

Yeah, it's included.

CHAIRPERSON NOWICK:

250,000 in the Capital Budget. It is.

MS. VIZZINI:

It's appropriating the 250 that was included in the adopted 2011.

CHAIRPERSON NOWICK:

Okay, motion by Legislator Horsley.

LEG. HORSLEY:

Yes.

CHAIRPERSON NOWICK:

Second by -- do I have a second?

LEG. MONTANO:

Second.

CHAIRPERSON NOWICK:

Second by Legislator Montano. All in favor? Opposed? **1034 is approved. (VOTE: 5-0-0-0)**

1068, Amending the 2011 Capital Budget and Program and appropriating funds in connection with construction for beach erosion and coastline protection Smith Point Beach and Meschutt Beach County Parks (CP 5380) (Co. Exec.) I'll make a motion, second by Legislator Horsley. All in favor? Opposed? **1068 is approved. (VOTE: 5-0-0-0)**

1069, Amending the 2011 Capital Budget and Program and appropriating funds in connection with planning and construction for beach erosion and coastline protection Shinnecock East County Park (CP 5380) (Co. Exec.) Same motion, same second. All in favor? Opposed? **1069 is approved. (VOTE: 5-0-0-0)**

1105, Adopting Local Law No. -2011, A Local Law amend the rules and regulations for the use of Suffolk County Parks (Co. Exec.) This has to be tabled for public hearing. I'll make that motion, second by Legislator Barraga. All in favor? Opposed? **1105 is tabled. (VOTE: 5-0-0-0)**

1113, Reauthorizing and reconstituting the Vanderbilt Museum Oversight Committee (Cooper) Is there a motion on this? Who made the motion? Legislator Horsley makes a motion to approve. I will second that motion. All in favor? Opposed? **1113 is approved. (VOTE: 5-0-0-0)** If there's nothing else for the Committee, thank you --

LEG. STERN:

Hold on, Madam Chair, please. If I may?

CHAIRPERSON NOWICK:

Certainly.

LEG. STERN:

I would just like to get clarification on 1027. We went through a conversation about 1027, which was amending the user fee schedule for Suffolk County parks extending unlimited annual nine-hole golf pass for seniors who are veterans. Okay.

I just want to be clear that as we had discussed the bill, my understanding is that this resolution went to who could be defined as someone who qualified for this rate as being extended to those seniors who served in World War II for a nation other than the United States; who was an ally of the United States and is now a US citizen. Is it that very limited number that this bill addresses? Or is it our veterans population throughout Suffolk County that also happens to include perhaps that

limited number?

CHAIRPERSON NOWICK:

I was understanding that it was just that population but I think --

LEG. BARRAGA:

No.

LEG. STERN:

That was my understanding as well, but perhaps it's not the case.

CHAIRPERSON NOWICK:

You think -- I thought the way it was explained, that it was just that population.

LEG. BARRAGA:

Maybe, Gail, you could clarify that. Let me read the memo that I received from the Budget Review Office. "There are approximately 48,451 Suffolk County veterans age 65 and older and an unknown number of Suffolk County seniors who served in World War II for a nation that was an ally of the United States and are now US citizens that will be potentially eligible to purchase the \$400 annual pass for the nine-hole weekday golf." That includes the whole sample. 48,000 and these unknown number who served with the allies.

MS. VIZZINI:

Yeah. I would defer to George, but in the First Resolved Claus, it talks about this pass for seniors who are veterans and seniors who served in World War II, yadda-yadda-yadda.

LEG. BARRAGA:

48,000 plus --

MS. VIZZINI:

No. Because you could be a senior but somehow manage not to serve --

CHAIRPERSON NOWICK:

Seniors who are veterans and seniors who served in World War II, isn't that the same thing?

MS. VIZZINI:

No, no. A senior is not necessarily a veteran. First of all, it doesn't say that it's men. I'm --

CHAIRPERSON NOWICK:

Yeah, I understand that. But if you're a senior that's a veteran, you served --

MS. VIZZINI:

You could be a senior but are you a veteran?

CHAIRPERSON NOWICK:

No, no. I understand it to say seniors that are veterans -- seniors that are veterans -- right?

MS. VIZZINI:

Right.

LEG. MONTANO:

You got to make a motion to reconsider.

CHAIRPERSON NOWICK:

Okay. If you stopped right there, it's seniors that were in World War II.

MS. VIZZINI:

Which are mostly men, right?

CHAIRPERSON NOWICK:

Oh, I don't know. Aren't there WAVES and WAC's? Well --

MS. VIZZINI:

There may be, but I'm just making that a point just to differentiate; that it covers senior veterans and seniors who served during this particular period.

CHAIRPERSON NOWICK:

Do you understand what I'm saying? Seniors -- it's the same thing.

MS. VIZZINI:

It seems like it, yeah.

LEG. BARRAGA:

Just one question. When you use the term -- when you use the term veterans, you're just not talking about World War II. You can have Korean war veterans, Vietnam war veterans, who are in excess of 65; older than 65 who come under this bill as it is currently written. So it isn't just about 20 or 30 who served with the allies from a different country. It's all veterans who served from World War II who are in excess of 65, Korea and Vietnam.

LEG. MONTANO:

Okay. I'm going to make a motion to reconsider.

CHAIRPERSON NOWICK:

We have a motion to reconsider by Legislator Montano and I'm going to second that. All in favor? Opposed? Motion is before us again. And I think that --

LEG. STERN:

Based on that explanation, Madam Chair, I will make a motion to approve.

CHAIRPERSON NOWICK:

You're making a motion to approve?

LEG. MONTANO:

He wants to change his vote.

CHAIRPERSON NOWICK:

Okay. Second -- okay. There's a motion now to approve yet again; second by Legislator Montano. All in favor? Opposed? **1027 is approved again. (VOTE: 5-0-0-0)**

LEG. STERN:

Thank you.

CHAIRPERSON NOWICK:

Okay, if there's no further business, I will make a motion to adjourn, second by Legislator Barraga. All in favor? Opposed? We're adjourned.

**THE MEETING CONCLUDED AT 2:45 PM
{ } DENOTES SPELLED PHONETICALLY**