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SUFFOLK COUNTY BUDGET REFORM COMMISSION

MINUTES OF MEETING

February 7, 2008
10:00 a.m.

COPIES

William H. Rogers Legislation Building
Rose Y. Caracappa Auditorium
725 Veterans Memorial Highway
Hauppauge, New York 11787

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RICARDO MONTANO
Chairman

REPORTED BY:
BethAnne Mennonna, Court Reporter

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2 CHAIRMAN: Good morning. I'm Legislator
3 Ricardo Montano. I'm going to start today's
4 meeting of the Budget Reform Commission, the
5 first meeting, pursuant to the legislation, as
6 we start all our meetings, with the Pledge of
7 Allegiance.

8 (Whereupon, at this time, the Pledge of
9 Allegiance was recited.)

10 HEARING OFFICER: Today we're fortunate
11 to have with us, at our first meeting, the
12 County Executive, who has come by to make some
13 remarks. What I'm simply going to do first is,
14 just for the record, ask each of the members to
15 identify themselves, for the record, and whom
16 they represent. And as I said, I'm Legislator
17 Ricardo Montano, Chairman of the Budget and
18 Finance Committee. Pursuant to the legislation,
19 I am Chairman of this Budget Reform Commission.

20 MR. LINDSAY: Legislator Lindsay. I'm
21 presiding officer.

22 MR. HOUGHTON: Loren Houghton, Suffolk
23 County Treasurer's Office.

24 MR. SUTHERLAND: Douglas Sutherland,
25 representing the Treasurer.

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2 MR. D'AMICO: John D'Amico, Representing
3 the Suffolk County Comptroller.

4 MS. CAPOBIANCO: Christina Capobianco,
5 Chief Deputy Comptroller, representing Joseph
6 Sawicki.

7 MR. NOLAN: George Nolan, counsel for
8 Suffolk County Legislature.

9 MS. VIZZINI: Gail Vizzini, Director of
10 Legislature, Budget Review Office.

11 MR. DAVOLI: Jeffrey Davoli, partner of
12 Albrecht, Viggiano, Zureck and Company firm, and
13 member of the Suffolk County GFOA.

14 MS. CORSO: Connie Corso, Budget
15 Director of the Suffolk County Executive's
16 Office.

17 MR. LEVY: Steve Levy, County Executive.

18 MR. LOSQUADRO: Suffolk County
19 Legislator, Daniel Losquadro.

20 CHAIRMAN: I'm going to suspend the
21 agenda and hold remarks. I will ask the Suffolk
22 County Executive if he would like to make his
23 remarks from the center or from where you are
24 sitting, to address the Committee, and maybe
25 give us his prospective's on where we should go

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2 and how we will be able to work together as
3 Legislative and Executive branches of government
4 to cooperate, to look at the budget process and,
5 hopefully, come up with some recommendations
6 that are better for the residence of Suffolk
7 County. Mr. Levy, thank you very much.

8 MR. LEVY: Thank you so much, Chairman
9 Montano. I am very happy that this Commission
10 has been put together. When the bill first came
11 in, some of my staff came to me, "Oh, look.
12 Look, what's happening here. This might be an
13 attempt to embarrass you." Absolutely not. I
14 welcome this. I think it's great because, you
15 know, there have been a number of myths
16 circulated out there. A lot of misconceptions
17 and some outright lies from some folks, not on
18 this panel, but from some legislators totally
19 distorting our budget process. And there is no
20 question, there is a need to look at this issue.
21 What we're going to find, I think this panel is
22 going to find, that there is no easy answer.
23 And that's why I'm glad we're having it; because
24 it will put to rest, once and for all, a lot of
25 the misconceptions that are out there.

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2 One of the myths that's out there is
3 that if you have a surplus, you can't possibly
4 have any economic problems. And it drives us
5 nuts sometimes, when we see some of the articles
6 where, you know, it's good that we just, you
7 know, got a report of 120, 130, 150 million
8 dollar surplus. And then you have some of the
9 officials saying, "You see, we told you that we
10 didn't have any problems. We have a surplus.
11 Just return it all to the tax payers and we can
12 reduce taxes by another, you know, 20 percent or
13 what have you." That's a total misunderstanding
14 of what our budget process is all about. That's
15 a total myth. Just because you have a surplus
16 in any one particular year, it doesn't mean that
17 you're prepared to deal with the increase in
18 cost that will hit you when you're preparing the
19 budget for the following year. You know, it
20 takes us about -- we've got to find a couple of
21 hundred million dollars a year, new dollars,
22 every year, just to keep the lights on and keep
23 the heat on, and just to keep the basics in
24 government going the same way they were last
25 year. You have pension costs going through the

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1 roof. You have health care costs going up
2 expedientially. Preschool, handicap, a hundred
3 million a year. Just like we said last night at
4 the meeting; salary, just the police department
5 alone, \$30 million new dollars just for the
6 increase in salary and benefits through the
7 arbitration. It's the same throughout the other
8 bargaining units as well. Not as extreme, but
9 it's large. Right off the bat, you have to come
10 up with \$200 million to keep your property taxes
11 steady. So, when you see that you have a
12 surplus of 120, 130, \$150 million, that's better
13 than having a deficit in the year. That's good.
14 But what you're doing is, you're immediately
15 taking that surplus and offsetting that
16 otherwise \$200 million tax increase that you
17 would have to have. So, that's a very, very
18 important point that has to go out there.

19
20 So, there have been some who suggested,
21 "Oh, you know, this surplus is misappropriated.
22 It's spent out on all new things." That's
23 nonsense. Those surpluses are not spent on new
24 things. Those surpluses are used to offset that
25 200 or so million dollars that you need in new

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2 money for the next year. And as Budget Review
3 has so wisely stated in the report, God for bid
4 if you didn't have that surplus, what taxes
5 would have become. In fact, Joe, if you could,
6 show the first chart. Not that you guys are
7 going to see this. It was supposed to be five
8 charts separately. But we're efficient. We
9 don't like to waste cardboard.

10 This is what the BRO noted, the 2006
11 adopted general fund property tax levy of
12 \$52 million. \$52 million general fund levy that
13 we taxed people on benefited from a fund balance
14 surplus of \$119 million; approximately,
15 \$120 million. Without that surplus, and
16 assuming no other adjustments to the budget,
17 which means cuts, the property tax would have
18 been \$171 million. You have a \$50 million levy
19 now. It would have been \$170 million. Go out
20 there and tell the people of Suffolk County we
21 are going to triple your property tax. That's
22 what would happen, if we did not generate that
23 type of a surplus.

24 How do you generate that surplus? You
25 generate that surplus sometimes through

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2 refinancing, sometimes through help from the
3 State and very strict position control. You
4 have to turn over savings and position control,
5 in order to help bring about that \$120 million
6 surplus, or your taxes are going to go up to
7 \$171 million, and you're tripling peoples
8 property taxes. Not that strict position
9 control is the only way you get that money, it's
10 a part of it; along with help from Federal and
11 State governments and other things.

12 We did it this year through the sale of
13 the health plan; \$15 million, \$18 million. Next
14 year we've got to come up with something else.
15 It's hard. It's not easy. My point is, if you
16 don't do that stuff, you don't have a lot of
17 other options. You've got to raise taxes, or
18 you better find ways to cut a lot of money. And
19 we all know the appetite is not always there. I
20 just put in a proposal that we change DARE to
21 Health Smart. With 16 more cops on the street,
22 that will save us a lot of money next year. You
23 saw the hullabaloo that created. Then finally
24 enough legislators stood tough. Always
25 pressures from people out there to fill every

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2 position in the county and don't cut back on
3 anything. You can do that. But be prepared to
4 have the tax rate go absolutely through the
5 roof. There is no free lunch here. There is no
6 easy solutions. Do we like to have that type of
7 surplus pressure on us every year, to generate
8 every year? No. I inherited that. When I came
9 in my first year, there was this extra money
10 that we used to bring down that \$238 million
11 shortfall for 2005. That meant when I put
12 together the next year's budget, I had to
13 replicate that. Because if I didn't replicate
14 that surplus, as Budget Review said, taxes would
15 have gone up tremendously. The 2007 recommended
16 budget benefits from an even larger surplus of
17 \$122.4 million. The recommended \$50.0 million
18 tax levy is the difference between a property
19 tax of \$173 million before the fund balance that
20 is appropriated, and the \$122 million surplus.
21 Therefore, if you don't have that \$122 million
22 surplus, you're levy is going to be \$173 million
23 instead of \$51 million. It's as simple as that.

24 So then, Budget Review again wisely
25 says, you've got to think about what you want to

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2 do here. What is the option that they give? A
3 policy should be established to allow for only
4 smaller, more realistic surpluses, to determine
5 how much of the Tax Stabilization Reserve Fund
6 the County is willing to tap into and how much
7 of a General Fund Property Tax increase is
8 acceptable. I hope the panel keeps this in
9 front of you at every one of your meetings,
10 because that's what it's all about. Those are
11 your choices. There's nothing easy here.

12 Budget Review is telling you, you've got
13 to replicate this fund balance, or you better
14 look to dip into your Tax Stabilization Fund or
15 to start increasing taxes. Start thinking how
16 much money do you want to raise in taxes next
17 year -- that's your answer -- or how much money
18 do you want to cut, and where are you going to
19 come up with those cuts? Let me know. Or tap
20 into the stabilization fund. Let me tell you,
21 that's not the answer. That is not the answer.
22 Number one, doesn't do pro-ratings a lot of
23 good. Secondly, it's a quick fix for one year.
24 It doesn't change anything structurally. You
25 still have the same structural problems you did

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2 last year, and you made it that much harder for
3 the following year. You compounded the problem.
4 That's not an answer. I'm not criticizing
5 Budget Review. They're saying it's one of your
6 options. You choose what you want to do. That
7 is an option. This is not a wise option. You
8 can use a little of it, try to cushion things a
9 little. It's getting you by for one year. It's
10 important that this all be put on the table.

11 And you know, of course, there are
12 complaints about staffing. You know, I wish we
13 could have full staffing. There has never been
14 full staffing in Suffolk County. Never. There
15 is always, traditionally, a thousand plus
16 vacancies within our budget. There is paper
17 positions out there; there are now, there always
18 have been, always will be. Those positions are
19 out there for when you need to hire somebody
20 quickly and you don't have to go through the
21 whole process of asking Alan Schnider and ask
22 for the State coming back to the Legislature.
23 If we want to wipe out those thousand vacancies,
24 wipe them out. I don't care. We don't fund
25 them anyway. There is the line within the

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2 budget where we extract the money for turnover
3 savings.

4 So, there is that other myth, "Oh, you
5 have 12,000 authorized positions and you're
6 taxing people with that money and using it to
7 cushion up a surplus." No, we don't tax for
8 these paper positions. We do tax for positions
9 we intend to fill. During the course of the
10 year, we can't fill them all immediately,
11 because you have to generate the type of surplus
12 that we're talking about here; the \$120 million,
13 or your property taxes are going up to
14 \$171 million. So, it's hard. It's not -- there
15 is no easy solutions here. Let me see what
16 else.

17 Again, there is a myth out there that
18 the County has been gutted; all of these
19 departments are doing without, and we must have
20 had 15,000 employees in the past and new
21 administration came in and knocked away old
22 places. Budget Review, itself, says the
23 recommended budget properly funded 40 new
24 positions. The net number of active employees
25 on the payroll has only increased 4,319 in 2005,

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1 surplus. And if you don't have a surplus, your
2 property taxes go through the roof. If there
3 are other things that this panel of very
4 well-meaning folks come up with over the next
5 several weeks or months, I'm very eager to hear
6 what they are. I'm here just to, basically,
7 reaffirm what Budget Review is saying; at least
8 in their report. They might say something new
9 throughout this process. There is no easy
10 solution to this. You can make the statement
11 that you know structurally it's better not to
12 have to rely on these surpluses. Absolutely
13 right. Tell me, do you prefer to dramatically
14 increase taxes to make that change? Do you
15 prefer to dramatically reduce services and
16 positions within the County to make that
17 structural change? Those are only two options.
18 Tax stabilization is not a viable option. It's
19 one quick fix for one year, and then you are in
20 much worse shape the following year from that.
21 Good luck. You know, it's not going to be easy.
22 But I'm glad, Ricardo, that this panel is here,
23 because I think it's going to debunk a number of
24 myths and, I think, encourage all of us to work
25

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2 very closely together. And that's why I'm so
3 glad that, in fact, ironically, it's yourself,
4 Legislator Lindsay and Legislator Losquadro, who
5 will all be joining me later for lunch, and
6 we'll start rolling up our sleeves and saying,
7 "Hey, we have got problems for 2009. What do we
8 do now?" It's not going to be easy. I thank
9 you for giving me the time. I really do
10 sincerely wish you all the best of luck. We're
11 all in the same boat.

12 CHAIRMAN: I want to thank you for
13 coming. I know you have a busy schedule. We
14 will be in your office, when we leave this
15 meeting, to discuss some of these short term
16 budget concerns that were raised. Hopefully
17 we'll resolve that. And you know, first thing I
18 want to say, first remark, with respect to when
19 the bill was drafted, I can assure you the bill
20 was drafted with the idea that we were going to
21 work cooperatively together. We're not in the
22 business of embarrassing one side of the
23 government or the other. We know we have
24 problems that have to be resolved by working
25 cooperatively. That's the spirit of the

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2 Resolution. We're going to be meeting for
3 approximately a year, come up with some
4 recommendations. We will be talking, obviously,
5 before the process is finalized. And, I think,
6 first we're going to go about the process of
7 learning, really, how the County budgets were
8 going to be looking at other municipalities.
9 So, we'll see how they budget. It may well be
10 we find this is a universal problem and formula.
11 But there certainly, I think, is merit to the
12 idea of getting together, discussing these
13 issues, looking to see where we are, where we're
14 going, in that light. Again, I want to thank
15 you for being here today.

16 MR. LEVY: Thanks.

17 CHAIRMAN: I had a couple of remarks.
18 I'll be very brief. This Commission was
19 established pursuant to Resolution 1694 of 2007,
20 which was adopted by the legislature, signed
21 into law by the County Executive. I was the
22 sponsor, along with Legislators Alden, Romaine
23 and Browning on this bill. In addition, I'm
24 Chairman of the Budget and Finance Committee,
25 fortunate enough to be reappointed this year and

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2 serve another year in that capacity. In that
3 capacity, I have had some concerns regarding the
4 extent to which our County relies on one-shot
5 revenues, specifically the year-end fund
6 balance; which is what the County Executive
7 addressed. My legislative purpose is performing
8 the Budget Reform Commission, try to find
9 one-shot revenue, such as the fund balance. My
10 goal, as is the County Executive and all of us,
11 is to protect taxpayers before this policy leads
12 to unwanted escalations in property taxes or
13 draconian cuts in services to the residents;
14 which is exactly what the County Executive is
15 talking about.

16 We have few options. Budgeting is the
17 simple math. We need enough revenue to meet
18 expenditures, otherwise we're out of balance.
19 This commission is charged with developing a
20 plan with options for gradually weaning the
21 County from its dependancies on the fund
22 balance. In addition to promote a greater
23 transparency in our budgeting process. And the
24 legislation really is looking to creating a
25 transparency in the budgeting process, and to

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2 de-mystify our dual budget process that divides
3 the budget into mandated and discretionary
4 portions. Furthermore, cap compliance is a good
5 disciplinary tool, but it should be a cap that
6 is clear, straightforward and easy to understand
7 to determine compliance.

8 With respect to the fund balance, the
9 balance accumulates at the end of a fiscal year
10 because the County has received more revenue
11 than budgeted or has spent less than
12 anticipated.

13 For many years, the County budget has
14 ended the fiscal year with a fund balance; but
15 never to the magnitude that it is today. The
16 unprecedented balances in our general fund were
17 adopted as high as \$103 million in 2005,
18 \$119 million in 2006 and, I think, an estimated
19 \$131 million plus in 2007. Over the past ten
20 years, the fund balance averaged only
21 \$39.5 million. I believe that's a correct
22 figure.

23 Of course, this fund balance is used to
24 offset property taxes, as the County Executive
25 stated, the following year. If not, we would be

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2 required to make cuts or raise property taxes by
3 a like amount; which nobody wants to do.

4 Question, how long can we rely on fund balances
5 being there?

6 With respect to the sales tax, in the
7 past, robust growth in sales tax revenue
8 contributed to the year-end surplus. Sales tax
9 is no longer growing at the rate of six or seven
10 percent, but more at the rate of 2.5 to three
11 percent, and possibly less this year.

12 The County has been extremely dependent
13 upon sales tax to balance our budget. The
14 County collects over \$1 billion in sales tax
15 that support a variety of programs, including
16 the County's General Fund operations, property
17 tax stabilization, Police District and Public
18 Safety revenue sharing, as well as land
19 acquisition, water quality and sewer
20 stabilization funds. Growth in the sales tax
21 was budgeted for 2.75 percent in 2007, and .25,
22 I believe, for 2008.

23 I'm confident that the Budget Reform
24 Commission is a step in the right direction and
25 will provide some protection to our taxpayers.

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2 I look forward to a discussion and moving
3 forward and working with the Executive branch to
4 see where we can look at the budgeting process
5 and come up with, hopefully, some ideas to make
6 it better. If not, at least know we have a good
7 process and want to continue working along those
8 lines. I want to thank all of you for being
9 here. Now we'll move onto the agenda.

10 Before we have our presentation, I see
11 some people in the audience. Would anyone like
12 to address this body, before we start?

13 (Whereupon, no response was heard.)

14 CHAIRMAN: We'll move right into the
15 discussion. I've asked Gail Vizzini from the
16 Budget Review Office to prepare a presentation
17 that she has to begin the discussion. My job is
18 very easy. I'll turn it over to Gail for the
19 presentation. And then feel free, to interject,
20 ask questions as we go along, and hopefully
21 we'll have a dialog and then decide from that
22 dialog which direction we're going to move in.

23 MS. VIZZINI: Thank you, Chairman
24 Montano. Thank you, County Executive Levy for
25 your remarks and quoting the Budget Review

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2 Office. At Chairman Montano's direction, I have
3 prepared this powerpoint presentation,
4 basically, just to guide the discussion. And I
5 welcome questions. I welcome comments. Without
6 them, I'm going to move along. Jill Moss, my
7 capable assistant, is driving. Go ahead.

8 What I wanted to establish is to make
9 sure that we had a good understanding of what
10 the Resolution charges the Commission to do.
11 So, this powerpoint presentation is geared
12 toward reviewing the Resolution, helping us
13 identify the objectives of the Commission, and
14 hopefully agree on methodologies and agree on
15 what the responsibilities are, in terms of how
16 we go about gathering information to address the
17 problems at hand. And hopefully we'll set some
18 future meeting dates. Certainly, that's
19 something we need to do before we end today,
20 when our next meeting will be.

21 Based on the Resolution, we are charged
22 with, first of all, identifying policy options
23 to be incorporated into a plan. So, we need to
24 do a plan. And this is for joint consideration
25 by the Executive and Legislative branches and, I

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2 think, the very positive period expressed by the
3 County Executive's office.

4 As Chairman Montano indicated, we need
5 to identify options. And there are some obvious
6 options and there are less obvious options, in
7 terms of decreasing County dependency on the
8 fund balance. Study of the budget, fund balance
9 and reserve fund practices of other
10 municipalities is one of the recommendations in
11 the Resolution. I think that's where we might
12 want to go, in terms of how do other award
13 winning municipalities address concerns, and
14 what succeeded for them, and can it for us.
15 Determine the best practices to incorporate in
16 our recommended plan of action. And review and
17 compare Suffolk's dual budget practices and
18 associated caps with other municipalities. Also
19 to identify an approach to moderate any future
20 increases in property taxes. Very much a
21 concern on everyone's mind.

22 The Resolution charges us with holding
23 regular meetings and determining our own rules.
24 Chairman Montano can call special meetings, or a
25 special meeting can be called. If that's the

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2 case, we need to give written notice. Six
3 members constitute a quorum. Clerical support
4 service will be provided by the clerk's office
5 of Budget Review.

6 We even have a budget not to exceed
7 \$2,000. We can conduct informal hearings at
8 designated places. And the Chairman could, if
9 necessary, designate members of the Commission
10 to conduct such hearings. We will be
11 cooperating with the legislative Committees and
12 making available, upon request, the verbatim
13 minutes that the stenographer is preparing. We
14 are charged with submitting a written report of
15 our plan, our policy options, by the end of
16 August of 2008. That date looks a little
17 optimistic to me now. We are at a little bit of
18 a late start. We'll discuss it more, as we
19 approach that date. The Commission will expire
20 at the end of when the report is completed. All
21 records will be deposited with the clerk. And
22 if we determine that we need the services of a
23 consultant, we have to go before the legislature
24 for authorization.

25 This is what I believe the goals of the

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2 legislation require us to do. And this is not
3 meant to be critical of the good product and
4 good financial policies we currently have; it's
5 only intended to make a good thing better. I
6 think we all recognize we do have budgetary
7 concerns and problems. I want to put that tone
8 straightforward and be very clear about that.

9 We are to improve the budget document to
10 promote transparency and usability. I'm sure
11 all of us receive questions from a variety of
12 outside entities, inside entities, "Where is
13 it?" "How can I understand it?" "What is the
14 process?" There is a little bit more that could
15 be included in the budget to promote
16 understanding not only of departments, elected
17 officials, but also outside agencies, in terms
18 of the funding that is included in the budget.
19 This would lead to improving the fiscal process
20 itself. We should take a look at financial
21 policies; something that I hope we'd strongly
22 consider establishing a multi-year budget.

23 MS. CORSO: Our contingent county,
24 Nassau, has a multi-year budget. What it is, is
25 looking at the future.

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2 MS. VIZZINI: Our charter requires a
3 multi-year budget model. But the budget itself
4 is not necessarily a multi-year document. We
5 need to take a look at the tax levy and
6 expenditure caps; whether they can be replaced
7 with something more transparent, more useful,
8 more direct. We will be taking a look at
9 revenue expenditure trends. Small matters, we
10 can update a glossary of terms included in the
11 budget. And something that we may want to
12 consider is a recommended GFOA practice which is
13 using outcomes and performance measures to
14 correlate with our funding.

15 Now, how is it that we should go about
16 getting information on all of these stated
17 goals? If the Commissioner embraces the goals,
18 we recommend that the methodology consist of
19 surveying, contacting, calling, reviewing on the
20 internet those agencies that have been
21 identified by the Government Finance Office
22 Association and recognized for distinguished
23 award winning budget presentation and policies.
24 We would be, with our concurrence, researching
25 other municipalities and budget presentations

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2 and hopefully, in addition to my staff, each of
3 you might be able to designate someone on a
4 part-time basis to constitute a subcommittee to
5 the committee to do this type of work and bring
6 the findings to the Commission, educate the
7 Commission, and then the Commission will
8 determine what goes in the report.

9 I would suggest we refer to such
10 professional organizations as the GFOA, which
11 has established criteria for budget
12 presentations and awards. They have this
13 criteria spelled out, and I would suggest that
14 we do a self-assessment, that this sub-committee
15 do a self-assessment, and determine where the
16 goals of the Commission need improvement.

17 MS. CORSO: I think we need to be a
18 little careful. If you look at one of the last
19 recipients of the GFOA award, it's Nassau who
20 had NACSLB overseeing them. They are a
21 recipient award last year. I would be careful
22 to model ourselves against them.

23 MS. VIZZINI: We would carefully review.
24 Change the slide to the word carefully, with
25 exception. You're absolutely right. We don't

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2 four basic principles. First is, you want to
3 establish broad goals to guide government
4 decision making. We do have goals. But in some
5 cases, the Executive goals and the Legislators
6 goals are parallel to some point, then they also
7 diverge. Once you identify the goals, you want
8 to develop approaches to achieve those goals;
9 and that budget needs to be consistent with
10 those approaches. And then along that process,
11 we need to evaluate performance and make
12 adjustments somewhere necessary. Some immediate
13 adjustments is for slowing of the economy. We
14 will be making adjustments there.

15 In the government decision making, a
16 government should have broad goals, provide
17 overall direction for the government and serve
18 as the basis of the decision making. One of the
19 methodologies that the GFOA recommends is assess
20 community needs, priorities, challenges and
21 opportunities. We have many challenges and
22 opportunities before us. Identify those
23 opportunities and challenges for government
24 services, capital assets and management, and
25 develop your goals and disseminate your goals.

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2 The charge of this Commission is to
3 develop a plan. We do have specific policies.
4 Some of our policies are joint policies, some
5 are Executive, some are Legislative. The
6 government should have specific policies, plans,
7 programs and management strategies to define how
8 we're going to achieve those long term goals.
9 These elements continued to talk about adopting
10 financial policies; developing programmatic,
11 operating and capital policies and plans,
12 develop programs and services that are
13 consistent, and develop management strategies.

14 It goes on to talk about a process for
15 preparing and adopting a budget. We have a
16 process, but we can improve upon that process.
17 Develop and evaluate financial options and make
18 choices necessary to develop the budget. This
19 is an area where we might want to get into;
20 which is the monitoring, measuring and
21 evaluating performance and making those
22 adjustments that we talked about.

23 Connie mentioned that Nassau might not
24 be a best case scenario. Again, just for
25 purposes of this presentation, we looked at that

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2 data.

3 MS. CORSO: I'm with you. I would love
4 the GFOA to award the Holy Grail. As Budget
5 Director, I would be in support. And I
6 recognize these practices and look forward to
7 discussing how we could kind of work towards
8 this.

9 MS. VIZZINI: I'm sure a lot of this is
10 in place, to some extent. I think we can
11 improve upon it more cooperatively. So, this is
12 just like if we start looking at other
13 municipalities, what they have in their budget,
14 compared to what we have in our budget. We
15 might have stuff they don't have. Onondoga,
16 interestingly enough, has a whole explanation
17 about fund balance policy. This is different
18 than us, in Onondaga's budget. The next couple
19 of slides is on Onondaga's budget that Jill and
20 I thought we should enter. This is interesting.
21 This looks at what they put in their budget, as
22 a way of regulating and maintaining Onondaga's
23 reserves. The County established a general fund
24 balance goal. They have a goal for themselves
25 of ten percent of general fund revenue.

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2 Reserves beyond this ten percent goal should be
3 applied to avoid future debt or for property tax
4 relief.

5 When you look at this, it sounds like a
6 tax stabilization reserve fund. This is how
7 they treat their fund balance. Our charter has
8 very different requirements for the manner in
9 which we must treat fund balances. There is a
10 difference. People conduct business a lot
11 differently in other counties.

12 MR. LEVY: Is that different than our
13 Tax Stabilization Fund?

14 MS. VIZZINI: Our fund is established
15 pursuant to General Municipal Law, with
16 requirements. They use their fund balance to
17 achieve these goals.

18 MR. LEVY: If we use fund balances to
19 create greater reserves, that's less fund
20 balance we have to reduce the property tax levy.

21 MS. VIZZINI: You can't flip this switch
22 in one year.

23 MR. LEVY: I just wanted that put on the
24 record.

25 MS. VIZZINI: I'm trying to take a long

1
2 term view; although I recognize and I think your
3 budget panel will be taking a short term and
4 long term view.

5 They continue to talk about their fund
6 balance policy. It recognizes that a prudent
7 level of reserves allows the County to manage
8 its cash flow. They justify and further talk
9 about these "rainy day" funds; what we now do
10 with our Tax Stabilization Reserve, which
11 requires us to raise taxes pursuant to General
12 Municipal Law. To access, they have a fund
13 balance, which they either reserved or
14 unreserved. And should they exceed the goal for
15 something like that, they can access it.

16 They actually have a segment in there in
17 regards to their bond rating. They toot their
18 own horn in their budget. I know sometimes you
19 include stuff in the narrative. They have a
20 whole section, which I thought was kind of
21 positive.

22 MR. LEVY: Gail, someone told me that
23 one of the reasons why we have it more difficult
24 than other counties throughout the state,
25 vis-a-vis the bond rating, is because of the

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2 Suffolk County Tax Act, and we're the only
3 county in the state. I want to know if this is
4 true, to your knowledge, that we're the only
5 county in the state that has to make whole all
6 of our jurisdictions, towns, and schools,
7 because we have that burden of making them
8 whole. It's a little harder for us to get that
9 faulted status, like Westchester and Onondaga
10 County. Is there accuracy to that?

11 MS. VIZZINI: I don't remember if we are
12 unique in that factor. But that is definitely
13 problematic for us. We'll research that and see
14 what we find; perhaps in the course of the
15 Budget Commission.

16 MR. HOUGHTON: That's more or less
17 problematic for the other municipalities in the
18 country. There is a trade off. That is, the
19 other municipalities that this made whole don't
20 have to worry about that in their bond rating
21 analysis.

22 MR. LEVY: That means the towns and
23 schools that are made whole, they get higher
24 bond ratings, because we're bailing them out.

25 MR. HOUGHTON: Argument made for that.

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You have had meetings with bond rating agencies.
Have they brought this up?

MR. LEVY: They know it. They know that we have this Suffolk County tax, which is a state law that requires us to do this. That's why we are unique. We are the only one's doing it. I bring it up, because it weighs on us in getting higher notch ratings like Westchester and Onondaga. I have heard, because of the Suffolk County Tax Act, it may be further.

CHAIRMAN: I have one question, in terms of Onondaga. What is their budget versus ours? Are we talking the same kind of county demographically, economically, or no clue right now?

MS. VIZZINI: They're not quite as large as we are. We can get that. I think they are less than two billion. There's some time lapse, since we have prepared this and looked at it.

MS. CORSO: I think it's different too, because they have the city.

MR. LEVY: Syracuse is in there.

CHAIRMAN: They have the City of Syracuse and the county.

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2 MS. VIZZINI: What I also thought was
3 interesting, in dealing with the funding budget
4 review, which is fairly straightforward, is the
5 simple explanation of the property tax levy, as
6 it relates to assessed value and full value;
7 which is very important to the Legislative.

8 They go on to talk about market value
9 and the county tax levy. It's interesting. The
10 county tax levy is the total amount of money to
11 be raised by the general property tax. The
12 share of the tax levy for each jurisdiction is
13 seven percent of the County's full value were
14 located in Spafford. Is that one of their
15 smaller jurisdictions? Then Spafford is
16 responsible for seven percent of the tax levy.
17 Almost as complicated as the Budget Review
18 Office.

19 MS. CORSO: Does that mean that the
20 towns that make that whole is what, Gail? We
21 can talk about it later.

22 MS. VIZZINI: Okay.

23 This is where they bash Suffolk. What
24 is interesting is, you mentioned our Tax Act.
25 We take it on the chin, with our Tax Act, but we

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2 retain all of our sales tax with some exceptions
3 with public safety and sewer districts.

4 Onondaga has to share a portion of their sales
5 tax. Any of these major counties who have had
6 recent increases in sales tax, the State has
7 required them to share it with cities within a
8 county. So, everybody has got the same.

9 Everybody has a little something different going
10 on as well. So, onondaga, because of their
11 situation, shows what their portion of sales tax
12 is, how much they retain and what they have to
13 share. You know, they are basically saying,
14 your taxes would be less, if able to keep our
15 sales tax.

16 This was kind of interesting. Reminds
17 me of the budget model they mentioned in their
18 narrative. The big ticket items are the usual
19 suspects. And they are similar to our usual
20 suspects. They have Medicaid, the Handicap
21 Children Program, Social Services. They list
22 them and put a dollar amount next to them. And
23 even looking at these dollars amounts, the
24 magnitude of expenses is not quite the magnitude
25 of ours. They have a hospital. It continues.

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2 Their big ticket items are similar to us. They
3 total the number of positions by organization.

4 This leaves the question for the
5 Commission, "What is our next step? Perhaps you
6 can have a discussion in regard to, are we
7 willing to go along with the methodology, in
8 terms of finding out how other jurisdictions
9 perform their budgets, how they treat fund
10 balances, whether mandated, discretionary
11 requirements, whether they have caps, if they
12 work for them? This is something to learn from
13 other jurisdictions. My suggestion is to look
14 first at the award within the jurisdiction. And
15 they don't necessarily have to be in New York.
16 It could be California jurisdictions. Is the
17 Commission agreeable to our researching this?
18 Are we agreeable to perhaps designating a
19 sub-committee to do a self-assessment, to
20 research the budget practice of other
21 municipalities and research our charter with
22 regard to the budget?

23 CHAIRMAN: Thank you, Gail. Steve, do
24 you think that our work is going to be as easy
25 as your sewer summit?

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2 MR. LEVY: It's real close.

3 CHAIRMAN: We'll see at the end. Gail,
4 I want to thank you for that. Are there any
5 questions from anyone here, with respect to any
6 of the points of the presentation? Connie, Dan,
7 did you want to say something?

8 MR. LOSQUADRO: I think not only can we
9 benefit from looking at the successful budgeting
10 practices of other municipalities -- I'm glad
11 you pointed out not only New York State, but
12 across the country -- look at people who are
13 innovative, look at successes, in terms of
14 transparency. But there is also something to be
15 said from learning from mistakes of others. So,
16 looking at programs that seemed innovative but
17 had a deleterious effect on a budgeting
18 practice. I know we talked a little bit about
19 that, I don't know if it was a year or two ago,
20 about some municipalities across the country
21 that ran into problems from making changes. I
22 think that is something we have to factor into
23 this discussion. Those who do not learn history
24 are condemned to repeat it. We want to make
25 sure we're not falling into the same traps.

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2 MR. LINDSAY: Change is the big thing
3 that we hear so much about today in politics.
4 But sometimes change could be harmful. I just
5 wanted to pick up a little bit on the
6 discussions that the County Executive stated
7 before about fund balance. First of all, I
8 think that this group is about more than just
9 fund balance. I would certainly like to look at
10 some of our tax multiplications and some of the
11 things that have been on the books for a long
12 time. But I'm not sure if they are that
13 effective. But getting back to the surplus. I
14 don't know whether it really makes that much
15 difference. Steve, you were talking about the
16 surplus before, where there's \$120 million.
17 This year, \$125 million. Where does that come
18 from?

19 MR. LEVY: Comes from a mixture of
20 things. Sometimes you get unexpected State aid.
21 Sometimes you do a refinancing. Sometimes you
22 get money like we're trying to get through the
23 sale of the health plan. And then it's
24 squeezing out.

25 MR. LINDSAY: The squeezing is where I

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want to get to.

MR. LEVY: It applies to position control.

MR. LINDSAY: Position control in one year. We fund positions. We don't fill them, for whatever reason, and it creates a surplus. And I'm not saying we should do this. But if those positions weren't funded in that year, you wouldn't need as much revenue that causes the surplus.

MR. LEVY: I think that's where the misconception is. It's not like we're raising taxes for positions we don't plan on funding.

MR. LINDSAY: I'm not saying that at all. I don't really think this discussion, if we wanted to reduce the surplus and you could identify \$20 million, \$30 million worth of positions that you might not fill in one year, and you reduce the size of the budget by that amount. We would need that much of a surplus going into the next year.

MR. LEVY: If we cut positions out of the budget, you're right. Which?

MR. LINDSAY: What that does, it

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2 eliminates a lot of flexibility. I don't think,
3 in the overall bottom line, it makes any
4 difference whether you're using a fund balance
5 to hold down taxes or whether the budget itself
6 shows a lower amount.

7 MR. LEVY: Very good point.

8 MS. CORSO: That should be a focus of
9 one section of this report; look at the turn
10 over, the vacancies, the long term vacancies and
11 what's acceptable.

12 MR. LINDSAY: And if you want, it
13 might -- I'm far from an economist, in any
14 stretch of the imagination. If you wanted to
15 wean yourself off of the surplus, it would have
16 to be done over a period of time. But I think
17 it should be kept in mind, what's the trade off
18 for that? What is the trade off?

19 MR. LEVY: Less positions or more taxes.

20 MR. LINDSAY: Not only that. But again,
21 I think everything could be equal, whether
22 dealing with a larger surplus or smaller budget,
23 you don't have the flexibility. What happens in
24 the middle of a year, or something like that,
25 where you had an emergency, where you have to

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2 fill certain positions. God knows, if we have a
3 major hurricane here that blows our County apart
4 and we need a lot more people to do something,
5 and you don't have the positions in the budget;
6 it makes it more difficult.

7 MS. CORSO: You make such a valid point.
8 We always get hammered for having a certain
9 amount of vacant registered nurses. What if
10 anything happened? We don't need them for the
11 day-to-day stuff, when the County is running
12 smoothly. What if there was an emergency? If
13 you didn't have those vacant RN positions, would
14 we been able to react to any kind of emergency,
15 any kind of hiccup? You do need a certain level
16 of flexibility.

17 MR. LOSQUADRO: On that same note, many
18 of the positions that you -- when we do try to
19 fill them, we see a log time. Because we are
20 government, we have post positions. We have to
21 go through a screening process. We have a civil
22 service law to contend with. So, if we really
23 did -- I think it's something we need to look
24 at. If we do bump up against those types of
25 emergencies, could we amend the budget? Would

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2 it really slow the process down that much, given
3 the lag time? We see it before government.
4 It's not like we can react overnight to hiring
5 someone, if we need them. We have civil service
6 law and other requirements we have to contend
7 with. I think that's something to factor into
8 the decision making process there.

9 CHAIRMAN: Mr. County Executive, thank
10 you very much. Are there any comments from
11 anyone? Would anyone like to make a statement
12 on what we heard so far?

13 (Whereupon, no response was heard.)

14 CHAIRMAN: I think what I'm going to do
15 is -- basically, I wanted to thank Gail for the
16 presentation. And thank the County Executive
17 for coming forward and sitting through the first
18 meeting. And Connie, thank you for being here.
19 I guess you'll be representing the County
20 Executive from here on in; which is good. As I
21 said, our goal is really to work cooperatively
22 as two separate branches of government seeking
23 the same goal; which is looking at our process
24 and either signing off that it is A-OK, possibly
25 making some recommendations to modify it with a

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goal to making it better, whatever. At this point, from my perspective, since there are no further comments on what we heard so far, we're going to adjourn.

I want to set a date for the next meeting. In the interim, I think what we would like to do is prepare for what we're going to do at the next meeting. And as I said, from my perspective, I would like to get an idea, having been through the County budget process four times, it makes me still a rookie. Serving two years as the chairman, I'm still not quite sure I understand the budget process. I think I know enough about it to want to look at some other jurisdictions, to see how they do it. Obviously, bear in mind, we may be talking small jurisdictions. We have 63 counties in New York. We're probably at the top of that, in terms of dollars and population. Some of the jurisdictions that are smaller, it might be easy to budget for them. And they do things differently, because it's a totally different process, different demographics, different economics. As you said, one of the county's

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2 there has a larger charter. I'm not sure how
3 that figures into it. I'd like to follow Gail's
4 recommendation and look at some other
5 municipalities and look at their general
6 practices in approaching the budget and then
7 seeing, doing the analysis and comparison
8 between how we approach it. It may turn out
9 that we, in fact, are on the same path. Maybe
10 there are some differences, some modifications
11 that we'll look at.

12 MS. CORSO: I'll take anything I can
13 get.

14 CHAIRMAN: You can add that to your fund
15 balance. Nor do I think we need to go for
16 outside consultants. That's not the goal of
17 this Commission. And I think that we have an
18 excellent BRO and staff that we work well with.
19 And I think we can prepare -- they are the
20 backbone of the work we're doing in this
21 Commission. Gail, do you think a month from now
22 we can come back and look at some targeted
23 jurisdictions? You tell me.

24 MS. VIZZINI: What I'd like to add to
25 that is two things. I'd like a Committee

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2 concurrent with the budget office and Budget
3 Review Office to move towards a self-assessment;
4 if that's agreeable to you. We may be much
5 further along than we think we are. That will
6 help us focus and approximate. If you also
7 concur, I wouldn't mind forming a sub-committee,
8 once Budget Review frames out jurisdictions it
9 needs to look at, so I would have the authority
10 to reach out to Connie and to Christina and to
11 Doug. Maybe your people can call this
12 jurisdiction and get the information -- many
13 hands make light work -- within the 30 day
14 period.

15 CHAIRMAN: Is that agreeable to
16 everyone; more work?

17 MS. CORSO: This is my slow time. My
18 capital budget came in to us on Friday. I'm
19 just getting ready to do the college call
20 letters. I have Carmine and Alan in the
21 audience today, my Assistant Budget Director and
22 Director of Management of Research.

23 CHAIRMAN: We understand that.

24 MS. CORSO: I'm all about cooperation.
25 I'm in this wholeheartedly.

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2 CHAIRMAN: Let me make sure. We also
3 have responsibilities. Certainly, it's not our
4 intention to interfere in the operations of
5 another department. So, if it's something that
6 you can assist with, we'd appreciate that. If
7 you can't, let us know. We'll work around the
8 parameters of what you're doing. We know you
9 have other responsibilities. We would like to
10 move this forward within a year. With that, I'm
11 going to begin the process. Gail, we will go
12 toward that. And if there are no kinks in the
13 process, we'll talk about them, you and I, and
14 the other Committee members. We don't have to
15 necessarily call a meeting for that, but we'll
16 work around that and go for the goal of
17 self-assessment and comparison.

18 MS. VIZZINI: Yes.

19 MR. LINDSAY: You talked about
20 scheduling. I guess it has to do with work
21 loads, because everybody here is busy and
22 doesn't need to attend a meeting if we don't
23 have to. If we could some how identify the
24 areas we want to go into and try to figure out
25 how many meetings we'll need to work out a long

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2 term schedule; like we're going to meet every
3 other month and know on a certain day of the
4 month, it certainly helps me with my scheduling.
5 I'm sure it helps everybody else as well.

6 The other question is: Really, it seems
7 that we got bogged down on fund balance. But
8 are we going to look at the capital laws and
9 stuff like that in our assessment?

10 MS. VIZZINI: That would be part of the
11 survey question.

12 MR. LINDSAY: Are they still fulfilling
13 their desired intent? The 2007 original
14 Legislation was passed. I'd be very interested
15 in having dialog on that.

16 CHAIRMAN: Bill, that is one of the
17 resolved clauses the Commission shall review;
18 dual budget practices and associated companies
19 with other municipalities, and determine the
20 best practices. So, we will be. That's one of
21 the charges in the Legislation.

22 MS. VIZZINI: In terms of -- we can't
23 set our next meeting today. I can have Sharon
24 coordinate, for now, a tentative schedule and
25 reach out to all of your offices to see how that

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shapes up.

CHAIRMAN: What is your pleasure in that fashion? We'll simply adjourn and then coordinate a date for the next meeting? I think that is a good idea. Unless there is anything further. Thank you, again, Gail, for this. Actually, three of us are going to -- four of us are going to go over to the County Executive's Office and discuss the meeting situation. Five of us are. So, with that, I'll entertain the motion to adjourn. Thank you very much. Thank you for being here in the audience today.

(Time noted 11:18 a.m.)

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I, BETHANNE MENNONNA, a Notary Public within and for the State of New York do hereby certify that the foregoing is a true and accurate transcript of the proceedings, as taken stenographically by myself, at the time and place aforementioned.

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IN WITNESS WHEREOF, I have hereunto set my hand this 15th day of February, 2008.

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BETHANNE MENNONNA

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