

Ways & Means

WAYS AND MEANS COMMITTEE

OF THE

SUFFOLK COUNTY LEGISLATURE

Minutes

A meeting of the Ways and Means Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York on March 17, 2016 at 1:00 p.m.

Members Present:

Legislator Bridget Fleming - Chairwoman
Legislator William Spencer - Vice-Chair
Legislator Robert Calarco
Legislator Robert Trotta
Legislator Monica Martinez
Legislator Thomas Cilmi

Not Present:

Legislator Kate Browning

Also in Attendance:

Presiding Officer DuWayne Gregory - District No. 15
George Nolan - Counsel/Suffolk County Legislature
Sarah Simpson - Assistant Counsel/Suffolk County Legislature
Amy Ellis - Chief Deputy Clerk/Suffolk County Legislature
Robert Lipp - Director/Budget Review Office
Greg Moran - Aide to Legislator Trotta
Liz Sutton - Aide to Legislator Fleming
Jason Hann - County Executive's Office
Katie Horst - County Executive's Office
Eric Kopp - Appointee/Suffolk County Board of Ethics
Phil Nolan - President & CEO/Suffolk Regional OTB
Anthony Pancella - Vice President/Suffolk Regional OTB
Brett Houdek - Medford Taxpayers Civic
Annette Kattau - ABCO/Medford Civic
Don Serbet
All Other Interested Parties

Minutes Taken By:

Gabrielle Severs - Court Stenographer

Minutes Transcribed By:

Kim Castiglione - Legislative Secretary

Ways & Means

*(*The meeting was called to order at 1:08 p.m. *)*

CHAIRWOMAN FLEMING:

Good afternoon, everyone. Welcome to a regular meeting of the Ways and Means Committee. We'll begin with the Pledge to the flag led by Legislator Calarco.

*(*Salutation*)*

Happy St. Patrick's Day everyone, and I hope it's not because it's St. Patrick's Day that the Pledge was a little shaky. We have no correspondence, so we'll move right to the yellow cards. Please feel free to come forward, and it's three minutes at the podium. First we have Brett Houdek. Good afternoon, Mr. Houdek.

MR. HOUDEK:

Thank you. Thank you for having me. I appreciate this opportunity to just give a few comments and I appreciate the fact that you're having OTB here to maybe inform us about what's going on with the casino development here in Suffolk County. And the reason I come here to find out is because the process has been, well, less than transparent. So whatever happens I would ask if you as Legislators could fulfill your role and keep OTB accountable. They're a public benefits corporation, and as such, they're bound by the Open Meetings Law, all right, and the only way for that to be effective is for the public to know when and where their meetings are. They don't publish this. They fail to publish meeting minutes, all right, and when they do, they're typically eight months behind the times. Those minutes are the only place where you find the date of the next available meeting, which I think many people on Long Island would like to be party to and hear what's going on. But those meeting minutes are frequently vague and cloaked with executive session discussions, which really probably shouldn't be in executive session. So I'll ask if you can question OTB on those matters.

I would also ask, you know, we got some surprises during this process. One of the surprises was the fact that OTB went and petitioned a Bankruptcy Judge to sue the Gaming Commission, Brookhaven Town and eventually the very County that you all serve on. They served a petition to the Bankruptcy Judge. Unfortunately, I don't understand how they had the authority to do that. You see, they were allowed to file in bankruptcy by a law that was passed in 2012, but that law sunsetted in 2014, and in 2014, April 1st, they were then bound by the laws that affected all regional OTBs, specifically pari-mutuel law 503a, which says that to file any petition, and the key word is any, all right, with the Bankruptcy Court, they need a resolution by this County. You would have in effect had to authorize them to sue you, but that didn't happen. They just went to Bankruptcy Court and, you know, they were struck down several years ago for not getting a petition and they had -- not getting a resolution, but they got a special dispensation, a new law through the Legislature, and they were allowed to file their bankruptcy in Bankruptcy Court at that time. But, again, it sunsetted April 1st of 2014 and they're bound by the laws that affect all OTBs. They must come to this Legislature, get a resolution, before filing any petition. I would ask if you could question them on those matters. And I'm sure -- I don't know, there's no clock, so.

LEG. CALARCO:

It's up there.

MR. HOUDEK:

Oh, it is. Okay. I'm good. I'm done. Thanks.

CHAIRWOMAN FLEMING:

Thank you. I just want to note for the record that, I should have said this when I said Happy St. Patrick's Day, but Legislator Kate Browning has an excused absence today. Next in yellow cards,

Ways & Means

and this is the last one, Annette -- is it Kattau?

MS. KATTAU:

Yes, thank you.

CHAIRWOMAN FLEMING:

So it's the same, Miss Kattau. You have three minutes at the podium.

MS. KATTAU:

Yes, thank you, and thank you for letting me speak. I agree with everything that Brett said. I have been side by side with Medford Civic. I think it's outrageous that we bail out this entity. I agree with Joye Brown. She had a wonderful article in the paper. I think it's time for them to fail. They bring nothing but ills to communities and neighborhoods. This is not what we want for our children and grandchildren. This is not the way we want our communities to go. If we attach them -- if we keep them attached to Delaware North we don't know where this is going to go.

I also belong to ABCO and it was mentioned that an RFP should be put out and people should be asked what communities -- through the communities to see what community would really host them. The process that I've watched has been very nerve wracking and I'm pretty disgusted with politics from what I see with my own -- actually my own town, the way this was brought up and the way it's going.

So I just hope that you all will represent the people, not only the people, the coming generations of these towns. We need not the dumbing down of America. We need to bring our standards up a bit. And I just don't know how else to say -- I listen to 103.9 and after John Gomez -- he was helping us. He's no longer on the show. Somebody else has taken over the show, Mr. Nolan was on. He says shovels in the ground, I think he said May, Brookhaven Town. That was the last I heard. Thank you.

CHAIRWOMAN FLEMING:

Thank you, ma'am. I have just gotten another yellow card. Don Sebert. Again, just to remind you it's three minutes, sir.

MR. SEBERT:

I'd just like to say that I think this whole thing, you know, today's St. Patrick's Day, and a blarney story is what we've been told all along. And I think if you interview the people from OTB, it's just incredible that you could even undertake considering whatever they said, whatever they said from the beginning. They said they tried -- that we had the code that fixed it. Then they tried to change the code. Then they tried -- they had secret meetings that we had to go -- that community wasn't -- we barred from. People that live right next door that would impact them. You know, you hear the story about surround the Indians. Well, that's what they tried to do, and I'm sure the Presidential debates can give you some idea of the type of people that it involves and why the public is really outraged.

We have a community that's at a crossroads. We don't need this. I don't know -- they tell you that we voted for it, and you know that you asked for it three months before there was any vote in the State and the people only voted for it for Upstate, New York and possibly in New York City. That was the public advisement that had a lawsuit against it, okay. There was a lawsuit against it, but they said it wasn't timely because they didn't do it in ten days before it, but they only got the final version of what was on the ballot in the ten day period. So the whole thing is corrupt from the beginning.

Ways & Means

And I don't know how you can believe any word. One minute they say they have the zoning, then they are going to start building, then they say it fits it. It's an amusement. Amusement. The gentleman that's one of the heads, I don't know if it is the President or Vice President Nolan, I don't know which one he is now, he was a supervisor of a town. He knows the application process. He should know the exact thing what it is. It was against the law to have gambling as an amusement. When they wrote the code it didn't exist, okay. So it was something they could never have done, and yet they tried to persuade everybody for the dollars that they said would go to the County, to the township, which wasn't even true. And you can speak to the people Upstate, New York, that have them. I was up in Hamburg and spoke to the Supervisor there, how they promised him money and they always wait for the Governor and the last day of the month to find out what they get. They started with two million and they ended up with somewhere around 800,000.

He said it was the worst thing that ever happened to the community because it's taken the sap, it's pulled everything out of the soul of the community. The small businessmen they say that it protects? It doesn't. Okay. It hurts them, because the people -- a ten mile radius, the only thing we could fuel, whatever business it could help was the gas stations, because people had to take their cars there. But unfortunately, it's only a ten mile -- they drove up in ten miles. Even the biggest gas guzzler doesn't need a fill-up ten miles away from his house. Okay.

So it's just -- it's a horrible thing and from the beginning it's a blarney story, okay, and we need to fix it. Thank you, and you have to start from scratch. That's my heart. You've got to get a whole new system, okay, in this whole thing. We don't need it, our community can't use it. Is that the time? Thanks.

CHAIRWOMAN FLEMING:

Yep, that's the time. Thank you so much. That's all of the yellow cards that I have. Is anyone else -- does anyone else want to speak? You are free to come up and have three minutes at the podium. So I see there are no other speakers.

We will -- we do have a presentation and Mr. Nolan from Off Track Betting is here to offer us an update, but before we do that, do I need a motion to take -- if I could have a motion to take **1205 (To appoint member of Suffolk County Board of Ethics (Eric A. Kopp)(Co. Exec)** out of order. I think we have Mr. Kopp with us. Is there a motion?

LEG. CILMI:

Motion.

CHAIRWOMAN FLEMING:

Thank you. So motion by Legislator Cilmi. I'll second that motion. We will take -- all in favor? All opposed? Any abstentions? Thank you. So we'll take 1205 out of order. Mr. Kopp, if you'd like to come up -- is he here? Oh, there you are. I saw you're hiding behind Amy Ellis. If you'd like to just come up. If you are comfortable at the podium or the table, whichever you like.

MR. KOPP:

I am comfortable at either place. I've been at both before.

CHAIRWOMAN FLEMING:

We have a resolution to appoint you as a member of the Suffolk County Board of Ethics. If you'd like to just tell us a little bit about yourself and why you are willing and able to serve on the Ethics Board.

MR. KOPP:

Well, I have been involved in public service for a long time, going back to 1977, but I've been

Ways & Means

serving County Executives, seven of them in two counties, in both political parties, since about 1980. And you all should know I retired as a Deputy County Executive at the end of January, and the County Executive asked if I was willing to take this post, and it seems to me to be a good way to give something back to the County that I served for so many years.

CHAIRWOMAN FLEMING:

I appreciate that, and certainly -- you certainly do have a great deal of experience, that is certain, in all kinds of ways in the government and I appreciate your willingness to serve on that important board. Do any of my colleagues here have any questions?

LEG. CILMI:

I have a question.

CHAIRWOMAN FLEMING:

Yes, Legislator Cilmi.

LEG. CILMI:

Welcome back, Eric. You know, I hadn't really had this question before, but as you were talking I was thinking about the fact that you have been here in County Government for so long, made lots of relationships over that time period. Do you think that the relationships that you formed along the way would serve to get in the way of fair treatment of our ethics policies?

MR. KOPP:

I would like to think that throughout my career personal relationships never clouded my judgment when I was making decisions. I intend to continue that policy moving forward.

LEG. CILMI:

Very good. Thank you.

LEG. TROTТА:

I have a question.

CHAIRWOMAN FLEMING:

Thank you, Legislator Cilmi. Yes, Legislator Trotta.

LEG. TROTТА:

I hate to do this to you, but --

MR. KOPP:

But?

LEG. TROTТА:

But I'm going to. During the Burke fiasco, can you tell me what your take was on when the County Executive stood by him when he was on the cover of Newsday for having sex with prostitutes. I mean, those are ethical questions the County Executive had to make, whether he kept him or not. I was wondering how you advised him on that, and then again when he was on the cover for being investigated by the FBI.

MR. KOPP:

Any advice that I may or may not have given to the County Executive is, to my view, something between myself and the County Executive, and not something that I would discuss in public, as I have not done it for the previous six County Executives either.

LEG. TROTTA:

What was your own personal feelings?

MR. KOPP:

When you're a Deputy County Executive you don't always have personal feelings.

CHAIRWOMAN FLEMING:

Could I just -- I'm sorry. If I could -- I didn't realize my mike was on when I laughed like that. Sorry. If I could just note also the Board of Ethics does have a very specific mission, and under the Board of Ethics, I think, Mr. Kopp, you're probably aware of it, it's a conflict -- it's really about that conflict of interest. And, you know, we, any government official is free to ask for an opinion based on a particular circumstance that's facing them, so I think that's what it is, Mr. Kopp, and maybe you can clarify that.

MR. KOPP:

My first day in government in 1977, maybe some of you weren't even born yet, Frank Jones, the Islip Town Supervisor -- I was in the Supervisor's Office in Islip -- gave me three rules to live by. Don't eat lunch at your desk, make a decision, right or wrong make a decision, and the appearance of wrongdoing won't be tolerated. And I've lived by those rules since 1977.

CHAIRWOMAN FLEMING:

Okay. Are there any other questions?

LEG. TROTTA:

No, I just feel that, you know, these type of questions are something -- this gentleman wants to be on the Ethics Board, and this Administration failed at ethics, in my opinion, in the past two years. And while he's not the decision maker in the process, you know, he was there, and I think that it's incumbent on me to discuss with him that issue and based upon my knowing him and people I feel confident, but I think that it's right that it was aired. And I think that the people in this County should be made aware over and over again that mistakes were made and people should be held accountable.

CHAIRWOMAN FLEMING:

I appreciate that, Legislator Trotta, and do you feel that your questions have been answered adequately? Thank you. I think that Legislator Spencer has a question.

LEG. SPENCER:

Good afternoon and thank you so much for your willingness to serve. So I do think that those are some good points. So I understand not withstanding your previous position and just looking at you now, a generalized overview of your philosophy with regards to Suffolk County and its government political landscape, we could say -- I think we could all agree that there are some challenges. So we're looking for people that can step up and be leaders and serve as healers and restore public confidence and can keep public confidence, and I think that ethics is probably at the center to be able to do those things.

So I guess the question I will ask is as far as your personal background and when looking at the Ethics Board, one, what makes you want to serve on this committee and, two, what do you feel your qualifications are that would make you an asset to this committee.

MR. KOPP:

I have very high standards in regards to how people conduct business with the County government and it's been that way throughout my career. As a matter of fact, during my tenure as Vice President of Dowling College we instituted anti-nepotism rules and brought competitive bidding to

Ways & Means

the institution that didn't even have it. It took a couple of old politicians like Gaffney and me to bring that over there, you know, so. I think I have very high standards and I think people who've worked with me over the years would attest to that, that I truly believe that the appearance of wrongdoing will not be and should not be tolerated by anybody.

And as to the conflict of interest, usually if you have to ask, you probably shouldn't be doing it.

LEG. SPENCER:

I think that was a very good answer that you gave and it gives me some comfort, and maybe by way of a question, partially a statement, realizing that in the position that you've been in where you've been in service to different County Executives in the past, and now all of a sudden after you go through this process, if you prevail, that now you have to be extremely independent and sometimes the tug of war between your new role and previous loyalties -- and maybe you can't answer this, but how do you reconcile that?

MR. KOPP:

I'm telling you it won't happen.

LEG. SPENCER:

And I take you at your word, but I wanted to look you in the eye on the record and tell you that, you know, knowing your history and what you've done and looking at your credentials that I am appreciative of your willingness to serve, but I want to state on the record that as a representative of the people, I know that there are some significant concerns when we talk about just ethics and the perception. And I'm really going to be looking at you and thinking about this day and this vote of confidence, and I want to put a little pressure on you to say that I'm counting on you.

MR. KOPP:

I'm willing to accept that pressure.

LEG. SPENCER:

Thank you.

CHAIRWOMAN FLEMING:

Thank you. I see no further questions. I do have a motion by Legislator Cilmi to approve. I will second that motion. All in favor? Opposed? Abstentions? **(Vote: 6-0-0-1 Not Present: Legislator Browning)**. Thank you, Mr. Kopp.

MR. KOPP:

I'd like to thank the committee. This went a little bit better than Judge Garland is doing down in Washington I think.

CHAIRWOMAN FLEMING:

They could probably learn a few lessons from us. Thank you. So we're going to go back to the regular agenda, then. We have a presentation today by Phil Nolan, who is the President and CEO of Suffolk Regional Off-Track Betting Corporation. Mr. Nolan, thank you for coming. If you want to come and have a seat at the table. And with him is Mr. Pancella, who is the Vice President of OTB. If you'd like a seat at the table as well, Mr. Pancella. And on our agenda is an update here on the bankruptcy and the plan for adjustment of debt. So thank you for coming, Mr. Nolan. Do you have a statement you'd like to make before Legislators put questions?

MR. NOLAN:

Thank you for having us here today.

Ways & Means

CHAIRMAN FLEMING:

I think you have to push it and hold.

MR. NOLAN:

You have to hold this down the whole time?

CHAIRWOMAN FLEMING:

There's another one. Switch it, Phil.

MR. NOLAN:

I'll get another one. That's way too hard. I can't think and chew gum at the same time, let alone talk and hold buttons down.

CHAIRWOMAN FLEMING:

That's working well.

MR. NOLAN:

Old home week for me. Not only do I see Eric Kopp walking in, who I have known since 1977, when I saw him out in the parking lot I said to him, I said, "You're the only guy who has been around longer than me". And then to hear him talk about Frank Jones was too much.

I came here today to bring you up to date, the way I understood this, was to update you regarding bankruptcy, the overall situation with OTB, where we're at. As you said, Tony Pancella is with me. He's Vice President of the -- our organization, and I want to say right at the outset has been an incredible asset to me and to the organization in dealing with the issues that we've been dealing with, which are thorny to put it mildly.

I kind of like to do this chronologically, my presentation, off the top of my head somewhat, but I have a few notes. I came to OTB as President in July first of 2012. The organization had filed for bankruptcy. We were in court and we faced very, very long odds. The best way I can in an umbrella fashion tell you how we got there and why we're still there and why it's a difficult business across the State, is that the formulas that we live off or within, the rules and regulations where all the money goes, are simply impossible to succeed within.

I brought with me today 2010 and 2015 New York State Comptroller's audits, both of Suffolk County OTB, and all the OTBs across the State, and the punch line to both studies, five years apart and as recently as last year, is that the formulas make it impossible for us to make money. We just have too many people taking too many dollars out of the organization. We, contrary to some people's beliefs, we have never taken a penny of public money, although that's commonly stated that oh, we're costing all this money. We, OTB, has contributed hundreds of millions of dollars to public entities across the State of New York, Suffolk OTB. Statewide it's billions, I would imagine it's in the billions of dollars.

We support the horsemen across the State of New York. We are essentially the marketing arm of the horse racing industry in the State of New York. Many, many, many thousands of jobs involved. Some aspects of the operation are relatively successful. I mean, Saratoga makes money one month. It's pretty much the high point of our year. Well, it's now six weeks actually.

When I got here I looked at what we were doing and the places where we make money today, quick bets, which are essentially OTB facilities inside of bars; we actually have a stationary store that's doing it now. Very little costs to us and they generate money. It's something we make money at. So Tony and I made a very definite point to get with our people immediately and I told them and we told them that we wanted to at least double the number of quick bets in this County, and we've done

Ways & Means

that. I believe we were about 15 when I got here, we're about 33 now with seven or eight in the pipeline.

Additionally, we looked at the internet. It's a changing world. The bricks and mortar operations of the old days are failing because the people who go there have aged, it's an aging clientele, that's factual. And we looked at the internet and we were doing about eight million per annum at that point, 8.3 million in 2012, and we decided to overhaul our internet. Nassau County at that point was doing 28 million, just to give you an idea, and they're a fairly analogous County to us as far as population, income numbers and so on.

In '15 we did 11.6 million, which is a \$3.3 million increase against an \$8.3 million base, about a 37%, 40% increase. We anticipate doing between 12-five and 12-eight this year, continuing to increase. We had hoped to get to 18 to 20 million by about '17 or '18. I doubt we'll get that done, mostly because we don't have any money to market our new internet site. If we could market it aggressively it would increase faster because we're on the right track with that.

Additionally, we've sold a number of our real estate assets just to keep afloat. The Atlantic Automall bought our Sunrise facility. It was appraised at 2.1. We were able to get \$2.7 million on that exchange because of need on the buyer's part. We sold the Forum and we're leasing it back, and that actually increases our day-to-day operating position. We sold our headquarters for about a half a million dollars, I believe, more than it was appraised at. So we've done okay with those things, but fortunately we had those assets to sell so that we could stay in business at all, because at the end of the day it's the VLT facility that is the focal point of most of our efforts toward going forward.

We have 250 jobs at OTB today, approximately. That's 250 people whose lives are very much dependant on their positions at OTB. Most of them are part-time positions, but those part-time positions, and I hear from these folks each day because they come to work in the phone room every day and they seek me out and they'll tell me. There always concerned that we're going to survive and they've told me. No one has differed from this that they depend on this money to survive. I take that really, really seriously.

Additionally, the VLT facility, which is called a casino, will produce 300 to 350 new jobs. And on top of that, I think it's a very compelling argument that people today are going to Aqueduct, Yonkers, Atlantic City, Connecticut and spending hundreds of millions of dollars after they have to drive two, three and four hours to get there. A facility in Suffolk County is going to keep the dollars, the jobs, the tax revenue in this County, and it's going to offer tremendous convenience to our constituents. And it's not 5,000 people that go to play slot machines, it's tens of thousands of people.

We selected Delaware North, as you know, as our manager of the facility, and at the front end before they put \$76 million on a bankrupt company, they did very, very extensive and credible market research and found this to be, first of all, three million people on Long Island is by far the largest group of people in America that don't have one VLT servicing them, and that needs to be rectified so that we can keep the jobs and the money and the convenience -- and provide the convenience to our constituency.

I would also add since I have been here we've hired no one, we've done lag payrolls, and that pretty much brings you up to where we are today. And I always try to go to question and answer because I don't know what everybody is interested in hearing about, so I hope that I'll have a couple of questions or I hope I can answer a few questions if you have them.

CHAIRWOMAN FLEMING:

Thank you for that. I think there will be some questions. Legislator Trotta.

LEG. TROTTA:

Ways & Means

How much money are we supposed to get from this? I have heard varying amounts.

MR. NOLAN:

It varies. It's hard to be sure. The way the money goes, the waterfall, the way it is right this minute is that we're guaranteeing the first two years a minimum of five million dollars to the County. I would also add, though --

LEG. TROTТА:

One second. That's whether or not you open them or not.

MR. NOLAN:

No, it's if we open. That's out of the waterfall --

LEG. TROTТА:

I read the bankruptcy, and the bankruptcy says that we get -- the County gets some number -- what figure is that? If you don't open up any VLTs, how much does the County get?

MR. NOLAN:

From VLTs? Nothing.

LEG. TROTТА:

No, from OTB. The microphone; I can't hear you.

MR. NOLAN:

This past year, the County received over a million dollars from OTBs. It's a surcharge that goes directly to the County. It's 1.1 million last year. It's been a lot more than that over the years because we did a lot more handle.

LEG. TROTТА:

According to the bankruptcy, how much are we supposed to get in 2016?

MR. NOLAN:

They -- I don't think the bankruptcy -- they're addressing VLTs with --

LEG. TROTТА:

No, I don't think so.

LEG. CALARCO:

Two million.

LEG. TROTТА:

Legislator Calarco, two million? I read the bankruptcy papers.

MR. NOLAN:

That's right. I started answering you by saying you're guaranteed five -- the five million is two and three over the next two years, first two years we open. That's VLT --

LEG. TROTТА:

Whether or not they open or not.

MR. NOLAN:

That's VLT revenue. If we don't open, please, there's not going to be any money.

LEG. TROTТА:

Ways & Means

I mean, Legislator Calarco, can you help me out here?

LEG. CALARCO:

My understanding of the bankruptcy agreement, the plan that we have currently approved by the Judge and the County's position on this, is that the OTB is guaranteeing the County two million in this year and three million in next year irregardless of operation of VLTs.

MR. NOLAN:

That's not true.

LEG. CALARCO:

I mean, we can call over Counsel from the County Attorney's Office, but that's certainly the way the County Attorney's projected this to us, and it's certainly what we've been informed.

LEG. TROTТА:

That's what they told us.

MR. NOLAN:

The waterfall -- this number is coming -- excuse me. This number is coming from VLT revenues, period. There's a thing called the waterfall. It's a term that they use to describe from the minute someone puts money into the machines where all the money goes, and one of the facets of the waterfall is that we agreed to in the plan is that the County gets five million dollars the first two years that the VLTs operate. That's where that number comes from. You want to speak, Tony?

MR. PANCELLA:

I would just like to add one thing to that. When the Plan of Adjustment was negotiated with the Creditors Committee and before Judge Craig in the Bankruptcy Court, something we thought was very important that we fought for was that that five million that the County is going to get from the -- when the facilities open -- we had the creditors subordinate themselves to Suffolk County, so before a creditor gets paid, before anyone gets paid, the County gets their money. And it was an unusual arrangement for the creditors to do that, but they felt that this facility, knowing that we're, you know, we're a public benefit corporation, knowing that the County's finances are such that they could use the revenue, they agreed to subordinate themselves through the County. So they'll get the first five million dollars in the first two years.

LEG. TROTТА:

From OTB or from the VLTs? Which one?

MR. PANCELLA:

From VLT revenue.

LEG. TROTТА:

What happens in year three?

MR. NOLAN:

There's estimates about how much money we're going to make. What's really important to realize is that the first two years we're going to be paying off the creditors approximately \$17 million and we'll have a mortgage payment that we trust will decrease when we refinance once we're showing a positive cash flow in the facility. As it stands, the interest rate we'll be paying on our money is higher than what we would get in the field once we're solid, so there'll be more money than two and three to go to the County, but we can't tell you exactly how much because we don't know what the machines are going to yield.

LEG. TROTТА:

Ways & Means

It could be less.

MR. NOLAN:

It could be. It won't --

LEG. TROTТА:

Dr. Lipp.

MR. LIPP:

So just to be able to frame the dialogue here so that we're all understanding. Just -- what's in the budget, so what's in the budget this year is 3.25 in revenue. I'm not saying that will come in or not, but just so we understand what we're looking at. And the breakdown is two million associated with the VLTs, and the other one and a quarter for the normal operations. So I guess the question would be if operations for the VLTs don't start this year then we wouldn't get that two million question mark this year?

LEG. TROTТА:

Correct.

CHAIRWOMAN FLEMING:

But the -- can I just clarify, Robert, or from you gentlemen, the 1.25 million is normal revenue that should be included, and was that included in the bankruptcy plan? I think we have some misunderstanding here, because obviously I don't know what the actual facts are, but we have two different versions of the facts with regard to --

MR. NOLAN:

We just gave you the facts.

CHAIRWOMAN FLEMING:

No, I understand, but I'm not sure that my colleagues all accept that, so I just want to make sure that the record is clear here, but in the County budget we have 1.25 million that is normal revenue that does not depend on the video.

MR. LIPP:

So that being said, you should also understand what's in the budget for 2015, which when we adopted the 2016 budget was an estimate. So we estimated 1.25 million, and as of the end of February we have \$955,508, so it's a little less than \$300,000 shortfall, but that is what it is.

CHAIRWOMAN FLEMING:

Anything further, Rob?

LEG. TROTТА:

Yeah, I got a lot. You're \$17 million in debt right now?

MR. NOLAN:

We were \$17 million in debt pre-petition. As I said at the beginning of my statement, when I got there it was May -- July of --

LEG. TROTТА:

How long do you estimate --

MR. NOLAN:

Ways & Means

Let me finish. Let me finish answering, please.

LEG. TROTТА:

I just asked you, and you said the number. And that was now my next question.

MR. NOLAN:

Go ahead. I was going to try to answer it in totality, but go ahead.

LEG. TROTТА:

You're \$17 million in debt. How much do you --

MR. NOLAN:

We owe the creditors \$17 million. That's a matter of public record in our bankruptcy filing, yes.

LEG. TROTТА:

Okay. So now how long do you think, if this were to open in six months, would it take to pay that \$17 million back?

MR. NOLAN:

We're looking at about two years. That's the idea.

LEG. TROTТА:

And then -- how does the money --

MR. NOLAN:

That's actually, you know, I mentioned before about once we pay that off in the first two years we no longer have that liability in year three. That was to the question of what do we do in year three. That's part of the answer. There's a whole lot of aspects to the answer.

LEG. TROTТА:

There's a ton, because now --

MR. NOLAN:

That's a big piece.

LEG. TROTТА:

Delaware North, do we have to start paying them more in year three?

MR. NOLAN:

No. Where did you get -- where does that come from?

LEG. TROTТА:

That was a question.

MR. NOLAN:

They get 5%, and then they get 1.25 after EBITDAM. That's what they get.

LEG. TROTТА:

Go over what they get.

MR. NOLAN:

They get 1.75 after it's EBITDAM. They get 5% and then -- before all the costs, and then they get 1.75 after that. It's in all the documents.

LEG. TROTТА:

Can you explain to me --

MR. NOLAN:

By the way, to your question before, it doesn't increase.

CHAIRWOMAN FLEMING:

Mr. Nolan, you do have to stay close to the microphone.

MR. NOLAN:

I am not very educable. I told you about walking and chewing gum. But anyway. Yes, Mr. Trotta.

LEG. TROTТА:

How much are we borrowing from Delaware North?

MR. NOLAN:

Seventy-six million dollars.

LEG. TROTТА:

Okay. And how long is it proposed that we're going to pay that off in?

MR. NOLAN:

Seven years, I believe. Seven years once we're operating.

MR. PANCELLA:

But what Mr. Nolan was saying is that the Creditors Committee is made up of the people who -- the large majority of the \$17 million in creditors, they serve on the Creditors Committee. And the intent and what the expectation is of -- and these are all industry people. They are representatives from NYRA, Monticello, Yonkers, people that are in both the horse racing business and in the VLT business, and the expectation is that this will be a very profitable enterprise. And after a year of showing positive cash flow and profits, that we would be very likely to get refinanced and that's what Mr. Nolan said in two years time. A year when they start the process by we finally close on the process, they think we would be able to get financed at a very good rate, be able to pay the creditors off completely, and then continue our operations. But the structure of the repayment now is seven years.

LEG. TROTТА:

For Delaware North.

MR. PANCELLA:

To pay our creditors.

MR. NOLAN:

No, no, seven years to pay off the Delaware North.

LEG. TROTТА:

Yeah. You said it was two years for the creditors.

MR. NOLAN:

Creditors is two, Delaware North is seven.

LEG. TROTТА:

Ways & Means

I know, but he just said seven years to pay off the creditors.

MR. PANCELLA:

Because the expectation is that it will be refinanced.

LEG. TROTТА:

So we're going to refinance after two years for an additional seven?

MR. NOLAN:

If we can -- when we refinance the debt, the mortgage payment, will decrease. We might be able to do this within six months. That would accelerate payment to the creditors. That's where there's some linkage between refinancing the mortgage and paying off the creditors.

LEG. TROTТА:

When you are saying the mortgage, is that the Delaware North mortgage?

MR. NOLAN:

Essentially it's two years to pay off the creditors, seven years to pay off the mortgage to Delaware North.

LEG. TROTТА:

And does that include -- is it meant for the \$10 million? Is that mixed in there somewhere?

MR. NOLAN:

Yes.

LEG. TROTТА:

That's part of the --

MR. NOLAN:

That's part of the \$76 million.

LEG. TROTТА:

Part of the 76 million. So your hope is, in summary, to pay off the \$17 million in debt in two years, and somewhere early on if you're doing very well, to refinance the Delaware North 17 -- \$76 million debt, which is the ten million included in the property in seven years.

MR. NOLAN:

Faster than seven or -- pardon me. Longer than seven at a lower rate, which would significantly reduce the payment each year which would increase the County's moneys.

LEG. TROTТА:

Have you looked into doing this on the internet and not having -- you mentioned, your quote before was, you know, everyone's moving away from brick and mortar and you want to build brick and mortar. I mean, I don't know, I'm not a gambling person, but it would seem to me that you'd be able to do this on the internet.

MR. NOLAN:

Well, that's the thought but that's not what's in front of us and that's not what we're doing and that's not what's done, and the experts do not concur. And, you know, the industry, which is where we've gone for our expertise, has very clearly supported the notion of the casino as the way to go and being extremely profitable.

LEG. TROTТА:

Ways & Means

And what do you see in three years if what you say, you know, let's say you pay off the 17 million and you get the refinance. What will the County of Suffolk -- do you have an estimate in year three or four, five and six?

MR. NOLAN:

We're not sure. I'd say in excess of ten million a year.

LEG. TROTТА:

What else --

MR. NOLAN:

I don't like to -- I'm not going to over promise. I'm not going to do that. I think there's been a lot of that in politics and government and so on. I try to just be accurate. I really can't project terribly accurate, but I can tell you that if we're doing very well, the seven million to the creditors, or eight rather to the creditors, the two years, that's gone in year three. If we refinanced our payment it will be millions less. So it's eight plus let's say three million, that's 11, plus two or three that we're paying in years one and two --

LEG. TROTТА:

What is your obligation --

MR. NOLAN:

That brings you to about 15 million, and that doesn't include, you know, even better performance than we're using as our estimates, because we've been very conservative in our estimates.

LEG. TROTТА:

Where does that money go? Some goes to the State education. How is it broken up?

MR. NOLAN:

The broad strokes answer to that is simple, and these are the numbers we've been using to develop this waterfall. Two billion dollars gross goes into the machines. Ninety-two percent of that comes out in winnings, leaving 8%, 8% of two billion a hundred and sixty million. The money is then broken up 40% to education, which would be 64 million, and you can do the math for the rest of it. Five percent to the horsemen; 10% goes to the Gaming Commission, who provide all the machines, all the auditing services. It's all done centralized obviously because of security considerations. Thirty percent, operation and maintenance. That's payroll, power, maintenance, all of that. So 30, 40, 75. Marketing, 10% goes to marketing the facility. That's advertising as well as promotions in the casino itself, you know, free plays for customers and so on and so forth. It's 45% to education.

MR. PANCELLA:

That's the hundred.

LEG. TROTТА:

What does the County get?

MR. NOLAN:

Everything that's left over after we do all of that.

LEG. TROTТА:

Has anybody done an analysis of the social impact of this?

MR. NOLAN:

Social, you know, that's a debate. I lived through the question of whether the lottery should be

Ways & Means

legal. That issue's been debated, you know, a great deal. Gambling in various forms is legal and regulated, and that's the end -- that's the beginning and end of where it's at today. There are people -- I know people personally who have severe gambling problems, and I understand that. We will be engaging in proper and more than proper and appropriate levels of education to discourage that kind of an abuse, but rest assured people gamble and, you know, they're going to gamble whether it's legal or not. That's why it was legalized, and now it's legal, it's regulated, and so on. So we're working within the law and that's where it is.

LEG. TROTТА:

But you never did a fiscal analysis of, you know, in other communities how much they spent, how much was increased. I mean, there's got to be some kind of study done about this.

MR. PANCELLA:

Legislator Trotta, there are studies, and we could probably fill your desk with studies on both sides of that. There's numerous studies that have been done, and I would expect that the State Legislators who voted for this and passed this legislation have availed themselves to those studies, and we're operating past that point, where the State has granted Nassau County and Suffolk County a license to operate a thousand VLTs. So it would be certainly not appropriate for us to spend money that theoretically would flow through to the County on studies that past the point where the legislation was passed.

MR. NOLAN:

I would also add that one of the things that's been thrown out there is the notion of increased crime, so we've asked a dozen or so community police departments across this country to opine on that and none of them supported that notion. Zero. Zero.

LEG. TROTТА:

Thanks.

MR. NOLAN:

Thank you.

CHAIRWOMAN FLEMING:

Thank you. I do appreciate that question. I wonder if our BRO has any thoughts on impacts to our budget, you know, in connection with an establishment like a casino.

MR. LIPP:

So there's been a lot of literature out there, like is being stated here, that possibility. There's some economic studies. That being said, even if there was a significant impact, and I'm not saying there is or there isn't, but there is an impact, it would be very, very difficult to translate that into impact on the budget because you'd have offsetting, say, social service costs that would be longer term. It wouldn't be direct, you know, day one, that kind of thing. So there's sort of like economic models to project these things, but there are arguments on either side on to how it's done, I guess, among other things.

CHAIRWOMAN FLEMING:

Right, I appreciate that. Just in the response to the question did harken back to the State legislation and that we're on the other side of the State legislation, but we here have to balance a budget, and it's very difficult. So I think beyond the fact that the legislation is in place, I think it's a fair question, you know, whether this is going to have an impact -- an adverse impact on our budget.

MR. PANCELLA:

It's just that we haven't, you know, we haven't commissioned a study or done anything. We're working on the point that we've been granted the license trying to generate income for Suffolk

County.

CHAIRWOMAN FLEMING:

Right. No, I think we have different roles.

MR. PANCELLA:

I understand your interest in it, certainly.

MR. NOLAN:

Your concern is the cost that might be associated with it, and I would reiterate the crime statistics. I could give you copies of these letters we've received. I would also submit that if someone is a problem gambler today, they're going to Aqueduct and elsewhere and they reside in the County of Suffolk. So those problems -- you are dealing with those problems of problem gambling today without the revenue, without the jobs and without the tax money that comes with this. We, believe me, and I give -- you know, I heard Eric say, you know, my word. Well, I got a pretty good word, and I'll be certain that we are very involved with education on-site to do the best we can to limit problem gambling. I didn't get into public life 40 years ago to hurt people and I'm not doing it today and I never will. We'll do the best we can to limit that but, you know, alcohol, tobacco, gambling, these things are all legal and they all have various strictures on them, and then it's a matter of, you know, personal decisions. But from our perspective as an institution, we'll do the educational component as well as possible because it's an important function that we fulfill.

CHAIRWOMAN FLEMING:

Thank you. Yes. Oh, I'm sorry. I think Doc was next and then Tom.

LEG. SPENCER:

Hi, Phil. Obviously just disclosing that you're definitely someone that I've known a long time and someone that I respect and also gotten advice from. So I preface that, any time you hear that you know there's some difficult questions that are coming.

First I'll push back a little to what you said, that last statement quickly, and I'm curious to see how you will address that. And I can tell you from a standpoint of a physician and understanding addiction and things of that sort that access is important. And you're right, I mean, you know, if, you know, I am a gambler and I have to go to Foxwoods or Atlantic City, boy, when I get up there I'm going to have a good time, but the fact that I have a job, and I'm not talking about me personally, and have a daily life, it's a big difference then if I can just kind of like, you know, kind of go in my backyard. It makes a big difference so there is some -- you're right, if someone has the intention of gambling. The biggest thing that backs that up is the whole Atlantic City argument when the casinos first came on the scene and that you are removing resources from a community, and there was kind of a depressed area that was created and that's, I think, very well documented. So my question to you is that when you talk about the profits, the profitability of an enterprise, is there additional resources that goes specifically into the community itself. You know, so around that area if you're saying, all right, it's not thousands, it's tens of thousands. So what about those cars, those violations, the congestion, those things that a community is concerned about. Are there additional funds that are put into the precinct that's there or are there additional funds that are put into the civic organizations, to the town, to be able to kind of help them be able to deal with that increased congestion? Any thoughts about that? You know, Suffolk getting the money is one thing, but what about, you know, are there winners, are there losers? Is it that wherever it winds up, you know -- so is there -- tell me about community support.

MR. NOLAN:

Well, let me just tell you that we -- one of the speakers said that this has not been transparent and so on, and I must tell you that -- I'm sorry. I'll repeat it. The idea that we have not been

Ways & Means

transparent and so on, the thing I would mention is that back in August of '14, we on our own motion, OTB, held meetings at the Medford Firehouse, and some of the people in this room who spoke today were there and they raised issues.

You mentioned traffic. There's a SEQRA process that includes a traffic study, so there's a traffic study. At that site there was a movie theater there years ago that had the same number of parking places within a hundred of what we would have there, so that says a little bit about traffic, a lot actually. And I would submit -- what I would submit on that is that movie theaters tend to generate a tremendous amount of traffic at certain points in time, like between six and seven on a Friday and Saturday evening when people are going out to the movies. This facility, and these facilities, generate traffic on a much more of an even timeline, same number of cars per hour, and many, many, many of the people that go to casinos to do slots or to gamble at table games, whatever, it is what's called ambient traffic. They're already on the road and they stop in. That's, again, borne out by the studies that have been done by this.

The SEQRA study covers that -- I mean, we paid for the traffic study and it was handled and I don't think it's really fair to say that a casino in Medford is going to be a big traffic problem. In fact, I would submit that it's statistically borne out that it would be less of a traffic impact than the movie theater was ten years ago, and it operated for ten years or so. So I don't think traffic is a good issue. As I said before I don't think crime is a good issue, because the statistics simply don't bear it out. Simply saying it's so just doesn't mean it's true.

We've expended the money, we sought out the expert opinions to answer these questions and we have. You know, the feasibility of the facility was the first thing. We got the best people in the world to do the market analysis and that led to the selection process. So we've been dealing with a lot of this. Doc, I know I haven't answered all because you spoke for a moment. What specifically else were you talking about?

LEG. SPENCER:

Well, just within the community itself, if this is something that comes to fruition, is there any additional support or benefits that the community gets to kind of reconcile. This is something that Suffolk County is going to benefit from, but it's in a specific geographic location in one place, in one community. Is there any additional benefit that that community realizes?

MR. NOLAN:

Well, we, again, on our own motion from the very get-go I pledged to a hiring preference in the 11763 Medford zip code. That's no small matter. That could yield 50 jobs in that community that could help support 50 families. We made that commitment. We reached out to the fire department and the ambulance as well, and they need to be kept whole. They were paid out of tax -- when it was a movie theater there, taxes were paid, okay, so we need to address that and we will because there is an impact on police and -- or rather fire and ambulance and police. We're aware of these and, you know, like we've been spending a lot of time discussing this with all the concerned parties and we've done our best. I hope it's seen in my answers that when we hear specific concerns that have, you know, that are salient, you know, we've done our best to answer in a factual manner.

LEG. SPENCER:

Phil, I know you to be honest and thorough and someone that I respect, and I think that there can be some -- obviously some differences of opinion that any time you're doing something like this. I would say that, you know, when you talk about a traffic study, I mean, it's just -- and if you talk about going to Foxwoods on a Friday, Saturday night, I mean, you're on that two lane road before they widened it, traffic would be backed up for like seven or eight miles. So, I mean, I understand that it may not be as sporadic as a movie theater, but there are definitely on certain peak times where people are out for their Friday, Saturday entertainment.

MR. NOLAN:

It's not a flat line, but it's much more flat than the movie theater.

LEG. SPENCER:

Okay.

MR. NOLAN:

Absolutely. I didn't mean to -- that at three in the morning it's the same as at six thirty or four o'clock on Saturday afternoon, but it's much flatter than the --

LEG. SPENCER:

The movie theater. I guess the other question I wanted to ask you, you were mentioning a little bit -- and just an overall talking about profits. I was just intrigued by the way that you were talking about that, for instance, 30% would go to salary and operations sort of thing. So I'm curious that if you have fixed cost items like a salary or like operations that the lights would be on regardless of if there's one person or a thousand people there. How do those numbers vary in your planning? I mean, you make assumptions as to how much revenue you're going to make. So all of a sudden if you make three times the revenue, and you indicated that it's hard for you to make money because of so many hands in the pot, but if they're getting percentages, why aren't those fixed costs capped -- consistent regardless of if you are making a lot of money or a little money. I mean, it seems that if you giving those percentages --

MR. NOLAN:

The splits were done by the State Legislature. We have nothing to do with that, that 30, 40 and all that. That's just -- we live within those rules and regulations.

LEG. SPENCER:

So I get it. But you say all right, 30% going to operations.

MR. NOLAN:

Our business model at OTB, the formulas guarantee us to fail. That's, you know, I mean, I brought these reports if anybody wants to see them from the Comptroller where he lays it out in 2010 and 2015. Nothing's been done to change the formulas because the people who get all the revenue, they are not going to give it up so easily and they have power. But the formula that you're speaking of, the 45, 5, 10, 30, that's -- we didn't set that. That's been set up by the Gaming Commission and the Legislature. I think the thinking would be, for instance, on the 30%, the more money that you're generating the thought would be that you're going to have to have more people on the payroll and that's why that number would not be fixed. It would move based on revenue.

LEG. SPENCER:

Here's what I'm getting at. I hear what you're saying there. So you gave those numbers and then it's like all right, whatever's left over the County gets. So theoretically there could be a situation where the numbers aren't where they are supposed to be. We don't have a piece of the pie that's seems to be -- it's kind of like all right, these are the numbers that are going to be paid out, and then if there's anything leftover and we're adding up, you know, 75, 80, whatever. So everyone else has a fixed slice of the pie that's going to be a percentage except for us. We don't know what we're going to get is my takeaway from it. Is that indeed true? I mean, is it possible then from that scenario that it's not what we thought, that we might not be getting anything, or, I mean, you know, if we're going against sometimes opposition and we're saying the greater good, there's jobs, and this is something that we're going to realize, but I'm not hearing what our guarantee or what our slice of the pie is.

MR. PANCELLA:

Legislator Spencer, I would like to answer that. The numbers -- if we were generating these numbers ourself and coming to the County of Suffolk and asking them for funding, then it would be in our best interest, certainly, inflate those numbers so that we could get Suffolk County interested. In this specific case, we are an entity who certainly has had some challenges financially. With that being said, the veracity of these numbers has been vetted. It's been vetted by the fact that the Creditors Committee, who stand to lose the most here, and people in our industry have said these numbers are legitimate. That's why they approved the plan. Additionally, Del North, a large company who has been in business 100 years, has granted us a \$76 million loan verifying that this is going to be a profitable entity.

As far as the legal issues relating to a public benefit corporation, those laws exist now. We are operating under that same -- the same book of laws relating to our corporation. And, like Mr. Nolan said earlier, since our inception, which I think '75 was the first year, '75 or '76, that we were operating, we've generated over \$350 million to municipalities and over 200 million to Suffolk alone. That's the history and that's the law that we're operating under. And the numbers certainly support that to the extent that someone would give us private financing for this project and our creditors would be willing to accept our reorganization plan based on these numbers.

LEG. SPENCER:

Absolutely. I understand that, you know, any time you look at a prospectus and you look at a historical -- that you invest based on risk, but as someone that's a public servant it also depends on where you're in line, and I want to know like if I say to my constituents that this is happening and they want to know all right, what are we going to receive. It's like well, we've got studies and we definitely have seen a lot of trends as far as just with gambling, just nationwide, that sometimes, you know, you can build something like, you know, a billion dollar hotel like they did in Atlantic City that they said this will surely be profitable and now it's, you know, it's sitting empty.

MR. NOLAN:

Can I just answer that?

LEG. SPENCER:

Sure.

MR. NOLAN:

What happened at Atlantic City was they had tremendous success for decades, and then Philadelphia came online, Connecticut, New York. Competition is weeding out the weakest in the flock.

LEG. SPENCER:

Don't you think you're going to have competition, too?

MR. NOLAN:

Well, think about that. Where are we? We're on an Island. That is an enormous factor in the feasibility of this facility. Enormous. That's why a company, a private sector company that does \$2.6 billion a year, 55,000 employees worldwide, is in for \$76 million with a bankrupt company. It's because they've taken a look at the intangible asset of a thousand machines and they've done exhaustive studies to look at feasibility and profitability because -- and one of those big variables is clearly, and we've heard this from the experts. I mean, I knew it instinctively and I'm sure you kind went like this when I said it. The fact that we're on an Island is a huge factor. If you live in East Hampton or you live in Manorville or you live in Patchogue and you want to do slot machines, are you going to go to Aqueduct very often once there's a facility here in this County? No. No. And that goes back to your proximity argument. I know that's what -- see, I've played cards with you so I know how you think. That was a good point, too, and I don't dispute that whatsoever, there's

Ways & Means

some validity to that. But my other point that I just tried to make is that the competition argument and the Atlantic City parallel is not -- is not a good one and there is 76 million reasons why it's not.

MR. PANCELLA:

Legislator Spencer, the other thing is as far as a guarantee on profits, there are no guarantees. The only guarantee for the Suffolk County, and you should be aware of it and, you know, the taxpayers should be relieved by it, is that no money will come out of Suffolk County. That's the guarantee. This is a privately financed operation and no taxpayer money will be used. So that's one guarantee that we can give you at this time.

LEG. SPENCER:

Well, I know there's a lot of other questions and things, but again, I'll restate that, Phil, I know that you have had a life of public service and you've done a great job. You are someone that I know to be honest, that has integrity. I know this is a very difficult battle. I appreciate you coming and answering my questions to the best of your ability, and there's always hope when, you know, we sit down and we talk about these issues. And I think that at the very least, regardless of what opposition that's out there, I know you to be a person of just strong moral character and will do your best to do the right thing, so thank you for that. I appreciate you being here.

MR. NOLAN:

I just have to thank you for your kind words and I can't tell you how much I appreciate them, and I very much appreciate you saying those things. That's good of you.

CHAIRWOMAN FLEMING:

Legislator Cilmi.

LEG. CILMI:

Thanks, Madam Chair. Some of this may be repetitive, forgive me for that, but I wanted to make sure that I was clear in my head as to how the finances work exactly, and I also wanted to talk a bit about the bankruptcy proceeding, that is after all why you're here. So in 2012 you took the helm of the OTB, Phil, and the OTB had already entered into bankruptcy proceedings at that point?

MR. NOLAN:

Correct.

LEG. CILMI:

Were they granted the declaration at that point?

LEG. NOLAN:

You mean the acceptance of a plan?

LEG. CILMI:

Right.

MR. NOLAN:

No, that was our work.

LEG. CILMI:

That was your work.

MR. NOLAN:

Yes.

LEG. CILMI:

Ways & Means

Okay. And at that point when OTB entered into bankruptcy, the agency was -- did you say \$17 million?

MR. NOLAN:

Seventeen or 18. It's in that -- I think it's over 17 and I don't think it's over 18. It's between 17 and 18 million, I believe.

LEG. CILMI:

Now, the plan that you submitted as part of that proceeding, has it come to fruition in the past four years? In other words, when you submitted that plan, did it include being able to pay off any of that indebtedness?

MR. NOLAN:

It includes paying it all off. That's -- only after we open.

LEG. CILMI:

So that's -- let me just reiterate my question then.

MR. NOLAN:

Sure.

LEG. CILMI:

Did the plan -- was the plan exclusively dependent upon VLTs?

MR. NOLAN:

Pretty much.

LEG. CILMI:

What would have happened if the State had not authorized VLTs at that point?

MR. NOLAN:

We'd probably be out of business.

LEG. CILMI:

Okay. So a Judge accepted --

MR. NOLAN:

Two-hundred and fifty people would be unemployed.

LEG. CILMI:

A Judge accepted your plan even though VLTs hadn't been approved yet?

MR. NOLAN:

No. They had been -- we had been granted the franchise.

LEG. CILMI:

You did. Okay.

MR. NOLAN:

We were in active -- we had selected Delaware North and we submitted voluminous detailed financial analysis and the waterfall and a complete spending plan to go into the future. All of that was the underpinnings of the Judge granting, I believe, one of the first -- accepting one of the first

municipal bankruptcy --

LEG. CILMI:

So time flies when you're having fun. What year was it that --

MR. PANCELLA:

I think what you're misunderstanding is that our plan of adjustment didn't get approved until October of '14.

LEG. CILMI:

I see. But the plan was prepared shortly after I would imagine you were both there, right?

MR. NOLAN:

Like you said, time flies when you're having fun.

LEG. CILMI:

Yeah. So when was it -- in what year did the State approve the VLT facilities on Long Island?

MR. NOLAN:

In '13.

LEG. CILMI:

In '13.

MR. NOLAN:

That legislation was passed in 2013.

LEG. CILMI:

Okay. And so your plan was submitted prior to that or after that? After that.

MR. NOLAN:

We were in Bankruptcy Court and we were developing and analyzing and so on, but it was clear that VLT legislation would be something that would be central to us surviving and growing. And we were aware that there were no VLTs on Long Island, three million people, that argument, and we advanced it with the appropriate -- with the State Legislature and the Governor's Office.

LEG. CILMI:

Okay. So without the VLTs, then, your creditors, those to whom you owe the \$17 million, ostensibly would not get paid. Is that correct?

MR. NOLAN:

That's correct.

LEG. CILMI:

Who makes up that -- who makes up that \$17 million?

MR. NOLAN:

A slight proviso on that. They would have been paid a fraction on a dollar.

LEG. CILMI:

Right. That's fine.

Ways & Means

MR. NOLAN:

We had some assets, but it would have been nowhere near the 17, the dollar for dollar payment that we're going to do under this.

LEG. CILMI:

Sure. Okay. So what composes that \$17 million?

MR. NOLAN:

You want the creditors?

LEG. CILMI:

Who are the creditors? You know, to as much detail if there's a significant portion of it or I don't expect you to go through every single one of them.

MR. PANCELLA:

Our biggest creditor is NYRA.

LEG. CILMI:

That's the racing association.

MR. PANCELLA:

Yeah, New York Racing Association. Most of the tracks comprise the biggest part of our Creditors Committee.

LEG. CILMI:

And roughly how much is that?

MR. PANCELLA:

NYRA itself is close to four, and I'd say out of the total 17 racing entities are -- I would say somewhere around 14 million.

LEG. CILMI:

Okay. So in addition to NYRA there are other racing entities -- in other words, the tracks, and when you add up all of those racing entities, including NYRA, you're thinking it's probably somewhere around \$14 million.

MR. PANCELLA:

Yeah. That's a ballpark estimate. I don't have the entire creditors list, but that also is available publicly.

LEG. CILMI:

And so the remaining -- whatever the remaining balance is, three million or something close to \$3 million, would go to creditors such as?

MR. PANCELLA:

People you conduct business with, suppliers.

LEG. CILMI:

Okay.

MR. NOLAN:

During the vote to accept the plan or not, hundreds of people were sent ballots, it was hundreds but, you know, 80% of the money is to --

Ways & Means

LEG. CILMI:

Right. And as part of your plan, will those creditors be made whole?

MR. PANCELLA:

It's a 100% plan.

LEG. CILMI:

It's a 100% plan. Okay. During these past three or four years, three years or so, since you've submitted that plan you have continued to pay Suffolk County?

MR. PANCELLA:

Yes.

LEG. CILMI:

How does that happen exactly? How does it happen that you owe creditors money and you don't -- there's no specified amount of money that you need to pay Suffolk County, or is there?

MR. NOLAN:

Your petition debt is frozen.

CHAIRWOMAN FLEMING:

Mr. Nolan, you need to speak into the mike.

MR. NOLAN:

Pardon me. I'm sorry. I think you actually can hear my voice, that's why I keep doing it.

CHAIRWOMAN FLEMING:

No, but others can't, and the reporter, as you know, is the most important.

MR. NOLAN:

Seventeen to eighteen million dollars, that's pre-petition debt. When you file it freezes all of that and part of this process is that you stay current with your new indebtedness.

MR. PANCELLA:

But the million dollars we send Suffolk County, or that we sent last year, is surcharge. There's a surcharge payment that we -- players that come into our brick and mortar facilities, they're charged -- and it's a pass-through to Suffolk County and that's what that \$1 million represents.

LEG. CILMI:

Okay. So is that then in addition to -- is that then in addition to quote unquote profits?

MR. PANCELLA:

Correct.

LEG. CILMI:

Okay. So would I be correct in saying then that there have not been profits for the last three years but that we've received that revenue from the surcharge? Is that accurate?

MR. PANCELLA:

That's correct.

LEG. CILMI:

Okay. Review for me, if you would, the breakdown of, and I know you went through this earlier,

Ways & Means

Phil, the breakdown of what percentages go where.

MR. NOLAN:

Forty-five percent is State education; 5% to the horsemen; 30% to OTB, operations and maintenance. By the way, I just want to mention the electric bill on these machines is very significant. They really -- 10% to marketing; 10% to the Gaming Commission to provide and audit the machines.

MR. PANCELLA:

The Gaming Commission actually owns the machines. We lease the machines from the Gaming Commission.

LEG. CILMI:

Okay. So -- and that all adds up to 100%. So correct me if I'm wrong, but I guess the way this works is that if your expenses are such that they are less than the 30% amount of revenue that you receive from operations or from bets, then that would be considered the quote unquote profit, which then comes to Suffolk County. Is that correct?

MR. NOLAN:

Yes. And if you remember before when I was speaking about two years to pay off the Creditors Committee, that's seven and a half, eight million dollars and change per year for those first two years comes out of that 30%. That will not be coming out in year three. Also, if we refinance the mortgage payment, which also comes out of the 30%, that will be lower, which will increase the amount of money going to the County as well. And I computed it for Legislator Trotta as two million, first year three -- in year three we won't have those two expenses and they should add up to well over \$10 million. I was trying to get to some kind of an estimate on what the County would expect in three, four and five going forward, and that's how --

LEG. CILMI:

Is the two million in the first year and three million in the second year, is that exclusive of the surcharge that you were talking about, Tony, so we'll get the surcharge as well.

MR. PANCELLA:

Yes. That's only VLT revenue. That five million is guaranteed from VLT. The surcharge coming from our OTB operations --

LEG. CILMI:

Okay. So there's no surcharge associated with the VLT operations?

MR. PANCELLA:

No.

LEG. CILMI:

Okay. Talk to me -- so in -- last year as an example. In 2015, what did your income statement look like?

MR. PANCELLA:

We approximately I think ran at a \$3.5 million loss.

LEG. CILMI:

Three point five million dollar loss. Now, so when you open the casino, I think, Phil, you mentioned that you're expecting to add something like 300 jobs.

MR. NOLAN:

Two-fifty, 300. That's what the estimate is.

LEG. CILMI:

Right. And I guess those would be mostly part-time jobs, right?

MR. NOLAN:

No.

LEG. CILMI:

No?

MR. NOLAN:

There's a lot of full-time positions.

LEG. CILMI:

A lot of full-time positions. And as part of that whole corrective --

MR. NOLAN:

Bargaining agreement so those jobs will be -- will hold, you know, health plan and, you know, benefit package.

LEG. CILMI:

Right. And as part of that whole package from Delaware North you'd be \$76 million?

MR. NOLAN:

Say the first part -- on behalf?

LEG. CILMI:

As part of the whole package of creating the VLT center, Delaware North is loaning OTB \$76 million.

MR. NOLAN:

Yes.

LEG. CILMI:

What does the contract with Delaware North say about if there's a default in that repayment of that loan.

MR. NOLAN:

It doesn't speak to that, but ultimately --

LEG. CILMI:

How could it not speak to that.

MR. NOLAN:

If we don't pay the money, we default.

LEG. CILMI:

Right, and then what happens. OTB is the only -- we're not -- Delaware North is not authorized to privately operate a casino.

MR. NOLAN:

No.

LEG. CILMI:

OTB is.

MR. PANCELLA:

Correct.

LEG. CILMI:

If OTB defaults, what does Delaware North do at that point? They close operations basically.

MR. PANCELLA:

They lost a lot of money and they have a lien, first lien position on the building.

LEG. CILMI:

Okay.

MR. PANCELLA:

That's why when we're talking about projections, these projections are so valid because they're willing to expose themselves to that type of business risk based on these projections.

MR. NOLAN:

That's what I was driving at when I said they invested \$76 million --

LEG. CILMI:

Naturally. Naturally they have a level of confidence. I mean, they're in business to make money. They're not going to invest \$76 million if they don't expect to make money.

Let me just ask a couple of questions with respect to one of our speakers today and something that you all presented about. Somebody said something about your bankruptcy ending in April 1st of 2014, something sunsetted and there's a 503a section of the law or something like that. Did you listen to any of that? Can you respond to any of that?

MR. NOLAN:

I really was trying to follow it. I really didn't understand exactly what the point was.

LEG. CILMI:

All right. So if the speaker who was here earlier, and I'm not sure still is -- yup, they are. Okay. If Brett submits those questions to us in writing and we then forward, maybe our Chair then could forward them to you, you have no problem answering those questions.

MR. NOLAN:

Certainly.

LEG. CILMI:

Okay.

MR. PANCELLA:

If something had sunsetted that didn't enable us to do that, you know, this process, as far as being transparent, we are in front of probably the most transparent process that you can have. We are in front of the Bankruptcy Court. We are in front of the Creditors Committee. We have to report to the Gaming Commission. We have an audit done by the New York State Comptroller. We have monthly meetings and transcripts that are public, so all that is being vetted through those entities as we proceed.

Ways & Means

LEG. CILMI:

Which is another question that Mr. Houdek posed, was with regard to the notification of your meetings, with the meetings that are open, whichever ones are open, I don't know. How does that happen?

MR. NOLAN:

Anything he submits to us we'll answer in writing, but we don't have any -- we don't meet in secret. We advertise our meetings.

LEG. CILMI:

How often do you meet?

MR. NOLAN:

Once a month.

LEG. CILMI:

So what is it, the OTB Board that meets once a month?

MR. NOLAN:

The Board of Directors, which is appointed by the Suffolk County Legislature, they are the Board of Directors of the corporation and we meet with them once a month.

LEG. CILMI:

And I would imagine you both as Directors of the organization, President of the organization, whatever, you present to the Board. And where does the Board meet?

MR. NOLAN:

The OTB conference room.

LEG. CILMI:

OTB conference room. And is it -- is there a typical day of the month, like the third Wednesday of every month that the Board meets, or is it?

MR. NOLAN:

It's usually the last Thursday of the month.

LEG. CILMI:

Last Thursday of the month. In the evening or during the day?

MR. NOLAN:

Ten a.m.

LEG. CILMI:

Ten a.m. Okay. And is that information ready available somewhere on a website or something? Is it published when your meeting is going to be held and what the issues are going to be discussed?

MR. NOLAN:

We advertise.

LEG. CILMI:

Where?

CHAIRWOMAN FLEMING:

Phil, into the mike.

MR. NOLAN:

In our legal, you know, venue for advertising as you guys --

LEG. CILMI:

But not something that would be on your website? Do you have a website?

MR. NOLAN:

We have a website. It might be on the website. To be honest with you, I'm not certain with that.

LEG. CILMI:

Certainly simple enough to put it on your website. Can I get a commitment from the both of you that you'll put that information on your website?

MR. NOLAN:

You have that.

LEG. CILMI:

Well in advance of your meeting so that folks can --

MR. NOLAN:

As soon as we set the meeting date, which is when we finish the meeting we set the meeting date, we'll put that on the website.

LEG. CILMI:

Okay. And I guess the last question that I had was with regard to a statement that you made, Phil, in your presentation with respect to your quick bets facilities. You mentioned that you have a number of OTB facilities in bars and that one you actually have now in a stationary store and you mentioned hoping to expand that. What sort of regulatory framework are you -- do you have to deal with in expanding that program?

MR. NOLAN:

Well, we go out door to door basically looking for people who are interested. I actually got a lead myself about a week ago. And we then -- they are appraised of the way it works and so on. Some of them know before we even get there. They make a decision internally being the business itself to proceed. Our biggest problem in this whole quick bet arena is the application process, the regulatory process. The application is like 60 pages and, you know, small businesspeople, they're really in love with 60 page application for an amorphous or kind of a cloudy possibility of making a few bucks. We have begged that they simplify it and make it closer to -- I believe the lottery application is three pages.

LEG. CILMI:

So are you free to expand basically at will with that program?

MR. NOLAN:

We have been actively --

LEG. CILMI:

You could literally be in every bar in Suffolk County, every stationary store in Suffolk County.

MR. NOLAN:

It wouldn't really be prudent to do that because --

LEG. CILMI:

But from a regulatory point of view you could.

MR. NOLAN:

They wouldn't allow it.

MR. PANCELLA:

And the application has to go before the Gaming Commission.

LEG. CILMI:

They do. Okay. So there is some oversight.

MR. NOLAN:

That's that 60 page application.

MR. PANCELLA:

That's the oversight for us. They are our regulators.

LEG. CILMI:

And when they review an application, do they review it in the overall scope of where other facilities are or do they just look at it from its technical completeness, if you will.

MR. PANCELLA:

They rule on the viability of the entity and they take all that into account.

LEG. CILMI:

They do.

MR. PANCELLA:

Including, you know, there's State law where an OTB facility or a simulcast facility, as these quick bet locations are, you know, nearing -- just like alcohol and tobacco. Alcohol license in New York State, so far away from churches, schools and things like that.

LEG. CILMI:

What sort of feedback do you get from the existing quick bet locations? They're all satisfied with the service that you're providing or that they're providing to their consumers? Has anyone asked you to, you know, to cancel the contract? Does that ever happen?

MR. NOLAN:

It happens.

LEG. CILMI:

What reasons do they give?

MR. NOLAN:

Change in business, change in their business plans, financial difficulties, they go out of business. It goes up and down. We've probably lost four or five.

MR. PANCELLA:

Most of the four or five have been at our request. They weren't turning the machines on. It

Ways & Means

involves a cooperative effort with the establishment because these machines, our customers don't get to put cash into the machines, so they have to go buy a voucher, which the bartender would have to provide to them. Then they use the vouchers. So if a bar owner wasn't turning the machines on, the bartender didn't want to facilitate the transaction, we've taken it out more than anyone has not.

And like Phil said, when I first started in August of 2010, we had 13. I think when Phil started we had 15. We now have 33, and our revenue from quick bets in an industry that's going down, and while our average handle is going down, as far as the internet we're up three million and as far as the quick bet locations that's growing while the rest of it -- so it's acting disproportionate to the rest of our business.

MR. NOLAN:

We're trying to change our basic business to reflect where the opportunity is and where the declining prospects are.

LEG. CILMI:

Have you gotten complaints from either retailers or bars that have quick bet in them or from community members in the areas where those facilities exist about, you know, quality of life problems resulting from the offering of that service at that facility?

MR. NOLAN:

I have not heard a word to that effect. Not a single word.

LEG. CILMI:

I don't want to get into the question of Medford versus, you know, we've seen newspaper reports about the possibility of a facility in Islandia. I don't want to go into that today, the hour is late, but I would ask you both that if there are folks in the audience who have questions, again, through any of us here on the committee, if we could pose those questions to you in an e-mail and if you would respond to those questions, you know, in a -- you know, quickly.

MR. NOLAN:

Any questions that you forward to us that we can answer, we will.

LEG. CILMI:

Okay. All right. Thank you very much for your testimony. I appreciate it.

CHAIRWOMAN FLEMING:

Thank you. One quick math question just to clarify the creditors. I thought I heard you say NYRA is owed four million, and the tracks owed an aggregate of 14 million, and total debt is 17 million. Can you just clarify that for me?

MR. PANCELLA:

Four million comprises the -- that was part of that 14. So there's ten other tracks besides NYRA. NYRA is a track.

CHAIRWOMAN FLEMING:

Understood. So that's the aggregate including NYRA.

MR. PANCELLA:

Yes.

CHAIRWOMAN FLEMING:

Thank you. Legislator Calarco.

LEG. CALARCO:

Thanks you and good afternoon, gentlemen. Thank you for being here with us today. I did take issue with a couple of things you guys have said throughout the course of this process, and I wasn't going to get into the past too much, but unfortunately I feel I have to to a degree to correct some record.

First, it is my understanding, as it is the County Attorney's understanding, that you will be paying us \$2 million this year irregardless of the operation of VLTs. And I will take from BRO's reports, "According to the County Attorney the two million included in the recommended budget is guaranteed in 2016. Based on the likelihood there is being limited to no VLT operations next year, it is unlikely the revenue will exceed the minimum guarantee". So it is our interpretation in the County, and certainly was what was reflected to me during the budget process, that that's a guarantee to the County irregardless of the operations of the VLT machines. Apparently you guys have a difference of opinion and our attorneys, I guess, could duke that out, but that's the way it was reflected to me during the budget process.

The public meeting you referenced in August of last year, that meeting was held at my behest.

MR. NOLAN:

The year before last.

LEG. CALARCO:

You're correct. Actually it was the year before last, but that was held at my behest. That was not done at your own motion. That was my office setting it up, my office establishing it and it was done only with the leaders of various community organizations. There has been no public meeting with the community at large. You did have one of your own volition. It was in January of last year, I believe, over at your offices in Hauppauge at the time.

I can get into the traffic issue and some of the other things that have come up in SEQRA. I'm not going to do that here. That is not what I was asking you guys to come here for today.

MR. NOLAN:

Can I -- I want to interject. I mostly was posing own motion or not own motion, my challenge to the notion that this has been non-transparent. I've been out there. When we had our meetings at OTB and people came who were not invited we allowed them in, and --

AUDIENCE MEMBER:

Some.

MR. NOLAN:

Well, I think -- but I just -- that was why I went into that, Rob. You know, the meetings were open. We tried to -- I remember now we worked with your office on who to invite and we invited who you suggested. Everyone that we asked came. We had a very good interplay. But I'm just -- the reason I think it's important to mention it is that from very early in the time period when we had the opportunity to do the VLTs, we were in touch with the community in a public manner, not that we've been hiding out and making decisions that nobody's aware of. We tried to be open and that's why I say we've been --

LEG. CALARCO:

I will say this, Phil.

Ways & Means

MR. NOLAN:

And we also attended a meeting at the firehouse where we were prohibited from speaking in February. I mean, that's part of it as well. It's become very contentious, so it hasn't been as --

LEG. CALARCO:

Of course it's contentious; it's a contentious issue whether you are talking about any community in this County that you'd want to go into there is undoubtedly going to be individuals who are not going to want it. And that's life, right? Like, that's not just even these things. That's a lot of things in Suffolk County, so I'm not looking for a response.

I would have a slight difference in opinion in terms of the openness of OTB. Certainly I think when they talk about some of the issues they're confronting with the board meetings and being made public in terms of notice and even the minutes being posted. Your most recent meetings posted on the website right now are from December. They are usually about three or four months they come up online, and we're not talking about minutes the way we do here where we have a stenographer who does it, you know, with dictation that takes every word. You guys are just -- it's not that kind of a minutes that are being posted up. So there should be able to get them up. There's certainly nothing on your website as of right now, because I just looked, that tells anybody when or where the next board meeting is going to be held.

MR. NOLAN:

I made a commitment to Legislator Cilmi that --

LEG. CALARCO:

That used to be up, but that's okay. I appreciate that.

MR. NOLAN:

I just dealt with that. I just want to make that clear.

LEG. CALARCO:

I didn't call you in here to get into the past, obviously other people brought it up a little bit. I'm didn't call you in here to debate VLTs. You are absolutely right; the State law gives you permission to operate VLTs. You have people who work for you who are good, hardworking people who, quite honestly, I don't want to see them lose their jobs either. The question is always the process and where we're going and what's going to happen. So I do want to know. What is happening? Like where are you guys currently? There's certainly been a lot of rumors. There's been a Newsday story. Where are we at this stage in the game? I actually shouldn't say we. I use that colloquially. It's been used against me for doing that. Where are you at this stage in the game?

MR. NOLAN:

We, OTB, owns a piece of property in Medford we paid ten and a half million dollars for. We've done -- we've spent two or \$3 million. We remediated old septic tanks, we put up fencing, we've done architectural engineering work. Delaware North, which is more than us spearheading this entire process, they are entertaining other concepts. There have been conversations, but nothing is firm or concrete, nonabstract as the fact that we own the piece of property in Medford and have expended all of this money. That's pretty much the sum and substance of that.

LEG. CALARCO:

So in saying Delaware North is pursuing other possibilities, because they're taking a look at things, they realize that the Medford project is already quite a bit of time into it that was not expected, and quite a bit of time left to it that was not expected. My understanding is you guys still have to put something into the Town of Brookhaven that hasn't been updated recently nor has the County received anything current since last May on your septic plans for that property. Would you say that

Ways & Means

you guys are currently evaluating plan B or other options that may allow you to operate in a --

MR. NOLAN:

In the interest of perfect accuracy Delaware North is entertaining and looking at other possibilities. The caveat to that is we're only going to go to another location if it's a better deal than the deal that we would have in Medford for the people of this County, from a revenue standpoint and so on and employment. It would have to be a better arrangement, so.

LEG. CALARCO:

And in looking at other options, I would just say this as a statement and not necessarily asking for a response. I hope Delaware North is engaging the governments of the other locations, the appropriate municipalities. Clearly we have duked it out, and one of the issues that Mr. Houdek brought up and Legislator Cilmi commented on in regards to the ability to petition the courts for bankruptcy relief, and we've gone through a little battle there in terms of who has responsibility of what. I just hope that you address those other municipalities and make sure that whoever are the political entities in charge are making the appropriate decisions and that you guys are filing the appropriate processes to ensure that the project is fully vetted.

I have said from the very beginning I know my community in Medford does not want this. They do not feel it is an appropriate location. I tend to agree with them. I'm no fan of VLT's, simply because I personally don't like to lose my money and that's not entertainment to me to push a button and lose my money. That's me. I won't speak for other people who do enjoy it. I don't think they're an economic tool either, for that matter. But be that what it is, they are what they are. I just hope that you try to follow the process going forward as openly as possible and engage those other locations.

MR. NOLAN:

We will continue to follow the processes as we have from the opening of this.

CHAIRWOMAN FLEMING:

Legislator Cilmi has one quick question.

MR. NOLAN:

You said you were done before.

LEG. CILMI:

Just a quick -- just a follow-up question to a question I asked earlier and you answered. You said it was 3.5 million that you lost last year. How does that happen exactly? I mean, I understand that you spend more than you take in, but where does the money come from? So now do you owe more creditors \$3.5 million? Where does that money go?

MR. PANCELLA:

There's accrual basis accounting, a cash basis accounting, and we are not here with our Comptroller to go into it in any greater detail than that, but we are mandated by the courts to stay current on all post -- it was post-petition, now it's post-confirmation creditors. So we're up to date with all our current creditors.

LEG. CILMI:

But yet you lost three and a half million dollars last year.

MR. PANCELLA:

Yes.

LEG. CILMI:

All right. If I could ask you just to explain that to me in an e-mail, because I don't understand how you could be up to date with creditors and still lose three and a half million dollars.

MR. PANCELLA:

We'll have the Comptroller, you know -- it has to do with cash versus accrual accounting.

LEG. CILMI:

Fair enough. Okay. Thanks.

CHAIRWOMAN FLEMING:

Thank you. Presiding Officer Gregory has joined us and has some questions.

P.O. GREGORY:

Well, not really questions, just really a statement. I know you guys are going through tough fiscal times. I was there part of that, I guess the beginning or maybe the start of it or whatever. I fully support you guys. I mean, there's been some community blow back on your plans, and I just want to make a statement, a public statement, that I fully support what you're doing. You're a major employer in Suffolk County. We have to keep that in focus that we're trying to keep people employed and they make a great contribution to our community as individual citizens. Some are firemen and make other contributions to the public. I just hope that we can, you know, find a perfect fit where the community is on board and you guys, you know, with your plans. I know that won't be perfect, but certainly that's my wish and I know you guys will work hard to make that happen. So thank you for coming here today.

MR. PANCELLA:

Thanks very much.

CHAIRWOMAN FLEMING:

Thank you. I just have one clarifying question. You had said, I think, Phil, it was you who said we're only going to go with other options if it's a better deal. I just want to ask you, is that merely a matter of the numbers or does SEQRA and environmental impacts or other community impacts also get some consideration in that deal.

MR. NOLAN:

Numbers.

CHAIRWOMAN FLEMING:

Okay. Thank you.

MR. NOLAN:

SEQRA has to be followed no matter where we go. The process is an overlay to everything. It's a tremendous safeguard. SEQRA has a lot of people --

CHAIRWOMAN FLEMING:

No, no, no. I don't mean to say SEQRA the process itself, I'm just saying environmental impacts or community impacts, are they part of the consideration of what's a good deal or not for the community, or -- it's just a yes or no question. I just wanted to know if that's what your considerations are or if you're just considering the numbers, and I think you said it's just the numbers.

MR. NOLAN:

It's the numbers within the law.

CHAIRWOMAN FLEMING:

Understood.

MR. NOLAN:

But those issues you raised about the environment and so on, that's --

CHAIRWOMAN FLEMING:

Dealt with in SEQRA, correct.

MR. NOLAN:

So if we are going to go to a different place, it would have to pass that scrutiny.

CHAIRWOMAN FLEMING:

I understand.

MR. NOLAN:

What you're speaking.

CHAIRWOMAN FLEMING:

Well, no, that's not what I was speaking. I was speaking of a relative comparison between in community impacts or environmental impacts. It could be different and both pass SEQRA. You could find different types of mitigation --

MR. NOLAN:

That's true.

CHAIRWOMAN FLEMING:

-- for whatever environmental impact.

MR. NOLAN:

They might be SEQRA okay but they would have less --

CHAIRWOMAN FLEMING:

And I just wanted to know if that was in your thinking or not, but you've answered the question, so thank you. I don't think there are any further questions, so thank you both for coming. I appreciate your time.

MR. NOLAN:

Thanks for having us.

MR. PANCELLA:

Thank you.

CHAIRWOMAN FLEMING:

So moving onto Introductory Resolutions.

Introductory Resolutions

1160 - Approving payment to General Code Publishers for Administrative Code pages (Pres. Off.). I'll make a motion.

LEG. CALARCO:

Second.

CHAIRWOMAN FLEMING:

Seconded by Legislator Calarco. All in favor? All opposed? Any abstentions? 1160 passes. **(Vote: 6-0-0-1 Not Present: Legislator Browning)**

1178 - Authorizing the reconveyance of County-owned Real Estate pursuant to Section 215, New York State County Law to Joseph and Lisa Kenny (SCTM No. 0400-083.00-02.00-015.000)(Trotta). Do I have a motion? Motion from Legislator Trotta, seconded by Legislator Calarco. All in favor? All opposed? Any abstentions? 1178 passes. **(Vote: 6-0-0-1 Not Present: Legislator Browning)**

1179 - Adopting Local Law No. -2016, A Local Law to enact a Campaign Finance Reform Act to limit campaign contributions from County Contractors and Public Employee Unions (Trotta). There's a motion to table for a public hearing. That was by Legislator Trotta. Seconded by Legislator Calarco. All in favor? All opposed? Any abstentions? **(Vote: 6-0-0-1 Not Present: Legislator Browning)**

1205 we already passed.

1209 - Authorizing the sale, pursuant to Local Law No. 16-1976, of real property acquired under Section 46 of the Suffolk County Tax Act Donald Heinsohn and Elizabeth Heinsohn, his wife (SCTM No. 0100-094.00-01.00-043.000)(Co. Exec.). Motion by Legislator Calarco, seconded by Legislator Spencer, to approve and place on the Consent Calendar. All in favor? All opposed? Any abstentions? 1209 passes. **(Vote: 6-0-0-1 Not Present: Legislator Browning)**

1210 - Authorizing the sale, pursuant to Local Law No. 16-1976, of real property acquired under Section 46 of the Suffolk County Tax Act Susan Yberg (SCTM No. 0400-194.00-03.00-022.002)(Co. Exec.). Same motion, same second. All in favor? All opposed? Any abstentions? That passes. **(Vote: 7-0-0-1 Not Present: Legislator Browning; Presiding Officer Gregory is included in the vote)**

1213 - Authorizing the transfer of certain properties from the Suffolk County Department of Public Works to the Suffolk County Department of Economic Development and Planning, Division of Real Property Acquisition and Management (adjacent to SCTM Nos. 0200-560.00-04.00-002.000 and 0200-560.00-04.00-003.000)(Co. Exec.). I'll make a motion to approve.

LEG. SPENCER:

Second.

CHAIRWOMAN FLEMING:

Seconded by Doc Spencer. I don't think this can go on the Consent Calendar. All in favor? All opposed? Any abstentions? Passes. **(Vote: 7-0-0-1 Not Present: Legislator Browning; Presiding Officer Gregory is included in the vote)**

1214 - Authorizing the sale, pursuant to Local Law No. 16-1976, of real property acquired under Section 46 of the Suffolk County Tax Act estate of Ezatollah Mamaghani (SCTM No. 0200-431.00-03.00-013.001)(Co. Exec.). Motion by Legislator Calarco. Seconded by Legislator Spencer. All in favor? Oh, that's on the Consent Calendar. Okay with you, Rob?

LEG. CALARCO:

Absolutely.

CHAIRWOMAN FLEMING:

All in favor? All opposed? **(Vote: 6-0-0-1 Not Present: Legislator Browning)**

1215 - Authorizing the sale, pursuant to Local Law No. 16-1976, of real property acquired under Section 46 of the Suffolk County Tax Act Estate of Ezatollah Mamaghani (SCTM No. 0200-431.00-03.00-013.002)(Co. Exec.). Same motion, same second. All in favor? All opposed? Any abstentions? **(Vote: 6-0-0-1 Not Present: Legislator Browning)**

1219 - Sale of County-owned real estate pursuant to Section 72-h of the General Municipal Law - Town of Brookhaven - (SCTM No. 0200-172.00-03.00-043.000)(Co. Exec.). Same motion, same second. All in favor? I'm sorry. So the motion is to approve by Legislator Calarco. Seconded by Legislator Spencer. All in favor? All opposed? Any abstentions? **(Vote: 6-0-0-1 Not Present: Legislator Browning)**

1220 - Sale of County-owned real estate pursuant to Section 72-h of the General Municipal Law - Town of Brookhaven - (SCTM No. 0200-194.00-01.00-001.000). Same motion, same second. All in favor? All opposed? Any abstentions? Approved. **(Vote: 6-0-0-1 Not Present: Legislator Browning)**

We have no Procedural Motions. I don't believe we have executive session. We are adjourned. Thank you.

(*The meeting was adjourned at 2:54 p.m. *)