SUFFOLK COUNTY LEGISLATURE

SPECIAL MEETING

ELEVENTH DAY

July 1, 2008

THE SPECIAL MEETING WAS HELD IN THE ROSE Y. CARACAPPA LEGISLATIVE

AUDITORIUM OF THE WILLIAM H. ROGERS LEGISLATURE BUILDING,

725 VETERANS MEMORIAL HIGHWAY, SMITHTOWN, NEW YORK

Minutes Taken By:
Alison Mahoney & Lucia Braaten - Court Stenographers

Minutes Transcribed By:
Alison Mahoney & Kim Castiglione

(The meeting was called to order at 9:36 A.M.)

P.O. LINDSAY:
Mr. Clerk, you want to call the roll, please?

(*Roll Called by Mr. Laube - Clerk*)

LEG. ROMAINE:
Present.

LEG. SCHNEIDERMAN:
Here.

LEG. BROWNING:
(Absent).

LEG. BEEDENBENDER:
Here.

LEG. LOSQUADRO:
Present.

LEG. EDDINGTON:
Here.

LEG. MONTANO:
Present.

LEG. ALDEN:
Here.

LEG. BARRAGA:
Here.

LEG. KENNEDY:
Here.

LEG. NOWICK:
Here.

LEG. HORSLEY:
(Absent).

LEG. STERN:
Here.

LEG. D'AMARO:
Here.

LEG. COOPER:
(Not Present).

D.P.O. VILORIA-FISHER:
Here.

P.O. LINDSAY:
Here.

MR. LAUBE:
Fourteen -- no, 15 (Not Present: Legislators Browning, Horsley & Cooper).

P.O. LINDSAY:
Could everyone rise for a salute to the flag. Being that I called this meeting, I'll lead the pledge.

Salutation

If everyone could remain standing. As we approach Independence Day, could we remember our men and women that are fighting to protect our freedoms.

Moment of Silence Observed

You can be seated. I don't have a gavel, so I can't bang it.

LEG. ALDEN:
I wish I had brought one.

MR. PEARSALL:
We'll get one.

P.O. LINDSAY:
Mr. Clerk, was the Special Meeting properly advertised?

MR. LAUBE:
To the best -- yes.

P.O. LINDSAY:
Okay. Before I start to progress with the meeting, I just want to mention to my colleagues the circumstances that brought about this meeting.

Like any Legislative body in this country, there is usually a recess period and with the Suffolk County Legislature it's usually a four week period, from the last week of June to the last week of July every year. And we try our best not to have any meetings because that's a timeframe where the Legislators try to schedule vacations or take on special projects or new initiatives, and we're a little light today because I have one Legislator that's out of the country, I have another Legislator that's out of the State. I see Legislator Romaine here which I really appreciate, he was vacationing on Fire Island and came back for today's event, today's meeting. I believe Legislator Cooper is going to be with us, as he has been heavily involved in the Presidential Campaign and had a whole series of meetings today around the tri-state area and he was going to try and shuffle his calendar and schedule, reschedule, cancel some and be here as well.

The necessity of the meeting was a series of vetoes that were filed last Wednesday. The Legislature has ten days to act on those vetoes, so I had to call a meeting before the end of this week to address those vetoes. We were in session Tuesday, the vetoes were filed Wednesday, that made this meeting necessary. So I am -- I'm not happy to be here and I don't think anybody else is as well.

Okay. We're going to try and go through the meeting as fast as I can because I want to hold on to the quorum that I have. We have a few speakers. I would ask the speakers to try and get to their point and be distinct and we'll address the vetoes and then we'll address the presentation on the RFP's that have been circulated for the last few months. So first up is Cesar Malaga.

MR. MALAGA:
Good morning, Presiding Officer Lindsay and Legislators. My name is Cesar Malaga, I am President of the Spanish-American Association. We are glad you scheduled the meeting today, many of us could not make the meeting in Riverhead.

We would like to thank Legislator Jon Cooper for having the courage to pull back IR 1479. As Legislator Cooper said, the State, the counties, the towns, villages and cities cannot write immigration laws, that is the duty of the Federal Government. Our country, the United States of America, signed treaties with other nations to protect their citizens and us wherever we go or whoever are here in our country. We saw last week the outcome of the two illegal immigrants who were kept as slaves in a house of well-to-do U.S. citizens. People are protected by our Constitution.

Some of the Legislators are happy when they hear that the Hispanics were arrested and taken away by Homeland Security personnel. Some of them were illegal -- legal immigrants, U.S. citizens; they were arrested because they were Hispanics and we should not be doing this.

Some of you are in favor of E-Verify. We know that Social Security records are not correct. We would suggest that you E-Verify all the County workers and your aides so you can see the number of County workers that are working without proper documentation. Please, you can phone to news media the outcome of the task.

We would like to take you back to the June 10th hearing. We started the hearing with a prayer of a minister from the Village of Babylon. We do not know what the minister preached in the church. I am a Catholic and one of the teachings of my church is to care for our fellow man. That day you voted to deny work to fellow man so he/she cannot get a job to support and care for their families. This Legislative body should not start a hearing with a prayer because you act contrary to the teachings of a church.

We suggest that you provide a license to work to undocumented immigrants, just like the County gives licenses to contractors. This County will be the first one to deal with undocumented immigrants. Immigrants are a part of the economy of Long Island, we need them and they need to earn some money to care for their families. Thank you for listening. Thank you very much.

P.O. LINDSAY:
Thank you, Mr. Malaga. Michael Sielback?

MR. SEILBACK:
Good morning. My name is Michael Sielback, Senior Director of Public Policy and Advocacy for the American Lung Association of New York. I'm here to speak briefly regarding the possible securitization of tobacco funds by the County.

Fundamentally, from a public health perspective, tobacco settlement payments should be used to address the problems caused by tobacco. These payments come from the settlement of lawsuits by the States who sought reimbursements from cigarette companies for smoking-caused expenditures caused by Big Tobacco's acts. We believe it's important to spend these dollars on prevention and to reduce tobacco use and treat smoking-caused disease. Over the last several years, this County has spent less and less of its money towards its own tobacco control program.

We have seen from various States' experiences that securitizing tobacco settlement payments is penny-wise and pound-foolish. The securitization of these funds swaps a long-term funding stream for a quick economic band-aid. In states that have securitized tobacco funds for other purposes, it's lead to large amounts of tobacco settlement payments no longer available to prevent and reduce tobacco use.

In conclusion, these actions don't make sense from either a public health or a fiscal perspective. Investments and comprehensive effective efforts to prevent and reduce tobacco use not only saves lives and reduces smoking-caused disease, but also reduces the enormous smoking costs -- smoking-caused costs that burden Medicaid programs and other government programs. We'd ask you to ensure long-term sustainability of the County's Tobacco Control Programs and to look to close the County's budget shortfalls through other mechanisms, not short funding schemes which are going to close budget loopholes and keep smokers addicted to this product which is going to cause public health problems and long-term costs. Thank you.

P.O. LINDSAY:
Thank you, Michael. Lydia Sabasto?

MS. SABASTO:
Good morning, Presiding Officer Lindsay, Members of the Suffolk County Legislature. My name is Lydia Sabasto, I'm the Executive Vice-President of the Suffolk County Association of Municipal Employees, also referred to as AME.

Although we are aware this meeting is only for change in hearing dates for IR 1644, we believe the Legislature should be aware of AME's opinion regarding the Tobacco Asset Securitization. We trust that you are aware of the talking points regarding IR 1644 and that there has been diligent effort in pursuit of fair analysis with regard to the sale of tax liens versus the securitization of tobacco proceeds. AME maintains that if the sale of this asset prevents just one AME member from being laid off from his or her County job, then we would not be against securitizing the tobacco proceeds. We hope this will bring necessary relief to the Suffolk County needs to alleviate the 2009 budget shortfall and prevent employee layoffs.

The decision to go with a mechanism that has been successfully utilized throughout the country seems a wise and fiscally prudent measure. AME maintains that protection of our members is and always has been our number one priority. We do have concern for the 16 persons who provide the Tobacco Cessation Education Program and Enforcement Unit whose salaries are dependent upon the proceeds of the tobacco lawsuits. As it will be a policy decision to keep the Tobacco Cessation Program funded, we hope the County Executive will keep this life-saving program funded in the future.

AME thanks you for your steadfast commitment to the well-being of the residents and taxpayers of Suffolk County and we look forward to working with the County Executive and the County Legislature in the upcoming months to find viable solutions to our budgetary problems.
On behalf of Cheryl Felice, AME President, thank you for your time.

P.O. LINDSAY:
Thank you, Lydia. Our Suffolk County Treasurer, Angie Carpenter.

MS. CARPENTER:
Good morning. I wanted to address Resolution 282 -- 283, I guess, 2008, which was exploring whether or not we should use securitization of the tobacco versus the sale of the tax liens. I have a

memo that is being distributed that really confirms the fact that we are totally in support of the securitization of the tobacco revenues as opposed to the sale of the tax liens.

The tax lien committee met, the RFP committee met, they reviewed all the proposals and it was interesting that unanimously they felt that this was not an avenue to go, for a lot of reasons. The biggest I think for us as a County is the flexibility that we have with the programs that we have, whether it be the 215's, the 72-h's, Affordable Housing, everything that we're trying to do, this would really tie our hands.

And the other issue that came forward was the fact that if we were to sell the tax liens, we would eliminate our possibility to do DTAN borrowing every Fall that we do to get us through the cash flow problems that we have at the end of the year.

It's interesting for me to talk about tobacco securitization because when I was a member of this body I was steadfastly opposed to securitizing this revenue stream, but so much has happened between then and now. The advances that have been made in smoking cessation and Suffolk County certainly has been a leader, and I think it's something that we can all be very proud of; taking a leading role in the programs as a County, we far surpassed any other in our initiatives to help get people off nicotine addiction. But this revenue stream is not guaranteed into the future. You know, tomorrow a cure could come out for nicotine addiction and where would we be?

The way this has been approached I think has been very prudent in that we are not looking at securitizing the total amount but rather a portion of the revenue stream, leaving a steady revenue stream coming to the County and once the Tobacco Revenue Bonds are paid off, if in fact that revenue stream would still be going, we would go back to getting the entire amount. So I just ask you to keep that in mind as far as one person who was opposed to it and now sees the wisdom of going the route of securitizing.

I think the old adage a bird in the hand is worth two in the bush, this is not a revenue that we can be guaranteed is going to be there into the future.

D.P.O. VILORIA-FISHER:
Good timing.

P.O. LINDSAY:
Angie, thank you for your comments. And thank you for the work you put in working on this with the reset of the team that's examined all the options.

MS. CARPENTER:
Well, it has been -- it's been a long road. And I have to thank -- and I know two members of the staff are here today if there are any specific questions about the liens. But it's a very complicated issue and made more so because of the Suffolk County Tax Act that we, you know, operate under. But they've been really very, very diligent in trying to get that kind of information to you and stand ready to do so in the future.

P.O. LINDSAY:
Well, as soon as we dispose of the vetoes, we're going to hear a presentation about this. I would appreciate it if you could stay in the room and answer any questions --

MS. CARPENTER:
Okay, we'll be happy to do so.

P.O. LINDSAY:
-- we might have as it pertains to your office

MS. CARPENTER:
Okay. Thank you.

P.O. LINDSAY:
Thank you. I don't have any other cards. Is there anyone in the audience -- else in the audience that would like to speak under the public portion? Seeing none, I'll accept a motion to close the public portion.

LEG. ALDEN:
Motion.

P.O. LINDSAY:
Motion by Legislator Alden, seconded by Legislator Viloria-Fisher.
All in favor? Opposed? Abstentions?

MR. LAUBE:
Fifteen (Absent: Legislators Browning & Horsley).

P.O. LINDSAY:
Next on the agenda is consideration of Capital Budget Amendments vetoed by the County Executive for possible veto overrides. There is a list of them, it's a two-page list in your packet, and not included in these are any of the college vetoes which is very much appreciated. I would like to make a motion to override the vetoes in one motion.

D.P.O. VILORIA-FISHER:
I'll second.

LEG. D'AMARO:
Excuse me.

P.O. LINDSAY:
We have a second by Legislator Viloria-Fisher. On the question, Legislator D'Amaro.

LEG. D'AMARO:
Yes, thank you, Mr. Presiding Officer. I'd like to offer a motion and a request and take the vetoes individually and so move for that to be considered.

P.O. LINDSAY:
Okay, we have a motion to take them individually. Do I have a second to that motion?

LEG. BEEDENBENDER:
Second.

P.O. LINDSAY:
Second by Legislator Beedenbender. Which would go first?

MR. NOLAN:
(Inaudible).

P.O. LINDSAY:
Okay, okay. What Counsel has suggested is that we take a vote on doing them all at once first, if

that fails then we'll have to take them one at a time. So we have a motion to consider all the vetoes with one vote and a second; roll call.

LEG. BEEDENBENDER:
On the motion, Mr. Chairman?

P.O. LINDSAY:
Yes.

LEG. BEEDENBENDER:
I just wanted to explain. There's -- I got -- I was looking into the issue on 4018 on the Psychiatric Center, and it was -- during the Working Group it was our understanding that that was not something that we would ever be able to bond for and it's not something that we were legally able to bond for, and it's my understanding that that's different now. So my inclination to vote these separately is because I would like to get at that one and have a discussion from the County Attorney and if we could have a discussion from Bond Counsel on that.

P.O. LINDSAY:
You can still discuss it on the pending motions on the floor. Legis -- Ms. Vizzini, do you want to comment on that?

MS. VIZZINI:
Yes, I'd be happy to comment. This -- deleting the million dollars from 2010 for CPEP is based on a recommendation from the Budget Review Office that as Legislator Beedenbender says, it is a more complex transaction for us to get approval from Bond Counsel to bond for space that we do not own. In conference with Legislative Counsel, I spoke to Bob Smith myself the other day and although, as you indicate, it is plausible, however it does require additional legal documentation and it is undoubtedly a cleaner way to approach it by having some small or approximate amount in the Operating Budget added on to our existing operating contract with Stony Brook to run the program. Very similar to when we include the build-out on something that we might lease in our contract with the landlord, or if we require say a health clinic or a hospital to expand some space, we'll incorporate that expense. Technically, you could do it either way. I don't -- there's no question in terms of the merit of the program or anybody's support for the program.

P.O. LINDSAY:
So Legislator Beedenbender, you would rather see it in the Capital Budget, is that your point?

LEG. KENNEDY:
Mr. Chair, if I could add to that, too? I'll wait.

LEG. BEEDENBENDER:
Yeah. If we can bond for it then this is something that, you know, even though we did discuss it in the Working Group -- maybe I didn't hear it correctly when it was presented at the Working Group, but I would like to -- I would like to sustain, I guess, the veto that puts it back in, or whatever the appropriate way to say that is.

P.O. LINDSAY:
It does seem different that we want to remove a million dollars and the County Executive wants to put it back in.

D.P.O VILORIA-FISHER:
Counter-intuitive.

LEG. BEEDENBENDER:

Yeah, and it seems weird to say veto to put back in. But that's the one that I would like to get at, if that's the situation, and have a little bit more of a discussion on. So that's --

P.O. LINDSAY:
All right. Legislator Kennedy.

LEG. KENNEDY:
Mr. Chair, if I could add to this. First of all, I commend Legislator Beedenbender for bringing this up. I also was unaware that this had been removed, that's my own fault, I guess, for not making more of the Working Group meetings. I will say that for the better part of 18 months I've tried to go ahead and work on what really is a crisis and you'll recall last year I introduced a resolution to go ahead and address this.

There's some 6,000 EDP's that are transported to CPEP and to the alternatives and I posed the request to the Health Department last year to add a Psychiatrist to the staff at Stony Brook that was a County-based individual and I was rejected by the Health Department. So although BRO points forward that a services-type of a commitment might fit better for us cost-wise, unfortunately I think that question has been asked and answered; the administration rejected that outright. I think if we make a commitment on the Capital side to assist with progressing what's an $8.4 million expansion at Stony Brook, there's a far greater likelihood we could see that expansion come to fruition.

I'm also just going to ask one other question to complicate the mix a little bit further, Mr. Chair. I know that the Working Group worked very hard to preserve a bottom line dollar and cent amount that the Capital Budget was actually not expanded but I believe contracted for 2009. Nevertheless, based on the fact that we do not have the Community college vetoes in front of us, whatever we get to cost-wise today is still subject to further alteration, I believe; is that not the case?

P.O. LINDSAY:
Gail?

MS. VIZZINI:
The Omnibus as you adopted reduced 2009 serial bonds by 3.4 million. The Community College projects that are all absent from here, those were three discontinued projects that were restored primarily to subsequent years; as you recall, they were amended on the floor.

LEG. KENNEDY:
So any action that we may or may not take, if and when we do get the vetoes, if and when we get together again for this fictitious vacation, won't affect what we do today.

P.O. LINDSAY:
Well, first of all, the Working Group never portrayed that we reduce the overall Capital Program. We reduced it in '09.

LEG. KENNEDY:
Yes.

P.O. LINDSAY:
In years after that we added to it, that the --

LEG. KENNEDY:
Absolutely, I heard those sessions.

P.O. LINDSAY:
Okay.

LEG. KENNEDY:
I understand that. But going back to the original topic --

P.O. LINDSAY:
Okay, but let me just -- if -- instead of taking these individually, if I amended my motion to just take that one out and vote on that one separately and the rest as a block, would that appease --

D.P.O. VILORIA-FISHER:
Well, can we continue --

LEG. COOPER:
Yep.

P.O. LINDSAY:
Is that all right with you, Legislator D'Amaro; do you have the same issue with that one?

LEG. D'AMARO:
I do have that issue, and thank you for asking me, but there were some other --

P.O. LINDSAY:
Okay, so you would like them all, all right.

LEG. D'AMARO:
Yes.

P.O. LINDSAY:
Legislator Viloria-Fisher.

D.P.O. VILORIA-FISHER:
Yes. I recently took another look at the CPEP facility at Stony Brook and this is certainly a much needed expenditure. However, I was under the impression that it would be better to have it folded into the Operating Budget and the contract that we have with Stony Brook, as you've just repeated, Gail. And I had -- I'm forgetting his name, John.

LEG. KENNEDY:
Mark {Zetler}.

D.P.O. VILORIA-FISHER:
Yes, Mark {Zetler} said to me that there seemed to be great support from the County Executive's Office, that they had been there also in support of this, so that's why I was ready to support this decision by the Working Group. Gail, now you're saying that we can indeed bond this and that perhaps we should look at it separately?

MS. VIZZINI:
Well, it's a decision whether you want to include it in the Capital, you're incurring the bonded expense associated with the million dollars and you're also engaging in a little bit more complicated legal transaction. I would probably defer to George in terms of the additional paperwork that's required.

If we put the build-out in our existing operating contract, we would be paying a couple of hundred thousand dollars in 2010, another couple of hundred thousand dollars in 2011 as we help the university pay off the expense of the build-out; either way is doable.

D.P.O. VILORIA-FISHER:
And in case anyone hasn't visited the center, it really is acting as a de facto County facility there at the University Hospital and it's really in a deplorable state, both for the patients coming in and the safety of the employees, and actually the safety of the Police Officers who are with them. So it's a very necessary program and voting in one block does not in any way indicate a lack of support for the money being spent here. But George, Gail asked you a question?

MR. NOLAN:
Well, I think the general principle is we can't use bond proceeds to improve something that doesn't belong to us. I think what Bond Counsel said to Ms. Vizzini, and he's indicated this to me in the past, is there may be ways for the County, you create some type of interest in the property, that the County gets some type of property interest in the improvement, it doesn't have to be, you know, fee ownership or some -- you know, the full ownership but some type of interest in the property and then Bond Counsel would approve the floating of the bond to pay for the improvement. We see that sometimes with like our Affordable Housing Program when we pay for improvements to an area, the County gets some type of ownership interest in the improvements and that's how you go about using bond proceeds for something that is understood not to be owned by us. But it is going to be complicated, it is complicated to make that type of transaction work.

LEG. D'AMARO:
Bill?

P.O. LINDSAY:
Legislator D'Amaro.

LEG. D'AMARO:
Thank you. Just to the follow up on that, to Mr. Nolan; is it a distinction worth noting that this facility is owned by the State of New York? I mean, would you still need some kind of ownership interest by the County even though this is just -- it's owned by another level, another jurisdiction?

MR. NOLAN:
Yeah, I don't think that makes -- is going to make a difference. I think the County still has to have that interest and I do see that the Bond Counsel just walked in the door, Bob Smith, he might be able to explain that idea as to whether or not you can use bond proceeds to improve something that belongs to the State.

LEG. D'AMARO:
Well, can I just follow-up on that very quickly? There's another resolution on here that proposes to put a backup generator in a health facility. And wouldn't that also be an improvement to a leased facility, something that we don't own, or is that a sufficient enough interest?

MR. NOLAN:
That might be a sufficient enough interest to allow us to pay for that improvement. That's the type -- what I'm saying is we don't need to own the property, but we have to have some type of interest, I think Bond Counsel could tell you what that interest would have to be.

LEG. D'AMARO:
All right. Even though there's a public benefit -- just to finish. Even though there's a public benefit to the construction project to the County?

MR. NOLAN:
Bond proceeds have to be considered differently than just regular cash from our Operating Budget. If we're using our own money, operating money, you don't have the same limits as with bond proceeds; bond proceeds are just more difficult to use for this type of circumstance.

LEG. D'AMARO:
All right. Well, those are questions we had. Is Bond Counsel here, can we ask Bond Counsel?

P.O. LINDSAY:
Go ahead, there's Bond Counsel.

LEG. D'AMARO:
Good morning.

MR. SMITH:
Hi.

LEG. D'AMARO:
Over here, sir.

MR. SMITH:
Okay, I'm sorry.

LEG. D'AMARO:
We're talking about a Capital Project that I don't have the full description of it but I believe would be an expansion to a portion of property owned by the State of New York, Stony Brook University. And we're debating whether or not we can do that through our Capital Budget and bond the expense or whether it needs to go through the Operating Budget. I don't have much more details on the project, our Budget Review Office will probably give you a little more information on it but that's the general issue.

MR. SMITH:
Okay. Well, what the situation is is that if we're issuing bonds we have to -- we can only be issuing bonds for -- in general we issue bonds to fund improvements to County-owned buildings. What we can do where we have a building-owned by someone else -- for example, the State or whoever it might be -- we can enter into some kind of agreement where we would have some other sort of an interest like a leasehold interest, and that's always going to be sufficient. And we have plenty of Comptrollers' opinions and cases in this State to support that position, that we could issue bonds as long as we enter into an appropriate agreement which will guarantee a certain amount of usage for the County, because in my mind it's important to know that the benefit of the project will accrue to the County and not to someone else. So for that reason we'd make the agreement at least as long as the term of the bonds, number one, and long enough, in case you have very short-term bonds, I would also require we have a long enough agreement to ensure that there is a substantial benefit coming to the County, and that's the kind of interest we would need. So some kind of interest where we know we can use it and we have a leasehold interest that they would agree to.

LEG. D'AMARO:
Okay, so it is possible, then, to do it as a Capital Project as long as we entered into some kind of Memorandum Agreement or something similar to that like a lease that would give the County an interest in the facility that we're talking about.

P.O. LINDSAY:
Ms. Vizzini?

MS. VIZZINI:
Just while Bond Counsel is up there, if I can just ask one more question. Our liability under the leasehold arrangement, is it any more heightened than it would be, say, if we augmented our operating contract with this entity to run the program? In other words, you know, this is a

psychiatric mental health emergency facility and should the unthinkable happen in the area that we have a leasehold on, is our liability any more heightened than it might be if we were just paying for the build-out in the operating?

MR. SMITH:
Well, one thing, I would think it would be negotiated in the agreements you have with the other party. It's not exactly my area of expertise, I'd really defer to the County Attorney or other people to speak in terms of liability.

P.O. LINDSAY:
Okay? Okay, thank you very much, sir.

MR. SMITH:
Thank you.

LEG. D'AMARO:
I had a few other questions, just on the motion, with Budget Review.
Just to change -- with respect to the John J. Foley equipment resolution, bond reso -- the Capital Budget resolution, according to the County Executive's Office, the County has not yet expended the funds already available for the equipment and has another $2.4 million grant that was obtained in 2008. I just want to know, that was part of the veto message, I want to know if that's accurate. Is there funding already available for this equipment that hasn't been expended yet?

MS. VIZZINI:
One second. We're checking the year-to-date to confirm that. However, what we mention in our report is that we did just receive a Community Enhancement Facilities Grant from the State of New York --

LEG. D'AMARO:
Uh-huh.

MS. VIZZINI:
-- for two $2.6 million. And it's possible, although we're looking to confirm it, that the State monies may be displacing what we would ordinarily use as bonding on an ongoing basis. So that resolution was -- I think we just passed that.

LEG. D'AMARO:
I think you're right.

MS. VIZZINI:
So I'm not sure that we had benefit of -- other than the fact that we had gotten the grant, we didn't have benefit of adopting a resolution when we prepared the report and the recommendations, that we do continue to replace the equipment.

LEG. D'AMARO:
Okay, thank you. So in sum, then, there is -- that came out subsequent to your report --

MS. VIZZINI:
Yes. According --

LEG. D'AMARO:
-- there is funding available now for this equipment.

MS. VIZZINI:

Well, when we did the report there was only $119,000 balance available which could be expended in one year; this puts money in 2010 and 2011, then we pass the resolution accepting the 2.6 million which happens to be for equipment.

LEG. D'AMARO:
Right, so we have over a hundred thousand for this year and .we have the 2.6 million that just came in.

MS. VIZZINI:
Yes, you do.

LEG. D'AMARO:
Okay. And I wanted to also ask you, on the County Road 58 resolution there is -- is this a duplicative project, is the funding available in a separate project, as pointed out in the veto message?

MS. VIZZINI:
Can you give me the number?

LEG. D'AMARO:
Yes.

MS. VIZZINI:
5408.

LEG. D'AMARO:
It's County Road 58.

LEG. LOSQUADRO:
(Inaudible).

MS. VIZZINI:
5408 is for sidewalks and curbing.

LEG. D'AMARO:
Yeah, it says in the veto message, "The addition of this 450,000 for County Road 58, Old Country Road, installation of sidewalks from LIE to County Road 73, Roanoke Avenue would duplicate funding that is already included in the Capital Budget." Under -- it's already included under Capital Project No. 5529 which is reconstruction of County Road 58, already included.

MS. VIZZINI:
Well, according to our --

P.O. LINDSAY:
We've got about two more minutes.

MS. VIZZINI:
Right now I'm relying on what we did in the report for 5529. The dollar amount is similar, there's $450,000 in 2010 which is for drainage improvements and safety. I don't know if that is, in fact, a complete duplication. I can tell you that for 5529, Public Works asked for $500,000 in planning and $5 million in subsequent years. So I'm sure that --

LEG. D'AMARO:
Well, I would assume that the County Executive's veto message is basing that on the scope of the project for 5529. I'm not privy to it either, I just wanted to --

MS. VIZZINI:
Right. Yeah, it would be based on the reduced scope as he sees it for 5529.

LEG. D'AMARO:
All right, I have one more question, one more. The Vanderbilt resolution for the rest -- it's 7433, restoration of driveways, gutters and catch-basins at Suffolk County Vanderbilt Museum. Again, stating that, "There's still $500,000 still available in the existing Capital Budget with no need to really authorize more bonding authority at this time"; if you would comment on that or let me know if that's accurate.

MR. REINHEIMER:
This has been an ongoing project and they have problems with the existing roads and gutters because it's cobblestone and the pointing in the cobblestone deteriorates and the catch-basins for the drainage have also been a problem. This expands the scope of the project for the bridge that goes into the mansion that is needed for access for weddings and also for the public to get into the main part of the mansion. We're not really sure of the scope of that project, we feel that it could be greater than what we've put in there or even less. They're assessing it, but the bridge definitely needs major reconstruction, they have to take the surface off and redo the under structure of the bridge. So it's a major project that they're kind of scoping out as we were developing the Capital Program. And we put this money in primarily to provide the appropriations so that in the event that they can go forward they have some work -- some appropriations to do the work.

LEG. D'AMARO:
No problem with that, but do they have the half of million dollars already sitting there waiting to be appropriated for that project?

MS. VIZZINI:
According to our report, there's an uncommitted balance of 503,499.

LEG. D'AMARO:
So there is still more funds that could be appropriated through the bonding process for that project.

MS. VIZZINI:
There are funds that could be appropriated but there's also a lot of work to be done.

LEG. D'AMARO:
I understand that.

P.O. LINDSAY:
Legislator Stern.

LEG. STERN:
Very quickly. 7430, also dealing with the Vanderbilt, adding $450,000 in 2009. We heard testimony before about the crumbling facade and how their protective netting all throughout the structure there; is this funding for the work that needs to be done to bring the -- you know, that situation into -- or is that -- as I'm looking at it here, is that an additional line item to the work that needs to be done to restore the facade or is this one in the same?

MR. REINHEIMER:
No, this is a different project. This is for Normandy Manor which is the facility across the street from the main mansion. Facades is an ongoing project which is -- will never end because of the nature of the construction of the Vanderbilt. This is to stabilize the Normandy Manor which has roof problems, tile roof, water intrusion, windows that are leaking into the building, so this is to prevent further problems with that building and kind of stabilize it without doing a major project, reconstruction project on that.

LEG. STERN:
Got it. Thank you.

P.O. LINDSAY:
Okay, we have a motion and a second to take them in total and we also have a motion and a second to take them separately and we're going to do the motion and second to take them in one vote. Did you want to say something, Legislator Romaine?

LEG. ROMAINE:
I just had a question, but I can wait for BRO.

P.O. LINDSAY:
Okay. Is it germane to the vote we're going to take?

LEG. ROMAINE:
No, that's okay.

P.O. LINDSAY:
No? Okay. Roll call.

(*Roll Called by Mr. Laube - Clerk*)

P.O. LINDSAY:
Yes.

D.P.O. VILORIA-FISHER:
Yes.

LEG. ROMAINE:
Pass.

LEG. SCHNEIDERMAN:
No.

LEG. BROWNING:
(Absent).

LEG. BEEDENBENDER:
No.

LEG. LOSQUADRO:
Yes.

LEG. EDDINGTON:
Yes.

LEG. MONTANO:
Yes.

LEG. ALDEN:
Yes.

LEG. BARRAGA:
Yes.

LEG. KENNEDY:
Point of privilege, I guess, to define the motion? Mr. Chair, this was with --

P.O. LINDSAY:
One vote. One vote.

(*Roll Call Continued by Mr. Laube - Clerk*)

LEG. KENNEDY:
Okay. No.

LEG. NOWICK:
Yes.

LEG. HORSLEY:
(Absent).

LEG. STERN:
Yes.

LEG. D'AMARO:
No.

LEG. COOPER:
Yes.

MR. LAUBE:
Ten. Oh, Legislator Romaine?

LEG. ROMAINE:
Yes.

MR. LAUBE:
Yes? Eleven.

P.O. LINDSAY:
Okay. We have a motion to override the veto. I'll make another motion to override the vetoes.

D.P.O. VILORIA-FISHER:
Second.

P.O. LINDSAY:
Seconded by Legislator Viloria-Fisher.

LEG. BEEDENBENDER:
Mr. Chairman, could -- I'm not sure of the appropriate motion. Is there -- could I make -- is it possible for me to make a motion to just pull one out, that one, the CPEP? Well, whatever the wording of that motion is, I would like to move to move 4018 out and take the rest in one vote.

LEG. MONTANO:
We already passed it.

MR. NOLAN:
You already passed a motion to take them all at once.

P.O. LINDSAY:
It's 2010 anyway, I mean, you're going to get another bite at the apple next year.

LEG. BEEDENBENDER:
All right.

LEG. D'AMARO:
Okay, on the motion?

P.O. LINDSAY:
On the motion, Legislator D'Amaro.

LEG. D'AMARO:
Yeah, thank you. When I voted for the Omnibus bill, as all my colleagues did, we had the same proverbial one bite at the apple, and I looked at it and I thought there was more -- a lot more good in it than bad, so of course I supported it. But I really believe that we should have the opportunity to address these on a line item basis.

P.O. LINDSAY:
But Legislator D'Amaro, we just had that vote, the majority disagrees with you.

LEG. D'AMARO:
I understand that.

P.O. LINDSAY:
Okay.

LEG. D'AMARO:
I'm making a statement for the record, okay?

P.O. LINDSAY:
Okay. We're in the middle of a vote, go ahead.

LEG. D'AMARO:
Well, this is on this motion.

P.O. LINDSAY:
Go ahead.

LEG. D'AMARO:
Okay?

LEG. MONTANO:
What motion?

P.O. LINDSAY:
There is no motion.

LEG. MONTANO:
The override.

LEG. D'AMARO:
Isn't there a motion to --

P.O. LINDSAY:
Override.

LEG. D'AMARO:
-- to override?

P.O. LINDSAY:
Right.

LEG. D'AMARO:
Am I incorrect, am I out of order?

P.O. LINDSAY:
No.

LEG. D'AMARO:
Okay, thank you. So in any event, I would like to just state on the record my reasons for making the motion to take them one at a time and the reasons I would vote to sustain some of these vetoes, very quickly.

On the HAVA -- I'm sorry, on the Board of Elections, as Chair of the Ways & Means Committee we've had several meetings about HAVA compliance. One thing we learned for sure is that it's going to be extremely expensive, we have to pay for new voting machines, we have to train new personnel on how to use them, we have to pay to educate the public how to use these machines, we have to build a new warehouse, there's even additional cost on how we transport the new voting machines. Printing the paper ballots alone under HAVA is going to cost this County $1.2 million per election. So I think at this point we need to get through the HAVA compliance, see how we fair with those costs and hold off on any more improvements to the County Board of Elections.

With respect to the energy conservation measures, I agree that we have to conserve, but there are better ways to do this rather than funding a half of million dollars for a study. I think we have to work more with LIPA, we can get this done at no cost to Suffolk County if you want to evaluate our buildings. We can also hire a consultant to do the study on a contingency basis so it's no cost to the County; if they don't save any more, they don't get paid, and there are consultants out there that are willing to do that.

With respect to the generator for the health care center, just I want to note for the record that this is a leased facility. Why we're building and purchasing and installing a new generator in a leased facility doesn't make any sense to me, there are certainly ways of getting around that with portable generators that we can be using in the case of an emergency.

We already talked about Stony Brook, I think it would be more appropriate to fund that through the Capital Budget. Foley, there's already money available for the equipment purchases, there's no need to bond further authority here today. The County Road 58 sidewalk project is redundant.

LEG. KENNEDY:
Mr. Chair?

P.O. LINDSAY:
John, I'm not going to open it up again. He's going to make a statement and then we're going to vote. No more, come on.

LEG. KENNEDY:
Okay.

LEG. D'AMARO:
I also want to point out on the County sidewalk construction projects, the County Executive in his veto message says that, "Other Federally-funded projects will take precedence over this work." The County Executive is already telling us they're not going to get to this, I don't know why we have to include this in our Capital Budget, even in subsequent years.

I also agree that the primary responsibility for sidewalk construction rests with the various towns, as provided by New York State Law; the town has to construct them, the town is liable for them. The County should only be constructing sidewalks if and when we're doing a County Road project, there's no need to have a separate Capital fund for County sidewalks.

With respect to the golf cart barn, we just passed a resolution calling for a study of that barn. Part of that study or planning process is going to determine whether or not the public safety is at risk. I don't see a need to include a million dollar appropriation in our budget now when we haven't even done the study to find out whether or not it's warranted to go ahead with the project.

P.O. LINDSAY:
Are you done?

LEG. D'AMARO:
Just about.

P.O. LINDSAY:
Okay. Roll call.

(*Roll Called by Mr. Laube - Clerk*)

P.O. LINDSAY:
Yes.

D.P.O. VILORIA-FISHER:
Yes.

LEG. ROMAINE:
Pass.

LEG. SCHNEIDERMAN:

Yes.

LEG. BROWNING:
(Absent).

LEG. BEEDENBENDER:
Yes.

LEG. LOSQUADRO:
Yes.

LEG. EDDINGTON:
Yes.

LEG. MONTANO:
Yes.

LEG. ALDEN:
Yes.

LEG. BARRAGA:
No.

LEG. KENNEDY:
Yes.

LEG. NOWICK:
Yes.

LEG. HORSLEY:
(Absent).

LEG. STERN:
Yes.

LEG. D'AMARO:
No.

LEG. COOPER:
Yes.

LEG. ROMAINE:
No.

MR. LAUBE:
Twelve.

P.O. LINDSAY:
Okay, the vetoes have been overridden.

Next on the agenda, presentation of legal and financial analysis and review of tobacco asset securitization and tax lien sale proposals pursuant to Resolution 283. Could the County Executive please bring up -- the County Executive's team please come forward? Clerk, if you could make room for them because they have a lot of people.

I would suggest, Mr. Pollert, come quick because I'm losing my quorum. Nobody is happy to be here, so the longer you's delay this the worse its' going to be. Jim, I'll repeat that, too. I am one short of losing a quorum. The sooner you get to the table and start your presentation the better off it's going to be.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Fred is starting.

MR. POLLERT:
Yes, good morning. Thank you. Well, the goods news is it's going to be a very short presentation. There are a number of slides but the slides more or less replicate what is in the Budget Review Office Report and it kind of highlights the points in the large comparison.

Number one, a quick update of the budget. Joe? Okay. Just with respect to a quick update on the budget, where we are. We continue to have problems, there have been quite a few changes since February, but the basic fundamentals that are causing us budgetary problems are continuing, they more or less reflect what is going on at the national level. Of specific concern is even though sales tax hasn't dropped off, we were expecting to get a boost from the Federal Economic Stimulus package which really hasn't showed up in the sales tax numbers year-to-date. We continue to have loss in New York State aid, there's a forecast that the projected shortfall at the State level is going to increase from five to $10 billion which means that the other shoe is going to fall some time this fall. Property tax delinquencies are continuing to remain high and we have had a reduction in real estate related fees.

In addition to that, we now have completed the 2009 Operating Budget, meetings with the departments and we have found that a few departments, like the Department of Public Works, have higher costs that are dramatically higher than we had anticipated in our budget model related to the energy costs primarily associated with bus contracts.

On the next slide, currently we're forecasting that a recovery at both the State and the local level will take approximately three to four years. In part, that's based upon the New York State budget forecast which is anticipating that there will be about a four year roll forward worth of shortfalls within the State Operating Budget.

Getting to the process, the resolution that was adopted by the Legislature required us to do an RFP for both the sale of tax liens as well as tobacco securitization. Those RFP's were issued on an expedited basis and reviewed on an expedited basis and I wanted to thank both the Treasurer's Office and the Comptroller's office and the Budget Review Office for their assistance, otherwise we wouldn't have completed the reviews as expeditiously as possible. And I will also note that both the Comptroller and the Treasurer are available if you have any questions.

With respect to the tax liens, it was issued by the Purchasing Department, we got four proposals back. Tobacco securitization, the RFP was prepared by the LDC and was also issued by the Purchasing Department. Even though it's like an independent corporation, they decided to use the Purchasing Department and the resources of the County to do the RFP.

With respect to the tax liens, there's been a great deal of discussion over the years with respect to the sale of tax liens, quite a few local municipalities across the country do sell their tax liens. Part of the RFP process which clearly laid out what we were looking for spoke to two major areas, how are you going to deal with the Suffolk County Tax Act and also trying to elicit the most creative proposals possible.

Part of what we got involved with on the next slide -- do one more slide up; one more I think; okay. Some of the areas which we were concerned about clearly dealt with issues that were raised by the Legislators, specifically concerns over compliance of the Tax Act, loss of governmental control if we sold the tax liens. With respect to being able to do a 72-h, Affordable Housing or return a property to an owner. One of the legal issues was the common law principal binding future Legislators. And finally, we got into details like what would it cost, what is the mechanism for the repurchase of a lien.

We were also concerned about how the sale of tax liens would impact the current operations of the Treasurer's Office, whether or not it would increase their workload or cause a dislocation in that area and how it would impact the County's cash flow. During the Fall of every year we always do a DTAN borrowing.

So if we go to the next slide, we got four different proposals. One proposal is to securitize the future and interest penalties, one was to sell the liens through an Internet auction, one proposal was to sell the tax liens to a third party and one was to sell the tax liens to a bankruptcy remote corporation that would use the lien as an asset to issue bonds. The conclusions of the committee were that the responses either did not provide sufficient cash flow to address the County's budget shortfall or it provided an untested structure that created risk to the County that couldn't be clearly addressed. We felt that all the proposals would negatively impact the operations of the Treasurer's Office, and after discussions with Bond Counsel we found that we could not do a DTAN which is critical to the operations of the County for cash flow purposes.

As a result, the committee didn't feel that any proposal related to tax liens received a high enough score to warrant being recommended to the Legislature or the Executive for bid award, and that was a unanimous opinion of the rating group which included the Treasurer Office, Comptroller's Office, Budget Review office and the Budget Office.

Which moves us on to tobacco securitization. Just by way of background, the County gets about 2.67% of New York State revenues which are being paid to them under the Master Settlement Agreement, roughly $22 million a year. A few of the issues that deal with the forecast of the revenues are tied into what is happening with annual consumption, what's happening with market share to the signatories and there's also an annual adjustment factor. The annual adjustment factor has really driven our revenue stream over the last number of years increasing the revenues even though consumption has been declining.

On the next line we go to what the process was. Again, the proposal was developed by STASC with respect to the RFP, it was issued by the Purchasing Department. There was close cooperation, the meetings were open with STASC. There were seven proposals, four were moved ahead to do detailed presentations. Members of the Budget Review Office, the Comptroller, the Treasurer's Office occasionally and the County Executive's Office were present during meetings of STASC. It was also open to the public with respect to the public portions of the meetings.

The criteria used by STASC were really laid out in the RFP document and it was part driven by discussions with the Legislators that we had had with respect to how to deal with the projected shortfall for fiscal 2009 and beyond. Basically, it was that they would be securitizing the future revenue stream, they wanted to generate net proceeds to the County of about $175 million, that they did not want to securitize the entire revenue stream, just up to a maximum of 75%. The tobacco securitization would not be back-stopped by the County. So when the County sells the tobacco revenues, if there is a default it's the investor who was picking up the risk, the County will remain bankruptcy remote, we're not going to do any back-stopping. And finally, that the bond proceeds would be used to defease outstanding general obligation debt which is a requirement to have a tax-exempt financing.

Okay, there's a number of risks which have come about since 2001. Specifically with respect to consumption risk, these are risks which could impact and could materially decrease the revenues flowing into the County in the future. What we did is we compared the risks that were identified by Global Insights in 2001, the last time the County had looked at it, and we compared it to their latest report. So these are new risks that were not previously identified in 2001 and they include everything clearly from taxes being increased by State and local governments, credit card companies that are no longer handling tobacco Internet sales, health insurance premiums that had been found to be legal to charge a surcharge by a variety of different states. There's a group of nicotine replacement products which only used to be available by prescription, now available like over-the-counter. There's been a dramatic increase in smokeless tobacco products which in turn has been reducing cigarette consumption. And finally, perhaps really the most interesting one because it's my belief that some of the development is going on on Long Island, there's a number of prescription drugs which are under the development phase which could dramatically reduce cigarette consumption using genetic engineering.

With respect to legal challenges, there are also legal challenges that could negatively impact the revenue stream to the County. Just very quickly, in part these legal challenges have been reflected by the rating agencies which have two of them, both Standard & Poor's and Moody's do not rate very highly tobacco credits, and Standard & Poor's, to the best of my knowledge, currently does not do any ratings, you know, on new tobacco issues.

With respect to the last slide, and I really did blow through this very quickly, is what are the recommendations. What the recommendations are is that tobacco securitization is the best option to address bridging the projected shortfalls created by the economy, sales tax, increases in delinquent property taxes, loss of real property type of related revenues. There's no impact on the County's current department operations; it provides budget certainty for 2009 and beyond; it improves the County's revenue stream as well as cash flow stream; it provides in excess of 175 to $180 million of revenues to defease debt through 2013; it maintains at least 25% of future tobacco revenues going forward for budget stability; it's a proven track record of financings; there's no expected adverse impact of bond rating; it shifts the risks of lowered or terminated tobacco revenues to the investor. The creation of STASC will keep the County bankruptcy remote, and finally the bonds do not require a County backstop.

It's not to say that tobacco doesn't have a few warts. Tobacco securitization is a relatively expensive source of capital, it will reduce future tobacco revenues to the County, and most importantly it's not a complete solution to bridging the revenue gap. So the County is going to have to come up with additional strategies to bridge the revenue decreases until the economy turns around.

That is basically a quick review of what is a more complete report that has been handed out to all the Legislators that doesn't compare and contrast between tobacco and tax liens.

P.O. LINDSAY:
Just one question; so it will net us $185 million from now through 2013?

MR. POLLERT:
I would defer to CitiGroup -- yes.

P.O. LINDSAY:
That's what your chart said.

DEPUTY COUNTY EXECUTIVE POLLERT:

Right. The requirement of STASC was to generate 175 million which when invested would allow us to defease roughly $180 million. CitiGroup has come up with a group of different proposals that could, in fact, generate more money than that.

P.O. LINDSAY:
My question was form 2013 forward, we get no revenue at all?

MR. POLLERT:
We will continue to get 25% of the tobacco revenue stream.

P.O. LINDSAY:
Thank you. Who do you want to bring up next?

MR. POLLERT:
Jim Morgo.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Good morning, everyone.

LEG. LOSQUADRO:
Your mike is not on.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Good morning, everyone.

P.O. LINDSAY:
It's still not on.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Good morning, everyone. First of all, please let me express my understanding of the inconvenience of this morning and our appreciation of your being here and those of you who are here paying attention to something that's really very important for the fiscal future of the County. I want to before I begin -- and I will be brief, Mr. Chairman -- I want to correct something that was said, first of all, at Legislator Montano's Budget Committee and it was said again this morning. And you know, if something is said over enough times, people start believing it.

There was the premise that there is somehow some connection, some related aspect between the Master Settlement Agreement, the tobacco settlement revenue and tobacco cessation programs; in fact, Legislator Romaine made that claim at the Budget Committee. It is unequivocally false; there is absolutely no requirement in the Master Settlement Agreement that the revenues be used for Tobacco Cessation Programs.
In fact, we have a Tobacco Cessation Program --

P.O. LINDSAY:
I have to stop you.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Okay.

P.O. LINDSAY:
Because my -- Ben Zwirn just took my -- I need ten people in the room to continue.

MR. PERILLIE:
We're good.

LEG. ROMAINE:
I'm waiting for the vetoes of the college, that's what I'm waiting for.

P.O. LINDSAY:
Okay, he's in the room, go ahead.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Okay, fine. The fact of the matter is the Operating Budget included, and I have it in front of me, a little more than two million for Tobacco Cessation Programs in 2007, this year it's two million four. We're waiting for the Health Department's recommendation, we fully believe it will be even more funds for Tobacco Cessation Programs.

All right, I got that out of the way. I want to quickly talk about the Suffolk Tobacco Asset Securitization Corporation. The --

D.P.O. VILORIA-FISHER:
I'm sorry, Jim, I know you're trying to go fast, but could you just repeat those numbers again for tobacco programs?

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Yeah, I have it right here, Legislator. In 2007 it was two million-zero-thirteen-four twenty three, this year is two million-four one twelve-seven eight-0. Okay, Vivian?

All right, I want to talk about the process with the -- as it's known now, STASC, it was a Local Development Corporation that you folks authorized. It consists of three members, I'm Chairman and President; Terrence Pearsall to my right is the appointment of the Presiding Officer; and Bob Venero of Future Tech Incorporation is an independent businessman who serves and consequently could not be here today, he's been at every other meeting. It was authorized by you to undertake efforts to securitize the County's tobacco settlement revenue. That status permitted us to not go by the procurement process of the County. We chose to anyway, we sent out an RFP for underwriting firms on May 27th, we received responses on June 6th. Of the seven responders, four were called in for future interviews, two did not want to be the lead underwriter and one, it was felt, did not have the credentials to be the lead underwriter.

And let me say, Mr. Chairman, that this process is important and that's why I want to take the time because it was open and transparent. The selection process resulted in three days of interviews, negotiations and deliberations before a choice was made. The process resulted in reduced fees and the transaction being designed to four underwriting firms; as someone called them, vendors. Each and every underwriting firm interviewed, even the one who was not selected, a team of Lehman, Goldman Sachs commented on the thoroughness, professionalism of the process. After participating in the interviews and the negotiations process, representatives from the Comptroller's Office, the Legislature's Budget Review Office all concluded that the best deal was arrived at.

Let me review the three meetings over four days, and I am rushing through this. First of all, the Organization Meeting was held on May 27th. That meeting was just that, an organizational meeting. We didn't have the responses from the RFP. What we did at that meeting was to elect the officers and we also selected our financial advisor, Capital Market Advisors who is represented my Rich Tortoro who some of you know, and we selected our Transactional Counsel which was Hawkins, Delafield & Wood.

June 13th is the key meeting, Ladies and Gentlemen. On June 13th, we began the meeting on the

13th at 9:50 AM and we did not conclude til ten minutes to six: 5:50. We interviewed openly the four firms that were called back. You all were invited; in fact, Legislator Montano attended and asked questions for the first two interviews. We went into a 45 minute executive session. During those interviewed -- during those interviews, intense questions and responses were part of the review; and yeah, it was all in the public and everyone could speak.

We invited CitiGroup, Global Market and Merrill Lynch back on June 19th. We did go into executive session for negotiations. However, however, the Comptroller's Office and Budget Review were invited into those executive sessions, they all took a part in the negotiations, Robert Lipp for one asked tough questions, we got good responses; that went from one o'clock till 5:30. We adjourned -- we recessed, actually and we convened on the 20th at nine o'clock in the morning. We looked at the deal and what we came up with, what the three -- the three officers of the corporation came up with was a deal that was, as I say, include four underwriting firms; CitiGroup/Global Market was selected as the lead underwriter at 60% of the offering with participation by Merrill Lynch at 10%, DEPFA First Albany at, Sterne Agee at with the other 20% -- and this is an important point, folks -- the other 20% to be competitively commissioned, marketed by all four so that they would be in competition with each other. The structure grew out of the negotiations. Representatives from the other underwriters besides the CitiGroup are here; Michael Solomon from Merrill Lynch is here, and I'm going to not do well on this name, Bill Torsiglieri from DEPFA First Albany, and Mike Bajica from Sterne Agee, they are also part of this underwriting. And I have to tell you that the negotiations, particularly with the participation of the County Executive's Budget Office, the Budget Review Office, the Comptroller's Office resulted in historically good terms, particularly in this market. I think you know that Comptroller Sawicki is here, he has given you a letter that should be in your packet. As I say, he or his representatives are at all the meetings and Treasurer Carpenter you already heard from.

Okay, I just -- I would like to just turn quickly to Rich and see if Rich has anything he wants to add from anything I've said, because Rich has been terrific through this whole process as well.

MR. TORTORO:
Richard Tortora with Capital Markets Advisors. Thank you for having us here this morning. Just to add to what Jim said. We, of course, were indeed involved in the negotiation process with the four underwriters. As Jim said, the results were very, very attractive; as a matter of fact, the Bond Counsel, the transaction counsel that was in the room with us on the day we were having our last round of interviews with the bankers expressed its concern about how low the underwriting fees were for this transaction. For a deal of this size -- and it's a substantial deal, of course, it's a deal of perhaps $200 million or so -- the underwriting fees are probably the lowest we've seen in tobacco deals for the last ten years for a deal of comparable size, so we think the County certainly did well in that regard.

Issues with regard to the structure will be ongoing. A transaction like this, because it's very much dependent on cost of capital, decisions in terms of structure will be made as we proceed over the next several months, if indeed you give us the authority to proceed with this transaction. And of course our interest and the interest of the entire team will be to get the best financing for Suffolk County, the most attractive cost of capital, the best use of the tobacco bond proceeds. And of course, we're happy to answer any questions you might have.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
And Mr. Presiding Officer, if you want us to keep going, I'm just going to ask --

LEG. LOSQUADRO:
Talk into the microphone, please.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
If you want us to keep going, Billy, I'm going ask the folks from CitiGroup that were selected as the lead underwriter to come up, unless you have questions now.

P.O. LINDSAY:
Legislator Kennedy has a question.

LEG. KENNEDY:
Mr. Chair, the only thing that I'd like the opportunity to do at least for a short period of time is talk a little bit about the tax lien. As one of the cosponsors, I'd like to go through the process that unfolded. Now, whether or not the folks at the table here are the most appropriate or somebody else, I guess -- hi, Fred.

MR. POLLERT:
Hi.

LEG. KENNEDY:
How are you?

MR. POLLERT:
I'll try to answer the questions.

LEG. KENNEDY:
Okay. What I don't understand is having looked at this proposal for the better part now of 15 years, how is it that we got to the point now where none of the particular proposers could meet our criteria associated with flexibility of the particular programs?

MR. POLLERT:
There was one proposer that it was the consensus of the group -- and again, the group was a representative from Budget Review Office, the County Executive's Office, Comptroller and the Treasurer's office, that there was one group which we moved to a Phase II where we opened the cost proposals. However, you know, even though they got a passing score on the first two criteria which were general qualifications and technical background, when we looked at the cost proposal it did not generate sufficient revenues to the County and it would continue to have dislocations to the County operations.

The proposal that was moved forward was Expand. The Expand proposal really got around the issues that the Legislature and the County Executive had with respect to how do we deal with tax liens if we want to pull back a parcel? How do we deal with like erroneous assessments, those types of things? The Expand proposal left the tax liens with the County and just securitized the interest and penalties going forward that the County was going to get. But it was not an advantageous deal when the cost proposal was open, they were not giving us a good return. It's a relatively secure revenue stream, it's the polar opposite of tobacco where there's a future risk. The County gets about 28 -- gets roughly 98% of tax liens being paid off, the delinquent taxes are paid off within five years, so it's a very stable revenue stream but they were just giving a sense on the dollar for that future revenue stream.

LEG. KENNEDY:
Well, let's go to that now because I think one of the most important or critical dynamics in this process is cost associated with revenue. And as I understand it, although we have a fairly large amount that's being talked about with tobacco securitization, about 175 million, when we look at the foregoing revenue over that 30 year time period, there's a significant amount of revenue that we are being asked to forego or forfeit. On the other side, with that second-phased proposal that you

looked at, what was the cost component associated with that? Let me try it a different way. I've been told it's about 24 cents on a dollar for tobacco money; how much is it for tax liens?

MR. POLLERT:
Gail actually has the answer; go ahead.

MS. VIZZINI:
Expand was purchasing all the receivables. We were giving them $75 million in receivables; in return, over a five year period I think it was we were getting $59 million up front. Regrettably, as Mr. Pollert indicated, that's not a lot of money, and more importantly it impeded our ability to do the year-end DTAN borrowing, and we were also conflicted as to whether we could claim the interest and penalties revenue since that was part of the receivables which is roughly in the area of 25 million and growing.

LEG. KENNEDY:
Okay, but --

D.P.O. VILORIA-FISHER:
Jack, could I ask -- jump in for a second just to clarify something that was just said?

LEG. KENNEDY:
Sure. I'll yield, but this is the direction I need to --

D.P.O. VILORIA-FISHER:
Okay, just a very short --

P.O. LINDSAY:
Quickly because you're interrupting his train; go ahead.

D.P.O. VILORIA-FISHER:
Okay, it's in the same -- I just want it in simple terms. I can't turn this mike on. Because I think I have the same question that you have, John, which is looking at the net number, okay, we know how much we're losing with tobacco securitization over time; we're losing a great deal of revenue over time. What is that amount compared to what we would be losing or how many cents on a dollar would we be getting comparing the two programs?

MR. LIPP:
For the Expand Program, the numbers that they presented showed that we would get 91.6 cents on the dollar. For the tobacco program, the numbers that were presented or they were discussed, you get fifty-one and a half cents per dollar.

The reason why we did not consider a recommendation for the tax liens is because there were two -- number one, the up-front monies wouldn't have actually provided any budgetary relief. It appeared from the presentation that at best we would wind up getting a similar amount of money up-front that we would get anyhow in the budget, number one.

Number two, the way they were showing the numbers, which even though I'm stating it as 91.6 cents on the dollar, they were showing it as the Treasurer provided the data on a cash basis is which is not the same thing as on a budget basis because we do not recognize all the money up-front in the budget for some things and other things we don't. So it's sort of an apples to oranges comparison.

In addition, there were so many complex issues with the tax liens that the Treasurer was very hesitant to go through with a deal at this point and we all felt that there were too many questions that were not resolved to make a recommendation at this point. It is possible that at a future date, if all of those things were vetted out, that that could be addressed, but at this point it would really have been premature to make a recommendation on any of the tax lien firms.

P.O. LINDSAY:
Legislator Kennedy, you were interrupted, you have the floor.

D.P.O. VILORIA-FISHER:
Thank you, Jack.

LEG. KENNEDY:
Thank you, Mr. Chair, Madam Vice-Chair, and I appreciate you trying to get at what the contrast here is. It occurs to me that my colleagues are yet again here and we're contemplating some type of transaction because of this overwhelming sense of urgency that we have gaping chasms in our budget that have to be plugged immediately. Nevertheless, I do think that the tax lien is a viable alternative not withstanding its complexity, and I say that having worked with committees that go back to 1992 that looked at this, long before tobacco securitization was ever contemplated.

I disagree with the fact that this is a questionable revenue stream going forward. Sadly, people who smoke are addicted and are going to continue to smoke no matter what you charge. I don't agree that it's going to be anything other than blood money, to be honest with you. And I also agree that it is committed to go for stopping people from smoking and not for making payroll, not for paying insurance and not for doing the other things that we're looking to do now.

I'm just one vote, I said I opposed it from the beginning. I asked for a meaningful alternative with the tax liens. I wonder, because of this compressed timeframe, whether or not it really could be gotten there; maybe we'll look at it, you know, at another point. I do think it's important, though, to look at the fact that we have a widely disparate return on investment we're being asked to adopt today. I also finally don't understand --

P.O. LINDSAY:
We're not adopting anything today. Well --

P.O. LINDSAY:
We're not voting on anything today.

LEG. KENNEDY:
But Mr. Chair, we're being asked to accelerate a timeframe with the public hearing --

P.O. LINDSAY:
That's correct.

LEG. KENNEDY:
-- when we've just been told that there was insufficient time to vet the tax lien process. I'll yield.

P.O. LINDSAY:
Legislator Romaine.

LEG. ROMAINE:
Thank you. I'm glad the Legislature saw fit to give courtesy to the Executive Branch to make a presentation today. I wish we had the respondent courtesy in getting the vetoes for the college instead of making us come back another day, but I guess that's not going to happen on behalf of the

Executive Branch; although it's been requested, I doubt that they'll extend the same courtesy to us as we're extending to them.

But since we are asking the questions, and I really have no interest in asking the representatives of the Executive Branch, having read the BRO Report from a few years ago which really talked and questioned tobacco securitization. I believe that was drafted by the then Budget Review Director Fred Pollert, and that was a very carefully crafted one which he spoke and I got the very strong recommendation that he was not in favor of it at that time. Amazing how a few years can change things, and I guess managing the County budget and coming up short forces us to do things that sometimes we find regrettable.

Let me ask you some questions, and this is directed to our current Budget Review staff. How much money will we get if we adopt 1644, how much money from the tobacco securitization process will we get?

MR. LIPP:
We'll get 25% of the revenues moving forward until the bonds are paid off and the other 75% would go to pay off the bonds, in return for those bonds we would get some certain up-front. It would depend upon how the deal is structured which is not finished yet. As Mr. Pollert stated, I believe the RFP asked for proposals to provide the County with 175 million up-front. The analysis shows that it may be more advantageous to accelerate and to instead of keeping a hundred percent of the revenues through 2012, immediately starting in 2009 to only keep 25% and to pay off the bonds. In return, instead of getting 175 million, the estimate is we would have to -- we would wind up getting 226 million, yes, and that would actually be a lower cost of capital if we did it that way and we would have approximately the same amount of budget relief. Now, I did not answer the question I understand as to exactly how much revenue we would get, so I'm not quite sure --

LEG. ROMAINE:
No, but you've given me some basic information. Let me just -- by the way, your recommendation, is that incorporated into 1644, currently as it exists?

MR. LIPP:
I'm not sure what you mean by your recommendation.

LEG. ROMAINE:
That recommendation to pay off -- to start the pay-off sooner to capitalize.

MR. LIPP:
No, my understanding is that the Local Development Corporation, STASC, is going to be negotiating with CitiGroup and developing alternative proposals and then coming to the Legislature with a specific proposal to actually do the deal.

LEG. ROMAINE:
Someone just whispered in my ear they want to meet July 17th, so it must be quicker than I thought. I assume negotiations are going on. But let me ask you, okay, so we're going to get about $175 million, and this is to Mr. Lipp. If we chose not to use the tobacco securitization money -- which, by the way, we're using money, not current money, the money we're securitizing the tobacco money after Mr. Levy leaves office, not when he's in office, so that could be a problem. Are we -- when does the securitization, what years is the securitization? Because Chief Deputy County Executive Morgo is shaking his head I'll direct it to Mr. Lipp because I do want to get some accurate information on this. What years are we talking about securitizing.

[THE FOLLOWING WAS TAKEN BY LUCIA BRAATEN - COURT STENOGRAPHER & TRANSCRIBED BY

MR. LIPP:
The way the deal would be structured if we started in 2009, the stated maturity date for the bonds would be 40 years, so that would be to 2048. However, that's being very conservative. In other words, it cannot offer a structured deal that hits it right on the nose, you have to be very conservative. The point to be made is that the expected final maturity would be in 21 years instead --

LEG. ROMAINE:
Right.

MR. LIPP:
-- given the projections for tobacco revenues.

LEG. ROMAINE:
When would we start the securitization process, what years would it begin?

MR. LIPP:
Well, the deal would be -- would actually take place I believe in August.

P.O. LINDSAY:
Could I just interrupt? The Citigroup people are due up next with the specific --

LEG. ROMAINE:
All right, then let me just direct -- if the Presiding Officer doesn't wish me to ask those questions, let me --

P.O. LINDSAY:
No, no, I just wish you to ask them of the people that are putting together the deal.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
If I may, Mr. Chairman, two things. You're exactly right, some people are frequently wrong but never in doubt. The other thing that I would -- I would like to mention is that besides that with Mr. Romaine, and he doesn't want to speak to anybody from the Executive's Office -- I understand that, I wouldn't if I were he either -- but the -- he did --

LEG. ROMAINE:
Mr. Chairman, I believe I have the floor. I believe I haven't asked Mr. Morgo a question. I believe he's interrupted rudely. I'd like to continue my question with Mr. Lipp.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
I believe you mentioned something about Mr. Pollert.

P.O. LINDSAY:
Okay.

LEG. ROMAINE:
I think this is a meeting for the Legislature.

P.O. LINDSAY:

Okay, okay, come on.

LEG. ROMAINE:
I've listened carefully to their presentation.

P.O. LINDSAY:
Come on, I want to get through this.

LEG. ROMAINE:
I'd like to finish my last question of Mr. Lipp, if I could.

P.O. LINDSAY:
Okay, last question.

LEG. ROMAINE:
Mr. Lipp, what is the difference, if we did not do this tobacco deal, between the revenue that would come to the County and the revenue that we would lose? What is that difference? What are we giving up? That's what I'd like to know.

MR. LIPP:
Okay. For the record, this was a question that was asked by Legislator Romaine's Office this week and we made a calculation and the calculation was -- basically came to over 21 years we would give up in nominal dollars 183.2 million, based upon an estimate that we made.

LEG. ROMAINE:
And over 40 years?

MR. LIPP:
Over 40 years if the revenue doesn't come in as expected and we had to go the full 40 years, it would be $635 million, the difference between what we would receive up-front and what we'd have to pay in terms of the loss of 75% of the tobacco revenues.

LEG. ROMAINE:
What are the percentages that we're getting in terms of 21 years and 40 years, what is the percentage of revenue that we're getting? What is the percentage of revenue that we're giving up?

MR. LIPP:
Legislator Romaine asked our office this question and basically if you look at the difference between the up-front net proceeds, which would be 226.4 million if we started in 2009, and the numbers that we would lose potentially in terms of having to pay the bonds with 75% of tobacco revenue, in 21 years we'd get 55.3% on the dollar and over 40 years it would be 26.3% on the dollar.

LEG. ROMAINE:
So we're giving up almost over 21 years, almost half the revenue.

MR. LIPP:
Correct.

LEG. ROMAINE:
Thank you.

P.O. LINDSAY:
Legislator --

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Mr. Chairman?

P.O. LINDSAY:
Go ahead.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Just very quickly. Mr. Romaine made a reference to Mr. Pollert. I think it would only be fair to have Mr. Pollert answer. He said that why was he against it then, now he's for it; since he mentioned him, I think --

P.O. LINDSAY:
I think you mentioned it before.

LEG. ROMAINE:
Let's move on.

DEPUTY COUNTY EXECUTIVE POLLERT:
There are basically two reasons, one of which I mentioned before which clearly there are more risks now than there was back then.

P.O. LINDSAY:
Right, you're afraid of losing the revenue.

DEPUTY COUNTY EXECUTIVE POLLERT:
But the -- right. But the fundamental reason is when it was proposed in 2001 it was to deal with a reoccurring increase in cost Medicaid. The County Executive at that time wanted to use tobacco to fund the increasing cost of 10% per year that the County was experiencing in Medicaid. The use of the funds now are a world different, it's a bridge because of the slowing economy. When sales tax comes back, when delinquencies go down and when our real property tax revenues come back, we will, in fact, have covered whatever we're bringing in in tobacco revenues. Thank you.

P.O. LINDSAY:
Okay. Gentlemen, I'm going to move forward with the questions. But I want everybody to keep in mind the purpose of what we're doing now is to satisfy a resolution that was passed by this Legislature with the two deals. And that doesn't, you know, assume that either one's going to be accepted. Legislator Barraga and then I have Nowick, Beedenbender and Nowick.

LEG. BARRAGA:
Good morning. Just a few questions, if I may. On the tobacco securitization, I just want to make sure for the record there is no liability on the part of the County once the LDC sells the bonds.

MR. TORTORA:
That's correct.

LEG. BARRAGA:
That's correct, that's a given.

MR. TORTORA:
That's correct.

LEG. BARRAGA:

It also does not affect the credit worthiness of the County.

MR. TORTORA:
That's correct.

LEG. BARRAGA:
The underwriters, so its clear in my mind, in this case it's Citibank, but many of these financial houses, including Citibank, have had a very difficult time financially. I mean, Bear Stearns literally went out of business, and you've got Citibank who has written off billions and billions of dollars because of subprime and probably will be writing off even more; that holds true for Merrill Lynch as well. I just want to make sure that as an underwriter, once the deal is done they're gone, right?

MR. TORTORA:
That's correct.

LEG. BARRAGA:
In the BRO Report, and it's not clear yet and I think Mr. Romaine was referring it to, when does this take effect, 2009 or 2013? Because that -- there's a difference in the terms of the amount of money that you receive.

MR. TORTORA:
Certainly. And the answer to that question, that has not been decided definitively because it's very much influenced by market conditions. If indeed we think that the -- the group thinks the best use of the funding and the most effective borrowing costs can be secured by securitizing starting in '09, then that's certainly what we'll recommend to the bankers. If indeed we think that starting in 2013, as was originally envisioned, will provide the County with the best result --

LEG. BARRAGA:
Do we get a chance to sign off on that? When you finally make that recommendation you come back to the Legislature?

MR. TORTORA:
I believe what the intention is is as we go forward we'll come up with the final structure, as Mr. Lindsay requested, come up with --

LEG. BARRAGA:
Because I'd like to see the final program as a Legislator, you know, that we would basically --

MR. TORTORA:
I think that's the intention of the group and that would take place in a few weeks.

LEG. BARRAGA:
Okay. The other item, which has nothing to do with your group, but certainly I would direct this to Mr. Pollert. I understand why, you know, you're not pursuing tax lien securitization. But I wouldn't be too aggressive, and I say this most respectfully, in terms of the negatives associated with tax lien securitization. Because as I read, and I'm only an individual, the economics plaguing this nation at this point, I mean, there are people out in the last 48 hours indicating that we're probably going to go through the worst recession since World War II. It's a combination of many different factors and there are people in this room now individually that are affected. You know, it's not just gas and heating oil, it's a lot of other things, too.

So just as a number of years ago one had a position on tobacco securitization, we may be back here in a year or two dealing with tax lien securitization. I mean, your most potent statement up there is that through your perspective you don't see this economy turning around for the next several years, and I would concur with that. Whether we're talking about the County, the State of New York or this nation, we're in deep trouble here, and that's why we're taking all these projects. I mean, I have to be candid with you, I just voted against -- for sustaining the County Executive's veto on all these Capital Projects. And I'll be very candid, I think he has to go deeper, deeper on Capital, deeper on Operating, because I have a feeling what's ahead of us is quite dire. Nothing I am reading, day-to-day, week-to-week, month-to-month, portrays a positive picture here; it's getting worse as we sit here.

So on tax lien securitization, Mr. Pollert, you know, put it in your back pocket, you may be back to us in a couple of years with a brand new proposal, the rebirth, the born-again. Okay? Thank you very much.

P.O. LINDSAY:
You want to comment?

DEPUTY COUNTY EXECUTIVE POLLERT:
Just with respect to the tax liens. You're absolutely correct. There were one or two creative proposals, but they really hadn't been fleshed out at this point in time where the committee could make a recommendation, but it could well be in a year or so that those proposals will be fleshed out, be able to like address the concerns to the group and they could well be a very viable option to the County.

P.O. LINDSAY:
Legislator Nowick? Legislator Beedenbender wanted to speak, but his questions are for the Citicorp people and I'd really like to get them up here. Go ahead, Legislator Nowick.

LEG. NOWICK:
Well, now that Legislator Barraga has depressed me completely about the economy, just a few questions to Robert. The amount of money on the dollar, the tobacco securitization, is that compounded differently considering a present day value, or is that --

MR. LIPP:
Those are nominal dollars, actually, they're not present value dollars.

LEG. NOWICK:
Those are nominal dollars. Which means?

MR. LIPP:
Which means if you just look at the total amount of dollars as opposed to take the present value. What is a present value? For instance, if I was going to pay you a dollar next year, you would be indifferent to receiving either a dollar next year or say 95 cents today, so the present value of that dollar in a year is 95 cents.

LEG. NOWICK:
So would that have any effect --

MR. LIPP:
That's a valid comparison to make, in fact, it's more of an apples to apples comparison.

LEG. NOWICK:
So in other words, would that number that you gave us actually be valued higher because of that or there's no --

MR. LIPP:

Yes. And one calculation that we made and we put in our report is not on a dollar basis but a percentage basis, the loss from doing the tobacco securitization, that is we would gain up front 260 some-odd million dollars -- $226 million in theory, if that's the proposal chosen, versus all of the money that we would be paying or losing in terms of the revenue, 75%, and you discount those losses forward. Basically our loss would be 2.85% based upon the best calculation that we could make using incomplete information, but that's probably ballparkish, 2.85% loss.

LEG. NOWICK:
Now, would those numbers change as we -- and maybe the other Legislators need to know, would the numbers change at all if we wait on this? Is it after August where the financial outlook might or might not change? Wasn't there a --

MR. LIPP:
There's always going to be potential for change, and I imagine Rich Tortora can answer it best.

MR. TORTORA:
Sure.

MR. LIPP:
But I believe --

LEG. NOWICK:
Rich, remember what we were talking about the other day?

MR. TORTORA:
And I know what you're getting to, certainly. And the answer is the numbers could change significantly because it's very much a factor of what your cost of capital is. As your cost of capital -- as the interest rate at which you issue these tobacco bonds goes up, the value that you're receiving goes down because your present valuing it at a different number.

Something else that Mr. Kennedy brought up earlier that I think just merits a comment. With regard -- its very tough to do an apples to apples comparison of the value of tax lien securitization versus the value of tobacco securitization, because with regard to the tax lien securitization -- is it all right if I continue?

P.O. LINDSAY:
Go ahead.

MR. TORTORA:
Okay. With regard to tax lien securitization, it's almost a certitude that the County collects over time 95, 98% of its tax liens.

LEG. NOWICK:
Right. Well, we had discussed that, that I knew.

MR. TORTORA:
Whereas the tobacco revenues, we're not certain those revenues will continue to exist at the rate they presently exist going forward. So the percentage of the tobacco revenues that we're passing up by securitizing, that's a tough number to get a handle on because we know that tobacco consumption has declined 10% in the last ten years. We also know that there's different factors that affect the revenue stream. But one of the key factors of doing tobacco, I understand with the Legislature, has always been the interest in shifting away from the County the possibility that at some time in the future that revenue stream might diminish or disappear entirely. I agree with you, it's not going to disappear entirely, I wouldn't think. But it certainly can diminish and that's

reflected in the fact that in the last ten years we know definitively tobacco consumption has gone down 10%. And we also know that the percentage of the market controlled by the primary signatories to this Master Settlement Agreement, they've lost a significant part of their market share in the last ten years as well and that, too, could adversely affect that revenue stream.

LEG. NOWICK:
Thank you. Just one last question for Fred Pollert. Fred, did I hear you say that sales tax revenue was up?

DEPUTY COUNTY EXECUTIVE POLLERT:
Yes, the County was actually tracking ahead of where we expected to be budgetarily. The last two checks has soever changed what that outlook is; we're now tracking below what we had expected.

When we did the budget back in October, November, we didn't know anything about the Federal government with the stimulus checks. So basically, despite the -- you know, probably because of the stimulus checks sales tax hasn't dropped off, but the last check that we got did have a drop-off and most economists are now looking at a dramatic slowing of the economy in the third and fourth quarters. So despite the -- you know, because of the stimulus checks we seem to be on-track, but that's going to not be a major factor in the third and fourth quarter sales tax revenues

LEG. NOWICK:
And there are more stimulus checks coming in July, right, for those that did not do it electronically?

DEPUTY COUNTY EXECUTIVE POLLERT:
Right, but the bulk of them have come out.

P.O. LINDSAY:
Could we get to the Citicorp people --

LEG. NOWICK:
Yeah, I'm sorry. Go ahead.

P.O. LINDSAY:
-- please?

MR. TORTORA:
If I could just make quick introductions. The gentlemen on either side of me are from the lead banker, Citigroup. To my left is Tom Greene. To my right is Paul Creedon, and the gentleman passing out the booklets is Shai Markowitz. They were involved in submitting a response to our proposal and then the first round of interviews and the subsequent two rounds of interviews that took place on the nineteenth and twentieth of this month. What we have been doing with these gentlemen is just walking through different scenarios, whether it's starting to securitize in '09 or starting to securitize in '13, as was the original provision of the RFP to see what's the best result for the County.

MR. GREENE:
Thank you, Rich. My name is Tom Greene. Thank you for having us here. We wanted to just give you an overview of the securitization structure. I think in addition to the reasons given earlier, in terms of 2001 versus today, there are a number of differences in the market that we think makes it very prudent for the County to move forward and to do so quickly in light of changing market conditions.

If you look at the first page of our presentation, you'll see that unlike back in 2001, when rates were actually higher in the tobacco market and the market was only two years old, there was some, you know, lack of proven history to it. It is now a very deep market, but very volatile market. But there have been over 50 billion of tobacco securitization bonds sold in the market, over ten billion involving New York State with its share of the Master Settlement Agreement, as well as numerous counties in New York. So this isn't any experiment here. It's a proven structure to do what we call and to some earlier questions clearly emphasize a nonrecourse securitization where Suffolk County is not backstopping these bonds with their own credit.

We also see this as an important opportunity in what is a complex market to take advantage of the benefit you have by being in New York where there is a strong New York focus side of the market that at this point in the market, and this could change very rapidly, rates for New York issued securitization, tobacco bonds are materially lower than the national tobacco market. And working with our fellow bankers on the team at Merrill Lynch, DEPFA First Albany and Sterne Agee, we will put together a broad marketing program to deliver what Rich and others talked about as the lowest, you know, feasible cost that we can obtain for the County. Because of the way it works you have revenues and then you're trying to get as much up front out of those revenues. The lower that rate the more proceeds we can deliver up front to then be used by the County for the defeasance or retirement of its existing debt, thereby lowering the County's own debt burden on which it is obviously is recourse in terms of your general obligation bonds.

If you look at page two, this is the structure, and we've talked today about will the pledge start in 2009 in terms of a percentage of your existing tobacco settlement revenues being essentially backing the bonds rather than going to the County, or will it start in 2013, or will we -- one of the beauties of structuring this to try to optimize it for the lowest cost of funds, and we're working with Rich and the County team and the bankers to do that, is you can pick different percentages and have them come into play. So we're showing you an example today where we would securitize just 40% for the '09 through '12 period. This is kind of in between, you know, the two other options. That would allow us to issue current interest bonds, bonds that pay every six months, which are the lowest cost form of tobacco securitization bonds, as opposed to being limited solely to what are called convertible capital appreciation bonds that are zero coupon bonds. Investors charge you more for those because they don't get any interest until later when the bond turns into a regular paying bond in 2013.

With this structure we could use more of the lower interest costs, shorter current interest bonds. We would avoid what are the most expensive tobacco bonds, which are called -- really are zeroes, capital appreciation bonds entirely, and then starting in '13 we would have 75% pledge to the bonds. Again, on a nonrecourse basis.

If you look at the chart on the right I would note that the County, well selling the tobacco settlement revenues to the corporation, it gets back what's called the residual, so it not only will be getting under this example 60% directly to the County, not pledged to the bondholders at all, it will also then get 25% and then when the bonds if for some reason some of the Legislators comments are correct and smoking doesn't -- consumption doesn't decline as much, the bonds pay off earlier at a lower cost and then you get your revenues back. Again, this is not an outright sale, this is a securitization. So the County will get the revenues back in full once the bonds are repaid.

I'd like to turn it over to my colleague, Paul Creedon, to talk about the specific scenario and how we see this generating what we call the net budget improvement, which is the benefit of reducing your general obligation debt service and then we take into account that you're not getting all of your tobacco settlement revenues anymore but even taking that into account there is a net budget relief over these coming years.

MR. CREEDON:

Thanks, Tom. If you look on page three, what we -- what we show is on the left side of the page is, as Tom mentioned, the hybrid transaction that we're looking at currently. And again, the focus with this transaction is to choose the most well accepted market products. We want to make sure we're right in that sweet spot of market acceptance knowing that these bonds have a high degree of execution and can be sold and receive broad marketing. And in addition to that, trying to generate an overall lowest cost of capital, which for tobacco securitization bonds means shortening that repayment time on the bonds as much as we can.

Starting at the top of page as to Tom mentioned, we are securitizing from '09 through '12 40% of the tobacco settlement revenues, and then thereafter 75. And what that produces as far as a bond transaction, you'll see the individual types of bonds we have listed there and the municipal bond market tends to be a bit of a market that's filled with jargon, but the first two serial bonds and current interest bonds, they're just different types of typical current interest paying bonds that pay every six months. Serial bonds just have a fixed maturity in tobacco securitizations. The current interest bonds and the convertible capital appreciation bonds will have a flexible amortization schedule and this flexible schedule is what allows us to pay them off early, to pay them off more quickly as the revenues come in.

That generates in the current market a face value of bonds sold of about $233 million. That $233 million is used for a variety of purposes. Anywhere from 200 on up will be used for, as Shai Markowitz is going to talk about, the budget relief aspect of this. Like all revenue bond transactions you're required to put money in the liquidity reserve for bond investors. That's money you get back at the end of the transaction as well.

The net result is we issue the bonds on a 40 year final maturity with an expected final maturity in 2030, which is 21-22 years, depending on where in the year that falls. The cost of capital for that is slightly over 6%, 6-0-8. Which again, to echo comments made earlier, one that is an attractive rate of interest for a tobacco securitization and that is a result of us using or hopefully using products that are well accepted, keeping the transaction as short as possible, hitting the budget relief bogies while doing that, and in addition to that, having a broad marketing group of four underwriters.

MR. GREENE:
Just to step in on that a little bit.

MR. CREEDON:
Sure.

MR. GREENE:
The rates for tobacco bonds have moved very widely in both directions. There were times when they were in excess of 8%. There was a period of time in 2003 and '04 when the market was closed completely, and it's due to litigation that remains pending in New York involving a challenge, and this is a big difference compared to tax liens and other things where, you know, there's some certainty for the high return of that revenue that you're seeking to collect. Here, there is litigation in New York pending in the Southern District of New York and several Second Circuit, U.S. Federal Second Circuit decisions called Grand River and Freedom Holdings challenging on Federal constitutional grounds, both the Commerce Clause and the Sherman Antitrust Act, the legality of the structure of the settlement and its companion laws, what's called the qualifying statute, that requires tobacco companies that have not signed up as settling companies to nevertheless pay money to the State of New York into an escrow that is essentially equivalent economically to what they would have paid had they signed up as a defendant.

In those cases there are 31 states that are defendants right here in New York. The other states are actually defendants here too because part of the MSA was negotiated here in New York, and if that case were to go the wrong way we put right on the cover of the offering statement of these bonds that that could lead to a complete cessation of payments and a total loss of bond holder investment. So when you think about the market being open and transferring some risk of at least the downsize to the payments, and we get into this a little later in the book, there are other risk factors here, most notably consumption, but I want to just make the point that there's really what we call event risk on this revenue as opposed to merely, you know, a collection rate type risk. Sorry.

MR. CREEDON:
No problem. Just to finish out the left side of this page. We put on the bottom the available TSRs over the period that has been discussed this morning, whether you start the TSRs pledge in '09 or beginning in '13. Under this particular structure where we pledge 40% of the tobacco settlement revenues and then upping it to 75, the 14 and change million dollars each year from '09 to '12, and then the drop to 6.1, reflects that this is the portion that the County would keep based on the projections. Currently the County receives anywhere between 23 and 24 million dollars currently. So you'll see that the additional pledge in those years of the 40 represents pledging $10 million, approximately, to the bonds. And I will turn it over to Shai Markowitz, who will talk about the budget relief aspect of utilizing the tobacco monies.

MR. MARKOWITZ:
Thanks, Paul. As has been discussed today, the County can utilize the net proceeds of the tobacco securitization to retire a portion of its outstanding general obligation debt and achieve budgetary relief. The selection of general obligation bond retirement candidates is going to be dictated by a number of factors including the maturity date, whether the bonds can be defeased with tax exempt bond proceeds, and what the underlying projects those general obligation bonds financed.

If you look at the table at the bottom right of page three, you will see the budget relief that we'll be targeting for the County through 2013, which in total is about $185 million. Turning to page four, you'll see a graphical representation of the impact of the tobacco securitization. The graph on the top of the page is the County's outstanding general obligation debt service as denoted by the black line. The yellow bars are the debt service that will be defeased or the bonds that will be taken out to achieve budgetary relief for the County, and the blue bars will be the remaining outstanding general obligation debt of the County after that defeasance.

The graph on the bottom represents the tobacco settlement revenues that go to the County. Under the structure of that, Paul described earlier, the County will be retaining 60% of the tobacco settlement revenues through 2012 as denoted by the yellow bars and pledging 40% to bondholders, the blue bars. And then 2013 the County will retain 25% and pledge 75% to bondholders.

MR. GREENE:
Just going to page five, to emphasize again that, you know, the municipal market, like all other markets, has had a lot of volatility. Rates have been moving up and down. The bond fund flows for the types of investors on the institutional side that are buyers of tobacco bonds, which are very critical purchasers for the longer maturity bonds. You know, we show you their funds inflows and outflows net, meaning are they getting redemptions and don't have any money to buy your bonds or are they getting inflows and have cash flow coming into their funds in order to buy Suffolk -- {S-task} bonds and you can see those have been running positive. They ran, you know, sharply negative last summer and much of the end of calendar year '07. We see this as a time where the New York tobacco market in particular is open. It's performing much better than the National Tobacco Bond Securitization market and we think it would be prudent to proceed as quickly as possible.

Page six outlines not just general market reasons to move quickly but tobacco market reasons to move quickly. As I mentioned earlier and you can see that from the Ohio securitization that we did last October, which is called the Buckeye Bond, you know, those rates have traded much higher in yield. We haven't seen that same impact for New York exempt and Federal exempt tobacco bonds yet to this extent, so we are, you know, are concerned about that and we think that's a reason to move quickly. Standard and Poor's, as we note in the middle of the page, changed its rating criteria for tobacco bonds recently and put on rating watch negative for downgrade a number of tobacco bonds issued in other states. They are now going through the process of looking now. We think those downgrades could, you know, have some impact on the market.

And very importantly, the source of these payments is principally the three original participating manufacturers, Philip Morris, Reynolds American and Laurillard, which have about 86.7% of the U.S. cigarette market. They report quarterly. Their next reports will be in early to mid-August. Their first quarter reports, which came out in May, Philip Morris in particular predicted a 3% decline in U.S. cigarette consumption for 2008 based on their shipment declines in the first quarter. That was above estimate. That did not help the tobacco market. I can tell you that while I agree there are many addicted smokers and they'll stay smokers, when the MSA was signed there was 470 billion, a little over 470 billion cigarettes smoked in the United States. That was in November of '98. Now that's about 368, so there has been a fairly sharp decline in consumption. There's a pricey elasticity of demand from the State tax hikes that are going on, including one here in New York as you know, as well as potentially one that we worry about and disclose is the is SCHIP funding proposal that Congress passed but President Bush vetoed, which is a 61 cent increase in the Federal cigarette excise tax, moving that to a dollar and that, according to global insight, would by itself have a 4.5% decline in U.S. cigarette consumption occurring over about 18 months.

And your payments, again, they're not like collecting a tax. They are subject to a volume adjustment. As cigarette volume decline, your payments go down. They're subject to what's called an NPM adjustment that's in the larger report where the companies are alleging they've lost market share due the settlement to non-participating manufacturers and that the Attorneys General of varying states haven't done enough to so-called diligently enforce this qualifying statute that I mentioned earlier. That's now in arbitration or litigation in 47 jurisdictions and if the State of New York were to ever lose that, I don't think that's going to happen, I think they have a great enforcement record, but, you know, that would really be problematic in terms of your revenue. So, we see a reason to move before we get a lot of tobacco news, you know, into early and mid-August if that's feasible. Thank you.

P.O. LINDSAY:
I just have one question, and I know Legislator Beedenbender had a question for you before. The revenue since we've had tobacco settlement money, has remained fairly constant, but yet you say that cigarette smoking has declined by 10%. How do you account for that?

MR. GREENE:
There's a number of adjustments in the formula for the payments. One is the volume adjustment, which is down. The other one is what's called the inflation adjustment where the payments are inflated by a floor of 3% or the CPI.

P.O. LINDSAY:
Okay. So because of inflation they've remained constant although the volume has dropped.

MR. GREENE:
Exactly.

MR. CREEDON:
I would point out, however, just to add. There was some decline because, as Tom mentioned, the NPM adjustment that has occurred to your numbers. It hasn't been that noticeable.

MR. GREENE:
It's about two million a year.

MR. CREEDON:
About two million a year.

P.O. LINDSAY:
That's fine, answered. Legislator Beedenbender.

LEG. BEEDENBENDER:
Thank you very much. You did answer many of my questions. I just have a couple. You were talking about the risk factors and, you know, the quarterly reports that may come in August. And this interest rate of 6% -- before I get to that, in comparison -- so this is, from what I've been told and everything I can read from our Budget Office, this is a pretty good rate. What -- I mean, what's the general ballpark? I know you are offering us this rate and it's very good, so I doubt that you are going to tell me that there are lower interest rates out there. But what's the general ballpark that we're talking about here?

MR. GREENE:
Well, the rate -- we're giving you the composite rate for the overall bond issue. You know, to your point, Legislator, and this is why we're all still analyzing the optimal structure. There are serial bonds, meaning bonds maturing throughout the structure and, you know, the shorter interest rates are materially lower and then the further you go and the more you use these convertible cabs it gets higher. There are rates in the sevens and eights in other states. Again, there's a massive amount of interest in New York tobacco bonds and, you know, that is really holding up the secondary market for trading in New York tobacco bonds. So the rates could get worse. We would certainly hope they could get better. We think in the structure, we've worked hard with Rich and his team and the County team to make sure that we get that as low as it can be.

LEG. BEEDENBENDER:
Right. And I guess -- it's not that I'm trying to shoot a gift horse in the mouth, but I'm just trying to figure out that's a great rate with all of that risk and how does that work?

MR. GREENE:
Well, I think that, again, I think that it's a -- on a risk adjusted basis I mean I certainly would agree with you I think because it's an exempt bond and there are bond funds set up to buy these bonds. They have to buy something --

LEG. BEEDENBENDER:
That changes the nature.

MR. GREENE:
And they're not set up to buy GO bonds. You know, these are bond funds that are looking for more risk. So their choices are do I buy an airline bond, not so good right now. Do I buy a certain types of community hospital bonds that have default risks on them, do I buy tobacco, do I buy industrial development, you know, things with risk on them because this is viewed as having some corporate style risk because the payments could cease and obviously made by companies underneath. I think it's a relatively, you know, favorable thing to buy in their minds compared to their alternatives. They're not, again, they're not the funds that are buying your GO's.

LEG. BEEDENBENDER:
Right. And then just the last question. The report we got from our Budget Review Office indicates that under at least -- I don't know if they analyzed this new 40% deal. I think their analysis was just at 75% starting in 2013. But their report said we would end up getting about -- I think it said

51 1/2 cents on the dollar. Is that a number that you guys agree with? And would this 40%, this new proposal that I really hadn't seen until today, would that tend to make it, you know, more money on the dollar or less money on the dollar? It should be more since we are starting earlier, right?

MR. CREEDON:
It should be a little bit more just because your -- a little bit cost of capital than the waiting until thirteen scenario.

LEG. BEEDENBENDER:
But probably somewhere within a cent or two. We're not talking about a --

MR. CREEDON:
It's not going to move it dramatically.

MR. GREENE:
Yeah, I think between these choices they are all in that 50% range. And again, that's, as the discussion earlier, that's nominal. You know, that's dollars today against an uncertain revenue stream over a projected life of 20, potentially 40, but a projected, you know, life of 20 dollars in hand. It's not the same thing is as, you know, getting only 50 cents and paying it all back next year. You know, you're really borrowing from the future on revenues that may or may not materialize.

LEG. BEEDENBENDER:
Just in terms of comparison -- Legislator Barraga, did you need to --

P.O. LINDSAY:
No.

LEG. BEEDENBENDER:
Okay. I just want to ask BRO one question in terms of comparison. When we bond something, a general obligation bond for a road, a bridge, a building, whatever it is, it costs us about 56% or how much does it cost when you pay it back eventually?

MR. LIPP:
Typically what we do is we borrow for 20 years and we would get 66 cents on the dollar, 67 cents on a dollar. The difference here and in our report is that we are not talking over 20 years, we are talking over 30 years. So instead of borrowing a shorter period, we never really borrow more than 20 years. We are borrowing for a longer period. The further you go out, the higher the interest rates are.

LEG. BEEDENBENDER:
And we're also not talking full faith and credit of the County on this as we would with a general obligation bond.

MR. LIPP:
Correct, which makes the rates a little higher, but it eliminates the risk which is clearly preferable.

P.O. LINDSAY:
Legislator Kennedy.

LEG. KENNEDY:
Thank you, Mr. Chair. Thank you for going to this level with presentation. I have a question I guess for you as far as -- this would be page three -- this mix that you talked about regarding the bond

packages. I guess the 40% starting in '09 and the 75% in 2013, and then a choice between serial bonds, current interest bonds and convertibles. Obviously you gentlemen are experts at this area. You're telling us that this would be the optimum yield as far as generating revenue for us? Why do you make this recommendation?

MR. GREENE:
Yes, we -- this is a mix of having your revenues flow through to the County, the unsecuritized piece, and getting you enough funds up front to structure the general obligation bond repayment and defeasance program. So we've looked at how many bonds you have available in each year to defease giving you cash flow relief where you're no longer using revenue to pay the principal and interest on those bonds and we're sizing that to accomplish this net budget relief structure on the right.

The same time, by having some of the pledge start in '09, meaning some of the revenue be securitized, we're avoiding what's called a back end deal or a capital appreciation bond deal, which is zero coupon tobacco bonds that pay no cash flow back to the investor for years and years and those -- the cost of those bonds has gapped out sharply, where those would carry 70% or higher. And so we're avoiding those bonds and that's why we're saying we're reaching an optimal point here.

LEG. KENNEDY:
All right. Clearly I need to talk to corporation to understand this a little bit better. But then let me go to a more basic or simple question. The proposal that we've just discussed now would generate how much money for the County of Suffolk in 2008?

MR. CREEDON:
Two-hundred and five million.

MR. GREENE:
In terms of net proceeds?

LEG. KENNEDY:
What kind of check are we going to get?

MR. GREENE:
Two-hundred and five million.

LEG. KENNEDY:
In this year, in this calendar year assuming that we go forward with this.

MR. GREENE:
Well, again, that's the net proceeds of the issue that then is used to defease general obligation debt over these years listed here so that the budget relief over the course of the program is the 185 on the right, take into account the loss of the TSR, the tobacco settlement revenues that you're pledging to the bonds.

LEG. KENNEDY:
Right. But we started this whole venture many months ago being advised we had 130 to 150 million dollar hole between this year and next year. We were encouraged to look at our County budget in a 24 month period. So you're suggesting to us that this model generates 205. How much of which will be available to plug our Operating Budget hole and how much of which is being committed to retire bonds that are generating an annual debt service liability for us?

MR. TORTORA:
I could answer that for you if you'd like. The plan is, and this is important that everyone

understands what we're going to go with these proceeds. Once this issue closes and let's say the amount of proceeds delivered to the County after payment of fees, the amount you have in hand, is $205 million, what we're going to do at that point is go out and buy a portfolio of U.S. Treasury securities that mature in the amounts and on the dates that we need to pay debt service on existing County general obligation bonds thereby giving you budgetary relief in the years in which that debt service is otherwise going to occur.

So if you look at their page three, the table on the lower right, when we have the proceeds from this bond issue we're going to go out and buy treasury securities, they're going to mature in the amount of $15 million in this current fiscal year, in 2008, thereby freeing up $15 million dollars that's otherwise in the budget for debt service. So you would get $15 million in budgetary relief this year. Next year in '09 you'd get approximately $45 million in budgetary relief, etcetera. That's how the proceeds would be applied, only to defease existing debt service.

LEG. KENNEDY:
Two quick questions and I'm going to yield to my colleague to the right who seems to understand this process a little bit better. The question actually, through the Chair, Mr. Chair, is was this a criteria that the LDC had in place when Citibank is selected?

P.O. LINDSAY:
John, I've got to stop you. I don't have a quorum. I need Legislators to the horseshoe or I have to stop this meeting. Still short one. Okay. I've got ten now. You have to stay in the room, Brian.

LEG. KENNEDY:
Thank you, Mr. Chair. And again, if I can, Mr. Chair, through yourself, to pose the question to Chief Deputy Morgan go and/or Mr. Pearsall. The original consideration criteria, were we selecting -- did we select a vendor who was to then determine something that would be most optimal for us or did you vet proposals that were put to you and you made a selection? Because from what I'm hearing, this is a mix that -- did you -- did the corporation, the LDC have this proposal before you when you selected Citibank?

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Yes. But what I said earlier, Legislator, is that on the nineteenth and the twentieth, when we went into intense negotiations with Budget Review, with the Comptroller's Office, we had multiple proposals. The negotiate -- we almost went, and I can say this, I'm not going to get specific, with another lead underwriter because of the attractiveness of their proposal and it was a back and forth. It took two days. And we had different structures and as many people as Mr. Tortora has said, it's a fluid matter but we're trying to get obviously the best return for the County so that we can have the largest budgetary impact in '09 and in future years when we need it.

LEG. KENNEDY:
I understand the goals of the corporation. I realize the ultimate goal. My question goes more to process. Final question I'll pose to you gentlemen -- well, and then I'll yield. What -- assuming we are going forward with this, what is our expense, our originating expense? What is the combined cost for the purposes of issuance for us to engage in this transaction?

MR. TORTORA:
It's approximately 1% of the par amount being issued. So if the par amount of the issue ends up being $133 million --

LEG. KENNEDY:
Twenty-three million?

MR. TORTORA:

About $2.3 million would be --

LEG. KENNEDY:
Two point three mill or 23 mill?

MR. TORTORA:
No, no. Two point three million.

LEG. KENNEDY:
Two point three million in origination costs associated with handling, letting the bonds, counsel and all the other stuff.

MR. TORTORA:
That's correct.

LEG. KENNEDY:
Okay. Fine. Thank you. I'll yield, Mr. Chair.

P.O. LINDSAY:
Okay. Legislator Barraga.

LEG. BARRAGA:
I just want to make sure it's clear in my mind, you know, in terms of the 205 million you're talking about. That's to pay down debt service. That's not going to close the gap. I mean, you pay down the debt service. As a result, the money that you would normally appropriate to pay the interest on the debt, that's where you're saving the 15 or 20 million dollars.

MR. TORTORA:
That's correct. So, currently, when you issue general obligation bonds, when the County issues its bonds, the day we close we know what your debt service obligation, principal and interest expense, will be for the ensuing term of the bonds, ten or 20 years.

LEG. BARRAGA:
Say I owed $500,000 and all of a sudden I was able to put a chunk of money down, 200,000, to reduce it to 300. I could recalculate my annual debt service on that 300,000 and it would be much lower. That's how I close the gap in the budget.

MR. TORTORA:
What we're doing here is you have an additional revenue stream now so currently you're paying your principal and interest with budgetary money. Now you'll be paying for a portion of it with money from the budget --

LEG. BARRAGA:
I just want to make sure that, you know, I'm clear. That there's no confusion here, that's it's not a question of getting 200 million and all of a sudden you're going to close a gap. You're not closing the gap. You're just paying down your debt service --

MR. TORTORA:
You are correct.

LEG. BARRAGA:
-- so that's the interest that you are going to save on that debt service, that's what's taken or subtracted from your gap. You're going to save money, the 15 million one year, the 45 million, the 35 million.

MR. TORTORA:
I want to make sure we're clear. What's going to happen in 2008, if indeed this transaction goes forward, presently you have $15 million in the budget for principal and interest yet to be paid in the balance of the 2008 fiscal year. Now, if indeed this transaction closes, that 15 million in debt service will no longer be required to come out of the budget.

LEG. BARRAGA:
So that's what comes off. If we have $150 million gap, 15 million is deducted from the gap.

MR. TORTORA:
Fifteen million this year, 45 next year, 35 the next, etcetera, as per that schedule.

LEG. BARRAGA:
In the analysis by BRO, Citigroup suggests that the cost of capital would be lower if the County were to begin securitizing its tobacco revenue in 2009 instead of 2013 in return for a higher dollar amount of net proceeds of the County. Now, I have question. I'm taking a look at page three, but I'm also taking a look at what Citibank gave us March 20th of 2008, this page here. And guide me through this a little bit. I'm looking about -- I'm looking at page three in the March twenty-eighth report in talking about scenario two, 75% securitization, in which if we went with that proposal as of March twenty-eighth, looking at the numbers the County -- if it took effect really in 2013 the County would receive between 2008 and through 2012 roughly 23 to 25 million per year, and then after that up to 2037 another $234 million for a total of $357 million. That's what you fellows had down.

MR. CREEDON:
I believe that is the structure where the pledge doesn't begin until 2013.

LEG. BARRAGA:
Okay. Now, I take a look at this proposal, and guide me through this. You're hybrid, and to me a hybrid for a car is better gas mileage. A hybrid from this perspective I think you should be a benefit to the County. I assume that's why you picked it.

MR. GREENE:
Lower cost to funds.

LEG. BARRAGA:
Okay. I want to get to the -- to TSR availability of the County. I see in 2009 through 2013 a lot less than 23, 24, 25 million. Why?

MR. CREEDON:
Right. That's because on the structure that you're looking at over that whole -- the larger one -- I'm pulling this from memory from that report --

LEG. BARRAGA:
The larger one. Yeah, I got it right here.

MR. CREEDON:
That's is over the full 22 or 23 years of the deal. We are just showing the snippet from 2009 to 13 here.

LEG. BARRAGA:
Just the five year period.

MR. CREEDON:

Yeah, we're just showing the five year --

LEG. BARRAGA:
Well, let's go apples to apples. I mean, how does this compare over a long period of time with the March 28th proposal? I mean, do we wind up getting roughly $357 million?

MR. CREEDON:
Well, you wind up -- I can tell you that -- these are gross numbers. I don't have a present value in front of me. On the structure you're looking at today you get available to the County over the life comparable, I believe, to that schedule.

LEG. BARRAGA:
2037.

MR. CREEDON:
You get about 200 million.

MR. GREENE:
That's only 30.

MR. CREEDON:
It's only through 2030, right. It's through 2030 because it is a shorter deal.

LEG. BARRAGA:
What do we get?

MR. CREEDON:
Do you have the old structure in print? I'm just running what the final maturity was on that 2013 structure.

LEG. BARRAGA:
2037 and a total figure of $357 million to the County. Now, how does that compare to this?

MR. CREEDON:
I only have it out to 2030 here because the new structure finds it being shorter. So what you'd have to assume is you have got seven more years at about $44 million.

LEG. BARRAGA:
What's the total?

MR. CREEDON:
So the total is say 200 plus -- about 480, about 480.

LEG. BARRAGA:
Four-hundred and eighty million?

MR. CREEDON:
Yeah.

LEG. BARRAGA:
So this is a better deal than this one.

MR. CREEDON:
Yes. And it should have a higher cost of capital if you look at that one.

MR. GREENE:
I was going to say, Mr. Legislator, that the biggest difference between the hybrid and any of these other cases that don't start to pledge until 2013 thirteen is the cost of capital.

LEG. BARRAGA:
I understand.

MR. GREENE:
For in a given market a convertible capital appreciation bond, which is the only thing we can sell if you have no revenue starting pledge to the bonds until '13 is a quarter of a point higher in cost than a comparable current interest turbo bond and several hundred basis points meaning percentages higher than current interest serial bonds. So the cost of capital, the TSRs are going to be what they are. They are going to be projected based on global insights, U.S. cigarette consumption forecast. Those don't change.

So the thing that gets you more or less up front as well as overall value to the County, including both net proceeds from securitized TSR's and residual and unsecuritized TSRs, which you'll also get, the only variable really that we're working with is your cost to funds. The lower we get that, the better value to the County. This is a lower cost by about 30 basis points, apple to apple. So you're looking at a book that had a different date, different market presumably. But if you look same market, current interest structure that we're talking about versus a complete deferral of the pledge until '13, that's going to be at least a quarter of a point higher.

If you start doing even more backloading and you're selling 7 1/2% zero coupon bonds, which we are not recommending and we've removed from this structure, you know, then you're really -- you are going to get less proceeds or you are going to pay a much higher cost and get, you know, fewer tobacco settlement revenues on the back end.

LEG. BARRAGA:
But if this Legislature were to adopt this particular program, what we're talking about is roughly $130 million more than this particular program back in March would have generated in the long term.

I guess my final question, when you use the hybrid as an example, in your judgment was that one of the better proposals that you have or was that the one you felt would be most beneficial to the County or were you just picking something?

MR. CREEDON:
No. We felt it would be most beneficial after we had a long dialogue with the corporation about, you know, what their goals were and whether the '13 -- and what came out of that dialogue was exactly what Tom had mentioned, that boy, we would really like the cost of capital, this interest cost, to be as low as possible and that immediately moves you out of the start in 2013 to starting now and kind of finding a way to not use all 75% starting in --

LEG. BARRAGA:
All right. So in the next couple of weeks you may fine tune this a little bit, but there's a probability you still might come back with a hybrid approach.

MR. CREEDON:

Absolutely.

LEG. BARRAGA:
Thank you.

P.O. LINDSAY:
Forgive me, I'm going to ask something very basic, all right? We're securitizing 40% of our net proceeds in 2009 and we're taking that money and investing it and it's going to be assigned to debt. I guess we get the interest on the chunk of money, right? Is that legal? Isn't that arbitrage?

MR. TORTORA:
No, that's perfectly acceptable. We're going to borrow at a cost of capital and then invest it at a cost of capital that is permitted within the IRS arbitrage rules.

P.O. LINDSAY:
Okay. And starting in '13 we're going to borrow 75% of future revenue.

MR. TORTORA:
That's correct.

P.O. LINDSAY:
Okay. If the rates are better, why don't we do 75% now?

MR. TORTORA:
The -- it's really a balancing act. One of the real issues that we don't use 75% now is since the use of the funds is going to be used to defease, and defease means take out or pledge a revenue stream to pay existing debt, the County doesn't have enough general obligation bonds outstanding such that we could start with 75% right from year -- from '09. There just isn't enough debt service to defease. Forty percent is the -- if we securitize 40% of the revenue in 9, 10, 11 and 12, that's the maximum amount of revenue that we can securitize and then match that revenue stream up with existing County general obligation debt.

P.O. LINDSAY:
But doesn't -- I mean, some jurisdictions, haven't they used securitizing future tobacco revenues just to plug a hole in the budget?

MR. TORTORA:
They have.

P.O. LINDSAY:
So why are we locked into the structure of defeasing debt?

MR. TORTORA:
Sure. Because one of our overriding concerns is that we don't do anything that adversely affects the County's credit rating and using tobacco proceeds to defease debt is considered to be one of the best uses, one of the preferred uses buy the rating agencies.

P.O. LINDSAY:
So if we used it just to plug -- if we took $150 million and plugged our projected hole with it, it could affect our bond rating.

MR. TORTORA:
It would be, yeah, looked with great disfavor by all of the rating agencies.

LEG. BEEDENBENDER:
And we'd have to pay taxes on it.

MR. TORTORA:
I'm sorry?

LEG. BEEDENBENDER:
And we'd have to pay taxes on it.

MR. TORTORA:
No, no. It is a purpose for which you can issue tax exempt debt.

P.O. LINDSAY:
Okay. Does anybody else have any questions for the Citigroup people? Okay. Thank you, gentlemen. Where's the general over here? What else have you got to tell us?

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Well, the first thing I have to tell you, Mr. Presiding Officer, is thank you. Thank you to all of you for your attention and your very good questions. What we're going to ask for now is a request that you pass a resolution to change the public hearing for I.R. 1654, which is the purchase and sale agreement. The I.R. was laid on the table at your last meeting on the 24th. And to be very candid, when I was -- when I learned that I was going to be making this request I was somewhat embarrassed. I understand the inconvenience and I frankly didn't see the need for it.

I have to tell you that I've had a crash course, a little over a month in financing and the defeasings and the different kinds of bonds and it's -- I wish I could say it has been fascinating. It hasn't been that, but it has been something that the entire corporation, not just myself, but Terry Pearsall and Bob Venero, we've worked very, very hard on. That's why I appreciated Legislator Kennedy's question about the negotiations and the different structures and I wish more of you had been at the interviews.

But after listening, not just to Citigroup, but to the other underwriters as well, remember it's not just Citigroup, they're the lead, they gave us a scenario that was very scary. And also, I should mention that both Comptroller Sawicki and Treasurer Carpenter participated and you saw both of them made statements in writing that they would like to see -- so the request is for a resolution from you to change the hearing date for I.R. 1644 from August 5th to July 17th.

LEG. VILORIA-FISHER:
Why?

P.O. LINDSAY:
Legislator Viloria-Fisher.

LEG. VILORIA-FISHER:
Why?

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Because exactly the different factors that principally, but also Mr. Tortoro mentioned the factors in the market, what may happen particularly in late July and early August with the Freedom Holding decision that was described already with the fact that some tobacco revenue was on the Standard and Poor's watch and that we know where we are now. We don't know where we're going to be at the beginning of September. And also because of the defeasement schedule. Rich, would you want to add to this?

MR. TORTORA:
Sure. We need to close the bonds by September, let's say, so that we have enough time to actually defease bonds maturing in the following month. So the request to move the hearing date from August 5th up to July 17th just increases the flexibility that we're going to give this team of bankers to get this deal done as best they can. The more time we give them, the sooner they can get into the market. If indeed they need that, we want to give them that flexibility.

LEG. VILORIA-FISHER:
And you think that that two weeks would make it difficult for them to be able to do these bonds by September?

MR. TORTORA:
It could. It could because -- to do it and get the best result. If we get bad quarterly results from the tobacco companies, if consumption is down even more than we presently expect, that could hurt the market for these bonds and the rates could go from six to six and a half or --

LEG. VILORIA-FISHER:
Those two weeks, the consumption you think is going to have --

MR. TORTORA:
No, but the report won't be out. We're trying to get our deal in the market before the tobacco companies release their quarterly results and we know that's going to happen in mid-August. We know that the Standard and Poor's credit watch on 11 issues. They issued that in April and that's supposed to have a 90 day window, so the end of July the 90 day period will be up. So there's two or three things that could happen in the market that could adversely affect this transaction. So we're just saying that if indeed you gave the authority to move the schedule up a couple of weeks from August five to July 17th, it just enhances the possibility that we're going to get the best transaction for the County.

P.O. LINDSAY:
Well, just a couple of things. First of all, if you move the public hearing that doesn't necessarily mean that you're going to vote on the resolution that day. And the second thing, and I know it's trivial to the County Executive's Office, but we're in a period of time where I have every week in the month of July Legislators missing with plans that were made six months, a year ago. I've offered the last week of July, which is committee week when everybody is back here, but you guys have consistently refused that. And I really -- in light of making this Legislature come back in another Special Meeting in July because you don't have the college vetoes here, I really think you're asking a lot, guys. And you can relay that to the County Executive for me.

MR. ZWIRN:
I will, Mr. Presiding Officer. I think the Chief Deputy -- this has been a very rough time for all of us in Suffolk County and in New York State. We have gone back to you, you've called special meetings for Home Rule Messages. We have had members of our staff drive up, you know, trying to get there before deadlines so that we get Home Rule Messages before the Legislature. It has been a very difficult time.

The budget process going forward is also difficult. We're asking a lot of the Legislature, but we're not asking it for ourselves but for the taxpayers of this County, to try to make sure that they have the relief. We know that July has been a time where you've been able to spend some family time this has been an extraordinary number of meetings that we've had this year. We are asking you to just indulge us. We know some people will not be here on the 17th because they have other personal family commitments. We're willing to take the chance. We're asking you if you can just pick that date so it gives us some flexibility and time going forward into the budget season. As Rich

Tortora has told you, there are real reasons for this. And we're just asking you to indulge us just one more time here. It is important.

P.O. LINDSAY:
Legislator Viloria-Fisher.

LEG. VILORIA-FISHER:
I just have to say that the real reasons could be very compelling, but I find it very disheartening that the County Executive is holding the vetoes on the Suffolk County Community College as hostage to this vote. I find that very distressing because we have made every effort to work together, and I just hate to be -- to be brow beaten and I hate to have the County Executive use our concern for the college as a stick to threaten us with. It's very disturbing.

MR. ZWIRN:
Well, I understand your comments, but the County Executive, we have certain time frames that we have to live within under the Charter, and within that.

LEG. VILORIA-FISHER:
So do we.

MR. ZWIRN:
I understand, and we have -- they were -- the vetoes were returned to us less than a week ago and --

LEG. VILORIA-FISHER:
But they're ready and they could be presented and they're simply being held hostage and that's inappropriate. It's not fair and it's certainly not good government.

MR. ZWIRN:
Well, we're asking your indulgence to come back on the 17th.

P.O. LINDSAY:
Legislator Barraga.

LEG. BARRAGA:
Thank you, Mr. Chairman. Certainly coming back on the 17th of July is an inconvenience, but I have concerns also about the changing rate structure. Let's take a look at anything from a fiscal perspective, CD rates, Treasury, you name it, these rates are changing almost on a daily basis and they're not going, you know, in our favor. I think for the most part the sooner we get back and do this deed, have a public hearing and take a vote the same day, I think the better off this County is going to be from a fiscal perspective. Are there other issues as my colleague just mentioned? Certainly, but let's key in on this one scenario with reference to this tobacco securitization. Let's get it done. Let's get it done as quickly as possible. I know people are away, but there are enough people around to have a meeting on the 17th and get this deed done. Get it out of the way.

LEG. NOWICK:
Bill.

P.O. LINDSAY:
Legislator Nowick.

LEG. NOWICK:
Ben, maybe you can answer a question. I was listening to Legislator Viloria-Fisher, and you have a very good point there. But these -- the meeting for the 17th, if we pass this and the meeting is held

on the 17th, if the vetoes for the college come in tomorrow or the next day, do we then have to have -- if we want to override the college vetoes, do we then have to have another meeting before the 17th?

MR. ZWIRN:
No.

LEG. NOWICK:
How does that work? Remind me.

MR. ZWIRN:
No. Look, I would like to do everything I can to get the vetoes here before the day is out, before this meeting is adjourned.

LEG. NOWICK:
Which seems to be really soon.

MR. ZWIRN:
Well, we have -- and I'll defer to Counsel, but the County Executive has 15 days from the day I believe -- the college budget is returned to us and the capital projects, and then you have ten days from the day we deliver them to you.

LEG. NOWICK:
Right. I just want you to go over that.

MR. ZWIRN:
I think they could all be done at the same time.

LEG. NOWICK:
So you are saying those vetoes could come in conceivably within a moment's notice.

MR. ZWIRN:
I would do everything in my power to make that happen.

LEG. NOWICK:
And then we can vote on the -- well, okay. I get the picture. Thank you.

P.O. LINDSAY:
Okay. Just to clarify something. You not only want to move up the public hearing, you want to vote on 1644 the same day as the public hearing?

MR. ZWIRN:
Well, that would -- if it --

P.O. LINDSAY:
No, it has to be in the notice that you are going to send out for a special meeting. You can't do that on the floor.

MR. ZWIRN:
But we wouldn't know if we have enough votes at that particular time to do it. We would have to probably do it by -- -

LEG. NOWICK:
You can table it.

MR. ZWIRN:
That would be optimal but I don't think we -- we're not positive that could happen.

P.O. LINDSAY:
So what do you gain by moving up the hearing?

MR. ZWIRN:
The hearing would be closed and we could move forward at that point.
I understand -- we don't know for sure. We may very well have the votes to pass it. We're hopeful that we do.

P.O. LINDSAY:
Well, it's got to be in the public notice.

MR. ZWIRN:
Then I would ask you to put it in the public notice and then hopefully we'll have the votes to do it at that particular time.

P.O. LINDSAY:
Just to clarify it further, you're asking us to securitize a future revenue stream that goes on for 40 years, and you want us to do it in two weeks.

MR. ZWIRN:
Well, we would take the vote, but the process has been going on for quite some time. There have been a number of meetings. It is not as if we're just --

P.O. LINDSAY:
I know there's been a number of meetings, but see, there's two layers of government in Suffolk County, the Legislature and the Executive Branch, and the Executive Branch keeps forgetting the other layer of government. You guys made up your mind a long time ago. Does anybody at this horseshoe have any time to look at this deal? It has to be done in two weeks for 40 years.

CHIEF DEPUTY COUNTY EXECUTIVE MORGO:
Having been a member of this body, I completely understand what you're saying. The point is, though, when Ben says there's been many meetings, there have been many thorough, comprehensive meetings and as you know, we've invited the members of the Legislature. In fact, at the working groups, there have been many members of the Legislature there. Through the next two weeks I assure you that the folks from Citigroup, the folks from Merrill Lynch, Sterne Agee, First Albany, all of them will be available.

P.O. LINDSAY:
Okay. I need a motion if somebody wants to do this and it can't come from you guys. Is there a willingness on the horseshoe to make a motion to change the hearing date and to accelerate the vote to the same day?

LEG. BARRAGA:
I'll make the motion.

LEG. NOWICK:
I'll second the motion.

LEG. D'AMARO:

Second.

P.O. LINDSAY:
Motion by Legislator Barraga and seconded by Legislator Nowick.

LEG. BEEDENBENDER:
I was just going to ask to what date? Have we picked a day?

P.O. LINDSAY:
The 17th, which nobody wants to know how many Legislators I have, that's immaterial. I mean, I've spent -- I had a secretary calling every Legislator, pinning down their schedule, but you guys didn't even ask for that. You don't even want to know how many people we have here because you picked your own date.

LEG. BEEDENBENDER:
On the motion, Mr. Chairman.

P.O. LINDSAY:
Yes.

LEG. BEEDENBENDER:
I just wanted to echo some of the comments that Legislator Barraga had made earlier and undoubtedly there may be some legitimate questions about process and discussions between the two branches of government and I guess those are questions that are needed -- going to need to be discussed.

However, the thing that struck me the most is when the Citibank Group and our financial advisor, Rich Tortora, talked about the negative credit report on some of the tobacco bonds and the quarterly reports and how that could severely affect the ability to do this deal, and I'm unhappy as anybody else to continually make special meetings that weren't generally in our calendar, but if postponing until after those reports is going to cost us millions of dollars that we can otherwise use to prevent a tax increase for the taxpayers, then I think we need to take that apart from the other problems we may have with branches of government and move it up and do what's best for the taxpayers and deal with these other situations at another time.

So I would urge my colleagues to move up this hearing so we at least have the opportunity to follow the process that's required and get the best deal we can for the taxpayers.

P.O. LINDSAY:
First, I'd like to add something else to the equation. I'll ask Counsel.

MR. NOLAN:
If we move the public hearing up to the 17th, the -- my understanding is the only mechanism to get a vote on that date would be by a Certificate of Necessity, which would require 12 votes for approval on that date.

LEG. EDDINGTON:
On the motion.

P.O. LINDSAY:
Legislator Eddington.

LEG. EDDINGTON:
Yeah. You know, I'm a firm believer in fair play, and I'm also a believer in you make rules and you

try to follow them. And I've been told for three years now that the only safe time to schedule anything with the family or vacations is July and then I'm told but you better pick the two weeks in the middle because you never know. And now I'm being told that we're going to change that now because of necessity.

Now, all I ever hear is it's an emergency; it has to be done today. But I want to echo what I heard from Legislator Viloria-Fisher, that I don't see that happening on the other side. I don't see that the County Executive rushes to help us out. We'll get those vetoes. We know what's happening and yet he's playing his game. But we're not -- we're supposed to constantly just oh, okay. I just don't see the fair play.

I believe there are two branches of government and I don't see mutual respect. I just don't see that. I mean, I've seen -- I've been very disappointed in my tenure here that I don't see, you know, commitments you know, people follow through with their commitments. I committed that I'll be here except for two weeks, and now you're telling me give up all those other commitments and honor a new commitment. I for one will not be here and I will not be voting to put it on that date.

P.O. LINDSAY:
Legislator Stern.

LEG. STERN:
Yeah. I have to say I agree one hundred percent with my colleagues, Legislator Barraga and Legislator Beedenbender. All of the other issues notwithstanding, the fiscal health of this County and our taxpayers I think always needs to be our top priority, and regardless of scheduling and prior commitments, if it's something that we can do procedurally, if we can have the public hearing and we can take this very important vote on that day, I will certainly support changing the date.

P.O. LINDSAY:
Legislator Losquadro.

LEG. LOSQUADRO:
Thank you. And I just want to say I certainly can't blame anyone for the way they feel. I actually have some plans the following week that I can't move, and if put in the same situation I wouldn't be here. I will support this. I think it's important that we get this done as soon as possible to be in the best financial position, but I certainly can't blame any one. There are many positions and obligations that people have that are just immovable, and if the date was different for myself I wouldn't be able to be here. So I will be supporting it, but it's a very difficult situation.

P.O. LINDSAY:
Again, I have offered the last week in July as committee week when everybody should be back, all right, and that's been rejected because those two weeks are vital to the financial interests of this County. That's what I'm being told. Legislator Schneiderman.

LEG. SCHNEIDERMAN:
Yeah. I can't support coming to a meeting on a date that I won't be in the area, so I'm one more person that you won't have. I think it's an important issue. Look, as we -- you know, we all want to keep taxes low for our constituents, our taxpayers. We know what we did with the Suffolk Health Plan. We put it in our budget even before we had approved it. If we're moving forward toward tobacco securitization, so be it. The money will be coming, we'll have it in time. It's not going to make a difference whether we have that meeting in the middle of July or at the end of July in terms of providing that relief to taxpayers. Thank you.

P.O. LINDSAY:

Okay. We have a motion and a second. Roll call.

LEG. VILORIA-FISHER:
Can I say one more thing before the vote?

P.O. LINDSAY:
Legislator Viloria-Fisher. Last word.

LEG. VILORIA-FISHER:
I just want to make it very clear that I am not going to be away on the 17th, and I would have no problem moving the date if it were necessary. What I am putting on the record again is the spirit with which this has been approached by the County Executive, holding back the vetoes because our Suffolk County Community College is also important to us and to the people of Suffolk County. And I don't believe that withholding vetoes and holding vetoes over our heads should be an appropriate action by our County Executive.

P.O. LINDSAY:
Okay. Roll call.

(Roll Called by Mr. Laube - Clerk)

LEG. BARRAGA:
Yes.

LEG. NOWICK:
Yes.

LEG. BEEDENBENDER:
Mr. Chairman, could we have the Legislators in the building report to the horseshoe.

LEG. ALDEN:
You can't --

P.O. LINDSAY:
If they don't know we're in session, I mean, would all Legislators please come to the horseshoe, please.

LEG. ALDEN:
You're in the middle of the roll call.

P.O. LINDSAY:
Call the role.

(Roll Call continued by Mr. Laube)

LEG. ROMAINE:
(Not Present)

LEG. SCHNEIDERMAN:
Abstain.

LEG. BROWNING:
(Absent)

LEG. BEEDENBENDER:
Yes.

LEG. LOSQUADRO:
Yes.

LEG. EDDINGTON:
(Not Present)

LEG. MONTANO:
(Not Present)

LEG. ALDEN:
No.

LEG. KENNEDY:
(Not Present)

LEG. HORSLEY:
(Absent)

LEG. STERN:
Yes.

LEG. D'AMARO:
Yes.

LEG. COOPER:
(Not Present)

LEG. VILORIA-FISHER:
No.

P.O. LINDSAY:
No.

MR. LAUBE:
Six.

P.O. LINDSAY:
Okay. The next item on the agenda -- we don't have a quorum?

LEG. ALDEN:
We had ten before.

P.O. LINDSAY:
Okay. Consideration of Resolution No. **1541-2008, Amending the Capital Budget and Program and appropriating funds in connection with the County share for participation in the reconstruction/widening of CR 3 Wellwood Avenue Bridge over Southern State Parkway, Town of Babylon. (CP 5851).**

LEG. D'AMARO:
Motion to approve.

P.O. LINDSAY:
Motion to approve.

LEG. D'AMARO:
Yeah, and then I have a brief statement.

LEG. STERN:
Second.

P.O. LINDSAY:
Seconded by Legislator Stern, and I recognize Legislator D'Amaro. I asked Mr. Hillman to come today to answer questions that you had that wasn't answered at the last meeting.

LEG. D'AMARO:
Thank you, Mr. Hillman, for coming forward today. I had questioned this particular I.R. at our last meeting. Since that time, Mr. Hillman's been extremely courteous with his time in answering many of the questions that I had concerning this particular bill in the hopes of saving some time here today. So, Mr. Hillman, I thank you for doing that and I appreciate it.

The conclusion, and I'll just give you the conclusion that I got, is I was satisfied that the County on this particular project --

P.O. LINDSAY:
Legislator D'Amaro, I have to stop you again because we only have nine Legislators in the room, and if I'm not going to get ten Legislators, then I'm going to adjourn this meeting because I'm tired of saying please come to the horseshoe. We're in special session. I didn't mean to interrupt you midstream, Legislator D'Amaro. You want to finish your statement and if I don't get another person I'm going to adjourn the meeting.

LEG. D'AMARO:
Thank you. As I was saying, Mr. Hillman was kind enough to answer some of my questions and my conclusions were, which were the issues that I raised at the last meeting, were was the County asking the right questions in questioning the increased cost for this particular project. At the last meeting we could not get an answer because the person who was available just was uninformed, not that it was his fault, but Mr. Hillman did give me the answers. The County did focus on this project.

It turns out that the fault really doesn't lie with the contractor. The fault really lies with the difficulty of estimating the cost of a Public Works project, in particular a bridge in very difficult economic times, especially when you see commodity prices are increasing. It really went back to the original cost estimate that was presented to the Legislature.

Going forward Mr. Hillman has assured me that the Department of Public Works is tracking the accuracy of the consultants used for coming up with cost estimates. We're also -- I'm also considering maybe down the road some legislation to even back up our ability to make sure that when we get a cost estimate in front of the Legislature that it's as accurate as it can possibly be.

So my questions were answered. I appreciate, again, Mr. Hillman, your doing that for me, and I'll support this particular resolution.

P.O. LINDSAY:
Okay. I have a quorum now. So you talked long enough I got a few more Legislators. We have a motion and a second. Roll call.

(Rolled Called by Mr. Laube)

LEG. D'AMARO:
Yes.

LEG. STERN:
Yes.

LEG. ROMAINE:
Pass.

LEG. SCHNEIDERMAN:
Yes.

LEG. BROWNING:
(Absent)

LEG. BEEDENBENDER:
Yes.

LEG. LOSQUADRO:
Yes.

LEG. EDDINGTON:
Yes.

LEG. MONTANO:
Pass.

LEG. ALDEN:
Yes.

LEG. BARRAGA:
No.

LEG. KENNEDY:
Yes.

LEG. NOWICK:
Yes.

LEG. HORSLEY:
(Absent)

LEG. COOPER:
(Not Present)

LEG. VILORIA-FISHER:
Yes.

P.O. LINDSAY:
Yes.

LEG. ROMAINE:
Abstain.

LEG. MONTANO:
Yes.

MR. LAUBE:
Twelve.

P.O. LINDSAY:
Okay. It passes. That concludes --

MR. NOLAN:
No, there's a bond.

P.O. LINDSAY:
Oh, there's a bond. Same motion, same second. On the bond. Roll call.

(Roll Called by Mr. Laube)

LEG. D'AMARO:
Yes.

LEG. STERN:
Yes.

LEG. ROMAINE:
Abstain.

LEG. SCHNEIDERMAN:
Yes.

LEG. BROWNING:
(Absent)

LEG. BEEDENBENDER:
Yes.

LEG. LOSQUADRO:
Yes.

LEG. EDDINGTON:
Yes.

LEG. MONTANO:
Yes.

LEG. ALDEN:
Yes.

LEG. BARRAGA:
No.

LEG. KENNEDY:
Yes.

LEG. NOWICK:
Yes.

LEG. HORSLEY:
(Absent)

LEG. COOPER:
(Not Present)

D.P.O. LEG. VILORIA-FISHER:
Yes.

P.O. LINDSAY:
Yes.

MR. LAUBE:
Twelve.

P.O. LINDSAY:
Okay. So it passed. That concludes our business for the special session. I'll take a motion to adjourn.

LEG. SCHNEIDERMAN:
Motion.

P.O. LINDSAY:
I'll second it. All in favor? Opposed? Abstentions? We stand adjourned.

MR. LAUBE:
Fourteen.

(The meeting was adjourned at 12:31 P.M.)