

BUDGET AND FINANCE COMMITTEE
OF THE
SUFFOLK COUNTY LEGISLATURE
MINUTES

A meeting of the Budget and Finance Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on February 24, 2015.

Members Present:

Legislator Lou D'Amaro - Chairman
Legislator Monica Martinez - Vice-Chair
Legislator Tom Cilmi
Legislator Steven Stern
Legislator Robert Trotta

Also In Attendance:

Jason Richberg - Chief Deputy Clerk of the Legislature
George Nolan - Counsel to the Legislature
Justin Littell - Aide to Legislator D'Amaro
Debbie Harris - Aide to Legislator Stern
Greg Moran - Aide to Legislator Trotta
Bill Shilling - Aide to the Majority Leader
Tom Vaughn - County Executive's Office
Robert Lipp - Director, Budget Review Office
Rick Brand - Newsday
All Other Interested Parties

Minutes Taken and Transcribed By:

Gabrielle Severs - Court Stenographer

(*The meeting was called to order at 10:01 a.m. *)

CHAIRMAN D'AMARO:

Good morning. Welcome to the Budget and Finance Committee. Please rise and join the committee in the Pledge of Allegiance.

(*Salutation*)

Okay. Turning to the agenda, the committee has received correspondence. A hard copy of each letter has been provided to the committee. I'll read them both into the record. The first is a letter from County Resident Linda McGregor. She's a Selden resident regarding budget funding, and that letter is dated February 19, 2015; and the second is an e-mail from Joseph Pecorella of the comptroller's office regarding the nonprofit organization known as the Sunshine Center. That e-mail is dated January 15, 2015, and it addresses resolution number 1042 of 2015, which will be considered by the committee today.

Turning to the public comments, to the clerk, are there any cards this morning?

MR. RICHBERG:

No cards.

CHAIRMAN D'AMARO:

For the record, there are no cards. Is there anyone present who would like to address the Budget committee this morning? For the record, there's no response.

We have no presentations scheduled today.

We'll turn next to tabled resolutions. There are none.

So we'll go next to *Introductory Resolutions*, and the first is resolution number **1039 of 2015, Authorizing the Release of Sewer Grant Funds (Spencer)**. This is a bill authorizing the release of -- the use of \$19.4 million in excess funds. Now this had previously been approved by the legislature, but after the lawsuits that occurred and the referendum that was passed, I think the funding had lapsed and we need to reauthorize, so I'm going to offer a motion to approve.

LEG. MARTINEZ:

Second.

CHAIRMAN D'AMARO:

Second by Legislator Martinez. All in favor? Any opposed? Abstentions? Motion carries.
Approved (VOTE: 5-0-0-0)

Next is resolution **1040 of 2015, Amending the 2015 Operating Budget to provide funding for Babylon Youth Institute, Inc. From the Deer Park community organization to the Babylon Youth Institute (D'Amaro)**. It's transferring \$50,126 from the Deer Park Community Organization to the Babylon Youth Institute. I'll offer a motion to approve.

LEG. STERN:

Second.

CHAIRMAN D'AMARO:

Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **Approved (VOTE: 5-0-0-0)**

Resolution **1042 of 2015, Approving 2015 funding for a contract agency (The Sunshine Center, Inc.)**, transferring \$29,708 in funding. This bill was put in because, here, this organization administrative expenses exceed 20 percent of their programming expenses. This is where we received the e-mail today from Mr. Pecorella, and he says that that youth -- "The agency's administrative percentage was at 24.5 percent based on 2013 profit and law statement, and we're waiting to receive the form 990 in order to try and work with the organization to bring that number down as we did with several organizations last year. So is Mr. Pecorella here today, or are we just going with the e-mail?"

MR. LITTELL:

He's supposed to be here, but he's not.

CHAIRMAN D'AMARO:

Okay. So I think what we're going to do is I would suggest that we table this for today and give the organization an opportunity to work with the comptroller's office, so I'll offer a motion to table.

LEG. MARTINEZ:

Second.

CHAIRMAN D'AMARO:

Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. **Tabled (VOTE: 5-0-0-0)**

Next is **Resolution 1045 of 2015, Amending the 2015 Operating Budget to provide funding for the NAACP Long Island ACT-SO-Program (Martinez)**. Motion by Legislator Martinez. I'll second. All in favor? Opposed? Abstentions? Motion carries. **Approved (VOTE: 5-0-0-0)**

1055, To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature No. 421 (County Executive). I'll make a motion to approve and place on the consent calendar. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **Approve/Consent Calendar (VOTE: 5-0-0-0)**

Resolution 1056, To readjust, compromise, and grant refunds and chargebacks on correction or errors/Count Treasurer by: County Legislature No. 423 (County Executive). Same motion, same second, same vote. **Approve/Consent Calendar (VOTE: 5-0-0-0)**

Resolution 1059 of 2015, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 987-2015)(County Executive). Same motion, same second, without objection same vote. **Approve/Consent Calendar (VOTE: 5-0-0-0)**

Next is **Resolution 1060 of 2015, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 988-2015)**. Same motion, same second, same vote. **Approve/Consent Calendar (VOTE: 5-0-0-0)**

Resolution 1062 of 2016, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 989-2015). Same motion, same second, same vote. **Approve/Consent Calendar (VOTE: 5-0-0-0)**

Next resolution is **1066 of 2015, Amending the 2015 Operating Budget and appropriating funds in connection with bonding for a settlement for a liability case against the County (County Executive).** This is for a liability case against county. The bill approves \$110,000 for settlement of this case, and the settlement was previously approved by the Ways and Means Committee in executive session. I'll offer a motion to approve.

LEG. STERN:

Second.

CHAIRMAN D'AMARO:

Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **Approved (VOTE: 5-0-0-0)**

Resolution 1083 of 2015, Amending the 2015 Operating Budget and appropriating funds in connection with bonding for a settlement for a liability case against the County (County Executive). This is approving a \$100,000 settlement for negligence action against the county arising out of a bus accident. This settlement was also approved by the Ways and Means Committee in executive session. I'll offer a motion to approve.

LEG. STERN:

Second.

CHAIRMAN D'AMARO:

Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **Approved (VOTE: 5-0-0-0)**

Next is **Resolution 1085 of 2015, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 990-2015) (County Executive).** I'll offer a motion to approve and place on the consent calendar. Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. **Approved/Consent Calendar (VOTE: 5-0-0-0)**

Next is Resolution **1102 of 2015, Amending the 2015 Operating Budget to provide funding for the Brentwood Chamber of Commerce.**

LEG. MARTINEZ:

Motion.

CHAIRMAN D'AMARO:

Motion by Legislator Martinez. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **Approved (VOTE: 5-0-0-0)**

Finally is **Resolution 1105 of 2015, Amending the 2015 Operating Budget to provide funds for a study of opioid addiction and abuse related costs in Suffolk County (Calarco).** This has been requested by the sponsor to be tabled. I'll offer a motion to table. Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. **Tabled (VOTE: 5-0-0-0).**

There's no further business before the committee.

LEG. CILMI:

Mr. Chairman?

CHAIRMAN D'AMARO:

Yeah.

LEG. CILMI:

If we could --

CHAIRMAN D'AMARO:

Yes, sure.

LEG. CILMI:

-- before we adjourn --

CHAIRMAN D'AMARO:

What's up?

LEG. CILMI:

I'd like to ask through the chair if we could have our budget review director Dr. Lipp talk to us briefly at least about the status of our sales tax receipts.

CHAIRMAN D'AMARO:

Sure. Thank you, Legislator Cilmi. Dr. Lipp.

MR. LIPP:

So we ended last year with a deficit, I believe, of about \$19 million, most of it in Fund 477, so it remains to be seen what will happen this year plus cold weather doesn't help for starters, but hopefully there will be some pent-up demand that will show itself in increased revenues later in the year as we warm. We are in the process now of revising our number and forecasting what we think actually will happen for 2015. That being said, there is an approximate \$19 million deficit from that one particular source for 2014, but there are other pluses and minuses that we won't have the year-end fund balances until approximately April, early April.

LEG. CILMI:

So if I could just -- so we have \$19 million deficit as of last year. We have a prediction for this year, and we won't know for some time as to whether or not we think those predictions for this year will be accurate.

MR. LIPP:

So I guess the time that we'll be able to size all of this is for the late April committee meeting -- this committee meeting where we plan to have the annual joint presentation by the budget director of the Executive's and Budget Review Office to project not only full size 2014, what all the other pluses and minuses are, but we'll also be looking at the estimate for this year and projection for next year, sort of like mimicking a 2016 budget to see where we're at.

LEG. CILMI:

And in addition to this \$19 million deficit from last year, could you talk to us a little bit about what we expect to see in terms of accrued savings from the redesign, if you will, of our employee medical health plan and there were some savings that were promised to us in our adoption of some contracts, so could you speak to that a little bit?

MR. LIPP:

Okay. So it remains to be seen what's going to happen. What the legislator is talking about is there was a memorandum of agreement with the various bargaining units or unions a couple years ago that they would have 17 million annually in pharmaceutical savings and also there would also be potential savings associated with whether or not we overspent relative to the rate of inflation. The lookback period to see if we met those goals will be approximately in June. The employee medical health plan, EMHP will have, to the best of my understanding, the county's consultant for EMHP locked in size whether or not we received sufficient savings, in particular savings in 2013 and 2014. We'll do a lookback, so it remains to be seen what will happen there.

But if we want to exaggerate just to make the point, let's say there were no savings each of those two years, so that will be 17 million times two would be 34 million would be the lookback. And if that was the case, which I don't think will be the case, but just as an extreme case, at least on paper, according to the memorandum of agreement, the bargaining units or unions would have to then ante up, for lack of a better term, \$34 million, which would result in savings to the county. How that actually would happen, should the lack of savings be that large, remains to be seen. Right now, the 17 million in savings was attempted to be reached through mail order pharmaceuticals, which is a topic that some people are happy and some people are sad about, but it was, I guess, believed -- these are my words, though -- that that was probably the low-hanging fruit in terms of savings, so if it's not generating that level of savings, then supposedly EMHP with the aid of the consultant locked in would have to make a list of other savings that we could have.

So it's a little premature to say what's going to happen there, but that could be by midyear a very big issue related to the budget so one of the bigger issues for 2015.

LEG. CILMI:

And I guess, Robert, the last question I had was with respect to our pension obligation picture and amortization. When do we know what the next step is for us in terms of that? When is our next obligation presented to us.

MR. LIPP:

So we already paid our bill for 2015. The requirement is it has to be done by February 1.

LEG. CILMI:

Excuse me for interrupting. So we paid our bill for 2015, but what was the bill, and what exactly did we pay, and how much did we amortize then?

MR. LIPP:

Okay. So the bill that we paid was \$186.7 million. I can't believe I know it off the top of my head to one decimal place. And what we amortized -- that's the state's term for that we borrowed from them. It's a 12-year loan. They say it's not a loan, it's amortization. Okay, whatever. And we borrowed, I believe, a little bit less than \$60 million. We could have borrowed as much as 80 million, I believe. We borrowed 60 million, and we've been borrowing for several years now with that, and implicit in the \$186.7 million bill that we had is some debt service from previous amortizations.

LEG. CILMI:

And so when we do our budgeting in September of this year, how soon prior to that point do we know what or do we have a clear idea as to what next year's obligations is going to be?

MR. LIPP:

So the state gives us an estimate and then it's revised. I'm not sure of the date of the estimate. It

could be as early as April, but I'm not sure. Don't hold me to that. And then I believe their final bill would be in October, they would tell us what it is.

LEG. CILMI:

If I could ask, again through the chair, if you could prepare sort of a brief analysis of our -- of the operating budget implications to the amortization that we've done over the past few years. In other words, how much budgetary impact has there been as a result of the debt service created by the amortization.

CHAIRMAN D'AMARO:

Yeah. Legislator Cilmi, I don't think that would be difficult. I appreciate the request because we do that in all the working groups when we're putting the budget together, so, Rob, you should have that information.

MR. LIPP:

Not a problem.

LEG. CILMI:

Terrific. Thanks, Mr. Chair.

CHAIRMAN D'AMARO:

Yes, thank you. Just one question. Can you tell us the 19 million deficit for ending last year, which is not a final number yet, correct?

MR. LIPP:

It's approximately accurate for the sales tax piece.

CHAIRMAN D'AMARO:

That's the sales tax piece. Express that number as a percentage of total sales tax.

MR. LIPP:

It's considerably less than one percent. That being said, one of our problems are we probably need more sales tax revenue, but it's a very volatile source of revenue because --

CHAIRMAN D'AMARO:

Now the 19 million was the shortfall of not meeting the projection, right?

MR. LIPP:

Correct.

CHAIRMAN D'AMARO:

So the projection was considerably less than one percent off.

MR. LIPP:

Overall, yes.

CHAIRMAN D'AMARO:

Okay. All right. Does anyone else have any questions? All right. Is there any other business before the committee? I don't believe so. Thank you, everyone, for attending this morning. We are adjourned.

*(*The meeting was adjourned at 10:18 a.m. *)*