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 January 30, 2015.

Members:

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

Also In Attendance:

Jason Richberg – Chief Deputy Clerk of the Legislature
George Nolan - Counsel to the Legislature
Justin Littell - Aide to Legislator D'Amaro
Greg Moran - Aide to Legislator Trotta
Debbie Harris - Aide to Legislator Stern
Maria Barbara - Aide to Legislator Cilmi
Bill Shilling - Aide to the Majority Leader
Tom Vaughn - County Executive's Office
Robert Lipp - Director, Budget Review Office
Laura Halloran - 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 10:02 a.m.)

CHAIRMAN D'AMARO:
Goof morning, ladies and gentlemen. Welcome to the Budget and Finance Committee of the County Legislature. Please rise and join the committee for the Pledge of Allegiance led by Legislator Tom Cilmi.

(*Salutation*)

We have scheduled this morning -- well, first, through the agenda, there's been no correspondence received by the committee. We'll go to the public portion. I have not received any cards this morning. To the clerk, are there any cards?

MR. RICHBERG:
No cards, sir.

CHAIRMAN D'AMARO:
All right. Is there anyone present who would like to address the Budget and Finance Committee this morning? For the record, there is no response. We do have a presentation scheduled, but we've received word from the comptroller that he's running a few minutes late, so we're going to go right into our agenda; which next would be Introductory Resolutions. And also note for the record that Legislator Stern has an excused absence for today's committee meeting.

The first resolution is number **2169 of 2014, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 983-2014) (County Executive).** I'll make a motion to approve and place on the consent calendar.

LEG. MARTINEZ:
Second.

CHAIRMAN D'AMARO:
Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries.
Approved/Consent Calendar (VOTE: 4-0-0-1, Not Present: Stern)

Next resolution is **2172 of 2014, Amending the 2014 Operating Budget and appropriating funds in connection with bonding for a settlement for a liability case against the County (County Executive).** This is a settlement of a automobile accident. It's been approved by the Ways and Means Committee. I'll offer a motion to approve.

LEG. MARTINEZ:
Second.

CHAIRMAN D'AMARO:
Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries.
Approved (VOTE: 4-0-0-1, Not Present: Stern)

Resolution **1003 of 2015, Delegating authority to refund certain erroneous tax payments to the Suffolk County Treasurer (County Executive).** This would give authority to the treasurer to make refunds of up to $2500 or less based on a recommendation by the director of the Real Property Tax Service Agency. I will offer a motion to approve.

LEG. MARTINEZ:
Second.

CHAIRMAN D'AMARO:
Second by our vice chair, Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. **Approved (VOTE: 4-0-0-1, Not Present: Stern)**

Next is resolution **1011 of 2014, Authorizing the sale, pursuant to Local Law No. 16-1976, of real property acquired under Section 46 of the Suffolk County Tax Act Don Vielie (SCTM No. 0200-879.00-03.00-006.000) (County Executive).** Motion to approve and place on the consent calendar. Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. **Approve/Consent (VOTE: 4-0-0-1, Not Present: Stern)**.

Resolution **1012 of 2015, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 985-2015) (County Exec.)** Same motion, same second, and without objection, same vote. **Approve/Consent (VOTE: 4-0-0-1, Not Present: Stern)**.

Resolution **1013 of 2015, To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer By: County Legislature No. 420 (County Executive).** I'll offer a motion. Same motion, same second, same vote. **Approve/Consent (VOTE: 4-0-0-1, Not Present: Stern)**.

Last is resolution is **1014 of 2015, To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 986-2015) (County Executive).** This is control number 986 of 2015. Once again, same motion, same second, same vote. **Approve/Consent (VOTE: 4-0-0-1, Not Present: Stern)**.

That concludes the legislative business. We will now take a short recess and wait for the comptroller and go forward with our presentation. Thank you.

(*A recess was taken from 10:06 a.m. until 10:13 a.m.*)

Back on the record and good morning. I'd like to welcome our comptroller, John Kennedy, to the committee meeting this morning. Comptroller Kennedy, I'd like to welcome you on behalf of all the committee members. I understand you're here this morning to present to us to discuss a proposed bond refunding.

COMPTROLLER KENNEDY:
Yes, I am, Mr. Chair, and thank you to the committee and thank you for the opportunity to be able to present and to have us on the agenda, though weather issues and everything else. First, let me introduce who I have with me today. To my left, I have my new chief deputy, Lou Necroto. He's just come on board, comes with a long background in finance, comes to us from Town of Smithtown, and very steeped in the business of municipal finance and municipal operations. To my right, I have Richard Tortora, a principal for capital market advisors. Certainly, he is somebody who is known to the committee here. He's been with the county for, what, probably about 10 years or so.

MR. TORTORA:
About 22.

COMPTROLLER KENNEDY:
Twenty-two; there ya go. Go figure. So Richard knows a thing or two about where things are at with our finances. To his right is the vice president, Mr. Nash. He has been working very closely with our staff on the preparation for this issue. And to the extreme right is Frank Bayer. Frank Bayer is our executive director of audit functions; another gentleman who has been with the office about 25, 30 years or so, very versed in county operations, audit, and the general notions associated with what we do as municipal corporation of finance.

So here I am, less than one month into the new gig, and lo and behold, market circumstances have presented what is -- actually what I think and what we believe is quite a positive opportunity for the county to realize savings not only today but for the next -- what is it, about 12, 13 years?

MR. TORTORA:
12 years.

LEG. KENNEDY:
Right. Associated with refunding of bond issuances that we did when I was on the other side of the horseshoe back in 2006. The purpose for being here today, Mr. Chair, is twofold: one, to give the committee the opportunity to hear about the particulars of this matter, but also to not apologize but to do what I always had wanted and we all want as legislators -- and as you can see, I'm struggling here; you know, right brain, left brain. I am asking the county executive for a certificate of necessity and had to do so and have been told that yes he would be happy to go ahead and present this simply because of the issues associated with the calendar, our legislative -- or the legislative calendar -- associated with the timing for presenting this refunding opportunity and where we were from the organizational meeting to where we will be coming up to our General next Tuesday.

Added to that is the request for the CN, which actually will be a modification to refunding authorization that was done in 2013. In that resolution, we authorized a series of re-fundings that could be executed by the comptroller if and when the timing presented itself based on interest rates and maturities as they would come forward. That multipage resolution -- and I just took the opportunity to read it again -- did have one clause in it that limited the refunding opportunity to what is called a negotiated sale only, and, in fact -- and I am going to turn it to Richard now. He'll tell us a little bit about how market conditions seem to have become a little bit more favorable and quite frankly the demand for Suffolk County's bond issuances has increased to the point where asking for amending the resolution allow for open competitive sale will result in a lower interest rate for us, which, in fact, will be an increased savings. How's that? Did I get it?

MR. TORTORA:
Right on target.

LEG. KENNEDY:
Okay, Richard, if you could, please.

CHAIRMAN D'AMARO:
John, let me -- just before you pass it over, let me just ask you, the CN that you're expecting, that would be for the next general session?

LEG. KENNEDY:
For February 3, third; yes, Mr. Chair.

CHAIRMAN D'AMARO:
Right. And is the only change that you're looking for to that 2013 resolution is to open it up beyond the negotiated sale?

COMPTROLLER KENNEDY:
Yes, and as a matter of fact, what that will do is hopefully if we are continuing to be on the upswing as far as our financial condition and as we go forward in the calendar, there may be future re-funding opportunities that present themselves, and I've always been of the mind as many of us have been that if we can go out there and go open, then we're going to have some bona fide arm's length competition and ultimately get the cheapest weight that we can on our issuances.

CHAIRMAN D'AMARO:
But right now you do have an opportunity to do a refinancing of some of the bonds, but you want to have more expansive authority to go beyond the limited sale.

MR. TORTORA:
Negotiated.

CHAIRMAN D'AMARO:
Negotiated sale.

COMPTROLLER KENNEDY:
Yes, the negotiated sale is a different transaction in that we actually solicit or go through a short list of possible underwriters, but in so doing, there is an additional expense associated with the inside review that that purchaser has to undertake. If we're going open, we not only get the opportunity to get a better interest rate, but we also eliminate a component of the origination cost as well, I believe.

CHAIRMAN D'AMARO:
All right. Very good. You know, I'd be curious as to why we limited the methodology in the first place, but I'm sure, Rich, you'll get into all that.

COMPTROLLER KENNEDY:
Yes, why don't we -- go ahead, Richard, if you would, please.

MR. TORTORA:
Thank you. Good morning. As I'm sure all of you know, the county on a rather regular basis refinances outstanding bonds. Actually, most municipal securities are indeed refinanced prior to their maturity across the United States, so the opportunity that's before us today is for the county to refinance or refund, which is the industry term, two series of bonds issued in 2006. So series A and series B bonds. In the past, the county has indeed sold refunding bonds both via negotiation and via competitive sale. A negotiated bond underwriting, the process would involve us putting together an RFP, a request for proposals, circulating that amongst the investment banker community, getting proposals back and then selecting one or more underwriters who will then take us into the market and sell the bonds on behalf of the county.

As an alternative to that, we could sell the refunding bonds in the same manner in which the county sells all of its new money debt, which is at competitive sale where my firm puts together the official statement, the notice of sale, with bond counsel, circulates that to the investment community, and then on a given day, given time, we take competitive bids. It's a competitive sale, so any investor in the market can bid on it.

The reason why we're recommending a competitive sale this go around, as John said, as the comptroller said, was a couple of reasons. This is a relatively easy transaction in that we're going to be issuing two series of refunding bonds to replace two series of old outstanding bonds. Some of the other refunding that we've done in the recent past with the county, we've issued as many of two or three series of bonds to refund as many as five or six series of outstanding bonds, so this deal is quite a bit easier than those transactions.

Also, I'm starting with the fiscal crisis in 2008. The county's finances deteriorates as did most jurisdictions across the United States, and with that, their credit rating started to go down, so we thought it was somewhat risky business ti go into the market with a competitive sale when the credit rating was moving. But now that the credit rating seems to have solidified in the A category, we're confident that the county can indeed do better selling these bonds via competitive sale.

The last thought is bond counsel, Harris Beach, when this resolution was drafted by that firm, they were relatively new to the county so I suspect -- normally we give ourselves in the resolution the option to do either competitive or negotiated, and frankly, we didn't even realize until we were preparing this transaction that we didn't have that option in the resolution, so that's why we're before you today.

CHAIRMAN D'AMARO:
All right. So there are three primary reasons that you cited in order to permit the comptroller's office to refinance two series of bonds from 2006; one, it's an easy finance in the sense that it's only two series, it's not three, four, or five. Explain to me why that makes a difference.

MR. TORTORA:
Sure. When there are multiple series of refunded bonds, old bonds, the deal is quite a bit more complicated. Typically, when the county goes out and issues serial bonds, they might be funding over a hundred different purposes: road projects, bridges, parks, et cetera. It's just a lot more complicated. Having the banker on board to run the refunding numbers sometimes just makes it -- eases the transaction. The refunding issue is very time-sensitive. Things have to happen very quickly on the day the bonds are sold, so a complicated transaction, we're under the impression that occasionally having a banker on board is helpful.

CHAIRMAN D'AMARO:
Just so I understand, when you do a negotiated sale and you do an RFP, that RFP is to secure the financial company that will manage the refunding.

MR. TORTORA:
That's correct.

CHAIRMAN D'AMARO:
So rather than securing that company by RFP, you're going to competitively secure that company.

MR. TORTORA:
That's correct. So on the day of the sale --

CHAIRMAN D'AMARO:
The same thing happens after that point going forward where you're refunding the bonds and reissuing bonds.

MR. TORTORA:
Sure.

CHAIRMAN D'AMARO:
Right.

MR. TORTORA:
With a competitive sale, just as with your new money sales, any banker in the market anywhere in the country can bid for those bonds, and whoever offers to purchase them at the lower interest rate, that's who wins the deal.

CHAIRMAN D'AMARO:
Right. So when we're talking about a negotiated sale as opposed to a competitive sale, it's really about how we go about retaining the financial company that's going to manage this refunding for us. It's not the actual sale and refunding of the bonds.

MR. TORTORA:
It's both, actually.

CHAIRMAN D'AMARO:
It is both? Okay.

MR. TORTORA:
So in a negotiated sale, we go through an RFP process and select an underwriter. Then on the dale of the actual sale, it's called a "pricing" in the negotiated sale, that underwriter and its desk of bonds traders, bond salesman, they go out and they make the phone calls to sell your debt as compared to a competitive sale where 20 different financial institutions might be looking at the issue and on the day of sale, we might get 567 bids from as many financial institutions who are now looking to buy your debt.

CHAIRMAN D'AMARO:
So in a competitive sale, then, who an actually managing that? Would it be your firm that's managing that?

MR. TORTORA:
It is, correct.

CHAIRMAN D'AMARO:
Okay. As opposed to having gone out to RFP to get a management firm in place.

MR. TORTORA:
So the investment banking services that you hire an investment banker to do, structuring the deal, helping you secure credit ratings, helping you secure credit enhancements if necessary, and writing the official statement. In a competitive deal, our firm does that. In a negotiated deal, as the comptroller alluded to, there's underwriter and underwriter's counsel. Together, they pick up some of those responsibilities.

CHAIRMAN D'AMARO:
And you feel that by doing the competitive sale, it will benefit because our credit rating is more stable now than it was over the last several years and you're more comfortable doing the competitive-type sale as opposed to negotiated sale. But at the end of the day, will it actually net a

savings to the county?

MR. TORTORA:
Correct on both counts. We believe that the competitive market forces based on the stable credit rating at the A level will be attractive to a number of investors, and we think will get a better result.

CHAIRMAN D'AMARO:
Right, but you lose the guarantee of the sale in effect; is that correct?

MR. TORTORA:
Entry costs --

CHAIRMAN D'AMARO:
Because now if you don't have the underwriter in place who was put in place by RFP, they're going to guarantee the placement, as opposed to competitively, you're more hoping you can fulfill the transaction.

MR. TORTORA:
It's an interesting question. We've never had a failed sale -- I don't think there's been a failed sale in New York State in maybe decades. "Failed sale" meaning you go out into the competitive marketplace and you don't get bids. We can say with 99.999 percent surety that you will indeed get one or more bids at competitive sale. I'd like to think you'll get five or more.

CHAIRMAN D'AMARO:
I'm just curious, and I do agree with you, but what happens if you do not?

MR. TORTORA:
You would -- then I suspect you'd probably negotiate. But it's interesting; if you couldn't sell the bonds at competitive sale, that would be a very frightening prospect because there's no investor, institutional retail, et cetera in buying the debt. Unless something catastrophic happens in the market, the likelihood of that we think is very remote. But to answer your question, if indeed it did happen, we would probably come back, regroup, and go out a couple of weeks later with a banker.

CHAIRMAN D'AMARO:
Okay. So you always have that option.

COMPTROLLER KENNEDY:
Mr. Chair, can I add to that? So two things that have prompted me to be able to, A, want to go forward with this refunding opportunity, but, B, to go ahead and talk with Richard and Anthony quite frankly in depth since probably about two and a half weeks to go through this process. And financial advisors, I guess, do their best to go ahead and, you know, bring us what their sense of the market is; Richard's had over two decades of experience for us with that. They handle municipal clients from throughout the state, but, you know me, I've always been a pragmatist and I like look at the actuals. Yesterday, we talked about -- Beth brought to me -- what the experience was for the last competitive. That was the DTAN, I guess in September, which, in fact, was a $100 hundred million issuance.

MR. TORTORA:
The TAN in December was 400 million.

COMPTROLLER KENNEDY:
But that was the negotiated. The competitive was the one -- right, a $100 million issuance that was back in September that was done competitively that yielded a rate that was extremely lucrative -- point -- .48, .5 -- and in fact was subscribed seven to one, seven and a half to one. In fact, 750 million worth of Suffolk County paper could have been acquired in that offering that, in fact, was a 100 million. And in addition, my recollection was is there was premium that was tendered. Jeffreys (ph) was the purchaser, so we have the general sense but we always also have the direct experience from four months, five months ago in a market that all things being equal is relatively similar to where we are at right now.

CHAIRMAN D'AMARO:
Right, but doesn't the high demand reflect that maybe the interest rate off it was too high?

COMPTROLLER KENNEDY:
No, quite the contrary -- well, let me let Richard give a more informed opinion.

CHAIRMAN D'AMARO:
My only point with that, John, is that I understand your point that it is a secure and safe and appropriate way to go forward in doing the refunding and the refinancing of these bonds because there is the demand for it and had the refunding and refinancing of these bonds because there is the demand for it, and we've been very successful, overly successful in doing that.

COMPTROLLER KENNEDY:
Sure.

CHAIRMAN D'AMARO:
But being a pragmatist like you are, the question becomes at the end of the day, end of the process, you choose the competitive process over the negotiated process, what's benefit? Are we netting a better deal for county taxpayers than we would be had we gone to the negotiated sale? That's the question.

COMPTROLLER KENNEDY:
Yes. Yes on two counts: one, we've talked a little bit about it and again this is -- nobody can actually say with a hundred-degree certainty what the issuance is, but we've talked at -- in terms of placement and negotiated compared to competitive, it could be as many as 15 to 20 basis points difference in our favor of going competitive, and that's important for a couple reasons. This issuance is a little atypical in that the face issuance will be six million more than what we're retiring because call date is not until '17, May of '17 -- '16, I'm sorry, '16; but nevertheless, the spread in interest, we are retiring paper that's at four and a half -- four to five and replacing it with an interest rate at about 2.15.

CHAIRMAN D'AMARO:
So it makes sense to over subscribe and then pay later.

COMPTROLLER KENNEDY:
Absolutely.

CHAIRMAN D'AMARO:
Okay. Thank you for answering my questions. There are other questions from committee members. Legislator Cilmi, please go ahead.

LEG. CILMI:
Thank you. Just quickly, the resolution that we'll be presented with on Tuesday, does that give you the authority exclusively for this issuance, for this refunding to go competitively, or does it give you a blanket authority to choose based on marketing conditions in the future whether to do so competitively or through a negotiated sale?

COMPTROLLER KENNEDY:
Thank you, Legislator Cilmi. The language that we've asked for -- I've not seen the resolution yet. As a matter of fact, yesterday afternoon, John Schneider did confirm that it was prepared, and I believe that we got sample language from Harris Beach bond counsel, but it is to amend -- and of course I should have the adopted res number in front of me, but I do not. It is to amend the res from '13 that, in fact, gave authority for refunding of issuances from 2005 probably up through about --

MR. NASH:
2008.

COMPTROLLER KENNEDY:
'08.

MR. TORTORA:
Yes.

COMPTROLLER KENNEDY:
Okay. So to your question, yes, I anticipate that we'll have the same opportunity going forward as we begin to calculate for the seven and eight issuances as we go forward.

LEG. CILMI:
And the resolution that we'll be presented with will give you the authority, then, to choose between the competitive process and the negotiated process moving forward.

LEG. KENNEDY:
Absolutely. All things being equal, obviously if economic conditions continue to improve for the county and the market stays stable, then all things being equal, we're always going to seek to go competitive because as I've said, we get that double benefit, if you will, a more competitive rate on the paper and we shave some of the origination costs by eliminate an underwriter's counsel, so in a quest to go ahead and benefit the taxpayer, that's the route we're going to go.

CHAIRMAN D'AMARO:
Okay. Thank you, Legislator Cilmi. Legislator Trotta, please go ahead.

LEG. TROTTA:
I got a lot of questions. The hundred million dollars that competitive that you put out in September, why did you put out -- why wasn't the 400 million put out in December the same way?

MR. TORTORA:
September was a $100 million issue competitive sale. Because it was a $100 million issue and the market appetite, we were very confident that we were going to do very well, and indeed we did. When we got to December and now we were selling a $400 million issue at the same time when there were other very large note issues in the market, we thought we were better off negotiating that to, for one of the reasons that Mr. D'Amaro brought up, we wanted to make sure that we

confidently sold all the notes besides made the --

LEG. TROTTA:
But you'd never not done that before.

MR. TORTORA:
I'm sorry. Say that again.

LEG. TROTTA:
You said that you never not did that -- it always sold. Never in the history of New York State were your (indiscernible).

MR. TORTORA:
Well, correct, but again, we're talking notes versus bonds. So on bond issues, you always sell bond issues. We have had virtually no problems in the last 25 years selling notes, either, but we make that distinction. Market conditions are the driving factor in how we sell debt, whether we negotiate it or we sell it competitively. If we're selling a large issues -- 400 million is a very large issue -- in December when there's not a lot of time of cash available in the market and we knew that there were other large note issues being sold at the same time, one being Nassau County, because of those reasons, we opted to go negotiated with them.

LEG. TROTTA:
What percentage rate did you sell those at?

MR. TORTORA:
It was probably around a half a percentage point.

LEG. TROTTA:
So not substantially more than the other ones.

MR. TORTORA:
No.

LEG. TROTTA:
Okay. Obvious question is why are we waiting -- why didn't we refinance these bonds a year ago?

MR. TORTORA:
Good question. With the passage of time, some debt is more attractive to refinance than other debt, and it's because of the way a refunding works. So if we go into the market and sell these refunding bonds as planned in mid-February -- we close in early March -- unlike, say, a home mortgage, which you pay off the day you close on the new mortgage, in an advanced refunding, which is the case here, we can't use the proceeds from the new issue to pay off the old issue until we can call in those old bonds. So the series A bonds can't be called in and paid off until May of '16, and the series B bonds can't be called in and paid off until October of '16.

The problem is this: When we borrow the new money, we're going to borrow it probably something around two and a quarter percent or less. Once we close on that deal the first week of March, we have to invest those bond proceeds in U.S. Treasury security so they are secure and they're available when we need them in May and October of next year. Because the treasuries are going to yield probably less than half a percentage point, every day the money sits in the bank, you lose money. So the reason why this transaction works now and didn't work a year ago is because we're that much closer to the call date. If this money sat in the bank until 2017, you'd eat up all the savings and the deal wouldn't make sense.

LEG. TROTTA:
So how much are we going to really save by this transaction?

MR. TORTORA:
This transaction is expected to save in excess of $4.5 million in total over the next dozen years commencing this year, 2015, through and including 2026.

LEG. TROTTA:
So these are 18-year bonds that we're retiring?

MR. TORTORA:
The term of the original bonds were 20-year bonds, and there's a dozen years left on them.

LEG. TROTTA:
Okay. So we could have saved money last year but just not as much money? I'm not math whiz but --

COMPTROLLER KENNEDY:
Legislator Trotta, there's one other element that I'm going to ask Richard to confirm here. Besides being fiscally responsible and always looking at the full range of debt issuances that we have out there and identifying opportunities, we actually have some legal parameters wrapped around this. First, in the process of retiring and reissuing, we can never go beyond what the outside window of the initial issuance is, so a 20-year bond let in the first instance can only be refunded and retired based on what this smaller time period is that we're in now. Secondly, we have a minimum percentage benefit that we have to realize before we can pull the trigger, and that is -- two and a half or three.

MR. TORTORA:
Three.

LEG. KENNEDY:
Three percent.

CHAIRMAN D'AMARO:
Where does that requirement come from, John?

MR. TORTORA:
The New York State comptroller reviews all refunding bond issues in the state and the comptroller's rule of thumb is to if an issue generates three percent present value savings as a percentage of the amount of debt that you're refunded, then it's deemed to be ripe.

So you're probably correct: We could've done this transaction last year, but the level of savings, rather than be where they are now, which is over five percent, it might've been under one percent because of the losses that we would've experienced while the money sat in the escrow account for that extra year.

LEG. TROTTA:
I get it. You're taking $6 million more, is what you said, than --

COMPTROLLER KENNEDY:
The $6 million, yes, as a matter of fact. So the underlying face value on the issuance is approximately 78 million, and the new issuance going out will be 84 million, but in fact, there will be the one 6 million sinking fund that is created, which, as Richard just explained, will be the repository. There is a custodian that is named who will hold the funds for the purpose of making interest payments up to the point where we can legally call; then we will go ahead and retire and even with the step-up in face issuance, we will still wind up realizing four and a half million worth of savings over the balance of the life of this issuance resulting in this year a $350,000 relief to the budget.

Now, as many of you know, I spent about a decade harping about pipeline debt, so when I gave my correspondence to the county executive as well as to the presiding officer, I did make the suggestion that I would ask both sides and branches possibly-making entities to possibly identify another six million to go ahead and retire it so that we look at keeping a handle around our total in pipeline debt. But nevertheless, the savings is real. It's real this year. It's real over the balance of each of the successive years, and so I felt strongly that it was the comptroller's responsibility to come forward and take advantage of this opportunity.

LEG. TROTTA:
One more question. It's going to be retired at the same time, so this money you're borrowing is for 12 years.

MR. TORTORA:
The new issue does not extend the term --

LEG. TROTTA:
Is there a law that says it can't be more than that?

MR. TORTORA:
When you issue debt, the local finance law, every project for which you issue debt is assigned a period of probable usefulness by the state legislature. And so let's say you're doing a police car, it's five years; you're doing a heavy dump truck, it's 15 years, so based on all of those periods of probable usefulness, we come up with a maximum term for the bonds and then you can't extend that term.

LEG. TROTTA:
Okay.

CHAIRMAN D'AMARO:
Excellent. So, Rich, there's a floor that's set by state law for savings if you're going to refund bonds in state law?

MR. TORTORA:
Correct. Again, it's informal again. The rule of thumb is three percent, but if you were a jurisdiction that was in fiscal distress and you're doing a refunding that only generated two percent present value savings, the comptroller would nevertheless --

CHAIRMAN D'AMARO:
Right, but you need to get past the comptroller.

MR. TORTORA:
Correct. It's always subject to his review and approval.

CHAIRMAN D'AMARO:
And it has to be approved, actually approved.

MR. TORTORA:
Correct, and we give them, from when the deal prices to when it closes, we give them about three weeks so they can go through their review process.

CHAIRMAN D'AMARO:
All right. And, Comptroller Kennedy, I just want to make absolutely clear the 4.5 million net savings over the term is net of the additional interest that's going to be paid as we're waiting for the call date and any other fees, expenses associated with --

COMPTROLLER KENNEDY:
All issuance costs and the balance of any other expense that are associated with this have been netted out, and we will realize that cumulative amount of savings, and in fact we'll get some additional benefit by this opportunity to come to you and have the flexibility to go competitive.

CHAIRMAN D'AMARO:
Very good. Okay, then. Are there any other questions from the committee at this time? Okay. Sounds like a home run to me, and we're going to save 350,000 in interest this year alone.

COMPTROLLER KENNEDY:
Yes.

CHAIRMAN D'AMARO:
Yes, we'll have relief, and as a matter of fact I'm looking for other opportunities and we'll be back before you again soon. Thank you for the opportunity. I will be available on Tuesday when the CN comes in. I was never a fan of CNs, so you guys get to grill me.

CHAIRMAN D'AMARO:
As long as we're saving money, why not, right?

COMPTROLLER KENNEDY:
There you go.

CHAIRMAN D'AMARO:
All right. Comptroller, thank you very much. Rich, thank you. Gentlemen, thank you all for the presentation, and we are adjourned.

LEG. KENNEDY:
Thank you so much.

(*The meeting was adjourned at 10:45 a.m.*)