

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 Tuesday, July 21, 2015 at 10:00 a.m.

Members Present:

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

Also In Attendance:

George Nolan - Counsel to the Legislature
Jason Richberg - Chief Deputy Clerk
Robert Lipp - Director, Budget Review Office
Justin Littell - Aide to Legislator D'Amaro
Debbie Harris - Aide to Legislator Stern
John Kennedy - Suffolk County Comptroller
Brenda Sloan - Audit and Control
Louis Necroto - Chief Deputy Comptroller
Elizabeth Guerriero - Audit and Control
Rick Brand - Newsday
All Other Interested Parties

Minutes Taken By:

Gabrielle Severs - Court Stenographer

Minutes Transcribed By:

Kim Castiglione - Legislative Secretary

(*The meeting was called to order at 10:06 a.m.*)

CHAIRMAN D'AMARO:

Good morning, Ladies and Gentlemen. Welcome to the Budget and Finance Committee of the County Legislature. Please rise and join the committee in the Pledge of Allegiance led by Legislator Trotta.

Salutation

CHAIRMAN D'AMARO:

Thank you. All right. Looking at the agenda this morning, the committee has received some correspondence. We're just printing it out now. I'll have that for you in a moment. We'll get to the Public Portion. To the Clerk, are there any cards?

MR. RICHBERG:

We have received no cards, Mr. Chair.

CHAIRMAN D'AMARO:

No cards. Thank you. Is there anyone present who would like to address the committee this morning? For the record, there's no response. There are no presentations. Dr. Lipp, good morning. Is there anything you'd like to say before we start the agenda?

MR. LIPP:

No.

CHAIRMAN D'AMARO:

Okay. And just being distributed to the committee is correspondence from the Office of the Comptroller, John Kennedy. It is a memorandum dated July 20 of 2015 addressing the Tax Anticipation Note Resolution No. 1534 of 2015, and that will be included in the record. The next section on the agenda this morning are Tabled Resolutions.

Tabled Resolutions

I'll call the first. **1105-2015 - Amending the 2015 Operating Budget to provide funds for a study of opioid addiction and abuse related costs in Suffolk County (Calarco)**. At the sponsor's request, they'd like to table this resolution. I'll offer a motion to table.

LEG. STERN:

Second.

CHAIRMAN D'AMARO:

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

Resolution **1265-2015 - Approving County funding for a contract agency (Gerald Ryan Outreach) (Pres. Off)**. At the sponsor's request, again tabled. I'll offer the motion to table. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

Resolution **1347-2015 - Amending the 2015 Operating Budget to provide funding for membership in the Interstate Chemicals Clearinghouse (Hahn)**. I'll again offer a motion to table at the sponsor's request. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

Introductory Resolutions

The last resolution is ***1534-2015 - Tax Anticipation Note Resolution No. -2015, Resolution delegating to the County Comptroller the powers to authorize the issuance of not to exceed \$105,000,000 Tax Anticipation Notes of the County of Suffolk, New York, in anticipation of the collection of taxes levied for County purposes or returned to the County for collection for the Fiscal Years commencing January 1, 2012, 2013, 2014 and 2015, and to prescribe the terms, form and contents, and provide for the sale and credit enhancement of such notes (Co. Exec).*** I will offer a motion to approve.

LEG. MARTINEZ:

Second.

CHAIRMAN D'AMARO:

Second by Legislator Martinez. Our Comptroller, I believe, was on his way to speak on this. Are there questions from the committee on this particular bill?

LEG. TROTТА:

Yes.

CHAIRMAN D'AMARO:

Okay. Is there anyone here from the Comptroller's Office? Come on up. Did you have any kind of presentation you wanted to make or did your office or does the Comptroller have a presentation, or are you just here for questions.

MR. NECROTO:

These were e-mailed out last night.

CHAIRMAN D'AMARO:

Okay, yes. That's the memorandum I just read into the record. So did you want to make a presentation, or were you here to answer questions?

MR. NECROTO:

I believe Comptroller Kennedy may have a presentation.

CHAIRMAN D'AMARO:

Okay.

MR. NECROTO:

Short of that, basically to answer questions.

CHAIRMAN D'AMARO:

Okay. Well, we'll wait until 10:15 according to the clock in the back of the room. Did you gentlemen want to start with some questions?

LEG. TROTТА:

Yeah. I just want to maybe -- to Dr. Lipp, about the state of our finances since the sales tax revenue came in substantially less than we thought it would and its effect on this TAN.

MR. LIPP:

Well, there is like only an indirect relationship, so the sizing of the TAN is determined by the Comptroller's Office. They have a model I guess you'd refer to it as, for cash flow and the way they're making those calculations they figured they'll probably need to do a hundred million out of the 105. That being said, Brenda Sloan probably could speak to whether or not the current taxes are already implicit in the cash flow or not since she puts it together and she's here.

CHAIRMAN D'AMARO:

Comptroller, good morning.

COMPTROLLER KENNEDY:

Good morning, Mr. Chair. How are you?

CHAIRMAN D'AMARO:

Good. We have before the committee pending the resolution 1534 for the Tax Anticipation Note. We appreciate you being here to answer any questions, and there are several from committee members. So Legislator Trotta, you had the floor. Please continue.

LEG. TROTTA:

Just in relation to the drop in the sales tax revenue. We're looking at a \$70 million shortfall this year. Is there any relationship between this TAN and that shortfall?

COMPTROLLER KENNEDY:

Let me, if I can for a moment, folks, just speak a little bit to that and then I'm going to turn it over for the specifics to Brenda and the rest of my team. The sales tax receipt and the cycle ultimately factors into what our overall revenue flow is, obviously everybody is well aware of that, but as to what you're seeing with you before you today with the delinquent Tax Anticipation Note, I believe each of you should have a memo before you. Were we able to hand that out? Yes. Okay. So you can see what, in fact, actually has been the borrowing associated with the DTANs for the last ten years. In fact, it has remained somewhat stable, and if we go back three or four years ago, in fact, our DTAN borrowing actually was higher. That is a function of the rate at which we have residents that are actually making payment on both the General Fund Levy and the Special District Levy.

So the DTAN really is a function of what's going on out there in the economy and property owners willingness to go ahead and timely pay on their property tax in all categories, and it is one of the most reliable forms of revenue that we have before us. And again, as you've heard me say before and we have said before when we come before you, what you're seeing with this borrowing is somewhat of a function of what we have associated with the Suffolk County Tax Act.

As to a direct correlation between DTAN and sales tax, no, unless you look at the broader overall category of revenue. Tax revenue is revenue, sales tax revenue is a revenue, just as Federal and State aid is a revenue, and all of it combined together we look at as revenue to the County for support of expenditure. So that's how I'd characterize it.

LEG. TROTTA:

And I'm looking here, well, first, the resolution says 105 million and your memo says 100 million.

COMPTROLLER KENNEDY:

It's typical for us to come in at a level that may be somewhat over where we ultimately actually rack up the borrowing at. If you will recall, the Revenue Anticipation Note, the authorizing resolution I believe authorized us to go to 75 million and, in fact, what we actually executed for was 55 million. Part of that is a function of time from when the resolution is first drawn, submitted by the Exec's Office, put into a packet, laid on a table here into the committee. It's a fluid environment out there. Every one of us sees where things are going as far as interest rates. They're up, they're down. That all goes to the actual cost associated with what we wind up going out for and, quite frankly, the cycle associated with our receipt, particularly of Federal and State aid. So what looked like in the early part of the year would be a need for us to go to 75, when we actually pulled the trigger and went out into the market in March I believe it was, we only had to go in at 55.

So what you're seeing here is somewhat of an element of caution, if you will, but we're also saying, again, and I'll defer to Brenda specifically on this one for the cash flow, it appears that our need in order to go ahead and plug a, I don't want to call it plug a hole, but to meet a revenue requirement

that comes up in late September, early October, is right around in that area.

LEG. TROTTA:

And this is covering the real estate portion of homeowners' taxes, correct?

COMPTROLLER KENNEDY:

Yes. As a matter of fact, DTAN basically is the general tax levy associated with not only General Fund, but also with the Special District of across, what is it now, 570 -- about 580,000 discreet parcels of property throughout the County of Suffolk. Again, remember Special District is only levied on our West End, our five West End towns. General levy is across the whole of the ten towns in the County.

LEG. TROTTA:

So what you're saying, for the General Fund we collect \$50 million.

COMPTROLLER KENNEDY:

About, yes.

LEG. TROTTA:

Approximately 49 million.

COMPTROLLER KENNEDY:

Yes.

LEG. TROTTA:

And the Police District we collect substantially more than that.

COMPTROLLER KENNEDY:

What did we come in, 480, 490, somewhere the levy was.

LEG. TROTTA:

What we're saying is 10% of the people aren't paying? A hundred million dollars on \$550 million.

COMPTROLLER KENNEDY:

Well, let's make sure that we get a fair representation of what we're looking at by each year. First of all, we once again have to go down into the Suffolk County Tax Act and recall that especially when we're talking about owner occupied residences we can have open years going back four years. So if you look at the percent unpaid in each of the calendar years, and I believe we have that in the chart, right? We have approximately 2%, 3%, in the most remote year, and then as we come to the most current I think we're less than what, less than 1%. What does it look like?

If you look at the chart, page two, Legislator Trotta, that will show you what we have in the way of opens. So obviously it goes to the highest amount and the most current year, but as you rollback over the four years, you go back to 2012 and it's .34, less than one-third of 1% of property tax that was due under that 2012 levy remains open.

LEG. TROTTA:

So this year 2.84% of the people didn't pay their taxes.

COMPTROLLER KENNEDY:

Yes.

LEG. TROTTA:

That's interesting. When you're asking for \$100 million on \$550 million worth of revenue, that's a big percentage.

COMPTROLLER KENNEDY:

Well, again, if we look at 100 million that is in our current year, if we were going to apply the analogy or the logic, if you will, then we would be looking at the levy that we would have over the last 48 months, and I guess we would probably be looking at a couple of billion I would imagine. Robert, wouldn't that be? I'm just looking at the top note on the chart there, the total tax warrant. Twenty billion, 21, 22 billion I guess. That's what our backdrop would be if we were going to compare the request for the 100 million reflective of the four years that are open.

LEG. TROTТА:

It's two billion, not 20 billion.

COMPTROLLER KENNEDY:

Total warrant, yes, as a matter of fact, again. So let's make very sure that we keep our apples, apples and our oranges, oranges. Total warrant, of course, as you know, is the warrant that we adopt across the board for all taxing entities, County, town, school, water district, village, the whole magilla. For our levy specifically, yes, we would be looking at, again, in this year I guess we were at about 550 and it would be close to that, I guess, if you went back over the last three years. So we would bump up roughly close to two billion.

LEG. TROTТА:

That's still a substantial -- I mean, if we collected five and a half million dollars, excuse me, \$550 million this year, and we're borrowing 100 million to keep us going, that's not good. It's like, you know, 17% of our revenue we're borrowing every year that we're not getting. That 2.84% this year, is that indicative of the years before? Is it getting worse, is it getting better, is it always about 3%?

COMPTROLLER KENNEDY:

That's where we also -- do we have that capture? I'm going to turn over to Brenda for that one because that's why we gave you the third page that shows what you've had actually, in fact, over the last ten years.

MS. SLOAN:

It is typically about two to three percent at this time of year. I mean, in this schedule that you have, too, there's also estimates. Brookhaven, East Hampton, Huntington, Southampton, Southold, have still not reported their final tax collections at this point in time. So when we get the final number in, you know, it could go down, it could go up a little.

LEG. TROTТА:

But also we're repaying this, so it's not really 100 every year, it's just we keep adding to it every year. I understand it better now, okay. Because I was thinking it was \$100 million every year, but we're not -- we're borrowing it again, so it's just -- we're treading water basically.

MS. SLOAN:

Right, it's not cumulative. It's just each year --

COMPTROLLER KENNEDY:

And that is in essence by definition it's Tax Anticipation Note. A note by definition is a debt instrument that's less than 365 days. It's a function of the calendar, so we're going out to borrow and we're having to fulfill and repay within whenever we go out, we go out the first week in October, I guess, or somewhere around there. It will have to have been repaid by the fourth week in September of '16.

LEG. TROTТА:

And if we don't do this, our employees don't get paid essentially.

COMPTROLLER KENNEDY:

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Well, you know, I -- look, if we don't do this, yes, what happens is we hit a shortfall in our cash flow which funds salary, it funds \$33 million worth of electricity to PSE&G, it funds road sand, salt, everything else that goes out there. It is fungible in that it funds the operations of us, the County, being a 10,000 member, you know, entity.

LEG. TROTТА:

What's your concern or your solution to the problem that we may end up \$70 million short on sales tax this year.

COMPTROLLER KENNEDY:

Well, that's a segue from DTAN, isn't it? I can talk to you about enforcement efforts out of my office. We have been extremely aggressive when it comes to audit function. You've seen some of what we put out. I've given you recommendations on hotel/motel. We are talking with the District Attorney's Office about collaborating on an enforcement issue as far as sales tax goes at a local level. I went to Albany to the State Legislature twice earlier in the spring about restarting the State Taxation and Finances Sales Tax Enforcement Initiative and will lobby for that again. I have filled all the vacant positions in my office and will seek to add a few more from the audit and enforcement side. But as far as sales tax goes, I would -- my simple answer is, is enforcement and expansion on revenue. And I leave it to the rest of you to figure out where you're going to go with it specifically.

CHAIRMAN D'AMARO:

Okay. John, I want to just take a look at those two charts that you handed just so it's clear.

COMPTROLLER KENNEDY:

Certainly, Mr. Chair, yes. As a matter of fact, that's why we wanted to make sure the committee had them to put it before you.

CHAIRMAN D'AMARO:

I appreciate that. The first one shows for four years, including this year, the total tax warrant and what's uncollected and then what's uncollected as a percentage of the total tax warrant.

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

So the reason why 2012 would be so much lower than say 2015 is because over time back taxes are being paid and so those numbers for prior years are adjusted downward over time.

COMPTROLLER KENNEDY:

Yes. As a matter of fact, not only are back taxes paid, but as you know, Mr. Chair, in addition you have interest and penalty that is paid, and we have had that debate many, many, many times here in this body about the viability or the wisdom of the Suffolk County Tax Act. But when you look at the commodity, the commodity being property, and what, in fact, actually we realize regarding the raw tax and the interest and the penalty that gets compounded, our inventory on the shelf dwindles as a function of time as we run up against that 48 month time period when the County can take the deed. So the closer we get to that point the more motivated individuals get to find the money and true up.

CHAIRMAN D'AMARO:

So is it a fair conclusion then to say of the total tax warrant in 2012, the bill that was sent out to homeowners or property owners, that as of today, it's one-third of 1% has not been collected.

COMPTROLLER KENNEDY:

Yes, that's a true statement.

CHAIRMAN D'AMARO:

So I think that's a pretty good, you know, collection rate. It may come in a little late and with interest and penalties, but nonetheless, at least when we send out the bill it is being paid. Now, 2013 jumps to a half a percent or a little more, 2014 jumps to a little over 1%, but I would anticipate looking at historical trends that as time goes on, '13, '14, '15 will again be adjusted downward as those back taxes are paid.

COMPTROLLER KENNEDY:

No doubt, Mr. Chair.

CHAIRMAN D'AMARO:

And the reason is because if people don't pay their taxes, they're going to lose their property.

COMPTROLLER KENNEDY:

Absolutely. That is a primary motivator. We find the Treasurer's Office does an awful lot of work with individuals and with commercial property owners. Sometimes they get into partial pay. You'll remember Legislator Postal was the one, and Legislator Carpenter, who brought that tool forward so that individuals could work with almost an installment program.

CHAIRMAN D'AMARO:

Right. We want to keep the property in --

COMPTROLLER KENNEDY:

Absolutely. Nobody wants to hold this property. We don't want to take it.

CHAIRMAN D'AMARO:

Right. We don't want it. All right. So that's the first chart. So looking at that chart I'd say that there's nothing to be alarmed about as far as us over time collecting our property taxes.

COMPTROLLER KENNEDY:

It appears that we are holding in the same area and with the same trends that we've had in prior years. If you go back to '07 and '08 we probably had a larger percentage of opens, but that was a function of the tank in the economy.

CHAIRMAN D'AMARO:

Right.

COMPTROLLER KENNEDY:

We still have some remnants of the zombie homes or homes held by banks, but even there banks want to protect their collateral, and so if you can establish the contact with them, you'll get a check out of them.

CHAIRMAN D'AMARO:

Right, even when the house is in foreclosure the banks are protecting their interest. On that chart, Legislator Stern had a question.

LEG. STERN:

Thank you, Mr. Chairman. The number for 2015 as it stands right now is that 2.84%, and as the Chairman said, and you guys have been discussing, that number is naturally going to come down. That number is also naturally going to come down because of time, because we're still --

COMPTROLLER KENNEDY:

Yes.

LEG. STERN:

So my question is that number at 2.84%, if you look back the year before, which as of right now is 1.08%, is there any way to estimate approximately as to what that two point -- what you would anticipate that 2.84% to come down to. Is there a standard that you've seen over the past couple of years where there's an end of the year number. The 2014 number at 1.08% I'm assuming was not necessary the end of the year 2014 number. I'm sure that has come down somewhat because, again, just a function of time. So is there a way to know, is there a standard that you've been able to see over the past couple of years where the 2015 number might end up at the end of the year.

COMPTROLLER KENNEDY:

I'm going to defer to my staff, Legislator Stern, but I will just say as we do know towards your point, the Tax Act by definition has the action point at the end of November, and so as those interest and penalties begin to jump in, they go not only a monthly interest, but you get that half year penalty that drops in. And so if individuals are looking at a property portfolio, and let's assume it's truly that they're short on funds and are trying to cobble together what they need to do to make tax, they'll pay and they'll pay whenever they can get it. If somebody is sitting with a business property then they may make a business decision as to how close they run to that next increment where a penalty would kick in and they'll pay up just before and avoid incurrence. But let me defer.

MS. SLOAN:

So we prepare the official statement every year and it coincides with the TAN at the end of the year, so we always put a schedule in for the balances at the end of the year and typically we've seen the collections and the year at a point and a half percent, one and a half percent, and that's been, you know.

LEG. STERN:

Thank you. Thank you, Mr. Chairman.

CHAIRMAN D'AMARO:

You're welcome. That would be the end of the current year and then over time that would come down even more.

MS. SLOAN:

Yes.

CHAIRMAN D'AMARO:

Okay. So we're borrowing for tax revenue, part of which would be property tax, but we are collecting it, so we can repay that portion of the TAN I guess is the point.

So the second chart that you provided to the committee this morning is a ten year chart from 2006 to '15. This is showing the delinquent tax anticipation note issues, which are a function -- you have a column here of uncollected taxes, which appears to be going up over time -- as we get closer to present, and then you express that as a percentage of the DTAN. But, again, is the uncollected tax number in that column over ten years, is that something that goes and it gets adjusted downward over time? It does. So based on this chart, we can say that for the year 2006 the County did not collect \$111 million in taxes? Is that correct?

MS. SLOAN:

It was just as of August of 2006. That was the uncollected at that time.

CHAIRMAN D'AMARO:

But what makes up that 111, what taxes.

MS. SLOAN:

All of the tax receivable.

COMPTROLLER KENNEDY:

But the '06 number, in other words, would have been --

CHAIRMAN D'AMARO:

It's not property tax.

COMPTROLLER KENNEDY:

No, that's real estate tax. That is the total tax warrant --

CHAIRMAN D'AMARO:

Cumulative, not for the year?

COMPTROLLER KENNEDY:

The tax warrant will be for the year, but if it was uncollected taxes, so go to the uncollected taxes in August, of course that would be a function of what were the preceding three or four years. And there may have even, well, you can't have something over four years, because at that point the tax deed is taken. Unless we have one of those highly accepted properties like an environmentally compromised property or something along those lines.

CHAIRMAN D'AMARO:

All right. So in trying to understand this, look at 2006. It says uncollected taxes, \$111 million.

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

That is reflecting 2006 and the three years before that?

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

Yes. Okay. So when you go to 2007, again, it's 2007, 123 million plus the three years before it.

COMPTROLLER KENNEDY:

Absolutely.

CHAIRMAN D'AMARO:

So this is a cumulative number.

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

It's a four year total.

COMPTROLLER KENNEDY:

Correct. And as you came forward to the year we're in now, '15, what you're going to see is, is you're proceeding '12 through '15, comprising that 48 month time period. It's always a function, our DTAN is always a function, basically, of about a 48 month span.

CHAIRMAN D'AMARO:

Right, and I see that the borrowing through the tougher years, going back three, four years, was the percentage of the DTAN was much higher than what it is. It seems to be trending downward, which is a good sign. But I'm still trying to understand if -- let's look at 2015 or 2014, 214 million for four years that is uncollected taxes. All right. Now, we already looked at the property tax, which is

minimal, so what other taxes are we talking about here?

MS. GUERRIERO:

It's the four preceding, you know, it's '11, '12, '13.

CHAIRMAN D'AMARO:

Is this just property tax?

COMPTROLLER KENNEDY:

Always. By definition a DTAN is a Delinquent Tax Anticipation Note. The clarifier, if you will, should probably have been delinquent property tax anticipation note.

CHAIRMAN D'AMARO:

That's what I want to make clear, that we're only talking about the cash management of the property tax cash flow at this point. All right. So in 2015 if we use that number as the 2015 number, I realize there's an estimate on five towns, but, so for 2015 in the preceding three years the County has not collected 264 million in property taxes that are delinquent let's say.

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

Those taxes are delinquent. So in order to make up for that, right?

COMPTROLLER KENNEDY:

Yes.

CHAIRMAN D'AMARO:

That's where the DTAN comes in?

COMPTROLLER KENNEDY:

Yes, as a matter of fact. So what we're coming forward with is, is a subsidiary or a percentage of that, roughly. That would take you to the next chart. Basically we are going into the market for roughly 38% of what the total uncollected amount is.

CHAIRMAN D'AMARO:

Right, but the prior year's DTAN borrowings covered those prior years. So when you say a percentage of 37.79%, that is the percentage of the total tax warrant for this year only that we're borrowing in anticipation of the delinquencies?

COMPTROLLER KENNEDY:

No, Mr. Chair. As a matter of fact, again, let me defer to my staff. Maybe I'm not explaining it right.

MS. GUERRIERO:

It's a percentage of what is receivable to all municipalities over the last four years.

CHAIRMAN D'AMARO:

Four years.

MS. GUERRIERO:

Even though we borrowed for the previous, you know, there's going to be some common from last year's DTAN, we're going repay that and borrow against what's still uncollected.

CHAIRMAN D'AMARO:

Okay. Because the notes are constantly turning over.

MS. GEURRIERO:

Correct.

CHAIRMAN D'AMARO:

So even though we borrowed in past years, they matured, so we're always in the present year covering the present year and the past three years.

MS. GUERRIERO:

Correct.

CHAIRMAN D'AMARO:

Okay. So I would assume that looking at that as a percentage that it's trending downward is a good sign, then if we're borrowing -- that means we're borrowing less because there's less delinquency?

MR. LIPP:

Yes and no. Yes, it's a good sign that the percent is going down. The problem is because of the Suffolk County Tax Act the total warrant keeps on going up every year, like schools and towns, as well as us, and therefore for a fixed percentage we have more uncollected dollar wise.

CHAIRMAN D'AMARO:

Right. But as back taxes are paid these notes are paid off. Again, referring to the first chart, over time we anticipate that they'll be paid down to almost zero. I mean, one-third of 1% is the number we saw four years back. So, again, as a management, a cash management tool, we do have to borrow upfront because the delinquency is higher, but over time as those tax payments get made it gives us the ability to really retire that debt and turn over that debt each time. Is that correct?

MR. LIPP:

Correct.

CHAIRMAN D'AMARO:

Okay. All right. Are there other questions from the committee?

LEG. CILMI:

I have questions.

CHAIRMAN D'AMARO:

Legislator Cilmi, please go ahead.

LEG. CILMI:

Thanks, Mr. Chairman. Comptroller, how are you today?

COMPTROLLER KENNEDY:

I'm fine, Legislator Cilmi. How about you?

LEG. CILMI:

Good. So I have a number of questions that have been sort of borne out of our dialogue back and forth here. The first question is with respect to the total uncollected taxes in August, so I guess it's the last chart as part of your memo, the one we've just been discussing. The \$264 million of uncollected taxes, is that -- that's inclusive of school district property taxes, the whole tax bill right?

COMPTROLLER KENNEDY:

Yes, the total warrant.

LEG. CILMI:

Because we have to then make those other taxing jurisdictions whole despite the fact that we haven't collected -- and in fact, the large portion of this borrowing I suppose is in order to be able to make those other taxing jurisdictions whole. I mean, if you think about, let me just sort of think about this out loud. If someone's property tax bill, if 60% of that tax bill or 65% of that tax bill has to do with school district taxes, and if \$264 million is, you know, uncollected, it would stand to reason that 65% of that 260, or whatever the number is approximately, is going to school districts. Is that -- is my logic wrong here? Am I missing --

COMPTROLLER KENNEDY:

No. Rule of thumb in a percentage is that you would apply, I guess, yes. Actually what you're looking at here is remember our total warrant we're raising on the behalf of ten towns, 31 villages, 72 school districts, 110 fire departments, literally hundreds and hundreds of taxing entities that are being raised off that total warrant. So when you look at the opens across the board you are going to have varying percentages in varying categories of districts. But if you look at the rule of thumb with school districts, somewhere between 60 and 70% of each tax dollar you could go to some percentage in there of this total open, yes.

LEG. CILMI:

Right. Certainly a significant portion of the total open will end up getting paid to other taxing jurisdictions and the bulk of that will end up getting paid to school districts. I mean, it's a very --

COMPTROLLER KENNEDY:

Yes. In fact, has been paid. Has been paid and that's why we're seeing it as an open.

MR. LIPP:

So the money is paid upfront. The Suffolk County Tax Act General Fund makes all the municipalities whole, so for any given town when they hand over their tax rolls in the beginning of June, we just get the net and it's ours to collect the uncollected. So we don't have to give anything to the schools or the towns. We already gave it to them.

LEG. CILMI:

Right. Okay. All right. So, again, it's a cash flow equation. You could say then that we've probably already paid out, without having collected, roughly 60 to 70% of this \$264 million number to school districts, and so this is just kind of replenishing our own cash flow to compensate for that, if you will. Does that make -- did I articulate that more sensibly?

COMPTROLLER KENNEDY:

Pretty much.

LEG. CILMI:

Now, here's the other question that I have, and the numbers seem to contradict one another to some extent, at least in my mind, and I want to make sure I am understanding correctly. So in 2005 uncollected taxes were \$111 million, and that's a function of 2005 or 2006, I'm sorry, through August and the previous three or so years, three or four years. And then so that similar methodology then translates to 2015. Why is it that there is such a growth, if you will, of uncollected taxes in 2015 as compared to 2006.

COMPTROLLER KENNEDY:

There's multiple factors, but the first thing I would do is let me take you to the very last column, Legislator Cilmi, and look at your total warrant. Back in '06 your warrant was 4,087,000,000. The most recently warrant was 5,583,000,000. Your warrant in ten years has increased by one and a half billion dollars.

LEG. CILMI:

Okay.

COMPTROLLER KENNEDY:

So just by -- and that is even with the property tax cap that's now in on all different entities. So over the course of time you are getting warrants that are expanding at all these multiple levels of municipalities that have that tax levying ability. You also see over the course of time, you know, if you go into '08, '09, and '10 you had a much higher percentage that we had to borrow on a DTAN because, quite frankly, we were recovering from what that recession was in '07 and '08 and the economy really was struggling. Struggling more so than now.

LEG. CILMI:

Okay. So let me just stop you for a second. The second to last column on this chart, which says percent DTAN, that is a function of the uncollected taxes basically divided by the amount of the DTAN? Is that right?

COMPTROLLER KENNEDY:

Pretty much. It represents how much from a cash flow analysis from our office we need to exercise --

LEG. CILMI:

Excuse me, John. The actual percentage is a function of column one, two, three, four, five, six divided by column one? Is that correct?

COMPTROLLER KENNEDY:

Yes.

LEG. CILMI:

Okay. So the reason the percentage is lower than what it has been is because the uncollected taxes is a lot higher than what it has been.

COMPTROLLER KENNEDY:

I have got to look at that one for a second.

LEG. CILMI:

I mean, you know, in the past four years or so the borrowing has been roughly \$100 million, 105, 100, 100, 100, and the total amount of uncollected taxes has been 207, 212, 214, now it's 264. Naturally the percentage is going to decrease as a result of the increase in uncollected taxes.

MS. GUERRIERO:

Legislator Cilmi.

LEG. CILMI:

Yes.

MS. GUERRIERO:

The estimate is as of June. It will change when we get to August. We use August because that's typically when we have to prepare the official statement and provide that to any investors. It's closer to the sale date. But for the purposes of today's meeting, we only had available as of the end of June.

LEG. CILMI:

Okay. And that's actually going to get me to another question, but before I get to that other question, can somebody real quick, unless you already have it there, figure out the percentages, the last column, the total tax warrant relative to uncollected taxes then? Robert, you're with me, right?

MR. LIPP:

Always.

LEG. CILMI:

While Robert's looking at that --

MR. LIPP:

Twenty-one percent.

LEG. CILMI:

What's that?

MR. LIPP:

It looks like 21%.

LEG. CILMI:

Twenty-one percent in 2015.

MR. LIPP:

Correct.

LEG. CILMI:

Can we do the quick math on the previous three years? And while you're doing that math, let me just flip back to the other chart if I can, John. It would be interesting to see what the August number is uncollected as a percentage for 2012. In other words, we're looking today at the 2015 uncollected being at 2.84% of the total tax warrant. It would be interesting to see at this point in time, in 2012, what that uncollected percentage was. You follow?

COMPTROLLER KENNEDY:

I think I do, but then I'm going to defer to staff, because as uncollected percentage we have .34%.

LEG. CILMI:

Right, but it would give us a good barometer of how we're doing in terms of the collection of taxes because comparing the 2.84% where we are now to .34% in 2012, it doesn't really make sense because you have those three years of, you know, historical taxes that now we've had three years to collect. But if we were to compare the apple of 2.84% of 2015 to the same measure in 2012, it would give us an idea -- if we saw that, for example, in 2012 at this time of year our uncollected as a percentage was 5%, then we could draw the conclusion that we're collecting a greater portion of our taxes throughout the year and that's a good thing. If, however, in 2012 at this time of year our uncollected was 1% or 1.5%, then you could make the inverse -- come to the inverse conclusion.

COMPTROLLER KENNEDY:

We can get that number for you from the Treasurer. Do we have that, Brenda?

MS. SLOAN:

Well, the problem is that we're using estimates at this point in time for this particular meeting. We normally wouldn't be compiling the information at this time. We would be waiting until, you know, later in July or beginning of August when we had the final numbers from, you know, from the towns. We could go back to this point in time, but our records probably would reflect at this time that there's very few payments coming in from the towns.

LEG. CILMI:

Right. Okay. So this is more instructional than it is for the purposes of accuracy this chart.

COMPTROLLER KENNEDY:

But we nevertheless we can go to 2012. I will speak to the Treasurer's Office later on today and find out in '12 what was the total percentage open at that point, and then get that over to you to your office so that you can then take a look at and see are we expanding, are we decreasing, what's going on as far as the total amount remitted in the year, in the base year in the first instance.

LEG. CILMI:

Right. So if we pick a particular point in the year, say, you know June. I don't know, whatever point you guys actually have.

COMPTROLLER KENNEDY:

Probably November, because November -- when you're four years out, November is basically where the tax deeds are going to get yanked. So as you run up closer to November you're going to get those stragglers coming through the door in late October or early November, you know, trying to do anything. They are going to be down at Household Finance trying to mortgage the cat and the dog or whatever they can in order to make that tax payment.

LEG. CILMI:

Right.

MR. LIPP:

Okay. So the number I gave you before was not the right number.

LEG. CILMI:

Okay.

MR. LIPP:

If you look at the previous three years, that is 2014, 2013, 2012, one of the years was 3.9%, the other two was 4% even. So it's basically 4% at the end of August. Right now through June the incomplete number that they have is 4.7%, so perhaps by the time --

LEG. CILMI:

Once it's adjusted it might go back down to --

MR. LIPP:

Back to four on the mark. And then, of course, as was previously stated, and this seems like the number's pretty much the same every year, you have a rising tax warrant, so the dollar is going to wind up more.

LEG. CILMI:

Right, and that backs up that statement that was made a few minutes ago then. So good. Just some general questions. For cash flow purposes we have our TANS, we have our DTANS, and we go out with those, each of those, once a year and they have to be paid back within a year, right? What other cash flow borrowing mechanisms do we utilize? I know we have RAN.

COMPTROLLER KENNEDY:

Yes.

LEG. CILMI:

Right. So TAN, TDAN, RAN. Any others?

COMPTROLLER KENNEDY:

BAN. We have a Budget Anticipation Note, I'm sorry, a Bond Anticipation Note, that is reflective of the Correction Officers arbitration award from 2012. We are in our third year of that borrowing, which we anticipate will be extinguished within another 24 months, but that basically BAN, RAN, DTAN and TAN.

LEG. CILMI:

And then we have interfund borrowing that happens.

COMPTROLLER KENNEDY:

Well, yes. As a matter of fact, absolutely, interfund. I believe all of you received the Audit Committee's report which highlighted -- there was a section in there on interfund.

LEG. CILMI:

Okay. So TAN, DTAN, RAN are all one year or less paybacks, right?

COMPTROLLER KENNEDY:

Yes.

LEG. CILMI:

BAN, it seemed like you indicated that we don't have to pay a BAN back in a year.

COMPTROLLER KENNEDY:

Well, in actuality it is called a Bond Anticipation Note. The action item is the word note. Note by definition is a debt issuance that is less than 365 days. There are the two construction borrowings that we do, the spring bond and the fall bond. Those by definition are multiyear debt issuances. In our case we're going out I think 20 years on those, right? What did we go out on the spring borrowing?

MR. LIPP:

I think it was like 12 or 14 -- 12. It was 12 years. I don't think I've seen 12 years ever before.

LEG. CILMI:

But maybe I misheard you when you said that we have -- did you say we have 24 months left on the BAN for the Corrections Officers?

LEG. KENNEDY:

The Bond Anticipation Note? Well, when I say 24 months, we have 24 months left to go to either retire the outstanding balance of 24 million through use of note and to convert over to bond or to be fully paid.

LEG. CILMI:

Okay, but if we -- if a note by definition, as you said, needs to be paid back in 365 days, how is that we have 24 months left to pay back the BAN.

COMPTROLLER KENNEDY:

This is a somewhat unique borrowing. I'm going to defer to Brenda to explain on that.

LEG. CILMI:

Okay.

MS. SLOAN:

This is a unique borrowing. We've chosen to go with the BAN and I believe at the time it was due to the interest rates. There is an option with the short-term notes that you can roll them over up to five years and that's what we've chosen to do with the Correction Officers BAN. So it is being rolled over for those five years and in the financial statements we actually treat it as if it is a long-term borrowing because of our intent to roll it over for five years. There's principal payments and interest that are due each year on the BAN while we pay it back.

LEG. CILMI:

Okay.

LEG. TROTTA:

You are going to roll it five more.

MS. SLOAN:

No, we have -- yeah, we have five years total from I believe we issued it early in 2013 for the 2012 settlement.

LEG. CILMI:

It would be interesting to see sort of a historical look back, a five year or a six year, or more if it's relatively easy to do, I don't know, look back on the extent that we've used each of these borrowing mechanisms historically in any given year.

COMPTROLLER KENNEDY:

The Bond Anticipation Note, as Brenda said, was unique. Prior to the bonding of the Correction Officers arbitration award, to my understanding, County of Suffolk had never done that. As to the use of TAN, DTAN and RAN, I believe, Robert, is that -- didn't we chart that in the Audit Committee report?

MR. LIPP:

As John Kennedy just spoke, we issued a Joint Audit Committee Report a few weeks ago, and I think the intention is by the Chair of the committee here, Lou D'Amaro, to have a presentation at the next meeting, I believe it's September first, on that, but if you have specific questions.

LEG. CILMI:

Okay. Well, yeah, I mean, obviously we have a presentation here of our historic use of the DTAN. I would imagine when you did the TAN you came out with a similar presentation, although I don't remember it. The BAN you said was unique. RANs I know we've only begun using recently, and if we add the interfund borrowing to the mix it would just be interesting to see on a year by year basis how the borrowing in each of these categories has changed. It would be nice to see if it's decreased. I'm sure that it has.

COMPTROLLER KENNEDY:

Absolutely, because it would be a reflection of what we're looking at as far as, again, as I had said before, receipt of revenue in all those various categories that we look at that we get revenue into the County, be it sales tax, property tax, State and Federal aid, fees. Whatever it is across the board we receive revenues in multiple categories. We have expenditures likewise, and it's basically trying to match up the debits and the credits.

But, you know, as far as a look back or a comparison in each of the categories and what you ultimately get to cumulatively as far as debt instruments or even the interfunds, the interfunds I think are what, 232 million, I believe, year to date, tends to give you then out of the calendar year a gross measure of what, in fact, was employed for debt purposes for operations throughout the year. And, again, I don't have it in front of me and it's the Chairman's prerogative how we discuss some of that other material, but I do believe that's captured in the Audit Committee report.

LEG. CILMI:

So my sort of 30,000 foot level concern, and this is really just rhetorical, it doesn't require a response from you, and I'm finished after this, Mr. Chairman, is that to the extent we continue to utilize these borrowing vehicles in a greater extent than we have in the past, in addition to other borrowing that we do, for example, the amortization on pension obligations, etcetera, it sort of masks the true -- the true extent of the financial challenges that we have. We all recognize that we have significant financial challenges. No one has -- no one has sort of, you know, turned a blind eye to that, but I think to the extent that we continue to use borrowing to fund cash flow, particularly

when you're adding new borrowing mechanisms like RANs, BANs, and to the extent that we're using interfund transfers, I think the financial challenges that we're facing are even greater than what we know. And that's my concern. I don't know if I'm accurate with that statement, but that's my concern. So I look forward to seeing the information from you guys at the September meeting. Thank you very much for your answers.

COMPTROLLER KENNEDY:

You're very welcome.

CHAIRMAN D'AMARO:

Thank you, Legislator Cilmi. Just to comment on that. I'm not sure that that's the right conclusion that the short-term borrowings are masking the financial picture of the County. The financial picture of the County is something that we discuss usually when we're doing our budgets. The way I see it is that a lot of these borrowings are necessitated by the fact that the calendar dictates when cash comes in. It's not always timely for us to manage a large company like Suffolk County. It's also a function of delinquency. In a perfect world if everyone paid on time when they should we'd borrow less, but they don't, but ultimately we get those funds over time.

So I think it's a more reasonable conclusion to say that these borrowings truly are just cash management tools. Ultimately we are pretty much made whole on the borrowings and, you know, putting aside that Corrections Officer borrowing which is unique. But I don't think it's masking the financial problems of the County. I mean, I think it's -- that's a separate debate and issue that, you know, we look at over time and when we do our budgets.

COMPTROLLER KENNEDY:

Mr. Chair, if I can --

LEG. D'AMARO:

You know, John, the 30,000 foot view to me here is that this year you're going to borrow \$100 million.

COMPTROLLER KENNEDY:

Yes.

LEG. D'AMARO:

Right. That's 37% of the total uncollected taxes, roughly, and over the next three or four years we're going to get all of that money back.

COMPTROLLER KENNEDY:

The Suffolk County Tax Act, as a matter of fact, if I was here to prognosticate, which I am not, will remain as it is intact long before we are all gone. It has been here for 100 years. It is not going to change. We ultimately wind up being the underwriter of, as I said, ten towns, 31 villages, 71 school districts, 110 fire departments. I do want to say, though --

CHAIRMAN D'AMARO:

The bottom line is that we're borrowing 100 million because we're making the other taxing jurisdictions whole part of the problem, right, but over time we get the penalties and interest.

COMPTROLLER KENNEDY:

Yes, we do.

CHAIRMAN D'AMARO:

So it's fair to say that much of the cost of even the short-term borrowing as a cash management tool is repaid. The cost of that borrowing is repaid. I know it's not dollar for dollar.

COMPTROLLER KENNEDY:

Right. But is there in a statute is there some reflection or acknowledgement that there is a cost we incur and so try to offset with interest and penalty. I imagine so.

CHAIRMAN D'AMARO:

Right.

COMPTROLLER KENNEDY:

Dollar for dollar, who knows. Let me just go to one point, though, as to, and again, it's for all 18 of you to decide the policy, not me, but as to the transparency of the information that are the pure facts associated with the County of Suffolk, we put out detailed offering statements with every borrowing that are voluminous and comprehensive and accurate. So it is for parties to draw from that what they will, but we lay the information on the table.

CHAIRMAN D'AMARO:

Okay. And looking back to this bill, the Tax Anticipation Note resolution, so you're seeking authorization to borrow up to 100 million for this year to cover a percentage of the uncollected taxes, which again, when it's ultimately paid back with penalties and interest within the next year, I don't think there's going to be much of an expense to doing that relative to the amount that we're borrowing.

COMPTROLLER KENNEDY:

What I can offer to that, Mr. Chair, is I'll get back to you on that one. And the reason I say that is because in five months from now I'm going to be able to speak to you and to this body with a much greater degree of specificity about cost of operations within the Treasurer's Office thanks to the actions that you've taken. So when it comes to the actual management of inventory, where the cost is associated with the personnel and whether, in fact, we have a wash or we're negative or we're plus, I'm going to be able to give you some more specifics and I will come to you -- we will come to you with that.

CHAIRMAN D'AMARO:

Okay. Over time the County has consistently used these cash management tools, and I think any large entity, whether it's a municipality or a large company, really has to have these tools at its disposal because you don't always get revenue 100% on a dollar timely, and so in order to make up for those gaps and shortfalls you need to have these types of cash management tools available to you, so.

I think that is a separate issue from the financial picture of the County which, of course, along with Legislator Cilmi and all of us we've had many discussions about and will continue to have. And I am encouraged by the fact that the amount of Tax Anticipation Note that you are borrowing has trended downward since 2009, '10, '11, the years -- the tough years, if you will, where we just simply had to borrow more because there was much more delinquency and uncertainty as to collections. So at least we're moving that in the right direction. Legislator Trotta and then Legislator Stern had some quick questions.

LEG. TROTTA:

Okay. I just want to understand this. The uncollected taxes went from 2006 to 111 million to 2015 where it's approximately 264 million. That's an increase of 135%. Where the total tax warrant went from four billion to five and a half billion, that's an increase of 35%. So the amount of money collected went up 35%, the amount of money uncollected paid to us went up 135%. Is that correct?

MR. LIPP:

It sounds correct, but as I said earlier --

CHAIRMAN D'AMARO:

Can I interject? Legislator Trotta, the point that I was making before is that the 2015 number over

time will go down.

LEG. TROTТА:

I understand that.

CHAIRMAN D'AMARO:

But you can't compare 2015 to 2006, which was ten years ago, because over those ten years 2006 has been consistently adjusted downward.

LEG. TROTТА:

But only for four years, because after four years it sort of stays stagnant.

MR. LIPP:

So I believe that's not quite true, because what you're doing is you're collecting basically three and plus the current year, four years' worth of taxes, so you really just can't look at the one year's total tax warrant.

CHAIRMAN D'AMARO:

Right.

MR. LIPP:

Number two, as I said earlier, that the percentages in 2014, '13 and '12 are all basically 4%, so you don't really have the numbers in this chart to answer that question.

LEG. TROTТА:

Well, in 2006 you said that that was for 2006 and the four years prior.

MS. GUERRIERO:

Three.

LEG. TROTТА:

Three years prior. So in 2015 it's -- let's use 2014 for argument's sake. It's 2014 plus the three years prior. So in that sense, and then if, in fact, 2015 was 264, the increase in the total tax warrant went up 35%, yet the increase of uncollected taxes went up 135%.

MR. LIPP:

You need to factor in all four years I guess so I --

LEG. TROTТА:

But you said that was factored in.

MR. LIPP:

No, no. I'm saying that there's pieces of four years tax warrant, so you need to include some sort of function of four years, not just look at the one year tax warrant, number one. Number two, as they said, the number that they put here that I guess created a lot of commotion here and shouldn't have put here, is they have a June number, not an August number.

LEG. TROTТА:

Okay. So let's say for argument's sake in 2006 there was \$111 million of uncollected taxes. Is that true?

MR. LIPP:

Their number, but yes.

LEG. TROTТА:

In 2014 there was \$214 million of uncollected taxes. Is that a fair statement?

MR. LIPP:

Correct.

LEG. TROTТА:

That would be an increase of approximately 130%. Now, the warrant went from four billion to five and a half billion. That's an increase of 35 million.

MR. LIPP:

All I'm saying, though, is we don't -- we'd have to do calculations that are not with the straightforward numbers in the table here because you do need to --

LEG. TROTТА:

Are those about right? Is what I'm saying totally off base?

MR. LIPP:

All I'm saying is that the amount of increase in the tax warrant is a function of four years, not one, so I'm not sure how the numbers actually play out. I'd have to sit down and look at them.

LEG. TROTТА:

Well, if it's the four years then it was four billion, and then it went to 5.5 billion the four prior years, is that the way that's calculated, too? Regardless, no matter how you look at it, it went from four billion to five and a half billion.

MR. LIPP:

Yeah, but the ratio of the uncollecteds to the warrant, the previous three years was 4% even in each of those years, and then you're looking at a year that really the uncollected is going to be less because we're a couple of months short.

LEG. TROTТА:

In general, would the statement be that it went up 35% and about 100%? Is that relationship totally nonexistent or is this chart wrong or?

MR. LIPP:

There's noise there and I'd have to play with the numbers or they could play with numbers, too. Play is the wrong term. I'd have to look at the numbers to see what the formula actually winds up being.

LEG. TROTТА:

Okay. When did we start doing the interfund borrowing?

MR. LIPP:

We really -- the beginning of about 2006 maybe from the documents that I was able to get -- my office was able to get from the Treasurer's Office.

LEG. TROTТА:

Do we know what the interfund borrowing was back in '10, '11, or '12?

MR. LIPP:

Yes. I'd have to call up a file. So we borrowed in -- in 2011 we borrowed 259 million; 2012, 225; 2013, 251. It's in the neighborhood of about 250 million a year since perhaps 2010.

LEG. TROTТА:

I'm actually in a weird way glad to hear that, because if it was 50 million or 30 million we'd be really

in bad shape, but we're sort of just sort of treading water basically.

MR. LIPP:

I guess that's one way to look at it.

LEG. TROTTA:

If you could, the way I do the math, we went up 35% in the tax warrant and 135% in the uncollected taxes, which was concerning to me, but if you're telling me that might not be right, I don't see how it isn't, but whatever. If you'll let me know.

CHAIRMAN D'AMARO:

All right. Legislator Trotta, you finished your questions? All right. Legislator Stern, you had some questions and then we'll wrap it up.

LEG. STERN:

A comment and then a quick question. As we're going through the numbers in all of the columns here and we're talking about raw numbers, we're talking about cumulative numbers and we're talking about percentages. On the last column here, and this was pointed out before, but I did think it was an important point to reiterate. The total tax warrant, and that is a number that regardless of how you look at it, it is going up. And our Budget Review Office said that that is mostly a function of increasing tax warrants spread throughout these various levels of taxing entities. And that is something that is going to be a challenge that we are going to have to deal with at the County level of government here, because essentially, and I agree with you, Mr. Chairman, that the discussion today about the DTAN is an important conversation to have, but it really doesn't have all that much to do with the overall 30,000 foot view of the County Government and revenue and responsibilities that we have here, because essentially we are the responsible entity for collecting the taxes at all of the other various levels of government, and that's for the most part what this reflects. And when Legislator Cilmi points out that the majority goes to the schools and there are other percentages that go to other levels of government when you look at it, particularly when it comes to the issue of property tax, the County level is such a very, very small percentage.

So essentially we are having a discussion here today about every other level of government, every other taxing entity and our responsibility for making those collections and making those other entities whole at some other point during the year and having to deal with it than at some other point of year and this is how best to do that. That's how I look at this and of course it's an important responsibility that we have, but certainly doesn't have really the type of impact on our overall health of our County level of government and how we receive revenue and how we meet our obligations.

Having said that, my question is regarding penalties and interest, and I know, Mr. Chairman, you had touched on this before, but the numbers here when we talk about the uncollected taxes, those numbers through those years, that number -- those numbers in that column, that includes the penalties and interest or it does not?

MS. GUERRIERO:

In 2012 the 17 million uncollected as of June 30th on the first table, is it does not reflect the penalties and interest. They're not included.

LEG. STERN:

Okay. So that is presumably additional revenue that is going to come in that we collect and that number that comes in due to penalties and interest ends up where?

MR. LIPP:

That's a revenue code in the General Fund Operating Budget. I think it's 1090 the code number, but you really probably don't care about that level of detail. I mean, it's called Interest and Penalties,

and we book monies in that every year.

LEG. STERN:

Bottom line is the number that is attributable to interest and penalties is booked as revenue to the County. It is total revenue to us.

MR. LIPP:

Correct.

LEG. STERN:

Right. So when we look at the interest, the cost of the borrowing here, that is a number that we have, but then we can offset that to some extent to the full extent of the interest and the penalties that we receive. So it's not broken down here, but I'm wondering if we might be able to see over the past few years the cost of the borrowings in terms of the interest rate that we need to pay compared with the total amount of interest and penalties that we receive to determine where we -- what the true cost of this borrowing might be at the end of the day.

And then I have a question regarding the interest rate. I know, Mr. Comptroller, we won't know that number until you go out for sure, but in looking back over the past couple of years it had gone up slightly in 2012, 2013, and come back down in 2014. I understand that we won't know the exact number for some time, but do we have any ideas as to approximately where that interest rate might end up, not necessarily as a number, but can we anticipate less than the year before, more than the year before, depending on what's going on out there in the market?

COMPTROLLER KENNEDY:

Legislator Stern, as you well know, there's multiple factors that go into where we're at as far as the interest rate on each of the issuances that we do. So what do we look to? We look to past practice advise from Mr. Tortora and Capital Market Advisors about where we're at, what's going on with the Fed interest rates. The ten year note is basically the measure that we're pegged to. I believe that we went out for the BAN and the RAN at .54, .6, we were somewhere around there. We were below 1% interest rate. So I would suggest to you all things being equal, having our rate and, again, having our rating hold where it is. We just came through the face to face with the rating agencies and in both cases Fitch and S and P held us where we were at, A, with a cautioned outlook or something to that extent. All those factors being equal, I would hazard to guess we would go out again at .55, maybe .6, .65, somewhere around there.

LEG. STERN:

Thank you.

CHAIRMAN D'AMARO:

All right. Thank you. To the Clerk, is there a motion pending for this resolution?

MR. RICHBERG:

Yes, we have a motion to approve and a second.

CHAIRMAN D'AMARO:

Okay. There's a motion to approve and a second. Are there any other questions? Mr. Comptroller, is there anything you'd like to add before we vote on this resolution?

COMPTROLLER KENNEDY:

Pleasure being here as always. Have a great summer, folks.

CHAIRMAN D'AMARO:

Thank you. I will call the vote. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

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No further business before the committee, we are adjourned. And Mr. Comptroller and your staff, thank you very much for coming in and helping us out. Thank you.

(*The meeting was adjourned at 11:19 a.m.*)