

**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, November 10, 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
Sarah Simpson - Assistant Counsel to the Legislature
Jason Richberg - Chief Deputy Clerk
Robert Lipp - Director/Budget Review Office
Michael Crowell - Budget Review Office
Bill Shilling - Aide to Presiding Officer Gregory
Michael Pitcher - Aide to Presiding Officer Gregory
Justin Littell - Aide to Legislator D'Amaro
Debbie Harris - Aide to Legislator Stern
Karen Johnson - Aide to Legislator Calarco
Greg Moran - Aide to Legislator Trotta
Maria Barbara - Aide to Legislator Cilmi
Katie Horst - County Executive Assistant
John Morafino - County Executive Assistant
Lynne Bizzarro - Chief Deputy/County Attorney's Office
Pat Policastro - Suffolk County Youth Bureau
Brandon Muir - Executive Director/Reclaim New York
Douglas Kellogg - Communications Director/Reclaim New York
Ben Zwirn - Suffolk County Community College
Brian Macri - President/Suffolk County AME
Kathy Malloy - AME
Rick Brand - Newsday
All Other Interested Parties

Minutes Taken By:

Alison Mahoney - Court Stenographer

Minutes Transcribed By:

Kim Castiglione - Legislative Secretary

*(*The meeting was called to order at 10:08 a.m. *)*

CHAIRMAN D'AMARO:

Good morning. Welcome to the Budget & Finance Committee. Please rise and join the committee in the Pledge of Allegiance led by Legislator Cilmi this morning.

Salutation

Okay. We have a presentation this morning, but we're going to first do the agenda, go through our agenda. Mr. Muir, if you would just be patient and we'll get to you in a few minutes. Okay? And thank you. All right. To the Clerk; are there any cards this morning?

MR. RICHBERG:

No cards, Mr. Chair.

CHAIRMAN D'AMARO:

Thank you. Is there anyone here who would like to address the committee this morning? For the record, there is no response. We'll turn to tabled resolutions.

Tabled Resolutions

The first is Resolution Number **1621-2015 - Approving 2015 Funding for a Contract Agency (Babylon Village Youth) (McCaffrey)**. This is for approving a 2015 funding for a contract agency. This is Babylon Village Youth. Is there anyone here on that particular bill? All right, I'll offer a motion to table.

LEG. MARTINEZ:

Second.

CHAIRMAN D'AMARO:

Second.

*(*Legislator Stern entered the meeting at 10:10 a.m. *)*

And let's note for the record that Legislator Stern is here also.

LEG. CILMI:

Mr. Chair, you haven't heard from the sponsor of this?

CHAIRMAN D'AMARO:

No, I haven't.

LEG. CILMI:

I know he was trying to work some details out.

CHAIRMAN D'AMARO:

Yeah, I think we'll give it another cycle. I know the agency is in touch with the Comptroller's Office and I have not heard from the sponsor on it, so we'll give it a cycle. All right. There is a motion to table. It received a second. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

Introductory Resolutions

Next is Resolution **1758-2015 - Approving County funding for a contract agency (Bellport Brookhaven Historical Society) (Browning)**. This is Bellport Brookhaven Historical Society. This bill is authorizing 10,000 in funding, and do we have any indication whether or not this particular agency has met with the Comptroller or been approved?

MR. NOLAN:

Yeah, I think they're in compliance. It wasn't a 20%, you know, administrative expense question. It was just they did not file their paperwork by September 15th.

CHAIRMAN D'AMARO:

Okay, and that's all been resolved. Very good. Then I will offer a motion to approve.

LEG. STERN:

Second.

CHAIRMAN D'AMARO:

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

Next is **1759-2015 - Adopting the 2016 Operating Budget and prioritizing delivery of services while stabilizing taxes for Suffolk County residents in Fiscal Year 2016 (Mandated) (Co. Exec.)**.

CHAIRMAN D'AMARO:

Okay. These -- I'll offer a motion to table. Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

1760-2015 - Adopting the 2016 Operating Budget and prioritizing delivery of services while stabilizing taxes for Suffolk County residents in Fiscal Year 2016 (Discretionary) (Co. Exec.). This is the discretionary portion. I'll offer a motion to table. Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

Resolution **1778-2015 - Amending the 2015 Operating Budget by accepting and appropriating \$974,339 in 100% funding from New York State Office of Children and Family Services (OCFS) for youth services (Co. Exec.)**. I'll offer a motion to approve and place on the Consent Calendar. Second by Legislator Martinez. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

Resolution **1781-2015 - Tax Anticipation Note Resolution No. -2015, Resolution delegating to the County Comptroller the powers to authorize the issuance of not to exceed \$410,000,000 Tax Anticipation Notes of the County of Suffolk, New York, in anticipation of the collection of taxes levied or to be levied for the fiscal year commencing January 1, 2016, and to prescribe the terms, form and contents, and provide for the sale and credit enhancement of such notes (Co. Exec.)**. I'll offer a motion to approve.

LEG. MARTINEZ:

Second.

LEG. TROTTA:

On the motion.

CHAIRMAN D'AMARO:

Second by Legislator Martinez. On the motion, Legislator Trotta. Please go ahead.

LEG. TROTТА:

To the, I guess Dr. Lipp's surrogate is here. So this is the \$410 million we need to pay our bills because we're running out of money, is that it?

MR. CROWELL:

My understanding is that this is a thing that comes up every year because of the timing of the items, the budget. It's just a thing needed to move revenue ahead to when we need it.

LEG. TROTТА:

So in essence we're running out of money, and we need this money to pay our bills until the new tax money comes in.

MR. CROWELL:

Well, but this is -- I mean, it's a different issue than the, you know, the budget problems, to put a term on it, that the County is in. This is something that -- I mean, we've been doing Tax Anticipation Notes for many, many years. This just has to do with when the property tax comes in in the summer and we have bills, I mean, notably the pension bill is a big one, but other bills and so you need to have the revenue -- you can't afford to wait until the property tax is in. So this is a --

LEG. TROTТА:

So we don't have the money. We're going to borrow it and then pay it back when the tax revenue comes in.

MR. CROWELL:

Yes, that's true.

LEG. TROTТА:

Okay.

CHAIRMAN D'AMARO:

Okay. Any other questions? Legislator Cilmi, please.

LEG. CILMI:

So this is something that we've done every year, since I've been here at least. I'm not sure about the numbers, though. Have the numbers been consistent or have they gone up? Down?

MR. CROWELL:

Bear with me one second. The past several years it's been in the same neighborhood.

LEG. CILMI:

Okay. And we're paying, according to my notes here, we're paying a little more than \$5 million of interest when all is said and done on this \$410 million borrowing; is that correct?

MR. CROWELL:

Well, that's the gross cost. Typically when debt like this is issued, the lender pays a premium, which in this case is anticipated to be the gross coupon, the gross interest rate, is anticipated to be around 2%, and we're estimating at least a premium of half the total

interest cost, meaning that the net cost will be about half the gross cost. So the gross cost is 5.1 million, the net cost should be somewhere around 2.6. I think that's a conservative estimate because premiums have been even higher than that recently.

LEG. CILMI:

Okay. So by -- and by net cost, you mean ultimately we'll be paying about \$2.6 million in addition to the \$410 million principle.

MR. CROWELL:

That's correct.

LEG. CILMI:

And how is that 5.2 million -- explain to me how that's mitigated again? Why does it come down from 5.2 to 2.6?

MR. CROWELL:

It's just the way the bond market works. And I'm not -- you know, I don't pretend to understand the intricacies of it but, you know, the bonds are issued with a nominal coupon.

LEG. CILMI:

Uh-huh.

MR. CROWELL:

In this case we're expecting 2%, but when the bonds are put out to bid, assuming it's a seller's market, which in this case it is, the bidders, you know, the banks that are bidding on the bonds offer to pay what's called a premium, you know, for the privilege of lending us money.

LEG. CILMI:

Right.

MR. CROWELL:

And in this case the premium is going to be -- we're expecting at least half of the --

LEG. CILMI:

Gotcha.

MR. CROWELL:

-- face value of the bond.

LEG. CILMI:

And the only way to avoid this, well, there's probably a couple of ways that we could ultimately avoid this, but I would imagine they involve changes to the Suffolk County Tax Act.

MR. CROWELL:

Avoid the TAN altogether, is that what you're saying?

LEG. CILMI:

Yup, right. Because we put out our first -- we collect taxes at the beginning of the year, but we don't get a lot of those taxes at the beginning of the year; correct? We don't collect the taxes. The towns go out and collect the taxes.

MR. CROWELL:

Correct, yeah. I don't -- you know, I don't pretend to be an expert on that sort of thing.

LEG. CILMI:

Okay. All right. We'll address it at a later committee. Thanks.

CHAIRMAN D'AMARO:

Legislator Trotta, please.

LEG. TROTTA:

What percentage rate are we borrowing this money at, approximately?

MR. CROWELL:

Well, the gross rate, what's printed on the bonds, is anticipated to be around 2% but, again, with this premium that is paid by the lenders of the money, it's going to be no higher, we're expecting, than 1%.

LEG. TROTTA:

Can we borrow more money than this or is this the limit?

MR. CROWELL:

We're well below the -- you know, there's a legal limit on borrowing, you know, the -- based on the County's assets and so on and we're well below that.

LEG. TROTTA:

Then I'm wondering I just, you know, read recently that, you know, the County Executive's cutting some deal with the police unions where they want to defer either 50, 100, 150 hours of pay. Doing the quick math on that, you know, if they were to do it today, they would be paying 12.5% interest in just three years. So wouldn't it make more sense just to borrow money here, you know, rotating at 1% than 12.5% over three years? I just -- I wasn't understanding why they would do that. Is that something that -- you were saying you could increase the borrowing at 1%?

MR. CROWELL:

I don't pretend to know anything about the police contract.

CHAIRMAN D'AMARO:

Let me see if I can interject there, Legislator Trotta. I don't believe that we would be permitted to borrow funds for operating expenses in that respect. Here we're borrowing as a Tax Anticipation Note. It's probably something specifically authorized for the County to do as a cash management tool, which is far different than borrowing to pay, you know, your day-to-day expenses of running County government. I think that would be the difference.

MR. LIPP:

Yeah, that's correct. This is not an on budget item except for the interest expense. It's just cash flow. You don't see in the budget the \$410 million. You'll see the 5.2 million in interest and then elsewhere, as Michael said, in the budget there's a revenue line, too, making the net about half.

LEG. TROTTA:

Well, if we didn't borrow this money we wouldn't be able to pay our employees; is that correct?

MR. LIPP:

Correct.

LEG. TROTТА:

So what's the difference? If we're borrowing the money to pay our employees, I don't see a difference between borrowing another --

MR. LIPP:

So the budget will show how much, for instance, let's say that paying employees is the only thing in the budget. As Michael said, you know, we don't have the cash line with when we have to make the expenditures, so this is borrowing just for cash flow, and we pay it back within the year. If we were going to not pay our salaries on the budget, we would not be showing those monies in the budget, but since we are, we are spending for that. It's really apples and oranges. The cash flow is what this amounts to. There's always going to be some amount of cash flow borrowing TANS, DTANS and RANS, hopefully not RANS after a while. But, you know, it's more elevated the last several years than it had been, but it's really -- if we're paying our salaries as a rule, discounting the deferrals that you're talking about, in the budget. We don't put the deferrals in the budget because by nature the budget only is -- for instance, we're just adopting for 2016. We're not going to presumably pay the deferrals then, so we don't need to budget for them.

LEG. TROTТА:

Well, wouldn't it make sense not to --

LEG. CILMI:

Not to defer.

LEG. TROTТА:

-- not to defer, because you're paying 12% in three years and you're paying 3% if you don't defer them. It makes no logical sense to defer them.

MR. LIPP:

Well, then you'd -- okay. So you'd have an expense, let's say the PBA voluntary agreement that you're talking about I believe. It's estimated to be \$3.7 million. It remains to be seen if that's how much the voluntary deferral will be, but if we were going to pay them upfront we would have had to put another 3.7 million in the budget, which we didn't.

CHAIRMAN D'AMARO:

All right. Let's see if we can stay on topic here.

LEG. TROTТА:

Well, the budget is the topic.

CHAIRMAN D'AMARO:

Right, well, before the committee right now is a Tax Anticipation Note resolution. Is there anything else you'd like to add, Legislator Trotta? Legislator Cilmi, did you have something?

LEG. CILMI:

Now that Director Lipp has joined us, let me re-ask my previous question with respect to avoiding having to do this. Is there a way -- I mean, let's say that we had unfettered access to the Suffolk County Tax Act. Would there be a way that we could avoid having to

pay a couple of million dollars of interest every year to do these Tax Anticipation Notes?

MR. LIPP:

Michael basically said that there were two issues in terms of raising the amount of cash flow that we need to, and those two are number one, the Suffolk County Tax Act, which says that we make all taxing jurisdictions whole. And we being the General Fund of the County. And we don't get the taxes in until July -- I mean June.

LEG. CILMI:

Right.

MR. LIPP:

So there's a natural timing difference. And then if you add on top of that by February 1st we have to pay our pension bill, then clearly we have cash flow issues regardless of what's in the budget. You know, even if the budget is, you know, flush with money, we're going to have some cash flow issues that we're going to have to borrow for.

LEG. CILMI:

Couldn't we find some mechanism that would allow us to sort of compensate for the initial six months, because as cash flow it's a continuum, so if somehow we came into \$410 million today, then we wouldn't need to do this. So -- but we're getting the \$410 million ostensibly in June or July. So my point is, is there some way, since we have to live within the confines of the Suffolk County Tax Act, isn't there some way that New York State or -- could help us with financing our obligations until such time as we collect those taxes? Or, just change the Suffolk County Tax Act.

MR. LIPP:

The State's not going to provide any help for cash flow purposes. We have to figure that out ourselves. We can change Suffolk County Tax Act. The problem there is then you would --

LEG. CILMI:

All the other jurisdictions would have to.

MR. LIPP:

Yes. So you would have some unhappy towns, for instance. Not that it can't be done. I guess it's sort of like, you know, you have a child and do you want to charge your now, I guess, out of college child perhaps rent to live in your house.

LEG. CILMI:

What if we were to -- could we pass down the cost of the interest to the other taxing jurisdictions?

MR. LIPP:

I don't think so, because it's an expense that we incur because of the decisions that we make. One decision that was made, you know, I don't know what the logic was or not, but years and years and years ago, before I was around even, was to make all taxing jurisdictions whole. And, yeah, we could change that. I'm not sure how easy it would be and George might have to study the legal implications, but hypothetically yes. And the other big thing is we're getting killed in terms of timing with the pension bill, because we have to have that in by February 1st.

LEG. CILMI:

Right. It just seems to me that from the County's perspective this is set up in such a way that it's costing us additional money to the benefit of the other taxing jurisdictions, and if we're doing that, then it seems to me that the other taxing jurisdictions should share that burden of the additional cost, that's all. But, I mean, obviously we have to do this at this point. It's just something that I think maybe we should work on.

MR. LIPP:

Well, we could talk about it any time you'd like.

CHAIRMAN D'AMARO:

Okay. Thank you, Legislator Cilmi. Legislator Stern.

LEG. STERN:

Yeah, thank you, Mr. Chairman. Just to Legislator Cilmi's point about the possibility of New York State. I mean, if it's in the form of some type of financing along the way to help, you know, with that gap, I don't -- I just don't know how that would be beneficial. I mean, any time that we are in an arrangement with New York State regarding a deferral or an amortization or some type of a delay, it winds up cost exponentially more --

LEG. CILMI:

Right.

LEG. STERN:

-- than this deal that we are looking at right here. I mean, if I look back over the last few years, 2011, 390 million; 2012, 400 million; 2013, 2014, 2015 all stable at 410 million. Last year the net -- the net interest rate was .55, so half a point ultimately. That's a much better financing deal that's available to us on our own than if we were to look for some kind of assistance from New York State.

My question to you, Robert, is last year's net number of .55, is there an expectation that on this financing for this year that it would be relatively close to that number? Do you see it, because of what's going on at least right now with the talk of a rise of interest rates with a hopefully improving the economy? Do you see the interest rate that we're looking at on this arrangement might be impacted by that and go higher than it was last year?

MR. LIPP:

So it is a little hard to say. The fiscal impact statement that I believe Audit & Control put together goes 2% gross and 1% net, and what we observed last year was 2% gross but .56 net, so you were off by one decimal place.

*(*Laughter*)*

MR. LIPP:

So, yes, in the -- the good part about our cash flow borrowing is we've lived a perhaps a charmed existence over the last several years because of low interest rates. If interest rates should hypothetically skyrocket, then these costs will obviously go up.

LEG. STERN:

And that would need to be a consideration going forward. So, of course, the number is critically important of course, and part of the budget and what we are responsible for. When you look at it from the opposite end, however, at least last year's number of .56 and this year's anticipated number of being 1% or hopefully less, we are certainly in a much

better position taking advantage of lower interest rates than we might be looking at some other source going forward.

LEG. CILMI:

Mr. Chair, if I could just redress. I mean, clearly we're better off taking advantage of a lower interest rate than a higher interest rate. That's obvious. I'm just suggesting that here we have another situation and it's somewhat typical in government unfortunately, not necessarily or exclusively Suffolk County government, but it's typical for government to create problems and then create mechanisms to fix the problems as opposed to just eliminating the problems. And here we have a problem that's created by the Suffolk County Tax Act that's costing us millions of dollars annually and we're -- and the borrowing that we're doing is simply masking the problem with the Suffolk County Tax Act. So I'm suggesting let's find a way to fix the Suffolk County Tax Act if there is one. And listen, the Legislature's been doing this for years. I don't propose to have any magical answers for sure, but it's worth spending some time on I think.

CHAIRMAN D'AMARO:

Dr. Lipp, was there ever a time that the County had sufficient, like a half a billion dollars laying around for cash flow purposes that we could not borrow like this?

MR. LIPP:

As far as I know, I mean, we have a history going back I'd say early 90's and I think we've borrowed for cash flow purposes always. Part of the problem with the Suffolk County Tax Act is, for instance, the General Fund makes it whole. The General Fund is only \$49 million, more or less flat for several years now. That being said, the overall tax warrant, which is schools, towns -- not villages, though, they do it separately, keeps on rising. So we're way above five billion dollars in terms of a total tax warrant compared to 49 million. So it's basically as it goes up it creates a bigger cash flow problem because we're providing first dollars to these other districts and we have to eat any loss that there is.

CHAIRMAN D'AMARO:

Uh-huh. Right. I agree with Legislator Cilmi. I think it's broken and there has to be a better way. I mean, it would involve a lot of discussion because you have to think about the ramifications of when you collect your taxes and how people can pay them, so that's a complex discussion that goes a little bit beyond this bill. I think you are right, I think it's something that needs to be looked at. All right. Any other comments or questions on this particular resolution? Is there a motion pending, Mr. Clerk?

MR. RICHBERG:

We have a motion and a second to approve.

CHAIRMAN D'AMARO:

All right. I'll call the vote. All in favor? Opposed? Abstentions? Resolution carries.
(Vote: 5-0-0-0)

Resolution 1824-2015 - Adopting Local Law No. -2015, A Charter Law to establish a multi-year budget plan (Cilmi).

LEG. CILMI:

Motion to table for public hearing.

CHAIRMAN D'AMARO:

I'll second. All in favor? Opposed? Abstentions? Motion carries. Resolution is tabled.
(Vote: 5-0-0-0)

1825-2015 - Approving County funding for a contract agency (Long Island Latino Teachers Association, Inc.)(Martinez). Legislator Martinez?

LEG. MARTINEZ:

Motion.

CHAIRMAN D'AMARO:

Legislator Martinez offers a motion to approve. I'll second. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

Resolution **1829-2015 - To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature (Control No. 438)(Co. Exec.).**

I'll offer a motion to approve and place on the Consent Calendar. Second by Legislator Stern. All in favor? Opposed? Abstentions? Motion carries. **(Vote: 5-0-0-0)**

Resolution **1831-2015 - To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature No. 440 (Co. Exec.).** Same motion, same second, and without objection, same vote. **(Vote: 5-0-0-0)**

1835-2015 - To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature (Control No. 439)(Co. Exec.). Same motion, same second, same vote. **(Vote: 5-0-0-0)**

1839-2015 - To readjust, compromise, and grant refunds and charge-backs on real property correction of errors by: County Legislature (Control No. 1014-2015)(Co. Exec.). Same motion, same second, same vote. **(Vote: 5-0-0-0)**

Resolution **1855-2015 - To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer By: County Legislature (Control No. 441)(Co. Exec.).** Same motion, same second, same vote. **(Vote: 5-0-0-0)**

And Resolution **1875-2015 - To readjust, compromise, and grant refunds and chargebacks on correction or errors/County Treasurer by: County Legislature (Control No. 442) amended for Resolution No. 672-2015 (Co. Exec.).** Same motion, same second, same vote. **(Vote: 5-0-0-0)**

We're now going to --

LEG. CILMI:

Sorry. Before we go on to our presentation, Mr. Chair, could we just redress 1825?

CHAIRMAN D'AMARO:

1825-2015, would you like to make a motion to reconsider?

LEG. CILMI:

Just a question. Is this money that's coming out of hotel/motel?

LEG. MARTINEZ:

So this has already been allocated for this year. The problem was that they had not submitted their paperwork in to the Comptroller.

LEG. CILMI:

Gotcha. And it was allocated out of hotel/motel, right?

LEG. MARTINEZ:

No. This one was -- this was from the Operating Budget I believe.

MR. NOLAN:

(Inaudible)

LEG. CILMI:

Okay, because there is something in hotel/motel I think in next year's budget for this association, right?

LEG. MARTINEZ:

Yes.

LEG. CILMI:

And what do they do exactly with the money that we're giving them?

LEG. MARTINEZ:

So what they have done in the past, which they just recently did over at Stony Brook, they gather students from across Long Island and just focus on education and how to advance in education. They'll do cultural events, Hispanic Heritage Month. They give scholarships to kids as well. It's mostly promoting education in the Latino and Colored communities.

LEG. CILMI:

Okay. Thank you.

CHAIRMAN D'AMARO:

Okay. Thank you. All right. We're going to now go to our presentation. It's item IV on the agenda. We are joined this morning by Brandon Muir, Executive Director of the Reclaim New York Center for Government Reform and Accountability. Mr. Muir is going to provide us with an overview of the Center's recently released report regarding the cost of living issue on Long Island. I have a copy of that report in front of me. It's called New York Affordability Crisis Report, the Long Island Edition. Mr. Muir, come on up. I'd like to extend a welcome to you from the committee and invite you to go ahead and make your presentation.

MR. MUIR:

Thank you, Committee Chairman D'Amaro and members of the Budget and Finance Committee. Thank you for the opportunity to testify today on Long Island's affordability crisis. My name is Brandon Muir and I am the Executive Director of Reclaim New York Center for Government Reform and Accountability. We are a non-profit, nonpartisan organization focused on raising awareness among New York's -- excuse me, among New Yorkers on critical fiscal policy issues. So with that, I'd like to take the rest of the written testimony and move in to the meat of the report.

For a moment I'd like to talk about cheeseburgers. Imagine you walk into a Burger King. You walk up to the cashier and you order a cheeseburger. The cashier looks at you and says that will be 25 cents. You look around, you're a little concerned, maybe I'm stealing something or getting a great deal. Possibly this cheeseburger is going to be the smallest cheeseburger you've ever seen. Now, if that same cashier had said it would cost \$25, you would say this is highway robbery, I won't stand for it, absolutely not. We can do this because we have an understanding of the relationship between cost and goods and services rendered.

This cheeseburger for the average Suffolk County family represents one quarter of 1/100 of a percent of their annual income. What baffles me is that we're in a place where we can understand the value proposition on such a small aspect of our annual income, and yet most Suffolk County families spend between 28 and 40% of their annual income on taxes, and they can't tell you where that money is going. Now, certainly we can point to roads and we can point to education and safety. But what we're talking about and what Reclaim New York is focused on doing, is actually taking the conversation past the point of I think I'm getting something and I think I'm paying something, but I'm not sure exactly what it is. So how do we do that?

The affordability crisis report is our first project with the sole focus of taking the numbers, understanding what's going out and what's coming back in. We built a model that essentially allows us to move zip code to zip code across the entire County, and ultimately State, and take between the filing status the location for property taxes and the family size and begin to create a model of what a family's budget looks like. What we've done is create a tool that we hope sparks conversation and what we're doing to spark that conversation is going not door to door, but event to event, if you will, sharing the information on Facebook and helping people understand what are at least the components, because I think to actually have an understanding of value in government, whether you think big government is good or small government is good, you have to know what the components are, and I would make the argument that most people don't know what those components are.

So what you're looking at the report in front of you, I'd ask you to turn to the very last page, which is a calculator workup we've done for Islip. The number highlighted in green at 90,000, that is a family of four, married, filing jointly, two children under the age of 17 years old. This family is a renter. Census Bureau data shows that families under 100,000 on Long Island have a higher probability of renting than they do of owning. This family earns 90,000. As you can see, we begin to methodically move through the four types of taxes they're going to pay; income, property, sales and excise taxes. We then move into basic expenses and then we have a big number there at the bottom, seven percent. It's actually sadly a small number.

What we want to do is to begin the discussion with this simple question. Where we started was what does government does cost me? What is my all end single cost of government? And so what we did was create the models using Census Bureau data that allowed us to look all the way down to the zip code level, down to the CDP level, actually, and model what people are paying in taxes.

Now, for income, that's a pretty straightforward proposition, but once you get into property taxes and sales taxes you're looking at consumption habits. So the numbers you see there reflect consumption habits in the localities described, and we put three calculators in here which speak to each of the jurisdictions you represent.

So you get this initial number, which is your total tax burden, but we know that the story is more than that, because what we really care about is not what people pay in taxes, but rather what they have left. And what they have left by and large is an unstable financial position. This family right here earning 90,000 has 7% of their budget left when you deduct what we call your wake up costs. What does it cost me every morning to get out of bed and put my feet on the floor. You've got your taxes that you have to pay, but then you have simple, basic expenses which are essentially your fixed costs of living; mortgage, food, transportation, water. You can go through these costs that we have laid out here, and I encourage you to with a fine-tooth comb, and I think what you would find is most of these estimates in here are on the conservative side. Again, these numbers are all based on Census Bureau data. This is not just throwing stuff against the wall. But when we talk to people -- we had an event at Hofstra University two weeks ago, we had an event at the Rotary Club, Oyster Bay Rotary Club; Patchogue Chamber of Commerce and we do the calculator with people. By and large they're all telling us that these numbers are on the low side, that actually I pay more than 115 a month for my cell phone or I pay more than 250 a month in energy.

What we have here is a document that tells us the median family, the average family, is saving or has the potential to save I should say, less than 10% of their income. Now, this doesn't count for 401K payments, this doesn't count college debt payments they might be making, this doesn't count the trip to the beach. This is strictly the bare minimum that we said is necessary to wake up each morning.

If you move to the left two columns you see the recent graduate number. The national median income for a recent college graduate is \$48,707. That's just about on par with what you see for universities on Long Island as well. Stony Brook is 49,500 currently. At that point, you're left with roughly 3%. Now, as you move to different localities and you see that property tax number move, that can go up or down, but the recent grad will never be higher than 10% in what we've seen in our studies.

This, to me, is a challenging number from a sales standpoint, because I think about the economy looking forward and the role the millennials will have to play in this economy, and the sell that we have to make to say this is where you should start your life, this is where you should grow your family. When you think about the options that millennials have today and the places they can live, Long Island is essentially behind the eight ball in making its case.

Let's assume for a minute that this 22-year old decides they're going to live in Suffolk County and they're going to buy a home. A median income home is a \$383,000 home in Suffolk County. They're going to need 90,000 down to cover the 20% upfront and closing costs. We project out what the saving rate of roughly \$1,000 a year. It's going to take them 19 years to accrue the \$90,000 it costs to buy their first home. At that time they would be 41. Had they moved to Dallas, they would have been able to buy their first home at 27. The median income home in Dallas is \$140,000 property. By the time they were 41, they would nearly have paid off that loan and more importantly, they would have \$167,000 in the bank, which would pay for their first child's four years at Texas A&M, and three out of the four years for the next child to go to Texas A&M.

I mention this stat because there are eight states now around the country in addition to Texas where you don't pay state income tax. Now, I'm not here to say that state income tax is Suffolk County's fault, but it's certainly a factor when you think about what it takes to sell this locality as a place to live and grow a family.

If you fast forward to 30 years after they took out that loan at 41, that person is now 71, they've just paid off their house. For Suffolk County residents, what that really means when you paid off your house is you've now bought it three times. You paid for it once in the principle, you pay for it a second time in the interest on the loan, and a third time in property taxes. So, again, I don't know how with a straight face we look at millennials, or anyone for that matter, who wants to spend the next 30 years making an investment in their future here on Long Island.

If you jump up the scale to the 100,000 to the 180,000 mark, I would point at a number that's not on here, it's on the other page for Huntington. The median income in Huntington is just over 120,000. A family earning 120,000 is more than double the U.S. median income, and our statistics are showing that they still are able to save less than 10%. What that tells me is that we have a structural problem in our tax policy. How is it possible that a family can earn double the U.S. median income and still struggle to save money? So I'll stop there because this is a pretty technical aspect of the report for any questions on the numbers so far.

CHAIRMAN D'AMARO:

Did you have a question?

LEG. TROTTA:

Yes.

CHAIRMAN D'AMARO:

Yes, and I wanted to add that Legislator Trotta had suggested that we invite Mr. Muir today, so I thank you for that.

LEG. TROTTA:

I wanted him to thoroughly depress us all. What's the answer?

MR. MUIR:

The answer we're seeing a lot of people choose is they're moving. New York led the country from 2000 to 2010 in outward migration. More than 600,000 people moved out of the state. When we interview people and talk to them they tell us they want to stay because of their family by and large. They're staying here in spite of the economic realities, not because of them. What concerns me is, not to get dramatic, but this sort of economic tax death spiral, where the more people move out, your tax base is eroded, therefore you have to raise taxes, therefore more people move out. So the only way I know to begin to change that is to create an economic environment that actually attracts not only millennials, but business owners and encourages people to stay.

I would make the argument that current economic policy does not do that. We tend to, case in point, three companies in the last two weeks, chase the companies as they're already running out the door. The only way I know to change that is to begin to put an economic environment in place that is actually encouraging all people, not just specific companies with 200 jobs and 300 jobs and more to stay, and that starts with tax policy.

LEG. TROTTA:

It almost appears to me that, you know, with the taxes so high that now how do you take a step backwards? I mean, if you're paying \$12,000 a year in tax for a house in Commack and you can buy a 400,000 and in North Carolina you can buy it for 200,000 and pay \$1200, I mean, is it over the limit? Is it -- these downtown revitalization projects. Do you see that as something that might help?

MR. MUIR:

I think, you know, with the Dallas example you've got, we chose Dallas City in Dallas County. You've got a state with no income tax, you have a property tax that's almost a dead push to what you'd find across Long Island. You have a lower sales tax and you have lower excise taxes. So from an earning standpoint it's a no-brainer. I think to your -- the core of your question, though, it's not a one-off. I mean, there is no silver bullet and we didn't get into this problem overnight, we're not going to get out of it overnight. I think it's a better business environment. I mean, I put in this report 50th in corporate income tax, 49th in personal income tax, the business climate index were dead last. Those reports by and large have 10 or 15 different indicators where we're missing the mark. So I don't want to dampen spirits too much, but there's not just one thing that needs to be done. It's essentially, in my opinion, an overhaul of the tax structure as it sits currently, as just a first step to encouraging capital and talent to come back.

LEG. TROTTA:

Thanks.

CHAIRMAN D'AMARO:

Legislator Cilmi, go ahead, please.

LEG. CILMI:

Thanks. I look forward to reading the full report. Some time ago, years ago, I looked at a comparison between New York State and the State of Florida in terms of some of the cost drivers and compared the two budgets, and I don't remember the comparison. I remember being very surprised by the differences in the numbers. When I dug into it further, one of the things that stood out, if my memory serves me correctly, is that as an example they have far fewer road miles in Florida than we do here in New York State. So I'm wondering in your comparison with Dallas, did you take into consideration factors such as our infrastructure, such as how developed we are compared to how developed Dallas is, the size of the area, geographic size of the area? Did you look at that? Did you look at the, you know, the quality of the school system, the quality of law enforcement, the quality of, and believe me, I tend to agree with you on probably most of the things you say in your report here, but I always want to look at things from an honest point of view.

MR. MUIR:

Sure.

LEG. CILMI:

And so you have to really consider some of those things I would think. Did you do that in your analysis?

MR. MUIR:

Well, for the starting point of how we get to the number, it's a natural median income point, so 48,000 is what we're placing everywhere. We also kept basic expenses equal location to location, which we know isn't completely accurate because it's going to be lower in Dallas. The core of this report is a comparison of different localities within Long Island, so no, to your core question, we did not go into the level of detail. It was shared to highlight that there are other opportunities out there and that there are other options for people looking to move.

LEG. CILMI:

Right. So it's something we'd certainly have to contend with.

MR. MUIR:

Correct.

LEG. CILMI:

But the report really looks at things purely from a financial point of view and from an end result point view.

MR. MUIR:

Correct.

LEG. CILMI:

And the fact of the matter is there are some people, as you said, that in spite of the high cost of living here choose to live here for a variety of reasons. Some people actually like to live here, some people feel forced to live here because they have family here, others don't have the financial means to pick up and move.

MR. MUIR:

Sure.

LEG. CILMI:

So --

MR. MUIR:

If I could. I hear you saying essentially the word value, which I think is the core of this report. I mean, I started off with the silly cheeseburger analogy because when we talk with people we use ideas and principles they can get their hands around. And the idea of saying at the end of the day or the end of the year *Gosh, I got a great deal out of government this year*, it sounds kind of crazy, but frankly, with the amount that we're paying, whether it's 28% percent or whether it's 40%, that seems only logical that we should be able to do that.

We had a good indicator that this report and that this tool is working when we did the event at Hofstra. We met with two different families and we had one person come in and do the calculator and realize they were paying 28% of their income to government, and they about flipped out. They couldn't believe it was that high. And then they went off and said, you know, tell me about my roads, and my safety, and my kid's school. The very next person that came in found out they were paying 45%, and the guy looked me in the face and he said *You know what? I have great schools and my kids are safe*. It's a value judgment whether it's a \$130,000 home in Dallas, which is 3,000 square feet, or a 600-square foot apartment, that every person has to make for himself. And I think what's key is that for us to effectively communicate this information we can't approach it from a partisan perspective. We also cannot approach it from a perspective where we can judge what your value should be. We want to just set the table as an organization with the facts and, you know, you can call into question core numbers to understand them more precisely. That's actually exactly what we want people to do, because when we've hit a point in conversation where we're trying to really define the value I'm getting in each piece of these payments, we've really done our job. We see that as sort of that important first step that now we're having a conversation with enough information on the table, understanding what I pay, to where I can begin to see what I get back. And at that point, you know, the organization feels like we've made an important first step.

LEG. CILMI:

Thank you.

CHAIRMAN D'AMARO:

Okay. Thank you, Legislator Cilmi. You know, I wanted to make a quick comment. I know you have more you want to present, I believe, but I want to thank you because you're right, we do need information in order to have a rational discussion about this. You have to start off with at least -- we have to agree on some basic information in order to discuss it coherently. You know, your last comment before we started the questions was that and it begins with taxes, but what's interesting about that comment is that government pays and is living in the same environment, high cost environment, as everybody else. And we are in a position where we need to pay a higher salary, we need to pay more for any goods that we buy for County government, so we're living -- we the County are living under the same burden of the high cost of living on Long Island. And I don't think that anyone really disputes the fact that regionally it's expensive to live here, and you already had the discussion with Legislator Cilmi about, you know, there are a lot of factors that go into what kind of value are you getting for what you're paying, what it cost to live, not just with taxes, but with all these other basic categories that you've listed here.

So we in government are struggling with the same difficult environment of high cost and it's choking government I think to put it mildly. So if your purpose is to throw out some numbers and to say look, you know, we need to at least agree on some basic figures before we go forward, you put out a number where the tax burden using your example in Islip median income of 90,362, the tax burden is about 24% of that, but if you break that down a little further, you'll see that the County portion of that is really not that much.

MR. MUIR:

About 31% of the total taxes you pay would be County or local.

CHAIRMAN D'AMARO:

Or local, yeah. Okay. Right, we're talking in more general terms and I appreciate that. So I guess my question is really more about what Legislator Trotta asked, and that is, you know, we understand about the cost, but -- so how do we bring these costs down, not just for government, but for everybody. I mean, to say that we have to bring the tax burden down when we're not addressing the high costs that government needs to pay is a non-starter for me. We get nowhere having that discussion. Of course we all want to lower taxes, but we are living in that same high cost environment as everybody else.

So does your organization address that part of the issue, not just the agreeing on figures or agreeing on the high cost of living, but then saying, you know, in order to bring those costs down starting maybe even with these basic categories, you know, here's ways to start to move in that direction. I would be very interested to hear about that.

MR. MUIR:

So you've touched on what I think is the core second piece of this effort for us, initially looking at the cost side, what's going out from citizens to government, the second, what am I getting back in return. I don't envy the work, especially of this committee, that you have to do as County Legislators, because on one side you've got citizens who want more but want to give less, and then you have a State government which is demanding more and forcing you to receive less in the way of mandates and caps. So I appreciate that you're, you know, stuck between a rock and a hard place. What I think gets to your question though is that the changes that need to be made, which this committee does not have the ability to do by itself --

CHAIRMAN D'AMARO:

Uh-huh.

MR. MUIR:

-- will require an educated populace, much more than it is right now, to see the whole picture as you're forced to when you're putting together a budget.

CHAIRMAN D'AMARO:

Let me just respond to that, and that goes to my point, that much of the data is really reflecting, this high cost data, is really reflecting things that are completely beyond our control.

MR. MUIR:

Certainly.

CHAIRMAN D'AMARO:

And that's, I believe, why many citizens feel disenfranchised and they're not feeling empowered anymore, because we struggle with these high costs and yet we are victims. Just to give a recent example of when the recession occurred and the County became a victim of that recession, we didn't cause that recession. We had nothing to do with it. It was caused by many, many factors, but the County of Suffolk and probably any county across this nation had absolutely nothing to do with it, yet we deal with all that fallout.

So, again, you know, when you talk about solutions to these problems, just like we talk about when we recently debated our budget, we all want to have a balanced budget. We all want to not have to borrow to cover expenses for cash flow. We want to do all of those things, but in order to solve those situations and problems, they are presented by factors that we have no control over. So I'd be very curious to see is your organization taking a much broader view of why these expenses are so high and what really can be done to try and bring them down.

MR. MUIR:

So the -- it's two pieces after that. I think it's, like you said, your total tax bill's in the area of \$24,000, and we attribute a third of that, roughly, to County level or more local. So what we're really having a conversation about is \$8,000 that this family is spending on County or local services. And I think it's important that --

CHAIRMAN D'AMARO:

Are you just talking about government tax? Because I think that number is a little high --

MR. MUIR:

Correct.

CHAIRMAN D'AMARO:

-- to tell you the truth for County or local.

MR. MUIR:

That's going to be a crusher of four tax types, what you're paying in income, property, your sales tax --

CHAIRMAN D'AMARO:

Oh, okay. All right. So you are encompassing all of that. Okay.

MR. MUIR:

So that number, though, should be the basis of your discussion and this is what I think it's --

CHAIRMAN D'AMARO:

See, but that's where I have to completely disagree with you. That -- we can have that discussion and all -- the discussion is going to center about we need to bring that number down, but how can I bring that number down if we're living in the same high cost environment as everybody else. I'm not saying we can't find ways, you know, within government to cut some cost, save some expenses, I get that. But talking on a broad level, which you seem to want to do here in this report, okay, we can have a three-hour discussion about bringing down County taxes 1% by efficiency measures and all that. You're not solving anything.

MR. MUIR:

So the second part of what I'm saying is that when we agree that we're debating \$8,000 that's going to the County or local, we've set the table at least enough to say that this is the number. Now, what does that \$8,000 buy me, which I think is the segue into roughly two-thirds of our budget is going to education costs. We are paying roughly 22,000 per pupil where the national average is 10,500. Now, if you want to have a talk about \$8,000, yes, we can shave a percent here and a percent there, but I would wager to believe that people see government and see the money they're sending to government as one entity by and large, and are attributing the money going to Federal and State as services you should be providing them. So I think part of the challenge that local government in general has to overcome is that you have to set realistic expectations of what can be achieved with how much money you're receiving, and from that point get into the particulars of how much we pay towards education, did that bridge we purchase actually come out to be a deal for us or, you know, did we take it on the chin.

I'm arguing that without a citizen that is educated enough to understand that we're overpaying by national standards or regional standards, we're not going to get to a point where you're going to have the support to move anything, because you can't go to people and say, all right, we're just going to cut property taxes in half, and by the way, you know, half the County's budget is out the door.

CHAIRMAN D'AMARO:

Uh-huh.

MR. MUIR:

They don't understand, and we see this in the interviews that we do, the connection between the money they pay and what that gets back. So our role is essentially to set the table with that information, to have, like you said, the agreed upon rules of the game, and then go in to say if you're willing to pay \$8,000 to your local government this money will go to the following things. If you're willing to pay 6,000, well, we're not going to pay 22,500 per pupil anymore; we're going to pay 18,000, right. And at least we're now having an apples to apples discussion about what I pay and what I get. I'm going to argue that without those numbers on the table people by and large, you know, roll their eyes and move on.

CHAIRMAN D'AMARO:

I agree with you. I agree with you wholeheartedly that people that pay the taxes should have some idea of what they're paying for, and then you can, like you said, value. The cheeseburger example. You start to get a sense of what are you paying for and what it costs. If that's one of the prime goals of your report, I think that's laudable to do, yeah.

MR. MUIR:

I would just say our follow-up work, this was roughly nine months putting this together and

creating the model. Assuming our contractors come through within a week, we're going to have this calculator on-line so people can go on and take the calculator themselves, see where this information breaks out, and then Phase II will be really looking into where the money is going that they are spending and setting the other side, do they agree with those expenditures and are they comfortable with them.

CHAIRMAN D'AMARO:

That is a very important part of the equation, because to just, you know, put a calculator on-line and you see oh, I'm paying 25% of my gross income into taxes without knowing how it's being spent is -- would be patently unfair to do. And I think that people who live on Long Island would understand that government is subjected to the same high costs that they are, but I also think that it would spark a discussion as to how can we bring those costs down. But, again, that's a very frustrating discussion to have, because just like when you go to the grocery store if you're a homeowner and you don't control the cost of, you know, that box of cereal that you're going to buy, well, neither does the County of Suffolk. So living in that high cost environment makes it very, very problematic for us.

One of the solutions that we can try and implement in County government is trying to generate more in sales tax, which means if people have more disposable income they're spending more. And, you know, we have various initiatives, economic development initiatives, things that we're trying to do in order to try and make not only the region on Long Island and Suffolk County more attractive for people to remain here, but also provide them with a decent job and then generate some more revenue for government so we're not in this chokehold all the time. But I would encourage an organization like yours, once you put the numbers on the table I think -- and once you get all the information out there as to this is how your tax dollars are being spent, not just what they are, I think what would be really welcome would be some ideas as to how we can help solve these problems, whether it's generating more income or whether it's lowering expenses, you know, whatever it may be on both sides of the balance sheet, you know, we would welcome those types of recommendations.

MR. MUIR:

To that last piece, we've started an effort to survey, if you will, what that magic number is for people. Is it 28%, is it 45%, and if it's 45, what do you expect to get, to begin to understand for Suffolk County or for Long Island or for New York, what that expectation of government service delivery really is. And of course, you know, we're seeing across the spectrum at 28% it's too much and 45 it's not enough because we get value. So, you know, I would like to bring that information back once we're able to compile it all.

CHAIRMAN D'AMARO:

Okay. Did you want to continue, or can we wrap it up?

MR. MUIR:

Nope. I have actually a couple of comments I would finish with, really just questions to the committee.

CHAIRMAN D'AMARO:

Sure, go ahead.

MR. MUIR:

So as I said, I don't envy the tough position that you're in and I would just throw out some questions as you move forward, and this is really a reflection of questions we're hearing in our interviews with citizens getting to core transparency and accountability issues. The

County is taking an important step toward open governance by posting the annual budget on-line. Could the same be done for the year end checkbook? For perspective appointees to a board, commission, agency, etcetera, does the committee inquire as to what steps he will take to reach an industry accepted level of transparency? Does the committee have the information and the tools, and I say both because it gets to your question of the ability to quantify this for individuals so they can understand what government is providing, the information and the tools to illustrate to citizens the perils of a not in my backyard approach to zoning and its impact on affordability. We hear every day no one wants this in my backyard, that's your choice, but let's talk about what that means when it comes to housing prices and housing stock. Does the committee tie measured steps for improved efficiency in government permitting to the annual budget discussion? What are elected officials doing today to attract all entrepreneurs and businesses, not just specific industries or even specific companies to specific locations. Does the committee have the information and the tools to illustrate to citizens the per pupil cost of education in Suffolk County with relative comparisons to regional and national competitors? And, finally, does the committee have the information and tools to illustrate to citizens the various State mandated expenditures and the effect relief from these would have on the budget.

So, again, I don't mean to stand here like a citizen and point fingers. I think the more we can share information about the realities of your budget and the choices that you're forced to make with input from the citizens, the better off both sides will be.

CHAIRMAN D'AMARO:

Very good. I would wholeheartedly agree with that. Those are very legitimate questions and they need to be asked and they need to be answered, so I appreciate that very much. Okay. Does anyone have any other questions for Mr. Muir? Legislator Trotta.

LEG. TROTТА:

Quick question. Are you going to be looking into the pension costs? I mean, because that's a huge driver in this County is the pension costs. We've borrowed \$87 million a couple of years ago, 56 million, down to 46 million. I mean, I'm a beneficiary of a very generous pension and it's only getting more generous. I'm sitting now on the other side looking at it, I realize it's unaffordable and that it can't go on.

MR. MUIR:

So I think when we're all done with our work we'll have two sides of the coin. One, what you're paying, and two, what you're getting back, and so essentially an accounting, a checkbook if you will, of government expenditures from the County level down. And, again, the idea of being able to tie what you're paying and what you're getting back so people can make that judgment. So the short answer is yes. We haven't got to the point where we know how that will be formatted or how it will all look, but the idea, the premise, is to have both sides of the equation on-line and visible.

LEG. TROTТА:

All right. Thanks.

CHAIRMAN D'AMARO:

All right. Mr. Muir, I want to thank you for coming down today and presenting your report. I am going to read it. It should be interesting, as Legislator Cilmi says. We would invite you to come back if you have more information for us. We'd welcome you to come back any time.

MR. MUIR:

Thank you kindly.

CHAIRMAN D'AMARO:

All right. Thank you, sir.

MR. MUIR:

You're welcome.

CHAIRMAN D'AMARO:

Okay. There's no further business before the committee this morning, so we are adjourned. Thank you.

*(*The meeting was adjourned at 11:14 a.m.*)*