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Meeting Minutes  
**Documents:**

BUDGET REVIEW COMMITTEE, 09-06-18.pdf

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NASSAU COUNTY LEGISLATURE

RICHARD NICOLELLO

PRESIDING OFFICER

BUDGET REVIEW COMMITTEE

LEGISLATOR VINCENT MUSCARELLA

CHAIR

Theodore Roosevelt Building

1550 Franklin Avenue

Mineola, New York

September 6, 2018

1:25 P.M.

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2 A P P E A R A N C E S:

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4 LEGISLATOR VINCENT MUSCARELLA

5 Chair

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7 LEGISLATOR RICHARD NICOLELLO

8 Vice Chair

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10 LEGISLATOR HOWARD KOPEL

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12 LEGISLATOR KEVAN ABRAHAMS

13 Ranking member

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15 LEGISLATOR ELLEN BIRNBAUM

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2                   LEGISLATOR MUSCARELLA:       I hereby  
3   call this hearing of the Budget Review  
4   Committee to order. I would ask you to all  
5   stand and join us in the pledge.

6                   (Pledge of Allegiance was recited.)

7                   LEGISLATOR MUSCARELLA:       Thank  
8   you. Welcome everyone to the Budget Review  
9   Committee of the Nassau County Legislature.  
10   Each year about this time this committee holds  
11   a hearing to allow the county comptroller and  
12   the administration to present an official  
13   close of the county's books for the preceding  
14   year and to give us a midyear outlook for the  
15   current financial year.

16                   The county comptroller has made, to  
17   our view, certain dramatic changes in the way  
18   his office reports the county's fiscal  
19   condition. Newsday has had some headlines  
20   recently indicating that the county's  
21   financial and fiscal condition looks dire. We  
22   await the county comptroller's report to kind  
23   of flush out Newsday headlines and we welcome  
24   the opportunity to have him present his view  
25   and to allow us to ask questions so that we

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2       can better deal with the responsibilities that  
3       we all have as we approach the budget season.

4           Additionally, we look forward to  
5       hearing from the financial team of the  
6       administration to get their view on where the  
7       county stands.

8           Mr. Abrahams, do you have anything  
9       that you would like to say before we get  
10      started?

11           LEGISLATOR ABRAHAMS:       No.

12           LEGISLATOR MUSCARELLA:     Then I  
13      would ask the county comptroller, Mr.  
14      Schnirman, to come forward and begin his  
15      presentation.

16           Mr. Budnick, you have a question?  
17      Regardless of whether there is public comment,  
18      we will allow Mr. Budnick to ask his  
19      question.

20           MR. BUDNICK:       I'm going to make a  
21      rhetorical question. Does this mean that the  
22      county comptroller won't be bothering to come  
23      here to this hearing?

24           LEGISLATOR MUSCARELLA:     He's  
25      here.

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2           MR. BUDNICK:       That's the  
3   comptroller? Thank you.

4           LEGISLATOR MUSCARELLA:       That was  
5   not a rhetorical question.

6           MR. BUDNICK:       I thank you for  
7   enlightening me. God bless you one and all.

8           LEGISLATOR MUSCARELLA:       The floor  
9   is your Comptroller.

10          MR. SCHNIRMAN:       Thank you. Good  
11   to see everybody. Happy September to the  
12   committee, Majority Leader, Minority Leader.

13          Before I begin I want to point out  
14   to you we have a power point that we will be  
15   showing simultaneously. We also have a  
16   one-page quick summary for everybody of our  
17   reports as well. Those reports which you  
18   received earlier in the summer.

19          So, we are here today to present  
20   our comprehensive annual financial report for  
21   2017 and our 2018 midyear report on the  
22   financial condition of Nassau County. Before  
23   we get into it, I want to preface my remarks  
24   with some kudos and a note of caution. I want  
25   to give kudos to Lisa Tsikouras here with us,

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2   our director of accounting, and our accounting  
3   team for once again doing a truly phenomenal  
4   job putting all these numbers together and  
5   working with all of the county departments.  
6   It is truly hard work and we are  
7   appreciative.

8           Additional congratulations to  
9   everyone in the comptroller's office as we  
10   deliver the comprehensive annual financial  
11   report on time for the first time in seven  
12   years.

13           I want to caution you from top to  
14   bottom that the way this county tracks and  
15   manages its finances is grossly outdated.  
16   Working with our independent auditors, we have  
17   identified this as a threat to the county's  
18   overall operations. If we modernize,  
19   providing you with comprehensive information  
20   based on the national standard for financial  
21   reporting, could be a more regular  
22   occurrence. Make your life easier. You have  
23   tough decisions to make and you deserve truly  
24   up to date information when making those  
25   decisions. With that being said, let's take a

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2    look at the numbers together.

3           Based on our comprehensive annual  
4   financial report, the previous administration  
5   ended 2017 with a \$122.4 million deficit in  
6   the primary operating funds and a \$68.8  
7   million deficit in the unassigned fund  
8   balance. Colloquially the county's rainy day  
9   fund. There are a number of drivers that lead  
10   to this.

11           The main drivers were the county's  
12   nonfunded tax cert payments in 2017 and an  
13   exhausting of the litigation fund. Others  
14   included revenue shortfalls from departmental  
15   revenues \$6.6 million. Federal Transit  
16   Authority \$6.3 million. Nassau County  
17   Off-Track Betting \$3 million. Departmental  
18   fees not realized due to a temporary  
19   restraining order imposed on the income and  
20   expense order to the tune of \$10 million.

21           We also reported the county still  
22   has a number of major outstanding  
23   liabilities. Most notably, outstanding tax  
24   certiorari liability \$569.3 million.  
25   Litigation liabilities \$391.5 million. And



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2   New York State deferred pension liabilities  
3   \$235 million.

4           That's the situation the previous  
5   administration left at the close of 2017.  
6   That's where we stood then. Now let's take a  
7   look at the big picture for 2018 and where  
8   this county stood at the six month mark of the  
9   year.

10           If we stay on the current  
11   trajectory my office projects to end the year  
12   with a \$117.1 million operating deficit. That  
13   is only slightly smaller than the county ran  
14   last year. It further deteriorates the  
15   county's already weakened financial position.  
16   As a note, there has been a slight change in  
17   that number from our issued report since we  
18   were able to missing PILOT payments identified  
19   in one of our audits from the Town of  
20   Hempstead. That's approximately \$5 million.

21           This ongoing annual deficit has  
22   real impacts. If the county keeps going in  
23   this direction we are projecting to end the  
24   year with a negative unassigned fund balance  
25   of \$135.1 million and a negative ending total

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2   fund balance of \$17.9 million.

3           Here are the short-term negative  
4   drivers from 2018. \$50.4 million in  
5   litigation costs driven mainly by the Restivo  
6   judgement. \$45 million higher than budgeted  
7   tax cert payments for 2018. \$12.8 million in  
8   projected missing revenue from the Off-Track  
9   Betting lottery terminals. \$9.3 million in  
10   sewer assessment refunds due to our residents  
11   living in villages that were overassessed.  
12   And \$9.9 million shortfall in departmental  
13   revenue.

14           So let's put those two reports  
15   together in context to give you an idea where  
16   the county is heading financially.

17           In June when we issued the 2017  
18   comprehensive financial annual report, which  
19   is independently audited by the county's  
20   external auditors, the county ended with a  
21   negative unassigned fund balance of \$68.8  
22   million in the major operating funds as we  
23   discussed a moment ago.

24           Now, today, we are here to tell you  
25   that if we continue on the current trajectory

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2   that number is going to double. Our analysis  
3   shows that last year's deficit in the  
4   unassigned fund balance wasn't a blip, it  
5   wasn't the result of an outlier from a bad  
6   year, it is a trend that is moving quickly in  
7   the wrong direction.

8           When we presented the 2017 report I  
9   said having a negative unassigned fund balance  
10   is akin to putting your savings account in the  
11   negative. It's certainly not prudent for the  
12   average person to do that with their own  
13   finances. But here we are as a county. Now  
14   that number is on track to double. In fact,  
15   if the county doesn't substantially change  
16   course between now and the end of December the  
17   overall combined major operating fund balances  
18   will end the year in the red. That is a huge  
19   deal.

20           So, the savings is drained and now  
21   the county is draining the 401K and every  
22   other source of liquid capital it has access  
23   to.

24           All of us in the room today know a  
25   major component of this number is the county

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2   guarantee. For years the county has been  
3   paying out more than we had coming and it has  
4   severely weakened the county's financial  
5   position. This is a long-term issue.  
6   Everyone and all parties and all  
7   administrations recognizes and knows this to  
8   be a problem and it requires real long-term  
9   planning to solve. So we will talk about that  
10   in a little bit.

11           Nassau County is not unique in the  
12   sense we are a local government entity  
13   experiencing financial issues. Governments  
14   across the country, certainly across our  
15   region here on Long Island, are dealing with  
16   rising fixed costs that our outpacing regular  
17   revenue growth. Simply put, it's not a  
18   balanced equation. The county going forward  
19   must restructure, reform and modernize to  
20   avoid further deterioration of the county's  
21   overall viability. A plan that will improve  
22   the structure of the county government, its  
23   current operations model and how it uses both  
24   financial and performance data to track and  
25   informed decision-making will truly help avoid

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2   structural challenges and future risks.

3           I'm constantly asked, as I'm sure  
4   you are, how can Nassau County be in this  
5   position? What makes Nassau County different  
6   than other cash-strapped municipalities? Put  
7   simply, the county has an annual operating  
8   issue where we don't have enough money to  
9   cover expenses. And we also have unfunded  
10   long-term liabilities that continue to grow  
11   and weaken the overall financial position of  
12   the county.

13           Our comprehensive annual financial  
14   report and our midyear projections were  
15   developed using the national standard for  
16   financial reporting. Generally Accepted  
17   Accounting Principals. The Governmental  
18   Accounting Standards Board establishes  
19   accounting and financial reporting standards  
20   for US state and local governments. Those  
21   standards ensure that GAAP reporting across  
22   all municipalities are uniform.

23           Every year it seems the county goes  
24   back and forth on how to discuss its financial  
25   results at meetings just like this one.

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2       Sometimes the county has used the outdated  
3       budgetary standard, sometime the national  
4       standard. Let me give you one quick example  
5       of what happens when we all go back and forth  
6       in discussions between the national standard  
7       and the budgetary basis.

8           Think about when we talk about  
9       revenues. Often times money is due to the  
10      county but we have not physically received it  
11      by the close of the fiscal year. Those funds  
12      cannot be recorded as revenue under the  
13      national standard as they haven't been  
14      received within two months of they year  
15      ending. That's because cash is not available  
16      to pay for the expenditures in the current  
17      fiscal year. Compare that to the budgetary  
18      basis. Budgetary basis does not count that  
19      revenue as having been received. I'm sorry,  
20      it does count that revenue as having been  
21      received.

22           It is imperative that when we talk  
23      at meetings like these we are all on the same  
24      page. We're comparing apples to apples. We  
25      understand that that means some change. We

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2   also understand that most of the difficulty  
3   lies in the fact that our financial reporting  
4   systems are stuck in the 1980s. There have  
5   been 57 GASBY updates since then and the  
6   county has not yet been able to be in  
7   compliance with quite a few of them given  
8   where our financial systems are.

9           Nassau's independent audit firms  
10   annual report to management identified our  
11   outdated financial systems as a material  
12   weakness in their latest report. Which means  
13   they believe that there is a reasonable  
14   possibility that a material misstatement of  
15   the county's annual financial statements will  
16   not be prevented or detected on a timely  
17   basis. It is the most severe type of weakness  
18   that can be identified. It weakens our  
19   financial controls. It results in a  
20   tremendous amount of inefficiently used staff  
21   hours. And oh, by the way, it just might stop  
22   working one day as there are very few, if any,  
23   people who still have the knowledge base to  
24   fix it here in the county.

25           The great thing about the national

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2   standard I spoke about before is that it's  
3   constantly improving based on input from  
4   thousands of professionals across the  
5   country. There are independent boards,  
6   committees, common periods, all designed to  
7   take what is going on in the real world and  
8   incorporate into the latest and greatest in  
9   financial reporting practices. I will not get  
10  into those any deeper today.

11               But we are losing out on all of  
12  that because generations of technology have  
13  passed this county by. That has to stop now.  
14  We cannot continue to produce \$3 billion worth  
15  of the county's financial statements on  
16  massively complicated Microsoft Excel  
17  worksheets. This can and must be fixed for  
18  the long-term benefit of the county. We  
19  should be pushing to centralize our accounting  
20  functions and promote more sharing of data  
21  between departments. That can only happen if  
22  we are all on the same page and in the same  
23  book.

24               Every minute we spend going over  
25  which reporting basis to use is better is



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2   really better spent actually solving the  
3   problems we are all facing together. So if we  
4   are going to make responsible, informed,  
5   accurate and impactful financial decisions we  
6   need to have the best available data at hand.  
7   You deserve that as a legislature and so do  
8   our residents. Because there are real costs  
9   to not taking action towards correcting the  
10   financial health of this county and  
11   maintaining the status quo.

12           If the county doesn't change course  
13   hit we will hit that total negative fund  
14   balance I spoke about before. That number is  
15   a \$17.9 million total projected deficit across  
16   all of our primary operating funds combined.  
17   At no point in the last seven years has that  
18   indicator previously been negative.

19           You can see the context of that big  
20   swing we are projecting. It's not just us  
21   sounding an alarm it's our independent  
22   financial auditors, it's the credit rating  
23   agencies as well, who have a major impact on  
24   the way this county does business.

25           The three ratings agencies, Moody's

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2   Finch and Standard and Poors, that report on  
3   the county each year had comments related to  
4   the county's 2016 financial statements and  
5   preliminary 2017 results warning of possible  
6   downgrades if there were significant declines  
7   in fund balance levels or liquidity levels.

8           Moody's April 2018 report mentioned  
9   a significant decline, and this is a quote, A  
10   significant decline in fund balance or cash  
11   levels is one factor that could lead to a  
12   downgrade. And alternatively, significant  
13   improvements to reserves and liquidity  
14   resulting from operating surpluses is a factor  
15   that can lead to an upgrade in rating.

16           Finch's April 2018 report stated,  
17   and I quote, Improved margins and the  
18   accumulation of a meaningful level of reserves  
19   during periods of economic recovery along with  
20   the expected elimination of reliance on debt  
21   and other nonrecurring items to fund recurring  
22   expenses could result in rating improvement.  
23   Increased reliance on such funding or a trend  
24   of annual deficits of more than a minimal  
25   amount could result in a downgrade.

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2                   Standard and Poors's in April 2018  
3   cautioned that it could reduce the rating if,  
4   quote, outyear budget gaps widen as a result  
5   of the county's difficulty in aligning its  
6   revenues and its expenditures. We could also  
7   lower the rating if the county's liquidity  
8   deteriorates to a level that we consider  
9   inconsistent with the current rating level or  
10   its exposure to contingent liquidity risks  
11   negatively strains existing liquidity levels.

12                So there's serious impacts in our  
13   day to day operations as well. When your  
14   finances are unstable it has an effect on the  
15   businesses and nonprofits our county partners  
16   with to deliver vital services to our  
17   residents who don't know when, if at all,  
18   their next payment is going to come in.

19                It impacts the mindset of vendors  
20   who bid by on county projects and who feel the  
21   need to build protections into their price in  
22   the event of delayed compensation. That's the  
23   situation we are dealing with.

24                As I noted before, our ability to  
25   work together and address these issues is

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2   severely limited by our outdated financial  
3   management systems. It's outdated,  
4   inefficient, represents a real risk of failure  
5   for all of us.

6           So when the legislature or  
7   administration comes forward on ideas with  
8   fixing our budget, as we look forward to  
9   listening this fall, we want to be your  
10   partners here in the comptroller's office in  
11   progress in mapping out impacts. That ability  
12   to quickly turn around that analysis is  
13   hampered right now with the systems we have.

14           It's time to move forward. We need  
15   to move quickly. We need to move in the right  
16   direction. We need to move together as a  
17   county. I know there is energy in this room  
18   to make that move. I know it exists in the  
19   county executive's office as well.

20           We are taking action in the  
21   comptroller's office to fully utilize our  
22   role. We've launched audits into operations  
23   that ultimately play a big role in the county  
24   budget. Our audits into the Industrial  
25   Development Agency and the Assessment Review

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2   Commission for example get at the heart of  
3   where our residents have demanded better of  
4   this county. There is a tremendous amount of  
5   money moving through both of these agencies  
6   and it is crucial that we are getting the best  
7   bang for our buck.

8           We are working with the county  
9   executive's office to centralize and modernize  
10   our procurement and claims process. Right now  
11   you have every department in the county acting  
12   in a decentralized manner. This raises costs  
13   and drives away vendors who don't have the  
14   time or resources or political connections to  
15   play those games. There's accusations of  
16   nepotism and patronage have dogged the county  
17   for years. We are instituting controls that  
18   require our vendors to affirmatively declare  
19   any family connections to county employees in  
20   the processing of contracts.

21           We are heightening our review of  
22   every day claims as well. We take very  
23   seriously outlined in the county charter to  
24   audit and approve all county expenses. If you  
25   look back at what this county just went

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2    through with the New York American Water issue  
3    and the savings identified there, that was a  
4    result of our claims auditors raising the  
5    alarm when they saw one bill that was out of  
6    whack.

7           So, all that one instance isn't  
8    going to fix the budget, that mentality of not  
9    being a rubber stamp can add up over time and  
10   we look forward to continuing to work with you  
11   to be good stewards of our tax dollars.

12           Like I said, everyone has a role to  
13   play. At the end of the day I think everyone  
14   in this room realizes tough decisions have to  
15   be made.

16           In our midyear report we looked at  
17   other possible transactions that haven't been  
18   fully realized as of the time of the report,  
19   such as borrowing for tax cert payments and  
20   the Restivo judgement. On a purely financial  
21   level, those transactions had the ability to  
22   improve this budget picture by up to 70  
23   percent for 2018's performance. That's a big  
24   swing. It could have curbed the 2018  
25   projected deficit. That means if those

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2   possible transactions materialized fiscal year  
3   2018's projected operating deficit that we  
4   talked about earlier of \$117.1 million could  
5   improve to a \$34.7 million operating deficit.

6           There are other proposals we are  
7   tracking as well. Vacancy savings from  
8   unfilled positions in the executive branch.  
9   An overhaul of the assessment system. Fee  
10   increases. Obviously we are quickly  
11   approaching the end of the year now. We are  
12   in the September. The impact of all those  
13   potential transactions and anything else that  
14   may be proposed is now limited as there is  
15   less time in the year.

16           On our end, our office has made  
17   some proposals that would improve the  
18   financial situation as well. Modernizing our  
19   financial systems as we spoke about.  
20   Centralizing department functions to improve  
21   revenue collection. And creating a grant  
22   management unit to better secure outside  
23   funding sources.

24           We all know there's work to be  
25   done. We all know what roles we have to play

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2    in solving these problems. We understand it  
3    can be difficult to parse the holistic impacts  
4    of proposals when they're broken out  
5    individually. It's imperative we start  
6    bringing all these ideas together and start on  
7    this path forward together. I feel there's a  
8    new energy in all corners of Nassau County  
9    government to take on these problems and make  
10   the tough decisions. And our office most  
11   certainly looks forward to working with  
12   everyone here on making sure you have the  
13   information you need to make informed choices  
14   along the way. Thank you.

15               LEGISLATOR MUSCARELLA:     Thank you  
16   Mr. Schnirman. Quick question. I have been  
17   around here for a few years and I can't tell  
18   you that I'm the most proficient in fiscal  
19   policy and fiscal considerations. I do know  
20   that over the years in hearing from the  
21   comptroller's office we have gone from  
22   government accounting to a GAAP accounting  
23   analysis. Kind of a NIFA inspired GAAP  
24   accounting. And now we hear of a national  
25   standard. I've never heard of a national



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2   standard before but I certainly could be  
3   wrong. Is that a GAAP accounting or is it a  
4   completely different type of accounting?

5           You rightly pointed out we go from  
6   apples to oranges to pears and we don't get a  
7   handle on it from one year to the next. We  
8   are now in the fourth iteration of a method to  
9   kind of look at a different fruit. What's a  
10   national standard of accounting?

11           MR. SCHNIRMAN:       Generally  
12   Accepted Accounting Principals is the national  
13   standard. Period. Full stop. These are the  
14   numbers that the accounting standards under  
15   the Government Accounting Standards Board  
16   requires us to report out at the end of each  
17   year in the comprehensive annual financial  
18   report.

19           As we note in that report, the  
20   county is required to report its financial  
21   statements in accordance with GAAP, Generally  
22   Accepted Accounting Principals, the national  
23   standard so to speak. Therefore, discussion  
24   of the county financial results on that basis  
25   provides the readers of the financial

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2   statements the ability to better understand  
3   the county's fiscal standing.

4           In other words, it would be very  
5   confusing to report out one way and talk about  
6   it another. The goal here is to be consistent  
7   from this point going forward and to only talk  
8   about it in the manner of the national  
9   standard.

10           By not doing so, as I think I went  
11   into in quite some detail moments ago, it puts  
12   us at a host of disadvantages. But honestly,  
13   we understand, given our current accounting  
14   system, it is hard. We understand it's hard  
15   for departments, we understand it's hard for  
16   the legislature to discuss numbers on a GAAP  
17   basis. Simply put, it may not be what  
18   everyone is used to. We set this standard and  
19   we talk about this not to make life  
20   difficult. Just the opposite. To make it  
21   easier. So we are all going to talk about  
22   apples to apples and we will be here to work  
23   with everyone to make sure that everyone is on  
24   the same page. So that rather than debating  
25   back and forth whether we should move to the

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2   national standard or stay with the outdated we  
3   can move forward together.

4                   LEGISLATOR MUSCARELLA:       Last  
5   year's reporting was that on a GAAP standard?  
6   Do you know?

7                   MR. SCHNIRMAN:       I will allow our  
8   director of accounting to answer in a second.  
9   I say this not to be flip but just to be  
10   blunt. I wasn't here last year but I'm fully  
11   aware that there has been a back and forth  
12   with the legislature, with the comptroller's  
13   office, with the former county executive's  
14   office in using a variety of different  
15   methods. I think we can all agree that  
16   doesn't make anybody's life any better.

17                   LEGISLATOR MUSCARELLA:       I  
18   understand that. You're reporting on last  
19   year's numbers based on the same type of  
20   standard or completely different standard?

21                   MS. TSIKOURAS:       Lisa Tsikouras.  
22   The financial statements of the county are  
23   always prepared using GAAP. We are required  
24   to do so. The midyear report last year, I'm  
25   trying to remember, honestly I don't remember

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2    if it was discussed on a budgetary basis or we  
3    included GAAP as well. I believe the budget  
4    report last year was prepared under a GAAP  
5    consideration. We discussed it under GAAP.  
6    The previous comptroller had wanted to discuss  
7    it under GAAP.

8           LEGISLATOR MUSCARELLA:     I'm just  
9    concerned that much of the numbers that we get  
10   and the changing numbers become a timing issue  
11   where certain numbers are fit, where this  
12   year's numbers whether they are applied to  
13   last year, this year.

14          MS. TSIKOURAS:     The information  
15   that was provided in the midyear report is  
16   under GAAP and it's looking at the funds the  
17   way that the county is required to report.  
18   For example, when we talk about the general  
19   fund under budgetary, I think everybody is  
20   aware we have a general fund, a fire  
21   commission fund, a district fund, police  
22   district, police headquarters. For purposes  
23   of reporting the county is required to  
24   consolidate into the general fund several  
25   different funds.

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2           For example, if you look at the  
3 county's CAFR, since 2011 you won't see the  
4 fire commission fund. You won't see the  
5 police headquarters fund. You won't see the  
6 debt service fund because they are required to  
7 be consolidated into the general fund under  
8 governmental accounting standards.

9           So, the confusion that happened  
10 every year is we talk about budgetary  
11 reporting for the old five primary funds.  
12 General fund, fire commission et cetera. But  
13 for reporting they're not treated that way.  
14 This caused enormous confusion. We were  
15 constantly required to put together crosswalks  
16 to get from where we were in the CAFR to what  
17 reporting agencies were -- rating agencies  
18 were asking questions about what was in the  
19 CAFR. How do we convert that back to  
20 budgetary we would be asked? It was very  
21 confusing. The results are significantly  
22 different as you can tell. It has been  
23 reported in the past.

24           So, to report under GAAP removes  
25 that confusion. People can actually go to the

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2   CAFR and find the information that is being  
3   discussed. Whereas in the past, if you looked  
4   at a budgetary report you couldn't trace that  
5   back to the CAFR. The CAFR is independently  
6   audited by our external audit firm and there's  
7   a clean opinion on it. Hence the reason for  
8   moving forward with GAAP reporting and being  
9   consistent with what our financial statements  
10   say.

11                 LEGISLATOR MUSCARELLA:     I'm going  
12   to open it up. Legislator Nicoletto.

13                 LEGISLATOR NICOLELLO:     I have a  
14   few questions. First off, in terms of the  
15   projected increase in unassigned fund balance  
16   what is driving that? Why is the unassigned  
17   fund balance projected to increase?

18                 MR. SCHNIRMAN:     So, for 2018  
19   here's what's driving it. We have \$50.4  
20   million in litigation cost, driven mainly by  
21   the Restivo judgement. Forty five million  
22   higher than budgeted tax cert payments. \$12.8  
23   million in projected missing revenue from  
24   Off-Track Betting lottery terminals. 9.3 in  
25   sewer assessment refunds due to our residents

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2   living in villages that were overassessed.

3   And \$9.9 million in shortfall in departmental  
4   revenue.

5                   LEGISLATOR NICOLELLO:     All of  
6   that will be paid out of unassigned fund  
7   balance, each and every one of those?

8                   MR. SCHNIRMAN:     Those are the  
9   things that are driving the 2018 deficit.   And  
10   a 2018 deficit of 117 moving down to 112,  
11   thanks to the good work of our audit division,  
12   that's going to add -- we have 68.8 as of the  
13   end of 2017.   Obviously adding another over  
14   \$100 million is going to increase the  
15   unassigned fund balance.   That's going to  
16   bring it up to 135.   That's what we are  
17   currently projecting if actions are not  
18   taken.

19                   That's why we make that point that  
20   there are things that could be done.   There's  
21   the potential or at least there was the  
22   potential to improve that projection by up to  
23   70 percent based on what had been under  
24   discussion.   Any further proposals would  
25   certainly improve that further.   But I think

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2   we have to be cautious and realistic and point  
3   out as we are having this conversation already  
4   in September the amount of months left in the  
5   year to improve that trajectory is less.

6   Whatever corrective actions will be taken at  
7   this point in the year would only take place  
8   over the course of the fourth quarter.

9                   LEGISLATOR NICOLELLO:       When you  
10   say national standard are you basically using  
11   another term for GAAP?

12                   MR. SCHNIRMAN:       Correct.  
13   Generally Accepted Accounting Principals is  
14   the national standard. A lot of us find it  
15   overly complicated when we start throwing  
16   around acronyms. Let's keep it nice and  
17   simple. I would also just remind us that we  
18   have the cascading problem of not only were we  
19   at 68.8 million in the negative at the end of  
20   '17, but by projecting another large deficit  
21   the way we are, bringing us to \$135 million in  
22   an unassigned fund balance, that takes the  
23   totality of the funds in the county into the  
24   negative. That in and of itself is truly  
25   staggering. You are not just talking about



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2   the county's savings account anymore. Now  
3   you're talking about essentially the 401K or  
4   whatever your chosen analogy would be to drain  
5   all the other sources of liquidity and that  
6   puts a major strain on the county going  
7   forward and will have an impact on the  
8   county's credit rating that we should be very  
9   aware.

10               LEGISLATOR NICOLELLO:     Are there  
11   multiple versions of GAAP or is there one  
12   version?

13               MR. SCHNIRMAN:     We are going to  
14   use the -- we're just using GAAP.

15               LEGISLATOR NICOLELLO:     That  
16   doesn't answer the question. Can you say GAAP  
17   says this, NIFA says GAAP says something  
18   different. Can other accounting individuals  
19   say GAAP says something else?

20               MS. TSIKOURAS:     No. GAAP for  
21   governments is very specific. There are  
22   pronouncements that are issued and the county  
23   adopts those pronouncements as they become  
24   effective. There's only one governmental  
25   GAAP. You can have different policies within

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2   a municipality that may change the way you  
3   look at things. For example, the period of  
4   availability is an example. Every  
5   municipality has to have what they call a  
6   period of availability. In the example that  
7   the comptroller stated earlier about the  
8   revenues, if the county does not receive the  
9   actual cash flow receivable within that period  
10   of availability, which for the county is 60  
11   days, you cannot record that as revenue within  
12   that fiscal year. So, you can have a  
13   municipality that maybe has a 30 day  
14   availability or something similar. Policies  
15   can change but GAAP is GAAP. That's what  
16   makes it standard and consistent for  
17   comparability purposes.

18           LEGISLATOR NICOLELLO:     Your  
19   office reported that 2017 ended with a \$122.4  
20   million deficit. NIFA's reporting a GAAP  
21   based deficit of 2017 of \$63.2 million.  
22   That's a gap of \$60 million. If NIFA is  
23   applying GAAP and you're applying GAAP why is  
24   there a \$60 million difference?

25           MS. TSIKOURAS:     In this year's

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2   CAFR we have disclosures on the NIFA's control  
3   period calculation, which is how we are  
4   identifying that calculation. NIFA looks at  
5   only the old five primary operating funds.  
6   They're not looking at it in accordance with  
7   GASBY 54. Which is the one of the GAAP  
8   requirements.

9           As I mentioned earlier, our general  
10   fund not only includes the other funds that  
11   are part of the old primary operating funds,  
12   but it also includes things like the  
13   litigation fund, the employee benefit reserve,  
14   the retirement contribution reserve, the  
15   technology fund, the open space fund, all  
16   those are required to be consolidated into the  
17   general fund. For GAAP purposes, our general  
18   fund is comprised of maybe multiple sub  
19   funds. Whereas, what NIFA looks at is only  
20   the stand alone. What's in the financial  
21   system general fund. What's in fire com,  
22   police headquarters, police district, debt  
23   service. Those funds only. That's what  
24   causes the differential.

25           In the '17 CAFR we actually have a

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2    crosswalk to show how we get from one to the  
3    other. Basically we start with what's in our  
4    GAAP numbers and strip out the funds that NIFA  
5    does not look at. So under the NIFA Act they  
6    limited it to those particular five funds.

7           MS. JAMES:     I just add to that.  
8    Shari James for the record. You will see on  
9    the screen the differences in the primary  
10   operating funds that are included. The major  
11   swing that you see there is attributed to the  
12   litigation fund, which is not reported and  
13   rolled up into the previous basis or the NIFA  
14   control period. Litigation fund had expenses  
15   of \$37 million that were not captured anywhere  
16   else.

17           LEGISLATOR NICOLELLO:     Are there  
18   any other municipalities that use the national  
19   standard? Take Long Island. Is there another  
20   municipality that's applying the national  
21   standard in terms of budgeting? In terms of  
22   reporting on the results of its budget?

23           MS. TSIKOURAS:     New York City  
24   does. They have a GAAP budget and GAAP  
25   financials. I know that Suffolk has GAAP

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2   financials.  Everybody reports GAAP

3   financials.

4           LEGISLATOR NICOLELLO:     In terms

5   of the comprehensive annual financial report.

6   But in terms of identifying whether a

7   particular municipality has a deficit or ends

8   with a surplus do municipalities take GAAP and

9   apply it or do they use governmental

10   budgetary?

11           MS. TSIKOURAS:     I can't speak for

12   all.  I haven't looked at that.  But I do know

13   that New York City has a GAAP budget.  I have

14   spoken with people in the city's comptroller's

15   office and they were actually very surprised

16   that Nassau County did not have a GAAP budget.

17           LEGISLATOR NICOLELLO:     What does

18   Long Beach use?

19           MR. SCHNIRMAN:     GAAP.

20           LEGISLATOR NICOLELLO:     Long Beach

21   reports their finances on a GAAP basis?

22           MS. JAMES:     Annual financial

23   statements.

24           MR. SCHNIRMAN:     In addition --

25           LEGISLATOR NICOLELLO:     I guess

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2   you're referring to the annual report that has  
3   to close out the prior year. But during the  
4   course of the year is Long Beach reporting the  
5   state of its financials on a GAAP basis or a  
6   budgetary basis?

7           MS. JAMES:     There's only one  
8   financial statement that comes out and they  
9   are reported on a GAAP basis.

10           LEGISLATOR NICOLELLO:     At the end  
11   of the year?

12           MS. JAMES:     Correct. Long Beach  
13   did not produce in term financial statements.

14           LEGISLATOR NICOLELLO:     In terms  
15   of where Long Beach is now, for example, are  
16   they reporting to their residents on the basis  
17   of GAAP or are the reporting on a governmental  
18   budgetary basis?

19           MS. JAMES:     I'm unclear what they  
20   report on at this time.

21           MR. SCHNIRMAN:     Just to amplify  
22   the answer to look at it a little more  
23   deeply. We were talking about the primary  
24   operating funds of the county. Previously the  
25   sewer fund -- I'm sorry the sewer fund and

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2   litigation fund were excluded. The litigation  
3   fund representing more than \$30 million in  
4   operating costs last year. To exclude that  
5   becomes incredibly confusing. I would also  
6   point out that the New York State comptroller  
7   looks at our funds this way when they do the  
8   fiscal stress test.

9           LEGISLATOR NICOLELLO:     I have a  
10   question about one of the slides you put up in  
11   terms of other possible transactions. You  
12   mentioned the Restivo judgement and the  
13   authorization we gave to the county to borrow,  
14   the tax certiorari borrowings and the money  
15   that will be sought by the county to borrow to  
16   pay for that. You are indicating that it will  
17   reduce the projected deficit in 2018 by  
18   approximately 70 percent.

19           Here is my confusion. For years we  
20   have been told that borrowing, by NIFA, that  
21   borrowing in fact does not reduce deficit. In  
22   fact, it increases deficit. So that in a  
23   given year if you borrow money you cannot  
24   count that as revenues received. So how is it  
25   possible for borrowings to reduce the

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2   projected operating deficit? Wouldn't  
3   borrowings of \$100 million increase the gap  
4   deficit? So that you would start out in 2019  
5   with a larger gap.

6                   MR. SCHNIRMAN:     Mr. Majority  
7   Leader, I think what you are getting at is the  
8   difference between the way NIFA looks at  
9   things and the way the county has looked at  
10  things. But to answer your question  
11  particularly as it results in Restivo, there's  
12  a \$23 million swing when it comes to the  
13  budget.

14                   As we note in the midyear report,  
15  even though the previous administration had  
16  restricted \$45 million in a separate bank  
17  account to pay for this judgement in  
18  accordance with the court's instructions while  
19  the case was being appealed by the county, the  
20  expenditure to record the payment upon final  
21  determination by the court could not reported  
22  in the county's governmental funds until the  
23  payment was due and payable as per the  
24  county's independent audit firm, in accordance  
25  with the court's decision concerning that



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2    appeal, the payment became due and payable  
3    when in January of '18 the Supreme Court of  
4    United States declined to hear any further  
5    appeal. The result was an immediate shortage  
6    in the county's 2018 operating budget.

7                   LEGISLATOR NICOLELLO:     Here's the  
8    thing though. Obviously we have this expense  
9    that had to be paid and we agreed to at least  
10   pay at least part of it in borrowing. When  
11   you borrow money to pay that judgement you  
12   were using revenues that are not recurring.  
13   Therefore, automatically, you have incurred a  
14   \$23 million deficit for 2018. When you add on  
15   \$100 million borrowing for tax cert then  
16   you're looking at a \$123 million deficit.  
17   Isn't that the standard by which we are either  
18   going to keep NIFA here or remove NIFA?

19                   I guess we get back to the original  
20   question. These are being counted, if we do  
21   these things in your report, to reducing the  
22   deficit and we have been told for years on end  
23   that we cannot use borrowed money as recurring  
24   revenue and in fact increase the deficit. So  
25   who's right, NIFA or the comptroller's

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2   office?

3                   MR. SCHNIRMAN:       Using borrowed  
4   money is not obviously not the solution to  
5   balancing the budget going forward.  It's a  
6   question of how you're accounting for it is  
7   the answer.  Our GAAP fund statements include  
8   bond proceeds as other financing sources.  
9   NIFA does not allow that.  So there is a  
10   difference.  NIFA sets its own standard, a  
11   higher standard, which is not unhealthy for a  
12   variety of reasons that we are both referring  
13   to.  That's not how the GAAP accounting works.

14                   LEGISLATOR NICOLELLO:       The use of  
15   the national standard I understand all the  
16   arguments you're making.  In a way it's making  
17   it more difficult for your average resident to  
18   understand what the county financial picture  
19   is, because I think, as your responses have  
20   made clear, the standards you're applying are  
21   different than the standards that NIFA  
22   applies, which is actually different than most  
23   municipalities apply.  So, it actually makes  
24   it more opaque for the average resident.  They  
25   have to scratch their head as to which one is

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2   the accurate standard and which one should be  
3   applied. That's a concern I have going  
4   forward. And I would just ask that -- not ask  
5   but obviously whatever standard you're  
6   applying to this budget, to 2017 end of the  
7   year, is going to have to be applied  
8   continuously going forward, correct?

9           MR. SCHNIRMAN:     Absolutely. I  
10   think the most important thing is that going  
11   forward we talk about apples to apples. One  
12   standard going forward. And I think we can  
13   also agree that the most holistic view  
14   possible is helpful. We want to give you the  
15   most possible information and we want to talk  
16   that information through together, and rather  
17   than debating or negotiating what information  
18   is the best information just look at the  
19   numbers and say okay, how are we doing?

20           LEGISLATOR NICOLELLO:     I have a  
21   couple of more but I don't want to hog the  
22   show. If anyone else wants to jump in.

23           LEGISLATOR MUSCARELLA:     Howard.

24           LEGISLATOR KOPEL:     Good  
25   afternoon. Thank you Mr. Chairman. Couple of

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2   questions. Some of them you will forgive me  
3   hopefully if I go over ground that we have  
4   already covered so far. But none of us here  
5   are accountants and it gets confusing. That's  
6   why I always say the three of us went to law  
7   school because that was too confusing. I  
8   expect that Minority Leader will explain it  
9   all to us.

10               But in any event, as the presiding  
11   officer mentioned a few moments ago, the  
12   Restivo judgement as well as the tax cert  
13   borrowing are major drivers. That's what is  
14   cited as this year's major drivers of this  
15   year's deficit. Some questions on that.

16               First of all, if you take those two  
17   numbers and take it out, in other words, had  
18   we borrowed it, like I understand you're  
19   saying, had we borrowed that number the  
20   deficit would have been lowered by an  
21   equivalent amount. Okay.

22               First of all, why would you think  
23   then, taking those two things out of the  
24   equation because those are one-time income and  
25   costs, why would you expect that the deficit

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2    would be even larger going forward? I would  
3    have thought intuitively that it would have  
4    been smaller by that amount.

5           MR. SCHNIRMAN:     If you took out  
6    those one-time problems that the county is  
7    having this year, the 2018 deficit would be  
8    smaller. Certainly. However and --

9           LEGISLATOR KOPEL:   Wouldn't you  
10   project that '19 would be smaller also then?  
11   Because what's going to fill up the lower  
12   deficit?

13           MR. SCHNIRMAN:     I will leave '19  
14   alone for just a moment. In terms of '18,  
15   sure, if we took out one-time problems the  
16   county is facing certainly the 2018 deficit  
17   would -- operating deficit would be smaller.  
18   However, we have two other things that we're  
19   looking at. We have the unassigned fund  
20   balance deficit, which stands at \$68.8 million  
21   at the end of 2017. So any deficit in 2018  
22   adds to that number. So right now the  
23   projection that we have is that that 68.8  
24   unassigned fund balance number will run to  
25   \$135 million in the unassigned fund balance at

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2   the end of 2018. So that 135 number would be  
3   less but would still be in the negative.

4           Just to finish, we're projecting at  
5   this time that if we continue on the current  
6   trajectory and we have that annual deficit  
7   that we are looking at in 2018, that in  
8   addition will bring us for the first time in  
9   at least the past seven years to a total funds  
10   deficit of \$17.9 million.

11           So, to sort of complete the answer  
12   to your question, if you remove the one-time  
13   problems from this year you would lessen the  
14   severity of the unassigned fund balance  
15   deficit, the accumulated deficit. If your  
16   one-time problems --

17           LEGISLATOR KOPEL:     That's the  
18   operating budget?

19           MR. SCHNIRMAN:     Correct. You  
20   need to lessen them by at least \$17.9 million  
21   in order to avoid the total funds going into  
22   deficit.

23           LEGISLATOR KOPEL:     Carrying that  
24   logic forward, would it not make sense to take  
25   a one-time massive borrowing and clear the

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2   books and pay off whatever certs we can that  
3   are outstanding?  Whatever outstanding  
4   liabilities there are just take that hit and  
5   avoid having that money hit our operating  
6   budget so forth every year?  Obviously you  
7   have to pay principal and interest but  
8   nonetheless presumably that would make sense  
9   when you are stretching it out over a given  
10   number of years.

11               MR. SCHNIRMAN:     If you look at  
12   the totality of the tax cert number it's big,  
13   right.

14               LEGISLATOR KOPEL:   Massive.

15               MR. SCHNIRMAN:     Certainly there  
16   must be some way to grapple with it.

17               LEGISLATOR KOPEL:   But that is a  
18   major issue year after year after year, how do  
19   we pay for X percentage of it.  Now,  
20   thankfully, I think we are not going up for  
21   the most part, at least going forward, for the  
22   most part we are not going up in terms of our  
23   liabilities except for when some village or  
24   other municipality does something like assess  
25   something that ought not to be assessed and

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2   hangs it around our neck.

3                   MR. SCHNIRMAN:       Certainly the  
4   totality of the tax cert is a huge problem  
5   facing the county as we spoke about earlier.  
6   It's a problem that everybody recognizes.  
7   Everyone recognizes it has to be dealt with.  
8   Borrowing is certainly an option. It is an  
9   option that is open to you.

10                   LEGISLATOR KOPEL:     What I was  
11   asking is your opinion as to whether taking  
12   the one-time borrowing would be logical, a  
13   logical and prudent step to take in order to  
14   clear the decks so to speak for the annual  
15   operating budget and the funds balance? Would  
16   it not make sense strictly from a financial  
17   point of view going forward?

18                   MR. SCHNIRMAN:       From a financial  
19   point of view, that may well make sense if  
20   that were part of an overall strategy. That  
21   is something that could be looked at in a  
22   holistic way. If we had a proposal that we  
23   were all looking at that said this is the way  
24   to do it to clear the decks in your language.  
25   However, I am reminded that both a super



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2   majority of the county legislature and the  
3   NIFA board of directors must approve that kind  
4   of a request.

5                   LEGISLATOR KOPEL:     Clearly but  
6   you're the comptroller so we're asking your  
7   opinion because it's important.  And your  
8   opinion presumably will inform everybody  
9   sitting up here on the dais as well as the  
10  other members who are not here when we have a  
11  full session who are not here now.

12                  MR. SCHNIRMAN:     I think the best  
13  thing for us to do is to take that request for  
14  an opinion under advisement and we can get  
15  back to you with a more complete opinion on  
16  that because it's obviously one of the major  
17  issues facing our county.

18                  LEGISLATOR KOPEL:     I would  
19  appreciate an analysis there.

20                  Let's move away from the tax certs  
21  to judgements.  Does it appear then in that  
22  case that perhaps we are underreserving every  
23  year?  I understand you have a one time thing  
24  like Restivo.  We authorized quite a bit of  
25  borrowing.  The administration elected not to

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2    take advantage of that, which created the big  
3    hit to the budget. But are we underreserving  
4    for those generally? If we are running this  
5    county as a business might run you would  
6    reserve for things that happened, that you can  
7    expect to happen every year. Whether it's  
8    insurance payments or judgments or those kinds  
9    of things. Ought we be reserving more on  
10   those?

11                   MS. TSIKOURAS:     We had the  
12   litigation fund which, as you know, was funded  
13   primarily with like the premiums from like the  
14   bond issuances for a couple of years and some  
15   additional surpluses from some of the other  
16   funds.

17                   LEGISLATOR KOPEL:    The premiums  
18   are just additional borrowings, right?

19                   MS. TSIKOURAS:     Understood.  
20   That's basically been depleted at this point  
21   with the Restivo payment.

22                   LEGISLATOR KOPEL:    But that  
23   wasn't my question with all due respect. I'm  
24   talking about the budgets, the operating  
25   budget going forward.

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2                   MS. TSIKOURAS:     Ideally when you  
3   have excess surpluses you should be reserving  
4   some monies for future costs.

5                   LEGISLATOR KOPEL:     On an annual  
6   basis is the annual anticipated judgement  
7   number is that reasonable going forward? Have  
8   we been reasonable in the projections that in  
9   the budget? In other words, when we get a  
10   budget in short order, what is it November,  
11   October, November, ought the administration be  
12   reserving a different number than has been the  
13   case in the past?

14                  MS. TSIKOURAS:     What they have  
15   appropriated for judgements in the past, at  
16   least in the last two years, has been paid out  
17   of the litigation fund. There haven't been  
18   significant judgments paid out of the  
19   operating funds because of the funding that  
20   was available in the litigation fund. This  
21   year we will be short as we reported it in our  
22   report.

23                  LEGISLATOR KOPEL:     So the answer  
24   to the question would be yes?

25                  MS. TSIKOURAS:     Yes, they should

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2   be setting monies aside, yes.

3           LEGISLATOR KOPEL:       In the

4   operating budget?

5           MS. TSIKOURAS:       Yes. Which they

6   had been doing prior to the litigation fund.

7   We will see with this upcoming budget if

8   there's sufficient based on trends or

9   historical trends.

10          LEGISLATOR KOPEL:       Just skipping

11   around a little bit here. The income and

12   expense reporting revenue shortfall, that

13   revenue would be fines for noncompliance, is

14   that the revenue to which you are referring?

15          MS. TSIKOURAS:       Yes.

16          LEGISLATOR KOPEL:       All right.

17   The general standards, and my colleagues have

18   been talking about that as well. We mentioned

19   the Restivo judgement for instance. That

20   could have -- there was considerable

21   discussion as I recall as to whether that

22   ought to fit into the 2017 year or 2018 year.

23   The difference in budgetary reporting, in

24   other words on a government budget standard

25   versus what we are calling the GAAP standard,

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2   the standard that's national GAAP standard I  
3   should say, doesn't that create some timing  
4   issues?

5           In other words, I think that you,  
6   Mr. Comptroller, mentioned that for instance  
7   there's some revenues that might have been  
8   expected for 2017 and were budgeted for 2017  
9   but didn't show up in 2017. Might show up in  
10   2018. That's clearly a timing difference  
11   between an accrual type of accounting and a  
12   cash basis accounting. Is what you're saying  
13   essentially that we should be switching over  
14   to essentially a cash basis? And also beyond  
15   that, wouldn't all those differences just wash  
16   out over time in any event?

17           MR. SCHNIRMAN:     First I'm going  
18   to back to the Restivo issue for a moment and  
19   then we can talk about the accounting of how  
20   Restivo was accounted for.

21           When this issue, just as a  
22   refresher, when this issue was raised in  
23   January we know that the county had limited  
24   funds in the unassigned fund balance at the  
25   time. We did not yet have the audited

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2   financials from '17. We did not yet know that  
3   we were looking at \$68 million unassigned fund  
4   balance in the negative.

5           LEGISLATOR KOPEL:     I think that  
6   was told us to when we were talking about --

7           MR. SCHNIRMAN:     At the time we  
8   had pointed out that the unassigned fund  
9   balance was in the I think it was 46.1 if I  
10   remember correctly and we were projecting it  
11   would go down. We did not yet know how much.  
12   As a side note, we made a point then that it  
13   was incredibly frustrating for you, as it  
14   certainly was for us, that we couldn't tell  
15   you exactly how much or with a good certainty  
16   how much it would go down. And the reason was  
17   because the county's financial systems are so  
18   incredibly outdated from a technology  
19   perspective. So we pointed out at that time  
20   that paying that money simply in cash out of  
21   the fund balance was certainly not prudent.  
22   Likely not possible. And that that's where it  
23   would have come from if it hadn't been  
24   borrowed at that time.

25           The funds for that judgement were

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2   restricted in 2017. Paid in 2018. It's one  
3   of the major factors resulting in our current  
4   negative unassigned fund balance. I will let  
5   Lisa speak to the specifics of the accounting  
6   on the Restivo beyond that.

7           MS. TSIKOURAS:     In accordance  
8   with GAAP there are rules about when something  
9   becomes accruable or not. GASBY  
10   interpretation number six is very specific  
11   when it comes to recording accruing  
12   liabilities.

13           LEGISLATOR KOPEL:     Number six you  
14   say. We're not going to have any kind of quiz  
15   on this.

16           MR. SCHNIRMAN:     I was reminded  
17   that there have been 57 GASBY updates since  
18   the county's financial systems came into  
19   compliance. At least ten of them the county  
20   is unable to comply with. It's maddening. To  
21   fully adopt it it would probably be a more  
22   appropriate way of phrasing it.

23           MS. TSIKOURAS:     GASBY  
24   interpretation number 6 is very specific about  
25   when you can accrue a liability, and one of

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2   the determining factors is when does it become  
3   final and due and payable. Unfortunately,  
4   there was language in the Restivo settlement  
5   that required that the final decision was  
6   going to be based on the supreme court  
7   decision, whether they heard or didn't hear,  
8   but that was going to be final determination.  
9   That final determination did not happen until  
10   unfortunately until the beginning of January.  
11   That's what was driving the accounting for  
12   2018.

13               We conferred with our external  
14   auditors and they were in agreement, when they  
15   have a major issue of that nature they usually  
16   take it to their national office as well to  
17   confirm that everyone is in agreement and they  
18   came back and said yes, it is a 2018  
19   expenditure.

20               LEGISLATOR KOPEL:     So if we pull  
21   that out of 2018, the Restivo as well as the  
22   certs, how does the trend look then?

23               MR. SCHNIRMAN:       Better but  
24   still --

25               LEGISLATOR KOPEL:     In other



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2    words, how does the trend look at that point?

3    Is the '17 -- is the trend better? Taking

4    those out we will call the extraordinary

5    items.

6           MR. SCHNIRMAN:       So the Restivo

7    would be, as we point out in our report, would

8    be a \$23 million swing. The tax certs, which

9    are not an extraordinary item in the sense the

10   county is dealing with them every single year,

11   you're talking about a totality of a \$45

12   million swing.

13           LEGISLATOR KOPEL:     The trend from

14   prior years? There's a trend going from '11,

15   '12, '13, '14 through now. How would the

16   trend look pulling those extraordinary items

17   out?

18           MR. SCHNIRMAN:       The trend of the

19   tax certs or the trend of the overall

20   deficit?

21           LEGISLATOR KOPEL:     Overall

22   deficit.

23           MR. SCHNIRMAN:       You would have a

24   bigger deficit in '17. You'd still have a

25   sizeable deficit in '18 but smaller than '17

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2   significantly.

3           LEGISLATOR KOPEL:     Smaller than  
4   '17.  Smaller than '16.  Maybe the trend is  
5   good.

6           MR. SCHNIRMAN:     I would not share  
7   that optimism.

8           LEGISLATOR KOPEL:     You got to be  
9   optimistic about something.

10          MR. SCHNIRMAN:     I'm optimistic  
11   about the improvements and the work we can all  
12   do together.

13          LEGISLATOR KOPEL:     ARC.  You've  
14   recommended improvements in ARC and you've  
15   cited that as perhaps something that might  
16   improve finances overall.  Could you expand on  
17   that a bit please?

18          MR. SCHNIRMAN:     We've launched an  
19   audit of the Assessment Review Commission.  
20   This is what we believe is our part in the  
21   comptroller's office to fix the broken tax  
22   assessment system in Nassau County.  Make sure  
23   people are treated fair across the board and  
24   that any benefits gained from a fair  
25   reassessing of Nassau County properties can be

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2   quickly lost if ARC's policies and procedures  
3   for grievances are not in compliance with best  
4   practices. We believe without strong controls  
5   in place we can find ourselves back in the  
6   same situation years from now.

7           LEGISLATOR KOPEL:     With respect,  
8   those are generalities. How are the  
9   procedures bad and how are they negatively  
10  affecting finances?

11           MR. SCHNIRMAN:     Legislator Kopel,  
12  we have an audit in progress of ARC. I'm sure  
13  you'll understand I'm not going to get into --  
14  we do not yet have audit findings nor  
15  recommendations and it would that be  
16  inappropriate and premature for me to discuss  
17  those.

18           LEGISLATOR KOPEL:     My question  
19  was addressed to your statement that that  
20  would be a significant help to overall  
21  finances. I think that's what you made  
22  earlier. I was trying to understand why you  
23  would think so.

24           MR. SCHNIRMAN:     Well, we  
25  launched -- I can only speak at this time as

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2   to why we launched an audit and why we believe  
3   that looking at the, if you will, separate but  
4   unequal system that raises a variety of  
5   concerns and that there is hundreds --

6           LEGISLATOR KOPEL:     To adopt a  
7   Newsday term.

8           MR. SCHNIRMAN:     If you and I  
9   lived next door to each other and we were  
10   paying radically different amounts of taxes in  
11   the same house one of us would be quite  
12   concerned.

13          LEGISLATOR KOPEL:     Also one of us  
14   would be quite delinquent. They should have  
15   filed as well.

16          MR. SCHNIRMAN:     We may have a  
17   respectful disagreement on that in the sense  
18   that we believe you should not have to file a  
19   grievance every year in order to get a fair  
20   assessment in this county.

21          LEGISLATOR KOPEL:     Yes. Fine.  
22   Let's see if I have anything more. No. Thank  
23   you at this point.

24          LEGISLATOR MUSCARELLA:   I just  
25   have a quick couple of questions before we go

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2   on. I just want to go back to the 2017  
3   revenue, the 2018 revenue. Tell me if I'm  
4   correct, that the national standard now is  
5   that any revenues that has come in after 60  
6   days after the close of 2017 is now  
7   attributable to 2018? That national standards  
8   prohibit.

9           MS. TSIKOURAS:     The GAAP rules  
10   state that every municipality has to come up  
11   with a period of availability policy. The  
12   county's policy is 60 days.

13           LEGISLATOR MUSCARELLA:     I just  
14   don't know the answer. Where did that policy  
15   come from? That's always been in effect?

16           MS. TSIKOURAS:     It's always been  
17   in effect. It predates my tenure here. So,  
18   what that means is, if you haven't collected  
19   on an outstanding receivable within that 60  
20   days that cash cannot be used to pay for the  
21   expenditures of that particular fiscal  
22   period. Those are the rules. It doesn't mean  
23   that -- what we do is we take it out of  
24   revenues when we convert from our budgetary  
25   numbers in our financial system and we move to

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2   GAAP, we reduce it by those receivables. We  
3   defer them. We basically put them on the  
4   balance sheet as deferred revenue.

5           When they are received, because in  
6   some cases some of them are not as you know,  
7   you don't collect every receivable that you  
8   report, as they are received, if they are  
9   received in the following fiscal year, then  
10   they are available to pay for the expenditures  
11   of that particular fiscal year.

12           For governmental accounting  
13   purposes like our CAFR we report fund  
14   statements. Those are the rules for fund  
15   statements. Then we also report what we call  
16   or government-wide statements, which are full  
17   accrual just like any other business out  
18   there. In that situation they are no longer  
19   deferred. We do another adjustment and put  
20   them back into revenue. But for our fund  
21   statements, which is what everybody talks  
22   about and what we all look at, they are  
23   excluded.

24           LEGISLATOR MUSCARELLA:     Do we  
25   have any idea how much?

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2                   MS. TSIKOURAS:     For 2017 about  
3     \$10 million.   About \$5 million in the general  
4     fund and another \$5 million in the sewer fund.

5                   LEGISLATOR MUSCARELLA:     I would  
6     assume going forward from 2018 to 2019 you  
7     will have the same kind of --

8                   MS. TSIKOURAS:     We will do the  
9     same analysis.   I know in the past there's  
10    been somewhat difficulty in collecting on open  
11    receivables.   We've had open receivables that  
12    have been out there for a very long time.   I  
13    know there's a bigger push this year to  
14    collect on those receivables.   Hopefully that  
15    numbers will be reduce for 2018.   Since we  
16    have no trend on this for like real purposes  
17    under these funds, we just used the same  
18    amount estimated for 2018.   That could be  
19    more, it could be less.   We're hoping it's  
20    less.

21                   LEGISLATOR MUSCARELLA:     How does  
22    NIFA view these funds?   Do you know?

23                   MS. TSIKOURAS:     From what  
24    respect?

25                   LEGISLATOR MUSCARELLA:     In terms

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2   of whether we're running deficit budgets.

3           MS. TSIKOURAS:     As I mentioned  
4   earlier, the way the NIFA Act is written it is  
5   the old way, the five major primary funds.  
6   General fund, the two police funds, fire  
7   commission, debt service. And what they do or  
8   what we do when we compute that number is you  
9   take the budgetary number of those funds, you  
10   make the GAAP adjustments and then you exclude  
11   the adjustments with the items that NIFA  
12   requires us to exclude to get to that number.

13           LEGISLATOR MUSCARELLA:     Okay.  
14   Mr. Abrahams.

15           LEGISLATOR ABRAHAMS:     Thank you  
16   Chairman. How are you comptroller?

17           MR. SCHNIRMAN:     Great. Good to  
18   see you.

19           LEGISLATOR ABRAHAMS:     I know  
20   we've spent quite a bit of time on this issue  
21   and going back and forth. I don't have many  
22   questions. I think much of the commentary  
23   that my colleagues have talked about already  
24   have been discussed. I want to make sure I  
25   understand this and it's clear for the



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2    record.

3           Obviously the county has used a  
4    budgetary standard in the past. Now it's  
5    using a more comprehensive GAAP standard.  
6    Under the GAAP standard, which you have  
7    reported, your reporting a fiscal deficit for  
8    this year of \$117.1 million?

9           MR. SCHNIRMAN:     Correct.

10          LEGISLATOR ABRAHAMS:   If you were  
11   to adjust that to a budgetary deficit that  
12   number would be what? Which would be in  
13   conformance with previous comptrollers.

14          MR. SCHNIRMAN:     98.4.

15          LEGISLATOR ABRAHAMS:   Negative?

16          MR. SCHNIRMAN:     Correct. I  
17   apologize. 94.0.

18          LEGISLATOR ABRAHAMS:   94.0  
19   negative?

20          MR. SCHNIRMAN:     That's the old  
21   way.

22          LEGISLATOR ABRAHAMS:   Regarding  
23   of the standard that's being used, I know we  
24   spent a lot of time talking about budgetary  
25   GAAP and why the change, the county still has

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2   a very big target of negative budget deficits  
3   from 2017?

4           MR. SCHNIRMAN:     Correct. And the  
5   drivers are the same drivers regardless.

6           LEGISLATOR ABRAHAMS:     It's not  
7   like the difference in accounting would shift  
8   the county to a surplus from a deficit. It's  
9   deficit deficit no matter what standard is  
10   used. We can debate whether or not the number  
11   should be 117 or 98 but the fact is we are  
12   still in the red.

13          MR. SCHNIRMAN:     Correct. The  
14   debate, it would be an argument to say we  
15   shouldn't count X because it's not -- and  
16   that's what happened for a variety of things  
17   that weren't counted previously. That's  
18   probably not helpful if the goal is  
19   understanding exactly where we are at.

20          As Legislator Nicolello pointed  
21   out, if we are going to use one standard it's  
22   got to be applied evenly across time. You  
23   can't keep shifting. That's really the  
24   problem. It had shifted. And I understand  
25   the frustration. It shifted a variety of

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2   times.  It's anybody guess as to what the  
3   reason is.  Is it advantageous to one or  
4   another?  If you stick with one standard.  
5   It's just what it is.

6           LEGISLATOR ABRAHAMS:     I agree  
7   with the Presiding Officer that obviously that  
8   this is the standard, we go forward with it,  
9   but I just don't want to have too much focus  
10  on what I truly believe is the real target, is  
11  addressing in this budget process addressing a  
12  negative budget.

13           Regardless of how we looked at it  
14  the county entered 2018 with a deficit.  Which  
15  the county executive hopefully will be able to  
16  manage through her practices this year.  But  
17  then also for the future in her upcoming  
18  budget.  Which is due in a couple of days or a  
19  week and a half.

20           I do want to spend time on two  
21  other issues and then I know Legislator  
22  Birnbaum has questions.

23           On the revenue side of the budget  
24  obviously there is an OTB shortage in revenue  
25  of \$12.8 million.  Is this attributable to the

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2   lack of revenue the county has received for  
3   the VLTs?

4           MR. SCHNIRMAN:     Yes.

5           LEGISLATOR ABRAHAMS:     And has  
6   your office been apprised or updated on when  
7   the county will be able to anticipate  
8   receiving that revenue?

9           MR. SCHNIRMAN:     No.   That is a  
10   significant item of concern going forward.

11          LEGISLATOR ABRAHAMS:     As it would  
12   be and should be to all members here as well  
13   as the members of the legislature because I  
14   notice you report it as 12.8.   But it's been  
15   reported as high as 20.   Is this because there  
16   are other offsetting revenues?   Or this is  
17   strictly attributable to the VLT revenue  
18   lost?

19          MS. TSIKOURAS:     The total is the  
20   \$20 million but because it's on a state  
21   calendar only 75 percent of it.

22          LEGISLATOR ABRAHAMS:     Right.  
23   Good answer.   Then the second thing I wanted  
24   to talk to you about would be -- I know Deputy  
25   Presiding Officer Kopel got into this -- the

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2    tax certs. The number I believe I saw on one  
3    of your documents talked about the number  
4    being as high as \$569 million?

5           MR. SCHNIRMAN:     Correct.

6           LEGISLATOR ABRAHAMS:     However, I  
7    think I saw in several other reports it was  
8    365. Can you explain to me what your 569  
9    encompasses? Does that include the last two  
10   years of DAF as well or does it include  
11   anything prior to that?

12          MR. SCHNIRMAN:     No. That is --  
13   Lisa is going to get into in a little bit.  
14   The answer is no to that question. Give you a  
15   complete answer there. There's a chart on  
16   page 147 on the CAFR.

17          LEGISLATOR ABRAHAMS:     I'm sorry.  
18   What were you saying?

19          MR. SCHNIRMAN:     On page 147 of  
20   the CAFR Lisa is going to read from it.

21          MS. TSIKOURAS:     So what that  
22   number encompasses is for financial reporting  
23   it's the long term obligation plus whatever  
24   short term obligations we have reported that's  
25   reported in the funds. It's a combination of

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2   the two. The only DAF component that's in  
3   there is anything that's considered  
4   theoretically due and payable in '17 that  
5   hadn't been paid. We had accrued -- at the  
6   end of every year we book an accrual for tax  
7   certiorari liability that's held at the  
8   treasurer's office for things that are due and  
9   payable but have not been paid at the end of  
10  the year. Contained within that number was a  
11  total of about \$42 million that was considered  
12  DAF. That's part of the 569 but it's not the  
13  total DAF liability. Because the total DAF  
14  collections had an offsetting liability. So  
15  it wasn't considered a liability to the  
16  county. The increase from the 300 that we  
17  talked about for last year over this year is  
18  primarily due to some LIPA properties that  
19  were revalued during the year. Like \$198  
20  million, \$196 million.

21           LEGISLATOR ABRAHAMS:     Thank you.  
22  Nothing further.

23           LEGISLATOR MUSCARELLA:     Thank  
24  you. Ms. Birnbaum.

25           LEGISLATOR BIRNBAUM:     I want to

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2   first start off in congratulating you for  
3   preparing the CAFR report on time, and I think  
4   you've done a great job answering most of my  
5   questions which have been asked and answered.  
6   Just to continue with the tax refunds. How  
7   much has been paid out so far to date in  
8   2018?

9                   MS. TSIKOURAS:     I don't have that  
10   information.

11                   LEGISLATOR BIRNBAUM:     And from  
12   what funds has it come? What is the source of  
13   the funding for it?

14                   MS. TSIKOURAS:     I know there's  
15   been some payments this year out of the DAF  
16   fund. That number I do have. But I don't  
17   have what's been paid out of the general fund  
18   this year.

19                   MR. SCHNIRMAN:     We can send you  
20   that as a follow-up.

21                   MS. TSIKOURAS:     Actually, I  
22   misspoke. I don't have what was paid out of  
23   DAF. I only have a balance sheet with me.

24                   LEGISLATOR BIRNBAUM:     If you can  
25   please follow-up. Otherwise, you've really

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2       tried to clarify most of what you presented.

3           MR. SCHNIRMAN:       Thank you. We  
4       look forward to seeing you again in the near  
5       future when we talk about 2018 proposed  
6       budget.

7           LEGISLATOR MUSCARELLA:       If I can  
8       follow-up on a couple of quick questions.  
9       It's my understanding recently you got I think  
10      OTB turned over some money, there was some  
11      Town of Hempstead PILOTS of about \$5 million  
12      and federal transportation aid of six  
13      million. Where did that get booked? This  
14      year? Last year?

15          MS. TSIKOURAS:       The money for the  
16      PILOTS that came it was about -- actually they  
17      collected 7.8. \$5.2 million was related to  
18      the prior year. It was recorded in '18.  
19      That's what the comptroller referred to  
20      earlier when he said the number actually  
21      changed.

22          MR. SCHNIRMAN:       As a result of --  
23      earlier when I said that \$117 million that we  
24      are projecting we can improve that by \$5  
25      million because as a result of an ongoing



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2   audit that's going on there we've collected an  
3   additional \$5 million.

4           LEGISLATOR MUSCARELLA:       That's  
5   being booked in 2018?

6           MR. SCHNIRMAN:     Yes.

7           MS. TSIKOURAS:     The same with the  
8   OTB. The OTB money did not come in in the  
9   county's period of availability so that was  
10  also recorded in '18.

11          LEGISLATOR MUSCARELLA:       Federal  
12  transportation aid?

13          MS. TSIKOURAS:     The federal  
14  transportation aid I would have to go back and  
15  take a look at when that was -- I'm assuming  
16  it was '18. There was not an executed grant  
17  in 2017. The grant had not been executed in  
18  2017 that's why it could not be recorded.  
19  Until it's executed we don't have a  
20  receivable.

21          LEGISLATOR MUSCARELLA:       Thank  
22  you. Mr. Nicoletto.

23          LEGISLATOR NICOLELLO:       Just a  
24  couple of quick questions. Presentation made  
25  a point of the county financial system as a

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2   material weakness, Nassau integrated financial  
3   system. Do you have a ballpark as to what it  
4   could cost to replace that? Got an idea?

5           MR. SCHNIRMAN:     I think that's  
6   something we'll look to discuss with you in  
7   very, very near future. To give you a sense,  
8   if you remember those video games from the  
9   early 1980s, I remember them fondly, that's  
10   exactly what it looks like. It is a truly  
11   impossible task for the county division.  
12   Which is why I'm keeping on the praise,  
13   because the analogy that I always think of is  
14   if they are cutting the grass of all of the  
15   county parks with a pair of scissors. It's a  
16   maddening experience. It makes no sense.  
17   Puts all of us at a much greater risk. We can  
18   get be getting you so much better information  
19   at lower cost and faster. Thank you for  
20   bringing that up.

21           LEGISLATOR NICOLELLO:     We would  
22   want to see obviously what the cost of making  
23   the conversion is.

24           MR. SCHNIRMAN:     We look forward  
25   to that discussion.

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2                   LEGISLATOR NICOLELLO:       In your  
3   report you recommended, among other things,  
4   that the county create a centralized account  
5   receivable unit and a grant management unit.  
6   Have you received any input from the  
7   administration on those recommendations?

8                   MR. SCHNIRMAN:       In terms of the  
9   centralizing accounting it's something that we  
10   have begun raising to the county executive's  
11   office as well. I expect we will continue to  
12   do so. We think that is something that makes  
13   sense. As well as providing some accounting  
14   training to the folks in departments so  
15   there's a real standardization. One  
16   department isn't doing something dramatically  
17   different than the other. It all reports  
18   out. Makes some sense together. And we will  
19   be advocating certainly aggressively on the  
20   grant management side as well.

21                   Our understanding is the county  
22   executive's Office of Management and Budget is  
23   looking to hire folks on the grant management  
24   side to do just that and we appreciate that  
25   they are taking that recommendation.

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2                   LEGISLATOR NICOLELLO:       Good.

3   Thank you.

4                   LEGISLATOR MUSCARELLA:

5   Mr. Abrahams.

6                   LEGISLATOR ABRAHAMS:       Just a  
7   quick follow-up to the Presiding Officer's  
8   question. In regards to the financial  
9   management system, is it feasible that the  
10   system could be used, if it's a very highly  
11   costly system, is it feasible to think that  
12   the system can be paid for with capital  
13   proceeds?

14                  MR. SCHNIRMAN:       Yes.  
15   Absolutely. I would certainly recommend that  
16   it would not probably be a logical expenditure  
17   on the operating side. We have been using the  
18   same system for decades here in the county.  
19   It's certainly a capital.

20                  LEGISLATOR ABRAHAMS:       The only  
21   reason I mention this is because I believe the  
22   administration is starting to put together and  
23   formulate their capital plan in October for  
24   the following year. If you can get us that  
25   information as quickly as possible we will

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2   consider it and try to incorporate it into in  
3   the capital.

4                   MR. SCHNIRMAN:     We will be making  
5   that recommendation for the capital budget.  
6   It's a recommendation one that is amplified in  
7   the most strenuous terms by our outside  
8   auditors as well as our independent audit  
9   advisory committee.

10                   LEGISLATOR ABRAHAMS:     Thank you.

11                   LEGISLATOR MUSCARELLA:  
12   Mr. Kopel.

13                   LEGISLATOR KOPEL:     It's really an  
14   intriguing thought that you're putting forward  
15   right now. In other words, modernizing an  
16   antiquated system it's clearly advisable. As  
17   the chairman says it's a novel idea perhaps  
18   around here.

19                   MR. SCHNIRMAN:     All do it  
20   together.

21                   LEGISLATOR KOPEL:     It's been at  
22   least my experience in business that something  
23   like this is really complex and probably could  
24   take a few years if it's done right. Do you  
25   have any projections on what it would cost? I

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2   guess we would have to go out to bid.

3           MR. SCHNIRMAN:     We can come with  
4   those projections for the capital budget.

5           LEGISLATOR KOPEL:   This is  
6   probably a several year project, wouldn't it  
7   be?

8           MR. SCHNIRMAN:     It is not a quick  
9   one.

10          LEGISLATOR KOPEL:   It will be  
11   wonderful perhaps once we get it implemented  
12   but getting from here to there would be kind  
13   of torturous I would think.

14          MR. SCHNIRMAN:     Hopefully not but  
15   we are very aware of the county's torturous  
16   history with previous endeavors.

17          LEGISLATOR KOPEL:   Probably have  
18   to implement it department by department.  
19   Actually you have to plan it department by  
20   department then implement it. That would be  
21   your job or the administration's job in terms  
22   of planning?

23          MR. SCHNIRMAN:     I would imagine a  
24   shared endeavor. But ultimately the county IT  
25   is going to implement any new software

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2   systems.

3           LEGISLATOR KOPEL:     This is  
4   interesting.  It's a well prepared submission  
5   overall.  Thank you.

6           LEGISLATOR MUSCARELLA:     Thank you  
7   Mr. Schnirman.  Thank you.  Next up is the  
8   Office of Management and Budget.  
9   Mr. Persich.  Good afternoon.

10           MR. PERSICH:     Andy Persich,  
11   Office of Management and Budget.

12           LEGISLATOR MUSCARELLA:     You are  
13   welcome to respond in any way to the  
14   comptroller or present your own information.

15           MR. PERSICH:     I have a brief  
16   presentation to give verbally and if you want  
17   me to send it to you.

18           LEGISLATOR MUSCARELLA:     As we  
19   say, the dice is yours.

20           MR. PERSICH:     As our esteemed  
21   comptroller reported on 2017, there were two  
22   big occurrences that caused the deficit.  One  
23   was the tax certs.  The other was the Restivo  
24   piece of it.  Taking that out, we probably  
25   still would have finished in the negative but

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2    it would have been a little smaller. From an  
3    accounting perspective, yes.

4           The tax cert issue and the fund  
5    balance issue clearly was an issue in '17.  
6    Which we have discussed here at length. I  
7    don't want to bring it back up. We had \$46  
8    million appropriated. The tax certs were 88.  
9    '17 was in the red. So we can't change that  
10   and as we sit here now. It's fact. We need  
11   to move forward to '18.

12           In March of this year we came to  
13   you with our plan NIFA plan for the Restivo  
14   thing to become GAAP compliant as we've heard  
15   here. Meaning that we had an expense that was  
16   incurred in '18 in the budget but no funding  
17   source for it. We came here and we proposed  
18   some changes and everything else to be GAAP  
19   compliant.

20           Our projections right now included  
21   all these changes and everything else but  
22   we've had a couple of good things that have  
23   happened. Sales tax has been strong in 2018  
24   as you're aware and we've had a lot of empty  
25   seats in the county for lack of a better thing



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2   for vacancies and everything else as a result  
3   of that. Which has created somewhat of a help  
4   in funding some of the shortfalls.

5           Without Restivo and this overhang  
6   of the tax cert of \$40 million, which we're  
7   trying to pay some of those appropriations out  
8   of the DAF fund, the \$40 million risk that  
9   everybody's talking about might be minimalized  
10   by the use of DAF. Where we are at this point  
11   we are still working through that because we  
12   had system implementations to get the systems  
13   up and running to get the payments out, which  
14   took a little longer than expected. But we're  
15   starting to crank out payments now.

16           We do know that we have a large  
17   overhang. It's \$360 million. The \$500  
18   million that was referred to before was the  
19   LIPA payment. The LIPA properties that were  
20   still being negotiated as a settlement right  
21   now but we still have \$363 million in  
22   outstanding overhang overhang.

23           Getting to 2018. If we didn't have  
24   the two big components, which was Restivo and  
25   tax certs, the budget would probably be in

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2   decent shape as we stand right now. We did go  
3   to NIFA and ask for borrowing in August I  
4   think. They rejected it. They wanted us to  
5   be GAAP compliant. Thus we proposed all those  
6   changes to you which are actually real. Sales  
7   tax is a real increase in appropriation. As  
8   is investment income. As is a few other  
9   things that are coming in now because the  
10   housing market is stronger. A lot of things  
11   are more positive.

12           In order to be GAAP compliant what  
13   they're saying is our revenues and expenses  
14   have to meet without any outside funding  
15   sources. That's the best way I can describe  
16   it. We don't want to have what they call  
17   structured deficits. We're trying to get off  
18   the appetite of borrowing to pay for operating  
19   funds. Which is kind of what the cert problem  
20   has created for us with and overhanging debt  
21   service and everything else. Which we are  
22   still paying for.

23           So '18, '19 I can't give you a  
24   preview right now. My team is upstairs, which  
25   I have to give a lot of credit to up there.

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2   They're up there wracking their brains out  
3   trying to whittle numbers down, trying to save  
4   every dime, look for every new piece of  
5   revenue. Every day something new here as I  
6   can tell you. But we are trying to get '19 as  
7   lean as we can and '18 we are trying to manage  
8   through.

9           We need a couple of initiatives  
10   from you which we asked for several times.  
11   Boot and tow, which I know is a sensitive  
12   subject around here. It's some outstanding  
13   tickets, monies owed to us that we would  
14   really like to collect on. I think it would  
15   be a windfall and helpful for the county  
16   residents to get.

17           The other piece to is putting  
18   moving violations as part of the scofflaw  
19   thing, which I think would be a big lift and a  
20   big help to this county. We're penalizing the  
21   parking people not the moving violation  
22   people.

23           Other than that, I'm open for  
24   questions if you have any.

25           LEGISLATOR MUSCARELLA:       Let me

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2   just ask you, how are we doing on overtime  
3   this year?

4                   MR. PERSICH:     Police overtime is  
5   under control. The police commissioner is  
6   very, very actively managing that number as  
7   far as that goes. We have some forfeiture  
8   funds for new initiatives that will help  
9   offset that. He seems to be a doing a good  
10   job. He has a plan in place. I give him a  
11   lot of credit for his actions that he's taken  
12   to control it.

13                  LEGISLATOR MUSCARELLA:     Do we  
14   know how much in asset forfeiture we are using  
15   towards overtime?

16                  MR. PERSICH:     I think we are  
17   project roughly six million for new  
18   initiatives that are covered by overtime.  
19   Remember, we have to pay overtime if we have  
20   to do any type of new initiative and that's  
21   what the forfeiture covers, anything new. Not  
22   anything existing. We have a new program that  
23   we have to pay these guys have to go on  
24   overtime to do it like the CAD, the records  
25   management system.

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2                   LEGISLATOR MUSCARELLA:       Where are  
3 we in new corrections class?

4                   MR. PERSICH:       One just went in.  
5 It's 25. We are planning two for '19 is the  
6 plan right now. Part of the problem with  
7 getting the classes in was some of the  
8 residency requirements for corrections  
9 officers. There's a public officials law  
10 restricts whether we can go outside the county  
11 to get corrections officers in there. We're  
12 looking to fix that with 2019 with the test.  
13 It's not being held as a result of a financial  
14 problem. It's a result of getting classes  
15 filled up and getting people through the  
16 investigative process and physical process.  
17 We have one class in at 25. We're looking to  
18 fill another one any time we can fill it.

19                   LEGISLATOR MUSCARELLA:       Why 25?

20                   MR. PERSICH:       To be honest with  
21 you, it was originally 11 and 14, 11 people  
22 and we merged two classes into one. The  
23 logistics as to why the classes are so small  
24 it's a little bit more complex. I don't think  
25 I'm the expert. I prefer that the corrections

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2   department talk about that. We have a class  
3   in place now of 25.

4           LEGISLATOR MUSCARELLA:       We are  
5   looking to put another class in?

6           MR. PERSICH:       It's funded to do  
7   because it will help to alleviate overtime  
8   problem.

9           LEGISLATOR MUSCARELLA:       What  
10   about the police department?

11          MR. PERSICH:       I think the next  
12   class is November or December. Which was when  
13   the other one graduates. He has a cycle of  
14   when he wants to do it. If he graduates them  
15   before the holidays it helps eliminate a lot  
16   of overtime, which is a good thing. He tries  
17   to get them out before the summertime, which  
18   helps with the overtime in the summertime when  
19   people are taking vacations. That's part of  
20   his plan to do stuff. It seems reasonable  
21   when you look at it on the surface. But any  
22   anomalies as far as public safety issue could  
23   change that in a heartbeat.

24          LEGISLATOR MUSCARELLA:       Mr. Kopel  
25   has some questions I think.

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2           LEGISLATOR KOPEL:     Thanks. Good  
3   afternoon. Just a few. So one thing that  
4   puzzled me was that you mentioned the  
5   Restivo -- let me back up. The \$40 million  
6   that you hope by using DAF funds.

7           MR. PERSICH:     Correct.

8           LEGISLATOR KOPEL:     What troubles  
9   me though is that isn't that actually a form  
10  of borrowing? The DAF set aside was  
11  originally perceived as a set aside for  
12  refunds on current issues. What you're  
13  talking about is using it to pay for past  
14  liabilities.

15          MR. PERSICH:     Not past. Some of  
16  the overhang that what we're talking about.

17          LEGISLATOR KOPEL:     You're using  
18  for the overhang and that's the past.

19          MR. PERSICH:     The past but '17  
20  money and '18 money is being paid out as we  
21  speak.

22          LEGISLATOR KOPEL:     What I'm  
23  saying is you have a judgement for 15 or 16 or  
24  a liability let's just say, you can't use DAF  
25  money for that.

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2           MR. PERSICH:     No, you can't use  
3   DAF money for that. Clarification. But I  
4   think part of the issue is we have '17 DAF  
5   money that we have at our disposal. We have  
6   '18 DAF money that will help alleviate some  
7   of that \$40 million overhang.

8           LEGISLATOR KOPEL:     The Restivo,  
9   can you explain why the administration decided  
10   not to use the full borrowing that was  
11   authorized by this legislature originally? In  
12   other words, according to the comptroller that  
13   seemed to have exacerbated the current issue.

14          MR. PERSICH:     I can't speak -- we  
15   did go to NIFA. It wasn't right away. We  
16   went to NIFA I think in August, at the August  
17   meeting, to ask them for the borrowing. I  
18   forget what meeting it was. They rejected the  
19   \$23 million because they want us to be GAAP  
20   compliant. That's been the whole issue with  
21   NIFA as we speak. They want not only a GAAP  
22   balanced budget but a NIFA GAAP balanced  
23   budget. We knew the storm that was ahead of  
24   us. We tried to eliminate it. That's why we  
25   proposed what we did do. We did ask for the



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2   funding.

3                   LEGISLATOR KOPEL:       With the  
4   overhang by the way with certs that we have  
5   would you agree that it's virtually impossible  
6   to fund it out of current -- would you be in  
7   favor of clearing the decks, as I asked the  
8   comptroller?

9                   MR. PERSICH:       If you're asking  
10   me, yes. But I don't think you're going to do  
11   it in one lump chunk. I think you'll do it  
12   cyclically because the payments will not be  
13   able to get out the door fast enough.

14                   LEGISLATOR KOPEL:       My question  
15   was clearing the decks essentially. Have you  
16   done an analysis as to how that would play out  
17   in terms of P and I and how that would affect  
18   the budgets going forward?

19                   MR. PERSICH:       In our June update  
20   we proposed doing borrowing partially in this  
21   year and two parts in next year.

22                   LEGISLATOR KOPEL:       What kind of  
23   numbers?

24                   MR. PERSICH:       Hundred.   \$300  
25   million approximately.

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2           LEGISLATOR KOPEL:     Would that, in  
3 your view, be sufficient to clear it out?

4           MR. PERSICH:     We are hoping it  
5 would be, yes.

6           LEGISLATOR KOPEL:     Have you done  
7 the analysis on how that affects budgets going  
8 forward?

9           MR. PERSICH:     Yes, it does  
10 because when we did the multiyear plan we  
11 included the borrowings costs going out.  
12 Meaning that we included that in our multiyear  
13 year plan.

14          LEGISLATOR KOPEL:     Therefore,  
15 you're saying that this would ease the  
16 budgetary issue and the P and I would be  
17 easily managed?

18          MR. PERSICH:     Let me be clear  
19 here. The P and I would have to be absorbed  
20 because it's an additional expense.

21          LEGISLATOR KOPEL:     But it would  
22 be a manageable number?

23          MR. PERSICH:     It would be a  
24 manageable number to the sense that it's not  
25 \$300 million.

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2                   LEGISLATOR KOPEL:     Has this been  
3   discussed with NIFA?

4                   MR. PERSICH:     There has been some  
5   discussions with them, yes.

6                   LEGISLATOR KOPEL:     Have they  
7   indicated their thoughts on it?

8                   MR. PERSICH:     I don't know their  
9   indication on this.

10                  LEGISLATOR KOPEL:     Now, one more  
11   question. You mentioned the use of forfeiture  
12   funds for new initiatives in the police  
13   department. These initiatives are not  
14   one-time things, they're probably annual  
15   things?

16                  MR. PERSICH:     No. They are new  
17   initiatives.

18                  LEGISLATOR KOPEL:     I mean, the  
19   word initiative would, to my mind at least,  
20   describe a way of doing things going forward.  
21   In other words, we're going to do things in a  
22   certain way now. That would happen in a  
23   recurring fashion.

24                  MR. PERSICH:     Yes and no because  
25   when we do training of any type it incurs

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2   overtime because we have to take officers off  
3   the street. So we would have to bring them in  
4   to do classes. So the overtime that's being  
5   incurred for bringing officers to cover their  
6   shifts we are not repeating it because some of  
7   the initiatives it's new only. The asset  
8   forfeiture statutes are very clear. It has to  
9   be something new. Not something recurring.

10           LEGISLATOR KOPEL:     That's fine as  
11   long as the expense in each case is a one time  
12   thing.

13           MR. PERSICH:     Most of it is  
14   training related which one time events. We're  
15   doing computer-relating training. Records  
16   management training. The police commissioner  
17   is more of an expert in that field because  
18   that's his background. A lot of stuff has to  
19   do with new training initiatives.

20           LEGISLATOR KOPEL:     The  
21   comptroller seemed to make a significant deal  
22   out of the idea that our computer systems are  
23   antiquated. And as a matter of fact, if I  
24   recall, the previous comptroller said  
25   something similar. Have you been working on a

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2   comprehensive plan for an overhaul?

3           MR. PERSICH:     Me personally no  
4   because it's a financial system. My only  
5   piece of that financial system would be the  
6   budgetary piece. But I will say this, yeah,  
7   we need a new system. I'll sum it up that  
8   way.

9           LEGISLATOR KOPEL:     Can you get us  
10   some information as to what the plans are  
11   where they're up to?

12          MR. PERSICH:     Sure. I think it  
13   will be part of the capital budget. When we  
14   come to you in October it should be part of  
15   that plan.

16          LEGISLATOR MUSCARELLA:  
17   Mr. Abrahams.

18          LEGISLATOR ABRAHAMS:     Just  
19   quickly to follow-up. I know we started to  
20   talk a little bit about the open positions at  
21   the correctional center. I want to make sure  
22   I understand and also establish for the  
23   record. There's a class of 25, that's the  
24   maximum they can do or they have a higher  
25   capacity?

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2           MR. PERSICH:     That's all they  
3 could fill the class with.

4           LEGISLATOR ABRAHAMS:     Obviously,  
5 like you said before, there are other  
6 restrictions but the maximum is much higher?

7           MR. PERSICH:     Don't quote me on  
8 this but I think we had budgeted two classes  
9 of 50 for '18. Meaning that we do one class  
10 in the spring and one class in the fall of 50  
11 but we couldn't fill the classes. There  
12 wasn't enough candidates to fill the  
13 positions.

14           LEGISLATOR ABRAHAMS:     Just one  
15 more thing before I think Legislator Birnbaum  
16 has a follow up question as well. I don't  
17 know if presiding officer has one as well.  
18 The comptroller talked a little bit about  
19 doing an analysis -- I think Deputy Officer  
20 Kopel might have brought it up as well --  
21 doing an analysis on the borrowing versus  
22 where we are now if we continue to try to  
23 address the backlog and how much interest is  
24 accumulating if we were to try to bond it.

25           However, being that obviously the

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2    county is engaging at the same time in a  
3    reval, which would obviously go into place, in  
4    addition to some of the other measures that  
5    the county executive is discussing now  
6    regarding assessments, how confident as an  
7    administration at this point that those  
8    measures are going to be successful so that we  
9    have a manageable number in the future of  
10   future debt that can be incurred?

11               MR. PERSICH:     I think having a  
12   better assessment system will cure some of  
13   the -- you would hope.   So the future  
14   liability would then diminish over time.  
15   Which should become a manageable operating  
16   budget.   Which would then at some point  
17   shouldn't be significant.   All of you sitting  
18   up here been around long enough.   It's been 20  
19   years later and still talking about tax  
20   certs.   I think we've made some steps by  
21   getting state legislation to tweak the DAF to  
22   help us in that endeavor.

23               As far as the debt service that  
24   goes with it, yeah, it's a burden on the  
25   operating budget.   I'm not going to lie.   It's

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2   something that's inherited in going forward.  
3   Some of the overhang we're going to have to  
4   absorb in the operating budget. Until can we  
5   cure this -- and hopefully going forward we  
6   will see the fruits of the labor of some of  
7   these changes and a stronger assessment system  
8   would definitely help us.

9           LEGISLATOR ABRAHAMS:     My last  
10   thing before I let you go, the comptroller  
11   didn't know the answer to this but maybe you  
12   might. The comptroller was citing as per NIFA  
13   and also OBR a 12.8 deficit as pertains to  
14   OTB, which I believe the comptroller testified  
15   it was tied to the loss of VLT revenue.  
16   What's the status of that? Has the county  
17   been in contact with OTB to try to get that  
18   money? It's 12.8 now. Obviously \$20 million  
19   going forward. That's a lot of money. Not  
20   being a proponent or against whatever the  
21   case, VLT and gambling, it seems like a lot of  
22   money that the county was attributing to this  
23   budget that's just not here.

24           MR. PERSICH:     It's not  
25   materializing in my projections in 2018. I've



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2    taken down the \$20 million.

3           LEGISLATOR KOPEL:       When you say

4    it's not materializing --

5           MR. PERSICH:       I don't project on

6    getting it in '18.   It's another hole for me

7    to plug in '18 forgetting it in '18.

8           LEGISLATOR ABRAHAMS:   What is the

9    obstacle of the county from being able to

10   collect it?

11           MR. PERSICH:       I don't want to get

12   into the legal aspect of it because I'm an

13   accountant by trade but I think the agreement

14   is not between the county and OTB.   I think

15   the agreement is between OTB and the vendor at

16   Aqueduct and the monies then get remitted to

17   us that way.   I would defer to the county

18   attorney's office to give you an opinion on

19   that as to -- I don't think we are a party in

20   the contract.

21           LEGISLATOR ABRAHAMS:   Thank you.

22           LEGISLATOR MUSCARELLA:

23   Ms. Birnbaum.

24           LEGISLATOR BIRNBAUM:   Thanks.   Do

25   you have any knowledge about that temporary

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2   restraining order that was imposed on the  
3   income and expense law? I think it's  
4   attributed to about \$10 million.

5           MR. PERSICH:     Yes. There is a  
6   stay on it and it's in the court of appeals  
7   which I'm told is 18 months out. Any money we  
8   would get wouldn't be until 2020. I'm not  
9   looking for -- I would love to have it, I'm  
10   not going to lie, but I don't see it happening  
11   in the near future.

12           LEGISLATOR BIRNBAUM:   I asked the  
13   comptroller this question. I was just  
14   wondering if you knew how much in tax cert  
15   refunds have been paid to date this year and  
16   what was the source of funding?

17           MR. PERSICH:     I don't have the  
18   number off the top of my head. I can get that  
19   for you. A DAF number that went out is  
20   between \$800,000 and 1.6 million that we paid  
21   out of DAF specifically in '18. That I do  
22   know. We are starting to crank that out a  
23   little bit. I don't have specific numbers. I  
24   can get that back to this body as to what  
25   we've paid out as far as tax certs and any

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2   monies paid out of DAF.

3           LEGISLATOR BIRNBAUM:     Do you know  
4   how much will be paid out in total for this  
5   year?

6           MR. PERSICH:     Not at this point I  
7   can't tell you. We had some system  
8   limitations that prohibited us from making  
9   payments. We've corrected those. We are  
10   trying to crank it out. The more money we can  
11   get out the more refunds we can pay to these  
12   taxpayers. That's the big thing.

13           LEGISLATOR BIRNBAUM:     Thank you.

14           LEGISLATOR MUSCARELLA:  
15   Mr. Nicolello.

16           LEGISLATOR NICOLELLO:     Obviously  
17   we will be seeing you in the near future with  
18   the budget. Department of Assessment, one of  
19   the things that was agreed to was that the  
20   administration was going to start increasing  
21   the staff of the Department of Assessment.  
22   Can you tell us a little bit where you are  
23   now?

24           MR. PERSICH:     I can tell you me  
25   personally I approved I want to say 22, don't

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2   quote me on that, new hires to help with the  
3   reval and all the dates he's going to have and  
4   we do know it's an issue going forward in '19  
5   is what I will say. We do realize that he has  
6   some staffing needs that will need to be  
7   addressed in the future.

8           LEGISLATOR NICOLELLO:     Good  
9   news. In terms of the future liability for at  
10   least commercial refunds, shouldn't that be  
11   absorbed completely by DAF and then some? The  
12   flexibility.

13           MR. PERSICH:     The flexibility has  
14   opened that up to us. I want to be optimistic  
15   and say yes, at some point this will help  
16   alleviate some of the backlog. But until we  
17   are up and running for a few years I don't see  
18   reaping the benefits until we have a good  
19   handle on how stuff is going to be paid out.  
20   I would agree that the change that we just  
21   made will definitely have a good fiscal impact  
22   on the operating budget going forward. I  
23   would definitely agree that that will help  
24   going forward.

25           LEGISLATOR NICOLELLO:     Thank

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2    you.

3                   LEGISLATOR MUSCARELLA:     Any other  
4    questions?   Hearing none, thank you very  
5    much.   Next up -- does anyone have questions  
6    of the Office of Legislative Budget?   Hearing  
7    none, I guess we are adjourned.   Thank you  
8    very much.

9                   (TIME NOTED: 3:12 P.M.)

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CERTIFICATION

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I, FRANK GRAY, a Notary

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Public in and for the State of New

10

York, do hereby certify:

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THAT the foregoing is a true and

12

accurate transcript of my stenographic

13

notes.

14

IN WITNESS WHEREOF, I have

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hereunto set my hand this 11th day of

16

September 2018

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FRANK GRAY

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