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NASSAU COUNTY LEGISLATURE

NORMA GONSALVES
PRESIDING OFFICER

BUDGET REVIEW COMMITTEE

LEGISLATOR NORMA GONSALVES
CHAIR

Theodore Roosevelt Building
1550 Franklin Avenue
Mineola, New York

August 23, 2017

1:13 P.M.

Regal Reporting Service
516-747-7353

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

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4 LEGISLATOR NORMA GONSALVES

5 Chair

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7 LEGISLATOR RICHARD NICOLELLO

8 Vice Chair

9

10 LEGISLATOR DONALD MACKENZIE

11

12 LEGISLATOR KEVAN ABRAHAMS

13 Ranking member

14

15 LEGISLATOR SIELA BYNOE

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2 LEGISLATOR GONSALVES: The Budget
3 Review Committee is now in session. And Mr.
4 Pulitzer, substituting for Mr. Kopel is
5 Legislator MacKenzie. Hopefully Legislator
6 Abrahams and his colleagues will be here to
7 join us. We would like to begin. Please
8 stand while we recite the Pledge of
9 Allegiance.

10 (Pledge of allegiance was recited.)

11 LEGISLATOR GONSALVES: Mr.
12 Pulitzer if you could call the roll of the
13 Budget Review Committee.

14 MR. PULITZER: Thank you ma'am.
15 Budget Review roll call.

16 LEGISLATOR GONSALVES: Hold on.
17 We were just reminded that perhaps it would be
18 in order to have a moment of silence for those
19 in Charlottesville who certainly suffered a
20 great deal of hardship.

21 Thank you. Now Mr. Pulitzer.

22 MR. PULITZER: Legislator Delia
23 DeRiggi-Whitton.

24 Ranking member Kevan Abrahams.

25 LEGISLATOR ABRAHAMS: Here.

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2 MR. PULITZER: Deputy Presiding
3 Officer Richard Nicoletto.

4 LEGISLATOR NICOLELLO: Here.

5 MR. PULITZER: Chairwoman Norma
6 Gonsalves.

7 LEGISLATOR GONSALVES: Present.

8 MR. PULITZER: Legislator Donald
9 Mackenzie.

10 LEGISLATOR MACKENZIE: Here.

11 MR. PULITZER: We have a quorum.

12 LEGISLATOR GONSALVES: You called
13 Delia DeRiggi-Whitton?

14 MR. PULITZER: Yes. There is a
15 substitution? Siela Bynoe designee?

16 LEGISLATOR GONSALVES: Yes.

17 MR. PULITZER: Thank you.

18 LEGISLATOR GONSALVES: Before we
19 call the comptroller and members of OMB, the
20 Office of Management and Budget, I have an
21 opening statement that I would like to read
22 into the record.

23 Each year the Budget Review
24 Committee holds a hearing wherein the county
25 comptroller and Office of Management and

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2 Budget appear to give the committee an update
3 on the close of the preceding fiscal year and
4 on where the county stands in the midyear of
5 the current fiscal year. This is done after
6 the comptroller has issued his comprehensive
7 annual financial report, which the comptroller
8 has just recently done.

9 Nassau County's movement from the
10 fiscal brink in 2010 when we assumed the
11 majority to today is something of which to be
12 proud. The fund balance or rainy day fund of
13 the county has more than tripled while the tax
14 burden placed on the residents remained
15 virtually unchanged. Clearly an achievement
16 worth recognizing. The county has moved from
17 a situation where our sewer plants and
18 infrastructure were in disrepair to where we
19 are today with award winning sewer plants and
20 major improvements to our infrastructure.

21 While the recent refusal of the
22 minority to agree to authorize necessary
23 capital projects may impact the future health
24 of the county's infrastructure, the
25 advancements we have made over the past eight

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2 years are laudable. And we must remember this
3 was accomplished while facing storms, and
4 that's natural storms, of unprecedented
5 destruction during those eight years.

6 While our county continues to face
7 fiscal challenges, we have taken steps such as
8 the creation of the Income and Expense Law to
9 make commercial properties file necessary
10 paperwork to decrease the burden of tax
11 certiorari refunds.

12 Further, we have passed the
13 Disputed Assessment Fund legislation, which
14 should further drastically reduce the drain of
15 these refunds on the county's budget. Since
16 one-third of the county's debt service is
17 related to tax certiorari refunds, these
18 efforts should go a long way toward creating a
19 far more fiscally sound county.

20 Our county was able to close the
21 books of 2016 with a substantial surplus.
22 Some of that has been applied to offset
23 expenses for 2017, while also increasing the
24 fund balance of the county. Our sales tax
25 numbers appear strong. Our home prices are

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2 increasing monthly. Unemployment in our
3 county is among the lowest in New York State.
4 In all, the fiscal health of the county
5 appears strong. Nassau County appears to have
6 made substantial improvements to its financial
7 picture.

8 Even using the artificial standards
9 imposed by NIFA, which uses a far more
10 restrictive accounting version of GAAP,
11 Generally Accepted Accounting Principles, not
12 used on prior administrations or legislative
13 majorities, the county's projected fiscal
14 outlook is dramatically better than the
15 previous administration and the legislative
16 majority.

17 Obviously the work of this
18 legislature remains ongoing. We must work to
19 ensure the county's fiscal future remains on
20 the right track. We look forward to hearing
21 from our presenters today to assist us in
22 those efforts.

23 And now, hopefully he is here, I am
24 going to ask Comptroller George Maragos to
25 come forward to make his presentation. Is Mr.

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2 Maragos here? I'm going to move on then.

3 MR. BLANCO: The comptroller is on
4 his way. He will be here shortly.

5 LEGISLATOR GONSALVES: How
6 shortly?

7 MR. BLANCO: I understand he is on
8 his way now but I will go out verify.

9 LEGISLATOR GONSALVES: The only
10 reason I say that is I can move on to the
11 deputy county executive Mr. Naughton. Would
12 you prefer we wait? How long? Five minutes?
13 Ten minutes?

14 MR. BLANCO: I believe so ma'am
15 but I can go outside and confirm right now if
16 you'd like ma'am.

17 LEGISLATOR GONSALVES: Please
18 confirm. Then I would ask is Mr. Naughton
19 here? Hold on Mr. Naughton. Give Sergio a
20 chance to find out where he's at. It's my
21 understanding we need the comptroller first
22 because he needs to do what is necessary at
23 this point in closing the books on the year
24 2016. Be patient.

25 MR. BLANCO: He said he will be

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2 here within five minutes but you can call Eric
3 Naughton because he doesn't want to keep you
4 waiting. He will be here within five minutes.

5 LEGISLATOR GONSALVES: I think at
6 this point in time, although we usually have
7 the comptroller speak first to give us an
8 ending report of the year 2016, he's not here
9 at the present time and in the interest of
10 expediency let's go. Mr. Naughton you're on.

11 He's walking over now.

12 Let's go. State your name for the
13 record.

14 MR. MARAGOS: Good afternoon. My
15 name is George Maragos, Nassau County
16 Comptroller. To my right is our director of
17 accounting Lisa Tsikouras.

18 I have an opening statement with
19 regards to the county's financial state.

20 The county ended 2016 with a \$27.1
21 million GAAP surplus in the primary operating
22 funds. Under NIFA's statutory basis the
23 county ended with a negative 83.1 million
24 which excludes other financing sources used to
25 pay operating expenditures. The GAAP surplus

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2 was achieved by using approximately \$40
3 million in borrowing to pay for operating
4 expenditures. Excess borrowing of 66 million
5 was deposited into non-primary funds,
6 including \$49.3 million into the litigation
7 fund 13.1 million into the employee benefit
8 accrued liability fund and 3.6 million into
9 the new Bond Indebtedness Reserve Fund.

10 Between the increase in the cash
11 reserves outside the primary funds and the \$27
12 million GAAP surplus the county total fund
13 balance on a GAAP basis increased by \$60
14 million to \$170 million as of year end 2016.
15 The long term debt of the county and its
16 blended component units ended 2016 at 3.6
17 billion. A decrease of \$143 million or 4.1
18 percent over 2009. Other long-term
19 liabilities for property tax refunds deferred
20 pension costs and the utility litigation
21 liability decreased by approximately 21
22 million to 850 at year end 2016.

23 Our 2017 budgetary projections are
24 as follows.

25 In our 2017 midyear financial

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2 projections we indicated that the county is
3 trending to end 2017 with a 57.6 million
4 deficit, both on a GAAP basis and the
5 statutory basis mandated by NIFA.

6 The administration however is
7 expected to find revenues and expense
8 opportunities to reduce the projected deficit
9 but may be hard pressed to achieve a GAAP
10 balance by year end 2017. The projected fund
11 balances are expected to decline to 67.8
12 million down from 170 million at 2016,
13 assuming the gap closing opportunities do not
14 materialize.

15 The noteworthy items affecting the
16 budgetary projections are ten million at risk
17 in income and expense revenue due to
18 litigation. Sixty million in lower bond
19 proceeds for property tax refunds of about
20 12.5 million in payroll expense primarily due
21 to higher termination pay for an increased
22 number of police officers retiring in 2017.

23 The total long-term debt for the
24 county and its blended component units are
25 projected to decrease by \$102 million to

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2 approximately 3.5 billion after pay down of
3 244 million in maturing debt. Although the
4 county financials appear to have improved both
5 on a GAAP and NIFA basis, and the long-term
6 debt of the county decreased by over \$100
7 million compared to 2009, the county fiscal
8 challenges in 2017 are masked by the use of
9 non-primary funds set aside in prior years to
10 pay approximately 44 million in litigation
11 expense.

12 The fiscal challenges would
13 increase in 2018 due to the anticipated
14 structural cost increases in labor, health
15 care and other mandated costs, but without the
16 cushion from the large fund balance and
17 borrowing to pay for operating expenses.

18 Thank you. I'm happy to take your
19 questions.

20 LEGISLATOR GONSALVES: Legislator
21 Nicolello.

22 LEGISLATOR NICOLELLO:
23 Comptroller Maragos, do you know what the
24 current fund balance is?

25 MR. MARAGOS: The total fund

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2 balance is about 170 million.

3 LEGISLATOR NICOLELLO: Was that
4 as of the close of 2016?

5 MR. MARAGOS: 2016.

6 LEGISLATOR NICOLELLO: Do we know
7 what the number is right now? Would we know
8 what the number is right now?

9 MR. MARAGOS: Some of that has
10 already been drawn down. About \$43 million to
11 pay some litigation expenses. It's expected
12 to be further drawn down.

13 LEGISLATOR NICOLELLO: You
14 mentioned a number of different budgetary
15 methods of evaluation. I think you mentioned
16 budgetary accounting. You mentioned GAAP and
17 you mentioned I guess NIFA statutory. What
18 are the differences between these different
19 budgetary accounting methods?

20 MR. MARAGOS: We stopped using --
21 the comptroller's office has recommended and
22 we stopped reporting on a budgetary basis. It
23 was terribly confusing that we have budgetary,
24 we had GAAP and NIFA says statutory basis and
25 we previously were calling NIFA presentation

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2 basis. So NIFA objected to that and asked us
3 to change to statutory basis. Which we did.

4 LEGISLATOR NICOLELLO: I
5 understand but what's the difference? What's
6 the result of you using that? What
7 differences are there between using budgetary
8 basis as opposed to NIFA and/or NIFA GAAP.

9 MR. MARAGOS: GAAP is general
10 accounting principles that we all have to use
11 and that takes into account certain accrued
12 expenses at the end of the year that have to
13 be accounted for that are not included on a
14 budgetary basis. And of course the NIFA
15 presentation then excludes all financing
16 sources that are normally included on a
17 budgetary and GAAP basis.

18 LEGISLATOR NICOLELLO: You have
19 adopted NIFA's statutory basis, NIFA's GAAP to
20 avoid the confusion?

21 MR. MARAGOS: No. We just
22 changed the name because they've asked. The
23 formula remains the same as previously.

24 LEGISLATOR NICOLELLO: In terms
25 of a budgetary basis how did we end 2016? In

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2 terms of surplus deficit.

3 MR. MARAGOS: It would be just a
4 little higher than GAAP. '17 or '16?

5 LEGISLATOR NICOLELLO: '16.

6 MR. MARAGOS: Plus 41 versus GAAP
7 27.

8 LEGISLATOR NICOLELLO: What's the
9 projection for 2017 on a budgetary basis?

10 MR. MARAGOS: Like I said, it's
11 meaningless it's confusing and we're not going
12 to be reporting on a budgetary basis.

13 LEGISLATOR NICOLELLO: That's
14 nice but I'm just asking a question. I'm
15 entitled to some information.

16 MR. MARAGOS: It's usually that
17 differential depending on the amount of
18 accrued expenses. Anywhere from about three
19 million to ten million 11 million more higher
20 on a budgetary basis.

21 LEGISLATOR NICOLELLO: Do you
22 have a projection on a budgetary basis for the
23 end of 2017?

24 MR. MARAGOS: That's indicated in
25 the report, in the midyear report, is 55.3

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2 million budgetary.

3 LEGISLATOR NICOLELLO: There's
4 going to be 55.3 million projected deficit on
5 a budgetary basis at the end of 2017, is that
6 accurate?

7 MR. MARAGOS: Yes.

8 LEGISLATOR NICOLELLO: So the
9 projection on a budgetary basis is almost the
10 same as the NIFA GAAP basis for the end of
11 2017? NIFA GAAP is 57 million.

12 MR. MARAGOS: Right, yes.
13 Because the amount of borrowing or other
14 financial sources have been reduced
15 substantially.

16 LEGISLATOR NICOLELLO: That's
17 what I'm asking. If you don't accept NIFA's
18 accounting basis going forward for this year
19 and used the budgetary basis that was used in
20 the past what is the projection for the end of
21 2017?

22 MR. MARAGOS: I just mentioned
23 55.3 million budgetary. That's in the report
24 in Exhibit-1 table one.

25 LEGISLATOR NICOLELLO: That's

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2 using NIFA's GAAP, correct?

3 MR. MARAGOS: No. There's three
4 methods and each one has to be treated
5 differently. Budgetary, GAAP and NIFA
6 statutory and each one has their own rules.

7 LEGISLATOR NICOLELLO: So on the
8 budgetary you're projecting a 55 million
9 deficit this year?

10 MR. MARAGOS: That's correct.
11 And on a GAAP basis 57.

12 LEGISLATOR NICOLELLO: In terms
13 of budgetary basis or GAAP what do the other
14 municipalities in New York State use.

15 MR. MARAGOS: They use GAAP.

16 LEGISLATOR NICOLELLO: Do they
17 use GAAP or do they use the statutory basis
18 that's mandated by NIFA.

19 MR. MARAGOS: They don't use the
20 statutory. They use GAAP. We had this
21 discussion with NIFA.

22 LEGISLATOR NICOLELLO: Are you
23 aware of any other municipality in the state
24 that's using the budgetary -- the accounting
25 method that's mandated by NIFA?

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2 MR. MARAGOS: I'm not aware. Not
3 to my knowledge.

4 LEGISLATOR NICOLELLO: Do you
5 know what New York State uses?

6 MR. MARAGOS: GAAP.

7 LEGISLATOR NICOLELLO: So they're
8 not using the standard that NIFA is imposing
9 upon us.

10 MR. MARAGOS: NIFA is not a
11 standard. That's why we called it statutory.
12 They opined the legislature that we need to
13 exclude from GAAP the other financial sources.

14 LEGISLATOR NICOLELLO: So it's
15 not even a standard. It's simply a mandate on
16 the part of NIFA in doing things.

17 MR. MARAGOS: That is correct.

18 LEGISLATOR GONSALVES: Legislator
19 MacKenzie.

20 LEGISLATOR MACKENZIE: Just to
21 clarify something. You said earlier that NIFA
22 has asked you to refer to it as NIFA
23 statutory; is that correct?

24 MR. MARAGOS: That is correct.

25 LEGISLATOR MACKENZIE: And there

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2 is actually no written statute that requires
3 that other than NIFA saying so, is that fair
4 to say?

5 MR. MARAGOS: Under the NIFA Act
6 they ordered us to do so back in 2011 or '12.

7 LEGISLATOR MACKENZIE: But that
8 was an order of NIFA. That's not dictated in
9 the statute itself. That was NIFA who chose
10 to do that not the enabling statute itself?

11 MR. MARAGOS: The statute allows
12 NIFA to set rules and they set the rules by
13 which they wanted us to report the accounting
14 and they have done that. If you recall, all
15 prior years we were asked to call it the NIFA
16 presentation because it was a unique NIFA
17 presentation methodology. In the latest
18 meeting we've had they asked us to change it
19 to call it statutory.

20 LEGISLATOR MACKENZIE: I'm not
21 disagreeing with you. I'm just trying to
22 clarify that it wasn't in the enabling statute
23 that we are required to do that it's a NIFA
24 dictate that has asked to us do that.

25 MR. MARAGOS: That's right.

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2 LEGISLATOR MACKENZIE: And as
3 Legislator Nicoletto said earlier, no other
4 municipality that you are aware of in the
5 state does it that way, correct? As we were
6 saying earlier, as Legislator Nicoletto
7 pointed out, you're not aware of any other
8 municipality in the state that's required to
9 do this, right?

10 MR. MARAGOS: Yes. That's what I
11 said.

12 LEGISLATOR MACKENZIE: Just to
13 clarify, I'm not disagreeing with you, I just
14 want it clear, it's not the enabling statute
15 that requires this it's a dictate of a NIFA
16 that requires this and that which changed the
17 rule.

18 MR. MARAGOS: That is my
19 understanding, yes.

20 LEGISLATOR MACKENZIE: Can I just
21 ask you something? It wasn't in your verbal
22 presentation but on page 17 of your report,
23 the third bullet point down, it states that
24 reflecting sales tax and other taxes. The
25 PILOT agreement. Other taxes increased as a

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2 result of prior payments in lieu of taxes due
3 to transfer --

4 MR. MARAGOS: What report are you
5 alluding to?

6 LEGISLATOR MACKENZIE: Page 17.

7 MR. MARAGOS: Are you referring
8 to the midyear report?

9 LEGISLATOR MACKENZIE:
10 Comprehensive annual report. The third bullet
11 point there regarding sales tax increases and
12 payment in lieu of taxes. In part it states
13 that a payment in lieu of taxes -- other taxes
14 increased due to a payment in lieu of taxes
15 due to a transfer of Long Island Power
16 Authority parcels from property tax levy in
17 order to adhere to a state cap on these
18 parcels at two percent and a decrease in
19 revenue from property taxes at 41 million.
20 And it's not clear to me what was at net
21 effect just on that issue itself? On the
22 transfer of the LIPA properties.

23 MR. MARAGOS: I will ask Lisa to
24 clarify.

25 MS. TSIKOURAS: The

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2 administration had indicated that due to the
3 fact that the LIPA properties could not be
4 accessed at greater than a two percent
5 increase annually they were removed from the
6 tax roll and considered LIPA PILOTs. So the
7 offset in the property tax decrease is just
8 offset by the increase in the LIPA PILOTs.
9 Just a reclassification of those properties.

10 LEGISLATOR MACKENZIE: I
11 understand that. But did the reclassification
12 end up with a net decrease in the amount of
13 money collected by the county?

14 MS. TSIKOURAS: No. I believe it
15 was a wash.

16 LEGISLATOR MACKENZIE: Thank
17 you.

18 LEGISLATOR GONSALVES: Minority
19 leader do you have any questions? Legislator
20 Bynoe.

21 LEGISLATOR BYNOE: Thank you
22 Presiding Officer.

23 I want to go back to your oral
24 presentation. You mentioned the fund balance
25 as of 2016 and you stated that it was at 170

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2 million; is that correct.

3 MR. MARAGOS: That's correct.

4 LEGISLATOR BYNOE: And you said
5 that did not include the draw down of 43
6 million.

7 MR. MARAGOS: That was set the
8 end of 2016.

9 LEGISLATOR BYNOE: But you
10 mentioned \$43 million. Was the 170 after the
11 \$43 million?

12 MR. MARAGOS: No. I was asked
13 where does the fund stand approximately now.

14 LEGISLATOR BYNOE: And then you
15 mentioned \$43 million. Could you clarify that
16 \$43 million in terms of what you understand it
17 to be earmarked for?

18 MS. TSIKOURAS: I'm not sure of
19 the exact number at the moment how much has
20 been drawn down so far but there has been
21 money put aside for judgement and claims in
22 one of our funds, the litigation fund. So
23 some of that money has already been spent on
24 settlements and claims through the year. We
25 anticipate that the -- according to the 2017

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2 midyear report we anticipate that the
3 majority, if not all of that, will be spent.
4 Whatever we had at the end of the year in that
5 fund. So, I'm not sure off the top of my head
6 how much has been spent so far this year, but
7 I think it's in excess of \$30 million.

8 LEGISLATOR BYNOE: I know that we
9 were supposed to maintain at least four
10 percent of the annual budget in the rainy day
11 general fund account.

12 MS. TSIKOURAS: It's a little
13 complicated to -- we talk about fund balance a
14 lot of times. What the comptroller has been
15 trying to go to is like talk about GAAP fund
16 balance because we are required to report our
17 financial statements in accordance with GAAP.
18 And in accordance with GAAP, fund balance is
19 not all spendable. You can't spend all that
20 fund balance. It has to be reserved for
21 different things. While we may that say on a
22 budgetary basis we have X number of dollars
23 the reality is not all of that money is really
24 spendable.

25 When you look at the CAFR for

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2 example you can actually see in one of the
3 exhibits it talks about what's restricted.
4 What's not spendable. What money has been set
5 aside. And what the real availability is for
6 spending.

7 So I personally like to talk about
8 the CAFR since that really is what we are
9 supposed to be reporting and it explains
10 things a little bit better than like budgetary
11 fund balances and such.

12 LEGISLATOR BYNOE: So then based
13 on the CAFR that was the 170 million balance.

14 MS. TSIKOURAS: Agreed. But if
15 you break that 170 down a significant portion
16 of that amount is set aside for things.

17 LEGISLATOR BYNOE: The restricted
18 funds?

19 MS. TSIKOURAS: The restricted or
20 nonspendable. For example, the county prepays
21 their pension. We prepay it to get a cut. A
22 discount on it. So that money is considered
23 not spendable even though we may still have
24 that cash available we can't spend that cash
25 because we need it.

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2 LEGISLATOR BYNOE: I know some
3 time ago NIFA included in a report in their
4 midyear review of the county financials that
5 some of the credit reporting entities have
6 made an issue of the fund balance stating that
7 it was unfavorable for the county to spend
8 that fund balance because it would impact the
9 cash on hand. What is the position of the
10 comptroller?

11 MR. MARAGOS: Those are different
12 issues. We're mixing a lot of issues in one I
13 think we need to clarify where the fund
14 balance stood at the end of 2016.

15 LEGISLATOR BYNOE: Which you
16 did.

17 MR. MARAGOS: Which is 170
18 million. We projected for 2017, assuming a
19 certain projected deficit under current
20 spending and revenue trends and a draw down of
21 the other funds that we would end with about
22 67 or \$70 million in total fund balance.
23 That's I think is the simplest way or the best
24 way to look at it. Now if we want to talk
25 about policies let's talk about policies. But

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2 it's important that we understand what the
3 numbers are.

4 LEGISLATOR BYNOE: I understood
5 what the numbers are.

6 MR. MARAGOS: No but it was
7 apparently very confusing because we were
8 mixing fixing projections and spending with
9 actual fund balance at various time periods.

10 LEGISLATOR BYNOE: I was using
11 the number that you mentioned during your oral
12 presentation. I wasn't using any other
13 numbers because there are other numbers and
14 that can be confusing. So I just figured in
15 order not to have an already complex issue
16 even more confusing I decided to use your
17 number. So my question was then, the first
18 question I had just for clarity, when you
19 mentioned \$170 million was that \$170 million
20 at the close of 2016 and then you mentioned
21 \$43 million was spent.

22 MR. MARAGOS: That's why I wanted
23 to clarify.

24 LEGISLATOR BYNOE: Then we went
25 into CAFR.

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2 MR. MARAGOS: That's why I wanted
3 to be very clear that at the end of 2016 our
4 total fund balances stood at \$170 million
5 okay. That I hope is clear. At the end of
6 2016.

7 LEGISLATOR BYNOE: Then we went
8 into what is spendable.

9 MR. MARAGOS: Forget what we are
10 spending. I think what is important to
11 realize is that under the projections we have
12 both NIFA --

13 LEGISLATOR BYNOE: It was
14 important for your report, but for me to have
15 some questions answered I'm going to go past
16 what you said in your oral presentation and I
17 need to ask you some questions.

18 MR. MARAGOS: I'm happy to take
19 your questions. I'm trying to clarify that
20 you're asking numbers that are out of context
21 to what you need to know.

22 LEGISLATOR BYNOE: Let me try my
23 question again. And we will skip past the \$43
24 million and what's spendable and all of that.
25 NIFA has stated in a report that the credit

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2 reporting agencies deem it to be unfavorable
3 for this county to be spending the fund
4 balance rapidly because it reduces the amount
5 of money that we have on hand. And I asked
6 specifically what was the comptroller's take
7 on that issue. I'm not sure how that confuses
8 any of the issues.

9 MR. MARAGOS: That's true. Even
10 before NIFA set that we have been repeatedly,
11 every year I have been a comptroller, urging
12 not to draw down on fund balance to fund
13 operating expenses. And additionally, not to
14 use borrowing to also fund operating
15 expenses. And that has been a consistent
16 theme and statement that I have been making
17 every year as the Nassau County comptroller.

18 LEGISLATOR BYNOE: So, the tax
19 certiorari money, the \$33 million that's
20 supposed to be earmarked coming out of the
21 fund balance, did your report take any of that
22 into consideration --

23 MR. MARAGOS: We've taken
24 everything into consideration.

25 LEGISLATOR BYNOE: -- for the

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2 projection for 2017. So what do you show us
3 at the end of 2017 now closing out with the
4 fund balanced based on projections?

5 MR. MARAGOS: We're saying that
6 there are fund balances at the end of 2017,
7 giving spending patterns and intended uses of
8 the various fund balances, we will end with
9 less than 70 million in total fund balances at
10 the end of 2017.

11 LEGISLATOR BYNOE: And your
12 understanding based on the county charter
13 states that we would then be under the minimal
14 requirement.

15 MR. MARAGOS: That's correct and
16 why I'm alerting you to it.

17 LEGISLATOR BYNOE: I'm actually
18 concerned about it as well to the extent that
19 I have drawn up some legislation to require
20 the county to utilize the fund balance because
21 I think it's not proper for us to be sitting
22 on taxpayer's funding as a rainy day fund
23 while we are continuing to raise fees. But I
24 do think that we should spend it with a plan.
25 It should be a responsible plan put in place

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2 over a multi year process that allows for the
3 county to then be able to utilize the money
4 but not to just raid it in one year. I think
5 that would be irresponsible for the county to
6 do such a thing. I was trying to get your
7 opinion, and I'm not sure how we got confused
8 on some other points.

9 So, in terms of the and I know that
10 VSIP, and that's going to come up later, but
11 that wasn't taken into consideration when you
12 did your midyear plan either, was it?

13 MR. MARAGOS: Which part?

14 LEGISLATOR BYNOE: The voluntary
15 separation.

16 MR. MARAGOS: No, that was not.

17 LEGISLATOR BYNOE: Have you at
18 some point since then been able to get any
19 numbers in terms of --

20 MR. MARAGOS: No, we have no
21 numbers but what we hear we are concerned that
22 it may exacerbate the year end numbers.

23 LEGISLATOR BYNOE: There's been
24 no opportunity for you to speak to anyone in
25 OMB or in any other --

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2 MR. MARAGOS: We have no numbers
3 that we can project.

4 LEGISLATOR BYNOE: I have a
5 couple of other questions but I think I may
6 turn it over now to the minority leader and if
7 the presiding officer will allow I will jump
8 back in. Thank you.

9 LEGISLATOR GONSALVES: Minority
10 leader.

11 LEGISLATOR ABRAHAMS: Thank you
12 madam presiding officer. I think Legislator
13 Bynoe started to ask questions on the area I
14 was going to focus on which is the VSIP
15 program which obviously comptroller we don't
16 have numbers but what you're hearing is
17 starting to be alarming. The greater question
18 obviously becomes because it seems like
19 there's a directive that in past these
20 programs been paid for through bond dollars
21 and now it seems they're going to be paid
22 through with operating dollars. Which I have
23 no problem with.

24 That being said, the legislature is
25 getting ready to take action on this later

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2 today after our budget review meeting. And is
3 it safe to say that you are saying on the
4 record that the county has or the
5 comptroller's office has some serious concerns
6 and how would you recommend us moving forward
7 considering your concerns?

8 MR. MARAGOS: I would like to get
9 us numbers and I think you should ask for
10 numbers and details before we can draw any
11 conclusions as to both the short-term benefits
12 and the long-term benefits. Because it would
13 appear that such programs have a short-term
14 negative impact and a long-term beneficial
15 impact.

16 LEGISLATOR ABRAHAMS: Correct.
17 If I understand this correctly after talking
18 with our finance people, there's a potential
19 for \$18 million in potential savings in the
20 out years which could save the county a
21 tremendous amount of money. But looking at
22 2017 it looks like obviously there's a
23 potential of paying for the VSIP and then the
24 termination costs that go with it. Would you
25 concur that that's giving you more angst in

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2 regards to the 2017 short term negative?

3 MR. MARAGOS: Yes. Obviously
4 it's going to be difficult for the county to
5 end in balance actually. The deficit may
6 worsen as a result.

7 LEGISLATOR ABRAHAMS: My next
8 round of questions is tied in to bonding. And
9 I'm not asking you to weigh in on why this
10 legislature has not bonded. Our side we feel
11 very comfortable in our position of not
12 bonding. I'm not going to get into the
13 reasoning of why. Everybody pretty much
14 understands what our reasoning is.

15 But that being said, this
16 legislature has not bonded for capital
17 purposes, which in our minds has not procured
18 debt service for quite some time to the level
19 that we have had in the past. Considering
20 where your deficit projection numbers are,
21 have you ever calculated the fact that the
22 county not bonding at the same levels in prior
23 years and what contribution that has or what
24 negative that has in regard to the operating
25 funds and the operating deficit potentially

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2 set up for this year?

3 MR. MARAGOS: I prefer to look at
4 it differently and that's why I have been
5 urging the legislature and county
6 administration to continuously to avoid
7 borrowing funds for operating expenditures.

8 LEGISLATOR ABRAHAMS: I don't
9 mean for operating expenditures I'm talking
10 bonding in general. I'm talking for capital
11 expenditures. Obviously there's a debt
12 service associated with bonding for capital
13 expenditures. And I'm not asking you to opine
14 on whether or not bonding is correct or not
15 correct or our fight for an independent
16 inspector general, slash, public corruption
17 officer is correct or not correct. I'm not
18 asking you for that. But there is a financial
19 impact by this legislature not going forward
20 with bonding that creates a savings in my
21 mind, unless you correct me if I'm wrong, that
22 creates a savings in debt service for this
23 county. And I was wondering if you were able
24 to quantify what that number has been being
25 the legislature hasn't bonded to the levels

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2 that it has in the years past or at least the
3 last 18 months to two years.

4 MR. MARAGOS: No, we have not.
5 But let me say that it's not our job to make
6 determinations on the capital spending.
7 That's usually a worthwhile investment that
8 you're making for the long term future of the
9 county.

10 With regards to the total debt, as
11 we've pointed out that has actually been
12 reduced by about over \$100 million since where
13 it stood in 2009. So there's been significant
14 progress made in that regard. As I have
15 stated in the past, the total long term debt
16 that the county has is not inordinate, it's
17 not out of line, it's very manageable at
18 approximately 1.2 of the total county
19 revenues. I put that previously in
20 perspective that normally when a family wants
21 to buy a home they go and borrow money and the
22 bank will lend them three times the annual
23 income and that's quite manageable.

24 In the county's case it's only
25 about 1.2 times our annual income. Which of

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2 course is very manageable.

3 LEGISLATOR ABRAHAMS: Again, the
4 worthiness of the programs that are in
5 question have never been in doubt. We truly
6 believe that all the programs are worthy.
7 That's not the issue. It's the oversight,
8 transparency and the process which we truly
9 believe is lacking.

10 That being said, I would be
11 interested if your office had the resources to
12 do so. Obviously when you factor in all the
13 operating costs that have been capitalized in
14 regard to the tax certioraris in years past as
15 well, I would like to see something from you
16 office and if you are able to put it together
17 by the budget season that's coming up in the
18 next couple of weeks as we begin hearings, I
19 would like to see some type of analysis that
20 reflects the lower amounts of bonding that we
21 have done over the last amount of years and
22 the impact that it's having on the out years.
23 Because I truly believe that it is having a
24 tremendous impact. Not just from the tax
25 certiorari standpoint but from the capital

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2 side as well.

3 Right now this legislature I
4 envision at some point will start to bond
5 again for these programs at some point.
6 Probably when there is another county
7 executive. That being said, I want to make
8 sure what we are looking at in a short term
9 perspective and how we look at it from a long
10 term perspective that dynamic can very well
11 change if this legislature starts to ramp up
12 its bonding again, which I'm no fan of.

13 MR. MARAGOS: We are happy to do
14 that. We need have a separate discussion to
15 make some reasonable assumptions.

16 LEGISLATOR ABRAHAMS: I will have
17 my finance person reach out to your office.
18 But thank you.

19 LEGISLATOR GONSALVES: Legislator
20 Bynoe.

21 LEGISLATOR BYNOE: I'm done.
22 I've concluded.

23 LEGISLATOR GONSALVES: Legislator
24 MacKenzie.

25 LEGISLATOR MACKENZIE: Just a few

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2 follow-ups. Just to reemphasize that. If you
3 were to do an analysis of the lack of bonding
4 for capital investment that's taking place,
5 clearly that wouldn't account for the
6 degradation of our infrastructure that's
7 taking place as result of not repairing it,
8 correct?

9 MR. MARAGOS: That would be
10 correct and I wouldn't advise it. As I
11 mentioned a little earlier, the capital
12 investments are investments in the future of
13 the county.

14 LEGISLATOR MACKENZIE: So when
15 you did that analysis it would strictly show
16 numbers on a page. It wouldn't show all the
17 roads in this county that people are driving
18 on that aren't being repaired as a result of
19 not bonding right.

20 MR. MARAGOS: I would not make
21 that assumption that there would be zero
22 capital bonding. We can look historically and
23 recommend kind of a more conservative to
24 optimistic scenario in terms of capital
25 borrowing and will make those projections

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2 accordingly. We will certainly not do an
3 analysis that shows zero capital bonding. It
4 will be completely unrealistic.

5 LEGISLATOR MACKENZIE: Then just
6 to follow up on one item. You said that you
7 have 12.5 million in termination pay as a
8 risk. I think that was in your oral
9 presentation if my notes are correct. As a
10 risk in the budget. I'm going from my notes
11 so correct me if I'm wrong.

12 MR. MARAGOS: That's the overall
13 payroll expense.

14 LEGISLATOR MACKENZIE: I thought
15 you said in risk for 2017 budget you had \$10
16 million on income expense, another item, and
17 then 12.5 risk in payroll and termination pay.

18 MR. MARAGOS: That's correct.

19 LEGISLATOR MACKENZIE: You said
20 the termination pay risk was as a result of
21 your concern that there would be more
22 retirements solely in the police department or
23 is this related to VSIP also?

24 MR. MARAGOS: Mostly in the
25 police department.

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2 LEGISLATOR MACKENZIE: It's not
3 related at all to the VSIP that 12.5 at risk?

4 MR. MARAGOS: No.

5 LEGISLATOR MACKENZIE: Thank you.

6 LEGISLATOR GONSALVES: Legislator
7 Nicoletto.

8 LEGISLATOR NICOLELLO: I wanted
9 to touch on if you do an analysis with respect
10 to monies that were saved by not borrowing
11 over the course of the years. When you don't
12 spend money on infrastructure it tends to
13 degradate, correct? It tends to get worse
14 over time?

15 MR. MARAGOS: That is correct.

16 LEGISLATOR NICOLELLO: Many times
17 if we don't spend money on infrastructure in
18 fact you're going to wind up spending more
19 money later on because you've let it go too
20 far.

21 MR. MARAGOS: That is correct.

22 LEGISLATOR NICOLELLO: So if
23 you're doing an analysis and it says there's a
24 certain number of savings because you didn't
25 bond for this that analysis does not take into

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2 account that you may actually wind up spending
3 more money later on because you failed to
4 attend to infrastructure.

5 MR. MARAGOS: That's correct.

6 LEGISLATOR GONSALVES: Thank you.

7 LEGISLATOR GONSALVES: Minority
8 leader.

9 LEGISLATOR ABRAHAMS: I think we
10 understand what Legislator MacKenzie and
11 Deputy Presiding Officer Nicoletto is saying.
12 All I asked was in regard to debt service what
13 we're saving in the county. This legislature,
14 with the county executive, will make a
15 determination in terms of infrastructure and
16 how the money should be spent, and obviously
17 if you have a dilapidated road or
18 infrastructure in regard to your sewer
19 treatment plants and you're not spending the
20 money on the upgrades it could very well be
21 costly more in the future. We don't know yet
22 because we don't hold enough hearings to
23 determine that. I don't know how anyone can
24 give an opinion on what the infrastructure
25 would cost.

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2 That being said, this legislature
3 has bonded for roads. I don't know how we
4 couldn't have bonded for roads when I see
5 contracts that are before us in the Rules
6 Committee that are coming up today that must
7 be using bonded money to pay one for the
8 roads. I don't want you to cloud the
9 analysis. If you have to do two different
10 analysis, one for us and one for them that's
11 fine. But my question is more tied to the
12 savings in debt service and how the lower
13 amount of bonding basically has attributed to
14 that. That's what we're looking for. Has
15 debt service gone down or not grown by the
16 same levels as it has in the years past? By
17 how much? And if we can quantify the factor
18 of not bonding. Does it contribute to that or
19 does it not contribute to that. Whatever your
20 analysis determines. That's what we are
21 looking for.

22 MR. MARAGOS: Again, I want to
23 remind that our long-term debt has been
24 reduced by over \$100 million. That stands at
25 3.5 versus where it stood at 3.6 approximately

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2 at the end of 2009. So our long-term debt has
3 come down. Has been reduced.

4 LEGISLATOR ABRAHAMS: That's as a
5 result of not bonding I'm assuming?

6 MR. MARAGOS: No. You bond but
7 you also have to pay down debt to service it.

8 LEGISLATOR ABRAHAMS: You're
9 saying that the long-term debt, and I see your
10 number here, long-term projected debt is down
11 by \$102 million. So that decrease what do you
12 attribute that to?

13 MR. MARAGOS: The amount of
14 borrowing annually has been reduced and the
15 pay down has increased.

16 LEGISLATOR ABRAHAMS: That's what
17 I'm saying. In essence, in a way, your
18 analysis, we just need to see of that 102,
19 because obviously that's not all capital, that
20 could be tax certioraris as well, we would
21 love to see what portion of that decrease is
22 attributed to not bonding for capital at the
23 same levels we have been doing prior to two
24 years.

25 MR. MARAGOS: That will be fine.

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2 So you're not looking for projections you're
3 actually looking for a more detailed analysis
4 of the historic goal? Impact.

5 LEGISLATOR ABRAHAMS: Yes.

6 MR. MARAGOS: That's why I was
7 asking that we need to deal with assumptions.
8 But if we're looking at the historical
9 analysis then --

10 LEGISLATOR ABRAHAMS: The
11 historical and how it projects for what the
12 debt service will be in the future. Thank
13 you.

14 LEGISLATOR GONSALVES: Minority
15 leader.

16 LEGISLATOR ABRAHAMS: In your
17 opinion, and in the spirit to be fair I might
18 have given the impression I wasn't going to
19 ask you this but I'm going to ask you anyway.
20 There's been a lot of discussion about
21 independent inspector general as well as the
22 public corruption officer, not just in this
23 body, it's been discussed in other levels of
24 government as well. Have you done an analysis
25 from your office, one, do you support it? But

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2 then two, have you done an analysis on your
3 office of the potential it could save the
4 county in terms of expenditures or making sure
5 we get the best practices in to make sure our
6 preprocess, our screening process, selects the
7 best vendors which could potentially save the
8 county as well?

9 MR. MARAGOS: I think that's a
10 political question.

11 LEGISLATOR ABRAHAMS: Why would
12 you say it's political?

13 MR. MARAGOS: I think my
14 political views on that subject are well
15 articulated.

16 LEGISLATOR ABRAHAMS: Mr.
17 Comptroller, it would be political if there
18 weren't two parties in this county that didn't
19 support it. Like if it was just one side that
20 wanted to do it and the other side didn't then
21 I would agree with you. But, as far as I
22 know, supervisor Saldino in Oyster Bay is a
23 Republican and he supports it. Counselwoman
24 Eric King Sweeney, as far as I know, is
25 Republican and she supports it. Councilman

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2 Blakeman, as far as I know, is a Republican he
3 supports this.

4 So I don't see this as being a
5 political thing. I think it's a policy
6 thing. I would love to hear your opinion. I
7 don't think they're political. I beg to
8 differ to the majority but I think your
9 opinion would be valid. I also believe, going
10 back to the second part of that question, even
11 if you think it's political to say how you
12 believe whether or not it's necessary or not,
13 do you believe there's a potential savings of
14 having an oversight monitor watching over the
15 procurement process in the county?

16 MR. MARAGOS: Since you brought
17 up that subject I guess I would like to give
18 the courtesy of an answer. There continues to
19 be in any bureaucracy waste and
20 mismanagement. And to the extent I think I've
21 stated from a political perspective that I
22 would favor an independent inspector general.
23 I also have gone further than that and also
24 recommended an independent procurement
25 director. Not only to investigate after the

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2 fact but to prevent the waste before the
3 contracting process or entering into
4 contracts. I've also suggested term limits.
5 I've also recommended banning all vendor
6 contributions and public financing of
7 elections so that we have a government that
8 truly represents the community. We take every
9 step possible to reduce or eliminate waste and
10 mismanagement.

11 LEGISLATOR GONSALVES: No other
12 questions of Mr. Maragos? Thank you.

13 Now it's your turn deputy county
14 executive of finance Eric Naughton.

15 MR. NAUGHTON: Good afternoon.
16 Eric Naughton, Deputy County Executive for
17 Finance.

18 MS. D'ALLEVA: Roseanne D'Alleva,
19 budget director. Any some the responses an
20 give you some more.

21 MR. NAUGHTON: We have a short
22 presentation for you today we will try to
23 keep it brief so we have time to answer any
24 questions that you may have and to clarify
25 some of the responses and give you some more

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2 answers.

3 LEGISLATOR GONSALVES: Could you
4 bring the mic closer to you so we can hear?
5 Do the people in the back hear what is being
6 stated up front? We are having a little
7 problem here and I'm wondering if that's the
8 case back there. I guess not. Mr. Naughton.

9 MR. NAUGHTON: I'm going to echo
10 many of the comments made by you madam
11 presiding officer. When you look at all the
12 fiscal metrics of the county most of them show
13 we made significant improvements in recent
14 years. I just want to outline some of our
15 accomplishments and how these accomplishments
16 have benefitted the county.

17 Starting with you look at we
18 implemented tax certiorari reforms. Those
19 reforms are going to yield \$950 million of
20 debt service savings over the next 20 years.
21 We established the disputed assessment fund to
22 pay class four property tax refunds. This
23 creates a funding to eliminate borrowing for
24 future commercial property tax refunds.

25 We developed a process to negotiate

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2 residential small claims before the roll goes
3 final. That process saves the county
4 taxpayers \$25 million annually.

5 We are funding judgements and
6 settlements from the operating budget. That
7 has eliminated the need for borrowing. There
8 is no borrowing for tax cert refunds in 2017.
9 That is a year ahead of our financial plan.

10 We have contained labor costs. The
11 workforce has been reduced by over 1700
12 employees since 2009. That results in an
13 annual savings of approximately \$160 million.
14 We have improved the county's flexibility and
15 the ability to respond to crisis. As the
16 comptroller stated, our GAAP fund balance is
17 now \$170.5 million. In 2012 that number was
18 only \$27 million.

19 We have a dedicated fund balance
20 for reserves and for other items. As the
21 comptroller mentioned, we have a litigation
22 fund \$43.6 million. Employee benefit accrued
23 liability reserve fund \$13.1 million. A
24 retirement contribution reserve fund \$8
25 million. A bonded indebtedness reserve fund

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2 of \$3.6 million. That's \$68.3 million outside
3 of just our budgetary fund balance which is
4 \$200 million.

5 We have improved the county's cash
6 position. That has allowed the county
7 treasurer to reduce our annual cash flow
8 borrows by 37 percent since 2012. We have
9 discontinued the rolling of cash flow notes.
10 Which means we no longer have a midyear RAN
11 borrowing along with the end of year TAN
12 borrowing. Which was something that we were
13 heavily criticized from by the ratings
14 agencies. We have eliminated that.

15 These changes I think show and is
16 measured by the rating agencies. Moody's has
17 us at an A2. Standard and Poor's A plus. And
18 Fitch's A. All with a stable outlook. The
19 state comptroller measured fiscal stress on a
20 scale of 100 being bad zero being perfect, the
21 county was at 72.5. That number now is
22 projected to be down about 56.

23 Every measure you look, Roseanne
24 has now turned to the growth in the budgetary
25 fund balance. In 2009 the budgetary fund

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2 balance was \$64.2 million. At the end of 2016
3 \$200.9 million. I think it's difficult for
4 anyone to argue that we are not on a road to
5 recovery and I think we in a very strong
6 position, especially when you look at some of
7 the other counties in New York State.

8 How did we get there? Workforce
9 management, as I stated earlier, the 2009
10 budget was 9,177 positions. We are currently
11 on board 7,475 positions. Eighteen and a half
12 percent decrease. I think most people
13 independently looking at the county would say
14 despite the drop in workforce operations are
15 vastly improved. You look at our park
16 system. Gorgeous. Wonderful. Roads. How we
17 responded to emergencies like Sandy. We've
18 done a great job and we been doing it with
19 less people.

20 Something that always comes up is
21 sales tax. The growth right now through
22 August is 2.6 percent. We conservatively
23 budgeted only 1.1 percent. That's going to
24 help us yield a slight surplus this year of
25 probably close to \$7 million. What's driving

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2 that growth is mostly due to gasoline,
3 utilities. Gas stations' revenue is up \$2.8
4 million for the first half of the year, a 12.7
5 percent increase. The food service and
6 drinking sector up \$2 million, a 3.7 percent
7 change. Utilities is up \$1.6 million. An
8 increase of \$16.4 million. Publishing
9 industries which is anything from Intuit
10 software, Adobe, Microsoft software, all those
11 things, that's up a million dollars, showing a
12 33 percent change.

13 Something that this body always
14 looks at is police overtime. I think all the
15 monitors have concurred that overtime is going
16 to be down this year. That we are going to
17 hit, probably actually be below budget. Last
18 year we were over \$70 million. This year we
19 are projected to be probably close to about
20 \$51 million. Dramatic improvement. Some of
21 that is driven by the fact that we have
22 finally started to increase the number of
23 heads. But it's also better management of the
24 department. They have taken initiatives to
25 enforce the gains they made from the labor

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2 negotiations. Done things to reduce court
3 overtime. And I think the results are very
4 positive. Also, as everyone knows, we live in
5 one of the safest counties in the country.

6 Roseanne is now going to talk about
7 the outlook for 2017.

8 MS. D'ALLEVA: Current outlook as
9 of July 2017 is a budgetary surplus of 8.5
10 million. That includes a use of fund balance
11 of approximately \$36 million to fund tax
12 certiorari payments. That's the main
13 component of differential between us and the
14 comptroller's office of their budgetary
15 surplus. So I just wanted to point that out.

16 We have areas of surplus such as
17 public assistance and our case loads are
18 down. Obviously some of that is due to the
19 economy, including our Medicaid payments are
20 also down. That's approximately a \$9.6
21 million savings. Obviously, as Eric just
22 said, sales tax is outperforming what we had
23 budgeted to the tune of approximately \$6.8
24 million.

25 We also have a higher projected

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2 investment income and recoveries.

3 Approximately \$6.1 million. Increased PILOTs
4 and collections due to differences in the tax
5 roll. That's also \$5.7 million. Salaries and
6 fringes in terms of vacancies and lower
7 worker's comp and health benefits obviously is
8 approximately \$5.3 million that the county is
9 benefiting. Utilities. A lower usage of
10 utilities is 3.1. We also have lower interest
11 expense because we're not bonding for tax
12 certs. I think that's relative to one of the
13 questions that you all asked before.

14 Our unfavorable variances, as you
15 well know, are the inmate health care and our
16 contractual services line. Currently because
17 NHCC is going to resume the responsibility to
18 provide health services at the jail that
19 impacted the 2017 projected year end.

20 As well as increased performance in
21 red light camera program. We have to pay them
22 additional monies because of the increased
23 performance of tickets.

24 Also the bus route contract, which
25 all of you were very integral in restoring.

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2 That was approximately a \$2.8 million increase
3 overall.

4 We have departmental revenues that
5 are at risk and obviously we touched upon that
6 before in the comptroller's presentation. The
7 income and expense. That was offset by
8 outperforming revenues in the clerk's office.
9 So that variance is a \$7.2 million unfavorable
10 variance to the 2017 projected surplus.

11 We also have a public safety fee as
12 an unfavorable variance to the projected
13 surplus and the extension and repayment of the
14 NCC termination cost and various other
15 unfavorable variances. But all in all
16 yielding a projected surplus of \$8.5 million
17 at the end of 2017 on a budgetary basis.

18 MR. NAUGHTON: That concludes our
19 presentation so we will answer any questions
20 that you may have.

21 LEGISLATOR GONSALVES: Legislator
22 Richard Nicolello.

23 LEGISLATOR NICOLELLO: I just
24 wanted to touch on fund balance and then some
25 other questions. In terms of a budgetary

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2 basis you indicated that it finished 2016 over
3 \$200 million?

4 MR. NAUGHTON: That's correct.

5 LEGISLATOR NICOLELLO: As a
6 percentage how does that equate? What
7 percentage?

8 MR. NAUGHTON: Roughly about
9 seven and a half percent. As you are aware
10 our policy is four to five percent.

11 LEGISLATOR NICOLELLO: Does New
12 York State have any opinions, has the
13 comptroller taken any actions, not necessarily
14 against this county but other municipalities
15 in terms of if they have too much money in
16 their reserve funds?

17 MR. NAUGHTON: That's usually
18 done with school districts. I'm not aware on
19 a county level.

20 LEGISLATOR NICOLELLO: I see it
21 all the time with school districts that
22 they're keeping too much money in their rainy
23 day funds and ordering them to spend some of
24 it. When you have seven percent in fund
25 balance and you're budgeting and taxing and

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2 raising fees or doing whatever you have to do
3 and the money is sitting out there it's not
4 being used to benefit the public, correct?

5 MR. NAUGHTON: Correct. And I
6 think that's one of the reasons why the county
7 executive in February decided that we would
8 not borrow for tax certs but we would use the
9 fund balance to help pay for tax cert refunds
10 this fiscal year.

11 LEGISLATOR NICOLELLO: It's a
12 balance. Obviously if you raid the fund
13 balance and draw it down to one percent or
14 less as has happened in the past then it
15 becomes a concern not just for the rating
16 agencies but for all of us as a governing
17 body.

18 MR. NAUGHTON: Correct.

19 LEGISLATOR NICOLELLO: The
20 assistant to the comptroller is indicating in
21 terms of fund balance there's a nonspendable
22 component of it.

23 MR. NAUGHTON: She was referring
24 to when you look at the GAAP fund balance,
25 which is \$170 million, there are some funds

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2 that are dedicated. For instance, our
3 litigation fund, that's dedicated to pay just
4 for judgments, lawsuits. There's other things
5 such as our employee benefit liability fund.
6 That's set aside to pay for that. There's
7 difference between things that are
8 undesignated and designated.

9 LEGISLATOR NICOLELLO: How much
10 is in designated currently?

11 MR. NAUGHTON: I don't have the
12 number offhand. If you look at slide two
13 those items are all pretty much dedicated.
14 And that's \$68 million of things we have
15 already dedicated.

16 LEGISLATOR NICOLELLO: Those
17 monies that are dedicated is not necessarily a
18 negative thing.

19 MR. NAUGHTON: They're earmarked.

20 LEGISLATOR NICOLELLO: They
21 prevent or supplement the use of operating
22 monies to pay for these various items. So for
23 example the litigation fund, you have a
24 judgement. Instead of taking it out of
25 operating in a given year you may be able to

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2 use the reserve fund for that purpose.

3 MR. NAUGHTON: That is correct.

4 LEGISLATOR NICOLELLO: The
5 comptroller also said that he projects by the
6 end of 2017 there would be less than \$70
7 million in the fund balance. Could you
8 comment on that?

9 MR. NAUGHTON: In that case he is
10 referring to the GAAP fund balance. So he's
11 assuming that we will use most of these
12 dedicated funds. And for the most part that
13 is accurate. We have used most of the
14 litigation fund to pay some settlements that
15 and agreements that we have made. We may have
16 to tap into the employee benefit accrued
17 liability reserve fund due to the police
18 terminations. We did budget for the use of
19 retirement contribution reserve fund. But on
20 a budgetary fund balance basis we will
21 definitely be above our four to five percent
22 threshold.

23 LEGISLATOR NICOLELLO: At the end
24 of 2017?

25 MR. NAUGHTON: Yes.

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2 LEGISLATOR NICOLELLO: I guess
3 the voluntary separation came up. There's an
4 indication in the words of the comptroller
5 could exacerbate the year end results. We'll
6 address this obviously later with the full
7 legislature but.

8 MR. NAUGHTON: To us we feel that
9 the incentive program is an investment. It is
10 going to cost us money in 2017. We will be
11 able to use this three and a half months of
12 salary savings because employees must be off
13 payroll by September 15th. We also have
14 surpluses, as Roseanne stated, in other
15 areas. Roughly eight and a half million
16 dollars.

17 So it is our belief that between
18 the salary savings and the surplus that we
19 already have we should be able to cover the
20 expected incentive plus any termination cost.
21 If it should run higher, then obviously the
22 fund balance is available. But we will be
23 managing this process. Roseanne and her staff
24 will be looking at other spending and if
25 necessary be able to revoke spending. But the

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2 idea is right now we have over 200 people that
3 have applied for the incentive. That's going
4 to provide us a savings in the out years
5 because we will be backfilling maybe half the
6 positions and the ones that will be filled
7 will be at a much lower rate of pay. The
8 whole idea of the incentive is to get long
9 term savings and that's what will be
10 accomplished.

11 LEGISLATOR NICOLELLO: When you
12 say out years you mean commencing in 2018.

13 MR. NAUGHTON: Correct.

14 LEGISLATOR NICOLELLO: I just
15 want to touch real quickly on the fund balance
16 again. The terminology used by the
17 comptroller assistant she used the term
18 nonspendable. But it's not nonspendable.
19 It's simply dedicated to a specific purpose.
20 I guess if you're saying is it spendable for
21 any purpose whatsoever maybe she's correct.
22 But in fact it is spendable and will be spent
23 on various purposes.

24 MR. NAUGHTON: That's correct.

25 LEGISLATOR NICOLELLO: In terms

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2 of budgeting. If you're able to establish
3 reserve funds and fund them thoroughly in
4 various costs the county has, isn't that good
5 budgeting? Aren't you able to smooth out
6 peaks and valleys of these expenses as you go
7 through the years?

8 MR. NAUGHTON: Yes. That's why
9 we set those up. I think clearly, I can say
10 this from our conversations with the rating
11 agencies, they acknowledged the improvements
12 that have been. They are happy to see that
13 the county has reserves in place. They are
14 happy to know that we are not bonding for tax
15 certs. Moodys actually did a special report
16 calling the fact that we're not bonding a
17 credit positive. Standard and Poor's took a
18 from a negative outlook to a stable outlook.

19 LEGISLATOR NICOLELLO: Thank you.

20 LEGISLATOR GONSALVES: Legislator
21 MacKenzie.

22 LEGISLATOR MACKENZIE: Just to
23 back up on one of the points being made by
24 Legislator Nicolello. When you said those
25 items in the fund balance were nonspendable or

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2 I think dedicated is probably a better
3 description, that's not a requirement, that's
4 by agreement between you and NIFA and by
5 policy?

6 MR. NAUGHTON: No. It's outside
7 of NIFA. This is just good government. These
8 are things we did with this legislature's
9 approval to set these funds aside.

10 LEGISLATOR MACKENZIE: But by a
11 policy decision that was made.

12 MR. NAUGHTON: Correct.

13 LEGISLATOR MACKENZIE: So there's
14 no requirement that they were made to be
15 dedicated to those items.

16 MR. NAUGHTON: Correct. If we
17 had not done that the undesignated fund
18 balance would have been \$260 million.

19 LEGISLATOR MACKENZIE: On one of
20 the items that came up earlier was the
21 reduction in the long term bond balance. And
22 if you could just address -- there were a
23 number of items in my understanding that
24 contributed to that that included no longer
25 borrowing for tax certiorari and other items.

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2 If you could just address what the factors
3 were in your opinion that resulted in that.

4 MR. NAUGHTON: The administration
5 has taken a strong look at the capital
6 program. Taken a look at what our
7 infrastructure needs are. Looking at the cash
8 that we had on hand and other projects. And
9 the projects that we have already borrowed for
10 there's been a lot of focus on using those
11 funds to do what those projects were intended
12 to do. We also have stated the plan was to
13 borrow \$60 million for tax certs this year.
14 We're not doing that. So obviously that
15 helps.

16 Just with the better management of
17 our resources it has helped to reduce that
18 outstanding debt.

19 LEGISLATOR MACKENZIE: Then if
20 you can address the issue of not borrowing for
21 capital expenditures, which in terms of
22 whether that's a blanket failure to borrow and
23 what the long term effects of that might be.

24 MR. NAUGHTON: I think it's two
25 separate issues. We have come to this body to

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2 get bonding authority for various projects and
3 have been unsuccessful. However, because we
4 do have other bond authorization out there we
5 are able to keep working on the county's
6 infrastructure and get some projects done.
7 Long term obviously those projects are going
8 to have to get done eventually. And if they
9 don't get done sooner than later it could cost
10 us more money.

11 LEGISLATOR MACKENZIE: If you
12 could just address the issue of NIFA
13 statutory, an item that came up earlier, which
14 to our understanding is just a label that was
15 chosen by NIFA. If you could just explain
16 that quickly.

17 MR. NAUGHTON: The NIFA statute
18 says that they look at the results on a GAAP
19 basis and NIFA interpreted the statute to
20 include other financing sources, which are
21 allowed by GAAP, but they decided not to allow
22 those to be included.

23 LEGISLATOR MACKENZIE: One of the
24 items you have is an unfavorable variance is
25 public safety fee shortfall. Can you please

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2 explain what that is.

3 MS. D'ALLEVA: In terms of last
4 year's budget adoption for 2017 there was a
5 delay in terms of approving certain fees and
6 the public safety fee. In that delay we
7 basically couldn't impose the fee until
8 January 1st. And once you impose the fee at
9 that time there is a lag before you collect
10 it, which is three months. Because first you
11 have to issue the notice of violation and then
12 go through the mailing process and all that.
13 And once the check gets mailed to the county
14 at that point that's when you really are
15 achieving your revenue.

16 So that delay actually pushed out
17 us receiving public safety fee revenue for
18 about three and a half months.

19 LEGISLATOR GONSALVES: I have a
20 couple of questions and it's part of the
21 structural balance plan. The county has been
22 able to reduce labor costs because of the
23 reduction in the work force since 2009 I
24 believe. This year, every year we expect
25 others to leave the workforce and in

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2 particular the police workforce. What is the
3 projection as far as the police who will be
4 leaving?

5 MS. D'ALLEVA: Currently the
6 police workforce in terms of sworn officers is
7 2476 currently. We anticipate that 175 will
8 retire. That's what's included in our
9 projection at the Office of Management and
10 Budget. So there are varying projections
11 currently. But that's what we're projecting.

12 MR. NAUGHTON: Just to clarify
13 that not 175 off of the 2476. That includes
14 people that have already left.

15 LEGISLATOR GONSALVES: What's the
16 impact of that high number of separations on
17 the budget?

18 MS. D'ALLEVA: Currently the
19 budget office is projecting a little over \$51
20 million of termination cost pay out for 2017
21 at the 175 officers.

22 LEGISLATOR GONSALVES: How would
23 that be paid for.

24 MS. D'ALLEVA: Currently the \$8.5
25 million surplus that I alluded to before

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2 includes the payment of the \$51 million in
3 termination cost. Without the use of the EBF
4 reserve fund, which is the Employee Accrued
5 Liability Reserve Fund. At this time we are
6 able to still support that level of exodus
7 separation.

8 LEGISLATOR GONSALVES: Right now
9 it's too soon to tell the effect VSIP will be
10 on the number of people who will be leaving
11 the county workforce. Do we have any
12 projection as to how many will be leaving or
13 could be leaving and what the cost would be to
14 the county and how would it be paid for.

15 MR. NAUGHTON: Both of us will
16 address it two different ways.

17 As of yesterday I think we are
18 close to 220 people have already submitted.
19 They have until September 15th. Let's say it
20 goes up to 300. It's possible. We are
21 committed to pay for it out of our operating
22 dollars. We are not going to be seeking
23 bonding. That is not necessary.

24 With the surplus, Roseanne has
25 talked about the eight and a half million

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2 dollars and the salary savings that we will
3 get from having those people off the payroll
4 September 15th we should be able to absorb the
5 extra cost due to the incentive and the
6 liability that is owed to these people.

7 MS. D'ALLEVA: Currently for the
8 people who have elected to separate,
9 approximately about a third are electing three
10 payouts. So that will be paid out over the
11 course of three years. So the brunt of that
12 will actually aid us in the 2017 payout. And
13 then in addition to that this projection for
14 '17 of the \$8.5 million surplus does not
15 include -- we've taken preliminary steps back
16 in June to revoke OTPS spending for multiple
17 departments in order to try to help mitigate
18 what's coming.

19 LEGISLATOR GONSALVES: Minority
20 leader.

21 LEGISLATOR ABRAHAMS: Thank you
22 Madam Presiding Officer. Just some clarity I
23 wanted to provide first. I don't think anyone
24 in this institution on our side -- I think
25 this is a Republican mic. Just kidding for

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2 the record Frank.

3 LEGISLATOR GONSALVES: It's on
4 the record now.

5 LEGISLATOR ABRAHAMS: Of course.
6 I just want to make sure I was kidding.

7 That said, I know the analogy of
8 infrastructure in regard to infrastructure not
9 being done now could be more costly in the
10 future. We actually think that's the case.
11 We do believe it will be more costly.
12 However, we think it is even more and more
13 costly to have not have the proper oversight
14 and transparency in a process that could have
15 waste and fraud that's in it. That being
16 said, that's why we cannot believe -- it's not
17 a question for you guys. This is more of a
18 statement.

19 MR. NAUGHTON: I was not going to
20 answer it.

21 LEGISLATOR ABRAHAMS: That's why
22 we cannot believe anyone would object to have
23 an independent oversight as well as
24 transparency in this process.

25 That being said, just to go into

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2 your report again, Eric, the 2009 budget
3 number in your workforce management slide
4 that's a budgeted number, correct?

5 MR. NAUGHTON: That is correct.

6 LEGISLATOR ABRAHAMS: If I wanted
7 to compare apples to apples, because you had
8 mentioned we had seen a reduction of 1700
9 employees or head count, what was the actual
10 in 2009? Because I don't remember an actual
11 being that high.

12 MS. D'ALLEVA: It was in the 8800
13 range.

14 LEGISLATOR ABRAHAMS: So we still
15 saw a reduction. I'm not doubting that. But
16 it was more like 1400 actual reduction in
17 people that left the county.

18 MS. D'ALLEVA: Right.

19 LEGISLATOR ABRAHAMS: That being
20 said, let's fast forward to your 2017 outlook
21 page. You mentioned that obviously looking at
22 the favorable variances versus the unfavorable
23 variances the county is looking for a total
24 budgetary surplus of eight and a half
25 million. Which is not incorporated into this

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2 slide from what I can see, I think it was
3 alluded to earlier with regard to the VSIP.
4 Couple of questions about the VSIP. One, do
5 you have a breakdown by department and further
6 broken down by unit of where the potential --

7 MS. D'ALLEVA: 221 people that
8 are in major funds.

9 LEGISLATOR ABRAHAMS: Do you have
10 that breakdown with you today?

11 MS. D'ALLEVA: No, I do not.

12 LEGISLATOR ABRAHAMS: When can
13 you provide this legislature with that
14 breakdown?

15 MR. NAUGHTON: We can do it
16 before you meet.

17 LEGISLATOR ABRAHAMS: Before we
18 meet on the VSIP? Okay. Today?

19 MR. NAUGHTON: Yes. And just,
20 because I know we have people listening, could
21 someone please work on that as we're
22 speaking.

23 LEGISLATOR ABRAHAMS: Roseanne,
24 if I'm understanding you correctly, the eight
25 and a half million dollars is going to pay for

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2 the termination pay? I'm sorry let me
3 clarify. The eight and a half million dollars
4 coupled with the salary savings from people
5 that leave on September 15th is going to pay
6 for the termination pay as well as the \$1,000
7 a year for the 221 people that are going to be
8 leaving?

9 MS. D'ALLEVA: Correct.

10 Basically at this time that's our estimation.

11 LEGISLATOR ABRAHAMS: Do you have
12 a spreadsheet that breaks that down? Like
13 breaks down the cost in terms of that? Like
14 how much we're spending on VSIP? 221 people.
15 The countless years of service. Is anyone
16 over ten years?

17 MS. D'ALLEVA: They are all over
18 ten years. The average is 27 years.

19 LEGISLATOR ABRAHAMS: On average
20 people are going to be getting -- each of
21 those 221 employees are going to get \$27,000.

22 MR. NAUGHTON: On average.

23 LEGISLATOR ABRAHAMS: Taking that
24 number, 27,000, and times it by 221, I don't
25 have a calculator in front of me, coupled with

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2 the termination pay, what is the average
3 termination pay among those 221 people?

4 MS. D'ALLEVA: I think in total
5 it would be around \$57,000 on average.

6 LEGISLATOR ABRAHAMS: Did you do
7 the math on the 221 times 27,000?

8 MS. D'ALLEVA: But right now
9 those numbers are preliminary. Those are
10 basically using numbers from 2015. Currently
11 we have not worked out, HR has not worked out
12 the liability for the leave. We are currently
13 doing that so we can basically get you closer
14 numbers shortly.

15 LEGISLATOR ABRAHAMS: I did the
16 quick math. I have about 5.967 that the VSIP
17 would cost us on average based on the average
18 number that you gave us. What's the
19 termination pay for these 221 people? It
20 could go up to 300. This is low number.

21 MS. D'ALLEVA: I would say it's
22 about \$56,000 a person all in with the
23 liability VSIP.

24 LEGISLATOR ABRAHAMS: I got
25 12.3. I got a total cost of potentially

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2 anywhere upwards of \$18 million.

3 MS. D'ALLEVA: No. We think it's
4 around the \$13 million range. I think \$57,000
5 in terms of that average liability would
6 include the VSIP payment.

7 LEGISLATOR ABRAHAMS: It includes
8 the VSIP?

9 MS. D'ALLEVA: Yes.

10 LEGISLATOR ABRAHAMS: You've
11 calculated termination pay for those 221.

12 MS. D'ALLEVA: Yes. We haven't
13 calculated it but I'm giving you an average of
14 what I think it may be.

15 LEGISLATOR ABRAHAMS: But all in
16 is 12.3 million assuming 221. What if it
17 grows to 300? How would you pay for that?
18 Does the savings still work in terms of paying
19 for the VSIP, paying for the termination pay
20 but having now instead of 221 300 less people
21 where you have that salary savings it still
22 pays?

23 MS. D'ALLEVA: You also have to
24 realize that a third of them would take a
25 three pay. There's a differential there.

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2 It's not all 221 people are taking a cost
3 payout in year one which would be 2017. The
4 payment would go over four years. 2017, 2018,
5 2019, 2020. There's a lot of math that goes
6 into it.

7 LEGISLATOR ABRAHAMS: Just
8 explain for the record, I understand why you
9 said that a third would not take the lump.
10 Explain for the record why you say that. I
11 know the history but just explain that for the
12 record.

13 MS. D'ALLEVA: What we are seeing
14 out of who's filed so far approximately a
15 third will take a three payout.

16 MR. NAUGHTON: On the form they
17 have to elect how they want to get pain on the
18 termination pay.

19 LEGISLATOR ABRAHAMS: You believe
20 the county would have enough savings to pay
21 for the VSIP and the termination pay whether
22 it's lump or it's over three years you believe
23 the county should have enough to pay for it?

24 MR. NAUGHTON: Yes. And as I
25 stated earlier, if it gets up to \$300 we would

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2 probably have to take other actions
3 strategically to find other cost saving
4 measures to cover that level of departure.

5 LEGISLATOR ABRAHAMS: The
6 estimated savings for the out years has been
7 project today be what again exactly?

8 MR. NAUGHTON: We are not putting
9 out a number for the out years because we will
10 be submitting a budget September 15th which
11 will include that estimate.

12 LEGISLATOR ABRAHAMS: Is there a
13 50 percent reduction?

14 MR. NAUGHTON: Yes. On the
15 record the plan is to backfill at a 50 percent
16 rate. That's the savings that we will reflect
17 in the budget.

18 LEGISLATOR ABRAHAMS: I guess is
19 there agreement from the unions?

20 MR. NAUGHTON: Yes.

21 LEGISLATOR ABRAHAMS: The next
22 area I wanted to jump into real quick is the
23 tax cert liability. You mentioned it a little
24 bit in your statement in regards to the county
25 being able to shift an finished one year

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2 sooner than seeking bonding again. However,
3 when we looked at the NIFs as per August 22,
4 which was yesterday, only 15.6 million has
5 been paid to date. Which in the past it
6 seemed to be there's been I guess discussion
7 that the payments have been made slower for
8 some reason. Can you clarify why we've only
9 paid 15.6 million to date?

10 MR. NAUGHTON: Essentially our
11 decision not to bond was done after we made
12 our cash flow projections. In order to
13 protect the county's cash position we recently
14 started paying out, we started paying probably
15 in May roughly about five million a month.
16 We've explained to the tax cert bond that
17 that's the expectation that they can continue
18 to expect. Then in December when we do our
19 TAN, our tax anticipation note, we will have
20 more of an influx of cash and at that point we
21 can do one big massive payment at year end.

22 LEGISLATOR ABRAHAMS: That
23 payment will be made of, if I'm understanding
24 this correctly, there's still only \$15 million
25 budgeted to go towards tax certioraris but the

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2 rest comes from accruals?

3 MR. NAUGHTON: The budget itself
4 says \$75 million.

5 LEGISLATOR ABRAHAMS: What is
6 that made up of? Does that come from
7 different areas or is that in one budget
8 line?

9 MR. NAUGHTON: That's in one
10 budget line. The \$75 million.

11 LEGISLATOR ABRAHAMS: How is it
12 being paid though?

13 MR. NAUGHTON: From the operating
14 budget. At some point we will come to this
15 legislative body for an appropriation to use
16 fund balance to help pay for that.

17 LEGISLATOR ABRAHAMS: Just to go
18 back one second to your 2017 outlook line.
19 The contractual services associated with the
20 inmate health care cost, bus route restoration
21 and the red light camera program I would
22 envision a big chunk of that is the inmate
23 health care costs?

24 MR. NAUGHTON: That is correct.

25 LEGISLATOR ABRAHAMS: The red

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2 light camera program how much does that
3 attribute to this 14.3 million?

4 MS. D'ALLEVA: Approximately \$1
5 million.

6 LEGISLATOR ABRAHAMS: That's even
7 with the \$150 fee that people are being
8 charged?

9 MS. D'ALLEVA: No. The 35
10 percent goes to the vendor in terms of fines
11 that are collected.

12 LEGISLATOR ABRAHAMS: 35 percent
13 of the new \$50 portion?

14 MS. D'ALLEVA: No. The 35
15 percent in terms of what the vendor receives
16 as payment does not include administrative
17 costs or administrative fees. It's just
18 predicated solely on the fine amount which is
19 the \$50. That has not changed. We've
20 actually, when we did the amendment for the
21 contract that amount actually went down in
22 terms of the revenue share with the vendor. I
23 believe at one time it was 38 percent. It
24 went down to 35.

25 LEGISLATOR ABRAHAMS: I don't

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2 have anything further.

3 LEGISLATOR GONSALVES: Legislator
4 Bynoe.

5 LEGISLATOR BYNOE: Thank you
6 presiding officer. Hi Roseanne and Eric.
7 Good afternoon. I wanted to talk a little bit
8 about the OTPS spending. I know you mentioned
9 earlier that you have taken precautions and
10 actually have spoken to certain departments
11 and are not allowing for them to utilize their
12 OTPS spending budget; is that correct?

13 MS. D'ALLEVA: We've revoked some
14 funding.

15 LEGISLATOR BYNOE: How much did
16 you revoke?

17 MS. D'ALLEVA: Currently it's
18 approximately \$6.8 million I believe.

19 LEGISLATOR BYNOE: Could we have
20 a report of which departments were revoked and
21 what were the planned expenditures that will
22 now be on hold or be deferred?

23 MS. D'ALLEVA: Sure.

24 LEGISLATOR BYNOE: Can I have on
25 that particular beyond budget line what we've

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2 spent to date in terms of expenditures on
3 OTPS?

4 MS. D'ALLEVA: Our current July
5 report will have column that says current year
6 to date.

7 LEGISLATOR BYNOE: I would like
8 an itemized list as to exactly how the money
9 was spent.

10 MR. NAUGHTON: Just to clarify,
11 can you define what you mean by itemize?

12 MS. D'ALLEVA: Because that's
13 thousands of rows of data. Usually we roll up
14 or sum up probably for each department what
15 the OTPS would be for each department. We can
16 sum it up for you in terms of what the current
17 obligation is.

18 LEGISLATOR BYNOE: I would like
19 to know, yes, what the obligation is. I would
20 like to see it broken down by contract
21 expenditures to equipment.

22 MS. D'ALLEVA: Contracts are
23 usually fully encumbered. So we would only
24 restrict balances that weren't encumbered.

25 LEGISLATOR BYNOE: That would be

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2 fine. I'm asking as to what was spent to this
3 point in the year and what's encumbered. So
4 whatever contracts are encumbered I would just
5 expect it to be spent.

6 MR. NAUGHTON: Just to be clear
7 you are asking essentially for a report that
8 outlines by vendor how much we have spent?

9 MS. D'ALLEVA: Just on DE.

10 LEGISLATOR BYNOE: Yeah. Also by
11 what departments. Yeah by DE. There you go I
12 also would like to know the spending plan for
13 the remaining departments where there was no
14 revocation of their utilization of the money.
15 I'd like to know what the plan is for
16 spending. Are we confident that pulling back
17 6.8 is a comfortable number based on the fact
18 that we're looking at 14.3 million deficit in
19 that budget line?

20 MR. NAUGHTON: Remember it's the
21 overall budget that we focus on. And as I
22 stated earlier, if the number of people who
23 decide to leave grows we may have to revoke
24 more funds.

25 MS. D'ALLEVA: In terms of the DE

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2 that's projected here, the \$14.3 million
3 shortfall those are the contracts that did not
4 go according to plan. So that's why the
5 deficit everywhere else we are either
6 achieving or exceeding our goals in terms of
7 budget.

8 LEGISLATOR BYNOE: I have to keep
9 coming back to this point and I hate to do
10 it. In the earlier part of this year when we
11 were looking for funding to save the buses and
12 there was a request to revoke some of the
13 spending on the OTPS so we could utilize that
14 money, we were told that it was absolutely
15 impossible. That every dollar in the OTPS
16 line was earmarked and that every piece of
17 equipment was essential and there was
18 absolutely no way to do any kind of revocation
19 of the spending.

20 I find it interesting now that
21 within the last month that we did a budget
22 transfer from OTPS to offset some of the
23 salary expenditures at the jail. And then we
24 also now are moving some other into a revoked
25 status. I think if we add all the money

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2 together between what happened last month and
3 what you just told me in terms of 6.8 being
4 revoked we're somewhere near almost \$10
5 million. And what we'd asked for at one point
6 was a simple \$3 million to save the buses. So
7 I just find it interesting we can find money
8 and revoke spending when the administration
9 sees fit.

10 MR. NAUGHTON: I think clearly as
11 you well know, when you look at a budget early
12 in the year you don't know how things are
13 going so you do a risk assessment and at that
14 point you look at it and say I'm not sure how
15 sales tax is going to be. I'm not sure what
16 the outlook is going to be from income and
17 expense or other items. We don't know how
18 many police are going to retire. When you
19 look at it at that point you do a snapshot you
20 say to yourself no, I don't have any
21 flexibility. I don't have any money
22 available. But then as the year progresses
23 you see how other spending is going you see
24 how you saved in different areas and you do
25 prioritize.

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2 LEGISLATOR BYNOE: We can revoke
3 now at this stage of the game but we didn't
4 think that it was important to keep the buses
5 on the road and make sure our riders were
6 actually able to utilize a service to which
7 now we're seeing that's also been impacted
8 right because the fare box is down. Why is
9 the fair box down? Because people don't have
10 the ability to catch a bus when the bus
11 doesn't exist, right?

12 MS. D'ALLEVA: To that point
13 Legislator Bynoe, actually we are seeing that
14 fair boxes are down and our projections don't
15 included that fare boxes is actually a little
16 lower. So that revocation can also
17 compensation for the county's portion to
18 actually come in and absorb or mitigate that
19 lower fare box amount as well.

20 LEGISLATOR BYNOE: I'm not
21 arguing against the revocation. I'm saying
22 that we could have utilized this same practice
23 much earlier in the year to ensure that the
24 bus service was not interrupted.

25 MS. D'ALLEVA: I agree with you

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2 if I had crystal ball in February but I
3 actually didn't.

4 LEGISLATOR BYNOE: Because the
5 way I see it now is that this OTPS spending
6 line it's an operational rainy day fund.
7 Because whenever you need to now shift money
8 and find money this is where we go to revoke
9 spending. And this is the same thing we asked
10 for much earlier on in this year to save the
11 buses. I'm looking at this OTPS line as
12 simply a rainy day fund. An operational rainy
13 day fund. I think we should look at how we
14 allocate money into that line moving forward.
15 I'm going to be looking at it very closely in
16 this budget season because now I'm on to it.
17 I'm hip to the game.

18 MR. NAUGHTON: I wouldn't
19 characterize it as a rainy day fund. It's a
20 shift in priorities. There are things that we
21 have told the departments you have to do
22 without that this year.

23 LEGISLATOR BYNOE: That would be
24 asked from this body earlier on. So we look at
25 the OTPS line and determine what equipment and

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2 services were just not essential at the time
3 to save a service that we know is essential
4 not only for the ability for our riders to get
5 to and from work but this has safety
6 implications. This has economic
7 implications. This is a far-reaching impact
8 to a county and not only those that live here
9 but those that visit here and those that pay
10 taxes to be able to enjoy that type of
11 service.

12 So, I'm aware of what's happening
13 in that a line and I'm going to be watching it
14 very closely. As a matter of fact, last year
15 I asked for a spending plan for that budget
16 line and I was told that I was not getting
17 that. I have to tell you this year I'm going
18 to actually demand it. We have to have a
19 spending plan for that line. We need to be
20 able to understand how you're utilizing the
21 OTPS budget line. It shouldn't be something
22 that's so clandestine that we cannot receive
23 any detail as to how it's intended to be
24 spent.

25 MS. D'ALLEVA: We've been

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2 publishing a spending plan for two years.

3 LEGISLATOR BYNOE: Not in the
4 OTPS line.

5 MS. D'ALLEVA: Yes, we have.

6 LEGISLATOR BYNOE: Not in great
7 detail to the extent that I asked for.

8 MS. D'ALLEVA: By department.

9 LEGISLATOR BYNOE: I asked for
10 it. You're telling me by department but I
11 want to know what is it that each department
12 is actually going to be utilizing. How are
13 they utilizing? That was my request and I was
14 told that I could not receive that. I think
15 we need to receive that this year. If we can
16 easily go back and revoke spending we can just
17 as easily just not earmark or be able to
18 prioritize spending and defer some of that so
19 we can maintain buses and things that are
20 important to our constituents. I'm ready to
21 move on.

22 MR. NAUGHTON: I just want to say
23 if you ask our departments they would not
24 categorize it as being easy. It is very
25 difficult to manage with the revoked

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2 spending. You talk to our Public Works
3 Department, talk to the police department and
4 our IT department they will tell it does
5 burden them, it does create a major challenge
6 to them and could potentially impact their
7 operations. But if this body decides that
8 it's more important to fund VEEB, more
9 important to fund the youth board that it's
10 more important to fund bus services then those
11 are the decisions that are made. But on the
12 flip side this body can choose to raise
13 revenue.

14 LEGISLATOR BYNOE: Let me be
15 clear. Again, I believe that we are not
16 allowed to be partners in those decisions
17 because we are not given the level of detail
18 as to how this money is going to be spent.
19 When asked we're told that every single dollar
20 is essential and every single plan or
21 allocation is -- the sky would fall out, the
22 sun would fall out of the sky if that money is
23 touched.

24 But now I'm seeing that we go back
25 and take \$10 million of that same funding and

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2 we're moving it now to take care of some other
3 expenditures that I believe we could have
4 planned differently for. We could have
5 planned very differently for what happened
6 with Armor and that could have played out very
7 differently. I believe we set ourselves up
8 for failure in our negotiations with the
9 medical center in resuming services because we
10 did not get out ahead of the issues with Armor
11 and we did not begin the procurement process
12 to have somebody else in place.

13 So I can sit here and this whole
14 thing could mushroom into a whole different
15 bunch of different other topics but I don't
16 want to do that. My point is that money was
17 requested earlier on to see if we could reduce
18 spending there to save the buses and we didn't
19 do that. We failed to do that.

20 MR. NAUGHTON: I just need to
21 make one other comment.

22 LEGISLATOR BYNOE: No. I'm
23 moving on Eric. Let's not make any more
24 comments.

25 MR. NAUGHTON: If you take a look

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2 some of our statements --

3 LEGISLATOR BYNOE: Let's move on
4 Eric.

5 LEGISLATOR GONSALVES: I think he
6 should respond.

7 LEGISLATOR BYNOE: No. The
8 conversation is getting out of control. I'm
9 fine with it.

10 MR. NAUGHTON: If you take a look
11 back at the first quarter first you have to go
12 through a snow season. We had a very mild
13 snow season. We got savings there so we were
14 able to take those funds back. Take a look at
15 our utility bills. We found out that okay, we
16 could support a lower budget for utilities.
17 These are the things that happen throughout
18 the year and that's how we can make those
19 decisions later.

20 LEGISLATOR BYNOE: You did not
21 tell me this was as a result of utility cost
22 or that we actualized a savings because we had
23 a mild winter. What I was told was that money
24 was revoked from departments for spending.
25 That is what I was told. We're not talking

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2 about mild winter. We're not talking about
3 the fact that utility costs were down. We are
4 specifically, I was told, that department
5 spending was revoked. And my point is, if we
6 can revoke spending now we could have done it
7 earlier on to save buses, which is an
8 essential service for our community. Not only
9 is it a matter of allowing for people to get
10 to and from work and medical appointments,
11 it's also a benefit for safety. Further, it's
12 a benefit for economic development.

13 I think we failed. I think we
14 failed. That is the point I'm making. But
15 I'm comfortable with moving on unless you want
16 to have him continue to put his foot in his
17 mouth.

18 MS. D'ALLEVA: So the OTPS
19 revocation includes a large amount for
20 utilities as well. So as the year progressed
21 once we saw that our utility expenses were
22 lower we revoked much of the funds in that
23 cost center. So part of OTPS is utilities.

24 LEGISLATOR BYNOE: That's not
25 what I was told. I was told revoke spending.

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2 MS. D'ALLEVA: We revoked
3 appropriation.

4 LEGISLATOR BYNOE: If we're
5 talking about utilities and talking about
6 revoking spending to me that is two different
7 things. But instead of going on and on about
8 it on the floor which I don't think I'm ever
9 going to be satisfied with the answer let's
10 move on.

11 LEGISLATOR GONSALVES: Roseanne
12 you're not going to get to first base, I'm
13 sorry. I thank you for your testimony today.
14 I know it's not an easy task to deal with.

15 LEGISLATOR BYNOE: I'm not
16 finished.

17 LEGISLATOR GONSALVES: I thought
18 you said.

19 LEGISLATOR BYNOE: I said I'm not
20 finished. I said let's move on from that
21 question.

22 LEGISLATOR GONSALVES: Well move
23 on lady.

24 LEGISLATOR BYNOE: Thank you
25 presiding officer. I always address you very

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2 respectfully and I would expect the same.

3 LEGISLATOR GONSALVES: Come on.

4 Let's go. Let's go Legislator Bynoe. Move
5 on. Move on.

6 LEGISLATOR BYNOE: In terms of
7 the fund balance the \$170.5 million that is
8 not earmarked, that is not dedicated funding,
9 that is not unspendable, whatever term you
10 want to use today, can you explain to me what
11 the administration's plan is for, if at all,
12 for spending any of that money?

13 MR. NAUGHTON: As has been stated
14 previously, we will be spending some of the
15 fund balance to pay for tax certs this year.

16 LEGISLATOR BYNOE: Is that at the
17 tune of \$33 million?

18 MS. D'ALLEVA: 36.

19 LEGISLATOR BYNOE: Is there any
20 funding expected to be expended beyond that.

21 MR. NAUGHTON: If we do not have
22 enough funding after we do further revoking
23 and other surpluses to cover VSIP it could
24 have an impact on the fund balance.

25 LEGISLATOR BYNOE: Based on some

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2 of the risk that was identified in other
3 financial reports, have you at all come to any
4 estimation of what that could be?

5 MR. NAUGHTON: In what sense?
6 I'm sorry.

7 LEGISLATOR BYNOE: In terms of
8 the risk in the budget. Of not making your
9 projected excess, 8.5 and instead it comes in
10 that you have a deficit. Have you in any way
11 forecasted where this could go?

12 MR. NAUGHTON: NIFA does their
13 project. Budget review their's. The
14 comptroller does their's. The Office of
15 Management and Budget takes a look at what
16 they consider to be risk and they have
17 conservatively estimated that we will have a
18 surplus of eight and a half million dollars
19 excluding VSIP.

20 MS. D'ALLEVA: I believe our LBR
21 is at a \$9.5 million deficit. We're all
22 different but in terms of how we've -- our
23 track regard in terms of budgeting and
24 projections we come pretty close at the end of
25 the year in terms of projecting.

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2 MR. NAUGHTON: I think the other
3 bodies they tend to be extremely
4 conservative. They don't know what management
5 has planned to do corrective actions. So they
6 do projections saying if nothing else changes
7 here's what the results will be. Obviously
8 we're not going to manage that way.

9 LEGISLATOR BYNOE: So there are
10 no other plans -- I have to ask the question
11 again -- for this \$170.5 million?

12 MR. NAUGHTON: I think you will
13 see whatever results happen if something,
14 let's say there's a downturn in the economy
15 that could make it go down. But in terms of
16 something that we know of, no.

17 LEGISLATOR BYNOE: So the actual
18 fund balance, what is your understanding the
19 minimum requirements are for that?

20 MR. NAUGHTON: We set the
21 policy. Our policy is four to five percent on
22 a budgetary basis. Not a GAAP basis but a
23 budgetary basis.

24 LEGISLATOR BYNOE: On a budgetary
25 basis?

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2 MR. NAUGHTON: Correct.

3 LEGISLATOR BYNOE: So no more
4 than five percent.

5 MR. NAUGHTON: Yes. I will be
6 upfront to say rating agencies disagree with
7 us. They think it should be a lot higher.
8 But knowing this body, knowing the taxpayers
9 of Nassau County, I don't think they could
10 afford for us to have a larger fund balance as
11 ratings agencies would like.

12 LEGISLATOR BYNOE: We're
13 exceeding five percent at this point.

14 MR. NAUGHTON: Yes.

15 LEGISLATOR BYNOE: So we're
16 sitting with taxpayers dollars.

17 MR. NAUGHTON: Which is why we're
18 going to be using some of that fund balance to
19 pay for tax certs.

20 LEGISLATOR BYNOE: Do you have a
21 plan as to how you expect to spend down the
22 fund balance to get it to what you consider to
23 be your policy at five percent?

24 MR. NAUGHTON: Tax certs.

25 LEGISLATOR BYNOE: Do you have a

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2 plan? A multi year plan?

3 MR. NAUGHTON: No. As we've
4 stated, we're going to use approximately \$36
5 million of the budgetary fund balance. Which
6 means at a best case scenario we will be
7 roughly at about \$160 million at the end of
8 2017. Best case scenario. It could be better
9 it could be worse. But roughly let's say
10 160.

11 LEGISLATOR BYNOE: Do you think
12 it would be beneficial to the administration,
13 to taxpayers and to this body to develop a
14 plan to be able to spend down this fund
15 balance in a responsible manner so we're not
16 raiding the fund balance in any given year?

17 MR. NAUGHTON: Our policy also
18 states that we will no longer being paying
19 bonding to pay for judgements. That can have
20 a major impact on this county's operations.
21 There are cases out there that can cost us
22 over \$40 million. If I have to pay \$40
23 million out of operating funds your fund
24 balance will go down.

25 LEGISLATOR BYNOE: So have we

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2 have had any opportunity to identify those
3 cases?

4 MR. NAUGHTON: Yes, we have.

5 LEGISLATOR BYNOE: At the
6 potential risk associated with them.

7 MR. NAUGHTON: Yes, we have.

8 LEGISLATOR BYNOE: Do you have
9 the ability to share that information with
10 this body?

11 MR. NAUGHTON: I'm pretty
12 positive that some of those cases have been
13 discussed with this body and decisions were
14 not to allow for bonding and therefore we need
15 this money in fund balance to cover those
16 cases if we are forced to make a payment.

17 LEGISLATOR BYNOE: Again, is
18 there an ability to provide this body with a
19 report for the exposure based on those cases
20 that remain open.

21 MR. NAUGHTON: I will defer to
22 the county attorney. I don't know what
23 conversations they had with your counsel. But
24 your counsel should follow up with the county
25 attorney's office.

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2 LEGISLATOR BYNOE: Because I
3 think it's important that this body have that
4 information because if we're going to be
5 making decisions and determinations as to what
6 is an appropriate fund balance level and how
7 it should be appropriately used I think we're
8 going to have to have that information.

9 MR. NAUGHTON: I totally agree
10 with you.

11 LEGISLATOR BYNOE: I'm asking for
12 those reports. Hopefully we have a list of
13 what I've asked for. I have written it down.
14 If you need to reach out to me please do and
15 anything you compile I would ask that you
16 compile it and give it to this full body, not
17 just to the Budget Review Committee.

18 LEGISLATOR GONSALVES: Thank you
19 Legislator Bynoe. Thank you Eric. Thank you
20 Roseanne. This concludes the Budget Review
21 Committee. We are going to take a short break
22 before we go into the committees that are
23 scheduled for today, Finance and Rules.

24 (TIME NOTED: 3:21 P.M.)

25

1
2 CERTIFICATION
3
4
56 I, FRANK GRAY, a Notary
7 Public in and for the State of New
8 York, do hereby certify:9 THAT the foregoing is a true and
10 accurate transcript of my stenographic
11 notes.12 IN WITNESS WHEREOF, I have
13 hereunto set my hand this 2nd day of
14 September 2017
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1617 -----
18 FRANK GRAY
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