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NASSAU COUNTY LEGISLATURE

RICHARD NICOLELLO

PRESIDING OFFICER

BUDGET REVIEW COMMITTEE

LEGISLATOR VINCENT MUSCARELLA

CHAIR

Theodore Roosevelt Building

1550 Franklin Avenue

Mineola, New York

September 6, 2018

1:25 P.M.

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

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4 LEGISLATOR VINCENT MUSCARELLA

5 Chair

6

7 LEGISLATOR RICHARD NICOLELLO

8 Vice Chair

9

10 LEGISLATOR HOWARD KOPEL

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12 LEGISLATOR KEVAN ABRAHAMS

13 Ranking member

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15 LEGISLATOR ELLEN BIRNBAUM

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

6 (Pledge of Allegiance was recited.)

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

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

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

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

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

11 LEGISLATOR ABRAHAMS: No.

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

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

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

24 LEGISLATOR MUSCARELLA: He's
25 here.

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

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

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

8 LEGISLATOR MUSCARELLA: The floor
9 is your Comptroller.

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

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

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

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

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

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

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2 look at the numbers together.

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

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

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

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

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

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

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

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2 fund balance of \$17.9 million.

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

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

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

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

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

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

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

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

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

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

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2 structural challenges and future risks.

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

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

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

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

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

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

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

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

25 The great thing about the national

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

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

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

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

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

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

25 The three ratings agencies, Moody's

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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2 living in villages that were overassessed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 MS. TSIKOURAS: In this year's

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

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

25 In the '17 CAFR we actually have a

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

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

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

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

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2 financials. Everybody reports GAAP

3 financials.

4 LEGISLATOR NICOLELLO: In terms

5 of the comprehensive annual financial report.

6 But in terms of identifying whether a

7 particular municipality has a deficit or ends

8 with a surplus do municipalities take GAAP and

9 apply it or do they use governmental

10 budgetary?

11 MS. TSIKOURAS: I can't speak for

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

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

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

15 office and they were actually very surprised

16 that Nassau County did not have a GAAP budget.

17 LEGISLATOR NICOLELLO: What does

18 Long Beach use?

19 MR. SCHNIRMAN: GAAP.

20 LEGISLATOR NICOLELLO: Long Beach

21 reports their finances on a GAAP basis?

22 MS. JAMES: Annual financial

23 statements.

24 MR. SCHNIRMAN: In addition --

25 LEGISLATOR NICOLELLO: I guess

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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2 office?

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

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

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

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

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

23 LEGISLATOR MUSCARELLA: Howard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 LEGISLATOR KOPEL: Massive.

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

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

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2 hangs it around our neck.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 MS. TSIKOURAS: Yes, they should

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2 be setting monies aside, yes.

3 LEGISLATOR KOPEL: In the

4 operating budget?

5 MS. TSIKOURAS: Yes. Which they

6 had been doing prior to the litigation fund.

7 We will see with this upcoming budget if

8 there's sufficient based on trends or

9 historical trends.

10 LEGISLATOR KOPEL: Just skipping

11 around a little bit here. The income and

12 expense reporting revenue shortfall, that

13 revenue would be fines for noncompliance, is

14 that the revenue to which you are referring?

15 MS. TSIKOURAS: Yes.

16 LEGISLATOR KOPEL: All right.

17 The general standards, and my colleagues have

18 been talking about that as well. We mentioned

19 the Restivo judgement for instance. That

20 could have -- there was considerable

21 discussion as I recall as to whether that

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

23 The difference in budgetary reporting, in

24 other words on a government budget standard

25 versus what we are calling the GAAP standard,

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

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

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

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

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

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

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

25 The funds for that judgement were

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

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

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

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

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

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

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

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

23 MR. SCHNIRMAN: Better but
24 still --

25 LEGISLATOR KOPEL: In other

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

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

4 those out we will call the extraordinary

5 items.

6 MR. SCHNIRMAN: So the Restivo

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

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

9 are not an extraordinary item in the sense the

10 county is dealing with them every single year,

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

12 million swing.

13 LEGISLATOR KOPEL: The trend from

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

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

16 trend look pulling those extraordinary items

17 out?

18 MR. SCHNIRMAN: The trend of the

19 tax certs or the trend of the overall

20 deficit?

21 LEGISLATOR KOPEL: Overall

22 deficit.

23 MR. SCHNIRMAN: You would have a

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

25 sizeable deficit in '18 but smaller than '17

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2 significantly.

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

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

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

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

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

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

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

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

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

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

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

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

6 LEGISLATOR KOPEL: To adopt a
7 Newsday term.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 MS. TSIKOURAS: From what
24 respect?

25 LEGISLATOR MUSCARELLA: In terms

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2 of whether we're running deficit budgets.

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

13 LEGISLATOR MUSCARELLA: Okay.
14 Mr. Abrahams.

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

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

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

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2 record.

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

9 MR. SCHNIRMAN: Correct.

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

14 MR. SCHNIRMAN: 98.4.

15 LEGISLATOR ABRAHAMS: Negative?

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

18 LEGISLATOR ABRAHAMS: 94.0
19 negative?

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

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

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

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

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

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

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

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

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

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

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

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

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

4 MR. SCHNIRMAN: Yes.

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

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

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

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

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

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

5 MR. SCHNIRMAN: Correct.

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

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

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

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

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

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

21 LEGISLATOR ABRAHAMS: Thank you.
22 Nothing further.

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

25 LEGISLATOR BIRNBAUM: I want to

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

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

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

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

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

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

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

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2 tried to clarify most of what you presented.

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

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

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

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

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

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

6 MR. SCHNIRMAN: Yes.

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

11 LEGISLATOR MUSCARELLA: Federal
12 transportation aid?

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

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

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

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

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

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

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

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

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

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

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2 LEGISLATOR NICOLELLO: Good.

3 Thank you.

4 LEGISLATOR MUSCARELLA:

5 Mr. Abrahams.

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

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

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

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

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

10 LEGISLATOR ABRAHAMS: Thank you.

11 LEGISLATOR MUSCARELLA:
12 Mr. Kopel.

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

19 MR. SCHNIRMAN: All do it
20 together.

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

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2 guess we would have to go out to bid.

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

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

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

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

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

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

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

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2 systems.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 LEGISLATOR MUSCARELLA: Let me

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

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

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

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

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

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

19 LEGISLATOR MUSCARELLA: Why 25?

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

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

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

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

9 LEGISLATOR MUSCARELLA: What
10 about the police department?

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

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

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

7 MR. PERSICH: Correct.

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

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

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

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

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

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

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

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

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2 funding.

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

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

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

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

22 LEGISLATOR KOPEL: What kind of
23 numbers?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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2 comprehensive plan for an overhaul?

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

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

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

16 LEGISLATOR MUSCARELLA:
17 Mr. Abrahams.

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

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

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

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

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

25 However, being that obviously the

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

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

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

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

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

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

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2 taken down the \$20 million.

3 LEGISLATOR KOPEL: When you say

4 it's not materializing --

5 MR. PERSICH: I don't project on

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

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

8 LEGISLATOR ABRAHAMS: What is the

9 obstacle of the county from being able to

10 collect it?

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

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

13 accountant by trade but I think the agreement

14 is not between the county and OTB. I think

15 the agreement is between OTB and the vendor at

16 Aqueduct and the monies then get remitted to

17 us that way. I would defer to the county

18 attorney's office to give you an opinion on

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

20 the contract.

21 LEGISLATOR ABRAHAMS: Thank you.

22 LEGISLATOR MUSCARELLA:

23 Ms. Birnbaum.

24 LEGISLATOR BIRNBAUM: Thanks. Do

25 you have any knowledge about that temporary

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

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

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

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

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2 monies paid out of DAF.

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

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

13 LEGISLATOR BIRNBAUM: Thank you.

14 LEGISLATOR MUSCARELLA:
15 Mr. Nicolello.

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

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

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

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

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

25 LEGISLATOR NICOLELLO: Thank

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2 you.

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

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

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CERTIFICATION

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I, FRANK GRAY, a Notary

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Public in and for the State of New

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York, do hereby certify:

11

THAT the foregoing is a true and

12

accurate transcript of my stenographic

13

notes.

14

IN WITNESS WHEREOF, I have

15

hereunto set my hand this 11th day of

16

September 2018

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FRANK GRAY

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