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NASSAU COUNTY LEGISLATURE

PETER SCHMITT,  
Presiding Officer

NASSAU COUNTY  
2012 BUDGET REVIEW HEARING

HOWARD KOPEL,  
Chairman

1550 Franklin Avenue  
Mineola, New York

Thursday, July 26, 2012  
11:45 a.m.

REGAL REPORTING SERVICE  
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A P P E A R A N C E S :

BUDGET REVIEW COMMITTEE :

HOWARD KOPEL ,  
Chairman

PETER SCHMITT ,  
Vice Chairman

RICHARD NICOLELLO ,  
Chairman-Finance Committee

KEVAN ABRAHAMS ,  
Ranking

DAVID DENENBERG

WILLIAM MULLER ,  
Clerk of the Legislature

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1 Budget Hearing/7-26-12

2 CHAIRMAN KOPEL: Let's start with  
3 the meeting. We'll start with the Pledge of  
4 Allegiance.

5 (Whereupon, the Pledge of  
6 Allegiance was recited.)

7 CHAIRMAN KOPEL: Starting with  
8 the roll call of the Budget Review  
9 Committee.

10 CLERK MULLER: Legislator  
11 Denenberg?

12 LEGISLATOR DENENBERG: Here.

13 CLERK MULLER: Ranking Member  
14 Legislator Abrahams?

15 LEGISLATOR ABRAHAMS: Here.

16 CLERK MULLER: Legislator  
17 Nicoletto?

18 LEGISLATOR NICOLELLO: Here.

19 CLERK MULLER: Vice Chairman  
20 Schmitt?

21 LEGISLATOR SCHMITT: Here.

22 CLERK MULLER: Chairman Kopel?

23 CHAIRMAN KOPEL: Here.

24 CLERK MULLER: We have a quorum.

25 CHAIRMAN KOPEL: We're going to

1                   Budget Hearing/7-26-12  
2       focus on several things. First of all, the  
3       close of the fiscal year 2011. We're going  
4       to get an update on the county, and the  
5       condition of the county at this point, which  
6       is just past the midpoint of fiscal year  
7       2012.

8                   CLERK MULLER:   Legislator  
9       Denenberg is here, by the way.

10                  CHAIRMAN KOPEL:   Thank you.  
11       We're going to hear about the actions that  
12       have been taken and hopefully will be taken  
13       by the administration to adjust the various  
14       budgetary concerns as we move along through  
15       fiscal year 2012.

16                  We understand, we've heard  
17       before, that 2011 ended with a deficit of  
18       approximately \$50 million. We're going to  
19       ask the comptroller to explain how that  
20       deficit came about and give us a better  
21       picture of what is going on this fiscal year  
22       and to tell us about areas of concern that  
23       he may have concerning this fiscal year.

24                  The administration will tell us  
25       about the various aspects of the 2012

1                   Budget Hearing/7-26-12  
2     budget, any good and bad factors, any  
3     strains that they may be facing.

4                   We're going to get hopefully some  
5     insight into NIFA, which is the Nassau  
6     Interim Finance Authority as to what their  
7     feelings are, what their demands are, and  
8     what is being done to address any of those  
9     demands.

10                  We're going to look at  
11     opportunities with regard to the 2012  
12     budget, what we might be able to do to close  
13     things, what has been done and how that's  
14     all worked out.

15                  I don't see Comptroller Maragos  
16     here. Joy, you are going to start?

17                  MS. WATSON: Joy Watson, deputy  
18     comptroller of Nassau County. Legislator  
19     Kopel, I apologize, Mr. Maragos is on his  
20     way, literally, he was walking about a  
21     minute behind me, so I'm not sure what  
22     caught him by delay and I apologize. He  
23     should be here within the next minute or so.

24                  CHAIRMAN KOPEL: Is it possible  
25     that he found something even more

1 Budget Hearing/7-26-12

2 interesting?

3 MS. WATSON: I would doubt that  
4 very much, sir. That would be impossible.  
5 I would just beg your indulgence if you  
6 could just wait for one or two more moments  
7 I would appreciate that.

8 CHAIRMAN KOPEL: That's fine, I  
9 guess we'll just do that. After the  
10 comptroller talks, we will hear from the  
11 administration. I understand that  
12 legislative budget review director office,  
13 Director of the Office of Budget Director  
14 Maurice Chalmers and his people are here as  
15 well. They are going to be answering  
16 questions, they'll be on call to answer any  
17 questions that members of the committee may  
18 have.

19 I see Comptroller Maragos. Here  
20 he is. Are you ready, George? Comptroller  
21 Maragos, good morning, how are you?

22 MR. MARAGOS: Good morning. I'm  
23 very well.

24 CHAIRMAN KOPEL: Are you all set  
25 now?

1 Budget Hearing/7-26-12

2 MR. MARAGOS: Yes.

3 CHAIRMAN KOPEL: Whenever you're  
4 ready, please go ahead.

5 MR. MARAGOS: Did you all receive  
6 your copies of the report?

7 CHAIRMAN KOPEL: Yes. Are we  
8 going to be quizzed?

9 MR. MARAGOS: I have some remarks  
10 and you're welcome to ask any questions you  
11 have.

12 CHAIRMAN KOPEL: But we're not  
13 going to be tested on it?

14 LEGISLATOR DENENBERG: Are there  
15 any extra copies of the comptroller report I  
16 just got?

17 CHAIRMAN KOPEL: They're making  
18 some more. Whenever you're ready, just go  
19 right ahead.

20 MR. MARAGOS: The county began  
21 2012 with an adopted budget of \$294 million  
22 in budgetary risks. On the basis of the  
23 first six months of actual results, we are  
24 now projecting a year end budget deficit of  
25 approximately \$45 million. This projected



1                   Budget Hearing/7-26-12  
2       deficit is primarily due to the legislature  
3       refusing to bond for project tax refunds and  
4       overtime expense exceeding budget.

5                   The projected deficit now is less  
6       than two percent of the total budget and  
7       should be manageable to end in balance.

8                   The small projected deficit is a  
9       result of good control of expenses by the  
10      Mangano administration and better than  
11      anticipated sales tax revenues.

12                  The county executive has already  
13      announced initiatives to close the gap in  
14      order to end 2012 in budgetary balance.

15                  Improvements in the county's  
16      fundamental long-term fiscal trends which  
17      began in 2010 generally continue in a  
18      positive direction. The structural gap is  
19      projected at 113.4 million down from 127  
20      million in 2011.

21                  The gap between recurring  
22      revenues and expenses is projected to  
23      further narrow in 2012 to just 4.2 percent  
24      back to 2005 levels.

25                  The borrowing for current

1                   Budget Hearing/7-26-12  
2     operating expense is being eliminated except  
3     for extraordinary termination pay. In light  
4     of the 2011 deficit of 50.4 million, we  
5     strongly urge the administration, the  
6     legislature, and NIFA to work together not  
7     only to find ways to close 2012 budget  
8     deficit, but also to replenish the  
9     unreserved fund balance which has now fallen  
10    to 1.5 percent, well below the county's  
11    policy to maintain at least a four percent  
12    fund balance of the prior year's normal  
13    recurring expense.

14                   The comptroller recommends that  
15    over 90 million in combined recurring  
16    budgetary expense reductions and revenue  
17    enhancements be targeted for the remainder  
18    of 2012. This achievement, if accomplished,  
19    will be a significant element in restoring  
20    the county to fiscal health bringing  
21    revenues in line with expenses, furthering  
22    improving the structural gap and completely  
23    eliminating all bonding for operating  
24    purposes.

25                   Potential opportunity areas to

1                   Budget Hearing/7-26-12  
2     achieve these \$90 million in budgetary  
3     enhancements include reorganizing county  
4     government to focus on core functions and  
5     consolidate similar functions between  
6     agencies in source where possible service  
7     performed by contractors, cancel all  
8     nonessential contractual services and  
9     maintenance contracts. Halt all  
10    nonessential general service purchases.  
11    Aggressive management of workmen's  
12    compensation, liability and utilities.  
13    Bring fees in line with those of neighboring  
14    county such as Westchester and Suffolk  
15    counties and index to CPI.

16                   Deal with the chronic issue of  
17    actual overtime exceeding budget amounts in  
18    the police and correction departments, and  
19    refinance county debt of lower interest  
20    rates that are currently prevailing.

21                   The legislature should be mindful  
22    that our economy is projected to weaken in  
23    the second half, and the rising unemployment  
24    may represent new risks in lower tax  
25    revenues looking forward, and should not

1                   Budget Hearing/7-26-12  
2     relent in finding savings throughout the  
3     county.

4                   I'm happy to take your questions.

5                   CHAIRMAN KOPEL: Thank you. You  
6     mentioned sales tax improvements. What's  
7     the outlook for the rest of the year and  
8     what would be the effect on the budget?

9                   MR. MARAGOS: We're projecting a  
10    five percent increase year over year and, if  
11    that materializes, that will bring an  
12    additional \$29 million.

13                  CHAIRMAN KOPEL: So that's not  
14    already included in the budget, that 29?

15                  MR. MARAGOS: It's included in  
16    our projections now, year end projections.  
17    We're assuming a five percent growth in  
18    sales tax revenues.

19                  CHAIRMAN KOPEL: In other words,  
20    if it would not materialize, the projected  
21    deficit would be larger?

22                  MR. MARAGOS: Right.

23                  CHAIRMAN KOPEL: Got it. Thank  
24    you. Can you tell us about the LIBOR, that  
25    scandal, and how it's affected the county

1 Budget Hearing/7-26-12

2 and what you think can be done possibly?

3 MR. MARAGOS: We've estimated  
4 that our LIBOR effective revenue loss or  
5 overpayment will probably approximate around  
6 \$13 million over a five year period of the  
7 alleged manipulation. That does not include  
8 the hospital bonds which are also backed by  
9 swaps to the tune of \$247 million. So with  
10 the county, including the hospital, we may  
11 be looking at an overpayment of over \$20  
12 million.

13 CHAIRMAN KOPEL: Do you know if  
14 anything is being done to --

15 MR. MARAGOS: We have recommended  
16 and I know the county attorney is actively  
17 looking and trying to put together a case to  
18 file and make a determination whether to  
19 join the city of Baltimore lawsuit or to  
20 file separately. That's being aggressively  
21 pursued.

22 CHAIRMAN KOPEL: Now one of the  
23 things you mentioned, one of the  
24 recommendations was that the county  
25 reorganize to concentrate, I think you said

1                   Budget Hearing/7-26-12  
2   on core functions, that's one of your  
3   recommendations?

4                   MR. MARAGOS:   That is correct

5                   CHAIRMAN KOPEL:   Could you please  
6   elaborate, what functions would be  
7   eliminated in your view, or candidates for  
8   elimination?

9                   MR. MARAGOS:   We haven't gone  
10   down to that level, but I think it's a time  
11   that an organizational management study be  
12   done of government to decide what are the  
13   core functions that need to be --

14                  CHAIRMAN KOPEL:   So you think  
15   that there are certain functions that the  
16   county is doing that perhaps ought not to be  
17   done by the county?

18                  MR. MARAGOS:   That's up to the  
19   county executive and the legislature to  
20   decide.

21                  CHAIRMAN KOPEL:   The structural  
22   deficit.  Let's talk a little more about  
23   that, please.  You said it's been coming  
24   down to about 2005 levels, I think you said.  
25   Can we put up that chart?

1 Budget Hearing/7-26-12

2 MR. MARAGOS: As you can see, the  
3 structural gap has been significantly  
4 reduced from 2009 and it's actually now down  
5 to 2007 levels. What I was referring when I  
6 said 2005, that was the difference between  
7 recurring revenues and recurring expenses  
8 which is the other chart, if we can show  
9 this, which is this chart here.

10 This is strictly recurring  
11 revenues and recurring expenses. And,  
12 ideally, this is where the county needs to  
13 be in. This is a better measure of the  
14 financial health of the county and, ideally,  
15 if we get to zero, which means our recurring  
16 revenues will be able to meet our recurring  
17 expenses without any borrowing, without any  
18 one-shots, without sale of real estate.

19 If we can achieve this, I believe  
20 our credit rating will probably shoot up to  
21 triple A.

22 CHAIRMAN KOPEL: Are we making,  
23 in your view, satisfactory progress towards  
24 that goal?

25 MR. MARAGOS: As this chart

1                   Budget Hearing/7-26-12  
2       indicates, we have made significant progress  
3       in the last three years.

4                   CHAIRMAN KOPEL:     So once the  
5       repeal of the county guaranty fully starts  
6       to, once it fully takes effect, and I guess  
7       it's a gradual thing, the projection, you  
8       feel like that's going to bring us the rest  
9       of the way or close to it?

10                  MR. MARAGOS:    I think it will  
11       help.

12                  CHAIRMAN KOPEL:   All things being  
13       equal obviously.

14                  MR. MARAGOS:    I think it will  
15       help.  Of course the county needs to control  
16       its expenses, find additional savings so  
17       that it does not rely on one-shots.

18                  CHAIRMAN KOPEL:   Right.  What  
19       happened with -- tell us the composition,  
20       please, of the 11 year end deficit, how did  
21       that happen?

22                  MR. MARAGOS:    The majority  
23       portion of that deficit was approximately  
24       \$41 million that was anticipated to be  
25       bonded for property tax refunds.  That did



1                   Budget Hearing/7-26-12  
2     not occur.     Therefore, those property tax  
3     payments had to be brought into the budget  
4     with some expense.     Otherwise the deficit  
5     would have been approximately \$7 million.

6                   CHAIRMAN KOPEL:     That is  
7     something, that's the part that's going to  
8     be eliminated with the end of the county  
9     guaranty, or largely eliminated, I should  
10    say, about 80 percent or so?

11                  MR. MARAGOS:     That is correct.

12                  CHAIRMAN KOPEL:     So that will go  
13    away.     The other part was a mistake?

14                  MR. MARAGOS:     It was a double  
15    booking that was discovered, a mistake in  
16    error that once corrected, because it was  
17    past beyond the end of the year, had to be  
18    taken as an error and as an expense.

19                  CHAIRMAN KOPEL:     Right.  
20    Legislator Schmitt.

21                  LEGISLATOR SCHMITT:     Thank you,  
22    Mr. Chairman.

23                  Mr. Maragos, I'm going back to  
24    the LIBOR scandal for a second.     You have  
25    uncovered the fact that due to this rate

1                   Budget Hearing/7-26-12  
2     fixing scandal that's now developing to a  
3     worldwide scandal that the county may have  
4     loss upwards of \$13 million.

5                   Everything that I have read, or  
6     everything that I have been able to find out  
7     about this scandal, to date, is that banks  
8     are scrambling, and some banks are admitting  
9     that they did things that they shouldn't  
10    have done and they're paying fines to the  
11    federal government or other governments  
12    around the world, and other banks are trying  
13    to cover their tracks.

14                  It will ultimately all come out  
15    in the end that the rate was fixed. I think  
16    there was general agreement on that.

17                  What I haven't read or heard  
18    anything about is, what steps, if any, are  
19    under consideration by the world financial  
20    community to insure the integrity of the  
21    rate going forward? And, absent hearing  
22    anything about that, my question to you is,  
23    what is the advisability of Nassau County  
24    debt remaining in these variable rate swaps  
25    during this period of turmoil in the LIBOR

1 Budget Hearing/7-26-12

2 rate?

3 MR. MARAGOS: The LIBOR scandal  
4 is a global issue and probably may end up  
5 being even bigger than the sub-prime  
6 mortgage mess that we are trying to come out  
7 of.

8 To put things in perspective,  
9 it's estimated that there is over about \$800  
10 trillion in outstanding debt that is still  
11 backed by swaps. \$800 trillion. That's  
12 about, what is it? 300 times the size of  
13 the US economy. It could be a huge problem.  
14 What is most disturbing and why there may  
15 not be a resolution is the regulators, both  
16 in the US and overseas, are playing  
17 ignorant. There doesn't seem to be any  
18 significant willingness to come to grips  
19 with this problem and identify the people  
20 responsible, and take legal action against  
21 them. So this issue may take a long time to  
22 play out.

23 LEGISLATOR SCHMITT: I agree with  
24 you, but then, under those circumstances,  
25 should the county's debt be in variable rate

1 Budget Hearing/7-26-12

2 swaps during this period of time?

3 MR. MARAGOS: We're in a trap.  
4 The opportune time to get out of these swaps  
5 would have been back in early to mid 2010  
6 where interest rates were somewhat higher  
7 than they are and swaps, as you may or may  
8 not know, operate inversely to interest  
9 rates. So the lower the interest rates, the  
10 higher the value of these swaps.

11 So whereas we had an opportunity  
12 in early to mid 2010 to essentially buy  
13 ourselves out of these swaps by  
14 approximately 14 to \$15 million which  
15 represented a reasonable price to eliminate  
16 the significantly higher risk that was  
17 involved in holding onto the swaps given the  
18 experience and the wide fluctuation, and  
19 therefore the experience in 2008 and the  
20 risk represented to the county, would have  
21 been reasonable to attempt to close those  
22 swaps.

23 Unfortunately we recommended that  
24 that be done and NIFA ignored our  
25 recommendation. The value of those swaps

1                   Budget Hearing/7-26-12  
2    now is probably closer to 80 to \$100 million  
3    in order to close those swaps out. I don't  
4    believe the county can afford to do that.  
5    In essence, we're trapped.

6                   We hope that we do not have a  
7    financial crisis similar to 2008 where the  
8    counterparties that are backing these swaps  
9    potentially may go out of business and we  
10   are hit with the full force of the variable  
11   rate debt that we have without the backing  
12   of the counterparties, which may cause our  
13   debt servicing costs to skyrocket.

14                  If we are paying lower rates now  
15   of about 3 to 3 and a half percent, we can  
16   see those rates go up 10 or 15 percent.  
17   It's frightening to think about because  
18   those swaps can in effect bankrupt the  
19   county, and they will not only bankrupt us,  
20   but most municipalities.

21                  LEGISLATOR SCHMITT: Thank you.

22                  CHAIRMAN KOPEL: Legislator  
23   Nicolello.

24                  LEGISLATOR NICOLELLO: Thank you,  
25   Mr. Chairman.

1                   Budget Hearing/7-26-12  
2                   Comptroller Maragos, with respect  
3 to the projected deficit for 2012, earlier  
4 this week the county executive announced  
5 some additional budget deficit closing  
6 measures, layoffs, not proceeding with  
7 projects, were those actions or measures  
8 incorporated into your analysis, or outside  
9 the analysis as a result of any projection  
10 of a \$45 million deficit?

11                   MR. MARAGOS: No. They have  
12 been. If you look at our report, we  
13 indicate that in light of those actions that  
14 we expect that they will overcome the  
15 projected deficit and we are projecting to  
16 end in budgetary balance at the end of the  
17 year with those actions.

18                   LEGISLATOR NICOLELLO: You had  
19 these two different charts that you're  
20 talking about, structural deficit as opposed  
21 to recurring revenue versus recurring  
22 expenses. What's the difference between the  
23 two?

24                   MR. MARAGOS: Can you comment on  
25 that?

1 Budget Hearing/7-26-12

2 MS. WATSON: The structural gap  
3 is all the one shots. So when you are  
4 looking at structural gap, you're looking at  
5 the deficit or surplus of the county with  
6 everything we consider a one-shot. One-shot  
7 is a bad thing in that we use bonded money  
8 to pay operating expense, but it can be like  
9 F-back (phonetic) when the government was  
10 giving us extra incentive money for the  
11 economy. That's also a one-shot. That's  
12 not a recurring revenue. But it's something  
13 that will show up as a structural item.

14 LEGISLATOR NICOLELLO: Okay.

15 MS. WATSON: So what George is  
16 talking about, we want regular revenues,  
17 whether it be tax proceeds or fees to cover  
18 our regular expenses, payroll or whatever.  
19 Every once in a while you will have a  
20 special item that's a one-shot that will  
21 lead to structural gap, but that's why you  
22 should focus on the recurring revenues and  
23 recurring expenses.

24 LEGISLATOR NICOLELLO: I had  
25 always thought that that's what a structural

1                   Budget Hearing/7-26-12  
2       deficit was, recurring revenue versus  
3       structural expenses.

4                   MS. WATSON:    Structural gap is  
5       what isn't recurring.  It's the nonrecurring  
6       items.

7                   LEGISLATOR NICOLELLO:  Right.  
8       The difference between the two.

9                   MS. WATSON:  Yes, but it's what  
10       makes up those nonrecurring items.  You have  
11       a deficit that's not a structural one.

12                  CHAIRMAN KOPEL:  So, in other  
13       words, if recurring revenue and expenses  
14       were to match everything else being equal,  
15       you would usually expect a surplus, a  
16       budgetary surplus?

17                  MS. WATSON:  If revenues don't  
18       match, we would have --

19                  CHAIRMAN KOPEL:  No, no.  Because  
20       you're always going to have some one-shots,  
21       I would imagine.

22                  MS. WATSON:  That's it.  You can  
23       have one-shots, revenue one-shots that you  
24       would have a surplus for, yes.

25                  LEGISLATOR NICOLELLO:  Just on



1                   Budget Hearing/7-26-12  
2     another topic, the projected five percent  
3     sales tax increase for 2012, does that  
4     number incorporate the potential risks of an  
5     economic downturn in the second half of this  
6     year or it doesn't matter?

7                   MR. MARAGOS: To some extent it  
8     does. We are currently running at 5.9  
9     percent ahead of last year. So five percent  
10    seems reasonable at this point with  
11    anticipated economic growth in the second  
12    half.

13                  If there's a further reduction in  
14    the economic growth or some unanticipated  
15    events that would throw the economy into a  
16    recession, then it may be below that. But  
17    it seems to us a five percent safe  
18    projection given that we are running at 5.9  
19    percent.

20                  LEGISLATOR NICOLELLO: So if we  
21    continue on the path of 5.9 percent  
22    throughout the year, that closes the deficit  
23    somewhat, correct?

24                  MR. MARAGOS: Correct. That will  
25    give us an additional \$10 million

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2 approximately in revenue.

3 LEGISLATOR NICOLELLO: Thank you.

4 CHAIRMAN KOPEL: Legislator  
5 Denenberg.

6 LEGISLATOR DENENBERG: Thank you.  
7 Good afternoon. First I would request that  
8 we get your reports before the legislative  
9 budget hearing begins, not right when it  
10 begins. It would have been good to have  
11 this a few days ahead of time so we could  
12 use it to prepare ourselves. Would you do  
13 that in the future?

14 MR. MARAGOS: So noted. Yes,  
15 absolutely.

16 LEGISLATOR DENENBERG: Let me  
17 just ask you about sales tax revenue. Sales  
18 tax revenue from '10 to '11 went up or down?

19 MR. MARAGOS: '10 to '11 went up.  
20 I believe we have a chart for that.

21 MS. WATSON: Page six.

22 MR. MARAGOS: Section 2.4.

23 LEGISLATOR DENENBERG: So it's  
24 page six if I'm reading, sales tax collected  
25 on a cash basis from '10 to '11, sales tax

1                   Budget Hearing/7-26-12  
2    went up, to me, that's \$35 million. And  
3    from '11 to '12 we are projecting that it  
4    goes up \$46 million.

5                   MR. MARAGOS: Correct.

6                   LEGISLATOR DENENBERG: So when I  
7    look at the Nassau County structural surplus  
8    or gap, in this case it's a gap because it's  
9    in the red, isn't sales tax considered  
10   revenue?

11                  MR. MARAGOS: Yes, it is.

12                  LEGISLATOR DENENBERG: Recurring  
13   revenue?

14                  MR. MARAGOS: Yes, and it's  
15   included in the structural gap projection.  
16   Assuming a five percent growth.

17                  LEGISLATOR DENENBERG: So when  
18   our gap went down from 137 down to 127 from  
19   '10 to '11, our sales tax revenue from '10  
20   to '11 went up \$35 million. So we had an  
21   increase in sales tax of \$35 million but  
22   that only helped close our structural gap by  
23   ten million?

24                  MR. MARAGOS: You have to look at  
25   Exhibit-1 that shows various budgetary line

1                   Budget Hearing/7-26-12  
2    items and some of them have gone up, others  
3    have gone down. That will give you a better  
4    picture, if you're looking for a  
5    comprehensive analysis.

6                   LEGISLATOR DENENBERG: I'm just  
7    looking to understand that we closed or the  
8    structural gap went down by \$10 million at a  
9    time when our key recurring revenues went up  
10   \$35 million, correct?

11                  MS. WATSON: But we had other  
12   shortfalls. 2011 ended with a deficit of  
13   \$50 million. 2010 ended with a surplus of  
14   \$26 million. That's a swing of \$76 million.  
15   You don't have comparable periods of time  
16   that are comparable results.

17                  LEGISLATOR DENENBERG: But as  
18   this report says, budget deficit or budget  
19   surplus isn't the same as the structural  
20   gap, correct?

21                  MS. WATSON: It's included in  
22   those structural gap numbers. Structural  
23   gap is the budgetary surplus or deficit plus  
24   or minus one-shots.

25                  LEGISLATOR DENENBERG: So other

1                   Budget Hearing/7-26-12  
2       structural expenses, or other structural  
3       revenue offset the \$35 million increase in  
4       sales tax revenue to an overall negative  
5       effect of about \$25 million?

6                   MS. WATSON:   Well, there are  
7       other items that play into it.  You can't  
8       just isolate the one item.  It's a factor  
9       but it's not the whole story.

10                  LEGISLATOR DENENBERG:  Then if I  
11       go from '11 to '12, we are projecting, as I  
12       said, I think it's on page six, is what you  
13       just said, on page six we're projecting a  
14       growth of \$46 million but even though that  
15       recurring revenue will grow by \$46 million,  
16       the structural gap will close only by \$14  
17       million because other recurring expenses or  
18       other recurring revenue will have an effect  
19       that would narrow that increase?

20                  MR. MARAGOS:  That's correct.

21                  LEGISLATOR DENENBERG:  So how do  
22       we figure, for example, overtime?  I'm  
23       looking at your report and you would  
24       acknowledge that overtime being over budget  
25       is an issue?

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2 MR. MARAGOS: Yes, and we have  
3 highlighted it as a chronic issue.

4 LEGISLATOR DENENBERG: Right now,  
5 halfway through the year, how much over  
6 budget are we in overtime right now?

7 MR. MARAGOS: Well, if you look  
8 at Exhibit-1, we break that out.

9 LEGISLATOR DENENBERG: Being that  
10 I just got this, it's a little hard for me  
11 to see all the exhibits before speaking to  
12 you.

13 MR. MARAGOS: \$26 million.

14 LEGISLATOR DENENBERG: What page  
15 is your Exhibit-1 on?

16 MR. MARAGOS: That's page three.

17 LEGISLATOR DENENBERG: Page  
18 three?

19 MR. MARAGOS: Yes.

20 LEGISLATOR DENENBERG: So  
21 overtime so far is how much over budget, I'm  
22 sorry?

23 MR. MARAGOS: Exhibit-1, look  
24 about halfway down the page under expenses,  
25 second item.

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2 LEGISLATOR DENENBERG: Expenses.

3 So it shows that overtime for the 2012  
4 budget just in police, for example, is about  
5 \$40 million in the budget, but it's  
6 projected to be 66 million?

7 MR. MARAGOS: Police and  
8 corrections.

9 LEGISLATOR DENENBERG: So police  
10 and corrections would be 26 million over  
11 budget?

12 MR. MARAGOS: Correct.

13 LEGISLATOR DENENBERG: And  
14 payroll is going to be all in all 50 million  
15 over budget?

16 MS. WATSON: Right. Because  
17 there were salary savings that weren't  
18 totally achieved in this payroll budget.

19 LEGISLATOR DENENBERG: So what  
20 your office is projecting, payroll and  
21 fringe benefits, will be 50 million over  
22 budget this year?

23 MS. WATSON: Right. Absent --  
24 overtime is separate from that.

25 LEGISLATOR DENENBERG: What is

1                   Budget Hearing/7-26-12  
2     the projected budget deficit for this year?

3                   MR. MARAGOS:   We're projecting  
4     budgetary balance in light of the actions,  
5     the new actions proposed by the county  
6     executive.

7                   LEGISLATOR DENENBERG:   I thought  
8     when I read on page one and two when you  
9     spoke, you said that the budget deficit was  
10    projected to be \$45 million this year?

11                  MS. WATSON:   Before  
12    opportunities.   If you look at Exhibit-1,  
13    you will see opportunities on the bottom.

14                  LEGISLATOR DENENBERG:   Which  
15    opportunities?

16                  MR. MARAGOS:   Again, look at  
17    Exhibit-1 at the bottom.

18                  LEGISLATOR DENENBERG:   Excess  
19    cash in capital projects, is that a  
20    one-shot?   You have to verbalize.   Is excess  
21    cash and capital projects a one shot?

22                  MR. MARAGOS:   They're one-shots,  
23    specific projects, yes.

24                  LEGISLATOR DENENBERG:   Reducing  
25    departmental obligations, what's that, \$20



1                   Budget Hearing/7-26-12  
2   million, you're expecting that to come in?

3                   MS. WATSON:   That's the  
4   dis-encumbrances.   The department looked at  
5   what their encumbrances were and decided  
6   that there was a number of them they don't  
7   need.   We are projecting for the year to be  
8   \$20 million, so far it's been about \$13  
9   million.

10                  CHAIRMAN KOPEL:   What do you mean  
11   by encumbrance?

12                  MS. WATSON:   Encumbrance is an  
13   obligation.   We haven't really spent the  
14   money yet but we intend to spend the money.  
15   So the money in the budget is set aside to  
16   be spent in the future.   So it's as if we  
17   spent it.   Now the departments are looking  
18   at their work and saying, we don't need  
19   these obligations, so we're dis-encumbering  
20   which means more budget is available.

21                  LEGISLATOR DENENBERG:   Is that a  
22   one-shot?

23                  MS. WATSON:   No.

24                  LEGISLATOR DENENBERG:   That would  
25   be recurring?

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2 MS. WATSON: We put the  
3 obligation in the year and took it out. So  
4 it's not a one-shot. It's something that  
5 happened within this year.

6 LEGISLATOR DENENBERG: So it  
7 would only be this year?

8 MS. WATSON: Yes.

9 LEGISLATOR DENENBERG: So next  
10 year it's already done?

11 MS. WATSON: If it comes over to  
12 next year?

13 LEGISLATOR DENENBERG: No. I'm  
14 saying, would that help with the structural  
15 gap for next year?

16 MS. WATSON: No, it's this year's  
17 item.

18 MR. MARAGOS: But that would  
19 depend if you budget for it next year as an  
20 expense.

21 LEGISLATOR DENENBERG: Now, the  
22 excess cash in capital projects, have you  
23 looked at where that money is coming from?  
24 It's my understanding that's bonded money  
25 for capital projects that we're not going to

1                   Budget Hearing/7-26-12  
2       spend the money on for those projects,  
3       instead we are going to use the money to  
4       reduce debt service?

5                   MS. WATSON:    Right.  One of those  
6       projects for example is the sand-domes or  
7       salt-domes (phonetic).  Public works said we  
8       don't need to do that project.  We're not  
9       going to do that project.  So the money that  
10      was set aside to do that project doesn't  
11      have to be used.  So it's brought back into  
12      the operating funds to pay for debt service.  
13      That's the kind of project.  It's a project  
14      they decided not to go forward with.

15                  LEGISLATOR DENENBERG:  But if  
16      it's brought into operating funds to pay for  
17      debt service, that would be capital project  
18      borrowing being used for general debt?

19                  MS. WATSON:  It's used to offset  
20      the debt that it was borrowed for.  If they  
21      paid back the debt they borrowed the money  
22      for.  Under General Municipal Law you are  
23      allowed to do that.

24                  LEGISLATOR DENENBERG:  Under  
25      general municipal law, you can borrowed

1                   Budget Hearing/7-26-12  
2    money from a capital and pay back the debt  
3    of --

4                   MS. WATSON:    Similar capital  
5    projects that are borrowed at the same time.

6                   LEGISLATOR DENENBERG:   How do we  
7    know what projects are being paid down and  
8    what projects we are not going forward with?

9                   MR. MARAGOS:    We were given a  
10   list and we can make that list available to  
11   you.

12                  LEGISLATOR DENENBERG:   You were  
13   given a list?

14                  MR. MARAGOS:    Yes.

15                  LEGISLATOR DENENBERG:   Was anyone  
16   here given a list?   To my knowledge, I can  
17   only speak for the minority.   We don't have  
18   a list of those projects that we've decided  
19   not to do and what projects the debt is  
20   being retired for.

21                  My concern is, if we're taking  
22   money from certain set projects that we  
23   borrowed for and we decided not to do now,  
24   that under the capital plan law, if that  
25   money is being used elsewhere, A, the

1                   Budget Hearing/7-26-12  
2       legislature should have approved this.

3                   B, I don't believe that it can be  
4       used for general debt. I believe we can  
5       retire the same project. I don't know that  
6       you can take money that was borrowed for  
7       project A, B, C, D and retire debt from  
8       projects X, Y, Z.

9                   So I think we need what projects  
10      are retired and what projects are no longer  
11      being done. According to you, you have a  
12      list, so I would ask if you could make that  
13      list available to us?

14                  MR. MARAGOS: Absolutely.

15                  LEGISLATOR DENENBERG: Why am I  
16      being interrupted?

17                  CHAIRMAN KOPEL: I want to make  
18      one of your questions more clear. When the  
19      county pays something back, would you pay  
20      back, if not for that specific project, I  
21      guess what you would pay back is the most  
22      advantageous segment of debt, in other  
23      words, maybe the higher interest or whatever  
24      is available to be paid back? Is that how  
25      it's done?

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2 MR. MARAGOS: Well, the county  
3 has obligations in servicing its debt, so we  
4 have to meet all our obligations. In this  
5 context, how much was the total debt,  
6 servicing cost for 2012?

7 MS. WATSON: We are estimating it  
8 to be at \$354 million.

9 MR. MARAGOS: 354 million which  
10 is line three under expenses on Exhibit-1.

11 CHAIRMAN KOPEL: Is this how it's  
12 always been done?

13 MR. MARAGOS: Yes. This is not  
14 the first time this is being done. And  
15 it's, to our understanding, legal and  
16 appropriate.

17 CHAIRMAN KOPEL: It's been done  
18 by previous administrations?

19 MR. MARAGOS: Yes.

20 LEGISLATOR DENENBERG: Thanks for  
21 interrupting me and trying to take a history  
22 lesson, but I'm worried about today and the  
23 future. As far as I know in the past, any  
24 time we changed the capital plan, there was  
25 legislative approval. By the way,

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2 Mr. Comptroller, are you aware, as of right  
3 now, I'm holding up the 2011 capital budget?  
4 We don't have a proposed 2012 capital  
5 budget?

6 MR. MARAGOS: Yes, we are.

7 LEGISLATOR DENENBERG: So you  
8 haven't seen a 2012 capital budget either,  
9 correct?

10 MR. MARAGOS: I haven't, no.

11 LEGISLATOR DENENBERG: I have a  
12 December letter that went to every member of  
13 the legislature as well requesting the  
14 county executive to show us the 2012 budget.

15 I will be requesting, and it's  
16 not of you, but that very list to see and to  
17 tell every one what projects we're not  
18 doing. I think that labor in this market  
19 which supported the capital budget in '10  
20 and '11 really ought to know, instead of  
21 keeping people working, we're going to be  
22 using borrowed money to pay down debt on  
23 other, what I believe is other obligations.  
24 But I would like to see those lists. I  
25 think that's extremely important.

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2 MR. MARAGOS: Legislator, we were  
3 given these actions. I'm surprised that you  
4 haven't been given them. We are certainly  
5 willing to share with you what we have  
6 received, and on the basis of those proposed  
7 initiatives, we estimated the resulting  
8 savings in order to balance the budget.

9 If the legislature feels that  
10 they have authority to approve or not  
11 approve those, that would be fine, and then  
12 we would need to adjust and the county  
13 executive will need to adjust the year end  
14 projections.

15 LEGISLATOR DENENBERG: I will  
16 tell you, as far as I know, and being one of  
17 the cowriters of the capital plan law that  
18 you can't amend the capital plan without the  
19 legislature approving, and that it was never  
20 envisioned, nor do I believe that it's legal  
21 to take money from one project that you  
22 haven't started and pay down debt from  
23 either other projects or general  
24 obligations.

25 But I see that you are using the



1                   Budget Hearing/7-26-12  
2     number 17 million as a number that in a  
3     one-shot manner would help with the budget  
4     deficit for this year as opposed to the  
5     structural gap.

6                   Let me ask this, in 2011 we're  
7     going to close 2011 at the end of this  
8     month, is that the current projection?

9                   MR. MARAGOS:    Yes.

10                  LEGISLATOR DENENBERG:   And we're  
11     going to close with what type of --

12                  MR. MARAGOS:    50.4 million.

13                  LEGISLATOR DENENBERG:   50.4 is  
14     the deficit?

15                  MR. MARAGOS:    That's correct.

16                  LEGISLATOR DENENBERG:   How much  
17     in 2011 was overtime over budget?

18                  MR. MARAGOS:    Do you have that  
19     information with you?

20                  LEGISLATOR DENENBERG:   And by  
21     that I'm talking police, correction, as well  
22     as payroll and fringe benefits.

23                  MR. MARAGOS:    We don't have that  
24     information.   We believe overtime was over  
25     budget by \$9 million, but I don't have that

1 Budget Hearing/7-26-12

2 number.

3 LEGISLATOR DENENBERG: How much  
4 was payroll and fringe benefits over?

5 MR. MARAGOS: I don't have that  
6 number.

7 LEGISLATOR DENENBERG: Now, where  
8 I'm looking at payroll and fringe benefits  
9 being projected to be over budget by 49.5  
10 million and overtime by 26.6 million, you  
11 would add those two items together, right?  
12 Those items are separate. In other words,  
13 overtime is not part of the payroll and  
14 fringe benefits?

15 MR. MARAGOS: Right.

16 LEGISLATOR DENENBERG: So,  
17 together, for payroll, fringe benefits, and  
18 overtime alone for police and corrections,  
19 we're \$76 million over budget?

20 MR. MARAGOS: That's correct.

21 LEGISLATOR DENENBERG: Now, in  
22 2011, those two items were they about 50  
23 million over budget, or you just don't have  
24 the 2011 number?

25 MR. MARAGOS: But you have to put

1                   Budget Hearing/7-26-12  
2    things in context.  If you recall, the 2011,  
3    I don't remember what the risk was in the  
4    2011 budget, but I believe the risk was \$225  
5    million at the beginning of the year, it  
6    included about \$64 million in labor savings.  
7    A lot of those didn't materialize.

8                   In the 2012 budget, we had it  
9    close to \$300 million in risk which included  
10   about \$150 million in labor savings.

11                  So what this is saying, that in  
12   effect we've -- we're over budget by 75  
13   million.  We have achieved 75 million of the  
14   budgeted \$150 million savings.  So it's a  
15   significant improvement.

16                  The original budget has not been  
17   met but labor costs have come down by \$75  
18   million.

19                  LEGISLATOR DENENBERG:  My concern  
20   is that a lot or way more than what has been  
21   improving on the red has been sales tax  
22   revenue.

23                  MR. MARAGOS:  No.  I just said  
24   labor savings overall have improved by 75  
25   million compared to what was budgeted.

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2 LEGISLATOR DENENBERG: We're  
3 looking at the budget for this year and  
4 payroll and fringe benefits were projected  
5 to be \$50 million over budget.

6 MR. MARAGOS: Right, because the  
7 budget assumed a total labor savings of \$150  
8 million down that we've identified as risk.

9 LEGISLATOR DENENBERG: But that  
10 was part of the budget. If we don't get  
11 what we're projecting, and we're doing \$75  
12 million behind projection, we're going to  
13 have a deficit.

14 MR. MARAGOS: Right. But the \$75  
15 million in improvements is what I'm saying,  
16 and you can't take each line item out of  
17 context.

18 A budget is a plan that  
19 reasonably anticipates expense and revenue.  
20 Some line items will come in better, others  
21 will come in worse. You have to look at the  
22 bottom line in how you're going to end up at  
23 the end of the year.

24 You hope and plan to end in  
25 balance and that's the overall objective.

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2 It's not that critical whether each line  
3 item comes in exactly on budget or not, and  
4 most likely they do not.

5 LEGISLATOR DENENBERG: So last  
6 year when we ended up with a \$50 million  
7 deficit, that's what we should really look  
8 at, the bottom line was there was a \$50  
9 million deficit?

10 MR. MARAGOS: Yes, and you can  
11 look back as to the reason for it, the  
12 primary reasons. The primary reason, the  
13 overwhelming reason in 2012 was the fact  
14 that this legislature did not approve \$41  
15 million --

16 LEGISLATOR DENENBERG: Of  
17 borrowing.

18 MR. MARAGOS: Borrowing to pay  
19 for property tax refunds.

20 LEGISLATOR DENENBERG: How would  
21 that have helped the structural balance?

22 MR. MARAGOS: By \$41 million.

23 LEGISLATOR DENENBERG: The  
24 structural balance by \$41 million?

25 MR. MARAGOS: No, it would not

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2 have helped the structural --

3 LEGISLATOR DENENBERG: You just  
4 said, I think you want to correct yourself,  
5 that \$41 million of borrowing wouldn't have  
6 helped a structural imbalance.

7 MR. MARAGOS: I just did. It  
8 would not. It would have helped balance the  
9 budget.

10 LEGISLATOR DENENBERG: Wouldn't  
11 overtime not being \$10 million over budget  
12 actually have a recurring help last year?

13 MR. MARAGOS: Yes, it would have.  
14 If sales tax had been higher by \$10 million,  
15 it would have had a positive effect.

16 LEGISLATOR DENENBERG: You can't  
17 have projections that are overly rosy and  
18 say that those projections make a balanced  
19 budget. Because, at the end of the day,  
20 you, especially, have to see where those  
21 projections come in. If you're \$75 million  
22 short of projections in terms of the actual  
23 cost of labor, actual cost of overtime,  
24 that's something very real that has to be  
25 made up.

1                   Budget Hearing/7-26-12

2                   The problem is, if we make it up  
3 with one-shots, it doesn't do anything for  
4 our structural problems.

5                   MR. MARAGOS: Mr. Denenberg, the  
6 projections are not rosy, they're not  
7 optimistic. We've always tried to be very  
8 conservative. I indicate that in terms of  
9 the payroll, it is over budget. There were  
10 \$150 million in risk that was identified by  
11 the comptroller's office. It's still 75  
12 over budget, but certainly 75 million less  
13 than the risk that was anticipated.

14                   LEGISLATOR DENENBERG: Now, in  
15 2010, you looked at the 2010 budget, I'm  
16 sure, correct?

17                   MR. MARAGOS: Yes.

18                   LEGISLATOR DENENBERG: The 2010  
19 budget had \$50 million for pay as you go tax  
20 certs, correct?

21                   MR. MARAGOS: Yes.

22                   LEGISLATOR DENENBERG: How much  
23 did we have in the 2011 budget for pay as  
24 you go tax certs?

25                   MR. MARAGOS: Nothing.

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2 LEGISLATOR DENENBERG: How much  
3 is in 2012 for pay as you go?

4 MR. MARAGOS: Nothing. I'm  
5 sorry. There was \$75 million that was  
6 budgeted.

7 LEGISLATOR DENENBERG: So in  
8 2010, you would agree, we had \$50 million in  
9 the budget for pay as you go on the tax  
10 certs?

11 MR. MARAGOS: That's right.

12 LEGISLATOR DENENBERG: 2011,  
13 zero?

14 MR. MARAGOS: Zero. But, again,  
15 I want to remind you that there was a letter  
16 signed by the minority to allow to support  
17 bonding for property tax refunds.

18 LEGISLATOR DENENBERG: But that,  
19 with regard to the tax certs in 2011 --

20 MR. MARAGOS: There was nothing  
21 in the budget for that.

22 LEGISLATOR DENENBERG: That was  
23 the first time from at least 2005 where \$50  
24 million was not in the budget for pay as you  
25 go, correct?



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2 MR. MARAGOS: That's correct.

3 LEGISLATOR DENENBERG: Now, in  
4 2012, do we have \$75 million in the budget  
5 for pay as you go?

6 MR. MARAGOS: Yes, we do. That's  
7 indicated, if you look under revenues -- I'm  
8 sorry, revenues, you will see there was 75  
9 million. We are assuming zero to be  
10 authorized by the legislature and approved.

11 LEGISLATOR DENENBERG: If it's  
12 zero, it's not pay as you go, then if --

13 MR. MARAGOS: But it was  
14 budgeted. 75 million was budgeted.

15 LEGISLATOR DENENBERG: I don't  
16 understand. Do we have \$75 million this  
17 year for pay as you go or is that assuming  
18 that 75 million is borrowed and transferred  
19 to the pay as you go line, in which case I  
20 don't why it is pay as you go then?

21 MR. MARAGOS: You have 75 million  
22 that was budgeted. You have zero that was  
23 approved by this legislature and we assume  
24 that no funds are going to be approved to  
25 save for property tax refunds.

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2 LEGISLATOR DENENBERG: But if we  
3 have \$75 million in operating expenses to  
4 pay for tax certs, then you don't need  
5 borrowing, right?

6 MS. WATSON: You have approved in  
7 the budget authorization of \$75 million to  
8 spend and we think it's going to be 16. You  
9 also approved in the budget that you are  
10 going to transfer in 75 million of borrowed  
11 funds and we're assuming zero because NIFA  
12 and the legislature has not approved  
13 borrowing.

14 LEGISLATOR DENENBERG: I didn't  
15 approve those budget items either. I voted  
16 against them because I thought it was a  
17 shell game.

18 MS. WATSON: In the adopted  
19 budget, there is \$78 million authorization.

20 LEGISLATOR DENENBERG: To borrow?

21 MS. WATSON: Of authorization to  
22 spend. All right? The spending is not  
23 contingent on anything except having money  
24 in the bank. You have an approval to spend  
25 \$75 million.

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2 LEGISLATOR DENENBERG: Is there  
3 \$75 million in the budget to meet that  
4 approval, or does that rely on borrowing?

5 MS. WATSON: 75 million in the  
6 budget is supposed to come from borrowing.  
7 But when we spend money, we don't look to  
8 see that the borrowing has done, still spend  
9 that money. Maybe not all of it.

10 LEGISLATOR DENENBERG: So the  
11 fact of the matter is, there really -- the  
12 \$75 million in the budget is not pay as you  
13 go then? There's no revenue, no operating  
14 revenue to offset that expenditure.

15 MR. MARAGOS: Excuse me. What do  
16 you mean, can you define pay as you go?

17 LEGISLATOR DENENBERG: What did  
18 you think I meant when I said since '05  
19 through '10 there was 50 million in the  
20 budget to pay as you go for tax certs and in  
21 2011 there was zero?

22 MR. MARAGOS: Well, I let that  
23 term pass, I didn't think it was  
24 significant, but now that you're --

25 LEGISLATOR DENENBERG: Meaning

1                   Budget Hearing/7-26-12  
2     operating funds in the budget to pay out of  
3     recurring operating funds for that recurring  
4     expenditure, and that's what we had from '05  
5     through '10.

6                   MR. MARAGOS:    But you also had  
7     the \$50 million that was budgeted to be paid  
8     from bonding in each of those years.

9                   LEGISLATOR DENENBERG:   First of  
10    all, are you telling me right now we had \$50  
11    million in borrowing in each of those years  
12    to offset the 50 million pay as you go?  
13    That's simply untrue.    You're the  
14    comptroller of Nassau County.    We had \$50  
15    million of operating expenses in each of  
16    those years without any borrowing.    If there  
17    was borrowing, it was on top of that \$50  
18    million.

19                   MR. MARAGOS:    I believe you're  
20    right.    It was the first 50 million from  
21    operating expense and the balance from  
22    borrowing.

23                   LEGISLATOR DENENBERG:    And in '11  
24    we agreed already there was zero from  
25    operating expenses, correct?

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2 MR. MARAGOS: Correct.

3 LEGISLATOR DENENBERG: In '12, is  
4 there 75 million from operating expenses or  
5 that 75 million would have to come from  
6 bonding?

7 MR. MARAGOS: There was nothing  
8 for operating expenses in the budget. The  
9 75 was for bonding.

10 LEGISLATOR DENENBERG: Let me ask  
11 you then, being that we budgeted zero in  
12 operating expenses in 2011 and 2012 for tax  
13 certs when Legislator Kopel asked you that  
14 the Nassau County structural deficit would  
15 improve once the county guaranty is  
16 repealed, or it's been repealed, once the  
17 repeal kicks in, being that we're budgeting  
18 nothing of operating expenses to pay for tax  
19 certs, once the schools, the fire districts,  
20 the towns, and the villages have to pay for  
21 the refunds, how is that going to help our  
22 structural imbalance when we're not  
23 budgeting anything for tax certs?

24 CHAIRMAN KOPEL: Legislator  
25 Denenberg, wouldn't the expense be gone at

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2 the same time --

3 LEGISLATOR DENENBERG: He didn't  
4 ask for your assistance.

5 CHAIRMAN KOPEL: But I'm a very  
6 nice person and I'm offering --

7 LEGISLATOR DENENBERG: I  
8 understand that you are desperately trying  
9 to help him, but the problem is, the repeal  
10 of the county guaranty can't help the  
11 structural imbalance because we're not  
12 budgeting any operating expenses for the tax  
13 refunds and we haven't since 2010 which was  
14 the last time of the previous county  
15 executive.

16 CHAIRMAN KOPEL: And at the same  
17 time as you don't budget the operating  
18 expenses, you don't budget the expense to  
19 begin with. It isn't there anymore.

20 LEGISLATOR DENENBERG: Try to  
21 answer the question because I know his  
22 answer was incorrect.

23 MR. MARAGOS: No, actually it is  
24 correct, and that's what I was going to say.  
25 If you eliminate the expense and allocate

1                   Budget Hearing/7-26-12  
2     the responsibility for that expense to the  
3     schools or the districts and off load it  
4     from the county, that will reduce the  
5     expense.

6                   LEGISLATOR DENENBERG:    But you  
7     haven't budgeted it as an expense.  You are  
8     not budgeting it as an expense.  That's the  
9     whole point.  You are borrowing to pay it.

10                  MR. MARAGOS:    But that's a  
11     budgetary issue.  Hold on.  Let me finish.  
12     Under the expenses, we are assuming this  
13     year, because there is no bonding that we  
14     will have to pay because of judgements 16.5  
15     million as an expense for property tax  
16     refunds.  That's an expense.

17                  So whatever the liability or the  
18     bills that were presented for in the  
19     remainder of 2012 or in 2013, whether we  
20     budget or not, have to be paid.

21                  LEGISLATOR DENENBERG:    We  
22     budgeted 16.5 this year?

23                  MR. MARAGOS:    No, we didn't  
24     budget anything, but we have judgments to  
25     the extent of 16.5 that the county is

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2 obligated to pay.

3 LEGISLATOR DENENBERG: But it  
4 won't improve our operating expenses because  
5 we haven't budgeted as operating expenses.  
6 You're saying 16.5 we may have budgeted as  
7 an expense, correct?

8 MR. MARAGOS: No, we didn't  
9 budget it as an expense.

10 LEGISLATOR DENENBERG: Let me  
11 tell you something else. Isn't it true when  
12 the county guaranty ends, that 16 to 18  
13 percent of the refunds still -- which went  
14 to the county and would still be an expense  
15 for the county?

16 MR. MARAGOS: Yes, it would.

17 LEGISLATOR DENENBERG: So would  
18 the repeal fix this structural imbalance?

19 MR. MARAGOS: It would fix it by  
20 80 percent or 75 percent that the county  
21 portion, which the county is now responsible  
22 for.

23 LEGISLATOR DENENBERG: But we  
24 haven't budgeted this as an operating  
25 expense.



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2 MR. MARAGOS: Do you understand  
3 the difference?

4 LEGISLATOR DENENBERG: No. I  
5 don't see how it's going to help the  
6 structural gap. Because in the structural  
7 gap you're not including an operating  
8 expense.

9 MR. MARAGOS: But look at the  
10 structural gap, leave the one-shot items out  
11 for the time being. If you're recurring  
12 revenues were exactly the same as your  
13 recurring expenses you would not have a  
14 structural gap, would you agree with that?

15 LEGISLATOR DENENBERG: Yes.

16 MR. MARAGOS: Now, if you were to  
17 have a deficit because of higher expenses by  
18 \$16 million or \$20 million, the size of any  
19 property tax refunds, wouldn't that be an  
20 expense and therefore cause your structural  
21 gap to increase by \$20 million by that  
22 amount? I think it would.

23 LEGISLATOR DENENBERG:  
24 Particularly if we're putting in operating  
25 expenses to pay for --

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2 MR. MARAGOS: Not particularly.  
3 If you have an unbudgeted item, whether it's  
4 budgeted or not, at the end of the year, if  
5 your expenses are greater than your  
6 revenues, you're going to have a structural  
7 gap.

8 LEGISLATOR DENENBERG: Of course.  
9 And that's what we have.

10 MR. MARAGOS: Absolutely. So I  
11 hope that answers your question.

12 LEGISLATOR DENENBERG: Leave it  
13 to disagree. Let me ask you about the  
14 deficit last year. Did you see that the  
15 Office of Legislative Budget Review gave a  
16 memo to me at my request as well as to  
17 Legislator Abrahams June 27 analyzing the  
18 Sewer and Storm Water District and transfers  
19 to the general fund?

20 MR. MARAGOS: I'm sorry. We  
21 haven't seen that memo.

22 LEGISLATOR DENENBERG: Are you  
23 aware that there were transfers from the  
24 sewer district to the general fund in 2011?

25 MR. MARAGOS: Yes, we are.

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2 LEGISLATOR DENENBERG: Did you  
3 raise an issue throughout the year that  
4 those transfers to the general fund were in  
5 any way inappropriate or more than the sewer  
6 district fund expenses were?

7 MR. MARAGOS: The main reason for  
8 the transfer was to pay for the debt service  
9 that we pay on behalf of the sewer.

10 LEGISLATOR DENENBERG: So you're  
11 saying that the debt service charge back was  
12 covered by the Sewer and Storm Water debt?

13 MR. MARAGOS: That's correct.

14 LEGISLATOR DENENBERG: So you're  
15 not aware as you stand here right now that  
16 that was overstated?

17 MR. MARAGOS: I would like to see  
18 that memo if you can share it with us.

19 LEGISLATOR DENENBERG: I would  
20 like it if the comptroller and the  
21 comptroller's office would be able to tell  
22 the legislators that transfers from the  
23 Sewer and Storm Water District, which is a  
24 district, were overstated, in other words,  
25 more money was transferred than the district

1                   Budget Hearing/7-26-12  
2       charges in debt service or otherwise were.

3                   MS. WATSON:    We charge back to  
4       the sewer fund for indirect charges,  
5       personnel and for debt.

6                   LEGISLATOR DENENBERG:   Well, I'm  
7       reading from the --

8                   MS. WATSON:    I don't have the  
9       memo.   If you would share the memo, maybe we  
10      can get back to you.

11                  LEGISLATOR DENENBERG:   I'll read  
12      from it.   Since the GI water debt payment  
13      was also recorded separately, this was  
14      double counted and the sewer expenses were  
15      overstated by 7.1 million in 2011.

16                  MS. WATSON:    George already  
17      addressed that.   That was the \$7 million  
18      when you had an additional \$7 million of  
19      deficit in 2011.

20                  LEGISLATOR DENENBERG:   That's  
21      what you call the double booking error?

22                  MS. WATSON:    Right.

23                  LEGISLATOR DENENBERG:   So why did  
24      it take the Office of Legislative Budget  
25      Review, at a request from me, to find that?

1                   Budget Hearing/7-26-12  
2       Doesn't your office actually look at what is  
3       being charged to the sewer district?

4                   MS. WATSON:    Absolutely.    But  
5       there was a change in the treasurer's office  
6       last year, and the people that provided the  
7       information were two different people and we  
8       took it as we normally do.    It was a  
9       mistake.

10                  LEGISLATOR DENENBERG:    At the end  
11       of 2010, there was a \$10 million transfer,  
12       near as I can tell, from the sewer district  
13       fund to the general fund, I believe some  
14       time in fiscal 2011, which may have taken  
15       place in calendar year 2012 there was a \$20  
16       million transfer.

17                  Now, if those transfers aren't  
18       covering actual sewer district debt, the  
19       comptroller's office as well as the Office  
20       of Independent Budget Review could or should  
21       catch it.    The office of independent budget  
22       review acts upon requests of any of us here.  
23       The comptroller's office should be looking  
24       at this altogether.

25                  MR. MARAGOS:    And we did catch

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2 it.

3 LEGISLATOR DENENBERG: No. I  
4 think the Office of Legislative Budget  
5 Review caught it.

6 MR. MARAGOS: I don't know when  
7 they caught it but we certainly caught it  
8 and the auditors caught it and it was  
9 corrected.

10 LEGISLATOR DENENBERG: Do you a  
11 memo showing when you caught it?

12 MR. MARAGOS: No, we don't have a  
13 memo. We just reflect it in the year end  
14 results. We don't report every error and  
15 every correction. There's hundreds of those  
16 that happen routinely.

17 LEGISLATOR DENENBERG: What date  
18 was it recorded?

19 MR. MARAGOS: I can't recall  
20 right now, but it was captured in the normal  
21 course of our preparation of the year end  
22 financial results.

23 LEGISLATOR DENENBERG: I saw it  
24 in the last week of June when all of a  
25 sudden the deficit which we were talking

1                   Budget Hearing/7-26-12  
2    about being 40 million jumped up to 50  
3    million. The only report I got on it was  
4    from Mr. Chalmers.

5                   MR. MARAGOS:   Legislator  
6    Denenberg, we don't report errors. We find  
7    hundreds of errors and we go back and probe  
8    the departments to make adjustments. That's  
9    part of the process of closing the year and  
10   issuing the audited financial results. We  
11   go to great pains to make sure that those  
12   results are accurate.

13                  LEGISLATOR DENENBERG:   I will  
14   stick with I think it was Mr. Chalmers that  
15   brought it to everyone's attention. But let  
16   me ask you, finally, are we looking, we as a  
17   county, or the comptroller's office, or the  
18   office of management and budget as to how  
19   much money is being spent by the county with  
20   respect to the bus service, if there's any  
21   claims against the county that would  
22   otherwise have been taken care of by the MTA  
23   or the MTA insurance?

24                  Let me clarify that. Someone  
25   hurts themselves on the bus now, it's my

1                   Budget Hearing/7-26-12  
2     understanding that the suit I guess would  
3     name Violaia as well as Nassau County. We're  
4     self-insured, correct?

5                   MR. MARAGOS: Yes.

6                   LEGISLATOR DENENBERG: We are not  
7     paying for a policy for the bus, are we?

8                   MR. MARAGOS: But Violaia is  
9     required to have an insurance policy that  
10    indemnifies the county.

11                  LEGISLATOR DENENBERG: So we  
12    should have no expenses with respect to any  
13    accident on the bus or anyone getting hurt  
14    on the bus?

15                  MR. MARAGOS: No foreseen  
16    expenses.

17                  LEGISLATOR DENENBERG: Is there  
18    anything in the budget for that?

19                  MR. MARAGOS: There is nothing in  
20    the budget for that. For what? There is no  
21    requirement that there be anything in the  
22    budget for that given that the county is  
23    indemnified by Violaia.

24                  LEGISLATOR DENENBERG: For  
25    liability with respect to the bus?



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2 MR. MARAGOS: That's correct.

3 LEGISLATOR DENENBERG: And we  
4 don't pay for the insurance? If Violaia gets  
5 insurance, that's not a charge to us?

6 MR. MARAGOS: No. It's part of  
7 their total operating budget which we have a  
8 contractual agreement not to exceed.

9 LEGISLATOR DENENBERG: So it's  
10 part of the contractual amount?

11 MR. MARAGOS: That's correct.

12 LEGISLATOR DENENBERG: Thank you.  
13 Let me close by saying, last year the budget  
14 deficit, as you said, 2011 is 350 million,  
15 correct?

16 MR. MARAGOS: 50.4.

17 LEGISLATOR DENENBERG: On a  
18 structural basis or on a gap basis, how  
19 large was the deficit last year?

20 MR. MARAGOS: I would like to  
21 refer you to Exhibit-7 on page 20 where  
22 we've presented historically the year ending  
23 GAAP results on a NIFA basis. And in 2011  
24 it was negative 173.4 million; and in 2012  
25 we're projecting 115.7.

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2 LEGISLATOR DENENBERG: Thank you.  
3 I guess I will close by once again repeating  
4 that I would ask and expect in the future to  
5 get the reports before the meeting starts.  
6 At least a few days so that we can review  
7 this.

8 MR. MARAGOS: We will comply with  
9 that, legislator. I apologize for that but  
10 we wanted to, in light of the county  
11 executive's press conference announcing new  
12 actions, we wanted to verify what the impact  
13 of those actions would have. That's why the  
14 possible delay not getting you this document  
15 earlier.

16 LEGISLATOR DENENBERG: Since that  
17 point, you have verified those projections  
18 already?

19 MR. MARAGOS: We have estimated  
20 what they are and I can, again, draw your  
21 attention to one in particular that I think  
22 that you noted with regard to the 17 million  
23 for the capital projects, they had estimated  
24 I believe \$20 million and we went through  
25 the projects and we can only verify we were

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2 given credit for \$17 million.

3 LEGISLATOR DENENBERG: So the \$20  
4 million you verify the voluntary separation  
5 incentive and proposed layoffs?

6 MR. MARAGOS: Right, and that's  
7 substantially less than what they projected.

8 LEGISLATOR DENENBERG: Thank you.

9 CHAIRMAN KOPEL: Any other  
10 questions for the comptroller from the  
11 committee?

12 (No verbal response)

13 CHAIRMAN KOPEL: Thank you,  
14 Mr. Maragos. Our next witness is going to  
15 be Tim Sullivan for the administration.

16 I understand you have a  
17 presentation, so please begin whenever you  
18 are ready.

19 MR. SULLIVAN: Good afternoon.  
20 I'm Timothy Sullivan, deputy county  
21 executive for finance. To my immediate  
22 right is Eric Naughton who is the budget  
23 director for the County of Nassau. To his  
24 right is Roseanne D'lleva who is our  
25 director of performance management, and to

1                   Budget Hearing/7-26-12  
2     my left is Randy Ghisone who is an assistant  
3     deputy county executive for finance.

4                   We have a presentation, which  
5     will be brief, and then we will be open to  
6     questions from this body.

7                   I think we want to start off by  
8     saying obviously the comptroller has gone  
9     out and announced a \$50.4 million deficit  
10    and I think we know the origins of that and  
11    it directly relates to the county not having  
12    the capacity to borrow for tax certioris,  
13    and I want to go over some of the actions  
14    the administration has taken to address this  
15    deficit.

16                  First of all, we should talk  
17    about significant work force reductions. I  
18    think this is a center piece of this  
19    administration and the budget for 2012 was  
20    7,400 and you will see in an upcoming slide,  
21    a lot of people were doubting we could get  
22    near 7,400. Just to put this in context, we  
23    were at 9,177, the budget numbers back in  
24    2009. Suffolk County has approximately  
25    9,500 employees. So we are 2,000 positions

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2   less than Suffolk County right now, about 22  
3   percent, for very similar, in terms of  
4   population and things like that. So these  
5   are -- it's an enormous pressure on our  
6   workforce and a lot has been done already.

7                   We talk about OTPS reductions, I  
8   think the comptroller referenced  
9   disencumbering funds, closing out contracts,  
10   things of that nature, and also just cuts on  
11   procurement and various things we can't  
12   control.

13                  Some other initiatives this  
14   administration has undertaken, the  
15   privatization of inmate health care which  
16   has been a very good initiative for the  
17   county. It saves approximately \$6 million  
18   on an annual basis.

19                  The housing of Suffolk County  
20   inmates, which is a win for both counties.  
21   It reduces their cost as far as  
22   transportation and overtime for their  
23   guards. It hasn't increased our overtime  
24   costs at all, and it's revenue for the  
25   county.

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2 We spoke earlier about the -- the  
3 comptroller spoke earlier about the  
4 elimination of the county guaranty and, to  
5 me, that is probably the signature  
6 achievement of this administration.  
7 Ultimately, we all know there is a billion  
8 two outstanding in property tax cert debt,  
9 outstanding, that's the big difference  
10 between us and other municipalities.

11 We all know that Nassau County is  
12 the only county totally responsible for  
13 underwriting these other jurisdictions and  
14 this action gets us out from underneath  
15 that, and just to address a point that was  
16 touched upon earlier, yes, there are no  
17 dollars budgeted in this year, but in the  
18 multiyear plan, we did budget expenses in  
19 the out years for this.

20 Also, we spoke briefly about the  
21 successful bus private partnership which I  
22 think is a win, saving the county \$33  
23 million annually. As we all know, the MTA  
24 was asking for an additional \$26 million,  
25 they were not willing to budge off that

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2     position unless we cut the routes in half.  
3     And then the underlying subsidy, where there  
4     was a direct \$7 million reduction as a  
5     result of the privatization effort.

6                   Finally, the consolidation of the  
7     police precincts. That's halfway through  
8     now. We've gone from eight precincts.  
9     Currently there are six. Two precincts have  
10    been moved away from and this consolidation  
11    saves the county on an annual basis \$20  
12    million.

13                  We spoke briefly about the  
14    workforce management, and, again, I think  
15    this a slide that is pretty dramatic, and it  
16    shows essentially what is transpiring here  
17    in the county. You see the budget level at  
18    9,177 in 2009, and you can see currently  
19    where it's 7,476, and this before the  
20    employees are scheduled to be reduced  
21    through layoff incentives and normal  
22    attrition occurs.

23                  Right now we are at 7,476. The  
24    budget issue is 7,395. We are projecting  
25    that probably in the last quarter of this

1                   Budget Hearing/7-26-12  
2     year, after these actions have all flowed  
3     through that we're going to be at 7,300  
4     positions.

5                   So, again, that is something that  
6     is, you cannot ask to do more when you talk  
7     about payroll, that is how you reduce  
8     payroll by reducing positions.

9                   At this point I'm going to turn  
10    the presentation over to Eric Naughton to  
11    continue.

12                   MR. NAUGHTON: When you look at  
13    the county's financial plan, so far, year to  
14    date, we have achieved about roughly \$122  
15    million of annualized labor savings that  
16    reflects the reduced payroll, savings and  
17    fringe benefits. We have pending actions as  
18    far as the recent VSIP, further attrition in  
19    the police department, corrections, and  
20    further layoffs, we will save another \$36  
21    million on an annual basis.

22                   So by year end we will be over  
23    \$150 million of labor savings we will have  
24    achieved the target. You throw on top of  
25    that the debt service savings of over \$30



1                   Budget Hearing/7-26-12  
2   million.   You can see that just in this  
3   fiscal year, the county has saved \$151  
4   million of expenses.

5                   On top of that, you look at the  
6   favorable results of sales tax, the new fee  
7   increases that are being proposed.   This  
8   fiscal year we will have fiscal savings of  
9   roughly \$179 million and on the annualized  
10   basis, \$224 million.   I think that's a  
11   significant accomplishment.

12                  Looking at the gap, the  
13   comptroller's office has stated it to be \$45  
14   million for this year prior to corrective  
15   actions.   Right now, our office is at 24.2  
16   million.   The major difference between the  
17   two offices is that we have already  
18   acknowledged about \$12 million of reduced  
19   expenses in the areas of early intervention  
20   and preschool, which brings us down to \$24.2  
21   million.

22                  That \$24.2 million includes the  
23   16 and a half million dollars of anticipated  
24   tax cert judgements.   So if you were to back  
25   that out operating deficit, even before we

1                   Budget Hearing/7-26-12  
2     take any actions, is only about \$8 million  
3     which would definitely be close to break  
4     even.

5                   However, we do have actions that  
6     have been planned. The county executive  
7     announced some of those earlier this week.  
8     For instance, we're going to close out  
9     capital projects worth about \$19 million.  
10    We will have the additional labor savings of  
11    roughly \$4.6 million that comes from the  
12    VSIP and layoffs. Just looking at VSIP  
13    alone, we have approximately 60 full time  
14    employees sign up. They're total salaries  
15    is worth \$4.6 million. Obviously we're not  
16    savings \$4.6 million this year, but we will  
17    save just from last week over \$2 million.  
18    That number is definitely achievable.

19                  Obviously, the human service  
20    contracts were cancelled, that's \$3.8  
21    million. Proposed revenue fees will bring  
22    in about \$3.3 million for the balance of  
23    this fiscal year.

24                  Also part of this plan is that  
25    we've been retiring correction officers and

1                   Budget Hearing/7-26-12  
2    police officers who have been out on long  
3    term disability. As you are aware, when  
4    they are on long term disability, we pay 100  
5    percent of their salary and we get no  
6    benefit for them.

7                   So through management efforts and  
8    working with the state comptroller, we have  
9    had a significant number of those employees  
10   actually retire, leave the county workforce,  
11   they're receiving a pension, and now we are  
12   saving on that salary.

13                  We are going to approach NIFA  
14    about being able to bond for those  
15    termination payments because it is giving us  
16    a recurring benefit. We think that makes  
17    sense and, from earlier conversations, they  
18    may buy into that.

19                  Additional police officers, we  
20    are assuming that roughly another 30  
21    officers will retire between July 1st and  
22    December 31st. As we speak, approximately  
23    seven officers retired in the month of July  
24    which means we are on pace to have the 30,  
25    that will give us savings of about a million

1                   Budget Hearing/7-26-12

2       and a half dollars.

3                   The correctional center. Our  
4       projections right now, we have factored in  
5       overtime spending to be two and a half  
6       million dollars less than last year, and  
7       received to date about \$3.3 million less.  
8       We think for the year end, the correctional  
9       and overtime will be \$4 million below last  
10      year, so that's another pickup of a million  
11      and a half dollars.

12                  As we are able to get some of  
13      those other long-term disability's people  
14      retired, that's worth a million. So with  
15      these corrective actions we can probably end  
16      the year with a small surplus of roughly  
17      \$12.8 million. That's even factoring in not  
18      being able to bond for 16 and a half million  
19      dollars worth of tax cert payments.

20                  We do have some other  
21      opportunities for savings. The Rules  
22      Committee approved the contract for UMS they  
23      are on board now. We have not factored any  
24      savings in for this fiscal year, but they  
25      have told us just looking at some of the low

1                   Budget Hearing/7-26-12  
2     hanging fruit there are some opportunities  
3     for savings this year and obviously going  
4     forward.

5                   We are currently taking a look at  
6     every single purchase request by the  
7     departments. We will be making further cuts  
8     there. We're not going to put a dollar  
9     figure on it, but we will achieve further  
10    OTPS spending.

11                  The proposed land sales. The  
12    real estate department through public works  
13    is looking at our inventory. There are some  
14    projects that they think can come forward  
15    this year, and if not this year they will be  
16    part of the 2013 budget.

17                  Obviously we will continue to  
18    look to reduce labor costs as much as  
19    possible and additional sales tax growth.  
20    Our office has put into our projections say  
21    \$25 million over budget, comptroller is at  
22    29. So just right there, that shows you  
23    there is some wiggle room to actually have  
24    additional sales tax. So we're being very  
25    conservative in all our forecasts, so,

1                   Budget Hearing/7-26-12  
2       clearly, on a budgetary basis, we will  
3       definitely have a surplus at year end.

4                   Now, in terms of tax cert  
5       finance, I think, Tim, you may want to speak  
6       on this part.

7                   MR. SULLIVAN:   Yes.   I mean,  
8       obviously, when we adopted the budget and  
9       the multi-year plan, the multi-year plan  
10      envisioned \$305 million of tax cert  
11      financing over four years.   That was '11,  
12      '12, '13 and '14, with no borrowing  
13      scheduled for '15.

14                  The borrowing started at 95  
15      million, 85 million, 75, 50 and then zero.  
16      I think it's important to note that when  
17      NIFA adopted the budget, the statement, the  
18      statement of the directors with their  
19      conditional approval of the multi-year plan  
20      for 2012-2015 states the following, and this  
21      was their report:

22                  Transitional borrowing to help  
23      close the gap is reasonably necessary to  
24      avoid the shutdown of county government  
25      services and can concomitantly a potential

1                   Budget Hearing/7-26-12  
2     unreasonable burden on the citizens and  
3     workforce. So I think NIFA recognized the  
4     transitional financing component that was  
5     necessary during this to get to a structural  
6     balance in 2015. Again, we admitted the  
7     lack of structural balance, and obviously  
8     the county hasn't had structural balance  
9     going back the last 20, 30 years. Tax certs  
10    being the lion's share of that issue.

11                   So I think NIFA in its wisdom  
12    recognized this. There was an agreement  
13    reached to borrow 305 million over four  
14    years, and right now that is quite vital and  
15    necessary to the county's ongoing fiscal  
16    health.

17                   The next slide just walks through  
18    what I just spoke of, the multiyear plan  
19    approval. You can see the \$305 million  
20    there. Again, \$95 million that was  
21    scheduled to be borrowed last December, and  
22    to be counted against 2011. Again, 2012,  
23    \$85 million, \$75 million in 2013, \$50  
24    million in 2014. That was the multiyear  
25    plan that we approved and that is the vision

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2 that the county had here.

3 Again, when you start sliding  
4 down your financing, you're ramping down  
5 your borrowing, at the same time we will be  
6 increasing expenses, as far as budgeting  
7 operating dollars for tax certs and those  
8 expenses are projected to be a lot lower  
9 with the elimination of the county guaranty  
10 at this filters through.

11 At this point, as I return the  
12 presentation to a topic we would like to  
13 address with this board, it's what I call  
14 the refinancing restructuring opportunities  
15 available to the county.

16 I'm going to ask two people that  
17 we been working with, numerous banks have  
18 approached just one of the banks that has  
19 been very strong for the county has been  
20 Ramirez & Company, Mike Solomon, who has  
21 over 25 years of banking experience with  
22 Bear Stearns and Merrill Lynch. And also  
23 our senior managing consultant from PFM,  
24 Tracy Keys. Tracy has been with PFM for  
25 four years and prior to that has over 30



1                   Budget Hearing/7-26-12  
2   years of municipal financial experience lion  
3   share with JP Morgan. So I'm going to ask  
4   them to come up to present the next two  
5   slides.

6                   LEGISLATOR DENENBERG: Before you  
7   do, to the chair. The slide show that was  
8   just presented, I don't have a copy of it.  
9   I don't know if any of us do.

10                  CHAIRMAN KOPEL: None of us have  
11   it. This is just their slide show.

12                  LEGISLATOR DENENBERG: Will they  
13   give it to us since it was shown on the  
14   screen?

15                  CHAIRMAN KOPEL: Will you both  
16   just identify yourselves for the record.

17                  MR. SOLOMON: Michael Solomon,  
18   managing director at Ramirez & Company.

19                  MS. KEYS: And Tracy Keys, senior  
20   managing consultant at Public Financial  
21   Management.

22                  CHAIRMAN KOPEL: I understand  
23   you've got a presentation for us?

24                  MR. SOLOMON: Yes.

25                  CHAIRMAN KOPEL: Love to hear it.

1                   Budget Hearing/7-26-12

2       Start whenever you are ready.

3                   MR. SOLOMON: I'm going to start,  
4       give a bit of an overview and Tracy is going  
5       to come in and give some of the particulars.

6                   First of all, thank you, it's an  
7       honor to be here speaking with you today  
8       about saving opportunities for the county  
9       and our focus, of course, is going to be on  
10      the debt side.

11                  One of the major stories so far  
12      in 2012 has been the sharp decline in the  
13      borrowing costs. Currently rates are  
14      literally at an all time historic low so  
15      it's a great opportunity and time for any  
16      municipality to go and refinance existing  
17      high coupon debt and generate real budgetary  
18      savings.

19                  In terms of the opportunity that  
20      we focused on for the county really rests  
21      with some of the outstanding NIFA bonds.  
22      NIFA has some fixed rate bonds outstanding  
23      that have coupons roughly at the five  
24      percent level, some a little higher, some a  
25      little lower. You can refinance those today

1                   Budget Hearing/7-26-12  
2    very much like you would your home mortgage.  
3    By doing so, and locking in today's low  
4    rates, the county would be able to save over  
5    \$20 million of actual savings that it could  
6    target either over time or it could take the  
7    savings up front, which would clearly be a  
8    big budget benefit going into fiscal year  
9    '13.

10                   So the primary re-funding  
11    analysis essentially is a straightforward  
12    refinancing. We've taken this a little bit  
13    -- the next step would be to look at the  
14    county's debt in aggregate and notice that  
15    it's relatively front loaded. The county's  
16    debt obligations which includes the GO bonds  
17    and NIFA bonds are very heavy in the next  
18    few years and decline over time.

19                   So one of the strategies that  
20    we've been talking about to help the county  
21    is to use the savings from the refinancing,  
22    the \$20 million savings from the  
23    refinancing, and do a restructuring of some  
24    the county's bonds that mature over the next  
25    few years, let's say fiscal years '13, '14

1                   Budget Hearing/7-26-12  
2     and '15.

3                   The county could be in a position  
4     to reap cash flow savings of up to \$50  
5     million a year, and you could do certainly  
6     less than, but 50 is the most aggressive.  
7     Get those cash flow savings and, when you  
8     combine it with the regular traditional  
9     refunding, even though there is a cost to  
10    doing the restructuring overall, the  
11    financing would produce positive present  
12    value savings and significant cash flow  
13    savings. It's really taking advantage of a  
14    market that's at all time lows and locking  
15    those in.

16                  Generally restructurings are  
17    something that people do with a lot of  
18    thought because there is a small cost to it  
19    but, given where rates are, given the  
20    overall fiscal environment, this is  
21    something that we think should be looked at  
22    and considered as you move forward, and then  
23    we turn it over to Tracy perhaps to go  
24    through some of the details of these  
25    scenarios.

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2                   MS. KEYS: Thanks, Mike. Let me  
3 just clarify. When Mike says the county  
4 debt, because Nassau County is paying the  
5 NIFA debt, we are -- that's why he's using  
6 the word Nassau County, but it's only NIFA  
7 debt that we're talking about restructuring  
8 and refunding here.

9                   We've put together I guess a  
10 range is the best way of describing it of  
11 refunding and restructuring opportunities,  
12 starting with very, very straightforward, a  
13 refunding, basically taking five percent  
14 debt and replacing it with what is  
15 essentially three percent debt or lower cost  
16 debt.

17                   In that scenario, you get  
18 benefits every year. It's just like a  
19 savings on your mortgage. You would get a  
20 savings of about \$2 million every year  
21 beginning in 2014 and the total PV savings  
22 would be \$22 million. That's 11.35 percent  
23 of the refunded debt.

24                   If you take it a step further,  
25 you can move those savings up front into

1                   Budget Hearing/7-26-12  
2     2013, '14 and '15. We can't get any savings  
3     in 2012 at this point, but you can move it  
4     to 2013, '14 and '15, and, again, it's \$22  
5     million in savings. There are no  
6     dis-savings in any year after that. That  
7     will produce about \$21 million in present  
8     value savings. It's about 7.4 million in  
9     each of the three years.

10                   We try to push those savings all  
11     into 2013 to try to get as much as possible  
12     into 2013, and doing that you can get again  
13     about 21 million in 2013 with no annual  
14     dis-savings after that.

15                   However, with your 21 million of  
16     savings in 2013, every year after that you  
17     have about a thousand dollars of savings.  
18     It's pretty much a break even. So it  
19     doesn't cost you anything, but, you know,  
20     it's a no savings benefit after that.

21                   Then, if you are a little more  
22     creative or aggressive, however you look at  
23     it, you can restructure your tax exempt  
24     debt. We've had the county's bond counsel,  
25     Orrick Herrington, sign off that the

1                   Budget Hearing/7-26-12  
2       analysis that we've done and the bonds that  
3       we're assuming can be restructured on a tax  
4       exempt basis are indeed, they do qualify for  
5       a tax exempt restructuring.

6                   We are not extending the debt  
7       beyond the existing debt, the final maturity  
8       of the existing debt. So if you did a tax  
9       exempt restructuring only on a tax exempt  
10      basis, you could push about 90 million of  
11      the savings from into 2013, '14 and '15.  
12      Doing that you would have dis-savings in  
13      every year after that, about 8 million or  
14      so. But given where the county is in terms  
15      of its fiscal condition, it's something  
16      certainly out there to be considered.

17                  Finally, the last thing that we  
18      looked at was both a tax exempt and taxable  
19      refunding. Orrick told us which series  
20      could and could not be refunded on a taxable  
21      and tax exempt basis, which could not be  
22      refunded on a tax exempt basis, but they can  
23      still be done on a taxable basis, and you  
24      can still get some benefit there.

25                  With that restructuring, you can

1                   Budget Hearing/7-26-12  
2   push about \$50 million into each of the  
3   three plan years, '13, '14 and '15. You  
4   would have about 15 million of dis-savings  
5   or additional, 15 million of additional debt  
6   service costs in every year after that, but,  
7   again, another option.

8                   One thing I want to say,  
9   especially on the more generic refunding  
10  where you push all the savings up front  
11  without a restructuring, that's a very, very  
12  common thing for municipalities, states,  
13  counties. I did one for a highly rated  
14  county yesterday where they took all the  
15  savings they possibly could up front. It's  
16  done on the state level. DASNY (phonetic)  
17  did over a billion dollars in terms of  
18  refundings about a month ago, and they took  
19  most of the savings in the first five years.  
20  Again, it's a pretty common thing even for  
21  very conservative municipal issuers.

22                  MR. SOLOMON: Do you want to talk  
23  about the bond premium as well?

24                  MS. KEYS: Sure. If you turn to  
25  page nine, the bond premium. I guess I



1                   Budget Hearing/7-26-12  
2       should just give an explanation of what a  
3       bond premium is. Right now in the tax  
4       exempt market, investors want five percent  
5       coupons. But the market is not at a five  
6       percent. I think we all want five percent  
7       coupons. But the market is at -- it's  
8       incredibly good right now. It's 280 for a  
9       30 year bond, three percent, it's very very  
10      low. So because investors want the five  
11      percent coupons, and that's an esoteric  
12      reason why they want them, believe me,  
13      that's the market, they want them, they are  
14      willing to pay you a premium up front.

15                   So if they buy \$100 worth of  
16      bonds, with a five percent coupon, if they  
17      yield on it is really three percent, they  
18      will pay you \$102 for that because it has  
19      extra value. So that's what we're talking  
20      about here, the bond premium.

21                   The county has historically  
22      retained its bond premium. We did a  
23      calculation and found out that they retained  
24      about 60 million in premiums from its bonds  
25      and notes between 2008 and 2011. It's not

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2 like you can take a bond premium and have a  
3 party or go to Acapulco. You have to use it  
4 for qualified projects or to pay interest on  
5 outstanding debts.

6 The 2012 adopted budget assumes a  
7 bond premium. And then in March of this  
8 year, NIFA passed a resolution for venting  
9 the county from retaining that premium which  
10 has created a budget problem.

11 The last thing I want to point  
12 out is many many large issuers, common  
13 issuers in the municipal market, retain  
14 premium. We listed a few of the New York  
15 issuers that do. New York City retains  
16 premiums on virtually everything they do.  
17 You can't do it on a refunding but every new  
18 money issue that they do they retain  
19 premium. In this example with a \$850  
20 million to the TFA, Transitional Finance  
21 Authority, the barb deal that they just did,  
22 on that they earned a 112 of premium and  
23 retained that premium. They did not  
24 downsize the bond issue.

25 MTA has done similar things,

1                   Budget Hearing/7-26-12  
2       LIPA, the port authority, and nationwide  
3       other issuers have done similar things that  
4       are considered pretty common.

5                   MR. SULLIVAN:   And just to  
6       comment there, as we did budget for this  
7       year, the county has historically done this  
8       for the past 40 years.   To date, we have  
9       over \$14 million in bond premium that could  
10      have been used for debt service relief right  
11      now that we were not able to use.   So that  
12      is something that we would request going  
13      forward that NIFA sort of honor that policy.  
14      It is something that is hurting us and  
15      causing fiscal stress.

16                  MS. KEYS:   The bond premium, is  
17      that what the question is?

18                  CHAIRMAN KOPEL:   Yes.   I will  
19      speak for at least for a few of us over  
20      here, not for everyone else.   I don't really  
21      get this.   You say the bond premium, I don't  
22      really understand the concept.   The bond  
23      premium, I understand what it is.   If you  
24      have a five percent coupon and the market is  
25      at two percent, the bond is worth something

1                   Budget Hearing/7-26-12  
2    over par.   But when you say that the county  
3    has retained that premium, how do you get  
4    from here to there if a third party owns  
5    that bond?   How does the county retain that?

6                   MS. KEYS:   The bond investing  
7    actually pay you, pay the county.   When you  
8    do the bond issue, if it's a \$100 million  
9    bond issue, and there's \$5 million of  
10   premium --

11                  CHAIRMAN KOPEL:   We're talking  
12    about actually at the time of issue?

13                  MS. KEYS:   Yes.

14                  CHAIRMAN KOPEL:   So at the time  
15    of a new issue, you issue bonds with a five  
16    percent coupon even though the market is at  
17    two percent, therefore, you sell the bond  
18    for more and it's essentially just extra  
19    borrowing, would that be a fair way of  
20    putting it?

21                  MR. SULLIVAN:   I wouldn't label  
22    it as such.   It's basically the market, you  
23    know.   Once the price, as Tracy said,  
24    somewhat more like a four percent range or  
25    greater, in order to do that, they have to

1                   Budget Hearing/7-26-12  
2     pay for that because essentially they're --  
3     that's overpricing the bonds, so the county  
4     and most municipalities retain this bond  
5     premium.

6                   CHAIRMAN KOPEL:    I understand,  
7     but the penalty, or the giveback for that --

8                   MR. SULLIVAN:    There is not a  
9     penalty.

10                  CHAIRMAN KOPEL:   Not a penalty,  
11     I'm sorry, I misspoke, but the giveback or  
12     the payback for that is essentially that  
13     you're paying extra interest in all the  
14     years that you are paying the debt service?

15                  MR. SULLIVAN:    Yes, correct.

16                  MS. KEYS:        What has happened in  
17     the past is, if you have \$100 million of  
18     projects, you would size the bond at \$100  
19     million.  If you got 5 million in premium,  
20     the county would just keep it so you would  
21     have \$105 million of fund and you would pay  
22     the debt service.

23                  CHAIRMAN KOPEL:    You pay  
24     additional debt service, as you're paying it  
25     back, you're paying additional debt service

1                   Budget Hearing/7-26-12  
2   because of that \$5 million that you've kept?

3                   MS. KEYS:   Well, yes.   What's  
4   being done now is if you have \$100 million  
5   and you get \$5 million in premium, you drop  
6   the bond size to \$95 million, so you're  
7   paying less debt service, yes.   It's the  
8   opposite.

9                   CHAIRMAN KOPEL:   Are you saying  
10   that this is something that is typically  
11   done by most municipalities?

12                  MR. SULLIVAN:   It varies back and  
13   forth.   And I think the real overriding  
14   issue here is, you have to look at the  
15   fiscal condition of the county.   The county  
16   has done this as other -- as Tracy just  
17   listed, New York City, the MTA, Port  
18   Authority, LIPA, entities do this throughout  
19   New York State and throughout the country.

20                  If you really want to just boil  
21   it down and say, this wasn't the time, to  
22   sort of to get religion here, and something  
23   the county has been doing for the last 30  
24   years, and it increases the fiscal stress  
25   and created a budget problem for us this

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2 year.

3 CHAIRMAN KOPEL: What would gap  
4 dictate in this case? Is that a gap issue,  
5 is that what this is, is that why NIFA --

6 MR. SOLOMON: For an issuer like  
7 the county that's frequently in the market  
8 anyway, they're going to end up getting  
9 extra proceeds anyway down the road, so this  
10 is them giving it sooner, perhaps at a  
11 better rate.

12 The other point I wanted to  
13 mention, even though the county or any  
14 issuer who would sell at a premium bond, is  
15 paying a higher coupon because you're  
16 getting the money up front. The overall  
17 borrowing cost works out to be clearly the  
18 market yield. So there is no additional  
19 debt service.

20 LEGISLATOR SCHMITT: You  
21 testified, at least for the layman's ear,  
22 you testified on two separate issues. One  
23 is this premium bond and premium over the  
24 issuing price, I understand to get the  
25 additional funds up front.

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2 But the other, you talk in terms  
3 of NIFA held bonds that could be refinanced  
4 at a lower rate to generate a savings. How  
5 much NIFA bonds could be refinanced?

6 MR. SOLOMON: Right now we are  
7 looking at the rates as they are, about \$195  
8 million.

9 LEGISLATOR SCHMITT: \$195 million  
10 of NIFA issued debt could be refinanced to a  
11 lower rate of interest saving the county  
12 approximately how much money?

13 MR. SOLOMON: Approximately just  
14 over \$20 million

15 LEGISLATOR SCHMITT: A year?

16 MR. SOLOMON: No, total.  
17 Depending on when you take those savings,  
18 you could take those savings up front for  
19 fiscal year '13 or they could be taken over  
20 time over the life of the bond issue.

21 LEGISLATOR SCHMITT: Is this  
22 being done?

23 MR. SULLIVAN: No, it is not  
24 being done right now.

25 LEGISLATOR SCHMITT: Why is this



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2 not being done?

3 MR. SULLIVAN: I do not know. We  
4 have had some conversations and I know we  
5 have written to them we are awaiting a  
6 response.

7 LEGISLATOR SCHMITT: So even  
8 though it's a county debt that the county is  
9 responsible for, we don't retain the right  
10 to decide to refinance, that right sits with  
11 NIFA?

12 MR. SULLIVAN: That's right.  
13 Even if it was county debt, we would still  
14 have to get clearance from NIFA, but this  
15 was debt that NIFA issued.

16 LEGISLATOR SCHMITT: We have  
17 formally requested that NIFA do this?

18 MR. SULLIVAN: Yes, we have  
19 apprised them of the market scenarios that I  
20 think we just went through with the  
21 legislature here.

22 LEGISLATOR SCHMITT: Have we  
23 formally requested the board to approve the  
24 refinancing of these bonds?

25 MR. SULLIVAN: We have sent a

1                   Budget Hearing/7-26-12  
2     letter to the chairman of the board and to  
3     staff, and what would have to happen here,  
4     obviously they would have to come up with  
5     their banker and their bond counsel and, you  
6     know, discuss exactly what series we were  
7     refinancing there to be a discussion and  
8     negotiation, but there are very clear market  
9     opportunities here for savings.

10                   LEGISLATOR SCHMITT: I do not  
11     understand why the NIFA board, the whole  
12     structure of the Nassau Interim Finance  
13     Authority was set up to help Nassau County  
14     and they're supposed to be overseeing our  
15     finances at this stage because we're in a  
16     control period.

17                   If there is a step that can be  
18     taken to achieve a significant savings, I  
19     don't understand what the discussion is  
20     about.

21                   MR. SULLIVAN: We are hopeful  
22     that they will agree to meet with us and  
23     take this up as soon as possible because as  
24     Mike and Tracy have both testified, these  
25     are historic lows. This isn't within the

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2 last ten years. We all know rates have been  
3 low. The market has never been this low.  
4 Ever. So this is a great time right now.

5 LEGISLATOR SCHMITT: Could you  
6 send me copies of the correspondence that  
7 you have sent to NIFA?

8 MR. SULLIVAN: Yes.

9 LEGISLATOR SCHMITT: So what is  
10 the process here, you just sit and wait  
11 forever if they didn't answer you? What is  
12 reasonable?

13 MR. SULLIVAN: Well, before we  
14 can enter the market, we need approval from  
15 NIFA and this particular instance, what we  
16 are talking about refinancing or possibly  
17 restructuring here is NIFA debt. So it's  
18 their debt. So we would obviously --

19 LEGISLATOR SCHMITT: But you sent  
20 them a letter last week, I assume, or two  
21 weeks ago --

22 MR. SULLIVAN: We notified them  
23 earlier. I would say we've had discussions  
24 I would say for about three months.

25 LEGISLATOR SCHMITT: Three

1                   Budget Hearing/7-26-12  
2       months?   So how do you discuss this for  
3       three months?

4                   It seems to me that it's on  
5       paper.    It's a very simple thing.   It either  
6       is or is not generating a savings.   Then  
7       they decide we either are or are not going  
8       to do it.   Why would this take three months?  
9       It could take three minutes.

10                  MR. SULLIVAN:    We are hopeful  
11       that they move on this issue and we continue  
12       to call and to inquire about it.

13                  LEGISLATOR SCHMITT:   And do we  
14       get answers?

15                  MR. SULLIVAN:    We have not  
16       received an answer yet.

17                  LEGISLATOR SCHMITT:   So what can  
18       we do about this?

19                  MR. SULLIVAN:    I think we  
20       continue to push, sir, and I believe  
21       everyone is fully engaged in this effort and  
22       we think that there is a substantial effort,  
23       especially as we head into the budget season  
24       here.   We are going to be producing a budget  
25       on September 15th and I think this could be

1                   Budget Hearing/7-26-12  
2       a very material part of the budget, and it  
3       should be a material part of the budget at  
4       this point.

5                   LEGISLATOR SCHMITT: I'm getting  
6       a little far afield here. If you're dealing  
7       with the NIFA chairman not the NIFA board?

8                   MR. SULLIVAN: Again, we would  
9       need to meet with their bankers and their  
10      attorneys.

11                  LEGISLATOR SCHMITT: I  
12      understand, but as of right now, the letter  
13      that was sent to the NIFA chairman --

14                  MR. SULLIVAN: I believe so, sir,  
15      and I know staff has it, and if staff has  
16      it, circulated to the board and then --

17                  LEGISLATOR SCHMITT: Back and  
18      forth, back and forth, back and forth. If  
19      NIFA doesn't give you an answer or even more  
20      weirdly, refuses to do it, what are your  
21      options?

22                  MR. SULLIVAN: We cannot enter the  
23      market without NIFA approval. We do not  
24      have the ability to sell bonds. I think we  
25      would keep discussing it and it's something

1                   Budget Hearing/7-26-12  
2     we want to advance in the budget that will  
3     be forthcoming in 2013.

4                   LEGISLATOR SCHMITT:    I can  
5     recognize a filibuster when I see one.    I  
6     think that there should be -- it's a simple  
7     question, and it should be a yes or no  
8     question here.    Then the county can review  
9     our options, if any.

10                  They either do this and we get on  
11     with it, or they tell you they're not going  
12     to do it, which, of course, they're going to  
13     want to know why, and see what we can do  
14     about that, if anything.    I'd hate to see  
15     these opportunities go by --

16                  MR. SULLIVAN:    I'm confident that  
17     there will be -- the market actually  
18     continues to drop.    I think when we had  
19     these last rounds of discussions, myself,  
20     Tracy, Mike and Eric, and Steve and people  
21     on our staff, even over the last week or so,  
22     the market has even improved further.

23                  So, again, this is very hot right  
24     now.    So I think now is the time we want to  
25     really get this done.    So I'm confident that

1                   Budget Hearing/7-26-12  
2       actually it's better now than it was even a  
3       month ago.

4                   LEGISLATOR SCHMITT:    So you can  
5       send us a copy of the correspondence and  
6       keep us informed as to the outcome?

7                   MR. SULLIVAN:    Yes, sir.

8                   CHAIRMAN KOPEL:    I just want to  
9       go beyond what Presiding Officer Schmitt  
10      just said.    Can you conceive of any reason  
11      that NIFA wouldn't jump on this opportunity?  
12      I mean, that's what they're there for, isn't  
13      it?

14                  MR. SULLIVAN:    I think in the  
15      latest round of discussions we've had with  
16      them, I think they realize the merits and  
17      this is something that they will come to see  
18      as this is the right way to proceed.

19                  CHAIRMAN KOPEL:    Our concern and  
20      I think everyone is concerned, that here we  
21      are with historically low rates, and I don't  
22      know what it is they're doing there, but  
23      this seems like this is, to use a  
24      colloquialism, it's just a no brainer.  
25      There's no reason that I can think of, and

1                   Budget Hearing/7-26-12  
2       certainly we've not heard any reason that  
3       they ought not to go ahead and just do it.  
4       Just say yes and do it.

5                   MR. SULLIVAN:    Again, we think  
6       right now, and the rates have moved very  
7       favorably over the last month or so, and  
8       this is really right now, this is where we  
9       are going to continue to engage in a  
10      discussion.

11                  CHAIRMAN KOPEL:   Discuss it, but  
12      my question then is, let's just say they  
13      don't give in.  Let's say they either say no  
14      for some strange reason or they continue to  
15      use the presiding officer's phrase, a  
16      filibuster, they just decline to answer.  
17      What is our backup plan?

18                  MR. SULLIVAN:    I think that I  
19      will continue to apprise this board.  
20      Obviously we keep working with our bankers  
21      and financial consultant and financial  
22      advisor, and if for some reason things turn,  
23      we will obviously come to you right away  
24      with that.

25                  CHAIRMAN KOPEL:    I guess what we



1                   Budget Hearing/7-26-12  
2       would like to see, we would like to see that  
3       this be made as a matter extreme urgency  
4       with NIFA and perhaps express the sense of  
5       this committee and probably the entire  
6       legislature that we're just wasting money  
7       here.

8                   MR. SULLIVAN: I will convey that  
9       this afternoon, sir.

10                  CHAIRMAN KOPEL: I would love to  
11       see something happen this week. Just say  
12       yes. I think this is a good time and I  
13       believe we can start to put a deal together  
14       and to close even before the budget is  
15       proposed.

16                  CHAIRMAN KOPEL: And will you get  
17       back to us and keep us up to date on that  
18       question?

19                  MR. SULLIVAN: Yes.

20                  CHAIRMAN KOPEL: Explain, please,  
21       why you carefully explained that we are  
22       talking about NIFA bonds and not the other  
23       bonds? Why can we not do the other bonds as  
24       well?

25                  MR. SOLOMON: The NIFA bonds were

1                   Budget Hearing/7-26-12  
2    issued, the bonds that we're looking at were  
3    issued as far back as 2001 and issued  
4    throughout the last decade. So they are the  
5    higher coupon, the bonds that have been  
6    updated the longest and most seasoned. When  
7    you are looking at refunding bonds, the  
8    longer the bonds are out there, and the  
9    closer they are, when we sell municipal  
10   bonds, typically, they're sold with a ten  
11   year call date. Right at the call date is  
12   the time when you can actually take the  
13   bonds away from the investor and replace  
14   them with the new bonds.

15                   So the closer an outstanding bond  
16   is to its call date, the better and more  
17   efficient the refunding is. So throughout  
18   the last decade, pretty much NIFA sold all  
19   the debt on behalf of the county. It wasn't  
20   until '07, '08 that the county began to sell  
21   GO bonds on their own general obligation  
22   credit. Those bonds wouldn't make sense to  
23   refinance at this time, but that is  
24   something down the road as we get a little  
25   bit --

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2 CHAIRMAN KOPEL: Let's say the  
3 bonds that were issued just prior to NIFA,  
4 they're still out there, aren't they?

5 MR. SULLIVAN: I believe a lot of  
6 those bonds might have been refunded earlier  
7 on the NIFA administration, 2001, 2002.  
8 Tease savings opportunities that is correct.

9 CHAIRMAN KOPEL: So when we're  
10 talking about county debt, we're pretty much  
11 talking NIFA debt?

12 MR. SULLIVAN: For these savings  
13 opportunities, that is correct.

14 CHAIRMAN KOPEL: How long would  
15 it take, let's say we have a decision we can  
16 go ahead and do it. How long does this  
17 process take?

18 MR. SOLOMON: I would say six to  
19 eight weeks from start to finish.

20 CHAIRMAN KOPEL: Obviously nobody  
21 knows which way interest rates go. We all  
22 think that it looks like it's going to stay  
23 pretty low but you never know.

24 MR. SOLOMON: Correct.

25 CHAIRMAN KOPEL: So we're kind of

1                   Budget Hearing/7-26-12  
2     in a danger period. It probably can't get  
3     too much lower. Would that be fair to say?

4                   MR. SOLOMON: I mean, I think  
5     there is a lot, certainly a lot more  
6     downside by waiting than not.

7                   CHAIRMAN KOPEL: A lot more  
8     downside by waiting?

9                   MR. SOLOMON: Yes.

10                  CHAIRMAN KOPEL: So we're kind of  
11     in a danger period. This might just slip by  
12     if we don't do it?

13                  MR. SOLOMON: Right. So if we  
14     were to get started on it this week, by mid  
15     September, we could be all fully completed.

16                  CHAIRMAN KOPEL: Legislator  
17     Nicolello, what we are going to do is  
18     concentrate right now on this bond issue and  
19     then we will come back and talk about the  
20     other things that you discussed a little  
21     earlier if that's okay?

22                  LEGISLATOR NICOLELLO: Thank you.  
23     Actually, Chairman Kopel asked the questions  
24     that I had as well, but has NIFA refinanced  
25     any of its debt to date, the debt that it

1                   Budget Hearing/7-26-12  
2     started issuing back in the last decade?

3                   MS. KEYS:    They restructured some  
4     variable rate bonds that they had when the  
5     market corrupted in 2008, they had to  
6     refinance some auction rate bonds into  
7     variable rate debt, and then later on when  
8     some of the banks were supporting that  
9     variable rate debt had problems, they  
10    replaced some of the LLC banks refinanced  
11    their debt on anything that don't, any VRDs  
12    that they don't have swapped, they fix those  
13    out.  I think they still have a VRD  
14    portfolio, but I don't think they refinanced  
15    their own debt.  Again, it's just getting to  
16    the point where it's starting to mature to a  
17    call period where you could do this.

18                  LEGISLATOR NICOLELLO:  The  
19    restructuring that went on was not to really  
20    to save money, it was just to avoid greater  
21    expenses?

22                  MS. KEYS:  Pretty much, yes.

23                  LEGISLATOR NICOLELLO:  If we are  
24    to do this refinancing, does that extend the  
25    term of the bond, another ten year period or

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2 something like that?

3 MS. KEYS: No, the final maturity  
4 is the same.

5 LEGISLATOR NICOLELLO: And the  
6 \$20 million estimate that you're giving, is  
7 that above any costs that will be incurred  
8 in the refinancing?

9 MS. KEYS: Right. That's net of  
10 any costs.

11 LEGISLATOR NICOLELLO: Like the  
12 chairman said, seems like a no brainer.

13 MR. SULLIVAN: I just want to  
14 add, the \$20 million, the 20 plus million is  
15 the baseline number. We think there is, as  
16 Mike spoke to earlier, the debt is front  
17 loaded and then trails off pretty  
18 dramatically for the county, that's the  
19 portfolio structure, and we think by  
20 leveling it out somewhat and doing some  
21 restructuring, you know we could have 90  
22 plus million, possibly \$150 million over the  
23 next three years. So there are  
24 opportunities here.

25 CHAIRMAN KOPEL: So that's not

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2 actual --

3 MR. SULLIVAN: That would be our  
4 restructuring of the debt. But that would  
5 not extend the maturity, just a  
6 restructuring.

7 CHAIRMAN KOPEL: Just a different  
8 way -- different years of cash flow?

9 MR. SULLIVAN: Yes.

10 CHAIRMAN KOPEL: Are any of the  
11 sewer bonds included in these NIFA bonds,  
12 just out of curiosity?

13 MS. KEYS: I think we look at  
14 that. I think we looked on a preliminary  
15 basis. I think there are very few. I think  
16 there are only about \$40 million of sewer  
17 bonds in NIFA debt at all. The chances that  
18 we are refunding it is pretty slim, so we  
19 did not take them out of this.

20 CHAIRMAN KOPEL: Because we have  
21 had some discussions at other times about  
22 repaying some of the sewer bonds if certain  
23 plans go forward.

24 MR. SOLOMON: And we're still  
25 looking for that to happen.

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2 CHAIRMAN KOPEL: Okay. But that  
3 would not effect this or be effected by it?  
4 That's something entirely different?

5 MS. KEYS: We don't think it's  
6 going to happen.

7 MR. SOLOMON: Yes. Very  
8 marginally.

9 CHAIRMAN KOPEL: Now, you would  
10 recommend, I understand you've outlined a  
11 few different scenarios as to how these  
12 savings would be reaped. You can either  
13 spread it out over the entire life of the  
14 bond. You can restructure it so that you'd  
15 get additional cash flow savings at the  
16 beginning besides the actual savings in  
17 interest, right, or you could just level  
18 out, you could just take the interest that  
19 you would be paying over, the additional  
20 interest, and just achieve those savings of  
21 a few million dollars a year over a bunch of  
22 years.

23 Now, I guess in order to get the  
24 biggest bang out of restructuring it and  
25 getting the cash flow right away, you'd pay



1                   Budget Hearing/7-26-12  
2     that back in future years? You would  
3     actually end up paying the money in future  
4     years?

5                   MR. SOLOMON: Right.

6                   CHAIRMAN KOPEL: The second one,  
7     as I understand it, would be taking the  
8     present value savings, as you called it, and  
9     that would be essentially taking the  
10    interest savings up front. And the last one  
11    would be spreading it out all these years  
12    but that certainly would be useful but it  
13    wouldn't give you much of a bang and it  
14    wouldn't really help you budget-wise, it  
15    wouldn't have any significant impact?

16                  MR. SOLOMON: Correct.

17                  CHAIRMAN KOPEL: So,  
18    Mr. Sullivan, what would you recommend if we  
19    had our druthers, what would you do?

20                  MR. SULLIVAN: We have been in  
21    discussion, like I said, the four people  
22    here, and Steve Conklin who manages our debt  
23    and Connell Denyen who serves as an in-house  
24    bond counsel, and I think that everyone is  
25    comfortable that the restructuring at this

1                   Budget Hearing/7-26-12  
2     time would provide enormous opportunities  
3     for the county. There would be some minimal  
4     dis-savings in some of the out years, but we  
5     were talking about a substantial benefit in  
6     '13, '14 and '15.

7                   Again, when we spoke about the  
8     transitional financing for the tax certs,  
9     it's the same theory. As a tax cert  
10    liability coming in, with the successful  
11    defense of the lawsuit, we are confident  
12    that that problem over time is mitigated and  
13    that is something that is going to provide  
14    savings to the county going forward. It  
15    makes all the financial sense in the world  
16    right now.

17                  CHAIRMAN KOPEL: So right now, to  
18    put it this way, we've got to make sure  
19    we've still got a county in a few years, and  
20    we need the money now, we're hopeful that  
21    the economy turns and --

22                  MR. SULLIVAN: That's correct,  
23    and we're seeing with sales tax up at 5.9  
24    percent, we think -- obviously it's  
25    excellent, and we're a slight bit more

1                   Budget Hearing/7-26-12  
2       conservative than the comptroller going out.  
3       We're forecasting a little less of a surplus  
4       in sales tax.

5                   But, overall, obviously there is  
6       still risk in the economy, but we have to --  
7       when we spoke about the head count before,  
8       these are benefits that -- it's obviously  
9       putting a lot of stress on the workforce,  
10      but with the lower head counts and things  
11      like that, structural changes have been made  
12      to this county the way that we do business,  
13      and with some of the privatization efforts  
14      both from the inmate health care, both from  
15      the bus privatization, and we're hoping  
16      obviously to advance it with respect to a P3  
17      for our sewer system as well.

18                  So we think enormous structural  
19      changes have taken place already and we look  
20      forward to keep on advancing that forward.

21                  CHAIRMAN KOPEL: All right. Mr.  
22      Denenberg.

23                  LEGISLATOR DENENBERG: A long the  
24      lines of what the chairman laid out, I'm  
25      going to ask questions regarding this

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2 refinancing issue.

3 This is Mike and Stacy?

4 MR. SULLIVAN: Tracy Keys.

5 LEGISLATOR DENENBERG: Mike, what  
6 was your last name?

7 MR. SOLOMON: Solomon.

8 LEGISLATOR DENENBERG: You both  
9 work with the county?

10 MR. SOLOMON: I'm employed by  
11 Ramirez and Company, an investment banking  
12 firm and I do work with the county.

13 LEGISLATOR DENENBERG: And Tracy  
14 is?

15 MS. KEYS: I'm a financial  
16 advisor to the county, I work for Public  
17 Financial Management, PFM.

18 LEGISLATOR DENENBERG: Are we  
19 paying your time right now?

20 MS. KEYS: Yes.

21 LEGISLATOR DENENBERG: I'm almost  
22 afraid to ask you a question.

23 MR. SOLOMON: Not my time.

24 LEGISLATOR DENENBERG: Not your  
25 time but Tracy's time. Okay. So I'm only

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2 going to ask Mike.

3 My first question is, the NIFA  
4 debt, what we call the NIFA debt, would have  
5 been anything that NIFA borrowed on behalf  
6 of the county in the time period when NIFA  
7 could borrow with a better rating than the  
8 county could have borrowed?

9 MR. SOLOMON: Correct. So we're  
10 looking at -- our bonds that we're looking  
11 to refinance are anywhere from 2001 through  
12 2005, that's the universe.

13 LEGISLATOR DENENBERG: If there  
14 is any savings, instead of amortizing that  
15 savings for the recovering savings it would  
16 have on our operating expenses, we want to  
17 take it all up front, the savings, in the I  
18 first year?

19 MR. SULLIVAN: No, I wouldn't say  
20 that. That's something, obviously, we would  
21 talk structuring, and I think that we would  
22 like to take it over two or three years.

23 LEGISLATOR DENENBERG: So the 20  
24 million over two or three years?

25 MR. SULLIVAN: Well, I think we

1                   Budget Hearing/7-26-12  
2     can do restructuring, and that we could save  
3     significantly more than the 20. The 20  
4     would be just a straight up savings from the  
5     refinancing.

6                   LEGISLATOR DENENBERG: How much  
7     debt are we talking about restructuring?  
8     What is the total amount of debt?

9                   MR. SOLOMON: The refunding  
10    itself, the pure refunding is about \$200  
11    million of bonds. Depending on how much we  
12    were to restructure, we could add another  
13    120 to that total.

14                  LEGISLATOR DENENBERG: Meaning  
15    borrow more?

16                  MR. SOLOMON: When we do the  
17    restructuring, yes. We would be selling  
18    bonds to replace other bonds that are coming  
19    up on their maturity date.

20                  MS. KEYS: Not new money though,  
21    just refunding.

22                  LEGISLATOR DENENBERG: Now I  
23    don't understand. So it's 200 million face  
24    value we're talking about?

25                  MR. SOLOMON: Yes.

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2 LEGISLATOR DENENBERG: So what's  
3 this extra 120?

4 MR. SOLOMON: The 200 million,  
5 roughly, that would be what you would sell  
6 to refinance the existing NIFA bonds from  
7 '01 to '05, bonds sold back then, so to  
8 replace the five percent coupons with  
9 today's rates, average yield, under two  
10 percent, and that \$200 million would provide  
11 the 20 million of savings that we've been  
12 referencing. So that just gets you 20  
13 million and then you could target that 20  
14 million in a specific year or years  
15 depending on what the desire is.

16 LEGISLATOR DENENBERG: What was  
17 that other 120 you were just talking about.  
18 I want to try to understand that.

19 MR. SOLOMON: So then, because we  
20 are getting a significant amount of savings,  
21 you get 20 million of savings on about 200  
22 million refunding, is really really good.  
23 Because those savings are so robust, you  
24 could use those savings and combine it with  
25 what we're calling our restructuring.

1                   Budget Hearing/7-26-12

2                   In our restructuring, you can  
3 look at it as we're selling additional  
4 bonds. We're going to pay off bonds that  
5 would come due in the next three fiscal  
6 years, and so where the county would have  
7 paid up to 50 million in debt service on  
8 those bonds in the next three years, they  
9 would not have that. Instead, the  
10 additional 120 we're selling, the county  
11 would pay those, or NIFA would pay those out  
12 in years, let's say, in 2016 through 2025.

13                   So we're essentially just  
14 shifting the debt service out of the next  
15 three years when you have a fiscal budget  
16 challenge into years that, A, when debt  
17 service is much much lower for the county as  
18 a whole, and making the debt essentially a  
19 little bit more manageable.

20                   LEGISLATOR DENENBERG: So in  
21 addition to the \$200 million and whatever  
22 savings you can because of lower interest  
23 rates, you are also restructuring debt to  
24 pay less in the first three years and pay  
25 more later on?



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2 MR. SOLOMON: That's an option  
3 that we discussed, yes.

4 MR. SULLIVAN: But still, under  
5 that structure, the transaction would be --  
6 would produce net present value savings. It  
7 is essentially what NIFA did when they came  
8 on the scene in 2000 for the first three or  
9 four years, I think they produced savings  
10 probably in excess of \$400 million for the  
11 county back then.

12 LEGISLATOR DENENBERG: Maybe  
13 because of reduced interest and the ability  
14 to --

15 MR. SULLIVAN: No. They  
16 restructured too. I was there at the time.  
17 That's what they did.

18 LEGISLATOR DENENBERG:  
19 Restructured to pay less in recent years and  
20 pay more in later years?

21 MR. SOLOMON: Yes. Sometimes  
22 that happens.

23 LEGISLATOR DENENBERG: I don't  
24 remember NIFA --

25 MR. SOLOMON: It's in the staff

1                   Budget Hearing/7-26-12  
2   reports.   That's pretty standard for them.

3                   LEGISLATOR DENENBERG:   Let me ask  
4   this then.   There are several questions,  
5   again, along the lines of what Legislator  
6   Kopel said.

7                   I know because I was here when  
8   the Sewer and Storm Water Authority was  
9   formed, part of the reason was because we  
10   were able to get better rates borrowing for  
11   sewer treatment capital plans and projects  
12   to upgrade our plants by having that  
13   authority then going through NIFA because  
14   there was better bond rating in the Sewer  
15   and Storm Water Authority than NIFA was  
16   getting us at the time.

17                  But being that we have debt in  
18   '05, '06, '07, whether it was mostly I guess  
19   Sewer and Storm Water Authority, and prior  
20   county debt, why isn't it, on that debt, why  
21   wouldn't it make financial sense -- I would  
22   ask Mr. Maragos because my next question has  
23   something that you said.

24                  CHAIRMAN KOPEL:   George, you  
25   almost made it.

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2 LEGISLATOR DENENBERG: But at  
3 least when I'm looking at that '05 to '09  
4 period, and interest rates were close to the  
5 five percent range, why wouldn't we just  
6 also be refinancing county debt that was not  
7 borrowed through NIFA?

8 MR. SOLOMON: What's going on too  
9 is, bonds that were generally sold, the  
10 reason we're only focusing on bonds that  
11 were sold in '01 to '05 period, because  
12 those make sense for a number of reasons,  
13 and one of the main reasons is they have a  
14 short period of time between today and their  
15 call date, and one of the outcomes of rates  
16 being so low, the good part is the borrowing  
17 costs are so low, the bad part is, your  
18 reinvestment costs are also really really  
19 low.

20 So bonds that were sold in, let's  
21 say, '06, '07 and '08, those bonds are  
22 probably not callable to 16, 17 and 18, and  
23 we would have a very long -- we would have  
24 to set bond proceeds aside, put them in an  
25 escrow. The escrow would not earn a lot of

1                   Budget Hearing/7-26-12  
2     interest and that would drag down the  
3     savings in the whole deal. So that wouldn't  
4     work now, but could perhaps down the road a  
5     little bit.

6                   LEGISLATOR DENENBERG: And you  
7     say that it's okay when it comes to the NIFA  
8     debt because we're talking about older debt?

9                   MR. SOLOMON: Right. Exactly.  
10    The longest escrow we have is about two and  
11    a half years. So that makes it work. A lot  
12    of the bonds have call dates in 2013. So  
13    about a year and a half is the call date.  
14    Those get really really efficient, and  
15    that's why we're really only targeting those  
16    bonds.

17                  LEGISLATOR DENENBERG: First, as  
18    a comment, I would ask Mr. Sullivan, any  
19    letter or any formal request to NIFA to  
20    consider this plan and any fiscal plan that  
21    was presented to NIFA for approval with  
22    respect to the restructuring slash  
23    refinancing that we're talking about, I will  
24    like to see. I would like to see when we  
25    gave a formal request or letter and I would

1                   Budget Hearing/7-26-12  
2     like to see what plan or finances were  
3     presented to NIFA. I'm repeating what  
4     Legislator Schmitt said. I just want to  
5     make sure that's not just the letter. I  
6     want to see whatever documentary support was  
7     given to NIFA, okay, Mr. Sullivan?

8                   MR. SULLIVAN: And as I stated  
9     before, just to be clear, before you can  
10    make a formal request to NIFA, we obviously  
11    alerted them to the series that we're  
12    discussing here, we've gone through bond  
13    council in addition to our financial advisor  
14    and several banks including Ramirez.

15                  At that point, we would need to  
16    speak with NIFA's counsel, which I think is  
17    sitting on these deals and we would also  
18    have to talk to Goldman Sacks who was the  
19    bank that issued the lion share of their  
20    debt.

21                  LEGISLATOR DENENBERG: You have  
22    to talk to them about all of this before you  
23    an show us what was sent to NIFA?

24                  MR. SULLIVAN: No, sir. But you  
25    can't before you do NIFA, it would be

1                   Budget Hearing/7-26-12  
2   incumbent upon NIFA, it's their debt to show  
3   us their analysis, we've showed them our  
4   analysis, sir.

5                   LEGISLATOR DENENBERG:   Well,  
6   along those lines, let me just give you two  
7   questions.   Number one, how often under the  
8   law that created NIFA can NIFA refinance its  
9   debt, how many times?   Are they limited to  
10   only one time?   Was it used up already, or  
11   is there a total of only one?

12                   Mr. Stack, as recently as last  
13   year was quoted in various places as saying  
14   this \$20 million figure, which was given to  
15   them as early as December 2010, as a figure  
16   -- or some time last year.   I think it was  
17   as part of the '11 budget cycle maybe,  
18   stated that the \$20 million figure, this is  
19   Ronald Stack, the chairman, was grossly  
20   inaccurate and that NIFA was not subject to  
21   the same refinancing rules that would apply  
22   to a homeowner.

23                   Stack went on to say that such a  
24   refinancing would yield only \$43,000 in  
25   savings in 2011 which would be offset by

1                   Budget Hearing/7-26-12  
2     negative arbitrage given current  
3     reinvestment rates.

4                   I'm not speaking for him, I'm  
5     quoting him. There was obviously some  
6     dialogue that I would assume that  
7     Mr. Solomon and Ms. Keys might have been  
8     part of. So what was Mr. Stack referring  
9     to?

10                  MR. SOLOMON: Clearly that came  
11     from one of my competitors. A lot has  
12     happened since the time you stated. A,  
13     rates have really come down quite a bit. I  
14     think since that time rates have probably  
15     come down roughly, almost a full percent.  
16     So to the extent that --

17                  LEGISLATOR DENENBERG: So  
18     Mr. Stack would probably say that it was  
19     good that he waited.

20                  MR. SULLIVAN: You might say  
21     that.

22                  LEGISLATOR DENENBERG: I can  
23     guarantee you he did.

24                  MR. SOLOMON: Right. So you have  
25     what has gone on since the fourth quarter

1                   Budget Hearing/7-26-12  
2       versus where we are today as rates really  
3       have come down, and I think the other  
4       important point, and Tracy alluded to it,  
5       we've had the county's bond counsel really  
6       go through and do a formal tax analysis on  
7       what bonds could be refunded, because anyone  
8       looking at NIFA's debt, what happens is,  
9       they issue it for many many different  
10      purposes. So you couldn't assume that all  
11      those bonds could be refunded.

12                   So we have now drilled down on  
13      what is refundable and 20 million is a good  
14      number. I hope that that answered your  
15      question.

16                   LEGISLATOR DENENBERG: I think it  
17      did. Obviously it shows that as recently as  
18      last year, a few months ago, to as much as  
19      14 months ago, Mr. Stack was saying that he  
20      didn't believe in this \$20 million figure,  
21      but maybe his opinions changed. Clearly we  
22      were trying to do this even when the rates  
23      were higher than they are today, and by "we"  
24      I don't mean the legislature, I mean the  
25      administration.



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2                   So clearly the administration was  
3 offering this suggestion even over a year  
4 ago and rates, I guess the argument could  
5 not have gotten worse with rates going down.

6                   But that takes me to something I  
7 might not have understood that Comptroller  
8 Maragos said, in terms of that preferable  
9 time for rate swaps, might have been early  
10 to mid 2010 and now might not be a good  
11 time.

12                   I don't want to quote you out of  
13 context, Mr. Maragos, but I did hear you say  
14 that in response to questions I believe from  
15 Mr. Schmitt, and maybe to a lesser extent  
16 myself, but I'm sure to Mr. Schmitt.

17                   So are we talking about the same  
18 thing, or are we talking about something  
19 else?

20                   MR. SULLIVAN: I can address  
21 that. Just the bonds that are in question  
22 here, none of them are in any swaps. This  
23 is debt that is -- there is no swaps  
24 attached to any of this.

25                   LEGISLATOR DENENBERG: So Mr.

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2 Maragos was talking about the county debt,  
3 maybe some of the county direct at --

4 MR. SULLIVAN: Well, we don't  
5 have any debt that's swapped -- the county,  
6 per se, the hospital and NIFA does. As I  
7 think the comptroller stated, right now, to  
8 turn out the swaps, there would be some  
9 substantial penalties, and actually the  
10 variable rate is actually performing well.  
11 There is a term out provision and there is  
12 risk, but right now it is something that  
13 would be not wise to --

14 LEGISLATOR DENENBERG: What debt  
15 would have been subject to those swaps then?

16 MR. SOLOMON: I don't have the  
17 specifics in front of me --

18 LEGISLATOR DENENBERG: He's here.  
19 He can answer.

20 MR. MARAGOS: It's approximately  
21 \$600 million of NIFA debt that is backed by  
22 swaps out of a total of \$1.7 billion.

23 LEGISLATOR DENENBERG: So \$600  
24 million of the \$1.7 billion which is subject  
25 to those swaps you don't believe would be a

1                   Budget Hearing/7-26-12  
2   good time now to act upon, but the other  
3   that is --

4                   MR. MARAGOS:   That's correct, it  
5   would be very expensive, and as Tim Sullivan  
6   indicated, they are performing well.   So  
7   they're talking about approximately \$200  
8   million above the \$600 million.

9                   LEGISLATOR DENENBERG:   Which is  
10   the 200 million that Tracy Keys spoke of?

11                  MR. MARAGOS:   Correct.

12                  MS. KEYS:   Let me tell you one  
13   thing.   If NIFA were to terminate the swaps  
14   right now in today's rates, it would cost  
15   \$94 million.   So it's not a good time.

16                  MR. MARAGOS:   My estimation was  
17   80 to \$100 million.   So it fluctuates.   Back  
18   in 2010, was about 14 to 18 million.

19                  LEGISLATOR DENENBERG:   How much,  
20   Mr. Sullivan or Mr. Solomon, how much would  
21   we be paying on that 200 million to  
22   refinance in fees, associated costs?

23                  MR. SOLOMON:   We assumed in our  
24   analysis roughly all costs of issuance would  
25   be approximately one percent of the

1                   Budget Hearing/7-26-12  
2     financing, so about 1.7 million. So that  
3     the 20 million of savings is over and above  
4     that.

5                   LEGISLATOR DENENBERG: Mr.  
6     Sullivan said that he thought it was net.

7                   MR. SOLOMON: It is net, that is  
8     correct.

9                   LEGISLATOR DENENBERG: The rest  
10    of my questions are non NIFA debt related.

11                  CHAIRMAN KOPEL: So you, Mr.  
12    Solomon, Ms. Keys, thanks so much. You are  
13    officially relieved.

14                  MR. SOLOMON: Thank you.

15                  MS. KEYS: Thank you.

16                  CHAIRMAN KOPEL: We can let you  
17    go as well, but the legislator has one more  
18    question for you.

19                  LEGISLATOR DENENBERG: Last year,  
20    and I was going to ask this of Mr. Sullivan  
21    with you here to see if there was agreement,  
22    but I will ask you now so you could leave.

23                  Last year at the end of ten and  
24    into the budget review in early '11, I had  
25    asked about what the total was on the tax

1                   Budget Hearing/7-26-12  
2       cert, now I'm forgetting the word, the  
3       cumulative tax cert, what was the word we  
4       used for it? Not the long term.

5                   MR. MARAGOS: The cumulative long  
6       term liability.

7                   LEGISLATOR DENENBERG: Right. It  
8       was in the 140 millions, I believe in  
9       December of 2010 is something that you said.

10                  What are we at now in cumulative  
11       tax cert debt?

12                  MR. MARAGOS: We actually were  
13       thinking of you when we prepared this  
14       report. If you turn to the page that has  
15       the table.

16                  LEGISLATOR DENENBERG: I can't  
17       believe you were thinking of me otherwise  
18       you would have given it to me. What page,  
19       Mr. Maragos?

20                  MR. MARAGOS: Page 14, bottom of  
21       13. Property tax refund Section 3.7, long  
22       term property tax refund liability.

23                  LEGISLATOR DENENBERG: So the  
24       balance at the end of 2009, I remember us  
25       discussing 164 million; 2010, 152. So at

1                   Budget Hearing/7-26-12  
2     the end of 2011, the property tax refund  
3     liability is 223?

4                   MR. MARAGOS:    Right.

5                   LEGISLATOR DENENBERG:   The end of  
6     2012, it's estimated to be 336?

7                   MR. MARAGOS:    Right.    Because, as  
8     you see, we paid a small amount, or  
9     estimating to pay a small amount in 2012.

10                  LEGISLATOR DENENBERG:   Thank you.

11                  MR. MARAGOS:    We are thinking of  
12     you.

13                  CHAIRMAN KOPEL:   Mr. Sullivan,  
14     the overtime that we're showing, going back  
15     over all the overtime you mentioned, where  
16     is that coming from primarily?

17                  MR. SULLIVAN:   Mostly it would be  
18     the police department and the correctional  
19     department, and I just want to give a little  
20     bit of a historical perspective because I  
21     think overtime this year, I think the budget  
22     review office is even projecting, I believe  
23     it's down to \$2 million from last year.   So  
24     we are spending less than we did last year.

25                  Just from a historical

1                   Budget Hearing/7-26-12  
2     perspective, I think this is really  
3     important to note. Back in 2004, overtime  
4     for the police department was \$52 million,  
5     with 2,433 sworn officers. So about 150  
6     more sworn officers out there, and currently  
7     we are projected to spend \$4 million less  
8     this year with 150 less officers after eight  
9     raises.

10                   So if you give, and I guess the  
11     contracts were settling somewhere around  
12     four percent, you compound that, you can  
13     take a guesstimate that that's about 40  
14     percent. So you're talking about a payroll  
15     base of 40 percent. So salaries being  
16     higher by 40 percent. 150 less officers,  
17     and we're spending \$4 million less.

18                   CHAIRMAN KOPEL: If you look at  
19     the other unions, they're not contributing  
20     heavily to overtime?

21                   MR. SULLIVAN: No. The lion's  
22     share of the overtime would be police and  
23     corrections.

24                   CHAIRMAN KOPEL: Is that just an  
25     artifact of their contract, in other words

1                   Budget Hearing/7-26-12  
2   because of -- the minimum manning rule?

3                   MR. SULLIVAN:   The minimum  
4   manning rule is obviously a central  
5   component to that.

6                   CHAIRMAN KOPEL:   It's a large  
7   culprit?

8                   MR. SULLIVAN:   Yes.

9                   CHAIRMAN KOPEL:   So a lot of that  
10   overtime I guess should be going away,  
11   certainly as the precinct consolidation  
12   comes to total fruition, would that be  
13   correct?

14                  MR. SULLIVAN:   We think some, but  
15   obviously we're still maintaining 177  
16   sectors, and I think the big thing would be  
17   if we could get the change in the manning  
18   requirement, that was something that would  
19   really be the driver here.

20                  CHAIRMAN KOPEL:   How is that  
21   going?

22                  MR. SULLIVAN:   I know we are  
23   constantly in discussions.   I know I've been  
24   in some discussions.   Eric Naughton has been  
25   in discussions.



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2 CHAIRMAN KOPEL: So we have a  
3 bunch of unions in the county, and it seem  
4 to me -- let me ask you this. Which are the  
5 ones that are being helpful and cooperative  
6 and which are the ones that are not?

7 MR. SULLIVAN: That's a loaded  
8 question. I would say we are in discussions  
9 with all the various unions.

10 CHAIRMAN KOPEL: It seems like  
11 the police union is being particularly  
12 difficult.

13 MR. SULLIVAN: I wouldn't  
14 comment, sir. I think we're all in  
15 discussions right now and until we have --

16 CHAIRMAN KOPEL: I said it seems  
17 to me. That's what I said. But since they  
18 are producing the bulk of the overtime --  
19 now, when is their contract up?

20 MR. SULLIVAN: All contracts  
21 expire January 1st, 2016.

22 CHAIRMAN KOPEL: So we're going  
23 kind of stuck for a while?

24 MR. SULLIVAN: Unless there are  
25 some agreements that are reached.

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2 CHAIRMAN KOPEL: And even then,  
3 we got the Triboro which means you are only  
4 negotiating up, never down?

5 MR. SULLIVAN: Well, hopefully,  
6 we can change the paradigm, but obviously it  
7 puts pressure on the management side.

8 CHAIRMAN KOPEL: Can you talk  
9 about the rainy day fund and the reserve  
10 fund? We've had to withdraw tremendous  
11 amounts of money because of the '11 deficit.  
12 Going forward, what has to be done and how  
13 does that figure into the budget  
14 projections?

15 MR. SULLIVAN: Well, the fund  
16 balance, what you're referring to, that was  
17 the \$50.4 million deficit will be drawn down  
18 on a fund balance, taking our fund balance  
19 down to approximately \$40 million.

20 As I stated before, and as stated  
21 in the presentation here, the plan was, I  
22 think it's very important for this county to  
23 get back on plan. The plan was and agreed  
24 upon and with NIFA, and you saw the saving  
25 from the directors to transitionally borrow

1                   Budget Hearing/7-26-12  
2     \$305 million for tax certioris and that is a  
3     key, extremely key component here.

4                   CHAIRMAN KOPEL:    In other words,  
5     that will enable the county to replenish  
6     that fund?

7                   MR. SULLIVAN:    Yes, prevent  
8     further drainage.

9                   CHAIRMAN KOPEL:    Mr. Denenberg,  
10    any more questions?

11                  LEGISLATOR DENENBERG:    Thank you.  
12    First, let's talk about overtime.    2011.  
13    Budgeted overtime was how much?

14                  MR. SULLIVAN:    I know the actual  
15    has come, we are projecting two million  
16    less.    I think that we spent \$78 million  
17    from all quarters in overtime in 2011.

18                  LEGISLATOR DENENBERG:    What did  
19    we budget for?

20                  MR. SULLIVAN:    Somewhat less than  
21    that, sir.

22                  LEGISLATOR DENENBERG:    When you  
23    say somewhat less than that, did we project  
24    30 million, \$40 million?

25                  MR. SULLIVAN:    Off the top of my

1                   Budget Hearing/7-26-12  
2       head, I don't have the numbers with me. The  
3       police department was probably 7 or 8 over  
4       budget and correction a couple.

5                   LEGISLATOR DENENBERG:    Would it  
6       surprise you if we were more than \$10  
7       million over budget in overtime?

8                   MR. SULLIVAN:    No. It seems  
9       somewhere around there, sir. Again, as I  
10      pointed out here, back to 2004, the county  
11      is spending less now with a substantially  
12      higher payroll base and also with less  
13      personnel.

14                  LEGISLATOR DENENBERG:    We were  
15      ten million over budget in 2011?

16                  MR. SULLIVAN:    That's correct.

17                  LEGISLATOR DENENBERG:    On labor,  
18      payroll and fringe benefits, how much were  
19      we over budget in 2011?

20                  MR. SULLIVAN:    I don't think we  
21      were over budget at all. We just talked  
22      about a deficit that was primarily driven by  
23      the lack of tax cert funding for 2011.

24                  LEGISLATOR DENENBERG:    You mean  
25      lack of borrowing?

1 Budget Hearing/7-26-12

2 MR. SULLIVAN: Lack of tax cert  
3 transitional financing that was agreed to in  
4 the multi-year plan.

5 LEGISLATOR DENENBERG: Borrowing?

6 MR. SULLIVAN: Well, as you know,  
7 we have a billion two on the books, and this  
8 administration has borrowed far less than  
9 anybody else.

10 LEGISLATOR DENENBERG: I'm  
11 looking at the budget. You were ten million  
12 over on overtime and you're four million  
13 over on payroll for 2011.

14 MR. SULLIVAN: Sir, when we look  
15 at the bucket in aggregate, we're talking  
16 about a \$50 million deficit as the  
17 comptroller testified to and we know about  
18 the \$7 million error and the other \$43  
19 million was agreed upon.

20 I think there was an agreement  
21 reached with the minority of the legislature  
22 as well that we did not get that financing.

23 LEGISLATOR DENENBERG: Wait a  
24 second. I'm looking at a budget, either yes  
25 or no on whether the payroll was four

1                   Budget Hearing/7-26-12  
2     million over budget. I know you want to  
3     keep talking about borrowing that you want  
4     to do and you think that's great for our  
5     budget.

6                   I want to ask about something  
7     that I think is bad for a budget that  
8     everyone could agree upon. Expenses being  
9     higher than what was budgeted. Payroll and  
10    fringe benefits was \$4 million over budget,  
11    yes or no?

12                  MR. SULLIVAN: I don't have that  
13    data in front of me, sir, but I will trust  
14    that you guys can do that right.

15                  LEGISLATOR DENENBERG: Really?  
16    It's a budget review committee hearing.  
17    We're about to announce --

18                  MR. SULLIVAN: You're asking  
19    about 2011. The agenda spoke about that I  
20    would be speaking to the 2012 budget and  
21    prospective actions to be taken. That was  
22    the agenda I received, sir.

23                  LEGISLATOR DENENBERG: So why do  
24    you keep talking about your \$50 million  
25    deficit from last year --

1 Budget Hearing/7-26-12

2 MR. SULLIVAN: You're asking me  
3 2011 questions, sir.

4 LEGISLATOR DENENBERG: -- and try  
5 to blame it on a lack of borrowing.

6 MR. SULLIVAN: It's obvious  
7 that's where it came from.

8 LEGISLATOR DENENBERG: It's  
9 crazy.

10 MR. SULLIVAN: No, that was in  
11 response to your question, sir.

12 LEGISLATOR DENENBERG: The tax or  
13 fee that you wanted to impose on tax exempts  
14 to use our sewers, that was never imposed,  
15 correct?

16 MR. SULLIVAN: I believe it's in  
17 litigation, sir.

18 LEGISLATOR DENENBERG: That was  
19 budgeted to bring in \$20 million worth of  
20 revenue in 2011 and 40 in 2012, correct?

21 MR. SULLIVAN: Initially, that's  
22 correct.

23 LEGISLATOR DENENBERG: We got  
24 zero in 2011?

25 MR. SULLIVAN: We are prevented

1                   Budget Hearing/7-26-12  
2     from litigation, as you are well aware of,  
3     from imposing that fee.

4                   LEGISLATOR DENENBERG:    And we got  
5     zero in 2011, correct?

6                   MR. SULLIVAN:    That is correct  
7     because it's under litigation.

8                   LEGISLATOR DENENBERG:    But you  
9     lose it, right?  You're up here and I said  
10    that I didn't expect -- tax exempts to sue  
11    and say it was a tax.

12                   MR. SULLIVAN:    I don't think that  
13    the case has been decided.

14                   LEGISLATOR DENENBERG:    But the  
15    court has issued an injunction saying that  
16    the county is likely to lose.  That it's  
17    illegal.

18                   MR. SULLIVAN:    I don't think that  
19    we're likely to lose.

20                   LEGISLATOR DENENBERG:    So we're  
21    doing good in court?

22                   MR. SULLIVAN:    You would have to  
23    ask the county attorney that.  I couldn't  
24    answer that.

25                   LEGISLATOR DENENBERG:    So why



1                   Budget Hearing/7-26-12  
2     don't we just stick with the question. \$20  
3     million budgeted in in 2011, we got zero,  
4     correct?

5                   MR. SULLIVAN: As a result of an  
6     injunction, that is correct.

7                   LEGISLATOR DENENBERG: We got  
8     zero, correct.

9                   MR. SULLIVAN: As a result of an  
10    injunction, yes.

11                  LEGISLATOR DENENBERG: Why can't  
12    you just say yes?

13                  MR. SULLIVAN: I said yes, as a  
14    result of an injunction. I can't say it  
15    anymore times. You can ask it eight times,  
16    but I will give you the same answer eight  
17    times.

18                  LEGISLATOR DENENBERG: So you  
19    lost in court, we got zero? You want to get  
20    into it?

21                  MR. SULLIVAN: We didn't lose in  
22    court. I think that's a misrepresentation.

23                  LEGISLATOR DENENBERG: 2012  
24    you're still budgeting \$40 million to this  
25    sewer district for the tax exempt fees?

1 Budget Hearing/7-26-12

2 MR. SULLIVAN: I believe that's  
3 correct.

4 LEGISLATOR DENENBERG: What's are  
5 the chances of us getting that \$40 million  
6 in 2012?

7 MR. SULLIVAN: I would have to  
8 speak to the county attorney, it's still in  
9 court, and we can levy that fee, sir, when  
10 the injunction is lifted.

11 And I would just -- to speak to  
12 that point, since we keep asking the same  
13 question, we are the only, only,  
14 municipality in the country that does not  
15 charge not for profits for sewer services.  
16 The only municipality in the nation.

17 LEGISLATOR DENENBERG: Each of  
18 those municipalities also charge the general  
19 residents, all residents, across the board,  
20 a rate instead of a tax.

21 MR. SULLIVAN: There is different  
22 models on that.

23 LEGISLATOR DENENBERG: Are you  
24 proposing charging everybody a rate?

25 MR. SULLIVAN: We are proposing,

1                   Budget Hearing/7-26-12  
2       sir, we will discuss that when we propose  
3       our budget. But right now that is based on  
4       assessed valuations, and that is how we  
5       intended to go forward.

6                   LEGISLATOR DENENBERG: I'm  
7       reading an RFI that you sent out that says  
8       that the county is considering charging  
9       everyone a rate, not just tax exempts.

10                  MR. SULLIVAN: What is that, sir,  
11       that you're referring to?

12                  LEGISLATOR DENENBERG: Page nine  
13       of the request for interest on a financier,  
14       a document that was put out on June 16th  
15       under the seal of County of Nassau.

16                  MR. SULLIVAN: Sir, it's my  
17       understanding that that is something we're  
18       looking at, that is something the bank was  
19       looking at just from a prospective. But  
20       it's not the intent of the county to go in  
21       that direction, that the homeowners will  
22       continue to be assessed for services as they  
23       have been assessed.

24                  LEGISLATOR DENENBERG: So on the  
25       2012 budget, we are still anticipating \$40

1                   Budget Hearing/7-26-12  
2 million of revenue for the charge to tax  
3 exempts, correct?

4                   MR. SULLIVAN: That was budgeted,  
5 sir, as you asked four times.

6                   LEGISLATOR DENENBERG: And that  
7 budget, that 40 million was going to be  
8 transferred to the general fund from the  
9 sewer district fund?

10                  MR. SULLIVAN: No.

11                  LEGISLATOR DENENBERG: Then  
12 what's the \$38 million of budgeted transfer  
13 from the sewer district fund to the general  
14 fund?

15                  MR. SULLIVAN: That's service  
16 expenses that I think the comptroller spoke  
17 to. Debt service expense that we pay out of  
18 the general fund and then it gets reimbursed  
19 for the sewer debt.

20                  LEGISLATOR DENENBERG: Is that  
21 where the double charge was last year?

22                  MR. SULLIVAN: I believe so. It  
23 was an error.

24                  LEGISLATOR DENENBERG: Do you  
25 believe that double charge or error of \$7

1 Budget Hearing/7-26-12

2 million, that that's an accurate figure?

3 MR. SULLIVAN: To the best of my  
4 understanding, yes, this has been looked at  
5 by the auditors as well, yes.

6 LEGISLATOR DENENBERG: I see over  
7 20 million that was transferred. You're  
8 saying that most of that transfer was  
9 general fund charges for the sewer district?

10 MR. SULLIVAN: It's debt service  
11 expenses, the lion's share, when you borrow  
12 a project and you pay the debt service on  
13 it.

14 LEGISLATOR DENENBERG: Why  
15 doesn't the sewer authority pay it directly?

16 MR. SULLIVAN: The county has  
17 always historically funded its debt service  
18 expense out of the general fund.

19 LEGISLATOR DENENBERG: What are  
20 we going to do to make up for the \$40  
21 million if we don't get that \$40 million?

22 MR. SULLIVAN: Well, sir, as you  
23 know, we are looking to do a P3. We know  
24 that the county has been eroding that fund  
25 balance for the past seven or eight years

1                   Budget Hearing/7-26-12  
2     and this is something that we need to  
3     address and I think the county executive has  
4     been out there to say that we have  
5     identified an operator that can bring  
6     substantial savings to the county and we  
7     believe a step forward to get a  
8     concessionaire will result in significant  
9     savings for rate payers.

10                   LEGISLATOR DENENBERG:    The fund  
11     balance in the sewer district was \$100  
12     million in 2010?

13                   MR. SULLIVAN:        Yes, and it was  
14     substantially larger before that.

15                   LEGISLATOR DENENBERG:    I'm going  
16     to ask a question.  I understand you want to  
17     answer what you want to answer, but was it  
18     \$100 million in 2010 or not?

19                   MR. SULLIVAN:        As I stated I  
20     believe it was substantially larger before  
21     that.

22                   LEGISLATOR DENENBERG:    Very good,  
23     Tim.  What is it now?

24                   MR. SULLIVAN:        71 million, I  
25     think.

1 Budget Hearing/7-26-12

2 LEGISLATOR DENENBERG: How much  
3 do we plan to use this year of the reserve?

4 MR. SULLIVAN: I think it's about  
5 12 to 14 million, sir.

6 LEGISLATOR DENENBERG: So  
7 somewhere around 50 to 55?

8 MR. SULLIVAN: That is correct.  
9 And I can get you all the historical actuals  
10 on it to show the run down for the last  
11 seven years.

12 LEGISLATOR DENENBERG: So that,  
13 to me, sounds like it's substantially less  
14 than \$100 million.

15 MR. SULLIVAN: If the sewers  
16 right now were not collecting it's a money  
17 loser. We're well aware of it which is why  
18 we proposed a P3.

19 LEGISLATOR DENENBERG: I disagree  
20 with you. I don't believe we are losing  
21 money on it. I believe we have contractual  
22 services of 24 million. I believe there's  
23 obviously debt in there but also there's  
24 these interfund transfers of almost \$40  
25 million which I just don't understand why

1                   Budget Hearing/7-26-12  
2       we're transferring that much money.

3                   LEGISLATOR DENENBERG:    We can  
4       meet with you and go over it point by point.

5                   LEGISLATOR DENENBERG:    No.    I'm  
6       looking down you have salaries as a budgeted  
7       item in the sewer district.    You have debt,  
8       principal and interest in the sewer  
9       district.    So this concept that we are  
10      transferring 40 or 38 million to the general  
11      fund to pay for sewer debt is the exact  
12      double billing that Mr. Chalmers I believe  
13      caught.

14                  MR. SULLIVAN:    Sir, it was an  
15      error.    There was a debt in the county if  
16      you want to know the true reason.

17                  LEGISLATOR DENENBERG:    If I look  
18      in the multi-year plan, Exhibit-F, and if I  
19      look in the current budget, that same  
20      exhibit, but I don't know what it's called,  
21      the overall sewer district expense of 162  
22      includes interest, principal, contractual  
23      expenses, salaries, fringe benefits,  
24      overtime, and then a \$40 million transfer to  
25      the general fund, which you say is because



1                   Budget Hearing/7-26-12  
2     you use the general fund to pay principal  
3     and interest.

4                   But we are already showing  
5     principal and interest as an expense. So  
6     why is there a \$40 million transfer on top  
7     of the principal and interest?

8                   MR. SULLIVAN: I'm going to ask  
9     Steve Conklin to come up. Steve is our debt  
10    manager, and I think Steve can walk this  
11    through for you.

12                  MR. CONKLIN: Hi. Steve Conklin,  
13    debt manager. I can get you the exact  
14    number, but with the sewer related debt,  
15    there is five issuers. There's the  
16    authority, which on its own financial  
17    statement, the debt service is recorded  
18    there, different from what you're talking  
19    about, but, just to list them.

20                  Then some time we issued to EFC  
21    for sewer debt there's, under the county GO,  
22    there is sewer debt, and then in the past  
23    we've issued, as part of a county issue, a  
24    sewer district series, I think I got five  
25    pieces.

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2 So what you would see in the  
3 sewer district fund, there is debt service  
4 for debt that was issued under sewer series  
5 and the EFC. The charge back is for county  
6 debt and NIFA debt that were issued for  
7 sewer district purposes which is paid for by  
8 the county, so that's why you see debt  
9 service in the sewer district and a charge  
10 back for debt service for debt was issued by  
11 the county or NIFA.

12 LEGISLATOR DENENBERG: First of  
13 all, after 2005 roughly, or after 2004, the  
14 Sewer and Storm Water Authority created --  
15 and I can see principal and interest coming  
16 straight out of the authority to pay that  
17 debt. That's about 15 or 16 million.

18 Then I see 26 million in debt in  
19 the sewer district, principal and interest.  
20 Now you're saying that there's \$40 million  
21 worth of principal and interest that's paid  
22 out of the general fund?

23 MR. CONKLIN: In total, for sewer  
24 related debt, there is about \$50 million of  
25 debt service each year in total.

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2 LEGISLATOR DENENBERG: But if I'm  
3 adding just the 26 and 16 together, 16 from  
4 Sewer and Storm Water Authority, 26 in the  
5 district, that's 42, that would leave you \$8  
6 million extra. Yet we're transferring \$40  
7 million to the general fund.

8 MR. CONKLIN: I can get you a  
9 breakdown of those numbers.

10 LEGISLATOR DENENBERG: Because  
11 I'm showing the budget, and I see, even  
12 taking your numbers as true, over \$30  
13 million being transferred from a sewer  
14 district to a general fund.

15 MR. CONKLIN: I mean, there are  
16 other charges in that that I don't do, but I  
17 can get you those numbers. But I can't tell  
18 you those numbers are accurate for the debt  
19 service.

20 LEGISLATOR DENENBERG: I'll stick  
21 with your \$50 million. I see actually 43  
22 being accounted for between Sewer and Storm  
23 Water Authority and Sewer District. So  
24 trying to find a \$40 million transfer.

25 MR. CONKLIN: Okay. We can do

1 Budget Hearing/7-26-12

2 that.

3 LEGISLATOR DENENBERG: This  
4 year's overtime, Mr. Sullivan, since you are  
5 prepared for 2012, what do we have for  
6 overtime this year?

7 MR. NAUGHTON: Approximately \$70  
8 million.

9 LEGISLATOR DENENBERG: Budgeted?

10 MR. NAUGHTON: \$70 million is our  
11 projection. I think, Legislator Denenberg,  
12 to keep looking at the budget, I think you  
13 may want to continue to do that, but clearly  
14 the message here is, last year's spending  
15 was about \$77.7 million, this year is  
16 projected to be 70. For the county on an  
17 overtime basis is \$7 million better.

18 The Office of Legislative Budget  
19 Review in their report is saying that we  
20 were at least \$2 million better. If you  
21 read the report further it says that the  
22 police department will probably charge an  
23 additional \$2 million of their overtime to  
24 grants which means that, in their eyes,  
25 overtime for the police department is

1                   Budget Hearing/7-26-12  
2       roughly about \$48 million which is what  
3       we're projecting.

4                   SO all parties are stating that  
5       overtime this year is better than last year.  
6       I think we will all admit that we have  
7       exceeded the budget so hopefully that will  
8       prevent any more of your questions on the  
9       overtime budget.

10                   LEGISLATOR DENENBERG:   Thanks for  
11       telling me what will prevent my questions.  
12       I do appreciate that.   I'm going to ask  
13       again then, what did we budget for overtime  
14       this year?

15                   MR. NAUGHTON:   The overtime  
16       budget is 44 and a half million dollars.

17                   LEGISLATOR DENENBERG:   \$44.5  
18       million.   How much have we spent on overtime  
19       in the first six months this year?

20                   MR. NAUGHTON:   28.8.

21                   LEGISLATOR DENENBERG:   How much  
22       did we budget for --

23                   MR. SULLIVAN:   Just one note  
24       there, there was 19 million that was  
25       budgeted in a reserve fund for police

1 Budget Hearing/7-26-12

2 overtime.

3 LEGISLATOR DENENBERG: 19 million  
4 in a reserve fund for police overtime?

5 MR. NAUGHTON: Yes. The  
6 contingency line.

7 LEGISLATOR DENENBERG: So the  
8 comptroller anticipates that by year end the  
9 overtime will be 66.5 million. You may not  
10 have his report any earlier than I did.

11 MR. NAUGHTON: I don't have it at  
12 all.

13 LEGISLATOR DENENBERG: I'm  
14 looking at it. I got it. You saw when I  
15 got. You were here.

16 MR. SULLIVAN: If it was in the  
17 mid 70s, and Eric said 70 and the  
18 comptroller said 66, I think I like his  
19 number.

20 LEGISLATOR DENENBERG: First of  
21 all, the comptroller said that the budgeted  
22 overtime was 39.9, not 44.5.

23 MR. NAUGHTON: I believe he's  
24 only referring to police. I'm not looking  
25 at his report so you have to --

1 Budget Hearing/7-26-12

2 LEGISLATOR DENENBERG: So you  
3 gave me for everything. What do you project  
4 the overtime to be by year end?

5 MR. NAUGHTON: The 70.9.

6 LEGISLATOR DENENBERG: So his  
7 66.5 was just police and corrections?

8 MR. NAUGHTON: Yes.

9 LEGISLATOR DENENBERG: I'm  
10 looking at it, it's just police and  
11 corrections. So we would be, based on that,  
12 we would be more than \$26 million over  
13 budget?

14 MR. NAUGHTON: Yes, based on our  
15 numbers.

16 LEGISLATOR DENENBERG: What would  
17 we be over budget for payroll and fringe  
18 benefits? I believe the budget is 1.16.

19 MR. SULLIVAN: I just think that  
20 it's important to note at this juncture that  
21 we are projecting to be on budget balance  
22 this year. So if you go line by line all  
23 budgets are made up. There are tens of  
24 thousands of lines. You're going to see  
25 some surpluses, you're going to see some

1 Budget Hearing/7-26-12

2 deficits.

3 Through this extraordinary time,  
4 again, when we budgeted, 85 million was the  
5 transitional contemplated number there. We  
6 didn't get anything for tax cert financing,  
7 when you see the heads down to 7,300. To  
8 come in on budget balance is significant.

9 LEGISLATOR DENENBERG:

10 Mr. Sullivan, my question to you during the  
11 budget hearings was, do you believe 39.9  
12 million was adequate for police and  
13 correctional center, and you said more than  
14 adequate.

15 MR. SULLIVAN: No, I did -- not  
16 for police and correctional center.

17 LEGISLATOR DENENBERG: I asked  
18 about that specifically,

19 MR. SULLIVAN: Wait, wait. Just  
20 one second. This is key. The proposed  
21 budget was different than the adopted  
22 budget. The proposed budget had 65 to 68  
23 million in health insurance concessions. It  
24 was a radically different budget.

25 When the budget went through an



1                   Budget Hearing/7-26-12  
2       adoption iteration with NIFA, it was  
3       basically -- we turned the budget on its  
4       head. The union givebacks that they would  
5       not accept, those were things that were  
6       taken out of the budget and we went for 150  
7       million of labor savings.

8                   So, again, that was just a  
9       structurally different budget. I think when  
10      we spoke, it was on a proposed budget. So  
11      it's a different document.

12                  LEGISLATOR DENENBERG: Either  
13      way, you stated on the record that we can  
14      manage within the overtime number that was  
15      projected.

16                  MR. SULLIVAN: But, sir, again,  
17      that was in a budget that contemplated  
18      action to eliminate minimum manning and  
19      things like that, the original proposed  
20      budget.

21                  LEGISLATOR DENENBERG: But the  
22      final budget adopted had already taken that  
23      out, is that correct?

24                  MR. SULLIVAN: That's correct,  
25      and was replaced with \$150 million in labor

1                   Budget Hearing/7-26-12  
2    savings negotiated with NIFA.

3                   LEGISLATOR DENENBERG:    So you had  
4    39.9 million for police and correctional  
5    center?

6                   MR. SULLIVAN:    Again, as I  
7    stated, it was 19 million in reserve fund,  
8    the contingency fund, as I stated that, it  
9    is there for overtime.

10                  LEGISLATOR DENENBERG:    So in your  
11    eyes, overtime is not over budget?

12                  MR. SULLIVAN:    In my eyes,  
13    overtime is one of the more successful  
14    achievements of this administration.  I gave  
15    you the numbers earlier and it was 2433 at  
16    52 million.  40 percent higher payroll and 4  
17    million less in overtime and it wasn't like  
18    I think they managed it well.  So I think  
19    the achievement part, the police department,  
20    the correctional center now, anyone who has  
21    been here for a while, and I know you have  
22    been, sir, correctional center overtime  
23    coming in under 16 million, what are we  
24    talking about, 14 million, those are great  
25    numbers.  I'm actually pleased with the

1 Budget Hearing/7-26-12

2 overtime.

3 LEGISLATOR DENENBERG: I guess  
4 I'm beginning to see where the county  
5 problems in my eyes come in because I look  
6 at something that's projected to be \$27  
7 million over budget, and \$50 million over  
8 budget --

9 MR. SULLIVAN: Again, sir, when  
10 there's a contingency set up --

11 LEGISLATOR DENENBERG: When  
12 there is a problem, and you look at that as  
13 a success --

14 MR. SULLIVAN: Sir, if you want  
15 to compare it to a former --

16 LEGISLATOR DENENBERG: And if 77  
17 million --

18 MR. SULLIVAN: That's not  
19 accurate.

20 LEGISLATOR DENENBERG: To me, 77  
21 million over budget is a fiscal disaster,  
22 and to you it's a success. So that's really  
23 where our difference is.

24 MR. SULLIVAN: I can find  
25 statements from you on the record probably

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2 commending the former administration on  
3 overtime control, sir, and if we're --

4 MR. SULLIVAN: You're so focused  
5 on the prior administration.

6 MR. SULLIVAN: I'm not.

7 LEGISLATOR DENENBERG: Tell me  
8 how the prior county executive, Mr. Suozzi,  
9 is responsible for your labor costs being  
10 \$77 million over budget, did he come in and  
11 fix the books here?

12 MR. SULLIVAN: First of all,  
13 again, we've reduced labor costs --

14 LEGISLATOR DENENBERG: You keep  
15 talking about the prior administration --

16 MR. SULLIVAN: Sir, we didn't do  
17 the contracts either if you want to talk  
18 about that. Who does six year contracts?  
19 Come on.

20 CHAIRMAN KOPEL: One minute. One  
21 minute.

22 LEGISLATOR DENENBERG: The  
23 contract that Mr. Mangano voted for?

24 CHAIRMAN KOPEL: Let's hold on  
25 here a second. Mr. Sullivan, please don't

1                   Budget Hearing/7-26-12  
2   answer the questions. Let's hold on for a  
3   minute.

4                   Mr. Denenberg, if you want to ask  
5   a question, you've got to let him answer.  
6   If you don't want to let him answer, we'll  
7   let you make a speech. Let us know when you  
8   want to start and finish.

9                   CHAIRMAN KOPEL: Quite to the  
10   contrary, Mr. Kopel. You've allowed  
11   Mr. Sullivan to make a speech about what  
12   took place in 2000 as an answer to every one  
13   of my questions about 2012.

14                  CHAIRMAN KOPEL: You know, if you  
15   asked the same question 12 times changing  
16   the wording, and --

17                  LEGISLATOR DENENBERG: To get an  
18   answer that I can't get.

19                  CHAIRMAN KOPEL: Then one would  
20   figure that it's time to move on.

21                  LEGISLATOR DENENBERG: No, sir.  
22   If I'm asking what the deficit is this year,  
23   then I'm entitled to an answer. And you, as  
24   chairman of the committee, might say, it's  
25   okay, Mr. Sullivan, keep avoiding the

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2 question, and keep talking about the --

3 MR. SULLIVAN: Sir, in response  
4 to that, we are projecting a budget surplus  
5 this year.

6 CHAIRMAN KOPEL: And once you're  
7 done with the question, let's stop. I'm not  
8 interested in having this go on until next  
9 Wednesday without it actually accomplishing  
10 anything. Answer the question and then move  
11 on. When you answer it, don't answer it  
12 again.

13 LEGISLATOR DENENBERG: I'm sorry,  
14 are you done? You quoted NIFA earlier as  
15 stating that it would accept borrowing on a  
16 transitional basis. The statement that you  
17 read from NIFA stated that as of condition  
18 to achieving \$150 million worth of savings  
19 by February 1st, 2012, NIFA would approve,  
20 what you said, a certain level of borrowing  
21 during a transitional period.

22 How much savings was achieved by  
23 February 1st, 2012?

24 MR. SULLIVAN: I don't believe we  
25 had the full 150 by then, but, again, when

1                                   Budget Hearing/7-26-12  
2    you are reducing the head count as we're  
3    aggressively doing, sir, it would be pretty  
4    disastrous to do that fast to the county and  
5    I think as Mr. Naughton presented, that we  
6    think we've met the NIFA number and exceeded  
7    the target right now.

8                                   LEGISLATOR DENENBERG:    You think  
9    that right now we've saved, right now, July  
10   26, 2012, we've saved over \$150 million?

11                                  MR. SULLIVAN:    Yes, we do.

12                                  LEGISLATOR DENENBERG:    Right now,  
13   today?

14                                  MR. SULLIVAN:    Yes.    And, again,  
15   just a little background on the budget, when  
16   we did the budget, the gap was \$150 million  
17   and, as we stated before, the initial budget  
18   had proposed savings and health insurance,  
19   to contracts, such as minimum manning, that,  
20   currently, if we were to do the budget  
21   again, other things have been performing  
22   well, such as sales tax, such as reduced  
23   borrowing, such as reduced borrowing costs,  
24   so there is over a \$50 million pickup from  
25   those two items, so I think we do have to

1 Budget Hearing/7-26-12

2 recognize those items.

3 LEGISLATOR DENENBERG: Just to  
4 ask the question again, right now, July 26,  
5 2012 --

6 MR. SULLIVAN: I said yes, sir.

7 LEGISLATOR DENENBERG: -- we've  
8 achieved the 150?

9 MR. SULLIVAN: Yes.

10 LEGISLATOR DENENBERG: As of  
11 today, not as of a future date based on a  
12 projection?

13 MR. SULLIVAN: I have answered it  
14 four times.

15 LEGISLATOR DENENBERG: So the  
16 answer is yes?

17 MR. SULLIVAN: For the fifth  
18 time, yes.

19 LEGISLATOR DENENBERG: Well, to  
20 date, NIFA has said you only achieved 90  
21 million, I guess you feel that NIFA is  
22 wrong, and --

23 MR. NAUGHTON: Excuse me, Mr.  
24 Denenberg, you said to date. You're stating  
25 I believe from probably two months ago.



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2 LEGISLATOR DENENBERG: So in the  
3 last two months, we saved \$60 million?

4 MR. NAUGHTON: On an annual  
5 basis, yes.

6 LEGISLATOR DENENBERG: I just  
7 asked Mr. Sullivan if it was based on a  
8 projection or right now. You're saying on  
9 an annual basis, so that means you're  
10 projecting savings later on in this year.

11 MR. NAUGHTON: For what the  
12 savings are worth, it worth \$150 million.

13 LEGISLATOR DENENBERG: Projected  
14 over the rest of this year.

15 MR. SULLIVAN: If you terminate  
16 an employee, sir, at \$100,000, we would say  
17 that you saved \$100,000. That's what we  
18 would say.

19 LEGISLATOR DENENBERG: Who did we  
20 terminate?

21 MR. SULLIVAN: Obviously layoffs,  
22 we're going to be terminating people, and  
23 we've done layoffs earlier this year, as  
24 you're well aware, the legislature voted on  
25 layoffs.

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2 LEGISLATOR DENENBERG: I thought  
3 that we were talking about additional  
4 layoffs.

5 MR. SULLIVAN: We are.

6 LEGISLATOR DENENBERG: When are  
7 those going to take place?

8 MR. SULLIVAN: We would  
9 anticipate somewhere around the time of the  
10 budget, around September.

11 LEGISLATOR DENENBERG: September?

12 MR. SULLIVAN: I did say that,  
13 yes.

14 LEGISLATOR DENENBERG: Based on a  
15 document from Mr. Chalmers to Mr. Kopel and  
16 all members of this committee, as of today,  
17 which is July 26, 2012, a 26.2 million  
18 deficit in salaries primarily results from  
19 61.3 million budgeted in labor savings that  
20 were not fully achieved. That's the  
21 independent office of budget review stating  
22 that we did not achieve the 150. We're  
23 still 61.13 million in budgeted labor  
24 savings not fully achieved.

25 MR. CHALMERS: That was for 2011,

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2 not 2012.

3 MR. SULLIVAN: Thank you.

4 LEGISLATOR DENENBERG: So, right,  
5 Mr. Chalmers, if that's for 2011, as long as  
6 you came up, have we achieved \$150 million  
7 worth of savings that NIFA required on  
8 February 1st, 2012?

9 MR. CHALMERS: On the meeting on  
10 Monday we requested the backup for the 120.  
11 We should be getting it, and when we do we  
12 will compare and put our numbers together to  
13 see what the number is. NIFA believes it's  
14 90, the administration believes it's 120.  
15 They said they would provide it.

16 LEGISLATOR DENENBERG: What do  
17 you think it is right now, based on the  
18 information you have to date?

19 MR. CHALMERS: I would rather  
20 wait until I get their number and put a  
21 number to it.

22 LEGISLATOR DENENBERG: And the  
23 labor savings that weren't achieved for 2011  
24 that you were talking about then, it was a  
25 \$61.3 million shortfall?

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2 MR. CHALMERS: No. The labor  
3 saving was 61.3 million, and I believe their  
4 salary shortfall was 26.2 million.

5 LEGISLATOR DENENBERG: So there  
6 was a \$26.2 million deficit in salaries in  
7 2011?

8 MR. CHALMERS: That's correct.

9 LEGISLATOR DENENBERG: And there  
10 was how much over budget in 2011 were we in  
11 overtime?

12 MR. CHALMERS: In overtime, 2011  
13 budgeted, the overtime number was 65.6, and  
14 the actual was 77.6.

15 LEGISLATOR DENENBERG: So the two  
16 numbers together are about \$38 million in  
17 labor being over either in terms of overtime  
18 or salary?

19 MR. CHALMERS: No. The overtime  
20 number is included in the 26.

21 LEGISLATOR DENENBERG: So that's  
22 total over budget at 26.2 in labor whether  
23 it's overtime or just salaries?

24 MR. CHALMERS: Correct.

25 LEGISLATOR DENENBERG: Thank you.

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2 CHAIRMAN KOPEL: Looks like we're  
3 almost done. I want to come back to one  
4 point that was heavily emphasized by  
5 Mr. Denenberg and fascinated me as well and  
6 that's the overtime.

7 We show the current amount just  
8 police and correctional at 66, at least  
9 that's what the comptroller shows, 66 and a  
10 half million dollars. Of that, I think you  
11 said the great majority is due to the  
12 minimum manning rule, would that be a fair  
13 statement?

14 MR. SULLIVAN: A significant  
15 contributor, definitely.

16 CHAIRMAN KOPEL: If I forced you  
17 to put a number to that what would you  
18 guess?

19 MR. SULLIVAN: It's hard to  
20 quantify. The police overtime is \$48  
21 million. I can hazard a guess, it would be  
22 to the tune of \$20 million or something.

23 CHAIRMAN KOPEL: The vast  
24 majority of that. And I think we've heard  
25 in past testimony, other committees and

1                   Budget Hearing/7-26-12  
2     other legislative sessions that this minimum  
3     overtime rule does not really contribute to  
4     public safety. I'm not asking you that  
5     question, I guess it's not your area. But  
6     it doesn't really contribute to public  
7     safety.

8                   So it just seems a real shame  
9     that we're going to be doing more layoffs  
10    coming up, and we've done layoffs in the  
11    past and we're going to be doing more  
12    layoffs needlessly, unnecessarily, perhaps  
13    because of this strict -- on various other  
14    unions strictly because of the minimum  
15    manning rule here in the police department  
16    or looked at another way.

17                   It seems like we would have had a  
18    lot less controversy over hitting our labor  
19    savings goal if this minimum manning rule  
20    was gone and were the same as it were  
21    everywhere else.

22                   MR. SULLIVAN: And I think the  
23    distinction there too, it's Nassau County,  
24    it's minimum manning precinct by precinct as  
25    opposed to minimum in general. So it's

1                   Budget Hearing/7-26-12  
2       something that we would look to change,  
3       that's correct.

4                   CHAIRMAN KOPEL:   That's just a  
5       real shame.   We are just about done.   I  
6       think everyone here wanted to see some  
7       really vigorous nagging, if you will, at  
8       NIFA.   We would love to see a forceful  
9       letter go out and say, NIFA, please, let's  
10      do this.   Let's look at this and do this  
11      right away.   We would all love to see that  
12      and what's happened in the past in that  
13      regard.

14                  With that, I think there are no  
15      more questions.

16                  LEGISLATOR DENENBERG:   I did just  
17      have a couple of questions for Mr. Chalmers.

18                  CHAIRMAN KOPEL:   He's here  
19      strictly to answer questions.

20                  LEGISLATOR DENENBERG:   Can I ask  
21      him a couple of questions?

22                  CHAIRMAN KOPEL:   Yes.

23                  LEGISLATOR DENENBERG:   Thank you,  
24      Mr. Kopel.   Mr. Chalmers, thank you for  
25      being here.   You were here throughout the

1 Budget Hearing/7-26-12

2 hearing?

3 MR. CHALMERS: Yes, I was.

4 LEGISLATOR DENENBERG: The July  
5 26, 2012 second quarter budget hearing  
6 interdepartmental memo that you sent to  
7 members of this committee I have before me.  
8 You did send this memo, correct?

9 MR. CHALMERS: Yes, I did.

10 LEGISLATOR DENENBERG: In this  
11 memo, if I look at the fourth page, you are  
12 doing a comparison of overtime trends,  
13 correct?

14 MR. CHALMERS: Yes, I am.

15 LEGISLATOR DENENBERG: Now, I had  
16 difficulty with Mr. Sullivan getting this  
17 exact number, but your document states that  
18 the 2012 overtime projection for the police  
19 department is over budget by roughly \$29.6  
20 million, correct?

21 MR. CHALMERS: That's what we are  
22 projecting right now, yes.

23 LEGISLATOR DENENBERG: That's  
24 just overtime, correct?

25 MR. CHALMERS: That is correct.



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2 LEGISLATOR DENENBERG: In terms  
3 of salaries, what are you anticipating in  
4 terms of how much over budget we are going  
5 to come in at?

6 MR. CHALMERS: Right now for  
7 salaries we are projecting a deficit of  
8 approximately 128.2 million.

9 LEGISLATOR DENENBERG: That means  
10 we're under budget by 128.2 million.

11 MR. CHALMERS: We are over budget  
12 by 128.2 million.

13 LEGISLATOR DENENBERG: Meaning we  
14 are 128 million less than budget?

15 MR. CHALMERS: No. We have more  
16 expenses than budget, we have a deficit.

17 LEGISLATOR DENENBERG: So by 128  
18 million?

19 MR. CHALMERS: Correct.

20 LEGISLATOR DENENBERG: So with  
21 overtime with just the police, you would add  
22 30 to 128, that would be 158 million?

23 MR. CHALMERS: No. That's  
24 included.

25 LEGISLATOR DENENBERG: Okay. So

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2 say that number again.

3 MR. CHALMERS: The 128 includes  
4 salary shortfalls in general which includes  
5 termination pay, the overtime, also the  
6 salaries.

7 LEGISLATOR DENENBERG: So our job  
8 or I believe part of the job in a  
9 legislative budget review hearing is to see  
10 how we're doing in terms of actual  
11 operations to date against what was  
12 budgeted.

13 So in salaries, unless things  
14 change, we are progressing at a point where  
15 we will be \$128 million over budget, meaning  
16 spending more than what the budget said?

17 MR. CHALMERS: Yes.

18 LEGISLATOR DENENBERG: And that  
19 would have to be made up from elsewhere in  
20 the budget.

21 MR. CHALMERS: There are many  
22 other lines where they have surpluses that  
23 they intend to use to offset this deficit.

24 LEGISLATOR DENENBERG: Which?

25 MR. CHALMERS: For example, the

1                   Budget Hearing/7-26-12  
2     fringe benefits, on the fringe benefits they  
3     have a surplus of approximately 40 million.  
4     They also have 34 million in debt service  
5     surplus. They also have -- we estimate  
6     approximately 21, 22 million in sales tax.  
7     So all those different lines will be used to  
8     offset the 128 shortfall.

9                   LEGISLATOR DENENBERG: A large  
10    part of the debt, the debt payments,  
11    according to the comptroller is 17 million,  
12    and according to the administration is \$20  
13    million, will be saved in debt financing by  
14    using excess cash from capital projects?

15                  MR. CHALMERS: Yes, that we have  
16    that as an opportunity. That is not  
17    factored in our number.

18                  LEGISLATOR DENENBERG: Do you  
19    know what capital projects they intend to  
20    take the money out of?

21                  MR. CHALMERS: We requested that  
22    information. I believe --

23                  LEGISLATOR DENENBERG: According  
24    to Mr. Schmitt, to all the ones in  
25    Massapequa, but that's okay.

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2                   So I think all, I, personally, as  
3                   soon as you see that list, I would like to  
4                   see that list as well. And do you know what  
5                   debt or what expenditures it's going to be  
6                   applied to? Will it be capital bonds or  
7                   capital debt and which projects?

8                   MR. CHALMERS: I don't have that  
9                   information yet. I believe the  
10                  administration testified that they will be  
11                  providing it. I will get a copy and provide  
12                  it to the legislature also.

13                  LEGISLATOR DENENBERG: Apparently  
14                  they provided it the comptroller. They said  
15                  they would provide it to us as well and so  
16                  did the comptroller.

17                  MR. CHALMERS: That's why we put  
18                  it as an opportunity and we didn't factor it  
19                  into the projections.

20                  LEGISLATOR DENENBERG: But  
21                  essentially it's \$20 million or millions of  
22                  dollars worth of projects that won't happen  
23                  and then that that bonded money would be  
24                  used to pay for debt payments either for the  
25                  general fund or for other kinds of debt

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2 payments?

3 MR. CHALMERS: That is the plan.

4 LEGISLATOR DENENBERG: You  
5 wouldn't be able to know how we could use  
6 capital money from certain projects for  
7 general debt, right?

8 MR. CHALMERS: We've inquired and  
9 we were told that they have the ability to  
10 do it, they were comfortable with it. Bond  
11 counsel said they could do it and I'm sure  
12 if the comptroller is going to allow them to  
13 do it, we would assume that it can be done.

14 LEGISLATOR DENENBERG: You know  
15 what happened when we assume, right?

16 MR. CHALMERS: It has been done  
17 it the past also.

18 LEGISLATOR DENENBERG: When was  
19 it done in the past?

20 MR. CHALMERS: We can go back  
21 and take a look at the past years.

22 LEGISLATOR DENENBERG: I would  
23 like to see that.

24 LEGISLATOR SCHMITT: It's been  
25 done every year for the past several years.

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2 MR. CHALMERS: Yes, it has.

3 LEGISLATOR DENENBERG: I know in  
4 capital projects any time we changed the  
5 capital plan in terms of not running with  
6 projects, we need an amendment of the  
7 legislature and bonding for capital projects  
8 are very specific as to the projects they  
9 could be used for.

10 LEGISLATOR SCHMITT:

11 Mr. Denenberg, I would agree with you and  
12 have so stated to the administration that a  
13 list of projects that are going to be  
14 postponed would require a vote of the  
15 legislature to amend the capital plan.

16 It's my understanding that the  
17 funds that may have been borrowed for a  
18 capital program that now is not going to be  
19 done, that those monies would be used to pay  
20 the bonds that were floated to realize the  
21 funds in the borrowing, and that that  
22 reduction of debt will lead to a reduction  
23 of debt service, which comes out of the  
24 general fund and that's where the savings  
25 will lie.

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2 LEGISLATOR DENENBERG: Like I  
3 said, we would have to see a list and  
4 certainly if it's bonding for a project that  
5 we didn't do, I don't know how the money  
6 could be used to retire debt except for that  
7 project, but I don't know how that project  
8 would have debt if we didn't do it.

9 CHAIRMAN KOPEL: Debt is debt.  
10 What's the difference where it comes from.

11 LEGISLATOR DENENBERG: Let me ask  
12 you this, Mr. Chalmers. We'll all have to  
13 see that list.

14 I'm moving on to a different  
15 item. In the police consolidation plan  
16 which you came up and you gave your review,  
17 your analysis, and answered many questions  
18 about, \$20 million in savings was forecasted  
19 by the administration, certainly not by you  
20 but by the administration.

21 Have you done any analysis as to  
22 what's actually been saved from the police  
23 consolidation?

24 MR. CHALMERS: Based on the 98  
25 separation, we believe that number is going

1                   Budget Hearing/7-26-12  
2     to end up being approximately 18.4 to 19  
3     million.

4                   LEGISLATOR DENENBERG:    In savings  
5     from the precinct consolidation?

6                   MR. CHALMERS:    That's from the  
7     separation, the police separation, not the  
8     consolidation.

9                   LEGISLATOR DENENBERG:    But that's  
10    all based on the incentive and retirements,  
11    correct?

12                  MR. CHALMERS:    Correct.

13                  LEGISLATOR DENENBERG:    That was  
14    not based on the consolidation?

15                  MR. CHALMERS:    Well, the  
16    consolidation was meant to allow them to be  
17    able to function with less staff, which is  
18    what they're doing now.

19                  LEGISLATOR DENENBERG:    I think  
20    we're going to get that 18.4 just with the  
21    severance pay. Do you believe that police  
22    consolidation has lead to the overtime  
23    numbers that we're seeing, where for police  
24    alone you think it's going to be \$30 million  
25    over budget?



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2 MR. CHALMERS: Well, the first  
3 consolidation has ended and they're in the  
4 process of doing the second one. As part of  
5 our 2013 budget, we will be able to provide  
6 more information as far as to what the  
7 overtime is by precinct.

8 As a matter of fact, Legislator  
9 Wayne Wink asked us to put some data  
10 together which we should have some time next  
11 week as to what the actual overtime is this  
12 time versus last year by precinct. So we  
13 will have that information soon.

14 LEGISLATOR DENENBERG: Okay. But  
15 right now, with only one of the precinct  
16 consolidations being complete, the police  
17 department still, after six months, how much  
18 over budget were we? What did we spend in  
19 six months for police overtime?

20 MR. CHALMERS: I don't have that  
21 number but I believe we were over by  
22 approximately about 2 million to 3 million,  
23 hence, that's why we're projecting the two  
24 million extra from last year.

25 LEGISLATOR DENENBERG: That was

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2 for the first six months?

3 MR. CHALMERS: Correct.

4 LEGISLATOR DENENBERG: And that  
5 you project to be 30 million over budget by  
6 the time the year ends? Again, 2012  
7 overtime projection for the police  
8 department is over budget by roughly 29.6  
9 million, I rounded to 30.

10 MR. CHALMERS: Correct. The  
11 budget had only \$22 million.

12 LEGISLATOR DENENBERG: For police  
13 overtime?

14 MR. CHALMERS: Correct.

15 LEGISLATOR DENENBERG: And we are  
16 going to be over 50?

17 MR. CHALMERS: You're going to be  
18 over by approximately 29.6 million.

19 LEGISLATOR DENENBERG: Which  
20 would mean a total of \$50 million?

21 MR. CHALMERS: We would spend  
22 about \$51.6 million. Yes. That's our  
23 projection.

24 LEGISLATOR DENENBERG: Thank you.  
25 Nothing else.

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2 CHAIRMAN KOPEL: Okay. I guess  
3 we are done. Thank you everyone. Thank you  
4 for attending.

5 (Whereupon, the Nassau County  
6 Legislative Budget Review Committee  
7 adjourned at 2:55 p.m.)

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C E R T I F I C A T E

I, FRANK GRAY, a Shorthand Reporter and Notary Public in and for the State of New York, do hereby stated:

THAT I attended at the time and place above mentioned and took stenographic record of the proceedings in the above-entitled matter;

THAT the foregoing transcript is a true and accurate transcript of the same and the whole thereof, according to the best of my ability and belief.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of July, 2012.

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FRANK GRAY