

**AUDIT & ADMINISTRATION COMMITTEE
BUDGET MEETING
HELD IN ROOM 318 OF THE
PUTNAM COUNTY OFFICE BUILDING
CARMEL, NEW YORK 10512**

Members: Chairman Castellano, Legislators Gross & Nacerino

Wednesday **6:00 PM** **October 14, 2015**

The meeting was called to order at 6:02 P.M. by Chairman Castellano who requested Legislator Gross lead in the Pledge of Allegiance. Upon roll call Legislators Gross & Nacerino and Chairman Castellano were present.

Item #3 - 2016 Budget Review

Department of Finance – Account 1310 (pages 10-11)

Legislator Gross questioned the fluctuation of the line 54382, Computer, from 2014 to 2015.

Commissioner of Finance William Carlin stated that line is the main contract with Munis, which is a ten (10) year agreement. He stated this contract began in 2011.

Legislator Gouldman questioned if the revenue amount of \$65,000 in the Interest and Earnings, line 424011, would be met for 2015.

Commissioner Carlin stated that line was reduced for the 2016 budget. He stated they may receive \$60,000-\$61,000 rather than the projected \$65,000. He stated the amount received that is reflected in the budget shows the first two (2) quarters of 2015.

Legislator Nacerino questioned if the Sales of Real Property, line 426601, reflected the proposed sale of the building at 20 Fair Street.

Commissioner Carlin stated yes, that amount is the proposed sale of 20 Fair Street. He drew the Committee's attention to line 427201, OTB Distributed Earnings. He stated there is a difference in revenue between the 2016 Requested Budget and the 2016 Tentative Budget as the requested revenue amount was \$58,083 and the tentative amount is \$86,135. He stated this is due to the proposed resolution that would reduce PILOT (Payment in Lieu of Taxes) payments. He stated this was discussed in Committee and it was decided to move the resolution forward. He stated either line 427201 must be changed back to \$58,083, or the proposed resolution must be passed.

Legislator Gross stated if gambling picks back up and more revenue begins to come in, the contribution coming from the Town of Southeast will adjust.

Legislative Counsel Clem Van Ross stated the proposed resolution was changed slightly. He stated the final payment for the Town was decreased from 3% to 1%.

Legislator Gross questioned the increase in line 51094, Temporary.

Commissioner Carlin stated the temporary line was increased because of the proposed incentive program that the County introduced. He stated there are two (2) candidates, one (1) in the Finance Department and one (1) in Real Property, that will be replaced with one (1) person and have temporary as a backup. He stated there are four (4) total candidates through the proposed incentive program; the other two (2) being from the Office for Senior Resources. He stated this will save the County \$101,000 in this budget.

Legislator Gross questioned if an employee could opt into the incentive program at this time since it is passed the deadline.

Commissioner Carlin stated it would be open for discussion. He stated the plan when preparing this budget was to save money.

Legislator Gouldman questioned why line 427701, Unclassified Funds was empty.

Commissioner Carlin stated nothing is currently expected. He stated sometimes unanticipated things do come in.

Legislator Gouldman questioned why under 2015, there was nothing projected, but the actual shows \$1,506,154.07.

Commissioner Carlin stated County Auditor Sharkey would be able to find what that amount was from in Munis.

Legislator LoBue questioned why the incentive program was not offered to those who have been employed by the County for 20 years or more. She stated these employees would have higher salaries, thus resulting in a higher cost savings to the County.

Commissioner Carlin stated those who have been employed by the County for 20 years are eligible for retiree health insurance. He stated money would not be saved by giving those employees an incentive payment, putting them on retiree health insurance, and bringing a new employee on to fill their position.

County Auditor Michele Sharkey stated that amount in line 427701, Unclassified Funds, for 2015 came from the NYMIR offset settlement for Deskovic.

Legislator Albano questioned if 20 Fair Street is being considered for sale.

Commissioner Carlin stated if the proposed sale resolution is not going to be passed; the revenue allocated from the sale of 20 Fair Street would need to be removed.

Legislator Gross stated the first floor of the building at 20 Fair Street is sectioned off and the second floor is a fire hazard. He stated the stairs are very steep and the men's room is upstairs. He questioned if Commissioner Carlin believed the building was saleable.

Commissioner Carlin stated the County has a CMA (comparative market analysis) and there is always a buyer. He stated there has been interest in the past from someone who is in close proximity to the building, but he is unaware if this interest still exists.

Legislator Gross stated the Probation Department is in a confined space. He questioned if the proximity of 20 Fair Street to Carmel High School would prevent Probation from utilizing this building.

Commissioner Carlin stated the Probation Department would not be able to utilize that building because of the proximity to the school. He stated they are grandfathered into their current location.

Legislator Addonizio stated it is difficult to predict the sale of real estate. She questioned how a potential sale could be entered into the budget as revenue.

Legislator Gross stated the sale could take a year or two (2).

Commissioner Carlin stated they are not anticipating the sale to take that long.

Legislator LoBue questioned if there is a buyer.

Commissioner Carlin stated currently there is no buyer.

Legislator Albano stated he is in favor of selling the building; however a decision should be made whether or not to sell so the Legislators are on the same page when looking at the dollar amounts in the budget.

Commissioner Carlin stated the County does not pre-determine buyers. He stated the property is run through multiple listings and is out there for everyone to see. He stated the County will then sell to the highest bidder.

Chairman Castellano stated when the possible sale of this property was discussed last month, Legislator Gross brought up the fact that the building needs a lot of work. He stated if the County does keep the property, money will need to go toward fixing it up.

Deputy County Executive Bruce Walker stated the reason the sale of 20 Fair Street was proposed is because the property is not needed.

Legislator LoBue stated she is in favor of keeping the property. She stated under the Bondi Administration, the County went from renting its facilities to owning them. She

stated there are always issues with not having enough space. She stated she believes saying 20 Fair Street is a fire hazard is an exaggeration. She stated the property is debt free and has no mortgage or bonding and is within the campus. She stated the option to rent the building out is there as well. She stated when the Putnam County Legal Aid Society was utilizing that property it was not the best set up as there were too many people in the small space. She stated nonetheless, the property is an asset and space is a constant factor for County Departments. She provided an example within the County Office Building, that the Economic Development Corporation (EDC) was utilizing an office that belonged to the District Attorney. She stated the District Attorney then needed this space and the EDC needed to move.

Legislator Albano stated by selling the property, it will go back on the tax rolls for the Town of Carmel.

Purchasing – Account 1345 (page 13)

Legislator Gouldman questioned if the amount of revenue projected in line 42770G, P-Card Rebate, would be reached for 2015.

Director of Purchasing Alessandro Mazzotta stated the P-Card Rebate is directly tied to the amount of purchases the County makes on the card. He stated the County did well last year since all of the road salt purchases were put on the card. He stated \$1.3 million was spent on road salt, which resulted in almost \$8,500 back to the County. He stated he would like to expand the program, however the vendors must accept the card. He stated the rebate schedule has increased, meaning the County will receive a greater rebate on purchases. He stated if the same amount of purchases that were made this year are made next year, the rebate would be \$14,000.

Legislator Albano stated the 2015 line shows about \$1,800. He questioned if most of the reimbursement comes at the end of the year.

Director Mazzotta stated the rebate schedule runs from September 1st to August 31st. He stated the rebate check for the period ending August 31, 2015 has not yet been received, but is coming. He stated what is reflected in the 2015 line is the amount received in the last three (3) months of 2014.

Chairman Castellano questioned if the County is close to the \$10,000 projected revenue amount for 2015.

Director Mazzotta stated for the period ending August 31st the amount is \$8,500.

Real Property Tax Services – Account 1355 (page 14)

Legislator Gross questioned the decrease in Personnel Services, line 51000.

Commissioner Carlin stated that is due to the incentive program he mentioned earlier. He restated this position and the position in the Finance Department will be filled by one (1) person and will be cross trained in both Departments.

Chairman Castellano stated Data Processing, line 54680, decreased by \$1,000.

Commissioner Carlin stated Director of Real Property Lisa Johnson adjusted that line for 2016 to more accurately depict what will be spent. He stated this line is mostly used for the rolls and the bills. He stated Director Johnson processes all the rolls and bills for each town except Putnam Valley.

Information Technology – Account 1680 (pages 29-30)

Legislator Gouldman questioned why line 52130, Computer Equipment, was lower than the amount allocated for 2015.

County Auditor Sharkey stated that line covers computers for the whole County.

Legislator Gross questioned why line 54510, Machine Maintenance, increased by almost \$15,000.

Deputy County Executive Walker stated an audit was done on the IT architecture and there are a few things reflected in the budget to address risks identified through the architectural audit.

Insurance Expense – Account 1915 (page 31)

Legislator Gross questioned the increase for line 54830, Excess Liability.

Commissioner Carlin stated the County is billed on a five (5) year rolling average. He stated the amount shown is the amount the County is being billed this year.

Legislator Gross stated he attended a NYMIR convention and rebate checks were being given.

Commissioner Carlin stated the County has received rebate checks in the past for the return of capital, which is paid off.

Legislator LoBue questioned if the increased premium is the result of litigation.

Commissioner Carlin stated he would have to check that information with the Risk Manager.

Legislator Gross stated this year there were a few high settlements.

Legislator Albano stated the County raised the deductible a few years ago, which helped offset some increases.

Contingency Fund – Account 1990 (page 38)

Legislator Gross questioned if the amount shown was what is currently left in the fund.

Commissioner Carlin stated yes, that is the budget for next year.

Legislator LoBue questioned why Sub-Contingency, line 54981, was decreased.

Commissioner Carlin stated that is the $\frac{3}{4}$ of the year lease for Butterfield.

Tax Anticipation Notes – Account 9760 (page 179)

Commissioner Carlin stated guaranteeing taxes to other municipalities creates a tremendous cash flow burden on the County. He stated the County borrows anywhere from \$15 million to \$17 million per year to pay the schools.

Debt Service – Account 9710 (pages 194-195)

Commissioner Carlin stated by Charter, the Debt Service budget cannot be modified by the Legislature.

Legislator Gross stated the County refinanced some bonds for better interest rates, which is reflected in this budget.

Commissioner Carlin stated the County's strong credit rating has enabled us to save over \$1.5 million.

OTB Distributed Earnings – Account 427201 (page 10)

Chairman Castellano questioned why the Mahopac OTB is different.

Commissioner Carlin stated the Mahopac OTB is privately owned.

Use of Reserve/ Fund Balance – Account 427161 (page 10)

Legislator Gross stated Commissioner Carlin indicated that it is expected to come back next year because the pension payoff will be taken care of and there will be other revenue.

Commissioner Carlin stated December 31, 2014 ended with a \$20.1 million undesignated fund balance, which is great. He stated on the other side of the equation, the County had a big amortization bill outstanding for about \$8 million. He stated some of that balance was paid down. He stated the problem is that the only thing being

focused on is the \$20.1 million. He stated although the fund balance may have a large positive number, it is important to also recognize the liability which must be taken in conjunction with one another in order to have a true picture of the financial position of the County. He stated the Administration has been trying to figure out how to accurately reflect what is going on in the County. He stated the pension amortization costs the County millions of dollars in interest. He stated since it was affordable cash flow wise, it was decided to pay off this interest. He stated the fund balance is more accurately reflected because of this. He stated also taken into consideration when making this decision was how it would affect the County's credit score with Moody's. He stated Moody's understands the balance in that on one (1) side, there are funds whereas on the other, there is liability. He stated he believed Moody's will view the drop in Putnam County's fund balance as a positive because in the Moody's rating reports, they constantly mention their concern surrounding the pension amortization. He stated the County will go from a fund balance of \$20.1 million to \$12.5 million. He stated this is not a spectacular fund balance, but it is reasonable and sound. He stated this will either be added to or subtracted from, depending on the financial operations through the end of the year.

Legislator Nacerino stated there is a false perception of the actual fund balance because there is debt associated with the pension amortization.

Commissioner Carlin stated with the pension paid off, it does not create a one (1) time budget gap where next year, the County will be looking for \$7.76 million. He stated the County will be looking for the \$4.1 million. He stated those funds will either need to be generated to use again, or more revenue or expense offsets will be looked for during the 2017 budget process.

Legislator Gross questioned if there will be pension costs next year.

Commissioner Carlin stated there will be pension costs next year, but the County is closing the gap each year. He stated each year, pensions have gone down a little and the County's contribution has increased, which has resulted in the closing of the pension amortization gap. He stated because the gap has closed so much, the County no longer has the ability to borrow \$4.1 million each year, which is a positive.

Legislator Gross questioned if this is due to the fact that new hires are contributing more.

Commissioner Carlin stated that does help but what helps the most is the performance of the stock market.

Legislator LoBue stated Legislator Wright sent an email stating that funds could be saved by spreading the repayment of the pension debt from one (1) year to two (2) years and the interest cost would be \$67,200.

Commissioner Carlin stated the \$67,200 cost would be in interest; however he does not see the end result.

Legislator LoBue stated the Legislature is “against the wall.” She stated they were given a budget with two (2) options: take money from the reserves, or tax levy. She stated predicated in the budget is \$750,000 in booked revenue to increase the health insurance contributions of retirees. She stated this whole year she has been cautious of spending. She stated the County needs \$7.8 million from the reserves in order to make the budget whole. She stated within the budget, the Legislature must find the \$750,000 in revenue that was booked for the health insurance increase and \$199,000 that was booked for the sale of 20 Fair Street. She stated she is not in favor of the increase in the health insurance contribution from retirees.

Commissioner Carlin the biggest issue the County is facing is the retiree health insurance.

Legislator LoBue stated spending must be prioritized. She stated money is being leveraged at the Putnam County Golf Course and Tilly Foster Farm. She stated going back and charging retirees more for their health insurance contribution is unconscionable.

Commissioner Carlin stated in terms of the pension amortization, paying it off in two (2) years as opposed to one (1) year would decrease the pension expense by \$1.8 million. He questioned if the fund balance would also be decreased.

Deputy County Executive Walker stated any business or household looks at the debt they have and pays off that debt when it is possible to do so. He stated especially today, with the current interest rates for the money that is in the bank is .1%. He stated at the same time, there is \$8.5 million sitting in a lump sum debt payment that the County is paying a 3.76% interest rate on. He stated this situation is no different than a person paying off their credit card in order to avoid paying the higher interest rate. He stated this is a good business decision. He also stated in 2017, the Administration is looking to pay the remainder of the pension amortization.

Legislator Albano stated he agrees with having a clearer picture of the County's standing. He stated there was no money funded to pay for the pensions into the future and the County took on that debt. He stated the best thing to do is get rid of that debt. He stated it is a sound business decision that leads to a clearer picture on the books.

Deputy County Executive Walker stated the County had \$14 million in pension amortization to pay and the County has paid to bring that amount down to \$8.5 million over the last four (4) years. He stated that \$14 million was a lump sum payment that came and was required by the New York State Pension System after the downturn of the stock market in 2008. He stated Putnam County had already paid for all of the pensions of everyone in the system until that point. He stated in order to make sure everyone had a full pension; the County had to pay \$14 million.

Chairman Castellano stated the Committee has a resolution in front of them regarding the OTB PILOT. He stated in 2002, the OTB had \$840,000 in revenue. He stated in 2014, the revenue had decreased substantially to \$112,000. He stated where the OTB payment from the County was once at 10%, it is now at about 40%. He stated the PILOT payment would commence January 1, 2016. He stated the payment to the Town of Southeast would be 3% of the prior calendar year's receipts. He stated the payment to the School District would be 10%.

Legislative Counsel Van Ross stated it has been revised to 1% for the Town of Southeast, and 10% for the School District based on the prior year's calendar receipts.

Chairman Castellano questioned when the calendar year's receipts would begin.

Commissioner Carlin stated for the Town, the calendar year's receipts for 2015 would be forwarded to the assessor along with the PILOT payment amount. He stated for the School District, it would begin September 1, 2016, for their next school year.

Legislator Gross stated this is certainly a hit to the School District, but the revenues from OTB are just not there. He stated however, it works both ways: if revenue picks up, the payment would increase as well.

Chairman Castellano stated from 2002 to 2014, the decrease in revenue was huge.

Chairman Castellano made a motion to move OTB/ Payments in Lieu of Taxes (PILOT) to the Full Legislative Meeting; Seconded by Legislator Nacerino. All in favor.

Item #4 - Other Business - None

Item #5 - Adjournment

There being no further business, at 6:49 P.M., Chairman Castellano made a motion to adjourn; Seconded by Legislator Gross. All in favor.

Respectfully submitted by Administrative Assistant Beth Green.