

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

Members: Chairman Gouldman, Legislators Castellano & Sayegh

**Monday October 7, 2019
(Immediately following the Protective Budget Meeting beginning at 6:00pm)**

The meeting was called to order at 8:55 p.m. by Chairman Gouldman who led in the Pledge of Allegiance. Upon roll call Legislator Castellano, Legislator Sayegh, and Chairman Gouldman were present.

Item #3 - 2020 Budget Review

Information Technology – Account 1680 (pages 39-40)

Director of IT/GIS Thomas Lannon stated we have begun the transition to using Microsoft 365 and we have upgraded to Windows 10, which resulted in the replacement of some computers that were not able to run the program efficiently. He stated the County is about 75% complete with the Windows 10 upgrade. He stated the revenue and expenditure budget for the IT/GIS Department has decreased slightly from last year and the personnel section increased slightly from 2019. He stated the Department has been severely understaffed for many years and he put in for additional employees to accommodate the work load.

Legislator Nacerino stated the personnel changes will be discussed at the Personnel Budget Meeting next week. She stated with the changing technology, the need to expand the department is logical and she is supportive of the requests in the tentative budget.

Legislator Sayegh questioned line 54636, Internet Costs, was budgeted for \$61,280 in 2019 although \$85,429 has already been spent to date. She stated the request for 2020 remained at \$61,280 and she questioned if this is adequate funding for the line.

Director Lannon stated that line was being used for both internet services and equipment, however there are now two (2) lines that will address each item separately. He stated after balancing and putting the items in the correct place, the \$61,280 will be enough. He stated the amount used in 2019 was also for some costs that rolled over from 2018. He stated many of their bills become due at the end of the year.

Legislator Nacerino stated now that the County is transitioning to Microsoft 10, some departments are upgrading their computers. She questioned how the County structures the shelf life and replenishment of the computers.

Director Lannon stated he strongly believes that departments should not have a budget line for the use of purchasing computers. He stated the IT/GIS Department can provide computers to the departments, and they can best identify the needs of a department. He stated he has lost control by the departments having the ability to purchase new computers without first consulting the IT/GIS Department. He stated when his Department upgraded the computers throughout the County, they accounted for the ones that needed to be replaced and he allocated funding in his budget for that. He stated that being said, there are some departments that he does not budget in his line, such as the Bureau of Emergency Services, mainly because they utilize grant money for the purchases. He stated many departments will decide to buy a new computer and then go to IT/GIS for the purchase, rather than having them look at the computer and determine if a new one is necessary. He stated for example, the County Executive's Office has never bought a computer out of their budget; they go to IT/GIS with their issue to determine the best course of action. He stated the best way to have oversight is to have the money flow through the IT/GIS department so it can be allocated when necessary.

Legislator Nacerino questioned if Director Lannon agrees that creating a better policy should be considered to have a department go through IT/GIS for an assessment of their needs prior to purchasing a computer. She stated even if it is an outside source of funding, perhaps that funding source could be used toward something else if a new computer is not necessary.

Director Lannon stated to be clear, he is involved in the purchase of such equipment now, however it is after the purchase has been decided. He stated he is not at the forefront of assessing the need.

Legislator Nacerino stated she would like the Rules, Enactments, & Intergovernmental Relations Committee to consider a new policy that addresses this topic.

Legislator Addonizio stated Director Lannon just stated his department is understaffed and she questioned if the IT/GIS Department would be able to handle the work load that would come along with assessing the needs of each department.

Director Lannon stated assessments are done hand in hand with the departments and falls within the regular course of duties. He stated checking computers is not a difficult task and he believes the computers can keep being used. He stated as we migrate over to Microsoft 365 things will be changing as it will be more reliant on the Cloud, putting less pressure on the computer itself.

Legislator Addonizio questioned how the outdated computers are disposed of.

Director Lannon stated since there is no value to the computer once it's useful life has expired, they are recycled. He stated the hard drives are always destroyed in a machine the County owns that crushes them. He stated the company does not charge

the County to recycle the old electronic equipment. He stated if a computer is still in reasonable shape, it will be held for future use by an employee.

Purchasing – Account 1345 (pages 17-18)

Director of Purchasing Alex Mazzotta stated the budget is fairly level as compared to years past. He stated Licensing Software, line 54783, increased a nominal amount because software that was funded through a budget line under the Law Department was relocated to the Purchasing Department budget where it was more appropriate. He stated the software assists with vendor checks.

Legislator Sayegh stated at the Protective Services Budget Meeting earlier this evening, Director of Probation Gene Funicelli stated that the vehicle removed from his budget would be addressed by Director of Purchasing, Alex Mazzotta. She questioned if this would be explained at this meeting.

Commissioner of Finance William Carlin stated the vehicle would be discussed under Central Services, Account 1610.

Central Services – Account 1610 (page 38) *(This budget account falls under the Physical Services Committee.)*

Director Mazzotta stated Central Services falls under the Purchasing Department. He stated Director Funicelli initially mentioned that he included a vehicle in his proposed 2020 budget to replace a vehicle that was determined unusable by the Highway Department. He stated the request was for about \$40,000 to replace that vehicle. He stated he, Commissioner Carlin, Highways & Facilities Asset Manager John Nuculovic and Chief Mechanic Chris Vitiello have been working on taking a new look at how the County runs and funds their fleet. He stated there are a few counties, including Orange, within the State that have migrated to a leasing method through Enterprise Fleet Management. He stated leasing allows the vehicle to have a more normalized life cycle for a five (5) year period rather than purchasing the vehicle upfront and owning them until the car is no longer usable. He stated when vehicles are older, they require bigger, more expensive repairs and instead of keeping the vehicle past that five (5) year mark the County would essentially sell them back, recoup the value, and reinvest the money in a new vehicle. He stated the other counties have done this with great success. He stated operating the fleet in this manor will ensure the employees have safe vehicles at all times and the County will get a better residual value. He stated currently, when a car has reached the end of its useful life it is only worth a few hundred dollars. He stated other benefits are the improved gas mileage that a newer vehicle would have and the decrease in maintenance jobs for the Highway garage. He stated this will allow the mechanics to spend more time on bigger machinery that require attention. He stated for 2020, they are suggesting to create a line item to begin funding the leasing of County fleet vehicles. He stated the \$100,000 presented in the budget would secure approximately 14 vehicles, which cost about \$400-\$500 per month each. He stated this would give the County a head start in upgrading the fleet. He stated the vehicle originally included in the Probation Department budget would have been a \$30,000 or

\$40,000 request and Consumer Affairs also has a vehicle that needs to be replaced, which would have been another \$25,000-\$30,000 request. He stated that is \$70,000 just in 2020 for two (2) vehicles. He stated using the leasing method would bring that cost down.

Legislator Sullivan stated leasing the vehicles makes sense, especially the ones that have low annual mileage.

Commissioner Carlin stated the only department vehicles left in the budget are the 100% funded ones.

Legislator Sullivan questioned if the County or the leasing company has the residual value risk.

Director Mazzotta stated the leasing company has some wiggle room when they determine the monthly pricing and they were very conservative, which is what he suggests the County accept. He stated the monthly payment rate was created to ensure that if the County wants to purchase the vehicle at the five (5) year mark, it would be a nominal amount. He stated more likely, if the County declines to purchase the vehicle at that time and decides to give it back, they would take that residual value and put it toward the next vehicle that would be replacing it.

Legislator Sullivan stated leasing would provide consistency in the vehicle budget lines. He stated there is not much risk in this and it is better on cash flow.

Legislator Albano stated he sees the benefit, but questioned if it is the best deal for the long-term. He stated if a car cost \$500 per month, it would cost \$6,000 per year, or \$18,000 after three (3) years. He stated he would like to see all the math. He stated once a car is paid off, the County may still have it for a long time.

Director Mazzotta stated when vehicles are taken past their limit, departments face issues with their vehicle suddenly being taken off the road and they are left with no vehicle. He stated by leasing, that element of risk is removed. He stated there is also no consistency; there could be a year where 10 County vehicles are all taken off the road needing to be replaced. He stated the leasing program would allow the cost to be normalized over a period of time, therefore from a budget perspective there is a constant dollar amount the County knows must be invested into the fleet rather than being blindsided by multiple vehicles being redlined at once. He stated removing this risk element is beneficial. He stated it may cost a bit more, but it achieves budget certainty.

Legislator Albano stated there should be a replacement schedule in place so the County is not blindsided by multiple vehicles being taken off the road at once.

Director Mazzotta stated that is occurring, and this program helps avoid that risk.

Legislator Sullivan stated if the County purchased 14 vehicles outright at \$35,000 each it would cost \$490,000. He stated if the County leases 14 vehicles at \$400 per month for five (5) years the cost is \$336,000.

Legislator Albano stated the cars could last longer than five (5) years.

Legislator Sullivan stated at the end of the life of the car they do not have value. He stated the maintenance of leased cars is also much less because they would be newer cars with fewer issues.

Director Mazzotta stated the vehicles will have a manufacturer's warranty for the first five (5) years so the maintenance would only be oil changes, tires, and brakes. He stated maintenance really becomes more expensive in the later years. He stated right now, the vehicles owned by the County are being kept into their later years and they are very expensive to maintain.

Legislator Nacerino questioned what types of vehicles would be leased.

Director Mazzotta stated part of the analysis is compiling vehicles the County currently has and what they should have. He stated this allows the fleet to be right sized from a number and type of vehicle perspective. He stated it also allows the County to better share its assets interdepartmentally.

Legislator Albano suggested purchasing some cars and leasing others so they can be compared over the next five (5) years.

Director Mazzotta stated as long as this program can begin in 2020, the County can have an idea of how it will work. He stated if it does not work out, it will not be done again. He stated if it does work out, it can be budgeted again for 2021 to lease a few more each year.

Legislator Castellano stated it was mentioned that there are currently two (2) cars that were taken off the road. He questioned why \$100,000 was proposed if only two (2) cars are needed. He questioned how many vehicles are looking to be replaced within the first year.

Director Mazzotta stated in order to make the program more robust in its first year, additional funds were proposed.

Legislator Castellano stated \$100,000 seems like a lot for the first year.

Commissioner Carlin stated the worst vehicles in the fleet will be replaced with the leased vehicles.

Legislator Castellano questioned if it is being assumed that more vehicles will be taken off the road this year.

Director Mazzotta and Commissioner Carlin stated they know vehicles will need to be replaced.

Director Mazzotta stated it happens every year; they just do not know when. He stated if these funds are not earmarked in the budget, a request would be needed in the middle of the year.

Legislator Castellano stated \$100,000 is a lot with an expected payment of about \$400 per month. He questioned if an estimation is being made of how many more will need to be replaced in 2020.

Director Mazzotta stated they are not trying to estimate how many vehicles in 2020 will be redlined, rather this program is proactive. He stated they will identify the most aged vehicles in the fleet that have problems or will have problems and replace them proactively. He stated he does not mind being premature in replacing a vehicle even if it costs the County a little more, if it will allow the program to show that it is worthwhile.

Legislator Castellano stated this budgeted amount could change from year to year depending on the status of the current fleet.

Legislator Sullivan suggested lowering line 54210, Vehicle Leasing/Rental, from \$100,000 to \$75,000. He stated this would bring the line closer to the equivalent of what the County would be spending on the two (2) new cars for Probation and Consumer Affairs.

Legislator Castellano agreed.

Commissioner Carlin stated that would work and the worst cars in the fleet would still be the first ones replaced.

Legislator Montgomery stated she likes this idea, it gives the County an opportunity to take advantage of the Clean Fleet program in New York State and to transition our fleet to electric vehicles. She stated there are many incentives to create charging stations on County campuses. She stated this is the perfect opportunity to transition the fleet.

Legislator Castellano questioned if this item would be voted on tonight.

Chairman Gouldman stated it would be addressed at the October 9, 2019 Physical Services Budget Meeting. *(This was addressed at the October 17, 2019 Budget & Finance Committee Meeting.)*

Department of Finance – Account 1310 (pages 14-15)

Commissioner Carlin stated this is a tight budget. He stated he is very happy with the Moody's Bond Rating upgrade to Aa1, which is based on the conservative budgets. He stated some additional funding has been allocated for line 52130, Computer Equipment,

since they have been experiencing some issues. He stated line 54382, Computers, has increased as well which is for Consumer Affairs software. He stated the software currently being used does not work and needs to be replaced. He stated those are the big changes within the budget.

Chairman Gouldman questioned the increased revenue allocated in line 410811, Payments in Lieu of Taxes (PILOT).

Commissioner Carlin stated those are the PILOT payments that come to the County through the Industrial Development Agency (IDA). He stated he believes the increase is due to the expansion of Ace Endico.

Chairman Gouldman questioned if the revenue of \$64,408,000 allocated in Sales and Use Tax, line 411100, is obtainable in 2020.

Commissioner Carlin stated this number fluctuates from year to year and they always budget conservatively. He stated the amount in the budget is definitely obtainable.

Legislator Castellano questioned if internet sales tax will affect that number.

Commissioner Carlin stated yes, it will but he does not know how much yet. He stated NYSAC is working on getting the numbers from the State. He stated his frustration is that he can get the numbers from each individual vendor, but he would be unable to share the information.

Chairman Gouldman questioned how long the County will receive revenue through the Tobacco Settlement, line 426901.

Commissioner Carlin stated the Tobacco Settlement will go on for a long time. He stated this is money set aside when the original stream of tobacco revenue was sold. He compared it to the lottery; the County took the upfront payment rather than the long annuity.

Legislator Montgomery questioned if the settlement against the pharmaceutical companies in relation to the opioid crisis would be shown in the same way.

Commissioner Carlin stated yes, if the County receives it. He stated at the time of the tobacco settlement the Attorney General fought for money to go to the counties and he is unsure if that would happen again.

Legislator Montgomery stated the County has until November 22, 2019 to accept the allocation that has been determined. She questioned if the County has gotten notice of this.

Commissioner Carlin stated this is the first he is hearing of that.

Legislator Montgomery stated it was decided in mid-September what each county would receive from the settlement and the County has until mid-November to accept.

Legislative Counsel Robert Firriolo stated the only settlement he is aware of is one (1) of the companies declared bankruptcy and the settlement is part of their bankruptcy plan. He stated now the other companies are trying to piggy-back on their bankruptcy. He stated if that happens there will be a major settlement and all the counties will receive their share but nothing is finalized yet.

Commissioner Carlin stated it could take a long time to go through bankruptcy court. He stated the tobacco settlement was not done that way.

Chairman Gouldman questioned what the Vacancy Control Factor, line 427705, is.

Commissioner Carlin stated there will be vacancies throughout the year, however they do not know where they will be. He stated the budget amount is contributed by any department that has a vacancy to equal the vacancy control factor. He stated they try to get to \$300,000 per year and so far have been successful in doing so. He stated emergency positions are not included in this. He stated line 427201, OTB Distributed Earnings does not have any revenue budgeted for 2020 as revenue has not been received in over a year and nothing is expected.

Real Property Tax Services – Account 1355 (pages 19-20)

Chairman Gouldman questioned why line 51000, Personnel Services, was being increased in 2020.

Commissioner Carlin stated this will be discussed in detail at the Personnel Budget Meeting next week. He stated a brief overview of the increase is the management COLA (cost of living adjustment) and what they believe the CSEA contract will include.

Chairman Gouldman questioned the increase in line 52130, Computer Equipment.

Commissioner Carlin stated a computer is being purchased to replace a failing computer.

Chairman Gouldman questioned the increase in line 54783, Licensing Software.

Commissioner Carlin stated there is a new piece of software being added to help with electronic deeds. He stated the first year cost is more than subsequent years.

Tax Advertising & Expense – Account 1362 (page 21)

Commissioner Carlin explained the \$100,000 revenue budgeted in line 410511, Gain (Loss Sale of Tax Acquired Property). He stated every year the County plans to gain \$100,000 on the sale of property. He stated there should be some good properties sold

in 2020. He stated many properties are sold at a loss, and it is the hope that the few that bring in revenue overturn those that do not. He stated line 412650, Charges for Tax Redemption, is revenue from the per parcel charge. He stated line 54910, Tax Advertising and Expense, is used for public legal advertisements.

Insurance Expense – Account 1915 (page 41)

Chairman Gouldman questioned what Excess Liability, line 54830, covers.

Commissioner Carlin stated the County's general insurance policy through NYMIR (New York Municipal Insurance Reciprocal) is budgeted in that line.

Legislative Counsel Firriolo stated it is called "excess" because the County pays a self-insured retention and there is no primary coverage; the County is the primary coverage.

Taxes/County Property – Account 1950 (page 45)

Commissioner Carlin stated this expense has been decreasing as Sewer 2 costs have decreased. He stated there are no exemptions on Sewer 2.

MTA Mobility Tax – Account 1980 (page 46)

Commissioner Carlin stated this amount is .00034% of payroll therefore any changes in payroll will affect this number.

Contingency Fund – Account 1990 (page 48)

Chairman Gouldman questioned the difference in line 54980, General Contingencies, from the 2019 budgeted amount to the 2020 tentative amount.

Commissioner Carlin stated the CSEA contract is allocated.

Debt Service – Account 9710 (pages 234-235)

Commissioner Carlin stated the only changes made here were due to the money saved from the bond refunding. He stated the County will save \$151,000 over six (6) years.

Chairman Gouldman questioned what line 424012, Courthouse Interest is.

Commissioner Carlin stated the Office of Court Administration pays the County 10% on the interest of bonds that were issued for the new courthouse. He stated that amount will decrease as the debt service decreases.

Legislator Nacerino stated there are a few budget lines with "Pub Imp" in the name and questioned what that meant.

Commissioner Carlin stated it is short for Public Improvement. He stated the debt service is the only thing in the budget that, by Charter, the Legislature cannot change.

Use of Reserve/Fund Balance – Account 427161 (page 14)

Commissioner Carlin stated this will decrease a bit when the County does the necessary repairs through Article 9. He stated the almost \$3.1 million budgeted in the Fund Balance for 2020 will still leave the County well within the Aa1 bond rating.

Legislator Castellano requested further clarification on the bond rating. He stated there was a comment made at the Public Hearing after the budget presentation that it may not have been accurate.

Commissioner Carlin stated he believes it is accurate and it is very difficult to get a Aa1 bond rating. He stated the County should be proud that an independent financial rating agency like Moody's raised our rating. He stated with this rating, the County will pay less on debt service.

Legislator Castellano stated that is great news.

Commissioner Carlin stated the independent auditors that review the County's financial standing have reported that the County is in good shape and Moody's has raised the County's rating. He stated not everyone will agree, but the County is financially sound.

Item #4 - Other Business – None

Item #5 - Adjournment

There being no further business, at 9:51 p.m. Chairman Gouldman made a motion to adjourn; Seconded by Legislator Castellano. All in favor.

Respectfully submitted by Administrative Assistant Beth Green.