

AUDIT & ADMINISTRATION COMMITTEE MEETING
Held In Room 318
PUTNAM COUNTY OFFICE BUILDING
CARMEL, NEW YORK 10512

Members: Chairman Castellano, Legislators Nacerino & Tartaro

Monday **6:00p.m.** **August 25, 2014**

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

Item #3 - Approval of Minutes – July 28, 2014

The minutes were approved as submitted.

Item #4 - 2013 Audit Report/ O'Connor Davies

Nick DeSantis, from O'Connor Davies, stated on **page xiv** of the Comprehensive Annual Financial Report there is a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended December 31, 2012. He stated Putnam County continues to get this award and this says a lot about those in the Finance Department. He stated the reports meet the standards of the National Government Finance Officers Association. He stated the County began achieving this award in 1981 with only a few gaps between now and then. He stated this award is a benefit to both the Administration and Legislature. He stated this takes into consideration disclosure, helps with the rating agencies, and helps taxpayers by being able to borrow at a lesser rate due to the amount of information disclosed.

Alan Kassay, from O'Connor Davies, handed the Committee a small booklet, which they described as a brief synopsis of the audit. (Booklet attached)

Legislator Nacerino made a motion to waive the rules and accept the additional;
Seconded by Legislator Tartaro. All in favor.

Mr. DeSantis directed the Committee to **page 4** of the booklet. He stated this page contained the fund balance. He stated another agency conducted the audit in 2011 and 2012 therefore, those years are not specific. He stated each year, Putnam County has consistently added to the overall fund balance.

Mr. Kassay turned the Committee's attention to **page 5** of the booklet, which contained a summary of the fund balance.

Mr. DeSantis clarified that this summary contained only the General Fund, which is the primary operating fund.

Mr. Kassay reviewed the General Fund Revenue and Expenditure Summary.

Mr. DeSantis stated at the end of the year in 2013, there was a budget surplus of \$6.6 million. Focusing on **page 8** of the booklet, he reviewed the revenue side of the budget. He stated the final budget grew due to an excess of sales tax.

Mr. Kassay stated grants also contributed to the increase of the budget.

Mr. DeSantis stated the final budget was missed by \$2.3 million. He stated however, most of the “miss” was in the State and Federal Aid categories, which is expenditure driven and the County gets reimbursed.

Mr. Kassay then reviewed the Analytical Points – General Fund Revenues vs. Budget – Year Ended December 31, 2013 on **page 9** of the booklet. He then reviewed the expenditure side of the budget and the Analytical Points – General Fund Expenditures vs. Budget – Year Ended December 31, 2013 which are on **page 10 and 11**, respectively.

Legislator Tartaro questioned if the General Fund included Highway.

Mr. Kassay stated Highway is a department within the General Fund.

Mr. DeSantis stated **page 12** of the booklet listed Non-Major Governmental Funds Fund Balances and included on the list was County Road Fund. He stated when the budget was adopted, it was balanced. He then stated on **page 27** of the Comprehensive Annual Financial Report all the fund categories reflected in the financial statements are listed. He then asked the Committee to turn to **page 33** of the same book. He stated the fund balance for a municipality is broken up into different categories. He explained each category:

1. Non-Spendable
Ex. Pre-payment on retirement system.
2. Restricted
Ex. E-911
Impounded money that the Sheriff or District Attorney may have.
3. Committed
Ex. Fund Balance that was set aside for a purpose.
4. Assigned
Ex. Encumbrances from one budget year to another.
Money taken from one year’s budget to balance the next year’s budget.
5. Unassigned
Ex. No purpose, can draw from for emergencies.

Mr. DeSantis then asked the Committee to turn to **page 52** which has the breakdown of the fund balance, which he explained. He questioned what the long term receivables are.

Mr. Kassay stated the long term receivables are monies that are not anticipated to be collected from the Department of Social Services.

Mr. DeSantis explained the total amount in each of the categories.

1. Non-Spendable - \$2.4 million
2. Restricted - \$3.9 million
3. Assigned - \$1 million
4. Unassigned - \$18 million

Legislator Tartaro questioned if the total fund balance was \$36,525,373.

Mr. DeSantis stated that is correct.

Legislator Tartaro clarified that the spendable surplus with no restrictions is the unassigned \$18 million.

Mr. DeSantis stated that is correct. He stated it must be considered that financial institutions and rating agencies would like for municipalities to keep a certain amount of their fund balance available for unforeseen situations. He stated it is recommended that 5%-7% of the operating funds be kept as the fund balance to non-committed.

Legislator Tartaro clarified that Putnam County has 14% of their operating funds non-committed.

Mr. Kassay stated yes, it is about 14%.

Legislator Tartaro questioned if 5%-7% was the target.

Mr. Kassay stated 5%-7% is the minimum.

Legislator Oliverio suggested leaving 10% of the funds as non-committed and that way the amount is still exceeding the minimum.

Legislator Tartaro questioned if it is irresponsible to have such a high percentage non-committed.

Mr. DeSantis stated it is not irresponsible. He stated on **page 36** of the Comprehensive Annual Financial Report is the Property Tax Limitation. He explained that Putnam County has the ability to raise funds when needed. He further explained the property tax limitation. He asked the Committee to turn to **page 37** and he spoke to the prior period adjustment.

Legislator Tartaro referenced Legislator Oliverio's suggestion of a 10% non-committed fund balance. He questioned in this instance, because of the collection of property taxes, if \$4 million should be deducted from the total to be in that category.

Mr. DeSantis stated it improved the fund balance position. He turned Legislator Tartaro's attention to **page 37** to the adjustments and explained the dollar amounts and adjustments. He stated the balance sheet will show what was liquid. He stated on

December 31st, the \$4 million adjustment that was made had not been collected in property taxes.

Legislator Tartaro questioned if the \$4 million was included in the non-restricted portion.

Mr. DeSantis stated when the fund balance was restated, the \$4 million went into “unassigned.” He stated on January 1, 2013, the money was not spendable as it was not yet collected in cash. He then explained that a fund balance helps in multiple ways. He stated these are:

- Help draw funds
- Balance a budget
- Keep operations at an even keel and not have spikes in property tax levy
- Helps with working capital by giving cash to utilize rather than borrowing
- Backstop for unforeseen instances that may arise

He stated it is up to the Legislature, in conjunction with the County Executive to determine what amount everyone is comfortable with. He stated in terms of a small municipality with a small budget such as \$1 million, 3%-5% is not much money. He stated Putnam County guarantees school taxes and as a County government, there are mandates imposed by the State. He stated due to these mandates and guarantees, 3%-5% may not be enough money to cover what is due. On **page 38**, he went through the County’s taxes receivable. He stated on **page 40**, the Annual Report illustrates the Short-Term Non-Capital Borrowings. He stated **page 41** showed the actuarial rates. He stated it is not likely that the County has many tier 1 or 2 employees however this page shows the percentage paid into the retirement system. He then briefly summarized the next few pages of the Annual Report. He stated **page 46** contained pension costs. He stated the County elected to participate in the smoothing program offered by the retirement system through the State Comptroller. He stated as a result, there is a liability of \$7 million. He stated each year for ten (10) years, the County will amortize a piece of that with an interest cost of 3%-5%. He stated **page 48-page 49** shows that Putnam County has 627 active employees and 355 retired employees, therefore 982 people were considered in determining what the liability was and the health insurance going forward. He stated health insurance is budgeted on a case by case basis. He stated in New York State there is no obligation to set up a trust fund, as there is for the pension. He stated what is listed on **pages 57 & 58** of the Comprehensive Annual Financial Report is what was simplified in the booklet that was handed out earlier in the meeting.

Legislator Oliverio stated Putnam County is carrying a \$19 million fund balance, which is approximately 15% of the total budget. He questioned if bonding for two trucks worth \$600,000 when the County has a \$19 million fund balance is wrong. He stated it is his belief to “pay as you go,” especially with an extreme fund balance. He stated the amount of outstanding bonds is about \$70 million, which is half the County’s budget.

Chairman Castellano stated it is the Legislature’s job to determine the best option.

Legislator Albano stated the bond rates are the best they have been in a long time. He stated the question is whether to pay a bond at a lesser rate or pay down other debts.

Mr. DeSantis stated through his years of experience he has seen both economic highs and lows. He stated Putnam County has fared better than surrounding Counties in terms of coming out of the recession. He stated advice he gives to his clients and that he follows himself is to look at a multiyear projection that takes into consideration operations, capital needs, infrastructure needs, employment levels, and labor settlements. He then stated decisions should be made consistent with the multiyear projections. He stated he understands Legislator Oliverio's concern. He stated the retirement smoothing program carries a 3%-5% interest cost, whereas the bond rates can be issued less than 1%. He stated when money is being utilized for the benefit of the public; he does not believe a wrong decision could be made.

Legislator Oliverio stated the County always underestimates their sales tax. He stated this year there will be about \$2.5 million excess sales tax. He stated bonding adds up debt for future generations and there is no reason when there is excess money available.

Legislator Albano stated the total bonding figure is about \$63 million. He stated the bonds that are coming off are probably at higher interest rates.

Mr. DeSantis stated the outstanding debt that Putnam County has is consistent or lower than surrounding Counties.

Mr. Kassay stated the annual debt service for Putnam County is about 4.6% of the budget. He stated the annual debt service in surrounding Counties is 5%-8%.

Legislator LoBue stated the surrounding Counties are larger than Putnam County.

Mr. Kassay stated the numbers are all relative. He stated Putnam's annual debt service is the lowest around.

Legislator Oliverio stated the actual debt is rather extreme. He stated the debt service is different from the debt. He stated the debt service is what is paid down each year.

Chairman Castellano thanked Mr. DeSantis and Mr. Kassay for attending the meeting and providing their report.

Mr. DeSantis stated Putnam County has weathered the recession nicely. He also stated the fund balance has been added to over the past three (3) years. He stated the budget is consistently conservative. He stated there are no major issues and the Legislature seems to be having spirited debate about good things.

Item #5 - Correspondence/County Auditor

- a. **Sales Tax Report** – Duly Noted
- b. **Board In Revenue Report** – Duly Noted
- c. **OTB Report** – Duly Noted
- d. **Transfer/Revenue Report** – Duly Noted
- e. **Contingency/Sub-Contingency Report** – Duly Noted

Item #6 - Correspondence/Commissioner of Finance

a. Overtime/Temporary Report – Duly Noted

b. Approval/SEQRA/ Bond \$605,000/Acquisition of Various Highway Equipment (Also reviewed by the Physical Services Committee)

Legislator Albano stated he spoke with Commissioner of Highways & Facilities Fred Pena who stated he would be able to give the same presentation he did at the Capital Projects meeting to the whole Legislature.

Legislator Oliverio stated the printed form of the presentation is sufficient and informative.

Chairman Castellano made a motion to pre-file the necessary resolution; Seconded by Legislator Nacerino. All in favor.

c. Approval/ Bond Resolution/ Serial Bonds for Acquisition of Various Highway Equipment/ \$605,000 (Also reviewed by the Physical Services Committee)

Legislator Oliverio asked the Committee to consider the amount of money in the fund balance as well as the excess sales tax. He stated the equipment has a short lifespan of ten (10) to 15 years. He questioned how long the bond will be paid off for.

Commissioner of Finance William Carlin stated it is a borrowing of 15 years.

Legislator Oliverio urged the Committee to use the fund balance money, keeping 10% in there.

Legislator Tartaro stated interest rates on bonds are very low and the pension amortization is a higher rate. He stated he agrees with Legislator Oliverio in that the fund balance will be increased. He questioned if there is consideration of paying the debt service down.

Commissioner Carlin stated he would rather bond and pay down the amortization, which is a current liability. He stressed that the fund balance is not cash. He stated the plan is to use the surplus money to pay down liabilities.

Chairman Castellano stated the trucks are being purchased in stages rather than all at once.

Commissioner Carlin stated he has a possibility to do a refinance of 2007 bonds. He stated two (2) refinances were done that saves around \$2 million. He stated the refinancing increases the outstanding debt, however it decreases how much is paid.

Legislator Tartaro questioned if this was within the same time period.

Commissioner Carlin stated yes, the time period is the same.

Legislator Albano questioned if the time is extended.

Commissioner Carlin stated the time frame is the same; however the amount paid would end up being less.

Legislator Nacerino stated she understands Legislator Oliverio's concerns with the bonding, however the bonds have such a low interest rate. She stated the Legislature is prioritizing their spending in the most cost effective and efficient way possible. She stated putting the money toward paying down the pension is wise.

Commissioner Carlin stated he believes it is wise as well. He stated if there was no pension amortization to pay down, he would not bond.

Legislator Nacerino stated the pension amortization is the priority and paying it down is a wise fiscal move to make.

Legislator Oliverio questioned how much of the pension amortization has been paid down.

Commissioner Carlin stated it is the second year of payment for one, and the first year for the other.

Legislator Oliverio questioned how much money has been taken from the fund balance to pay down the amortization.

Commissioner Carlin stated \$3.5 million has been spent on paying down the amortization. He stated the third year is just beginning and the interest rate in the third year will be higher than the first two (2). He stated he would like to not amortize for the third year.

Legislator LoBue stated this is a matter of philosophy. She stated she is also uncomfortable with bonding. She stated other Counties that are faced with financial trouble have debt that is skyrocketing. She stated earlier in the year when it was decided that new lawn mowing equipment was needed at the Golf Course it was initially going to be bonded. She stated instead, the amount was taken from sales tax revenue. She questioned how the County was doing in terms of properties and the obligation to the towns in comparison to last year. She stated many properties are in foreclosure and people are having trouble paying their taxes. She stated after not paying taxes to the Town for a three (3) year term the County will be responsible to cover that as well as the taxes for the towns going forward. She questioned if this is usually bonded for.

Commissioner Carlin stated that is not bonded for. He stated the lien balance and the taxes receivable balance are affected. He stated taxes are still outstanding and homeowners are still struggling.

Legislator LoBue stated people cannot sell their houses and get out from underneath their mortgage obligation so the last thing they want to do is pay their taxes.

Commissioner Carlin stated what will result in a better budget bang for your buck is paying down the pension amortization.

Legislator LoBue questioned if Commissioner Carlin was aware of what the tax levy would be.

Commissioner Carlin stated it is below the tax cap.

Chairman Castellano made a motion to pre-file the necessary resolution; Seconded by Legislator Nacerino. All in favor.

d. Approval/SEQRA/Bond \$500,000/Reconstruction and/or Resurfacing of Various County Highways(Also reviewed by the Physical Services Committee)

Legislator Nacerino made a motion to pre-file the necessary resolution; Seconded by Legislator Tartaro. All in favor.

e. Approval/ Bond Resolution/ Serial Bonds for Reconstruction and/or Resurfacing of Various County Highways / \$500,000 (Also reviewed by the Physical Services Committee)

Legislator Nacerino made a motion to pre-file the necessary resolution; Seconded by Legislator Tartaro. All in favor.

f. Approval/SEQRA/Bond \$500,000/Rehabilitation and/or Reconstruction of Various County Owned Bridges and Culverts(Also reviewed by the Physical Services Committee)

Chairman Castellano made a motion to pre-file the necessary resolution; Seconded by Legislator Tartaro. All in favor.

g. Approval/ Bond Resolution/ Serial Bonds for Rehabilitation and/or Reconstruction of Various County Owned the Bridges and Culverts/ \$500,000 (Also reviewed by the Physical Services Committee)

Chairman Castellano made a motion to pre-file the necessary resolution; Seconded by Legislator Nacerino. All in favor.

h. Approval/ Budgetary Amendment (14A076)/ Highways & Facilities/ 2014 CHIPS Highway Aid/ Bonding for: Equipment, Roads, Bridges & Culverts (Also reviewed by the Physical Services Committee)

Chairman Castellano made a motion to pre-file the necessary resolution; Seconded by Legislator Nacerino. All in favor.

i. Approval/ Budgetary Amendment (14A075)/ Legal Aid Society/ State Aid – Indigent Legal Services

Chairman Castellano made a motion to pre-file the necessary resolution; Seconded by Legislator Nacerino. All in favor.

j. Approval/ Budgetary Amendment (14A078)/ Office for Senior Resources/ Grant Award/ Federal Aid RSVP

Legislator Tartaro made a motion to pre-file the necessary resolution; Seconded by Legislator Nacerino. All in favor.

k. Approval/ Budgetary Amendment (14A079)/ Sheriff’s Department/ Putnam Valley School District/ Special Patrol Officer for 2014-2015 School Year

Commissioner Carlin stated the school will cover 100% of the costs.

Legislative Counsel Clem Van Ross questioned if the amendment would cover the Special Patrol Officers for the whole school year or only half.

Commissioner Carlin stated it will cover until December 31, 2014, and the rest of the year is included in the 2015 budget.

Chairman Castellano made a motion to approve Budgetary Amendment (14A079); Seconded by Legislator Nacerino. All in favor.

l. Approval/ Budgetary Amendment (14A080)/ Sheriff’s Department/ Sheriff Patrol Unit Vehicle Repair/ Insurance Recovery

Chairman Castellano made a motion to approve the signature of Budgetary Amendment 14A080; Seconded by Legislator Nacerino. All in favor.

Item #7 - Approval/ Fund Transfer (14T159)/ Social Services/ Overtime and On Call (Also reviewed by the Personnel Committee)

Legislator Nacerino made a motion to pre-file the necessary resolution; Seconded by Chairman Castellano. All in favor.

Item #8 - Approval/ Fund Transfer (14T168)/ District Attorney/ Stenographer/ Special Services

Legislator Nacerino made a motion to pre-file the necessary resolution; Seconded by Chairman Castellano. All in favor.

Item #9 - Approval/ Fund Transfer (14T175)/ Law Department/ Legal Services/ General Contingencies (Also reviewed by the Rules Committee)

Chairman Castellano made a motion to pre-file the necessary resolution; Seconded by Legislator Tartaro. All in favor.

Item #10 - Approval/ Local Law to Amend Chapter 5 of the Putnam County Code Entitled "Appropriations"

Chairman Castellano stated this will streamline the process of the approval of grants that require matching funds.

Legislator Oliverio stated this is a good amendment as it relies on Legislative approval.

Chairman Castellano made a motion to pre-file the necessary resolution; Seconded by Legislator Nacerino. All in favor.

Item #11 - Backup Information Regarding Fund Transfers and Budgetary Amendments/ FYI

Legislator LoBue stated when the funding was appropriated, she voted no in terms of renovations at Tilly Foster Farm which was a \$300,000 bond and \$70,000 was taken from the general fund. She stated the \$70,000 was labeled as management; however it is being used for construction.

Commissioner Carlin stated some funds were transferred into other lines.

Legislator LoBue stated \$17,000 was taken from the \$70,000 for the purchase of small farm animals, veterinary bills, feed, etc.

Commissioner Carlin stated the money was moved because it was not being spent on management. He stated it was not needed because of the veterinary technician that was going to live on the farm.

County Auditor Sharkey stated she would get the information Legislator LoBue is looking for.

Item #12 - County Deposits & Investments Report Second Quarter Ending June 30, 2014/FYI – Duly Noted

Item #13 - Schedule of Revenues/Fines Levied by Boards/Consumer Affairs/ FYI – Duly Noted

Item #14 - Other Business

a. Discussion/ Tilly Foster Farm Rental Revenue Report

Chairman Castellano stated this discussion will be had in executive session, but he would like to cover the rest of the items on the agenda first.

Chairman Castellano made a motion to move this item to the end of the agenda;
Seconded by Legislator Nacerino. All in favor.

b. Approval/ Fund Transfer (14T179)/ Youth Bureau/ Mentoring Program/ Fall 2014

Executive Director of the Putnam County Youth Bureau Janeen Cunningham stated their Reality Check program grant, which they had through the New York State Department of Health ended at the end of June. She stated a full time employee was lost as a result. She stated the department would like to bring back their mentoring program. She stated in this program high school students; 9th, 10th, 11th, and 12th graders, will mentor elementary students from 3rd, 4th, and 5th grade. She stated the elementary school student would be recommended for the program through the school social worker or guidance counselor and may be "at risk." She stated the program is after school. She stated the hope is to use the remainder of the funds from the salary of the vacated position to fund the program through the end of December.

Legislator Nacerino questioned how many mentors would participate in the program.

Executive Director Cunningham stated the program would run at three (3) sites. She stated in the past, the program ran three (3) days a week and each day the program was held at a different site. She stated the high school students receive community service hours. She stated in the past, there were ten (10)-12 elementary school aged students who were paired with a high school student. She stated a snack would be supplied and they would receive one (1) on one (1) help with someone who is not an adult.

Legislator Nacerino stated she is sorry to see Diane Moore, who worked with Reality Check go.

Executive Director Cunningham stated POW'R against tobacco received the grant rather than Reality Check, so there will still be services in Putnam. She stated she would like to have funding in their budget to continue this mentoring program.

Legislator Nacerino questioned when the program would begin.

Executive Director Cunningham stated they would like to begin the program at the end of September or the beginning of October.

Legislator Oliverio stated having the attention of a high school student is exciting to an elementary school student. He stated this is a terrific program.

Chairman Castellano made a motion to approve Fund Transfer (14T179); Seconded by Legislator Nacerino. All in favor.

c. Approval/ Fund Transfer (14T183)/ Planning/ Veteran's Medical Transportation

Chairman Castellano stated this has come out of the Return the Favor program, where veterans are provided with transportation to medical appointments.

Legislator LoBue stated \$23,659 was spent this year on this program. She questioned if this fund transfer was requesting an additional \$65,000.

Commissioner Carlin stated the 23,659 is the total mileage that they have driven.

Legislator LoBue questioned what the cost has been year to date.

Legislator Nacerino stated this would need to be appropriated for in the 2015 budget.

Legislator LoBue stated the cost per round trip per person works out to about \$161.

Commissioner Carlin stated Transportation Manager Vincent Tamagna had calculated the cost to be \$55 per hour.

Legislator LoBue stated she would like to know the amount of money spent to date. She stated a conversation was had about whether to use buses or taxis.

Commissioner Carlin stated the reason why the cost is high is because many appointments are out of County, some even in New York City. He stated for these trips, a taxi would not be plausible. He stated consolidation is being looked into so multiple veterans can go to appointments at the same time.

Legislator Tartaro clarified that the two (2) vans that were bought are being used for this purpose. He questioned if it was the anticipation that once in service, multiple people could be taken at a time.

Legislator LoBue stated the transit system was decimated in 2012 due to a low number of riders. She stated \$650,000 was restored to the budget. She stated part of this was the cost per person per ride. She stated scheduling was handled by the Office for Senior Resources, then by Transportation. She stated she is viewing this in a cost effective way and has no reservations regarding the veterans or the service being provided.

Legislator Scuccimarra stated this is a relatively new program and Transportation Manager Tamagna is still exploring how to budget better and consolidate the trips. She stated it is a work in progress and the program is commendable. She stated the veterans are very appreciative of the service.

Legislator Oliverio stated some appointments the veterans need are for military related medial issues.

Commissioner Carlin stated Transportation Manager Tamagna is working on this program and it will take time.

Chairman Castellano stated there is a tremendous increase in people served per month.

Legislator Nacerino stated the increase in numbers indicates the need.

Chairman Castellano stated he would like to have Transportation Manager Tamagna be present at the next meeting so discuss this program further.

Legislator Nacerino made a motion to pre-file the necessary resolution; Seconded by Chairman Castellano. All in favor.

d. Discussion/ Legislative Budget/ Chairman Albano

Legislator Albano stated the Legislative budget has been prepared and he would like any Legislators with questions or comments to submit them as soon as possible.

e. Update/ Materials Used at Tilly Foster Farm/ Tentative Numbers

Legislator Albano stated he spoke with Commissioner Pena regarding the materials. He stated Commissioner Pena was able to give him a rough number but will have firm numbers submitted to the Legislature this week. He stated 1,500 yards of item 4 were used, which is around 120-130 tons and costs about \$20,000 - \$24,000.

Legislator Oliverio thanked Legislator Albano for obtaining that information.

a. Discussion/ Tilly Foster Farm Rental Revenue Report

At 7:42 PM Chairman Castellano made a motion to go into executive session to discuss contractual matters with the County Attorney's Office; Seconded by Legislator Tartaro. All in favor.

At 8:17 PM Chairman Castellano made a motion to come out of executive session; Seconded by Legislator Nacerino. All in favor. No action was taken.

Item #15 - Adjournment

There being no further business, at 8:17 P.M., Chairman Castellano made a motion to adjourn; Seconded by Legislator Nacerino. All in favor.

Respectfully submitted by Administrative Assistant Beth Green