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TOWN OF BROOKHAVEN
LOCAL DEVELOPMENT CORPORATION

- - - - -x

GOVERNANCE COMMITTEE MEETING
HELD VIA ZOOM VIDEOCONFERENCE

- - - - -x

June 8, 2022
9:04 a.m.

TRANSCRIPT OF PROCEEDINGS

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

MEMBERS :

FREDERICK C. BRAUN, III
MARTIN G. CALLAHAN
FELIX J. GRUCCI, JR.
LENORE PAPROCKY
GARY POLLAKUSKY
ANN-MARIE SCHEIDT
FRANK TROTTA

ALSO PRESENT :

LISA M.G. MULLIGAN, CHIEF EXECUTIVE OFFICER
LORI J. LaPONTE, CHIEF FINANCIAL OFFICER
JOCELYN LINSE, EXECUTIVE ASSISTANT
TERRI ALKON, ADMINISTRATIVE ASSISTANT
AMY ILLARDO, ADMINISTRATIVE ASSISTANT
WILLIAM F. WEIR, ESQ., CORPORATION COUNSEL
HOWARD R. GROSS, ESQ.,
WEINBERG GROSS & PERGAMENT, LLP

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MR. BRAUN: It is Wednesday, June 8th.

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This is a meeting of the Local Development

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Corporation's Governance Committee.

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The following board members are

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present: Mr. Callahan, Mr. Grucci,

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Ms. Paprocky, Mr. Pollakusky, Mr. Trotta,

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Mr. Braun. A quorum is present. We expect

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Ms. Scheidt to join us shortly.

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Lisa.

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MS. MULLIGAN: Today's meeting has been

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convened in accordance with Chapter 56 of the

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laws of 2022 effective April 9, 2022

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permitting local governments to hold public

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meetings by telephone and videoconference.

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So the first item on the agenda, the

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only item on the agenda, is the Office of the

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State Comptroller draft audit that we

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received, it's in your packets, as is the

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response letter that we provided to them and

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some supporting documents and just so

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everybody understands, rather than send out

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four packets, we just thought it would be

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cleaner if we just sent everything for the LDC

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in the LDC email. So you'll see you have the

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LDC agenda Governance, then the regular LDC agenda and then all of the various items.

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So we had sent you guys this LDC OSC, Office of the State Comptroller, audit when we got it in April and also included, like I mentioned, was -- is our response letter to them.

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Basically the highs and the lows of it, the focus of it was project approval and monitoring and their findings were basically that they disagreed with the goals that the board has set for each project. They felt that we should have, I can't remember their phrasing, measurable goals for each LDC project.

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We, as you'll see in the response letter, argued pretty aggressively that the goal of supporting local not-for-profits is to have those local not-for-profits in the community, not to determine whether they have six employees instead of four employees or whether they're seeing ten patients versus 15 patients, so that was our argument to them.

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They acquiesced, they said okay, we see

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that, but then if that's the case, they want

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us in future LDC projects to have our

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resolutions very narrowly crafted and I think

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Bill has objection to this, but obviously

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we're going to have to cross this bridge when

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we have the next project, but they want us to

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say something like we're supporting this

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project so that the mission statement of XYZ

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company is still in existence.

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I think we can probably find a way to

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meet in the middle, still do what we're doing

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and throw in what they want; you know, Bill,

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do you want to --

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MR. WEIR: Yeah.

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So the resolutions that we draft for

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bond deals are driven by the tax code and

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everything that's required by the tax code as

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New York law as well are in those resolutions.

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These auditors seem to be totally

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ignorant of the Internal Revenue code and its

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requirements and therefore, they objected to

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things that we put in there like the project

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description, even though it's absolutely

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required by the tax code, so as far as I'm

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concerned, you had people auditing the LDC who

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had -- who were incompetent to do so, but

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that's (inaudible). We couldn't say that in

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our response.

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MS. MULLIGAN: And I will tell you that

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they acknowledged to us that they were . . .

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MR. BRAUN: Careful of the minutes.

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MS. LaPONTE: New to it.

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MS. MULLIGAN: You see my pause?

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MR. BRAUN: Yes.

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MS. MULLIGAN: I was being careful with

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the minutes.

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They were learning about LDC's through

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the process with us, was that a --

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MR. BRAUN: I think that's

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politically --

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MS. LaPONTE: New to the . . .

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MS. MULLIGAN: Yeah, they were new to

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it, they didn't have a full understanding of

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the rules and responsibilities of LDC's and

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they were just sort of getting up to speed and

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understanding LDC's through us. I think we

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were the second LDC that they had audited, so

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this is new to the Office of the State

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2 Comptroller and we were one of the test cases,
3 so basically that was their main finding.

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5 You have the report so you can
6 obviously review it, but the only other
7 finding that I need to -- I think I need to
8 bring to your attention is at the very end as
9 a -- as a recommendation, not as a key
10 finding, this is sort of like an afterthought
11 . . . so we missed collecting LDC admin fees
12 on one project.

12

13 Just to give you guys some background,
14 we closed with Mather Hospital and then in a
15 matter of months we closed with them a second
16 time and we picked up the admin fee on the
17 first closing, but failed to pick up the admin
18 fee on the second closing. I think it comes
19 out to seven to \$9,000, someplace in that
20 range, I'll say eight, just don't quote me on
21 that necessarily and one of the
22 recommendations is that the board should A,
23 ensure staff collects all required fees, yes,
24 I agree with that recommendation and consider
25 recouping uncollected fees.

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So from this report, we have to

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2 provide -- we provided the response letter.
3 Next we have to provide a what they call a
4 corrective action plan, which basically is
5 what are we going to do as a result of this,
6 how are we going to change things and
7 obviously we will talk to -- we will speak to
8 the issues of the project goals and how those
9 are articulated in our documents, but then the
10 other thing is I think we should speak to
11 whether you guys want us to go back to Mather
12 Hospital and recoup that -- those -- that
13 money or if we should just leave it alone and
14 we -- just so everyone knows, we have
15 corrected our system going forward and are now
16 collecting that additional thousand dollars a
17 year.

18 Joce, Ann-Marie's in the waiting room.

19 So those are the two things that I want
20 to bring to your attention and whatever the
21 Governance -- so we're in Governance
22 Committee, whatever you recommend, we will
23 then, you know, when we're in the LDC meeting,
24 recommend to the full board and then you guys
25 can vote on it in the full board so --

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MR. GRUCCI: Lisa, how old is that application that we didn't collect the fee on?

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MS. MULLIGAN: We closed -- so we closed with Mather Hospital I think in 2012 and 2013, so it was the 20 -- and it was like let's say October of 2012 and then like January of 2013 and so we've been collecting on the -- I'm just going to -- it's not exact, but let's just say the 2012 project we've been collecting that thousand dollars a year every year. It was the 2013 project. We didn't realize we needed to start charging them instead of a thousand dollars a year, \$2,000 a year, so -- we subsequently have charged them \$2,000 a year, but it's that delta from let's say 2013 to 2021 where we missed it.

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MR. GRUCCI: How does the fact that Mather Hospital had changed its ownership position from being an independent hospital to now being part of Northwell, how would that affect us trying to recapture that money?

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MS. MULLIGAN: Well, I mean we still have agreements with Mather Hospital, they still have a responsibility. I guess it might

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2 be more difficult to get to the right person,
3 but it's still -- they absorbed all of those
4 agreements, they didn't go anywhere, so it's
5 reasonable that we would -- if you want us to
6 try and recoup that money we certainly can or
7 we can move forward collecting the \$2,000 a
8 year.

9 MR. TROTTA: I personally think we need
10 to try to recoup it. I just do, you know.
11 I'm sure they may have not known at the time,
12 their attorneys may have known or not known,
13 but, you know and we messed up, but at the
14 same time, it's been picked up in an audit. I
15 wouldn't want it to come out that after it was
16 brought out that we didn't do -- we didn't
17 collect that money if we're approached by
18 anybody.

19 MS. MULLIGAN: I will tell you that
20 this audit, the phrasing is you should
21 consider recouping the uncollected fees. They
22 were not -- and quite frankly, they saw it as
23 de minimus. When we spoke to them, Fred and
24 Lori and I spoke to them, they told us this
25 issue was not really -- you know, in the scope

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2 of things, it wasn't that significant and they
3 weren't going to include it in the audit. We
4 were surprised that they even put it as a, you
5 know and if you look at it, it's way at the
6 end, it's like a little you might want to
7 consider extras page. So --

8 MR. TROTTA: The only reason I say that
9 is IDA's are under the microscope --

10 MS. MULLIGAN: This is the LDC, though,
11 this is the LDC.

12 MR. TROTTA: Okay. I understand that,
13 but you know what I mean.

14 MS. MULLIGAN: Yup.

15 MR. TROTTA: And you know, so that's my
16 nickel. I think we should try to do that.

17 MS. MULLIGAN: It's more than your two
18 cents?

19 MR. TROTTA: Yeah, you know what I
20 mean.

21 I'm sure one of our attorneys knows the
22 attorney that handled that and could, you
23 know, help intervene on that one and work it
24 out I'm certain; whether it was -- it took a
25 little while to get, whether it was paid over

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2 a period of time, whatever the case may be.

3 Any case, that's my nickel.

4 MR. GRUCCI: I would suggest --

5 MR. TROTTA: I went up to a quarter.

6 MR. GRUCCI: I would suggest to the
7 Governance Committee that we have our
8 attorneys draft a letter, not a threatening
9 letter, not a demanding letter, you know, to
10 the extent that we have sent in the past, but
11 notifying them that there was a hiccup of some
12 kind and this is an open balance that needs to
13 be addressed, send the letter out to them and
14 let's move on with our other business and this
15 way we would be able to satisfy the concerns
16 of the audit that we've made an attempt to
17 recover the funds, but we, too, feel it's de
18 minimus and not worth the energies and expense
19 that it would take for the LDC to put a full
20 court press on trying to collect the money;
21 the costs would probably exceed the \$7,000
22 fee.

23 MR. TROTTA: I think that's a good way
24 and that also covers us if questioned, which
25 is my --

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MR. BRAUN: Are you suggesting we write a letter saying it was an omission on our part, hopefully they'll send us a check, but if they disregard it and disregard a phone call, that we should not pursue it legally?

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MR. GRUCCI: That would be my suggestion. I would think that it would cost us more money in the long run to go after the money than it would be to collect the money.

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(Inaudible comments.)

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MR. BRAUN: If that's the feeling of the rest of the board, I don't think we need a motion, but as long as we have a consensus.

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Does anybody feel differently?

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MR. CALLAHAN: No, I agree.

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MR. TROTTA: No, I think that's a good direction and you know and throw in there that it was picked up during an audit, so that it wasn't something that we suddenly came up with, you know, I think that's a good way to address it.

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MR. BRAUN: Okay.

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MR. CALLAHAN: Agreed.

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MR. TROTTA: We covered it.

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MS. SCHEIDT: Do we have anybody on the Mather board that it would look like we are treating them differently from the way we would treat any other not-for-profit that was an LDC client?

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(No response.)

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MS. SCHEIDT: Okay. Sounds like we don't, so yeah, let's not put pressure on them, bring it to their attention.

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MR. BRAUN: I don't think it matters who's on the board, this is to the hospital.

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MS. MULLIGAN: Yeah.

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Bill, do you have -- it's your project, so do you have any --

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MR. WEIR: Yeah.

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I would just send them a letter explaining it was, as we said, the LDC's oversight with the invoice and also say hey, you have been paying this since whatever date and just ask for the extra money and see what they do and (inaudible) their CFO.

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MR. BRAUN: Just going back to our response to their examination, I mean it is a very strong response, there are a lot of eyes

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2 and pens that worked on that letter, it will
3 be interesting to see if they come back to us
4 with any comments on that and as Lisa said
5 before, we still have to submit a plan of
6 correction, I guess, is the best term as to
7 how we will remedy what their findings were.

8 If there's -- Lisa, do you have any
9 anything else?

10 MS. MULLIGAN: Lori, did you want to
11 add anything?

12 MS. LaPONTE: No. No, not at this
13 point.

14 MS. MULLIGAN: Okay.

15 MS. LaPONTE: Other than that, you
16 know, I think it's a good idea to send out the
17 letter and show that we're doing our due
18 diligence with it.

19 MS. MULLIGAN: Okay, okay and that will
20 be in our corrective action plan, we'll say we
21 sent the letter, we requested that it be
22 recouped and that's sufficient.

23 I think the corrective action plan we
24 could have said we considered it and decided
25 not to pursue it, I don't think they have --

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2 they would have argued one way or the other,
3 but we will certainly do that and we'll let
4 you know what the . . . what the end result
5 is.

6 MR. BRAUN: Lisa, do you have anything
7 else?

8 MS. MULLIGAN: I don't have anything
9 else.

10 Does anyone have anything else for the
11 LDC --

12 MR. TROTTA: Yeah, just one quick
13 thing.

14 You know, despite whatever we're
15 talking about with regard to the negatives of
16 the audit, with the amount of projects that
17 they've reviewed and everything else, the
18 staff should be commended because there was
19 really a minimal amount of concerns raised in
20 the audit and I think that's a credit to the
21 staff as a whole and the leadership, so . . .

22 MS. MULLIGAN: Thank you, Frank and
23 after -- you know, you find out you're being a
24 by the State Comptroller, it's a little bit
25 nerve-racking and as we were interacting with

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them, we realized that we're doing what's
3 expected and there wasn't really like an a-ha,
4 gotcha moment where they said this is totally
5 wrong. It was all nuance and well, if we can
6 shift slightly it might be better and
7 everything, they didn't have a hard like you
8 must do it this way, it was consider these
9 things, so thank you very much and that was
10 our takeaway also after we were done.

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MR. TROTTA: Their job is to find
12 something wrong, so that's --

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MS. MULLIGAN: Yeah.

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MR. BRAUN: If there's no other
15 business, I'll entertain a motion to adjourn
16 the meeting of the Governance Committee of the
17 Local Development Corporation.

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MS. SCHEIDT: So moved.

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MR. BRAUN: Ms. Scheidt.

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Second?

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MR. TROTTA: Second.

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MR. BRAUN: Mr. Trotta.

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On the vote, Mr. Callahan?

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MR. CALLAHAN: Yes.

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MR. BRAUN: Mr. Grucci?

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MR. GRUCCI: Yes.

MR. BRAUN: Ms. Paprocky?

MS. PAPROCKY: Yes.

MR. BRAUN: Mr. Pollakusky?

MR. POLLAKUSKY: Yes.

MR. BRAUN: Ms. Scheidt?

MS. SCHEIDT: Yes.

MR. BRAUN: Mr. Trotta?

MR. TROTTA: Yes.

MR. BRAUN: Mr. Braun votes yes.

It's unanimous, we are adjourned.

(Time noted: 9:21 a.m.)

I, JOANN O'LOUGHLIN, a Notary Public
for and within the State of New York, do hereby
certify that the above is a correct transcription
of my stenographic notes.

JOANN O'LOUGHLIN