



December 5, 2017

Honorable DuWayne Gregory, Presiding Officer  
and Members of the Suffolk County Legislature  
William H. Rogers Legislature Building  
725 Veterans Memorial Highway  
Smithtown, New York 11787

Dear Presiding Officer Gregory and Legislators,

I am writing to you as President of the Cherry Grove Community Association. CGCAI is a membership organization devoted to serving the civic, cultural, community and commercial needs of Cherry Grove. Our members are property owners as well as renters and businesses. We have more than 500 people on our mailing list and we communicate with our community regularly through email as well as a Face Book site, Cherry Grove Community Association. Our community tells us what is on their minds, and we proactively represent them to our elected and appointed government representatives.

Sayville Ferry Service (SFS) has requested a rate increase in a Petition filed with the Suffolk County legislature on September 7, 2017. Rate increases are requested in two fare categories that directly impact our community of Cherry Grove: a 12.72% increase for ferry passengers and 19.55% increase for freight tariffs. By their own admission, operating expenses are only up 1.7%. We question such a large increase given that the financials show a loss of \$27k for 2016, and the rate hike is estimated to increase revenue by more than \$400k !

In reviewing the SFS petition, it is important for all concerned to remember that Sayville Ferry Service is virtually a monopoly operation. Residents of Cherry Grove, the Pines and Water Island have no other possible mode of public water-borne transportation to reach their homes on Fire Island. The Legislature must therefore act with due diligence in their oversight capacity of the ferry service, insisting on reasonable ridership costs, combined with a high standard of safety and service. On behalf of the Cherry Grove community, I have the following comments about: (1) the process by which the rate increases are submitted and considered by the Legislature; (2) the amount of the requested fare increases; and (3) level of service provided to our community.

**1. The Process:** We are not opposed in principle to a fair rate increase, but we are concerned that all affected residents have a fair opportunity to receive all of the facts, be given time to review the underlying financial data, and be given the opportunity to present their legitimate concerns and raise appropriate arguments in response to the petition.

- The timing of the petition submissions and public hearings to offer comments on the petition are of concern. The petition was filed the day after Labor Day, seemingly timed after the end of the season for many CG residents. In addition, the community leadership did not receive any notice from anyone on this request for a rate increase, and we had to hunt down the information ourselves. The whole process could have just happened without any input or knowledge and we would've been hit in the spring with another surprising fare increase.

- In our opinion, notice of a petition for a rate increase should be more widely circulated, and with enough lead time to give interested parties a chance to review the request and develop comment. At the very least, the Ferry Company should be required to give notice in writing to the communities that it serves and that will be impacted by the rate increase.
- To facilitate transparency and communication about proposed rate increases and service schedules, we also propose that a meeting between representatives of Sayville Ferry and Cherry Grove (and Fire Island Pines and Water Island, if they wish to participate) should occur twice a year in April and October. The purpose of the meeting would be to consider the needs of the Cherry Grove, Pines and Water Island ridership and to help the Sayville Ferry to meet the community's transportation needs.

2. The Amount of the Requested Increases: The CGCA believes that while it is reasonable that SFS makes a profit, that the profit should not be excessive. Rate increases should be justified by increases in cost.

- In our opinion, the financial statements presented as supporting documentation for the rate increase are not at all useful for determining any basis for a rate increase. The financial statements lack the most basic detail, and do not conform to Generally Accepted Accounting Principles. It is therefore not reasonable for the Legislature to grant Sayville Ferry a rate increase based solely on such incomplete financial information.
- Our business owners and our community members are also quite concerned about the freight charge increases. The Stein family currently owns both freight companies that serve our community (SFS and Coastline Freight). Our business leaders have tried in vain to meet with Ken Stein to discuss rates for the coming season. Once again, the freight services represent a monopoly as they are now owned by the same family. The small, seasonal businesses of CG are at the mercy of the freight operations, and fearful that increases will negatively impact the financial health of their businesses. This transportation monopoly granted to Sayville Ferry & SFS should not interfere with the right of Cherry Grove businesses to operate and thrive. A ferry and freight schedule that does not consider the businesses it serves, is effectively limiting commerce and imposing control over when businesses open and close for the season. Sayville Ferry should be supporting their business clients, not dictating an important component of their operations.
- We object to the more than 15% increase in 40-trip ticket book. One would think that the Ferry Service would/should offer more of a discount to their consistent users. Additionally, senior rates are going up the same 15%, a hardship for many of our older residents and visitors.
- On the issue of senior rates, we believe these rates should apply as they do everywhere else in the world---based on age---period! Sayville Ferry requires a senior rider not only be of a certain age, but also show proof as a Brookhaven resident. Why does residence matter?

3. Ferry Service Issues: We do not believe that fare increases should be approved without consideration of the quality and quantity of the service that is provided in exchange for those fares.

- The CGCA does not believe that the SFS service schedule currently meets the needs of the community. Ridership in the summer months supports and compensates Sayville Ferry for service that should be provided to the community in the other seasons.

- A later weeknight Ferry in the height of the summer season would promote increased dinner traffic to our community restaurants.
- In our opinion, service should not be so severely limited in the months of April and October. The sharply reduced ferry service in these months causes a hardship to residents opening and closing their homes for the season, and unfairly limits the residents' right to use and enjoy their properties.

In Closing: The Cherry Grove community has had an excellent relationship with the Stein family for many years, and we intend to continue to do so. The SFS team has run an excellent operation and we are sure they will continue to offer excellent service, making the improvements that are necessary going forward. We understand that costs go up and rate increases are inevitable, but they need to be in line with increased expenses, not 6x the amount.

Our goal is to have a more collaborative and transparent process in place with the community providing robust and informed input to both the Ferry Company and the Legislature. This proposed fare increase, however, is certainly a major concern to many. We have asked our residents not bombard the Transportation committee with comments until we had an opportunity to deliver this document. That being said, we will share this document with our community tomorrow and ask them to email the Transportation committee directly with their concerns.

We wish to thank you for the opportunity to offer our comments on this resolution today. Your attention to our concerns is much appreciated.

Sincerely,



Diane Romano  
President, CGCAI



Fire Island Association, Inc.

Suzanne Goldhirsch  
President

201 E. 87<sup>th</sup> St. # 7P  
New York, NY 10128

December 5, 2017

Honorable DuWayne Gregory, Presiding Officer  
And Members of the Suffolk County Legislature  
William H. Rogers Legislature Building  
725 Veterans Memorial Highway  
Smithtown, New York 11787

Dear Presiding Officer Gregory and Legislators,

The Fire Island Association (FIA) represents the interests of all seventeen communities on Fire Island. With its stunning natural environment, outstanding recreational opportunities, and relaxed quality of life, the Island is a very special place for everyone who lives, works or visits our very special sand bar in the Atlantic Ocean. The mission of the Fire Island Association is to protect, preserve and enhance the island we all love for future generations.

To advance this mission, FIA strives to ensure that information on critical issues affecting island residents, businesses, and other stakeholders is accurate, consistent, and circulated promptly to all concerned parties. FIA also acts as an advocate for the communities, speaking with a united voice on behalf of all Islanders to protect their interests.

In this spirit of communication and advocacy for Fire Islanders, I speak today on the request by Sayville Ferry Service (SFS) to increase their passenger fares and freight charges. SFS, the only public method of water-borne transportation to the Fire Island communities of Cherry Grove, Fire Island Pines, and Water Island, has a long history of service to these three communities. Not only do they transport residents and visitors back and forth across the Bay, but they also evacuate people safely off the island when dangerous storms approach, and bring mainland firefighters over to combat dangerous fires which can erupt in the communities.

The FIA appreciates that managing a seasonal ferry business can be challenging and expensive, and that there may be valid factors in support of the requested increase. However, Sayville Ferry Company is virtually a monopoly with no competition on the routes to these three communities. When the Ferry asks for an increase, therefore, all eyes look to the County Legislature to assure that the ferry company's projections of their business expenses are legitimate and that the requested rate of profit for the

company is fair and reasonable. The community representatives lack expertise and background knowledge in the area of forensic accounting, and it is difficult if not impossible for them to form an accurate opinion of the conclusions offered by the Budget Review Office in support of the requested rate hike. For these reasons, FIA urges you to make sure that the rate setting process is a completely transparent one. We urge that affected Island residents and business owners should be able to review the financial information on which the proposed increase is based, and then have an opportunity to ask questions and clarify areas of the financial documentation that are not entirely clear to them.

Both Cherry Grove and Fire Island Pines will offer comments to you today. Although they used a FOIL request to obtain the SFS financial information reviewed by the BRO, they have many unanswered questions and concerns about the amount of the proposed rate increases, and the financial justification put forward for by the Ferry Company. Before any vote is taken on the rate increase, they respectfully request that FIA work with Legislator Lindsay's Office to arrange a meeting with SFS to discuss the list of questions that they have put together. (See the list attached to this letter.)

The FIA's goal in this process is to help find the way forward to a reasonable fare increase that is clearly warranted by the supporting financial information. A viable ferry operator serving the east end of Fire Island serves the best interests of all concerned, and a reasonable fare is necessary to support that operation. We simply ask that before the Legislature votes on the SFS petition, that you listen to all stakeholders—not just the Ferry Company. By doing so, you assure that the process is open, fair, and transparent. In my opinion, bringing everyone to the table for a collaborative and informative discussion of the issues is the best way to achieve a constructive and positive outcome.

I appreciate the opportunity to speak to you today on behalf of these three Fire Island communities. Thank you for considering my recommendation on how to move the process forward---and also thank you for all the time and energy that you devote in service to the residents of Suffolk County.

Sincerely,



Suzy Goldhirsch

President, Fire Island Association

**Comments and Questions concerning the Financial Reports  
Submitted by Sayville Ferry Service**

**1. Joint Ownership/Separated Revenues**

The application was filed by two companies, Sayville Ferry Service Inc (SFS) and Wayfarer Leasing Corp (WLC), and, as best we understand the application, it shows a Comprehensive Income operating profit of \$304,825 for 2015 and an operating loss of (\$23,575) for 2016, the last year submitted to the Budget Review Office (BRO).

But in actuality there are four corporations operating from the same 41 River Road, Sayville address: SFS and WLC, but also Stein's Marine Lift Inc. and KFS Corp. New York Court and New York State filings show that the Judith Stein, whether acting as an Executor of her late husband's estate, as a Trustee of certain trusts, and/or as an owner of the above companies, is listed as the CEO of each of them.

As best we can tell, Wayfarer is used to purchase and lease the ferry boats which are run by SFS. As noted in Note 11 of it's Combined Financial Statements, SFS then rents the terminals and docks from the owners which are the same estates, trusts, and companies run by Judith Stein and referred to above.

Thus far we understand and follow the role of SFS and WLC. But on the land not otherwise occupied by the terminals and docks, Stein's Marine Lift, operates a boat storage and refurbishment business during the winter season. And on the same land, during the summer season, the fourth company, KFS Corp, rents parking spaces to those coming to Sayville to use the ferries.

What we do not understand from the BRO review is whether the revenues from these related businesses were taken into consideration, and if so, why were they excluded from the BRO analysis? If the owners are for all intents and purposes are all the same, and the parking user group is only there in order to use the ferry service, at the very least is not the revenue from the parking lot which feeds the ferry a relevant concern when the BRO is evaluating revenue and expense?

**2. Definition of Losses**

Whether as tax payers, county residents, or ferry users, we rely on the Budget Review Office to evaluate the degree to which the financial papers submitted with the application are 1) in compliance with regard to standard accounting practice and 2) transparent with regard to the complex ownership entities. We note that in the last year presented in the financials, 2016, SFS paid the various ownership interests \$286,117 in rent for the terminal buildings; \$72,500 in rent for the docks; further large "Selling, General & Administrative" payments (not clarified); and Salaries-Officers payments (not clarified). Did the BRO take these various payments to the ownership interests into account when evaluating the reported 2016 loss?

### 3. Operating Expenses

Note: Minimum wage in NYS (specifically Long Island) are set to increase \$1/year for a five year period. So minimum hourly wages of \$10/hour as of 12/13/16 will increase \$1/year ending at \$15/hour as of 12/31/21. As of December 31, 2016 the first mandated minimum wage increase goes into effect when it becomes \$10/hour on Long Island and increases \$1 per year (at year end) from there onward until it reaches \$15.

- A. Operating expenses are provided for the full year periods ending 10/31/15 and 10/31/16 only. Year to year operating expenses increased \$169,529 or a 7.3% increase from the October year end period 2015 to 2016. The first mandated minimum wage increase is scheduled to be effective on 12/31/16, two months after the annual measurement period for 2016 ended. This is also the year in which comprehensive income was at a loss (-\$22,924). Why did operating expenses accelerate by 7.3% when both general inflation as measured by the CPI and more specifically the Transportation Index were considerably lower?  
More generally, we wonder whether the sharp increase in Operating Expenses in 2016 shown on the Combined Financial Statement, along with the sharp decrease in "Other Income", causes an imbalanced picture of the SFS finances, one of a temporary nature. To what degree did the BRO factor this into their review?
- B. Turning to the 5 year projections including both the minimum wage and SFS rate increase, even after factoring in for the expected annual wages and payroll taxes (due in part to the minimum wage increase), operating expenses appear to be increasing at a higher rate than inflation. For example, the 2018 projections for operating expenses are a total of (-\$3,116,350). When excluding (-\$790,021) in projected wages and payroll, remaining operating expenses are thus projected to be (\$2,326,329). In similar fashion, the 2019 projections for operating expenses are a total of (-\$3,278,773). Excluding (-\$838,668) in projected wages and payroll, remaining operating expenses are thus projected to be (\$-2,440,105). This represents an annual increase of 5% after eliminating the impact of the wage increase. Why would annual operating expense be projected to increase 5% when inflationary measures are considerably lower?

### 4. Retained Earnings

- A. The combined balance sheet shows retained earnings of \$2,567,112. What is the historic source of such a large retained earnings amount? Is this based on operating profits from prior years? Do these retained earnings become a future economic benefit to the equity owners?
- B. Five-year future projections with the requested rate increase result in projected operating income in future years. From 2018 through 2022 (when losses are once again projected to recur), cumulative operating income is projected to be approximately \$425,000 (including nearly \$100,000 projected loss in 2022). Will this operating income serve to even further increase shareholders' equity through an increase in retained earnings?

**Fire Island Pines Property Owners Association  
PO Box 5305  
Fire Island Pines NY 11782  
Summer: 631-597-6060  
Winter: 917- 992-6478**

4 December 2017

Honorable DuWayne Gregory, Presiding Officer  
and Members of the Suffolk County Legislature  
William H. Rogers Legislature Building  
725 Veterans Memorial Highway  
Smithtown, New York 11787

Dear Presiding Officer Gregory and Legislators:

The Sayville Ferry Service (SFS), which provides the only public cross bay transportation to Fire Island Pines, has applied to the Legislature for an increase in their passenger ferry rates.

SFS has a long history of excellent service to our community, including providing aid and assistance at times of storms and bringing mainland firefighters to combat dangerous fires in our community. In many ways the Stein family are an American story, growing a small post-war business into the very large transportation company that it is today. For all that we are grateful.

Nonetheless, as the homeowner association representing Fire Island Pines, we have been asked by our homeowners to explain the reasons for the proposed increase in rates and to take a position with regard to the increase.

We have found this very difficult for several reasons:

- Although Paragraph 4.4 of our FIPPOA contract with SFS requires “SFS to provide ...publicly available exhibits and/or reports submitted (with rate application)” they declined to do so; we had to wait until we received the documents through the FOIL process, courtesy of the Fire Island Association. That delay, coupled with the Thanksgiving holiday, prevented



us from thoroughly reviewing the financial documents but we have done as best we could.

- We had a meeting scheduled for November 30<sup>th</sup> with the Steins and/or their representative(s), along with Legislator Lindsay, to seek answers to a number of the community's questions, but the Steins decided shortly beforehand that they would not be able to meet.
- Our questions remain unanswered today.

FIPPOA is not necessarily opposed to the proposed rate increase. However, our initial response is to object to it, and to the timing of the proposed votes on the matter, until the following points have been addressed:

1. After several years of requests, last fall SFS temporarily added some additional trips to the Early Fall and Fall schedule to the Pines. We would like to those additional trips, and their "inverse" on the three Spring schedules to made permanent.
2. FIPPOA has done its best to expedite a review of the financial papers received through the FOIL request. We have sent our basic questions on to the Fire Island Association to be collated with the questions gathered from Cherry Grove and Water Island. FIA will submit one edited list to the Legislature, the Budget Review Office and the Transportation Committee. We ask that no votes be taken on the matter until that list of questions is answered to the satisfaction of the BRO and/or the Transportation Committee and the answers shared with us.
3. We respectfully request that SFS agree to attend an FIA sponsored meeting with the three affected communities and Legislator Lindsay to review all open questions prior to the Legislature taking action on this topic.
4. Due to the difficulties encountered during this review process, we request that any approval of the proposed rate increase be contingent on an agreement with SFS that a meeting with FIA and Legislator Lindsay's office

take place on an annual basis so that the Pines, along with the Grove and Water Island, will have a forum in which to raise whatever issues may be of concern.

The Suffolk County Legislature, by license, grants the Sayville Ferry Service the right to a monopoly on cross bay ferry traffic. That puts a very real burden on the Legislature and the Budget Review Office to ensure full transparency in all SFS financial submissions.

We, in turn, as residents, taxpayers, and voters, need to be able to rely upon the same transparency and upon the BRO's review in order to evaluate the need for the rate increase.

Once we have met with SFS, and there is more clarity on the open issues, FIPPOA would be able to communicate the substance of the discussions to our homeowners and return to the Legislature with a position on the proposed rate increase.

Sincerely,

Rodman Paul,  
FIPPOA Secretary

cc: Legislator Bill Lindsay  
1609 Grundy Ave  
Holbrook, NY 11741

Jay Pagano, FIPPOA President