

ERIE COUNTY FISCAL STABILITY AUTHORITY

2008-2011 ADOPTED BUDGET
AND FINANCIAL PLAN

December 17, 2007



ERIE COUNTY FISCAL STABILITY AUTHORITY



Directors

Anthony J. Baynes
Chair

Robert M. Glaser
Vice Chair

Joseph Goodell

John Johnson

Stanley Keysa
Secretary

Kenneth Kruly

Staff

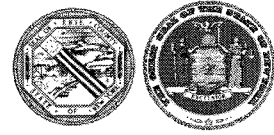
Kenneth J. Vetter
Executive Director

Tysha Martin
Director of Administration

Susan Pawlik
Executive Assistant

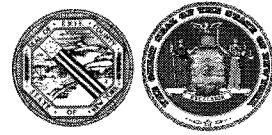
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ORGANIZATION

The Erie County Fiscal Stability Authority (the Authority) is a corporate governmental agency and instrumentality of the State of New York (the State) constituting a public benefit corporation. Although legally separate and independent of Erie County (the County), the Authority is incorporated into the financial statements of the County as a blended component unit. The Authority was created on July 12, 2005 by Chapter 182 of the Laws of 2005 (the Act), as amended by Chapter 183 of the Laws of 2005, to monitor and oversee the finances of the County. The Act declared the County to be in a severe fiscal crisis that could not be resolved absent assistance from the State. Agencies and departments to be covered by the Authority's activities include all Erie County Departments, Erie Community College, the Buffalo & Erie County Public Libraries and Erie County Sewer Districts.

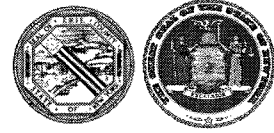
The business of the Authority is carried out by the Authority's Board of Directors at public meetings, which are required to be held not less than quarterly during a control period and not less than annually during an advisory period. Board meetings are typically held monthly. No action may be taken by the Authority without a favorable vote of at least four directors. The Authority is to be governed by seven directors, each appointed by the Governor including one each appointed on the written recommendation of the Temporary President of the State Senate, the Speaker of the State Assembly and the State Comptroller. The Governor designates a chair and vice chair from among the directors. One director appointed by the Governor and the directors appointed on the recommendation of the Temporary President of the State Senate, the Speaker of the State Assembly and the State Comptroller must be residents of Erie County. All directors of the Authority serve without salary.

In its oversight capacity, the Authority is vested with advisory powers to review County financial plans submitted to it and make recommendations, or if necessary, adverse findings thereon. Annually, the Authority is required to review and approve or disapprove a budget and four-year financial plan submitted by the County, which details revenues, expenditures and gap closing measures. The Authority may impose a control period upon making one of several statutory findings concerning the County's financial position and, if necessary, develop financial plans on behalf of the County if it is unwilling or unable to take the required steps toward fiscal stability. The Authority is also empowered to make appropriated State aid available as it determines in the form of efficiency grants and to comment on proposed borrowings by the County. The Authority may issue bonds or other obligations on behalf of the County if it requests that the Authority do so in order to achieve budgetary savings through debt restructuring, deficit financings or by financing short-term cash flow or capital needs.

On November 3, 2006, the Authority imposed a control period in accordance with Section 3595(1)(e) of New York Public Authorities Law through resolution 06-49. The resolution empowered the Authority to operate with its maximum authorized compliment of control and oversight powers over County finances. On that date, the

Board also imposed a hiring freeze and a contract approval process through resolutions 06-50 and 06-51, respectively. The Authority has since renewed and continued the control period and through resolution 07-04 adopted on January 11, 2007 and subsequently continued and amended the hiring freeze and contract approval process through resolutions 07-09 and 07-10, respectively. On November 2, 2007, the Authority adopted resolution 07-108 renewing and continuing a control period and the related contract approval process and hiring freeze.

Revenues of the Authority consist of sales tax revenue, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sale and use of tangible personal property and services in the County. The Authority's revenues also consist of interest income on funds deposited in Authority bank accounts and State aid payable to the County, if any. Sales tax revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or County. The balance of revenues not required to meet contractual or other obligations of Authority operating expenses and other costs are payable to the County as frequently as practicable.



BUDGET PROCESS

Proposed Budget and Financial Plan

The Authority's proposed budget and financial plan were prepared in accordance with accounting principles generally accepted in the United States of America on a modified accrual basis, but also included adjustments for cash basis accounting. Comparative amounts for the fiscal year ended December 31, 2006 were derived from the Authority's 2006 audited financial statements, copies of which approved by resolution 07-15 on March 26, 2007. Amounts budgeted for the fiscal year ended December 31, 2008 and forecasts included in the financial plan were developed using assumptions and methods of estimation disclosed in proposed budget and financial plan notes. Working papers that document the reasonable assumptions and methods of estimation, consistent with prudent budgetary practices, were prepared contemporaneously with the plan and will be maintained by the Authority.

The proposed budget and financial plan was submitted to the Authority's Board for review on October 15, 2007 along with a certification by the Authority's Executive Director attesting to the reasonableness of assumptions and methods of estimation used to prepare the proposed budget and financial plan. The proposed budget and financial plan is posted on the Authority's website and was made available to the public at seven Buffalo & Erie County Public Library locations upon submission to the Board. See Appendix A on page 16 of this document for the locations where hard copies of the proposed budget and financial plan are available.

Approved Budget and Financial Plan

The proposed budget and financial plan is approved each year no sooner than 30 days after its submission to the Board. The adopted budget and financial plan is made available for public inspection no later than December 24 and is submitted electronically to the State Comptroller within seven days of Board approval. See Appendix A on page 16 of this document for the locations where hard copies of this document are available.

Authority staff provide the Board with a written mid-year update on the approved budget and financial plan and may present quarterly updates to the Board on actual revenues and expenses compared to annual budget targets. No later than 90 days after the close of each fiscal year, Authority staff report publicly on the prior year's actual versus budgeted results. Should any situation arise that has the potential to have a material, adverse affect on the approved budget and financial plan, Authority staff notify the State Comptroller of the situation in writing.

Erie County Fiscal Stability Authority
 Annual Budget and Multi-Year Financial Plan - 2008-2011
 Modified Accrual Basis of Accounting with Adjustments for the Cash Basis
 Amounts in Dollars

General Fund							
Fiscal Year End	December 31, 2006 (Actual)	December 31, 2007 (Budget)	December 31, 2007 (Revised Forecast)	December 31, 2008 (Budget)	December 31, 2009 (Forecast)	December 31, 2010 (Forecast)	December 31, 2011 (Forecast)
Beginning of Year Cash and Equivalents	\$ 88,596	\$ 466,707	\$ 466,707	\$ 515,623	\$ 515,623	\$ 515,623	\$ 515,623
Receipts/Revenues:							
Sales Tax and State Aid (1)	\$ 355,002,107	\$ 365,966,365	\$ 374,516,365	\$ 380,130,538	\$ 389,633,801	\$ 399,374,646	\$ 409,359,013
Less: Distributions to Erie County (2)	(355,383,774)	(365,017,793)	(374,516,365)	(380,036,232)	(389,556,242)	(399,314,254)	(409,316,215)
Interest Income	1,223,681	608,000	660,000	669,894	686,641	703,807	721,402
Efficiency Grants Transfer In	-	-	419,312	-	-	-	-
Less: Efficiency Grants Transfer Out	-	-	(419,312)	-	-	-	-
Receipts Subtotal	842,014	1,556,572	660,000	764,200	764,200	764,200	764,200
Adjustment for Sales Tax Receivable	41,563,102	-	-	-	-	-	-
Less: Adjustment for Sales Tax Payable	(41,563,102)	-	-	-	-	-	-
Total Revenues	\$ 842,014	\$ 1,556,572	\$ 660,000	\$ 764,200	\$ 764,200	\$ 764,200	\$ 764,200
Disbursements/Expenditures:							
Salaries	\$ 304,144	\$ 671,572	\$ 366,200	\$ 401,200	\$ 401,200	\$ 401,200	\$ 401,200
Professional Fees	106,106	800,000	186,884	295,000	295,000	295,000	295,000
Meetings	11,937	15,000	18,000	18,000	18,000	18,000	18,000
Office-Related	41,716	70,000	40,000	50,000	50,000	50,000	50,000
Disbursements Subtotal	463,903	1,556,572	611,084	764,200	764,200	764,200	764,200
Adjustment for Prepaid Expenses	(5,771)	-	-	-	-	-	-
Adjustment for Accounts Payable	19,678	-	-	-	-	-	-
Adjustment for Accrued Liabilities	7,084	-	-	-	-	-	-
Total Expenditures	\$ 484,894	\$ 1,556,572	\$ 611,084	\$ 764,200	\$ 764,200	\$ 764,200	\$ 764,200
Excess (Deficiency) of Revenues Over Expenditures	\$ 357,120	\$ -	\$ 48,916	\$ -	\$ -	\$ -	\$ -
End of Year Cash and Equivalents	\$ 466,707	\$ 466,707	\$ 515,623	\$ 515,623	\$ 515,623	\$ 515,623	\$ 515,623

(1) 2008 through 2011 sales tax receipts estimates and forecasts are based on County estimates of 2.5 percent growth per year. State Aid equals \$668,332 annually related to Buffalo Convention Center.
 (2) ECFSA receipts not required to pay operating expenses and other costs of the ECFSA are distributed to the County as frequently as practicable.



PRINCIPAL BUDGETARY ASSUMPTIONS AND ASSESSMENT OF BUDGETARY RISKS

The budget and financial plan includes estimates based on assumptions disclosed in notes to the plan. Estimates are subject to risk due to assumptions that must be made about future scenarios. Sales tax receipts constitute the majority of the Authority's budgeted and forecasted revenue and are based on amounts set forth in the County's adopted 2008 budget and 2009-2011 financial plan. County sales tax receipts are forecast to grow by 2.5 percent in 2008 through 2011. From 1997 to 2006, the County's sales tax base has increased, on average, 2.7 percent per year. Sales tax receipts are sensitive to the fluctuations in economic activity in the County, which has gone through numerous cycles of expansion and contraction over the years. In addition, sales tax receipt forecasts assume continuation of the current 8.75 percent sales tax rate and sales tax sharing percentages as well as no other fiscal policy decisions that would affect sales tax receipts. On May 17, 2007, after authorization by the State Legislature, the County Legislature passed a resolution extending the 0.50 and 0.25 percent sales tax increases through November 30, 2009 and eliminating some uncertainty surrounding sales tax receipt forecasts. Also, on July 26, 2007, the County Legislature passed a resolution maintaining the current sales tax receipt process and Medicaid expense payment method. Continuing uncertainty exists regarding legislative actions necessary to re-enact the extra 1 percent portion of the sales tax beyond February 29, 2008, the 0.75 percent portion of the sales tax beyond November 30, 2009 and current sales tax sharing formulas.

Interest income is earned by the Authority on sales tax receipts held by the New York State Comptroller's Office and on cash held by the Authority in interest bearing accounts. Therefore, the amount of interest income the Authority earns on an annual basis is sensitive to total sales tax receipts, bank account balances and changes in interest rates.

The Authority is charged with, amongst other duties, reviewing and approving or disapproving the County's budget and financial plans and State-funded efficiency grants, as appropriate. The Authority has set a goal of meeting these requirements in an efficient manner with minimal cost to taxpayers. In order to do so the Authority may incur, from time to time, additional professional fees and may hire additional staff. The Authority has prudently budgeted for these potential demands in order to minimize budgetary risks. The Authority's budget and financial plan risks are mitigated by the magnitude by which sales tax receipts exceed operating expenditures.



RECONCILIATION OF CHANGES

A revised forecast of 2007 operating results has been included in the budget and financial plan above. The following discussion analyzes the changes in estimates included in the revised forecast compared to the 2007 budget.

Sales Tax and State Aid – As of December 1, 2007, County budget officials anticipated a positive year-end variance in sales tax receipts. Therefore, the Authority has set a revised forecast for 2007 sales tax receipts of \$374.5 million, which is consistent with the County's estimated receipts. Sales tax receipt forecasts included in the Authority's 2008 budget and 2009-2011 financial plan are not affected by this change.

Distributions to Erie County – Two factors have caused the Authority to forecast distributions to Erie County that are approximately \$9.5 million higher than 2007 budgeted amounts. The Authority's revised forecasts of sales tax receipts and interest income are higher than 2007 budgeted amounts and the revised forecast of Authority expenses is lower than budget. Forecasts of Authority distributions to the County included in the 2008 budget or the 2009-2011 budget and financial plan are not affected by this change.

Interest Income – As of December 1, 2007, the Authority had received \$603,489 in interest income. Therefore, the Authority has set a revised forecast of 2007 interest income at \$660,000 due to higher sales tax receipts, despite the lower interest rate environment. Interest income forecasts included in the 2008 budget and 2009-2011 financial plan anticipate static interest rates, similar cash balances and higher sales tax collections.

Salaries – The Authority budgeted for a staff of seven full-time equivalents in 2007. However, the Authority has operated with a staff of four full-time equivalents during 2007. Therefore, the Authority has set a revised forecast for 2007 salary disbursements of \$366,200, slightly higher than 2006 salaries and benefits due to higher health insurance costs. Salary disbursements included in the 2008 budget and 2009-11 financial plan have been set at \$401,200 to account for changes in salaries and benefits.

Professional Fees – As of December 1, 2007, professional fees paid by the Authority totaled \$186,181. Therefore, the Authority has set a revised forecast for 2007 professional fees of \$186,884. The 2008 budget and 2009-11 financial plan anticipate professional fees of \$295,000 each year for underwriting, legal, auditing and financial advisory services.

Meetings – As of December 1, 2007, the Authority had disbursed \$14,830 for Authority meetings. Additional meetings costs are anticipated in December 2007. Therefore, the Authority has set a revised forecast for 2007 meeting-related disbursements of \$18,000. In January 2007, Governor Eliot Spitzer issued Executive Order 3, which requires the Authority to videotape its meetings. As a result, meeting-related disbursements have

increased in 2007 and the 2008 budget and 2009-2011 financial plan have been revised accordingly.

Office-Related – As of December 1, 2007, the Authority had disbursed \$35,653 for office-related items. Additional office-related disbursements are anticipated in December 2007. Therefore, the Authority has set a revised forecast for 2007 office-related disbursements of \$40,000. Office-related disbursements included in the 2008 budget and 2009-2011 financial plan have been revised accordingly.



PROJECTED PERSONAL AND NON-PERSONAL SERVICE COSTS

Personal Service Expenses

As of December 17, 2007, the Authority had four employees, all of whom are full-time, exempt and funded by general revenues of the Authority. In 2007, the Authority had budgeted for a staff of seven full-time, exempt employees funded by general revenues of the Authority. Actual personal service costs from 2006 are presented below along with 2007 budgeted costs, a revised forecast of those costs and 2008 through 2011 budgeted and projected costs:

Personal Service Employee Expense Detail – 2006 through 2011

<u>Item</u>	<u>2006 Actual</u>	<u>2007 Budgeted</u>	<u>2007 Revised Forecast</u>	<u>2008 through 2011 Budgeted and Projected</u>
<i>Salaries</i>	\$260,564	\$430,000	\$240,000	\$260,000
Executive Director	\$167,339	\$110,000	\$110,000	\$110,000
Director of Initiative Implementation	\$29,379	\$70,000	-	-
Senior Analyst	-	\$60,000	-	-
Financial Analyst	-	-	\$50,000	\$50,000
Director of Administration	\$44,281	\$50,000	\$50,000	\$50,000
Finance Officer	-	\$50,000	-	-
Analyst	-	\$45,000	-	-
Office Manager/Executive Assistant	\$19,565	\$25,000	\$30,000	\$30,000
Other Salary Items	-	\$20,000	-	\$20,000
<i>Health Insurance</i>	\$11,158	\$78,172	\$35,000	\$50,000
<i>Other Benefits and Payroll Taxes (@38 percent of Salaries)</i>	\$32,422	\$163,400	\$91,200	\$91,200
Total	\$304,144	\$671,572	\$366,200	\$401,200

In addition to personal service costs for employees, the Authority contracts with outside vendors for certain professional services. The following table lists 2006 actual professional service fees, 2007 budgeted fees, a 2007 revised forecast of fees and 2008 through 2011 budgeted and projected costs based on current contract information.

Erie County Fiscal Stability Authority
 Annual Budget and Multi-Year Financial Plan - 2008-2011
 Annual Personal Service Contracts with Outside Contractors
 Amounts in Dollars

Description	Contractor	Contract Date	Duration	Value	2006 Actual	2007 Budgeted	2007 Revised Forecast	2008 Budgeted	2009-11 Projected
Independent Auditors	Toski, Schaefer & Company, PC 555 International Drive Williamsville, New York 14221	4/13/06	3 Years (2005 through 2007 Audit)	\$16,668	\$5,240	\$5,240	\$5,884	\$5,000	\$5,000
Legal and Bond Counsel	Phillips Lytle, LLP 3400 HSBC Center Buffalo, New York 14203	7/26/2007 and 10/22/2007	1 Year	Fee for Service	\$78,493	\$450,000	\$145,000	\$220,000	\$220,000
Financial Advisors	Capital Market Advisors, LLC One Great Neck Road, Suite 1 Great Neck, New York 11021	10/22/07	1 Year	Fee for Service	\$21,402	\$344,760	\$36,000	\$70,000	\$70,000
Totals					\$105,135	\$800,000	\$186,884	\$295,000	\$295,000

Non-Personal Service Expenses

The Authority incurs expenses for non-personal service items. Actual, budgeted, estimated and projected annual office-related and meeting expenses are presented below:

Non-Personal Service Expense Detail – 2006 through 2011

<u>Item</u>	<u>2006 Actual</u>	<u>2007 Budgeted</u>	<u>2007 Revised Forecast</u>	<u>2008 through 2011 Budgeted and Projected</u>
<i>Office-Related Expenses</i>	<i>\$41,716</i>	<i>\$70,000</i>	<i>\$40,000</i>	<i>\$50,000</i>
Rent	\$26,180	\$35,000	\$20,000	\$25,000
Office Supplies	\$12,491	\$25,000	\$18,000	\$20,000
Travel	\$3,045	\$10,000	\$2,000	\$5,000
<i>Meeting Expenses</i>	<i>\$11,937</i>	<i>\$15,000</i>	<i>\$18,000</i>	<i>\$18,000</i>
Total	\$53,653	\$85,000	\$58,000	\$68,000



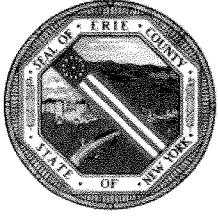
STATEMENT OF BORROWED DEBT

The Authority is authorized to issue up to \$700 million in long-term debt excluding any cost of issuance, debt reserve fund or future refunding of bonds net of unearned bond accretion for the purpose of refinancing or restructuring outstanding Erie County debt or to fund County capital and operating needs. In addition, the Authority may undertake cash flow borrowings on behalf of the County, up to a limit of \$250 million of the aggregate outstanding at any time. The Authority is authorized to issue fixed or variable rate debt and may enter into interest rate swaps.

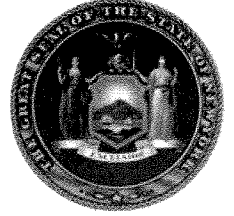
Since its inception the Authority has not issued debt. However, in resolutions 07-23, 07-58, 07-82, 07-83, 07-90 and 07-107 the Authority called upon the County Executive and County Legislature to refinance pre-existing debt and issue new debt through the Authority given the cost savings that will result for County taxpayers. In resolution 07-83 adopted on August 30, 2007 the Authority gave its preliminary approval for its issuance of bonds for the benefit of the County in an amount not to exceed \$52,000,000 including costs of issuance. However, in the event that the County Comptroller can assure the Authority that the County can obtain terms for a bond issuance by the County that are equal to or better than those available to the Authority, the Authority would be favorably inclined to approve a request by the County borrow to fund capital expenditures.

On October 4, 2007, and again on November 13, 2007 Erie County Executive Joel A. Giambra requested the requisite authorization from the County Legislature in order to pursue an Authority borrowing on behalf of the County. To date, the County Legislature has not yet authorized the County Executive to pursue an Authority borrowing on behalf of the County. Therefore, the Authority's 2008-2011 budget and financial plan does not contain information on an Authority debt issuance.

Any bonds issued by the Authority are secured by a senior lien on its revenues, which consist of a share of sales and compensating use tax authorized by the State and imposed by the County and any state aid appropriated to the County by the State under the aid and incentives for municipalities program. The Authority's enabling legislation restricts changes in local laws, ordinances or resolutions imposing or relating to taxes or fees that would reduce the Authority's maximum annual debt service coverage below 200 percent.




Erie Co. Fiscal Stability Authority



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CERTIFICATION

After reasonable inquiry, the annual budget and multi-year financial plan presented herein is, to the best of my knowledge and belief, based on reasonable assumptions and methods of estimation with the applicable regulations being satisfied.



Kenneth J. Vetter
Executive Director
Erie County Fiscal Stability Authority

APPENDIX A

The Authority's proposed and adopted 2008-2011 budget and financial plan are available for public inspection at the following Buffalo & Erie County Public Library locations:

Central Library – Business, Science and Technology Department

1 Lafayette Square
Buffalo, NY 14203-1887
(716) 858-8900

Amherst Main Library at Audubon

350 John James Audubon Parkway
Amherst, NY 14228
(716) 689-4922

Frank E. Merriweather, Jr. Library

1324 Jefferson Avenue
Buffalo, NY 14208
(716) 883-4418

Hamburg Public Library

102 Buffalo Street
Hamburg, NY 14075
(716) 649-4415

Julia Boyer Reinstein Branch

Cheektowaga Public Library
1030 Losson Road
Cheektowaga, NY 14227
(716) 668-4991

Kenmore Branch

Town of Tonawanda Public Library
160 Delaware Road
Kenmore, NY 14217
(716) 873-2842

Orchard Park Public Library

4570 South Buffalo Street
Orchard Park, NY 14127
(716) 662-9851

The Authority's proposed and adopted 2008-2011 budget and financial plan may also be viewed online at the Authority's website – www.ecfsa.state.ny.us