Minutes
Erie County Fiscal Stability Authority Finance Committee
October 31, 2006

Note: the following is a draft copy of minutes of a meeting of the finance committee of the Erie County Fiscal Stability Authority ("ECFSA"), which was held October 31, 2006. These minutes will not become final until approved at a subsequent meeting of ECFSA finance committee, and may be amended before approval.

Chairman Joseph Goodell called to order a meeting of the finance committee of the Erie County Fiscal Stability Authority ("ECFSA") at 2:00 p.m. on Tuesday, October 31, 2006 at the Buffalo Niagara Convention Center. Notice of the meeting had previously been distributed to all committee members, all directors and announced to the public and press.

Committee members present: Joseph Goodell, Chair; Kenneth Kruly

Other directors present: Stanley Keysa, Shelia Kee

Senior staff present: Kenneth Vetter, Executive Director

Opening Remarks

Chair Goodell stated that the purpose of this meeting was for further evaluation and analysis of the 2007 budget and four-year plan submitted to by Erie County Executive Giambra. At the last meeting on October 23, 2006, the finance committee had several questions about the reasonableness of the budget and the financial plan, after Erie County's presentation. "We hope to have answers to those questions today, so we can present our findings to the full ECFSA board at the next meeting."

Approval of Minutes

Chair Goodell indicated the first order of regular business was to approve the minutes of the last meeting of October 23, 2006 which were submitted by Secretary Keysa and circulated to the committee members prior to this meeting. Director Kruly moved to approve the minutes, Director Goodell seconded, and the motion was approved.

Analysis of Erie County's response to the Finance Committee's requests for information.

Chair Goodell continued: "On October 23, 2006, Erie County presented the 2007 budget and four-year financial plan to this committee. Several questions arose about some of the projections contained in both the budget and the four-year plan. The finance committee identified specific areas in the four-year plan and the budget that were based upon inappropriate or unreasonable assumptions. Most of the items that were discussed had been discussed at finance committee meetings and at the initiatives task force meetings. The bulk of the information and the material submitted to us was not new to us. To ensure that these issues were addressed, this committee, both orally and in writing, posed several questions to Erie County regarding these areas of concern. A response to these questions was given to this committee on October 30, 2006. The purpose of this meeting is to discuss the response from the County."

Executive Director Ken Vetter reported that the letter that went to the County asked for additional information with regards to initiatives in the four-year plan and a number in the budget. "We also asked for history on the initiatives. There are some revised probation fees. With these items, we need to find out if there is a level of support for these items from those who must implement the changes, such as the Sheriff or County Clerk or the Comptroller. Thirty-one questions were submitted, many with sub-questions. In getting the list back from the County we can start going though these items. We will start with what the County submitted."

Director Kruly stated the first items dealt with probation fees. He noted that collections had begun but there is an outstanding shortfall and that he did not see collections on the report. "There is a revenue potential number, $540 thousand, which is down to $72 thousand next year. What are the prospects of collecting revenue and secondly is the County chasing its own tail because we have a revenue recovery department which seems to be costing more than it is recovering? I have questions about the net potential and the value of the resource recovery department." Kruly said that his questions were not answered sufficiently and that he is concerned that revenues being collected from the initiative should be placed in a reserve fund until New York State clearly authorizes the practice.

Director Kee pointed out that, because it appears that the collections are not being made while the probationer is getting counseling, but only after a case is closed, the projections "are specious. If they want to make an effort in doing this, they should be collecting the revenues while the probationer is in counseling or in custody of the probation officer. The collection is faulty here and, as a result, the fees will not be collected."

Executive Director Vetter noted that, when compared with court-ordered restitution, the County is last-in-line. Director Goodell asked Director Kee if she felt some part of the fees would be collectable. Director Kee stated: "The rates of collection projected range from 12 % for general supervision to a high of 26 % for electronic monitoring. How did they come up with those percentages?" She continued by stating that there is not information to tell you what percent you could collect on this. In her view, it would be better to project 10 % in each of these categories.

Executive Director Vetter stated: "There is a huge jump between 2007 and 2008. There is a budget of $252 thousand and then it jumps to $500 thousand then it jumps to $600 thousand then $700 thousand. There is not significant evidence to warrant that kind of jump. I would not look at any annual figure beyond that for 2007."

Director Kruly stated that it ties in with a general observation about the budget and the four-year plan. "The intent seems to push things back to the next administration."

Executive Director Vetter went on with the next item which was the increased potential of the youth detention facility. The proposal is to bring the facility up to full capacity. "Right now there are 64 beds and, on a regular basis, 48 beds are filled. They are looking for the beds to be filled through other counties in the state, particularly Monroe County."

Director Keysa asked what kind of market is out there. "Are there other counties that are short of facilities now that would likely come in and are there other counties with an excess number of beds?" Mr. Vetter stated that he believes that there should be letters of intent from other counties on this issue to show they are willing to utilize Erie County facilities. "From what I see from the documents here, there is no intent from Monroe, Onondaga, Chautauqua or any of the other close counties that could reasonable use the facility." Director Goodell added there is general concern on this initiative because there is no market study done.

Mr. Vetter continued: "Question #6 relates to the retiree drug program. Medicare part -- is a reimbursement or a reduction in expense for retired County employees who are receiving prescription coverage from the County. Sheila Kee observed that this is a complex issue, and that there was insufficient information to deem the projections to be appropriate.

Chair Goodell complimented Budget Director Hartman for digging up good ideas, but said the key is to have an individual focused on managing worker's compensation.

Question #7 involves attendance monitoring. Mr. Vetter noted an improvement from 2005 to 2006. Ms. Kee said the board needs to see more than two years to observe trends. "The use of "average hours" is fictitious, with an exaggerated value if jobs are assumed to pay $50,000." She also noted that the Deputy County Executive in the prior administration regularly monitored attendance as part of his duties.

On question #8, Executive Director Vetter said it was unclear if the responses referred to net or gross.

Executive Director Vetter stated that question #9 related to residential treatment care. "This assumes the most expensive level of residential care will be reduced through other programs and services and it looks like a significant amount savings. We have asked for trend on the savings and looking for a reasonable assurance that the savings will be achieved."

Director Kee commented that there is no backup to explain the County's projections in the number of PINS, JD and other kinds of care. "From 2006-2007, they are showing a reduction in PINS of 20 %, how did they get the 20%? They need to be able to back up assumptions with empirical facts and there are none here that would justify the projections and the reduction in the number of children receiving these services."

Mr. Vetter continued with question #10 regarding developing a regional automated public health lab testing program. "The County wants to develop a program and get the equipment, market it, for testing certain sexually-transmitted diseases in 2007 and beyond and bring in revenues."

Director Kee stated "This is doing something backwards. What they did is to hire jobs, and add expense with an "if-come" and the assumption that the revenues are out there. Individuals, providers, hospitals, generally stay with the pattern of where they sent their lab-work. I see no evidence in how they are going to derive the revenues here. It would have been a better idea to do a pilot on this to see how it was going." Director Kruly stated: "They are taking about 3 million dollars of projected revenues in four years, including $750 thousand the first year. It is a substantial amount of money." Director Goodell stated it was a good idea, but that the County should have had market data before they put the resources in place.

Mr. Vetter continued with question #11, involving Medicaid fraud. "Erie County is one of a dozen counties in New York State that are part of a pilot program where the county can investigate provider-Medicaid-fraud in conjunction with the State Inspector General's office. We have asked for information on the structure that is there, looking at the do-ability of the program because of some logistical issues with the State on who actually does the investigations and the reasonableness of estimates going forward."

Director Kruly stated that, because they put a cap on Medicaid, there was a question whether the State needs to do something about authorization to let the County share in savings that can reduced by Medicaid. Mr. Vetter stated the County is part of the pilot program but the issue that has stalled it is what happens between the State Inspector General's office and local inspectors, and how the counties can collect.

Director Kee stated that she appreciates the fact that the County is moving in the area of Medicaid fraud recovery and it should be on the top of their agenda. "How are the savings going to be coming back to the County?" She continued by stating: "There are so many more areas to save money in the area of Medicaid. There are opportunities to save money through diabetes management, hypertension management and many potential initiatives that the County could package these initiatives show them to the State and share the savings equally with New York State. We could increase these savings way beyond what we have in front of us."

Director Kee continued that Erie County has the highest diabetic admission rate. "Our ability to achieve savings is much bigger than any other county because there is tendency here to admit for a chronic disease. If you are effectively treated on the out-patient side you wouldn't have the cost for admission. In Erie County $203 million is spent just on diabetic admissions to the hospitals."

Continuing, question #12 regarded adding a 30 cents wireless surcharge to offset 911 costs. Mr. Vetter said: "We are looking for history on this. The County began collecting this fee after the State passed it in April." Director Kruly stated that the initiative was working out well and the County should be commended.

Mr. Vetter continued with question #13, which regards establishing a comprehensive risk management program. Director Kee stated that she finds a couple of things troubling. "The only money being appropriated in the 2007 budget is a million dollars that is part of the Erie County Medical Center settlement. There is a statement in the narrative that additional money from 2006 would be transferred to the risk management fund and my question is, to what extent would that reduce the forecast surplus for the current year? They do not state how much will be transferred to the risk management program and to what extent will that impact the forecasted 2006 surplus."

Director Kruly stated that the issue is the consequence of the projected fund balance. "The fund balance will be some what smaller depending on how much they will be transferring." Director Keysa said he had been astounded when the County went self-insured in 1978 under Ned Regan. "Essentially, it pushed off for a numbers of years the cost to the County of things like malpractice at ECMC. The dollar amounts that we are seeing from the County in the reserve fund can be vastly exceeded by one case."

Mr. Vetter stated the original plan called for the County to fund this item on an annual basis by $4.59 million in the first year of the plan and then increasing by a half million each year. He said the board needed a history of payouts; the funds were depleted completely in early 2006 because there was no risk management budgeted in 2005.

Executive Director Vetter continued with question #14, involving insurance purchase and strategy. "The County is largely self-insured, with a small number of policies including some directors and officers insurance. The savings in this item top off at $750 thousand a year." Director Kee stated that she thought is was a good idea that the County is looking at strategies to reduce insurance cost but there is no back-up other than a single paragraph. "We need to see the County's insurance expenditures. How do they come to the savings targets and what is involved in achieving the savings? This is a zero-savings assumption."

Mr. Vetter continued with question #15 regarding the productivity bank. "The plan called for $3 million a year in savings. We wanted the County to be more specific on the savings." Director Kee said: "The County talks about establishing process improvement teams but I have to ask, why didn't they do this earlier? If they would have started this year they would have been able to put more evidence together in regards to savings and documentation. When you come up with estimates, you need back-up." Chair Goodell said he thought this to be a good idea, but the savings are "iffy." Ms. Kee said she thought the initiative could improve customer services and satisfaction.

Mr. Vetter continued with question #16 which involved developing a market-based revenue program. "This is an original initiative that looked at sponsorships and selling space on park benches so the County could generate funds. There was a marketing study performed by Val-Mark Associates. This is how this marketing study gets turned into revenues. There seem to be significant jumps in the dollar amount that the program would generate in the four-plan."

Director Kruly commented on the study done by Val-Mark Associates. "They started out thinking they could include inserts in the mailing of water bills and then they found out the Water Authority wasn't part of the County. They also talked about selling vacant County land for cell towers and outdoor advertising. I think there is revenue potential here but it would NOT produce the figures they are talking about." Chair Goodell said he was concerned about the overhead to manage it. Director Kee stated that a lot of communities are opposed to cell towers and also outdoor advertising, such as billboards.

Director Goodell introduced questions #17-20 by stating that they were items on how the County does its purchasing.

Director Kruly stated the cost avoidance methodology is questionable. "Comparing the department requests with the executive recommendations means nothing. Department requests are like kids writing to Santa Claus." He added that some of the proposals required State law changes that didn't happen, adding that item #20 – issuance of procurement cards - had always been a problem.

Mr. Vetter went on with number #21, involving integrated case management. "This would create a single point entry in social services for somebody who is need of services at the County level. They would not have to go through multiple levels to receive the services they need. This would create a path for the person to get the services they need."

Director Goodell stated that the finance committee had previously discussed Integrated Case Management with the Commissioner of Social Services in conjunction with an efficiency grant application. Director John Johnson had a lot of input on this item. Director Goodell concluded that the finance committee wanted assurances that, in addition to enhancement of the administrative process there will also be cost savings. "Human services is great in theory but there is no report on what kinds of cost savings can be implemented and how. The savings are just not there."

Director Keysa recalled that he had conversations about eight years ago with State officials who said that they were moving towards a common computerized intake system and he expressed surprised that these measures are still not in place. "Each time an individual goes to the Social Service office they are required to fill out paper which then gets uploaded to a computer. This duplication of work is excessive and an integrated system would reduce the amount of paperwork in that office. Even a modest reduction may allow us the ability to cut costs and improve the administrative system." Keysa said that action should be taken to move towards a computer intake system, seeing that nothing is currently in place.

Director Kee thinks integrated case management is the way that County should proceed so that specific social workers are designated to a certain family as a means of centralizing services. "Case management is effective because families on public assistance have to deal with too many case workers. Case management is designed to provide centralized coordination." She suggested that a pilot project using case management would show evidence of success with this program.

Director Keysa stated that families who need social services deserve respect. "Integrated case management is a holistic approach to responding to those in need and would help eliminate the stigma associated with receiving social services. These families are in need; not families abusing the system."

As to item #22, Executive Director Vetter said that an important question is whether the official responsible for implementation is supportive. The County Clerk is not supportive of the proposed increase in fees at his office, and the projections are thus questionable. Director Kruly noted that the four-year plan said the fees would put Erie County in line with other large counties, like New York City. He noted that the County Clerk had not made the suggestions, but that they came from the administration.

Director Goodell asked: "Does that mean we discount this in total or is there something that we should do instead?" Director Kruly replied that it will depend on whether or not the Clerk supports the increases, and whether they receive support from the County Legislature, which must request the authority.

Executive Director Vetter next referred to item #23, which proposes that the County charge a fee for parking at County parks during the summer season to gain revenue.

Director Keysa stated that park parking fees were tried previously in 1976-77. "A lot of money went into collecting the fees, and local governments found themselves paying to implement parking regulations like putting up signs and providing enforcement. There were many unintended consequence to the decision, including a decrease in people using the parks. Director Kruly added that $50,000 is projected in expected revenue, but he questioned whether the estimate is realistic, and whether it is fair to the public.

Director Kee stated: "I am not sure the County Legislature will support this but if they do, we must be very modest in assuming revenues which could very likely not happen." Director Kruly noted he had worked on staff of the County Legislature. "If a fee was imposed, the Legislature should be very anxious to get a stable, long-term revenue source but I would consider this an unstable, short-term revenue source."

Mr. Vetter then turned to item #24, which anticipates a settlement with ECMCC regarding an intergovernmental transfer. "This is specifically a one-time issue. In the state budget process ECMCC has a potential gain of $12 million. In the past, ECMC shared half with the County. Now that is it is separate entity, there is a chance that there could be a $6 million hit to the budget and Erie County could be hit with half of that amount." Vetter has asked for documentation.

Director Goodell addressed item #25, renewal of the 0.75% sales tax. "The administration responded to our question to say we should pursue discussions with the

County Legislature. County Executive Giambra says the sales tax is absolutely necessary. I sent letter to the County Legislators on October 26th asking for general comments in return. I was looking for feedback because we cannot wait for the Legislature to jump in on sales tax increase nor can we rely wholly on the Legislature to pass this. Eight Legislators responded; five said they would vote yes, one said no, and two had various conditions." Goodell expressed appreciation to those who replied, including Mills, Iannello, Loughran, White, Konst, Reynolds and ____, noting that, the sales tax revenue is missing, it destabilizes budget for 2007.

On item #26, relating to tax lien sales, Ken Vetter explained that Erie County sells its tax uncollected liens for a discounted lump sum of money. "The value is that the County receives cash now." Director Kruly said the County has done this for several years and feels it is a bad financial practice. "In the past, over time, the County has collected 99.5% or so of taxes and that people delinquent in their taxes are paying interest up to 18%. Selling these liens deprives the County of revenue. It transfers substantial profit to others. It was done as a one-shot and it has been perpetuated and I think it is a problem."

Director Kee stated that the problem is that the administration's response is not definitive. "I would like to get more information; try and figure out to what extent we could help taxpayers by not selling these tax liens. We need additional research done on the issue." Director Keysa observed that short-term cash can carry a sizable long-term cost.

Mr. Vetter continued with item #27 regarding fleet management: "What is the plan? He would like to see a detailed plan on the strategies and actions over four years, and the basis on which to judge the reasonableness of projected savings. Director Goodell asked who was responsible for determining who got a car or not. "After much probing it appears that the fleet manager has very little authority and that it is the department head who determines who gets a car and who drives it where. A fleet manager must have more authority to make things happen. A fleet manager must be given real authority."

On question #28, Mr. Vetter stated that the jail in 2006 is already looking at an $8.6 million overtime budget, and will need about $10.4 million for overtime. He is of the opinion that the 2007 proposal is under-funded based on what is happening at the Holding Center. "We will want to see if this is an item that is on the budget."

Director Kruly stated he noticed that there were quite a few vacancies in jail managers, "This is not so unusual. No matter what they need to do to add man power, there will still be vacancies, so budgeting for year 2007 for the Sheriff's office is questionable." Director Kruly noted that the County Executive is pursuing greater State reimbursement but thought it unlikely that the State would jump to $110/day from $40/day. Director Kee stated that the assumption that they can hire, train and get new jailers on the job quickly is problematic, so the proposed number is really aggressive. "Controlling overtime hours at the jail has been attempted by many but accomplished by few."

Mr. Vetter continued with #29 CHIPS. He stated he has a problem with bonding for road projects and then using the projected $6 million State reimbursement to cover operating expenses. Director Keysa stated "Bonding for current operations should not be done because it is wrong." He noted that part of the transfer tax paid by every real property seller is paid into a highway trust fund, and asked if highway projects were not specifically identified when the administration requested money from the trust fund as well as when projects were bonded. Mr. Vetter replied that they were. Keysa continued that the state revenues which come in as reimbursement ought be segregated and held for other highway projects, not used for salaries and other operating expenses. Director Kruly stated that use of bond proceeds for operating expenses is a violation of basic budgeting and is structurally unstable. He also there is a restriction on CHIP funds being used to pay for debt services as the County is apparently doing.

Discussion continued with question #30 regarding funding of the Road Fund. The budget documents indicate that as of December 31, 2005 there was a $7.8 million unrestricted negative fund balance. From that fund $9.5 million is to be transferred out to the general fund. Mr. Vetter asked, "How can a fund with a negative fund balance of 50% transfer funds to the general fund?"

Director Kee stated: "This is a classic example of how a projected surplus for the current year can be abused. No fund should have a deficit. This deficit should be eliminated so that we are starting off on good sound budgeting, as it confuses the true surplus." She also noted that the deficit in the Road Fund was stated as different amounts in different locations and was not sure what the actual amount was. Director Kruly stated that the road fund may be $20 million in deficit. "Whatever that number may be, it is a 25 – 40% deficit in that fund based on items discovered in 2005."

Mr. Vetter continued with question #31 relating to managed attrition. Executive Director Vetter said that there are two questions with regard to the managed attrition program and the 15% four-year reduction in staffing. "There was an amount listed of $3 million listed in the financial plan and we wanted to know if that amount was actual revenues and secondly, on collective bargaining issues, what is the County is planning to do and how might that be fleshed out to achieve approximately $3 million in savings year and if that is on a gross basis or a net basis?"

Director Kruly recalled recent history on this issue. "A couple of weeks ago we were informed that the County Legislature was considering a faculty federation contract at ECC. It came up suddenly and we sent a memo indicating that our analysis shows that there was a deficit of $4.8 million in terms of trying to pay for that contract over a four year period. Nevertheless, the contract was approved by the Legislature by a vote of 14 to 1. We need to judge people on their actions not just their words."

New Business

Director Kee noted that County provided a vacancy report dated October 30, 2006. "Have we had a chance to see how vacancies have been diminished or what types of changes are being made?" Mr. Vetter stated that the reports appear to be fluctuating. The last report had about 268 and currently there appear to be a larger number of vacancies than six weeks ago. Director Kruly noted that this report shows that there are 165 vacancies in social services and yet the budget creates 60 new jobs in social services.

Closing Remarks

Director Goodell thanked the County officials for the effort they put in to pull this together. "I think they found themselves doing a pretty good job without having much to stand on and gave it a good try. Part of the problem, I have observed, is that the County has very little in the way of data to support ongoing ideas or cost-savings or revenue enhancements. There include little items about raising fees, but they need to find firm data to indicate how fees are used. If the County administration and the Legislators in their oversight would focus on getting simple metrics, which don't have to be complicated, financial management would be greatly enhanced." He commented further that the office space study may have a several million dollar impact in future years.

Director Kruly asked that the Authority staff produce a report that highlights all of the items discussed at the committee meeting for presentation to the full board.

At 3:36 p.m., Director Goodell moved to adjourn the meeting, seconded by Director Kruly, and unanimously approved.

Respectfully submitted,

Stanley J. Keysa, Secretary