

**Minutes  
Erie County Fiscal Stability Authority  
May 3, 2006**

*Note: the following is a draft copy of minutes of a meeting of the Erie County Fiscal Stability Authority (“ECFSA”), which was held May 3, 2006. These minutes will not become final until approved at a subsequent meeting of ECFSA directors, and may be amended before approval.)*

Chairman Anthony Bayne called the meeting of the Erie County Fiscal Stability Authority (“ECFSA”) to order at 1:30 pm on Wednesday May 3, 2006 in Room 106 of the Buffalo Niagara Convention Center. Notice of the meeting had previously been distributed to all Directors by courier and announced to the public and press.

Director Present: Anthony J. Baynes, Stanley Keysa, William Joyce, Joseph Goodell, John Johnson, Shelia Kee, Kenneth Kruly

Others Present: Mr. Lee VanRiper, Executive Director

**Opening Remarks**

Chairman Baynes called the meeting to order at 1:30 pm and thanked everyone for attending. He stated that he was honored to be named Chair of the Authority and he thanked the Governor for his confidence in him. “The future of this authority does not equal the past.” Then he stated that it was with great personal honor that he introduced the six other Directors of the ECFSA, six dedicated members of this community that have sacrificed and will continue to sacrifice much of their time and energy to help the citizens of this region.”

“Ken Kruly brings a wealth of knowledge of county and state government to the Authority. The appointee of State Comptroller Alan Hevesi, Ken has served as Erie County Budget Director.... First Deputy County Clerk and in other senior management positions for more than 20 years. He currently serves as director of government relations for Canisius College. Ken holds a Masters in Public Affairs from SUNY Albany and a BA from Canisius.”

“Stanley Keysa, an original member, being appointed by the New York State Senate, brings years of experience in town and county government with expertise in planning and economic development to this authority. His service includes fifteen years as Lancaster Town Supervisor, eight as Erie County Economic Development Coordinator and his present chairmanship of the Lancaster’s Planning Board. Stan holds a BA from Canisius and a Law Degree from Cornell Law School.”

“Sheila Kee is an expert in health care, management and budgeting, with extensive experience in the public and private sectors. Currently President and CEO of Sheehan Memorial hospital, Sheila formally served as CEO of ECMC and Erie County Budget Director. Appointed to this Board by the New York State Assembly, Sheila holds a BA from Buffalo State College and a Masters in Political Science from U.B.”

“Commissioner John Johnson heads New York State’s Office of Children and Family Service, an agency that works intimately with county governments across the state. Governor Pataki appointed him to that position in 1998 and to this Authority upon its creation. Prior to joining the Governor’s cabinet, John was Executive Director of the Office for University Preparatory Programs at UB, Erie County Commissioner of Youth Services and in a senior management position at HUD. He earned a BA in elementary and special education from Benedict College and pursued a Masters in education from Buffalo State College.”

“The Governor recently tapped Joseph Goodell to join the Authority as an efficiency expert from the private sector with a long personal history of volunteerism and involvement in public affairs. Joe achieved success in business for decades, notably as the President and CEO of American Brass. He is a member of the Buffalo Philharmonic Finance Committee, the Board of WNED and past member of both the “Who Does What Commission” and Erie County Stabilization Project. He holds a BS in Mechanical Engineering from MIT and an MBA from Harvard Business School.”

“Governor Pataki called upon William Joyce to serve as vice-chair of this authority because of his record of leadership in our community. He currently is a Principle/Partner at Strategic Investments & Holdings Co., a firm that acquires and grows successful companies in partnership with operating management. Bill’s long record of community involvement includes membership on the Boards of Kaleida, the UB Foundation, the Urban League and Goodwill Industries to name a few. He holds a BS in Economics from the Wharton School at the University of Pennsylvania and an MBA from Harvard Business School.”

“These six individuals collectively bring talent, experience and brainpower to the table. Each one has demonstrated his or her commitment to the future of Western New York long before joining this authority. It is my honor to serve with them. While we each bring much to the table as individuals, we are all in agreement, that our true potential is to work as a team on behalf of the taxpayers of this county. This is our pledge to you.”

“I am not here to criticize past performances of this authority. I am here to firmly tell you that things will be different. All the individuals in this room have agreed to approach the fiscal problems we are charged with resolving as a team. Those are not idle words. I have been promised and expect care, consideration, input and guidance from all those that stand before you today. And these are all individuals that have a history of keeping their promises.

“We all have different backgrounds. We approach problems, at times, differently, but we all have the same abiding sense of doing what is right for this community.”

“Where we cannot agree, we will discuss our differences openly, calmly and intelligently. At each step, we have agreed to the mutual obligation of finding a consensus with full support by all, even those that may have individually disagreed.”

“I mentioned that we are a team, but a very important member of our team is not here today, and that's the citizens and taxpayers of Erie County. Make no mistake; there is nothing we can do, nothing worthwhile that we can accomplish unless we have the active support of all our fellow citizens.”

“We individuals will not make a difference unless these 7 individuals engage the interests and concerns of this community and lead it for the good of this community...”

“All of us need to take an ownership interest in what transpires here. We need to remind ourselves that "taxpayer's money" is our money and should be treated as such.”

“What happened in Erie County to bring us to the state of fiscal crisis is a chain of events that most taxpayers can relate to most in terms of their own personal finances. The county had a large bank account back in 2000. It took in more money than it was spending. Sort of like someone working two jobs and banking the second check.”

“Well, to continue the metaphor.... Erie County decided that the bank account was big enough to stop banking the extra check. And in fact quit the second job.”

“We lowered our property taxes, and since we had saved up so much, it was now time to have some fun. We increased spending; of course, some of the spending was not our own choice. We had to spend considerable more on Medicaid and other mandates. But we also spent considerably more on discretionary spending and capital spending. In fact we spent so much that our dwindling bank account was not enough. We used the county credit card and ran up our debt; so big that the extra payments we’re making to service that debt, combined with the lost interest income from our now empty savings account, now equals the reduction in revenue we gave up when we reduce the property tax’s in 2000.”

“In the lives of taxpayers and this county, when income drops, savings are spent, expenditures increase significantly and debt is use to stay afloat it is time to start doing things much differently.”

“The appointment of a fiscal control board is not a cause for celebration – it is recognition of the failure of our willingness to confront these unpleasant realities. It reflects an unwillingness to recognize that tax cuts without spending cuts cost the taxpayer more in the long run than if taxes were never cut. And spending cuts without reform

not only result in inferior services at a time superior services are needed, but that too will end up costing us more in the long run. It is a failure on our part to miss the big picture and instead focus on the crisis of the moment. It is a failure on our part to embrace not only change – but short term sacrifice in exchange for a brighter future.”

“This is not a failure of the taxpayers. The taxpayers of this community are reasonable, sensible and intelligent people. They respond as such when engaged in such a way that respects their intelligence. That is how we hope our Board operates.”

“That means that we must stop pretending math doesn’t matter. The days of cutting taxes while raising spending and hoping everything works out are over. The days of single-entry bookkeeping arguments about the virtues of expenses without regard to their cost are behind us. The illusion that credit is free money is hereby dispelled. And if we’re going to be honest about the numbers, it is also time to stop pretending we are out of the woods. We’re not. Erie County remains in fiscal crisis.”

“But another notion deserves to be relegated to the realm of myth: the idea that we can’t do anything about it. The crisis is not our fault, and the solution is not in our hands. This Board shall not tolerate that excuse.”

“Please understand this. This board will not be offering a Republican, Democratic, Conservative or Liberal solution to the issues that we will confront. If we are to have a party label for any of our decisions, it will be deemed the party of “common sense”. That is how we will seek to deliberate the issues before us -- by applying the common sense that we, as taxpayers use every day in raising our families, buying our necessities and paying our bills to the admittedly complex problems of Erie County.”

“In the exercise of common sense, we must now add another component, courage. Courage to make the admittedly hard decisions as to what we really need and how we can pay for it. It is easy to think of creative ways to spend money. It is extremely difficult to be a true leader and to decide on equally creative ways that we can save money.”

“None of us on this board holds an elective office or, to my knowledge, seeks nomination for an elective office. That is good. I very much appreciate that.”

“Our current dissatisfaction, however, should not be construed as, in any way, inhibiting, our strong desire to work with those leaders that are willing to exercise common sense and courage and lead us out of this quagmire. Those elected leaders with personal courage, willing to put the interests of the taxpayer first, above party, politics, and special interests, will find that they readily have the full support and assistance of this board and we, in turn, ask for their support. And, in the same vein, union leaders who acknowledge that things must change and come up with sensible, creative approaches to resolving some of these issues, will also be welcomed, listened to and supported.”

“We will succeed if we reach the point that we are no longer needed. We can reach that point even before Erie County has attained true fiscal health if our elected officials, rather than an appointed control board, demonstrate consistency in their willingness to honestly analyze the situation and act with courage, common sense, a willingness to compromise and an understanding that sacrifice is necessary to the solution.”

“Finally, I would like to address my closing comments to the young people of this region -- those just starting to join the family of taxpayers or those that shortly will. Where is your rage? Where are your voices in indignation? The current financial reality, if unresolved, and the ramifications of same, will impact you more than it will ever impact me or you’re parents.”

“I ask each of you to, instead of opting out by leaving this area, to make a similar sacrifice to help us grow and expand the many opportunities inherent in life in Western New York.”

“You stand to gain the greatest benefits and rewards when we correct, cure and resolve this financial crisis. And believe me, it will be corrected, it will be cured and we will prosper as a region.”

## **Code of Conduct**

Chairman Baynes then asked Vice-Chair Joyce to address the first item on the agenda, a Code of Conduct.

Director Joyce thanked the Chairman, and stated that, “the members of the authority have agreed that certain conduct and principles are important to our effective functioning as a Board, as a team, as a unified voice. To that end a code of conduct and principles have been developed and preliminarily received by each of the authorities members. We would like to present them today for final comment and approval.”

### *Code of Conduct/Principles*

- *The first and primary loyalty of each member is to our mission of improving the financial condition of Erie County.*
- *We will strive to be balanced, unbiased and apolitical in our analytical perspectives.*
- *We will demonstrate honesty and integrity in all our activities and personal interactions – both within and on behalf of the Authority.*
- *Our meetings, deliberations and decision making process will be inclusive of all Board members and be open and transparent to the community.*
- *We will seek consensus and whenever possible unanimity by civil, collegial and constructive dialogue as a committee.*
- *We will seek to foster a cooperative and collaborative relationship with the county administration and legislature [but will preserve independence in pursuit of our mission].*
- *We promise frugality in our own Authority's budgetary expenditures.*
- *We will not seek personal expense reimbursement without full Board discussion and approval.*
- *Our Chairman or his designate will be the primary spokesperson for the Authority. We will not seek out media contact individually and will refer media solicitations for comment whenever possible to the Chair.*

Mr. Joyce stated that affirmation to each other and to the community of these statements is considered a serious commitment on our part by each of us. The Vice-Chair proposed that after any final discussion and approval, “we affix our signatures to this document as an emphasis of our commitment.” He also indicated that be the be considered a living document and, if appropriate, it will be revised or amended as necessary.

Director Kee made a motion to approve the code of conduct and principles as just read by Director Joyce, seconded by Director Johnson. Director Keysa raised a point of order that the new members have not fully had their paperwork completed and while they can participate in this meeting they will not be voting. Without further discussion the motion was approved and the document was passed around for signature.

## **Approval of the Minutes**

Chairman Baynes moved to approve the minutes from the last board meeting. Director Keysa stated that there was a paragraph missing on page 18 under the title job descriptions. There are two paragraphs now. There should be a third paragraph in which Acting Chair Campbell asks for a volunteer to head the Human Resources Committee. “I believe, Mr. Chair that you had volunteered to do so. I believe Directors Kee and Johnson also volunteered to serve on that and some how that paragraph was not in the minutes and I would suggest that it be added and we will get the appropriate language for that.” (Note: Upon review, the minutes did contain the reference to the Human Resource

Committee appointments in the preceding paragraph. A new header has been added to separate the discussion in the revised, adopted minutes of the meeting of February 23, 2006)

“With that I think it is appropriate to move and approve the minutes.”

Director Johnson moved and Director Kruly then seconded to approve the minutes, which were than approved unanimously.

### **Audit**

Chairman Baynes noted that a resolution appointing Toski and Schaefer, CPA, for auditor has been submitted for approval. Director Keysa moved the resolution noting that the resolution was circulated by fax. Director Kee seconded the motion, which was approved unanimously.

### **Office Space**

Director Keysa stated that just before the meeting he circulated to all the Board members an e-mail communication he had received from Francisco Hildago, who is an architect for Erie County DPW. “I met along with Lee Van Riper and Gail with John Loffredo of DPW and Francisco Hildago. We reviewed what we would need in terms of space and we asked that he review space that he knew to be available within county buildings downtown to see if there was space useful for us. You have a matrix of ten locations he looked at so far, and out of those ten spaces, really the only one so far that seems to be appropriate is the first floor of the Rath Building. It is the west half of the space now occupied by the Finance Department. The Finance Department, which once had 50 or 60 people, now has 7 or 8 people, loads and loads of records, but they don’t need as much space as they had so that can be reduced and there is some thought on the DPW to move other offices into that space. Unfortunately that space is also going to require build out.

Director Keysa further stated that he had a conversation just prior to the meeting today to ask if Mr. Hildago any type of rough calculation has been made of what that buildup cost would be. In other words, things have to be moved, walls have to be put up, walls have to be taken down for redivision. Mr. Hildago offered very rough guess of \$150,000. “They are going to try to refine that for us.” Mr. Keysa also asked him to look at other spaces because “we really don’t want to increase cost of county government in order to share space in a county facility, but rather to have space that is going to save the taxpayer money.” He will follow up and have a further report.

Director Kee stated she concurs that “we should not spend a penny to renovate anything to accommodate our Authority. I also look at this list and see ten different locations and I say to myself, isn’t there something within these ten sites that can accommodate the Fiscal Stability Authority? That’s number one, and number two, I look at these sites and we should either be selling some of those building or getting out of these leases. This is a huge property matrix list that the taxpayers are paying for that should be consolidated, and if we are not utilizing it, why are we leasing it? So I think it introduces other issues when I look at this list, I would say lets go to somewhere where we don’t have to spend a penny to construct or renovate anything.”

Director Keysa then noted that all the buildings that are listed are owned buildings not leased buildings. The last of those is 45 Oak Street, is not that old of a building. It previously belonged to one of the collections agencies. The county bought it at some point and it is being prepared for demolition. That is to be the site for the second phase of the police training facility with ECC.

“If you look at the comments on this matrix, many of these are specifically designed for the offices and are not appropriate for our needs. I have raised with them the point that there are possibly other offices in the Rath Building that are underutilized where just moving somebody from one place to another place could make something available. Mr. Hildago is going to take another look at that. He was at a training session today, so he called me on his break. He will get back on that and have more information us shortly.”

Chairman Baynes asked if there are any more comments.

Director Goodell stated he would like to respond to Director Kee's observation. The Committee that generated the Buffalo Niagara Partnership's report, that stimulated the basis of our work here, identified a considerable amount of square footage in primarily leased buildings and that considerable savings could be achieved if those leases could be terminated and consolidation occurred.

Chairman Baynes states that he promised that "we are not going to spend \$150,000 to renovate anything in the Rath Building."

### **Cell Phone Audit**

Comptroller Poloncarz was introduced by Chairman Baynes. He had been invited to address the ECFSA regarding his audit to County cell phone usage

"Thank you, good afternoon."

"I am here today to talk about an audit that was issued by my office approximately a month ago in regards to Erie County's usage of wireless devices. I believe a copy of that audit has been provided to all the members of Board, I would hope that you have that."

The Comptroller stated that in late January his office considered many different audits and different types of items and decided to do an audit on Erie County cell phones and wireless usage. "There are a number of reasons for that, but mostly of it was based on information that we had that there were more cell phones in possession in Erie County than were actually being used. We did not anticipate it being a very long audit, but after going in and having our auditors actually dig around, they found more and more information about Erie County wireless usage and therefore the audit took a little longer than we expected. What we thought was going to be a six week audit, went up to about ten weeks. On April 11 we issued the audit, a copy of which I have here, after the actual document had been leaked by, we believe, someone in the administration. There was no exit conference held with regard to the review of this audit."

He further stated that normally an exit conference would be held between the auditors from his office who performed this, as well as the Division of Information and Support Services. That would be the standard procedure with the preparation of audits in municipal government. "The audit was released on April 11<sup>th</sup>, we found many different items in what we believe to be mismanagement and lack of internal control with regards to how Erie County's wireless and cell phones are maintained, who has them and what is being done to insure that taxpayers are paying the least amount for the services. We do agree that many people in government do require cell phones and wireless devices because of the jobs they hold."

He further stated that there were many, many findings, contained in the audit. His office came up with 31 recommendations specifying how the administration as well as the Division of Information and Support Services could better address the problems which were basically a case of mismanagement. "A lack of someone truly managing the store to be sure that cell phones and the wireless devices that are provided by Erie County are going to the right people and are being used appropriately." As an example, he reviewed that the audit went through 2005 and at the end of December 2005, the number of cellular devices has risen to 691. At one time in 2001, there were approximately 500 wireless devices and it is believed that, sometime in 2005, before any major cuts, there were actually 900 wireless devices that were being utilized in Erie County government.

The County maintained approximately 90 Blackberries "At least 84 employees, our audit revealed, have two or more wireless devices, with many having a cell phone and a Blackberry." If anybody does not know what a Blackberry is, it is also a cell phone. So it would basically be an employee having two cell phones. "The County maintained over 594 wireless phones, including Blackberry's with Cingular, and another 97 phones with Verizon Wireless. This was an issue because there were different plans between the two. Over the period of the audit, from 2001 to 2005, the cell phones cost the County \$1.2 million." Some have criticized that the audit went after what we call 'small potatoes'. It wasn't a large dollar item, but I look at it and said, in the end, that every dollar and a penny we can save Erie County taxpayers is a dollar and penny we need to save."

The Comptroller continued that, as a result of the audit “we are not going to achieve \$5 million in cost savings, it’s not going to happen. If we review, and we are reviewing, other aspects of County government, we will identify thousands of dollars in cost savings and that is what this audit has done, identifying ways to save thousands of dollars for County tax payers. So while the audit itself, in the grand scheme of things, when you look at the dollar amount, is a small dollar amount in the annual budget, it is just systematic of some of the issues that are facing Erie County across the board. We found various employees, including department heads, downloading games, ring tones and other internet data, which were incurring other additional charges. Long distance calls were made and appeared to be for personal usage. Some of those have been reimbursed since the release of the audit. Those calls were by department heads and individuals employees. Directory assistance calls were made, incurring \$1.50 charge per call. It doesn’t sound like a lot, but we found the some employees calling the directory service for the same number repeatedly during a month so, it just didn’t make sense.”

“Different providers assessed fees for services to the County that allegedly we were not supposed to be charged. Under the plans that were provided, we were not supposed to be charged for termination and activation fees, and we were charged termination and activation fees. And what we also saw was mismanagement. When one employee would hand in a phone, the phone would be terminated. Later, another employee would be getting a new phone which had been terminated and reactivated. Why the phone wasn’t just switched without have to incur a termination and activation fee is something that our auditors couldn’t determine.”

Mr. Poloncarz continued that there were many other charges. In many cases, there was no documentation to support other purchases that were made, many purchases were made in regards to specific cell phone usage and there was no documentation to show whether it was for County or personal usage. He also noted that detailed phone records were missing for one user in the Erie County Executive’s office that incurred an approximately \$615.00 charge in December alone, which included over 4000 minutes of use in a month, which translate many hours of phone calls.

The biggest problem the auditors found is what was considered to be a lack of control of who actually has cell phones in Erie County. The audit revealed that, according to spread sheets that were provided by the Division of Information and Support Services, employees who were not longer employed by Erie County supposedly still had cell phones. Those would be employees that were laid off in March 2005. “My auditors called every one of those numbers, as well as calling over 20 percent of Erie County government cell phones to determine who actually had the phones. What we determined was that for many of the people, most of the phones that were, as best as we can tell, not in the hands of the former employee. Only two former employees actually answered the phone, showing they still had control of it in March 2006. We know that because Erie County was paying for the use of that through 2005. Changes may have been made afterwards, but through 2005, Erie County was paying for the use of the cell phones and we do know some of those individuals answered the phones in March 2006.”

There were other phones that had been transferred. “There were other phones which had appeared to still be in possession of the former employees but we believe, based on the information we have gathered, they have been turned off. Some have not have their voice mails changed and may be sitting upstairs in the Division of Information Support Services, but when you call the phone number you don’t get an answer you get a voice mail of an employee (former employee) but we never did actually confirm with many of those they still actually have possession, and we believe that they don’t.”

“There are many other findings in the audit. We actually came up with 31 recommendations to the Division of Information and Support Services on how we can better manage cell phones. First of all they should reduce the number of county wireless devices. It is hard to say, with the employment force of approximately 4000 people that we do need to have 691 phones. But it is awfully hard to say that, at one point, we had approximately 900 phones, which means almost a quarter of county employees would have had a phone. That is not the case of which actually happened, but we had that many phones at one point. DISS should restrict to whom it provides wireless devices. We need to look to see who actually deserves to have a cell phone. Why would somebody need a cell phone and a Blackberry? There are people in County government that do. There are people in various county governments that have two cell phones and they admit it. For some, they claim it is a public safety issue, where if one cell phone provider goes down they have under Verizon, they also have a phone under Cingular, that might work when the other one goes down. I am not the judge to say that for public safety services whether that is correct, but I can’t see why some should have two cell phones or more. Truthfully there were some on the list with two or more phones, three or four.”

“DISS should recoup any improper payments made to providers for charges that should have not paid. We shouldn’t have paid termination and activation fees, if they said we were not going to be charged for termination and activation fees. Many other things that we found should stop immediately, such as, any inappropriate charges that employees were incurring such as the downloading of ring tones, games on cell phones, long distance phone calls for personal usage. I fully understand why someone who is a county official and is out of the area might have to make a long distance phone call if they are out of the area, back to Erie County. If a County official is out of the area on personal business and they are making personal phone calls, then we shouldn’t be charged for that. They should have their own phone for that. DISS should block long distance roaming calls. DISS should block Erie county employees from downloading games, ring tones and other internet data. DISS should establish a policy to limit directory assistance calls. DISS should block county employees from purchasing equipment without receiving prior approval from DISS or a department head. It appears that many Erie County employees bought additional equipment for their cell phones without getting prior approval from anybody, but Erie County was charged. DISS must correct its internal tracking spreadsheet to provide better billing records. We determined there were 691 cell phones as of December 2005 by the provider billing records. According to DISS spreadsheets we had 691 cell phones. We are asking DISS to go in there and actually do a complete examination of the cell phones they have and wireless devices and determine what they have and what is being used and who actually has that phone.”

The Comptroller’s office recommends that rules be adopted that should prohibit all county employees from making personal phone calls and also discipline all those who repeatedly violate that policy. Cell phones should be monitored for excessive usage and restricted usage and also monitored for no usage. The audit determined that there were many people in Erie County government in various departments who were assigned cell phones that were being charged a flat rate per month and were hardly making any cell phone calls. “We are talking about 9, 10, 15 minutes a month but we’re being charged 45 or 50 dollars a month depending on the phone, or if it is a Blackberry, upwards of \$100.00 for usage and the phone calls that are being made. So we need to limit the amount of usage and also ensure that people really deserve to have cell phones, are going to use them and need them. Our review determined DISS should consider terminating the contract with Verizon, we have a better contract with Cingular, there is no reason to continue with Verizon. We should consider re-bidding the Cingular contract to obtain a lower rate and better plan, as well as immediately check for former county employees still using the county phones, recover those devices, terminate access and pursue repayment for usage, which I assume DISS has already done. One of the individuals has made a payment for the amount of services that were used.”

“In conclusion, the audit detailed widespread mismanagement, truthfully, abuse of the system, not only in mismanagement, but also county employees who took advantage of the provision of cell phones and wireless devices. Controls were essentially non-existent. Management over these was almost non-existent as well. It is my understanding that the Budget Director, Mr. Ken Vetter has been assigned to the duty from the administration to review this audit and has issued an initial synopsis of some of the statements or some of the actions that they are going to take. It has been issued today. I do know Mr. Vetter has been in contact with and had discussions with, my Audit Deputy Mike Szukala. Generally I think the basic consensus is that what we found is true, that most of the issues do exist and instead of what might have happened in the past, where there was a case of he said/she said, I think the administration does agree with our finding and I would like to see them move ahead and implement some of the recommendations we put forth. We believe that it will definitely save tax payers in the long run.”

Director Johnson stated that, as a member of ECFSA, he would like “to commend the Comptroller for conducting this audit as you have found a great deal of waste. I do believe communications in state government is of utmost importance, it is a matter of health and safety. I can speak for those who are in law enforcement or individuals who are in child protective services. However, I have the same passionate feeling for the taxpayers of what we are paying for and if there are individuals using their mobile devices for personal communication, they should pay for it. In addition to that looking at where there is a lack of control, if there are no policies today, I do believe that it is of utmost importance that we establish policy. When I read the minutes from February 23<sup>rd</sup> coming into this meeting, it had been reported there was a \$10 million surplus. As a Director of this Authority, I believe it would be good news to our ears and to all the taxpayers in Erie County that the surplus go up and if it has to go up by cutting away waste and everything else that is not necessary and by reengineering that, then let’s do it. That is my two cents.”

Comptroller Poloncarz stated that the review of the audit did not criticize certain departments that receive cell phones. He agreed that the Department of Social Services workers should not have to go out in the field without

having proper security and one way of doing that is a cell phone. “Our public safety officers need to have communication. It wasn’t so much the identification of that as the issue of the audit, but they really considered abuse and waste in the system. There was a policy in place with regards to the cell phones. It was a small policy statement and it didn’t cover a lot of the issues and it probably wasn’t being enforced, not only by DISS and also by department heads.” What he hopes will happen is that the policy with regards to wireless devices in Erie County will be strengthened and that it will be enforced, whether it is the under care of the DISS or proposed for the administration by the Budget Department. “It also requires the enforcement of the department heads because they are the ones who can determine who deserves cell phones and who does not, so it needs to be enforced by department heads as well.” He noted for the record that no one in his office has a wireless device or cell phone that is provided by Erie County. Everyone has their own personal cell phone although DISS records show that three people have county cell phones but they have turned them in. Just another example of lax management.

Vice-Chairman Joyce also thanked the Comptroller stating that he very much applauds the attitude that, while this is not an absolute large dollar amount, it is important. It is important symbolically. “It is important that we are promoting a mentality of cost control and I am also delighted that the administration is accepting your recommendations and taking it seriously.”

Comptroller Poloncarz stated the administration has moved forward and they still have a number of days in which they will formally respond. They have 30 days from the audit issuance which was April 11<sup>th</sup>. They have been moving forward and Mr. Vetter has prepared a statement and he is looking for a formal response from them.

Director Kee agreed that the response that was issued today falls very much short. “Your audit was 17 pages; their initial response is about four pages. It does not address point by point the items that you have uncovered.” She felt that the ECFSA should get a copy of the more detailed response, to be assured that every one of the points and findings have been responded to. She asked for copies of the formal response.

The Comptroller agreed and Chairman Baynes asked Comptroller to come back and give a follow up at our next meeting.

The Comptroller responded, “Anytime.”

Chairman Baynes thanked him for his time and announced that he has had a request by Legislative Chairwoman Marinelli to address the Board and that we are going departing from the agenda for a few minutes

### **Chairwomen Marinelli**

Lynn Marinelli said from the audience podium, “I want to thank you, Mr. Baynes, for your meeting yesterday with myself and the majority leader. I think this is very important and I look forward to more, not just with yourself but with continuing dialogue with the members of this Authority. Thank you for your leadership in assuming this role, I know what is asked of you.” She jokingly asked “How much are you getting paid?”

Chairwoman Marinelli recognized Legislators who were present, Majority Leader Maria Whyte, Dan Kozub, Chair of the public safety committee; Tom Laughran, Chair of the energy and environment committee; Michelle Ianello, Chair of community enrichment committee; and Minority Leader Barry Weinstien. And she also noted the presence of a representative from Bob Reynolds office.

Ms. Marinelli invited the ECFSA and its staff to look at space in the Legislature in considering office relocation. She noted the Legislature had gone from 30 people before the budget cuts to down to 11, so they do have office space and the Authority should look at that as well. She also offered County Hall for use for meetings and any other cost savings. The Legislature’s committee rooms, chambers which are miked up, could all be available. The ECFSA should contact Kevin Kelly, Clerk of the Legislature. She noted that the Legislature had received the Comptroller’s report on the cell phone audit and that it would be clocked into the record. It would be directed to the government affairs committee. Just like all audits it would be taken seriously, and it will be vetted through that committee. The response just came through today and she will look to continue that dialogue.

She further stated that she wished to distribute a first quarter legislative report and would like to have time in the agenda's to come and report , at least quarterly, on what the Legislature is doing. The following report was read and submitted for the ECFSA Board meeting record.

Office of Chairperson Lynn Marinelli  
Erie County Legislature  
First Quarter Legislative Progress Report, May 2006

In January 2006, a review and redefinition for the Legislature's policies and procedures were initiated.

There has been a clarification of staff reporting functions and line-staff relationships.

The Legislative committee system has been strengthened and the role of each chair in directing committee responsibilities has been enhanced. It is through the committee system that the bulk of legislative action takes place.

We have also limited member spending on mailings and ended legislative budget funding for all cell phones. There continues to be no reimbursement for travel expenses and no appropriations of legislative contingency funding during these austere times.

Legislative action since the beginning of the year has included making appropriate technical changes in the 2006 budget including stabilizing ECMC funding and financing two special elections. The hospital and other bonded capital projects for 2006 has not yet been officially proposed by the executive.

Members of the legislature have taken steps to ensure June mid-year budget hearings as part of continuing efforts to pave the way for a systematic 2007 budget building process.

We are initiating how the recommendations of the Charter Review Commission will be processed in a timely manner through appropriate legislative committees. A key part of our planning is to ensure adequate public discourse over the next several months.

The dominant issue for members is continually working toward a structurally balanced 2007 budget through joint efforts involving both the administration and the Erie County Fiscal Stability Authority. To facilitate the budget building process, the Legislature held an open March meeting with administrative and authority staff to begin identifying which recommendations for cost reductions are doable and realistic. The review process will continue on a quarterly basis and include dialogue with members of the newly reorganized authority.

The first quarter has been productive, and it has established the way in which members will address issues in a more effective way through the operations of each of the eight standing committees, as well as task forces and special committees.

Chairwoman Marinelli further commented by adding, "...and I say task forces, because Majority Leader Whyte is our representative when we work with the State in our sales tax extension in creating the sales tax revenue task force. I have asked Majority Leader Whyte, as well as Legislator Bob Reynolds, to represent us in different community committee functions to bring back that information. I have copies of this statement, I will have our clerk give them to Ms Keil so she can distribute them to the members, we can also produce them electronically if that would be easier for everyone. If you have any questions or comments of me at this time, I will be happy to take them."

Director Johnson stated "Legislator Marinelli, you mention about doing joint reports and I am assuming that the joint reports will be between the Executive and Legislative branches of government. Would it be limited to just fiscal matters or would it be a focus on reengineering some of the Erie County government operations?"

Chairwoman Marinelli stated that she would be happy to report on how the Legislature is structured and functioning. She feels it is important not only with the charter review going on but the Legislature has reengineered itself. She stated, "I think, we, as duly elected officials, and I as the Chair, as a department head, we owe that to the public to let them know what we are doing as well. As far as joint reporting, I can't speak for the Executive branch, you may want to do similar reports but I thought it was important to produce what we have done in the Legislature, in telling the public, a quarterly reporting system. We are also instituting, we have instituted, the Majority Leader and myself, open meetings with committee chairs, which doesn't limit it to the committee chairs, to report out on the committee processes and if there is anything they need help have facilitated, moved along, we can do those types of reporting functions to you as well."

Director Johnson asked one more question concerning The Erie County Fiscal Stability Authority and the 2005 initiatives that should be considered by the Executive and Legislative Branch for government reform. "Will any of your work be revisiting those initiatives?"

Lynn Marinelli stated that work is being done and that it's on going. "We have, if I understand your point correctly, with our clerk Kevin Kelly and our deputy clerk Brian Bray, as well as our Chief of Staff, have taken every single one of those initiatives and assigned them to an appropriate committee. Some committees have an awful lot, some have a few, but they are all important to review and to work with the authority staff as well as with the administration on how are we doing."

She also posed a question back for the Authority to contemplate and decide for discussions going forward, "...how do we then keep that listing, when do we take something off when it is done, when do we take something off if we found it to be unrealistic, when do we focus our joint efforts, if it means pressing for union concessions, federal help, state help? Because a lot of those are not just internal to county government. I would look forward to how we process these initiatives together."

"Thank You."

Director Kruly asked Chairwomen Marinelli about space, citing his involvement with the County Charter Review Revision Commission. His observation is that there is a considerable amount of space there. That there are already offices and committee rooms available and with the ECFSA's meeting schedules now on Wednesday afternoons it should not conflict with Legislative meetings. He said, "I think not only we should look at the office space which is available, but perhaps using the Legislative Chambers. I think we are paying a small amount of rent for this room in the Convention Center. I think it would be better to use the Legislative Chambers for nothing. So I think we should add that to the list that Stan was talking about."

Chairman Baynes indicated that he had spoken to Legislator Marinelli and he wanted to set up a meeting with Stan Keysa and get that handled quickly.

Lynn Marinelli thanked the Board very much for the time on the agenda and Chairman Baynes thanked her and all the other legislators for attending the meeting. Chairman Baynes next introduced Robert Gioia from the Buffalo Niagara Partnership.

### **Buffalo Niagara Partnership**

"Good afternoon, My name is Robert Gioia and I am the Chairman of the Erie County Stabilization Project, which was convened by the Buffalo Niagara Partnership in March of 2005 to add a voice for positive change to the maelstrom surrounding Erie County's government crisis. A group of approximately 150 volunteers from the public and private sector gathered to provide recommendations to the Erie County Executive and the Legislature regarding the most efficient way to deliver county services beginning in Fiscal Year 2006. We assessed currently provided services, explored other ways for entities to deliver services locally and compared the experiences and best practices of peer counties, both in and beyond New York State."

We identified 14 counties that were comparable by population, age, geography, income, housing, employment and employment by industry within the public and the private sector and represented and non-represented work forces. We asked, "what does Erie County do? Why like that, what is the cost, can it be done better and for less?" In

August of last year we released our 350 page report called a Plan for Moving On, identifying 128 recommendations, which if fully implemented, could have an annual positive impact to the cost of Erie County government in excess of 100 million dollars!!

“Many of the recommendations were not fiscally quantified, which can additionally impact a budget. Our recommendations were designed to improve service delivery. In no case did we recommend saving money by diminishing services. Our recommendations achieved more efficient and effective county government without a broad base tax increase, with no explicit call for layoffs, without suggesting a pay cut for the county’s union represented work force and without, with one relatively small exception, shifting the cost of services to New York State. And without the expectation that the same services should be performed in the same way for less.”

“The 2006 budget reflects some of our recommendations, with annual savings of \$ 21million per year. After these savings, Erie County’s expenditures were for 2006 are over \$100 million more than 2005. Erie County Government must go on a spending diet. The Erie County Fiscal Stability Authority must monitor the success of these initiatives and challenge all expenditures. There seems to be no sense of urgency in county government. At the end of the current four-year plan, we will have higher taxes, more debt and a bigger government. This is not progress, after comparing Erie County to Niagara, Monroe, Onandaga and Albany counties, we ask the following questions: Why is Erie County the only county with district legislature offices? Why are Erie County Legislators paid \$42,000 a year? Why is Erie County the only county that operates primary care health clinics? Why is Erie County the only county that does not contract out early intervention and preschool programs? Why does Erie County provide road patrol? Why doesn’t Erie County contract with Erie Community College do provide law enforcement training? Why are over 70 percent of Erie County parks workers fulltime employees? Why does Erie County own, lease and or rent enough office space to provide more than 250 and 400 square feet per employee? These questions remain unanswered. The entire Erie County Stabilization Committee stands ready and willing to assist you in obtaining answers to these and many more questions. This community deserves answers because we will not prosper with annual tax increases that we just incurred.”

“Thank You, I will answer any questions you might have.”

Director Kruly point out to Mr Gioia that there was to be a presentation a little later in the agenda concerning, the Erie County Medical Center. He wondered if Mr. Gioia wanted to comment on what the Partnerships recommendations were about that.

Mr. Gioia recalled that the recommendations regarding Erie County Medical Center Corporation was that they needed a divorce from Erie County Government. He indicated that he had talked with Michael Young and had toured the facility and it was a misunderstanding that the Partnership suggested, in any way, that the facility should be closed. He urged anyone in the audience to read the 350 page report.

The report stated that they need to act independently. “Mr. Young has talked about a plan that he has and that he needs three years to do that.”

Mr. Gioia said, “we just said we don’t think you have time for that and we recognize the importance of the institution, so it was clearly let the professionals run their own business because you have a highly skilled team over there doing that and it is clear with the success that they have had. You know when it is 4<sup>th</sup> and 10 and you’ve got 20 seconds on the clock, and you’re down by seven, you don’t run up the middle. So it is just something, we need a drastic action, and that was one of them, but in no way did we ever imply, and I said this publicly to Mr. Young and all of his representatives, that it is an absolutely vital institution to this community and I think the people that really misunderstand it the most, are our elected officials.”

Vice-Chair Joyce asked, “Mr.Gioia, clearly the County at this point has an extensive list of initiatives that they are pursuing. Some of those clearly came from the Erie County Stabilization Project, some came from the PRF report and as I understand it, the County Executives four year plan. Are you aware of items that were in the Stabilization project that have not made that cut, that are not in the current list that the County seeks to implement in the terms of initiatives. Can the Stabilization Project or the Partnership give us a reconciliation of what items are not included which you think still should be included?”

Mr. Gioia responded that he had a spread sheet available and it is pretty long and lengthy and he could certainly provide that. Without getting into specifics, he thought that there are many that have been reviewed and since they haven't been acted on, he assumes they have been rejected. He believes the ECFSA needs to ask why. "Every recommendation, except for one, in that report should not be anything new. It is either done in a county in New York State or one of our peer counties. Fleet maintenance control is being done in Philadelphia."

He added, "you have wonderful reports, whether it be the Blue Print for Change, whether it be Breaking The Cycle, whether it be Cohn report, you just implement those. Why does a County Legislator need a district office? No other county legislator in New York State has a district office. So you have a district office, now you have to man that district office. We are just saying you don't have to be better, just meet the median. The median salary for county elected officials in New York State is \$22,000. Why do we pay ours \$42,000? The \$42,000 for an Erie County elected official is more than state elected officials in 45 states. You ask the question why."

"Office space. Nothing has been done about office space that we are aware of. There are too many and we would be happy to provide the information, in order to share that. Debt service, come on, the cost of debt service to this community and this County has doubled in the last five years almost \$60 million and that's not going away. That is here for years to come. You have read Alan Hevesi's report. In the four or five years, 1999-2003, where every other county the average debt decreased 2 percent, ours went up 234 percent. Who's going to pay for that? Mr. Baynes, you talked about the youth of this community, you know they are going to pay for that. Our children are going to pay for that. I dread being the next County Executive because he or she is going to have debt service that is absolutely incredible. Can you imagine, five years ago the debt service was \$30 million a year, that included interest and debt and reduction, now it is close to \$60 million, can you imagine what that community can do with that extra \$30 million?"

Director Johnson asked if the Partnership made any recommendations for certain cuts of happen in human services when it put together the Erie County Stabilization Project Did the task force take a look at the revenue streams that were coming in for some of those services?

Mr Gioia replied that they looked at it as best they could. They did not suggest that any service be cut from this community. But, he asked, "Why does Erie County operate six primary health facilities? If you look at the private care, whether it be Kaleida or the Catholic Health System, we don't say to cut that service, we just that Erie County government shouldn't be delivering that service because no one else does and when we could we identified revenue. Lets talk about primary care health centers, we did not put a number on that as a savings because we could not identify the revenue that we lost, we asked. We asked for the information and we made judgments and decisions based on the information. I will tell you that the numbers were absolutely all over the place. When you would look at a payroll record that said there were 48 people in that department, there were 92 people on the payroll.

Chairman Baynes thanked Mr Gioia and asked if we could activate a work group with ECFSA to work with the Stabilization Project to work on the initiatives and Mr. Gioia responded, "Absolutely. We would welcome that opportunity to go over each issue and find out where it is and what committee within the Legislature it is being dealt with. If it is not being dealt with, why or why not."

Chairman Baynes asked for a copy of the Four-Year Plan

Director Keysa suggested taking the initiatives from the Buffalo Niagara Partnership, alongside the initiatives from the County Executives Budget and compared them. "Some are the same, but not all. We need to take a look at those that were not implemented in the 2006 budget and see if there is fruit there that can be picked off the vine."

Mr Gioia stated that the comparison is done and available but it is not perfect, there are 168 items on these sheets. Chairman Baynes suggested we should get somebody from ECFSA, Legislator Marinelli's office and the Stabilization Committee and compare the proposals.

### **Governance Committee Report**

Director Keysa stated that the original By-Laws were put together hastily and they need to be changed. Members were provided the draft minutes from the Governance Committee meeting for review. The Committee is not

prepared to make changes at this time because they want to refine them, since there are new board members and they need more input. In addition, since that meeting took place he pointed out that some Directors have attended the only training session on the Public Authorities Accountability Act accounting act of 2005. He wanted to bring that to the Boards attention that “Before the year is out everyone has to go to that training. This is a mandate by state government. It was written with the MTA and the OTB, and the State Thruway Authority, and 700 local organizations that are covered by this act. It mandates certain changes in what have been historic ways in which they have operated. In some ways it is good, in others it anticipates an organizational structure much more complex than what we are dealing with. We have to take a look at the provisions of that Act, in particular as it relates to our By-Laws, and change our By-Laws to reflect the act. There has been no guidance from the State so far. They are setting up a Public Authorities Board to provide guidance in the future, but that is still in a work in progress.”

He asked the members to look at the committee draft minutes, look for things they feel strongly about “we will review those in light of the 2005 Act to see what has to be changed.” He felt there is a need for a somewhat different committee structure. “We need to have an Audit Committee, a Finance Committee, a Governance Committee, a Human Resources Committee and, Director Kruly had suggested, a Special Projects Committee to look at how the implementation is going on.”

Also, he reviewed the issue of how much notice the Board members receive on the agenda. All the Board members did agree at the last meeting that the agendas should be provided with 48 hours notice, but we thought 72 hours is better. “That way the agenda is sent out our Directors have 24 hours to get back to the Executive Director with any changes they might request. The Executive Director then has 24 hours to converse with the Chair, and the Chair can decide what items should be added or taken out. Then the Executive Director can do a final agenda and circulate it 24 hours in advance of the meeting so everybody has an ability to think about the items that will be coming before them.”

Director Keysa asked the Directors for their thoughts and request and they get back to him in about a week or two.

### **Budget Monitoring Report (BMR)**

Chairman Baynes invited Budget Director Ken Vetter to address the Board

Mr. Vetter said, “Mr. Chairman, Thank you. I think before I start on the quarterly BMR, I might request, in the working group that is being put together with Mr. Gioia’s group and the Legislature, maybe you could add Mr. Hartman, who responsibility within the administration, to look at the initiatives as well.”

“Let me go through Erie County’s first quarter BMR, let me go through what the report is and what it isn’t. This BMR compares for the first quarter of 2006, in the Erie County operating budget, where we thought we would be based on historical trends versus where we have ended up for the quarter. It is not a year end forecast. There have been in some indication we are showing the positive variance for the first quarter, therefore it means Erie County has a surplus for 2006. That is not the case. We have three quarters to do, we have a billion dollar budget to go. Lots of things happen. One of the limitations on this report, because it is very early in the year, is that there is no year end forecast. Any forecast made at this point wouldn’t be very reliable. It is a useful document in looking at where we are, some potential issues and some potential rewards that maybe out there.”

“Starting in July, this report does some forecasting to the end of the year. Traditionally, the second half of the year is when you start to look at year end so you start to have a good idea where you are going to end up. The report is evolving as we go, I think Erie County is in a unique position right now, in that there are a number of initiatives out there and, at least in the plan that was accepted by this body, there are 168 plus initiatives. There are a lot of things happening. There are two dozen items in the budget that could make or break the budget. There is information to watch for that could make or break the budget, or trends that could make or break the budget and third there is an exception item analysis.

Mr. Vetter pointed out that sales tax is the largest single revenue in the Erie County budget. It is budgeted at \$355 million for fiscal 2006 and a 1 or 2 percent variance either way in that revenue could be significant.

The exception analysis he spoke of addresses a lot of the larger initiatives. Items that he has history on, or has had some activity will be expanded in future reports.

“Let me go through the report, what it says right now. A few specific items, property taxes are on budget. Something we have to watch and make sure of. Sales taxes, we are showing a minor surplus, I would caution in the first quarter of the year we have some information from the State that, probably half the number here has been an accrual that has been worked out with the Erie County Comptrollers office on the rest of the period, but the number could fluctuate.”

Director Keysa pointed out that, the sales tax is historically where predictions have been wrong and Budget Director Vetter agreed.

Mr. Vetter also stated that they made a conservative projection in the 2006 budget by going through an analysis with PFM. They examined the historical growth rate in sales tax receipts over the last ten years. That has averaged 2.74 percent and that percentage growth was what was budgeted. “The good news is the 2005 sales tax came in about 3.8 percent above 2004, our base is actually higher than what we budgeted on.”

Director Keysa asked what potential there is for increased sales from the rise in the value of the Canadian dollar. Mr. Vetter replied that it is difficult to identify specific things that explain variations. Mostly it is a simple trend analysis, but it can give an indication.

Director Kee stated that she was happy to see the report, but she is concerned that this is the first comprehensive report for the current year and it just came out and we have already gone through a third of the year. She asked what the County can do to insure most expeditious release of the budget monitoring reports when the new fiscal year commences.

Mr. Vetter responded that this is the most extensive report of the year, there were abbreviated reports based on available information for the first two months of the year. The accounting and budgeting function for the County is collaboration between the Executive and the Comptroller’s office. The relationship has been good and the books were closed earlier this year both on an annual basis and on a monthly basis. March was closed by April 17<sup>th</sup> which is pretty good. Erie County is a billion dollar entity that closed its books in two weeks, and it is to do things better. The process is evolving.

Director Kee stated that, on the revenue side of the Budget, one of the key problem areas are fee collections. Particularly in the area of criminal justice, many of these were recommended in the PFM report and are not producing the yields that were forecasted. As we go into the next fiscal year, are these fees are going to have to be adjusted downward?

Mr. Vetter stated that moving forward on tracking those kinds of fees is important. A collections person has been assigned to the Department of Probation to go through procedures that will be more aggressive. A series of letters will be sent out, if there is no response they will be sent to collections. That wasn’t done in the past. When the collection effort kicks in the numbers will go up or at some point they may say the well is dry, no matter what efforts have been made. But they will continue to move forward with a number of these in the next couple of months and be able to identify the issues.

Director Kee thought they should look at the Health Department fees that are also falling short of the target, particularly primary health revenue. She asked about savings over budget in salaries, gross savings of \$5.1 million. “What is the County share equivalent of that and could the Authority to be provided the list of vacant positions that contributed to this number and these savings?”

Mr. Vetter said that twice a week he checks vacancies to see what’s necessary and what the fiscal impact is. Can positions be eliminated, for example, if a seasonal employee leaves the Parks department in November, that position will be needed in the Spring, so it is kept temporary.

Director Johnson stated that he is elated to see the quarterly monitoring report. He asked if Mr. Vetter has received enough specific information around allocations from funding streams outside of property and sales tax revenues that would allow him to make projections past the first quarter.

Mr. Vetter replied most of the revenues outside of the property and sales tax are Federal and State reimbursements that are percentage based. Figuring out those revenues is more formula driven.

Director Johnson wondered about Federal and State projections and their uncertainties. For instance, New York State government. "It was said that the state budget process was completed, but it is not. If some of the overrides come into play, the impact on units of local governments is going to be much more devastating than what is projected here. How do you address that?"

Mr. Vetter stated that they are a member of NYS Association of Counties (NYSAC). He will be attending a meeting regarding the State budget and have a better idea of what is there. Also, internally, they have been getting reports from NYSAC in what is there and how things could potentially harm us or benefit us in our particular situation. At this point, the State budget impact for Erie County is pretty much balanced. He doesn't anticipate significant harm. If he had received information like that, it would have been in this report.

"The Federal government is more murkey. There are risks and rewards, 80 percent of the County reimbursement comes from the State and 20 percent of the time it comes from the Fed's. There will be updates on that as we going forward."

Director Johnson reiterated that the Authority and Erie County need to be working very closely together and following the Federal and State levels.

Mr. Vetter agreed and emphasized that, in their budgeting process, if there was a range of alternatives with revenues, he took the lowest range. If there is some variability out there, if there is some variation the chances for benefit tend to be higher.

Director Keysa noted that this was an area of concern. The previous budget director was taking the high side of projections and not the conservative side. That contributed to the problem we have right now.

"Every year the County Comptroller and others comment on the budget," Mr. Vetter replied. "This year there may have been a two pager issued by the Comptroller's office stating some concerns, but on the whole, it seems to be a reasonable and doable document. We forward copies of the monthly reports to the State Comptroller for review, and you have gotten copies."

Vice Chair Joyce stated that exhausting the opportunities for savings and efficiencies should take preference instead of tax and debt increases. "It seems that you should have pretty good reporting for the initiatives that are going on." He wondered if there were plans for an exhaustive report against the entire list of initiatives.

Mr. Vetter stated that that was Mr. Hartman's area and there was an extensive first quarter report given to the Legislature in March 30. There are quarterly reports planned to go to the Legislature. Mr. Hartman will be making another report in June.

Director Kruly asked whether the 200 to 300 vacancies you have now, can you identify where the two or three biggest vacancy rates are? What departments? Mr. Vetter stated Social Services and the Health Department, the two largest agencies.

Director Kruly also noted that in the expense savings there is about \$4.4 million in program specific savings which is heavily into Social Services. Mr. Vetter replied that the largest exception item is \$2.8 million in services to handicapped children, but if you net that out it is 90 percent reimbursable.

Mr. Kruly asked if the \$9 million positive variance is coming down? Mr. Vetter said, "No, I wouldn't use that. I would use, on the expenditure side, the \$12 million."

Director Kruly asked if they had discounted, in the salary portion, for the Federal and State aid and Mr. Vetter stated that positive variances are on a net basis, after revenues are accounted for.

Director Kruly thought would be very helpful to know when vacancies have occurred and how long they have been vacant. Could the ECFSA receive that information and the Budget Director indicated he would provide it. Also he asked about the negative number in workers compensation. Mr. Vetter stated that it is a cash flow issue and it won't present a problem.

Director Kruly asked if the Medicaid number was a correct number and Mr. Vetter replied that they are unfiltered numbers, real numbers. Director Kruly said "case load information would be helpful to provide some trend information," and Mr. Vetter stated that he will have Rick Paulson contact Mr. Kruly.

Chairman Baynes asked the Budget Director to attend future meetings to keep this dialogue open.

### **ECMCC**

Chairman Baynes invited Mr. Young and representatives of the ECMCC administration to address the Board.

Vice Chair Joyce and Director Kee asked to recuse themselves from the discussion.

Mr. Young thanked the Vice Chair and Director Kee for recusing and he introduced ECMCC Chairperson Doctor Zizzi, and Vice-Chairs Miss Sharon Hess and Mr. Sam Shapiro. Mr. Young presented a synopsis of 2005 and 2006 ECMCC medical information. He stated that they reversed several years of poor performance and were able to close 2005 with a net patient revenue increase of 9 percent, while only accumulating 3 percent increase in expenses, so a net six percent differential. The hospital has trimmed its work force, it is doing more with less.

He stated that they have achieved these performances while pursuing best practice. Prior to 2004, there were no written policies or procedures pertaining to procurement of goods and services, there was no conflict of interest policy, no disclosure requirements by our Board, no disposition of property policy and no written standards of ethical conduct. He believes they have reversed the mistakes of the past. The Board of Directors has elected to work diligently to replace insiders with persons with experience and education, wider recruiting and more qualified to do the job. For the first time in its history ECMCC is run by a fellow of the American College of Health Care Executives, "...that would be me with, 16 years CEO experience."

Mr. Young stated the CFO is from a nationally recognized hospital in Pittsburg and one of our Senior Vice Presidents of Operation is a former hospital president in Chicago. "We have reversed mistakes of the past. In the past, doctors would receive sums of money for work that was not accurately defined or capable of being measured, and in some cases not billed for. For the first time in history we are requiring physicians to meet and exceed written performance measures in condition of being paid for there services. In addition, third party payers paid ECMC less than medical assistance rates for services provided and, unlike any other place that I am aware of in the United States, ECMC has renegotiated third party rates to achieve better payment to health plans that should pay up better."

The separation agreement with the County set forth financial bench marks which are available to the Authority provided to the County on a quarterly basis. ECMC must meet these certain performance benchmarks for risk returning back to the County. The SPOA has a built in mechanism for assuring compliance with our financial targets and we are currently required to exceed 6 of 10 financial measures that were in place at the time of the separation. He pointed out that they exceeded 9 of those 10 benchmarks for 2005, as well as 2006.

Mr. Young went on, "we are also required under the new authority law, to certify the accuracy of the information supplied by ECMC. The CFO and the CEO, very much like Sarbanes and Oxley requirements, require that we take the personal responsibility to recognize the accuracy of the financial data. So let me give you some of the detail. ECMC fiscal 05 versus fiscal 04 operating performance. Operating loss before Erie County contribution was reduced from \$28.5 million actual in 2004 to \$18.5 million, a drop of \$10 million. You will also remember that, for 2004, the hospital asked for a \$39 million subsidy, which was reduced to \$32 million and then reduced to \$24 million and we came in at \$18.5 million, a significant turn around. Net patient revenues are currently up about 8

percent which is \$20 million for the year, last year they were up 9 percent, these are net numbers, they are not gross numbers.”

“Expenses for 05 versus 04 were only up 3 percent, and since we are in the midst of a CSEA contract calling for an average of 2 percent across the board and well as STEP increase, as well as step increase for ASME and NYSNA, those numbers were pretty significant. We reduce 230 FTE’s and were about a third the size of the county through attrition and reduced sick time, the reduction in sick time alone is about the equivalent of 25 FTE’s. A significant issue in hospitals is over all labor cost to net revenue. Ours fell from 67.1% to 61.1% last fiscal year and we are currently running at 60 percent. In addition to those reductions in loss that I talked about, included in those numbers is a loss of \$4 million of IGT money that was in the 04 budget that was not in the 05 budget, because it was cut by the Feds and consequently the State. So that \$10 million reduction in loss is really \$4 million better. That shows a \$15 million operational improvement one year over the other. In addition, in 05 we were charged \$3.5 million over retiree health for 04 and 05. That was pre-separation time periods that Erie County was contractually obligated to pick up. Because of the County’s financial stress last year, we, in addition, elected to pick up that \$3.5 million retirees’ health cost which was not our obligation.”

“So the \$10 million improvement and loss does not include \$4 million of IGT and \$3.5 million so it’s nearly \$20 million turnaround year over year. So where do we stand in fiscal 06? The first quarter of 06 versus first quarter of 05, if you take the operating loss of through 3 quarters, it shows a \$3.8 million loss, which beats our budget and prior year of \$7.3. So that is \$2.2 million over 04.”

“Multiply that through and our first quarter is unusual for a hospital. It is actually our slower quarter because our trauma business in the second, third and fourth quarters is actually much higher. Net patient revenues continue to be 8 percent better than the prior year. That is a 17 percent net increase in patient revenue in 15 months. There aren’t many hospitals in Western New York achieving those numbers. Fiscal year 06 first quarter salaries are actually 1 percent lower than prior year, and 5 percent less than budget. About half of that is related to head count and half of that our nurses’ contracts, and ASME has not been settled. As I said before, overall average of salary and benefits to net revenue is down from 67 percent to 60 percent in just sixteen months of my tenure.”

“So how are we going to continue these revenue numbers? We are going to continue to improve operating room turn around, operating rooms are the heart and lungs of the hospital. We are going to be one of the 10 places in the United States to install a system called Per Optima, which is basically an air traffic control system where the patient is the plane, the anesthesiologist and the surgeon are the pilot and food service is nursing and or intake is getting the right resources at the right room and the right time through our computers, the patient care simulations. Year-to-date, our operating volumes are up 9 percent.”

“Improved through the emergency room, my Chair and committee evaluates delays in the operating room in February of 04, we were on divert 87 times. In February 05, we were on divert less than 10 times. That is much better for the patient, that’s much better for the institution. Medical staff relationships and recruiting, that’s where the operating volumes, the clinic, volumes and our net patient revenues are coming up from. Our new physician contracts have moved from throwing money over the fence, mentally, to a pay for performance mentality. We’ll pay you per clinic, we’ll pay on the volume through that clinic we’ll pay you on RVU, we’ll pay you for quality assurance measures, but we just won’t send you a check any longer. We have also increased focus significantly on maximizing payments on those services that we do provide. We have reduced our days in receivables from 72 to 45, which is extraordinary. We put in place a charge capture initiative program where we found out that, in the history of ECMC, we have never charged patients or third party payers. Our third party billing is very aggressive here. With third party payers our denial rate is unsatisfactory and we have reduced it dramatically and we have continued to do so.”

“We will improve efforts in how we code. There are six types of physician office visits, with the appropriate coding you can bill for 4, 5, and 6. We historically billed everybody in the lower rate. Third party payer contracts have been renegotiated. A third contract will be renegotiated this year and we are improving our use of automation. For example, our medical records in the emergency department, which is an important component of our trauma center, was paper. Its now produced in paper and scanned through a reverse fax machine, if you will, and then the information is available throughout the hospital the same day, immediately. Not, gee, I can’t find that chart and you have to start over again. We recently reduced our nurse assessment from a 15 page document to a 4 page document

which saves 30 FTE's of nursing time in a year, same information collected and condensed into 4 pages, not 15, and get nurses doing nursing care and not filling out forms.”

“We recently have been approved in implementing our second electro physiology lab, which is the busiest in Western New York. We recently received a CON for a third cardiac cath lab and we are partnering with physicians in the community to build a free standing, for-profit ambulatory center in Amherst and the CON should be heard from this month. We have also balanced and led efforts on savings cost and improving revenue. But more importantly from a hospital prospective, we are continuing to lead the market in quality. In both calendar in 2004 and 2005, less Roswell Park, Erie County Medical Center had the highest case mix index that I have ever seen that is a measure of how sick a patient is when they come in. The Medical Center's case load would be higher than any hospital in Pennsylvania, and with that case mix index, we match another large hospital in WNY for the lowest mortality rate.

“So you have the highest case mix with the lowest mortality. I think that is what hospitals are all about. We measure individual physicians and programs against national benchmarks and those qualities. We have initiated customer service initiatives for our employees, it is a program called CARE, and we are working to support the physician, patient and family needs.”

Mr. Young stated that the hospital had recently done a follow up survey from January 2005 of 600 randomly picked folks to find out what their image was of ECMC. He indicated that the rating was low at the start but now it is up above average in the marketplace in just 15 months. The Administration initiated, for the first time, management training for over 100 supervisory personal that had no experience in charging, managing, counseling and disciplining employees, doing budgets. Those things were all absent at ECMC and are now getting enthusiastic participation. The majority of our payments are cased rated, so if the patients stays for 3 days or 10 days we get paid the same. Our length of stay for the first quarter 06 versus first quarter 05 was reduced by 0.5 days. Each day costs the hospital a thousand dollars. There two thousand less patient days in ECMC in March 2006 than there were in March 2005, that is a \$2 million dollar savings. The length of stay is now a benchmark in Western New York and will continue to drop. High case mix and a national average bench mark for length of stay turns into bottom line performance.

Mr. Young suggested that the County should also look very aggressively into worker's compensation. At the county home alone, last year the worker compensation costs were over 4 million dollars, it is over 12 million dollars for the County. The current model of worker's compensation at both locations in not acceptable. “He urged the ECFSA to work with the State Legislature.” The number one non-competitive business activity in New York State, isn't our taxes, it is our workers compensation cost. “Previously he worked at an institution four times as big, with one tenth of the workers compensation cost.” The rules in New York State are very hard to manage and ECMC did not manage them very well. He has changed the organization to do that and he will make it happen.

“We have initiated changes in our purchasing vendors to the volunteering hospitals of America , you may of heard of Johns Hopkins, Beth Israel, The Indiana Heart Institute, Alleghany General Hospital, and in its hay day, the University of Pennsylvania, Lancaster General Hospital. We share national bench marks on price for products. We will begin that implementation on Monday. They have guaranteed up to a three million dollar parts savings. Parts, hips, knees, screws, drugs, and so forth.”

“We have initiated 340B pricing which is a special drug purchasing program for disproportionate share hospitals that saved us about \$750,000 in 2005. One of the Buffalo Niagara Partnership recommendations was that the County should take advantage of that. We are meeting with the County and nudging them along to do 340 B pricing at the prison, the holding center and there is a very small savings in the clinics. We believe the County can save \$800,000 to a million dollars in drug pricing so I urge you to urge to County to follow that deal.”

He admitted that they were hung up a little bit on a malpractice issue. ECMC didn't want to pick up the malpractice risk for the County doctors at the prison. He believes that if that can be mitigated he can implement that 80 thousand dollar a month savings immediately.

Mr. Young continued that the biggest issue is labor cost, it is 60 percent of hospital cast and County contracts flow through to them. They are having dialogues with union leaders “to help us there and made a presentation to our

nurses union which is 650 ECMC employees, and 35 or 39 Country nurses requesting some improvements in rules that would allow them to operate more like a hospital instead of Monday –Friday, 9-5 former governmental entity.”

The bottom line, he stated, “... is we are managing what I think are the three key components of health care, the first one most importantly being quality, second one being revenue, and third one being expense. So those are my prepared statements, I and my boards members would be pleased to answer any questions that you have.”

Chairman Baynes responded, “great, thank you very much. Mr. Young is it possible we could get copies of those benchmarks that you spoke so eloquently about? That would be great.”

Mr. Young responded that he will provide them later next week when they are provided to the closure commission. They are very competitive and very important data to the closure commission so release of that would be competitively disadvantageous at this time. He will send it to all the members of the ECFSA Board who aren’t in a conflicted situation.

Director Kruly stated there was article in the Buffalo News regarding a \$14 million decreased aid to ECMCC and the Erie County Home. Did that number come from ECMCC?

Mr. Young stated that it did and the number is actually closer to \$8 million.

Director Kruly asked “It that was not factored in when you prepared your budget for the year?” Mr. Young replied he budgeted that they would not receive these numbers.

Director Kruly asked “Then is the \$8 million is not a negative on the 2006 budget?” Mr. Young replied “That is correct.”

Director Kruly asked, “Since the consent degree does not permit a change in 2006 County contribution, it will be that number, no matter what, during the course of the year?”

Mr. Young replies, “That is correct, it was a benefit for the County to take the settlement.”

Director Kruly asked if they assessed any risk from what they have seen in the State Budget so far. Mr. Young replied that he thinks there is a risk, the biggest risk is IGT (Intergovernmental Transfer)

Director Kruly asked what was budgeted for IGT revenue now and Mr. Young replied “\$4.2 million that would be flat from the 05 number.” Director Kruly continued, “If some things turn negative, if you wind up with lesser revenues and more expense, are you closed out?”

Mr. Young stated that they won the law suit with the County, but they assumed the risk for the operating deficits. So, if 2006 ends and they perform below budget, they will take economic risk for that.

Director Kruly asked what would his plan be for that, “Are we are talking billions of dollars?” Mr. Young replied that he would drive up revenue, reduce head count, reduce payroll, and if they couldn’t make it, they will look at any other model that a falling corporation would pursue.

Director Kruly then asked about the Erie County Nursing Home

Mr. Young responded that they have a new Executive Director at the home. Since he has been there, Medicaid days have tripled, occupancy has increased, staff has decreased. The operating surplus or loss is about the same as it was for last fiscal year

Director Kruly asked if there was anybody else in the hospital who was getting raises, other than step increases that are provided in union contracts

Mr. Young responded that CSEA has a 2 percent increase in 2006. Eco Tech’s were being paid way below the market, so elected to be competitive, “we increased the salaries of the three of four that we have”. He explained the

ECMCC competes with hospitals for staff. If they lose key staff, they lose key revenue. They will provide increases to retain needed personnel. The cost to recruit and training far exceeds pay increases for appropriate people.

Director Kruly asked in this regard, "What about the senior management to the hospital?"

Mr. Young responded that he would be uncomfortable discussing his own situation and invited Dr. Zizzi, Chair of the ECMCC Board, up to answer the question.

Dr. Zizzi stated that at the time of recruitment the contract for Mr. Young was put together with clauses that addressed incentives and a base salary. The search consultant made the recommendations for the contract. The Board went through a program to inquire whether or not certain benchmarks were met. "Executive management has provided specific data and we have also sent our questionnaires to industry people and others on the Board to respond. Those questions and responses have been collated by a national firm and we will look at them to see if certain benchmarks were met. That will give us an indication if we should go forward with incentives."

Mr. Kruly asked if the benchmarks were established by the Board and Dr. Zizzi stated that benchmarks that they assessed were put together and recommended by the national search firm.

Director Kruly asked what other positions are involved in the study and Dr. Zizzi replied that it is for Mr. Young and he evaluates other senior management

Director Kruly asked if they have a time table to when they are going to make the decisions and Dr. Zizzi asked Mr. Colluci to respond to the question. He stated that the information should be available in the next few weeks.

Chairman Baynes asked if there are any other questions. He stated then that there will be an ECFSA meeting every two weeks and stated, for the media, that the Board be answering questions as a group.

At 4:00 pm, Chairman Baynes then asked for a motion to adjourn. The motion was made by Director Kee, seconded by Vice Chair Joyce, and unanimously approved.

Respectfully submitted,

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Stanley Jay Keysa  
ECFSA Secretary