

**Minutes
Erie County Fiscal Stability Authority
May 17, 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 17, 2006. These minutes will not become final until approved at a subsequent meeting of ECFSA Directors, and may be amended before approval.)

Chairman Anthony Baynes called the meeting of the Erie County Fiscal Stability Authority (“ECFSA”) to order at 2:00 p.m. on Wednesday May 17, 2006 in the Erie Community College City Campus Auditorium. Notice of the meeting had previously been distributed to all Directors by courier and announced to the public and press.

Directors Present: Anthony J. Baynes, Chair; Stanley J. Keysa, Secretary; John Johnson, Shelia Kee and Kenneth Kruly. Director-nominee William Joyce was also present.

Absent: Director-nominee Joseph Goodell

Others Present: Lee VanRiper, Executive Director

Opening Remarks

Chairman Baynes called the meeting to order at 2:00 pm. He stated his thanks to the officials and public in attendance for attending the second control board meeting under his Chairmanship and continued “before we start the meeting, we have a list of items we requested from the County. As we go forward in the meeting, we will find out which items are here and which are not.”

“One particular item that Director Kee had requested was the lease information on office space. That information has not yet been received. I am sure contracts exist, for some reason we have not been able to obtain this information. We also requested information from Michael Young at ECMCC, which we understand will be forthcoming.”

Approval of Minutes

Chairman Baynes stated that the first order of business is approval of the minutes of the meeting on May 3rd as prepared by Secretary Keysa, and included in the briefing books.

Director John Johnson moved and Director Sheila Kee seconded the motion to approve the minutes, which were then approved.

Resolution No. 06-13

APPROVING MINUTES AND RESOLUTIONS FROM MAY 3, 2006

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its meeting of May 3, 2006 and ratifies and affirms (two) resolutions numbered 06-11 and 06-12 that were approved on May 3, 2006.

This Resolution shall take effect immediately.

Organizational Matters

Chairman Baynes stated that, at the February 23rd meeting, the Board approved a Resolution for general counsel based on the responses to an earlier RFP. After a review of the RFP and responses, he would like to reissue the RFP for general counsel to get more local responses based on updated information. A resolution has been circulated and is necessary to repeal the earlier resolution and authorize a new RFP.

Chairman Baynes asked for a motion to approve the resolution. Director Sheila Kee moved to approve the resolution and Director John Johnson seconded. Director-nominee William Joyce noted he would abstain, stating he

had not yet received final paperwork from the Governor's Office regarding his appointment as a Director and Vice Chair.

The following resolution was thereupon duly passed with five ayes, no nays and one abstention:

Resolution No. 06-14

WHEREAS, The Erie County Fiscal Stability Authority ("ECFSA") was created by Chapter 182 of the Laws of 2005, as amended, to be a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation to "oversee the County's budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required steps toward fiscal stability"; and

WHEREAS, the ECFSA will require professional assistance in performing its mission; and

WHEREAS, the ECFSA is a public authority of the state of New York and, as such, is governed by certain state laws that specify the method for the procurement of certain services; and

WHEREAS, the ECFSA approved by Resolution 06-10 at its February 23, 2006 meeting the selection of the firm Hodgson Russ, LLP to serve as General Counsel pursuant to the Request for Proposals (RFP) process initiated in October, 2005.

THEREFORE, BE IT RESOLVED that the ECFSA has reconsidered the selection of the firm of Hodgson Russ, LLP as General Counsel to the ECFSA as approved on February 23, 2006 and hereby repeals that resolution; and,

BE IT FURTHER RESOLVED that the ECFSA shall reissue an RFP for the services of General Counsel.

This Resolution shall take effect immediately.

Appointment of Ken Kruly to Treasurer

Chairman Baynes stated that he had previously been the appointed Treasurer and that, since being named Chair of the Authority, it is necessary to name a new member as Treasurer. He had asked Director Kenneth Kruly if Ken would serve in the position and Ken said he would. The Chairman asked for a resolution to confirm that appointment.

Director Kee moved the following resolution and Director Keysa seconded. The motion was duly passed, with five ayes, no nays, and Director-nominee Joyce abstaining.

Resolution No. 06-15

APPOINTMENT OF TREASURER

WHEREAS Chapter 182 of the Laws of 2005 that created the Erie County Fiscal Stability Authority ("ECFSA") provides that the Directors shall appoint a Treasurer.

NOW THEREFORE BE IT RESOLVED, that the ECFSA appoints Kenneth Kruly as Treasurer to serve until the earlier of the expiration of his term as a Director, his resignation, removal or death.

This Resolution shall take effect immediately.

Investment Guidelines

Chairman Baynes stated that Section 2925 of the Public Authorities Law requires State Authorities, such as the ECFSA, to have formal investment guidelines. The guidelines proposed in the next resolution are patterned after those of both the Buffalo Fiscal Stability Authority and the Nassau Interim Finance Authority. "They are standard for the State," he stated. Director Kee noted that an annual audit has to include an audit on the investment policies and adherence to those policies. She wanted to make sure that our annual audit includes that requirement, and was assured that they would be. Director Kee then moved to approve the resolution, seconded by Director Johnson, and the resolution was duly adopted with five ayes, no nays, and Director-nominee Joyce abstaining.

Resolution No. 06 -16

WHEREAS, The Erie County Fiscal Stability Authority (“ECFSA”) was created by Chapter 182 of the Laws of 2005, as amended, to be a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation to “oversee the County’s budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required steps toward fiscal stability”; and

WHEREAS, the ECFSA is a public authority of the state of New York and, as such, is governed by certain state laws; and

WHEREAS, Section 2925 of the Public Authorities Law of the State of New York require the adoption of Investment Guidelines.

THEREFORE, BE IT RESOLVED that the ECFSA approves the adoption of the attached Investment Guidelines.

This Resolution shall take effect immediate, investment guidelines are attached to the minutes as Appendix A.

Authorization for Bank Accounts

Chairman Baynes continued that with the new appointments of himself as Chair, Bill Joyce as Vice-Chair and Ken Kruly as Treasurer, a resolution is needed to authorizing signatures as approved for bank purposes. “The next resolution would replace the former approvals, specifically naming the former Chair, Vice-Chair and Treasurer as signatories and retain authorization for the Executive Director. The proposed resolution is drafted to include the “successor” of each of the named individuals so that it will cover future replacements, as needed.” Director Johnson moved to approve the resolution, Director Kruly seconded, and the resolution was duly adopted with five ayes, no nays, and Director-nominee Joyce abstaining.

Resolution No. 06-17

AUTHORIZED SIGNATORIES AND SIGNING RESTRICTIONS FOR BANK ACCOUNTS

WHEREAS, Chapter 182 of the Laws of 2005, as amended (the "ECFSA Act"), created the Erie County Fiscal Stability Authority (the “ECFSA”) with certain oversight and borrowing powers; and

WHEREAS, pursuant to the ECFSA Act, County Tax Revenues and State Aid Revenues (as such terms are defined in the ECFSA Act) are paid by the New York State Comptroller to the ECFSA; and

WHEREAS, HSBC maintains a bank account to accommodate the operating requirements of ECFSA; and

WHEREAS, the ECFSA desires to appoint certain authorized signatories and to establish certain signing restrictions for such bank account;

NOW THEREFORE, BE IT RESOLVED, that in connection with the signing of checks, drafts or other orders for the payment of money issued in the name and on behalf of the ECFSA against any funds deposited in such bank account, the following authorized signatories and signing restrictions will apply to all transactions, Kenneth Kruly, the ECFSA Treasurer or his successor and any of:

1. Anthony J. Baynes as Chairman, William Joyce, as Vice Chairman and LeRoy Van Riper as Executive Director or their respective successors, are each authorized as a sole signer for any payment up to and including \$25,000.00; and

2. Two of the above-listed board members or officers of the ECFSA in addition to the Treasurer are required to jointly sign for any payment over \$25,000.00.

This resolution shall be deemed to have been in effect since April 12, 2006 and replaces Resolution 05-28, as adopted on August 30, 2005.

Committee Assignments

Finally, stated Chairman Baynes, “we need to complete committee assignments. This is so the Stability Authority has the required and necessary structure to take care of normal housekeeping matters. I have discussed the various committees with the members and would like to announce the following appointments.”

“The Governance Committee already exists,” Chairman Baynes added, “but I would like to reconfirm that Director Keysa is the Chair, Director Kruly serves as the Vice-Chair and Director Kee in the third member of the Governance Committee.”

Chairman Baynes then appointed Director Joyce as Chair, Director Goodell as Vice Chair and Director Keysa as a third member to the Audit Committee.

For the Finance Committee, Chairman Baynes stated the he was appointing Director Goodell to be the new Chair, Director Kruly as Vice-Chair and Director Johnson as the third member.

Lastly, Chairman Baynes addressed the Human Resource Committee and asked Vice Chair Joyce for his comments and recommended changes. Director Joyce stated that rather than chairing the Committee himself, as proposed, either Director Kee or Director Kruly should chair the committee. Director Kee stated that she would volunteer to be Chair. Chairman Baynes then appoints Director Johnson as Vice-Chair and Director Joyce as the third member.

Chairman Baynes stated his belief that with the committees in place, the ECFSA now has the necessary organization to address the Public Authority Accountability Act of 2005 needs and responsibilities. He also pointed out that the Chair of the ECFSA is automatically an “ex officio” member of all standing committees.

Director Johnson asked if the members will be receiving information on the function of the committees.

Chairman Baynes responded that Lee would provide the necessary information to each Director and work with Director Keysa and the Governance Committee to address committee responsibilities in the By-Laws.

Chairman Baynes then recommended that the ECFSA divert from the agenda; no objection was raised.

Chairwoman Marinelli

Chairman Baynes asked Lynn Marinelli, Chair of the Erie County Legislature if she wished to address the Directors.

Chairwoman Marinelli said she would like to report to the Board on the second quarter focus of the Legislature. “Number one, capital borrowing is anticipated and is on our agenda for tomorrow. In that we will have to decide on the hospital borrowing, Ralph Wilson stadium, which we are obligated to do, ECC and forty-five other projects as part of the 2006 budget. The last we saw, in a draft form, capital borrowing was about \$48.3 million. I think we need to reconcile within this County how much we need to borrow and what the administration will propose.”

“Number two, we have set forth for June mid-year budget hearings to focus on major cost centers; they have been highlighted as well in Mr. Vetter’s budget monitoring reports. We will check to see where revenues and expenditures are being driven and we will look for any state assistance and/or relief. We also are looking for information from ECFSA on the efficiency grant process and how will that go forward.”

“The third area is the Charter Review Commission. It is likely to be wrapped up at the end of this quarter and there is a public hearing scheduled for the end of this month and into June, then it comes to the Legislature for processing. So our focus is to take all the recommendations and go forward with the processing and time line.”

“The fourth area is to get some resolution to the funding for the Board of elections and the HAVA (Help America Vote Act) requirements. This is still unresolved in the County budget.”

Chairwoman Marinelli stated her belief that 2007 budget cost savings initiatives can be achieved and June is a critical month to finalize those proposals. The Legislature will also be working with the 2006 budget in regard to following the trends. Legislative Committees are scheduled to meet tomorrow and the ECFSA and public are welcome to attend.

Director-nominee Joyce asked if the Administration will be asked to attend the Legislative meeting with regards to the mid-year projection of the 2006 budget.

Chairwoman Marinelli stated, "Yes, the Chairman for the Finance and Management is Demone Smith and he will be working with his committee, Budget Director Ken Vetter, Jim Hartman and also Comptroller Mark Poloncarz and they will have some prepared discussion pieces."

Director-nominee Joyce asked if they expected to have a consensus for the 2006 year.

Chairwoman Marinelli thought that would be the time where all decided what needs to be done, what the Administration needs to do to prevent any short falls. She further stated that they have committees working on the initiatives. She said there will be a need to update or further define the initiatives.

Director Keysa pointed out that, at the last meeting, Chairwoman Marinelli stated that the ECFSa should look at space in the Legislature. "Lee, Gail and I met with Kevin Kelly and we took a look at the space and I have circulated a diagram. There is a potential but some people may be displaced to be able to put together a suite of rooms," he reported.

Director Keysa invited comments and then stated that he would be getting back to Chairwoman Marinelli regarding the office space.

Information Requests

Chairman Baynes stated that, at the last meeting, Budget Director Ken Vetter was asked to be present at this meeting and discuss the Administration's management of personnel and the projected budget savings. Vetter was asked to discuss, agency by agency, any unfilled positions and possible attrition.

Mr. Vetter stated that he had a couple of things with him that could be of assistance to the Authority. "All the Directors have in front of them a summary list of department vacancies and the values of the vacancies. Director Kruly was looking for a tremendous detail on positions, where they are, how long have they been vacant and comparison to vacancies last year. I have furnished two documents to Director Kruly indicating the information he asked for."

Chairman Baynes asked if everybody has the list and Mr. Vetter stated no, that just Director Kruly had it. Chairman Baynes asked that the list be provided to all Directors and that any information asked for be given to them a week in advance of the meeting, whenever possible.

Mr. Vetter presented a review of the Administration's personnel levels. He said they have been running with about 300 vacancies. They evaluate position by position and evaluate the need to fill each position, and, in terms of the position, the specific criteria that they have for each one. "For example, if you look in the Clerk's department, there are only two vacancies. Those positions generate money and any position that generates money we give that a high priority to be filled. If it is a public safety issue or child safety issue, or if it is a compliance issue, we will try and fill those positions. In the Sheriff's office and youth detention, vacancies are evaluated as to whether we should fill the position versus overtime expense.

Director Kee asked what the net County share of the first quarter savings was. Mr. Vetter replied "in salary alone, about \$4.5 million." Director Kee asked if, in developing the 2006 adopted budget, they presumed any vacancy control savings. Mr. Vetter stated that they did not. Director Kee asked, "Why is that? Every budget I worked on presumed vacancy control savings."

Mr. Vetter replied that Erie County budgeted the savings, but to be fiscally conservative in 2006, the financial plan included an increase in fund balance. One way to provide for an increase in fund balance is by managing turn-over. Director Kee stated that budgeting vacancy control could have saved \$3 million dollars in property tax hikes in 2006.

Mr. Vetter stated that he disagreed and that, given the state of the staff issues in Erie County, with 1,100 fewer vacancies now than in the beginning of 2005, managing vacancies rather than budgeting for them was more prudent. That way, in the future, positions could be filled because they are revenue generating, because they get reimbursements.

Director Keysa asked when Mr. Vetter took over as Budget Director and was told that it was in October of last year.

Director-nominee Joyce noted that Mr. Vetter had stated there were certain categories of employers that need to be replaced for public safety, to generate revenue, for grants compliance, etc., and asked: "Is there an analysis that goes beyond that criteria?"

Mr. Vetter replied, "We are looking at re-engineering the process. In the law Department, the County Attorney believed he could get more work done with paralegals, part-time employees and fewer lawyers, so that office was re-engineered. In parks, 27 positions were deleted and we laid-off employees. So the department now has part-time and seasonal employees. So, once the summer months come, these people can work 39 hour weeks, and once winter is back, they can be reduced to part-time employees, twenty hours a week. We are constantly looking at ways to reduce."

Director-nominee Joyce asked if Mr. Vetter was signing off on the hiring of each replacement. Mr. Vetter confirmed that he did

Director Kruly then asked if Mr. Vetter could provide the report on a monthly basis so the ECFSA can track it as we go through the year.

Director Kee asked if the state had enacted the early retirement bill and Mr. Vetter stated they had not.

Director Keysa asked if the seasonal workers are the same workers who are working part-time in winter and full time in the summer and to what degree does the County hire summer employees, such as college students. Mr. Vetter stated that there are some.

Director Johnson asked: "Mr. Vetter, you stated there are 1,100 vacant positions. In August through October 2005, there were some rehires. Do you have a number of how many rehires?" Mr. Vetter responded "1100 is a net number, net of rehires. Before any rehires it was almost 1,500."

Chairman Baynes asked Mr. Vetter if some of the positions have been unfilled for over a year. When Mr. Vetter responded yes, Chairman Baynes asked, "after a year do you think we still need them?" Mr. Vetter responded that that is something they are going to go through and Chairman Baynes suggested that they look at those first. Mr. Vetter said that that review would be included in the mid-year budget session with the Legislature.

Leases

Chairman Baynes then asked Mr. Vetter if he could produce leases for county offices. Mr. Vetter stated that he would contact the County Attorney, Larry Rubin, who has the information. Chairman Baynes stated that the ECFSA will send a letter this week regarding this information and Mr. Vetter said he would contact Mr. Rubin and tell him to expect a letter.

Cell Phone Audit Report

Chairman Baynes then invited County Comptroller Mark Poloncarz to speak on the Administration's formal response to the cell phone audit, in follow-up to the last meeting.

Comptroller Poloncarz stated that he had very little to update on the cell phone audit. His office received a response from the Administration yesterday at close of business regarding the cell phone audit. His Deputy Auditor was looking at the responses and he would like a chance to talk to his Deputy Auditor before he responds, so that it is an appropriate response.

Chairman Baynes asked if the response included the list of people who have the phones. Comptroller Poloncarz responded that his audit did include a list of names but not numbers that might become public. He said the response does not appear to go beyond the general recommendations that are contained in the audit.

Director Keysa asked if a list of vendors was available for cross checking and Mr. Poloncarz did not know if a list is available at this point.

Director Kee suggested that Comptroller return at the next board meeting to give a complete update on the cell phone audit.

Comptroller Poloncarz stated he would.

Office Space

Chairman Baynes recognized Director Keysa on the topic of office space.

Director Keysa stated there was a significant amount of space in the old county hall. "There are two requirements that we need to address, one is for the office space and that the staff be in close proximity to each other and the other is for a meeting space." He looked at potential space to hold our meetings and talked to Kevin Kelley, Clerk of the Legislature. They don't believe we should meet in the actual Legislature Chamber, as that will confuse people. However, there is a fairly large conference room opposite the chamber that can be utilized with microphones. He intends to follow up on that.

Mr. Keysa said that someone would have to be displaced for us to utilize office space in County Hall. He felt there is space for us to use and if we occupy space there, we are freeing up money. He recommended that the Chair have an agreement with the County Executive that ECFSA not be charged for the space.

County Borrowings

Next on the agenda was a discussion on proposed County Borrowings.

Director Kruly stated there have been several conversations in the past couple months regarding the level of County borrowing. He referred to a chart which was displayed, showing the annual history of County-issued debt and another showing the debt service as a percent of budget expenditures.

"Over the last five or six years, the per-capita debt in Erie County is almost double. The concern I have is that along with the debt going up, so is the debt service up. If you look at the next chart, the debt service payments from 2002-2006, there is an increase of \$27 million, which is an 86 percent increase in debt service. We need to do something to turn that around. The way to start the process is to bring down County borrowing. The County Legislature has before them bond resolutions that were submitted by the Administration that exceed 50 million dollars for 2006 in new borrowing. In 2006 the County is retiring about \$35 million in previously-authorized bonds which means that the County is taking on 15 to 20 million dollars in additional debt. We need to go on a debt diet. I propose a resolution to ask the Erie County Executive and the County Legislature to go back to the drawing board and find a way to bring the new proposed debt for 2006 down, at least below the amount that is being paid off during the year."

Director Kee said she is highly supportive of the resolution and asked to request from the Administration a detailed plan on how they would modify their borrowings.

Chairman Baynes asked for a motion to approve the resolution proposed by Director Kruly and previously circulated to the Directors; Director Kee moved to approve and Director Johnson seconded.

Director Kee stated that she would propose an amendment to request a detailed plan.

Comptroller Poloncarz asked to be heard on this issue. He wanted to bring up a couple of items prior to any vote. Ms. Marinelli also expressed concern over a resolution which the Legislature was not informed of. She said Director Kruly was correct in regards to a bond resolution to be proposed to the Legislature for the \$48.3 million, "but of that, \$26.3 million is directly related to the settlement and consent decree for the ECMCC, and it is beyond the Legislature's control." Comptroller Poloncarz added that "We need to provide ECMCC its funds by June 30th; if we don't Erie County is subject to interest and fees." He reiterated that over half the proposed debt for 2006 is going to ECMC.

Director Keysa stated that Director Kee has moved to amend the resolution and suggested a brief recess before a vote, so that the actual language of the resolution can be clarified and voting be on specific language. He also suggested the Comptroller participate in the conversation for acceptable language in the resolution.

Chairman Baynes asked for clarification over whether it is \$48.3 million not \$55 million. Comptroller Poloncarz stated that \$6.5 million was previously approved by the Legislature in regards to passage of a resolution for ECMC for operating assistance for 2006. That amount has already been paid out of the operating budget of Erie County and the bonding authorization was passed to reimburse Erie County. There is proposed an additional \$48.3 bond authorization and, in total, will be roughly \$55 million in a combined bond sale of which \$32.85 million will be going to ECMC.

Comptroller Poloncarz also stated that he and Mr. Vetter “had a productive conversation with Moody’s rating agency just this morning. Moody’s is going to review Erie County’s rating and we are hopeful that within the next month we will have a positive response.”

Director-nominee Joyce asked, “Positive in regards to an improvement in our rating?” Comptroller Poloncarz stated, “Moody’s is the only one that has us on the negative watch list.” Director-nominee Joyce then asked if borrowing extra money, adding debt to the current level, would have any impact on the rating.

Comptroller Poloncarz stated that the rating agencies understand our borrowing issues and also the issues raised by the consent decree with ECMC.

Director Kruly asked, “The \$54.8 million in borrowing that you are talking about, does that include the \$15 million for the labor incentives as part of the consent decree?” The Comptroller answered that is not to be bonded until an agreement has been made between the County and the unions.

Director Kruly stated that what he believed Director Kee wanted in an amendment to the motion was to add a resolved paragraph, stating that the administration should come back to us with a response in two weeks.

Director Keysa stated, again, that he would like to take a brief recess. He would like the Comptroller to look at the resolution and to make sure we don’t do something with unintended consequences.

Chairwoman Marinelli stated she was concerned because she had not seen the resolution, and asked if it is asking the Legislature to take some type of action that may be at cross purpose to what the Administration is asking.

Chairman Baynes clarified that Section 3953 of our enacting legislation requires the Authority to review and comment on any terms of purposed borrowing and that is the intent.

Director Kee stated that she believes the County needs to adopt a debt management policy, to set targeting borrowings, to make sure that old debt retirement is ongoing and the amount of new debt added is minimized as best it can. The County needs to have policies for these things. The intent here is to find out from the County what the policy is and what are its goals and objectives.

Chairman Baynes read the last paragraph of the proposed resolution, " that the ECFSA does hereby request County Executive Joel Giambra and the Erie County Legislature to reduce planned new debt for 2006 so that, in the aggregate, new debt will be less than \$35,538,233, that being the amount of previously authorized debt which the County of Erie will pay off in 2006." He said he believes it is clear that the Authority is just asking to review it.

Director Kruly stated that “When the County adopted its budget in November, was it talking a limit of \$30 million borrowing for 2006. We are now talking about \$55 million. It is time to say enough is enough.”

Mr. Hartman stated his belief that the resolution is “...ill advised at this time.” Questions that are being asked were provided to you in January. He continued, “The idea of the \$30 million dollar cap was mine based on our analysis of what debt was running at. We presented to the Board in January a modified plan which explained that we were going to maintain the \$30 million for capital, explained how we were going to finance the hospital settlement, that there would be a combination, that that entire settlement would be paid with a combination of operating and borrowed funds and the entire Four-Year Plan was provided.”

“My comment to the numbers, to some of the numbers you have presented here, is that yes, the County’s borrowing and capital investment has grown, but I would argue that during the period of the 1990’s, it was too low, it was inadequate. In my view, if you do not make proper investment in infrastructure, it is a form of hidden deficit that catches up to you in future years. Therefore what we attempted to do in this Four-Year Plan was to preserve a modified level of capital borrowing going forward and to finance the hospital settlement. That debt is all five-year debt. It was shown in the financial plan modification. We haven now proceeded to organize this borrowing with the Comptroller.

I guess my comment is, this was all presented to you in January, it was accepted by you, at a January meeting.”

Director Kee stated there are a lot of issues here. “The first issue, Jim when you borrow \$54.8 million, how does that impact on the debt service in the year 2007. Current year debt service is \$59.7 million, what will that amount be in the year 2007 as a result of the \$54.8 million that is being borrowed?”

Mr. Hartman replied: “It was in the schedule that we gave you in January.”

Director Kee stated that the County should have said: “We want you to review and comment on this borrowing plan. It has to be a formalized process.”

Chairman Baynes then asked if the Legislature had approved the \$54.8 million in January. Hartman replied: “It was acknowledged that the Legislature approved the consent decree and that the Administration would later present to them the plan for how to pay for it. This was done.”

Director Kruly stated that although they accepted the plan in January, some of the members may not have agreed with that. “The amount we are talking about now is \$55 million so from January until May we went up another \$10 million.”

Mr. Hartman responded that they showed what they were going to borrow. “It showed \$30 million that was to meet the capital needs of the County, another \$11 million for 2006 capital needs of the hospital, the judgment bond of \$6.5 million for additional operating aid and there was the \$15 million dollar borrowing for 2007 which was also clearly shown.”

Mr. Kruly stated that he did not believe that the numbers that have been provided are consistent. Mr. Hartman replied that they are the same numbers that were presented in January. Director-nominee Joyce asked Mr. Hartman why he believed it is ill-advised for the ECFSA to review the rationale about and concerning the increase in borrowing. Mr. Hartman replied simply “It is ill advised at this time.”

Director Kee asked that we call a five minute recess; Director Johnson seconded the motion, and the Board approved with five ayes, no nays and one abstention.

Upon returning, Chairman Baynes asked Mr. Hartman to review briefly the accuracy of the proposed resolution. “The debt being retired in 2006, is it \$35 million? Mr. Vetter gave the Chair a draft of the consolidated debt resolution for 2006 for the County, which is \$28 million outside of ECMC in project proposals. Are we clear that these were the items that were approved in the capital budget process?”

Chairman Baynes asked “Is it safe to say \$35,538,233 is the actual debt that will be retired?” Hartman answered in the affirmative. Baynes continued: “\$32,121,777 was the level of 2002 debt service. Today 2006 debt service is projected at \$59 million. Are those are accurate numbers?” Again Hartman said they were correct.

Director Kee asked for Director Keysa to read the proposed amendment to Director Kruly’s resolution. Director Keysa said the proposed amendment would add a second resolved paragraph reading: “and be it further RESOLVED, that the ECFSA does hereby request County Executive Joel Giambra to be present at our next meeting to explain his plan to bring 2007 capital borrowings under the amount of debt to be retired in 2007.”

Chairman Baynes stated the bottom line is to review the spending and hopefully we can spend less on debt service and to figure out how we can have better management. Director Kee moved for approval of the amendment, seconded by Director Johnson.

The amendment was thereupon duly approved with five ayes, no nays and one abstention.

Director Kruly then moved to approve the resolution as amended, seconded by Director Kee, and duly adopted with five ayes, no nays and one abstention:

Resolution No. 06-18

Comment on Capital Borrowing

WHEREAS, The Erie County Fiscal Stability Authority (“ECFSA”) was created by Chapter 182 of the Laws of 2005, as amended, to be a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation to “oversee the County’s budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required steps toward fiscal stability”; and

WHEREAS, Section 3958, Subsection D of Chapter 182 of the Laws of 2005 requires this authority to “review and comment on the terms of any proposed borrowing” of the county; and

WHEREAS the County Legislature is currently reviewing recommendations of the County Executive for more than \$55 million in borrowings in 2006; and

WHEREAS the 2006 County Budget indicates that \$35,538,233 in formerly authorized debt will be retired through repayment in 2006; and

WHEREAS 2006 County Budget documents indicate that debt service on county borrowings has increased from \$32,121,771 in 2002 to \$59,693,770 in 2006, an increase of \$27,571,999 in just four years; and

WHEREAS this significant increase in debt service needs to be reduced as part of an overall program of cost reductions for the county;

THEREFORE, BE IT RESOLVED that the ECFSA does hereby request County Executive Joel Giambra and the Erie County Legislature to review current plans for new capital borrowings in 2006; and be it further

RESOLVED, that the ECFSA does hereby request County Executive Joel Giambra and the Erie County Legislature to reduce planned new debt for 2006 so that, in the aggregate, new debt will be less than \$35,538,233, that being the amount of previously authorized debt which the County of Erie will pay off in 2006, and be it further

RESOLVED, that the ECFSA does hereby request County Executive Joel Giambra to be present at our next meeting to explain his plan to bring 2007 capital borrowings under the amount of debt to be retired in 2007.

This resolution shall take effect immediately.

2006 Financial Plan Status

Chairman Baynes stated that, starting Wednesday May 24th, Director-nominee Goodell will be implementing a Task Force as discussed at the last meeting and will be representing the Fiscal Stability Authority in meetings with the Buffalo-Niagara Partnership with Robert Gioia. Mr. Vetter and Mr. Hartman are going to join and also Legislature Marinelli and Legislator Weinstein and also Director Kruly and Director Kee. They will be going through all the initiatives.

Director Kruly stated: "We have taken some of the initiatives from the PFM report to begin reviewing today. There were some similarities with those of the Partnership. We looked for initiatives where there is a 2006 fiscal impact presented in the initiative. They were then sorted from the greatest dollar value down to the lowest." He said he hoped "to get through maybe five or ten today but we will continue to go down the list so every one gets reviewed."

An overhead projection was displayed listing ten 2006 initiatives. The first one in value was the property tax increase which was approved last November. Proceeding to the second one, collective bargaining savings were projected of \$3.6 million. Director Kruly asked Mr. Hartman if he would respond from a document he had circulated to provide some detail.

Mr. Hartman responded that these items appear to be from the October 15, 2005 matrix. "As you know, the 2006 budget was adopted and some of these items were fully included, some in part and some not included."

Director Kruly stated that Mr. Hartman's note on collective bargain savings was that no agreement was reached and no savings were budgeted. Mr. Hartman said that was correct. Mr. Kruly then asked "Are discussions going on with the unions now?" Mr. Hartman responded there are discussions going on but there is no indication of union agreement to this \$3.6 million savings this year.

Director Johnson stated that he would like to address the use of donated funds as an initiative to save \$2 million. "Erie County has two separate mechanisms, "in-kind" services and donated funds." Director Johnson explained: "In-kind services are provided by the provider to a district, in this case, Erie County Department of Social Services, without any charge. The district has a very attractive funding stream called the Child Welfare Finance where the State government reimburses the unit of local government 65 cents on every dollar we spend. In-kind funds can be used to help the County pay for that 35 cents." He also asked to address private funds, funds that come from a private entity.

“Private funds must be transferred to the district and be under administrative control. There must be an agreement between the donor and the district as to how the funds are going to be spent.” On April 11th Commissioner Johnson held a with Commissioner Weiner on the reorganization plan along with the State Office of Children and Family Services, the Department of Health and the Office of Mental Health and the Office of Temporary Disability Assistance. “We strongly believe we can work with the County on obtaining donated funds.”

Chairman Baynes invited Sheriff Timothy Howard to come forward to speak on the initiative projecting savings from corrections.

Sheriff Howard began: “Mr. Hartman noted that the initiative proposed that we could increase probation services, putting inmates on probation instead of in jail. However, in 2006, partially because of the actions of the Buffalo Police Department, arrests are up significantly. We have 80 more cases a day than we had on average last year. The jail also has 100 to 120 more inmates. This is an issue the County is watching and trying to be realistic in its plan for 2007. The Sheriff, Probation Department, the Erie County DA, and Office of Mental Health are all exchanging ideas and there is a task force in place. This is going to be the topic of one request for the efficiency grants that we are going to be putting forward.

Sheriff Howard stated that he was able to hire more people so the budgeted overtime went down. Chairman Baynes asked: “If the unfilled positions in the jail and in the department were filled, would that help with your overtime?”

The Sheriff stated that it would but that “We need patience. New employees would be going through a training period and it would be approximately three months before any realization of savings could be expected.” He said he is under mandate by the State whereby, “if we don’t increase our fulltime personal, they will decrease maximum facility capacity, which would result to additional cost to the County.”

Sheriff Howard asserted: “Any reduction in the facility population would have to bring it to under 150 people if there is any true savings. Staffing is based on how many housing units are open. Almost every housing unit has exceeded its maximum allowable population, except the state has allowed us to do that. Daily meal costs and medical costs for the inmates are other expenses, but the main cost in our facility is for the people necessary to supervise the inmates.”

Director Kruly asked how many additional positions were added to the budget. Sheriff Howard responded that he didn’t have the actual numbers. Mr. Vetter stated that the Sheriff has done a great job controlling the overtime and that they were able to hire a few part-time employees. “Last year we had no part-time employees. This year, part-time employees will be able to work in the summer when other employees are on vacation.”

Director Johnson asked if any of the deputy sheriffs that were hired for the jail were funded on any special grant programs. Sheriff Howard responded that he believed some employees were grant-funded, but no employees in the jail.

Chairman Baynes stated that Sheriff Howard would be requested to come back and follow up in the future.

Other Business

Chairman Baynes noted that the meeting had lasted for two hours and he would like to move on to other business. The initiative discussions would continue at following meetings.

Chairman Baynes stated that we have been advised the Erie Community College has submitted its 2006-2007 budget request to the County Executive and the County Legislature and that he wanted to make it clear that we will formally request that ECC send this Authority a copy of that request as well. The ECC is a covered organization and its budget is subject to our informational requests, our review and recommendations.

Director Keysa stated that under other business, he would prepare a list of changes for the By-Laws, circulate them to the Governance Committee and then circulate them to the members. He would then propose amendments for future meetings.

Director Kee addressed Mr. Hartman regarding the 2006 initiatives. She has so far totaled up \$9 million in recommended cost savings that were never budgeted. As we go forward, she would like to see alternatives for saving money for this county.

At 4:00 p.m., Chairman Baynes asked for a motion to adjourn. The motion was made by Director Johnson seconded by Director Kruly, and unanimously approved.

Respectfully submitted,

Stanley Jay Keysa
ECFSA Secretary