

Minutes
Erie County Fiscal Stability Authority
July 26, 2006

Note: the following is a draft copy of minutes of a meeting of the Erie County Fiscal Stability Authority (“ECFSA”), which was held July 26, 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 July 26, 2006 in 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.

Directors Present: Anthony J. Baynes, Chair; William Joyce, Vice-Chair; Stanley J. Keysa, Secretary; Kenneth Kruly, Treasurer; Joseph Goodell; Sheila Kee and John Johnson

Others Present: Kenneth Vetter, Executive Director

Opening Remarks

Chairman Baynes called the meeting of the Erie County Fiscal Stability Authority to order at 2:00 pm. He thanked everyone for coming and welcomed his fellow Board members and the other interested members of the public and press and media in attendance.

Chairman Baynes then stated that, before going through regular business, on behalf of the Board of Directors, he wanted to thank Chairwoman Lynn Marinelli and her colleagues at the Erie County Legislature for paring back an initially recommended \$22 million capital debt program to just over \$12 million. We believe in the future of Erie County. Saddling the taxpayers of the county with up to an additional \$10 million in debt and associated interest would not have been in the best interest of the people who are served by, and pay for Erie County government.

Approval of Minutes

Chairman Baynes then stated the first order of business was to approve the minutes for the last meeting on June 28th, submitted by Secretary Keysa and circulated to the members in their briefing books prior to this meeting.

Chairman Baynes asked for a motion to approve. Director Johnson moved to approve and Director Goodell seconded. Without further discussion the resolution was unanimously approved.

Resolution No. 06-33

APPROVING MINUTES AND RESOLUTIONS FROM JUNE 28, 2006

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its meeting of June 28, 2006 and ratifies and affirms 7 resolutions numbered 6-26 through 6-32 that were approved on June 28, 2006.

This resolution shall take effect immediately.

Office of Management and Productivity

Chairman Baynes stated that the Directors packets had included a resolution approving hiring of a new Director of Initiatives Implementation. “Mr. Joyce and I have reviewed Mr. Hennessy’s qualifications and found him to be the caliber of individual who can assist the Authority in moving forward. He has a background in uncovering and fostering government efficiencies and he is a practicing attorney in Erie County, most recently as an Assistant District Attorney in the Appeals Bureau of the District Attorney’s office.

Chairman Baynes asked for a motion to approve. Director Kruly moved to approve and Director Goodell seconded.

Director Johnson recommended that the Authority put for every effort to bring about diversity within its staff.

The resolution was then passed unanimously.

Resolution No. 06 – 34

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’s Office of Management Productivity requires professional staff to assist in performing its mission; and

WHEREAS, The Director of Initiatives Implementation is a key position in monitoring Erie county’s progress or lack thereof in achieving efficiency initiatives; and

WHEREAS, the Executive Director, in conjunction with members of the ECFSA Board of Directors, has determined that **Shawn P. Hennessy** is well qualified for the position of Director of Initiatives Implementation for the ECFSA’s Office of Management &

Productivity, possessing training and experience that will allow him to rapidly commence appropriate duties;

WHEREAS, it is necessary for the Executive Director to hire professional staff to perform the Authority's work in an expeditious manner, with the expressed approval of the Chairman

NOW THEREFORE, BE IT RESOLVED, that the ECFSA authorizes the Executive Director to offer the position of Director of Initiatives Implementation for the Office of Management & Productivity to **Shawn P. Hennessy** subject to terms and conditions of employment as determined by the Chairman of this Authority; and further,

This shall take effect immediately.

BE IT FURTHER RESOLVED that the ECFSA Board authorizes the Executive Director to hire necessary professional staff, with the expressed approval of the Chairman of the Authority

Audited Financials

Chairman Baynes noted that the Directors' packets also included a draft resolution asking for re-approval of the 2005 Financial Statements for the Authority. A technical adjustment was suggested by Erie County's Public Accountants, Delloite & Touche. "This adjustment does not affect the bottom line of the county or the Authority. Mr. Callan from the County Comptroller's Office is here to elaborate."

Mr. Callan said a restatement of ECFSA's 2005 financials is necessary because the County for many years has accrued sales tax in two month increments, where as the Authority did so in a one month increment. There is not a change to the bottom line of the Authority's financials for the year 2005, it is a technical accounting measure that is being requested to make the County's and the Authority's financials match.

Mr. Callan then stated that Comptroller Poloncarz has been making quarterly reports on the County's fiscal condition and we expect to release the second quarter report of 2006 next week.

Chairman Baynes asked for a motion to approve the restated audited financials. Director Keysa moved and Director Kee seconded.

The resolution was passed unanimously.

Resolution No. 06 - 35

WHEREAS, The Erie County Fiscal Stability Authority ("ECFSA") was created by Chapter 182 of the Laws of 2005, as amended (the "ECFSA Act"), 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 3971 of the ECFSA Act requires an annual financial audit to be performed by an independent certified accountant selected by the Authority, and, on approval, that such audit report be submitted to the county executive, the presiding officer, the comptroller, the governor, the state comptroller, the chair and ranking minority member of the state senate finance committee and the chair and ranking minority member of the state assembly ways and means committee; and

WHEREAS, the ECFSA engaged the firm of Toski, Schaeffer & Company, P.C., certified public accountants and an approved vendor for statewide auditing and accounting services by the New York State Office of General Services, to perform the annual independent financial audit for the Authority’s 2005 fiscal year as approved by the Directors of the ECFSA and authorized in Resolution 06-12; and

WHEREAS, such amended audit was reviewed by members of the Audit Committee and is recommended for approval by the ECFSA.

THEREFORE, BE IT RESOLVED that the ECFSA approves the amended independent audit for the 2005 fiscal year received from the firm of Toski, Schaeffer & Company, P.C., and approves its submission to the officials specified by Section 3971 of the ECFSA Act.

This resolution shall take effect immediately.

Legal Counsel

Chairman Baynes continued by stating that there is also a resolution asking for approved to enter into agreement with full-service, professional, local legal counsel. The ECFSA issued an RFP in June that was widely distributed in the legal community. Responses were due in the first of July and an internal evaluation process began at that point. Chairman Baynes stated that four of the five firms submitting proposals were interviewed. All the firms interviewed have the capability to partner with the Authority on critical legal issues, all are local (except one from Syracuse), all are full-service and all have served the community well for years. He stated that, although price was only one consideration, all had offered discounted rates to the Authority. “We expect to use our law firm for major legal issues. We expect, with our most recent hire, to have sufficient legal expertise on staff for many legal issues that might arise.”

Chairman Baynes stated that Mr. Joyce, as Vice Chair of the Authority, and Mr. Vetter took the lead in navigating the intensive review process. He stated that Mr. Joyce would discuss the process and why Phillips Lytle was chosen.

Vice-Chair Joyce stated there were five responses to the RFP's and four were interviewed. "They were all local firms except one from Syracuse. We accessed every firm with respect to practice matter capabilities and objective criteria. We also took price into consideration. We came to the conclusion that Phillips Lytle was the best firm to represent our interests. All the firms were qualified."

Chairman Baynes asked for a motion to approve the hiring of Phillips Lytle LLP. Director Johnson moved and Director Goodell seconded.

The motion was duly passed with all in favor, but with Chairman Baynes abstaining, stating he had done business with nearly all the firms.

Resolution No. 06-36

APPROVING ENGAGEMENT OF PHILLIPS LYTLE LLP AS LEGAL COUNSEL

WHEREAS, the Erie County Fiscal Stability Authority ("ECFSA") was formed by Chapter 182 of the Laws of 2005, as amended, 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 has issued a request for proposals for full-service law firms to provide necessary legal services to the Authority. Upon receiving such proposals, interviews and an evaluation process was done to provide reasonable assurance that the firm chosen would meet the ongoing needs of the Authority in an efficient and effective manner;

NOW THEREFORE BE IT RESOLVED, that the ECFSA engage the firm Phillips Lytle LLP to provide such legal services as requested by the Chairman for a period not to exceed one year from the signing of the letter agreement with the firm.

BE IT FURTHER RESOLVED that this resolution shall supersede any previous resolutions of the Authority with regard to contracting for legal services

This resolution shall take effect immediately.

Erie County Legislature Mid-Year Budget Hearings

Chairman Baynes stated that the next item on the agenda was the Erie County Legislature's mid-year budget review. He invited Chairwoman Lynn Marinelli and Finance and Management Chair Demone Smith to brief the board on the outcome of the hearings.

Chairperson Marinelli stated: “The items that we focused on for the second quarter, most of the items have been accomplished. The Charter Review Commission has been processed and we expect to pass a local law to forward that to the County Executive.” She then asked Demone Smith to discuss the mid-year budget hearings.

Legislator Smith stated that they concluded the mid-year budget hearings on June 29th. “The budget hearings were tried in 2004 but due to differences in opinion, the meetings were not held. In 2006 the Legislature voted unanimously to hold mid-year budget hearings. We invited all commissioners, department heads, independent elected officials and members from the Fiscal Stability Authority, of which Vice-Chair Joyce attended with administrative personal, the Budget Director and the Initiative Director. The invitees were asked to provide information which consisted with a list of department personnel, contracts under 516010 and personal services under 516020. Actual revenues received from each department versus the amount that was projected as well as expenditures and a list of specific cost centers.

Mr. Smith continued by stating: “The focus of the mid-year budget hearings was to establish a tool for budget monitoring and fiscal oversight. We concluded that the County for the year 2006 is doing pretty well, and one of the reasons for that is the conservative budgeting by past Budget Director Vetter. There is a positive variance in the area of property tax of \$1.7 million and sales tax of \$2.3 million.” He continued: “There is also a positive variance in inter-government transfers and other revenues of \$2.6 million and personnel savings is \$6 million, supplies and repairs are \$223 thousand and other expenses are \$508 thousand. Contract agencies variance is \$3.3 million, different programs specifics is \$4.2 million and debt services is \$149 thousand. Interest rates are up \$1 million dollars, as well as Medicaid savings at \$12 million, which comes to about \$32 million positive variance.”

“The negative variances are in fines, fees and charges, and negative variance is \$929 thousand and most of those are from the satellite auto bureaus as well as the probation fees. The other negative is the cost of gas which is \$250 thousand and the overtime in the Sheriffs office and jail management is \$200 thousand.”

Mr. Smith then stated they had excellent cooperation from the Administration as well as the Legislature. He continued by stating this was the first time in the history of the Erie County Legislature that mid-year budget hearings were held and they were very successful.

Mr. Joyce applauded the Legislature for holding the mid-year budget hearings and asked if the Legislature intended on having the hearings in each subsequent year. Mr. Smith responded that that is the intention and he thanked Mr. Joyce for attending the hearings.

Director Johnson asked if, during the hearing process, were they able to compare the cost savings measures that PFM came up with to the saving measures of the Legislature. Mr. Smith responded that 30-40 percent of the recommendations are challenging. Director Johnson asked if they were able to determine if any units of other government owe the County money that could be apart of revenues that would increase the positive variance. Mr. Smith responded that some reimbursements come through to the departments, for example the Department of Social Services; they wait for different reimbursements and they budget those into the department.

“The Revenue Recovery Unit looks for outstanding debt to the County.” He did not believe it is all governmental.

Chairman Baynes asked Mr. Smith if they anticipate a tax increase in 2007 and Mr. Smith responded that he is unsure and it depends on the status of the year 2006 and he does not want to make any projections and he continued by stating we have been through enough of tax increases already.

Director Kee asked if they were able to identify any other cost savings for the County during the budget hearings. Mr. Smith said they did identify some and he would forward them to Director Kee.

Review of the Initiatives

Chairman Baynes stated that the board was continuing on the process started in May to review all initiatives, beginning with those with the most projected impact in 2006. He asked Director Kruly and other members to ask Budget Director James Hartman more questions on the status of the remaining initiatives.

Director Kruly stated they would start with the initiatives with the highest dollar amounts and continued with initiative number 41 (restructuring managerial confidential compensation package) which is in the budget and asked if it was operating as intended. Mr. Hartman replied that management-confidential employees are contributing 10 percent, and the number will grow to \$350 thousand next year. Director Kruly continued with initiative 66 (monitoring payment from OMRDD), noting it is not reported in the budget and that there are no savings. Mr. Hartman replied that the amount was voided by the Medicaid cap.

Director Kruly continued with initiative 138 (space audit and optimization). He noted this is not included in the budget and asked “Is this part of an efficiency grant initiative that you are looking for funding?” Mr. Hartman responded “Yes, there is nothing in the 2006 and there is a savings of \$140 thousand in the 2007 planned budget.” Director Kruly continued with initiative 120 (restoring the print shop). “There is \$170 thousand in savings projected and the numbers show \$109 thousand.” Mr. Hartman said “The number of \$109 thousand is correct and next year’s figure is \$170 thousand.”

As to initiative 90, (developing and implementing a market-based revenue program), Director Kruly noted a budget for \$166 thousand. Mr. Hartman stated the County will not realize anything for the initiative: “There are many obstacles for the concept and we have a study with a marketing consultant.”

Director Kruly continued with initiative 14 (establishing pre-sentence investigation fees): “There are several other probation fees in the budget.” Mr. Hartman stated the legality of the fees have been in question, but “There are 20 counties in the state that are imposing the fees.” He stated they would proceed to collect the fees aggressively on the basis of local law, with the exception of the pre-sentencing fee because it is complicated. “This initiative will be removed from the matrix.” Director Kruly asked if the initiatives they are going forward with require approval

from the Legislature. Mr. Hartman responded “They have already approved them and they will act on county law to collect the fees and we did budget them and we doubled the goal for the fees for next year.” Mr. Hartman added they are going to try to get the fees passed at the State level.

Director Johnson asked Mr. Hartman is there anything is the State Department of Probation regulations “which would prohibit you from acting on the County Legislatures action to proceed?” Mr. Hartman responded “There is nothing that expressly allows or expressly prohibits. It was just an opinion of the Attorney General.”

Chairman Baynes asked Mr. Hartman how many people would it take to collect the \$150 thousand and how much would it cost tot hire the people. Mr. Hartman responded that there are two people that have been hired and they are in the collection procedure.

Director Kruly turned to Initiative 26 (update Federal Marshal reimbursement) and noted: “It is not in the budget, is there any correspondence with the Federal government?” Mr. Hartman stated the Federal government pays \$95.00 per federal detainee per day and that they are asking them to pay the full cost which is \$110.00 but that he did not think they will get the full amount.”

Director Kruly then continued with initiative 4 (forest management program). “\$120 thousand is in the budget.” Mr. Hartman stated that the \$120 thousand has been achieved and it has been exceeded. “It has been put on hold due to questions that have been raised by the Sierra club regarding the environmental appropriateness. We will satisfy the environmental concerns and it will be budgeted in next year’s budget for \$260 thousand.”

Director Kruly proceeded with initiative 82 (reducing the Office of the County Executive) and stated “I understand expenses have been reduced.” Mr. Hartman stated that the savings were actually \$200 thousand. Director Kruly continued with initiative 146 (identifying savings in the County Legislature’s operations), “which I don’t anticipate you will answer for.”

They proceeded to initiative 164 (adjusting the County-Controlled fees to keep pace with inflation). “There is nothing in the budget and your notes state it will be examined in 2008?” Mr. Hartman stated that the County had raised a numbers of fees in 2006 and “We are proposing further increases in the Health and Parks area in 2007.”

Director Kruly then stated that initiative 48 (merging emergency services into central police services) it is contained in the budget, essentially eliminating a position of a Commissioner. Mr. Hartman responded that is was contained in the budget and the number will attained and it will be repeated next year and the merger is working.

Director Kee asked if the Erie County Charter was changed to reflect the merger of the two departments.

Legislature Kozub volunteered that everything is going to be under one umbrella Department of Public Safety, including Central Police Services, Emergency Medical Services and Emergency Services, except that part of the EMS will be under Health.

He stated they were trying to set up a meeting with Commissioner Kevin Comerford and the County Executive to make it official.

Mr. Kruly continued with initiative 72 (police training at ECC), stating: "Nothing is contained in the budget, but \$392 thousand was projected for 2007." Mr. Hartman responded "It could have been in the 2006 budget but a contract had to be developed and completed which is now done."

Director Kruly went to the next initiative 117 (increase other government purchasing on County Contracts). "What you are looking for is to have towns or villages participate; there was \$105 thousand anticipated but nothing is in the budget." Mr. Hartman stated that there is a projection for 2007 of \$75 thousand.

They continued with initiative 107 (selling mobile library tractor). "This was estimated at \$100 thousand and nothing contained in the budget." Mr. Hartman stated that was the library's initiative and he is not sure where they are on it. For initiative 27 (containing jail food cost) \$93 thousand was projected, but only \$20 thousand was included in the budget. Mr. Hartman stated that the board would need to speak to the Sheriff on this initiative as he develops his 2007 budget.

Director Kruly then went to initiative 110 (consolidation of Veterans, Commission of Status of Women and EEO into New Office of Public Advocacy). "This wasn't contained in the budget, is this a completed process?" Mr. Hartman responded, "Yes and the savings will continue to be about \$100 thousand in 2007." Initiative 143 (entering into energy service agreement with City of Buffalo and BEDC to purchase heat); "Nothing is contained in the budget." Mr. Hartman stated that the Department of Public has discussions under way with the City.

Continuing with initiative 16 (probation fees), Mr. Kruly said "and I assume your previous comments apply here" and Mr. Hartman responded yes. Initiative 31 (reducing transportation costs through video arraignments) "\$70 is projected, but nothing is in the budget." Mr. Hartman replied: "Due to the State, this is something that can not be included in the matrix. There are other ideas though that relate to this topic."

Director Kruly continued with initiative 29 (revised vehicle specifications projects) noting that it ties into other Fleet management. "Savings were \$66 thousand projected." Mr. Hartman responded that this was "part of the Ford versus Chevy issue. There were no new vehicle purchases in the County except for the Sheriff. When we do the 2007 budget we will give the Sheriff an amount for vehicle purchase and this is a budget item to be negotiated with the Sheriff."

Director Kruly then went to initiative 52 (developing a regional automated public health laboratory testing program.) "This item was in the Partnership plan and also PFM report; \$65 thousand was projected in the plan but nothing is in the budget." Mr. Hartman responded that was correct. Initiative 33 (improving attendance monitoring and payroll controls) "\$50 thousand was projected but nothing is in the budget." Mr. Hartman stated "They do have a clerk in the personnel department who is monitoring attendance and we should achieve a savings in 2005 and

we have it in next year for \$180 thousand.” Initiative 47 (establishing work rules for satellite office staff in the auto bureau). “\$50 thousand was projected.” Mr. Hartman stated “This in the larger reorganization of the satellite offices. The offices are up and running and we have in for next year at \$1.7 million.”

Director Kruly went to initiative 53 (increasing revenue by increasing Medicaid reimbursement). “Previously there was one question will these categories, PFM did there work in August through October, the cap on Medicaid was approved before that.” Mr. Hartman responded that he could not criticize PFM for that number because they did not fully understand the cap number for Medicaid.

Director Joyce asked “With in respect to PFM, I have heard a number of times they were inaccurate or they overestimated, has that been made public and who was the file arbitrator?” Mr. Hartman responded that it would be himself and the department heads. “The documents are public record, but there is no specific analyses as to which estimates were correct.”

Director Kruly continued with initiative 104 (investment management) “A savings of \$50 thousand was projected and nothing contained in the budget.” Mr. Hartman responded “This year we will have investments earnings that are \$2 million greater than the budget and most of it is attributed to high rates and the fact that we have more cash in reserves.”

Initiative 142 (review energy purchasing policies); “There is nothing contained in the budget.” Mr. Hartman responded that Erie County’s system of buying energy through the collective is saving several million dollars but the price of energy is increasing. “We have to work hard to keep our energy cost flat.”

Director Kee stated, “It would make sense if all the non-for-profit and all major cultural that work with the County were members of the collective - is that the case or is there more enrollment needed in order to achieve membership?” Mr. Hartman responded, “There are more enrollment possibilities and we are working with the Department of Public works to see if this is an area for an efficiency grant.”

Director Kruly continued with initiative 118 (resuming the use of procurement cards): “The plan projected \$43 thousand in savings the budget; contains \$5 thousand. Mr. Hartman responded that they have \$50 thousand in the budget for 2007. Initiative 133 (implementing an automated vehicle sharing program): “\$41 thousand anticipated and nothing contained in the budget.” Mr. Hartman responded that the initiative has been put into effect and it part of the management of the fleet. “With reduction of the fleet and also better management of the fleet, there should be a savings of \$450 thousand next year.”

They continued with initiative 109 (charge local developers for 239 reviews): “\$40 thousand projected and nothing in the budget.” Mr. Hartman responded: “It was something we took out because the Attorney General said it was illegal so it was removed.” Initiative 123 (assess use of the RAN infrastructure to reduce circuit cost): “\$39 thousand projected, nothing in the budget.” Mr. Hartman stated they have \$24 thousand in savings this year and we have it in next year’s budget for \$24 thousand.

Initiative 43 (increasing pistol permit fees): “\$38 thousand contained in the budget?” Mr. Hartman responded: “Yes and growing to \$58 thousand next year.” Continuing with initiative (instituting fees for probationer testing) Mr. Hartman noted it is tied up with probation along with initiative 15.

Continuing with 131 (improving fuel management): “a savings of \$28 thousand and nothing contained in the budget?” Initiative 6 (instituting boat launch fees) “Contained in the budget?” Mr. Hartman responded “The fees are being collected and we’re not sure of the savings as of yet.” Director Kruly noted that was also a Partnership recommendation.

Initiative 70 (criminal history record information) “\$20 thousand projected and nothing in the budget?” Mr. Hartman responded that it will be in the budget next year at \$20 thousand. Initiative 115 (improve contract competition) “Contained in the budget but is there a state law that needs to be changed?” Mr. Hartman agreed and then stated they see a savings of \$750 thousand. They continued with initiative 114 (deputy sheriffs being called to court to testify). Mr. Hartman stated that there is nothing in the budget this year but suggested to the Sheriff that the amount of \$32 thousand could be in next year’s budget.

Director Kruly continued with initiative 5 (increasing camping fees) “\$13 thousand was included in the budget.” Mr. Hartman stated that they may exceed the amount but it will be in next year’s budget. Continuing with initiative 134 (purchasing pre-owned light-duty vehicles) “\$11 thousand projected and nothing in the budget?” Mr. Hartman responded “This initiative would have been a savings in the capital budget and we are not purchasing any vehicles.” Initiative 157 (increase autopsy report fees for non-family) “\$10 thousand projected and nothing in the budget?” Mr. Hartman responded it would be in the budget next year for that amount.

They continued with initiative 71 (criminal history records for landlords) “There is nothing in this year’s budget?” Mr. Hartman responded it would be in next year’s budget. Initiative 10 (review of the City of Buffalo parks fees) Mr. Hartman responded that this initiative was part of an ongoing discussion with the City regarding the parks. Proceeding to initiative 20 (implementing custody and visitation fees). “Is this another form of probation fee?” Mr. Hartman stated that they have achieved the amount and will achieve it again next year.

Director Kruly continued with initiative 67 (transferring additional responsibilities to contract service providers). “\$4 thousand in the budget?” Mr. Hartman responded “That is correct and it should be \$8 thousand next year.” Continuing to initiative 136 (GPS system) “This is not included in the budget?” Mr. Hartman stated that he did not believe the initiative accomplished anything. Continuing with initiative 35 (restore one front line personnel department position) “Was this included in the budget?” Mr. Hartman stated “Yes.” Initiative 77 (scanning misdemeanor and records). “Was this a position that was added?” Mr. Hartman responded yes.

Director Kruly continued with initiative 83 (adding a clerk to improve productivity). “The amount of \$53 thousand, was this included in the budget?” Mr. Hartman responded “Yes.” Moving to initiative 21 (encouraging the use of juvenile alternative home services). Projected at a cost of \$117 thousand, his was included in the budget. Initiative 84 (engaging a professional risk manager). “Concerning various insurance issues, you referred previously to Brown and

Brown, is that the firm referred to in this item?" Mr. Hartman responded that this position has not been created but the County has the Brown and Brown study and it gives a description of what the role will be and the position will be filled in the fall and it will be a fulltime position. Initiative 84 (restoring one full time position and several part time positions in the County Clerk's office). "\$142 thousand, is this in the budget?" Mr. Hartman responded that it was. Continuing with initiative 8 (restoring park staff) "\$269 thousand, is this in the budget?" Mr. Hartman responded yes.

Director Kruly continued with initiative 126 (appointing a fleet manager and support staff). "\$277 thousand, is this amount included in the budget?" Mr. Hartman responded "Yes." Initiative 25 (purchasing GPS and monitoring equipment) for \$320 thousand. Mr. Hartman said: "It is not in the budget but we are submitting an efficiency grant."

Director Goodell asked Mr. Hartman if the fleet manager will have authority. Mr. Hartman responded that his authority has to go through the department heads and the idea is to make sure the entire fleet is being managed. Director Goodell stated that he hopes the individual will make things happen. Mr. Hartman stated that the position was filled in January and they have control over the county vehicles and they have fewer vehicles than in 2004.

Director Goodell asked if there was a system for monitoring the vehicles and if the vehicle was used for personal use, how is that handled. Mr. Hartman responded that there is a monitoring system and if the vehicle is used for personal use the fleet manager would bring the information to the department head and if needed the information would be brought to the Deputy County Executive.

Chairman Baynes asked Mr. Hartman for a list of the vehicles and who are using them and Mr. Hartman responded he would provide such a list.

Director Kruly continued with initiative 65 (restoration of position in the DISS). Mr. Hartman stated that is was done. Initiative 64 (restoration of positions in Social Services) "Is that negative \$710 thousand included in the budget, is that number a gross or a net number?" Mr. Vetter interjected that is was a gross number. Continuing with initiative 152 (debt service costs) Mr. Kruly asked "Was this not done because the County chose not to pursue that way of funding last year?" Mr. Hartman responded that it is an increase debt service expense and this was an adjustment.

Finally, Director Kruly addressed initiative 11 (reviewing probation caseloads and making adjustments), projected as an expense of \$1, 275, 000. Mr., Hartman responded that the number was correct and they had to increase the size of the probation staff.

Director Kruly stated that, in summary, there were 85 initiatives that were to start in 2006, 71 of the initiatives were positive in the sense of saving money or producing or producing revenue. Out of those 71, 35 were contained in the budget and out of the remaining initiatives some were in the budget but for a lesser amount and some were initiatives were negative because there was an expense involved.

Chairman Baynes asked Mr. Hartman for a copy of the Brown and Brown report and continued by stating “Given what we have heard here and for the series of meetings discussing the initiatives, a draft resolution has been distributed to the Directors of the Authority, just prior to the meeting.” Chairman Baynes asked Director Kee to read the resolution number 06-37. Following the reading, Director Joyce moved and Director Johnson seconded the motion. Chair Baynes opened the floor on the question.

Mr. Hartman said he had a statement prepared by the County Executive and that copies had been provided to the board. He commented “It should be no surprise that not all of the PFM initiatives are going to be realized in the amount that was projected last fall.” He continued by stating that, as Comptroller at the time, he wrote a letter to the Authority stating there were \$40 million dollars of recommendations that were too tenuously-defined to be included in the Four-Year Financial Plan. “There were approximately \$35 million of labor savings and we know the issues associated with those. Out of the remaining initiatives, we have worked through those and as indicated we will include those to the maximum extent feasible in 2007 and going forward.” He continued “The correspondence to the Authority is a restatement of the Four-Year Plan.” He stated he heard comments that the County has a hundred million dollar deficit in the years ahead and that statement has been made by the members of the Authority. “Those statements are not correct and they are a misrepresentation of what is in the Four-Year Plan.”

Chairman Baynes asked Mr. Hartman, “What is the correct number?” and Mr. Hartman responded “The numbers are in front of you.” Chairman Baynes referred to a bullet item in the letter from the County Executive which refers to the future, elected Governor, observing “There are three that are in contention and only one has stated he would help with the current situation in Erie County.” He asked if it was a fact the State will be cutting \$35 million in Medicaid.

Mr. Hartman responded that every county including Erie County will pursue that reduction in Medicaid. He continued by stating the administration has two contingency actions that would be triggered. Chairman Baynes asked if one of the contingency items was reducing the staff by 400 positions, “Is that correct?” Mr. Hartman stated “Correct.”

Chairman Baynes continued: “On the third point of the correspondence, it states there will be a rise in property taxes of \$15.2 million. Is this true?” Mr. Hartman responded that the County could raise the taxes. Chairman Baynes asked “Would you raise the taxes by \$15 million.” Mr. Hartman responded: “If necessary, yes, if it would balance the budget.” Chairman Baynes asked “If the other two if-comes fail, would the County raise the taxes?” and Mr. Hartman’s response was yes.

Mr. Hartman stated that the Medicaid relief would be the preferred strategy and the other two are the contingency actions that the County could achieve.

Chair Baynes asked: “Did I ever call you and bother you? Mr. Hartman replied “No.” Chair Baynes said that he takes offense to the allegation by the County Executive that he has used “harassment tactics.”

Mr. Hartman then stated: "Legislation is laid out for the process of how the Four-Year Plan would be developed, there is a logical process and it has been explained. We will do a four year 2006 projection and that will lead to a forecast for 2007." He continued by stating that will lead to the 2007 budget.

Director Kee stated that there is always a resort to increasing property taxes and asked "Are there any new initiatives or cost savings that we have not seen yet? What are we doing to prevent a tax increase?"

Mr. Hartman responded there are two or three initiatives that the County is working on. He hopes when the Four-Year Plan is presented in October, the initiatives will be included.

Director Johnson stated that he finds it appalling that there is a consideration of another tax increase on top of the devastation that has already happened in 2006. He continued by stating that the tax payers of Erie County are sick and tired of the increase of property taxes. He stated that every politician running for re-election or election, talks about the young people leaving this county and how businesses are leaving. It is the result of continually raising property tax increases. He continued by stating the government needs to be stripped down internally before we consider any other property tax increase.

Mr. Hartman responded that the administration is not saying property taxes are a desirable course of action. Director Johnson then suggested that there should be a compassionate attitude for the tax payers and that a property tax increase should not even be considered.

Chairman Baynes stated that he has looked through the budget for 2007, 2008 and 2009. "There is a 75 cent sales tax increase that sunsets on November 30th - has the Legislature approved this?" Mr. Hartman responded that Legislature needs to vote on the increase sometime in 2007. Chairman Baynes asked if it was safe to say they had the votes for the 75 cent sales tax increase. Mr. Hartman responded that the Legislature had approved the increase in the past.

Director Joyce asked Mr. Hartman "When did it become obvious to you the County would be structural imbalanced in 2008 and 2009 with regards to the Four-Year Plan." Mr. Hartman responded that he wrote a letter in October when he was the Comptroller stating he thought \$40 million was not reasonably included in the plan. Mr. Hartman then stated "The County has fast-forwarded the restoration of fund balance that reduces the amount which we have to do in the out-years which make the out-year which makes the out-year challenge smaller."

Mr. Joyce stated "Because of the lack in the progress of the initiatives the County is structurally imbalance in the years in 2008 and 2009 and it is entirely appropriate for this Authority to ask for a plan that is in balance."

Director Goodell asked "Where are the cost reductions?" He stated that there has not been one effort on the part of the County to re-engineer any part of its operation.

Mr. Hartman responded that if they cut 400 positions it would require specific re-engineering. "We are taking about operating Erie County Government with less people."

Chairman Baynes asked for a vote on the motion to approve the resolution. The resolution was unanimously passed.

Resolution 06-37

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 county provided this authority with a four-year financial plan in the fall of 2005, covering the years 2006-2009, and

WHEREAS, Section 3957.2(f) of Chapter 182 mandates that the county’s “financial plan shall be regularly reexamined by authority in consultation with the county,” and

WHEREAS, this authority has fulfilled that responsibility at recent meetings by reviewing, on a point-by-point basis, the initiatives contained in the county’s four-year financial plan, and

WHEREAS, this review, conducted at public meetings, has revealed that many of the initiatives are not included in the county’s 2006 budget; have been dismissed as unworkable; or are producing savings or new revenues at an amount less than originally projected; and

WHEREAS, there are 85 initiatives in the four-year plan that have dollar implications for 2006; and

WHEREAS, 14 of those initiatives proposed additional spending for the county, and ten of those items have been implemented thus far; and

WHEREAS, of the remaining 71 initiatives, that involve savings or additional revenues, 35 are not included in the 2006 budget; 26 are in the budget; and 6 are producing less in savings or new revenues than expected; and

WHEREAS, of the 25 highest projected value initiatives that were anticipated for 2006, the 12 that are not in the budget, or are producing less value than expected, involve a total dollar value of \$10,756,000, and

WHEREAS, additional initiatives, not yet reviewed by the authority but anticipated to produce savings or additional revenues beginning in 2007, are valued at \$11,486,000, and

WHEREAS, the initiatives contained in the county's four-year financial plan are cumulative, and thus initiatives that do not produce their projected value in the early years of the plan also have a negative effect on future years as well, and

WHEREAS, for these reasons it is appropriate for a modified four-year to be produced, and

WHEREAS, Section 3957.2(f) of Chapter 182 of the Laws of 2005 states that "the County Executive shall provide a modified financial plan in such detail and within such time periods as the authority may require."

THEREFORE, BE IT RESOLVED that the ECFSA does hereby require the County Executive to provide this authority with a modified four-year financial plan updating all changes, additions, or deletions based on his assessment of initiative opportunities, and with the same level of detail provided to this authority in the fall of 2005; and be it further

RESOLVED, that the County Executive is required to provide this modified financial plan to this authority by no later than 12 noon, Tuesday, August 22, 2006 by delivery to the offices of the authority; and be it further

RESOLVED, that copies of this resolution be sent to the County Executive, the County Comptroller, the Chair, Majority Leader, Minority Leader and Clerk of the Erie County Legislature; and to the Governor, the State Comptroller; the Senate Majority Leader and the Speaker of the Assembly.

The resolution should take effect immediately.

Other Business

Chairman Baynes asked if there was any other business and Director Keysa stated that he had circulated the charter committee items to the members and will try to incorporate the changes in the By-Laws.

At 3:50 p.m., Chairman Baynes asked if for a motion to adjourn. The motion was made by Director Johnson, seconded by Director Goodell, and unanimously approved.

Respectfully submitted,

Stanley Jay Keysa
Secretary