

**Minutes**  
**Erie County Fiscal Stability Authority**  
**Finance Committee**  
**January 5, 2007**

*Note: the following is a draft copy of minutes of a meeting of the finance committee of the Erie County Fiscal Stability Authority (“ECFSA”), which was held January 5, 2007. These minutes will not become final until approved at a subsequent meeting of ECFSA finance committee, and may be amended before approval*

Director Goodell called the meeting of the Erie County Fiscal Stability Authority (“ECFSA”) finance committee to order at 3:00 P.M. Notice of the meeting had previously been distributed to all Directors and announced to the public and press.

Directors Present: Joseph Goodell, Ken Kruly, John Johnson and Sheila Kee

Others Present: Kenneth Vetter

Chair Goodell: “Good afternoon everyone. This is a meeting of the ECFSA finance committee and we want to welcome fellow committee members, interested members of the community, media and the press. We are here today for a presentation of the 2007 Budget and the Four-Year Plan which is 2007 - 2010.

“Before we get into that, we need to do some housekeeping. We need to approve the minutes of the last meeting on December 21, 2006 which I believe Mr. Keysa has circulated prior to the meeting. Could a get a motion to approve?”

Director Kruly moved approval of the minutes, seconded by Director Johnson, and unanimously approved.

Chair Goodell: “At the December 27, 2006 meeting the ECFSA referred the 2007 Budget and the 4 Year Financial Plan to the finance committee for review and comment. The presentation we will receive today is one of the first steps that we are completing to thoughtfully review of the Plan and the Budget to come back with our thoughts to the full Board. This committee will report to the full Board and the board will take whatever actions it deems necessary in the resolutions having to do with the hard or soft control board. Budget Director James Hartman is here to go through some of the highlights in the budget plan. Mr. Hartman could we get an over view of the budget or plan? After your overview, the members of the committee will be asking you questions on specific aspects of the document.”

Budget Director Hartman: “Such an auspicious setting. You have received prior to the meeting this blue folder full of items which we have put together. We have extra copies of these blue folders for anyone in the audience who does not have them. What is contained here is the Four-Year Plan which reflects the budget as adopted by the Legislature and then certain revisions to future years based upon the budget as adopted. I will very briefly highlight what occurred and then we can deal with questions. The Legislature in our view went through the budget very carefully and made changes but as indicted made changes with regard to the structural integrity of the 2007 budget. It is a balanced budget as they adopted it. They made about \$3 Million dollars of changes essentially in the big picture. The Legislature removed about \$1 Million in various fee and other revenues. They added over slightly \$1 Million of expense for that \$0.5 Million for the library and \$0.5 Million for certain culturals and they essentially paid for the fee that they did not increase which was slightly under \$3 Million in savings largely in personnel and also in some savings; again they are changes that are reflected accurately and the budget is tightly but firmly

balanced. The other changes that some of you are aware of.”

He continued by stated that what they did to protect from what might be a decline in sales tax revenue. “We had projected that decline and did add a reserve of \$3.25 Million dollars to protect against any slippage in the sales tax, so these are really the changes to the 2007 budget in terms of the future year so the budget the probably biggest change is at the request of the Legislature results or pertains to the issue of how we pay for road repair but specifically how we pay for the State’s program and rather than using bonded money for that the Legislature requested that we use current revenues going forward in the 2007 budget we have about \$4.8 Million dollars of bonded money about what we did in the future years in the budget but we would phase out that money and use revenue by the year 2010 so by three year is to would be 26% of the current revenues that we would phase in and pay for that we have proposed in this years version and increase it in the property tax of \$1.6 Million each year to make that bonded money transfer from each year to CHIPs program the final sort of significant program and what I think is the most significant is with regard to the gap-closing items for three future years of the plan.”

Mr. Harman stated: “In October, when we presented the plan, we said that we would close those gaps entirely with savings. In its decision to impose a control period the Authority decided that a significant number of this saving, in addition to the items that sort of arrived from the original PFM which we had included in the plan, were not significantly documented in the plan. The Authority discounted those. As a result we have kept them in the plan as assumptions. The Administration has tried, and we can get into more detail if you want, to provide more evidence as to why we think these are more reasonable and appropriate assumptions.”

He continued: “Again, in order to keep this as reasonable and appropriate, and I don’t believe that Legislation needs to agree that these are 100% certain of achievement, but I think that the list from the original PFM report are things that we can accomplish and are thing that we were are commitment to doing . We have documented them as efficiently as we can at this point. I can tell you with 100% certainty that they will be accomplished. However, what we have done, and this is the other final adjustment to the plan. We have said that to the extent in future years any of these savings shall not materialize at the level that we projected we would each year if necessary use the property tax to offset any slippage in those efficiency initiatives so the property tax would be used as a contingency in the event that these savings initiates should not materialize as projected. So those really are the changes in the plan and with that I will take any questions.”

Chair Goodell: “Before we come up with any questions, I would like to point something out here in some of the dialogue between the Board and the County. There have been questions about whether we gave you notice off our concern about certain items. I want you to understand that the questions we ask today, we suggest you should focus on explaining better than you have in the past. We will endeavor to give you a list of questions by e-mail tomorrow and we will look to have your responses back to us by the end of business Tuesday. We will schedule a full Board meeting on Thursday or Friday. Because we have a short timeline here it is important that you consider our questions here as official questions.”

Budget Director Hartman: “You have asked unofficial questions in the past”?

Chair Goodell: “No.”

Budget Director Hartman: “Thanks. I guess we understand each other. I will have someone in my staff take notes and hopefully I can answer your questions and respond to your e-mail.”

Director Johnson: "You made mention that this budget from 2007 through 2010 could conservatively have to look at the increase in property taxes to make it a balance budget. My question to the Administration is: Have we conservatively made all of the reductions for 2007-2010 where there will be not heavy reliance on property tax increases what examples are in the 2007 budget? The last time, there were 387 new jobs in the budget and I still do not see the necessity of those jobs. Why is it necessary to retain these and impose a property tax? Why are we relying on increases in taxes instead of utilizing efficiency and or cuts to balance the budget? I will come back with another question on capital projects as well."

Budget Director Hartman: "Now listen to me and to what I said. First off, let me speak to the issue of jobs which is sort of controversial. We did not add new jobs to the budget, there is a net gain of eight, I think now, after the Legislatures changes, 87 jobs which as we explained provided information on are largely paid with State and non-County funds. There is about \$200,000 of County money for new jobs in the 2007 budget. Those jobs are required and when you cut through it all, basically those will be in privation at the jail where we were under clear mandates to increase staffing. We make no apology for that."

"Now with regards to the issue of taxes, we have gaps going forward that are approximately \$10-12 Million dollars a year. Again, they are \$1.6 Million higher than what we gave you before because of the request of the Legislature to change the way that we use CHIPS funding. So let's think about what happened. In October we presented a plan that had achieved by the year 2010 over \$30 Million of annualized savings and it is still our objective to achieve those. Now the Board, in it's decision to go into a hard control period, told us that they didn't think that we could achieve those plans so the first sort of question in how to address the CHIPs funding. Where are we going to put more saving on the table or would we look to impose a modest property tax increase? We chose the later."

He continued by stating: "Now, let's explain what I said with regard to contingency. What we are saying in this plan is that we have a commitment to achieve over \$30 Million of annualized savings by the year 2010. We are not walking away from that. But we are making the simple common sense statement that since the Board has questioned our ability to accomplish all of these savings; we are simply making the obvious point that we do have the second resort to a property tax increase. This is not the action we want to take but if necessary we will use the property tax increase to balance the budget and I would make this comment.

"The inclusion of a property tax is not the grounds for this Board to reject the plan. You may have objections as individuals to a property tax increase and you are free to have those opinions. You can write a letter to the editor, write to your Legislature and you can go on a soap box on the street but you can not use your personal objection to property tax increase as grounds to reject the plan. That is a policy decision which we are up to as the elected officials of Erie County. The question is: Is it an achievable method to close the budget? and yes it is. Again we are closing most of the projected gaps with savings and all we are saying here is, if necessary, we will raise the property tax as a contingency to ensure budgetary balance. It is just common sense; it's how every other government works. Any other questions?"

Director Johnson: "I would like to clarify something here. I don't believe there is anyone on this committee, certainly not myself, that is trying to enter any kind of personal opposition to the property tax increase as a means to reject the plan."

Budget Director Hartman: "Good."

Director Johnson: "I believe however, there are many individuals who are residents with property in this County that are objecting to a property tax increase. Whether you are in a hospital or a

barber shop, walking down the street talking, people are saying that we are being choked to death with property taxes and there is an issue with how that money will be used in the 2007-2010 budget.”

Budget Director Hartman: “Again what I just said...”

Director Johnson: “There are some good solid statements being made which are assumptions. Do we know what CHIPs funding will be in 2007-2010 years?”

Budget Director Hartman: “Our policy is to accrue budgetary balance with sales. With regards to CHIPs in the 2007 budget, we are using \$4.8 Million in bonded money. That does not create a technical deficit in the budget, **but we have all sort of accepted that in order to move to current revenue, in order to provide,** in a sense, to do the work that would end the CHIPs reimbursement, we decided to add \$4.8 Million by the third year at the Legislature’s request. I sort of looked at this and thought that, in the earlier version of the plan ,we put aside around \$30 Million which are savings that are being questioned so we tried to come up with another \$4.8 Million. I could be more realistic and do the piece with the property tax. This is only \$1.6 Million a year, and things can change a lot over the course of a year.”

“For my final year as Budget Director in 2008, if we can avoid using that property tax increase, then we will do so, but at the moment we will assume that this is what we are going to have to for a little bit longer to balance the budget. Budgets change a lot in a year but this is what we have decided at the moment. Savings first, property tax increase second. The primary message here is we will do what we have to do to balance the budget. We will use savings first and property tax increase second if necessary.

Executive Director Vetter: “Quick question on the property tax. I understand that you are using this as a fall-back solution. If certain items don’t occur and the situation, considering the magnitude of the problem that we have had in the past, maybe looking at future, if that means a 20 - 30% property tax increase, the Board imposing a value judgment and this is a balanced budget. Is there reasonable assurance from you/ or the Administration that you will put that forward and the Legislature will accept it? That is, reasonable assurance and that is what the ECFSA looks for, to show that what may have happened in the past does not happened again. Do you have statistical data to indicate when there has been a double-digit property tax increase any time in Erie County’s history?

Budget Director Hartman: “How are you doing your math?”

Executive Director Vetter: “Pardon?”

Budget Director Hartman: “How are you getting from 20-30%? We all have the paper in front of us and we all can see the numbers so let’s do them.”

Executive Director Vetter: “What I am asking is, in addition to the \$30 Million dollars in initiatives that are on the sheet and others that are in different places, if a significant number of those don’t come through, we are talking about double digit tax increases. Bond-rating agencies will not want to know if you have the ability to do but will want to know if you have the will to do it. If there is a double-digit increase that you require and is there the political will from the Administration and the Legislature to do that? This is a much different situation than saying “We have the will to do” than “We will do” and that “You have our assurance.”

Budget Director Hartman: “Let’s take this question in two parts. I think you are off-base in your math. Let’s look at next year. The \$1.6 Million would be less than a 1% property tax increase. You questioned in you resolution and discounted about \$5-6 Million of efficiency

initiatives. I don't think we will miss on all of those but even worse case, if we had missed on all of them, we would not be looking at a double digit property tax increase. We would be looking at something more like a 3-4 %. The question is, if we accomplish none of those services, not a cent, would we propose a 3-4% property tax increase? If that were the only way to balance the budget...yes. "

Executive Director Vetter: "If it is much larger than that, double digits, are there reasonable assurances? If it is a double-digit tax increase, are there reasonable assurances? Because we are talking about revenues and expenses in a budget, that we will do what we have to do to go forward. No going back and forth, if it is significant; a double digit tax increase the rating agencies will ask you these things to. Is that something where there is political will?"

Budget Director Hartman: "Yes."

Chair Goodell: "I think, Mr. Budget Director Hartman, you must recognize our concern after seeing how the County has managed these increases, in particular sales tax, over the past several years. You were not even able to produce the entire 1% increase in sales tax but you stood in front of us and said that we will get that. We do have reason to be skeptical of your promises and assurance in this area."

Budget Director Hartman: "I am not following that logic."

Chair Goodell: "I have more questions for you."

Budget Director Hartman: "No, let's finish the question."

Executive Director Vetter: "I'm pretty much done with you."

Budget Director Hartman: "No, I'm not done talking to you."

Executive Director Vetter: "Well, I'm done with you."

Budget Director Hartman: "Well, I'm not done with you. So let's just continue and here's why we're not done, because you're now dealing in a hypothetical okay. You've in your resolution questioned for 2008 about \$5 Million in savings and I have indicated to you that if none of that were able to be achieved, what a property tax need to be. Now you're asking me what if something else. So we have done forecasts which I must remind you, you have not questioned. You have not questioned the base line forecast; you have only questioned the gap-closing ideas. So, your question is extremely hypothetical because it would assume that something occurs that none of us envision at the moment. And if your question is: In the event of some extremely negative situation that would occur; I cannot speak for everybody in County government but what I believe is that, if necessary, if that was the only option. If there were some hugely negative set of events that we do not now foresee, then yes, we would propose to raise the property tax."

Chair Goodell: "I think there is evidence that the Legislature would at best squirm at that and perhaps would not accept a property tax proposal. That is the kind of thing that is in our mind and we have a lot of history to base that on."

Budget Director Hartman: "At the heart of the question is what a reasonable and appropriate assumption is. If you are going to assume that no Legislature is going to act responsibly, then I guess Erie County will have a hard control board forever."

Director Kruly: "Just following up on the property tax question, your Four-Year Plan shows that the County property tax, not counting the library portion, will increase from \$128 Million in

2006 to \$190 Million in 2010; an increase of \$62 Million. That, of course, assumes that all of your initiatives work and that all your revenues are correct and when any of those are not favorable, you expect that number will go up. I appreciate the gratuitous lecture on what we can do and what we cannot do about more property tax but I can assure you, Mr. Hartman, that there are, like Director Johnson said, more than 100 of the taxpayers out there that are more concerned about this than you and your Administration seem to be.

Budget Director Hartman: "That's an unfair statement."

Director Kruly: "Excuse me Mr. Hartman I have the floor. Thank you."

"The program that you have laid out has a lot of problems in it and I would point out to you that there are a number of triggers that point out, in the law, why we are a control board and will explore all of them."

"I am concerned about the sales tax estimates which I think you may have hidden by increasing property taxes in a contingency account and there are a number of other assumptions about revenue that I think we will explore over the next few days as we prepare a report. I have a few questions I would like to get in with you."

"Page three of your document, entitled *Four Year Financial Plan*, talks about other sources of revenue in the amount of \$5.1 Million in 2006 from the sale of County assets. I assume that is in reference to the sale of property in ECMC. Is that correct?"

Budget Director Hartman: "We are talking about 2006?"

Director Kruly: "Yes."

Budget Director Hartman: "Correct."

Director Kruly: "What is the status of that sale right now?"

Budget Director Hartman: "It is in negotiations."

Director Kruly: "Is it true that the County owes ECMC several Million dollars in back rent?"

Budget Director Hartman: "In negotiations."

Director Kruly: "I'm not sure what you mean by that. Does it owe money or doesn't it?"

Budget Director Hartman: "The hospital believes we owe money."

Director Kruly: "So even if the sale of the building goes through, it would be devalued by the amount that was settled on in negotiations to ECMC?"

Budget Director Hartman: "We are talking to them about some of the assumptions that would determine the size of the surplus that would have occurred within 2006 and what one of those, which we identified, is being an issue is, so that it will be resolved in the resolution of that surplus in this real estate transaction."

Director Kruly: "You brought up that another portion of that would be impacted by the sale of tax liens in 2007. I understand there is a meeting next week to discuss that. The Comptroller's office has questioned whether or not that transaction should be made or not. Is the Administration intending to stick with the sale of those tax liens?"

Budget Director Hartman: "Yes ."

Director Kruly: "Do you think this is good fiscal policy?"

Budget Director Hartman: "Excuse me?"

Director Kruly: "Do you think the sale of assets is good fiscal policy?"

Budget Director Hartman: "I think this was part of the 2006 assumption; it was delayed because of issues with GASB 48 which I think we have resolved and yes I think it makes sense for 2006. Yes I do."

Director Kruly: "We will have more to talk about next week when we have that meeting. The Four-Year Plan also talks about personnel costs over the next four years and the table that we have in front of us shows that the estimated cost for wages in 2006 was \$164.5 Million and you anticipate in 2010 that it will be a \$205 Million which is a \$41 Million increase. You are projecting in other parts of this document that there should be elimination of about 15% of the work force between 2008 and 2010. Are those eliminations factored into the projections?"

Budget Director Hartman: "Well, let's remember how a financial statement is put together in two parts; there are what are called the base line assumptions, I think this is all explained, what we have been doing in 2007 is we have money for the longevity increases we do not have money for the money for the cost of living increases because there are no settlements and we do not expect to pay any cost of living increase in 2007. Now, in the base line assumption, being in 2008, I think it is only realistic to assume that that there would be the wage increases. If I were you I would find fault in us for not assuming and that are what we don't assume, so between the longevity and cost of living increase we have about a \$3.2 Million increase a year for wages. Now, what we have said in the gap -closing section of the plan, which is different from the base line assumption, is what we have said in the gap-closing section, is that our collective-bargaining strategy will be that increase should be offset with saving and work rules and employee contributions to health care that are quantified in the gap-closing and they would essentially offset the wage increases that we assumed in the base line section. Does that answer the question?"

Director Kruly: "I happen to think that a 25% increase in personnel costs is an awfully big number but I did a little quick math before the meeting and if we take the \$164 Million that we spent in 2006 and roll up 3% increases compounded for 4 years I come up with \$106 Million and you are showing \$205 Million or a 6% growth a year, and I have questions about the number rising that fast."

"Page 6 in risk retention, I know that some of the surplus is used to provide some funds for risk protection; I see no appropriations projected in 2007 or 2009. Do you have some base line on what you anticipate are the correct appropriations or is there something else we are missing here?"

Budget Director Hartman: "Well, put that in your e-mail. We have a schedule that should show that information but right now we have about \$6 Million in risk retention. Our history says that it costs us about \$3 Million a year, and what we are doing is making some assumptions on what we need to pay out and what needs to be replenished."

Executive Director Vetter: "Could I interrupt with a follow-up. I am aware that the Legislature has requested this. Is there a list of payout pending? I have been to a couple of meetings of the Legislature where that they have requested and not gotten this list. Are there lists out there that could be distributed to the Board here?"

Budget Director Hartman: "I have to defer to County Attorney, he has some issues."

Chair Goodell: "Could we have an answer by Tuesday?"

Budget Director Hartman: "Yes, that has been the issue with the Legislature, with the concern that that list should not be made public."

Director Kruly: "Also, on page 6 of the plan is the subsidy for Erie Community College. There is an increase of about \$1.9 Million that I understand is a capital item or direct payment or borrowing from the school, is that correct? You have increased this subsidy by increasing by giving cash for it instead of capital?"

Budget Director Hartman: "No."

Director Kruly: "Are you intending to give them \$1.9 Million in subsidies?"

Budget Director Hartman: "We have a certain maintenance effort to help them and, we have been satisfying some of that through the capital budget and what we are doing here is we would be satisfying that with operating dollars. I don't like that fact that we have been meeting our commitment to the college with capital money and I think we should provide for what we need to do on the operating side and that is what we are doing here."

Director Kruly: The Four-Year Plan says that, in the year 2010, the subsidy to the college will be \$15.4 Million. The Four-Year Plan attached to the college budget which the Administration submitted to the Legislature last summer said that, in the year 2010, the subsidy would be \$17.5 Million which is about \$2 Million higher. Which number should we believe?"

Budget Director Hartman: "This is what we are prepared to give to the college and that is the college's plan and this is what we are prepared to give to the college. So I would assume the number we presented."

Director Kruly: "On the same page, interest on revenue shows the amount of \$5.4 Million and \$5.3 Million going out for the next three years. If you are assuming that the fund balance is increasing you will have to borrow less money because there will be more money available to reduce the RAN sales, so are you saying the fund balance will not be sufficient and will have to continue to borrow \$110 Million over the next four years?"

Budget Director Hartman: "No, we are being conservative. If we borrowed \$110 Million in 2006 and then we would be borrowing significantly less in 2007. The \$4.3 Million in 2007 should be adequate. Probably you're right; if the fund balance grows, then this number will be smaller in the out-years, so actually this number is being conservative by keeping it flat rather than reducing it, because you're right, the RAN borrowing should go down and the fund goes up."

Director Kruly: "As you know, this Board has been concerned about the size of County borrowing and that the borrowing has a direct effect on debt service. In the Four-Year Plan, you show a debt service rising \$47 Million in 2006 to \$70 Million in 2010. This is an increase of \$23 Million; a substantial amount of money. Now I read that, in conjunction with the new debt, the Four-Year Plan tells us that we are borrowing \$38 Million in 2008 which will be \$30 Million for the base line accounting information and \$8 Million for the hospital and \$98 Million in the capital budget that you presented to the Legislature in October. The estimated borrowing was \$81 Million in 2008 and \$76 Million in 2009 and \$68 Million in 2010 for a total of \$225 Million for those years. Compared to the \$98 Million that you say your plan is going to need over the next three year, I ask the same questions."

Budget Director Hartman: "I believe the assumption is accurate in this document and Four-Year Plan. The

number for the out-years is a list of potential capital projects. We would not fund those under capital projects; we would have \$30 Million of that listed.”

Chair Goodell: “So you’re saying that the Legislature should discount the report you gave to them by about half?”

Budget Director Hartman: “I am saying that, for 2007, we proposed a budget of \$60 Million and we factored in to this plan a debt service for the \$60 Million. There are some things that are happening with the hospital that may change that number but we’ve indicated that, for 2008, it would be \$30 Million for the County, \$8 Million for the hospital and \$30 Million in future years and these debt projections reflect those numbers and answer your question in the out-years. Off of that list of potential projects, we are saying the assumption here is that \$30 Million of those would be funded.

Director Kruly: “So the Legislature paid no attention to what you gave them in October?”

Budget Director Hartman: “Ken, that just...”

Director Kruly: “The concern is that the debt service came up with incredible amounts of money and we need to do something to bring that number down.”

“Another question: the Legislature in December approved raises for about 30 staff people. They were spending more money than was intended for those jobs in 2006 and will spend more money on them in 2007. Because of that, the County Charter requires the County Executive to act on those appropriations. Has the County Executive acted on those appropriations?”

Budget Director Hartman: “We will have to get back to you on this.”

Director Kruly: “You will get back to us on that one.”

Budget Director Hartman: “Yes, put that in your e-mail.”

Director Kruly: “Okay. Thank you.”

Director Johnson: “Mr. Hartman, my question picks up on what Director Kruly was asking you about on the capital budget for 2007. I am looking at a document from the Comptroller to the Legislature January 33, 2006. It recognizes the cap on borrowing and you have projected that the major priority projects for capital would be ECMC and ECC. Doing that is approximately \$30 Million, and if you go forward and give any consideration to the stadium, botanical gardens and any other capital projects. The thought is that we would hope not to fall short again, how would we plan to go forward with other capital projects aside from ECMC and ECC in 2007?”

Budget Director Hartman: “That is why we have a \$60 Million capital budget.”

Director Johnson: “Could you give us then what the rest of the projects will cost;? Ralph Wilson stadium, botanical gardens, etc.?”

Budget Director Hartman: “Sure, I think that is all in the budget document but I will check.”

Director Johnson: “Because of the time of the plan, what should be a reasonable debt issuance given the County situation.?”

Budget Director Hartman: “In my own opinion, normal infrastructure in this County should be in the range of \$50-60 Million to keep us in a state of good repair. We sort of approximately say we

will do half of that for the foreseeable future. Now everybody knows what then happened. We were faced with the consent decree from ECMC, so in a plan modification that we made back in January, we had to make a basic decision were we going to starve the rest of the County in order to fund the hospital or were we going to try to add the hospital on top of the \$30 Million so that we could keep the rest of the County in a minimal state of good repair and we made the later decision. Now, in 2007, there is a particular opportunity to make an investment in the Community College and the County Executive has proposed that project. That is why we have the \$60 Million capital budget and we have provided a plan which includes those debt service assumptions and includes how we are going to pay for them.

Director Kruly: "Is the Administration considering going to the court and asking for some form of suspension or change if the agreement falls through, given the Berger Commission?"

Budget Director Hartman: "I did put language in the plan."

"In light of the current Berger Commission, the \$15 Million of additional capital for the hospital in 2007 plus the \$8 Million in 2008 needs to be reinvested. It is under discussion with the hospital management whether we will seek relief from the court on that. I am not prepared to say. But I think it is a very good question as to whether or not it makes sense to continue to provide capital money when it is now uncertain as to what the use of that money would be for, and I will tell you myself that I am advocating that, either through negotiation or the court, that we shall have relief from that mandate."

Director Kruly: "That would be a good thing to do and I would support you doing that. One more thing related to the consent decree there was a \$15 Million allocation based on labor negotiations at the hospital, they didn't achieve any at the end of the year. Is that \$15 Million now off the table?"

Budget Director Hartman: "Yes, a completely void issue."

Director Kee: "It's completely off the table?"

Budget Director Hartman: "Yes, they did not reach agreement and it is done."

Chair Goodell: "There was initiative early in the game that would bring the County Legislature more in line with what is typical of the state. I believe that our County Legislators are the only Legislators in the state that have field offices. I believe that as the number of people employed by the Legislature is very high compared to what is typical for the state. Are there any initiatives being made to bring those cost more in line?"

Budget Director Hartman: "Our position on that is that it is a Legislative decision."

Chair Goodell: "So it's a Legislative decision, but you prepared a budget for their approval?"

Budget Director Hartman: "That is what we have done, yes."

Chair Goodell: "I believe Director Kee has joined us, and want to welcome her."

Director Kee: "My apologies for being late. I wanted to discuss, and I do apologize if you have already discussed in my absence, the efficiency measures. They seem to be shrinking and shrinking. Correct me if I am wrong, but we started with savings measures in 2007 and 2008 but now we are looking at things in the range of \$5-6 Million? Give me an assessment of how the efficiency measures were budgeted. We are budgeting about \$5 Million annually. What were the original assumptions and essentially why are we dropping this from the table? The more we drop off, the more the property tax levy

grows. Give me your feelings about forecasts in your Four-Year Plan on efficiency measures and how they stack up against original assumptions and what is happening with that.”

Budget Director Hartman: “Is this is a trick question Director Kee?”

Director Kee: “No, it’s not a trick question.”

Budget Director Hartman: “Okay, well let’s go back. You may remember PFM put out \$100 Million in savings we could achieve by year four. I was the first one to say, something about this doesn’t seem right, and as you know, during the course of the last year since we have visited it every time in the past year of this Authority. We in the Administration have received the PFM plan from the Authority for which you paid \$1 Million, went through and decided what we believed to be realistic and achievable. And again, it is all sort of laid out here. We are saying that we can get to about an annualized amount of \$40 Million by 2010 and that is based upon extensive discussion with all of the agencies, commissioners, etc, and that is essentially what we have put forth in the matrix.”

He continued by stating: “There are things that we are committed to do and are actually the things PFM picked up from the Administration and the County government to deal with. They were all items that we should all realize were a bit inflated or fanciful, so we have said that we will try to achieve a \$40 Million of annualized saving by 2010. Now in your decision of November 3, 2006 to become a control board, your main finding was that we had in effect capped out in 2007 on the value of those but we could only get to about \$20 Million. You discounted about \$20 Million. That was the key finding that caused you to become a hard control board, and so what we are saying in this revised plan, and again I did explain this earlier to Director Johnson, we are not backing off from that number, we still have all of those items, we are committed to doing them, they are achievable. We have put forward documentation for them, the only difference is we have said, if any of those do not materialize, then we will resort to the property tax.”

Director Kee: “A couple of points, where is the additional documentation? I read through the Plan but can’t find additional documentation. I mean one of the biggest problems in the Plan that was rejected by this Board was because the documentation was problematic and I still don’t think we see the backup documentation that we were asking for in the first place.”

Budget Director Hartman: “I made these blue folders and maybe they were a little too confusing. If you go on the right hand side there is the main document and then there are all these documents which provide supporting evidence for the major specific initiatives.”

Director Kee: “Any new initiatives?”

Budget Director Hartman: “Not since October, no.”

Director Kee: “And why is that?”

Budget Director Hartman: “Well, you were discounting our ability to accomplish the ones we committed to so it seemed to me that maybe at the moment we should take a pause and not add more. That isn’t to say that we won’t continue to look for every savings opportunity.”

Chair Goodell: “I would like to comment on that, it seems to me the PFM came up with this list and we agreed that some of the things in there just don’t make sense and then there was the addition of some ideas from the Fiscal Stability Committee, what I called the Gioia Committee, which we added to that and that is was a year or two ago and there is not one single idea that the County had that can be added to those cost-saving initiatives. Am I missing something here?”

Budget Director Hartman: “ I think so, maybe I am not understanding your question, because many of the items that the Partnership asked for we have incorporated. Maybe I need to send it to you again. In last May we went through item by item by item through everything in the Partnership and indicated what we have done, what we were doing and items that we thought were not realistic.”

Chair Goodell: “ I understand that, but there have been two outside organizations that have joined us and contributed ideas for cost-saving initiatives and not one single idea has been put out by the County as cost reduction initiatives that we missed.”

Budget Director Hartman: “Joe, no that is really not true, as I have said.”

Chair Goodell: “Okay, explain to me.”

Budget Director Hartman: “With PFM, what we did, since it was presented to us by the Authority as a cooperative opportunity, we spent a good three months with PFM, much of what they had in the report were things that came from the Administration. Other things that they suggested from other place and things that they inflated, and again listen to what I’ve said, the things that have survived in the \$40 Million of annualized savings included in the plan are things that largely originated from ideas in the County. Which is why we have the commitment to make them happen.”

Director Kee: “I’m sorry but I am going to be pretty blunt. You know how I look at this?”

Budget Director Hartman: “Please, I am all ears.”

Director Kee: “Lack of innovation, lack of commitment to avoiding future property tax hikes and just more Blah. I am sorry. It is very disappointing.”

Budget Director Hartman: “Director Kee, ...”

Director Kee: “It’s true, I am sorry. I mean really. And I am not trying to be...I am just being honest.”

Budget Director Hartman: “Let me make this suggestion which I actually have made before. In fact I wrote this Board a letter and sent you a letter Sheila, directly, Director Kee asking if you have ideas to offer.”

Director Kee: “Yes, and I have given them.”

Budget Director Hartman: “Name one.”

Director Kee: “Health care initiatives. To cut down on your Medicaid spending, go and get permission from the State and do a private project, through the State, to reduce Medicaid. Nothing like that is in here. No Medicaid cost savings are in here. Virtually nothing, almost nothing, there is nothing new in here, there is no creativity. I’m sorry. Where is the Health Department? Have you reconfigured the Health Department to improve community health through saving money.? Nothing in there on that.”

Budget Director Hartman: “Again, we have Medicaid fraud recovery effort. If you have a specific idea on disease management, please.”

Director Kee: “I have talked to you about it before.”

Budget Director Hartman: “Well let’s do this. Let’s get you together with the Commissioner.”

Director Kee: "I would be happy to."

Budget Director Hartman: "It would be a first."

Director Kee: "It actually wouldn't."

Budget Director Hartman: "But we specifically asked the Board and I know that your attorney has indicated that the mention in the legislation that the plan is to be developed with the Authority is not an authority where you actually put anything in writing, you just sort off verbalize in sound bites apparently, but if you are serious about it... My view, as it has been since the beginning of the year, is that you are certainly welcome to sit with anyone in the Administration and come up with something that works we will develop it and include it."

Director Kee: "How many employees do you have in County government right now?"

Budget Director Hartman: "About 4,300 full time."

Director Kee: "Don't you think that a lot of this responsibility for creativity and innovation should come from your office?"

Budget Director Hartman: "Director Kee, I think it is and I think your characterization is nothing more than a sound bite, so let's move on now because this is just rhetorical silliness. Are there any other serious questions?"

Director Johnson: "I would call this a very serious discussion because what has been presented in terms of a Four-Year Plan and a 2007 Budget. My observations are that, and this is not a sound bite, this is very bold on borrowing, it very bold on property tax increase, particularly extending the sales tax increase, and not as bold or as aggressive as it should be at taking a serious look at what we are spending taxpayers dollars on that could be reprioritized, re-engineered to bring about the saving that would be necessary to do some of the initiatives that the Administration has put forward."

He continued by stating that he lives in the County: "You live in the County, we all live in this County. The fact of the matter is that, I don't know about you, but I am sick and tired of folks saying over and over again where we are being chocked to death with property tax increases and the outcome of that is that economic revitalization in Erie County, the best way that I can put it is that we are at a snails pace. We have businesses that are leaving or thinking about leaving, our young people are leaving and I think that we should insert some very bold initiatives that will negate the furtherance of the mentality that are young people are saying. I mean that is what I believe Director Kee is thinking about. I believed the citizens of Erie County will be more apt to consider a service that does not see that much productivity and not be in there than to have no property tax increase. I mean that is serious. We are serious. A lot of people are on fixed incomes and cannot muster additional dollars for property tax increase. Business men and or women don't want to see an extension of the sales tax increase in revenues that we need to have an operating budget. My thinking is: Let's operate within the confines of the budget without a sales tax or property tax increase. That is why I am here for the people and I think it is very serious. You have a 2007 Budget, with no new creativity, no new initiatives. The Partnership came up with a whole list, PFM came up with a whole list and we should be very aggressive."

Chair Goodell: "Director Kee did you have something more?"

Director Kee: "I don't think he wants to hear it."

Budget Director Hartman: "I want to hear something serious, Director Kee."

Director Kee: "No, I am being serious. You know, maybe what we should do is look at cost containment from a different perspective. What issues are dragging your cost, forget the numbers now. For example, you've got 150 people in the holding center every night and have serious chronic mental health issues. That is an issue how do you solve it? I mean, are you looking at factors that are driving up your cost and finding out how to solve. I don't know I don't see any of this here. Any strategic planning?"

Budget Director Hartman: "Okay, let me go on that one, we gave you an efficiency grant proposal in June to address the whole issue that you just raised, alternatives to incarceration. We are still waiting for approval. You did approve the UB piece although we have not been able to get them a check yet, I don't know where the \$18 Million is. I mean, with all due respect, the two major functions of county government are the case management items of social services and the whole management of the jail population, and we gave you efficiency grant proposals in June to the Board we have not yet received a dollar. You have not approved except for one small piece of the program, the UB Initiative. You have not, six month later, you have yet to meet with the Social Services Commissioner to allow him to present his proposal for Integrating Case Management, so if I have a little difficulty with some of the rhetoric that comes from this Board at times, this is the reason."

Chair Goodell: "You are distorting the facts."

Director Johnson: "I respectfully disagree with you Mr. Hartman. Those efficiency grants request need to go through a process to answer questions. I think the alternatives to incarceration need additional information and we have not received that information yet. At the last meeting of this committee, there was a request for additional information and to appear before the Board to provide some explanation of the entire plan to Social Services. They have been reviewed but have some errors and need revision. To say that we are not doing our job, it is not rhetoric to say we need some dialogue in order to make a decision and the way things were handled in past years makes us take a minute and make sure that we have looked at the initiatives thoroughly."

Budget Director Hartman attempted to interrupt but was shut down by Chair Goodell.

Budget Director Hartman: "I agree with that."

Chair Goodell: "I would like to comment on those two initiatives. The first one, alternatives to incarceration you presented to us in June. We sent it back because there was no documentation of where savings would be incurred. We did agree to go ahead with some of the preliminary work and it has only been recently that you came to us with a very good presentation the alternatives to incarceration and that is on the docket for the Board next week. I think you will recognize the meeting that we had, no you weren't there, that we were favorably inclined toward that. Okay you were there."

"As to the human services, the big project which is something like \$5 Million. We sent it back and said that there are no cost savings shown in this proposal. If you would you come back to us show us what the savings are. We would be happy to consider. Those two initiatives have had our review, so with you're comments Mr. Hartman, you are trying to be deceptive."

Budget Director Hartman: "I'll let that pass. Do you have any other questions?"

Chair Goodell: "I think part of what Director Johnson said and what I would like to echo. For well over

6 months, we have talked about reengineering and we have encouraged you to look at that. It would come under the category of innovative which Director Kee has talked about, with the exception of a small effort but forth in the Four-Year Plan, there had been nothing considered in terms of reengineering, nothing at all this is where the cost savings, the permanent cost savings, are going to come. Nipping at the edges is not going to get the County where it needs to be. There has to be sound solid reengineering. You and I had a conversation many months ago and you indicated that you agreed what that would entail. You had encountered that in previous employment but there has not been one single effort to take a unit and examine it to find out if there was anyway that they could accomplish the same thing at a lower cost.

He continued by stating: "I have done this a number of times and the results have been dramatic. I am not saying that this would definitely work here, but no one has tested it. Sit down and I'll show someone the little tricks that I have used to reengineer. No one has ever asked me to come sit down and look at the tricks I have used. All I hear is that certain members of the Administration say is all they talk about is reengineering that is not going to get us anywhere. Well it is and until you can get the County Executive and the organization to get really serious over there, you are not going to have a Four-Year Plan that fits the criteria that Mr. Director Johnson has eloquently presented."

Budget Director Hartman: "I have a question with regard to the efficiency grant money. We made a proposal in the past for \$9 Million which you are familiar with. We made the proposal in the October plan I believe allows, entitles to us to use as proposed, I demonstrated that we had \$9 Million in 2006 and are prepared in the 2007 budget the language of the efficient grant allows us to receive that as a matching grant which I would then propose that we put in our fund balance. At this point, our budget is in balance and the more difficult task is building reserves fund and I propose the \$9 Million in efficiency grant money would help us in reserve fund and you need to say to us yes or no and if no than must justify."

Chair Goodell: "We have answered you five times no, no, no. I don't understand why this issue keeps coming up. Let me explain there is \$18 Million fund to be used by the Board with some condition on how it can be used, but it is used to facilitate structural improvements in the operations of a county that will be lasting. Reengineering. We had a meeting, Mr. Budget Director Hartman was there, the County Executive was there, and we discussed how we should look at this \$18 Million, what criteria should be applied to the use of that money. I think if you take a look at the minutes from the meeting, I think they will show that the County Executive agreed with the properties that we established, the process by which that money is brought up to the service.

He continued by stating: "We do not want to throw \$9 Million in a bank account. That is \$18 Million between now and forever. There is no way to think that the State will refill the pot, so we all have to husband those moneys so that they really pay back. We feel that there is going to have to be some reassurance or discussion as the labor contract works itssays that might call upon some of those funds but we want to see comprehensive plan of how we are going to use this \$18 Million. To suggest the we just give you have that fund is just something we are not going to do.

Budget Director Hartman: "So you believe that the language of the Legislature and the appropriation of that money is something basically you can chose to ignore?"

Chair Goodell: "You heard my speech."

Executive Director Vetter: "Very quickly to reiterate the technical piece of that \$9 Million. There is in that appropriation language that puts the money under the purview of the ECFSA. The appropriation language, which you can pass a truck through, gives the Authority specific

authorization and right on how that money is spent. The Board has been very clear that if there is reengineering, there has to be proof of it, dollar figures for that and two, there have not been \$9 Million in saving in 2006 in the plan. Even if you look at the plan there might be 3 or 4 in actual cost-savings; the rest are revenues. The last piece I would like to mention is that the intent for that is much like a revolving loan fund to create other efficiencies. Using it for a fund balance does not create any efficiency. That was the discussion that occurred.”

Chair Goodell: “I will entertain motion to adjourn.”

Director Kruly moved to adjourn, seconded by Director Johnson, and the motion was unanimously passed.

Respectfully submitted, based on transcription by others present,

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Stanley Jay Keysa  
Secretary