

Erie County Fiscal Stability Authority
Minutes of Finance Committee Meeting held October 25, 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 called for October 25, 2007 in the Auditorium of the Erie County and Buffalo Public Library. These minutes will not become final until approved at a subsequent meeting of the ECFSA Finance Committee, and may be amended before approval)

Present: Chairman Joseph Goodell, Director John Johnson.

Chair Goodell: "Could the meeting of the finance committee of the ECFSA please come to order? The purpose of this meeting is to review with the County Administration questions we have regarding the budget and the four year financial plan. First order of business is approval of the minutes"

Director Johnson moved to approve the minutes of the October 22, 2007 finance committee meeting and Chair Goodell seconded and the committees voted unanimously to approve.

Chair Goodell: "Mr. Vetter do you want to start off with some question?"

Executive Director Vetter: "Sure. I don't know if Mr. Cercone and/or Ms. Corcoran could talk about the budget and financial plan for a little bit?"

Joseph Cercone: "Good Morning, I am Joe Cercone the Deputy Budget Director. Mr. Hartman was unable to be here but he sends his greetings and if there are any more detailed questions you may have for him to please let me know and we will get back to you."

"Just as a general introduction, we feel that we put together a very well-balanced budget that will be easily managed next year and also a very reasonable four-year plan. If you would just like to start asking question we will try to go through them. You will have to bear with me because I am nursing a little cold."

Chair Goodell: "That is okay, I have the sniffles too. Mr. Vetter would you like to start out with some questions?"

Executive Director Vetter: "Yes, maybe to focus initially on the four year plan, the gap-closing summary that is on page 22. Maybe, if you could go through it, because there may be a couple of sentences and some circumstances. Do you need a copy?"

"Okay, it is page 22 the four-year gap-closing summary starting in fiscal year 2009, because there are a number of items there and really what is contained in the packets for some items is a couple

of sentences and a couple of items that are a little more detailed but I guess really I would like to get an idea of the table that is there and how likely and what kind of efforts are underway to actually achieve those savings? For instance, starting with the Social Services case management, I guess I made the assumption that the name has been changed a little bit on the Blueprint for Change so that is like the Blueprint for Change or that is the Blueprint for Change that was in previous plans?”

Joseph Cercone: “No, that is more related to the proposal to utilize SAP for case management integration. Let me just first sort of make a general statement about the four-year plan. What we tried to do in projecting out 2009—2011 is take conservative revenue and on the expense side that we considered were very reasonable estimates we did not underestimate or try to over estimate expense. Basically what happened, if you look on the four-year financial plan number where it says 4-4. You will see the gap is summarized through 2009-2011. For example the gap in 2009 is \$7.8 million; the GAP in relationship to the total expense of the County is, in our feeling very manageable. I do not think there are any other counties out there that are going to project any gaps that are lower than this. I think it is very reasonable considering the state of government in New York State and I would also like to point out that if you go back to our 2007 plan the gap in 2008 has been resolved through various means. We can get into details if you would like. This type of variance is something that, if you do start here with a manageable budget which we think we have, we can easily control expenses and enhanced revenues as we go forward through the years. The specific items that you discussed on page 22, did you want to go through all of them or just the social services item?”

Executive Director Vetter: “There are only eight of them there and I am just trying to make sense of them. We were looking originally, for a matrix to go through initiatives that are out there because I guess at this point we don’t know what other initiatives are out there because previously there was a matrix that was submitted that went through things like forestry revenues and additional probation fee revenues: you know all types of things. It was a combination from the Legislature, the tracking that we have been tracking. In a letter that we got back from the Budget Director has indicated that we no longer do a matrix or that kind of matrix. So we are not sure if these are the only gap-closing items or if there are assumptions in the base line at this point that include other matrix items in there. We are not quite sure where the base is from the documentation that is there. It looks like there are eight initiatives and no documented evidence of others; that these are the eight initiatives

that the County is hanging its hat on and I guess we don't know if there aren't any others or if they just aren't being reported on at this point?"

Joseph Cercone: "The Budget Director felt that the matrix that we have utilized in the past was no longer relevant, based on the fact that the four-year plan had been rejected by the control board. I can, however, for example you had commented on the probation fees. What has happened through the course of the year is that, through various efforts, that we have coordinated through the Comptroller's office and the budget we have actually been able to increase the amount of fees that have been collected. They are slightly under budget but we are pleased with the success that they have been making. So I could, if you would like, I can go back and prepare comments on the issues that you have raised on where we are with all of those. Any items that are incorporated in the budget, for example probation fees, the 2008 assumptions are based on 2007 activity which has improved for that department."

Executive Director Vetter: "Is it safe to assume that, in the previous matrix submission, that any items 2009-2010 that are there are still valid at this point?"

Joseph Cercone: "Now I wouldn't assume that, without going through them in detail at this point and commenting on them. I think a good example is, there was a small item on that market base, it is about \$150,000. I think we only have, for various reasons; it worked out is only \$5,000. So health department fees were an issue this year. I think you had comment on that, that they were too high and we have adjusted those in the 2008 budget. If you look at our fees, generally they are lower than 2007. There are quite a few items that have worked out and other ones where we have adjusted the budget accordingly because they came in lower than we originally anticipated. Again if you would like to we can go through them separately or prepare a document for you."

Executive Director Vetter: "I raised the issue and I guess it would be easier to go through these items if there were a document that indicated because it seems as if they might be included in the base line and looks like that has changed. It is difficult to see what the mix is on specific initiative and what used to be the base line. It is just easier to track those kinds of things if there was a matrix."

Joseph Cercone: "I think it was just simply a matter of what was practical at the time. We tried to focus on new initiatives to address the 2009-2011 gaps; anything that we did accomplish, for example in terms

of alternatives-to-incarceration, it is in the budget. So again I can prepare a summary for you with the items or we can get together if you would like; whatever is best for you?"

Director Johnson: "Mr. Cercone, could you share with us what revenue enhancement tools you are using to come to the conclusion that your four-year plan is as accurate as you believe it is today? If I have to clarify that question I can. In other words, are revenue enhancements tools, are they based upon any revenues coming from any other units of government such as the State Department of Social Services, State Mental Health, State dealings, that kind of thing?"

Joseph Cercone: "Yes, the revenues in general, as we were preparing the 2008 budget, we have worked on projecting them out three years into the future and in some cases just made some general assumptions on state and federal aid which are in general related to your expense mainly in Social Services and Mental Health departments. Most of the state aid is a percentage of their activity. So Social Services did give us specific projections and it is seen in the four-year plan. They are one of the few departments because they have a significant amount of money where we actually give you some detail of what those projections are. Again it is one of the issues when you are projecting out is that you cannot really predict what is going to happen with the state budget next year or the year after so you go on trends in the past and embrace the formulas that we are currently aware of and are familiar and feel are reasonable."

Director Johnson: "Is it possible, given Mr. Vetter's concern about a matrix, is it possible that, once you do this summary of the matrix, that you can demonstrate what projections are coming in. For example, if you have any strong concentration in Social Service case management, how much of a role is the State Department of Labor playing there? How much of a role is Mental Health playing there? There is lot that is not being shown here and I think it would be necessary for to help us make a decision."

Joseph Cercone: "Mr. Paulson is here from the Department of Social Services. I'm sure he can answer some of your questions specifically but in general the format of the four-year plan follows recommendations from the State Comptroller's office on format. You really don't want to waste all your time on minor details; you really want to look at the big picture. I think that what we have in here, and again just as an example, and Dr. Paulson can go through this in more detail. The state aid is broken down in all other categories but then there are about 8 other major state aid revenues."

Director Johnson: "What page are you on?"

Joseph Cercone; "Page 1 of 4 out of this spreadsheet on the four-year plan and that gives you significant detail on state aid as well as with federal aid as it relates to Mental Health and Social Service. Mr. Paulson, I don't know if you would like to step in here?"

Dr. Rick Paulson: "Let me answer one question kind of generally and then we can look at the case management specifically. What we did in terms of Social Service was we looked at our actual claims through about the end of July and determined the rate of reimbursement for virtually everything we do in the department. There are probably 40 different reimbursement categories depending how we cost - allocate expense. We assume those same reimbursement rates going forward for the out years of the four-year plan as a percent of whatever reimbursable expense was going on. So if we trended safety net for example, we assumed state and federal revenue are continuing so that the revenue offset to expenses is there. The same thing for foster care, child welfare budget, family assistance and so forth. We also assumed current caps & ceiling allocations. For example, we assumed that our current foster care block grants would not change going forward. It may change but we don't know. We assumed that our flexible fund for family services allocation would remain at the current level. We assumed that our title 20 money would remain at the current level. So basically what we did was take those half dozen things that we knew were likely to grow, either because of caseload-driven costs or in the case of salaries the possibilities of step increases and maybe a bargaining unit. We inflated the expenses and then applied the revenue percents to get some revenue adjustments. Mr. Cercone and his staff reflected those in the plan."

Director Johnson: "Dr. Paulson, so then you are not just looking at one funding stream that would say social service aid to local government; you are looking at different funding streams by department?"

Dr. Rick Paulson: "By department and by category. If I take foster care, for instance, some of it is 4E some of it is CAF and some of it is non-4E or non-CAF. Some of it is adoption-subsidy, which is a different stream from regular foster care related to the gap. Basically I assumed the current distribution of cases among those funding streams, inflated the costs, and then applied the reimbursements subject to the limit of the foster care block grant. So that is how we projected the revenues going forward. With respect to the integrated case management item, you will recall earlier in the year, and I can't

recall if it was the full board or a subcommittee, we had requested an efficiency grant for an integrated case management system.”

Director Johnson: “Yes, I recall that.”

Dr. Rick Paulson: “At the time we were looking at a three-year project that was somewhere in the neighborhood of \$5 million for a three-phased project. The sense that I got from the discussion at that meeting was that you all were in favor of an integrated case management system but you asked us to go back to the drawing board in a few ways. You asked us first of all to do a one-year pilot rather than a full blown three-year effort. You asked us to reach out to other counties in New York State to see if we could partner with anybody. You asked us to look and see if there might not be some state and federal money that could offset some of the costs. Since that meeting we have gone back to the drawing board. We have reached out to Monroe County which is the only other county right now in New York state that is fully up and running on SAP which would be the operating system that we would use for our case management system. They said that they weren’t in a position at this point to commit to partner with us. We had talked to the SAP people specifically about the scope of integrated case management project, subsequent to those discussions SAP has partnered with an independent software vendor known as Curom which is, according to the Gartner report, the state-of-the-art in case management systems. We have had the Curon people who have given presentations and have had the opportunity to pick their brains a little bit and we are very close to issuing an RFP or an RFI for the first pilot phase of integrated case management. When that is back in we will be coming to you to revisit the issue of an efficiency grant. So the savings that are in the four-year plan of that project assume that it will be funded. During the course of 2008, we will get a system in place that will begin to realize some return on that investment. The ROI was calculated a number of different ways and got pretty close the same number each time. The first way we calculated ROI was to assume that we would be able to cut about 4% out of out entitlement programs. Local share costs as a result of case management. The other way that we looked at it was, if we close (and I can’t remember exactly what the numbers are), if we close currently 700 or something cases and we closed each of those cases a month early, what kinds of savings would be generated over time? We came to about the \$21.2 million in local share you see in the four-year plan. So that is where those items are. Last year those items were kind of a combined blue-printed integrated case management item and was kind of a single item but the savings were really from integrated case management piece. We

didn't put the blue-printing there at this point. We are still pursuing a lot of collaborations with the Human Services department on an informal basis but so far the Legislature has opted not to pursue the charter changes that would in fact have created the Department of Human Services and formalize and institutionalized blueprint structure. There is still interested in doing that, but my sense is that they are waiting for the new administration to come in and take a look at what has been proposed and will take a look from there."

Executive Director Vetter: "While you are here, can I ask you a question on the IGT for ECMC Corp. in the budget and in the plan? Do you know how that is treated, because I know this year was a \$9 million hit or at least a this point it still seems to be there?"

Dr. Rick Paulson: "I will turn that over to Mr. Cercone because didn't make a request to IGT because we are currently duking it out with the medical center to as to whether or not they are making us whole for IGT so we have absolutely no basis on which to estimate what any potential IGT payment may be or may not be in 2008. For example, in 2005, there was no IGT payment so they come in kind of randomly and we get surprised by the numbers when they pop up."

Executive Director Vetter: "So in the 2008 budget and the financial plan going forward, the same assumptions being made, as has been made in the past, that simply it is a net zero and that ECMC will return whatever the County's portion is back to the County in one way or another."

Joseph Cercone: "There is no specific appropriation for IGT in the 2008 budget or in the four year plan for various reasons and I will let Mr. Rubin fill you in on the discussions with the hospital and the pending litigation but the feeling was that what the hospital did was definitely inappropriate towards the County and that what had happened in the past was that when we would incur an IGT expense, it was offset by revenue coming from the hospital. It hasn't happened in the past couple of years which we are challenging for various reasons but I'm kind of glad that you brought this issue up because I think it points out how important it is to have a healthy fund balance or reserve that we would have to draw from in the event that we would need to come up with funds during the course of the year to pay an IGT expense. What is happening in 2007 and hope will happen in 2008 is that we have been able to, even though there has been an \$8 million hit due to savings in other accounts for unanticipated revenue, it is

anticipated that we can cover that problem based on what happens with the tax lien sale at the end of the year which is another issue we can get into. That is basically our approach and the County Attorney can answer any other questions.”

Chair Goodell: “Mr. Rubin do you have something you would like to add?”

Lawrence Rubin: “Essentially we have stated publicly before that we are preparing to go back to the court with respect to the IGT and other issues. We believe that under the SPO, that is the sales purchase and operating agreement that ECMC is required to repay back to the County a portion of the operating contribution that the County has made to them base upon whatever IGT that they may receive in the given year and based upon the fact that there will be some operating contribution next year even though it is related to the debt service that it should be more than sufficient for any IGT contribution that the County may be required to make. In the future and I really emphasis the word may because IGT is difficult if not impossible to predict at this point in time.”

Joseph Cercone: “Could I just make one comment before we move on, I just want to point out how helpful and thorough Dr. Paulson’s spreadsheets are with the projections and business of Social Services. He has some of the most amazing spreadsheets, looking at trends and reimbursement rates and the history of the County which we will miss because he is going to be retiring. The taxpayers don’t realize how much Mr. Dr. Rick Paulson has contributed to the County and helped us out over the years. I just wanted to acknowledge him for that.”

Chair Goodell: “Mr. Cercone could you tell me, how do you forecast sales tax revenue?”

Joseph Cercone: “That is a good question, and if you have any more insight, please let me know. Basically, by looking at trends. The two sale taxes that have been more reliable in terms of forecasting trends have been the 1% and the original 3% sales tax. The newer sales taxes the 0.5% and the 0.25% are a little more difficult to project trends on, especially because we know now that the State has made some errors in 2006 in their calculations in reimbursements back to us. So in general, what I try to do is take a look at the history of sales tax and project forward, based on numerous discussions that I have had with the Budget Director and basically his insight as to what the economy will be next year.”

“Will there be healthy spending? I have made phone calls to the State for more details, to provide projections, which they don’t. It is very difficult, so what you try and do is just be conservative. The one thing that is happening now is that we are benefiting from the Canadian shoppers and the Canadian dollar. Anyone who goes to the Galleria Mall can see the Canadian license plates and I find it hard to find a parking space so that is helpful.”

Chair Goodell: “Much less get across the bridge.”

Joseph Cercone: “Yes and we are hoping that that continues on to next year. Right now, if you are looking the budget for 2008 in terms of sales tax, I am in the process of finishing our budget monitoring report for August and September. It should be ready next week but the sales tax that came in for September seemed very favorable and actually we are projecting that we would have an increase or surplus in those accounts for 2007, making the 2008 projections if you compare them to what we are looking at in 2007 in terms of sales tax revenue about a 2.2% increase.”

Chair Goodell: “Do you ever sort of look back and see how accurate you are forecasting? For example, in 2005, you made a forecast for 2007; do you ever look back and say how did I do there?”

Joseph Cercone: “Well, actually I wasn’t in this position back then.”

Goodell: “Well, how did whoever do who was in that job?”

Joseph Cercone: “I have gone back and looked at what I have done and the Comptroller’s office has provided me with spreadsheets going back at least ten years with sales tax trends that I have used especially for the original 3% and the 1% to look at the number. There have been years where we have had surpluses in sales tax and what we try to do is just be conservative with that number.”

Chair Goodell: “Do you ever talk to any of the local bankers; people like that who have very very strong forecasting models for something even as small as the County? Do you ever talk to them to get some help to give yourself a little more self confidence? I understand and I am not sure how to do it but I ...”

Cercone: “I had an interesting conversation with the staff from the CVB and it started out with a discussion about the Canadian shoppers to get their perspective on that and they told me that a lot of the retail outlets and the malls will not release information on their sales because of competition. So it is difficult to do that. We have

talked to the Auto Bureau to see how many people were coming in with new car purchases because that is a significant item. It is a large amount with a significant amount of sales tax just to try to get an idea of what the trends are there. So we have done those types of things. I know the Budget Director has done that. It is just very difficult, because even if you can see trends, it is hard to predict exactly what is going to happen which makes you want to take a conservative approach.”

Chair Goodell: “I sympathize with the difficulty of doing this. I would encourage you to try and seek the help of some of the outsiders whose day-to-day paycheck depends on pretty good forecasting. I am sure that the bankers would be delighted to help you, provided that their forecasting would be considered. You are not asking them to forecast but you are asking them to give you a little advice.”

“For some time there has been talk of golf course privatization. Is there any plan to pursue that idea?”

Joseph Cercone: “I know that there have been discussions, but I am not aware of any action right now to go ahead with that. Ms. Corcoran spends a lot of time working on our initiatives and efficiency grants as you are aware.”

Bridget Corcoran: “There was an RFP issued by the Parks Commission this past year to privatize the golf courses and they did not get any responses back. I am meeting with a firm next week that wants to discuss with us some of the initiatives that they have taken in the Town of Hamburg, with municipalities that want to continue to maintain their golf course but enhance the revenue through different ways like constructional opportunities so that they can enhance their revenue but not necessarily privatize it. I wouldn’t say it is a dead issue but, like I said, there were no responses and it had not been reissued.”

Chair Goodell: “I would like to see a list of the people who were sent that RFP because back a couple of years ago when I became involved in this there were two local companies, both large companies, that were interested. There is a model in Monroe County of how it was done there and the financial returns were extraordinary, I think one of the most important things about that is that once that was underway it could easily bring other communities into that same umbrella with really dramatic cost saving and really be one of the steps towards some kind of regionalization. So I would like to see the list of folks who got that.”

Bridget Corcoran: “We do advertise in the Buffalo News and it does go on our website but I will try to get a list from the Commissioner to see who it was directly sent to.”

Chair Goodell: “Mr. Cercone the other thing that I wanted to make was that one of the recommendations of the stabilization committee was that the cost structure for the Legislature be more in line with what is typical in New York State, i.e. no district offices, with significantly lower pay which is with the expectation that being a Legislator is not a full time job as most counties in New York. Is there any further discussion or consideration of this?”

Joseph Cercone: “No, the budget basically maintains the Legislature’s budget as it is on 2007.”

Chair Goodell: “Wasn’t it in the four-year plan a year ago?”

Joseph Cercone: “I don’t recall that.”

Chair Goodell: “An item about the Legislators’ pay, the district offices, etc.”

Director Johnson: “I think that was the charter review.”

Executive Director Vetter: “I don’t believe that has ever been in the plan.”

Chair Goodell: “My third question is where new reengineering initiatives are in the plan?”

Joseph Cercone: “The initiatives that are in the four-year plan are basically items that have been brought before the control board. If there is anything new for example we want to address information support services we want to address technology issues it is not something that we put in the budget. There is a reengineering initiative that we want to undertake in the Department of Information Support Service for technology. It is not in the 2008 budget because there is no basis for it now and needs a lot of work before it is implemented. The major initiative (we call it reengineering) that is in the budget and will hopefully have a significant impact on County costs is the alternatives-to-incarceration program where we have added additional probation officers to help with the problems we have with the jail overcrowding. We hope this will avoid a lot of extra costs if the State were to come in and require us to house prisoners in other counties, and also utilizes electronic monitoring equipment which one of your efficiency grants has helped us with,. So I think that that helps with restoring...it wasn’t just the ten positions that we added in probation for alternatives-to-incarceration, we also

added five additional positions to help with their regular work in hopes that the ten individuals could really focus on reducing jail population. What that would do is avoid the cost of housing prisoners at another facility and at the same time lower overtime costs at the jail.”

Chair Goodell: “So you’re saying, in this four-year plan, there are no new initiatives for reengineering except for the information technology proposal which is (from what you have said) not complete? There are no other plans for reengineering, new ones?”

Joseph Cercone: “In the budget or the initiative?”

Chair Goodell: “Are there any new reengineering plans in the four-year plan?”

Joseph Cercone: “Let me just take a look at real quickly to refresh my memory. The cell tower initiative is new; the proposal on the ECMC capital funding, but I don’t believe has been presented.”

Chair Goodell: “That is not reengineering.”

Joseph Cercone: “By reengineering you are talking about different ways in which...?”

Chair Goodell: “Cost reductions.”

Joseph Cercone: “What we feel is in here are the most reasonable ways to lower the gaps.”

Chair Goodell: “Okay, I came in frustrated and am now more frustrated. We have got this whole thing here and all the discussions and this document included expenditure assumptions. There is no comment on cost reduction. Everything is revenue enhancement or some kind of effort to limit the increases in cost. There is no cost reduction, none! This is beyond me Mr. Cercone, I realize that I maybe getting a little upset with you, you are not the reason for my anger; you are a great guy but...”

Dr. Rick Paulson: “Some of this might get back to Mr. Vetter’s initial question about the full blown matrix that had roughly 50 items in it, I can’t quite remember how many items it had in it but some of those items addressed cost reduction and reengineering and they have occurred and are in the base so they are not shown in the four-year plan as a separate item. An example of that that is in the base for 2008 and carried forward rather than as a below the line gap-closer is the reduction in the residential treatment center, there is a cost that we

have entered into with the Department of Social Services, accumulated savings since we started that project in terms of real dollar budget reductions in 2008 will total \$7 million in terms of additional cost avoidance in the foster care budget it is another \$14 million so there is cost containment and reengineering but may just now be showing as a particular gap-closer item. Maybe when Mr. Cercone addresses the full blown matrix and looks at what has been implemented, what hasn't, what is in the base and what may not be some of those things will come to the surface."

Joseph Cercone: "Just in looking at this, the Social Services case management proposal is a cost reduction, the alternatives-to-incarcerations is a cost reduction, our risk management proposal is a cost reduction."

Chair Goodell: "Those are already in the works. You don't talk about cost reduction anywhere here. Expenditure assumptions every one here is a cost increase."

Joseph Cercone: "I'm not quite sure what you exactly mean. I could go through this with you and show you where there are departmental line items where there has been cost reductions. We have kept departments on target or under target in many cases and we have only addressed issues where we really felt that for program and service reasons that we had to increase expenses. If you look at our cost for supplies, maintenance, equipment, etc it is really minor, it is a very small part of the overall budget."

Director Johnson: "Along the lines of what you are looking at, I do have some concerns and I want to give some examples and maybe this will help out. I can recall the finance committee, at one of its meetings earlier on this year, approving a sizable grant that would have gone to the University of Buffalo to assist in the study of alternatives-to-incarceration and working with departments of probation and correctional alternatives and like the Chairman has pointed out. I would be interested in knowing where we were before we approved that initiative, where we are right now and what kind of reduction would it have on this budget as it relates to it 2008-2010. If that is available I think that is the kind of thing that the Chairman is looking for and I would be interested in as well."

Joseph Cercone: "That is one of initiatives that is in the 2008 budget. Did you get a copy of this? We will get you copies."

Director Johnson: "That study will show us where we are and where we are going?"

Joseph Cercone: “There are all sorts of statistics and trends and it recommends the creation of a Director or Coordinator of Criminal Justice which we did ask about.”

Director Johnson: “As a Director I would be profoundly interested in the study and others like it because I believe it demonstrates what the Chairman is talking about or at least provide us information on where we are going in terms of reduction of cost in terms of this government.”

Joseph Cercone: “Right and I believe it is one of those items that we incorporated in the budget. So yes, we will get you that.”

Bridget Corcoran: “I just wanted to add to that that the alternatives-to-incarceration study has been completed. It was delivered to your office on Friday but I know copies were not distributed yet because they were too large to handle. All the members should be getting it; I think Mr. Kempner is preparing them to distribute them.”

“That is the basis for the alternatives-to-incarceration initiative was this report; it was able to say we have studied it, we have taken the facts and the findings in this report and to then go forward to the next step of that initiative now that we do have some concrete areas to look at that have been studied and we are now looking at the proposals to implement them for cost savings.”

Executive Director Vetter: “I just have three questions. One is more in terms of reading the chart and the other two are regarding roads and road related items. Just wanted to make sure that in the 2008 budget, it is consistent with 2007 that there was in 2007, \$4.8 million in CHIPS money and CHIPS projects that were also funded through capital borrowing as well. I am assuming that that is still the case for 2008 and beyond. This is the issue that has been going back and forth for a couple of years. I guess the reason I am asking is because I can't tell from the detail that is there.”

Joseph Cercone: “The capital budget for CHIPS in terms of the amount that would be borrowed is \$3.8 million. There is a reduction. We did increase the inter-fund transfer to the road fund to keep the total project at \$6 million.”

Executive Director Vetter: “In terms of projects, because I think the issue in the past because I have been through these meetings as the Legislature and all over, last year there were \$4.8 million worth of projects for which there were two revenue claims for the same project. One being CHIPS revenue and the other being bond funds for the same project. The County got two revenues for the same project. I just

wanted to make sure of what the figure is this year because I am assuming that that hasn't changed in the budget or the financial plan. That the practice is, I mean it is an unusual practice, that was started a few years ago and I think one of the financial plans wanted the County to indicate how to get out of that over a three or four year period and maybe that really isn't a question that you can answer right now but really want to check and see how that is treated because I believe in the last version of the plan it was indicating that it would be that dual revenue for the same thing and would be reduced over a three of four year period."

Joseph Cercone: "Which it is, the methodology used in the budget for this program is basically the same except the amount of County share has increased. The amount of money we borrowed for the project is lower. I would disagree on the way you mentioned that there are two different funding sources for the same thing and we could go over that in some detail at some point."

Executive Director Vetter: "We will call it cross-over funding."

Joseph Cercone: "The revenue is lower than it was last year also."

Executive Director Vetter: "Could we find out what that is and what the figure is? It is probably in the base line somewhere now but without a matrix and a breakdown of the baseline it is difficult to tell where it is and then, the other related question, on the road funds as of 12/31/06 on the County's financials, the road fund for this year is \$6.9 million. Sooner or later that fund has to be replenished because there is money being transferred out of that fund into the general fund each year and sooner or later, I mean how do you take money out of fund that is in deficit?"

Chair Goodell: "Wasn't that supposed to be zeroed out in the last four-year plan we looked at?"

Executive Director Vetter: "Well I think that was one of the issues is that that would be zeroed out over a period of years."

Joseph Cercone: "That was one of the reservations. What happened is that that amount has decreased by \$1 million to \$6.9 and it was \$7.9 in the previous year. We have been actively working with the Highways Department. They have done a great job in terms of their accounting and monitoring capital projects and I am anticipating that that trend will continue and gradually will wipe out that deficit. Again, let me state that that issue, because you tend to look at the fund balances with each fund in total, is one of the reasons

why you want to maintain a health fund balance and not necessarily spend anticipated revenue on other items.”

Executive Director Vetter: “I guess the question, I guess without seeing the baseline, the matrix, because I think before they were separate items listed in there, it is difficult to tell what trend is in the plan and what is not in the plan. I think there was a proposal previously to reduce them; the amount of cross-over CHIPS money on an annual basis.”

Joseph Cercone: “I can draft something up, but basically the Highway’s budget for next year is balanced and it does have an increase in County share. It will be utilized for highway repair; CHIPS type programs.”

Executive Director Vetter: “I guess the question is then, how many of those projects that are receiving capital funding will be put on the reimbursement sheet that goes to DOT? That has been the question and the other if it is still in the plan or if it is forecast some place is if the road fund is at some point to or close to zero? I know when Mr. Hartman was here at one point, and he believed most of that was a timing problem, but I think that works for a year maybe two years but the fund has been in deficit since 2000. Until this year it has been getting worse each year so I would really like to find out if there is a fix in there for this kind of thing because it has got to come close to zero cause even the public accountants can come in say you know you have had a fund in deficit for five years straight; you have to do something.”

Joseph Cercone: “We are trying to reduce the deficit by controlling the current year in 2008; we will control the highway level. If I have the opportunity to, we will try to control the Highway’s budget so we can take off even more in than a million dollars but I can get you some details on that issue. Basically it is similar to what took place this year.”

| Executive Director Vetter: “That would be useful. Just one last question, I want to make sure that I am reading the gap-closing summary on page 22 the right way. I want to make sure that if I pick one of the items, let say the cell tower revenue that in fiscal year 2009; that if this is to come to fruition, that \$1million will be in a cell tower revenue account in the general fund somewhere in the 2009 budget?”

Joseph Cercone: “Yes.”

Executive Director Vetter: “...and that for 2010, there will be \$2 million in cell tower revenue and then in year three, that the budget would contain \$3 million for cell tower revenue if this come to fruition?”

Joseph Cercone: “Right, right.”

Chair Goodell: “What is the cell tower revenue right now?”

Joseph Cercone: “Well right now we don’t have any. It is an initiative to rent out space on various properties that the County owns; towers to anyone who wants to use them like Verizon, cell phone companies who would like the space. The college already does it and we are working to expand that.”

Executive Director Vetter: “I think it would be nice to see some kind of justification for that kind of revenue particularly given what the college does. The college per cell tower per year does about \$20,000. I am assuming after this meeting we can get in the detail because if we went over the details at this meeting we would have to bring in dinner for everybody but just wanted to cover some general things here like the college we approved some contracts for them, per cell tower they generate about \$20,000 per cell tower per year so grand total for them they generate about \$60,000 in cell tower revenues on an annual basis.”

Joseph Cercone: “Let me just point out as a general, on page 22 what you will see is that the estimates exceed the amount of the gap and I think you could have roughly a 30% reduction on all of these numbers and still be able to close the gap. Just to point that out because as we progress and work on these issues there are always going to be some adjustments made some might come in higher. Just as an example the information technologies reform, the information that was initially provided to us for the Budget office from the department were three times higher than what we have in here but we thought that that needed more research and I hope that they are right.”

Chair Goodell: “We have a list of 27 questions here, a few of which have been answered. I’ve added another 5 and I have asked most of them. I think that rather than stay here until the wee hours of the morning or plan for dinner together that we should go ahead and send you a letter with these questions and get you to respond to them. We are getting almost no where here. I have gotten more frustrated than I was about the lack of interest in addressing costs! There are no costs; there are two areas for cost-reduction that came out of the stabilization committee – the golf privatization and the restructuring of the Legislative costs and those have not been addressed. Yes Ms. Corcoran did say that an RFP went out. I would like to see the list of who that is because I know of two

maybe three firms that would like to get involved in that I think that there is no reengineering except maybe that IT thing which having read it there are some questions in my mind although I think the cause is a noble one. There is no new efficiency grant; there are no new efficiency grants. Some one has been standing up and jumping around saying we want to us that \$18 million and now there are no requests any more.”

Director Johnson: “In addition, Mr. Chairman, where are we right now with the old matter of the space study? I really want to believe we can reduce some costs through the space study.”

Chair Goodell: “Yes, and that is not dealt with.”

Joseph Cercone: “Could I just make a comment?”

Chair Goodell: “Wouldn’t that have been a wonderful thing to put on here, Four-Year Plan Gap-closing summary, you could get the attention of the board, this committee, a whole bunch of folks if you said “reduced rentals, reduced rental, reduced rentals” of building space...Wow!”

Joseph Cercone: “If you would like to get into the details of what is going on with the space study, I can do that and it is my understanding that some of the costs that are getting to be extremely high because of asbestos removal but that is a discussion for another time. I would just like to state though, that the 2008 budget is balanced. We do find time trying to find ways to reduce expenses and that is reflected in the budget for whatever we feel is practical and we implement it. The other issue is that this is a transition budget for a new administration is going to have to make some decisions as to what projects they want to pursue and how they want to address these issues but regardless of whether or not you are comfortable with having enough cost reduction proposals the budget is still balance and the initiatives that are here are sufficient to justify a very reasonable four-year plan. That might not be exactly the way you like it but I think if you go through it, I think you will find that it is very reasonable. The gaps that are projected here are not unmanageable and are not out of line with other county governments and are not out of line with what has happened in the past. I don’t think I ever recall working on a budget where there wasn’t projected shortfall in the future years there is always problems that have to be resolved, budgets that have to be tightened up and issues that have to be addressed and I wouldn’t have minded having dinner if you wanted to.”

Chair Goodell made a motion to adjourn, Director Johnson seconded and the committee voted unanimously to adjourn.

Chair Goodell: "I encourage you, Mr. Cercone, to give some attention to these figures that Mr. Vetter will be sending over and I wanted to remind the County, as Director Johnson had brought this up, all contracts have to come to the finance committee and to the board. There was some question about whether some contracts by-passed us but we will leave that to private discussions."

Deleted: Joseph

Respectfully submitted,

Stanley J. Keysa
Secretary

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