Minutes
Erie County Fiscal Stability Authority
June 8, 2007

(Note: the following is a draft copy of minutes of a meeting of the Erie County Fiscal Stability Authority ("ECFSA"), which was held June 8, 2007. These minutes will not become final until approved at a subsequent meeting of ECFSA Directors, and may be amended before approval)

Chairman Anthony Baynes called the meeting of the Erie County Fiscal Stability Authority ("ECFSA") into session at 10 a.m. on Friday, June 8, 2007 in the Auditorium of the Buffalo and Erie County Library in downtown Buffalo. Notice of the meeting had previously been distributed to all Directors by courier and announced to the public and press.

Directors Present: Anthony J. Baynes, Chair; Stanley J. Keysa, Secretary; Kenneth Kruly; Shelia Kee, John Johnson and Joseph Goodell

Chairman Baynes: "Before we get started I would like to welcome back our good friend, Director Goodell, who has been absent and has recovered." (Applause)

"We missed your words and wisdom."

Director Goodell: "I thank you, Chairman Baynes, and thank you all for the prayers that have helped get me back here."

The board then pledged allegiance to the flag.

Chairman Baynes: "I'd like to call this meeting of the Erie County Fiscal Stability Authority to order. I welcome my fellow Board members and the public officials, interested members of the public and press and media in attendance. Thank you for coming. We have scheduled this meeting at the request of the County Executive and his Public Works Commissioner for immediate consideration of approval of contracts for the upcoming construction season."

"The first order of regular business is to approve the minutes of the meeting on May 18, 2007. They have been submitted by Secretary Keysa and circulated to the members in their briefing books prior to this meeting. May I have a motion to approve?"

Secretary Keysa: "Just a comment first, please. Rosemary Sullivan, who is the Assistant to Legislator Konst, brought to my attention that, when we were posting our minutes on the website, they somehow did not pick up the list of the contracts that had been approved. So Miss

Martin and I worked out a different format and that is reflected in the minutes that you have before you. They are incorporated within the resolution itself, a summary of the contracts. This will be easier for us and the Legislature and anyone else who is interested in looking at them. So you will now see this new format. We will go back and redo the earlier sets of minutes. Those are posted through OGS in Albany. To actually get them out, there is a little bit of a delay, and we apologize for that delay but we will get them up as quickly as we can. We will get the prior meetings up as quickly as possible and reformat them so that that information is available on the website. Thank you."

Chairman Baynes: "Thank you Mr. Secretary. Do I have a motion to approve?"

Director Kee moved to approve the minutes as presented and Director Kruly seconded. Without further discussion the board voted unanimously to approve the following resolution:

<u>Resolution No. 07-51</u>

APPROVING MINUTES AND RESOLUTIONS FROM MAY 18, 2007 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its May 18, 2007 meeting and ratifies and affirms thirteen resolutions numbered 07-38, 07-39, 07-40, 07-41, 07-42, 07-43, 07-44, 07-45, 07-46, 07-47, 07-48, 07-49 and 07-50 that were approved on May 18, 2007.

This resolution shall take effect immediately.

Chairman Baynes: "Now, onto the contracts. Our office staff has circulated contracts requiring approval and a matrix with the highlights of those contracts. I am looking to follow the same procedures that we have been using to approve the agreements in the past. I understand that there is a slate of contracts which need immediate approval and some individual contracts that need to be considered under separate consideration. Executive Director Vetter, would you like to go through the first slate?"

Executive Director Vetter: "Mr. Chairman, again, the original purpose of this meeting was that we had received a request for contracts that needed immediate consideration for Public Works contracts. In the interim, a number of contracts came in that appeared to be very timely. Among them and looking at the slate on page one in the contract matrix; 1-1 through 1-6 have been circulated to the board of Directors and have been reviewed by staff. There have been no substantive questions on any of these contracts and would suggest from the staff level that these contract on page 1; 1-1 through 1– 6 be considered as a slate by the board and am recommending approval based on internal review and review by the board of Directors."

Chairman Baynes: "Executive Director Vetter, that is on page one and includes all six of those items?"

Executive Director Vetter: "Yes, Mr. Chairman."

Chairman Baynes: "May I have a motion to approve the slate of contracts that Executive Director Vetter has just outlined?"

Director Goodell moved to approve the slate of contracts as presented and Director Johnson seconded. Without further discussion the board voted unanimously to approve the following resolution:

Resolution No. 07-52

APPROVING CERTAIN CONTRACTS, SETTLEMENTS, AND OTHER OBLIGATIONS BINDING THE COUNTY OF ERIE

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

WHEREAS, the ECFSA first imposed a control period upon the County of Erie (the "County") by adopting Resolution 06-49 on November 3, 2006; and

WHEREAS, incident to and in furtherance of the imposition of the control period, the ECFSA adopted Resolution 06-51, which authorized a process for approving contracts, settlements, or other obligations binding or purporting to bind the County ("contract approval process"), on November 3, 2006; and

WHEREAS, by adopting Resolution 07-04 on January 11, 2007, the ECFSA renewed and continued the contract approval process authorized by Resolution 06-51; and

WHEREAS, the ECFSA has adopted Resolution 07-10, which replaces and supersedes the contract approval process authorized by Resolution 06-51; and

WHEREAS, the ECFSA must review and approve any contract, settlement, or other obligation, valued at greater than $50,000, that binds or purports to bind the County or a covered organization, before it takes effect; and

WHEREAS, the County Executive or a "Responsible Official," as defined in Resolution 07-10, has duly submitted a request for review of the contracts, settlements, and other obligations listed on the attached document; and

WHEREAS, the ECFSA Executive Director, after consultation with the ECFSA Staff, has recommended approval of each contract, settlement, or other obligation via written correspondence to each ECFSA Director;

NOW, THEREFORE, BE IT RESOLVED, that the ECFSA approves the contracts, settlements, and other obligations listed on the attached document.

Department	Description	Amount
Erie County Libraries	Purchase Contract – NYLINK, State University of NY System Subscription renewal for the SUNY sponsored NYLINK/OCLC shared catalog system subscription and usage	$71,882 – All library funds
Erie Community College	Purchase Contract – Cyncon Equipment Purchase of Holder Model C4.74 tractor and attachments	$103,603.80 – All college funds
Erie Community College	Purchase Contract – Buffalo Creek Inc. & Goodwin Electric Labor & materials to complete new concrete flatwork & curbing for the entryway to the Admin. Bldg #1 at ECC South. Electrical labor & materials to install exterior lighting.	$121,636 – All college funds
Erie Community	Receipt of Grant Funds – Department of Labor ECC Workforce Development One-stop – employment opportunities to ECC students to local business employees and to dislocated workers	$869,750.19 – No local share
EC Purchasing	Purchase Contract - XPEDX Fine Paper requirements for all county departments for the 3rd quarter of 2007.	$156,378.40 – Local share dependent upon as-of-yet specific usage within departments
EC Environment & Planning	Federal Grant- sub-recipient agreement – Town of Hamburg The agreement provides federal HOME Investment Partnership funds to the Town of Hamburg for its use in delivering the Town's First Time Homebuyer Program	$155,206 – No local share

This resolution shall take effect immediately.

Executive Director Vetter: "Mr. Chairman on page two, since we only met a couple of weeks ago it is a very short list. There are three items that appear to have some initial questions or issues in particular the Highway and Public Works that there are some significant questions and that Commissioner Loffredo is here to have some discussion on these particular items. Let me focus on item 2-1. This is a library service contract for unique management services for collection services. This is a continuation of a contract that has been in place since 2000. Really the questions and issues relates to potential current and/or future bidding of the contract. I believe Kenneth

Stone, who is the CFO for the library, is here to talk for a moment or two on this particular contract."

Kenneth Stone: "Good morning Honorable Board members. My name is Kenneth Stone; I am the Deputy Director and CFO for the Buffalo and Erie County Public Library. Executive Director Vetter summed it up nicely; this is a contract for a collection agency service specifically for library fines and fees. Its emphasis is in recovering the materials, fines and fees that has been very successful. This is the third and final period under this contract. There was an original RFP sent out for this over a three day period. We sent out solicitation to about seven companies, I believe Executive Director Vetter has the list telling them that the ad was in the paper because some times people don't see it. The successful vendor was selected and they are serving libraries all over North America, including Toronto, Queensboro, Syracuse, Monroe County; just to name a few. (1:16)

Executive Director Vetter: "Are there any questions for Mr. Stone?"

Director Kee: "Yes, Mr. Stone could you provide details of the success of the collection program?"

Kenneth Stone: "Yes, since the end of April, we have received a total value of $596,000 in library material returns; $449,000 in fine fee replacements and just under $62,000 in waive charges where the patron brought a valid issue and we agreed to waive the charges. So the total is $1.1Million for the library and the largest number which is most important to us are the books and library materials that come back. Those are fewer items that we have to replace and a shorter waiting list for popular materials for patrons."

Executive Director Vetter: "Mr. Chairman, I would suggest a motion for consideration for contract labeled 2-1 on your contract matrix sheet. So contract 2-1 for unique library management services."

Chairman Baynes: "Could I get a motion?"

Director Johnson moved to approve contract #2-1 for unique library management services as presented and Director Kruly seconded. Without further discussion, the board voted unanimously to approve the following resolution:

<u>Resolution No. 07-53</u>

APPROVING CERTAIN CONTRACTS, SETTLEMENTS, AND OTHER OBLIGATIONS BINDING THE COUNTY OF ERIE

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

WHEREAS, the ECFSA first imposed a control period upon the County of Erie (the "County") by adopting Resolution 06-49 on November 3, 2006; and

WHEREAS, incident to and in furtherance of the imposition of the control period, the ECFSA adopted Resolution 06-51, which authorized a process for approving contracts, settlements, or other obligations binding or purporting to bind the County ("contract approval process"), on November 3, 2006; and

WHEREAS, by adopting Resolution 07-04 on January 11, 2007, the ECFSA renewed and continued the contract approval process authorized by Resolution 06-51; and

WHEREAS, the ECFSA has adopted Resolution 07-10, which replaces and supersedes the contract approval process authorized by Resolution 06-51; and

WHEREAS, the ECFSA must review and approve any contract, settlement, or other obligation, valued at greater than $50,000, that binds or purports to bind the County or a covered organization, before it takes effect; and

WHEREAS, the County Executive or a "Responsible Official," as defined in Resolution 07-10, has duly submitted a request for review of the contracts, settlements, and other obligations listed on the attached document; and

WHEREAS, the ECFSA Executive Director, after consultation with the ECFSA Staff, has recommended approval of each contract, settlement, or other obligation via written correspondence to each ECFSA Director;

NOW, THEREFORE, BE IT RESOLVED, that the ECFSA approves the contracts, settlements, and other obligations listed on the attached document.

Department	Description	Amount
Erie County Libraries	Service Contract – Unique Management Services Collection agency services	$133,368 ($44,456 for 3 years) – All library funds

This resolution shall take effect immediately.

Executive Director Vetter: "Mr. Chairman, maybe if I could go out of order here because Commissioner Loffredo may take a little bit of time on 2-2 here. From the Erie County Clerk's Office, 2-3 is a lease extension for the 77 Broadway Office, the Auto Bureau and Dan Dillon is here from the office. This is a one-year extension to give the Clerk's office time to sort through the details of where they will be in the future."

Dan Dillon: "Good morning members of the board. My name is Dan Dillon; my position at the Clerks office is Legal Deputy. County Clerk Hochul is out of town today."

Executive Director Vetter: "Mr. Dillon if you could give us a little bit of background on the one-year lease and the processes. This is a contract that we just received on June 6, two days ago, and there has not been an awful amount of time for review among the staff or the board. A little bit of an overview and a reason for this and efforts to find a permanent location for the Auto Bureau."

Mr. Dillon: "Absolutely, in terms of background, the Auto Bureau in question was formerly housed at 25 Delaware Avenue in the basement. In the course of the organization process we were moved off-site to the present location at 77 Broadway. That lease having occurred five years ago. The lease is presently with the Uniland Development Company. In the course of time in conjunction with the present space study, we have found two things. One, we would like to get back in to County space and two we would like to limit our lease extension with the present landlord so that we can work in conjunction with the space study to 1) maintain our services in a downtown location which has been key to our functions giving city residents and auto bureau to get to and downtown employees of other businesses and government and 2) to help with the space study program; find a suitable location for a non-leased, County-owned property so that we can continue collaborations in that capacity avoiding what you see before you which is approximately $173,000 in rent and fees. So with the cooperation of Uniland we have been asked to extend the lease for a year and than in cooperation with the Public Works Department try and identify further space within the County to continue our operations there long term. So what you have in front of you is a resolution as adopted by the Legislator approving the proposed one year extension and our justification for it. The terms of the lease have not changed. The rent has not increase and quite frankly we are grateful to Uniland for extending the lease for one year as opposed to a longer term."

Chairman Baynes: "Does anyone have any questions for Mr. Dillon?

"Mr. Dillon, Thank you very much."

"May I have a motion to approve resolution 2-3?"

Director Kee moved to approve contract #2-3 for a one-year lease extension for the Erie County Clerks Office as presented and Secretary Keysa seconded. Without further discussion the board voted unanimously to approve the following resolution:

<u>Resolution No. 07-54</u>

APPROVING CERTAIN CONTRACTS, SETTLEMENTS, AND
OTHER OBLIGATIONS BINDING THE COUNTY OF ERIE

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

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WHEREAS, the ECFSA must review and approve any contract, settlement, or other obligation, valued at greater than $50,000, that binds or purports to bind the County or a covered organization, before it takes effect; and

WHEREAS, the County Executive or a "Responsible Official," as defined in Resolution 07-10, has duly submitted a request for review of the contracts, settlements, and other obligations listed on the attached document; and

WHEREAS, the ECFSA Executive Director, after consultation with the ECFSA Staff, has recommended approval of each contract, settlement, or other obligation via written correspondence to each ECFSA Director;

NOW, THEREFORE, BE IT RESOLVED, that the ECFSA approves the contracts, settlements, and other obligations listed on the attached document.

Department	Description	Amount
EC Clerk's Office	Lease Extension – Uniland Development - 1-year extension of lease for 77 Broadway office	$174,864 – All local share

This resolution shall take effect immediately

Executive Director Vetter: "Mr. Chairman, on item #2-2, could I ask Commissioner Loffedo to come up? This is really the purpose that we had scheduled this meeting this quickly. The County Executive and the Commissioner have asked for immediate consideration on this item because the construction season is beginning and they are looking for approval. There are two issues that I believe the Commissioner will be addressing. One is with regard to the particular vendors because the bid book that the County has doesn't, at least initially, match up with vendors and dollars, this is related to projects. Second, is looking at the source of the funding including CHIPS funding. Those were the initial questions brought forward."

Commissioner Lofredo: "Good Morning, I am Commissioner John Loffredo of Public Works. Thank you for considering this item on such short notice. Let me just give you a little description of what this is. This is our highway bid book; it is used by our highway district engineers to do maintenance highway work and reconstruction work. It is funded by O&M funds, transfer tax and capital funds. Before you right now are the O&M funding and the transfer funding, there will be another approval coming down the line when bonds are sold for the capital fund portion of the bid book. So we are only asking that the bid book be approved for the amount not to exceed $2,920,506. Later we will be coming back when the capital funds are in place asking that that be increased by about $2.5 million to take care of the capital portion of the bid book work."

"Let me give you a couple of handouts to give you some details. Let me talk a little about the schedule at hand and then I will get into the details of the information in front of you. Normally the construction season starts in May and ends some time in October, giving us 6 months. Right now we are nearly half way through June so we are losing nearly 20% construction season time. A while back we lost 40% of our highway personnel; we didn't lose any roads we didn't lose any bridges. We still have to maintain those but we only have a short amount of time to do our work and that is the necessity of doing this in such a short manner."

“Now let’s go tot the bid book. If you look at the first handout, it gives you a listing of all the items covered in the bid book. To give you an idea of what we spent last year and what we anticipate will be somewhat similar. If you look to the right hand side, those are the amounts that we spent under each group and if you look at the second page it totals up to about $3.2 million and this year we are at rough $3.9 million. At least one of these items has sub groups and isn’t going to tell you what we expend on each sub group but what happens is the highway district engineers have a program for 2007. That is how the second year panned out and those are the list of roads that we are going to address. In the first group that you are looking at, the $2.9 million and the second group is the capital that will be coming down the line. Now, with this list each district then goes out and orders equipment, orders material out of the bid book and repairs the roads as needed. Basically that is it.”

Executive Director Vetter: “Mr. Chairman, maybe to summarize the request from the County, very specifically from Commissioner Loffredo, asking for approval to enter into contract within the bid book, there is a large bid book which contains information on each of the projects and lists 46 approved vendors who have gone through a regular bid process for which the $2.9 million would be dispersed. At this point though, you don’t know exactly how much would go to each vendor because it is a road project and you may need more of some or less of others and on specific roads and specific items, on one contract one concrete provider might be able to do it more cheaply or expeditiously than someone else so you don’t have may but you do not know the specific dollar figures for each of the vendors but you are requesting that among those vendors and allocation of $2.9 million be made?”

Commissioner Loffredo: “That is correct.”

Secretary Keysa: “In reading this here, I am looking at 119.71 miles, which is about 10% in the oil and chip book; is that about 10% of your total mileage?”

Commissioner Loffredo: “We have roughly 1,200 center line miles yes that is right.”

Secretary Keysa: “Are these center-line or lane miles?”

Commissioner Loffredo: “These are center-line miles.”

Secretary Keysa: “So about 10% and, if you are doing a rotation and keep this up, you are doing a rotation of roughly once every ten years for oil and chipping?”

Commissioner Loffredo: “Yes. If you would like to get into what we need and what we are doing they are worlds apart.”

Secretary Keysa: “I understand. Again you have a significant capital budget still to come?”

Commissioner Loffredo: “Yes.”

Secretary Keysa: “I don’t see any bridges here, for example. Those will all come out of the capital budget?”

Commissioner Loffredo: “Yes, you will see those as a separate item.”

Secretary Keysa: “Out of curiosity, is Cemetery Road Bridge included?”

Commissioner Loffredo: “Cemetery Road Bridge is in there. That is another story.”

Secretary Keysa: “I won’t go into that.”

Chairman Baynes: “Does anyone have any further questions for Commissioner Loffredo?”

Director Goodell: “Can you tell me what is in the budget for this work?”

Commissioner Loffredo: “It is $2.9 million, plus what were are going to get in bond funds for maintenance work and that is $4.8 million. Now that $4.8 million is divided into separate bids which you will see and roughly for the amount of $2.3 million would be a separate bid coming to this Board for approval and then also another portion of the bid book for about $2.5 million that we are going to ask that you up to $2.9 million by $2.5 million once those bonds are available and another portion for the bid book for $1.3 million.”

Director Goodell: “My question is a little different than that. What amount is included in the budget for the work that you did that totals $2.9 million?”

Commissioner Loffredo: “It is broken down into different funding sources. If you look at the sheet, the first sheet with the list of projects, if you look at to the top left hand side you will see revenue, bonds, excess tax transfer and you will also see pay as you go. It doesn’t list it but there are also O&M funds that are added to it. Those O&M funds should be included in the submittal that we sent over to you."

Executive Director Vetter: "If I could, Director Goodell, on the form that the County sent out, and I have the original here, there is a listing of $2.925 million in appropriations and off-setting revenues for these projects. Everything except for $600,000 is coming from fund to 2010; I believe that is the road fund?"

Commissioner Loffredo: "Yes."

Executive Director Vetter: "It is coming from the road fund and that $600,000 I believe that is the CHIPS money?"

Commissioner Loffredo: "That is pay-as-you-go money."

Executive Director Vetter: "In the form that was sent out, probably a week to ten days ago, and I do have the original here if you would like to take a look."

Director Goodell: "I just want to find out if approving this violates the budget, is higher than the budget, lower than the budget or the same?"

Commissioner Loffredo: "It is the same."

Chairman Baynes: "Any further questions?"

"Commissioner Loffredo, thank you. May I have a motion to approve contract #2-2?"

Director Kruly moved to approve contract #2-2 for the Division of Highway as presented and Secretary Keysa seconded. Without further discussion the board voted unanimously to approve the following resolution:

Resolution No. 07-55

APPROVING CERTAIN CONTRACTS, SETTLEMENTS, AND OTHER OBLIGATIONS BINDING THE COUNTY OF ERIE

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

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WHEREAS, the County Executive or a "Responsible Official," as defined in Resolution 07-10, has duly submitted a request for review of the contracts, settlements, and other obligations listed on the attached document; and

WHEREAS, the ECFSA Executive Director, after consultation with the ECFSA Staff, has recommended approval of each contract, settlement, or other obligation via written correspondence to each ECFSA Director;

NOW, THEREFORE, BE IT RESOLVED, that the ECFSA approves the contracts, settlements, and other obligations listed on the attached document.

Department	Description	Amount
EC Public Works	Div. of Highways – Various Vendors Phase I of the EC DPW Division of Highways annual road, culvert, bridge repair program	$2,920,506

This resolution shall take effect immediately

Executive Director Vetter: "Mr. Chairman, on the meeting agenda there is other business and I understand we are looking at a discussion of the request to issue a RAN from Erie County."

Chairman Baynes: "We have had a number of substantive conversations with County officials regarding issuance of a $100 million RAN for Erie County. We have provided the County with information indicating the savings of approximately $140,000 in this one year transaction. I would like to turn this over Director Kruly and Executive Director Vetter to discuss the efforts thus far."

Executive Director Vetter: "Mr. Chairman and maybe Comptroller Poloncarz; I believe he is here. Comptroller Poloncarz requested to speak for a few moments on this item. We had received in the office a request that was hand delivered just less than two days ago before this meeting a request from the Comptroller Office that under the statute that guides the Authority; the Authority has the power to approve or disapprove this kind of transaction. Just under two days ago a request was received from Comptroller Poloncarz for the Authority to consider this action and I believe Mr. Comptroller Poloncarz was interested in saying a few words with regard to the transaction."

Chairman Baynes: "Good morning, Comptroller Poloncarz."

Comptroller Poloncarz: "Good morning. I am not exactly certain where we are standing in regards to the transaction at this moment. I am here and ready if the Authority wishes to do a full presentation in regards to the transaction. I believe the proposal I sent over is in the best interest of the County. To go forward with this and ask for your approval, I am not yet certain, based on some earlier discussions this morning, that is that case, but I do want to note is that the Legislature passed the RAN resolution as we forwarded yesterday for $100 million. I will run out of cash by the end of June if we don't do something. I have requested the Authority to actually approve this before because I think it is in the best interest of the County and I think is the best deal that we can get given all factors related to the RAN. However I have to note for the record and I guess recap the record in other realms for that the fiscal authority, that our cash flow is based on closing the RAN by the middle of June to run on the same time period for the last few years now. If you remember last year you, while you were in an advisory status and we were informing you of the closing of the $110,000 million RAN I believe on June 13th. This time because of the cash flow needs of the County we need to close a RAN by the end of June, preferably the goal is to close it next week so that I don't run into a cash flow problem at the end of this month. As it stands right now we have a payroll next week and we have a payroll in three weeks and then in the beginning of July we have debt service which comes through and assuming that things are not approve and we are moving forward I will run out of cash by the end of June. I would be glad to answer any questions and would be glad to provide the full presentation if that is requested at this point."

Chairman Baynes: "Any questions for the Comptroller?"

Secretary Keysa: "A large portion of this will pay off a RAN from last year and the date that that is due?"

Comptroller Poloncarz: "The RAN closings are not going to be used to pay off the previous RAN. We actually have set aside in place in which the majority of that money has been set aside from…well the reason we are entering into a RAN is because there are certain social service mandates that we have to provide, that we must pay for, and that we do not get reimbursed from the State until later in the year; state and federal government that is. The majority of the money is used to pay back the RAN is the money that is received form the State and Federal government for those social services that we provide. So the RAN itself, the money that we receive for the bank once we close it will not be used to pay off the previous RAN, it will be used to pay off the social services that we need to pay off in the upcoming months even though we don't get reimbursed form the State and Federal government for a number of months hereafter."

Executive Director Vetter: "If I could, how does the capital borrowing that hasn't occurred yet impact the operating cash flow? I believe the legislature passed something recently indicating they were authorizing cash to be used for capital projects. At this point there is no capital borrowing and just wondering how that lack of a capital borrowing and delaying on that type of initiative is impacting on the operating cash."

Comptroller Poloncarz: "I can certainly say, as Commissioner Loffredo has just noted, that we are behind by a month and half by actually doing the project. However from my office, while the Legislature may have called for use of operating revenue…"

Legislator Whyte: "The Legislature didn't. That item is in committee."

Executive Director Vetter: "Okay, if that item is in committee than I will make that correction. Can I restate the question? The Legislature is calling in committee by a resolution to use operating funds for projects."

(Legislator Whyte spoke from the audience but we cannot decipher what she said.)

Chairman Baynes: "Could you come to the microphone, you have to speak into the microphone for the record."

Secretary Keysa: "Could you come to the microphone so that we can get it for the minutes?"

Executive Director Vetter: "It is operating cash to be…"

Legislator Whyte: "Hello my name is Legislator Maria Whyte, 6th District Majority Leader. Just to clarify, so that we all understand and are discussing the facts, that resolution was introduced by Legislator Konst and was clocked in on Tuesday and sent to Finance & Management by our Chairwoman yesterday, so it is in Finance and Management and has not even been discussed yet. The only sponsor, I believe, is Legislator Konst."

Executive Director Vetter: "I guess the question is, there is no resolution to issue those capital bonds at this point and the cash has to come from some place. I guess the question is how that does impact the County's current cash position?"

Comptroller Poloncarz: "I can answer that question. In theory and law once the resolution has been passed by the Legislature, the County can advance cash out of its operating expense or operating revenues so to speak and then reimburse itself at a later date. We have not done that and I will not allow it especially when we are dealing with the potential cash crunch at the end of this month, I am not going to allow that to happen in the short run. We expect to close the GO bond by the time, truthfully, those payment come due so therefore would apply the proceeds of the bond that is specifically for the capital projects to the expense that are related to the capital projects. At this time we have advanced no money for these any of these capital projects, road projects and considering the things I have to deal with in case this RAN does not get approved, I am not authorizing any revenues to be expended on that in the short term."

Executive Director Vetter: "Is there a date at which, and we are talking about a drop-dead date, because I know this thing came up very quickly in the process? We got something two days ago for an approval; on the capital projects, is there a date at which they become a drain on the County? Is there a drop-dead date? I just want to make sure that with capital projects and capital debt we are not in the situation we are right now where we are at the last minute going through these things; that we plan ahead, everyone knows what the timetable is and if there is a deadline in July, August, September, whenever it is that people are well aware of that deadline and whatever kind of appropriate action can be taken will be taken."

Comptroller Poloncarz: "There have been discussions between our office and your office with regards to this. It is my intention to go to market some time in August or early September. We have time and I think there is certainly enough time between the parties to sit down and discuss these items. With regard to the timing on the RAN, I have to admit and I do apologize for the quick turn over in sending the actual request to you. However, our office issued the RFP for the RAN on May 1st, responses were due on May 17th and we received the responses on that date, 9 total responses including 36 different proposals. We gave a copy of each of those proposals on May 18th. We would have liked to have been able to provide more information earlier but part of the processes is determining how much money we need to borrow. I absolutely want to restate that one of the issues that related to that was the sale of the tax liens. If the tax lien sale had gone through we would have been able to borrow less and truthfully extend the RAN some time and we would not have needed to do that until at least September. So therefore we had to move at an expedited fashion so I don't run out of cash at the end of this month."

Chairman Baynes: "So you're saying that, if the County Executive or the Executive Branch would have done proper RFP like your office did, we probably would not have this problem?"

Comptroller Poloncarz; "I would just say that if the deal had been closed and I had the cash in hand, we would have been able to delay the RAN for truthfully a couple of months and in all likelihood we would have been able to borrow less. The proposal we have on the table also includes a draw feature so that we can borrow up to $100 million under the resolution passed by the Legislature if the tax lien sale is effectuated at a later date, this proposal from Bank of America allows us to take a lesser amount to begin with. I know that I have spoken with Executive Director Vetter and Chairman Baynes on this. In the event that we do do a tax line sale and additional income comes into the County, I have to be cognizant of certain restricted covenance as a result of prior refinancing in the tobacco settlement debt. We can not go over a certain amount of money in our fund balance as of December 31st of each year. As a result we have to be cognizant of how much money we have and can only borrow so much money. Therefore the proposal that we have on the table allows us to take draws; and initial $50 million and if need be an additional $50 million as the years goes by if the tax line sale is not effectuated. I will, if the tax line is not effectuated I need $100 million if it is than I can potentially reduce the amount of money we need to borrow. For your own comfort, I just can't go out and borrow a certain amount of money for my own purposes. Certain tax laws prohibit that, I have to show a certain amount of deficit in a six month period and as result I can only borrow within that amount. We are not going out and borrowing more until we actually need it."

Chairman Baynes: “What is the deficit for the County?”

Comptroller Poloncarz: ”What are you talking about? There is a difference …are you talking about budgetary deficit?”

Chairman Baynes: “Yes.”

Comptroller Poloncarz: “Well I would submit to you that there is no budget deficit although we are going through negotiations with ECMC with our $8.8 million IGT payment that they are holding that I believe they should be repaying.”

Chairman Baynes: “We had a meeting with Mr. Young and he indicated that he is not paying that.”

Comptroller Poloncarz: “I talked to Mr. Young over the phone although I have not met him personally I know the administration has had vigorous negotiations with the Erie County Medical Center. If this issue is not resolved I am fairly confident that from the conversations that I have had with the administration that they are even willing to take this to the courts to determine it. I will admit there is an issue with regards to ECMC. It is a very complicated system. ECMC received an additional $177 million earlier this year in unexpected revenue; $8.8 million came from the County as part of a disproportionate share payment of intergovernmental transfer Medicaid amounts. Under past practice, ECMC remitted that amount to Erie County. ECMC does not want to remit that back to Erie County. Unfortunately you cannot budget for IGT payments because you have no idea what the payment is going to be at the end of the year. Some years it has been quite substantial and in other years it has been zero. You have to go under the assumption that it could be zero. If you budget for $30 million you might never have the payment come out.”

Chairman Baynes: “So what happened this week when Executive Director Vetter and I had lunch with Mr. Young and he flat our said that he is not going to give the $8 million? So are we at a standstill, are we going to end up n court again?”

Comptroller Poloncarz: “I think you would have to pose that question to the County Attorney Larry Rubin. I can’t assume what will happen.”

Chairman Baynes: “If he doesn’t pay us are we in a $5 million deficit?”

Comptroller Poloncarz: "If we do not receive the revenue that we believe is owed us by ECMC to Erie County it is $8.8 million. I think all are in agreement that that money would not be budgeted and therefore as of December 31st that money has not been appropriated by ECMC the County would have to appropriate it through a different method or otherwise there would be a deficit."

"I would just like to note that that is not an issue with the RAN note or Bank of America and the Ran borrowing. We specifically asked if there is an issue with that and we went over the issue with them and they do not. It does not affect the cash flow borrowing."

Secretary Keysa: "You mentioned the tax lien and is that in fact going to be rebid?"

Comptroller Poloncarz: "You should probably ask the Budget Director in the Administration. I believe it should be. I think they are moving forward with it but you would have to ask them because it is their call."

Director Johnson: "Earlier you mentioned the $100 million borrowing encompasses some cost that you have to pay for in the provision of services that are mandated by the State. I have two questions. One do we know how much of those cost you are covering right now are reimbursements form the State, do we have an idea of how much that is and two of equal importance, have we made a request for to the State to ask for an accelerated payment on those reimbursements."

Comptroller Poloncarz: "I can't answer that question, I will have to ask Deputy Comptroller Gach who appears to be coming up as we speak but as to the second I am not absolutely certain that we have. On the first question, Deputy Comptroller Gach will be able to give you the exact percentage."

Deputy Comptroller Gach: "We normally budget between $2-3 million in reimbursements on federal and state programs. As far as accelerating the claim process, we are, and especially after changes in the County Charter effective January 1st, we are the chief collecting officer. We sign off on all claims; we monitor all claims and try to accelerate payment from the State. In fact we just got in another just under $9 million that we got in the other week that normally comes in much later. We are trying to expedite every claim that we can in order to get as much cash as we can and you see that by the declining in the amount of RAN that we have been borrowing over the past few years. That is a function of increased cash flow as well as an increasing fund balancing situation. Thank you."

Comptroller Poloncarz: "Just for the record, two years ago Erie County borrowed $160 million with two $80 million notes. Last year, we borrowed $110 million at an interest rate of 3.8%. This year we are proposing to borrow $100 million and rates fluxuate, but in the proposal that we have it is almost identical. So in a one year period we have reduced borrowing by $10 million. Hopefully we will be able to reduce it by a little more depending on whether or not the tax lien sale goes through but we are essentially getting the same rate that we got last year even though interest rates have fluctuated wildly during the year."

Chairman Baynes: "See and you guys didn't think you would get a thank you from elected officials."

Director Goodell: "As I recall you have a fund balance of $20-30-40 million, sort of a rainy day fund."

Comptroller Poloncarz: "Welcome back Director Goodell. At the end of 2005 we ended up with an undesignated reserves fund balance of $14.4 million and we are anticipating and our office and the auditors are confirming that after 2006 there will be another $23.4 million on that so we are looking at an approximately $38 million fund balance."

Director Goodell: "That is for 2006; that is what people refer to as a rainy day fund."

Comptroller Poloncarz: "It is much less than it once was as Director Kee and Director Kruly can attest to. Then it was in the $200 million range, but it is getting back up to the level we need to be which is approximately 5% of our overall budget so we are not there yet but we are getting there."

Director Goodell: "My question is, for whatever reason, if we come down to June 30, and you run out of cash. It seems to me that it is a rainy day."

Comptroller Poloncarz: "I could be but it sounds like $30 million would last a long time but in the grand scheme of things or Erie County that might only last a month especially when payroll is running about $13 million a month and then we would be left with a fund balance of zero. We all agree that one of the goals of Erie County is to restore the fund balance back to a level that the rating agencies would like to see, that all of Wall Street would like to see such that we are in a position to get better ratings in the future and if we reduce our fund balance to zero I can guarantee you that will not happen."

Director Goodell: "That was not my suggestion; my suggestion is that the June 30th is not your run out of cash date. You could just go for a week on a temporary basis some of those fund balance and when you get the RAN financing done, replenish those."

Comptroller Poloncarz: "That money is not really cash. Deputy Comptroller Gach can probably speak about it in a much better format."

Deputy Comptroller Gach: "Just to give you a better idea, on December 31, 2006 even though we were talking about a fund balance in excess of $30 million, cash available on that day was less than $10 million. The und balance is not cash. It is not like you put it in a bank account and then don't spend it; it is all part of our cash flow. Typically when I put together the cash flow for this borrowing we wanted to have the cash in hand by June 15th payroll. In that case we are using up whatever extras we have to get us to the end of June. When we get to the end of June we have somewhere around $30-40 million that we have to send out to the schools, towns and villages and the cities in sales tax as well as another payroll of $12-13 million and a debt service payment I think in excess of $2 million on that date. To get back to the question Secretary Keysa had earlier, last year's RAN is completely paid off on June 13th. In fact this month is the last set aside and we have the last $12 million plus. It is coming in on state and federal reimbursements that we are using to pay off that RAN."

Secretary Keysa: "My understanding is that the payment of that RAN takes priority over…"

Deputy Comptroller Gach: "Oh yes that is why we have set aside accounts. $98 million has already been set aside and another $12 million will be set aside on the payment date. The $110 million will be paid off on the 13th and we are looking at some point after that to close on the next RAN."

Director Goodell: "Let me finish my question here. You are saying that if June 30th rolls around, there is no reserve fund, no cash at all. You are saying the reserve fund is just an accounting number that has no cash behind it?"

Deputy Comptroller Gach: "There is some cash behind but what I am saying is, optimally, I would like to close and borrow on this deal by June

15th. We have enough extra cash that we can scrap together to get through to June 30th. After that we are out of cash."

Director Goodell: "So the reserve fund on June 30th will have no cash; there is simply a book keeping entry."

Deputy Comptroller Gach: "The bookkeeping entry is on there; we have multimillions of dollars of receivables on the books at any time in the year that, are, in fact just like tax liens. There are tax liens receivable we have uncollected so that is cash we don't have yet, there are state and federal receivables that we don't have yet, all sorts of claims on the grants funds. Basically on all grants fund we pay the money up front. There are some where we get advances. We have just been notified by the federal government that they are changing the way they will be funding HEAP this year starting in October. Typically they run the HEAP program through our books and give us the cash up front and then they give us the checks and we make a few dollars, I'll be honest with you, because there is time between when I get $20-30 million and when the checks go out. They are going to be skipping us now and doing the checks directly. In the concept of my cash flow, it equals out to zero, but I do make money along the way. There may be other instances where state and federal rules are changing and we are making less money."

Executive Director Vetter: "One last question with reference to the RAN, cash availability and fund balance. I understand that part of the reason for potential and different draws on the RAN is because there are significant restrictions in the tobacco deal that restrict the amount of cash that Erie County can have. Maybe to Director Goodell's point, cash and fund balance loosely equate to one another; the more fund balance you have the more cash you have. There may be a lag time and may not match up exactly but if you could help because I think some members of the board struggle with that concept the tobacco sales are restricting that cash and potentially restricting if the County is looking at building its fund balance to much higher levels; at this point, my understanding with the tobacco deal is that there are significant issues which would restrict or make it very difficult if they were to achieve high fund balances or have cash equated to them."

Comptroller Poloncarz: "You had asked this question in an e-mail that we sent out in a memorandum to Dopkins and Hopkins and with our bond counsel. I have present here Todd Miles who is the bond counsel for the County and is bond counsel for others. I think he can talk about the ETAC covenance, at least in regards to why they are there and what impact that has on the County regarding the number. It is a floating number on the budget of the County on a year to year basis. I think if Todd Miles could come up?"

Executive Director Vetter: "This is an accounting question."

Comptroller Poloncarz: "It is a legal and accounting question because there are legal covenants and restrictions in the refinancing of the ETASC debt that impact the arbitrage amounts and what impact that then has on the County. I think Todd Miles could at least let us know what would be the certain requirements on the County at that point and what we would than do."

Executive Director Vetter: "If there is an issue with fund balance related to the tobacco deal and RAN. That is the question?"

Chairman Baynes: "Could you state your name for the records?"

C. Todd Miles: "My name is C. Todd Miles, I am a partner with the firm of Hawkins, Delafield & Wood, LLP; the County's bond counsel. You haven been discussing the distinction between cash and budget and that is a very important concept to keep clear in your minds and understand what I am going to explain to you. Fund balance, which I think Mr. Vetter referred to a goal for the County to build up its fund balance in order to improve the County's profile with the rating agencies is an accounting concept that takes into account all of the various inflows and outflows of cash accruals and encumbrances during the course of the year and measures how much extra cash is left over in the counties operations each year and than as you have cash left over each year cumulatively that number gets higher so the goal is certainly to build up from an accounting stand point the cumulative surplus that the County has in its operations. As I think you are all aware when the County incurred a mid year budget deficit several years ago the decision was made by the County administration to fund that deficit and liquidate it by taking advantage of the cash revenue from the tobacco settlement and securitize that revenue steam in order to provide cash to liquidize the County's deficit. The internal revenue service frowns upon the issuance of tax exempt bonds generally and certainly frowns upon the issuance of tax exempt bonds for working capital purposes; in other word to finance cash flow operations or working capital operation during the course of one single year. It is normal practice or common practice as I think you understand to use tax exempt bonds to finance capital projects and the useful lives of several years. In this case there are certain rules that allow you to issue long term tax exempt bonds for working capital and that is what the County chose to use. There are certain parameters the County chose to use set forth in the memo that has been provided to you. Briefly, the IRS says that if you issue tax exempt bonds to finance working capital expenditures then you must measure every year there after if those bonds are outstanding the amount of available cash on January 1 of each fiscal year and if that amount of that available cash on January 1 exceeds 5% of the County's expenditures for operations and cash expenditures for the capital of the previous year then there are several constraints that you have to deal with. You have several options and we outlined them in the memo One option is to call bonds or redeem those bonds, in this case it would be the tobacco bonds o other outstanding county bonds and pay them off in an amount that brings the County back within that 5% threshold."

Executive Director Vetter: "So let me make sure it is not a may, it is a will or shall that if the County's cash reaches a certain level, meaning that their fund balance reaches a certain level, they are loosely equated by timing, that if the fund balance reaches a certain level, that the County will have to use that cash and they will have to appropriate funds to pay off to use those funds?"

C. Todd Miles: "First of all it is a mandate that you measure it in January 1st each year. The measuring is not fund balance what you are measuring is available cash on January 1st."

Executive Director Vetter: "Right but fund balance equates to cash at some point. If you have no fund balance you have no cash. If you have a fund balance you have cash. I mean that is an accounting certainty."

C. Todd Miles: "I would like to respectively disagree with you Mr. Vetter. Cash and fund balance do not equate with each other. Generally the larger fund balance that you have from year to year operations, the more available cash you should have during the year but there are certain senses here and this relates to the RAN situation that the County does every year. The County borrows in anticipation of federal and social services aid much of that aid is reimbursed to the County in months after the fiscal year that it relates to; January February, March April reimbursements but those expenditures for that purpose go on e throughout the course of the fiscal year. So that is a classic example of where you don't have cash but you may very well be carrying a fund balance from previous years operation so you really can't equate the two. It exists for different reasons one is an accounting concept and one is a cash concept."

Executive Director Vetter: "For timing purposes, I would disagree. If fund balance loosely equates to cash with timing difference, that is why they reconcile things on the financial statement. The question is, if for instance, the fund balance is larger, because if you look at what happened when the County had the much larger fund balance and you looked at its cash reserves there is probably a 1 to 1 ratio there. If the fund balance goes up ultimately your cash will go up as well because you are holding onto cash reserves that is part of it. So I the question of what your saying is if that cash and fund balance are loosely equated, if that fund balance gets high enough it is backed by cash that those monies would have to go to repay tobacco bonds."

C. Todd Miles: "What I am telling you, the IRS requires the County, having issued tax exempt bonds for working capital purposes to fund that deficit several years ago, to measure on January 1st of each year how much available cash it has. That means cash in the bank. That is all it means; it has nothing to do with whether there is a fund balance or a fund deficit. It is cash in the bank."

Executive Director Vetter: "I hope you can see if there is a deficit that there would probably be very little cash."

C. Todd Miles: "I am not going to speculate with you, Sir on one thing or another. I am a lawyer not an accountant."

Executive Director Vetter: "I know, so why are you talking about accounting concepts?"

C. Todd Miles: "What I can tell you is this, on January 1st, the County must measure available cash. If the amount of cash available exceeds 5% of the prior year's total expenditure for operating purposes and cash out right for capital than there are at least three options that the County has at that point. They can redeem or pay off tobacco bonds that were issued for deficit purposes. They can redeem or payoff other outstanding bonds or they can vest that cash in tax exempt bonds issued by another government. Those are the three options under federal law. Each one of those options as you can imagine is problematic. In order to be able to pay off bonds that have already been issued those bonds must be callable. They must have a feature that allows you to pay them off at that point. Tobacco bonds just like regular general obligation bonds of the County typically have a 10 year call protection meaning they cannot be redeemed for ten years after their issuance date. So the only bonds that are available to be called, if the County triggers one of these requirements are bonds that are already called or passed there call date at least ten years ago so there is a narrow universe of potential redemptions there. The third option which to invest that excess cash in other tax exempt bonds is a further constrained under State law because the under NY State law which governs how counties can invest there monies; the only tax exempt bonds that are allowable are tax exempt bonds that are issued by the State of New York and in order to buy tax exempt bonds in New York as investment you have to go out into the secondary market and fund bonds that are available to be sold to the County and the County's financial advisor can elaborate for you but that is a difficult proposition. I have had other clients that have been in that position and they often find that there is not a large secondary market availability of New York State bonds."

Chairman Baynes: "Mr. Miles do you work for the County or do you work for your own law firm?"

C. Todd Miles: "My law firm is Hawkins, Delafield & Wood, LLP; we are Erie County's bond counsel since 1992."

Chairman Baynes: "Since 1992 and you are not an accountant?"

C. Todd Miles: "No I am not an accountant, I am a lawyer."

Chairman Baynes: "Does anybody have any questions for Mr. Miles."

Secretary Keysa: "I would make a comment. I tend to be closer to Mr. Miles' viewpoint on this than Mr. Vetter's that there is a distinction between cash and the bonds, but I want to bring to the board's attention the incredible skill that is required here because the Government Finance Officers' Association has recommended that any county government have at least the 5% surplus at the end of the year. The County Charter now mandates that. It is a goal that has to be maintained. So there has to be some distinction between the cash and the fund balance at the end of the year, but it means that the people who are handling it have extraordinary skill that they achieve these Charter requirements at the same time as not exceeding the IRS requirements to the treasury department."

C. Todd Miles: "It is very feasible and not unusual among municipalities to have a fund balance that equals or exceed that 5% threshold that the rating agencies are looking for, but have cash balances on January 1st much less than that amount just because of how money flow in and out of the general fund."

Director Kee: "That is the very point that I would like to ask a question about; that is the likelihood of the County reaching that threshold. How likely is that?"

Comptroller Poloncarz: "It would really depend on a number of items during the year. Like I said, if the tax lien sale does not go through it is not an issue and that why we feel we can borrow up to the full $100 million. If on say November a tax line sale goes through and an additional $30 million is allocated into Erie County than I have to seriously look at because we generally have a cash flow that is on an annual basis in which we reduce it to the point at the end of December where we are at lower dollars figures. At the beginning of the next year we start to receive property taxes and in February we receive one of the larges sales tax that we get all year because we are getting in sales tax from the December period so we can build that up quite quickly. If by chance I have an additional $30 million…I would love to have as much money as possible and would love to get back to a fund balance of $200 million with $150 million of the in cash in the bank but because of the covenants that were put in as the IRS required and the tobacco refinancing a couple of years ago I don't think those days are going to happen again or at least in my lifetime because we are talking about forty years."

Deputy Comptroller Gach: "2055."

Comptroller Poloncarz: "2055; so I don't mind being the Comptroller for a while but I don't think I will until 2055, but whoever it is, is going to have to be cognizant of these issues because the County is going to have to look at it on an annual basis and make a determination as to how much money they are going to have as of December 31st/ January 1st in cash. If the tobacco lien sale went through, it is a serious cost that we would have to consider an that is why it would make sense at that point to say that we don't need that additional $25 million of RAN because I have an additional $30 million or $40 million that came in if I took that additional $25 million as of December 31st. I am going to have excess cash and I don't want to put the County in a situation which Mr. Miles said in which I would have to go out in the secondary market and buy bonds that would be very difficult at rates that really aren't that great for an action that the original reason that I have no control over and those are the refinancing of the tobacco settlement bonds. It is a situation that I am stuck in whether I like it or not."

Secretary Keysa: "If this is a timing issue, then could you split this up 50%, 25%, 25%? You could conceivably, on January 3rd, go out and take that additional $25 million if you needed to?"

Comptroller Poloncarz: "Yes and that is a key important point because you have to do the calculation as of January 1st. If on January 3rd, I made it through January 1st and the 31st if I meet the threshold that is the date that the calculation, anything that happens afterward I don't have to consider admit is fair, because the governments start to receive more revenue as the year progresses. We will start to receive property tax payments and the increase sales tax payments in the first quarter of the year because that is when the money flows. If we had to reduce this calculation every time cash came in, I would need a staff of another 50 people to be working to be doing that on a daily basis. Thankfully I do not have to worry about that."

Secretary Keysa: "I had one other point, Mr. Chairman. Earlier you indicated that - the analysis that staff has done would be that if this Authority issued the bonding that there would be a savings of about $146,000 - you have obviously elected to go with your own issuance. Is there a particular reason for that; that you would not want to achieve the $146,000 savings?"

Comptroller Poloncarz: "I would love to achieve savings and I don't want to appear that I don't want to achieve savings. Based on the exanimation of the applicable rates and issuance cost and there is another factor that seriously needs to be considered that I have spoken with Executive Director Vetter about and Deputy Comptroller Gach talked about yesterday and that is if you borrow $100 million, everything that you receive is out of the intercept sales tax receipts that would seriously impact our cash flow to the point of…and we have not had this discussion unfortunately , it is quite possible that if you borrow the $100 million and had to set aside amounts in our sales tax throughout the year we would need to borrow more money because we wouldn't have those sales tax receipts flowing into the County. When we did an examination on a day by day basis, our proposal from Bank of America - and just for the record, this is a private placement in which Bank of America basically buys the note and puts it on its investment shelf – that rate is based on a LIBOR rate, which is different than yours that would be based on going to the market."

Secretary Keysa: "That would be the London Inter-Bank Offering Rate?"

Comptroller Poloncarz: "Right. It is the London Inter-Bank Offering Rate on the date of closing at 62.5% of that rate and plus 57 basis points. Which, as I said, is a very good rate when you look at it because it is almost identical to what were able to close at last year even though interest rates and the LIBOR rate have changed in that one year period. We did an analysis of course. Mr. Cantor is here from First Southwest, who has been doing an analysis on a day by day basis in the past few months. If you include all of your costs, if you include the cost of issuance, the work that will have to be done by the County; I know this Authority has never done it before. Mr. Miles is fully cognizant, having worked on and actually help write the Nassau County Fiscal Stability Authority, as true for the Yonkers Fiscal Stability Authority, it would have to be work that would be back and forth with our office that would incur additional cost from our office and cost that would have to be taken into account by the Fiscal Stability Authority and when we did an examination on it, Chairman Baynes we discussed just yesterday in our meeting, there are some days where you would be a little less by a few basis points and other days and a number of them such as in the last week in May in which we would have been less by a few basis points. The transactions are so close and the dollar figures are so small that in a $1.1 billion budget and a $100 million RAN we are talking about on a day by day basis thousands of dollars. Thousands of dollars of matter but I cannot say what that actual rate will be, I can't say if you will be cheaper or I will be cheaper on the day of closing because the proposals are that close. Mr. Cantor can confirm that he works for First Southwest and he is the senior Vice president and the fiscal advisor…."

Chairman Baynes: "Could we ask Mr. Miles up for a question? Mr. Miles I have a question, we were just talking about it could be at one price one day and another price another day. Is that correct you just heard that statement?"

C. Todd Miles: "That is my understanding."

Chairman Baynes: "My question to you is if it could be one price one day and another price another day; yesterday I told Comptroller Poloncarz that I would pay for, out of my own pocket, for an individual to come in and decide what day is a good day we should borrow money and who would be better at it. I offered to pay whatever it cost $10 – 20 – 30,000 for that study. It would be one person, you guys could pick that person and that person would determine who had the best borrowing power. Now you understand our borrowing power is the best in the State. Did you know that?"

C. Todd Miles: "Do I know that?"

Chairman Baynes: "It is. Erie County's is the lowest bond rating in America. Nobody is lower. There are eleven counties tied with us but of those eleven counties 388,000 people comprise those other eleven counties; we have 900,000 people. So for you to stand here and challenge us on questions such as who can borrow cheaper, I am willing to pay for that study and will be done in one day. I called New York yesterday and they said that they could do it in one day; are you willing to do that?"

"$146,000 to you may not be a lot of money but $130,000 pays for three probation officers, $141,000 pays for three Park Personnel, $140,000 covers the staff of the Health Department Wellness Program, $120,000 pays for legislative district offices. So if we don't think $146,000 isn't a lot of money, we have a problem."

Director Kruly: "Could I interrupt?"

Comptroller Poloncarz: "You asked for a proposal for when this RAN would be better on a cheaper date. If you hired a third party all that they could opine to is who is cheaper on that date."

Chairman Baynes: "We will always be cheaper."

Comptroller Poloncarz: "I disagree."

Chairman Baynes: "That is why I would hire that person and I am willing to pay."

Comptroller Poloncarz: "Reasonable people can have disagreements."

Chairman Baynes: "Exactly, you bring in a third party and you chose that third party."

Comptroller Poloncarz: "A third party can only determine on the date of the opinion as to who would be cheaper."

Chairman Baynes: "Then we will borrow on that date."

Comptroller Poloncarz: "There were dates in May in which, under our analysis indicated that we could borrow cheaper and there were days on which you were cheaper. If we went to market and you went to market on behalf of the County on that date our rate would have been slightly better but we wouldn't know that until the date occurred."

Chairman Baynes: "When you add in our costs, Mr. Miles is being paid, is that correct?"

Comptroller Poloncarz: "Yes because there is a tremendous amount of work that is going to have to go into this."

Chairman Baynes: "So that's my point, if you want to add costs, it's apples to apples."

Director Kruly: "Back to the discussion on the tobacco deal refinancing; it seems to have some bearing on fund balance or how we can maintain it. The thing that Mr. Miles referred to there seems to be some magic number. One is how much cash is available on January 1st and second how that is measured against the 5% of last year's expenditures. What were those numbers?"

Comptroller Poloncarz: "I think Deputy Comptroller Gach can answer those but I think we were only somewhere in the $10 million range."

Deputy Comptroller Gach: "We ended 12/31/06 with cash available; we had a lot of back and forth on the calculations with Mr. Miles and his tax people to make sure we were counting the numbers correctly. So we had roughly $10 million and the 5% on the operating side we had an excess of over $1 billion in expenditures. So quite frankly when you look at that, our rule of thumb, we were looking to looking to have no more than $50 million and we had $10 million."

Director Kruly: "So you met the threshold."

Deputy Comptroller Gach: "Yes."

Comptroller Poloncarz: "Every cash flow is taken into account and prepared from now on because the goal will be to ensure that if we have cash on hand that we get rid of it some how by at least paying expenditures out by that January 1st deadline. As I said on January 2nd, if I have the ability to get it back in I will get it back in. It is just the first of the month is the deadline date and is the date that we have to do the calculation so going forward all cash flows are under the assumption then we get to a point that we do not surpass the fiver percent threshold . It puts the County in a bad situation, I agree, because we will never be able to get back to the large surpluses that are relying on cash because we cannot have huge surpluses at the end of the year and are relying on cash like it happened in past administrations without violating the arbitrage requirements and then having to do the three things that Mr. Miles discussed. We can do that but then we are on an annual basis required to go out there and redeem bonds or buy other bonds which really would not be in the best interest of the County."

Director Kruly: "So that deal does restrict the County's ability to manage its fund balance."

Comptroller Poloncarz: "Yes. I will agree"

Director Kruly: "Was that under your watch or Mr. Hartman's?"

Comptroller Poloncarz: "I was not elected until 2005 and took office in 2006. This is a transaction that was started in 2005."

Director Kruly: "On to a couple of other things. From what I understand, and just a clarification of what I think Greg said earlier, the $10 million, is that the unrestricted portion of the fund balance?"

Comptroller Poloncarz: "That is cash."

Director Kruly: "Do you have a number for what the unrestricted fund balance is? Did you close 2006 yet?"

Deputy Comptroller Gach: "We are just in the process. I believe we are going into partner review on the 18th of June and we are on schedule to have our financials released by the end of June. I can take a look at what the numbers that were forwarded to the attorney and let you know, I just don't have the number off hand."

Director Kruly: "What was the unrestricted fund balance at the end of 2005?"

Deputy Comptroller Gach: "$14 million was total."

Director Kruly: "Okay, is the road fund still running a deficit?"

Comptroller Poloncarz: "I don't believe there are any changes to that. So if it was running a deficit in the past we haven't changed anything with that regard recently so it still would be pretty much in the same position."

Deputy Comptroller Gach: "The numbers may have changed in 2006 but I believe that it is still in deficit."

Director Kruly: "Comptroller Poloncarz we were talking about one of the reasons for the RAN is a delay in the payments that we would receive from the State. Have you talked to Comptroller DiNapoli to see if we could move or advance that stuff?"

Comptroller Poloncarz: "I have reached out to the Comptroller. I have not spoken with Comptroller DiNapoli although I truthfully requested that conference. The spoke with the Deputy Comptroller Mark Patterson who was until recently the Deputy for Local Governments and I have spoken with Steve Hancock, who is the new Deputy for Local Governments and we have a number of issues we would like to go over with the Comptroller's office I am just waiting for that meeting with the State Comptroller."

Director Kruly: "Mark on the IGT and the deficit question. The documents that we have received from Mr. Young that have received form the State Health Department and I believe were copied to you and the administration seem to say that it is illegal for the hospital as the provider to turn that money over to the County. You are a lawyer; are you in agreement with that opinion?"

Comptroller Poloncarz: "Well I would have to disagree with you on that, because that is not exactly what the letter said. The letter says that it is improper for the hospital to turn over that money for that sole reason alone, but it does not prohibit the hospital form providing to its operating county a refund in exchange for any other value that has been provided by the County."

Director Kruly: "But as far as them returning the IGT money that is…"

Comptroller Poloncarz: "That is the argument that Mr. Colluci, the attorney for ECMC, has made. I have argued against that, however Mr. Colluci has also conceded the point and I know Mr. Young has conceded the point, I am not sure why Mr. Colluci but Mr. Young has conceded the point that this letter of the law from the State and federal government notes that this money can be reimbursed for service that have been previously provided. The County has provided service to ECMC. They provided a capital subsidy of $15 million last year and we provided the $8 million of operating subsidy. What we have to remember is that this additional amount cannot be anticipated even in the consent decree and that is why it is very surprising that ECMC is not willing to reimburse the County in its operating subsidy that we have already provided because the law provides that they can and I think it is fair to say that there is nothing in the law that prevents them from providing that money back unless we did not prevent and you can ask Mr. Colluci, we did not provide them a dime. We have provided them $23 million already this year and they have gotten another $17 million in ITT money; half from the State and half from the

County. I think in a fairness issue they owe the County money because they can reimburse it."

Director Kruly: "I think two or three months ago, at one of these meetings, I suggested that the County return to Judge Makowski to consider revisiting of the consent decree which I think is more in order now when you consider the amount here."

Comptroller Poloncarz: "I agree and I have reiterated that to the administration. Mr. Rubin has been looking at this issue and there are a couple of avenues that the County is considering. I don't necessarily want to reveal them but I think it is fair to say from the stand point that, when the consent decree says we are suppose to provide them $8 million in operating subsidy and $15 million in capital and that is what they required, that they could hopefully have a zero balance at the end of the year. Well we do know that in 2006 they ended up with a surplus of $7 million prior to the application of the Erie County subsidy; so they ended up with an over $20 million surplus last year. They have received an additional $17 million this year that was unanticipated at eh beginning of the year; $8.8 million of which comes from Erie County. They are going to end up with a very large surplus at the end of the year which is unfair to the taxpayers of Erie County who are unfortunately in my eyes paying for the advertisements that are being put out for ECMC in their fight against Kalieda as compared to the actual operating of the hospital. I agree with you Director Kruly and I want that money back."

Director Kruly: "You can also tack onto that, that the ECMC received a big windfall from the State for the nursing homes."

Comptroller Poloncarz: "This is an issue I feel very deeply about and I will get very vocal if need be."

Director Kee: "Not to get to far off the issue, but how often does the Legislature and this board get an updated cash flow statements?"

Comptroller Poloncarz: "We are constantly looking at the cash flow on a month to month basis. The Legislature is provided a quarterly report which the Fiscal Authority is also provided. One of the fist things I did when I came into office was to ensure a local accountable government and the best way to do that was to create quarterly financial reports which truthfully there were some requirements in the County Charter that the Comptroller proved investment reports but not full reports to the community and so I created a quarterly statement that is issued the first three quarters of the year and then the final statement is issued as the end of the year financial statements. We provide that to the Legislature, we provide that to the Fiscal Stability Authority and for the public. It is available to be read on our website and we update that as the year goes on with actual numbers, taking away budget numbers to actual numbers as we receive those figures. So the Legislature will receive those on a quarterly basis the authority we will get it on a quarterly basis and as long as I am Comptroller that will continue."

Director Kee: "Just a couple of points. I think the cash flow forecast should be reported monthly, and number two, when the proposed annual budget is issued, the cash flow forecast should be part of its analysis and any early warning of potential cash issues like, for example, June is going to be a crunch time and you should be able to forecast that at the beginning of the year just as part of your cash flow reporting and tracking system."

Comptroller Poloncarz: "The numbers are provided and I think that at we, least to the budget administration, we let them know what our cash flows are and I can tell you as s we continue on Erie County will probably be doing a RAN in the foreseeable future hopefully at lower dollar a mounts in June because we are going to be paying off one Ran and doing another one later. At least that is would be the goal. If we have additional cash such as if the tax lien sale would have come through we would have had additional cash that was unanticipated in the budget we would have been able to push the RAN back a few months maybe even until September. I do one have that luxury at this time so I would have to go back and get that $100 million now or at lest take a potion of it or what we decided on because I will run out of money at the end of this month and I don't think that anybody wants to do that because now we are talking about the shut down and cessation of County service because if I don't have cash to pay vendors and I don't have cash to make payroll we will have no employees and no vendors will receive their checks."

Chairman Baynes: "Mr. Poloncarz thank you very much for your time, Mr. Miles and Deputy Comptroller Gach thank you."

Secretary Keysa: "Mr. Chairman can I ask one question here for Mr. Poloncarz? I understand that the rate of the RAN will be base on the rate of the LIBOR on that day that you are a borrowing. Is that also true for the secondary draws, in other words, are they fixed by the same rate on the date of initial issuance or the LIBOR rate on the date of the subsequent borrowing?"

Comptroller Poloncarz: “It will close on the date of closing, not the date of future draws, so whatever we get now. If I request $25 million, it will be based on the interest rate at the date of closing, which you would normally want to lock-in a rate. There is always a possibility that it could be lower on that date but we are guaranteeing that rate for the life of the one year of the note.”

Chairman Baynes: “Any further questions? Thank you. Since we just received this Wednesday June 6th, I am going to make a motion to table this. I think there is a lot of material and we need time to review it and if my members have no problem I make a motion to table it.”

Director Goodell: “Second!”

Secretary Keysa: “When will be meeting next?”

Chairman Baynes: “We will have to get our calendars together and come up with a date as soon as possible.”

Chairman Baynes: “May I have a motion to adjourn.”

Director Kruly moved to adjourn and Director Johnson seconded. Without further discussion the board voted unanimously to adjourn.

Respectfully submitted,

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Stanley J. Keysa
Secretary
June 15, 2007