

ECFSA
Finance Committee Meeting
October 21, 2008

Chairman Goodell: “Good afternoon this a meeting of the ECFSA finance committee. The purpose of this meeting is to allow the County to present to us some of the highlights of the 2009 budget and the four year plan. The first part of the four year plan is the budget. So we will go through and ask questions; this is the first step in developing our financial plan. The first item of business is to approve the minutes of our last meeting. Do I hear a motion to approve?”

Director Kruly moves and Chairman Goodell seconds and the Board voted unanimously to approve the minutes of the September 8, 2008 meeting.

Chairman Goodell: “Mr. Gach we thank you for coming. I wanted to say one thing as an introduction item. We hoped that your presentation would be more transparent and easier to work. We are trying to create an atmosphere of working together and not do gotcha’s. We would look forward in the future for more transparent responses and presentations to us so that we can move quickly through these things without “gotcha’s” and all the things that go along with that. So with that in mind would you like to give us a run down first of the budget and then the four year plan?”

Budget Director Gach: “As most of you already know or have heard in the press, in the middle of putting this budget together we witnessed the meltdown that occurred on Wall Street and various financial markets which put a damper on our original intentions of putting together a budget. But what you have before you is what we believe to be reasonable assumptions; no smoke in mirrors, no strange things are appearing in the four year plan and budget. It is a meat and potatoes kind of budget. We made cuts were we could make cuts and made adds were we believed we needed to make adds. We deleted over 273 jobs. 114 of those are full time jobs, 132 are seasonal, 16 RPT and 11 part time jobs. In addition when the City parks agreement terminates on June 30th there will be another additional 78 full time jobs that will be deleted. Basically the game plan that we sent out to all of our department heads was to take a look at what you are doing, ask your self why you are doing it; if it is mandated or not mandated and if it was not mandate why we were doing it and in some cases we got out of them. We made cuts in the culturals with the ECCRABs recommendations and roughly \$300,000 of that was not giving money for Studio Arena as a result of their demise as well as an average 6% cut to the big five. I think the total cut was around \$800,000 to culturals because again that is an area that is not mandated; it is something that we do. The County Executive made the decision that we weren’t going to decimate them but we did feel that the cuts we made there were prudent and adequate in order to fulfill

out mission of giving taxpayers better value for their dollar. We made a number of structural changes. We move the Department of Information Support Services; we peeled out Purchasing, Fleet Services and mail as not being part of IT if you will. We made some structural changes in that department too. Fleet was moved over to Public Works. We thought it was more appropriate to be there. As part of the adjustment to Public Works we peeled out buildings and grounds and created the Real Estate and Management Department and created a Commissioners position. That was based on the advise we got from personnel. This put in Michelle Mazzone who was our real estate person who was reconciling and getting us into spaces that were more economical. What we found was, in her position it was difficult for her to have the correct authority over the people that had to do that work so it made more sense for us to just put her in there. You will see that position in the budget as aide from the Authority. This did not however clean up the order of command so that when she made some decisions she didn't have to go through any hierarchies. There were some miscommunications and what this would do is make her job more transparent and more efficient. Director of Fleet Services was eliminated because that was moved under the Commissioner of Public Works, because they were losing buildings and grounds we thought that it was more than correct to eliminate the directors position there. We also eliminated a Deputy position in Purchasing. We added an inductee in the Health department and added a number of staffers in health related fields. We have had some issues at Holding Center and the correctional facility with medical care for the inmates. The Department of Justice looked into it. There was a white paper done. Dr. Billitier actually has his license of the line for medical care over there. The recommendations were made to increase medical staff as well as some oversight staff in there and you will see some of those positions being added in there. Social Services came in well under target. Commissioner Weiner is doing an excellent job. Quite frankly we have cut positions there and have been using less overtime than there has been in years. We have added some supervisory staff in there to keep an eye on it but overall I believe we eliminated over 58 jobs in Social Services and that is another efficiency item that we are looking at. As well as you will see in the budget message there is detail on the six sigma savings and the efficiency grant savings. There is no smoke in mirrors, I've been through smoke and mirror budget presentations. I believe this is a solid budget. It would have been quite easy to say lets move sales tax by 2% and not raise the tax rate. That would have given us about the same amount of money without a tax raise but we made cuts where we thought it was needed. There are going to be more cuts as you see in the four year plan. Again it's not smoke in mirrors. We are guestimating 50 full time jobs, a little over \$3 million that will be cut in the next three years. So rather than get into a discussion over whether casino revenue is going to come in or lottery revenue or anything that is pie in the sky, I believe in good old fashion job cuts and

efficiencies whether they will come through the six sigma avenue or through efficiency grants that we have in front of you or will be having in front of you or as I said just good old fashion budgeting. I know it is a difficult term that has been bounced around but we are asking our department heads to do more with less but that is the message that has gone out to the department head and that is the budget that we are presenting to you today and that is the plan for the next three years. Quite frankly when we put together the four year plan, when we looked at last year we are the beneficiary of probably one of the last of the last administrations of smoke in mirrors things where they had to borrow money to pay ECMCC for capital work because of the circumstances of the borrowing. It was a five year borrowing that was taxable and very expensive. They took advantage of the rules and pushed off principle payment until year two. In 2011 that is all paid off and that is why you see that drop off in debt service in 2012. So we are turning the corner. There was a lot of discussion that went into the estimate rates for tax assessment growth. The average for the last five years is something like 5% unfortunately in this past year we saw the growth go from 4.3% in the preliminary numbers that we saw from the towns and cities down to 3.6%. This is what we have in the 09 budget. Is 4% a tough number to obtain? I hope its not but I'm hoping that we can get more efficiencies than just that \$3.5 million through the job cuts that we have for 2010, 2011 and 2012. I am hoping that sales tax bounces back. I just received a call from the Comptrollers staff with the cash distribution for sales tax for the month of August which is October cash which is a monthly reconciliation although we still haven't gotten the letter, it shows growth that has brought our year to date growth up to 4% and our sales tax for 2009 is predicated on only 2% growth in 2008 and zero growth in 2009. So as I have been saying throughout my tenure since May, since I have been Budget Director that we live and die by sales tax. If sales tax grows by two percent we pick up almost \$8 million if it goes back to the three plus we are talking \$12 million and bottom line is I plan on starting January 1st although I have not lifted my freeze on hiring, even though department heads will know what jobs are going to be maintained going into 2009. Other than jobs for public safety significant reimbursements or are needed as I said at the holding center or corrections facility or at the sheriffs office; we added three dispatchers there. They wanted six, we gave them three. MERS coordinators are another position that I sign off on even though there is a significant County share. What we are able to do with 200 plus cuts in the 2009 budget is spare people losing there jobs. There are a number of jobs where people are going to walk out on the street. We minimized those as much as we can and that is the plan going forward. It is much easier to eliminate a job that is vacant than it is to go after someone and take their job; phantom jobs have ended in Erie County. ”

“I will say in DSS there are roughly 100 jobs still there but believe it or not, I have had a number of discussions with Commissioner Weiner that is normal for them. As people walk out the door, people are walking in. It is a revolving door down there in Social Services and they need the people. Some of those jobs are zero percent County share. I think average it is 20% county share for Social Services jobs. If you see the vacancies list you will see there are roughly 100 vacant jobs in DSS still. There are a number of jobs in the sheriff’s department. Again it is a 24/7 operation and he needs the flexibility to replace people on an on needed basis in order to keep a handle on his overtime. Overtime, we have the managers in place; this has been a six sigma project. You will see we cut back in buildings and grounds; this has been a successful program with Kevin Madoo from Public Works handling that one. I will be honest with you when Chris Collins was elected and was talking about six sigma; I thought six sigma was garbage. What it really is is a way of managing. I have been with the county of Erie for three decades now. The last time we attempted this was with Dave Spent, Deputy County Executive back in the 1990’s when he tried to do TQM. Mr. Spent went on to bigger and better things but the problem back then was that there was no support from the County Executive. Believe me, you have the support the County Executive, he does not go for a minute without discussing six sigma. So it is making managers think, it’s making employees think and we have the unions buying in. If you look at the cover of the budget book, there maybe one RNC (???) person on there but the others are all union folks. So we are trying to turn around the way county government has been run for a long time. It’s not an easy job but the results you are seeing is in this budget and you will see it in the next budget. With that I will answer any questions you have. I do want to mention to you I gave Mr. Vetter the listing of fund balance as of June 30th. I know the charter requires fund balances as of September 1st. I spoke with Deputy County Comptroller Timothy Callan this morning. The Comptrollers office is in the process of putting together third quarter reports and that should be out by the end of the month. So you will have the fund balances as of the third quarter. I am also in the process of putting together the BMR Reports which again if they are not out by the end of this week will be done by early next week. So with that I will turn it over to you.”

Chairman Goodell: “Okay let’s start. I think Director Kruly had some questions for you”

Director Kruly: “There are few things that we need some clarification on and I think a lot this is related to information that was previously made available in budget but is not provided here. I know that the charter was followed as far as what was needed there. I have been looking at these things on and off for 35 - 40 years and maybe I don’t have quite the same need as other people might but I guess if I was sitting at the Legislature either on staff or as a legislator I would be concerned that they are missing this information

because they are the ones that are going to have to amend this budget. I will let the Legislature deal with that. The things that I find helpful is seeing more information like the tables that have always been in the budget, the number of full time jobs broken down by department and related to that I think I recall you saying 114 full time jobs were eliminated.”

Budget Director Gach: “Yes.”

Director Kruly: “I’d like to see that list but how many of that number are in DSS?”

Budget Director Gach: “58.”

Director Kruly: “The other thing that I was going to talk about but you stole my thunder because the charter does require that you include that in the budget. The County Executive has been talking about the very large fund balance that the library has but he has been making an issue of the fact that there is that large a number. I think he needs to fess up to the fact that it is considerably less than and looking at this document I don’t see where the library shows up on this thing.”

Budget Director Gach: “The library is the last page, page 10. The problem with any fund balance calculations during the fiscal year is that the fund balance will be overinflated because of the recognition of property tax. That is the problem with mid year projections.”

Director Kruly: “I am just following the charter. While we are on the topic of fund balance, I find the restated fund balance to be a rather interesting document. I am not an accountant but I talked to a few and they said it interesting that way you were presenting the information by including accounts receivable as part of the fund balance. If you take that out, you are largely dealing with the road fund. Previously fund balance was \$26 million. I know what Mr. Collins is trying to do here in his presentation as far as trying to say that fund balance is a percentage of the budget at 6.9% but of course the State Comptroller, GASB 33 and GASB 36 say that you have to identify your full budget and your budget is \$1.483 billion so \$25 - \$26 million of fund balance into that is less than 2%. I think that is what we have to recognize that and this is not what Mr. Collins is putting into his message. I would also like to ask a little bit about the efficiency grants. It would be helpful for us, well in the County Executives message to us in the tables that review all of the efficiency grants is that the value of the efficiency grants is roughly \$1.318 million in 2008. The County Executives verbiage says that it is almost \$2 million which I found is an interesting mark up. What I would like to see is something that ties that \$1.318 million directly to line items in the budget. Show us which lines have been reduced. Show us where there are actual cuts. Can you show

us which positions have been cut? Those sorts of things if there are any. Revenue that has resulted from six sigma? I would like to ask that you relate that to the budget by tying it to specific lines. One of the things also with the six sigma is that I don't find anywhere in the budget and I talked to staff, where is the director of Six Sigma in the budget?"

Budget Director Gach: "We left him in the grant. There are two grants set up for this year; one is for Six Sigma Director and the other is for Michelle Mazzone.

Director Kruly: "Is he anywhere in this budget?"

Budget Director Gach: "No, it was a separate resolution passed by this body for 2009 and a separate resolution passed by the Legislature for 2009. So it is not in the 2009 grant budget."

Director Kruly: "The department that you are creating in the budget Real Estate Asset Management (REAM). Are you proposing a charter amendment to create that?"

Budget Director Gach: "There are a number of things that need to be done. I have been in discussions with the County Attorney to determine what charter or local laws are going to have to be drafted. They are in the process of drafting. We also need a local law for the implementation of increase in the County Clerk fees that puts us in line for State authorization. So those are coming and resolutions for other fees have already been filed with the Legislature and the local laws will be filed as well. Unfortunately we are having a problem with getting sponsors for local laws."

Director Kruly: "If you don't do a local law can you still create the department?"

Budget Director Gach: "I'm not quite sure. I believe the County went 14 or 15 years with a charter that called for the finance department and there wasn't one until the Charter Revision Committee fixed that.

Director Kruly: "This would be the reverse though."

Budget Director Gach: "Yes."

Director Kruly: "Is Ms. Mazzone intended to be the Commissioner?"

Budget Director Gach: "Yes."

Director Kruly: "I see \$160,000 as state aid in revenues."

Budget Director Gach: "Right, as her salary."

Director Kruly: “She is going from being a space planner to the Commissioner of 165 person buildings and works program. Most of the buildings and works guys that I have worked with made \$60,000 - \$70,000 not \$160,000. I am kind of mystified by the salary but the other reason I am mystified is, if she is now running a 165 person department, and I think you know that the person running that department in my experience has been a roll up the sleeves and gets street plowed, make sure toilets get cleaned sort of job. How much of her time is going to space planning which is the thing that we are paying for.”

Budget Director Gach: “The majority of her time is going to be on space planning and implementing the planning. Unfortunately, the first move that we needed to do to implement the first floor changes. It turned into a Chinese fire drill because she did not have the direct authority over the buildings and grounds folks to make sure that everything was in place and ready to make the move at that time. There were lines of communication issues with her doing her job with space.”

Director Kruly: “Can’t the County Executive just instruct people to let her do her job.

Budget Director Gach: “You would think but we have a number of individuals in that department who have determined that they will stick to the letter of the union law as far as who they take orders from. What we found is that in order to make this work more efficiently she needs to be able to have that direct authority over those folks.

Will she also be overseeing plugged toilets and everything else? Yes but that is not the major part of her job. The major part of her job is to do space efficiency as well as take over the capital projects program for implementing other space efficiencies as well as building efficiencies. Eventually we will wean her off from the efficiency grant and put her on the payroll.”

Director Kruly: “Speaking only for myself, I think Mr. Collins sold us a “pig in a poke” here. I would like to see or get a letter from you and the County Executive of what Ms. Mazzone’s duties are on January 1st so that we know how much is space planning and how much is buildings and grounds so that frankly we can adjust our efficiency grant because I don’t think we were planning on funding the buildings and grounds department with that money. I have not discussed this with the other board members so I am not sure what the feeling will be but I don’t think this is something we should be paying for if she has other responsibilities.”

Chairman Goodell: “Perhaps we could have an organizational chart for that area to help us understand.”

Director Kruly: “Shifting gears a little bit, in the four year plan there is a line on the last page called Other Agency Expenses has ECMCC including dept service for \$22 million dropping over the course of the years to \$12 million in 2012 to so in 2009 what is factored into the \$22 million in because obviously it is more that debt services.”

Budget Director Gach: “It is debt service that the County has issued for them that we are paying for. If you look in book b in the debt service schedule, there is a schedule that shows ECMCC as well as the debt service being paid by the County. That is one piece of it”

Exec. Director Vetter: “Is that \$7 or \$8 million”

Budget Director Gach: “More like \$15 million and then there is another \$7 million which is our share of the guarantee of debt service on the \$100 million that was issued a couple of years back for the sale of ECMC.

Director Kruly: “Essentially all debt service”

Budget Director Gach: “It’s all debt service.”

Director Kruly: “So there is no IGT obligation? Is there IGT expense anywhere in this budget?”

Budget Director Gach: “No. What the anticipation is is that there have been negotiations. I am not sure where they are at this point with the hospital as far as how we handle IGT in the future. There have been a number of legal opinions; as you know every lawyer has there own legal opinion on what is reimbursable in subsidies to the hospital that will qualify for give backs to the County for IGT. Westchester County has been very successful with their County hospital which is set up in a similar arrangement at ECMC in recouping IGT payments from the hospital there? We are working with a number of attorney’s to make sure that we can legally say that what we are paying for; debt service of \$7 million would qualify as a return. But again those negotiations are continuing but I m not quite sure where they are.”

Director Kruly: “I remember Mr. Collins told me in January that they were going to do that.”

Budget Director Gach: “It is still an on going process.”

Director Kruly: “But we still haven’t gotten anywhere yet?”

Budget Director Gach: “There has been progress but as anyone knows when you get a number of lawyers in a room there is always disagreement on how the phraseology is.”

Director Kruly: “IGT is very significant because if that thing is not locked down then you are taking about multiple millions of dollars over the four year plan. The executive also in his message is referring to and you brought up briefly the \$23 million of capital that the County was committed to and then that kind of went into suspended animation later in the year. Is there anything signed on that? Something that says the County is no longer obligated to that. He says in the message that that he is not obligated to anything.”

Budget Director Gach: “The obligation begins once the hospital spends down all the capital money that they have in the bank right now and when they start getting certificates of need issued from the State Health Department.”

Director Kruly: “Is there a written document?”

Budget Director Gach: “I haven’t seen a written document but I have heard references to memorandums of understanding.”

Director Kruly: “Could you check with Ms. Green on that?”

Budget Director Gach: “I will check with Ms. Green but again the hospital has no certificate of needs approved to spend the money that they already have money in the bank and as mentioned by the County Executive in his letter a group has been put together to try and abstract the County from the hospital business. The ultimate goal is to eliminate all of these dark clouds that are hanging over the Erie County taxpayers.”

Director Kruly: “But at the moment now there is nothing that is actually written down like an agreement that the County can go to the bank?”

Budget Director Gach: “I am aware that as late as this morning there were discussions going on.”

Director Kruly: “Just a couple of other things, sales tax as the Comptroller has pointed out is one of our major revenue sources. You have mentioned some of the trends going on with the Canadian dollar. I checked this morning and the Canadian dollar was down to about \$0.81 - 0.82 cents par down from about a dollar just three months ago. That is a pretty fast drop. As you also know from your experience from time to time there are drops occasionally. I think there have been 2 in the last 10 years. So what is that “what if” here? The economy is pretty bad generally? The Canadian dollar is dropping. What happens to the four year plan or 2009 for that matter if you even lose 1 or 2 percent because of sales tax dropping year to year?”

Budget Director Gach: “We will either make more cuts or raise taxes. As I said there is a lot of non mandated spending still in this budget and between six sigma, efficiencies and good old fashion management we are looking at every single dollar that isn’t mandated and we are also looking at every mandated dollar to make sure that we are spending it properly. If there are rules that were being very liberally applied, we are looking at what the effects will be if we ratchet them back a bit and see what happens. We have been very fortunate in this area. Case loads have not gone up that much in the past year. There was a little blip but they leveled out again and the most expensive accounts we really have not seen the effects that we have seen in past recessions. That is not to say that we won’t. There was an article the other day in the paper that stated that Buffalo is one of the best cities supposedly to ride out a recession. I don’t know if we are in a recession from before. The old adage used to be in the 70’s and 80’s if the economy caught a cold we caught pneumonia. We started a year or two early and than lasted three or five years more. This time it does not seem to be hitting us that badly. This past Columbus Day which was also Canadian Thanksgiving Day, the paper again was filled stories of the highest passenger day at Buffalo airport ever and that was due to Canadians. I tried to get into the Galleria Mall that day and I couldn’t. There was not a parking spot to be had. The place was full of Canadians. They are still coming. Whether or not as some would say that they are not coming as much maybe three times instead of five, I don’t know. It’s like when I took this job, when the twelfth or the 15 of the month come I wait for the call from the Comptrollers office to see if I should be happy, sad or well I dodged another bullet this month. Like I said, in the last three months 5.8%, 7.8% and 5.9% growths and that 5.9% is significant because that is a reconciliation month. I don’t know, does it all turn around and fall apart? That is what Christmas is going to be all about and until we get to February of 2009, I’m not going to know what it is but in the mean time I am locking down positions and spending. I believe my phone doesn’t ring anymore because people have finally realized there is no use calling me. I have an agreement with some department heads where we get significant reimbursement to fill a job but for the most part I am saying no to everybody wherever we can. Again with exceptions to public safety, health or jobs that provide efficiency opportunities, yes. We have new jobs in this budget one is in parks department in order to maximize revenues. That position will be filled. In the Health Department there is a position working with kids with special needs. When the department came to us with their initial numbers they were forecasting a 10% growth in cases and it turned out that there is a significant part of the program where we have discretion not whether or not the kid is put in the program but whether not he is put in the Cadillac program or a more reasonably priced program that still gets him good education opportunities. What had been happening was that without any oversight they were just giving people the Cadillac program. We are putting and end to that. So there are

ways to manage a good program and that is what we are trying to do here. The bottom line here is that I will keep vacancies open as long as we can and if we can we will eliminate them. Like I said phantom jobs are gone. If a job is needed it will be refilled and if it is not we are going to delete it. If we need to do more jobs than 50 because of sales tax or in real estate, we will find it somewhere else but it is going to happens.”

Exec. Director Vetter: “On the jobs in the plan, you are talking about reduction of an additional 50 jobs a year going forward at least doing the quick math each one of those jobs is worth about \$66,000.”

Budget Director Gach: “That is an average of salary and fringe benefits.”

Exec. Director Vetter: “I would like to see the calculation on that one and two in terms of reimbursements...”

Budget Director Gach: “A lot is going to be County share. I have had this discussion with the County Executive when we came to that number. Let’s just say they’re all DSS jobs and they average 20% then I have to do 250.”

Exec. Director Vetter: “Can we get the reconciliation to the \$66,000 and I guess the basic assumption that would be safe to make is that these come from non reimbursed departments or some combination of the two.

Budget Director Gach: “They may come from reimbursed departments as well; yes. What I am saying there is that is what will be the County share savings.”

Exec. Director Vetter: “If half of them come for 50% reimbursement then that number would have to increase significantly?”

Budget Director Gach: Right Exactly

Chairman Goodell: Are you satisfied that the reimbursement from the State or Federal Government covers the Counties full cost?

Budget Director Gach: “If you noticed on the four year plan, we changed the description from State aid and Federal to State Aid and Federal partial reimbursement. There are a number of programs that do get 100% reimbursement but the vast majority do not pay the entire cost to the program.”

Chairman Goodell: “Where we get 100%, are you satisfied that that includes appropriate overheads, variable costs, the whole thing?”

Budget Director Gach: “We do allocate overhead and administration into reimbursable programs like welfare. I am not satisfied that we are maximizing that in grants. We started this year by looking at every single grant and started

allocating an overhead to it. What had happened in the past is departments would say that they were “limited on what they could get reimbursed” and that “we can’t get an over head”? What we are finding is that they managed to fit in equipment money, travel money and things like that that are nice to do. Is it nice to buy equipment from grant money? Yes! Would it make more sense to stick some county share in there and get reimbursed? Yes! That is going to be one of my goals in 2009 to work with departments to wherever we can maximize the overhead allocation in to a grant. It hasn’t happened in the past, we’ve done a little bit of it in 2009, it is an ongoing process and it has to be done.”

Chairman Goodell: “It seems to me just intuitively that if that has not addressed then there is a broad way recently that there is probably quite an opportunity there.”

Budget Director Gach: “My budget instructions were to ask each department to look into that and quite frankly they didn’t. I discussed my displeasure with the way this budget period went this year at the last commissioner meeting in not being able to overhaul everything. I guess it is a bit of pride, Ken Kruly, Ken Vetter, Sheila Key and Ed Kasprzak can relate. I was a part of putting together that process and quite frankly I was surprised that the process other than updating dates and times and SAP codes instead of IFM codes, it is still being used. We are not taking advantage of SAP. We spend a ton of money on that program and we are not utilizing it. That is one of the things that Bill Kerry, our new Six Sigma Director who came over from M&T he expressed to me the same thing, that we are not utilizing SAP to its fullest. I have the same feeling as well. We are not utilizing SAP to its fullest. We are looking at putting the entire budget process on SAP. We are looking at putting work flow on SAP which again will help us create more efficiencies and make attaining that 50 job cut a year easier. I don’t want to cut 50 bodies or 200 bodies. I want to cut 50 vacancies. I want to cut 200 vacancies. I have lived in a union home where it is the worst thing in the world to have someone laid off. I don’t want to see that happen to anybody but attrition works. That’s what you are seeing in this budget and that is what you will see in future budgets. If we have to lay off people we will lay off people. We have a huge investment in an IT system and we need people to understand that system and run it. They cost money and that is what we are putting into place there.”

Director Kruly: “Have you been able to quantify the state aid cuts that have already occurred as it relates to the County?”

Budget Director Gach: “The 2% cuts are roughly just under a million dollars in the 2009 budget. The 6% cuts that were passed did not impact any mandated programs. The impact in optional programs and in almost all cases the

Counties 2008 budget did not opt into those options so the 6% impact is almost nil and the 2% is roughly a million dollars and that is in there.

Director Kruly: “Who knows how this is going to come out but the State Legislature is suppose to come back November 18th and should have some recommendations with a couple of billion dollars worth of cuts and as you know the County’s are often the first victims of those cuts.”

Director Kruly: “If it turned out that impact was readily identifiable after November 18th which is in about two weeks or so before the County budget has to be finalized and it turned out that there was some significant effect on the County. I know the County Executive can’t legal submit amendments at the point but would he offer up amendments to further cuts if the impact of the state budget required something like that?”

Budget Director Gach: “Considering it took us roughly 6 to 7 months after the 2% cuts were implemented to actually get a handle on it I think it would be difficult to say what those impacts are. I am sure the Governor budget which he talking about releasing in mid December as everybody knows and that the Legislature will have until April to look at and actually implement something. Again what I plan on doing is, come January 1st, freeze everything that we can. I don’t know what the state budget is going to do? I have gone to enough NYSEC conferences and NYSAC conference calls. Everybody is assuming the sky is going to fall on Counties. What we put in this budget is what we could quantify; it not a guess of what is going to come out of Albany. If it comes out and hits us, I highly doubt that we are going to have any real numbers to talk about before the budget gets adopted in December. I am assuming and again this is an assumption this is if they actually pass a budget by April 1st that if there are any significant impacts to the County, we will put together a mid year plan.”

Director Kruly: “I’m focused more on the November 15 meeting

Budget Director Gach: “I highly doubt what is going to come out of that that will be easily understood or gets passed. If they actually pass something then sure. We can take a look at that and say hey, we just lost a million dollars here, half a million dollars there. What are we going to do? Maybe put together an alternate plan but I don’t know if legally we can do that.”

Director Kruly: “I think all you can do is recommend at that point.”

Budget Director Gach: “I would imagine that we can put together a letter to the Legislature recommending what they can and can’t do. Unfortunately the charter revision was that the Legislature can only reduce revenues by a 2/3rds vote now. So if we went over there and said we know x State

partial reimbursement has been cut by a million dollars. I don't think they can pass a million dollar cut on that line without a 2/3rds vote. So I would think it would than be up to the Comptroller to make his decision on whether or not we declare a deficit as soon as the budget is passed or when it becomes implemented on April 1st."

Director Kruly: "I guess we'll see."

Budget Director Gach: "I guess we'll see. Who knows what will happen or what Albany is going to do? It keeps me coming into work everyday.

Louis Thomas: "I am interested in the collective bargaining agreements. Approximately how many County employees are covered by collective bargaining agreements?"

Budget Director Gach: "You should have that schedule that shows all of the agreements and that have expired. We tried to get a count by union and unfortunately we were unable to get that from ECC and some portions of CSEA."

Louis Thomas: "Ball Park?"

Budget Director Gach: "The vast number of County employees are unionized so it's got to be a 4,000+ number."

Louis Thomas: "You have 9 agreements; agreements that have expired in 2004, 2005, 2006 and some coming up in 2008 and 2011. Just because I can't find it, it doesn't mean that it isn't there but is there any allocation for wage increases?"

Budget Director Gach: "No. The County Executives position on wage increases is that whatever wage increases occur will be evened out in give backs whether they are in health benefits, retiree health benefits, paid times off and he has stuck to that plan."

Louis Thomas: "So, What is the likelihood that there are going to be agreements that are going to be negotiated?"

Budget Director Gach: "I have been around here long enough to know that, well I was here in the 1980's when there was an agreement made give wage increases to the CSEA. I think the only significant thing in give backs were summer hours and they rejected it. A few years later there was the 1983 or 1984 melt down."

Louis Thomas: "So if that is the case, how can you have nine agreements yet to be negotiated? Isn't that considered an unknown cost? I'm sure this has some value and significance to the County?"

Budget Director Gach: “The County Executive has been very adamant on union negotiations.”

Louis Thomas: “I’m not talking about the County Executives position. I am talking about budget concerns. Are we dealing with an unknown cost factor that could be significant?”

Budget Director Gach: “As negotiations with NYSNA went, there was an offer on the table. NYSNA made significant give backs but they did not give back everything that the County Executive wanted and that agreement was rejected. Quite frankly the County Executive is going to take that attitude with every single union; unless the agreement pays for itself, then he will not sign off on the agreement”

Louis Thomas: “Than how can the budget be meaningful without knowing what those costs are going to be?”

Budget Director Gach: “I am getting paid under the 2001 scale. A number of people are getting paid under the 2002 and CSEA is on the 2006 scale. Those will be the scales until an agreement has been made and that agreement will not be signed off by the County Executive unless there are significant give backs that that can pay for any wage increases.”

Louis Thomas: “So what is the cost to the County if there are no collective bargaining agreements beyond where we are now?”

Budget Director Gach: “The only cost would be the continuation of the existing agreements which means that CSEA does not pay anything for health insurance as an employee or retiree benefits. Those types of costs and they are built into the four year plan.”

Louis Thomas: “That goes through all of the County employees? The situation would be the same?”

Budget Director Gach: “I made no adjustments that we would save money by employee contributions to health benefits beyond what the managerial confidential employees are doing already.”

Louis Thomas: “Your estimate as I remember is a 10% increase?”

Budget Director Gach: “It is a 10% increase from 2009 going forward. What we found when we looked at 2008 it was under budgeted so we had to bump those up significantly to get those in line with what the costs were this year and then going forward we are basically self insured though LMHC. Mr. John Berger is a consultant with them. I had a number of meeting him and we

went through what the estimated increases would be. They basically averaged at 10%. What we are hearing are horror stories of other municipalities that are facing 20 – 30%.”

Louis Thomas: “Well I was curious with the way things are going in the economy right now relative to pension, hospital and medical insurance for retirees, Hospital and medical insurance for employees, workers comp, the whole thing...is it going to have to be more than what happened in the past?”

Budget Director Gach: “As I said the estimates that we have indicate an average of 10% each year. What we are seeing and what we have done with being self insured is we’ve ratcheted back insurance by increasing co pays, by using mail in prescriptions. My co pays are 5/7/10 if I recall. If I mail them in and get a three months supply, I pay 5/7/10 dollars instead of 15/21/30. So it encourages employees to use that plan. We are also encouraging employees to go to generics. What we are seeing is significant savings.”

Louis Thomas: “Is that mandatory under the collective bargaining agreements?”

Budget Director Gach: “It’s optional to them but basically the employee saves money. I think it is very neat. I took advantage of it as soon as I could. Being a bean counter I thought alright I could spend \$15.00 for my prescription for three months or \$5.00. Ten bucks is ten bucks and by going to generics we have seen a significant savings.”

Louis Thomas: “There was something on page 8 that I was hoping you could clarify for me? It is in the top paragraph, the “pay as you go basis for bills arrive for current retirees”.”

It says “Yet we have refused to recognize any future liabilities.” I don’t think I understand that.”

Budget Director Gach: “That is a GASB 45. GASB 45 basically says that you have to do a calculation of your future benefits other than pension which is basically health benefits. The Controller had that study performed. We have to update it every two years. The amount was roughly \$750 Million dollars. Being a government we don’t have to fund that every year so what we do is basically pay as you go. Every year what you see in the retiree medical insurance line is our payments. There is nothing being set aside for future payments. The hospital for example has to fund their GASB 45 liability over 15 years. We don’t have that.”

Louis Thomas: “Does that continue to be a liability that affects the County?”

Budget Director Gach: “It is a liability to the County.”

Louis Thomas: “But you don’t count it?”

Budget Director Gach: “We don’t have to fund it. I only find what goes out there in the current year and that is what is in the four year plan.”

Louis Thomas: “I’m sorry but I am having a hard time wrapping my mind around how the budget can be considered reasonable when there are 9 collective bargaining contracts that have not been negotiated. That is an unknown cost factor that could be significant.”

Budget Director Gach: “As I said I work for a County Executive who has said he will not sign any collective bargaining agreements unless it is cost neutral to the County.”

Louis Thomas: “I’m sure that created a strong willingness on behalf of union representatives to want to come and sit down with him at the bargaining table.”

Budget Director Gach: “Our labor relations representative is a very busy guy.”

Exec. Director Vetter: “Just a couple of questions on the numbers here. Overtime in the budget is projected at about \$10 million. It goes up slightly from 2008 going forward. I guess two things that we should look in terms of explanation are that in 2007 overtime was \$17 million and overtime in last BMR through July was over \$8 million of a \$10 million budget; namely 82% of the budget over only 58% of the year. My question is one what has occurred to reduce overtime to the \$10 million level and two it looked for like 2008 that it is still an issue and is there any level of comfort that would tell us \$10 million is a good number?”

Budget Director Gach: “Our significant overtime in the past as I said earlier are in Social Service and the Holding Center. As I said Commissioner Mike Weiner has done a great job in controlling overtime going forward. There are some issues at the Holding Center that is partly offset by vacancy control. I have had this conversation with Sheriff Howard as well as Undersheriff Doyle. Basically they are committed to make their budgets work. I sat next to them during the mid year budget hearings. They were grilled quite strenuously by the Legislature who gave them the same question that you are asking right now; what is going on with overtime and how come you’re not controlling it when we gave you additional jobs? Part of the issue this year is getting those new employees through the training process and into the Holding Center. We are not adding additional jobs this year. What has happened is that they are done with their training classes for the most part so there will not be that lag and then catch up to get employees into working and not getting overtime. I had the discussion with them where employees are now complaining that they are not getting overtime.

So it's starting to work. Places where we have seen significant overtime are...Building and Grounds is a classic example, as I said earlier with Kevin Ladue and his Six Sigma program, they spent \$700,000 in overtime in 2007. The budget was \$300,000 and we are cutting the budget down to \$200,000. That is one of the things that efficiencies are going to do. It was a stupid things quite frankly that led to overtime over there. Line supervisors would decide that rather than have employees who are working the day shift go and deal with maintenance issues that came up during the day, they would keep them on overtime to deal with these things in the evening. The simple thing would have been to just shift them from one shift to another to allow them to say we filled all the work orders during the day; they come in for second shift. They go out and do the work while the regular employees are gone for the day. So as I say sort of simple things to deal with the overtime issue and on the operating end of this include issues with the Sheriff. I have had conversations with the Sheriff; they know that that they are in control of it. They had to go through midyear budget hearings and they were questioned on why these were issues were turning into problems. Sheriff Howard is committed to resolve that problem. So we'll see what happens.

Exec. Director Vetter: "On the other thing that we talked about, I was not sure if you had a chance to take a look at the Workers Compensation accounts? Going back and forth between the financial plan where it is in at \$8.2 million and in the budget where it is in at about \$10.2 million to reconcile those two numbers?"

Budget Director Gach: "What you are seeing there in the four year plan is the net number and what you are seeing in the budget is the gross number. There is that reimbursement piece that comes in."

Exec. Director Vetter: "So what we are seeing regardless of what the number is the net is \$8 million and that in terms of what the net impact is on the operations budget...maybe that is a schedule we could get in the not to distant future?"

Budget Director Gach: "I can show you the numbers. What we have seen and Cheryl Green the County Attorney who has a lot of experience in workers comp, what we are seeing is that, and we have gotten staff from the County Attorney's office on this, is that cases are dropping. We are closing a lot of cases unfortunately what we are seeing is a slight uptake in the cost per case but that again is another issue of training of management, training of employees to void comp claims."

Exec. Director Vetter: "...and they change the rules in 2005 – 2006 where there were going to be fewer eligibles but the eligibles were going to get more because of regulations.

Budget Director Gach: “That’s right.”

Exec. Director Vetter: “I guess one other item comes from the Comptrollers comments on the revenue estimates where he had commented on a \$5 million increase in recoveries from one year to the next and at that time raise the question of the applicability of that justification? I’m not sure if you got a chance to take a look at that?”

Budget Director Gach: “That recovery number believe it or not is less than what we expect to recover in 2008. We ratcheted back and this is a straight line trending of this number. It is the old fashion budgeting 101; underestimate your revenues and over estimate your expenses.”

“Mike’s people are doing a great job with recoveries but I am not betting the farm on it. So we knocked it back a bit and it still showed a significant increase.”

Exec. Director Vetter: “So what are the collections this far? Because in the past, when you look back at the actuals they are about \$18 – 19 million and the plan assumes somewhere around \$24 – 25 million.”

Budget Director Gach: “I can get you where they are year to date as well as what our projection is.”

Chairman Goodell: “I have a few questions for you Mr. Gach. There are three or four areas here that we need to take more of a macro look at. Mr. Vetter already brought up the idea of fund balance and we need to see some reconciliation of that over a four year period with what the law requires or what the County rules require and see what that looks like.”

Budget Director Gach: “Well let me just say that on fund balance you saw an interesting restatement of fund balance in the budget book but let me assure you that when the debits and credits are all done by the Comptroller you’re going to see traditional fund balance numbers. That is what I handed out and that is what is going forward. We are committed to zeroing out the deficit in the road fund. If you have looked through it, there is a resolution in there allowing me and the Comptroller to work through that and zero it out. So the road fund deficit will no longer be there and as far as moving forward with surpluses and what not, the four year plan does show surpluses in 2010, 2011 and 2012. We are going to have to put together a budget that is balanced. We do balance it. The hope is that you always have a surplus not a deficit.”

Chairman Goodell: “The other area that I would like to address and we have not addressed it here is the capital budget spending from the four year periods and a look at

debt loads and with the help of the Comptroller an estimate on what you thin interest rates will be on any financing that goes on in the out years.”

Budget Director Gach: “What I estimated in the four year plan is, in the 2009 budget we have a BAN interest expense which was estimated before State financial melt down. Those are the numbers we got from Rich Ganci. Going forward in 2009 the estimate is that we would be bonding the \$83.7 million plus the \$50 million in the 2009 program. Going forward after that \$50 million each year. I used a 5% coupon rate for those estimates as well as, Citibank provided and amortization table at the beginning of the year when we were talking about bonds and mirror bonds. So I figured we could use that and we factored it in to get to the \$137 million and used that for the \$50 million level debt service. So is it reasonable? I think so. Can I guess what the rates are going to be in 2011? No but I thought a 5% coupon was reasonable.”

Chairman Goodell: “I think that all of our discussion here today has been in the context of time where there is a great deal of uncertainty. It would be very helpful for you to give us a best case worse case look these big revenue items; sales tax, etc the big revenue items. We are going to have to do it if you don’t do it. In all budgets, I have only encountered two or three budgets in my entire career where someone said they are not conservative or reasonable but bad things happen. Some of those numbers are bad numbers and we have no idea which ones they are but to help give us a best case worse case look at the major items would be a big help to us.”

Budget Director Gach: “As I said earlier your major items are going to be what is going to happen with real estate growth, assessment growth, sales tax and medical insurance. I am comfortable with fringe benefits. What we did to retirement was went with 1%, 5% and 5%. We’ve gotten the rates that will be in place on February 2010 and actually the rates peaks. There is a five year averaging that the State Comptroller does now. Is five percent reasonable given what has happened to the market? I don’t know; when you looked at it when it dropped 900 points I would say no but if you looked at it when it went up 700 points I would say yes. I don’t know on those type of thing. Sales tax, like I said, we have a number that is less than average. If we look at sales tax today it is growing 4% we are saying 2%. I don’t know.”

Chairman Goodell: “I don’t think any of us know ad none of us have the confidence in our own look at numbers that we might have had two years ago but for us to analyze we would like your best case/worse case scenario.”

“Mr. Gach we thank you very much. We appreciate your candor.”

Exec. Director Vetter: “I guess just to reiterate the things that we have been asking today we will take this information and submitted to you some questions asking for some specific data what. You probably get something by tomorrow.”

Chairman Goodell: “We have some more detailed questions and we would be here until midnight if we went through all of them right now. So with that we will send you our questions. Can I get a motion to adjourn?”

Director Kruly moved to adjourn and Director Thomas seconded and the committee voted unanimously to adjourn.

Respectfully submitted,

Stanley Jay Keysa
Secretary

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