

**Minutes
Erie County Fiscal Stability Authority
September 21, 2009**

(Note: the following is a draft copy of minutes of a meeting of the Directors of the Erie County Fiscal Stability Authority ("ECFSA"), which was held September 21st 2009, in the Auditorium of the Buffalo and Erie County Public Library. These minutes will not become final until approved at a subsequent meeting, and may be amended before approval.)

Present: Chairman Robert Glaser, Vice Chairman Daniel Oliverio, Secretary Stanley Keysa, Director Kenneth Kruly, Director John Johnson, Director Louis Thomas

Chairman Glaser: "Welcome to the September 21, 2009 meeting of the Board of Directors of the ECFSA. Thank you for coming. I welcome my fellow board members. We have a few things that we will be going over today. We will be talking about the RAN borrowing. We have been talking to the County Executive and had an earlier meeting with the Legislature and looks like the borrowing should go smoothly I hope famous last words. Our finance committee has met earlier today and looked a couple of efficiency grants which we will talk about in a little bit. In close we will be having presentation from Michelle Mazzone and William Carey regarding updates that we are funding through previous efficiency grants. So as to get the meeting going, I will turn it over to Secretary Keysa regarding the minutes to our last meeting."

Secretary Keysa: "Yes, Mr. Chairman, we have before us the first draft of the minutes of the last meeting. I note that Ms. Martin has been somewhat ill and I have not had a chance yet to review and go through the editing but that will be done this evening but at any event the gist of the minutes are there and unless there are some changes that anyone wants to suggest at this point, I would recommend approval of those minutes."

Secretary Keysa moved and Vice Chair Oliverio seconded the following resolution, and the Directors voted unanimously to approve:

Resolution No. 09-55

**APPROVING MINUTES AND RESOLUTIONS FROM
THE JULY 23, 2009 MEETING**

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its July 23, 2009 meeting and ratifies and affirms seven resolutions numbered 09-51, 9-52, 09-53 and 09-54 that were approved on July 23, 2009.

This resolution shall take effect immediately.

Chairman Glaser: “Next item on the agenda is the Revenue Anticipation Note (RAN) in the amount of \$65 million, I understand. Again we have been working a little bit behind the scene but if I could turn that over to Mr. Vetter who was at the Legislature finance committee meeting along with Director Kruly.”

Executive Director Vetter: “Thank you, Mr. Chairman. At this point, the last action that is required by this board is approval, for the ECFSA to issue up to \$75 million, essentially a BAN that approximates the Counties RAN. A resolution has been forwarded to you that you received last week that has been reviewed and approved by our legal counsel that gives authorization to ECFSA agents and officials to enter into agreement for up to \$75 million in short term borrowing. The reason for the \$75 million figure is that that was the authorization amount given to the Comptroller by the Legislature. So that even though the amount we anticipate at this time is \$65 million, we wrote our resolution to mirror Erie County’s resolution. So, in essence, this is the last official thing that needs to occur and assuming the Legislature votes to do this on Thursday, we can close a RAN for the County prior to the October 28th closing date.”

Chairman Glaser: “Can we put this resolution on the table before we talk about it?”

Executive Director Vetter: “Yes, Mr. Chairman.”

Secretary Keysa moved to put resolution 09-56 on the table and Vice Chair Oliverio seconded his motion:

Chairman Glaser: “I have a question. Could you explain to the board how the meeting went this morning and do you anticipate any problems or challenges that came out of that meeting this morning?”

Executive Director Vetter: “Thank you, Mr. Chairman. I think it was a very cordial meeting with the finance committee of the Legislature. This was noted on their official agenda for a vote. It was an informational session for which we made a presentation. The Budget Director was there, the Deputy County Comptroller was there, and we each made presentations with regard to this issue. The Legislature finance committee did not vote on the particular issue at that time. They appeared to be pleased that we were there and what they were receiving was consistent, and they were looking forward to some additional information and requested additional information on potential savings, and there was one question raised with regard to set-asides that our legal counsel had an initial opinion on and would research on and get a final report to the Legislature. Before the Legislature has to consider this, there was a concern from the Comptroller’s office that could be two separate set-asides for this. That could impact the County’s cash flow. Our legal counsel has indicated preliminarily that that does not appear to be an issue, but they are completing the legal research. So I believe the meeting was very positive and everybody is looking to move forward and save Erie County taxpayers money. So we still need some details to work through, in a deal like this, there are always details to deal with, but I think we have

made progress. The meeting was very positive; very good and I anticipate full consideration and cooperation from the Legislature.”

Chairman Glaser: “Just to add to this, my understanding is that on a \$65 million borrowing, we would save approximately \$785,000. That is assuming they borrowed that money for the whole year and if it were for six months, the rough approximation would be more like \$400,000 savings, either of which is a significant chunk of change. So that is great. Does anyone have any other relevant questions on this before we vote on this?”

“We will need to send this over to the County Legislature and have something from County Executive Collins?”

Executive Director Vetter: “Yes, we are anticipating the certificate of need and any other documents that would need Legislative approval will be clocked in prior to the 11:00 am deadline tomorrow. On the savings that we would anticipate, in subsequent information that we have received, is that this would be a nine month RAN, and given the proportions that are there, and given the information that we have received from the County bids, that the savings that we would have would be in the \$500,000 – \$600,000 range.”

Chairman Glaser: “Okay, good. If there are no further questions, I will call for a vote. All in favor of the resolution signify aye?”

All Directors voted in favor of the following resolution.

Resolution No. 09-56

COMMENTING ON AND APPROVING THE ISSUANCE OF REVENUE ANTICIPATION NOTES BY ERIE COUNTY FISCAL STABILITY AUTHORITY

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, As a result of its high bond rating, the ECFSA can issue new debt at a lower cost than the County can;

WHEREAS, by issuing new debt through the ECFSA at lower interest rates, the County can reduce its cost of borrowing, and thereby save taxpayer dollars;

WHEREAS, By issuing new debt through the ECFSA, the County will not affect the longevity of the ECFSA, which shall periodically intercept a portion of County tax

revenues and New York State aid through December 31, 2039, pursuant to Section 3964 of New York Public Authorities Law;

WHEREAS, the issuance of new debt by the County through the ECFSA will not predetermine the status of the ECFSA as an advisory board or as a control board;

WHEREAS, based on County cash flow projections, the County Comptroller's Office identified a need for the County to issue \$65,000,000 in Revenue Anticipation Notes in early October, 2009;

WHEREAS, Pursuant to New York Local Finance Law, the County Legislature delegated to the County Comptroller the powers to authorize the issuance of and to prescribe the terms, form and contents for the sale and credit enhancement of such Revenue Anticipation Notes through approval of its Resolution, up to an amount of \$75 Million;

WHEREAS, it has become apparent after discussion with the County Comptroller, that the ECFSA can borrow \$65,000,000 of 2009 Revenue Anticipation Notes at an annual savings to County taxpayers of approximately 785,000;

WHEREAS, the County Executive plans to request County Legislature approval of an ECFSA borrowing on behalf of the County, as required by Section 3961 of New York Public Authorities Law, to enable the ECFSA to realize such savings for County taxpayers;

NOW, THEREFORE, BE IT RESOLVED, that, upon receipt of a request from the County Executive and approval by the County Legislature pursuant to Section 3961 of New York Public Authorities Law, the ECFSA does hereby approve and authorize the Erie County Fiscal Stability Authority issuance of Revenue Anticipation Notes, Series 2009, in an amount not to exceed \$75,000,000, in order to allow the County to meet its short-term obligations;

BE IT FURTHER RESOLVED, that the power to set the financial terms of such Revenue Anticipation Notes, as well as the bonds or notes approved in this resolution is hereby delegated to the Executive Director of the ECFSA;

BE IT FURTHER RESOLVED, that this approval is contingent upon appropriate approvals to be received from the Erie County legislature at its September 24th meeting, or thereafter;

BE IT FURTHER RESOLVED, that the Executive Director of the ECFSA be hereby authorized and directed to execute and deliver any agreements, certificates, documents, papers or other written instrument, to make any changes, modifications or amendments as may be necessary, to do all other things and to take all other actions necessary and appropriate to consummate the transactions contemplated by this resolution; and

BE IT FURTHER RESOLVED, that this resolution be provided to the County Executive, the County Comptroller, the County Legislature, the Director of the State Division of the Budget, the Chair of the State Senate Finance Committee, the Chair of the State Assembly Ways and Means Committee and the State Comptroller.

This resolution shall take effect immediately.

Secretary Keysa: "I have a question. Mr. Vetter, do you have a copy of this for signature?"

Executive Director Vetter: "Yes."

Chairman Glaser: "The next order of business is a report from the finance committee. Mr. Kruly is the Chair of that committee and they had a meeting earlier. Would you like to report back on that meeting earlier?"

Director Kruly: "Sure. Mr. Chairman, we reviewed two efficiency grants and we are recommending them for approval by the full board."

"The first one was for thin-client technology which would be setting up a computer system through the County where the County would essentially be providing software and processing rather than through individual PC's located on employees' desks. This is intended to better manage the computer system and also to produce some savings along the way. We are recommending that the board approve that, and told them that there are some conditions on that, and that they will provide us with a detailed summary of the list of the equipment that is being purchased, as well as some personnel actions. Hopefully, there will be a reduction in costs will be falling from this and will be reporting that back to us through Mr. Vetter. We also indicated to them that we would not go along for a cost of \$325,000 in contingency on this project at this point. We will defer on that because the cost may come in under the \$1.625 million that we discussed today, that we are approving a resolution that is an amount not to exceed so that if there is some reduction in cost of the \$1.625 million it can be used for other efficiency grants in the future. With that, I would recommend that the full board approve this efficiency grant for the County."

Director Thomas moved to approve the following resolution; Director Johnson seconded his motion, and the Directors voted unanimously to approve:

Resolution No. 09-57

APPROVING AN EFFICIENCY GRANT FOR ERIE COUNTY THIN CLIENT TECHNOLOGY

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, Section 3957(a) of New York State Public Authorities Law provides that, subject to appropriations during State fiscal years 2006-07 through 2010-11, the ECFSA shall provide grants to the County of Erie (the “County”) to support activities that achieve savings through innovations and reengineering; and

WHEREAS, the County Executive submitted an efficiency grant for the county to achieve savings through “thin client” technology; and

WHEREAS, the ECFSA Finance Committee met on May 5, 2009 to discuss the County’s “thin client” efficiency grant application and then again on September 21, 2009 to consider a revised application; and

WHEREAS, on September 21, 2009, the ECFSA Finance Committee voted unanimously to recommend to the ECFSA Board that efficiency grant funding of up to \$1,685,000 be made available to the County to implement this thin client program, with the following provisions – that the county provide a detailed list of equipment, software and any other services or supplies to be purchased with ECFSA grant funds, itemized cost of that equipment, software, etc. and an itemized list of the corresponding equipment, software, etc. that is being replaced; and a detailed list of county positions that will be eliminated to accrue ongoing savings from the thin client program

NOW, THEREFORE, BE IT RESOLVED based on the recommendation of the ECFSA Finance Committee, the ECFSA hereby grants up to \$1,685,000 to the County in efficiency grant funding to be used for the purpose of implementing this thin client program, with the following provisos:

That the county provide a detailed list of equipment, software and any other services or supplies to be purchased with ECFSA grant funds, itemized cost of that equipment, software, etc. and an itemized list of the corresponding equipment, software, etc. that is being replaced;

The county provides to the ECFSA detailed list of county positions, and associated costs, that will be eliminated from the budget to accrue ongoing savings from the thin client program, along with documentation from the county agreeing to those position eliminations and verification of position eliminations and;

BE IT FURTHER RESOLVED that the ECFSA Executive Director send, via first-class mail, copies of this resolution to the County Executive; the County Comptroller; the Chair, the Majority Leader, the Minority Leader, and the Clerk of the County Legislature; and the Governor, the Comptroller, the Senate Majority Leader, and the Speaker of the Assembly of the State of New York.

This resolution shall take effect immediately.

Director Kruly: “The second item, Mr. Chairman, concerns Real Property and also Environment and Planning. That is to set up a modern GIS system to do tax mapping for the county that will result in some labor saving for the County. The County has agreed to eliminate a vacant position that will produce a savings that will provide efficiency for this project. We are recommending approval of this project for the \$174,932 for this program and the resolution is also contingent on the County Executive proposing and the Legislature approving the elimination of the position which will produce the savings for the project. I would suggest that we approve this efficiency grant.”

Director Thomas moved the following resolution, Vice Chair Oliverio seconded, and the Directors voted unanimously to approve.

Resolution No. 09-58

APPROVING AN EFFICIENCY GRANT FOR ERIE COUNTY REAL PROPERTY TAX MAP CONVERSION

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, Section 3957(a) of New York State Public Authorities Law provides that, subject to appropriations during State fiscal years 2006-07 through 2010-11, the ECFSA shall provide grants to the County of Erie (the “County”) to support activities that achieve savings through innovations and reengineering; and

WHEREAS, the County Executive submitted an efficiency grant application for the purpose of migrating the County’s AutoCAD system to a more efficient GIS based system, using advanced technology to save County dollars; and

WHEREAS, the ECFSA Finance Committee met on September 21, 2009 to discuss the County’s Real Property Tax Map Conversion efficiency grant application; and

WHEREAS, on September 21, 2009, the ECFSA Finance Committee voted unanimously to recommend to the ECFSA Board that efficiency grant funding be made available to the County to be used to fund the County’s Real Property Tax Map Conversion with the following proviso:

That the County provides verification of the elimination of the designated tax-mapping position to the ECFSA, as evidence of ongoing personnel savings;

NOW, THEREFORE, BE IT RESOLVED based on the recommendation of the ECFSA Finance Committee, the ECFSA hereby grants up to \$174,932 to the County in efficiency grant funding to be used to fund the County's Real Property Tax Map Conversion with the following proviso:

That the County provide verification of the elimination of the designated tax-mapping position to the ECFSA, as evidence of ongoing personnel savings; and

BE IT FURTHER RESOLVED that the ECFSA Executive Director send, via first-class mail, copies of this resolution to the County Executive; the County Comptroller; the Chair, the Majority Leader, the Minority Leader, and the Clerk of the County Legislature; and the Governor, the Comptroller, the Senate Majority Leader, and the Speaker of the Assembly of the State of New York.

This resolution shall take effect immediately.

Director Kruly: "Mr. Chairman, finally I would just note that we have approved \$1.8 million in efficiency grants today added to the previous approvals that we have done equal \$7.6 million, so we are starting to approach \$10 million in efficiency grants that have been approved by this board."

Chairman Glaser: "I think that is great and for the State to give us money that has been helpful to the County for the past several of years. Along with those comments that you made earlier, I understand that you did discuss some items that are high on our agenda as they relate to the County budget."

Director Kruly: "Yes, Mr. Chairman, we had Mr. Vetter review some issues that we will be looking at in the budget like sales tax. Mr. Vetter, maybe you want to go through them quickly?"

Executive Director Vetter: "Thank you, Director Kruly. We had spoken a little at the finance committee meeting regarding the budget and financial plan that will be coming forward. The process, under our legislation, the 2010-2013 budget and financial plan should be here no later than the October 15th of this year. Through media reports, the County Executive has indicated the budget and plan should be here within the next 10-15 days, so we anticipate that coming early. From a legal standpoint process, the ECFSA has 20 days to comment on the budget and four-year plan. Within that 20 days a determination has to be made whether to remain in advisory status or to resort to a control status based on the information received and the analysis on that information."

"The highlights that we are aware of thus far in the budget from outside reports is that there is no increase in the property tax rate, but assuming that the property tax values increase by 4.7% in 2010, which has been

indicated by the Department of Real Property, the levy, if the rates would remain constant, would increase to about \$9.5 million over 2009.”

“There has also been an indication that funding for the CVB would be up about 18% over 2009 to fund additional tourism activities, particularly cultural and sports tourism in Erie County. Some challenges and issues that we are getting prepared for ahead of time because 20 days isn’t that much time to look at and analyze a \$1.5 billion budget.”

“Some issues that we are looking at are potential labor agreements that could result in future savings but may have current costs. The County’s proposal in the last financial plan is to eliminate 150 positions that would result in a \$60 million savings. There is a significant increase in pension costs. We received information from the State Comptroller’s office that some of the long term expected rates could top 27% of payroll, which is significant.”

“We are also looking at sales tax revenues which are running this year 5.5% below the same period of last year and we are really looking forward to see how this trends out for the future. Erie County had not been in the dire position that a number of counties have been in but every six or seven years, tax revenues in Erie County are off. This appears to be one of those years. Hopefully it is not more than one year.”

“Other issues that we are looking at are federal Medicaid monies. There has been approximately \$80 million in federal Medicaid money for 2009 and 2010. Those monies disappear in 2011 which leaves a significant hole to be added by Erie County.”

“We are also looking at the effects of ECMC post 2010 because the consent decree expires in 2010. There will be a completely new set of rules in 2011 going forward.”

“We are also looking for results in the Department of Justice action with the Corrections Facility and Holding Center and see how that ties into the County’s finances and potential capital programs.”

“There have also been continuing overtime issues for a number of years that seem to hold through for 2009 that we will be looking for 2010 going forward.”

“We will focus on interest rates as well. That is the good news and bad news for the County. There are historically low interest rates out there. For borrowing that is good. For interest revenue, it is bad.”

“New York State impacts. Again, New York State is experiencing some significant budget issues of its own. Legislature Chair Marinelli just came back from a NYSAC conference where they began the conversation with a sense that there are other issues at the state level that counties will need to deal with.”

“Others include an increase in health insurance costs, because that is a significant issue these days. Items that we have discussed today are the financial impacts of Six Sigma, the impacts of other efficiency grants. Today there was an approval of almost \$2 million in efficiency grants and the reasoning is that they will save Erie County in the future. That is something that should be included in the financial plan. Also based on what is happening in the economy and the unemployment benefits, that the case loads in Erie County are starting to increase, we have to be cognizant of those increases.”

“The last major item is something that we commented about at a previous meeting. Erie Community College submitted a budget and we indicated that the college is expecting \$5 million more from the County than the County is anticipating giving to the college so that has to be reconciled one way or the other.”

Chairman Glaser: “So over the next month we have our work cut out for us in putting this together for us?”

Executive Director Vetter: “Yes, Mr. Chairman.”

Chairman Glaser: “Are you in constant contact with the County Executive’s office to kind of sort through these things? So that when we receive the budget and four-year plan by October 15th, you will have had a chance to sort through these things?”

Executive Director Vetter: “That is two questions, which I will answer yes and yes. Mr. Kruly and I have known the Budget Director for decades and we talk but there are probably issues in the County budget that the County Executive would probably not want to ring out at this point but we are working together to get ready for that. Assuming that, just prior to that coming out, we would be discussing items and nothing would be a huge surprise to us.”

Chairman Glaser: “Good. Mr. Kruly, is there anything else you would like to report from the finance committee meeting?”

Director Kruly: “Just following up on what Mr. Vetter said that the County is living off of bail-out money from the federal government, not unlike AIG, banks or others. They would be facing a serious issue if they did not have it this year. Next year they will be appropriating another \$35 million of federal bail-out money and because federal bail-out money is not recurring revenue, it is affecting the structural balance in this budget. So this attributes to one of the options in whether or not we stay advisory or not and thing we need to pay attention to that and see what comes in from the Executive and what the Legislature does with that but it is certainly an issue.”

Chairman Glaser: “Okay, alright. Thanks for all your efforts with that finance committee update and appreciate your update. I would hope over the next months and the election season that is coming forward, that the appropriate

questions are asked to our candidates as to their concerns on the budget and what they think and the plans they have coming into office.”

“By your calculations, we have spent almost \$1.9 million today in terms of efficiency grants. We have probably saved \$500,00-600,000 in a RAN and we are not done yet, because I think we have a couple of guests who are going to tell us about more money we are saving with efficiency grants with updates on space utilization and Six Sigma. With that said, Ms. Mazzone, would you like to step up and update us on how we are doing?”

Michelle Mazzone: “Good afternoon. We are doing very well. We are probably about 90% complete with the County Attorney space. They have moved into the space however we have some minor things to complete before the space is finalized. We are on time and on budget. So we are excited about that project.” The lease terminations in the quarterly report; I would talk a little about that today because we had had some discussion at the last meeting as to how many leases we had anticipated being terminated. Due to the some of these leases don’t terminate until the end of the year, we have reported just through the end of the year as of July of 2009 as opposed through the end of the year since some of those leases don’t expire. So as of July of 2009, we will have a total of 9 leases that we will have terminated and that will increase to 13 at the December by virtue of the leases that will be expiring that we will not be renewing. We did calculate a total savings of approximately \$378,000. As I reported in the past, our typical, from previous analysis with regard to space reduction, has been about 42%. In the future that number will be lower by virtue of the fact that there is only so much with regard to a reduction that you can take with space within the County’s portfolio. We are currently working with the IT Department to downsize a portion of their floor. We are also working with Social Services for about 20 different divisions that are currently located at a leased space that we occupy; about 150,000 square feet, which is a very large project. We have been working on that for the past few months and we anticipate some type of preliminary design within the next six months. We are assuming that we will probably be in the 90,000 square foot range versus the 150,000 square foot range, just from our initial analysis.”

“We are also evaluating the 2nd, 6th and 13th floors of the Rath Building and we are also in the process of looking at some divisions that are currently leasing space at ECMC to potentially move those into a County owned facility as well.”

Director Johnson: “Ms. Mazzone, I have a question as to what percentage of space utilization that is being downsized is as a result of the elimination of programs like WIC?”

Michelle Mazzone: “I would say it is a very small percentage. I put together a spreadsheet that looks at the leases that are existing and the leases that were terminated. If you look at some of the leases that were terminated, some

were smaller; there were some that were month-to-month leases where we weren't being charged a fee. So it is a very small percentage."

Director Johnson: "My second question, the other leases that were terminated, where support services will continue, all of those services will be relocated to the Rath Building?"

Michelle Mazzone: "No some of the services will be relocated to certain clinics where we actually own the structure. When we met with some of the Department of Health Officials, there were savings in the fact that some of the facilities already had doctors and nurses, so that way we weren't paying twice. We were essentially consolidating the service, so that if someone were to go to obtain a service, it would be not just one service but a multitude of services in that location that would result in us not having to have a doctor and a nurse at some of the other smaller locations."

Director Johnson: "What happens to facilities like the, Nash, William Street, and the facility on Broadway? What happens there?"

Michelle Mazzone: "Those facilities are still operating. We are actually looking at moving some of our groups into those facilities but we are still in the evaluation process, so I am not prepared today to formally talk about whether that will happen but we are looking at it."

Director Johnson: "Thank you."

Secretary Keysa: "I think we have addressed the low hanging fruit, if you will. Do you anticipate further opportunities here, obviously more difficult ones but do you see any further opportunities ahead?"

Michelle Mazzone: "You know, since the inception of the space utilization program, I have calculated our total savings to be a little over \$3 million and that is wonderful. I think moving forward we are probably going to looking at lease renegotiations which might result in a savings of \$100,000 or reducing a space by 30% percentage that might give us an annual savings of maybe \$500,000. As far as \$3-5 million, they will be smaller amounts moving forward."

Chairman Glaser: "Are you comfortable at the present time that you have a good handle on all the leases in the County? Is it done in a way that the information is easily accessible in terms of a database some place?"

Michelle Mazzone: "I don't think I am 100% comfortable at this time because we have leases that are under the jurisdiction of the County Executive and then you have leases that are under other jurisdictions, under other elected representatives in other jurisdictions of which I have not negotiated or worked with them to maybe assist them in making potential reductions in rates or maybe analyzing the space. I think from the County Executive's jurisdiction, I think we have a good handle on the leases. I think some of the future leases that are expiring down the road could be renegotiated

and I think we could potentially gain some savings with them; similar to what we did with Judge Piggott's."

Chairman Glaser: "You don't get involved in all the leases? I would have thought that there would be a policy that all leases, wherever they are, have to be approved by you, just so you know where they are."

Michelle Mazzone: "The elected officials that chose to participate, we work with. The elected officials who don't participate are not forced to participate in the new standards that we have developed."

Chairman Glaser: "Why not?"

Michelle Mazzone: "We simply don't have the jurisdiction."

Chairman Glaser: "Are there people out there that we should be encouraging that won't?"

Michelle Mazzone: "I think what I will do in the next phase, and that is not in the next two years, but I would start looking at the leases that some of the organizations hold that obtain funding from the County whereby they can potentially reduce their lease payment and utilize that money for a separate need within the organization. That is what I would do."

Vice Chair Oliverio: "Good afternoon Ms. Mazzone, nice to see you. I looked at your last bullet point on working with the jail administration to complete the jail expansion study. When did that start, who commissioned it and where are you with it now?"

Michelle Mazzone: "That jail study probably started about three years ago. It just came to light again and I was asked to assist probably about 3 months ago. What we have done since then is schedule weekly meetings with all of the parties involved and I am assisting and guiding so to speak but I am not a decision maker. However I am helping with the movement of that study and making suggestions on how we can utilize existing space in hopes of helping with some of the issues we have with our jail problem."

Vice Chair Oliverio: "When do you think that will be done?"

Michelle Mazzone: "Well I would anticipate the study being completed in the next three months."

Vice Chair Oliverio: "Is that going to be a written report?"

Michelle Mazzone: "It will be a formal report, Kideney Architects is putting the report together and we are anticipating completion in about three months."

Vice Chair Oliverio: "Who commissioned that study; was it the prior administration or was it this one?"

Michelle Mazzone: "I'm not quite sure about that."

Vice Chair Oliverio: "Okay, thank you."

Secretary Keysa: "I am trying to anticipate what other leases out there by other elected officials. I assume the leases of the legislature's district offices, is that handled by the legislature?"

Michelle Mazzone: "Correct."

Secretary Keysa: "...and what about the Sheriff's? They have a number of substations in different towns and so forth?"

Michelle Mazzone: "They handle their own leases."

Secretary Keysa: "Okay and where else would we have those? Is the Board of Elections separate?"

Michelle Mazzone: "The Board of Elections is separate. I am actually working with the BOE to try and assist them. We have been working with them. However when there is a lease, they handle the lease themselves".

Secretary Keysa: "Okay, the Comptroller has nothing."

Michelle Mazzone: "No, and there are a few other entities throughout the County that have that are legal entities that have space and are funded by the County that there could be some potential for in the future. There are also some of the Courts that will negotiate their own leases."

Secretary Keysa: "Thank you."

Director Kruly: "When I look at the list that you gave us of leases that are terminated or terminating, of course the two big ones being the County Attorney and the Auto Bureau. I view those as Giambra initiatives that you are following up on. I give you credit for following up on the job but I don't think that this was anything coming out of this administration."

"The other leases that you are primarily eliminating include the WIC clinic, which was a policy or political misjudgment of the County Executive to do that. I look at the list and things that haven't been reduced are \$2.7 million for the Social Services Department. Again when Giambra was in office the County Attorney and some others came here and told us that there were some options for eliminating space and reducing space in the various buildings listed here but we haven't seen anything. What is going on in terms of eliminating space the Social Services Department so that some of those leases can be reduced?"

Michelle Mazzone: "Initially, what I did when I came on-board, was take a look at some of the reports that had been done in previous years. One of the reports that stuck out was the 2005 Stabilization Report which was done by the Buffalo Niagara Partnership and citizens throughout Erie County where they actually gave recommendations on how the County government could be downsized. From my understanding no one ever did anything

about these recommendations and I agree with you 100%. Most of the programs that we implemented were recommendations based on that report from taxpayers and the BNP that put it together basically advising the government to downsize. A lot of the things that we have implemented are ideas that were just never done. They had been talked about for years.”

“With regard to Social Services, many of the leases have a high component of reimbursable funding from the State and we take that into consideration when we evaluate those. One of the leases we renegotiated was the 290 Main Street lease and that was done last year. It was a small piece and I think the total savings was about \$80,000 and we found a couple other small items that we realized we were being overcharged for with utilities and I think we recaptured some money there.”

Director Kruly: “There was discussion at one point about shutting one floor down in the Hens and Kelly building.”

Michelle Mazzone: “Yes, that is actually the lease I was taking about, the 478 Main Street lease that we are evaluating. That lease expires in 2012 and there is \$1.6 million just in that lease, so that is on radar. However, in thinking of moving some of these into a County-owned structure; it is more desirable to move an entity where we are paying 100% as opposed to moving an entity where we are getting a reimbursable, similar to the courts. It wouldn’t have made sense to move an entity to a place where we would get 100% reimbursable from the Courts if I could move an entity that is 100% County share back into the building, so that is where my thought process was with that. We are evaluating 478 Main; we renegotiated 290 Main; and 43 Court is expiring in July of 2010 and will be looking at that lease as well.”

Director Kruly: “We look forward to seeing those changes and saving us some money.”

“One other question. In the budget that was presented by the County Executive in 2009, he attempted to create a Department of Real Estate Asset Management (REAM). Are you running REAM? Are you running the Buildings and Grounds Department?”

Michelle Mazzone: “I am the Director of Real Estate under the County Executives office and I handle the real estate and all of the facilities management for the County because in producing some of the savings many of our problems are with the actual overall management. What we tried to do, and I think this was presented in my second report to you, I talked to you about incorporating some industry standard practices that are used in the private sector and bringing them into government to make the government more efficient. Part of what I have been working with, Jeff Quinn who is the Commissioner of Buildings and Grounds actually manages the division, however I do make recommendations.”

Director Kruly: “Does the person operating Buildings and Grounds Report to you?”

Michelle Mazzone: “Yes.”

Director Kruly: “So you are effectively running the Buildings and Grounds Department? That is not what we signed on for when we gave you the money for space utilization. I object to that, but if the County wants to restructure, that is up to Mr. Collins, but we were supposed to have full-time attention to space utilization but that doesn’t appear to be going on anymore.”

Michelle Mazzone: “I think you should be looking at the big picture. Space utilization as a whole, the cost of the space from the taxpayer standpoint is everything that costs us. Just because we own a building doesn’t mean that we should just let the facilities management cost go sky rocket because we own the facility. We should be eyeing those facilities management costs and tracking them on an annual basis and this part of the overall decision making process when you are deciding whether or not to move an entity back into a building. You look at the overall cost so in order for me to really get a true cost of what these facilities are costing, I need to know what the operating expenses are for these buildings. I can’t make a blind decision and say if I pay \$1 million in a lease but it is costing me \$3 million to operate a building that is owned by the County, it would make more sense for me to go with the lease. The facility management component is a key component to the space utilization process.”

Director Kruly: “I imagine that the Buildings and Grounds Commissioner who is technically in charge of that would take care of that and assume that they would work to reduce expenses and not incur more. I don’t agree that your job is now what we approved originally and I think that we are going to have to take a second look at that.”

Director Thomas: “I was just trying to figure out because it seems to me in the discussion that there are some properties that you are responsible for and some that you aren’t. I was wondering what the formula is and why that was. Why would you be responsible for some and not others? Is that a determination that someone else makes?”

Michelle Mazzone: “I think what you are asking is, as a whole, all of the County-owned properties are controlled and managed by the Building and Grounds Division. Leases through third party entities; those leased in another for or other than the jurisdiction of the County Executive would not be part of that mix. So it is the leases that would be separated that are owned by developers locally and would not be included in that overall mix.”

“The other thing too, I think I should mention, is when we requested the efficiency grant we did put and request that as a function of the position that there would be a facilities management role as well. So we did include that in the grant request with the understanding that the entire cost for the real estate as a whole not just the basics.”

Director Thomas: “Take for example the Sheriff’s office?”

Michelle Mazzone: “That is a County-owned facility. They might lease something like a pad for their helicopter or something like that but it would be separate. Another example is when the Board of Elections leases space for their machines they would contact a third party developer and lease the space directly from them. It wouldn’t be in a County-owned facility; it would be separate.”

Chairman Glaser: “Just as an add-on, and maybe this is for all of our education, are you responsible for the Holding Center?”

Michelle Mazzone: “The Buildings and Grounds Division handles all of the facilities maintenance for all of the County-owned buildings.”

Chairman Glaser: “Which reports to you?”

Michelle Mazzone: “Yes, well they report to Jeff Quinn the Deputy Commissioner.”

Chairman Glaser: “Well ultimately you are responsible now with your expanded role. So I am just asking, does that include the holding center?”

Michelle Mazzone: “Yes.”

Director Kruly: “Your project says that you are studying a jail expansion.”

Michelle Mazzone: “Yes”

Director Kruly: “Have you been inside the jail?”

Michelle Mazzone: “I think you gentlemen should know that it is my birthday and you’re being pretty tough.”

Chairman Glaser: “Maybe the next time, obviously with your expanded role from where you began a long time ago with this efficiency grant, it may be interesting with the upcoming budget to relook at the efficiency grant; to take a look at it and maybe you could comment on it “

Michelle Mazzone: “Again, I would ask that you take a look at the efficiency grant. The grant clearly states that it is the entire cost of real estate as a whole not just space. It the entire process it is analyzing the entire cost of the entire asset.”

Chairman Glaser: “With that said, can you report back then with all of that responsibility facilities management and expand your reporting based on the changes that we will be contemplating and decisions that we will be making that are relevant to the future budget?”

Michelle Mazzone: “Sure and I can give you an example. We have been paying for a work-order system in our property management division that is approximately \$20,000 and everyone knows that most of these work-order systems are standard systems that are used throughout the real estate community. Why we didn’t know that is beyond my reach. However we have now

purchased a new work-order system that will cost us \$15,000 a year. So that is one example of what we are doing. Another thing is that we used to have management meeting with ten people at the table. Multiple all those people by the salaries that we are paying them for a management meeting when you need one key person at that meeting. Now we have one key person that communicates down to the appropriate level so that you don't waste all that time. So these are little things that we are doing. I may not have reported what I could have, but I can do that, Mr. Glaser"

Chairman Glaser: "Part of we are trying to do is work with Erie County and all of the departments. At the end of the day, there are a lot of things that need to be done in terms of efficiencies and productivity and the low fruit, maybe we have taken advantage of all of them and the rest will be a lot of hard work. I think we would like to encourage that but we would also like to hear back on some of those things too."

Michelle Mazzone: "Well it's hard for me to come and report to you that I have saved the County \$3 million and then follow it up with a \$15,000 initiative we undertook."

Chairman Glaser: "Well, I just mean you should report it. Those are the things that add up after a while. You just said in speaking that by simply looking around, you can find things and why wasn't this discovered before. Those are things that drive me nuts; you wouldn't do it in your own house hold. So hopefully Six Sigma is getting people to take more initiatives like that. Okay. Any other comments?"

Secretary Keysa: "Just to pickup on her comment, and wish her a Happy Birthday!"

Chairman Glaser: "Thank you Ms. Mazzone. With that, could Mr. Carey come up to the podium?"

William Carey: "Good afternoon and thank you for having me here. I have a comment and then would like to open it p to you for any further questions that you might have. I just want to thank you for funding the Six Sigma efforts for Erie County. From my prospective, the County Executive's and the employees', maybe not all, but we think it has been very successful. We are being recognized by others; I had a conference call with Lehigh County a few weeks ago. That was the second or third time I talked to them. I have some new friends in Hillshire Council in Australia who are starting a lean Six Sigma program. They want to know what is working for us, how to get started and how do we get funding. Again I thank you for that. So it is important to note that the funding has been critical in order for us to kick start the program and I think we have heard a little bit about the rising costs and I have made some note here. The pensions, workers compensation has gone up consecutively over the past 4 years, reimbursement rates are down we heard a little bit about social services volumes increasing and that is what we are seeing from a project perspective as well."

I will always be able to meet more frequently. I met with Ken Vetter last week. We had roughly a one-hour session to get into details and take the covers off. Whatever you are interested in seeing, I will be willing to work together with your financial analyst, our budget analyst, this finance committee just so you can see completely what we are doing. There is quite a lot of detail and I think the packet that was distributed and hope it wasn't overwhelming. It is really working papers to go through with Mr. Vetter but I thought it was worthwhile to distribute that and if you would like me to go through and answer any questions you may have in detail, I would be happy to do that."

"One of the real revealing things that has occurred as our program is maturing is that we are seeing more collaboration and communication across departments. We have projects in the third wave which I will comment on. We have participation from the Sheriff's, CPS, Probation, Mental Health and now Social Services. So we are getting more joint opportunities identified and we are reaching out to the community. We had a meeting a few weeks ago with Judge Amadeo in Buffalo who has offered to go to some of the suburb judges to help share the opportunities we are hoping to share and get there cooperation and input. That is kind of the big kicker for me, when I can see those kinds of things happening within the County, across and outside the County as well."

"Quick update on training. We have completed our third wave of training. We are in those projects now. All of those projects add value whether they are soft savings, efficiency savings or hard dollars and that is something I would like to comment on here. We are interested in all types of savings here, especially the hard dollar savings. Six sigma supports both hard and soft dollar savings. Engaging and empowering the employees has been one redeeming item so far. We also have some areas that are starting projects. We have one in probation that is self initiated, so it is not under the cover of a newly trained Six Sigma green belt but it involves Probation, the Comptrollers office and the County Clerk as well. We will have another meeting on that tomorrow as well. We will also be starting a wave of black belts in November from recent funding that we received in May that you gave us. Thank you again. We are going to put four to five black belts in training for public enrollment course at UB. So that is November through March, a week a month and these black belts will be expected to do a black belt level project which is more complex than many of the green belt projects that I discussed today. They also have to pass more various exams to achieve their black belt status. These are going to be drawn from our current green belt pool. Four to five will be selected and we will be in the process of working with the Commissioners and their candidates. They will help then help and one of their key roles will be to help existing green belts. I have mentioned to you before those green belts from last year, the projects they are working on, it is hard for me personally to keep track of all of those projects at a great level of detail so the black belts will help with that."

“The funding for the training that you have approved, every time we start a new wave on 9 green belts we contract with UB to support 6 of the 9 and we pick up the other three. Once they start their second project that is all on me. I will also be supporting the black belts. So we want to make sure that we are given the appropriate amount of support, statistical analysis support and team meeting support for the green belts. So the black belts are a key part of this program and that is from some of the recent funding that we have been given. I did provide some summary pages with the information that you have in front of you with the information that you received last week.”

“From Wave One, all nine projects have been completed, the last time they were all in the control phase.”

“From Wave Two we have 10 projects. Five of the ten are in the control phase which means the project opportunity and improvements have been implemented and we are tracking them. Five more will be completed by the end of October. That will complete Wave Two”.

“For Wave Three we have 1 of 9 already in control phase. The remaining projects of Wave Three will go into control phase by fourth quarter of this year.”

“There will be 9 Wave Four green belts that will begin training in January. With the funding we received in May we have a Wave Five yet to be scheduled in 2010. So it will be January through March Wave Four and then Five will be scheduled.”

“Just a couple of comments on the waves. I owe you a quarterly update for the end of September. I will try and get together with Budget. I have had a challenge with budget because there might be an early release of the budget and four-year plan, I’m not involved in the inner workings of all that. All I know is that I have not seen my budget support for about a month now. So hopefully when they submit that budget I will get that back. We will refresh the financials and submit that to you. Wave One, we targeted an incremental savings of \$2 million in 2009. We are still track to that as of last quarter of the report so those numbers will be refreshed. In Wave Two, I will just comment again on some of the projects and again you can ask me any questions or give me your comments.”

“One of the big hitters is working together with Joe Maciejewski here on property tax collections through August. Compared to collections in August 2008, dollars collected are up \$3.9 million. We did a project in that space, so I am raising my hand, not for all \$3.9 million. I have been working with Mr. Maciejewski to understand what we do better in what we have done with returned mail and thousands of returned bills. We put a huge dent in that and have far better address-mailing lists. We have done better on the phones. We are working on delinquency notices and have done warning changes on delinquency notices. So how do we kind of attribute that to the \$3.9 million that is in your detailed packet? We

don't have to go through right now, but current year \$500,000 was from the City of Buffalo, \$500,000 was from outside the City of Buffalo and \$2.9 million was truly collecting taxes from prior years. So to me that is a good news story. Mr. Maciejewski and his team should be commended for their work."

"We are working on workers compensation. I did not have dollars on your wave two update there I can tell you from the information that we see that workers compensation is going up. It is going up about \$1 over the first 8 month versus last year. So that is one of the projects we want to make sure we finish off. We are in the improve phase and so we haven't actually completed improvements and there will obviously be a lag in recognizing the value achieved from that project."

"We did a high speed printer and copier project. Some of that was as simple as consolidating devices and consolidating people and putting them into one location. We looked at utilization of convenience copiers and eliminating devices that did not have efficient utilization and shift from the convenience copiers to the print shop where the cost is much less for things that aren't time sensitive and don't really need to be done on convenience copiers. That is on target to save \$129,000 in 2009 and will save \$156,000 with a full year run for next year."

"For Wave Three, we have a number of projects including one at the Holding Center. Yes I have been to the Holding Center, but only on County business, a couple of times. They need a lot of help over there. We recognize that the population of inmates is down from last year and more importantly the number of movements from City Court back and forth to the Holding Center. We are releasing more people from City Court lock-up and sending them on a car ride or van ride back to the Holding Center where they have to be reprocessed. All that time and congestion you have other officers who are trying to bring other folks into the Holding Center who have to wait in line. We are reducing the congestion in the Holding Center. We put a Clerk in the City Court area and are releasing prisoners right there instead of sending them back to the Holding Center. Again they are released under supervision program. The judges are working with the probation officers on weekend releases. By putting probation officers there on the weekends we are releasing 8-10 more people on Saturdays instead of spending the night Saturday to potentially Monday. Now they are released on Saturday because they were going to be released that night we just did not have someone there. Some of it is that simple really. So we are all in and doing well. We still have a lot more work to do. We still need to close out the Wave Two projects, the Wave Three, get the black belts going and then get our next wave of green belts going. So a lot of moving parts going on but I would be happy to entertain any questions.

Director Thomas:

I have two questions. At the last meeting, we asked for numbers from you on the costs of programs. Did we get anything like that yet?

William Carey: "I'll give you costs through 2009, anticipate that with my salary and the training dollars. Is that what you are looking for?"

Director Thomas: "I'm talking about the whole cost of the program. We talked about it briefly at the last meeting we had and were expecting to have that by now and we didn't get that."

William Carey: "I can give you a couple of figures and then if you need more, tell me that and I can come back with more. Through 2009, we will have spent \$683,000 on the program. That includes my salary, all of the training and all of the support for the projects. We are not tracking the time of the green belts as a cost of the program. We are looking at this as it should be imbedded in their normal job duties. In most cases, that seems to be holding and they would have been working on an opportunity that they would have been working on anyway. That is how we are trying to position this, so we are not tracking time separate. So I need clarification. If you are interested in me trying to track this time...?"

Director Thomas: "Well if they are in training, wouldn't that be part of the cost of the program?"

William Carey: "The out-of-pocket training is what you funded. I could calculate the hours that they were in training; 72 hours for a green belt multiplied by their hourly wage. I could get that level of detail. If you want me to go there, I would be happy to do that."

Director Thomas: "Speaking for myself, I would be interested in that including the training costs that you discussed. The second item I had was if you could let me know what you are working on to improve the workers compensation numbers. I'm not sure I understood that. You said you had an increase in workers compensations claims and how do you fix that?"

William Carey: "That is what we are trying to figure out. We are working with the County Attorney's office to try and figure this initiative; there is training and health that is part of it. There is safety and what departments are experiencing higher level like the Sheriff's office. We are talking about best practices with third parties. There are internal communications to ensure that people really know what timeframes they have available to them, process and seeking medical treatment sooner than later and then return to work is another area that we are looking at."

Director Thomas: "It seems like a significant increase over a short period of time? Have you tracked down what the cause of that could be; maybe the reduced work force, overtime? What do you attribute it to?"

William Carey: "I only saw some of this data this past Friday, so we are still in the analysis phase of this process. I can tell you that the weekly rates and pay-out rates have gone up consecutively at least for the last four years at about \$400 a week three or four years ago and now it is going up to \$600 a week. I'm sure that is contributing to it but not retro to every case. So we are really just starting to look at it and analyze different cases."

Vice Chair Oliverio: “I have a couple of questions. I took a look at your packet yesterday. I got through about 2/3rds of it. I didn’t understand much but I understood some. I guess I have a couple of questions.”

“First of all a comment. To me, in order for a program like this to makes sense, and I guess this is the engineer part of me talking, the measurable hard-cost savings have to cover the cost of the program. The soft-cost and efficiency savings that are more “beauty is in the eye of the beholder” items, to me, at least in my mind, will not support at the end of a project like this that costs this much. I guess I will talk to Mr. Vetter, because I don’t want to go into details here. I have still yet to see something in the packet, something that we were looking for last meeting and that is a very simple explanation of what the baseline was, how you measure it, why you measured it that way and what the actual savings are. I don’t have to do this here but what I will be asking Mr. Vetter for are hard cost savings that approximate the cost of this effort. The other thing that came to my mind and it came to Mr. Kruly’s mind is that a lot of the things that are in make me wonder if we really need Six Sigma or just basic, old fashion, use-our-noggin, be-efficient management. Copying machine use, forms passed through an office; it seems to me the people who work for the County just given the task of how can they save a little money can come up with a solution like that with out going through months of training and expense. Maybe I missed the point on those but it sure sticks out in looking at this packet. Thank you by the way, I realize this was a lot of work, but it sure sticks out like some of this stuff is pretty obvious to me. So I guess I’m back where I was in the first go around. I’m still not convinced on the measurement techniques but I wanted you to know that I am going to be looking for hard cost savings that get to the heart of this program before you will get me on board. I hope we can come to that. I would like to see it because I think it is a good thing but if I don’t see it, this will be very difficult for me to buy.”

William Carey: “Again I would be very happy to work with you off line through Mr. Vetter. I agree with you that packet was somewhat of an executive summary meant to be a working tool for my meeting with Mr. Vetter.”

Chairman Glaser: “The consensus from the group here is that we would like to see some changes. If you would like to think of us as an outside board of directors, we are trying to hold management’s feet to the fire relative to this which we have supported in a dollars-and-cents standpoint, but we really just want to see results that are hard core too and that is where we are coming from. Maybe it’s a better reporting system but if you could get together with Mr. Vetter to fine tune it maybe we can get to the bottom of this.”

William Carey: “Okay, will do.”

Chairman Glaser: “Thank you very much, Mr. Carey.”

“If there are no further questions from the board I would entertain a motion for adjournment.”

Director Johnson moved to adjourn, Director Thomas seconded and the Directors voted unanimously to adjourn:

Respectfully submitted:

Stanley J. Keysa, Secretary

September 21, 2009