Minutes
Erie County Fiscal Stability Authority
March 19, 2010

Present: Chairman Daniel Oliverio, Secretary Stanley Keysa, and Director Kenneth Kruly, with Director Louis Thomas participating by video conference equipment.

Chairman Oliverio: "Today is March 19, 2010. I would like to welcome everybody to a meeting of the ECFSA. Today we are going to consider two items first; there is a bond refinancing that will resulting in significant tax payer saving, in conjunction with the borrowing that we have already authorized. We also have some house-keeping resolutions that need to be considered in order to keep in compliance with public authority regulations of the State of New York."

"First we will have approval of the minutes. Secretary Keysa?"

Secretary Keysa: "You have before you a hard copy of the minutes from the last meeting. These were circulated to you via e-mail previous to today's meeting. I would ask if there are any questions or suggestions. If there are no questions, then I would move adoption of the minutes of February 12, 2010."

Secretary Keysa moved to approve, Director Kruly seconded and the Directors voted unanimously to approve the following resolution:

Resolution No. 10-08

APPROVING MINUTES AND RESOLUTIONS FROM THE FEBRUARY 12, 2010 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its February 12, 2010 meeting and ratifies and affirms seven resolutions numbered 10-01, 10-02, 10-03, 10-04, 10-05 and 10-06 that were approved on February 12, 2010

This resolution shall take effect immediately.

Chairman Oliverio: "Mr. Vetter, we are going to next move to the technical resolutions that have to be passed in order to stay in compliance with the NYS Law for Public Authorities. If you could please explain those?"

Executive Director Vetter: "Thank you, Mr. Chairman. There are five resolutions in your packet that are procedural resolutions because we are a public authority that each year the board has to pass, even if there are no changes. The board needs to vote and reconsider these items. The five are procurement, property disposal, internal controls, investment and prompt payment guidelines. We are required to vote on each of these separately, so Mr. Chairman I would suggest that each one be considered separately for a vote by the board. We can start with the procurement guidelines."

Chairman Oliverio: "Are there any questions for Mr. Vetter regarding any of the five resolutions in our packet?"

"The first is for the procurement guidelines. Can I have a motion to approve these?"

Director Kruly moved to approve, Secretary Keysa seconded and the Directors voted unanimously to approve the following resolution:

Resolution No. 10-09

APPROVING PROCUREMENT GUIDELINES FOR CERTAIN CONTRACTS

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

WHEREAS, the ECFSA requires professional assistance in performing its mission; and

WHEREAS, the ECFSA is a public authority of the State of New York and, as such, is governed by certain state laws that specify the method for the procurement of certain services; and

WHEREAS, in order to comply with state law, it was necessary for the ECFSA to adopt Guidelines for the Use, Awarding, Monitoring and Reporting of Procurement Contracts (the "Procurement Guidelines"), as required by sections 2879 and 3960 of the New York Public Authorities Law; and

WHEREAS, the ECFSA adopted its Procurement Guidelines in Resolution 05-10 on August 18, 2005; and

WHEREAS, in order further to comply with state law, it is necessary for the ECFSA to review and approve the Procurement Guidelines at least annually; and

WHEREAS, the Board of Directors of the Authority has reviewed the Procurement Guidelines currently in effect and has determined that such Procurement Guidelines do not need to be amended at this time; and

NOW, THEREFORE, BE IT RESOLVED that the ECFSA hereby approves for use the Procurement Guidelines attached to this resolution.

This resolution shall take effect immediately

Chairman Oliverio: "The second is for Property Disposal. Can I get a motion to approve?"

Secretary Keysa moved to approve, Director Kruly seconded and the Directors voted unanimously to approve the following resolution:

RESOLUTION NO. 10-10

ADOPTING PROPERTY DISPOSAL GUIDELINES

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 2896 of the Public Authorities Law requires public authorities to adopt comprehensive guidelines which detail the authority's operative policy on the disposal of personal property valued in excess of five thousand dollars; real property, and any inchoate or other interest in such property, to the extent that such interest may be conveyed to another person for any purpose, excluding an interest securing a loan or other financial obligation of another party; and

WHEREAS, the ECFSA has developed and implemented property disposal guidelines to comply with this requirement; and

NOW THEREFORE BE IT RESOLVED, that the Erie County Fiscal Stability Authority does hereby affirm the attached property disposal guidelines as required by Section 2896 of the Public Authorities Law; and

BE IT FURTHER RESOLVED, that the Office Manager be designated as the "contracting officer" who shall be responsible for the disposition of property is hereby affirmed. This Resolution shall take effect immediately.

This resolution shall take effect immediately.

Chairman Oliverio: "The third is for Internal Control. Can I have a motion to approve this resolution?"

Secretary Keysa moved to approve, Director Kruly seconded and the Directors voted unanimously to approve the following resolution:

Resolution No. 10-11

DESIGNATING AN INTERNAL CONTROL OFFICER

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

WHEREAS, the ECFSA has established and maintained guidelines for a system of internal controls to comply with Public Authorities Law and internal control standards;

WHEREAS, section 2931 of the New York Public Authorities Law ("Public Authorities Law"), requires the governing board of the ECFSA to designate an internal control officer, who shall report to the head of the Authority, to implement, maintain, communicate and review the internal control responsibilities established and maintained for the Authority; and

WHEREAS, through adoption of employee guidelines in Resolution 08-33 on March 7, 2008 the ECFSA Board had previously designated the Financial Advisor as the Authority's Internal Control Officer; and

WHEREAS, the ECFSA Board finds it necessary to designate in name at this time the Authority's Internal Control Officer; and

WHEREAS, section 2932 of Public Authorities Law, requires the governing board of the ECFSA or its designee to determine, and periodically review the determination of, whether an internal audit function within the Authority is required; and

NOW, THEREFORE, BE IT RESOLVED that Financial Analyst is hereby designated the Internal Control Officer responsible for implementation and review of the Authority's internal control responsibilities until such time as his resignation, removal or death; and

BE IT FURTHER RESOLVED that the Authority's designated Internal Control Officer is designated to determine, and periodically review the determination of, whether an internal audit function within the Authority is required and to report to this Board should the need arise.

This resolution shall take effect immediately.

Chairman Oliverio: "The fourth is for Investment Guidelines. Can I have a motion to approve that resolution?"

Secretary Keysa moved to approve, Director Thomas seconded and the Directors voted unanimously to approve the following resolution:

Resolution No. 10-12

APPROVING INVESTMENT GUIDELINES

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

WHEREAS, the ECFSA is a public authority of the State of New York and, as such, is governed by certain state laws that require the adoption of investment guidelines; and

WHEREAS, in order to comply with state law, it was necessary for the ECFSA to adopt investment guidelines, as required by sections 2925 and 3954 of the New York Public Authorities Law; and

WHEREAS, the ECFSA adopted such investment guidelines in Resolution 07-16 on March 2, 2007; and

WHEREAS, in order further to comply with state law, it is necessary for the ECFSA to review and approve its investment guidelines at least annually; and

WHEREAS, the Board of Directors of the ECFSA has reviewed the investment guidelines currently in effect; and

WHEREAS, upon review of those guidelines and the report on compliance, the ECFSA finds that the investment guidelines be amended consistent with a number of procedural changes;

NOW, THEREFORE, BE IT RESOLVED that the ECFSA hereby approves for use the investment guidelines attached to this resolution.

This resolution shall take effect immediately.

Chairman Oliverio: "The last one is for Prompt Payments. Can I have a motion to approve that resolution?"

Secretary Keysa moved to approve, Director Kruly seconded and the Directors voted unanimously to approve the following resolution:

Resolution No. 10-13

APPROVAL OF PROMPT PAYMENT POLICY

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

WHEREAS, the ECFSA is a public authority of the State of New York and, as such, is governed by certain state laws that require the adoption of a prompt payment policy; and

WHEREAS, in order to comply with state law, it is necessary for the ECFSA to adopt a prompt payment policy, as required by section 2880 of the New York Public Authorities Law ("Public Authorities Law");

WHEREAS, the ECFSA adopted such a prompt payment policy in Resolution 09-16 on March 25, 2009, and

WHEREAS, upon review of its current prompt payment policy finds that amendments are not needed at this time,

NOW, THEREFORE, BE IT RESOLVED, that the ECFSA hereby adopts the Prompt Payment Policy attached to this resolution; and

This resolution shall take effect immediately.

Chairman Oliverio: "Okay, so all five resolutions have been considered and voted on and approved."

"The next item on our agenda is the debt refinancing. The ECFSA notified the Authority last week and the County Executives office, that we could as an authority with our superior bond rating, we can refinance an additional $90 million and existing County long term debt over the same terms of a proposed of over $173 million and in the same transaction which will result in an additional savings of $5 million. So that will be a total saving, with the two separate transactions of approximately $26 million over the next 13 years which is fairly hefty savings. Mr. Collins during his "State of the County" address actually recognized this and gave his support for this. I would like to thank the County Executive for his support of this and would look forward to the Legislature taking the necessary action to approve this borrowing, along with the first borrowing that is in subject to our declaration of need which we hope will be considered by the Legislature at their meeting next Thursday. We have Mr. Ganci here from Capital Market Advisors; they are our financial advisors. I would like him to talk a little bit about the refinancing so that the board is aware of it, as well as the audience. Thank you Mr. Ganci for coming today."

Rick Ganci: "Thank you. You should all have a copy of the refunding financial plan that was sent by the County's underwriter Roosevelt and Cross. As you know the Authority had the ability, under the Act, to refund outstanding County debt to generate savings to the benefit to the County. Accordingly, the Authority's financial team, which is our role as financial advisors and Roosevelt and Cross as underwriters, reviewed all of the outstanding bonds that the County currently has on their books and we have identified 11 separate series of outstanding callable bonds for the County to refund. These bonds currently sit on the counties books on average, at coupon rate that are well above or at 5%. The proposed refunded structure would allow the Authority to issue new refunding bonds which would replace high interest debt that the County currently has on their books. Given their historically low interest rates that we currently have in the market, the financial benefit of this transaction is great. We are seeing a lot of refunding deals getting done in the market. We did a deal a couple of weeks ago for Rockland County were refunding transactions savings were over $2 million to that county. So it is widespread thoughout New York

State and throughout the country that these refunding transitions are being done because of the historically low rates."

"Just trying to review a few key parameters of the transaction, the Authority's issuance will only refund callable maturities which generate a net present value savings of over 3%. While the 3% threshold is not a legal requirement through public authorities finance law, it is widely accepted benchmark that when we look to structure refunding transaction that they have a net present value savings of over 3%. This particular transaction has a total net present value savings of over 4.7% which is well above the 3% prescribed refunding threshold that we would look for in refunding transactions that we look for on behalf of our clients. The estimated budgetary savings on this transaction over the 13 year life of the deal are estimated to be over $5.1 million of which $2.2 million of that is generated over the next four years. That would be starting this current fiscal year where savings will be generated in the amount of over $650,000 in the County's 2010 fiscal year and the remaining balance would be through the 2013 year. No new debt will be extended beyond the original term of the borrowing, so we are not extending maturities to generate savings so it is going to be the 13 year term which is the original maturity date of the bonds when issued by the County originally."

"Just to kind of quickly talk about timing; if the County Legislature approves a refunding bond resolution and a declaration of need at their next meeting, which I believe is next Thursday, the timing would permit us to move forward on a refunding transaction along with the new money bond issuance that the County Legislature is also taking up on next Thursday as well through a declaration of need. There is an additional benefit to combine both issues together and go to the market with one transaction; a refunding bond issue and a new money transaction in the amount of about $174 million. For timing sake, there is plenty of time if the legislature moves on it next week to close and fund the transaction given the time frames that we are looking at. The last important part would be that this transaction along with the new money transaction needs to be by the State Comptroller's office so there is independent party involvement that approves the terms of the transaction so that everyone is in agreement that the terms are sound and reasonable given the markets."

Chairman Oliverio: "Thank you, Mr. Ganci. Are there any questions for Mr. Ganci?"

Director Kruly: "Just one. The amount of savings we are talking about for the main bond issue is about $173 million producing $21 million, this is $90 million and it is producing $5 million. It doesn't seem to be proportional; could you just explain the difference?"

Rick Ganci: "The refunding transaction is a comparison of rates that the bonds were originally done at. So when these were done ranging from 1993 which is one of the series we are refunding up until 2002, those rates were much higher then where they are in the current market, so in comparison of current market conditions as to where they were originally financed at where as a new money transaction is based on a credit quality difference between what the County would issue in today's market and what the Authority would issue in today's market. They are two separate analyses which is what is the difference in the savings."

Chairman Oliverio: "Mr. Vetter, could you quickly take us through the resolution so that we could get a motion to approve it?"

Executive Director Vetter: "Yes, Mr. Chairman. There is a resolution in your packet which authorizes the ECFSA to issue up to $90 million in debt to refinance these designated County bonds. This action is necessary at this point for that to occur in a short time frame and subsequent action is required by the County Legislature. Two items need to occur; one is the certificate of need in that amount and the second is approval to refinance. This is an action right now that is necessary for the ECFSA to do this."

Chairman Oliverio: "Thank you Mr. Vetter. I'd like to entertain a motion at this time to approve the resolution before us, authorizing the ECFSA to refinance up to $90 million in Erie County bonds. Could I have a motion to approve?"

Director Kruly moved to approve, Director Thomas seconded and the Directors voted unanimously to approve the following resolution:

Resolution No. 10-14

AUTHORIZING THE ISSUANCE OF BONDS AND/OR BOND ANTICIPATION NOTES TO FUND ERIE COUNTY'S CAPITAL PROJECTS

WHEREAS, Chapter 182 of the New York Laws of 2005 (the "ECFSA Act"), as amended, 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 and 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, New York Public Authorities Law ("Public Authorities Law") section 3961 provides circumstances under which the ECFSA may finance the County of Erie, New York's (the "County") costs, including the costs of capital projects; and

WHEREAS, pursuant to Public Authorities Law section 3961(1), the ECFSA may commence such financing only upon a request "made by and through the county executive after approval by the [county] legislature;" and

WHEREAS, The Erie County Fiscal Stability Authority has the capability of refinancing certain Erie County bonds to reduce the cost of those bonds to the taxpayers of Erie County; and

WHEREAS, an analysis has been done by the Erie County Fiscal Stability Authority, showing that refinancing just under $90 million in outstanding county bonds for a period of 13 years would save Erie County Taxpayers approximately $5 million over that period of time.

NOW, THEREFORE, BE IT RESOLVED that the ECFSA is hereby authorized, if so requested by the County, to sell and issue up to $90,000,000 in bonds, and/or notes in anticipation thereof, to fund the refinancing of designated, outstanding Erie County bonds.

This resolution shall take effect immediately.

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

Respectfully Submitted:

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Stanley J. Keysa, Secretary

May 14, 2010