

**Minutes of the Finance Committee of the
Erie County Fiscal Stability Authority Meeting
June 23, 2010**

Present: Committee Chairman Kenneth Kruly, Director Daniel Oliverio,
Secretary Stan Keysa, Executive Director Kenneth Vetter

Chairman Kruly: “Good morning and welcome to a meeting of the ECFSA’s finance committee. We have a few items on the agenda including where things stand on the 2010 budget, as well as starting to look at the next one, we also have some efficiency grants that we are going to be reviewing so I would like to first move for the approval of our previous meeting’s minutes. Secretary Keysa?”

Secretary Keysa: “Thank you, Mr. Chairman. You have before you the draft copy of the minutes. The materials got to me at about 8:00 a.m. so they have not been edited for punctuation, spelling and so forth, but nevertheless I would ask that we approve.”

Director Oliverio moved to approve the minutes of the finance committee meeting held February 5, 2010. Chairman Kruly seconded and the committee members voted unanimously to approve the minutes, subject to punctuation editing. The vote was as follows:

Stanley Keysa	aye
Ken Kruly	aye
Daniel Oliverio	aye

Chairman Kruly then called upon Erie County Budget Director Greg Gach to make a presentation.

Greg Gach: “Good morning. This next month coming up is important because it a reconciliation month. The last reconciliation month, because of a number of issues, was down so I am anticipating good numbers but you really never know what that number will be but that will give us a better idea of where we are going for the year and that will be the last reconciliation numbers that we will receive prior to the release of our next budget.”

“One of the issues that are appearing is our turnover account. It is becoming fairly obvious for a number of issues that we are not going to make the six million County share on turnovers. Roughly through the first five months we are looking at missing turn over budget by slightly over two million. A number of issues have cropped up. The Sheriff and the Holding Center facility overtime has become a real issue. Primarily, in my discussions

with them, due to changes in how they are handling prisoner's classifications, they are having more of what they call "one on one" observation for prisoners who show suicide tendencies. So that has increase substantially."

"The other department that is showing an increase in overtime beyond budget is the Health Department. That again can be traced back to the jail situation. We have had difficulty in filling the nurses and other medical staff for the Health Department to staff both facilities and that has required us to use a lot of overtime. We are preparing a resolution to go before our Legislature adjusting staff for the medical staff over there and we have re-upped our efforts for recruiting and also looking at some light duty for some of the nurses that are out on extended sick leave and comp cases and will hopefully reduce the overtime problems there, but right now those seem to be the main areas where we are having problems."

"The other issue that has the potential to a problem for us is the child care issues are a problem we have cut down the child care. It is been widely reported that we cut down the qualifications for child care and so far we haven't gotten any increases from the funding from the State and, quite honestly, I don't anticipate it coming given what is happening with the State. We did find that our allocation of stimulus funds is about what we expected. The good news there is that our adjustments for market-rate child care providers wasn't quite as bad as we thought it would be. We have a meeting scheduled for tomorrow with DSS staff to go over what the latest projections for that are because they will have final May numbers. This will be the cleanest month we have had so far this year. We should see the total effect of reducing qualifications to 125 and should see the impact of adjusting to market rates. So that will give us a better look see at what we think is going to happen with child care."

"The other unknown out there will happen with the State budget impact. I think you are all aware that the Governor has taken an interesting strategy of trying to get a budget passed basically through extender bills and he has done the health and human services part and again as I said we will be looking at this with DISS. We are going to be looking at what the impacts of the State budget will be on our DSS programs. Our mental health programs are good; the cuts there are in optional services which we weren't going to partake in anyway."

“The good news is that the one proposal that would have impacted us to roughly five million that was mentioned in the last BMR, which is part of the Assembly and the Senate proposals, was not included in the Governor’s proposal that was passed last week and it looks like rather than having a four to five million impact, it appears to be somewhere around a couple of hundred dollars, which is not too bad.”

“Other programs seem to be impacting other counties. One thing that was passed was a speeding up of the recoveries of money owed to the State. There was a payment plan in place that would recover over the next three to four years. We sped it up to be all collected this year. While some counties it is affecting them significantly, again the earliest numbers I have seen would only be a couple hundred thousand dollars.”

“So the other issue that I am aware of is that they have cut Probation aid by 2% from 16% to 14% which is probably \$100,000 at the most, and there are few other minor programs out there. We will have a better idea later this week or next month on how the State budget is going to impact us. The good news is we have received just the other day, and I have forwarded it on to this body as well as the Legislature, is that the federal government has come to a conclusion with our debate with them on our use of FMAP funds for 2009. There were some questions and in the worst case they would have tried to recover \$36 million from us. They have accepted our plan and what we intend to do with the money so that takes a cloud off our heads.”

“We are looking forward to 2011. Chairman Kruly, Mr. Vetter and I have a conversation about what is going to happen with the FMAP extender. The original proposals from the Feds was to extend it 6 months into next year which would have given us somewhere between \$15-20 million. It is out of the bill that was passed by the House, it has been in and out of the Senate bill. The last I saw is that there were some proposals out there to instead of doing six months they were only going to do three months because, I think the numbers state that roughly 30-35 states have budgeted for that six month extension, but the last number I saw was that there were only six states who had a plan to go if that money did not show up.”

“It is a real issue for governments out there all over the place, so we will see what happens. I have a meeting this afternoon with the Comptroller’s office. Again, I sent a letter to the Legislature and cc’d this body on what I hope are the final 2009 numbers. We

ended roughly with \$29 million being added to unreserved fund balance and roughly about \$19 million in designation from the 2009 results. I am hoping that later this afternoon, I am meeting with the Comptroller's staff to go over any and all final adjusting entries as proposed. Do you have any questions?"

Secretary Keysa: "You mentioned the options of the Medicaid that we are not participating on. Could you give us an example of those?"

Greg Gach: "The Social Services and Mental Health programs. Off the top of my head, I don't know what specific programs. All I know is that I asked both those departments about specifics that had come up in the extender bill. They said it is not an issue for us because we do not participate in the program. I have a meeting with them tomorrow and hopefully I will have more details then."

Chairman Kruly: "How much is available in undesignated reserves at this time?"

Greg Gach: "If that \$29 million number comes in, there was \$45 million in there before, so we are looking at \$74 million should be in total"

Chairman Kruly: "And I assume that if FMAP does not come through you will be looking seriously at using those funds for 2011?"

Greg Gach: "Yes. Absent large cuts, and I had a discussion with the County Executive, we are looking at cuts in the 2011 budget, elimination of positions. Our vacancies, turnover is not doing as well as expected, but we have roughly 360 vacancies at this point, so we will be looking at vacant positions as well as mandated versus non-mandated programs and targeting mandated programs for extra scrutiny as well as the non-mandated ones. We will looking at better ways of doing those through Six Sigma, efficiency grants and all of those things that we have already looked at and make some adjustments on staffing and what is already available for them."

Executive Director Vetter "On the FMAP, the Legislature had a discussion about that, but I think my assumption from that discussion even before something came to the state and federal government, that this was included as a revenue in the 2009 financials, and the public accountants opined, at least in draft form, are fairly represented so that that money, in terms for the County's outside auditors, was not in question because if it would have been a question they would have had to note that in the financials or have adjusted it out of the financials. I just want to make sure it is true and fairly reflected."

Greg Gach: “Sure, as far as I know, it is all true. They recognized slightly more than \$40 million in FMAP revenue for 2009. I haven’t seen any negative \$40 million adjustments so I am assuming everything went through on that. If there was any question, I have to believe that letter dated June 21st will put all that to rest. I will not be surprised if, at the next finance committee of the Legislature, there will be more discussion, but the letter was short and sweet; right to the point.”

Chairman Kruly: “Okay, thank you very much, Mr. Gach.”

“Next we are going to review a proposal for borrowing \$5.7 million for sewer projects. We have Mike Quinn from the administration to explain what we are doing here.”

Mike Quinn: “Good morning. Thank you. We have requested the authorization to borrow about \$5.7 million the NYS EFC program; the State revolving program. It is a program that we have used routinely over the years. Portions of that are subsidized funding whereby a project is scored and awarded points based on its merits against other projects across the state. If it is high enough, it renders grant-fundable or subsidized interest rate-fundable, which is a 50% reduction in interest over the current New York State rate. For the borrowing that we have, they are subsidizing it at about a 2% reduction in the interest rates. These are projects that included various things across the sewer districts; capital improvements, some of them are for collection system work, the others are for plant work. The other program is a standard borrowing of the New York State Environmental Facilities Corporation. It borrows off of New York State’s bond rating and allows us to keep those projects on the funding list so that, if they do rise above the funding line, we can refinance those at subsidized rates. It is a program that has been in place for a number of years. It is a good program and I think it gives the service-rate payers the benefit of the decreased interest rates on a long-term capital.”

Chairman Kruly: “We have done this before, but would you like to explain briefly Mr. Vetter?”

Executive Director Vetter: “Very briefly, the reason why this is on the agenda, and it is indicated on the resolution, is that under the section that creates the ECFSA, section 3958, that we do have the authorization to review and comment on any terms of a borrowing. We have either commented directly on that borrowing in an advisory as well as a control status. To be consistent with our legislation, this has been brought forward to this committee and actually considered in our

larger borrowing for the County. This was not included in that borrowing for three reasons: 1.) the period of this is through 2039; 2.) part of this is 50% subsidized by EFC; and 3.) the other part of this uses the general New York State bond rating but the EFC's AAA bond rating. The ECFSA has an AA-1 rating that is one step below that and, because we have been consistently opining on the County's borrowing in the past, the resolution that is in your packet indicates that the borrowing appears to be reasonable and prudent at the staff level as well as with our financial advisors."

Secretary Keysa: "I assume that the interest that you will pay will be based upon the age of the bond?"

Mike Quinn: "That is correct."

Secretary Keysa: "Is there an average rate?"

Mike Quinn: "I really don't know about the specifics but I could have Sal or John get back to you on that."

Director Oliverio "Mr. Vetter, what you are saying in short is that they can borrow cheaper than the ECFSA?"

Executive Director Vetter: "Given the subsidy and the ECF's AAA rating, yes."

Chairman Kruly: "We before us a resolution before us that I would like to move before the full board. Is there a motion to approve that resolution?"

Director Oliverio moved approval, Secretary Keysa seconded and the committee voted unanimously to approve to recommend approval of the sewer bonding for full board approval. The vote was as follows:

Stanley Keysa	aye
Ken Kruly	aye
Daniel Oliverio	aye

Chairman Kruly: "Next, we will move into new efficiency grant requests that we have received. I would like to call up Commissioner Sentz. He has a couple for his department."

Gerry Sentz: "Thank you and good morning"

Chairman Kruly: "Mr. Sentz, let's start with the vehicle locators. This is a continuation of something that was previously done. So we are

looking for an update on what was done before and how it is going and the justification for continuing this as efficiency grant.”

Gerry Sentz: “The vehicle locator grant is going very well. Over 150 have been installed in various vehicles throughout the County. What we did was target some very special vehicles in the County, but then we also blanketed the Sewer Department and the Clarence Highway Department. Enclosed in the grant, we actually analyzed fuel usage for both Clarence and Sewer Department because they have been blanketed. I wanted to add in there that there wasn’t anything else that was done to those departments that may affect fuel efficiency, so I felt that these were good representative samples to see what the fuel efficiency would be.”

“In looking at that, I compared the fuel savings for the first five months of 2010 when they were completely installed versus 2008 and 2007 and 2006. You can see very consistent fuel usage over those 3 years and a significant drop in 2010. The actual numbers are contained in there. So, based on that, you can see hard numbers. What we did, after we received the grant, was make a bid spec for the AVL and reviewed it with several different manufactures and looked at what several different manufacturers had. We put that out to bid and received the bids. It was awarded to a firm called “Realtronics” which is a Rochester-based firm. It is a very dynamic system. I could talk for hours about all the stuff that this unit can do. We are learning about all of the things this system can do. I can take questions at this point because I can go on and on.”

Secretary Keysa: “One of the provision’s that we made at some point was that the individuals involved in this have the opportunity to report the things that they saw like downed signs, etc. Is that appropriate at this point?”

Gerry Sentz: “At this point we have not incorporated it but we can actually take this data with a computer in the vehicle and locate them. I am looking right now at reports on locating vehicles and idling time and reporting that. I am still in the beginning stages but give me a little time and we will get that going.”

Secretary Keysa: “I notice that there was a grounds crew at County hall had a pick-up truck and a trailer that did not have County seals on them. I think it is a policy to have seals on them.”

Gerry Sentz: “I will check that.”

Secretary Keysa: “All the County vehicles need seals”

Chairman Kruly: “I would recommend that we approve this.”

Director Oliverio moved and Secretary Keysa seconded and the committee voted unanimously to recommend approval of the AVL grants by the full board. The vote was as follows:

Stanley Keysa	aye
Ken Kruly	aye
Daniel Oliverio	aye

Chairman Kruly: “Now I would like to talk about the other requests coming from your department concerning the purchase of vehicles. We did this last year and we are looking at doing some additional funding. If you could, give us an update on what you have done with the money we allocated for this and what you are doing now.”

Gerry Sentz: “I will try not to carry on but this is another program that I am excited about. Year one has been a big success, after we received the grant, it was about a year ago. We sat down with departments and looked at where vehicles could be surplused and replaced by a better vehicle and a more efficient vehicle. In the back, there is a chart of what we purchased versus what we were actually using, two trucks, to use those trucks more efficiently. We are also doing a lot of what we call... we then take that vehicle...we can then take that and give it to another. We are doing a lot of that. The request in from of you is for four years. I cherry-picked departments. What I want to do now, in replacing them, if I can, is two-for-one; that, if I replace one here and one there, one can be gone because the I can take this piece and give it to a different department they may have a use for it. We are doing a lot of that. The request in front of you is a four-year proposal. Year one, we already have and we are going for four additional years. I have cherry-picked departments and what I want to do now is talk with each department and look at our car fleet and analyze what we use the fleet for.”

Secretary Keysa: “Have you been able to calculate the savings that you have averages so far?”

Gerry Sentz: “Unfortunately, we have only had the vehicles for two weeks, so this is round one. The reason for this is, if you look a the timing, when we got the specs out, they were just getting into the new model year. With regard to the new pick-up trucks, there is a calculation based on what we expect out of the new pick up trucks.

The pick-up trucks, because of the timing, are going to be 2011 vehicles. They are not expected until August, and the Transit Connect vans, I don't even have fueling data on them, but I am expecting 25 mpg out of them where before I was only getting 11 mpg. So, unfortunately, I cannot present hard numbers."

"Incidentally we are not buying AVL's out of the AVL grant. These new vehicles are being outfitted with AVL's out of vehicle purchases as they come in, and any capital money that we have used to purchase vehicles, an AVL has been put in. So my thought is that we will have the entire fleet outfitted with the AVL's between all of the different pots of money that are available.

Director Oliverio: "Commissioner, I have a question. I think this is very worth while and I think it is important, but one thing I would like to see are the fuel cost savings and maintenance savings that must be readily quantifiable. Those have to be easy numbers to come up with. I would really like to see those numbers."

Chairman Kruly: "Would you prefer, Director Oliverio, that we hold action on this until next week?"

Director Oliverio: "No, I think we can go forward. It is up to you, Mr. Chairman, or if you would like, to amend the resolution. We know the savings is there, I would just like to see it. This is one that we can really point to and see where our return is on our efficiency grant."

Chairman Kruly: "Is that something you could produce by next week?"

Gerry Sentz: "Unfortunately, we have only had them for two weeks so I can't really show savings, but maybe in six months I can show that projection and show what the old vehicles gas mileage was and will have some good hard data in a couple of months but, unfortunately, because of the timing of the auto manufacturers and the turn around time, sometimes it takes them six months to turnaround a vehicle, I can't really show you that rate right now, but I did show some projections based on the F150 in your packet, based on what their projected gas mileage would be based, on my existing gas mileage."

Director Oliverio: "Thank you. My approval is not contingent on those numbers but I would love to see them in six months."

Secretary Keysa: The question I have, Mr. Chair, is that with the amount of money that we have, is there a desire to put a limit on the number of years that we are approving this?

Chairman Kruly: I think it was agreed on three years. I think three years would give them certainty going forward but would leave some money for other things that we are looking.”

Secretary Keysa: With that, I would move that we recommend to the full board approval of this efficiency grant for three years.”

Secretary Keysa moved, Director Oliverio seconded and the committee members voted unanimously for recommendation of approval of the vehicle replacement grant to the full board. The vote was as follows:

Stanley Keysa	aye
Ken Kruly	aye
Daniel Oliverio	aye

Chairman Kruly: “Next, we would like to have Ken Stone come up to discuss a grant for the Library system.”

Ken Stone: “Good morning. Thank you for offering this opportunity. The grant request we have before you would allow us to complete the version of RFID in the entire Library system. As you will recall, back in 2009, we applied for an incentive grant that would allow the instillation of RDIF at the eight Buffalo braches, four Amherst libraries and the central library. That process is well under way and we have converted the collections of materials at all eight buffalo branches, one Amherst library and half way through another and then we will move toward the central library. We wanted to get our feet wet and hone our technique on the Buffalo branch libraries. Seven of them are fully operational and we are doing some minor construction on East Clinton to allow that to operate with the security gates. We are learning from that, as we tackle the central library, roughly 80% of the material to convert on the first grant is still ahead of us. We have also been busy soliciting other grants, New York State construction grants to do another eight libraries, and this follow-on grant would then allow us to convert to those to the new system. The advantage to having all libraries on board with this system is that you can then back away from most of the prior equipment which is barcode technology. As long as you have a handful of libraries using the older system you have to maintain that inventory so anyone can check out a book anywhere in the county and return it anywhere in the county. It has a lot of meaning for the customer because we don’t have to maintain a deep collection at any given building, and some of our libraries are fairly small. So it is an advantage, but it is a bigger advantage to have them all on RFID.”

Director Oliverio: “Mr. Stone, I would like to compliment you on the submissions you send in. This is probably the most thorough, complete, articulate, well-presented efficiency grant that I have ever seen in my time on this board by far; no one even comes close. The information on here is exactly what we request. It is set forth in an understandable and readable way. Your examples are wonderful and I was also impressed that the Library is seeking other grants to further this program which demonstrates to me that there is a real interest in getting this done. I wish that every efficiency grant was put together like this one. It is very well thought out and I appreciate that because it makes out job easy.”

Ken Stone: “Well, thank you. It is a team effort. Mary Jean Jakubowski and I have been working very closely on this and she has been the shepherd on it in terms of making it work.”

Chairman Kruly: “I would just like to echo what Mr. Oliverio said. With that, I would call for motion for recommendation to the full board?”

Director Oliverio moved, Secretary Keysa seconded and the committee members voted unanimously to recommend approval of the Library RFID grant resolution to the full board. The vote was as follows:

Stanley Keysa	aye
Ken Kruly	aye
Daniel Oliverio	aye

Chairman Kruly: “We have a couple of other efficiency grants for Six Sigma, but I would like to take a moment for Mr. Vetter to update us on what is next on efficiency grants, because the pot is getting a little low. I would just like to review where we are at the moment”

Executive Director Vetter: “Thank you, Mr. Chairman. Very briefly, the reconciliation with the New York State Department of Budget indicated earlier that there was \$4.1 million remaining in efficiency grants at this point. This committee, thus far, has three efficiency grants that are recommended for approval. The remaining amount is \$369,880. The two remaining efficiency grants, if those were to be recommended for approval, those total \$536,682; we would be \$167,302 short.”

Chairman Kruly: “Thank you, Mr. Vetter. If you would like to come up, Mr. Carey?”

Bill Carey: “Good morning. Could I make an opening, since I have not been here in the past six to seven months? So, in the past 10 or 11

months since it has been since I have been in front of this body, we have continued with our yellow and green blue-belt training through the University of Buffalo. We have 100% completion rate. In other words, all of belts have complete their work or passed the exam and their projects are certified with the University, so I am very proud of the work that our belts have done so far. We are winding down on our phase-four green-belt training right now. Those projects are half-way to two-thirds complete right now. The black belts, as you recall, received funding that started in November, classroom training of 200 hours. They have completed that work and completed their exams. They are wrapping up their black projects. I owe you some reporting on that. Approximately 30 projects have been completed. Many contribute to financial savings. The results have significantly improved efficiency and delivery of service to the residents and services of Erie County.”

“We are starting to crack through some challenging areas that I have been working hard towards. One is eliminating vacancies. We have a commitment through Social Services, in the budget process for next year, that will eliminate six positions. We will eliminate six vacancies there. In addition, we are chipping away at some areas of overtime. In Child Protective Services, we have reduced the overtime from the fourth quarter this year to the first quarter next year by \$130,000 versus the same period as before. We also made some progress in the Holding Center this quarter. However, we heard from Mr. Gach that their overtime was up quite a bit.”

“We also have projects and trained belts from the Library and ECC. So we have penetrated across the County. We also continue to look at how we are doing. We look at our program. We look at our successes are, what we consider our soft spots, and we chip away at that. We continue to look at our enhanced reporting and my offer stands to spend more time with the Executive Director and the finance committee so that you can see where we are we are looking at.”

“With that, I am happy to entertain any questions.”

Director Oliverio: “Mr. Carey, thank you for coming. One thing that you know, I am sometimes a critic and sometimes a proponent to Six Sigma. I think that I have said at one of these meetings in the past, that when employees think of their job at any level, it is good. I wish I could have all the employees at Hodgson & Russ think about their jobs, as well as my partners and support staff. I think that is very

good. One thing that makes me inclined to think of these as doing the best that they can is that I like the rapid deployment of this program including, I don't think that it is low-hanging fruit, but it is apparent enough that you don't need a month or a one-year study. If you encourage it enough, and people to do it quickly, and there is a process in place, you will also see faster results and people always like that. That gives me some confidence that the rapid response is something you are going to relay throughout the County, then I commend you for that and hope you keep going forward."

Bill Carey: "That is our biggest priority in the short term."

Secretary Keysa: "What I am looking at is that we have \$369,000; to just to do Six Sigma might require some reduction. The points that have been made in the past is that, when we have looked at Six Sigma, we need to look at distinct time frames. Certainly, with the funding that we have available, I am wondering whether, the items that are there for one year, does that make sense to go forward at this point? I would really like the full board to consider a one-year funding at this point. Would one year advance the program?"

Bill Carey: "One year definitely advances the program. What I am definitely concerned with is discussions with providers and contracting them, specifically, the University of Buffalo."

Director Oliverio: "Mr. Keysa, following up on your points. I think the full board is to have to look at how we use the remainder of our money."

I would make a motion to approve the Six Sigma efficiency grant in an amount to be determined by the full board, dependent on what our final figures are as to State funding of efficiency grants."

Chairman Kruly: I would go along with this as a formal proposal; is this formal resolution?

Secretary Keysa moved, Director Oliverio seconded and the committee members voted unanimously to recommend approval of Six Sigma funding in an amount that the full board deems appropriate. The vote was as follows:

Stanley Keysa	aye
Ken Kruly	aye
Daniel Oliverio	aye

Chairman Kruly: "That wraps up today's meeting."

Director Oliverio moved to adjourn; Secretary Keysa seconded and the committee members voted unanimously to adjourn. The vote was as follows:

Stanley Keysa	aye
Ken Kruly	aye
Daniel Oliverio	aye

Respectfully Submitted:

Stanley J. Keysa
Secretary

October 8, 2010