

**Minutes of the
Erie County Fiscal Stability Authority Meeting
June 13, 2011**

Present: Chairman Daniel Oliverio, Secretary Keysa, Director Louis Thomas, Director Mark Walling,
Director Catherine Creighton, Executive Director Kenneth Vetter

Chairman Oliverio: “Good afternoon, this is a June 13, 2011 meeting of the ECFA full board of directors. We have two items today. Primarily, the Erie County financial plan and also the borrowing on behalf of ECMC by the Authority. First I would like to turn the meeting over to Mr. Keysa for the minutes of our prior meeting.”

Secretary Keysa: “Thank you Mr. Chairman, you have before you the minutes that were prepared by Miss Martin. Those are the minutes of the May 5, 2011 full board meeting and if there are no substitute directions to that, I would recommend that they be approved at this time.”

Director Thomas moves to approve, Director Creighton seconds and the Board voted unanimously to approve the minutes of the May 5, 2011 meeting:

**Resolution No. 11-07
APPROVING MINUTES AND RESOLUTIONS FROM
THE MAY 5, 2011 MEETING**

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its May 5, 2011 meeting and ratifies and affirms four resolutions numbered 11-01, 11-02, 11-03, 11-04, 11-05 and 11-06 that were approved on MAY 5, 2011.

This resolution shall take effect immediately.

Director Walling	yes	Director Thomas	yes
Secretary Keysa	yes	Chairman Oliverio	yes
Director Kruly	yes	Director Creighton	yes

Chairman Oliverio:

“Now I would like to move to the second item on the agenda which is the County’s budget and four year plan. As you are aware, we asked the county when the budget and four year plan were first out, to make some adjustments and consider some modifications. The state budget at that time had not yet been passed. We had anticipated some changes in the State Budget which occurred and we have an on time budget which has not occurred since I believe before Clinton and we received a revised plan and budget about 13 days ago. Mr. Gach came to our finance committee and discussed the plan has some significant changes that were made to the prior one submitted. Those changes center around a few things; assumptions with regard to the accrual of the sales tax, some of the issues with respect to gap fillers. Some of those items that I recall on the gap fillers we were less certain about because it was difficult to predict. The plan has been modified to account for that issue in a way that is consistent with the charter. There is also in place the layoff of some 300 positions that I believe will come into place on January 1, 2012. Those positions have been identified specifically in the cost savings for the four year plan. Obviously the announcement of those terminated positions is inappropriate at this time. So there are savings on the job side. There are improvements in efficiencies in Social Services and elsewhere that convinced the County Executive, his staff and this Board that some jobs can be eliminated. This authority has in the past several years encouraged job cuts. Our prior member Mr. Kruly always encouraged that and I think this will make it around 750 jobs that have been eliminated in the last 12 months. I don’t know if there will be more job cuts but I know the County is being vigilant in that regard. As well we asked some questions about overtime and explanations on overtime. This is a very significant issue especially with respect to the Sheriff’s department and the Holding center. In the new plan we will see an adjustment from the current Holding Center operations to the City of Buffalo Courts. The County Executive, Mr. Gach and the Sheriff’s feel that this may go a long way into helping the overtime budget and staff needs that this board has pointed out in the past. In other words, some of you are familiar with the court system and how they handle inmates and all the expense that goes with it. Mr. Gach and Mr. Collins are hoping that this change in how it is done will mitigate some of the expense that shows up on the budget and the calculations that show up. Mr. Keysa and I, as members of the finance committee were here at the last meeting and were both grateful at the detail that was offered in this four year plan. This board in the three years that I have been on has always asked for additional information with regard to the substance of the plan and I was pleasantly surprised with what we received. I think Mr. Keysa was impressed with it and I think some of the other Board members were also pleased with it. I would hope that next year we could have that the first time around. It would save a lot of time and energy; let’s try and eliminate the lengthy slow dance so that we can get this

approved and have it done. With that said, thank you for the details. Those are my comments but Mr. Keysa, if you would like to add?"

Secretary Keysa:

"Thank you Mr. Chairman, you have covered many of the items but what I would like to add is that no four year plan that I have seen is perfect. This is not perfect but it is vastly better than I have seen in the past. It is still fragile, although we are in much better shape. The problem I have is with the federal aid that has added to the surplus that has been achieved. It accounts for some of the anticipations; one is the sales tax increasing at 3%. So far this year it is going up at about 4.25% but if anybody is watching the stock market has dropped off dramatically over the last couple of weeks almost to the point of last December. That raises the question of whether or not sales tax will continue at that level, 3% is a more realistic figure then we have seen in the past it is one that we can't recover from if we do not hit that number."

"Over time, I am not sure that we will receive the cut backs and we will be looking at that specifically to see what is accomplished with that as we go forward this year. The other issue that I have is the Administrations use of the operating budget only for the termination of the 5% mandated by the County Charter. This Board has consistently, as well as the County Comptroller has indicated that a higher base fund should be kept and not using it as a rainy day fund. I would rather refer to it as the earthquake fund: it is really a disaster. It is not something that can be handled with every time it rains. So there a number of issues in the four year plan that are items of concern; the ongoing lawsuit over whether or not the County Executive was authorized to disregard the Legislatures cuts; that may or may not be an additional \$8 million dollars that will have to come out of the surplus. So there are a number of issues that are of concern but it is a much better plan then I have seen in the past and I have to believe that good management can overcome these issues as we go forward. Based upon that I would be inclined to approve the 4 year plan."

Chairman Oliverio:

"Thank you Mr. Keysa, one other item I would like to bring up is that tax cap that is being proposed with Governor Cuomo and others. Obviously the devil is in the details but the exemptions from that cap are something that we will have to keep our eyes on. It may require another revision on the four year plan depending on what the cap is and how that applies."

"I will start from my left, Mr. Thomas any comments?"

Director Thomas:

'Yes as Mr. Keysa said, I can remember a time where we took a look at budget and assumptions didn't plot out and time where things didn't work out. Those were the times that we were a hard control board. There were times that we

didn't agree with the assumptions but it wasn't enough for us to say it wasn't going to work but I think that this is basically the situation we find ourselves in with this budget. Elimination of jobs for example, eliminating overtime: in all my forty years with this, eliminating things like that, it never works that way. I don't think that eliminating jobs and overtimes is possible without a drastic effect on the County and I think the numbers are way off. I don't think it is correct to not budget for undecided collective bargaining agreements. That sends a message that there are not going to be changes there. I also feel that the County, through court cases that there will be a mounding liability that we cannot quite put numbers on. So we find ourselves basically in our past position and I agree with Mr. Oliverio that the numbers we got this year are much more respectable that what we have received in the past but I don't think that the disagreements that we have with the budget are enough for us to say it will not work. So I will also support the four year plan."

Director Creighton: "Much of what Mr. Thomas says. I agree with what he said about the collective bargaining agreements; that down the road this could be a problem. I agree with some of the comments from Mr. Poloncarz and members of this board that there are problems that are not enough to change the budget and four year plan."

Director Walling: "Well I certainly agree with the comments of Mr. Keysa, Mr. Thomas and Mrs. Creighton but there are a few things that I would like to focus on. The overtime issue is a very large concern of mine and I would just point out again that the annual budget for overtime is just under \$13.7 million, if the overtime expense continue at this rate for Erie County the County will spend about \$19.7 million dollars in overtime in 2011 which is an increase of about \$6 million in just one year. So I do not think that the four year plan adequately accounts for that. I was here for the finance committee meeting last week and the only explanation that was given about that has to do with the elimination of the city lock up. There was a reference to the number of people that retired from the Sheriff's department last year but no numbers were given on the number of people that would retire this year. I do disagree with something that Mr. Oliverio stated at this meeting and other meetings where he says that the Authority is always pushing job cuts. Sometimes eliminating job cuts is not a good idea and I think the Sheriff's department is a classic example of a situation where too many jobs were eliminated. By eliminating so many jobs in the Sheriff's department we are creating a massive overtime problem and the budget as I said does not account for that sufficiently: \$20 million in overtime in one year is a huge amount and I don't think that that has been adequately taken care of in the four year plan. There are a lot of different areas that I think this budget presents problems. The budget does not account at all for if the county loses the court case having to do with ignoring of the deletions by the County Executive. That was the \$8 million item that was mentioned by a number of my fellow board members. That concerns me greatly. I understand where that \$8 million, if it

comes due, is not necessarily in the current year. However, as Mr. Thomas mentioned, the County is creating mounting liabilities in pending court cases. In addition to that case, there is also the ongoing litigation for the Holding Center. I don't see anything in the budget that accounts for the liabilities that are created by that. I also agree that there is a problem with this budget because it does not account for the fact that there are so many collective bargaining agreements that are not yet resolved. Some of the employees at the county can obtain increases through binding arbitration so just not negotiating with the unions does not result in wages staying the same. I am also concerned that the elimination of these 300 jobs. We really haven't been given much detail on that; we did get a one page piece of paper on that at the finance committee meeting but we weren't even told what department these job cuts would be in so that concerns me. I can understand where we wouldn't be told what specific individuals will lose their jobs but I don't think it is justifiable to not include what department will be impacted by these job cuts. So with that respect, I would disagree with the statement that we have been given sufficient information. I don't think we have been sufficient information. I am concerned that the 3% sales tax projection may not be realistic. I'm also concerned that the 2% property tax growth might be not be justified and in that regard I point out that the property tax growth for 2011 was only 1.39%. If that continues through 2014 that would lead to \$10 million less coming to the County as income than what is projected in this plan. So I personally think the plan should be better. I cannot vote for the plan."

Director Creighton moves to approve, Director Thomas seconds, and Director Walling votes in the negative and the Board votes to pass the following resolution:

Resolution No. 11-08

FINDING THAT ERIE COUNTY'S 2011-2014 FINANCIAL PLAN IS COMPLETE AND COMPLIANT WITH NEW YORK PUBLIC AUTHORITIES LAW SECTION 3957, AND CONTINUING THE ADVISORY PERIOD UPON ERIE COUNTY

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 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, Public Authorities Law section 3957(1) requires the Erie County Executive to "prepare and submit to the [ECFSA] a four-year financial plan and the county executive's proposed county budget, not later than the date required for submission of such budget to the [Erie County] legislature pursuant to the county charter;" and

WHEREAS, the four-year financial plan, as defined by Public Authorities Law section 3951(14), is a “financial plan of [Erie County] and [its] covered organizations”; and

WHEREAS, pursuant to Public Authorities Law section 3957(2)(b), “[n]ot more than twenty days after submission of a financial plan . . . , the [ECFSA] shall determine whether the financial plan . . . is complete and complies with the provisions of [section 3957] . . . ;” and

WHEREAS, County Executive Christopher Collins duly submitted his proposed budget for Erie County (the “County”) for fiscal year 2011 in October, 2010, and a four-year financial plan (“Plan”) for fiscal years 2011-2014, to the ECFSA on May 31, 2011 (the “2011-2014 Plan”); and

WHEREAS, fiscal years 2012 through 2014 constitute the “Out Years” of the 2011-2014 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2011-2014 Plan “contain actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan that annual aggregate operating expenses for such fiscal year shall not exceed annual aggregate operating revenues for such fiscal year;” and

WHEREAS, Public Authorities Law section 3957(2)(b) instructs the ECFSA to determine on or before June 15, 2011, whether the 2011-2014 Plan complies with the provisions of the ECFSA Act, including section 3957; and

WHEREAS, the members of the ECFSA Board of Directors have reviewed the 2011-2014 Plan; and

WHEREAS, the ECFSA has developed concerns regarding the reasonableness of the following assumptions underlying the Plan:

- (1) That overtime expenses will decrease during the Out Years;
- (2) That the County will not need to increase its annual financial contribution to Erie Community College (“ECC”), even though ECC has assumed that the County’s contribution will increase by \$500,000 during each of its next four fiscal years; and
- (3) That the County will not need to budget for salary increases for labor unions that do not have contracts that are currently in effect; and

WHEREAS, the ECFSA has nonetheless determined that the 2011-2014 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2011 and Out Years 2012 through 2014 – that annual aggregate operating expenses for such fiscal year shall not exceed annual aggregate operating revenues for such fiscal year; and

WHEREAS, the 2011-2014 Plan is complete and otherwise complies with the requirements of Public Authorities Law section 3957 (“Section 3957”) and the ECFSA Act; and

WHEREAS, Members of the ECFSA Finance Committee have expressed their support for full Board approval of the Plan at its meeting on June 7, 2011; and

NOW, THEREFORE, BE IT RESOLVED that the ECFSa finds that the 2011-2014 Plan is complete and otherwise complies with the requirements of Section 3957 and the ECFSa Act; and

BE IT FURTHER RESOLVED that the ECFSa remains in advisory status, as described by Public Authorities Law section 3958; and

BE IT FURTHER RESOLVED that the ECFSa shall impose a control period upon the County whenever the ECFSa determines that any one of the five circumstances listed in Public Authorities Law section 3959(1)(a) through 3959(1)(e) shall have arisen.

This resolution shall take effect immediately.

Director Walling	Nay	Director Thomas	yes
Secretary Keysa	yes	Chairman Oliverio	yes
Director Kruly	yes	Director Creighton	yes

Chairman Oliverio: “Our second item is borrowing by the ECFSa. This year we three components that are set forth in two separate resolutions. The first is a \$25 million capital component that was request by the County Executive and the will be used primarily for Capital projects.”

“At the same time Mr. Vetter and our Financial Analyst are always looking for opportunities to refinance and we found one. We would like to include that into our borrowing this year as well. The third component is a little different from what we have done in the past. As you may know ECMC is in the process of building a new skilled nursing facility on the campus of Grider Street. AS I understand, the purpose of it that new facility that has been approved by the State is the medical quarter and education division downtown will centralize the health care and medical division downtown. That includes ECMC and Kaleida. It is expected that this will replace the facility in Alden. It is expected that this skilled nursing center will provide 95% of all Medicaid incidents and for those who are not capable of affording the high cost in a skilled nursing facility but who are in need in our community. I will not speak for anyone else on the committee but this is a very important project for our community and something we should be proud of.”

‘Jordan Lamayo, the CEO for ECMC with counsel and his bond council are interested in borrowing about \$98 million for this skilled nursing facility. At market rate for health care which is very pricy as you can imagine, it was

suggested that this authority with its far superior borrowing capacity could borrow the money on behalf of the ECMC and have the county move the funds to the them to fund the project. That was explored in a very short time period and was determined by our counsel and underwriters that it was all a possibility under our charter as a stability authority that we could work out an arrangement with the county and that ECMC could take advantage of our borrowing capacity. So we are now working on an arrangement with the stakeholders. There had been a lot of hard work done in a very short time and hopefully we can come to agreement with all the stakeholders involved. We are ready to approve this today and I believe the Legislature is ready to approve in the next session. The savings, depending on how you calculate it to all three of these projects add up to about \$140 million.”

Exec. Director Vetter: “It’s a little more than that. If you were to look at this as a mortgage over 15 years, the payments that would almost match ECMC are who would have to continue to make payments by 20 years.”

Chairman Oliverio: “That would add up to about \$120 million? It is a big number and a big savings.”

“It is an important undertaking, so I would like to have some of the stakeholders present to our board so that everyone has a thorough understanding of this. So let me start by inviting our financial advisor Milan Tyler and our financial Advisor Rick Ganci if they could come up and discuss this with us a little bit. Then I would ask Mr. Colucci from ECMC be next.”

Milan Tyler: “I guess I would like to address the legal structure of the bonds very briefly and then will turn it over to Rick Ganci to talk about the numbers and the savings. In terms of the legal structure, this bond would be the same as all of the other borrowings this board has done in the past. It will be funded through the sales tax intercept that is already in place, so the folks that by these shares will get a portion of the sales tax money from the County that comes in now. The trustee will then remit a portion of the principal and interest due into a bond fund and remit the balance over to the County as they do now. That being said, as far as the public knows that is that way the bonds are going to be structured. However, it is going to be slightly different as to the refunding piece for the county and the new money. The county will issue their mirror bonds exactly as we have done it in the past. The only part that will be different is the ECMC portion, instead of issuing mirror bonds we will enter into a loan agreement with the County so that the Authority loans, the \$98 million to the County. The County is going to amend their capital plan to include this project in their capital plan and this loan agreement would authorize the Authority to intercept the sales tax transfer for the payment of its bonds. The County then will turn around and lend that money to ECMC. ECMC will then issue a note under its

master trust indenture and the county would have right of return payment through that method. The County will also have the right, presumably to offset any missed payments against the settlement agreement that they have in place with ECMC. So from the outside worlds perspective, these will be the same bonds that we currently issue and there is no other risk to the Authority per say. That is short is the legal structure.”

Director Thomas: “Would the County under any circumstance be able to withhold a payment to ECMC?”

Milan Tyler: “Yes, pursuant to the loan agreement between the County and ECMC, ECMC will be required to make the exact same payment to the County that the County has authorized to be taken out of the sales tax by the authority. Assuming everything goes well that money will flow on the same day. If ECMC misses a payment than the County has several options, one of which would be to withhold the \$16.2 million that the County is authorized to make to ECMC through this settlement agreement. The County would also have the right as a holder of a note under the master trust indenture that ECMC currently has in place. The County would be a secured creditor under the master trust indenture and they have the additional remedy to withhold payments under the settlement agreement.”

Rick Ganci: “I think Mr. Tyler covered the major points as far as the structure goes, we are using the same structure that we have as far as prior transactions go. There is nothing unusual about the Authority going to market. The theme is to take advantage of the strong credit ratings of the Authority. Certainly in this credit market, strong credit ratings are important in marketing bonds.”

“There are three components of the borrowing this time around. It is the new borrowing for ECMC to fund capital projects, a refunding bond transaction which is refunding a series of bonds from 2004 that were originally issued by the County that currently on the county books are over 5%. Those would be refunded by the Authority by a rate that is under 2%, so there is about \$1.1 million in debt service savings that the county would benefit from on that particular transaction. The third component would be the \$87 million to fund the ECMC project which would have significant savings to the medical center by taking advantage of the superior credit rating of the Authority as compared to hospital backed debt in this current environment. Overall in summery we are looking at \$137 million in bonds to fund all three components at an interest rate in the current market at about 3.2%. Historically speaking, this is phenomenal compared to what other lower rated agencies are borrowing for. So certainly, the Authority credit rating is to prove beneficial in this environment.”

Chairman Oliverio: "Thank you Mr. Tyler and Mr. Ganci. Mr. Colucci?"

Anthony Colucci: "For those that I haven't met personally, my name is Tony Colucci. I am the legal counsel for ECMCC. Before I get into some of my remarks, I would like to address an answer that was given to Mrs. Creighton. In the question you raised a secured creditor. I actually think that rights of the county are more secure than a secured creditor and I say that because under the master trust indenture that was secured in 2004, if we miss a payment of any borrowing, the county is in a position to appoint a consultant that will be able to control our organization, in the name of the county or in the name of the corporation. So there is a situation here that we either do what we are supposed to do or you will do it for us."

"If I can digress and talk to you about this, for those of you who may have been involved in discussions about a year and a half ago of discussion, Erie County and ECMC came into a settlement agreement the purpose behind that was to resolve a series of open issues regarding how the corporation was spun out of the County and some of the things that were just not defined well in that initial transaction all of which were not capable of prediction. The two organizations realized that they needed to make a win win out of the transaction and the way that they determined to do that was in the way that they handled long term care. So it was determined that a new home was in the best interest of the community, in a smaller home and a patient centered home. In a home on the east side where the folks that current are patients that reside in a zip code in Erie County that it is easier to get to and is closer to their families. Aside from that, the new home is smaller than the existing home. The financial impact it has on the County is a positive one and the operating impact it will have on the corporation will also be positive. In addition the quality of care will also go up; it will be brand new and designed to be in the quality of long term care patients centered facilities. It will be more like a home with a common area that is shared every day. It was actually asked at the behest of the Department of Health that we take this decision because they determined that we 1,300 too many long term beds in the community. St. Francis has closed and Grace Manor has closed, there are closures within the Kaleida system and you know that our system is down about 150 residents by plan and there has been no slip on the screen in terms of how we change move or patients into our long term or acute care level of services which means the State Department of Health was right: we have to many beds in the community."

"The total cost of the new home is going to be \$103 million. That is essentially at the cap that we are allowed to spend by the state per bed and still get reimbursed. That is significant for this group because most people look at debt and think that there is no liability on your books and you're right but in the

context of a home that is saturated with nearly 95% Medicaid recipients, we will get a large portion of what we pay to build this facility and what we get in finance costs reimbursed to us. That is a component of the Medicaid paid and the bed costs and the operating cost, both of which will be less than the current structure which means that the Counties exposure will also be less. So the first benefit that we see from building this facility and the debt service associated with the borrowing through the ECFSA as we both save money. The County will save money through IGT payments for those who are less fortunate. ECMC will pay less than the cost of borrowing.”

“There are other advantages and we will move into those: 350 jobs moving from Alden to the City. It doesn’t sound like a huge advantage because you guys deal with all of Erie County but it is a huge advantage for different reasons. We have a hard time finding folks to work in Alden, New York. The folks that want a job don’t necessarily have 3 cars to transport themselves there. There is a heavy reliance on public transport but that won’t be a problem because there is public transport right on Grider. It will create 200 new construction jobs as we build the facility.”

“It will also have everything that I had discussed previously. The \$98 million, if I could break this down a bit because we have tossed a lot of numbers around will actually fund two components of our campus. One is the skilled nursing facility; \$87 million of that money will go to this facility. The other is the infrastructure that connects that facility directly to ECMC. There will be two corridors and the purpose behind this will be two fold. Obviously we want the public to be able to utilize this corridor and utilize the facilities on that tower but almost equally important there will be a sterile corridor to transport residents who need medical care. Currently, Erie County spends \$900,000 a year transporting patients from Alden, New York to Grider Street to receive acute medical repair and then transports them back. So if we have a corridor there we will stop spending that operating money to send patients back and forth.”

“For all of those reasons, we think this is a good idea. Oh and there is another one, we will save \$118 million in interest expense. That is \$98 million over fifteen years with the ECFSA and we figured it out over 3.6% annual interest not 3.2% so we could save more against the 7.0% of the interest rate that we would go with a BBB rating if we were to go over 30 years. I will stop here and answer any questions.”

Secretary Keysa: "One of the questions people have is the stability of ECMC itself; do you have a four year plan?"

Anthony Colucci: "We have a five year plan but it has not been update to reflect this transaction, so I have asked the CFO to update this transaction as traditional or with the alternative that we use the ECFSA for this project. Aside from the plan, let's talk about the stability of the corporation."

"In traditional measures we have 144 day of cash on hand. When we started with the county we had about 144 hours cash on hand. We have been very nervous, sensitive, protective with the cash we have on hand. The construction that we are doing is \$160 million on Grider Street of with \$62 million will paid with the cash that we have on hand without impacting the ability we have to meet our financial obligations."

"In 2010, following our external audit and our internal auditor is here by the way, we had a \$9million operating surplus. The hospital made money. There is a reason for that. We are constantly adjusting management to meet the challenges that are presented to us. For example the labor issues you discussed earlier, union issues and the fact that we don't know what IGT expenses will occur until after a year or so. Plus of course there are Medicaid and Medicare reimbursements and what is going to be challenged."

"So we have done our very best in a challenging environment to do our very best and it has turned out okay."

Secretary Keysa: "Could you share with us the updated financials when you get them."

Anthony Colucci: "I would be happy to do that and would be happy to give you a copy of last year's audit as well."

Secretary Keysa: "What happens to the old facility once you build a new facility?"

Anthony Colucci: "The 2009 settlement with the county called for us to turn over that facility back to the County for two reasons. One the County still owns that facility under real property and the heating company actually located there heats the jail."

Director Walling: "My concern is that the current five year plan should have been provided to us to look at prior to the meeting and before we have to decide on this. I understand that we have a new five year plan if we approve this but it seems to me a simple matter to have our staff look at the five year plan and look at the financials before we vote on this."

Anthony Colucci: "That is not a question."

Director Walling: “No it is a comment. The problem I have with this is that this has been raised in such a short time frame as Mr. Oliverio stated. Would you be willing to provide the five year plan that you already have?”

Anthony Colucci: “Sure, I would be happy to do that. We are a pretty transparent organization as a public authority. All of our financials and filings are made on time both with the NYS budget office and public officials included.”

Director Walling: ‘I just think it is important given that fact that we have gone over the counties plan for almost a year now that we know your plan as well. I also understand that there are some major changes with reimbursed Medicare and I don’t know what your plans are with that going forward; value based partnerships and that might impact your income going forward. I don’t know how familiar you are with that but I understand that might be a tremendous impact on reimbursement rates in the future. I would personally like to see some analysis made of that before I vote on this.”

Anthony Colucci: “I’m not sure how that is going be a strong impact on how that is going to actually impact any health care system but I can tell you this much, we have already mobilized teams to effectively modify the way we do business to take advantage of those changes.”

Director Thomas: “I really think that this a real opportunity , in pretty tough economic times , that will give us the opportunity to create jobs, is going to serve the most deserving people in our community an as a member o the board this is a great chance to give something back to the community. I think this should be done without delay and I want to commend our chairman and staff; everyone involved because I think all the pieces fell in place.”

Chairman Oliverio: “Thank you Mr. Thomas. I can’t think of a great example of how this Authority, aside from serving the fiscal watchdog role, can contribute.”

“Mr. Poloncarz, I saw you signal me. I didn’t realize you wanted to speak but please come forward.”

Comptroller Poloncarz: “Good afternoon, thank you for identifying me as a stake holder but like many of you, I did not hear about this until late last week. I don’t object to the ECMC transaction because like you say, I think it will save many millions of dollars. I wanted to bring out two things that need to be resolved as we go forward. One of which is not ECMS based but on the refunding based on the problems we had in the past. I don’t want to say it was fraudulent because there was no internet but there were serious problems with regard to the refunding on behalf of the ECFSA last year. There was a misidentification of projects, a misidentification of mouths that were owed on those projects, the problems that occurred because

of incorrect data on debt service that required my office den our bond counsel to clean it up after the sale. In all likeness the items that you were offering up in your initial sale were inaccurate because they did not work with our office before hand. There was a rush to close that borrowing last year; I don't want to see that happen again this year. The rating agencies would not have looked too kindly on this and I am not saying anyone did it on purpose just that there was no communication with our office who works on debt schedules every day. So with regard to the refunding, we just received a resolution in the last couple of days that includes refunding and other items that need to get to our office, that we are just getting and I want to be sure that this is being done properly before going out to sale."

"The second thing and probably the most important things is how these transactions impact the cash flow on the County. If you remember last year we talked about one of the issues that would come up with the mirror bonds or the borrowing on behalf of the ECFSA is the impact on the cash flow because you intercept the sales tax distribution and to hold a certain amount . A debt service account was created to fund it but unlike what we normally do which is paying bi annually, we were required to put away funding on a monthly basis: \$700,000 a month to handle last year's debt service. This has had a cash flow impact because it is basically locking up money that we would ordinarily use for other service and purposes into debt service fund which we can't use then. We get the interest of it which is good but it hurts our cash flow of it and we will have to borrow more money then we normally should have. With the size of this transaction and the amount that is going to be attributed to ECMC, I want to ensure that the Comptroller next year who may not be me that the Comptroller next year is not going to have their hands tied with serious cash flow issues. Now I talked to Mr. Colucci who assures me that ECMCE would fund that money prior to any obligation on the Counties end which is good and we need that in there. Otherwise I can guarantee the counties cash flow will be completely decimated y having to put down money in segregated accounts on a monthly basis. I'm not worries about the refunding portion but we will be asked to put more money in these debt service accounts for the new money and I assume we will be asked to do the same thing with the ECMC portion."

Director Walling: "Is there anything that this board can include in a resolution so that you don't have the problem that you just talked about?"

Comptroller Poloncarz:"I'm sure you could include it. I don't see why not and, like I stated it is my primary concern. I don't object to the borrowing but I just want to make sure that these mechanisms are in place so that the County is protected especially with regard to the ECMC portion. We need better lines of communication. "

Chairman Oliverio: "Thank you Mr. Poloncarz. We have two resolutions and I would like to consider these separately. The first one is "Authorizing the Issuance of Bonds to Fund Capital Projects of Erie County."

Comments:

Director Walling: "My position is that this sounds like a very good proposal but I am concerned with the limited time frame that this Board has had to consider it and I have personally raised this issue to the Board about my request to have the staff of the Board review the current financials of ECMC and its current five year plan. My further comment is when something appears to be too good to be true, sometimes it is in fact too good to be true. I'm just saying that we should reconvene in about a week or two and vote on this once they have reviewed and tell us that there is no serious concern with ECMC. That is my only concern."

Director Thomas Moves to approve, Director Creighton seconds, Director Walling abstains and the board voted to approve the following resolution:

Resolution No. 11-09

AUTHORIZING THE ISSUANCE OF BONDS

TO FUND CAPITAL PROJECTS OF ERIE COUNTY

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 County desires to issue bonds or notes to fund approximately \$108,865,000 (but in any event no more than \$125,000,000) in capital projects of Erie County, a portion of which will be undertaken pursuant to an agreement between the County and the Erie County Medical Center Corporation; and

WHEREAS, an analysis has been done by the ECFSA, indicating that the ECFSA can achieve no less than approximately \$140,000,000 in savings by issuing bonds or notes totaling approximately \$108,865,000 on the County's behalf.

NOW, THEREFORE, BE IT RESOLVED that the ECFSA is hereby authorized, if so requested by the County, to sell and issue bonds in the estimated amount of \$108,865,000, but in no event to exceed \$125,000,000, to fund the County's capital programs, which bonds may be secured by the County's sales tax revenues.

BE IT FURTHER RESOLVED, that the power to set the financial terms of its bonds or notes is hereby delegated to the Executive Director or the Chairman of the ECFSA, acting individually or jointly;

BE IT FURTHER RESOLVED, that the Executive Director or the Chairman of the ECFSA, acting individually or jointly, are hereby authorized and directed to execute and deliver any agreements, certificates, documents, papers or other written instruments, 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 its bond resolutions passed from time to time.

This Resolution shall take effect immediately.

Respectfully submitted,

Director Walling	Abstain	Director Thomas	yes
Secretary Keysa	yes	Chairman Oliverio	yes
Director Kruly	yes	Director Creighton	yes

Director Thomas Moves to approve, Director Creighton seconds and the board votes unanimously to approve the following resolution:

Resolution No. 11-10

AUTHORIZING THE ISSUANCE OF BONDS

TO REFINANCE CERTAIN COUNTY BONDS

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 refunding existing County indebtedness; 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 ECFSA has the capability of refinancing certain County bonds to reduce the cost of those bonds to the taxpayers of the County; and

WHEREAS, an analysis has been done by the ECFSA, indicating that refinancing of approximately \$28,655,000 (but in any event no more than \$35,000,000) in outstanding county bonds for a period of approximately 8 years would save County taxpayers approximately \$1,100,000 over that period of time.

NOW, THEREFORE, BE IT RESOLVED that the ECFSA is hereby authorized, as requested by the County, to sell and issue bonds in an amount of approximately \$28,655,000, but in no event to exceed \$35,000,000, to fund the refinancing of designated, outstanding County bonds, which bonds may be secured by the County’s sales tax revenues.

BE IT FURTHER RESOLVED, that the power to set the financial terms of its bonds or notes is hereby delegated to the Executive Director or the Chairman of the ECFSA, acting individually or jointly;

BE IT FURTHER RESOLVED, that the Executive Director or the Chairman of the ECFSA, acting individually or jointly, are hereby authorized and directed to execute and deliver any agreements, certificates, documents, papers or other written instruments, 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 its bond resolutions passed from time to time.

This Resolution shall take effect immediately.

Director Walling	yes	Director Thomas	yes
Secretary Keysa	yes	Chairman Oliverio	yes
Director Kruly	yes	Director Creighton	yes

Director Thomas moves to adjourn, Secretary Keysa seconds and the Board votes unanimously to adjourn.

Respectfully submitted,

Stanley J. Keysa, Secretary

June 13, 2011