ECFSA

Finance Committee Meeting

October 6, 2011

Present: Finance Committee Chairman Brian Lipke, Chairman Dan Oliverio Director Louis Thomas, Executive Director Kenneth Vetter

Guest: Budget Director Gregory Gach

Chairman Lipke: "Good afternoon, I will officially call the meeting to order. I welcome guests from the public, the media as well as government officials. Today we have a couple of business items on the agendas. First we will review the County's 2012-2015 fiscal plan. We have Mr. Gach, the County Budget Director here to make a presentation on the budget and following that we will be reviewing proposals form firms to be the ECFSA's auditor for the next three years. Before we do that I will turn the meeting over to Chairman Oliverio to review the minutes from the last meeting."

Director Oliverio: "Thank you Mr. Lipke. In front of you I think you all have a resolution to approve the minutes of the last meeting which was June 13, 2011 and the attached resolutions."

Director Thomas moves to approve, Chairman Lipke approves, and the committee votes unanimously to approve the minutes of the June 13, 2011 finance committee meeting.

Chairman Lipke: "Thank you Mr. Oliverio at this point I will turn the meeting over to Mr. Gregory Gach to discuss the four year plan."

Gregory Gach: "Thank you and thank you for having me here. Today I will be discussing the proposed 2012 budget and the proposed 2012-2015 four year plan. The budget proposal mirrors the recently approved four year plan for 2011-2014 that was approved by this board in June of this year. What you have in front of you basically fills in all the details but for all intensive purposes it is basically within the framework of the four year plan that was approved."

"We are maintaining critical services, investing in our infrastructure, quality of life and I am pleased that the tax rate will remain the same at $5.03 per $1,000 of assessed property value. We are in a much different place then we were four years ago when this Board was in a hard control status and our bond rating was almost nil. We had significant budget gaps going forward; we had no rainy day funds. As this 4 year plan shows, we have conservative budgeting, solid fiscal management and in our rainy day fund we have more than the charter minimum of 5%. We are making the tough decisions as was noted by Moody's in their recent review for the County in our short term RAN. While we did not receive a MIG 1 status they did reaffirm our bond rating and did reaffirm that we were not put on negative watch as what has happened to a lot of Counties out there. They did recognize the fiscal management and the good administration of the Collins administration. Just to point out one thing that sticks out, they listed two strength of Erie County in their review; a large and diverse tax base and strong budget management which I think is very significant and really recognizes the fact that we have put together balanced budgets and four year plans. It may not have come right on the dollar but we are within a few percentages and it has always ended in the black. So we are continuing to hold the line on taxes, we are using our recurring revenues to pay for recurring expense. The only use of fund balance we are showing is in the 2012 budget for non recurring expense; primarily unemployment costs for the 158 employees that will laid as well as the $2 million for the library that we have pledge until they are able to get set up as their own taxing entity and the rest of it which is about $3million plus to pay for some non recurring debt service that is out there."

"We are making the tough decisions. You are not seeing the same types of drastic actions that are being done by other Counties in the State. Cattaraugus County just announces a 13% tax hike. Westchester County, I was just reading today, they got their gap down from about $200 million to about $114 million and they're asking for serious give backs from their employees; similar to what Governor Cuomo did with State workers. We are unique as far as other counties are concerned in the State. We are doing things differently; we are continuing to pay our Medicaid burden which is capped at 3%. We are unique amongst all the counties in that the Medicaid cost for Erie County is about 100% per property tax levy. Most other counties you are looking at 30 -50% tops; we are at almost 100% just to give you an idea of what that means, over the next four years Medicaid cost will be increasing by only $50 million if this continues. Senator Gallivan announced a plan to relieve counties burden of Medicaid for the next 8 years and off course we are in full support of that; if that happens that will be absolutely great. The other thing that we are unique on from the other major counties is that we are fully paying our pension cost and despite the fact that pension rates went up from 16.3% to 19.1% despite the option given to us by the State Comptroller to pay some of that over a ten year period. Monroe County comes to mind, they are doing that but we are paying 100% of our pension liability. In fact we paid off similar deferred payment plans set up by the prior administration and got that burden of off Erie County tax payers. So pension costs are going to be 19%."

“We are eliminating 308 positions. When I was here last, I stated that our plan included the elimination of 300 jobs it turned out to be 308; 155 are currently filled and 153 vacant. The reduction is primarily on the 3rd and 4th floor of the Rath Building, primarily in Social Services. Then you will find a rather vocal group who are not in favor of this plan. What we have been doing with our Six Sigma Director, Jim Milton, whose last day is tomorrow. He has been working with Social Services, identifying areas where we can make cuts and that’s where the cuts were made. The four year plan also includes a plan to cut 200 jobs for the 2013 budget. Those jobs again will be primarily in Social Services and just to give you an idea of where they will come from, we should probably have implemented our “One and Done” program which is basically a one touch system where instead of having multiple staff member fill out various forms for the State and various programs it will only involve being input once and then the system would be set up to fill in the appropriate forms for the appropriate program rather than having clerks or anything else. We are anticipating anywhere from 50 – 100 jobs deletions with that.”

“The other areas we are looking at the clerical level in DSS; clerical/secretary is what we are looking at there. Just to give you an idea, in reviewing the current DSS budget after the cuts we are at a level of one clerical person for every seven employees. For anybody in the private sector, I highly doubt any of your operations have one secretary for every seven employees. The County as a whole is one for 10 which is too high too. I know we have been criticized in the past for going after the clerical. But in this day in age, the luxuries of clerical to answer your phone, open your mail, etc. are days that are days that are long gone. One of the first things I did when I became Budget Director almost four years ago was to eliminate secretaries and redesign the office. I made sure there was no ability to put a secretary in there ever again.”

“The other area we are looking at is supervision right now in Social Services. They have a supervisor for every eight employees. Mr. Milton has advised us that we should be easily be able to get down to 1 for 12. What that will do is eliminate 40 - 60 supervision employees. This will not affect services to the community and the clients.”

“We are looking at those three major areas for where we will get the 200 positions that can be eliminated. Plus it is noted the last time that I was here that we started out last year with basically no vacancies. The last time I was here in June we were up to 180 vacancies. We are at about 170 -180 right now, we eliminated about 150 vacancies. The vacancies that were left were primarily in public safety areas and for normal turn over in Social Services where the turnover is high and we have to replace employees. We have eliminated wit this budget for 2012 a net of 940 jobs over four year in budgeting and we still believe we can do another 200 for the next year. This is quite frankly why we are not in the same position that other communities and other counties are because we have made the tough decisions. Again I am one of those people who hates to lay people off and that is why we try to keep the vacancies as much as we can. What we are seeing is an increase in long term employees applying for retirement. We have already received 200 people who have submitted their retirement papers in which is a significant increase from prior years. Mr. Vetter used to be the Budget Director and you were lucky if you had 30 -40 but this year we have over 200."

"One new position that is in the 2012 budget is the Six Sigma director, for the last few years it has been funded through the Authority through an efficiency grant. We understand that those funds are running out but we found this important enough in our administration to fund this position out of County funds because the savings that are being generated are offsetting the cost of it."

"A few other things that are highlights in this budget, as Mr. Vetter remembers we used to bond for CHIP's to the tune of over $7 million; we have stopped that. The $7 million that used to be borrowed is now being paid with cash. What has happened is the taxpayer subsidy of the road fund has doubled under the Collins Administration to about $12 – 14 million. This is primarily due to paying cash instead of borrowing funds for twenty years and having taxpayers still pay for potholes that were filled 20 years ago. This is another reason why our borrowing has significantly decreased. Originally when we came in to power we were thinking somewhere between $40 – 50 million borrowed money for capital projects. This year we borrowed slightly over $18 million this year. The other $7 million of the original $25 million plan was paid by cash. The other things that were paid by cash rather than borrowing was the $11.5 million which was the court ordered imposition on the ECMC settlement which is our share of the nursing facility that is going up at ECMC's Medical Campus."

"We are moving the nursing home from Alden to Buffalo, that is where the majority of the patients are; it will make it easier for families to visit and quite frankly it will help reduce the loses at the hospital for running the operation in Alden. One of the amazing numbers I heard was that the ECMC transpiration bill from moving patients from Alden to Buffalo for whatever medical tests is approximately $1 million a year. With this new facility, there will be a covered walkway where if an ECMC patient needs to be transported to the hospital, they can be wheeled out of their room in their bed right to the x-ray unit, ER, cardiac treatment…wherever. Instead of paying money for ambulances and attendants to take them out one way or another they are simply pushed in and it will save a lot of money; what that does too is it will help reduce the cost of the nursing home which goes under a number of different titles in the budget; IGT, UPL and DSH for the hospitals."

"What that is a gimmick; it was some loopholes in the law to allowed publically funded nursing homes in NYS State to apply for additional federal funding under the Medicaid program. What the State allowed the nursing home to do was apply for this reimbursement which was based on a formula calculating how much they lost each year. The County would have to pay the 50% share of it. The fed would then pay their 50% share of it and that State pays nothing but that cost has been fairly large as the Comptroller noted in his many press releases. That upper payment limits payments will cause us to, more than likely go over the $16.2 million we cap that is in the settlement agreement with the hospital. We do have approximately $16 million in credits which is now down to $6 million and depending on what happens with the last DSH payment which we should be notified some time by the end of the month, we may have exhausted the credits. That is bad news."

"On the good news, I had a conversation with Mark Samarco who is the CFO of ECMC. This is the last year where the State Department of Health will be making the decisions on what can and cannot be reimbursed under the various sets of initial IGT, DSH and UPL. It is now going to be turned over to CMS which is a federal group that overseas Medicaid and Medicare payments. His expectations are that they will not be as generous as State DOH was in allowing costs to be reimbursed. An easy way of saying this is that the days of $30 – 50 millions of this flowing through the hospital are coming to an end. He expects that it will be around that $16.2 that we are already obligated to pay. So you will see in the 4 year plan that I have $16.2 out there. In meetings past, I said we still have credits but it appears that the credits will disappear."

"My hope is that under CMS the total payments will be going down, so the $16.2 I'm hoping will be enough and if it isn't we will figure out a way of doing this. As Moody points out in our conservative budget, while every year that we present a balanced budget through a lot of various areas that Moody Stated; good management, watching the line on savings and sometimes it is gifts from Senator Schumer and the federal government with FMAP money. I am not hiding the fact that Senator Schumer has made sure that over $100million has flown through the County and that is one big reason why we are able to fund the 5% property tax fund balance that the charter calls for and has allowed us to pay cash for things that we used to borrow. The $11.5 million for the nursing home, the $7.5 million for the commitment we have made to ECC for their north campus building as well as the money we have used for Eden/Evans Road. Eden/Evens Road we have already poured about $5 -6 million cash instead of borrowing. The County Executive is committed to pay the additional $6 million for that and we are fairly confident that we will pay cash instead of borrow on it. So the fact that we have the fund balance and the conservation budget is allowing us to do that."

"The capital program, we are taking care of issues with our parks, the college, and Ralph Wilson Stadium. With that I will end my remarks and open it up to some questions. I have a number of handouts that might help you with some of your questions”

Chairman Lipke: “Thanks for that report. At this point, if there are any questions from the committee members, please feel free to ask them?”

Director Oliverio: “Mr. Gach, first, and I said this again last year and I will say it again this year. I said this last year the budget message and summary that we received and I know you had a lot to do with that, is that ii is excellent. Good job.”

Gregory Gach: “Thank you, I will give credit to Chris Collins. We had an agreement when we started that A&B Book are mine and he can do whatever he wants with the message.”

Director Oliverio: “Thank you, this is very good and understandable. Thank you for doing this. Couple of questions, I will start you off with an easy one. I noticed the funding in the Comptroller’s office; that was a bone of contention last year and the ECFSA had to fund this through efficiency grant funding to the tune of $742,000 and I guess we are still looking for the results of that which I imagine we will see by the end of this year. Could you explain please what the 2012 budget does with the Comptroller’s office how it’s different from last year and what the reasoning was?”

Gregory Gach: “Last year we eliminated 6 auditors, 2 accountants, a secretary, an Associate Deputy Comptroller and a couple of other minor positions. I know the Comptroller then came to the Authority and asked for reinstatement of the auditors, the associate deputy comptroller and the 2 accountants. The ECFSA approved the auditors and the 2 accountants but did not approve the Associate Deputy Comptroller. The one auditor that we had left in the budget retired and the Comptroller went to the Legislature and swapped that auditor position for the Associate Deputy Comptroller.”

Director Oliverio: “Who is the Associate Deputy Comptroller?”

Gregory Gach: “Mark Cornell is his name. What we are doing with the 2012 budget is reversing that. In the 2011 we eliminated the Associate Deputy Comptroller; we added one auditor and added another audit staff. The audit staff is now the deputy of Audit Staff and two auditors. Our thinking quite frankly is that the expectation is that an auditor should be able to do an audit every three months. If they have the deputy and two auditors they should be able to do 8 audits a year. We took a look at what has been happening whet the Comptrollers since Mr. Poloncarz took over and there have been 22 audits for an average of 3.7 a year. To give him credit he does do reviews; he does about 33 so roughly 5.5 a year. So roughly about 8-9 (audits/reviews) a year. I will not make any comments on the reviews, other than the fact that some of the reviews are charter required reviews; some are of our budget and four year plan. He has also done reviews of the State budget, he has done reviews of parking spaces, mortgage tax distributions which are hardly issues that I think auditors should be doing but that is my personal opinion on that. He has been averaging about 9. If we give him 2 auditors he should be able to do one a quarter that gets him to about eight and then he also has a deputy."

Director Oliverio: "Is the Deputy Associate Comptroller capable of doing any of this?"

Gregory Gach: "No, that is why this board didn't approve it."

Director Oliverio: "Tax collectors. We heard a lot about tax collectors last year; remember Mr. Thomas talking about this last year and they were critical to the collection of our real property taxes and other taxes. What about those?"

Gregory Gach: "He asked for two of them to come back. This authority did finance them for this year. What I have done in the mean time is, we are in the process of completely revamping the entire tax collection system. We have invested $60,000 in the software to upgrade to do something very similar to what we are doing in DSS. Taking repetitive reports and instead of having a human being do it, have the system do it. I also had discussions with not only the Comptroller but the Deputy Comptroller and the Associate Deputy Comptroller about their desire to no longer have primary responsibility for the accounting of the property tax accounts, so in addition to buying the $50,000 software to bring the department into the 21st century to relieve everyone of all these repetitive tasks, we added the junior tax accountant in to the Office of Real Property where the taxes are actually collected. Our belief is that with the one accountant and the upgrade to the tax collection system, we should be doing it much more efficiently then it has ever been done before."

Director Oliverio: "Mr. Poloncarz and I don't want to belabor this, stood in front of this group and said you had to have these tax collectors because you had to have a physical presence in a couple of places to receive taxes from tax payers who wanted to pay but also to interact with the various towns/villages that have to remit. Am I going to hear the same thing from him this year and what seems to be the resolution of that if there is still a difference of opinion?"

Gregory Gach: "I can tell you what he is going to say but I can tell you what we are going to do. We have a new chief tax clerk and the reason he was added on to the staff is because he replaced someone who left. She is our main liaison with all the towns, all the collectors and all the assessors. She is working out very very well. "We also replaced another person with the tax prep area which basically expanded her duties. She again is a very talented person, she understands a lot of the tax collection part of it, as well the billing part of it and we are also bringing in the junior tax accountant who has been there for a few years. He will also act as our backup cashier because we have seen this year when we eliminated some cashiers and we are down to one full time cashier there are only periods of time when you need more than one full time cashier. What the junior tax account will allow us to do is to have two people to interact with the public to collect taxes from people. So the taxes will be collected, the system will take care of all the mundane paperwork that used to be done and we are very confident with the investment in technology and the staff changes that it will be transparent."

Director Oliverio: "One other question, well a comment and then a question. On the mandate relief, everyone is waiting for what is going to happen when they go back into session in a few weeks in Albany. I hope to be in Albany in a couple of weeks and find out a little more about what the thinking is what that but this Board and this committee would like to know as soon as you may hear or the County Executive may hear of any planed mandate relief because it might change the four year plan. Hopefully positive changes but changes none the less and that might change our thinking collectively about what we can do going forward with respect to a whole lot of things if there is some mandate relief. So I would appreciate if you could keep your eyes and ears open and let us know."

"One last question about the four year plan, when I look at this plan, this is pretty darn close to what we approved midyear; there have not been a lot of changes. Is there anything in particular in this four year plan that hasn't been changed that you are keeping your eyes on based upon market conditions? "

Gregory Gach: "The one change we made, where the original plan called for a growth of 3% in 2011 in sales tax, what we're seeing is growth that is a little north of that. The check that came in this week was just about 3.5%. We are running about 3.8%. Quite frankly I have very good hopes for the next check coming in and this a quarterly reconciliation month. Just to put it into perspective, last year that month was $37 million in revenue for us, the year before it was over $41 million. What we have seen so far this year is that the reconciliation months are coming in better than the previous years. Also I am looking at $37 million as a very low number and hopping that it comes over $41 million if that happens 4% is going to be very easy to get, in fact we may be even colder to 5%. Going forward beyond that we are sticking with 3%. Inflation is running 3+% and this is not taking into account the Canadian influence. Moody's mentioned the Canadians in their review of us as one of the reasons why our sales tax is doing better than some of the other counties in New York State and it's true."

Director Thomas: "I have a couple questions Mr. Gach. If you could help me understand something relative to the grants and how that fits into the budget, I'm not sure how that works. You've got grants for so many different things; Health, Social Services, DA, etc and the explanation is that the Executives makes a request and the Legislature approves. For 2012, is that a relatively unknown factor or is it now that these numbers are going to happen, is it solid, are we counting on that? "

Budget Director Gach: "The B Book has all the grants as well as some other funds in there. Whatever is in there are primarily continuation grants which means they have been funded year after year after year. This administration has a very simple policy when it comes to grants. If a grant ends for whatever reason, say the funding runs out and they decide they don't want to send us money, we end the grant. We eliminate positions that are funded by the grant; we do not pick up funding for them. So what you are seeing there are grants that I wouldn't say are 100% sure but we are darn sure that they are going to go through. Typically what we find out is when the State budget comes out we will find out if any of those fell through. There haven't been that many that have which were are pretty fortunate for. The other thing you are seeing is that since the County turned over it s reporting to SAP system we have taken a different attitude on grants in terms of the county policy and budgeting on grants. Unless it really is a grant it not budgeted as a grant."

Director Thomas: 'With the different departments, amounts are put on that department and that amount is folded into that department plan for the future. A lot of those grants include monies for individuals. So if it is part of the budget for that particular department and at some point in the middle the process that grant gets rejected isn't that going to have an immediate impact on how that is budgeted and have a negative effect on that department?"

Gregory Gach: "We have the authority to cut off that person's service if the grant ends for whatever reason"

Director Thomas: "Including the services and the training and the whole thing?"

Gregory Gach: "If the service is over that is it. That has been our policy; if a grant ends we end it."

Director Thomas: "Is it possible we could be seeing a large number of those ending this year passed on the problems the State has been having?"

Gregory Gach: "I don't think so. The majority of the grants you are seeing in there are either public safety and/or and that is about the main areas. Those grants are pretty steady and they have a pretty good following in the Federal and State governments."

Director Thomas: "You've got the Health department, Community Development department, District Attorney's offices, Social Services I mean there are a lot of them and the amount of money is significant."

Gregory Gach: "I would think over my four years as the budget director, if we had 2 maybe 3 grants that ended, I would say that is a lot."

Director Thomas: "So you're not expecting anything?"

Gregory Gach: "No."

Director Thomas: "The other thing that you mention are 308 eliminated positions and we talked about overtime; been any significant changes in overtime? Are we still looking at a relatively large amount of overtime being paid and what is going to happen when additional positions are eliminated?"

Gregory Gach: "Unfortunately the 2011 budget was put together with anticipation of ending the lock up for the City of Buffalo on October 1st. That has now been pushed back to March 1st of next year for the males and 2014 for the female population. We anticipated than with that savings would be about $1 million for the transportation of the lock up in overtime. It is not happening but what is happening is if you look at the report which I sent to Mr. Vetter, the first 9 months of overtime, if you straight line that out with just a little seasonality, we are trending to spend less on overtime this year than last year. It is still too much I agree but again our hopes are for the lock up will significantly decrease overtime in the holding center. Will it exceed budget this year? Yes. Will the budget overage still be within what we are saving on turnover? Yes. In other words, bottom line our cost for total services will remain within the total budget even though overtime is up other costs are down; so overall we are okay. "

Director Thomas: "Are you making any assumptions that additional lay off will create additional overtime?'

Gregory Gach: "We have not seen that this year. We eliminated 410 positions in this year's budget. Right now the overtime trend is less than last year."

Director Thomas: "How much of that was natural attrition? "

Gregory Gach: "The 410? I think it was roughly half and half. I think it was 230 layoff and 180 vacant positions."

Director Thomas: "Just two more things. You said that, was it Social Services that there was one supervisor per 8 employees and that you were going to go from one supervisor to twelve?"

Gregory Gach: "That is what we are talking about right now."

Director Thomas: "Now when you are talking supervisors, are you talking about white collar supervisors that would be eliminated?"

Gregory Gach: "White collar supervisors for white collar employees, yes. The way this has been explained to me is that a supervisor's job is to supervise and one of the ways we are getting around this is the 1 to 8 number. One of the reasons for this is the size of the rooms, they could only fit eight people in there so they would assign a supervisor to the people in that room. So one of the simple answers is to tear down the walls between two of them and you have more people in an office now and you only need one supervisor."

Director Thomas: "I know but it is a very oversimplification of what is going to happen when you lay that supervisor off. How is that going to work when that happens under the white collars agreement? I have no idea how that process works; is it a bumping or moving process that you have to go through?"

Director Gach: "That is a problem because with bumping; you are right. A supervisor may bump a caseworker and a caseworker may bump a lower case worker or a clerical person, etc."

Director Thomas: "So that is a process that may go on?"

Gregory Gach: "I can eliminate a position; I just can't tell you which body is going to walk out the door."

Director Thomas: "You also cannot say what kind of effect those numbers will have on one department?"

Gregory Gach: "No."

Director Thomas: "Could it be significant?"

Gregory Gach: "It is possible depending on how the bumping works."

Director Thomas: "How many did you say would be eliminated in the white collar positions or the supervisors?"

Gregory Gach: "On the supervisors, anywhere from 10 – 20."

Director Thomas: "How many in Social Service?"

Gregory Gach: "That would all be Social Services."

Director Thomas: "What is the total number of employees in Social Services?"

Gregory Gach: "In 2012 it will be slightly less than 1,500."

Director Thomas: "So there will be significant movement. One other question, on page 66 you are referencing union contracts. There is a sentence there that says "*these new contracts break from tradition of providing public sector employees more with little or no return*." That kind of touched me as being insensitive because those employees in collective bargaining are selling a product just like an employer is and to say that there is no return received traditionally just seems to me to be insensitive and I thought that if it was insensitive to me, that it might be to someone else and this will become a public document?."

"All I am trying to point out is that maybe someone should take a second look at that."

Gregory Gach: “What I can say about our negotiations is that we are very consistent with all of the unions. The County Executive has been very consistent.”

Director Thomas: “Well I commend you for what you have done and I hope that you can try and get an agreement. All I am trying to point out is that this may not be the way to do it. Just have someone take a look at it and maybe say it in a different way. I am hoping that what you were trying to say or someone was trying to say because there are no concessions involved but that is not what this says and it isn’t referencing the present negotiations it is referencing the previous negotiation. It is just a recommendation that you ought to take a look at that. ”

Gregory Gach: Thank you, I will.

Director Lipke: “I have a more general question for you. I am part of an organization that has a budget very similar in size to the County’s budget. I know that budgeting is s detailed oriented process that relies heavily on history but also you have to look out in the future and make some anticipations about what is to come in the future in a number of different areas. It is more difficult to estimate revenues than it is to control expenses. I think over the past couple of years the County has done an excellent job in controlling and reducing expenses. I think anything related to expenses in this budget is pretty much a given. On the other hand revenues are always a question. When you look at the budget performance over the past few years the budgets to actual have come in very good shape; there are no deficits and a modest surplus has been generated which is good. When you look at this year budget are there any areas that you think are not done from a conservative perspective when you look at the revenue side of things?”

Gregory Gach: “Absent another recession. No. I think you have got some very conservative revenue estimates in there. Quite frankly my hope is that when we get to the end of that year, we will have a small surplus driven by a number of factors. One will be revenues coming in better than we expected and one will be expense coming in lower. We had very good news this year that carries over in to the four year plan and next year’s budget on our health insurance for example. Labor Management Health which is our health care provider passed their rate of 2012 of 5% increase as opposed to what you’re seeing with Blue Cross Blue Shield. As you know the numbers that we have been talking about over the past few years are anywhere from 8-10% and that is one of the reasons why we were able to, well when you look at the total fringe benefits cost. It is roughly equal to our 2011 budget despite the fact that the pension rate went up by about $5 million. That is because our health insurance is much better and the other thing that is much better is our workers compensation.”

“We have gone to a different administrator a few years back, he is doing a much better job. We also have programs in place for light duty for workers comp cases whereas someone who would have normally just sat home and collected a comp check, are coming in and doing light duty activities in the building. That has helped keep our expenses down and we are continuing to do those things. Bottom line, are we going to get hit by State budget impacts? Probably. I'm hoping it will be in the order of the $3 -5 million that it has been, we can live with that type of thing. Sales tax, absent a double dip recession and there is something wrong if we can't hit 3%; between inflation, Canadians and the fact that we have one of the lower unemployment rates in the State. The other good thing that has been happening is that we budgeted for slightly increasing caseloads in our major programs. What we are seeing and I have some spreadsheets that I can give to Mr. Vetter, is that in one of our programs the rate of increase has been 21, we budgeted for 30 and hopefully it comes in lower. So we've got enough conservative budgeting. Would I be concerned if we go over 20 instead of 30? Yes because that 10 cases is a lot of cases especially when you get into that multiplier effect. We have been very lucky or very good where we are seeing the increases in caseloads in Medicaid which is under the 3% cap and food stamps where other than half the administrative costs; we don't pay the program cost.

"So people are losing their health insurance but they still retain their job and qualify for Medicaid. It doesn't cost us extra, it costs the State extra and they are trying to keep that in check. The federal government is doing the food stamp program. Where we are paying our load is in temporary assistance for needy families, the Safety net program as well as daycare. Those costs are not skyrocketing for us and in some we are actually seeing declines. That was a big issue for us a little while ago when originally we were paying daycare for anybody who met 200% of the poverty level. We cut that back to 125% of the poverty level and then brought it back to 175% of the poverty level. When we cut back to 125%, I believe we lost 900 families and maybe 1,100 children. The fear was that all of these people were going to welfare but I think there was less than 5 or 10 of those families went to welfare. So the economy here is not as bad as it is in the rest of the country. I don't know if it is because we are no longer big factory oriented, we are more back office oriented, two family income oriented or whatever but we keep waiting and getting reports on when people exhaust their 99 weeks of unemployment and expect to see a blip on welfare. It is not happening. I think that that all has to do with the fact that the economy and Erie County's economy has changes significantly from the economy in the 70's, 80's and 90's when plants would close down and thousands of people would lose their jobs. What you are seeing now are smaller operations that are not only closing but they are opening. I think that is what is helping this community to get whipsawed by rising Social Services costs."

Chairman Lipke: "So generally what you are saying is that this budget is relatively conservative and for areas where there are potential expense increases or revenue declines there expense cuts that can come in and balance that off. You are comfortable that this is a realistic and achievable budget?"

Gregory Gach: "Oh, no question about that. The property tax dollar amount grew about 1.1% which is equal to the growth in the assessment. Under the property tax cap we could have gone up 3.6%, I know they say it is 2% but you take the 2% and the .9% that the State Comptroller said our assessment grew by and the .6-.7% that the pension rate went by we could have raise it 3.6% without breaking the cap. We stayed at 1.1% and that is why going forward we are sticking with the 2% which is the nominal cap but our goal is to stay within assessment growth, whatever that happens to be.

Director Oliverio: "Mr. Lipke, I had Mr. Vetter do a little quick calculation, if you project for example a 3% growth in sales tax if it was only 2% it is a difference of $4million. So even on our other key revenue side and we have been through this before with our four year plans, a 2-3% estimate of an increase in sales tax even if it is wrong by a percent or so it is not good but it is not catastrophic. I'm sure there were and Mr. Thomas, you commented about this, budgets that were compounded by other county executives that had sales tax increases that were a lot more than that. "

Chairman Lipke: "That was the point that I was trying to get to. From my own personal experience, the questions that I just asked you are the questions that I ask our organization in the big areas of revenue and expense, let's see how reliable those really are and based on what you have just told us that this is not an outlandish budget but a conservative budget."

Gregory Gach: "You don't have to take my word for it, Moody's has commented that we are conservative and have done a good job managing our budgets. Are we doing everything perfect? No but I think we continue to deliver services to the community that the community needs."

"We have been criticized from closing down the health clinics but the arrangements were set up with other health providers out there and those people are still being taken care of. The WIC program was closed down and turned over to the Catholics and I have yet to hear anyone complain about that. For the most part, people found a way to take care of their child care expenses and I believe the 175% that we are using right now is something that we can maintain."

Director Oliverio: "Mr. Gach if I could, one other comment and I believe this is something that this board has to take up with the County Executive as well. There have been job cuts over the County Executives tenure; real cuts, actual people walking out the door which bothers all of us because that is something that we don't like to have to do. With that said I will laud the County Executive for making an attempt to settle some of the existing union contracts that are out there. I guess what I mean to say is that you have laid off about 1,000 people, I think we have an obligation in the near term to resolve some of the outstanding union contracts with the employees that are still with the County. I think those two go hand in hand for a couple of reasons. What I mean to say, is that you have lain off about 1,000 you need to. One because it is the right thing to do and second because it brings some certainty to County Executives to come and establishes a new benchmark which to work with. I know Mr. Collins has tried with the two outstanding unions and I don't think he should give up. I know the Teamsters voted the last one down and last year CSEA was a fairly contentious situation. I think it is in the best interest of the County and assuming the County Executive is still in office or whoever it might be, to pursue some finality in those union contracts to give us some certainty because once those contracts come in place there is some labor certainty, it also helps with employee morale, it also set a benchmark going forward and also lays the ground work for those who are next; the next County Executive or the next person who is sitting in your seat. Just a word from the Chair of the Authority Board and I know my colleagues back me up on this, that will be something we turn our attention to in 2012 because I think it is something that needs to be further pursued, you are on your way, keep it going because I think it is incredibly important to our employees and Erie County."

Director Thomas: "I was just looking at the overtime again and just to make my point; to indicate there is a way of doing things that might work better than one might think in terms of dollars and cents that are on the line versus a lay off. In looking at the overtime rosters that were paid for last year and unless I am mistaken all of the departments that you have layoffs, the overtime is significant; Health Division, has $467,000 over budget. I mean there was $467,000 when they were budgeting for $200,000 and $667,000 was worked. The only thing that I am trying to point out is that when I found myself in these situations before and haven't tried to fix it; you can't argue about quality of productivity so you can continue on this path of just doing it based on the dollars and cents but things are going to start going downhill at some point. The only caution is that you don't let it get out of hand. Every time a person leaves there is a price to be paid, it's the process, the workload and change affects the process in the end."

Gregory Gach: "The Health Department is very similar to the Jail Division. What you are seeing is overtime at the Holding Center. There are some extenuating circumstances there. We are putting in an extra effort there to eliminate all the paper files for all of the inmates there. So what happens now is John Doe shows up and a month later he gets release. He shows up a month later all over again instead of being able to find his old file. What we are doing there is putting all of those paper files into a database so when John Doe shows up the next time they have all of his medical history right in front of them. What we did were used Health Department clerical people to update this."

Chairman Lipke: "The next item on the agenda is to review the RFP's for the ECFSA's auditors and I will turn the meeting over to Mr. Vetter to walk us through that."

Executive Director Vetter: "Thank you Mr. Chairman. There is a little three page report in your folder that I believe was sent to the Board earlier. Our current auditors, Toski and Schaffer have been our auditors for the past five years and the last time they were reuped it was in a contract for three years. That RFP ended with the 2010 audit. We went through our standard process and issued an RFP to Business First and NYS Contract Reporter so that it would get to everyone. We contacted local firms and MWBE from the Empire Development website so that we could get a good cross section of firms that might be available to do our business going forward. The deadline was September 19th for response; as you can see in the report Toski Schaffer, Freed Maxic and Lumsden and McCormick responded. We had evaluation criteria that is listed on the front page and went through an internal evaluation based upon what was in the proposal. In essence we decided that these were all pretty good firms and can all do the job based on what we are looking forward. There might be some marginal difference based upon what we were looking for but in moving forward it may be better for us to change firms and go with Freed Maxic. The primary rational for that and one of the things that is a primary concern for us is Mr. Joseph Klimek who is the auditor who has been working with us for the past five years no longer can work on our audit. There is a five year rule where partners are forces to rotate and we would be working with someone new; we might not be starting at ground zero but the level of continuity might not be there. When we looked at Freed Maxic, we determined that they were individuals who could step in very quickly. Also with Freed because the staff did recommend them as our auditors, the issue we spend most of our audit with is reconciling with the County. Right now we have about $370 million in debt and we have to reconcile each one of those bonds over the next 15 years and reconciling sales tax numbers and transfer those back and forth. Freed already does that kind of reconciliation with the County for ECMC which is a much larger organization than we are and I thought that would be a definite advantage so that we could get through the process more quickly and much easier. We are not an extensive audit; I think with the experience at Freed that this process could be a little bit faster and would be beneficial for our staff. The staff would make that recommendation for the finance committee for the full board to approve at its next meeting."

Chairman Lipke: "Thank you. Are there any questions from the committee members?"

"I think this has been a very thorough process, a very open process and extremely appropriate for an organization like ours. Having heard the report and looked at the analysis, I would entertain a motion to recommend to the full board, the retaining of Freed Maxic as our auditors"

Director Thomas moves to approve appointment, Chairman Oliverio seconds and the committee votes unanimously to recommend retaining Freed Maxic as the ECFSA auditors.

Chairman Lipke: “If there is no other business to come before the committee today, then I will make a motion to adjourn.”

Finance Committee Chairman Lipke moves to adjourn the finance committee meeting, Chairman Oliverio seconds and the board votes unanimously to adjourn.

Respectfully submitted,

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Daniel Oliverio
Chairman

October 6, 2011