ECFSA
Finance Committee Meeting
April 13, 2012

Present: Finance Committee Chairman Brian Lipke, Chairman James Sampson, Director Louis Thomas, Executive Director Kenneth Vetter

Guests: Erie County Budget Director Bob Keating, Deputy Budget Director Tim Callan, Senior Management Analyst Joe Cercone,
Patrick Clancy, representative from Freed Maxick, CPA's

Chairman Lipke: "I'd like to call the Finance Committee Meeting to order at this point in time. We have three representatives from the County today with us and were going to be reviewing the revised 2012-2015 financial plan for the County. We're pleased to have Mr. Bob Keating the County's Budget Director, Tim Callan, Deputy Budget Director and Joe Cercone, management analyst with us to help answer any questions that any of the finance committee members may have. A couple of details I've got to address before we get down to the main purpose of the meeting. We have minutes from our last meeting that are included in everyone's package and I'd accept a motion to approve."

Director Thomas moves to approve, Director Sampson seconds and the committee votes unanimously to approve the minutes of the December 21, 2011 finance committee meeting.

Chairman Lipke: "Thank you all…minutes are approved." With that Bob, I'll turn the meeting over to you to make any comments you want and when you're done reviewing the budget we will open it up to questions."

Bob Keating: "We are just proud to submit our revised four-year plan we feel it's a reasonable plan, it's conservative and addresses the needs of the County for this year and next three years and we're glad to answer any questions you may have on it."

Chairman Lipke: "I like that overview! Any questions?"

"I know we've submitted a lengthy list of questions to you previous to this meeting and you responded well to all those questions. Do any of the Finance Committee members need clarification on any of those questions?"

Director Sampson: "I would just ask the question; if you could talk a little bit about your thinking around this issue with the Sheriff's Department and the Corrections Commission and the report and the implications it may or may not have."

Bob Keating: "Tim can you address that one?"

Tim Callan: "Good morning, there have been numerous issues as the authority and directors are no doubt aware involving the Sheriff's Division of jail management for a number of years. Notwithstanding the Justice Department's litigation, issue of suicides, mental health, healthcare, need for additional staff, issues with mandatory overtime. All the various issues in the Division of Jail Management and specifically the holding center cost center not the correctional facility. There've been reports and rumors for number of months the New York State commission of correction, state regulator, is going to issue another report that may or may not tell the County that we need to add a number of new staff, new deputy sheriff officer positions, in the division of jail management. So far, that is just a rumor. Nothing has been issued; at least as far as the administration is aware. The Sheriff has not indicated in any of their discussions with us Mr. Cercone is the budget analyst for the Sheriff) in any of their discussions. But, it is likely the COC is recommending and tell the County it needs more staff for the various fixed posts in the holding center. One way we were addressing this through the plan is, as you know, the Buffalo Police cellblock function was transferred to the County in 2004 under an agreement between the Giambra Administration and then Buffalo Mayor Masiello. The agreement, it's safe to say, was flawed from the start. The premise of that regionalism idea was a good one but the numbers simply… the numbers simply did not work from the start as an audit by then Comptroller Poloncarz in 2007 noted."

"The Collins administration made the policy decision to terminate the agreement and give notice to the City of Buffalo last year the County was going to revoke the agreement and pull out. The city is currently constructing a new cellblock function under the Buffalo City Court building. The Sheriff, as of two weeks ago, when we last met with him says that transfer will take place on May 1st. The County, in the 2012 budget has 18 deputy sheriff officers and one civilian clerk in the Buffalo Police cellblock cost center. Those positions are budgeted for the entire year and they will remain in Sheriff department in jail management in the holding center cost center to provide staffing for the rest of the holding center. So, even after all of those pre-arraigned detainees from the City Buffalo physically move out holding center and back to the City's custody those positions will remain budgeted under our plan in the Sheriff department.

"So you essentially have 18 sworn officers and one clerk that will provide relief for the holding center after the Buffalo detainees shift out and that will be a good start towards whatever the COC made may or may not indicate in whatever report that may be forthcoming concerning staffing in the holding center. Also, in the plan you may have noticed we have much more realistically budgeted for overtime in the Sheriff's Division of Jail Management. This is, as you know as members and as Mr. Vetter knows having been a formerly been a Budget Director for the County, that has been a source of concern for number of years about under budgeting for overtime. It's been an issue in several of the Comptroller Poloncarz audits. The correctional facility & holding center, he (also when he was Comptroller) in several of those reports recommended some new management changes and scheduling recommendations that the Sheriff could utilize to help reduce the overtime problem through a mix of new positions and management changes. We're in discussions with the Sheriff and at this point we think the eighteen additional bodies from the Buffalo cellblock function will provide immediate relieve plus our more realistic budgeting for overtime for jail management."

"Joe is there anything you think should be added?"

Director Sampson: "Thank you."

Director Thomas: "We asked a specific question about the Teamster negotiations. Evidently, those are ongoing, or you've had initial meetings, are the discussions going on with the other units that are unresolved?"

Bob Keating: "Tim, do you want to take that one as well?"

Tim Callan: "Sure, the County's new Commissioner of Labor Relations, David Palmer, has had a formal meeting with Teamsters. As you know, coming from a union background Mr. Thomas, there is often formal and informal discussions. Off-line discussions that are not considered formal but you get a feel, a sense of, you know what is it is that their leadership and rank-and-file are interested in. We tell them unofficially or informally where we're headed in trying to have those discussions before you have formal meetings. Commissioner Palmer has had a meeting with Teamsters to get a sense of where their rank-and-file and management are going. The template for that discussion was a contract offered by the Collins Administration made last year to the Teamsters. That is, that is a possible starting point. It is not the necessarily the starting point. From Budget's standpoint there are certain budgetary issues in that agreement that are a concern. As you know, that agreement was premised on a sense from the Collins Administration that new employees in the Teamsters bargaining unit, which are the deputy sheriff officers in the holding center as well as a bunch of civilian clerk's and other support staff in the holding center as well as nursing positions that are under the Department of Health's control, administrative control, in the Teamsters bargaining unit. That agreement talked about new employees, new Teamster employees pay 25% of the cost of health insurance that existing Teamster represented employees would pay 25% of the cost of increases in health insurance and some other changes involving a couple of holiday days and some other issues that were not considered major from a budgetary standpoint but could be considered significant from a labor-management standpoint. The rank-and-file Teamsters union rejected an offer from the Collins Administration.

"There's differing explanations we've heard from Teamster management versus rank-and-file about why that offer was rejected. We have had formal meetings. We would prefer in terms of labor discussions, in similar with any discussions about the Buffalo Bills once their lease, their agreement with the county and state ends next year in July of 2013, that we not get into specifics in a public way. Because If we get into specifics in a public way, that becomes the minimum threshold from a union standpoint or a Bills standpoint and they demand much more. That has already happened with the Bills… you have this hundred million dollar number and none of us in the administration knows where that hundred million dollars came from. As you saw in the answers provided to you in your questions, just under $100 million has been paid by the County in terms of game day expenses and maintenance as well as capital expenses since 1998 for the Bills. So maybe that's where the hundred million from someone running dollars comes from. But, I hope it satisfactorily answered your question Director Thomas. We are in discussions with them."

Director Thomas: "Do have dialog with them?"

Tim Callan: "Yes, sir."

Director Thomas: "With the overtime adjustments are there any other departments have significant change in anticipated overtime?"

Tim Callan: "The Sheriff's?"

Director Thomas: "Based on the amount of hours that we last saw in the last budget?"

Tim Callan: "The three other cost centers that have traditionally had issues with overtime; are the Sherriff's department, Sheriff division which is the police control services function not jail management. Nothing near jail management, Jail Management is the single largest driver of overtime in Erie County government. Particularly, the holding center but the Sheriff division has had some minor issues of going a little over in overtime the past years. The Department of Public Works Division of

Buildings and Grounds is historically over the last four or five years gone over budget on overtime by a few hundred thousand dollars a year and then of course the department of social services is not overtime problem but they are another area where there's large overtime but is not a budgetary problem because as you know the DSS has such significant Federal & State reimbursements that it's not from a budget standpoint a problem. In buildings and grounds, with our new Deputy Commissioner for Buildings and Grounds Daniel Rizzo, one of the ways we're addressing the overtime problem there is frankly with management. The prior administration had certain issues with managing overtime and staffing buildings and grounds. And what we've done, Mr. Rizzo is a career civil servant that has been promoted up the ranks of buildings and grounds.

"He knows exactly what the problems are and we're doing active management on that and as well as working to create a second shift right now. But there has not been a scheduled second shift in buildings and grounds for years. Probably since red/green budget back in 2005. Mr. Rizzo is reallocating from a management standpoint staff to create a second shift so that you don't have to have stationary engineers and other staff doing things, infrastructure work the County's crews can do on overtime because he'll have a set scheduled staff in the afternoons and evenings they can work on things like that."

Director Thomas: "One more, I promise. With your projections on the health insurance premiums, is there any chance that the Supreme Court ruling could have a major effect on that?"

Tim Callan: "Are you referring to the US Supreme Court's recent oral arguments on the Affordable Care Act?

Director Thomas: "On the Obama Care Act. Could that make a difference in your projections on cost projections?"

Tim Callan: "Yeah, at this point we don't expect it is going to have any impact on us".

Director Thomas: "It shouldn't?"

Tim Callan: "No"

Director Thomas "Ok.

Executive Director Vetter": A couple of follow-up questions. One, in terms of fund balance, just want to make sure that at the end of 2011 that plus or minus little bit County's unrestricted fund balance is about $100 million."

Bob Keating: "We're over $ 27.3 million right now over the other 5% limitation numbers."

Executive Director Vetter: "I think before was before that it was about $72 million plus or minus the order of magnitude that the fund balance is probably in the range of $100 million once the 2011 books are closed?"

Bob Keating: "Yes, it's very, very healthy".

Executive Director Vetter:"Okay just wanted to be sure of that. On the workers comp, we asked the question about that and actually have seen in the Comptroller's report that he had mentioned that. On the response we got workers comp was really that it was based upon a year in which you went from $8 million so to about $5.6 million or so. I guess the question in seeing one the trend and two the response is. Is there anything programmatic in place or anything else to indicate that the base year simply isn't an anomaly but it seems like your basing your $2.5 million dollar reduction every year going forward on one year going down?"

Bob Keating "There are two issues: first, we are getting much better reimbursement from the State than we did in the past that's attributed a lot to FCS, our partners for workers comp. The other issue is we would cover workers comp cases for the hospital prior to 1/1/04 so that if they are injured after that point it's the hospital problem. If they were injured before1/1/04 the County covers it. Each year we are going to see a decline in our schedules, in our accounting schedules have demonstrated that. There are really two issues to help us reduce the workers comp costs. And, it's better management too."

Executive Director Vetter: "So, you think it's relatively safe to make the assumption that's there?"

Bob Keating: "Yes."

Executive Director Vetter: "And then the last one is health insurance. You had indicated a reduction of 6% inflation factor down to a 5% in your response you indicated that if their actuarial tables showing that that is just above 4% for the last couple of years."

Bob Keating: "We went through our numbers for the past four years in the growth is approximately 4% each year, on the average. So we felt 5% is still conservative and reflects future growth."

Ken Vetter: "Are there tables that you can provide that show that 4%?"

Bob Keating: "Well the actuary tables will be more of the case of maybe long-term. Many years growth. We're pay-as- you- go, so whatever costs that are incurred in a given year we pay those costs. Plus with our partners at Labor Management, we're getting, they're analyzing, every possible rebate, we can get from health companies….and any reduction. That's helped tremendously too. Those are big factors in keeping the costs and growth at 4%."

Tim Callan: "As is aggressive efforts by the Department of Personnel to make sure retirees are on Medicare Part D. That wasn't something that was a major priority in the Giambra years. It became a priority after we created the Risk Manager position with Neil Sullivan and Tim Benten. There is aggressive activity there also."

Chairman Lipke: "I have one… I think it's more a philosophical question than it is a right or wrong or a fact based question. But, relative to the 5% of the budget that is supposed to be maintained in a fund balance. Do you feel that's the right number? Conservative number…too high…too low? Do you feel that is the right number?"

Bob Keating: "Well it's based on the GFOA, has that's one of their prescriptions, is 5% is a reasonable too look at how safe the government is 5% is a reasonable basis. So, we're really following the GFOA guidelines. That's really where it came from in the first place."

Chairman Lipke: "I realize where it came from, I guess my concern is that we live in a pretty volatile world today with so much of the funding for the County coming from state or federal sources and knowing that there are issues that loom out there on both of those… and again, it's not right or wrong question…"

Bob Keating: "Exactly."

Chairman Lipke: "I'm not trying to put you on the spot but I'd just like to have a discussion on that and with all of those situations and funding sources... is a good number still today?"

Bob Keating: "I feel it's a good number…it's a safe number. I feel it's reasonable and safe."

Tim Callan: "One of the problems, being very frank from a policy and political standpoint on that is if you want to have a 7.5% - 10% fund balance. You'll be accused of overtaxing. You'll have so much in reserve that you can be accused of over taxation which has happened in governments around the country that have had large fund balances. It was a frequent criticism of the Gorski administration it was certainly something that County Executive Giambra as a candidate in 1999 banged the drum on quite loudly. The Gorski administration through a various number of mechanisms including off budget and off books mechanism was squirreling away money and having artificially high fund balance through just continuously raising property taxes the rate per thousand and vacancy controlling phantom jobs and all sorts of things like that."

"So having a larger fund balance you could be accused of over taxation, we're following the Government finance officers Association recommendation. This was something debated quite earnestly in 2006 by the charter revision commission and its members on this issue of what should that number should be. Because you know until 2006 it was accounting recommendation it was not codified anywhere in the County charter or administrative code or anything legal. It's now since charter revision and the public referendum in November 06 codified as that target. We think it's reasonable and at this point with fund balance being at about $100 million unreserved undesignated and free and clear if you will unaudited here in 2011. We feel that's pretty safe and we are mindful of your concerns Mr. Lipke; the bigger issue of state and federal aid fluctuations and there's issues of the economy… anything can happen."

Chairman Lipke: "It's certainly a tightrope between wanting to do the right thing for the taxpayers and hopefully at some point in time maybe even lowering taxes but, and making sure though that there is a rainy day fund there that is ample in case one of those other things changes but I appreciate your frankness on that subject…thank you."

"If there are no other questions then…we thank you for coming. We would ask that one or all of you be available to come to the full board meeting coming up on the 16th in case there are questions of full board. We appreciate you being here to answer any questions that might come up. But other than that, thank you very much for being here today and I think you have put together a very responsible budget."

"Mr. Vetter… I call on you to introduce the ECFSA auditors."

Executive Director Vetter: "Thank you Mr. Chairman. Again and in your packet is the financial audit for the ECFSA for 2011. Just as a preamble before I introduce Mr. Clancy who is here from our public accountants to go through the financials. For 2011 that the actual expenditures for just over $416,000. ECFSA spent only 81% of its budget for that year and in addition to that in terms of savings… there were significant numbers of bond issues, one of them including the Erie County medical center that save hundred and $50 million in financing costs just for the Medical Ctr., Corporation alone and another revenue anticipation note for $87 million that saved about $650,000. So in terms of finances, the ECFSA had a good year and again there are financial audit each year auditors are here like to introduce Patrick Clancy who is with Freed Maxick who will go through the audit to respond to any questions the committee might have."

Patrick Clancy: "Good morning. I'll start with the audited financial statements on page 1 is our opinion, our report. I'm pleased to announce that we are issuing the authority unqualified opinion; it's a clean report. On third we did add a paragraph on our opinion related to the adoption of GASB 54 which became effective this year so that may be a change from prior year statements and will go through GASB 54 as we go through the financial statements. Pager 3 thru 9 is that management's discussion and analysis this is required supplementary information. We do not issue an opinion on this information although we do review it we perform limited procedures over this information and verify that it's consistent with the financial statement presentation. It's a good overview it gives financial highlights an overview of the financial statements that also has financial analysis year-over-year, so it's a good read. On page 10 and page 11… page 10 is the statement of net assets page 11 statement of activities. These are the government-wide financial statements of these statements are prepared on the full accrual basis."

"You'll see on page 10 at the bottom… the total net assets are $6 million, $5 million of which is restricted for debt service and$ 1 million is unrestricted. Page 12, 13, 14 & 15 are the governmental fund statements these are on a modified accrual basis and these pages also include reconciliation from the governmental fund to the government-wide statements. Pages 16 to 26 are the notes to the financial statements. I'll just highlight a couple of notes two on page 19 notice the new accounting pronouncements at the top that's the discloser of GASB 54 which also on page 25 and note 11 is more disclosures related to GASB 54. Page 21 and 22 note 8; long-term liabilities you'll see the authority has issued long-term bonds in the current year amounting to $131 million. Then on page 23 note 9 the County issued mirror bonds and long-term loan equaling that hundred $131 million. Page 25 note 11 this is the fund balance disclosure this is the GASB 54 disclosure and GASB 54 is related to the fund balance it changed the fund balance statements to showing reserved and unreserved into these five categories of which the authority only uses two of them which is restricted and unassigned. Page 26 there was a prior period adjustment that was identified and is included in the statements and $93,000 and related to prior year that service set-asides. Page 27 and 28 is our report on internal controls and compliance in accordance with government auditing standards again these are clean opinions we did not identify any material weaknesses significant deficiencies we also did not identify any instances of noncompliance. In the bound copy after the blue page is our report on compliance with investment guidelines again this is another clean opinion. We noted that they complied in all material respects with the investment guidelines."

"Any questions on the financial statements?"

Chairman Lipke: "Any questions from members of the committee?"

Executive Director Vetter: "Stan Keysa, who used to be on the board, would always ask…did you find any evidence of fraud, defalcation or anything like that in your review of the financial statement relevant records of the ECFSA?"

Patrick Clancy: “No, we did not.”

Executive Director Vetter: “I had to ask the “Stan question”…he asked that for years.”

Chairman Lipke: “It’s actually a very good question.”

Patrick Clancy: “And in addition, in the report to the board. The unbound statement these are required communications to the board and in here it's another clean report there's no material weaknesses significant deficiencies. There are also no journal entries that were noted, no past adjustments that we determine weren’t material. It was a very clean audit on our part.”

Chairman Lipke: “Good. Thank you very much. At this point, that completes our business agenda for today and I would accept a motion to adjourn.”

Director Sampson motioned to adjourn the finance committee meeting; seconded by Director Thomas and the committee votes unanimously to adjourn.

Chairman Lipke: “Thank you all for being here today.”

Respectfully submitted,

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James Sampson
Chairman

April 16, 2012