

Minutes of the
Erie County Fiscal Stability Authority Meeting

December 19, 2013

Present: Chairman James Sampson, Vice-Chair Peter Marlette, Director Brian Lipke, Director Catherine Creighton, Director Lynn Stievater, Executive Director Kenneth Vetter

Chairman Sampson: "Good morning. I'd like to welcome everybody- public guests, government officials and if there is media in the room. We are here today for final consideration of the county's 2014 adopted budget and associated plan and Erie County Fiscal Stability Authority's 2014 budget."

"However, before we move into that routine business I would like to entertain a motion to approve minutes of the previous board meeting."

Director Lipke moved to approve the minutes, Director Creighton seconds and the Board votes unanimously to approve the minutes of the previous board meeting.

Erie County Fiscal Stability Authority

Resolution No. 13-19

APPROVING MINUTES FROM

THE OCTOBER 31, 2013 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its OCTOBER 31, 2013 meeting and affirms two resolutions numbered 13-17 and that 13-18 that were approved on OCTOBER 31, 2013.

This resolution shall take effect immediately.

Chairman Sampson: "Last week Erie County resubmitted its 2014-2017 financial plan based upon the 2014 adopted budget. Given that the adopted budget is only \$467,000 different than the proposed budget many of the projections and assumptions have remained unchanged from the one submitted in October. However, I'd like to ask Dr.

Timothy Callan from the Erie County Budget Office to speak briefly on the submission prior to our vote.”

Tim Callan:

“Good morning. Thank you for the opportunity to speak. Thank you again on behalf of the County Executive and the administration for your constant support. We appreciate the Control Boards perspective, attitude and your assistance to the County. Particularly this year with your assistance in funding our settlement of union contracts, the return of nearly \$1 million fund balance to support the county. All of that is truly appreciated as well as your overall macro view of county finances.”

“The amended plan before you today was only amended by us to reflect the changes made by the Legislature on December 3rd. As Chairman Sampson that was only \$467,239 worth of amendments. They were budget neutral amendments as cuts in appropriations were made by the Legislature to fund the other priorities they chose to pursue. For those of you who are not familiar with the Legislature’s budget amendment- what the Legislature chose to do was fund \$200,000 of full-time appropriations in additional salaries at the Board of Elections, then there is another \$138,000 in fringe factor that has to be added to that for cost of health insurance & pension obligations for the additional \$200,000 in full-time salaries. Most of that change for the Board of Elections was made by the Legislature by cuts in other Board of Elections appropriation accounts. So, to help fund that \$338,000 of additional expense of full time salaries and additional fringe by cutting professional services at the BOE after consulting with Commissioner Dennis Ward by \$214,000 they cut other expenses and rental charges lines by \$46,000. The majority of new expenses in Board of Elections was offset by cuts in other lines in 2014.”

“In addition the Legislature did a couple of other minor amendments. They restored one position in the Division of Information Support Services that we were cutting from the budget- a vacant job- they chose to restore that position. They determined they wanted to add \$25,000 in spending for Social Services (DSS) to be able to conduct a study of child protection using some sort of a consultant in 2014, the Legislature added in \$1000 for Environment and Planning in the training and education line, the other amendments was \$5,000 added in Parks and Recreation & Forestry and then four amendments in the cultural agency line so the Penn Dixie site in the town Hamburg will receive \$7,000; Buffalo Olmsted Parks Conservancy that wasn’t

receiving anything is now receiving \$10,000 to restore a rose garden pergola top of the hill where Shakespeare in the Park is performed, Roads less traveled receive an additional \$10,000 and the African American Cultural Center received an additional \$5945. The balance of those amendments for the culturals, the modest money for Environmental and Planning , Parks and Social services; the \$25,000 for the contractor, the position restored in DISS was funded by us reducing the workmen's compensation line associated with ECMC by \$217,239."

"We felt comfortable doing that. The Workers Compensation line for ECMC are for employees of the hospital who were county employees prior to ECMC becoming a private benefit corporation in January 2004 who had gone on Workers Compensation because of county service to all county employees. We have aggressively, through our third-party administrators FCS Administrators working with the hospital - we've been trying to close out workers comp cases- that if you will are Legacy costs the county is paying for. As of January 2004 any ECMC employee who is injured is the responsibility of them for workers comp as is retiree health insurance. We have been aggressively working with the hospital and our third-party administrators reducing these workers comp cases- so if you have an employee who could potentially live for 30 more years and its costing "x" amount of money each year through workers comp we are working third-party administrators whenever possible for one time settlements to get them off the books so we are not paying every year for thirty years- trying to give them a settlement, thus reducing the costs, so Budget Director Keating after reviewing all the numbers felt very comfortable with this modest cut of \$217,000 in ECMC workers comp line. When you can see dramatically reduced expense every year. Every year as we move away from 2004 that expense is going down either through settlements or to get a little bit morbid, as individuals pass away- so the expense is going down."

"Those were the amendments made by the Legislature to the budget and those are the only amendments we made to the four-year financial plan. We made the amendments to the 2014 portion of the four-year plan as Mr. Vetter has no doubt briefed you. We made the assumption that the additional Board of Elections expense would continue in 15, 16 & 17 that the Legislature would want the money to remain in the out years. So we very modestly tweaked the fringe benefits and personnel services line the full-time salary lines to accomplish that. That is

really the only amendments made to this revised four-year plan before you today.”

“I will say one thing briefly, as some of you may know in the last two transmissions from the NYS Department of Taxation and Finance our sales tax receipts are up significantly for this year. At this point, I think as Mr. Vetter has indicated in his analysis to you and we have separately done our own analysis. Right now assuming our final November and December payments that we won’t know until January and February if we assume no growth and it stays flat we are on pace right now for about \$1.9-\$2 million under budget on sales tax for the ’13 budget. But if this trend that’s appearing at the end of the third quarter and beginning of the fourth quarter on sales tax continues then the negative variance will go away. Again, we won’t know that till January and February. We didn’t revise the four-year plan in the out years based on the sales tax data, all we did was revise the plan based on what the Legislature did. If sales tax does every well for the rest of this year and early next year then the positive variance is built is what we indicated previously. If we get positive variance next year above budget sales tax receipts., we get Medicaid relief from the state when the Governor releases his budget in January and the casino money that has been pledged; but not in writing from the state- from the constitutional referendum; comes forward then when we go to make the pension payment next December- we will not amortize the bill, we’ll pay everything as routine.”

“I’m happy to answer any questions you may have.”

Chairman Sampson:

“Thank you Dr. Callan. Before we entertain a resolution for approval of the four-year plan does anyone have any questions for Dr. Callan?”

“I would entertain a motion to approve the resolution that’s in your packet to maintain advisory status based on a balance budget and financial plan.”

Moved by Director Stievater, seconded by Director Lipke and the Board votes unanimously to approve the following resolution:

Erie County Fiscal Stability Authority

Resolution No. 13-20

FINDING THAT ERIE COUNTY'S 2014-2017 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), "not more than fifteen 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, the County Executive duly submitted the adopted 2014 budget for Erie County (the "County"), and a four-year financial plan ("Plan") for fiscal years 2014-2017, to the ECFSA on December 12, 2013 (the "2014-2017 Plan"); and

WHEREAS, fiscal years 2015 through 2017 constitute the "Out Years" of the 2014-2017 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2014-2017 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 January 2, 2014, whether the 2014-2017 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 2014-2017 Plan and is concerned that the County is facing \$15.7 million in fiscal gaps prior to any adjustments to the county's estimates; and

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

1. Plan estimates for sales tax revenues, given recent history and longer term trends do not appear as to be as conservative as they could be. The plan assumes a 2.94% increase in 2014 sales tax over 2013 forecasted amounts. That followed by 2.75% increase for each year from 2015-2017; and
2. Erie County is proposing to participate in the New York State Comptroller's Pension Stabilization Program that would provide a \$8.6 million net benefit to the 2014 budget with an anticipated 3.67% rate over a ten year period; and
3. In the 2014 budget message the county changed its definition of "turnover" to include increased overtime or other personnel transactions. The county's overtime, while improving, could be short by almost \$14 million over the period of the plan; and
4. There are no provisions in the plan for a contract settlement salary increase for CSEA, the County's largest labor union. Currently, the CSEA and the county are at impasse, it is anticipated that the County Legislature will at some point impose a settlement for the oldest unresolved contract year- 2008; and
5. The county has extended its use of fund balance as a revenue source to balance its budget for the entire period of the plan. The potential use of \$23 million of fund balance reduces the county's reserves and indicates an imbalance between recurring revenues and expenses.

WHEREAS, the ECFSA has nonetheless determined that the 2014-2017 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2014 and the Out Years – that annual aggregate operating expenses for such fiscal year shall not exceed annual aggregate operating revenues for such fiscal year; and

WHEREAS, the 2014-2017 Plan is complete and otherwise complies with the requirements of Public Authorities Law section 3957 ("Section 3957") and the ECFSA Act; and

NOW, THEREFORE, BE IT RESOLVED that the ECFSA finds that the 2014-2017 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.

Chairman Sampson: "Also in your packet is the proposed Erie County Fiscal Stability Authority 2014 budget and financial plan going out to 2017. Under state regulations that govern public authorities, the budget must be considered and approved by the board in the last 15 days of the year. At this point, I would ask Mr. Vetter to briefly present the budget."

Executive Director Vetter: "Thank you Mr. Chairman. Just very briefly, there is a summary page of the budget in the packet. The summary page and detail has been sent to you previously for your review. Just a couple of notes... the Stability Authority, like the County does have to come up with a four-year plan. 2014 is the first year of the four year plan for us. This year's budget is about \$14,000 higher than last year... \$519,000 versus \$505,000. Major difference- most items have remained static. We are on a month-to-month rent in our building- utilities are pretty much static- travel costs, meeting costs are down. In terms of the expenses that have gone up are personnel related items are really what's driving the increase in cost- particularly health insurance and pension. We do anticipate under-spending this year's budget again and hopefully to do the same for 2014 with the budget that is adopted by the board. Mr. Chair if anyone has any questions- members of the board have had the details for a period of time."

Chairman Sampson: "Any question for Mr. Vetter? Can I have a motion to approve the 2014 budget and financial plan?"

Moved by Director Lipke, seconded by Director Creighton and the Board votes unanimously to approve the following resolution:

Erie County Fiscal Stability Authority

Resolution No.13-21

APPROVING ECFSA BUDGET

WHEREAS, Chapter 182 of the New York Laws of 2005 created the Erie County Fiscal Stability Authority ("ECFSA") to serve as a corporate governmental agency and

instrumentality of the State of New York, and as a public benefit corporation to “oversee [Erie] County’s budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required steps toward fiscal stability;” and

WHEREAS, Title 2, Part 203 of the New York Codes, Rules, and Regulations (NYCRR) requires public authorities to prepare an annual budget and financial plan in accordance with several provisions set forth within; and

WHEREAS, Title 2, Section 203.10 of the NYCRR identifies the ECFSA as a public authority for purposed of Part 203; and

WHEREAS, ECFSA staff prepared a proposed annual budget for the 2014 fiscal year and a financial plan for the 2015 through 2017 fiscal years; and

WHEREAS, Title 2, Part 203 of the NYCRR also requires that the annual budget and financial plan, and all amendments or modifications thereto, be approved by the Board of each public authority; and

WHEREAS, the Executive Director of the ECFSA has certified that, to the best of his knowledge and belief, the attached budget is, after reasonable inquiry, based on reasonable assumptions and methods of estimation with the applicable regulations being satisfied; and

WHEREAS, the approved budget and financial plan must be made available for public inspection, whenever practicable, not less than seven days before the commencement of the next fiscal year and must be submitted to the State Comptroller within seven days of approval by the Board in an electronic format prescribed by the State Comptroller; and

NOW, THEREFORE, BE IT RESOLVED that the attached ECFSA budget is hereby approved as recommended by the ECFSA Board of Directors on its December 19, 2013 meeting; and

BE IT FURTHER RESOLVED that this Board directs ECFSA staff to make the adopted budget plan available for public inspection and to submit the document to the State Comptroller as directed in Title 2, Part 203 of the NYCRR.

This resolution shall take effect immediately.

Chairman Sampson: “Can I have a motion to adjourn?”

Director Stievater moves to adjourn Director Marlette seconds and the Board votes unanimously to adjourn

Respectfully submitted,

James Sampson
Chairman
December 19, 2013