Minutes of the

Erie County Fiscal Stability Authority Meeting

February 19, 2013

Present: Chairman James Sampson, Director Brian Lipke, Director Catherine Creighton, Director Louis Thomas (via Face-time),

Guests: Mr. Dave McNamara, Phillips Lytle

Chairman Sampson: "I'd like to welcome the public, our guests, the government officials and media to this meeting of the Erie County Fiscal Stability Authority. Before we begin I'd like to state Ken Vetter is home ill and Bridget Corcoran is at the table to speak on his behalf if you have any questions."

"We're here today for the final consideration of the County's 2013 adopted budget and associated financial plans. And vote on the Erie County Fiscal Stability Authority borrowing on behalf of the County for new capital projects and refunding certain higher interest bonds."

"At this point, we'd like to take care of a little bit of business and would entertain a motion to approve the minutes of the previous meeting."

Director Lipke moves to approve the minutes, Director Thomas seconds and the Board votes unanimously to approve the minutes of the previous full board meeting.

Resolution No. 13-01

APPROVING MINUTES FROM

THE DECEMBER 21, 2012 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its December 21, 2012 meeting and affirms three resolutions numbered 12-16,12-17, 12-18, 12-19,12-20 and 12-21 that were approved on DECEMBER 21, 2012.

This resolution shall take effect immediately.

Chairman Sampson: "Last week the Erie County Fiscal Stability Authority Finance Committee, Chaired by Mr. Lipke received a presentation and reviewed information on the County's budget and fiscal plan. At this point I would ask Mr. Lipke for a brief overview of the Committees deliberations."

Director Lipke: "Thank you Mr. Chairman and thanks for allowing me to report on the Finance Committees activities from last week. We received presentations from the County's Budget Office, the Comptroller and the Sheriff at our meeting. They provided us a good base of information for this board to opine on the County's finance. However, the presentation also brought to light a concern on the lack of consensus among county leadership on critical issues affecting the county's ."

"There is a report in the packets in front of each board member, with comments and concerns about the county's submission. I'd like to focus on some key items from the report:

1. We are very concerned that between the last plan in October to now, the county has gone from a $2 million surplus over 4 years to a $25 million shortfall. We are specifically concerned about a number of items including overtime, sales tax revenues and risk management spending that I won't go into detail about here – it's all in the report

2. We believe that $25 million gap is real and must be addressed sooner rather than later

3. We see the potential for that gap to worsen because of potential shortfalls in the 2013 budget, the base year for the entire plan.

4. Despite these concerns, we believe that with cooperation, ingenuity and foresight among the county's elected leadership that we have not seen thus far, that the county can balance its budgets through 2016, the final year of the plan.

"Mr. Chairman, in our current status, we're here to advise the county, to help Erie County Government achieve and maintain long-term fiscal health. If there's only one thing people take away from this meeting in terms of advice, it is – "We are looking for county officials to work cooperatively to identify realistic, implementable gap closers through various means to close potential shortfalls without overburdening taxpayers or jeopardizing county services."

"With that cooperation and with that ingenuity the county can move forward. Without it, the county will take a step backwards. That's something we don't ever want to see."

"Chairman Sampson, that concludes my report and I will turn the meeting back to you to comment further and bring the appropriate resolution forward."

Chairman Sampson: "Thank you Mr. Lipke, are there any questions of Mr. Lipke from Board members of the Stability Authority?"

"The Budget Director and Deputy Budget Director are here today, do you have any comments Dr. Callan or Mr. Keating?" (none)

"The County Comptroller is here today, do you have any comments?" (none)

"With no further questions, I'd like to entertain a motion to approve the resolution in your packets to maintain an advisory status based on a balanced budget and financial plan is there such motion?”

Director Lipke moves to approve, Director Creighton seconds and the Board moves to approve the following resolution:

**Erie County Fiscal Stability Authority**

Resolution No. 13-02

FINDING THAT ERIE COUNTY’S 2013-2016 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 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, the County Executive duly submitted the adopted 2013 budget for Erie County (the "County"), and a four-year financial plan ("Plan") for fiscal years 2013-2016, to the ECFSA on February 7, 2013 (the "2013-2016 Plan"); and

WHEREAS, fiscal years 2014 through 2016 constitute the "Out Years" of the 2013-2016 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2013-2016 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 February 22, 2013, whether the 2013-2016 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 2013-2016 Plan and is concerned that for the first time in years the county is facing substantial, real out-year gaps in its financial plan that may be exacerbated by 2013 potential shortfalls; and

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

(1.) The Plan shows a 3.65% increase in sales tax revenue over the 2012 budget. Preliminary year-end figures are indicating a marginal shortfall for 2012. While the overall sales tax increases forecasted in the plan appear reasonable, the 2013 increase of 3.65% appears risky. If sales tax follows a historic trend of experiencing a "down year" over the period of the plan, revenues could fall short by almost $10 million over the four year period; and

(2.) With the assumption that budgeted overtime expenses will be offset by additional positions added largely to the Jail Management division and will not exceed budget/plans amounts, a significant reduction has been made to the 2013 budget. A plan has not been submitted to the ECFSA on how the overtime reduction will be managed other than simply adding staff; and

(3) Forecasts for medical insurance spending have been reduced significantly from previous versions of the Plan. While forecasts appear achievable, there is very little margin of error; and

(4) In addition to the 2013 fiscal year assuming the use of $5.4 million in Fund Balance; the Plan assumes additional usage of fund balance of $5 million in 2014 and $2 million allocated in 2015 as proposed gap closers; and

(5) Given the CSEA (the County's largest labor union) and the County are at an impasse, legislation has been filed with the Erie County Legislature to impose a contract settlement for the first year succeeding the end of the prior agreement-2007. No funds have been budgeted for salary increases or settlements for labor unions that do not have contracts that are currently in effect; and

(6) The reduction of the risk retention fund by $2.9 million in 2013 may be problematic given the historical payout from this account; and

WHEREAS, the ECFSA has nonetheless determined that the 2013-2016 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2013 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 2013-2016 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 2013-2016 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: "At the request of the County Executive, two weeks ago the County Legislature approved resolutions that would allow the Erie County Fiscal Stability Authority to borrow on the County's behalf to reduce interest costs. Before going to market to sell the bonds this body needs to approve the borrowings. I would ask Mr. Vetter (who is not here) to cover the necessary resolutions before bringing them to vote. Mr McNamara, who is our legal counsel, could you do that for us please?

There's going to be two resolutions the first is to cover new bonds and the second is for refunding.

Dave McNamara: "Good morning, Resolution 13-03 authorizes a delegation of authority to the Executive Director and Chairman to execute the documents necessary and take the other actions necessary to have bonds issued by the Erie County Fiscal Stability Authority in an amount not to exceed $40 million. Resolution 13-04 is the refinancing resolution which also authorized the Executive Director and Chairman to undertake the actions necessary to issue refinance bonds which are now $32,225,000 in a manner that will save the County significant interest costs moving forward."

Chairman Sampson: "Thank you, any comments from folks from the County?"

Tim Callan: "Good morning, thank you for the opportunity to work with the authority on the issue of the new money bonds for an amount not to exceed $39 million and the refunding or refinancing issue not to exceed $40 million as Mr. McNamara has already laid-out its currently just over $32 million worth of bonds in that proposal. The County Executive appreciates the ECFSA's cooperation and willingness to work with us on both of these issues. We similarly expect to be sending a bond resolution to the Comptroller's office later this year for both the revenue anticipation note for the County's cash flow borrowing and then the first of two bond resolutions for the Buffalo Bills $40 million county share for the Memorandum of Understanding between the Bills, NYS and the County for that special borrowing. This is the first of two issues, two more to come later this year."

"We expect through ECFSA, we appreciate very much working with us in a very cooperative manner to get the savings for the taxpayers. Unless you have any questions for the county we have no further statement. I look forward to the bonds being sold. The next steps will obviously be for the Comptroller's office and the Budget office to work with our financial advisor and bond counsel and with your financial advisor and bond counsel to conduct these borrowings. It looks like, though discussions with Mr. Vetter we might be able to have both of these deals closed in early April at the latest. Which will help us greatly with our cash flow situation and help to ameliorate, potentially eliminate any need for cash advances in the spring for the county's regular construction projects, including roads, highways and bridges, which has been a concern. Unless you have any questions for us…thank you very much."

Chairman Sampson: "Thank you Dr. Callan. Without any further questions, I would entertain a motion to approve resolution #13-03, to authorize the issuance of bonds to fund capital projects for Erie County."

Chairman Sampson: "Any further discussion?"

Director Creighton: "I'd just like to say that this borrowing issue, having ECFSA borrowing, in the past has been contentious and it's good that we're all working together."

Chairman Sampson: "So noted and I think we all agree."

Director Creighton moves to approve, Director Lipke seconds and the Board moves to approve the following resolution:

**Resolution No. 13-03**

## 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 $38,945,229 (but in any event no more than $40,000,000) in capital projects of Erie County; and

WHEREAS, an analysis has been done by the ECFSA, indicating that the ECFSA can achieve approximately $1,100,000 in savings by issuing bonds or notes totaling approximately $38,945,229 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 $38,945,229, but in no event to exceed $40,000,000, 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.

Chairman Sampson: "I would entertain a motion to approve resolution #13-04, authorizing the issuance of bonds to refinance certain county bonds."

Director Lipke moves to approve, Director Creighton seconds and the Board moves to approve the following resolution:

**Resolution No. 13-04**

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 $32,225,000 (but in any event no more than $40,000,000) in outstanding county bonds for a period of approximately 11 years would save County taxpayers approximately $2,309,570 in present value 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 $32,225,000, but in no event to exceed $40,000,000, 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.

Chairman Sampson: "With that I believe our business is concluded for the day. I'd entertain a motion to adjourn."

Director Lipke moves to adjourn, Director Creighton seconds and the Board votes unanimously to adjourn.

Chairman Sampson: "Thank you very much and I hope you all have a good day. Thank you to the County and the County Executive's Office for all the work you have done responding to our questions for the plan and for working with us on issuing the bonds. So, thank you and have a good day."

Respectfully Submitted,

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James Samspon
Chairman