

Minutes of the
Erie County Fiscal Stability Authority Meeting
October 31, 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 afternoon, I’d like to welcome everyone who is here for the meeting of the Erie County Fiscal Stability Authority. Today the primary purpose of our business is to give final consideration of the county’s 2014 proposed budget and associated financial plan. Before we do that I would like to ask the Authority Members to look at the minutes from the previous meeting on August 8, 2013 and request a motion to approve.”

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

Resolution No. 13-17

APPROVING MINUTES FROM

THE AUGUST 8, 2013 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its AUGUST 8, 2013 meeting and affirms three resolutions numbered 13-14, 13-15, and 13-16 that were approved on AUGUST 8, 2013.

This resolution shall take effect immediately.

Director Sampson: “Last week the Erie County Fiscal Stability Authority Finance Committee received a presentation and reviewed information on the county’s budget and financial plan. We have also received additional information and our staff has prepared their analysis of the proposed budget and four-year plan. At this time I’d like to turn it over to Mr. Lipke for a brief overview of the committee’s thinking.”

Director Lipke: “Mr. Chairman, appreciate the opportunity to report on behalf of the Finance Committee. As you said, last week we received presentations

from the county's Budget Office and the Comptroller. They provided a good base of information for this board to opine on the county's finances."

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

- We are concerned that with the recent dip in sales tax revenues that the county's largest single revenue source, at 26% of all income, will not meet expectations for this year and for the period of the plan.
- We are concerned that, even though overtime expenses are getting a bit better, they are not meeting expectations in the 2013 budget and may continue to fall short for the period of the financial plan.
- We are concerned that the 2014 budget is assuming participation in a pension deferral program that would require annual repayments for up to the next 10 years.
- We are concerned that the county has extended its use of fund balance as a revenue to balance budgets through 2017.
- We are concerned that the county has extended its use of turnover savings through the period of the financial plan.
- Despite these concerns, we believe that through management and budgeting discipline and with cooperation, ingenuity and foresight among the county's elected leadership, that the county can balance its budgets through 2017, the final year of the plan."

"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 key thing people take away from this meeting in terms of advice, it is – "There is significant tension between providing what residents want and need, while maintaining an affordable cost for those services. Given that, if there is an overarching recommendation from this report it would be for Erie County Officials to work in-concert over the

long term, to provide for the county's over 900,000 residents while not overburdening its taxpayers."

"Chairman Sampson, thank you for affording me the opportunity to comment. Now, I'd like to 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 by Authority Members?"

"Any questions of Authority Members for any County Officials who are here?"

"Is anyone interested in speaking?"

"At this point for the Authority there is resolution 13-18 in your file which effectively accepts the proposed budget and plan and continues us in advisory status. I'd like to entertain a motion for its adoption."

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

Resolution No. 13-18

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), “[n]ot more than twenty days after submission of a financial plan . . . , the [ECFSA] shall determine whether the financial plan . . . is complete and complies with the provisions of [section 3957];” and

WHEREAS, County Executive Mark Poloncarz duly submitted his proposed budget for Erie County (the “County”) for fiscal year 2014 on October 15, 2013, and a four-year financial plan (“Plan”) for fiscal years 2014-2017, to the ECFSA on October 15, 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 November 4, 2013, 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

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 has 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.

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

Respectfully submitted,

James Sampson, Chairman

December 19, 2013

