Minutes of the Erie County Fiscal Stability Authority

Finance Committee Meeting

February 11, 2013

Director Lipke: "Good morning everyone, Welcome public, invited guests, government officials and media. This is a meeting of the Erie County Fiscal Stability Authority Finance committee today. We are here today to review the county's revised 2013-16 financial plan. We have Mr. Keating the County's Budget Director and Dr. Callan, the County's Deputy Budget Director to make a presentation on the revised financial plan."

"Before I turn the floor over to them, we have a little bit of housekeeping to take care of. I would like to entertain a motion to approve the minutes of the previous finance committee meeting."

Director Sampson moves to approve, Director Creighton seconds and the Committee votes unanimously to approve the minutes of the previous finance committee meeting.

Director Lipke: "With that, we will move to the presentation by Mr. Keating and Dr. Callan."

Tim Callan: "Good morning, I'll give a brief overview of the revised plan and then Bob & Joe Cercone, from Division of Budget and Management, are here to answer specific questions from you. We received a list of questions from you last Thursday afternoon and we are in the process of developing our final formal written response and we expect to get that to you tomorrow or Wednesday for you to have a number of days in advance for the full board to look at before you meet next Tuesday."

Chairman Lipke: "Great, we were going to ask for that before Valentine's Day, so you're ahead of schedule. "

Tim Callan: "You have transmitted to you last Thursday night the revised four-year financial plan. We were obviously forced by the circumstances of the Legislature's budget amendments in December 2012 to make a number of significant and radical assumptions about the plan. The Legislature's unwillingness to consider revenue enhancements through a modest property tax increase in the revenue that would occur in the county in 2013, but in '14,'15 & '16 moving forward and then getting the benefit of assessment growth. Both for the County purposes as well as for the Buffalo & Erie County Public Library levy was significant."

"As we said last fall, as we said in public and as we said in discussions with Mr. Vetter, it wasn't just the property tax issue and the absence of that revenue that created a major gap in the '13 budget and out years of the plan as you will see in the end of the plan and the projected out year gaps. Other actions by the Legislature, which we will characterize as improper & not real budget cuts. Things such as reducing overtime, the overtime line in Jail Management, reducing the Safety Net Assistance line in the Department of Social Services, in which we are already seeing in just one month of data, a massive number of cases coming in, somewhere in the order of 33-35 new cases per month. Whereas, the Legislature's budget amendment assumed we would only get 2 new cases a month. The Safety Net is one of those State Constitutional programs that we administer, we are required to provide the service, we have no control over the client load as people make applications applying for assistance, we are required to accept those requests, vet them and verify them and then afford the assistance. A number of amendments, not just the property tax revenue have forced us to revisit the plan."

"As you will see in the narrative letter that accompanies the plan, we have laid out our major changes in our assumptions; we've also listed a number of potential gap closers. We hope the way we have laid this out is acceptable to the ECFSA. We have provided these gap closers in a narrative fashion because speaking very frankly, a number of these gap closers are not entirely within the Administration's ability to control. It will require the cooperation of independently elected officials; it will require the cooperation of the County Legislature to do both budgetary control measures in mid-year 2013 but also making certain assumptions and changes for 2014, '15 & '16 in each of those budget years as we approach those budget cycles."

"Leading you through the major amended assumptions at this point…as you'll see as in terms of the property tax. We make no assumption from any property tax increase for 2014, '15 & 16. We make no provision for that whatsoever. We understand the realities of the current legislative body is the same group of 11 legislators that refused by a 6 member vote to consider a revenue enhancement last December. So, we make no provision for that in the plan because it would be a very risky assumption. We make one change, an assumption on property tax assessment. In the prior plan we assumed a 1% property tax assessment in 2014 and 2015 and then 2% growth in ’16 based on historical trends. We amended that to be 1% in 2014 and then 2% in 2015 & 2016. So just a slight tweak on the assessment line for 2015 to assume a little bit more property tax assessment growth there.”

“We are assuming in this revised plan, making an assumption and in order to help to manage to balance the plan the use of appropriated fund balance in 2014 & 2015. In the prior version of the plan we submitted in October we believed with revenue enhancement from the property tax increase we would not need to use any more appropriated fund balance in 2014, 2015 or 2016. However the loss of $8.7 million of property tax revenue and frankly the Legislature’s unwillingness to do real cuts in spending it forced us to assume and project we will use $5 million in appropriated fund balance in 2014, reduce that to $2 million in 2015 with no appropriated fund balance in 2016. We think those are very reasonable numbers given that we start this point right now. Obviously, won’t have the audited 2012 financial statements. We won’t know those numbers until June or July when the outside auditing firm Dreschser & Malecki finish their work. But given that we are starting this year with $83 million unassigned undesignated fund balance available, well above our $53 million threshold; the 5% rule in the charter. We have a significant amount of fund balance available to use to help manage the gap and hopefully address some of the concerns of Director Lipke about property taxes and the amount of any growth in the levy.”

“We have adjusted the plan obviously to revise the Teamster and CSEA Correction Officer contracts. With the settlement of those contracts in December and the approval at the Legislature of those ratified contracts. There are cost of living & job group impacts in 2013 and moving forward through 2016. We have built all of those numbers into this revised plan. So with the exception of Teamsters and CO’s and their contracts and the impact of the COLA’s and job group upgrades for the CO’s there are no other personnel service new expense other than longevity steps that we are required to provide under the contract. There are no other provisions in here for settling union contracts or for giving unions new cost of living adjustments…we can talk about that during the question and answer period about union negotiations and where we are with that.”

“In this plan, we are continuing to assume, we did not assume in the plan we sent you in October, that we would do more cuts through attrition, in other words when people separate from the county workforce, we delete their positions. In the 2013-16 plan we submitted to you in October, we made no provisions for an additional cuts annually through attrition, through this new plan we are assuming and projecting 25 positions per year which are likely to be in the Department of Social Services will be cut purposely in our annual budget moving forward through attrition as people separate from the county through retirement, resignation, or what not. We will reduce the headcount by a minimum of 25 jobs per year and we have adjusted those numbers for revenue to back out any revenue associated with positions.”

“We have a reasonable turnover account; this is not necessarily a changed assumption, our previous plan in October assumed a $650,000 annual turnover account, the Legislature tripled it to just under $1.8 million in their budget amendments in November. An unrealistic number we will certainly not meet this year.   Our plan for ’14, ’15, & ‘16 doesn’t change the number from what we sent you in October, but keeps it at that real number of $650,000 and not an inflated $1.8 million number as the Legislature did.”

“The other major change in assumptions is in debt service. We have reduced the assumptions for debt service in 2013-2016. We’re forced to do that, again, as a part of a multi-faceted approach of closing the gaps. We don’t want to rely on just one strategy, i.e. revenue enhancement from property tax or draconian cuts in one area. We’re using a multi-faceted approach to close these gaps.” “Modest number of positions, modest amount of fund balance, maybe as a gap closer a modest amount of property tax revenue, keeping in mind under the state property tax cap law, we are only able to get about $7.3-$7.5 million of property tax revenue in ’14 were we to examine that as option a gap closer. We can no longer get the $10 million number which was our cap in 2013. Of course we didn’t go to that full amount of that cap in our proposed 2013 budget. We were over $2 million under it but for ’14 under the cap law, the cap is much less… in the $7.3 million range. The one issue we are going to find there when we bring back to you our revised four-year plan when we come back to you in October, the Sewer districts agreed to minimized their increased expense. Keep their levies status quo in ’13 under the assumption that they may be allowed a modest increase in ’14 because the Sewer District’s property tax levy counts against us under the cap. We’re going to have to be dealing with that next year.”

“Just to reiterate one final point. On the debt service line we have reduced the amount we project to borrow & issue in capital debt every year. We are also rather than assuming the $40 million, which is the county’s commitment under the agreement with the Buffalo Bills, the MOU was approved by the Legislature a few weeks ago. Were now projecting we will issue $20 million of that debt later in 2013, we are also making the projection that ECFSA will issue those bonds for the county & then issue the other $20 million in Bills debt for improvements to Ralph Wilson stadium next year. Possibly in conjunction with next year’s consolidated bond resolution for 2014, early in 2014. So, those are the major changes in the assumption, we now have gap closers.”

“We have a number of potential gap closers listed in a narrative fashion; we did this deliberately, as we said earlier rather than including it in the plan. We wanted the ECFSA to clearly see the structural gaps caused by the Legislature’s actions in December and you see that on the final page of the plan when you see the revenues less expense, the surplus & gap projections for 2014-2016. We’re looking at an $8.4 million gap projection for ’14 and again that $8.4 million is after we appropriated $5 million in fund balance. In ’15 the projection is $8.8million again, after we have appropriated $2 million in fund balance in ’16 the gap goes down to $8 million almost $8.1 million. The gap for ’16 would have been less, but you’ll notice there on the Medicaid line on the last page the MMIS, 2016 has a 53rd payment, every 4 years there is a 53rd payment. So, as you can see for ’15 the Medicaid line goes down by $2.7 million compared to ’14 as we benefit from the states new hard Medicaid cap taking effect. We have one additional payment in ’16 that won’t be there in ’17, ’18 or ’19. So the gap for ’16 would be even lower if we didn’t have that additional MMIS payment to the state for Medicaid. The gap is going down as we approach the out years for a variety of reason, not the least of which, as Mr. Vetter knows, as we move forward in the plan, especially after the 4 years of this plan we are going to see more dramatic savings in health insurance from the Teamsters and CO contracts. If for some reason if we are unable to reach an agreement with other unions such as CSEA, given the age of the county workforce it's entirely likely that there is a large cadre of employees who are eligible to retire, who are either 55 years old or have 30 years of service and can retire without penalty. If they see no reasonable signs of new contract going forward, it is likely even though we didn't build any such assumptions in this plan, it's likely, that large numbers of people are going to retire- so the gaps."

"In prior administrations, the Giambra and Collins administration, it was always the out years the 3rd and 4th years of the plans that always had the largest gaps. It wasn't upfront. We have the inverse problem because of the actions of the Legislature, the gaps in the out years will actually get lower. But we have this immediate problem now due to the loss of property tax revenue and the unwillingness of the Legislature to do meaningful substantive cuts in spending."

"Going back to the second page of the narrative, we worded this narrative in a very deliberative way. We did so, as we just discussed a few minutes ago that not all these gap closers are within our control. The County Executive can propose a budget for 2014 with a four year financial plan that makes certain of these gap closers inherent and built in. We can propose that. Will the Legislature agree to do that? Given what happened this last fall, a lot of that is speculative frankly. The Administration finds ourselves in a difficult position, with a Legislature that would not vote for a once every four years, modest increase in revenue, property tax revenue to close a gap. Also, wouldn't vote for meaningful cuts that would be able to be applied year to year to the County budget. So, we could have thrown a lot of these gap closers into the matrix, into the plan itself and come to you and showed you that final line and said," no gap". You would have known it's unrealistic, we would know it's unrealistic so we chose not to do it but instead to lay out a number of options of gap closers. This County Executive, if the Legislature is unwilling to consider a revenue enhancement, this County Executive is committed to proposing some of these if necessary. We are not going to go down the track of deferring hard decisions and making painful choices if a number of County Legislators and independently elected officials in County government are unwilling to do so."

So where we are with gap closers:

- Reducing Discretionary Spending on arts and cultural organizations, Visit Buffalo Niagara, Soil & Water Conservation, Operation Primetime, and Cornell Cooperative Extension;
- Reductions in Personal Services including non-mandated programs such as Sheriff road patrols, highways, and parks;
- Reducing spending in the Road Fund/Interfund Transfer from the General Fund;
- Reducing the Property Tax Levy and Appropriation for the Buffalo and Erie County Public Library and shifting the revenue to County purposes;
- Issuing Refunding Bonds;
- Additional Use of Appropriated Fund Balance; and,
- Utilizing the Existing Pension Amortization Process through the New York State and Local Retirement System.

"Those are the major changes to the assumptions and potential gap closers that are on the table for us to examine. Unless Budget Director Keating has anything he'd like to add we'd be happy to take any questions you have at this point…"

Bob Keating: "I just want to add also, in our plan we reduced the sales tax assumed growth to 2.75%. We are stuck with the '13 budget which has a, basically we need to make 3.7% growth in '13 to make budget. So we expect to be short in sales tax in 2013. There are a couple positive developments in 2013. For example, the Bills lease, we expect to save money on the Bills lease in '13 and our property tax collections have been much better than projected and expect to be favorable in those two in '13 as well. So, we are hoping those two will offset the sales tax loss. But ignoring that, those combined, saying its net zero we are still short $8.75 million short."

Tim Callan: "I forgot to mention one other thing, it's not the plan per say but it's a question you're probably about to ask us. What budgetary control measures are we undertaking right now in 2013. We have an F-77 freeze, a vacancy freeze, in effect, we are refusing to authorize the filling of vacancies and in some cases with elected officials, they are not happy about that, but we are addressing that. In terms of F-77's, were not authorizing F-77's for positions to be filled unless it's a life, health, or safety issue; 0% county share which happens in child protection services, were authorizing those positions, youth detention workers for the secured youth facility on Ferry St., we're authorizing positions for Jail Management as part of the multi-faceted plan to be in compliance with COC, get new deputies in holding center, CO's in the correctional facility, hopefully as a part of a multi-year plan to reduce overtime. So, that's one budgetary control measure we have in place this year with vacancies."

"We have fund blocks in place. That's where we are freezing spending so they cannot spend up to their full amount budgeted for 2013. That's for the executive departments. We cannot do that in the independently elected departments under the county charter absent a deficit declaration. For the executive departments we are doing that."

Bob Keating: "Again, we are always looking for ways to streamline a process so we can do something better or cheaper. We always want to do that, we are constantly looking for ways to improve our operations and save money if it's done properly."

Tim Callan: "One other final point, as Bob said earlier, we have some other positive developments with foreclosure and in-rem sales, some additional revenue with the process Joe Maciejewski is doing, Director of Real Property Services, We are going to be doing another foreclosure this year. Again, with the whole termination of the Erie Tax Certificate Corp; the selling of tax liens by the Giambra administration. The county wound that down in 2011. A foreclosure sale happened in 2012. Doing another one this year and so far with just that fact that Mr. Maciejewski issued a public notices to warn tax payers who haven't paid their property taxes, these are people who by the way haven't paid in years. These are not people who have a temporary, one-time thing or someone with a temporary one-time thing because of the economy or the loss of a job or a catastrophic event in their family. Those people who, when they come to us or we contact them and want to make a payment arrangement- the people we are talking about coming to the table with the treat of foreclosure are long term scofflaws Now that we have issued the stick, no longer the carrot, but the stick and warned them they are going to lose their properties if they do not pay their property taxes are coming to the table bringing in revenue beyond what we expected, which is positive."

"We also have some credits we are receiving for Worker's Compensation and the continued benefit of the county and ECMC entering into agreements for one-time settlements for workers comp claims for employees who were county employees at the hospital before it became a public benefit corporation. We gained the benefits of those credits and the aggressive actions of our third-party administrators FCS Administrators on workers comp to ensure only those people who are truly should be on workers comp and are injured are on workers comp. Those are some of the positive things separate from the active budgetary control measures we benefitting from now."

Chairman Lipke: "Thank you Dr. Callan. Any questions from the committee members?"

Director Sampson: "I'll start…I don't know if I have this quite right but one of the big issues we see every month when the budget monitoring report comes out is overtime. I don't have the sheet in from of me but in 2011 the county had an actual overtime budget of $17.3 million and in 2012 the budgeted amount is $13.5 and I believe that is going to be in excess again for 2012 of $17 million is that pretty accurate?"

Tim Callan: "The lion share of that overtime is obviously the Sheriff's Department and Jail Management and Joe is the Budget Analyst for both those departments- let me have him walk you through it."

Director Sampson: "I just need a yes or no is fine. Then I'll have follow-up questions."

Joe Cercone: "The county-wide 2013 budget is $12.4 million in overtime."

Director Sampson: "And we're running about $17 million for 2012…right? How is that going to happen? That's a pretty big gap to close."

Joe Cercone: "One of the problems is the legislature cut the overtime in the jail by over $700,000. Compared to what we had proposed. Our analysis and recommendation on the amount of overtime was based upon working with the Sheriff's department and we had given them new jobs in 2012, there was 15 new positions and the '13 budget included new positions also. We have been working with them getting jobs filled based on their training dates for their new recruits. We felt that our estimates were reasonable for staying in those lines. It is difficult…the majority of the overtime out of that $12 million is under the control of elected officials, mainly the Sheriff. As Tim had mentioned about other issues, we have very little control over that on a daily basis. We have been reviewing overtime on a pay-period by pay-period basis. The Sheriff's department has decreased the amount of hours incurred compared to 2012. The first three periods (1-3) of '13. So, there have been some improvements which we mainly feel is because of the positions and the work of Superintendant Diina, who has been cooperative. Although if you look at the bottom line, it does not appear they will be able to stay within the budget the Legislature left them, it still is very low for the amount of work that needs to be done to comply with the Commission of Corrections staffing level that are mandated. That's also adjusting the pay raises for the Teamsters and CO's that were not included in the original budget, so even taking that into consideration the budget is still low."

Tim Callan: "As Joe indicated, with the impact of the Teamsters and CO's contracts, increasing the job group for the CO's and the COLA's for both, any overtime they do in the out years of the plan and in '13 will have more overtime because they will be paid more hourly under the contract so you'll have to aggregate that out against 800 employees in Jail Management. One other factor there, 80% of overtime isn't controlled by the Administration; it's in the powers of the independently elected officials, not the Executive branch. We appreciate you inviting the Sheriff over and we look forward to hearing from him momentarily, about what he is doing on jail management overtime. Tom Dina has been really great to work with on a number of issues and I want to applaud his efforts."

"There is one area where we will be seeing more overtime and that is in the Highway Division because we cut 6 vacant positions from Highways in the '13 budget when they were already having an issue. And we also cut 6 positions in buildings and grounds. With some of those cuts, when you cut positions you are getting more savings because of fringe factor being eliminated but with the employees left there are still certain needs, so when you have fewer employees there will inevitably be more overtime having fewer employees still being asked to do the regular work and more. So, in this plan, there will be an assumption about a little bit more overtime in highways plus jail management."

Chairman Lipke: “I always get a little confused in this area, where those actual filled positions.”

Tim Callan: “The six in buildings and grounds were vacant and the six in highways were vacant.”

Chairman Lipke: “So, the vacant positions weren’t doing any work?”

Tim Callan: “Correct.”

Chairman Lipke: “So that the remaining folks don’t really have any more work to do.”

Tim Callan: “No, it’s what we have been doing under Bill Geary, the new Highways Deputy Commissioner, we have been aggressively canvassing, not actually canvassing because most of these positions are laborer titles and there are no civil service lists for laborers just people meet quals, many of them are transfers from the Park Department. They have first priority to the AFSME contract to transfer from Parks because parks maintenance worker titles over to highways because Highway laborer positions get paid a higher hourly rate than parks maintenance workers. So, we have to canvass the parks workers first and if they don’t want to accept opportunities there especially when people who come off the street who want to come in as laborers and work their way up to Motor Equipment Operators if they have a CDL license which is required to drive a plow. What we’ve been doing under Bill Geary, Deputy Commissioner of Highways, he’s been on an aggressive recruitment drive and we told him “Stop!” From a budget standpoint for the ’13 budget we need to keep a certain number of jobs because we get the benefit of savings not just the salary but the fringe benefits too. He said he has a pipeline of several people he’s been canvassing to bring over to fill all the vacant jobs because he has several crew chiefs retiring in the past several months. He said, I need these jobs filled when you hire a JG3 Laborer when you have JG7 or 8 are retiring you are able to get work done at a lesser expense. I said, “I understand your problem but we need to cut positions in the ’13 budget to help balance the budget.” He said, “you are just leading me to have more overtime next year with the positions we have filled with people doing work especially if the winter season is worse.”

“Also, this County Executive, Director Lipke, has made it a priority to get more people out to do more oil and stoning work, which is done by county workers and not contractors, we do more lane miles of oil and stoning, it’s a simple preventative maintenance program that you can get more years out of a road without doing an overlay or major reconstruction. It costs several million dollars for a lane mile- it’s tremendously expensive. We have tasked him to do more oil and stoning done in 2013, which of course is related to our CHIPS program from the state. We are going to be more aggressive on the oil and stoning even more so than we were last year. As long as its daylight hours they will be out working until it’s not safe. Your point about vacancies is well founded.”

Chairman Lipke: “We have no other questions for you at this point in time. We do look forward to getting your written response to the questions we submitted to you the other day. Thank you all for coming in today, as always you give a very thorough to the point analysis of the situation and I certainly appreciate that.”

“If there are any other elected officials in the audience today who would like to come up and speak we invite them to do so at this point in time. I would ask anyone who does decide to come up to keep their comments specifically related to budget matters and also try to limit your presentation to between 10-15 minutes if possible. Thank you again.”

Comptroller Mychajliw: “Good morning Gentlemen. Mr.Bob Langowski, our Director of Grant Accounting Services is handing out our initial response to the changed & modified four-year plan which we received very late last week. We wanted to respond and give an initial review based on the information we have had for just a few days. We appreciate the opportunity to speak before this honorable body. We wanted to give our initial response, our finance team of course is going to look over this with a fine tooth comb and we will have more information to the control board if we see fit. First and foremost we all realize everyone in county government must work collaboratively in order to basically to avoid the 2004-2005 “Red/Green” budget crises which ironically resulted in the creation of this entity. We are very proud in many respects that our office has worked collaboratively with the County Executive to find cost saving measures. We had a really good and positive discussion last week about our offices working together on an issue that Dr. Callan brought up; when it comes to collecting property taxes whether it’s at a county level or city level. I offered the County Executive our services to make sure we are getting as much revenue as we can from the City of Buffalo property taxes that will come here to Erie County."

"But make no mistake the Administration is not saying we are actually threatening Red/Green budget cuts they're not using those exact words but make no mistake about it, the people of Erie County, the Legislature and this body are basically being told without a revenue enhancements or in layman's terms property taxes they are going to cut similar to what we saw during the Red/Green Budget Crisis. Look at the modified four-year plan and you'll see some the potential cuts the Administration is considering: reductions in aid to arts and cultural institutions, Sheriff's road patrols, highways, parks, libraries, soil and water conservation, Buffalo Niagara Convention and Visitors Bureau, Operation Primetime, Cornell Cooperative Extension, and the road fund. Make no mistake; the threat that is being made is equivalent to what we saw during the Red/Green Budget Crisis."

"There are a number of different alarming issues that have been brought to our attention in the Office of the Comptroller. Day 1, when it comes to potential fiscal problems one of the very first indicator is cash flow problems. On my very first day in office, we are roughly a $1.4 billion operation, and there wasn't even enough money in Erie County's-for lack of better phrase, savings account-to make a $15 million payment to ECMCC. The Administration took out and the Comptroller's Office, my predecessor, issued an additional $35 million in borrowing via a Revenue Anticipation Note (RAN) in 2012 with the specific intent to pay the $29 million Intergovernmental Transfer (IGT) payment to the Erie County Medical Center (ECMCC) last summer. The Administration kept that revenue for '12 but then "kicked the can" on the payment to 2013.   So that was basically a red flag, the fact that a lot of that money was used in '12 as far as that additional RAN but the payment was delayed until 2013. Technically, according to our estimates, Erie County should have finished the year with $41 million cash in hand and yet the County actually had $9 million cash in hand on my first day.   We worked very collaboratively, and I credit Mr. Keating and the County Executive, we worked together on delaying that payment to ECMC until March when cash flow is stronger."

"The other issue, Mr. Keating and Mr. Greg Gach, Deputy Comptroller, worked together on giving an initial projection on what this summer's RAN should be. The number they came up with together is a $110 million. We haven't seen $110 million RAN since "Red/Green" budget years of 2005-2006. That's a serious concern as well when it comes to that high a level of borrowing."

"The Administration also talks about budgetary issues that are out of their hands like revenue enhancements from the Erie County Legislature. But there are fiscal issues that are in their hands that are potentially negatively impacting the '12 & '13 budgets. Let's take a look at sales tax revenue. Right away there is a gap in what was budgeted and what we actually received. We received the reports last week Friday and there is basically a $321,000 shortfall in what was budgeted for sales tax revenue and what actually came in. When you look at the different budget projections for sales tax revenue, when it comes to the Administration, they have to hit a fairly aggressive number next year….3.73% sales tax growth in order to hit their goal, their projected sales tax revenue for 2013 of $426, million. That's in their control, not the Legislature. The sales tax revenue for '12 is $410.7 million. So basically, there is a difference of about $15.3 million. Again, the economy has to rebound at an impact where there is going to be a 3.73% sales tax increase. That's a red flag for the Comptroller's Office and it most certainly should be a red flag for this honorable body."

"The two issues, again is not in the Legislature's hand, but is in the hands of the Administration is the sales tax revenue and also the revised four-year plan shows deficits from '14-'16 totaling $25,387,000. That's on page 4 of our response. Now those deficits in the four-year plan are due primarily to reduced sales tax over that period and increased debt service of approximately $17 million. Mr. Langowski, our Director of Grant Accounting can address that as well. We all know the danger of using undesignated fund balance. When you look at year-end of 2011 it was $83,489,000 in undesignated fund balance. You're very well aware that using that is very risky. It's very similar to a family that's draining their savings account to pay their bills. It's very dangerous to do that and what is going to happen eventually- if my family did that- If I were to pay my bills using my savings account, eventually the account is going to be depleted but the reoccurring expenses will still be there."

"In closing, I also want to talk about those issues that are within the Administrations hand. Again, sales tax revenues, that were reported last Friday, big red flag. The fact that we have to borrow the RAN over the summer, $110 million- levels we haven't seen since the Red/Green Budget Crisis- big red flag. The fact that we did not have enough cash on day one to pay our bills - yet another red flag. So, these are issues that are out of the hands of the Legislature but in the hands of the Administration. I want to bring up Mr. Langowski too- to address some of the issues that were talked about when it comes to sales tax revenue and debt service that could lead to potential deficits. And as Dr. Callan mentioned, when it comes to closing out the '12 budget we should know at some point this summer from Drescher & Malecki exactly what a potential…a potential '12 deficit could be especially when you take out of the equation the use of undesignated fund balance."

Bob Langowski: "What I'd like to address is the difference between the 2012 proposed four-year plan, which was part of the County Executive's budget message, to the adopted which you received on February 7^{th}. The total change is approximately $ 27.6 million in the negative. If you break it down into two major components; Sales tax and debt service inner-fund subsidy increase you come to approximately $28.5 million difference. Now that's just addressing, that's taking outside of the calculation the Legislative changes of $8.7 million. That was represented as compounding causing the difference from the Administration. If you just look at those two components- that addresses the difference in its entirety, with a little bit less. Those once again, are controlled by the Administration, and the debt service inter-fund subsidy increases by approximately $17.2 million for the years '14-'16 and sales tax decreases by $11.7."

Comptroller Mychajliw: "Dr. Callan did address an issue where independent elected officials have put forth plans to reorganize offices and save tax payers money. We're one of those offices that did that. When I took office on day one I wanted to lead by example. We did a thorough top to bottom review of our own office. It is an absolute disaster. When I walked in on day one, we have lower level, clerical…basically secretaries engaging in higher level accounting work. We haven't had a CPA as our Deputy Comptroller for Audit since 2006. We've addressed that side of the house. We put forth a reorganization plan, and you've been aware of it, that basically reduces costs. We are going to increase our professional accounting staff and reduce costs and I think the latest number in our revised plan for 2013 reduced costs by about $2,000 and even had vacancies savings of about $40,000. That plan, and Mr.

Keating can address this at some other point in time, the last time that I'm aware of that he spoke to our Deputy Comptroller of Finance, Mr. Greg Gach, he did not have a problem with this plan. Right now it is before the Legislature and we're trying to get this passed to increase efficiencies, restore professionalism to the office and most important, build a bench. What the Red/Green budget crisis did was basically decimated across Erie County government, middle management. What now our office has- right now out of the eleven accountants, nine can retire within the next five years…nine. I cringe at the thought of what would happen if we leave, or if a lot of these experience staffers were to leave.

"So, that's what we're trying to do, we are trying to reduce costs and basically build our bench. Have younger, lower- paid accountants come in and then train these folks to take over a lot of these positions so we protect the long-term integrity of this office. Whether I'm the Erie County Comptroller or someone else-I want to protect future generations of taxpayers to make sure this office can be managed and run efficiently for the next 5-10 years. So right now it's before the Legislature and we're going to try our best to get these efficiencies past."

"Another report we will be bringing to you shortly is the increase in full-time employees in Erie County Government. There is a chart that we have that shows since 2011 there has been an additional 218 full-time positions added within Erie County government. Now, I understand some of these will be in Jail Management side to basically offset overtime, but another portion of this review that we will be presenting to you is there are literally hundreds upon hundreds of positions within Erie County government costing taxpayers $100,000 to fund. We found some positions when you count in fringe benefits and overtime, we're talking $30,000-$32,000 positions that actually costing Erie County government $100,000 or more to fund. So, that's another concern as well."

"I look forward to working with the Administration in a collaborative manner to address a lot of these fiscal and budgetary issues. Like I said, I had a great conversation with the County Executive last week about working together when it comes to addressing the issue of property taxes and collections as Dr. Callan talked about and we will most certainly work with them in that matter to avoid the disastrous years that we experienced when it comes to the

Red/Green budget crisis that many would say unfortunately created this entity. Thank you."

Chairman Lipke: "I'm very glad to hear that you plan to work collaboratively with the County Executive's office and the Legislature to find ways to make Erie County as efficiently as possible. That is clearly the way to go forward. Getting everyone on the same page and getting everyone to work together."

"Any questions from any members of the committee?"

Director Sampson: "I don't have any…thank you."

Sheriff Howard: "I apologize for not having a written document to give you but if time allows I'm certainly happy to go back to the office to prepare one for you. This document is dated Friday, we didn't see it before Friday, otherwise we would have been able to prepare a written document. The first thing I would like to say, a little contrary to what you just heard, I'm not capable of doing what you and other offices do, projecting incomes and taxes, sales tax but what we are very good at doing is determining the staffing demands of the jail. While it's suggested the Sheriff controls the overtime, it's a disingenuous statement and in fact on any given day I believe a fourth grader could determine what the staffing needs of the jail would be. The county has never adequately staffed and has deliberately not staffed and instead chosen to fill the jail positions with overtime. So much so, that NYS stepped in and given us a mandated staffing plan that has extended that plan out until 2014 for the County hiring the most people we can hire for each different class. Has given us till the end of 2014 to hire enough people to properly staff the jail. Even with doing that, has said that 67 of our staffing positions will be filled on overtime. So, the state and the county and the past several Comptrollers has quite accurately predicted what the staffing demands at the jail would be but have never hired enough staff to do that and too many have ignored that overtime causes additional overtime. Just simply explaining that, for every 8 hours of overtime worked our staff is authorized to take 12 hours off. To take time & half as an option which causes someone else to come in and work the additional overtime. That being said, some of our overtime no doubt is the cause of supervision problems, but the state mandate was the Sheriff's office increase the supervisory rate in the jail by 50%."

Chairman Lipke: "Sheriff, can we just go back to that last comment? I thought I understood a lot of things but that's one I didn't understand. If I heard you correctly and correct me if I'm wrong, if someone works overtime then they're entitled to take time off equal to that amount overtime?"

Sheriff Howard: "Their overtime is earned at time and half but the labor rulings are such that requires that the employee, not the management, has the opportunity of electing to take their overtime as time off at the time & half overtime rate. Again, eight hours of overtime worked entitles the overtime of 12 hours of pay or 12 hours off."

Chairman Lipke: "Thank you for clarifying that."

Sheriff Howard: "The good news, the county is doing what it promised the state it would do. It's the county's discretion to do that, not mine, although it's a legal mandate now. It is our belief that if we continue to do that and the other things that the county has committed to do including the modifications inside our building, our staffing demands will go down which will allow us to reduce the overtime. We started and this is an indication of the county's commitment, we started a new class in January. This is the first year we will ever do three new classes in the same year. With the hiring we did in January, I believe it was an additional 12 people. Those 12 people will not be available to go on the line and displace another worker on overtime for three months. So, we will be into April – so the hiring we do in March or April will again be another three months from that hiring date before they are displacing any overtime. My feeling is that, we will be able to- with the county doing what they promised to do – we will be able to do this."

"The only other comment I'd like to make is-very troubled by the suggestion that there would be a cut in road patrol. More troubled in that we grouped road patrol, that is under me with two offices that are under the County Executive being highways and parks. With suggestion that between those three groups there will be a $2 million savings. I would ask the board ask for something more specific so we have some warning of exactly what we are talking about. If there is any significant reduction to our funding for road patrol I will very aggressively resist that and campaign anywhere I can against it. I would like to point out our budget is approximately $100 million. 19% actually 20% to make it easy, less than 20% is for road patrol. That road patrol budget includes everything except the jail. It includes our Civil division, it includes our helicopter, our marine, our SWAT services that are regional services used by the entire county and not just the 25% of the county population that relies on us for road patrol. Any reduction in what's said to be discretionary, non-mandated deputy positions will have a very serious impact on the revenue generated by our personnel. Not all revenue generated by our deputies is reported as revenue generated by the Sheriff's office. The best example of that is the claim of Erie County STOP-DWI that they generate a certain dollar amount each year. STOP-DWI doesn't generate any money- they simply receive the fine money sent back by the state- that is a direct result of the enforcement activity for DWI. A part of our budget, a discretionary part is certainly the narcotics enforcement, but again important to everyone across Erie County, is the asset forfeiture money is the result and ignoring the goodness of getting the drug dealers and the drugs off the street is the revenue generated by narcotics. Enforcement is certainly part of our budget."

"To see a reduction in Civil, Erie County I think has grown more business friendly. But certainly that is one area where the business community looks to the Sheriff and just to the Sheriff to assist them in recovering lost revenue. Again, we are slower than we'd like to be but limited by our staffing level. A reduction in staffing would certainly cause an inconvenience to the Business Community."

"I'll leave it to questions. I will get these thoughts on paper if it's still acceptable and get them outlined for you along with other points I may have forgotten."

Chairman Lipke: "For not having it written down that was very articulate. Thank you. Any questions from any of the committee members?"

Director Sampson: "I have a couple real quick questions. Number one is the overtime budget approved by the County Legislature adequate for your staffing needs?"

Sheriff Howard: "We believe that it will be. Again, if everything else continues the way it's projected. We have a housing/ building project going on in the jail now with an anticipated completion date of March that will actually have a decrease in our staffing demands once that's open."

Tom Dina: “There are several initiatives; we have contracted with a private commissary vendor to do the lion share of the work to provide the inmates with their commissary. It will no longer require use to dedicate a full-time staffer to facilitate that program. In addition, our watch commanders are scrutinizing the daily posts assignments very closely to ensure only those personnel who are absolutely necessary are working in the facility. Beyond that we are currently in negotiations with the US Marshalls Service to increase the per diem rate for our office housing federal detainees. Part of those negotiations is including the Marshall Services themselves providing transportation for non-emergency medical appointment. So, if someone needs to go to the hospital for a routine check-up it will be the US Marshalls Services, hopefully, transporting that individual rather than the Sheriff’s Office.”

“Personally, I’m in regular contact with Mr. Cercone in the Budget Office. I’m an operations guy, not a numbers guy and Mr. Cercone has been very helpful to me and giving me regular progress reports. I’m glad to see the trend is going down but its only February so it’s very tough to predict where we are going to be at the end of the year. Certainly everything that can be done is being done to address this issue.”

Sheriff Howard: “Government threats to reduce police services has always been a scare tactic that’s applied. In this situation there is a suggestion that the Sheriff’s road patrol is only used by certain communities in the most rural community and not important to the rest of the county. In the way of comparison, for the last six months there have been five deputies a day working in the City of Buffalo as part of the Impact in Crimes project there. This morning I received a call on my way to work that the SWAT team had been called out to assist Hamburg. There are countless daily examples where our deputies that are assigned to areas of the County who don’t have their own law enforcement agencies are pulled out of those assignments to assist other communities in Erie County that have their own. This is a like an emergency group of individuals who are available to work anywhere in the County. I just have to say once again, I’m very resistant to any decrease in staffing or funding.”

Director Sampson: "My last question has to do with, I think we had 75 positions authorized thru the state? Those 75 positions, which I understand will come in over time…are they sufficient, this isn't necessarily a budget issue, it could be but are those added positions sufficient for the safety of other staff and inmates? Because that was a big piece of the state…"

Sheriff Howard: "The state determined the number. We would have actually preferred it was a little higher. But as much as I resent the state coming in and telling the county what to do, in this case the county wasn't going to do it unless the state mandated it. So, certainly part of that 72 will allow the employees to work less overtime. We have a very exhausted workforce and when they are exhausted they make mistakes. Certainly no one can be as alert on their second 8 hour shift in a row as they were on their first 8 hours with nothing but 8 hours off in between they have to return including travel time and home responsibilities before they come back to work. So sleep deprivation and exhaustion, health problems causing them to call in sick which again which just causes overtime."

Director Sampson: "Thanks."

Sheriff Howard: "I just have one additional thing I want to point out that may have been ignored when the County Executive's office suggested a reduction in our road patrol. It is my understanding the agreement put forward by the County with the Buffalo Bills mandates the Sheriff's put an additional 125 uniformed personnel in the stadium. I understand the Buffalo Bills is going to be reimbursing the County for that. My total number of road patrol deputies as we sit here now is 124. While we will be able to find a way to do this, certainly a reduction of our full time staff despite this temporary increase for Bills games would create impossibility for us."

Chairman Lipke: "Thank you very much Sheriff."

Erie County Clerk, Christopher L. Jacobs's response to Chairman Lipke's invitation to attend:

February 11, 2013

COUNTY OF ERIE

CHRISTOPHER L. JACOBS

COUNTY CLERK

Brian Lipke
Chairman, Finance Committee
Erie County Fiscal Stability Authority
295 Main Street, Suite 946
Buffalo, NY 14203

Dear Mr. Lipke:

Thank you for your invitation to attend your Finance Committee Meeting to comment on the 2013 Erie County budget and related financial plan.

However, I only received a copy of the revised four year plan late last week, so I would need sufficient time to review it before I could comment on its various aspects. If you have any specific questions pertaining to the County Clerk's Office please feel free to contact me or I am happy to come to a future Finance Committee Meeting.

The Clerk's Office concluded 2012 with a $2.1 million dollar surplus. This is in addition to achieving our budgeted goal of $7.1 million in positive revenue after all the expenses of the Clerk's Office. These monies do not stay within the Clerk's budget, but go back to the County's General Fund. We certainly hope that this $2.1 million of additional funds significantly improved the County's financial position.

The Clerk's Office has 28 less employees now than it did before the 2004-05 budget crisis. We have had to learn to do more-with- less while utilizing technology to bring greater efficiencies.

In 2013, we are committed to continuing the Clerk's Office's unique role as a revenue generator for the County. However, we only generate revenue if we serve our customers well and we cannot do that unless we are adequately staffed. In short, we need the County Executive to approve the filling of vacant positions which have been budgeted for in the 2013 budget.

By refusing to fill these positions, the County Executive violates the County Charter and jeopardizes the Clerk's Office's ability to achieve its significant revenue targets for 2013.

Please feel free to contact me with any questions.

Sincerely yours,

Christopher L. Jacobs

ERIE COUNTY HALL • 92 FRANKLIN STREET • BUFFALO, N.Y. • 14202 • PHONE: (716) 858-8865 • FAX: (716) 858-6550

Chairman Lipke: “The next item on our agenda for today is ECFSA borrowing. Mr. Vetter do you want to walk us through that please?”

Executive Director Vetter: “Yes, Chairman Lipke. Very briefly for informational purposes, there are two resolutions in your packet that would be applicable to the full board meeting on the 19th that mirror resolutions that were passed by the County Legislature last week. One for new bonds for Erie County in an amount not to exceed $38.9 million and another for refinancing of just over $32 million. The Legislature, this previous Thursday approved these by mirror 11-0 votes and would like to thank the Legislature, the County Executive and County Comptroller for bringing these forward and through the approval process supporting these items for the Stability to go forward and to save the approximate $3.5 million these two items would save the county. A vote is required by this board at the next meeting to approve ECFSA’s own borrowing. This is simply for information only and to note the cooperation of the County on this issue and thank them for their assistance.”

Chairman Lipke: “Very good. We have no other business before us today so I’ll accept a motion to adjourn.”

Director Sampson moves to adjourn, Director Thomas seconds and the committee votes unanimously to adjourn.

Respectfully submitted,

____

James Sampson
Chairman