

**Minutes of the
Erie County Fiscal Stability Authority Meeting
December 23, 2014**

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

Chairman Sampson: “Welcomes audience and calls to order the meeting of the ECFSA full board.”

“The meeting agenda consists of two items: 1) final consideration of the Erie County adopted budget and financial plan and (2. Consideration of the Erie County Fiscal Stability Authority’s budget and financial plan.”

“Before moving on to the agenda items the Chairman requests a motion to approve the minutes of the previous meeting.”

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

Resolution No. 14-16
APPROVING MINUTES FROM
THE OCTOBER 28, 2014 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its OCTOBER 28, 2014 meeting and affirms three resolutions numbered 14-12, 14-13 14-14 and 14-15 that were approved on OCTOBER 28, 2014.

This resolution shall take effect immediately.

Chairman Sampson: “At the end of October, the ECFSA went through an extensive review of the county’s 2015 executive recommended budget and associated financial plan. On December 11th, the submitted a revised plan, based on the 2015 adopted budget that the ECFSA has recently reviewed. I would ask Mr. Vetter to report on that submission and the associated analyses.”

Executive Director Vetter: “The following points were outlined by Executive Director Vetter of the analysis of the 2015 Adopted Erie County budget and revised four-year plan:”

1. Analytical and positional review indicates the budget and financial plan are reasonable and doable. However, given the size and complexity of the county, risks still remain.
2. Some focus areas include:
 - Annual sales tax increases of 2.75% for the out years of the plan
 - Property tax levy increases not exceeding the anticipated increase in property values (down by about \$2 million)
 - An increase in full-time salaries of almost \$16 million over the 2015-2017 period from this time last year. County workers received bonuses, increment pay and COLA in return for concessions in work hours (summer hours) and health insurance benefits (elimination/reduction retiree health) FT salaries up 4.4% for 2015, then 3.18% for 2016
 - The extension of the use of fund balance through 2018
 - Overtime expenses remaining flat over the period of the plan, despite rising wage rates
 - Increase of \$500,000 in turnover reductions
 - \$10 million gap up by \$4 million since last submittal

Executive Director Vetter recommends approval of the resolution in board members packets outlining these potential risk items and maintaining the ECFSA’s current advisory status.

Chairman Sampson: “Asks for discussion or questions from board members.”

Director Speers: “Gives praise to Erie County for weathering the November storm without a negative impact on the budget or fund balance. Also gave praise to county employees for the services provided.”

Chairman Sampson: "Requests motion to approve."

Director Lipke moved to approve, Director Creighton seconds and the Board votes unanimously to approve the following resolution:

Resolution No. 14-17

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 2015 budget for Erie County (the "County"), and a four-year financial plan ("Plan") for fiscal years 2015-2018, to the ECFSA on December 11, 2014 (the "2015-2018 Plan"); and

WHEREAS, fiscal years 2016 through 2018 constitute the "Out Years" of the 2015-2018 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2015-2018 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 December 26, 2014, whether the 2015-2018 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 2015-2018 Plan and is concerned that the County is facing \$10.4 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. Given the volatility of sales tax revenues and prior overestimations, the County is urged to closely monitor receipts and make strategic decisions to maintain a balanced budget and budget more conservatively for 2015-2018; and
2. Although overtime expenses are improving, they are exceeding budget in 2014 and may continue to be problematic throughout the period of the financial plan; and
3. The county has increased and extended its use of vacancy savings through the period of the financial plan; and
4. There is concern that certain fringe benefit costs may exceed county expectations over the period of the financial plan; 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 continued proposed use 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 2015-2018 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2015 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 2015-2018 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 2015-2018 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: “As a state authority, the ECFSA has to approve its subsequent year budget and financial plan in the last 15 days of the previous fiscal year. Staff have put together a proposed budget that has been distributed to the board for review and comment. Before voting on the proposal, I would ask Mr. Vetter to review it briefly for us.”

Executive Director Vetter: “Mr. Vetter gave some basic highlights to the ECFSA budget including:

- Just over \$532,000 for 2015
- Approximately \$13,000 higher than last year’s budget- little over 2% increase
- Items that have increased over the past year include staff compensation, benefits (i.e. health insurance), new technology
- Technology upgrades to compliment the new server installed in 2014

Mr. Vetter then recommended approval of 2015 budget and plan.”

Chairman Sampson: “Any questions of Mr. Vetter or comments?”

Director Lipke: “Requested Executive Director Vetter state for the record the savings the ECFSA has garnered for the citizens of Erie County through its ability to borrow at lower rates than the county can.”

Executive Director Vetter: “Stated the total savings over the past five years for borrowing conducted on behalf of Erie County and for the

skilled nursing facility at Erie County Medical Center is in excess of \$177 million.”

Director Speers: “Requested clarification from Executive Director Vetter whether that included refinancing.”

Executive Director Vetter: “Confirmed that figure included refinancing of county issuances. A review is conducted every six months or so and in some instances savings was more than 50%.”

Chairman Sampson: “Any other questions or discussion? If not, I would accept a motion to approve the ECFSA 2015 budget and financial plan.”

Director Lipke moved to approve, Director Stievater seconds and the Board votes unanimously to approve the following resolution:

Resolution No.14-18

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 2015 fiscal year and a financial plan for the 2015 through 2018 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 23, 2014 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.

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

Respectfully submitted,

James Sampson, Chairman

December 23, 2014