Minutes of the Erie County Fiscal Stability Authority
Finance Committee Meeting
October 21, 2015

Present: Finance Committee Chairman Brian Lipke, Chairman James Sampson, Director Lynn Stievater, Director Craig Speers, Executive Director Kenneth Vetter

Chairman Lipke: "Welcome public, guests, government officials and media. We are here today to review the county's 2016-19 financial plan. There are representatives from the County to present the budget and four-year plan and answer any questions the committee members may have."

"First, as a matter of housekeeping the committee minutes of the previous meeting are in front of the committee for approval."

Director Speers moves to approve, Director Stievater 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: Gave an overview of the proposed 2016 budget. He stated this is a status quo budget, there are no major increases in spending, there are no major surprises in terms of declaring negative variances, or anything to cause the budget office undue concern during budget. In developing the budget the Division of Budget and Management was faced with what all local governments are facing throughout the state and all school districts in NYS face which is the property tax cap law.

Erie County's levy could only grow a little under $14 million before we hit the tax cap. Local government can go over the tax cap but considering the politics; there is a legislative body who wants to cut the tax levy, they did that in the 2015 budget. So the budget office started this process knowing it was a lean budget. Growth in spending between the 2015 adopted budget and the 2016 proposed budget is only $9.5 million. $9.5 million in a $1.7 billion budget.

The big conundrum facing Erie County is the largest revenue source- sales tax- will be lower than last year's sales tax in the budget next year. For the first time since 2009 the county is faced, based on the current situation, with lowering our budget target for next year. Erie County is not meeting budget with sales tax in 2015. There is an anticipated the county will end the year between \$8-10 million under budget for sales tax but are still seeing just under 1% growth. This situation in 2015 forced has forced a reduction tp the revenue growth for 2016.

Assessment Growth- County anticipates \$13 million in assessment growth.

Federal and state aid- revenue levels will remain stagnant.

Chairman Lipke: Asked out of the \$9.5 million increase…how much of that is spent on mandated programs administered by Erie County.

Tim Callan: Largest cost drivers in 2015 budget is personnel services and fringe benefits. Salaries and health insurance of active and retired employees. Retiree health insurance is actually the biggest component of the fringe drive. The good news is on the pension side, its \$4 million lower than projected in our four-year plan. Another area of mandated expense is child welfare and foster care programs within the department of social services. Community college chargebacks- for Erie County residents who attend college outside Erie County. The final area of growth in the budget, whether you want to consider it a mandate is the Sheriff's Office, the division of jail management. We are seeing an increased expense in providing health care for inmates.

There is also some non-mandated growth in the budget.
1) Additional \$460,000 to the Buffalo and Erie County Public Library system.
2) Additional \$125,000 to Erie Community College.

Director Sampson: Requested clarification on the chargeback for Erie Community College…that the county actually pays that and not Erie Community College & then charges the municipalities in two years.

Tim Callan: Correct.

Director Sampson: Do we ever see payments to us increasing from other counties?

Tim Callan: Not really.

Director Sampson: So we have an out migration of students out of Erie County to other community colleges…is that right?

Tim Callan: It's accurate to say we have a large amount of Erie County residents who attend community colleges outside Erie County. A major impetus for building the STEM building at the ECC north campus is to stem the loss of enrollment.

Director Sampson: Is there any interest by the counties to change the legislation?

Tim Callan: NYSAC puts it out there every year and tries to lobby the state Legislature but its never gained any traction.

Director Speers: Expressed his concern over no dormitory space for students while many other community colleges Erie County competes with ECC.

Tim Callan: Provided update on potential student housing and provided oral responses to the following questions:

Erie County Fiscal Stability Authority
Financial Plan Questions
October 21, 2015
Erie County Answers 10/27/2015 4:24 PM

1. **Please provide information and/or trends that support the stated 2.0% sales tax growth rate assumed in the financial plan and please provide a year-end forecast for 2015 sales tax revenues.**

   Through August 2015, the County is incurring a negative variance on sales tax of $5.6 million, attributable, we believe, to lower sales tax receipts on the sales of gasoline and motor fuels and natural gas for heating. Also, the decline in the value of the Canadian dollar has likely affected cross border traffic and retail sales attributable to Canadian visitors. We are estimating a potential $8-$10 million negative variance in this revenue account for year-end 2015.

   By lowering the 2016 baseline estimate for sales tax, we are projecting lower 2016 sales tax revenue than the 2015 budget target. We believe that the out-year estimates of 2% growth are reasonable based on historical and multi-year trends. If 2016 actuals do not meet estimates, we will adjust 2017-2019 (and 2020) estimates accordingly when developing the 2017 Budget and Four Year Plan.

   Also, if factors outside of our control change, such as higher gas and natural gas prices, for instance, the trend could become positive.

2. **Please provide figures for the library property tax through 2019.**

   We continue, as we have since 2012, to assume that the County will share 2% growth via the property tax levy with the Buffalo and Erie County Public Library System. Estimated 2017 allocation = $23,943,617; 2018 allocation = $24,422,489; 2019 allocation = $24,910,939.

3. **As compared to the previous version of the financial plan, the 2016 property tax levy increased by $8.3 million in 2016, and by $25.5 million for the concurrent period of the financial plan.**

Please explain the reasoning behind these significant increases in this revenue source.

Assessment growth for 2016 is robust, driven, we believe, by the economic turnaround in our county and the growth of commercial and residential development and real estate deals occurring (which benefits every municipality and school district). Equalized full market value has increased from $49.2 billion in 2015 to $51.9 billion in 2016.

After the robust 5.49% increase in full value for 2016, we assume only a conservative 2% growth for the out-years of the Plan. The last nine years shows an average 2.82% increase in full market value, so we believe our assumptions for the out-years are reasonable.

4. **Please provide a trend analysis that justifies the 2% annual increase in Real Estate Market Value for the out years of the financial plan.**

   See our answer to question 3.

5. **"All Other Source" revenues have increased by $4.2 million over the concurrent years of the financial plan, as compared to the previous submission. Please provide a break-out of revenues and relevant trends to support this revenue increase.**

   This is mainly driven by growth in hotel occupancy tax and community college respreads revenues. The County has been incurring a positive variance on bed tax revenues – higher than budgeted – in recent years and this is projected to increase as more hotels, especially higher-end hotels such as the Marriott at HarborCenter come online. Also, as the cost of the community college chargeback account has grown, so too, does the revenue under the re-spread to local governments. Keep in mind that these are projections.

6. **Please explain the need for and rationale of increasing fund balance usage for 2017 by $1.995 million as compared to the previous version of the financial plan.**

The County has budgeted to use $6,000,000 of fund balance in 2016. In the out years, appropriated fund balance is projected to be $6,000,000 in 2017 and none in 2018 and 2019. In the prior Plan, we had expected to use $6,005,000 in 2016, $4,005,000 in 2017 and $2,005,000 in 2018. While true that the revised Plan features a potential use of $1.95 million more in 2017 than previously estimated, it also shows no use of fund balance in 2018 and 2019. The major rationale for this potential enhanced "gap closer" in 2017 is due to flagging sales tax revenues.

At year-end 2014, the County had $92.21 million in undesignated/unassigned fund balance – well above the Charter-required 5% threshold of approximately $55 million. As has been the case since 2011, the County will replenish fund balance in the General Fund on an annual basis, as surpluses are attained. We are currently projecting a possible 2015 positive variance of $5.025 million.

7. **Please provide detail for any assumed staffing changes for 2016-2019 (i.e.: change in budgeted positions)**

We assume no growth in positions in the out-years and no deletions. In the event that out-year gaps appear, we retain the ability to delete positions as necessary.

The 2016 Budget features a net increase in head count for all funds of 22 positions compared to the current, adjusted 2015 Budget. This includes positions as shown in Book A of the 2016 Budget.

8. **Please provide calculations to justify reductions from personal services account amounts in the financial plan.**

Based on vacancy control numbers in 2015, and projected year-end reductions in personal services, we believe that a continued $2 million target is reasonable. Through August 2015, gross salary savings for the County was $7.4 million (under budget). In addition, should we reduce the turnover account to $1.5 million or lower, the County Legislature, as has been the case in the past two years, will likely just arbitrarily increase it.

9. **Please indicate whether there are funds in the plan to cover any potential salary adjustments for labor unions that have either already expired contracts or contracts that will expire during the period of the four year plan.**

   There are no allocated funds in the Plan to cover any new labor agreements with AFSCME (whose contract expires on December 31, 2015). Negotiations have already commenced with the blue collar union.

   As we told ECFSA in recent years, we do not want to telegraph any dollar figures for potential collective bargaining agreements, lest we reveal our negotiating strategy and financial tolerance levels to the unions. We are aware of the potential need for additional funds in 2017, 2018 and 2019 to settle contracts, but also mindful that in past years, new contracts often took many years to resolve and the financial of such contracts is fluid and often changes.

10. **Please provide a chart of fulltime positions by department for the 2013 and 2014 adopted and 2015 adopted and 2016 proposed budget.**

    Please see the attached chart.

11. **Please provide overtime expense by department for 2013 and 2014 and through September 30th of this year.**

    Please see the attached chart.

12. **For the 2016 proposed budget, please provide a spreadsheet listing personnel expenditures by county labor union.**

    Please see the attached chart.

13. **Please provide assumptions and detailed numerical trends to support the increase of $26.2 million in medical insurance expenses for current and retired county employees, as compared to the concurrent period of the previous version of the plan.**

One year ago, we estimated 6% annual growth in health insurance expense for 2016-2018, based on data from LMHF. While both active and retiree health insurance expense is growing, retiree costs are growing more rapidly than actives, due to the fact that retired employees use more healthcare and prescription drugs, and at greater cost. In addition, for 2015, we expect overall growth in health insurance expense of 12%.

Much – but not all – of the 2015 growth is related to the CSEA contract and one time issues (ECC cross-application –paying for part of their health insurance overage expense under LMHF by laws – and 2014-related timing due to the November snow storm).

This had led us to adjust the expectations. The Plan conservatively forecasts 9% growth in expense in 2016 over 2015. We would prefer to be more careful in this account than to under-state the expense.

14. **Please provide schedules, analysis and assumptions that led to the $1 million reduction in the anticipated Risk Retention expense for 2016, as compared to the December 2014 plan submission. Several high profile lawsuits were filed against Erie County in 2015. Please provide a list of outstanding claims against Erie County and potential funding source if the budgeted risk retention fund is exceeded.**

We believe that if we increased the Risk Retention Fund to $3 million – a number we believe is reasonable – the Legislature would simply do that it has done every year for three years and cut the appropriation to $2 million. Hence, we kept it at $2 million for 2016.

The majority of claims against the County are believed to be of the type classified as "remote" – meaning the likelihood of a County payment or moderate or larger payment is nil.

Without details from ECFSA, we do not know what you are referring to in saying "several high profile lawsuits were filed against Erie County in 2015." That being said, as in the case of the Morales case (in 2012) and the Dejac case (in 2014-2015), in the event there is a large settlement or judgment that cannot be funded by the Risk

Retention Fund, we will utilize, as necessary, fund balance or positive variance funds.

15. Please provide relevant trends and explanations for the increase in workers compensation cost of $2.6 million over the concurrent years of the financial plan, as compared to the previous version. Include a breakdown by department, impact on overtime for associated department and actions to mitigate future claims.

The 2016 base amount increased by approximately $800,000 over the revised 2015-18 plan. The 2015 budgeted amount was likely understated. Uncertainty exists regarding future state action on assessment rates. We also received new data from the County's consultant which led us to project modestly higher costs in this account - $800,000 over three years.

16. Please provide detailed schedules to explain the reduction in Family Assistance spending by $27.8 million as compared to the previous version of the plan, for the concurrent years.

Family Assistance budgets and projection are based on monthly caseload trend analysis provided by the most recent caseload activity numbers available through August 2015. The projection reductions indicated in the 2016 Four Year Plan as compared to the 2015 Plan, represent a lower trend in caseload activity increases than had been predicted during the 2015 Budget development process. The more favorable recent caseload trend increase identified in 2015 for preparation of the 2016 Budget is continued into the following years.

The 2015 positive variance in this account, due to lower cases and thus, lower expense (and revenue) are continuing into 2016.

The prior Plan and Budget assumed 35 new Family Assistance cases per month, whereas 2015 actuals are trending at 10 new cases per month. We have assumed that rate for 2016-2019.

The 2016 Budget and Plan still show growth in expense compared to 2014 actuals.

Family Assistance is 100% funded by non-County sources and associated revenue item projections also show a decrease in the revenue trend as compared to the 2015 Four Year Plan.

17. Please provide detailed schedules to explain the reduction in Safety Net spending by $28.7 million as compared to the previous version of the plan, for the concurrent years.

Safety Net Assistance budgets and projection are based on monthly caseload trend analysis provided by the most recent caseload activity numbers available. The projection reductions indicated in the 2016 Four Year Plan as compared to the 2015 Plan, represent a lower trend in caseload activity increases than had been predicted during the 2015 Budget development process. The caseload trend (increase) which we identified in 2015 in preparing the 2016 Budget is continued into the following years. Associated revenue indicates a similar trend.

The 2016 Budget and Plan (and 2015 projections) still show growth in expense compared to 2014 actuals.

The prior Plan and Budget assumed 52 new Safety Net cases per month, whereas 2015 actuals are trending at 20 new cases per month. We have assumed that rate for 2016-2019.

18. Please provide detailed schedules to explain the reduction in State Training School spending by $14.3 million as compared to the previous version of the plan, for the concurrent years.

State Training School charges are based on the number of Erie County youth housed in OCFS facilities multiplied by a rate per day (set by OCFS) which represents 50% of the State's daily cost. In 2015, New York instituted a cap on charges to counties state wide of $55,000,000. This significantly lowered the State daily rate charge (and thereby the charges assessed on counties with youth in the OCFS facilities). This resulted in significantly lower projected 2015 costs (compared to budget) and thus, necessitated us lowering the 2016 Budget and Four Year Plan estimates.

The 2016 Budget and future year projected expense estimates are based on the most recent daily rates and an assumption of an increase in youth sent to State facilities. Considerations for an increase in youth for 2017 are 2018 are based on the assumption that the state will pass the "Raise the Age" legislation, potentially increasing the numbers of Erie County youth sent to State facilities.

19. Please provide a schedule of ECMC "credits" used/taken and when they are to be repaid, by year.

The County has an agreement with ECMCC concerning required payments under the 2010 Settlement Agreement. The First Amendment to the Agreement allows the County to access a credit pool up to $28 million to help offset disproportionate share (DSH) and upper payment limit (UPL) IGT payments. The County was required under the First Amendment to start repaying any utilized credits starting in 2015 at a $2 million annual repayment rate over a fourteen year period. The County has utilized all of this credit mechanism. We are in discussions with ECMCC about future IGT obligations moving forward.

20.Please verify anticipated capital borrowing for 2016, 2017, 2018 and 2019.

As can be seen in Book B of the 2016 Budget, we include projections for borrowing for capital needs in over a six year period. While each year's amount and number and type of projects changes due to events, we are projecting borrowing between $30 million and $39 million annually between 2016 and 2019 and have accordingly adjusted debt service appropriations. In 2016, the expected bonded amount is $35.09 million.

21. In 2012 the county's grant fund had a total appropriation of $36 million, 214 FTE positons and county share of $4.5 million The 2016 grant fund has a total appropriation of $34 million with 186 FTE positions and county share of $5.5 million. Please provide an explanation for the decrease in funding, services impacted and potential "at risk" grants in the 2016. What actions are being taken to maintain or increase grant funds?

Comparing the 2015 Budget to the 2016 Budget shows that the County is actually modestly increasing funding in the Grant Fund.

Since 2012, the County has experienced a loss of some grants and programs, due to federal and state actions. For instance, the State has stopped providing a portion of funding and grant aid for the County's state-mandated indigent defense program. The County now pays 100% of the cost. In the Department of Senior Services, federal and state grant funds for the congregate and in-home dining programs have been reduced significantly, due to federal budget and state census changes. Responding, the County has increased local share funds to maintain this critical program.

For 2015, the District Attorney's office was not successful in receiving a renewal of the BE-SAFE domestic violence grant from the federal government. To address the issue, we funded the program with local share funds in 2015 while the DA completed a new grant proposal. The District Attorney informed the administration on September 29th that they had successfully received a new award; due to the timing of the decision, the grant is not shown in the 2016 proposed budget, but it will be restored.

Also, in 2016, due to the loss of federal funding, the General Fund has absorbed a position involved in solid waste recycling in the Department of Environment and Planning that was historically funded in the Grant Fund.

Full Time Position Count

Fund	Department		2013 Adopted	2014 Adopted	2015 Adopted	2016 Proposed
110	100	Legislature	33	33	34	34
	105	DISS	41	41	42	42
	116	Jail Management	731	747	750	735
	120	DSS	1,435	1,408	1,418	1,415
	163	Senior Services	10	10	10	10
	10110	County Executive's Office	13	13	13	13
	10210	Budget & Mgmt.	7	7	7	7
	10310	Labor Relations Div.	2	2	2	3
	10610	Bureau of Purchase	6	6	6	7
	10710	Fleet Services	2	2	2	2
	10810	Eq.Emp.Opportunity	3	3	3	3
	10910	Office of Public Advocacy	1	1	1	1
	11110	Department of Real Property Tax	12	12	12	12
	11200	Comptroller	34	31	31	31
	11310	Co ClerkRegistrar Div	51	51	51	51
	11320	Co Clerk Auto Bureau Div	66	66	66	66
	11400	District Attorney	122	122	124	128
	11510	Sheriff Division	153	153	163	180
	12210	DPW Commissioner	4	4	4	4
	12220	DPW Building & Grounds	116	123	122	123
	12230	DPW Weights & Measures	11	11	11	11
	12410	MH - Program Admin.	13	13	13	13
	12420	Forensic MH Services	23	22	22	22
	12520	Youth Detention	78	80	82	82
	12530	Youth Bureau	4	4	4	4
	12610	Probation Divn	115	117	117	118
	12700	Health Division	47	47	49	49
	12720	Emergency Medical Services	3	3	3	3
	12730	Public Health Lab	74	72	72	74
	12740	Medical Examiner	20	20	20	23
	12750	Special Needs	27	27	27	27
	12760	Corr Health	65	65	68	75
	13000	Veterans' Services	3	3	3	3
	15000	Board of Elections	76	76	76	76
	16010	Law Division	23	23	23	24
	16110	Personnel	23	23	23	24
	16200	Env.&Planning Divn.	12	13	14	15
	16410	Parks	51	54	54	63
	16500	Central Police Srvcs	10	10	10	10
	16700	Emergency Services	8	8	8	8
	1650060	Traffic Safety/DWI	4	3	3	3
		Total Fund 110	**3,532**	**3,529**	**3,563**	**3,594**
140	12110	Utilities Fund-(DPW)	1	2	2	2
210	123	Highways (DPW)	159	158	168	185
230	11510	Sheriff Division	16	16	16	16
230	12720	Emergency Medical Services	15	15	15	15
230	16500	Central Police Srvcs	43	43	43	46
820	420	Library	182	188	193	197
		Total Other Funds	**416**	**422**	**437**	**461**
		Total All Funds	**3,948**	**3,951**	**4,000**	**4,055**

Overtime by Department

Departments	2013 Actual	2014 Actual	2015 YTD September
Independent Officials			
100 Legislature			
11200 Comptroller's Office	85	512	
11310 Registrar Division	24,862	17,075	7,161
11320 Auto Bureau Division	10,970	20,962	20,914
11400 District Attorney's Office	19,371	5,472	253
11510 Office of the Sheriff	2,425,742	2,505,122	2,024,176
116 Jail Management	9,779,952	7,474,436	5,995,277
15000 Board of Elections	102,655	115,765	73,999
Total Independent Officials	**12,363,637**	**10,139,344**	**8,121,778**
County Executive Departments			
105 Dept.of Info.Systems & Support	25,030	17,687	25,775
120 Department of Social Services	2,268,795	2,861,138	1,392,640
163 Senior Services Department	241	584	317
10110 County Executive		6,104	
10210 Budget, Mgmt. & Finance	3,489	3,998	3,016
10610 Bureau of Purchase		1,981	3,656
10710 Bureau of Fleet Services	2,244	3,108	3,282
11110 Department of Real Property		916	558
12210 Commissioner's Office	0	1,950	1,578
12220 Buildings & Grounds	178,828	162,409	101,639
12230 Bureau of Weights & Measures	9,336	10,942	6,541
12420 Adult Forensic & Family Court Divis	171	1,331	1,425
12520 Youth Detention	369,817	529,515	382,910
12530 Youth Bureau	1,413	3,034	34
12610 Probation Department	166,505	160,248	123,324
12700 Health Division	66,412	61,670	80,400
12720 Emergency Medical Services Division	4,797	8,581	2,035
12730 Public Health Laboratory Division	51,631	61,583	55,683
12740 Medical Examiner's Division	92,444	99,165	97,998
12750 Persons with Special Needs Division	13,525	362	523
12760 Correctional Health Services Divisi	789,423	765,979	568,149
13000 Veteran's Services Division			72
16010 Law Division		6,627	
16100 Department of Personnel	170	5,632	2,707
16200 Department of Environment & Plannin	315	621	108
16410 County Parks	270,772	349,217	193,408
16500 Central Police Services	6,531	3,765	758
16700 Emergency Services Department	21,274	29,049	18,857
1650060 STOP DWI	84	360	0
Total County Executive Departments	**4,343,247**	**5,157,556**	**3,067,393**
Grand Total	**16,706,884**	**15,296,900**	**11,189,172**

Personnel Expense by labor union.

2016 PROPOSED BUDGET - BUDGETED SALARY BY BARGAINING UNIT

BARGAINING UNIT	Fund 110 General	Fund 140 Utility	Fund 210 Highways	Fund 220 Sewers	Fund 230 E-911	Fund 820 Library	Total
CSEA	103,048,042	83,616	1,355,446	5,350,254	2,744,555	3,225,116	115,807,029
CSEA Correctional Officers	13,135,849	-	-	-	-	-	13,135,849
AFSCME	9,955,681	-	6,744,182	5,872,177	-	1,936,250	24,508,290
TEAMSTERS	29,197,800	-	-	-	681,301	-	29,879,101
PBA	9,534,719	-	-	-	-	-	9,534,719
NYSNA	2,210,999	-	-	-	-	-	2,210,999
ELECTED OFFICIALS	1,004,693	-	-	-	-	-	1,004,693
MC	11,881,309	-	111,167	1,098,720	-	1,001,964	14,093,160
MC DISTRICT ATTORNEY	6,517,021	-	-	-	-	-	6,517,021
MC Sheriff	1,188,569	-	-	-	-	-	1,188,569
CLERICAL MAINTANENCE UNION	-	-	-	-	-	1,709,215	1,709,215
LIBRARIANS	-	-	-	-	-	4,718,371	4,718,371
NON-REPRESENTED	-	-	-	-	-	1,581,379	1,581,379
Total by Fund	187,674,682	83,616	8,210,795	12,321,151	3,425,856	14,172,295	225,888,395

Chairman Lipke: Thanked Budget Director Keating and Deputy Budget Director Callan for their thorough presentation and requested written responses to the questions provided by Executive Director Vetter by the close of business on the October 27, 2015.

Requested a motion to adjourn.

Director Speers moves to adjourn, Director Stievater seconds and the committee votes unanimously to adjourn.

Respectfully submitted,

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James Sampson
Chairman
October 21, 2015