Minutes of the

Erie County Fiscal Stability Authority Meeting

November 2, 2015

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 guests to the meeting of the Erie County Fiscal Stability Authority Board Meeting. Thanks Erie County Budget Director Bob Keating and Deputy Budget Director Tim Callan for attending and for answering the board's questions.

Before beginning the meeting Chairman Sampson requests a motion to approve minutes from previous meeting.

Director Lipke moves to approve, Director Stievater seconds and the board votes unanimously to approve the following resolution:

Resolution No. 15-10

APPROVING MINUTES FROM

THE AUGUST 7, 2015 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its AUGUST 7, 2015 meeting and affirms three resolutions numbered 15-08 AND 15-09 that were approved on AUGUST 7, 2015.

This resolution shall take effect immediately.

Director Lipke: "Mr. Chairman, thank you for the opportunity to report on behalf of the Finance Committee. Last week we received a presentation from county officials where they provided a base of information for the finance committee to opine on the county's finances. There is a report in the packets in front of each board member with comments and concerns about the county's submission. I'd like to focus on some key items from the report. We are pleased that sales tax revenue estimates have been reduced, as compared to previous versions of the financial plan. The county has indicated that the current year sales tax revenues will come on $8-10 million under budget. That has been accounted for in the plan, and we believe the reliability of the county estimates is now much greater than it has been in the past."

"We are concerned that, even though overtime expenses are getting a better, they are not meeting expectations in the 2015 budget and may continue to fall short for the period of the financial plan."

"We are concerned that the county has still included fund balance as a revenue in the plan."

"Also, given that all the county labor agreements expire or already have expired during the period of this financial plan, we urge the county to prepare for potential negotiations with an eye toward further benefit and/or work rule changes that will foster a stable county labor force, while not overburdening county taxpayers."

"In addition, we are concerned that certain fringe benefit costs may exceed county expectations over the period of the financial plan."

"Lastly, we are concerned that the county has increased and extended its use of turnover savings through the period of the financial plan."

"Bottom line, the ECFSA Finance Committee in general has been very pleased with the open dialogue and transparency of the county during these discussions. And also pleased with the steps the county has taken to manage its fiscal affairs with an eye towards reducing or controlling expenses. One of those that we are very pleased with is the county is using the ECFSA's lower borrowing rate to support county borrowings."

"Despite these concerns, we believe that through management and budgeting discipline and with cooperation, ingenuity and foresight among the county's elected leadership, that the county can balance its budgets through 2019."

> “In our current status, we’re here to advise the county, to help Erie County Government achieve and maintain long-term fiscal health. Over the last year, we have seen good cooperation among county officials in providing necessary and desired services to the county’s residents and taxpayers in an efficient manner.”
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> “On behalf of the ECFSA, I would advise county elected leadership to continue and extend that cooperation to help the county move forward.”
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> “Mr. Chairman with those comments, I would ask for consideration of the resolution in your packets to maintain the current ECFSA advisory status.”

Chairman Sampson: “Any questions from the other board members or comments from Dr. Callan or Mr. Keating?”

Director Lipke moves to approve, Director Stievater seconds and the board votes unanimously to approve the following resolution:

Resolution No. 15-11

FINDING THAT ERIE COUNTY’S 2016-2019 FINANCIAL PLAN IS COMPLETE AND COMPLIANT WITH NEW YORK PUBLIC AUTHORITIES LAW SECTION 3957, AND CONTINUING THE ADVISORY PERIOD UPON ERIE COUNTY

WHEREAS, Chapter 182 of the New York Laws of 2005 (the “ECFSA Act”), as amended, created the Erie County Fiscal Stability Authority (“ECFSA”) to serve as a corporate governmental agency and instrumentality of the State of New York, and as a public benefit corporation to “oversee [Erie County’s] budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required steps toward fiscal stability;” and

WHEREAS, Public Authorities Law section 3957(1) requires the Erie County Executive to “prepare and submit to the [ECFSA] a four-year financial plan and the county executive’s proposed county budget, not later than the date required for submission of such budget to the [Erie County] legislature pursuant to the county charter;" and

WHEREAS, the four-year financial plan, as defined by Public Authorities Law section 3951(14), is a "financial plan of [Erie County] and [its] covered organizations"; and

WHEREAS, pursuant to Public Authorities Law section 3957(2)(b), "[n]ot more than twenty days after submission of a financial plan, the [ECFSA] shall determine whether the financial plan is complete and complies with the provisions of [section 3957];" and

WHEREAS, County Executive Mark Poloncarz duly submitted his proposed budget for Erie County (the "County") for fiscal year 2015 on October 14, 2015, and a four-year financial plan ("Plan") for fiscal years 2016-2019, to the ECFSA on October 14, 2015 (the "2016-2019 Plan"); and

WHEREAS, fiscal years 2017 through 2019 constitute the "Out Years" of the 2016-2019 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2016-2019 Plan "contain actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan that annual aggregate operating expenses for such fiscal year shall not exceed annual aggregate operating revenues for such fiscal year;" and

WHEREAS, Public Authorities Law section 3957(2)(b) instructs the ECFSA to determine on or before November 3, 2015, whether the 2016-2019 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 2016-2019 Plan; 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 has reduced sales tax revenues in the current version of the plan. The county has indicated the current year sales tax revenues will be $8-10 million under budget. The reduction has been accounted for in the new plan and estimated more conservatively for 2016-2019; and

2. Although overtime expenses are improving, they are not meeting expectations in the 2015 budget and may continue to fall short for 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 a structural imbalance between recurring revenues and expenses.

6. Given that all the county labor agreements expire or already have expired during the period of the plan, we urge the county to prepare for potential negotiations with an eye toward further benefit and/or work rule changes that will foster a stable county labor force, while not overburdening taxpayers.

WHEREAS, the ECFSA has nonetheless determined that the 2016-2019 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2016 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 2016-2019 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 2016-2019 Plan is complete and otherwise complies with the requirements of Section 3957 and the ECFSA Act; and

BE IT FURTHER RESOLVED that the ECFSA remains in advisory status, as described by Public Authorities Law section 3958; and

BE IT FURTHER RESOLVED that the ECFSA shall impose a control period upon the County whenever the ECFSA determines that any one of the five circumstances listed in Public Authorities Law section 3959(1)(a) through 3959(1)(e) shall have arisen.

This resolution shall take effect immediately.

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

Respectfully submitted,

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James Sampson, Chairman