

**Minutes of the
Erie County Fiscal Stability Authority Meeting**

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. We are here today for two items: final consideration of the county's 2016 adopted budget and associated financial plan and the ECFSA's own budget and financial plan."

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

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

Resolution No. 15-12

APPROVING MINUTES FROM

THE NOVEMBER 2, 2015 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its NOVEMBER 2, 2015 meeting and affirms three resolutions numbered 15-10 AND 15-11 that were approved on NOVEMBER 2, 2015.

This resolution shall take effect immediately.

Chairman Sampson: "At the end of October, the ECFSA went through an extensive review of the county's 2016 executive recommended budget and associated financial plan. On December 15th, the county submitted a revised plan, based on the 2016 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: "Thank you Mr. Chairman. There were not significant changes in the budget between the proposed version and the adopted version. There were additions and deletions to the budget. Some of the overtime budget was deleted in response to the addition of part-time holding center guard to help ameliorate some of the overtime. Another significant issue is that the Risk Management fund was reduced by \$1 million for the year 2016 and subsequently reduced by a million dollars for each of the four years of the plan for a total \$4 million reduction for the period of the plan. Mr. Chairman, you've seen the report."

“Overtime was running positive for the first 6 months of the year. Since then, it’s gone negative and gotten worse. A deficit is expected for this year and that is expected to be carried forward. At this point, sales tax has gone negative on a cash basis, lagged for two months, creating a lower basis for the financial plan. A two percent inflation factor is reasonable, but the base may be lower than anticipated. That is a concern for the Authority. We would expect a deficit in this account for the year.”

“Turnover savings – there is a concern that the county has included turnover savings in the 2016 budget and extended those savings through the period of the financial plan.”

“Fringe benefits are a concern in that we believe some of them will exceed amounts anticipated in the plan. The last item, something that’s new to this version of the plan is in Risk Retention. In statistics we’ve seen in the past, the county goes through between \$2.2 and \$2.5 million per year. It’s only a million dollars this year and \$2 million a year going forward. So there is a significant potential for that Risk Management Fund to be depleted at some point given the number of cases outstanding.”

“Mr. Chairman that’s an overview of the budget and financial plan, the risk issues. Based upon those risk issues and the overall analysis of the financial plan, the staff analysis indicates the budget and financial plan are balanced and that the estimates are reasonable. We would recommend accepting the county’s financial plan and maintaining the current advisory status.”

Chairman Sampson: “Any questions for Mr. Vetter on the financial plan and status?”

Director Speers: “I just have a comment. Overtime really is a function of events. It’s often said that budgeting is an art not a science and in the region in which we live, there’s always a possibility of a major natural event, so it’s very difficult to get a handle on overtime expenses. Like when you’re dealing with events like occurred last November, with that massive storm that hit at least part of the region so that’s why I’m always rather lenient as far as overtime expenses are concerned because we’re not in control of what nature will throw at us during a wintertime. So far I’d imagine overtime is pretty lean because of the extraordinary warm temperatures. As we know, with a warm lake and cold Canadian air, January, February and March can be very challenging and this is very difficult stuff to estimate. Very, very difficult stuff to estimate. That’s my own account on that issue.”

Chairman Sampson: “You’re not predicting a snow storm.”

Director Speers: “Absolutely not.”

Chairman Sampson: “Are there any other questions? Any questions for Mr. Keating, who is with us today. If not, I would entertain a motion to approve the resolution that is in your packet to maintain an advisory status based upon a balanced budget and financial plan.”

Moved: Director Lipke

Second: Director Stievater

All in favor, say aye. Opposed - none

Resolution No. 15-13

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), "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 2016 budget for Erie County (the "County"), and a four-year financial plan ("Plan") for fiscal years 2016-2019, to the ECFSA on December 16, 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 December 26, 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 is concerned that the County is facing \$8.8 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 2017-2019; and
2. Although overtime expenses are improving, they are exceeding budget in 2015 and may continue to be problematic throughout the period of the financial plan; and
3. The county has increased and extended its use of turnover 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.
6. The Risk Retention fund has been decreased in the adopted 2016 budget and through the period of the financial plan raising concerns that claims may exceed budget.

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.

Chairman Sampson: “As a state Authority, the ECFSA has to approve its subsequent year’s 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. Chairman, this proposed budget assumes a steady state for the Authority at this point. It assumes there are marginal increases in salaries for staff. Most of the items in the budget remain flat or are going down. Health insurance costs are going down. Staff had a chance to either accept lower health benefit coverages or pay the additional cost to maintain a higher level of coverage, as the county has done. Consulting fees remain flat. Rent remains flat. Pension costs are flattening out. Mr. Chairman, the proposed budget, as this point, assumes a 1.7% increase over last year’s budget.”

Chairman Sampson: “Thank you. Any questions for Mr. Vetter?”

“If not, I would entertain a motion to approve the resolution that’s in your packet to approve the 2016 ECFSA budget as presented.”

Moved: Director Lipke

Second: Director Speers

All those in favor, say aye. Opposed - none

Approved: 6-0

Resolution No.15-14

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 2016 fiscal year and a financial plan for the 2016 through 2019 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 22, 2015 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.

Chairman Sampson: "Director Creighton has a motion to propose."

Director Creighton: "Thank you Mr. Chairman. Thankfully, the county's financial health has improved dramatically over the last 10 years. We have been in an advisory status. There were a series of Buffalo News articles about the existence of this control board. The fact is, we will remain in existence until 2039, by statute, unless that is changed. So there is, I believe the work of the authority and the staff have been excellent however I think it's time that we should look at whether we need to have fully staffed authority and we should look into studying that."

"I would propose a resolution the Authority's Finance committee conduct a study of the staff and other expenditures with an eye to whether the Authority needs to remain fully staffed or be downsized after this analysis. That we would reconvene in 45 days to discuss the work of the finance committee, what we've learned and how we should move forward."

Second: Director Speers

All those in favor, say aye. Opposed - none

Approved: 6-0

Chairman Sampson: "There being no further business, I would entertain a motion to adjourn."

Moved: Director Speers

Second: Director Creighton

All those in favor, say aye. Opposed - none

Approved: 6-0

Respectfully submitted,

James Sampson, Chairman

December 22, 2015