

**Minutes of the
Erie County Fiscal Stability Authority Meeting
October 31, 2016**

Present: Chairman James Sampson, Vice-Chairman Peter Marlette, Director Dr. Barry Weinstein, Director Lynn Stievator, Director Craig Speers and Executive Director Kenneth Vetter

Chairman Sampson: Welcomes guests to the meeting of the Erie County Fiscal Stability Authority Board Meeting. He indicates we are here today for consideration of the county's 2017 proposed budget and associated financial plan.

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

Director Speers moves to approve, Director Stievator seconds and the board votes unanimously to approve the following resolution:

Resolution No. 16-12

APPROVING MINUTES FROM
THE AUGUST 15, 2016 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its AUGUST 15, 2016 meeting and affirms nine resolutions numbered 16-10 and 16-11 that were approved on AUGUST 15, 2016.

This resolution shall take effect immediately.

Chairman Sampson: “On October 21st, the ECFSA Finance Committee received presentations and reviewed information on the county's budget and financial plan. At that time, reservation was expressed over a major issue related to the Erie County Medical Center. Since then, we've gotten additional information that has clarified the order of magnitude of the issue and the level of uncertainty, as well as other financial issues. I would ask Mr. Vetter to highlight the report on this and other issues related to the resolution.”

Executive Director Vetter: “Mr. Chairman, going through the report – the report is 11 pages long, everyone has seen it and the people at the county have seen the report. There are a number of issues, however the overriding issue is related to the Erie County Medical Center Corporation.

There is a proposal that's out there to create a credits system that would take care of the difference between what the medical center is expecting from the county and what the county has budgeted. Right now, the order of magnitude between the two is significant. However, in talking to public officials, it is something they all want to resolve and work through in the budget process and that this will not be an issue for the county moving forward. It has to be highlighted in the report because it's a significant amount of money and a significant uncertainty at this point. There are other items that are included including sales tax, overtime, certain fringe benefits, labor agreements that are expiring or already expired. The county is extending the use of fund balance as a revenue through the year 2020. Assuming the Erie County Medical Center issue is resolved, there should be reasonable assurance the county can manage its budget and financial plan going forward. The resolution that's in your packet indicated that because of the Medical Center Corporation issue, there is significant uncertainty but the assumption is that it will be resolved by the time the county submits its adopted budget to the ECFSA. The recommendation in the report is that this board remain in an advisory status for the period of time in question."

Chairman Sampson:

"Any questions on the presentation or the resolution?"

Director Speers:

"Mr. Chairman we discussed the Erie County Medical Center issue at the finance committee meeting. We looked over the information given to us by the Erie County Budget Office. I looked it over and reviewed it. I think it's a solid plan, a sound plan and good for the stability of Erie County. That would be my commentary on the ECMC agreement"

Chairman Sampson:

"Any other questions?"

Director Weinstein:

"Did the hospital get its rating yet?"

Executive Director Vetter:

"They did not"

Director Weinstein:

"I still think the bonds should be sold by the control board"

Chairman Sampson:

"There is a resolution in your packet that mirrors the report you've seen and the comments at this meeting. If there are no further comments or questions, I would call for a motion to approve."

Director Weinstein moves to approve, Director Speers seconds and the board votes unanimously to approve the following resolution:

Resolution No. 16-13

FINDING THAT ERIE COUNTY'S 2017-2020 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 2017 on October 14, 2016, and a four-year financial plan for fiscal years 2017-2020, to the ECFSA on October 14, 2016 (the "Plan"); and

WHEREAS, fiscal years 2018 through 2020 constitute the "Out Years" of the Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 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, 2016, whether the 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 Plan; and

WHEREAS, the ECFSA has developed concerns regarding the reasonableness of the following assumptions underlying the Plan:

1. With regard to the Erie County Medical Center Corporation, over the period of the financial plan, the county has budgeted \$34.5 million less in appropriations than the Medical center is expecting in county-derived revenues. With a “credits” proposal to make up the difference stalled at this time, the county is facing significant, unbudgeted liability that can undermine the Plan; and
2. Given the volatility of sales tax revenues and prior overestimations, the county has reduced sales tax revenues in the Plan. The county has indicated the current year sales tax revenues will be \$2.5 million under budget. However current trends point to a higher account budget deficit in 2016, the base year. Thereby lowering expectations for subsequent years. ; and
3. Although overtime expenses are improving, they are not meeting expectations in the 2016 budget and are projected to continue to fall short for the Plan; and
4. The county has extended its use of vacancy savings through the period of the Plan, thereby reducing its arsenal of alternatives to address potential other shortfalls; and
5. There is concern that certain fringe benefit costs may exceed county expectations over the period of the Plan; and
6. 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.
7. Given that the county’s Labor Relations Department has settling significant outstanding labor agreements among its goals for 2017, and the county has not specifically budgeted for potential, related salary increases in 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, given the order of magnitude of the fiscal issues facing Erie County as set forth above and the current uncertainty caused thereby, cannot determine with certainty at this time that the county budget and Plan are achievable, and, therefore, urges county leaders to address outstanding issues in the adopted budget process and appropriately adjust the Adopted 2017 budget and plan; and

WHEREAS, the 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 Plan is complete. However, the significant uncertainties set forth above preclude the Authority from determining with certainty that the county budget and the Plan are achievable prior to the adoption of the 2017 budget; and

BE IT FURTHER RESOLVED that, in anticipation of a resolution of current county fiscal uncertainties during the 2017 budget adoption process, 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 Weinstein moves to adjourn, Director Stievater seconds and the board votes unanimously to adjourn.

Respectfully submitted,

James Sampson, Chairman

October 31, 2016