Minutes of the

Erie County Fiscal Stability Authority Meeting

Via ZOOM

December 18, 2020

Present: Chairman James Sampson, Director Craig Speers, Director Peter Marlette, Director Oliver Young, Director James Connolly and Executive Director Kenneth Vetter

Chairman Sampson: "We call this meeting of the Erie County Fiscal Stability Authority to order. We have two main items of business today. The first is to opine on the final county budget was approved by the legislature and signed by the county executive. The second is to review and approve the Erie County Fiscal Stability Authority's budget and four-year plan. Before we do that. However, I'd like to approve the minutes from our last board meeting. Everybody should have gotten a copy of them."

Director Connelly: " Could I have a motion for approval for one adjustment to the minutes? I'm not listed as being present. And I was at that meeting. I had missed the one prior to that."

Executive Director Vetter: " I will make that adjustment on the minutes."

Chairman Sampson: "Could we have a second? Second, Oliver. OK, any other additions or changes. All in favor, say I opposed. Motion carries unanimously."

Resolution No. 20-21
APPROVING MINUTES FROM
THE OCTOBER 30, 2020 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its OCTOBER 30, 2020 meeting and affirms three resolutions numbers 20-19 and 20-20 that were approved on OCTOBER 30, 2020.

This resolution shall take effect immediately.

Chairman Sampson: "We had a meeting in October in which we reviewed the recommended county budget and approved the associated four-year plan. Ken do you want to do a quick overview and then we'll turn it over to Bob?"

Executive Director Vetter: "Yes, Mr. Chairman, just very quickly, the budget and plan that was submitted based upon the adoption process is not significantly different than the one that was approved by this board back in October. There were changes made by the legislature that were accepted by the Executive that were marginal in nature. On an almost $1.5 million dollar operating budget, things like the property tax levy went down $2.9 over a period of four years, just a little bit over between $700,000 and $800,000 lower each year. Interest and penalties and property taxes went up by $3.75 million."

. "Money for employee medical expenses went down $600,000 this year and went up slightly in the subsequent years. The budget for retiree health insurance went down $2 million this year and went up slightly for the subsequent years. The risk management budget went down by $2 million this year and remained constant for the remainder of the year. Cultural and community spending went up by almost $3.5 million dollars this year and a total of $5 million over the four-year plan. The gaps identified at this point went up by about $130,000 over a four -year period. 99% of the budget remained consistent. The projections haven't changed. They were reasonable at that time. And there's no reason to believe they're not reasonable at this point because nothing changed in the environment that would alter the county budget, particularly in a negative way".

Chairman Sampson: "Thank you, Bob. Anything you want to add?"

Budget Director Keating: "Thanks again. To echo what Ken said, they're basically very marginal adjustments. The main concern are the issues going forward. If we have no idea there'll be a stimulus plan or not that will affect counties in 2021. There's still uncertainty about how much will be withheld from state aid."

Director Speers: "I have a question as far as the total number of jobs that are reduced in this budget, I think there was something like 19 layoffs that were in the original plan. Is that is that consistent with the final plan?"

Budget Director Keating: "Yes. There were no changes in personnel between the recommended and adopted budgets. Basically, there were reductions in risk and in fringe benefits is it got better fringe benefit information on. And in 2020, we realized that fringe benefit was over budget in 2021."

Director Speers: "I'm assuming now that the 19 folks who are laid off will be laid off as of January 1st."

Budget Director Keating: "If there are no bumping rights for them. It is possible to get bumped to lower positions or as retirements happen, you know, so there's yeah, it does get 19 at this point was the expected unfortunate action as of January 1st".

Director Speers: "To clarify, because this has come up previously, the likelihood of them actually being laid off is probably relatively low because of, you know, bump downs and those folks being added to a preferred rehire list. Would that be would that be accurate?

Budget Director Keating: "That's right. And also, there would be cases where retirements would happen. Typically there's a lot of retirements early in the year. And the Sheriff has indicated they expect some retirements in early 2021. So there would be something where someone retires in early 2021, then some would be on the preferred list for that same position. So again, it's a time will tell thing. It certainly is a concern and you know, it won't really shake itself out for probably three months into 2021."

Director Speers: "Right. Correct. Thanks, Bob."

Executive Director Vetter: "Mr. Chairman, Director Marlette has just joined us via phone. I just want to make sure you are aware of that."

Director Marlette: " I apologize. I'm down driving down in the hills of West Virginia. They're heading down to see our new grandchild".

Director Young: "One last question, Mr. Chairman. Leading up to 2021, there would have been a anticipated gap for fiscal year 2021.And of course, that gap was closed, which is which was great. But maybe tell us one of the key components in closing that that gap. I only ask because we're looking at a potential two point five million dollar gap in 2022. So I'm just curious as to what's the anticipation of closing that that gap and compare that to what was done in 2021."

Budget Director Keating: "I'd say it's almost all sales tax. Sales tax was initially there. It was cut significantly. And now we're down about 4% this year. We had expected to be down more like 9-10%. The state in its early distribution's has taken more, giving the county less than the county should have received, but then adjusted for it at reconciliation time. We have this huge reconciliation adjustment in the third quarter. So the reduction so far in the fourth quarter has not been significant."

Executive Director Vetter: "If I could add to Director Young, we monitor county vacancies and what the county has done this year is kept enough positions vacant so that the annual savings averages about $7.5 to $8 million if you blow it out for the entire year. The county has done a good job of keeping between 5% and 8% of its positions open."

Chairman Sampson: "I have one quick question. Assuming there is going to be some kind of revenue enhancement coming out of Washington, you have any sense of how you would use that and how it would impact the budget in 2021?"

Budget Director Keating: "I would think that, you know, again, I'd be more administrative decision, you know, but Mark Poloncarz and his team. But I would think they'd do things to enhance and benefit the community with the public, with the funding. The Cares Act funding know quite a bit, certainly has helped with, you know, acquiring supplies and maybe helping the general fund with, you know, cost shifts, you know, things that people that were budgeting in general fund but are doing all the work on COVID. You know, we're getting reimbursed on that through the Cares Act funding. But a lot of other things in the Cares Ac funding are helping the community, a whole myriad of programs. So I would expect that if I mean, if more money does come in, I would expect the state-aid cuts to be reduced. That would certainly help our bottom line. But I think program spending would occur to help the community."

Chairman Sampson: "Ok, thank you. Any other questions? If there's no other questions, there is a resolution containing your packet that maintains an ECFSA advisory status based on the 2021 budget and associated financial plan."

Chairman Sampson: "Could I have a motion to accompany that resolution, please?

Director Speers moves. "All in favor, say I. oppose motion carries unanimously."

Resolution No. 20-22

FINDING THAT ERIE COUNTY'S 2021-2024 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, 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 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, County Executive Mark Poloncarz duly submitted his adopted budget for Erie County (the "County") for fiscal year 2021 and a four-year financial plan ("Plan") for fiscal years 2022-2024 based on the adopted budget, to the ECFSA on December 9, 2020 (the "2021-2024 Plan"); and

WHEREAS, fiscal years 2022 through 2024 constitute the "Out Years" of the 2021-2024 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2021-2024 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 24, 2020, whether the 2021-2024 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 2021-2024 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 (ECMC), the county has crafted its budget and associated financial plan to reasonably reflect anticipated county liabilities to ECMC. However, given ECMC's contractual relationship with the county and potential changes to the Affordable Care Act and/or Medicaid reimbursements may impact county finances going forward; and

2. Given the order of magnitude of sales tax revenues and the current year reductions due to the COVID-19 pandemic, attention to sales tax revenues is important. The county has forecasted sales tax revenues in the current version of the plan at an appropriate level. However, given the volatility

of this revenue source, it would behoove the county to monitor this revenue and maintain contingency plans should it not meet budget; and

3. Given the potential ongoing impacts of COVID-19, the county has appropriately doubled its reserve for uncollectable taxes for 2021, but not extended that additional reserve for the out years of the financial plan, in the event effects of the pandemic are longer lasting; and

4. Due primarily to reduced census in the Jail Management Division, the county's overtime budget has been reduced by $6 million in the 2021 budget, as compared to the 2020 adopted budget. That reduction, with certain salary multipliers has been carried forward through 2024. It's assumed that bail reform and COVID-19 are the primary drivers in this permanent census reduction. There is a concern that the census decline may not be permanent, thereby resulting in higher overtime costs in the future; and

5. The county has increased its vacancy savings estimates in the 2021 budget and associated financial plan. Given ECFSA's monitoring of vacancy savings, those estimates are reasonable. However, the reduction in positions in the 2021 budget make that target more difficult to achieve; and

6. There is concern that certain fringe benefit costs, particularly current employee and retiree health insurance, may exceed county expectations over the period of the financial plan; and

7. The county has not specifically budgeted for potential, new labor contract 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 its finances; and

8. The county has based its 2021 budget and out year forecasts on certain COVID-19 assumptions that indicate a slow, but steady recovery, without additional Federal pandemic funding. The county would be best served to prepare for better or worse case scenarios so that it can program and manage in the event the pandemic becomes more severe and/or additional Federal COVID-19 revenue becomes available; and

9. As Local Sponsor for Erie Community College (ECC), the county has assumed a steady stream of financial support for the College. Even with that support, the College's current business model is unsustainable. ECC is in the process of reinventing itself to assure it meets it's charge in its educational and community role. As the College's local sponsor, the county should be an active participant in the process to enhance the College's ability to meet its charge and stabilize its finances.

WHEREAS, the ECFSA has nonetheless determined that the 2021-2024 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2021 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

NOW, THEREFORE, BE IT RESOLVED that the ECFSA finds that the 2021-2024 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 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: "Our second item of business is actually the review and approval of the 2021 financial plan for the Authority. Ken, do you want to do a real quick overview?"

Executive Director Vetter: "Yes, Mr. Chairman. This budget and out-year forecast has been forwarded to all of the board members in hard copy and electronically. The figures for 2021 through 2023 have not changed since last year's plan that was approved by this board."

"There are only two changes. One, we extended one year out to the plan, to retain the four-year forecast. And two, we made an adjustment and one of the lines for professional services between vendor accounts. The current staff are remaining in place at three people. We're assuming a 1.5% salary increment and no other Increases whatsoever. Other government entities have longevity or step increases. We don't have those things. There's a 5.5% increase in health insurance costs. The Authority has no post-employment or retirement health insurance costs. And probably the next largest ticket item is our pension expense, which we're assuming at about 17.5% percent."

"This year's figure came in at about 16.5% of salaries. There may be a little bit of leeway there, but we had assumed for next year, based upon earlier in the year, that we're not quite sure how well or badly the state's investments may be doing 2021. So there's a little bit of a cushion just in case COVID impacts that fund."

Chairman Sampson: "Thank you. Any questions? If not, could I have a motion to approve the 2021 ECFSA budget and four-year plan?"

Director Young seconds All in favor, say I. I opposed the motion carries unanimously.

Resolution No. 20-23

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 2021 fiscal year and a financial plan for the 2021 through 2024 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 18, 2020 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: "Ken really quickly before we adjourn. When do you think is a good time to reconvene to discuss Erie Community College.?"

Executive Director Vetter: " I think, Mr. Chairman, maybe that's based upon something that we found out at an economic development meeting at the legislature yesterday, that the registrations for spring at this point are down 28 percent over the same date last year. So I would assume we'll be meeting again probably in April to go through our own financials. Our auditors will be done with a financial audit then. So I think giving interim President Reuter the next couple of months to go through this and see if they can improve the registrations and having him back in in April would be good."

Chairman Sampson: " I don't know if we have to meet again, although meeting on is pretty easy. Could we have some kind of written report doesn't have to be an extensive one of what's going on with your experience during the spring and what their plans are to deal with a 28% decrease in enrollment prior to the next meeting."

Executive Director Vetter: "I'll get a hold of Bill Reuter right away. He's a finance guy. He has things planned to address this. Granted, probably not a very pleasant situation, but it's something he's done before."

Chairman Sampson: Very unpleasant, actually. With no other business, I'd entertain a motion to adjourn. Director Speers seconds. The vote is unanimous to adjourn.

Respectfully submitted,

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James Sampson, Chairman

December 18, 2020