

## **Erie County Fiscal Stability Authority**

Resolution No. 13-02

### **FINDING THAT ERIE COUNTY'S 2013-2016 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 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, the County Executive duly submitted the adopted 2013 budget for Erie County (the "County"), and a four-year financial plan ("Plan") for fiscal years 2013-2016, to the ECFSA on February 7, 2013 (the "2013-2016 Plan"); and

WHEREAS, fiscal years 2014 through 2016 constitute the "Out Years" of the 2013-2016 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2013-2016 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 February 22, 2013, whether the 2013-2016 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 2013-2016 Plan and is concerned that for the first time in years the county is facing substantial, real out-year gaps in its financial plan that may be exacerbated by 2013 potential shortfalls; and

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

- (1.) The Plan shows a 3.65% increase in sales tax revenue over the 2012 budget. Preliminary year-end figures are indicating a marginal shortfall for 2012. While the overall sales tax increases forecasted in the plan appear reasonable, the 2013 increase of 3.65% appears risky. If sales tax follows a historic trend of experiencing a “down year” over the period of the plan, revenues could fall short by almost \$10 million over the four year period; and
- (2.) With the assumption that budgeted overtime expenses will be offset by additional positions added largely to the Jail Management division and will not exceed budget/plans amounts, a significant reduction has been made to the 2013 budget. A plan has not been submitted to the ECFSA on how the overtime reduction will be managed other than simply adding staff; and
- (3.) Forecasts for medical insurance spending have been reduced significantly from previous versions of the Plan. While forecasts appear achievable, there is very little margin of error; and
- (4.) In addition to the 2013 fiscal year assuming the use of \$5.4 million in Fund Balance; the Plan assumes additional usage of fund balance of \$5 million in 2014 and \$2 million allocated in 2015 as proposed gap closers; and
- (5.) Given the CSEA (the County’s largest labor union) and the County are at an impasse, legislation has been filed with the Erie County Legislature to impose a contract settlement for the first year succeeding the end of the prior agreement-2007. No funds have been budgeted for salary increases or settlements for labor unions that do not have contracts that are currently in effect; and
- (6.) The reduction of the risk retention fund by \$2.9 million in 2013 may be problematic given the historical payout from this account; and

WHEREAS, the ECFSA has nonetheless determined that the 2013-2016 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2013 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 2013-2016 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 2013-2016 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.

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James Sampson,  
Chairman

Date: February 19, 2013