

Erie County Fiscal Stability Authority

Resolution No. 17-11

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 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 proposed budget for Erie County (the "County") for fiscal year 2017 on April 19, 2017, and a four-year financial plan for fiscal years 2017-2020, to the ECFSA on April 19, 2017 (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 May 3, 2017, 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, the county has recognized \$60.3 million in liabilities associated with IGT payments and put forward a plan to close the resulting gap. The ECFSA is looking to the County to internally and cooperatively manage the proposed gap-closers; 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 reported that 2016 sales tax revenues are \$5.6 million under budget. Thereby lowering expectations for subsequent years.; and
3. Although overtime expenses are improving, they did not meet 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, despite the issues previously issued, the county budget and Plan are achievable through internal management processes and cooperation among county leaders; 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 and that the county budget and the Plan are achievable; 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.

James Sampson,
Chairman
Date: May 3, 2017