Erie County Fiscal Stability Authority

Resolution No. 17-25

FINDING THAT ERIE COUNTY'S 2018-2021 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 2018 on October 13, 2017, and a four-year financial plan ("Plan") for fiscal years 2018-2021, to the ECFSA on October 13, 2017 (the "2018-2021 Plan"); and

WHEREAS, fiscal years 2019 through 2021 constitute the "Out Years" of the 2018-2021 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2018-2021 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 2, 2017, whether the 2018-2021 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 2018-2021 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 adjusted its 2018 budget and associated financial plan to reasonably reflect anticipated county liabilities to ECMC. However, given ECMC's contractual relationship with ECMC 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 prior years' overestimations, attention to sales tax revenues is important. The county has reduced sales tax revenues in the current version of the plan to a more 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. The county has extended its use of vacancy savings through the period of the financial plan and increased the amount for 2018 reducing its arsenal of alternatives to address potential other shortfalls; 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 increased its use of fund balance as a revenue source to balance its budget and plan, designating "special" fund balance related to an ECMC borrowing transaction. The continued proposed use of fund balance reduces the county's reserves and indicates a structural imbalance between recurring revenues and expenses.

6. 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.

7. For the 2018 budget, the county is assuming the addition of 51 new full-time positions across all funds. Over the last 4 years, the county has added 131 full-time positions. Adding a significant number of positions increases the county's salary and fringe benefit base and creates a fixed cost for the county moving forward.

WHEREAS, the ECFSA has nonetheless determined that the 2018-2021 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2018 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 2018-2021 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 seven 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: October 24. 2017