

Erie County Fiscal Stability Authority

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

James Sampson,

Chairman

Date: December 18, 2020