

Erie County Fiscal Stability Authority

Resolution No. 22-16

FINDING THAT ERIE COUNTY'S 2023-2026 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), "not 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 2023 and a four-year financial plan ("Plan") for fiscal years 2023-2026 based on the adopted budget, to the ECFSA on December 12th, 2022 (the "2023-2026 Plan"); and

WHEREAS, fiscal years 2024 through 2026 constitute the "Out Years" of the 2023-2026 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2023-2026 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 27, 2022 whether the 2023-2026 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 2023-2026 Plan; and

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

1. A forecasted slowing economy, discontinuance of federal pandemic subsidies and a high inflation environment place financial strains on Erie County (as well as other local governments) to provide services in a higher need environment, at a higher cost with potentially fewer resources to draw upon; and
2. With regard to the Erie County Medical Center Corporation (ECMCC), the county has crafted its budget and associated financial plan to reasonably reflect currently anticipated county liabilities to ECMC. However, given increases of \$9.1 million for 2023 and \$12.4 million in hospital related

spending over the 4-year period, as compared to the 2022 adopted version of the financial plan, there is a potential for further required hospital spending that could negatively impact the county's financial position; and

3. Given the order of magnitude of sales tax revenues (33% of budget) and the regression to the mean, after almost two years of unprecedented increases, there is a concern that sales tax revenues may not only slow, but may take a downturn over the period of the financial plan; and
4. Every 3 years, the county's 1.75% sales tax must be reauthorized by a vote of the county legislature and New York State. The county has never failed in this reauthorization process, due to the responsible action of county and state leaders. The ECFSA has assumed reauthorization of this revenue, totaling \$1.12 billion over the 2024-2026 period in its assessment of the county's financial plan; and
5. National analysts are forecasting a softening in the real estate market that could have a negative impact on the county's ability to increase its tax levy to fund necessary and desired services, without increasing the tax rate and placing a burden on those paying for the services the county provides; and
6. As of the writing of this report, the county is showing a significant overage in its overtime expense for 2022, centered in the Jail Management Division and Sheriff's Office. The county has increased its staffing in the general fund by 105 positions in 2023, 57 of them in the two divisions that are responsible for most of the county's overtime, with the intent of improving work conditions and containing overtime costs. This initiative bears watching over time to determine whether the intended outcome matches program results; and
7. As the local sponsor for SUNY Erie College, the county provides almost \$20 million per year in financial support to the institution. The College has experienced precipitous enrollment decreases over the last 12 years. The decline is expected to continue, thereby making the college's long-term financial health untenable. In the college's transition to a sustainable educational and business model, the county may be called upon to provide increased operational and capital support, which could create fiscal pressure for the county's own budget; and
8. The county has retained vacancy savings as a budgeted savings in its 2023 budget and associated financial plan. Given ECFSA's monitoring of vacancy savings, those estimates are reasonable. However, maintaining this budgeted savings removes position vacancies as a potential gap filler if the county encounters unforeseen financial issues in the future;

WHEREAS, the ECFSA has nonetheless determined that the 2023-2026 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2023 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 2023-2026 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 six 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 16, 2022