

Erie County Fiscal Stability Authority

Resolution No. 23-15

FINDING THAT ERIE COUNTY'S 2024-2027 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 2024 and a four-year financial plan ("Plan") for fiscal years 2024-2027 based on the adopted budget, to the ECFSA on December 12th, 2023 (the "2024-2027 Plan"); and

WHEREAS, fiscal years 2025 through 2027 constitute the "Out Years" of the 2024-2027 Plan; and

WHEREAS, Public Authorities Law section 3957(1) requires that the 2024-2027 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, 2023 whether the 2024-2027 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 2024-2027 Plan; and

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

1. Due to higher interest rates and a tighter credit market, in the short term, the Congressional Budget Office (CBO) expects economic growth to slow for the rest of 2023, with somewhat of a rebound in 2024 and 2025. Correspondingly, the CBO expects real consumer spending to weaken as unemployment rates and diminished accumulated savings causes consumers to pull back on spending. These economic forecasts could provide challenges for the county in that its largest single revenue source (sales tax) is contingent upon consumer spending and the health and human services programs the county provides could be negatively impacted by these outside economic forces; and

2. Post-COVID, both federal and state governments are looking to reduce (or at least stem increases in) spending. Given counties unique position in New York State, providing health and human services programs as agents of the state, Erie and its peers may be looking at increased program spending without significant corresponding federal and state support.
3. 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 \$8.8 million for 2024 and an increase of \$69.3 million in hospital related spending over the 4-year period, as compared to the 2023 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
4. National analysts are forecasting a softening in the real estate market that could have a negative impact on the county's future 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
5. As of the writing of this report, the county is showing a significant overage in its overtime expense for 2023 at 76% over budget, centered in the Jail Management Division and Sheriff's Office. The county has increased its overtime budget, but not to the order of magnitude of the current overage. The county appears to assume overtime reduction programs will reduce this expense. These initiatives bear watching to determine whether the intended outcome matches program intent; and
6. 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 college, though a series of painful layoffs and budget reductions, improved its financial condition for the period of the financial plan, but these actions have served to only buy SUNY Erie time to reinvent itself. In the college's transition to a more 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
7. The county has retained vacancy savings as a budgeted savings in its 2024 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 2024-2027 Plan contains actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan – including budget year 2024 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 2024-2027 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 18, 2023