County of Erie
MARK C. POLONCARZ
COMPTROLLER

June 13, 2011

Erie County Fiscal Stability Authority
295 Main Street, Suite 946
Buffalo, NY 14203

Re: Revised Four-Year Plan 2011-2014

Dear Authority Members:

Upon reviewing the revised Four-Year Plan 2011-2014 (the "Plan") which was submitted to the Erie County Fiscal Stability Authority on May 31, 2011, I write to express concern about a number of items detailed within the document.

The revised Plan shows no gaps in the out-years, 2012-2014; however, once again, as I have stated in previous years, the items presented as potential gap closers are not delineated in any detail or meaningful quantification and are vague at best.

3 percent sales tax growth:

This Plan relies heavily on the assumption that sales tax will grow at a rate of at least three percent (3%) annually, stating that "forecasting 3% growth going forward is a conservative estimate." In recent years, sales tax growth has been especially volatile. The last year Erie County experienced a greater than 3% growth was 2007, and the County has not averaged 3% growth per year over a four year period since 2005-2008. Furthermore, over the past 10 years (2001-2010), sales tax growth has averaged 2.052%, leading our office to believe a 3% increase per year is not a conservative estimate, but rather it is overoptimistic.

Elimination of 300 jobs based on attrition and Six Sigma savings:

The county executive's Plans calls for the elimination of 300 positions (183 vacant and 117 filled) translating to an estimated savings of $9.5 million in 2012. The FY-2011 Budget eliminated 410 (190 vacant and 220 filled) positions leading to a savings of $11.25 million. Based upon the number of positions eliminated in 2011 and the realized savings, our office has estimated the potential savings for 2012 would range from $7.46 to $9.15 million. However, without further detail regarding the exact positions the county executive plans to eliminate, it is difficult to substantiate claims that the elimination of 300 jobs in 2012 will lead to $9.5 million in savings as noted in the Plan. Furthermore, we believe alleged savings through Six Sigma are not supportable by the data provided by the administration and are inflated or non-existent.

Fringe Benefits:

After an increase of about $2.4 million from 2010 actual to 2011 budgeted for unemployment insurance expenses, to account for the elimination of 220 filled positions in the FY-2011 Budget, we question why there is no provision for increased unemployment insurance expenses for 2012. Taking into account employees who were eliminated in 2011 as well as the 117 new deletions anticipated for 2012, our office believes the Administration should increase its 2012 projected unemployment insurance expense by at least $1.4 million.

Sheriff and Department of Public Works auto equipment purchases:

The Administration plans to institute a program that will eventually replace all Sheriff's patrol vehicles and the Department of Public Works' small pick-up trucks annually, claiming that this annual purchase program will enable the County to save on maintenance and service expenses because they will be covered by a manufacturer's warranty.

This office is skeptical of this proposed program. Typically new vehicles' values depreciate 15% to 20% in the first year. Taking into account the high mileage and workload that Sheriff's patrol vehicles endure each year, vehicles will likely lose a greater amount of their value in the first (and only) year before trade-in. While a savings in service, maintenance and repair costs might be realized, we question whether those savings will exceed the costs associated with purchasing new vehicles annually, even taking into account trade-in values.

Before the Administration's intended annual vehicle purchase program is implemented, our office recommends that a thorough cost-benefit analysis be completed taking into account existing vehicles' service and maintenance expenses, coupled with the costs associated with purchasing vehicles after their useful life, as opposed to purchasing a new fleet of vehicles annually. In addition, we question whether one or more similar annual vehicle purchase programs exist in other counties throughout New York State (or other states in which vehicles/equipment is subject to similar use and conditions) and are interested in knowing level of cost-effectiveness, efficiency and community efficacy.

Appendix A, General Obligation Bonds:

Regarding Appendix A, the Schedule of General Obligation Long-Term Debt, the stated change in long-term debt since January 1, 2007 is greatly overstated. The actual general obligation bonds outstanding for 1/1/07 should be $460.8 million, not $562.2 million as presented because $101.375 million is an ECMCC bond guarantee which will be paid through a subsidy. Therefore, the Administration is not lowering the long-term debt by its stated amount of $190 Million; rather, the debt is being reduced by $89.01 million from 2007-2014, $76.94 million of which is projected from 2011-2014.

Further analysis reveals that from 1/1/07-1/1/08 debt decreased by $37.26 million, from 1/1/08-1/1/11 debt increased by $25.18 million, and it is projected that from 1/1/11-1/1/14 debt will decrease by $76.94 million. Our office questions the Administration's incorporation of the $37.26 million debt decrease into the Schedule of General Obligation Long-Term Debt because this was prior to the current county executive's tenure in office.

Appendix B, Fund Balance Operating Fund:

Two items, Reversal of Pension Payment Reserve and Reversal of ETCC Receivable Reserve, are inappropriately being taken into account in the Restated Undesignated Fund Balance. In accordance with GASB rules, Erie County ended FY-2010 with an audited Undesignated Fund Balance of $66.9 million. Subsequent additions, as presented in the Plan, may not be included. Therefore, the Restated Undesignated/Unreserved Fund Balance should be $66.9 million, not $73.49 million, translating to an estimated 12/31/14 Undesignated Fund Balance of $73.89 million (not $80.47 million).

Additionally, it is important to note that the Plan uses 2011 Operating Expenditures to calculate the 5% Erie County Charter requirement. More appropriately, 5% of **2014** Operating Budget Net of Shared Sales Tax is $54.69 million and, by extension, the recommended Estimated 12/31/14 Undesignated Fund Balance is $19.2 million, not $29.3 million (i.e., $10 million less than stated in the Plan).

Lastly, the administration uses the assumption that Erie County will have an estimated $10 million surplus for 2011. It is important to note that $8 million of the estimated surplus is derived from an additional approximate $8 million in property tax levy in 2011 and still subject to a pending court ruling.

Please take my stated concerns into account as you decide to approve the revised Four Year Plan. Please do not hesitate to contact me with any questions.

Sincerely yours,

Mark C. Poloncarz, Esq.
Erie County Comptroller

MCP/mdc

cc: Hon. Christopher C. Collins
Gregory G. Gach