COUNTY OF ERIE

MARK C. POLONCARZ
COUNTY EXECUTIVE

January 7, 2013

Honorable Stefan I. Mychajliw Jr.
Erie County Comptroller
95 Franklin Street, 11th Floor
Buffalo, New York 14202

RE: Erie County's Cash Position

Dear Comptroller Mychajliw:

Thank you for your letter dated January 4, 2013, reiterating to the Division of Budget and Management ("Budget") that, in working together with your office, the leadership team of Erie County Medical Center Corporation ("ECMCC") and the New York State Department of Health, we have received a verbal agreement to delay the $15 million Intergovernmental Transfer ("IGT") payment, originally scheduled for January 8, 2013, until March 12, 2013 in order to prevent a negative cash flow situation.

As you know, as part of the Third Quarter Financial Report (for the nine month period ended September 30, 2012), issued on November 8, 2012, the Comptroller's Office projected a 2012 Year-End cash balance of $33,493,320. It was not until a meeting with then-Comptroller David Shenk, then-Associate Deputy Comptroller Erich Weyant and then-Director of Grant Accounting Services Gregory Gach (now serving as your Deputy Comptroller – Accounting) held on December 26, 2012 that Budget was informed that the Comptroller's Office believed they may have erred in their cash flow projections and the 2012 Year-End cash balance would likely be substantially lower than previously indicated.

This was of significant concern to Budget because of the massive and seemingly sudden change in the County's cash position, absent any other known material fiscal events affecting the County. We were similarly alarmed by the lack of warnings or notification from the Comptroller's Office, including by Mr. Gach who was responsible for cash flow projections for the Comptroller's Office throughout 2012.

However, at that December 26th meeting, the Comptroller's Office and Mr. Gach did not quantify an exact dollar figure for the County's cash position. Budget became aware of the true cash balance when you sent a letter on January 3, 2013 reporting that the County ended 2012 with a $9.6 million cash balance, not the $33.5 million indicated in the Third Quarter Report or the $41 million you have indicated that the Comptroller had subsequently anticipated.

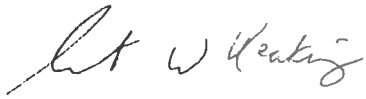
Budget shares your office's concerns regarding the lower than expected cash balance and we trust that in the future, your office will work cooperatively with Budget on fiscal matters, especially given that under Section 1802 (l) of the Erie County Charter ("Charter"), cash flow statements and monitoring is exclusively the prerogative and responsibility of the Comptroller's Office and is not a function of the Division of Budget and Management.

As noted in my previous correspondence dated January 3, 2013, I would ask that you please keep Budget updated as you prepare new cash flow projections so that we may avoid discrepancies or surprises in the future. To that end, I am formally requesting that your office provide monthly cash flow projections to Budget and the Office of the County Executive within ten business days of the close of every month pursuant to Section 1802 (n) of the Charter, which requires the Comptroller "Provide the director of budget and management, the finance commissioner, and the county executive with . . . information on the monthly cash flow statements, and other reports as required, in accordance with time guidelines established by the budget director."

In the meantime, if your staff is in need of any assistance with monitoring cash flow, please do not hesitate to contact me.

Again, thank you for your assistance in a speedy resolution to this matter and I look forward to working with you cooperatively in 2013.

Sincerely,



Robert W. Keating, Director
Division of Budget and Management

RWK

cc: Honorable Mark C. Poloncarz, Erie County Executive
Erie County Legislature
Erie County Fiscal Stability Authority