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COUNTY OF ERIE

DAVID J. SHENK
COMPTROLLER

November 29, 2012

Honorable Members
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, NY 14222

Re: Analysis of the Minority and Majority Caucuses' proposed amendments ("Amendments to Comm. 18E-3") to the Proposed 2013 Erie County Budget

Dear Honorable Members:

This correspondence is in response to the two sets of amendments presented separately by the Erie County Legislature's majority and minority caucuses on Wednesday, November 28, 2012 to the Finance and Management/Budget Committee and deliberated at the Finance and Management/Budget Committee's meeting.

The Minority Caucus, through its set of amendments, proposes to delete more than $8.5 million in expenditures from the Proposed 2013 Erie County Budget ("Proposed FY 13 Budget") including:

- Complete elimination of $3 million in proposed funding for the County Department of Law's Risk Retention Fund
- Reduction of $812,750 (10%) in proposed funding for the Sheriff's Division of Jail Management's ("Jail Management") budgeted Overtime expense and reduction of $100,000 (40%) in proposed funding for the Department of Public Works' Division of Buildings and Grounds' budgeted Overtime expense
- Reduction of $1,802,203 in proposed funding for Jail Management's budgeted Fringe Benefits expense and $347,418 in proposed funding for the Department of Public Works' Division of Buildings and Grounds' budgeted Fringe Benefits expense
- Nearly 300% reduction in the Countywide Budget's Reduction-Personal Services Account
- Reduction of $1,923,116 (>4.3%) in expenditure for the Department of Social Services' ("DSS") Safety Net Assistance program and a reduction of $501,114 (>4.3%) in related State Aid (revenue) related to the Safety Net Assistance program

The Minority Caucus's proposed set of reductions is a substantial concern. If the proposed set of amendments is incorporated into the budget for fiscal year 2013, then the budget will not be structurally sound; i.e., the expenditure estimates will not be reasonable and appropriate for all five of the aforementioned (bulleted) areas. Further, if the amendments are incorporated, then the Erie County Fiscal Stability Authority ("ECFSA") may impose a control period on Erie County due to insufficient funding for the mandated expenditures in FY 2013 and the funding gaps in the out-years 2014-16.

With respect to the Risk Retention Fund, which currently has a balance of approximately $2.5 million, the six year (2006-11) average of disbursements from this fund was $3.86 million (average of approximately $322,000 per month) and approximately $2.5 million has been disbursed in 2012 YTD (average of approximately $227,000 per month). Holding to my assertion in my comprehensive review dated November 5, 2012, I recognize the practicality of reducing the proposed $3 million in funding; however, funding should not be completely eliminated in the FY 13 budget. It will be prudent to allocate at least $1.75 million to the Risk Retention Fund in the FY 13 budget, in addition to carrying forward the FY 12 remaining balance.

With respect to the Minority Caucus's proposed reductions to Jail Management's and the Department of Public Works' Division of Buildings and Grounds' overtime expenses and fringe benefits expenses, the reductions are unfounded.

With respect to overtime for Jail Management, as stated in my comprehensive review dated November 5, 2012, this matter continues to be a concern. Through October 31, 2012, overtime in Jail Management exceeded the Division's entire allocation for FY 12 by $373,200, and the FY 13 Proposed Budget contains the same amount as the 2012 Adopted Budget of approximately $8.13 million.

November YTD overtime in Jail Management has decreased by 4.9% from 2011 actual amounts and is currently $1.54 million over budget. If this trend continues for an additional month, this account will be over budget at YE 2012 by more than $2.4 million. Also, if all 33 guards begin work on January 1, 2013, then we estimate the 2013 overtime expenditures to be a little higher than the 2013 Proposed Budget amount of $8.13 million.

Regarding overtime expense for the Department of Public Works' Division of Buildings and Grounds, 2012 overtime appears to be on-track at $250,000, or about $20,000 less than the 2012 Adopted Budgeted amount of $270,000 at FY 12. The Proposed FY 13 Budget of $250,000 is consistent with expected actual results for 2012. Therefore, the Minority Caucus's 2013 proposed amount of $150,000 is unreasonable.

Considering the Minority Caucus's proposed reductions to Fringe Benefits expenses, the caucus proposes to reduce fringe benefits by a total of nearly $2.15 million. My comprehensive review solely identifies potential savings in the Health Insurance category. Presuming these

cuts are related solely to Health Insurance, the projected increase from 2012 projected actual to the Minority Caucus's proposed amendments would only be 4.89% which is far less than the 7.7% LMHF rate increase.

With respect to the proposed substantial increase to the Countywide Budget's Reductions-Personal Services Account, although not including this provision in the budget would provide the most conservative approach, the $600,000 amount that has been proposed by the County Executive appears reasonable. The Budget Office needs to closely monitor the time between when vacancies occur and the time positions are filled to ensure this target is reached. If the Minority Caucus's savings are adopted, which are nearly 300% greater than the proposed amount, then positions will need to remain vacant for longer periods of time to achieve the target and would lead to more overtime usage to properly deliver mandated services to the County's constituents.

The proposed 4.3% reduction in appropriations for the mandated DSS Safety Net Assistance program appears unreasonable.

The Majority Caucus, through its set of amendments, proposes to cut a total of approximately $907,000 from the Department of Law's Professional Services Contracts and Fees and Risk Retention Fund, with $800,000 deducted from the Risk Retention Fund. Concurrently the Caucus proposes to reapportion the funds to seven County departments and entities including reestablishment of the Director of Grant Accounting Services position in the Comptroller's Office (at Step 1), increase a total of $524,000 in expenditures to four of the County's departments and programs, allocate a total of $69,000 more to seven cultural organizations, and increase the allocations to the County Clerk-Registrar's Overtime expense and Public Works' Division of Buildings and Grounds' Professional Services Contracts and Fees, respectively.

While the sum total of the Majority Caucus's proposed revisions amount to less than $1 million, my office and I question whether it will be prudent to allocate an additional $69,000 to cultural organizations when funding in the Proposed FY 13 Budget is 2.73% more than the County funded in the 2012 Adopted Budget and 20.75% greater than 2012 Proposed Budget.

It may be more sensible to keep the $69,000 amount in the Law Department's Risk Retention Fund.

As the Chief Financial and Fiscal Officer of Erie County, I have to ensure the County's operating budget is structurally sound and reasonable. I continue my mission to guard the community's long-term fiscal health and to safeguard the taxpayer's money.

If you have any questions or concerns regarding this correspondence, please contact me at 858-8404.

Sincerely,

David J. Shenk
Erie County Comptroller

DJS/nr
Enclosure

Cc: Mark C. Poloncarz, Esq., Erie County Executive
Robert W. Keating, Director, Budget and Management
Erie County Fiscal Stability Authority