



**COUNTY OF ERIE**  
**STEFAN I. MYCHAJLIW**  
**COMPTROLLER**

February 5, 2013

Mr. Robert Keating  
 County of Erie  
 Director of Budget & Management  
 95 Franklin Street 16<sup>th</sup> Floor  
 Buffalo, New York 14202

Re: Your letter dated February 4, 2012 County cash Flow

Dear Mr. Keating:

I received the above letter and would like to point out numerous incorrect assumptions you made. We have drastically improved the reporting to you this year by sending weekly reports to you detailing the inflows and outflows of cash. These have been forwarded to you in addition to the annual 2013 projected cash flow that was sent to you on January 10, 2013.

Instead of monthly reports, you are being given weekly updates, far more than what then Comptroller Poloncarz provided current Congressman and former Erie County Executive Chris Collins. Under the leadership of Comptroller Stefan I. Mychajliw, our office has greatly expanded the level of collaboration with the administration by giving you weekly updates, not monthly updates that then Comptroller Poloncarz gave.

The annual cash flow projected a month-end January cash balance of \$13,874,462. The weekly cash flow dated January 25, 2013 indicated a bank balance of \$13,480,178.58. The weekly cash flow dated February 1, 2013 did indicate a bank balance of (\$275,165.20). As the February 1, 2013 noted payroll and vendor checks were released on February 1, 2013 totaling \$15,300,095.23. Our end of day January 31, 2013 cash position was \$18,915,726. This as you will note is in line with the projection provided to you on January 10, 2013 for month end January.

The difficulty lies in your office's basic misunderstanding of cash flows. At this time of year the County is historically low on its cash balances. However, we monitor that cash flow daily and are comfortable that we have the resources to meet all of our payments through February. In fact today we deposited over \$7,000,000 in checks.

Since you're getting weekly, not monthly cash flow updates, and you have all of the information at your disposal at a far greater rate than what then Comptroller Poloncarz provided, your characterization that "This wild swing is troubling, as is the suddenness and late nature with which your office alerted me" is, quite frankly, bizarre.

The Charter requirement is that our office provides you with monthly cash flows by the 10<sup>th</sup> of the next month. We are meeting that timetable. In addition, we are sending you a weekly recap of all cash activity. Unless you want to be physically present in our cash investment section I do not know how we can make you aware of our cash situation any sooner.

As I noted on January 31, 2013 our bank cash balance was \$18,915,726, the next day \$15,300,095.23 in checks were released along with various other cash transactions resulting in the bank balance as of end of day February 1, 2013 being \$275,165.20. The weekly activity sheet was sent to you on the morning of February 4, 2013, the next business day.

As you noted we will be receiving a sales tax distribution later this week that will enable us to meet short term cash needs of the County. We will be updating the 2013 cash flow and will be sending to you later this week. As you noted in your letter we have noticed a slow down in State reimbursements but expect that will be offset by property tax receipts this month and next.

If you need any further explanation I suggest you pick up the phone and ask. This is the second time your office could have prevented providing incorrect information by simply giving me a ring.

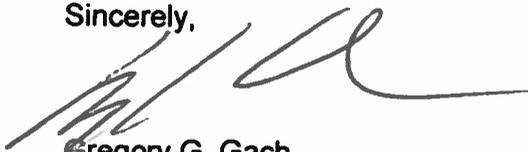
By responding to numerous letters from your office, it gives us further opportunities to highlight the precarious fiscal position Erie County is now in because your administration spent most the additional \$35 million in RAN borrowing/revenue in 2012, even though you kicked the can on the \$29 million IGT payment to 2013. We still don't have an answer as to what the administration did with the money, and how you were planning on making the payment in 2013.

This is the equivalent of a college student taking out a loan in the summer, blowing all the money on a big screen television, computers, and vacations, then not having any money left when the tuition bill is due.

Initial projections also show Erie County must borrow at dangerously high levels not seen since the Red/Green budget crisis: potentially \$110 million in June 2013.

In conclusion, I would be more than glad to provide your office with a "Cash Flow 101 Crash Course" which could clear up your confusion concerning this issue. We are glad to help in any way we can.

Sincerely,



Gregory G. Gach  
Deputy Comptroller

Cc: Stefan Mychajliw, County Comptroller  
Mark Poloncarz, County executive  
Erie County Legislature ✓  
Erie County Fiscal Stability Authority