

Erie Co. Fiscal Stability Authority



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February 8, 2011

Hon. Barbara Miller-Williams
Chairwoman
The Erie County Legislature
92 Franklin Street - 4th Floor
Buffalo, New York 14202

Dear Ms. Miller-Williams:

Re: Erie County Fiscal Stability Authority
Four-Year Plan

At our luncheon meeting last spring, we discussed the Authority's intention to foster more dialogue with the County Executive and Legislature to take full advantage of the advisory powers of the Authority and its expertise. As a result, and in conjunction with the Authority's review of the County's four-year plan, I sent a letter to Mr. Collins on January 21 requesting his thoughts about a number of potentially troubling issues during the out-years, (i.e., 2012-2014) of the four-year plan.

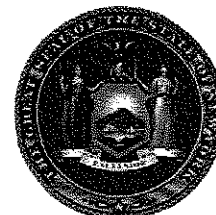
Mr. Collins shares many of the concerns we identified in our letter to him. For example, the limited flexibility for cuts of non-mandated budget items; the overwhelming mandates currently imposed by the state; and the possibility of a property tax cap currently being advanced by the Cuomo administration. These factors, among others, if accompanied by a downturn in sales tax or property tax revenues, may cause a significant financial problem for the County in the out-years. While we certainly understand that it is difficult to predict with any certainty what will occur no sooner than two years from now and thereafter, the Authority believes the Legislature needs to think about the alternatives and what County government will look like should these conditions unfortunately occur.

While the County Executive and Legislature have shown a willingness to impose significant personnel and spending cuts in response to the current economic conditions, the likely absence of any state or federal aid in the out-years will undoubtedly negatively impact the County's ability to remain financially strong. Moreover, the constraints imposed by

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overwhelming state mandates and the attendant lack of controllable budget items places even more pressure on County elected officials to carefully manage the budgeting process and spending.

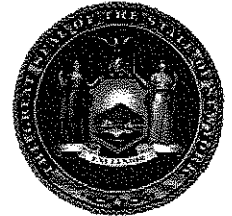
The Authority is seeking the Legislature's views on a number of questions and concerns relative to the out-years of the four-year plan. We would welcome the opportunity to meet with you, other members of the Legislature or any committees you deem appropriate to discuss our concerns and how the Authority can assist the Legislature.

With this in mind, the Authority would pose the following questions and concerns for your consideration:

- While revenue projections in the out-years of the current four-year plan are, of course, incapable of precise estimation, does the Legislature have an opinion about the reliability of four-year plan projected revenues from sales tax and from property taxes over the next several years? If so, what is the basis for the Legislature's opinion and has the Legislature identified any more realistic figures as a result of its analysis?
- The County Executive has indicated that tax increases may be required in the out-years to balance Erie County's budget. The County clearly has significant taxing ability within its statutory limits. There is a proposal in Albany, however, currently being advanced by the Cuomo administration to impose a real property tax cap that, if enacted, would impact Erie County's ability to increase its tax levy. While we are uncertain about whether that legislation will pass or not, it is clearly a focus of the current administration. Has the Legislature considered the impact of a tax cap and how future budget deficits will be addressed if the County's taxing authority is constrained?
- The 2011 budget, approved by the Legislature, eliminates 200 unfilled positions and enacted cuts of an additional 200 or so filled positions. Personnel is clearly one of the non-mandated areas where the County Executive and Legislature generally have the ability to impose cuts. If further job cuts are contemplated or necessary to close 2012 and out-year deficits, has the Legislature given any thought about how those cuts should be imposed; e.g., "across the board" or by specific departments, etc.?



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- Under the budget only about \$84 million or so is non-mandated and capable of ready management by the County's elected officials. Aside from job cuts, has the Legislature considered other areas of expense savings in the budget for 2012 and beyond that it could recommend to the County Executive or impose by way of legislative budget cuts in any budget that is presented for approval? Also, has the Legislature considered in any way whether there are efficiencies in the execution of mandated budget items that could result in expense savings to the County? Are there any long-term efficiency plans that the Legislature could recommend to the County Executive, Comptroller, and County department heads that will have a significant impact on savings in the out-years?
- Depending on the outcome of current litigation, there could be an additional \$8 million to \$9 million shortfall each year resulting from the Legislature's action toward the end of the budget process. With this in mind, has the Legislature considered how the shortfall will be addressed in the near-term and over the next several years?

The Authority is pleased by the willingness of County officials to address job cuts, to borrow more efficiently, and to carefully scrutinize the four-year plan; however, there is justifiably still a serious concern about the out-years. Accordingly, the Authority, even in its advisory capacity, believes it needs to timely solicit the views of the County Executive and Legislature about some of the more important issues that will dramatically affect the County's fiscal strength over the next several years.

In short, the Executive and Legislature have shown a willingness to take difficult but positive steps toward ensuring the County's financial solvency. To stay ahead of potential problems, however, and to avoid the "last minute thinking" that resulted in the County's prior fiscal crisis in 2005, the Authority believes it must be satisfied not only with the forecasts under the four-year plan, but also with the contingency plans and contingency thinking of both the Executive and Legislature.

The Authority has committed while in its advisory capacity to work with the Legislature, the County Executive and the Comptroller. This has resulted in some excellent results benefiting the tax payers of Erie County. The Authority believes that a continuing dialogue about the out-year issues and a frank discussion of the alternatives is appropriate and necessary to ensure that the Authority is carrying out its statutory mandate and can remain in an advisory capacity. Accordingly, we look forward to hearing from you and your colleagues about



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the issues identified in this letter. The expectation is, that working together, we can collectively determine what is the best path for the County and its citizens while maintaining the Authority's advisory status. We hope you feel the same.

Thank you, and we look forward to hearing from you, and we would appreciate your thoughts concerning how you would propose the legislature response to our questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Daniel C. Oliverio".

Daniel C. Oliverio

DCO/jlb