



COUNTY OF ERIE

CHRIS COLLINS

COUNTY EXECUTIVE

July 25, 2011

The Honorable
Erie County Legislature
92 Franklin Street – 4th Floor
Buffalo, New York 14202

Honorable Members:

For the 13th Session of the Erie County Legislature on June 16, 2011, the Erie County Comptroller submitted a resolution requesting authorization for his office to issue Revenue Anticipation Notes (RAN) on behalf of Erie County for an amount not to exceed \$90 million. As such, I submitted a Declaration of Need, Comm. 16E-3 (2011), requesting authorization for the Erie County Fiscal Stability Authority (ECFSA) to issue the financing for the County's short-term borrowing needs.

I am pleased that the Comptroller recognizes the County's improved financial condition achieved under my Administration, as evidenced by the Comptroller's staff comments that the County may qualify for a MIG 1 (best quality) rating. There are four rating categories for short-term obligations that define an investment grade situation. These are designated Moody's Investment Grade as MIG 1 (best quality) through MIG 4 (adequate quality). Short-term obligations of speculative quality are designated SG.

That being said, the Comptroller Office's allegations that the Declaration of Need for the ECFSA to issue the RAN precludes that office from issuing a Request for Proposals (RFP) to gauge the market are simply not true. At any time, the Comptroller may issue an RFP and approach Moody's for a MIG rating. In addition, the Comptroller employs First Southwest as its fiscal advisor on these matters and they should be capable of advising the Comptroller.

In addition to the MIG rating the market also takes into account the underlying bond rating assigned to the municipality for long-term obligations. The County's recalibrated Bond rating from Moody's is A2, while the ECFSA's rating is Aa1, four ratings higher than the County's.

If the County were to receive a MIG 1 rating, there would still be an economic advantage to have the ECFSA issue the RAN. For example, Rockland County, A1/MIG 1 rated, recently issued a \$45M RAN at 1.38%. Roosevelt & Cross, the ECFSA underwriter, estimated that the County

could issue the \$90 million RAN at 1.57% all in cost. Westchester County, Aaa/MIG 1, recently issued a \$50M TAN at 0.45% which is in line with the ECFSA estimated rate of 0.61% all in cost if they issued the RAN on behalf of the County. These rates are consistent with Roosevelt & Cross's estimate, as stated yesterday at caucus, of a \$600,000 to \$900,000 savings from the ECFSA issuing the RAN in lieu of the County.

Unfortunately, the Declaration of Need was not approved, and instead was sent to committee for further discussion by a slim 8-7 vote. This irresponsible and short-sighted vote, if not rectified, will end up costing Erie County's hardworking taxpayers. Even if the County's MIG rating is upgraded to MIG 1, the ECFSA would be able to finance the County's borrowing needs at a more cost effective rate as Erie County's underlying bond rating would be used at the time of transaction. Allowing the Comptroller to issue the RAN on behalf of the County would cost taxpayers an additional \$600,000-\$900,000.

In order to save valuable taxpayer dollars, I strongly urge the Legislature to convene a special session and approve Comm. 16E-3 (2011).

Sincerely,

A handwritten signature in cursive script, appearing to read "Chris Collins".

CHRIS COLLINS
Erie County Executive