



COUNTY OF ERIE
STEFAN I. MYCHAJLIW
COMPTROLLER

May 15, 2013

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

Re: 2013 Cash Flow and RAN

Dear Mr. Keating:

The Office of Comptroller has numerous cash flow concerns based on a number of factors, including the anemic year-to-date growth in actual sales tax revenue compared to the Administration's projections.

I would like to meet with you as soon as possible this week to discuss the 2013 cash flow and sizing of the 2013 Revenue Anticipation Note ("RAN"). Initially our respected offices collaborated on a projected figure of \$110 million, subject to change in fiscal issues that may have impacted your budget since then.

The pre close April 2013 cash flow may need to be adjusted for a number of issues out of our control, including, but not limited to:

- Recent actual Sales Tax revenue trend of 0.23% growth first quarter 2013.
- If this year-to-date trend continued it would create a \$14.4 million hole in this year's budget. Our office will continue to closely monitor this very volatile revenue source.
- Recent DSS increasing caseload trends
- Advances for Ralph Wilson Stadium work and timing of sale of bonds for that capital project
- Adjustments made to the cash flow earlier in the year, upon your advice, that may need revisiting
- The administration's planned designations and reserves of 2012 fund balance that will impact 2013 cash
- Any other trends that you are aware of that may impact the 2013 cash flow

Our goal is to file the RAN authorizing resolution with the County legislature by Tuesday, May 21st, 2013. This date has been chosen to be prepared in the event that we need financial resources next month, in June. I have requested Connie Cahill, the County's bond counsel, to prepare a resolution for filing the additional information I need to give her is the amount of the RAN.

We have a concern that increasing the already high RAN points to Erie County's:

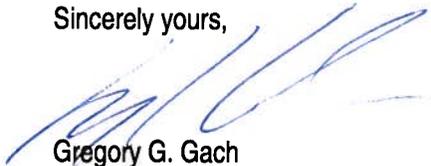
- Limited liquidity position
- Narrow cash flow projections for repayment at note maturity
- Economically sensitive sales tax revenue projections

As you can see from previous years going back to 1995, any increase in this year's projected RAN of \$110 million would make it the second highest borrowing level in almost 20 years. Erie County has not experienced RAN levels this high since the Red/Green budget crisis years of 2005 and 2006:

<u>Year</u>	<u>RAN Amount</u>	<u>Year</u>	<u>RAN Amount</u>	<u>Year</u>	<u>RAN Amount</u>
1995	\$80 million	2001	\$0	2007	\$75 million
1996	\$80 million	2002	\$43 million	2008	\$75 million
1997	\$80 million	2003	\$90 million	2009	\$65 million
1998	\$60 million	2004	\$82.5 million	2010	\$65 million
1999	\$0	2005	\$160 million	2011	\$65 million
2000	\$0	2006	\$110 million	2012	\$75 million

Please advise your earliest availability to meet this week to discuss this important matter. Our office is committed to working collaboratively to avoid the unfortunate and unnecessary situation we were in on the very first day of the year, where Erie County did not have enough cash in hand to pay bills.

Sincerely yours,



Gregory G. Gach
Deputy Comptroller

Cc: Erie County Legislature
Erie County Fiscal Stability Authority