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ERIE COUNTY LEGISLATURE

92 Franklin Street - 4th Floor
Buffalo, New York 14202

MINUTES

Citizens' Budget Review Commission meeting
Wednesday, July 10, 2013 at 3 p.m.

The meeting began at 3:03 p.m. All members were present.

PRESENT:
Willie Price
Gregory Olma
Edward Kumrow
Joseph Winter
Michael Otto
Scott Bylewski
Michael McFarlane
Thomas Earl Webb
Laythanette Shine
Jennifer Diagostino
Robert Mueller
Tim Callan
Jeremy Toth
Greg Gach

I. Welcome by Chair Betty Jean Grant

- She thanked the members for their service and encouraged them to attend next week's Mid-Year Budget Hearings.

II. Introduction of New Members

- The members went around the room and introduced one another.

III. Election of Officers

- **Chair:** Scott Bylewski spoke about his background. Nominations were closed. He was elected to Chair unanimously.
- **Vice Chair:** Willie Price spoke for several minutes about his background and why he wanted to run for Vice Chair. The nominations were closed. He was elected to Chair unanimously.
- **Secretary:** Jennifer Diagostino spoke about running for Secretary. Nominations were closed. She was elected unanimously.

IV. Approval of Minutes from Meeting #1:

- Motion made and seconded to approve the minutes.

- On the question, Scott Bylewski clarified his comment: "to amend that section of the law to see if we should be doing reports monthly or another time period."
- Minutes were approved unanimously.

V. Discussion of 2013 Budget Monitoring Reports

- **Tim Callan, Budget Office:** The 2014 budget is getting started next week. There's been an up and down movement of general fund budget ($1.1 billion after shared sales tax), considered "unremarkable" we shave a positive variance through May, some negative factors haven't changed:
  - Jail management overtime is over budget, negative trend
  - Correctional health overtime (mix of Teamster and NYSNA and contract nurses) - proposal in 2012 to upgrade pay for nurses, but Legislature did not vote to approve
  - Sheriff's overtime - including Bills game days, summer holidays, overtime always spikes in the summer
  - Safety Net program, required to provide by NYS, has experience a growth in case loads, more than what was provided for in 2013 adopted budget - Legislature cut appropriations, but not spending - Safety Net has consumed 46 percent of its budget in five months, usually goes up in the summer.
  - Sales tax through May, we are $3.2 million under budget on sales tax revenue. More sales tax numbers will be coming in tomorrow. It's our largest revenue at three times the size of our property tax revenue. Hopefully next year, we will get assessment growth for the first time in 10 or 11 years.

- Greg Olma: The tax levy went down, why is that?
- Tim Callan: In 2013, assessment had two problems, all top 10 taxpayers in Erie County filed challenges against their towns and Erie County historically never intervened. So all municipalities have been settling challenges to pay refunds for past years. The Legislature adopted $2 million less of levy. Legislature got rid of property tax increase.

- Scott Bylewski: Several questions from May BMR. He asked about ECMCC revenue and the intergovernmental transfer payments.
- Tim Callan: The county developed a credit mechanism last fall with ECMCC where the county pays it, then the hospital pays us back, until we have to pay them back in the future, to get temporary fiscal relief from DSH and UPL payments.

- Greg Olma: What's worst case number for 2015?
- Tim Callan: The big unknown is impact of Affordable Care Act which might get rid of DSH and UPL payments. The second factor is President Obama on mandating part-time employee health insurance. The credit mechanism was an idea to get us through until Affordable Care Act was put into effect. This agreement is in our four-year financial plan. There may have to be a successor agreement down the road depending on when the Affordable Care Act goes into effect.

- Greg Olma: Is there a rainy day fund to pay for this?
- Tim Callan: It's in our four-year plan. No, this is no reserve account for that.

- Scott Bylewski: In May BMR, "State Aid - Other" account line, what is it?
- Tim Callan: Scott will get him an answer at a later time.

- Ed Kumrow: When April BMR came out, he saw 3.7 negative variance in Social Services shouldn't that have accrued.
- Tim Callan: We discovered in May 2012 serious fiscal issues in Social Services with financial analyst semi-retiring and not having a successor. There was a $10 million accrual error, which was corrected. There was a new position created with Legislature approval to create financial analyst position in Social Services. The issues are being slowly fixed.

- Ed Kumrow: Rick Paulson has formulas for forecasting.

- Scott Bylewski: Is there a written plan to make sure that knowledge does become institutionalized?
- Tim Callan: We have required policies and procedures for how entries are made, what spreadsheets are used, etc., to be spelled out for the first time. There are lots of senior-level people with institutional knowledge who are close to retiring.

VI. Discussion of recent sales tax numbers

- **Greg Gach, Comptroller's Office:**
  - Under NYS law, only counties or cities can impose a sales tax, so we share it with cities, towns and villages based on a formula from 1976. City distribution is based on population. Town. village distribution on real property values and populations. Schools distribution based on average daily attendance (ADA).
  - There's a lag between a person buying something with sales tax included and it coming to the cities, towns and village and school districts. The state sends us estimates and prior period adjustments within the quarter. It's a moving target.
  - Sales tax goes all over the place. Tomorrow we'll get final numbers for May. It's not a science, it's an educated guess. The history in Erie County is that anytime there's a real fiscal crisis, raise sales tax. The flip side of having the second highest sales tax in the state is we have one of the lowest property tax in the state.

- Scott Bylewski: Does sales tax sharing agreement expire?
- Greg Olma: That agreement doesn't expire. It can only be reopened by cities or county, not towns or villages. The growing towns are clamoring for it because the big retail outfits are moving out of the city.

- Michael McFarlane: Is county affected by IDA programs for property taxes?
- Tim Callan: Two big factors hanging out there: Tecumseh Redevelopment, owner of Bethlehem Steel Site, county is building a road and water lines for Welded Tube to develop that site. Tecumseh has been fighting their assessment of the property with Lackawanna, they want to property tax, but there's lots of interest from manufacturing. The other big issue is Huntley NRG, coal-fired power plant in Tonawanda, Huntley

entered into a PILOT agreement, but they want more breaks. In Book A, last page, there is a list of exemptions.

- Scott Bylewski: Any 438s are still entitled for reduction in taxes based on state law, not IDAs. Like strip malls that are abandoned and there's a new one going on down the street.

- Michael McFarlane: How much of sales tax comes from local residents and how is that affected by population decline in this area?
- Tim Callan: No tracking from the state. Data from Canadian shoppers is completely anecdotal.

- Michael McFarlane: Are you noticing sales tax increase as population decreases?
- Tim Callan: Sales tax is growing relative to inflation. This is why the library wants a special taxing district so they don't have to rely on sales tax revenues.

VII. Discussion of Drescher & Malecki independent audit

- Tim Callan: The report notes what we already knew: We had a $4 million surplus for 2012, we have $120 million total fund balance and a large undesignated fund balance. Compared to other counties like Monroe County, they're in trouble and they're doing chargebacks and fees for local governments. The CAFR shows that we're in a very stable place and we do have some challenges down the road.

- Michael Otto: What can fund balance be used for?
- Tim Callan: Anything the County Executive would like with Legislative approval, could be road projects or filling in budget holes. The fund balance was down from $4 million in 2005 and has been built back up now.
- Greg Olma: It can be used for extraordinary spending projects like a new stadium or convention center or mundane budget holes.

- Michael McFarlane: Where did the fund balance come from?
- Tim Callan: Started at $202 million in 2000, then went up to $250 million due to tobacco settlement. It was down to $4 million by 2005 (spent down by Giambra administration). In 2009, Erie County got $105 million in stimulus that built it back up, but $40 million filled in a gap with what was lost in sales tax during the start of the recession. Collins administration eliminated over 900 jobs, most because of turnover and retirement that were then never filled, which contributed to the fund balance as well. The Audit Committee will be meeting, but we can invite them to speak at next Commission meeting if necessary to answer more specific questions. There were no significant adjustment entries, but they recommended that Erie County do a risk assessment of fraud, theft, and abuse, which would cost $700,000 and has not been done yet.

- Tim Callan: Very clear about his inability to share information about the 2014 budget before October.

Next meeting: Wednesday, September 18th at 3 p.m., which is midway to big budget hearings in December.