

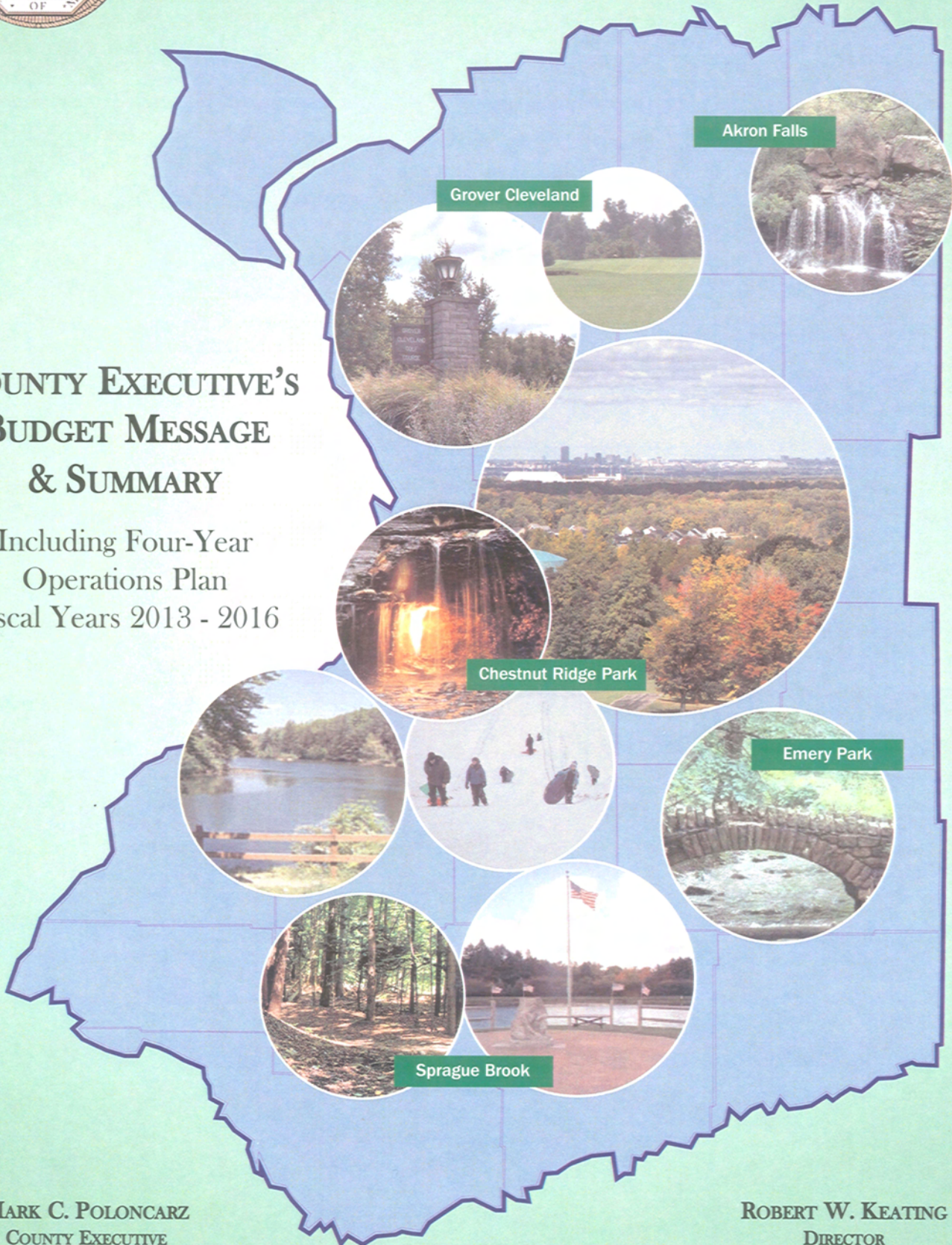


2013 BUDGET

COUNTY OF ERIE, BUFFALO, NEW YORK

COUNTY EXECUTIVE'S BUDGET MESSAGE & SUMMARY

Including Four-Year
Operations Plan
Fiscal Years 2013 - 2016



MARK C. POLONCARZ
COUNTY EXECUTIVE

ROBERT W. KEATING
DIRECTOR
BUDGET & MANAGEMENT

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**COUNTY EXECUTIVE'S
BUDGET MESSAGE
& SUMMARY**



COUNTY OF ERIE

MARK C. POLONCARZ

COUNTY EXECUTIVE

October 15, 2012

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

Dear Honorable Legislators:

Please find enclosed the Erie County Executive recommended 2013 Erie County Budget and the 2013-2016 Four Year Financial Plan for review and approval by your Honorable Body.

The recommended 2013 Budget is structurally balanced and has reasonable and appropriate assumptions for revenues and expenditures. It is a fair budget that maintains and enhances critical services and invests in the County's deteriorating infrastructure. It acknowledges the hard realities and difficult fiscal conditions we face, some of which were unanticipated and others which were inherited from my predecessor.

As County Comptroller and now as County Executive, I am ever-mindful of the need to be a careful steward of the County's finances. The 2013 Budget will be the County's most challenging in many years due to (1) a convergence of new State and Federal government-mandated expenses; (2) significant declines in revenues, including the first decline in property tax assessment growth in twelve years; and (3) significant reductions in Federal and State grant funds. My administration has carefully reviewed projections and programs and made the necessary adjustments to ensure Erie County continues the fiscal stability and progress it has made since the 2005 budget crisis.

The public has demanded more services and accountability from County government and this budget delivers on those demands. This budget reflect the balancing act necessary to provide discretionary services demanded by our constituents against those programs and services mandated by the State and Federal governments.

Accomplishments

During 2012, with the support of your Honorable Body, my administration has pursued and/or restored vital services, programs and initiatives the public has requested and expects from County government. This includes library, cultural, educational and anti-crime youth programming, rodent control, capital projects and infrastructure improvements, support for working families, and new investment in parks. We have taken on new efforts to support economic development projects including new leadership and approaches at the Erie County Industrial Development Agency.

With the strong support of your Honorable Body during 2012, this administration has:

- Reinvested in our libraries, restoring \$1.7 million in funding for the Buffalo and Erie County Library system and supporting community libraries as hubs for career development, job hunting, youth programming and educational opportunities;
- Provided \$1 million in new funding for cultural organizations, strengthening the County's commitment to 30 agencies which had been defunded or ignored by the prior administration and fostering new linkages and alliances such as Visit Buffalo Niagara (Buffalo Niagara Convention and Visitors Bureau) to support cultural tourism and development;
- Committed \$400,000 to 52 neighborhood-centered not-for-profit youth organizations for summer youth educational, anti-crime, learning and sports/cultural development in Buffalo, Tonawanda, Hamburg, Lackawanna, Eden, East Aurora, Holland and other communities;
- Restored day care subsidies for working families, including single women, to enable their children to attend day care while their parents work, thus fostering an environment of empowerment for parents transitioning through public assistance and leveraging millions of state and federal dollars to inject a total of \$48 million into our county's economy;
- Increased spending on infrastructure repairs and renovations for County parks facilities such as the new Black Rock Canal park and including new funding for renovating shelters, parking lots, pathways and bathrooms making our parks more usable and user-friendly;
- Restored funding and resources for the Department of Health's rat and rodent control program, combating the rodent and pest problem facing the City of Buffalo and inner-tier suburban towns and villages and committing to a partnership with local governments against this public health threat;
- Created and received State support for an ambitious land bank project, the Buffalo Erie Niagara Land Improvement Corporation, a non-profit corporation which will address the thousands of vacant, blighted properties across Erie County and provide for their maintenance and redevelopment, facilitating their return to the tax rolls and improving neighborhoods; and
- Resolved Federal and State legal and regulatory actions against the County by conducting capital improvements in the Erie County Holding Center and cooperating with jail regulators to address healthcare and mental health deficiencies associated with prisoners and inmates in the Holding Center and Correctional Facility instead of engaging in costly and prolonged litigation.

In addition to these funding and policy priorities, the County has engaged in a number of other important management endeavors in County buildings and complexes. We have taken aggressive steps to reduce overtime in the County's Division of Buildings and Grounds, long an area where overtime exceeded the budget, by creating a second shift for building work and repairs in the downtown county complexes. We have restored several assistant county attorney and legal secretary positions in the Department of Law to dramatically reduce expenses and payments to expensive outside legal counsel. We have restored an architect position in the Department of Public Works to conduct important

professional architectural and design work in-house again rather than utilizing expensive outside consultants. And finally, after years of decay, we have conducted important repair projects on County infrastructure including minor but important details such as cleaning buildings, hallways, offices and bathrooms the public utilizes in the Rath Building and which were allowed to go unmaintained for years.

After years of outsourcing the servicing of tax liens on delinquent properties to a non-local company, the County resumed its enforcement on delinquent property taxes locally, through a coordinated effort between the Department of Real Property Tax Services and Department of Law. This has resulted in millions of dollars of new revenue in 2012 and forced scofflaws to pay their taxes. As a result of this successful process, the County will continue this effort in 2013 with further in-rem property actions designed to generate revenue and compel violators to follow the law.

In 2013, the County will continue these programs and initiatives and explore further efficiency measures and strategies designed to improve public services while reducing expenses and always living within our means.

Difficult Decisions in 2013

The County faces some difficult decisions and fiscal challenges in 2013, some of which were known in 2011, some of which have become clear throughout 2012, and some of which were unanticipated. These fiscal issues are manageable, but some will require challenging decisions and complex solutions made in a spirit of partnership and cooperation requiring the assistance of the entire membership of the County Legislature. **The forces driving the increase in spending in 2013 are almost all "mandated" and the County has limited discretion over them.** A major factor influencing my development of a reasonable 2013 Budget was the policy determination that County residents not only want but deserve certain discretionary services and programs (i.e. library, rodent control, arts and cultural funding, etc.) and they are willing to support such programs.

2013 General Fund Budget 2.1% Higher than 2012 Due to "Mandated" Expenses

The 2013 recommended Budget for the General Fund is \$1,384,970,457. This includes \$326.3 million of sales tax which we collect but which is required to be distributed to local governments, school districts and the Niagara Frontier Transportation Authority. The recommended 2013 Budget is \$30 million, or 2.1% higher, than the adjusted 2012 Budget for the General Fund totaling \$1,355,012,870.

The largest factors driving the increase in the 2013 Budget are: (1) fringe benefits (\$17 million higher than 2012, including an increase in health insurance expense and a sizable increase in State-mandated pension payments); (2) sales tax sharing with other governmental entities (\$11 million higher than 2012); (3) State-mandated Medicaid payments (\$8 million higher than 2012); and (4) Risk Retention funding for legal settlements and judgments. Additionally, as discussed later in this message, the State has compelled the County to add 33 new full time positions in the Sheriff's Division of Jail Management in 2013. **Thus, the increase in the budget is being driven by State-mandated expenses out of the control of County management.**

Property Tax Assessment Growth Ends

In 2013, for the first time since 2001, and only the fourth time since 1979, the County's equalized full market value tax base will **decrease**. The County has grown accustomed to annual assessment growth on the County's property tax levy, benefiting both the General Fund and the Buffalo and Erie County Public Library's property tax levy. Between 2008 and 2012, the County averaged 3.15% increase in the levy based purely on assessment growth and in some years prior, the County experienced more than 5% average annual growth. **However, in 2013, the equalized full market value tax base will be \$83,080,443 less than the 2012 base.** This results in two negative outcomes for the County. First, based on average assessment growth in the past decade, the prior administration planned on 2% growth in the levy year-to-year. **The change means \$5.1 million in projected 2013 assessment revenue as envisioned in the original 2012-2015 Four Year Financial Plan will not be realized.** This will dramatically affect the 2013 Budget and the 2013-2016 Four Year Financial Plan. Second, with the decline in tax base, without any affirmative action whatsoever, the County's levy will actually drop by \$422,000 in 2013 compared to the 2012 levy. Despite this fact, the 2013 average County full market property tax rate will actually automatically increase from \$5.03/\$1,000 of assessed value to \$5.04/\$1,000 even with the decline due to automatic adjusters under New York State law.

In summer 2012 many of the County's ten largest property tax owners – all large national or regional commercial entities – commenced Article 7 litigation in State Supreme Court challenging their town or city assessments on properties. While the County is not a named defendant in these legal actions and has no power to set the assessments, we are ultimately negatively impacted by these lawsuits. The magnitude of the problem and the potential loss of property tax revenue to the town, village, city, and county governments and school districts cannot be understated. **Cumulatively, property owners filed court papers in summer 2012 seeking full value assessment reductions totaling \$476.6 million just in 16 municipalities in Erie County.** This will have a negative effect on the County for several years to come.

Property Tax Rate will Increase Due to Challenges But the Library will Receive 28.4% of the New Revenue County Remains Significantly Under the Property Tax Cap

Due to the myriad of fiscal challenges facing the County, including significant mandated new expenses, reductions in State and Federal revenues, a loss of assessment growth, an additional Medicaid payment in 2013 and inflationary growth factors such as an 11.33% increase in the County's required pension contributions to the New York State and Local Retirement System, the County's property tax rate for 2013 will be \$5.21/\$1,000 of assessed value, up from \$5.03 in 2012. This will provide \$8.09 million in new revenue, **but will still keep the County \$2.29 million below the property tax cap of \$10.38 million.**

The County share of the new revenue will be \$5.8 million, or a 2.6% property tax increase from 2012. The Buffalo and Erie County Public Library system will receive \$2.3 million of the \$8.09 million in new property tax revenue, or 28.4% of the total new revenue. The total levy will increase 3.4% from 2012 to 2013.

For a home assessed at \$100,000, the proposed 2013 property tax payment will be \$18 higher in 2013 than in 2012, of which the Buffalo and Erie County Public Library will receive \$5.11 of the new revenue. In other words, the increase will be less than the "low" cost dinner special for two advertised

by several well-known national chain restaurants or the price of a small pizza and double order of chicken wings.

It is important to note despite the need for the increase in the property tax rate for 2013, the County's property tax rate continues to remain among the lowest in New York State, with more than forty other counties having larger rates. Consider the following examples:

County	2012 Property Tax Rate/\$1,000 of Assessed Value
Erie	\$5.03
Onondaga (Syracuse)	\$5.56
Schenectady	\$6.38
Broome (Binghamton)	\$6.98
Niagara	\$7.63
Wyoming	\$8.34
Monroe (Rochester)	\$8.99
Chautauqua	\$9.22
Orleans	\$9.60
Genesee	\$9.89
Allegany	\$16.88

This chart does not include Suffolk, Westchester and Nassau Counties, all of which levy different property taxes for general purposes, as well as separate water, sewer, refuse, police and special district taxes, but which combined for each county are much higher than Erie County. In fact, Westchester County is said to have the highest property tax rate in the country. A review of media accounts shows many of the 62 counties in New York State are increasing their property tax rates in 2013 and at least one dozen are proposing budgets over their property tax cap limits.

Additional \$4.1 Million Medicaid Payment in 2013

With a 2013 MMIS expense totaling \$219.7 million, nearly every dollar of the County-share property tax revenue will be utilized in 2013 to make our State-mandated Medicaid payments. In 2013, the County is required to make an additional, 53rd weekly MMIS payment totaling nearly \$4.1 million we did not need to make in 2012 and will not make in 2014 or 2015. Combined with expected growth in MMIS expense, this additional payment obligation has created significant strain in 2013.

Sales Tax

Since the County imposed an additional 0.75% sales and compensating use tax in 2006, the County has averaged nearly 3% annual growth in sales tax revenue, both in the revenue retained by the General Fund, and the revenue shared with local governments and school districts. In some years, the County's actual sales tax receipts growth was higher than 3% and significant annual surpluses resulted in part from sales tax revenues coming in higher than budgeted. Through the first eight months of 2012, actual results have averaged 3.15% higher than the 2011-budgeted amount against a 2012-budgeted growth of 2.5%. For 2013, based on 2012 actual data, we are forecasting a conservative 3% growth in sales tax revenue against 2012 year to date. We will continue to closely monitor this revenue, which is the County's single-largest revenue.

Jail Management – Massive New Mandated Spending

In May 2012, the New York State Commission of Correction (“CoC”), the state regulator over the Sheriff’s Division of Jail Management issued a report directing the County to create 72 new sworn deputy and correction officer positions and at least three civilian positions in the Erie County Holding Center and Erie County Correctional Facility between 2012 and 2014. ***The cost of these new positions is nearly \$6.5 million on an annualized basis.*** The County has no choice on these positions and must comply. The first fifteen (15) sworn positions were established and approved by your Honorable Body in July 2012 and thirty (30) new sworn positions appear in the 2013 recommended Budget. Three new civilian record clerk positions in Jail Management are also being added in 2013 to comply with the CoC.

In addition, to comply with the consent decree signed by the former administration with the US Department of Justice, the County is creating two new mental health positions in the Department of Mental Health in 2013 to provide additional screening and services in the Holding Center.

Erie County Medical Center Corporation-Related Expenses

Contrary to the repeated false claims of the prior administration, the County is very clearly not “out of the hospital business” and is required under Federal and State regulations and laws and a 2010 agreement signed by the former County Executive to maintain a significant financial subsidy to Erie County Medical Center Corporation (“ECMCC”) greater than \$16.2 million per year. In 2012, the County projected to make as much as \$45.2 million in Medicaid-related Disproportionate Share (“DSH”) and Upper Payment (“UPL”) payments for the benefit of ECMCC – well beyond the budgeted \$16.2 million amount.

My administration has been in discussions with State and ECMCC officials regarding these obligations and has developed a draft agreement with ECMCC establishing “credits” to address significant DSH and UPL payments in the 2013 and 2014 Budgets/fiscal years. While this agreement is not perfect, it is a step towards addressing a major problem facing the County. ECMCC’s credits will require repayment by the County over a ten-to-fourteen year period and will add new expense to the County’s future year budgets, but the credits will address major 2013-2014 costs. The County is also prepared to take corrective measures or utilize unassigned fund balance as necessary to cover DSH and UPL payments to ECMCC.

Fringe Benefits are the Largest Cost Leader in 2013

In 2013, fringe benefit expense, driven by increases in health insurance and State-mandated pension payments are increasing by \$17 million compared to 2012 and they are the largest single category of growing expense.

For most departments, the average factor for determining the cost of fringe benefits for full time and regular part time employees in 2013 is 67%. For example, an employee making \$40,000 will also have related fringe benefit expense of \$26,800 (67%), for a total expense of \$66,800 for that employee. That is unsustainable and exacerbating a significant, negative cost leader for the County, and is driven primarily by significantly increasing pension contributions, and increasing health care costs above the rate of inflation. This expense factor was a major driver of my administration’s negotiations with County unions concerning employee health insurance payments (or lack thereof).

Position Reductions

Understanding the need for fiscal restraint, the 2013 Budget for all funds includes reductions in personal services from the deletion of existing or proposed new positions (requested by independent elected officials) in seventeen (17) departments or divisions. The 2013 recommended Budget includes the deletion of 63 existing positions across all funds, nearly all of which are vacant. This mirrors my directive to my department heads that the 2013 Budget must not include any new positions or new discretionary or extraordinary spending. However, this reduction in positions is slightly offset by State and Federal directed increases in personnel for the Sheriff's Division of Jail Management in the Erie County Holding Center and Correctional Facility and related staff.

Even after the State-mandated new Jail Management positions are added in 2013, the 2013 Budget features a net reduction of 28 positions compared to the County workforce at October 3, 2012.

Other Non-Personal Services Spending Reductions

In addition to the deletion of positions, the 2013 Budget includes across the board reductions in spending in every department. These reductions are in non-personal services accounts including travel, local mileage reimbursement, office supplies, equipment, professional services, overtime, and so forth.

Positive 2013 Initiatives

Despite the above-noted challenges and hard decisions, my administration is committed to providing services and programs which residents have clearly communicated they value and desire and for which they are willing to support. While managing within a very challenging environment, the 2013 recommended Budget makes the following priorities:

- Increases net funding for the Buffalo and Erie County Public Library system by \$300,000 and by returning the Library's tax levy to the level of support it was before my predecessor cut it in his 2011 budget, thereby, providing an important safeguard and ensuring future year assessment growth will inure to the benefit of the Library;
- Provides funding for only those cultural organizations recommended to be funded by the newly formed Erie Arts and Cultural Advisory Board and increases funding by \$148,159, including providing funding for fourteen (14) agencies that did not receive funds in 2012;
- Funds Operation Prime Time for summertime youth educational and sports programs with no reductions;
- Increases funding for the Road Fund's pay-as-you-go capital improvements for roads and bridges by \$700,000;
- Begins the process of re-opening a County health clinic by remodeling the antiquated, closed clinic at 1500 Broadway in Buffalo to a state of the art health home to provide critical services and to help divert patients from expensive preventative or emergency care at higher taxpayer expense in hospital emergency rooms;

- Maintains the rat/rodent control program in the Department of Health to combat the growing problem facing our local governments with rats and other vermin;
- Provides \$100,000 in funding for the Buffalo Erie Niagara Land Improvement Corporation to address and remediate the thousands of vacant, blighted properties across Erie County and facilitate their return to the tax rolls and improving neighborhoods;
- Doubles the County's capital program beyond the prior administration's artificially-low 2012 program to ensure roads and bridges, County parks, industrial redevelopment projects, the Buffalo and Erie County Botanical Gardens, Buffalo Niagara Convention Center, and the Darwin Martin House receive proper levels of reconstruction/rehabilitation funding for the safety, well-being and benefit of residents.

Many of these initiatives will also provide tangible economic development and quality of life benefits to our community including business development, tourism and revenue-generation.

Four Year Financial Plan

The recommended 2013 Budget includes a Four Year Financial Plan for fiscal years 2013-2016. The 2013 recommended Budget and projected 2012 year-end numbers form the basis for the 2013-2016 Four Year Plan with a number of assumptions and estimates which are detailed in the Executive Summary and Budget Message. The Plan forecasts no out-year budget gaps and for the County to achieve minor surpluses in 2014, 2015 and 2016.

Conclusion

In closing, this budget and the accompanying Four Year Financial Plan are balanced, reasonable and conscientious and both documents realistically address the challenges facing the County in 2013 and beyond. I am committed to maintaining services which our residents desire and expect while running a fiscally-stable government and providing transparency in budgeting. I look forward to continuing to work in partnership with your Honorable Body and the Erie County Fiscal Stability Authority on behalf of our community.

Sincerely yours,

Mark C. Poloncarz, Esq.
Erie County Executive

MCP/tcc
Encl.

cc: Hon. David Shenk, Comptroller
Erie County Fiscal Stability Authority



**FOUR-YEAR
OPERATIONS PLAN
FISCAL YEARS
2013 - 2016**



COUNTY OF ERIE

MARK C. POLONCARZ

COUNTY EXECUTIVE

FOUR YEAR FINANCIAL PLAN FOR FISCAL YEARS 2013-2016

Enclosed herein is the 2013-2016 Four Year Financial Plan ("Plan"). Section 2503 of the Charter specifies certain budget requirements, including submission of an annual budget proposal and a financial forecast for the next two years. In addition, Public Authorities Law §§3957 creating the Erie County Fiscal Stability Authority (ECFSA) requires that the County Executive submit a Plan with his proposed budget. The attached Plan satisfies both the Charter and ECFSA requirements.

The 2013 Proposed Budget and projected 2012 results form the basis for the 2013-2016 Plan.

In some respects, the 2013 Budget and Plan are reasonably similar to the amended 2012-2015 Plan which ECFSA approved in April 2012. However, due to a variety of State and Federal actions and mandated costs and programs, the 2013 Budget and 2013-2016 Plan differ as explained in greater detail in the County Executive's budget message and as noted below.

After a 2013 increase in the rate per thousand of assessed value, the Plan calls for 1% average annual growth in property tax revenue strictly due to assessment growth in 2014 and 2015 and 2% growth in 2016. Between 2008 and 2012 the average annual market value growth was 3.15%, but in 2013, for the first time in twelve years and only the fourth time since 1979, the County will receive no additional revenue from assessment growth, leading the County to change our estimates for this revenue account. That said, in previous instances when assessment growth ended, revenue from assessment growth resumed in the following year, and we are factoring this trend into our calculations for the out years of the Plan.

The Plan calls for sales tax revenues to increase by 3% in 2013 from the 2012 actual (current trend) and conservatively, by 2.75% each year thereafter.

The Plan is based on "reasonable assumptions" at the time of submission of the 2013 Budget and Plan on October 15, 2012.

Since 2012, the County has received ratings upgrades and/or recalibration of ratings from all three rating agencies. Ratings were also affirmed in 2012 and the County's current ratings are: Moody's A2, Fitch Ratings A and Standard and Poor's A-.

We believe that ECFSA will find the 2013 Budget and Plan to be reasonable and we expect ECFSA will approve both documents.

KEY ASSUMPTIONS IN FOUR YEAR FINANCIAL PLAN

Revenue	2014	2015	2016
Sales Tax Growth	2.75%	2.75%	2.75%
Real Estate Market Value Growth	1%	1%	2%
Property Tax Rate Increase	0%	0%	0%
Expense	2014	2015	2016
Personal Services Growth	1.83%	1.62%	1.5%
Health Insurance Growth ¹	8%	8%	8%
Pension Rate	23.00%	24.38%	25.36%

Personal services growth includes additional staff for the Jail Management Division as required by the New York State Commission of Correction.

In 2012, the New York State Legislature approved legislation establishing a phased-in "hard" cap on counties' Medicaid ("MMIS") payments. Under the initiative, starting in 2013, the County will start to see a reduction in the growth of MMIS expense and in 2015, the hard cap will commence. In 2013, Erie County will benefit by a \$1.389 million lower MMIS payment.

¹ Estimates provided by the consultant to the Labor Management Healthcare Fund.

County of Erie

2013-2016 Four-Year Financial Plan

Fund 110 - General	Account Type	2011 YE Actual	2012 Adopted Budget	2013 Proposed Budget	2014 Projection	2015 Projection	2016 Projection
Revenue							
Local Source Revenue							
Property Tax Levy							
		217,010,375	217,820,374	223,612,695	225,848,822	228,107,310	232,669,456
Property Tax Related							
	Sec 520 Exempt Removal	625,691	640,950	727,280	727,280	727,280	727,280
	Gain Sale Tax Acquired Prop	28	20,000	20,000	20,000	20,000	20,000
	Payments In Lieu Of Taxes	5,128,618	4,978,524	6,179,904	6,303,502	6,429,572	6,558,164
	Interest & Penalties-Prop Tax	21,955,430	18,992,361	19,277,246	19,566,405	19,859,901	20,157,799
	Omitted Taxes	23,343	3,000	3,000	3,000	3,000	3,000
	Dec-Prop Tax Def Rev	(17,410,842)	(13,826,832)	(13,657,399)	(13,862,260)	(14,070,194)	(14,281,247)
Property Tax Related Total		10,322,268	10,808,003	12,550,031	12,757,927	12,969,559	13,184,996
Sales Tax							
	Sales Tax Original 3%	151,242,861	155,253,226	160,687,222	165,106,121	169,646,539	174,311,819
	1% Sales Tax	142,788,238	146,556,918	151,704,649	155,876,527	160,163,131	164,567,617
	.50% Sales Tax	71,308,360	72,824,659	75,761,211	77,844,644	79,985,372	82,184,970
	.25 % Sales Tax	35,654,180	36,412,330	37,880,605	38,922,322	39,992,685	41,092,484
Sales Tax Total		400,993,640	411,047,133	426,033,687	437,749,613	449,787,728	462,156,890
Sales Tax (Distrib. to Local Gov'ts)		277,140,425	284,489,097	294,861,414	302,970,103	311,301,781	319,862,580
Fees Fines or Charges							
	Election Exp Other Govts	5,771,418	7,080,311	6,561,928	7,269,127	7,106,646	7,248,779
	All Other Fees Fines or Charges	27,002,000	25,786,348	26,103,627	26,495,181	26,892,609	27,295,998
Fees Fines or Charges Total		32,773,418	32,866,659	32,665,555	33,764,308	33,999,255	34,544,777
Other Sources							
	Interest & Earn - Gen Inv	567,012	717,200	511,200	516,312	521,475	526,690
	Hotel Occupancy Tax Revenue	8,556,982	8,400,334	8,728,122	8,902,684	9,080,738	9,262,353
	Community College Respreads	4,838,796	4,975,498	4,376,198	4,174,639	4,564,640	4,655,933
	All Other Sources Accounts	53,440,771	31,900,418	30,608,686	30,914,773	31,223,921	31,536,160
Other Sources Total		67,403,561	45,993,450	44,224,206	44,508,408	45,390,774	45,981,135
Appropriated Fund Balance		33,435,065	7,443,185	5,405,000			
Local Source Revenue Total		1,039,078,752	1,010,467,901	1,039,352,588	1,057,599,182	1,081,556,407	1,108,399,835
State Aid							
	State Aid-Education Of Handicapped Children	31,194,399	34,621,294	33,787,609	34,463,361	35,152,628	35,855,681
	State Aid-Mental Health	34,332,854	35,978,575	35,975,853	36,695,370	37,429,277	38,177,863
	State Aid-Family Assistance	(236,137)					
	State Aid-Soc Serv Admin	29,065,972	26,047,081	29,771,147	30,882,161	31,994,008	33,094,774
	State Aid-Safety Net Assistance	12,002,562	10,802,538	11,629,275	12,362,520	12,995,858	13,584,849
	State Aid-Child Welfare Services	17,879,547	19,562,319	20,429,476	21,293,758	22,193,873	23,131,307
	State Aid-Serv For Recipients	7,442,751	8,024,721	4,400,719	4,424,502	4,430,537	4,454,768
	State Aid Day Care	7,226,440	7,315,103	7,359,158	7,544,241	7,648,257	7,840,611
	All Other State Aid Accounts	21,686,304	25,180,188	24,590,327	25,431,990	25,686,310	25,943,173
State Aid Total		160,594,692	167,531,819	167,943,564	173,097,903	177,530,749	182,083,026
Federal Aid							
	Federal Aid-Family Assistance	39,225,655	41,889,075	41,926,819	43,434,726	44,946,327	46,452,966
	Federal Aid-Soc Serv Admin	26,901,599	30,361,519	30,364,685	32,222,008	34,080,732	35,920,942
	Fed Aid Day Care	16,300,302	17,243,238	18,957,642	19,224,702	19,292,468	19,564,550
	Federal Aid-CWS Foster Care	13,205,175	14,285,507	14,497,573	15,110,898	15,749,652	16,414,888
	Federal Aid-Safety Net TANF Cases	820,923	826,719	783,764	833,827	877,069	917,283
	Federal Stimulus Enhanced Medicaid	16,405,925					
	All Other Federal Aid Accounts	62,433,180	68,841,088	71,143,822	72,566,698	74,018,032	75,498,393
Federal Aid Total		175,292,759	173,447,146	177,674,305	183,392,859	188,964,280	194,769,022
Interfund Revenue		68,319	1,472,166	0	0	0	0
Total Fund 110 Revenue		1,375,034,522	1,352,919,032	1,384,970,457	1,414,089,944	1,448,051,436	1,485,251,883

County of Erie
2013-2016 Four-Year Financial Plan

Fund 110 - General	Account Type	2011 YE Actual	2012 Adopted Budget	2013 Proposed Budget	2014 Projection	2015 Projection	2016 Projection
Expense							
Personal Service Related Expense							
Personal Services							
	Full-Time Salaries	155,013,930	162,601,396	164,183,371	167,196,122	169,904,063	172,452,624
	Part-Time Wages	2,767,046	3,139,018	3,038,545	3,084,123	3,130,385	3,177,341
	Regular Part Time Wages	4,052,430	2,020,737	1,497,752	1,520,218	1,543,022	1,566,167
	Seasonal Emp Wages	310,550	315,899	315,899	320,637	325,447	330,329
	Personal Services Total	162,143,956	168,077,050	169,035,567	172,121,101	174,902,917	177,526,461
Employee Payments non-salary							
	Shift Differential	1,017,822	1,085,070	1,078,942	1,095,126	1,111,553	1,128,226
	Uniform Allowance	606,688	616,500	656,250	666,250	676,250	686,250
	Holiday Worked	1,524,657	1,642,349	1,649,774	1,674,521	1,699,638	1,725,133
	Line-Up	1,603,100	1,621,037	1,764,235	1,790,699	1,817,559	1,844,822
	Other Employee Pymts	948,487	327,624	321,890	326,718	331,619	336,593
	Overtime	17,296,593	13,547,351	13,382,765	10,706,212	8,564,970	8,650,619
	Employee Payments non-salary Total	22,997,347	18,839,931	18,853,856	16,259,526	14,201,589	14,371,644
Fringe Benefits							
	Fringe Benefits- FICA	13,927,333	14,186,863	14,328,912	14,342,620	14,397,924	14,611,355
	Fringe Benefits-Medical Insurance	37,248,315	37,513,102	44,065,077	47,610,852	51,617,993	56,573,817
	Fringe Benefits-Workers Compensation	5,024,197	5,183,729	7,374,740	7,321,494	7,915,089	8,606,165
	Fringe Benefits-Unemployment Insur.	900,106	907,460	1,111,026	900,000	900,000	900,000
	Fringe Benefits-Retiree Med Insur.	18,421,283	18,553,767	23,566,807	25,264,526	27,390,900	30,020,691
	Fringe Benefits-Retirement	26,496,592	33,339,816	36,384,730	41,300,738	43,344,536	45,899,545
	Fringe Benefits Total	102,017,826	109,684,737	126,831,292	136,740,230	145,566,443	156,611,573
Countywide Personnel Adjustments							
	Reductions (Vacancy Savings)		(598,474)	(600,000)	(650,000)	(650,000)	(650,000)
	District Attorney - 4% MC Pay Raise		335,245				
	Countywide Personnel Adjustments	0	(263,229)	(600,000)	(650,000)	(650,000)	(650,000)
Personal Service Related Expense Total		287,159,129	296,338,489	314,120,715	324,470,857	334,020,949	347,859,678
Other Departmental Expense							
Supplies & Repairs							
	Auto Supplies	2,070,261	2,345,000	2,269,500	2,360,280	2,454,691	2,552,879
	All Other	7,221,946	7,400,873	7,411,265	7,559,490	7,710,680	7,864,894
	Supplies and Repairs	9,292,207	9,745,873	9,680,765	9,919,770	10,165,371	10,417,773
Other							
	Risk Retention	8,993,251	0	3,000,000	3,000,000	3,000,000	3,000,000
	Control Board	482,014	400,000	495,000	495,000	504,900	514,998
	Rental	4,666,012	4,973,282	4,651,758	4,698,276	4,745,258	4,792,711
	DSS Pivot Wages/Chargebacks/Training	5,163,702	5,752,420	5,752,420	5,809,944	5,868,044	5,926,724
	Utility Charges	2,231,122	2,342,891	2,365,000	2,435,950	2,509,029	2,584,299
	All Other	7,182,105	6,893,898	7,142,147	7,213,568	7,285,704	7,358,561
	Other Total	28,718,206	20,362,491	23,406,325	23,652,738	23,912,935	24,177,294
Contractual							
Sales Tax as Aid to Local Governments							
	Sales Tax Distrib.to Cities, Towns & Sch Dist. from	277,140,425	284,489,097	294,861,414	302,970,103	311,301,781	319,862,580
	Sales Tax Flat Distrib.to Cities and Towns from 1%	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000
	Sales Tax Distributed to NFTA	17,849,304	18,322,596	18,963,903	19,485,410	20,021,259	20,571,844
	Sub Total - Local Gov. Sales Tax	307,489,729	315,311,693	326,325,317	334,955,513	343,823,040	352,934,423
Other Agency Contractual or Mandated Payments							
	Indigent Defense - Legal Aid/Bar Assoc.	11,031,586	11,286,460	11,484,866	11,714,563	11,948,855	12,187,832
	NFTA Sec 18 B	3,657,200	3,657,000	3,657,200	3,657,200	3,657,200	3,657,200
	Contractual-ECMCC Healthcare Network	19,319,701	8,488,460	7,190,236	7,405,943	7,628,121	7,856,965
	Cultural Agencies	5,241,000	5,421,841	5,670,000	5,726,700	5,783,967	5,841,807
	Social Services/Youth/Mental Health Agencies	55,471,359	71,379,462	71,306,968	72,020,038	72,740,238	73,467,640
	Visit Niagara (CVB) Subsidy	3,250,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
	Convention Center Subsidy	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
	County Residents at Other Community Colleges	4,376,198	4,526,640	4,564,640	4,655,933	4,749,051	4,844,032
	All Other Contractual Accounts	19,819,927	21,787,272	22,530,641	22,481,327	22,873,451	23,149,219
	Contractual Total	431,306,700	446,808,828	457,679,868	467,567,217	478,153,923	488,889,119
Equipment		537,175	782,687	428,185	749,594	787,074	826,428

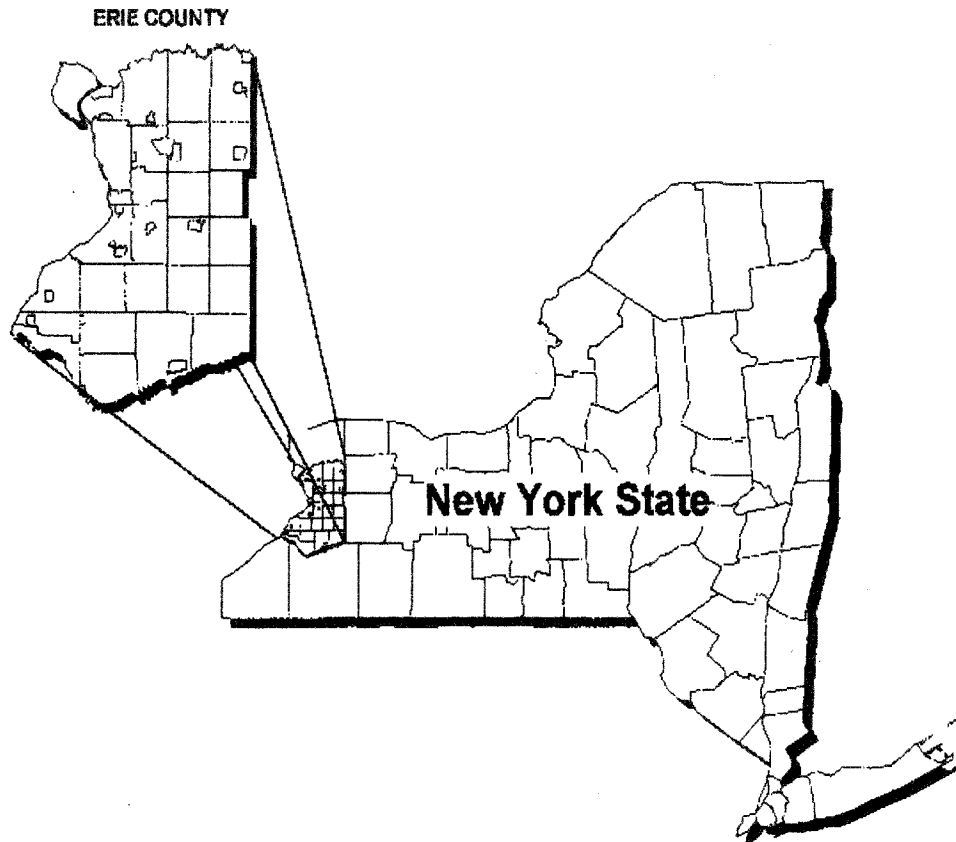
County of Erie
2013-2016 Four-Year Financial Plan

Fund 110 - General	Account Type	2011 YE Actual	2012 Adopted Budget	2013 Proposed Budget	2014 Projection	2015 Projection	2016 Projection
Allocation							
	Interfund-Erie Community College	15,429,317	15,629,317	15,629,317	15,629,317	15,629,317	15,629,317
	Interfund-Utilities Fund	4,051,050	4,738,110	3,388,160	3,489,805	3,594,499	3,702,334
	County Share - Grants	3,579,673	4,532,739	4,593,302	4,731,101	4,873,034	5,019,225
	Interfund-Road	12,847,215	13,961,616	13,831,236	14,107,861	14,390,018	14,677,818
	Interfund -Library Subsidy		2,000,000		0	0	0
	Interfund E911 Subsidy	2,557,336	2,707,161	2,775,741	2,775,740	2,831,255	2,887,880
	Interdepartmental Billings	4,802,300	(3,066,669)	(3,003,946)	(3,033,985)	(3,064,325)	(3,094,969)
	All Other Allocation Accounts	7,713,509	207,600	50,000	50,500	51,005	51,515
	Allocation Total	50,980,400	40,709,874	37,263,810	37,750,338	38,304,802	38,873,121
Program Related							
	UPL Expense	6,034,557	0	0			
	DSH Expense	<u>34,396,729</u>	<u>16,200,000</u>	<u>16,200,000</u>	<u>16,200,000</u>	<u>18,200,000</u>	<u>18,200,000</u>
	Sub Total UPL/DSH ECMCC Subsidy	40,431,286	16,200,000	16,200,000	16,200,000	18,200,000	18,200,000
	MMIS-Medicaid Local Share	206,406,373	211,765,453	219,748,429	217,720,619	215,037,163	217,072,621
	Family Assistance	39,801,904	43,069,885	42,625,150	44,133,057	45,644,658	47,151,297
	CWS - Foster Care	53,823,814	56,917,848	57,357,913	59,735,972	62,212,625	64,791,960
	Safety Net Assistance	39,448,382	41,320,286	44,629,353	47,157,784	49,341,708	51,372,711
	Child Care-DSS	27,334,476	28,074,948	30,173,583	30,725,780	30,941,968	31,509,604
	Children With Special Needs Program	62,556,999	68,073,053	68,976,061	70,355,582	71,762,694	73,197,948
	State Training School	3,610,246	4,671,571	3,063,648	3,288,826	3,530,555	3,790,051
	All Other Program Related Accounts	5,076,809	5,421,745	4,973,316	5,072,782	5,174,238	5,277,723
	Program Related Total	478,490,288	475,514,789	487,747,453	494,390,403	501,845,609	512,363,914
Debt Service							
	Interest-Revenue Antic Notes	403,209	479,354	367,234	375,000	395,400	415,420
	Interfund Debt Service Subsidy	63,982,310	62,176,647	54,276,102	54,847,146	59,805,032	60,253,233
	Debt Service Total	64,385,519	62,656,001	54,643,336	55,222,146	60,200,432	60,668,653
	Other Departmental Expense Total	1,063,710,496	1,056,580,543	1,070,849,742	1,089,252,207	1,113,370,146	1,136,216,301
	Total Fund 110 Expense	1,350,869,626	1,352,919,032	1,384,970,457	1,413,723,063	1,447,391,095	1,484,075,978
	Revenue Less Expense - Surplus/(Gap)	24,164,896	0	0	366,881	660,340	1,175,904



OVERVIEW

SNAPSHOT OF ERIE COUNTY



Geographic Size

Erie County is a metropolitan center located on the western border of the State covering 1,058 square miles. The County is bounded by Lake Erie to the west, Niagara County and Canada to the north, Genesee County and Wyoming County to the east, and Cattaraugus and Chautauqua Counties to the south. Half of the population in both countries as well as half of the personal income created by the United States and Canada are within 500 miles of Erie County. In addition, three-quarters of Canada's manufacturing activity and 55 percent of the United States' manufacturing activity fall within that radius. Located within the County are three cities and 25 townships, including the City of Buffalo, the second largest city in the State, which serves as the County seat.

Government

Erie County is governed under a home rule charter which provides for the separation of legislative and executive functions. The County Executive, elected to a four year term, is the chief executive officer and chief budget officer of the County. The County Legislature consists of 11 members elected to two year terms and is the County's governing body. Other elected positions are Comptroller, County Clerk, District Attorney, and Sheriff.

Population

The Bureau of Census population statistics for Erie County are as follows:

<u>Year</u>	<u>Population</u>
1970	1,113,491
1980	1,015,472
1990	968,532
2000	950,265
2010	919,040

The population of the cities and five largest towns are as follows:

<u>Municipality</u>	<u>2010 Population</u>
Buffalo, City	261,310
Lackawanna, City	18,141
Tonawanda, City	15,130
Amherst, Town	122,366
Cheektowaga, Town	88,226
Tonawanda, Town	73,567
Hamburg, Town	56,936
West Seneca, Town	44,711

Economy

Erie County is a major New York industrial and commercial center. The following tables illustrate the major components of employment in the Buffalo-Niagara Falls Metropolitan Statistical Area (MSA).

Ten Largest Employers in WNY

<u>Organization</u>	<u>FTE Employees</u>
State of New York	25,244
U.S. Government	10,000
Kaleida Health	8,439
SUNY at Buffalo	7,106
Catholic Health Systems	6,286
Employer Services Corporation	6,271
Tops Markets LLC	5,117
City of Buffalo Schools	4,949
M&T Bank	4,593
Erie County Government	4,304

Source: 2012 Business First Book of Lists

Total Labor Force

<u>Year</u>	<u>Total Labor Force</u>
2002	469,800
2003	469,900
2004	473,200
2005	472,800
2006	470,200
2007	465,800
2008	471,800
2009	469,000
2010	465,600
2011	460,300
2012*	459,600

Source: NYS Department of Labor/Local Area Unemployment Statistics Program, www.labor.ny.gov/stats/laus.asp
*As of June 2012

Ten Largest Taxpayers

(As of June 12, 2012)

	<u>Equalized Taxable Valuation</u>
National Grid/Niagara Mohawk	\$698,295,685
National Fuel Gas	693,674,968
Benderson Development Co.	451,245,342
Huntley Power LLC	415,800,428
Verizon	301,723,196
NYSEG	259,796,402
BG – Various Properties	188,528,153
Pyramid Co. of Buffalo	181,184,043
Norfolk/Conrail/CSX	133,765,878
Uniland Development	<u>113,242,682</u>
TOTAL	<u>\$3,437,256,737</u>

Source: Erie County Division of Real Property Tax Services

Total Market Value of Erie County Real Estate

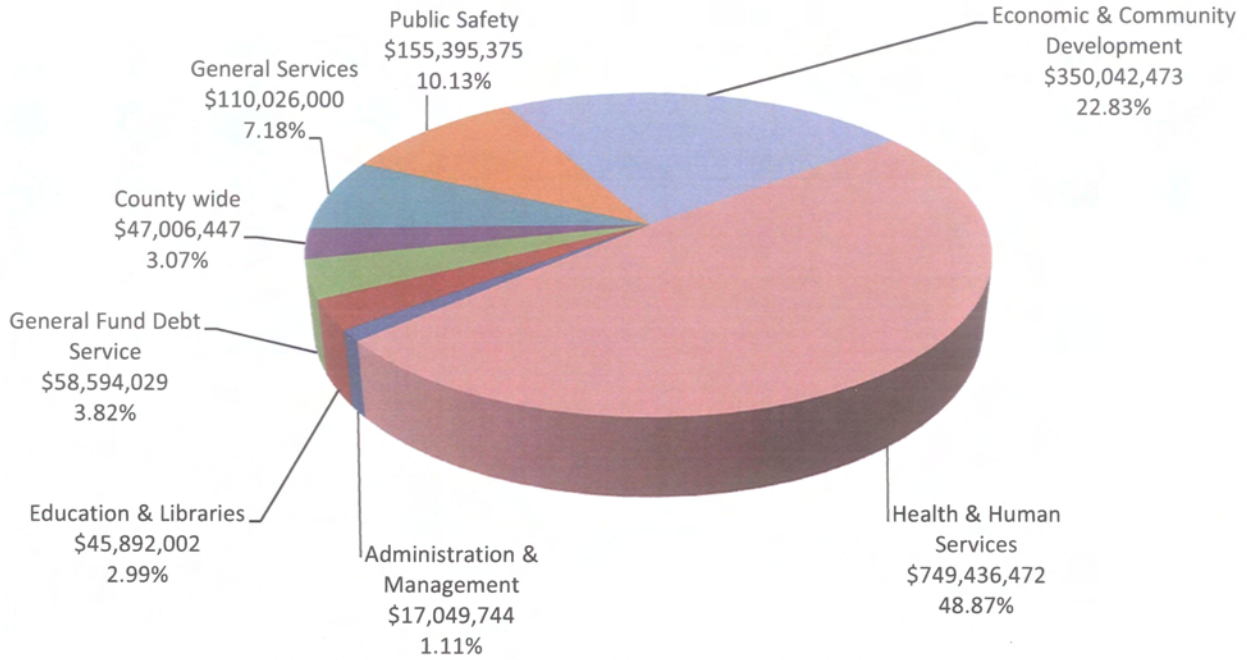
Year	Equalized Full Market Value Tax Base	Percentage Change from Prior Year
2008	42,445,603,001	4.86%
2009	44,382,615,356	4.56%
2010	46,120,909,989	3.92%
2011	46,738,119,997	1.34%
2012	47,237,059,981	1.07%
2013	47,153,215,815	(.18)%

Source: Erie County Division of Real Property Tax Services



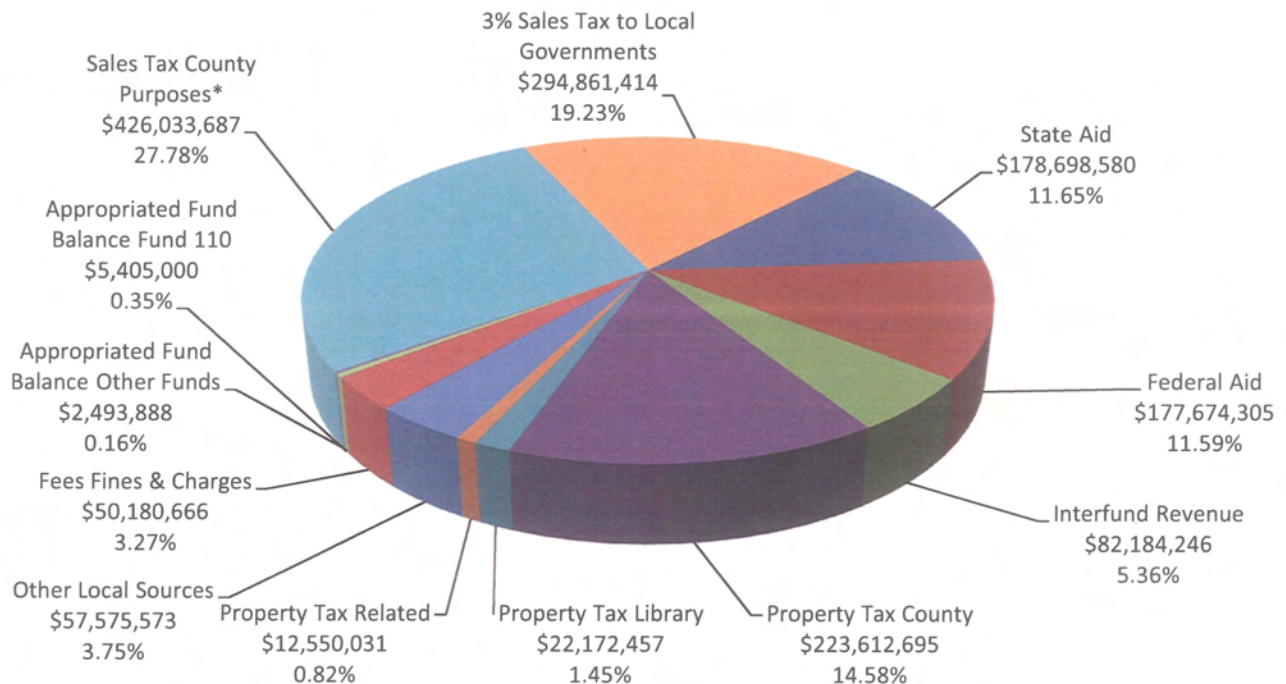
**UNDERSTANDING
THE 2013
ERIE COUNTY BUDGET**

Where the Funding Goes



The Total 2013 Budget for All Operating Funds is \$1,533,442,542

Where the Revenue Comes From



* Sales Tax - County Purposes, includes the revenue required to support the sales tax contribution to the NFTA of \$18,963,903 and the flat sales tax distribution to local governments of \$12,500,000. The balance of \$394,569,784 is utilized for county purposes. The original 3% sales tax to local governments is shown as a separate item.

UNDERSTANDING THE 2013 ERIE COUNTY BUDGET

Summary of Unassigned/Undesignated Fund Balances for All Funds 2004-2011 *(amounts in thousands)*

Fund Name	2004	2005	2006	2007	2008	2009	2010	2011
110 General	(10,774)	4,647	23,069	32,961	45,389	74,045	66,904	83,489
210 Road	(4,484)	(7,898)	(6,911)	(6,977)	(4,000)	0	60	0
230 E-911	0	0	0	0	0	0	0	0
820 Library	550	629	2,216	2,599	2,342	3,311	27	1,726
310 Debt Service	0	0	0	0	0	0	124	0
Total	(14,708)	(2,622)	18,374	28,583	43,731	77,356	67,115	85,215

Source: County of Erie Comprehensive Annual Financial Reports

UNDERSTANDING THE 2013 COUNTY BUDGET

Overview of All Operating Funds in the 2013 Proposed Budget

110 General	\$1,384,970,457
140 Utility Fund	27,034,515
210 Road Fund	29,891,236
230 E-911 Fund	7,621,494
310 Operating Fund Debt Service	58,226,795
820 Library	25,698,045
<hr/>	
Total All Operating Funds	\$1,533,442,542

Additional Funds in the 2013 Proposed Budget

220 Sewer Districts	\$52,695,494
281 Grant Fund	30,224,948
290 Community Development Fund	5,341,402
310 Sewer District Debt Service	7,167,258
821 Library Grants	584,761
<hr/>	
Total	\$96,013,863
<hr/>	
Total All Funds	\$1,629,456,405



OVERVIEW OF REVENUES

PROPERTY TAX LEVY

2012 Budget: \$237,692,831
2013 Proposed: \$245,785,152

The County property tax levy represents the total amount of real property revenue to be raised by the County for County and Library purposes. The amount of the real property tax levy is the difference between total expenses and all other projected revenue sources, including sales tax. The proposed 2013 County property tax levy totals \$245,785,152.

A breakout of the total property tax levy into two required reporting categories for 2012 and 2013 totals:

	<u>2012 Budget</u>	<u>2013 Proposed</u>
General Fund	\$217,820,374	\$223,612,695
Library Fund	<u>\$ 19,872,457</u>	<u>\$ 22,172,457</u>
Total Property Tax Levy	\$237,692,831	\$245,785,152

New York State Property Tax Cap Law

On June 24, 2011 New York Governor Andrew M. Cuomo signed the state's new property tax cap legislation into law (Chapter 97 of the NYS Laws of 2011). Under the law, which took effect for Erie County in its 2012 budget year, the tax cap law establishes a limit on the annual growth of property taxes levied by the County to two percent (2%) or the rate of inflation, whichever is less. The County may also carry over "tax cap credits" from a prior year. The County's property tax levy cannot exceed the cap unless 60 percent (60%) of the total voting power of the local governing body approves such increase. For Erie County, a 60% vote by the County Legislature requires that 7 out of 11 legislators must vote to raise property taxes beyond the cap.

For the County's 2013 Budget, the cap threshold is \$10.38 million. Under the law, that amount includes the Buffalo and Erie County Public Library real property tax levy and the County's independent sewer districts' property tax levies, and not just the County-purposes property tax levy.

The total property tax levy for the 2013 recommended Budget is \$2.29 million lower than the cap of \$10.38 million.

The share of the tax levy for each jurisdiction is based on its percentage of the County's total equalized full value. For example, if 16.8 percent of the County's equalized full value is located in the Town of Amherst, then Amherst would be responsible for 16.8 percent of the total County property tax levy.

A sixteen-year history on the amount of Erie County's annual property tax levy is shown below.

**Sixteen-Year History
Erie County Property Tax Levy**

<u>Year</u>	<u>Amount of Property Tax Levy</u>	<u>Tax Rate/Per \$1000 Assessed Value</u>
2013	245,785,152	5.21
2012	237,692,831	5.03
2011	235,182,208	5.03
2010	232,413,974	5.03
2009	223,306,326	5.03
2008	211,837,793	4.94
2007	200,031,205	4.94
2006	188,094,445	4.94
2005	157,641,229	4.34
2004	152,529,551	4.42
2003	152,529,551	4.54
2002	152,529,551	4.74
2001	152,529,551	4.78
2000	181,766,441	5.60
1999	221,666,391	6.85
1998	226,286,170	7.00

Average County Full Market Value Property Tax Rate

When the operating budget is presented to the County Legislature, the average tax rate is expressed in terms of a rate per thousand dollars of equalized full value.

The average County property tax rate is calculated by dividing the tax levy by the total amount of County Equalized Full Market Value expressed in thousands:

	Total Equalized		Average County Full
County Tax Levy	÷ Full Market Value	=	Market Property Tax Rate
\$245,785,152	÷ \$47,153,215,815	=	\$5.21 per \$1,000 Assessed Value

Equalized Full Market Value

Compared to 2012, in 2013 the amount of equalized full value has decreased for the first time since 2001 and only the fourth time since 1979 (the other reductions were in 1984 and 1987). In 2013, the County's equalized full market value tax base will decline by \$83.08 million. The amount of equalized full value is determined as follows:

	Total Taxable Assessed Value	÷	Equalization Rate (rounded)	=	Equalized Full Market Value
2012	\$35,707,718,703	÷	.7559	=	\$47,237,059,981
2013	\$35,773,431,521	÷	.7586	=	\$47,153,215,815

A six-year history of Erie County's equalized full value property tax base is shown below:

Year	Equalized Full Market Value Tax Base	Percentage Change From Prior Year
2008	42,445,603,001	4.86%
2009	44,382,615,337	4.56%
2010	46,120,909,981	3.92%
2011	46,738,119,900	1.34%
2012	47,237,059,981	1.07%
2013	47,153,215,815	(.18)%

Assessment Growth Ends in 2013, Creating a New Gap

As the above chart showing the County's equalized full market value tax base for 2008-2013 illustrates, and as previously mentioned, for only the fourth time since 1979, the County will experience a loss in property tax assessed value in 2013. The loss of \$83.08 million of equalized full market value tax base in 2013 is happening for several reasons, including due to the failure of some local assessing units to conduct regular and accurate reassessments, and major commercial property owners challenging their assessments, including through the courts and successfully receiving assessment reductions. This is rapidly becoming a major problem for the County, made worse by the fact that the County is not a named defendant in any assessment litigation but must face the consequences of litigation or settlements made by a local government or school district.

Erie County has annually projected and received at least 2% annual growth in assessment, with a recent five year average 3.15% growth from 2008-2012. However, in 2013 there will be no growth and an *actual decline* in the equalized full market value tax base.

The County projects that compared to the prior administration's 2012-2015 Four Year Financial Plan, the County will lose approximately \$5.1 million in property tax revenue in 2013 just from the loss of assessment growth. As a result of the above factors, the County's full market property tax rate for 2013 would automatically adjust from \$5.03 per \$1,000 of assessed value to \$5.04 just to meet the same County property tax levy revenue from 2012.

Constitutional Tax Margin

The constitutional tax margin of the County is determined in accordance with Section 10 of Article VII of the New York State Constitution. This limits the amount counties may raise in real estate taxes in any fiscal year, exclusive of debt service, to 1.5 percent (1.5%) of the five-year average full value of taxable real estate of the County.

The computation of the County's constitutional taxing power for 2013 is set forth below:

Estimated Computation of Constitutional Tax Power for 2013

2009	\$44,382,615,337
2010	46,120,909,981
2011	46,738,119,900
2012	47,237,059,981
2013	47,153,215,815
Total ^(a)	\$231,631,921,014
Five-Year Average Full Valuation	\$46,326,384,203
Tax Limit (1.5%)	694,895,763
Total Exclusions (Debt Bonds)	<u>61,333,360</u>
Total Taxing Limit	756,229,123
Less Total Tax Levy for 2013^(b)	<u>256,723,278</u>
Unused Tax Limit	\$499,505,845

^(a)The County's Constitutional Tax Limit is computed utilizing five years of full value as adjusted and provided by the NYS Comptroller's Office.

^(b)Includes taxes for certain election and community college expenses totaling \$10,938,126.

One-Percent Tax Cap

On November 13, 1978, the County enacted a local law limiting its property tax levy to one percent (1%) of the five-year average of full valuation, exclusive of debt service.

Pursuant to the terms of this local law, Erie County's estimated 1% property tax limit, adjusted for debt service, is \$524,597,202 leaving an unused tax margin of \$267,873,924.

The one-percent property tax limit is calculated as follows:

Five-Year Average Full Valuation	\$46,326,384,203
Tax Limit (1.0%)	463,263,842
Total Exclusions (Debt Bonds)	<u>61,333,360</u>
Total Taxing Power	524,597,202
Less Total Levy for 2013^(a)	<u>256,723,278</u>
Projected 1% Unused Tax Margin	\$276,873,924

^(a) Includes taxes for certain election and Community College expenses.

SALES TAX REVENUES

SALES TAX REVENUES

2013 Budget

Sales Tax Retained by Erie County	\$394,569,784
Shared with Cities, Towns, Villages, School Districts, NFTA	<u>\$326,325,317</u>
Total Sales Tax Revenues	\$720,895,101

Distribution

A general sales and compensating use tax of 8.75 percent is levied on all taxable retail sales in the County. Of the total 8.75 percent tax collected by New York State, 4.00 percent is retained as State revenue and 4.75 percent is returned to the County. In accordance with the sales tax sharing agreements, the 4.75 percent returned to the County is divided between the County and the Cities of Buffalo, Lackawanna, and Tonawanda; the towns, villages, school districts and the NFTA, with the County retaining approximately 55% of the total.

Sales Tax Sharing Formulas 4.75% Sales Tax

	3%	1% ⁽¹⁾	.75% ⁽²⁾
County of Erie:	31.1389%	100% (less \$12.5M)	100%
NFTA:	4.1666%	—	—
School Districts:	29.0000%	—	—
Cities:	10.0087%	—	—
Cities, Towns & Villages:	25.6858%	\$12.5 million	—

⁽¹⁾ 1% Sales Tax authorization expires November 30, 2013

⁽²⁾ .75% Sales Tax authorization expires November 30, 2013

SALES TAX SHARED WITH OTHER LOCAL GOVERNMENTS

The following table indicates 2013 estimated sales tax to Erie County and the amount of sales tax passed through to local jurisdictions.

	2013 Estimated Collections	
County Sales Tax		
3% Sales Tax	\$141,723,319	
1% Sales Tax	139,204,649	
.75% Sales Tax	<u>113,641,816</u>	
Total 2013 Estimated County Share	\$394,569,784	55%
Shared Sales Tax		
3% Sales Tax Distributed to Cities, Towns, Schools	\$294,861,414	
1% Sales Tax Distributed to Cities & Towns	12,500,000	
3% Sales Tax Distributed to NFTA (1/24 th of 3%)	<u>18,963,903</u>	
Total to Other Jurisdictions	\$326,325,317	45%
Total Sales Tax	\$720,895,101	

ALL OTHER LOCAL SOURCE REVENUES

2012 Budget: \$96,394,097
2013 Proposed: \$94,844,792

2013 Distribution of All Other Revenues

	<u>Total</u>
Property Tax Related	\$12,550,031
Welfare Recoveries/Repayments	22,203,370
Hotel Occupancy Tax	8,728,122
Election Expense Respread	6,561,428
Interest Earnings-General Investments	511,200
Fees, Fines, Charges	26,103,627
Appropriated Fund Balance	5,405,000
All Other Source Accounts	12,782,014
Total	\$94,844,792

Property Tax Related

2012 Budget: \$10,808,003
2013 Proposed: \$12,550,031

Property Tax Related revenue includes payments in lieu of taxes, revenue from property tax exemptions, interest and penalties on delinquent tax, provisions for uncollectable taxes, and real property deferred revenue adjustments.

Welfare Recoveries/Repayments

2012 Budget: \$21,899,556
2013 Proposed: \$22,203,310

Welfare recoveries/repayments are revenues produced by the Department of Social Services (DSS) collection program. DSS recoups excess amounts paid to clients and maximizes collections on all accounts established by fraud, over-grant or assistance repayment requirements.

Hotel Occupancy Tax

2012 Budget: \$8,400,334
2013 Proposed: \$8,728,122

A Hotel Occupancy Tax, currently ranging from 3% to 5% of room charges, was enacted in 1975. These are general County revenues, and along with the property tax and sales tax revenue supports the total net County cost of all operations.

Board of Elections Respread Revenue

2012 Budget: \$7,080,311 – 2010 election expense
2013 Proposed: \$6,561,928 – 2011 election expense

This revenue is reimbursement from towns and cities for certain allowable expenses associated with the cost of conducting elections. The actual costs are billed back to the respective towns and cities two years later.

Interest Earnings-General Investments

2012 Budget: \$717,200
2013 Proposed: \$511,200

Interest earnings, as budgeted in Countywide Accounts–Comptroller, are revenue realized from the regular investment of available funds in certificates of deposit, treasury notes and repurchase agreements.

Fees, Fines, Charges

2012 Budget: \$25,786,348
2013 Proposed: \$26,103,627

Revenue is received by many departments from fees or charges for their services which are provided to the public, businesses, or other outside entities. These revenues are directly attributable to departmental operations and offset a portion of their costs of providing the service. Included in this category are such revenues as: County Clerk fees; license, permit and inspection fees; fines and penalties; tax assessment services; parks and recreation fees; public health clinic fees; and Medicaid payments for children in the Early Intervention and Services to Children with Special Needs programs.

Appropriated Fund Balance

2012 Budget: \$ 7,443,185
2013 Proposed: \$ 5,405,000

The 2013 budget utilizes \$5,405,000 of unassigned fund balance. This is a decrease of \$2,038,185 over the 2012 budget.

All Other Source Accounts

2012 Budget: \$ 7,443,185
2013 Proposed: \$12,782,014

This category of revenue includes such items as Off Track Betting revenue, Mortgage Tax, sale of scrap, and a wide variety of cash receipts.

STATE AID

2012 Budget: \$167,531,819
2013 Proposed: \$167,943,564

2013 Distribution of State Aid Operating Fund

	<u>Total</u>
Social Services	\$73,523,114
Youth Services	6,189,679
Youth Bureau	978,570
Health Department	3,546,408
Early Intervention/Special Needs	37,737,303
Mental Health	41,225,974
Probation	1,225,778
Sheriff/Jail	281,900
Law (Indigent Defense)	970,086
Buildings and Grounds	2,100,000
All Other Departments	164,752
Total	\$167,943,564

Department of Social Services

2012 Budget: \$71,916,344
2013 Proposed: \$73,523,114

Revenue is received by the Department of Social Services for the State share of Public Assistance and supportive social services programs including Temporary Assistance to Needy Families (TANF), known as Family Assistance in New York State, Safety Net Assistance, Child Care subsidies through the Child Care Development Block Grant (CCDBG), Child Welfare Services, Emergency Assistance, Handicapped Children and Medical Assistance.

Recent changes in State law have revised long standing reimbursement percentages for major programs and further revision may occur as a result of annual State budget action. Family Assistance is now 100 percent Federal, and Safety Net Assistance is 29 percent State and 71 percent local. Child day care subsidies for families in receipt of Family Assistance are reimbursed at 75 percent of total cost from the CCDBG.

The State share for administration of child support was eliminated in 2012. Offsetting amounts for the local retention of the former State share of collections minimize the State share administrative loss.

State reimbursement is also provided for some categories of administrative costs at varying rates, depending on the program administered.

Administrative costs for Medical Assistance continue to be a component of the Medicaid Cap in 2013. Because the local share costs of Medical Assistance administration are included in the Medicaid Cap chargeback, the State will reimburse the non-federal share of Medical Assistance administration in the separate administrative claim. An administrative cap on the non-federal share of Medicaid was newly implemented in 2012 restricting the reimbursement of Medicaid administrative cost to the amount received in calendar year 2010. While the cap amount will likely not be exceeded in 2012 or 2013, this cap creates a future concern in cost shifts to the County.

State reimbursements for all foster care services and administration are capped in a Foster Care Block Grant (FCBG) in 2013. Uncapped 62 percent State reimbursement is available for child protection services and for foster care prevention, adoption administration and independent living services. Enhanced funding for adoption subsidies was eliminated in 2011 and these program expenses are now also 62 percent State.

State funding for Community Optional Preventive Services (COPS) programs is included for a portion of the Operation Prime Time program in the 2013 proposed budget.

Health Department

2012 Budget:	\$3,826,289
2013 Proposed:	\$3,546,408

The Health Division is reimbursed at 36 percent of net operating costs for State mandated public health functions including health education, disease control, environmental health, family health and community health assessment services. State reimbursement to the Division of Emergency Medical Services, the Public Health Lab and the Medical Examiner is budgeted at 36 percent of net operating costs.

Early Intervention/Pre-K/Special Education/Administration

2012 Budget: \$38,728,583
2013 Proposed: \$37,737,303

Revenues are received by the Department of Health from the State Education Department to support State mandated education and therapeutic services for 3 and 4 year old children with developmental delays. Reimbursement is budgeted at 59.5 percent of the eligible costs incurred for evaluations and corresponding services provided to children. Administrative costs for the 3 and 4 year-old program are reimbursed at \$75 per child served and/or evaluated. Other administrative costs are reimbursed at 30 percent by the State Health Department. Additionally, State revenues are received to support the Early Intervention Case Management Program serving infants and toddlers ages birth through 2 with developmental delays and their families. This program provides early intervention therapeutic services at home or in a day care center rather than at a facility-based program. Payments made by the department for screenings/evaluations, case management, and early intervention services such as speech or physical therapy are reimbursed at 50 percent by the State Health Department.

Department of Mental Health (*including Forensic Services*)

2012 Budget: \$40,690,917
2013 Proposed: \$41,225,974

Reimbursement is received by the Department of Mental Health in four different disability program areas and administration. This revenue includes a combination of 100 percent State funding for many program services and 50 percent deficit funding for other services and administration.

The State Office of Mental Health provides the majority of total funding. It supports Department services aimed at prevention and early detection of mental illness, and the maintenance of a comprehensive system of care, treatment and rehabilitation for the mentally ill. State funds from the Office of Mental Retardation and Developmental Disabilities are received to provide services designed to maintain the independence of mentally retarded or developmentally disabled clients in the least restrictive setting. Funds from the State Office of Substance Abuse Services support services and rehabilitation programs for clients who abuse drugs and for clients who experience the problems of alcoholism and alcohol abuse. Additionally, State revenues are received to support one-half of the cost of forensic mental health services provided to adults and children involved with the criminal court or family court systems. Increased Medicaid billing by community based contract agencies for clinic treatment and other services substantially offsets the expenses that would otherwise be directly claimed for State Mental Health reimbursement.

Probation Department

2012 Budget: \$1,107,615
2013 Proposed: \$1,225,778

Reimbursement is received from the State Division of Probation and Correctional Alternatives for expenses incurred by the Probation Department.

Youth Services

2012 Budget: \$6,420,737
2013 Proposed: \$6,189,679

State revenues are received to offset the operating costs of the secure and non-secure programs at the Youth Services Center. Services for Erie County youth in these programs are reimbursed at 49 percent of costs, while services for youth from other counties are reimbursed at 100 percent. The State share of Detention is now subject to a capped allocation. Additionally, reimbursement is received from the New York State Department of Education for the breakfast and lunch program provided at the Detention Facility. Funding for the Supervised Treatment Services for Juvenile Program is moved from Youth Services to the Youth Bureau in 2013.

Youth Bureau

2012 Budget: \$778,893
2013 Proposed: \$978,570

State revenues are received from the State Office of Children and Family Services for Youth Development and Delinquency Prevention, Runaway and Homeless Youth, the Partnership for Youth and for the Special Delinquency Prevention program (SDPP). The Supervised Treatment Services for Juvenile Program (STSJP) is included in the 2013 Proposed Youth Bureau Budget with 62 percent State funding. These programs are aimed at creating a healthy community environment for positive youth development as well as establishing recreational programs in an effort to deter delinquent behavior. A majority of the State revenues are redirected to other municipal and community-based agencies whose programs are monitored for effectiveness by the department. Additionally, State reimbursement is received for 49 percent of the Youth Bureau's administrative costs. Amounts budgeted in 2013 reflect the impact of state reimbursement reductions expected to continue on an ongoing basis and are consistent with current actual allocations.

Sheriff's Department and Jail Management

2012 Budget: \$274,431
2013 Proposed: \$281,900

The Sheriff's Department is reimbursed for expenses related to the patrol and enforcement of navigation and snowmobile laws in Erie County.

Law (Account 405210 Indigent Defense)

2012 Budget: \$1,455,128
2013 Proposed: \$ 970,086

Revenues are utilized to offset the expense incurred in providing legal defense for the indigent. State funding has decreased annually since 2008 for this mandated function.

Buildings and Grounds (Account 405170)

2012 Budget: \$2,166,000
2013 Proposed: \$2,100,000

State revenues are for the reimbursement of the operation and maintenance of court facilities and interest costs associated with court improvements.

All Other Departments

2012 Budget: \$166,882
2013 Proposed: \$164,752

Other county departments receive minor state reimbursement for items such as burial costs of indigent veterans, handicapped parking surcharges and octane testing.

FEDERAL AID

2012 Budget: \$173,447,146
2013 Proposed: \$177,674,305

2013 Distribution of Federal Aid Operating Fund

	<u>Total</u>
Social Services	\$167,735,860
Youth Detention	45,883
Early Intervention/Pre-K/Special Ed	1,341,717
Correctional Health	390,000
Sheriff/Jail	181,606
Emergency Services	275,000
Mental Health	5,673,534
Medicare Part D	1,975,731
District Attorney	42,000
Probation	12,974
Total	\$177,674,305

Department of Social Services

2012 Budget: \$163,690,872
2013 Proposed: \$167,735,860

Reimbursement is received by the Department of Social Services for the federal share of public assistance and supportive social services programs. These programs include Temporary Assistance to Needy Families (TANF) (known as Family Assistance in New York State), Child Day Care subsidies through the Child Care Development Block Grant (CCDBG), Medical Assistance, Foster Care and Adoption for children who qualify, and Social Services Block Grant (SSBG) supportive services under Title XX of the Social Security Act. For most of these programs, the Federal reimbursement was historically based on one-half of the total cost, but this is no longer the case, as New York State has been charged reimbursements for several programs. Family Assistance is now reimbursed at 100 percent Federal share. Child day Care subsidies for low income families are reimbursed at 100 percent of cost from the CCDBG up to a fixed allocation ceiling. SSBG services are reimbursed at 100 percent of cost up to a fixed ceiling. Federal reimbursements are also received for administrative costs for programs such as TANF/Family Assistance, Employment program administration, Medical Assistance, Food Stamps, Foster Care and Adoption, and Child Support.

Reimbursement of some TANF-funded administrative, transitional services and employment programs was consolidated in the Flexible Fund for Family Fund for Family Services (FFFS) by the State in 2006.

The 2013 budget reflects the continued recovery of prior-year Food Stamp administrative reimbursements totaling \$1.84 million due to retroactive changes in the federal cost allocation methodology.

Youth Services

2012 Budget: \$45,883
2013 Proposed: \$45,883

Federal revenue received in the Detention Facility is reimbursement for meals under the School Food Programs.

Early Intervention/Pre-K/Special Education

2012 Budget: \$1,154,841
2013 Proposed: \$1,341,717

The revenue budgeted represents the county's Federal share of Medicaid partial reimbursement for services given to children in the Preschool Program, ages 3 and 4 and to children in the Early Intervention Program, ages birth through two. The Preschool Program portion is \$1,100,550 and represents the county's 40.5% share of this Federal revenue for the medical component of the various special education services. The Early Intervention portion is \$241,167 and represents the county's 50% share of the Federal revenue for various administrative activities associated with the Early Intervention Program. Together these portions total the revenue budgeted of \$1,341,717.

Correctional Health Division

2012 Budget: \$390,000
2013 Proposed: \$390,000

Federal revenue in the Correctional Health Division represents Medicaid reimbursement for the cost of providing medical services to Medicaid eligible detainees. This reimbursement was previously recorded in the Jail Management Division.

Sheriff's Department and Jail Management

2012 Budget: \$232,400
2013 Proposed: \$181,606

Federal revenue is received for the provision of meals to young adults housed at the Holding Center and in the Correctional Facility. Reimbursement is also budgeted in 2013 from the Social Security Administration through the prisoner reporting incentive program.

Department of Emergency Services (*Account 410500*)

2012 Budget: \$275,000
2013 Proposed: \$275,000

Revenues are received from the Federal Emergency Management Agency to support the planning and coordination of emergency response activities.

Department of Mental Health

2012 Budget: \$5,673,534
2013 Proposed: \$5,673,534

Revenues are received from the Department of Housing and Urban Development to support housing costs and supportive costs to enable consumers of mental disability and chemical dependency services to be maintained in the community. Where required, these costs are matched by state aid and by the valuation of other community-provided services.

Medicare Part D (*Account 414100*)

2012 Budget: \$1,903,440
2013 Proposed: \$1,975,731

Revenues are received from the Federal government that help Erie County pay the cost of drug prescription coverage for its retirees.

District Attorney

2012 Budget: \$51,000
2013 Proposed: \$42,000

Federal money allocated to the District Attorney's Office to offset a portion of the expense related to the prosecution of juvenile offenders and to provide staff training for the prosecution of crimes against the elderly.

Probation

2012 Budget \$30,176
2013 Proposed \$12,974

Reimbursement is received by the Probation Department for costs associated with FBI investigations.



OVERVIEW OF EXPENDITURES

GENERAL FUND EXPENDITURES

TOTAL GENERAL FUND EXPENSES FOR COUNTY DEPARTMENTS

2012 Budget: \$1,352,919,032
2013 Proposed: \$1,384,970,457

2013 Distribution of General Fund Expenses

	<u>Total</u>
Personal Services	\$187,289,423
Fringe Benefits	126,831,292
Supplies and Repairs	9,680,765
Sales Tax to Local Governments	326,325,317
Contractual Expense	131,354,551
ECMCC Subsidy	16,200,000
Social Services Assistance & Programs	402,561,392
Early Intervention/Pre-K/Special Ed	68,976,061
Interfund Transfers (County Share)	40,217,756
Debt Service	54,643,336
All Other Expense	20,890,564
Total	\$1,384,970,457

Personal Services

2012 Budget: \$186,653,752
2013 Proposed: \$187,289,423

Personal Service appropriations cover salary and wages for full-time positions budgeted in the General Fund, as well as for overtime and part-time expenditures.

Fringe Benefits

2012 Budget: \$109,684,737
2013 Proposed: \$126,831,292

Fringe benefit expenses are budgeted at the department level in the operating fund. Current trends indicate a significant increase in expense related to employee pension and medical insurance in 2013.

Sales Tax to Local Governments

2012 Budget: \$315,311,693

2013 Budget: \$326,325,317

The County shares sales tax collection with cities, towns, villages, school districts and the NFTA. Details can be obtained in the revenue section of this document.

Supplies and Repairs

2012 Budget: \$9,745,873

2013 Proposed: \$9,680,765

This expense category includes general office, medical, repair and maintenance supplies; in addition to food for inmates at the Jail and Correctional Facility. It also includes the purchase of fuel for vehicles countywide.

Contractual Agency Payments

2012 Budget: \$127,065,124

2013 Proposed: \$131,354,551

The major accounts comprising this appropriation include: Social Services contractual agencies - \$16,367,702; and \$1,174,569 for payments to various youth programs such as Operation Prime Time. Mental Health contractual agency payments total \$53,764,697.

Other agency expense includes: Community College payments for residents enrolled in other Community Colleges \$4,526,640; Convention & Visitors Bureau \$4,950,000; cultural support totaling \$5,670,000; Indigent Defense \$11,484,866; and for NFTA 18-b support \$3,657,200.

Note on NFTA payments:

County support for the NFTA not only includes the State-mandated 18-b subsidy of \$3,657,200, equal to 89.2% of the State appropriation (currently \$4,100,000), but also a dedicated portion of Sales Tax.

NFTA	Sales Tax	County Subsidy (18-b)	Total
2012 Budget:	\$18,332,596	\$3,657,200	\$21,989,796
2013 Proposed:	\$18,963,903	\$3,657,200	\$22,621,103

ECMCC Subsidy

2012 Budget: \$16,200,000
2013 Budget: \$16,200,000

The County also budgets a net appropriation on behalf of ECMCC of \$16,200,000 for the cost for State mandated supplemental Medicaid payments. Supplemental Medicaid payments are periodically received by the Erie County Home and the Erie County Medical Center which are designed to draw down the maximum possible federal reimbursement to those public facilities in recognition of their high proportions of Medicaid and indigent care. Payments to the Erie County Home are known as Upper Payment Limit (UPL) supplements, while payments to the Erie County Medical Center are known as Disproportionate Share (DSH) supplements. These payments require a 50 percent local share match, the costs of which are excluded from the Medicaid Cap.

Social Services Assistance Payments and Program Expenses

2012 Budget: \$391,241,736
2013 Proposed: \$402,561,392

The majority of Social Services Fund expenditures are for assistance payments made to or on behalf of eligible families or individuals. There are seven major assistance programs and a number of other smaller programs:

Family Assistance (Account 525040)

2012 Budget: \$43,069,885
2013 Proposed: \$42,625,150

Public assistance benefit payments are made for basic needs, shelter and utilities, etc., to families eligible for this Federal/State/local program. Welfare reform at the Federal level replaced AFDC (Aid to Families with Dependent Children) with TANF (Temporary Assistance to Needy Families) in August 1996. In New York State, TANF is known as Family Assistance.

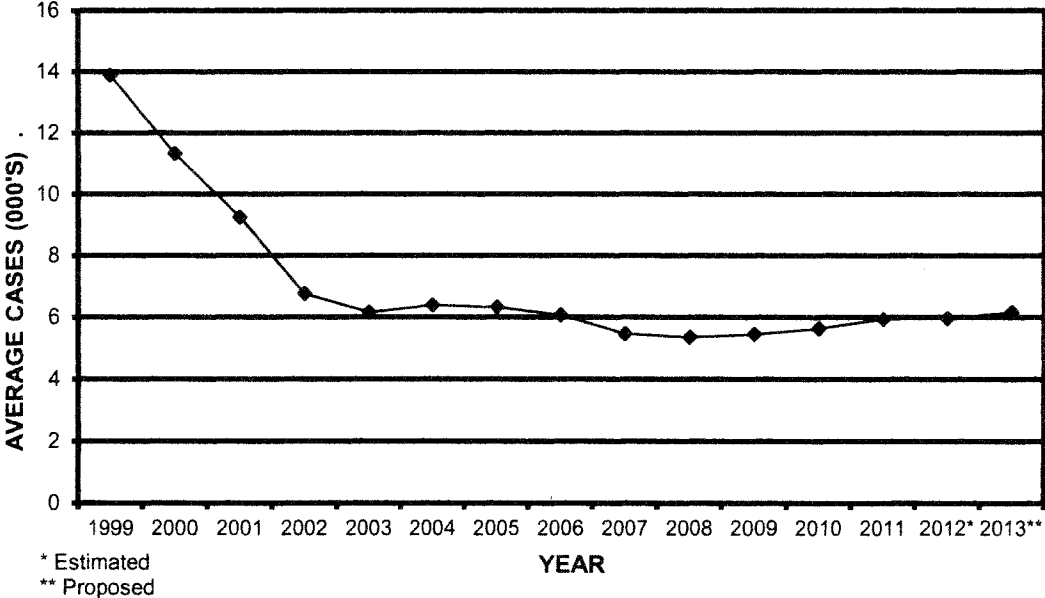
Federal Welfare Reform legislation enacted in December 1996 ended the Federal entitlement to public assistance. It provides funding to the states in the form of fixed block grants to cover temporary assistance to families. Limits are placed on the length of time families may receive Federal TANF (Family Assistance) benefits, and new work requirements are imposed for nearly all adults in Family Assistance (TANF) cases. There is a five-year (60-month) lifetime limit on Family Assistance benefits. For cases in which individuals fail to comply with drug or alcohol dependency assessment and treatment requirements, benefits must be restricted to non-cash voucher payments to landlords and utility companies with only a small personal needs allowance.

Benefits are also restricted to non-cash voucher payments and small personal needs allowances when the five-year (60-month) lifetime limit on Family Assistance eligibility is reached. This occurred for the first cases in December 2001, and additional cases reach their limit each month thereafter.

Caseloads are funded at an average level of 6,158 cases per month in 2013 with an average base monthly cost per case of \$453.44.

The 2013 caseload estimate reflects caseload trends that have occurred to date. It assumes that the current base caseload will continue to increase for the balance of 2012 and 2013 at a monthly rate of 47 cases. This produces a beginning trend caseload estimate for 2013 that averages 6,334 cases per month.

**TREND OF FAMILY ASSISTANCE CASES
(With Time Limit Shifts)**



This beginning caseload estimate must, however, be reduced to reflect the transfer of currently active cases to Safety Net Assistance when they reach their 60-month lifetime federal eligibility limit. Another 324 cases are expected to reach their time limits and to be shifted to Safety Net Assistance by the end of 2013 at the current rate of 27 new cases shifted per month. In all, a monthly average of 176 time limit cases are subtracted from the trend estimate of 6,334 cases to arrive at the budgeted monthly average caseload of 6,158 which accounts for the cases that will move to Safety Net Assistance.

The 2012 monthly base cost per case estimate of \$453.54 is consistent with current actuals with adjustments to provide for voucher fuel cases.

The amount budgeted in 2013 includes an adjustment of \$5,182,308 added to the base for the costs of benefit increases enacted in the 2009-2010 State Budget. The basic grant was to be increased annually by 10 percent for three years beginning July 2009. The 2011 increase was delayed by New York State until July 2012. The adjustment covers the full annual cost of the 2009, 2010 and 2012 increases.

The appropriation includes added amounts for utility emergency assistance, \$734,446; for supplemental payments to clients as required in an annual reconciliation of fuel allowances to actual costs, \$348,114; and \$2,845,621 for non-utility emergency assistance (formerly EAF). These amounts are consistent with current costs and cost trends.

There is no local County Share cost of the Family Assistance program.

Safety Net Assistance (Account 525060)

2012 Budget:	\$41,320,286
2013 Proposed:	\$44,629,353

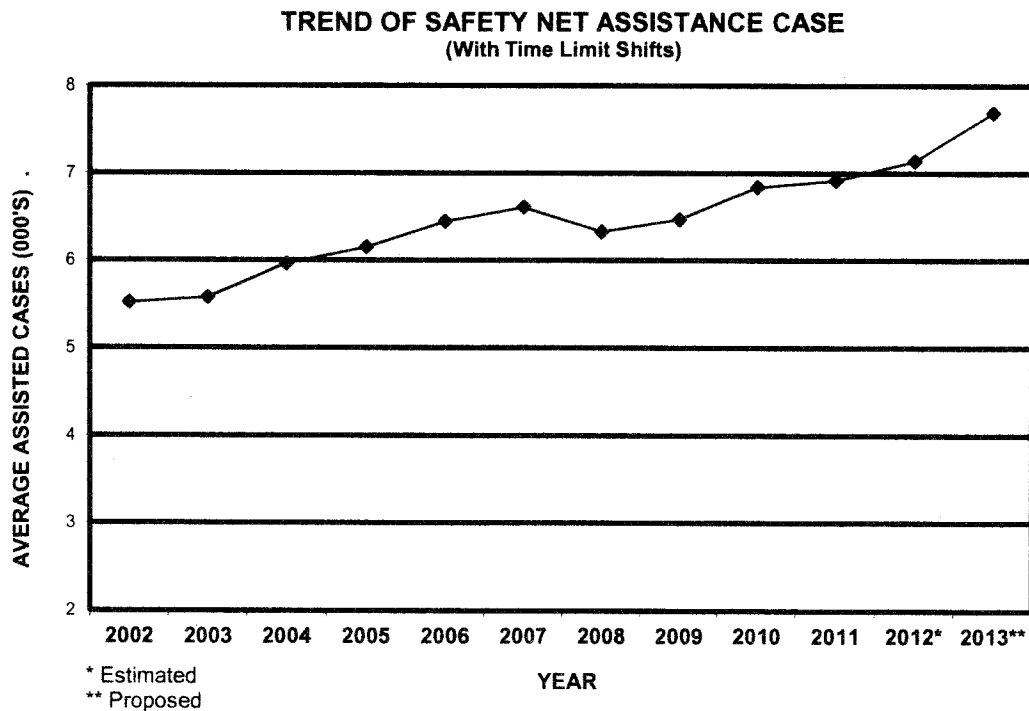
Public Assistance benefit payments are made for basic needs, shelter and utilities, etc., primarily to single individuals or childless couples who are eligible for this State/local general assistance program. Formerly known as Home Relief, this program now incorporates a two-year lifetime limit on cash benefits. After two years, and for those cases with individuals exempted from work activities because they are in drug or alcohol rehabilitation, or for those failing to comply with assessment and treatment requirements, benefits must be restricted to non-cash direct voucher payments to landlords and utility companies with only a small personal needs allowance.

Welfare reform and the creation of the new Safety Net Assistance program has affected caseloads and costs per case in much the same way as described above for the Family Assistance Program.

Caseloads are funded at an average level of 7,692 cases per month in 2013, with an average base monthly cost per case of \$422.73.

The 2013 caseload estimate is based on caseload trends that have occurred to date. It assumes that the current base caseload will continue to increase for the balance of 2012 and 2013 at a monthly rate of 40 cases. This produces a trend caseload estimate for 2013 that averages 7,692 per month.

To this beginning caseload estimate must be added those new cases that will transfer to Safety Net Assistance when they reach their 60-month federal eligibility time limit in Family Assistance. As indicated earlier, a monthly average of 176 new cases are expected to be shifted into Safety Net Assistance. Many of these and previously transferred clients, however, are employed and case closings due to employment and income are expected to result in no charge in the number that will actually be maintained in Safety Net Assistance in 2013.



The 2013 base monthly cost-per-case estimate of \$422.73 is consistent with current actuals with adjustments to provide for voucher fuel cases.

The amount budgeted in 2013 includes an adjustment of \$4,833,024 added to the base for the costs of benefit increases enacted in the 2009-2010 State Budget. The basic grant was to be increased annually by 10 percent for three years beginning July 2009. The 2011 increase was delayed by New

York State until July 2012. The adjustment covers the full annual cost of the 2009, 2010 and in 2012 increases.

The appropriation includes an additional \$495,643 for utility emergency assistance and \$281,070 for supplemental payments to clients as required in an annual reconciliation of fuel allowances to actual costs.

The County share cost of the Safety Net Assistance program is \$27,802,938 in 2013 after subtracting client repayments, 29 percent State reimbursements (changed from 50 percent in 2011-12 State Budget) and other revenues from the gross appropriation. This is an increase of \$4,696,126 (20.3 percent) compared to the 2012 budgeted amount.

Medicaid – MMIS Local Share (Account 525000)

2012 Budget:	\$211,765,453 (52 weekly payments)
2013 Proposed:	\$219,748,429 (53 weekly payments)

This appropriation is the County's net local share of all Medicaid – related costs under the State's Local Share Medicaid Cap which was effective beginning January 2006.

Legislation establishing a Medicaid Cap was enacted in 2005. The legislation set 2005 actual cash local share costs as a base year, with costs in subsequent years fixed by an annual inflation factor. An important change was made in 2012 in the use of a new base year for subsequent years. The base year changed from 2005 to 2012 thereby reducing subsequent year County liability. In 2013 the Medicaid Cap will be the 2012 actual Medicaid Cap amount plus 2.0 percent of the 2012 final cash basis local share Medicaid Base. It will be charged to the County by the State in 53 weekly wire transfer installment payments that are determined on the basis of a prorated State Fiscal year Medicaid cap.

The State fiscal year 2012-2013 State Budget has included a phase out of the local share increases which now will be limited to 2% in 2013, 1% in 2014 and no increase in 2015 and beyond, as currently legislated. In any year, if actual local share costs are lower than the Medicaid Cap amount, counties will be refunded the overpayment.

In contrast to the MMIS local share chargeback in prior years, the Medicaid Cap is all inclusive, covering the local share costs of the following components:

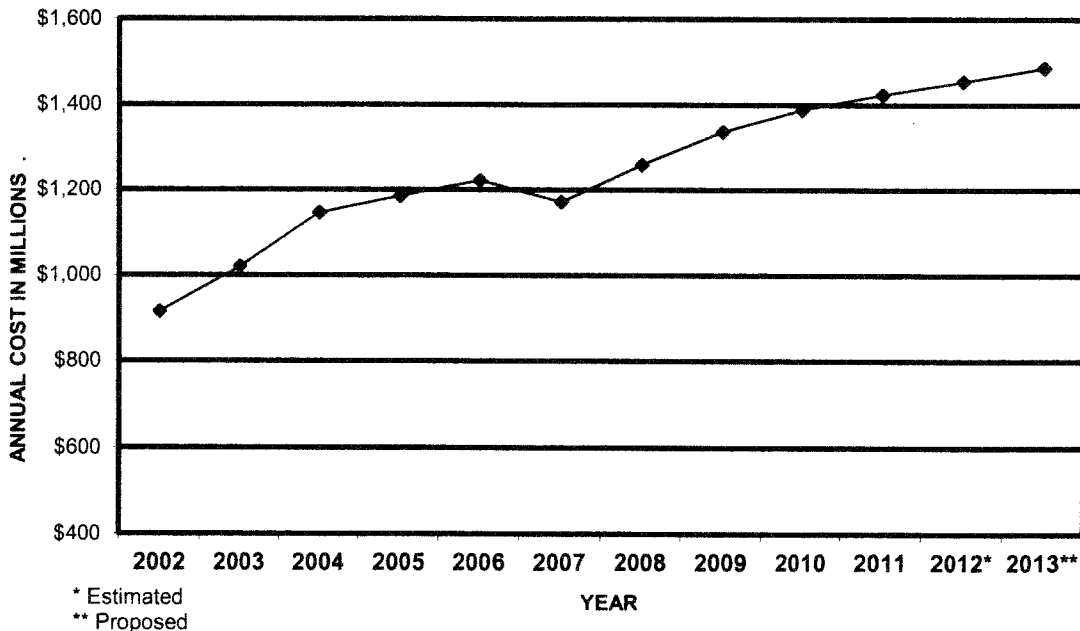
- Payments made to providers through the State MMIS billing/payment system (now known as eMedNY) for services rendered to eligible persons. Total medical bills are paid by the eMedNY system and the

County is charged back only the local share of the gross payments made.

- Payments made locally by Erie County to transportation providers and insurance companies and other client medical expense reimbursement that are claimed for reimbursement of Federal and State shares.
- Medicaid program administration costs that are part of the monthly reimbursement claim. The non-federal share of Medicaid administration is now capped at 2011 expense amounts. The Department is monitoring this expense and the expectation at this time is that neither 2012 nor 2013 will result in cap overage.
- All revenues associated with Medicaid programs such as repayments.
- Medicare Part A and B premium and copayments and Part B charges that are charged quarterly to Medicaid.
- Other "off line" payments such as bad debt pool and similar quarterly payments to providers.

Excluded entirely from the Medicaid Cap are costs associated with the Family Health Plus program. The local share of Family Health Plus was entirely assumed by the State in September 2005. Also excluded from the Medicaid Cap are annual Indigent Care adjustment payments to providers that total \$2,331,775 local share.

TREND OF MEDICAID COST (Gross Cash Basis)



The 2013 appropriation is the amount of the 2013 Erie County Local Share Medicaid Cap plus the local share of the Indigent Care adjustment payments. It totals \$219,748,429 for all of the components listed above.

The calculation of the required appropriation starts from the total of actual cash payments required in calendar year 2013. This amount is \$217,416,654. The Indigent Care adjustment adds another \$2,331,775 for a total of \$219,748,429.

The amount required for the calendar year reflects weekly cash payments for the 2012-2013 State Fiscal Year and the 2013-2014 State Fiscal Year Medicaid caps that are both calculated based on the State's 52 payment cycles.

Elsewhere in the budget is a separate appropriation in the amount of \$16.2 million for the local share of supplemental federal payments to the Erie County Medical Center – for Disproportionate Share (DSH). These supplemental payments are specifically excluded from the Medicaid Cap.

Medicaid - Gross Local Payments (Account 525030)

2012 Budget:	\$3,020,264
2013 Proposed:	\$2,767,108

Certain Medicaid payments are made directly to providers by the Erie County Department of Social Services, rather than through the State MMIS (eMedNY) system. Services paid locally from this appropriation include medical insurance premiums when private insurance coverage is available and cost-effective, and other miscellaneous medical expenses. Most all medical transportation services previously paid locally from this account were shifted to the State MMIS payment system late in 2009.

The 2013 appropriation includes \$8,402 for medical transportation unable to be paid through MMIS, \$2,568,651 for insurance premiums and \$190,055 for other expenses.

Because of the Medicaid Cap which includes the local share of these local payments there is no separate local share associated with this appropriation. Repayment and other revenues received locally and applied against these costs in the past will be returned to the State in claiming adjustments.

Child Welfare Services (Account 525050)

2012 Budget:	\$56,917,848
2013 Proposed:	\$57,357,913

This appropriation is used to pay for the costs of the care of children placed by the Family Court into the custody of the Commissioner of Social Services. These children reside in foster homes, group homes and in child caring institutions. A majority of children are in foster home placements in connection with child protection cases. Placements in group homes and institutions are ordered primarily for Persons in Need of Supervision (PINS) or for Juvenile Delinquents (JD's).

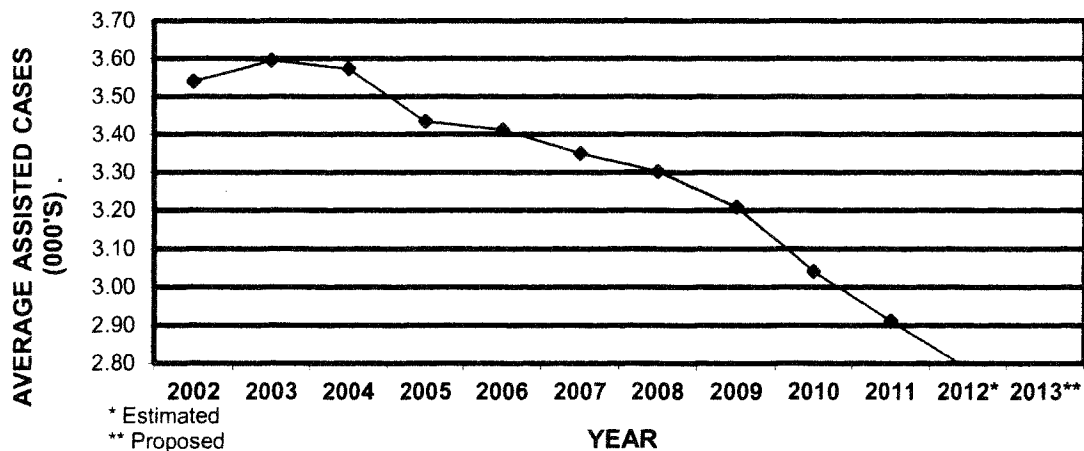
Appropriations in the 2013 budget are estimated based on analyses of historical and current trends of expenditures, children in care, monthly costs per child, and changes in per diem board, tuition and other rates.

Children assisted are funded at an average level of 2,788 per month in 2013, with an average monthly cost per child of \$1,714.43.

Based on present trends, the average monthly number of children funded in 2013 is decreased from the 2012 estimate of children in care, which are currently 142 children below 2012 budgeted levels. The ability to hold the total number of children served relatively steady over the last eight years is a major accomplishment after years of steady growth and given recent increases in Child Protection activity that often lead to placement. This reflects final assessment reform, enhanced front door strategies and expanded preventive services option.

Even more significantly, the proportion of children in foster care has decreased, and is expected to continue to be reduced, while the proportion of adoptions and children receiving adoption subsidies increases. The benefits of special initiatives to reduce placements and lengths of stay in costly institutional settings are expected to continue to favorably impact both the number of children in care and overall costs in 2013.

**TRENDS OF CWS ASSISTED CHILDREN
(Foster Care and Institutional Care)**



Costs per child assumed in 2012 incorporate regular congregate care rate increases of 3.57 percent in July 2012 and July 2013, as compared to current actual rates, as well as a 3.2 percent added cost of living (COLA) rate increase required by the State effective in April 2013. The average monthly cost per child also reflects changes in the distribution of children among the various levels of care, as well as the expected continued moderation in institutional care lengths of stay.

The County share cost of Child Welfare Services is \$17,455,293 in 2013 after subtracting client repayments and Federal and State reimbursements from the gross appropriation. Federal TANF/EAF revenues for foster care and PINS/JD institutional costs are budgeted at the current estimated ceilings.

Child Welfare Services costs, including foster care and PINS/JD institutional costs which cannot be claimed for federal TANF/EAF reimbursement, are included, along with Foster Care administrative costs, in the State's Foster Care Block Grant (FCBG). The FCBG covers 100 percent of non-federal costs up to the Block Grant ceiling, after which non-federal costs become 100 percent local share. Adoption Subsidy expenses are reimbursed separately from the FCBG with a reduced (net of Federal) State share of 62 percent (as compared to 73.5 percent in 2011) costs. There is no fixed cap to adoption subsidy reimbursement.

Child Care Development Block Grant (Account 525092)

2012 Budget:	\$25,793,155
2013 Proposed:	\$27,616,217

Child care (day care) subsidies are provided to low income families and those in receipt of Public Assistance through the Child Care Development Block Grant (CCDBG) to enable them to maintain employment or to engage in work activities. Low income families with incomes below 200 percent of the Federal Poverty Level are eligible for subsidies in that vary, depending on the day care setting. Child care subsidies are provided for families in receipt of Public Assistance to enable the parent to accept and retain employment or to participate in required work activities. The amount of the subsidy varies with the day care setting.

The 2013 budgeted amount is based on recent trends in the number of children subsidized in the various day care settings and payments to providers. A monthly average of 3,184 children in low income families are expected to receive subsidies in 2013. Children in Public Assistance families receiving subsidies are estimated at 1,829 on average each month, a number necessary to support the level of work activity participation required of parents. The 2013 total cost of low income subsidies is budgeted

at \$17,804,006. These costs are 100 percent reimbursed with federal funds through the Child Care Development Block Grant. The budget includes \$9,812,211 for mandated subsidies to children in Public Assistance Families. These costs are reimbursed with state funds through the Block Grant at 75 percent of cost. The 25 percent local share cost for Public Assistance children is \$2,453,053 in 2013.

Other Programs

2012 Budget:	\$9,344,845
2013 Proposed:	\$7,817,222

In this category are appropriations for a number of smaller programs administered by the Department of Social Services. These include: Account 525070 – Emergency Assistance to Adults (EAA), \$1,191,535; Account 525080 – Education of Handicapped Children in residential schools, \$699,227; Account 525130 State Training School chargebacks, \$3,063,648; Accounts 525100 and 525110 – expenses for housekeeping and home-delivered meal assistance, \$103,136; and Account 525120 – expenses for the special needs of individuals in Adult Family Homes, \$2,310. Amounts budgeted in 2013 reflect current trends in utilization.

Child care funded by Title XX, in cases of child protection and for purposes of foster care prevention, totals \$2,557,366 for 395 children in Account 525091 in 2012, and Home Energy Assistance Program (HEAP) benefit costs total \$200,000 (account 525150).

Early Intervention/Pre-K/Special Ed

2012 Budget:	\$68,073,053
2013 Proposed:	\$68,976,061

Developmental and special education programs are administered by the Department of Health, Division of Services to Persons with Special Needs. Children, birth through two years old, are identified, evaluated and placed in developmental programs by the County's Early Intervention Case Management program. Children three and four-years old are identified, evaluated and placed in special education programs by the local school districts. Eligible service costs for three and four-year old children are paid by the County and are reimbursed partially by the State Education Department. Some services to eligible three and four-year-old children also may be claimed for the Federal share of Medicaid.

Under Chapter 243 of the laws of 1989, the County also is responsible for a 10 percent share of the cost of the school age (ages five to twenty-one) summer program which is billed to the County on a net basis at the end of each school year. In addition, the County is responsible for a portion of the cost of the special committees of local school districts which place children in preschool programs.

Under 1993 State legislation, the County is responsible for the provision of various developmental services such as occupational therapy, physical therapy, speech therapy and pre-school education in the Early Intervention Program for infants and toddlers with developmental delays and their families. Services are based on an Individual Family Service Plan developed by the family, an evaluator, a County case manager and the County local early intervention official (designated by the County Executive). The County is able to access Medicaid and third-party insurance reimbursement for eligible children. Remaining eligible service costs are paid by the County and are reimbursed partially by the State Health Department.

The 2013 appropriation for the Children with Special Needs and Early Intervention is \$68,976,061

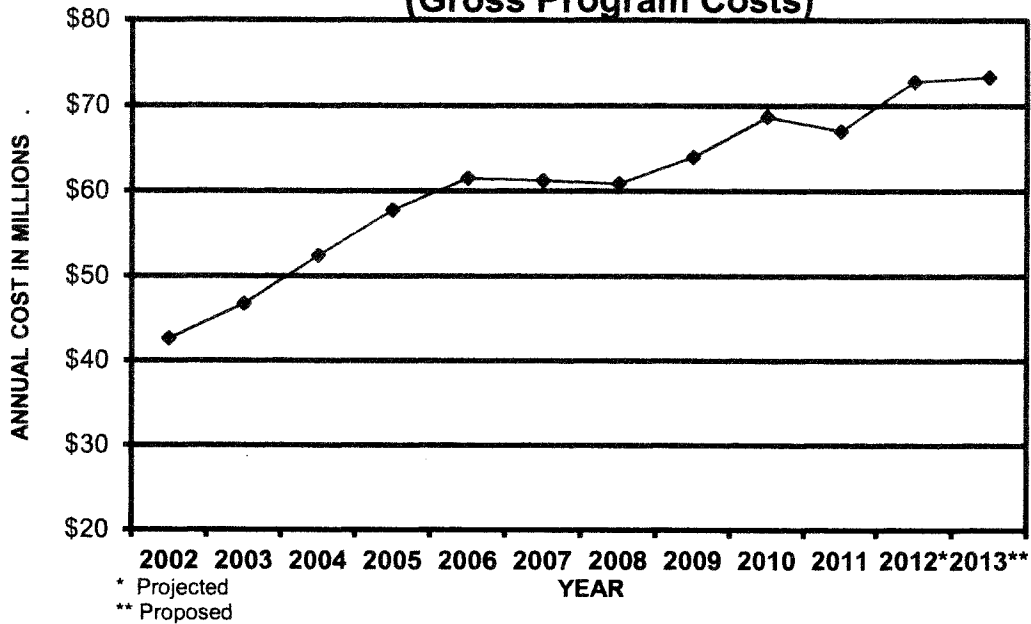
Other program and administrative expenses which total \$4,377,635 are included elsewhere in the budget summary, in the personal services, ECMCC contractual, interdepartmental payments and all other expense categories.

In the 3 and 4 year-old Preschool program, County representatives participate in CPSE (Committee on Preschool Education) meetings and are part of the decision making process regarding services for children in the program. However, school districts, although paying nothing toward the cost of the programs, make the final decisions regarding entrance into and the services provided by the program.

The County administers this program and has implemented a methodology that has improved the quality and lowered the cost of the services provided.

The growth in total cost of these mandated programs is shown in the graph on the next page along with the table outlining the various components of the total program for 2012 and 2013.

SERVICES TO CHILDREN WITH SPECIAL NEEDS (Gross Program Costs)



Comparison of 2013 Proposed Budget to the 2012 Adopted Budget Early Intervention and Preschool Special Education Programs

	Birth-Two Year Old Early Intervention Program	Three & Four Year Old Preschool Program	School Age Program Summer	Administration All Programs	Total
2012 Adopted Budget					
Expense	\$10,328,567	\$58,337,696	\$1,944,582	\$2,202,856	\$72,813,701
Revenue	<u>7,644,929</u>	<u>35,572,064</u>	<u>0</u>	<u>1,194,221</u>	<u>44,411,214</u>
Net County Cost	\$2,683,638	\$22,765,632	\$1,944,582	\$1,008,635	\$28,402,487
2013 Proposed Budget					
Expense	\$10,270,829	\$58,941,736	\$1,891,348	\$2,249,783	\$73,353,696
Revenue	<u>7,607,870</u>	<u>34,888,156</u>	<u>0</u>	<u>1,201,230</u>	<u>43,697,256</u>
Net County Cost	\$2,662,959	\$24,053,580	\$1,891,348	\$1,048,553	\$29,656,440
Variance 2013 to 2012					
Expense	(\$57,738)	\$604,040	(\$53,234)	\$46,927	\$539,995
Revenue	<u>(37,059)</u>	<u>(683,908)</u>	<u>0</u>	<u>7,009</u>	<u>(713,958)</u>
Net County Cost	(\$20,679)	\$1,287,948	(\$53,234)	\$39,918	\$1,253,953

Interfund Transfers (Allocation)

2012 Budget: \$41,568,943
2013 Proposed: \$40,217,756

This includes allocations for County share of the Road Fund \$13,831,236; County share of grants \$4,593,302; County share of Utility Fund totals \$3,388,160 and County share of the E-911 Fund which equals \$2,775,741. Also included is a payment to Erie Community College of \$15,629,317.

Debt Service

2012 Budget: \$62,656,001
2013 Proposed: \$54,643,336

This includes \$54,276,102 for General Obligation Bond Debt Service and \$367,234 for interest on Revenue Anticipation Notes.

All Other Expenses

2012 Budget: \$20,286,094
2013 Proposed: \$20,890,564

Included in the Other Expense category is \$495,000 of operational expense for the Erie County Fiscal Stability Authority (Control Board).

The balance covers all other remaining expenses in the 2013 Budget for the Operating Fund including interdepartmental billings, telephone charges, rentals, risk retention and equipment.

FRINGE BENEFITS EXPENDITURES

FRINGE BENEFITS – ALL FUNDS

Fringe benefits are provided for County employees based on the provisions of the various collective bargaining agreements and/or Federal, State, and local laws. The County is required to provide appropriations for FICA, medical and hospitalization insurance, dental insurance, unemployment insurance and workers' compensation. An appropriation is also provided for retired County employees eligible to participate in a joint retiree-County funded medical and hospitalization insurance program. The basis of the appropriation for each fringe benefit category is explained below.

FICA

The required employer contribution for 2013 will be 7.65% of the total salary, up to the maximum wage base. The maximum salary base for 2013 is \$110,100. In developing FICA appropriations for 2013, the portion of salaries exceeding the maximum wage base was excluded. Also, a separate adjustment factor was determined for each fund to account for salaries in excess of \$110,100 that are subject to the 1.45% Medicare-only portion of FICA.

Workers' Compensation

Workers' Compensation payments are set with a \$792/week maximum for claims paid July 1, 2012 - June 30, 2013. The proposed 2013 appropriation for workers' compensation accounts for increases and were based on the current year's activity, adjusted for anticipated medical costs. The appropriation provides funding for medical and indemnity payments, mandated state assessments and administration fees. The total appropriation is normally budgeted through the various funds and is charged through the payroll system as expenses are incurred.

Unemployment Insurance Coverage

The 2013 appropriation for unemployment insurance anticipates an outlay of approximately \$ 1.1 million based on 2012 trends.

Medical and Hospitalization Insurance - Active Employees

The 2013 budget estimate for active employees' medical and hospitalization insurance is based on the County's one source health insurance plan and was adjusted for estimated increases in premium costs for the various plans with an adjustment for those employees enrolled in the waiver program. These estimates were obtained in coordination with our consultant to the Labor-Management Health Care Fund, the entity that manages health insurance for the County.

Dental Insurance

The estimated cost for dental insurance for County employees in 2013 is based on the current premium for all employees, the number of funded positions and the current family/single coverage ratio. A separate ratio was used for each fund.

Retirement/Pension

For the past several years, and again for 2013, New York State has increased the employer contribution rates for the Employees' Retirement System (ERS). Rates for Tier 4 employees, the single-largest category for Erie County, rose from 18.6% to 21.0% for the annual payment which will be due February 1, 2014. The pension retirement expenses were calculated from of a projected salary base for the combined 2013 portion of the April 1, 2012 through March 31, 2013 and April 1, 2013 through March 31, 2014 billing periods. Growth factors for each tier and year were based on estimates supplied by the Office of the State Comptroller. The estimated weighted average rate charged to Erie County for each tier for the year ending March 31, 2014 equates to an average rate change from 18.53% to 20.63%, an overall increase of 11.33%.

Medical and Hospitalization Insurance - Retirees

The County's projected contribution toward retirees' medical and hospitalization insurance is based on expected 2013 and 2014 costs and was adjusted for estimated increases in premium costs. The County currently expenses retiree health costs on a "pay-as-you-go" basis. The unfunded future retiree health costs are described under the GASB 45 Section.

GASB 45

GASB 45 is an accounting standard that requires governments to reflect in their financial statements the estimated future cost of paying for benefits, such as retiree health insurance, that has been earned due to the service years provided to-date by existing retirees and current employees.

UNION CONTRACTS

UNION CONTRACTS

The table below details the status of all County union contracts, contract expiration dates and membership. In July 2012 the County reached an agreement with CSEA covering years 2007–2016 that contained cost of living adjustments, retroactive bonuses and other elements in exchange for benefit concessions including employee contributions for health insurance and the loss of "summer hours" and two paid holidays. However, the CSEA membership overwhelmingly rejected the contract. The County continues to pursue negotiations with all unions that have expired contracts that are fair to both employees and taxpayers.

Union Name	Date Contract Expires/Expired	Represents
CSEA	12/31/06	White Collar
AFSCME	12/31/15	Blue Collar
NYSNA	12/31/11	Nurses
CSEA CO's*	N/A	Sheriff-Correction Officers
Teamsters	12/31/04	Sheriff-Holding Center Deputies
PBA	12/31/08	Sheriff-Police Division
Librarian	12/31/06	Professional Librarians-BECPL
Faculty	12/31/09	ECC Faculty
Administrator	08/31/11	ECC Administration

* The CSEA Corrections Officer Unit has not yet negotiated a stand-alone agreement with the County and employees remain covered by the CSEA collective bargaining agreement.



BUDGET PROCESS & FINANCIAL STRUCTURE

BUDGET PROCESS

Dynamics of Budgeting

Budgeting is a dynamic process. It demands continuous monitoring of actual expenses and revenues. It involves ongoing study to determine the accuracy of budget estimates and the need for corrective action. And, it requires periodic forecasting to determine how changes in the fiscal environment, revisions to County policies and new service demands will impact future budgetary needs.

While budgeting is a year-round process, the development of the annual budget usually commences seven months prior to the start of the new fiscal year. The procedures governing the preparation, submission and adoption of Erie County's annual budget are prescribed in Article 25 of the Erie County Charter and Article 18 of the Erie County Administrative Code.

Budget Preparation Calendar

May: Budget planning for the County's next fiscal year begins in a concrete manner once the state budget has been finalized. By law the state budget must be adopted by April 1. Budget forecasts and targets are developed and evaluated based on County budget monitoring data, state budget impact data, estimates of inflationary cost increases needed to maintain current service levels, and estimates of the costs associated with new service needs.

July: Detailed budget instructions are issued to department heads to guide the preparation of department budget requests.

August: Departments submit their detailed budget requests to the County Executive for consideration in mid-August.

September: Departmental budget requests are analyzed in detail by staff in the Division of Budget and Management. Each expenditure and revenue account is evaluated to determine the best estimates of revenue available and the most accurate estimates of necessary and optional expenses.

Proposed budget recommendations and alternatives are prepared by the Budget Division for review and consideration by the County Executive. The County Executive's budget decisions are then incorporated by Budget staff into a proposed budget document.

Budget Adoption Process

The County Executive is required by the Erie County Charter and the Administrative Code to submit a proposed budget for the next fiscal year to the Erie County Legislature on or before October 15th. The proposed budget contains estimates of operating revenues and expenses for each administrative unit of County government, a capital budget and a six-year capital program. It must be presented in the form of a line-item budget.

The proposed budget is accompanied by the County Executive's Budget Message. The message highlights important features of the Proposed Budget and outlines the key assumptions, policies and initiatives on which it is based.

After receiving the proposed budget, the Legislature holds public hearings and considers whether proposed budget items should be amended. They may add, delete, increase or decrease items of expense (appropriation), except for those items required by law or for repayment of debt.

The 2013 budget must be adopted by the Legislature by the first Tuesday in December (December 4, 2012). An annual budget adoption meeting is held for this purpose, at which time the Legislature votes on any changes to be incorporated into the Adopted Budget.

If the Legislature fails to approve changes to the proposed budget, it is considered to have been adopted with no further action required by the County Executive. If the budget adopted by the Legislature does contain additions or increases, it must be presented to the County Executive by the first Wednesday following the first Tuesday of December (December 5, 2012) for consideration of vetoes.

The County Executive may veto any items added or increased by the Legislature to which he objects. Deletions or decreases are not subject to veto. If items are vetoed by the County Executive, a statement indicating the vetoed items and the reason for each veto must be returned to the Legislature by the Monday preceding the second Tuesday in December (December 10, 2012).

The Legislature may override the County Executive's vetoes by a two-thirds majority vote. This must be done on the second Tuesday of December (December 11, 2012).

The budget, incorporating any legislative changes, executive vetoes, and legislative veto overrides is considered adopted in final form as of the second Tuesday in December (December 11, 2012).

Revisions after Budget Adoption

Once adopted, no County department may spend funds in excess of the amount appropriated for each line-item of expense. Occasionally, it is necessary to revise the Adopted Budget during the year to adjust appropriations to match actual spending requirements. This is done either by transferring funds from one appropriation to another within the same administrative unit, or by appropriating unanticipated revenue that has been received.

The County Executive may transfer part or all of the unencumbered appropriation balance between line-items of expense within the same administrative unit if the amount for a given line-item transfer is \$10,000 or less. Approval of the Legislature is required, in the form of a legislative resolution, if the transfer exceeds \$10,000 or if it would affect any salary rate or salary total.

The appropriation of any unanticipated revenue requires the approval, by resolution, of the Erie County Legislature, as does the creation or deletion of any staff position associated with an appropriation revision.

Resolutions which seek approval to revise the Adopted Budget are submitted to the Legislature by County administrative units through the County Executive's Office. They are considered by the Legislature throughout the year at their bi-monthly legislative sessions.

Budget Monitoring Process

The Division of Budget and Management produces monthly Budget Monitoring Reports which are commonly referred to as the BMR. The BMR reports on appropriation and revenue accounts critical to maintaining a balanced budget. The report also contains impact statements on the local effects of federal and state policies.

The BMR is designed to give management a measurement tool for determining if actual revenues and expenditures are in line with estimated amounts. This timely information allows the County to detect problems and take corrective budgetary action, if required.

In addition to the BMR, other reports are generated periodically to evaluate budget performance, including:

- on-going tracking and analysis of personnel matters including overtime usage, full-time position vacancies and part-time employee accounts;
- on-going tracking and analysis of local share Medicaid expenditures, as well as Safety Net Assistance and Family Assistance caseloads.

BUDGET CALENDAR

January

County fiscal year begins January 1st.

Division of Budget and Management (DBM) works with Comptroller's Office to close prior year books.

Tax bills sent to taxpayers in the City of Buffalo and first class towns.

February

DBM reviews impact of Governor's Proposed Budget. State Budget Impact Report sent to State Legislators.

DBM develops monthly budget allotments for current year budget.

Subjects identified for special studies on cost containment and revenue enhancement.

Tax bills sent to 2nd class towns.

March

Special studies continue.

April

DBM begins development of ensuing year budget forecast.

May

Special studies continue and following year Capital Budget process begins.

June

DBM assembles ensuing year budget instructions including appropriation and revenue worksheets and preliminary personal services data runs.

Special studies are concluded.

DBM begins to develop budget targets for departments.

July

Budget instructions sent to departments.

Year-end projection instructions sent to departments.

August

Departments submit personnel change requests to Personnel Department.

Departments prepare ensuing year budget requests and submit to DBM.

Capital Budget process is concluded.

September

County Executive and DBM review and make recommendations on requests from Departments and community agencies.

Special studies are incorporated into Proposed Budget.

County Executive and DBM finalize recommendations for Proposed Budget

October

Major revenue and expenditure projections transmitted to Comptroller by October 1st.

County Executive submits Proposed Budget to Legislature by October 15th.

November

Legislature reviews Proposed Budget and conducts hearings.

Legislature holds public hearings.

December

Deadline for Legislature to Adopt 2013 Budget – Tuesday, December 4, 2012.

Deadline for Legislature to return Budget to County Executive if any increases – Wednesday, December 5, 2012.

Deadline for County Executive to veto any increases – Monday, December 10, 2012.

Deadline for Legislature to meet and consider County Executive's vetoes – Tuesday, December 11, 2012.

Final equalized tax rates are determined. Legislature adopts final real property tax levies.

FINANCIAL STRUCTURE

Fiscal Year

The County's fiscal year begins January 1st and ends December 31st of each calendar year.

Fund Structure

The County's budgetary and accounting systems are organized and operated on a "Fund" basis. Each fund is considered a separate entity and is made up of a set of inter-related and self-balancing accounts. Together, these accounts comprise a fund's assets, liabilities, fund/balance/retained earnings, revenues and expenditures/expenses.

The accounts in a fund are segregated and related to one another for the purpose of carrying out specific activities or attaining certain objectives. They are created and operated in accordance with law and/or special regulations, restrictions or limitations, or as dictated by generally accepted accounting principles (GAAP).

Erie County utilizes the funds described below. All funds are included in the County's General Purpose Financial Statements.

General Fund (Budget Fund 110): the principal operating fund which includes all operations, activities and resources not required to be recorded in other funds. Funding Sources: Real property taxes; Sales taxes; Departmental charges; State and Federal partial reimbursements; Client recoveries; Fees, Fines and Other Charges; and Hotel Occupancy Tax.

Special Revenue Funds: The following funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes and are shown in the same manner in the County's annual financial statements.

Grant Fund (Budget Fund 281 and Budget Fund 821 – Library)

Funding Sources: Transfer payments and/or subsidy from General Fund; State and Federal full or partial reimbursement; grant income.

Community Development (Budget Fund 290)

Funding Sources: Federal Reimbursement.

Sewer Fund (Budget Fund 220)

Funding sources: Sewer Real Property Tax; user fees.

Road Fund (Budget Fund 210)

Funding Sources: Subsidy payment from General Fund; partial State reimbursement; Real Estate Transfer Tax; charges.

E-911 Fund (Budget Fund 230)

Funding Sources: Telephone access line surcharge; State reimbursement; subsidy payment from General Fund.

Public Library Fund (Budget Fund 820) This Special Revenue Fund is included in the County's annual financial statements as a component unit:

Funding Sources: Real Property tax; State reimbursement; library charges.

Debt Service Fund (Budget Fund 310): used to account for current payments of principal and interest on general obligation long-term debt (bonds) and for financial resources accumulated in reserve for payment of future principal and interest on long-term indebtedness.

Funding Sources: Transfers from other funds; interest earnings on reserves.

Downtown Mall Fund: used to account for revenues raised through a special district charge levy and the subsequent expenditure of these monies for the operation and maintenance of a downtown pedestrian/transit mall. *Not in Budget documents.*

Funding Sources: Special district assessment.

Capital Projects Funds (Budget Funds 410-490): used to account for the financial resources to be used for the acquisition, construction or reconstruction of major permanent facilities having a relatively long useful life and for equipment purchased from the proceeds of long-term debt (other than those financed by the Enterprise Fund).

Funding Sources: Proceeds from bonds issued; State reimbursement.

Enterprise Fund: used to account for ongoing organizations or activities that are similar to those found in the private sector which provides goods or services to the general public. The costs of providing goods or services to the public on a continuing basis are financed or recovered primarily through user charges.

Utilities Fund (Budget Fund 140)

Funding Sources: Utility user charges.

Erie Community College: used to account for the resources received and used to operate the Community College. The State mandates a fiscal year ending August 31st for the Community College. For this reason, and also because of differences in accounting principles for colleges and those for local governments,

the Community College budget and financial statements are separate. The Community College budget is adopted in July of each year.

Funding Sources: State reimbursement; student tuition; County subsidy from the County budget-General Fund.

Accounting and Budgeting Principles

The Erie County Charter and Administrative Code require a line-item budget organized or classified on the basis of administrative units. The budget, accounting and reporting system are structured to support this requirement on an ongoing basis for local purposes.

The accounting and budget structure required by the local Charter and Code is not consistent with the Uniform System of Accounts for Counties (USAC) structure required by the State for financial reporting purposes. Specialized account coding is used to convert detailed County accounting data to the USAC structure as required for financial reporting and for the preparation of the annual financial statements.

The County's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities, and are presented in the USAC format.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position, (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues, expenditures/expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

Accrual Basis – Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Modified Accrual Basis – Under this basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from federal, state, or other

grants designated for specific County expenditure are recognized when the related expenditures are incurred.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due and expenditures for inventory-type items and for prepayments (except retirement) are recognized at the time of the disbursements.

In the County's Comprehensive Annual Financial Report ("CAFR"), the government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statement. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Budgets and Budgetary Data

Annual appropriated budgets are adopted and employed for control of the General Fund; the Road; Sewer, and E-911 Special Revenue Funds; the Utilities Aggregation Enterprise Fund; and the Debt Service Fund, minimally detailed to the department and account level. These budgets are adopted on a basis consistent with GAAP, except that encumbrances are reported as budgetary expenditures in the year of incurrence of commitment to purchase, as well as in the year of expenditure if the expenditure occurs in a fiscal year subsequent to the commitment in the General and the enumerated Special Revenue Funds. All unencumbered appropriations lapse at the end of the fiscal year. Annual appropriated budgets are not employed for the Grants and Community Development Special Funds. A reconciliation to convert GAAP basis data to the budgetary basis is provided in the financial statements.

Account and Budget Codes

Account and budget codes classify expenditures/appropriations and revenues by category. The structure of account and budget codes used by Erie County is consistent with the local Charter and Code requirements for a line-item budget organized by administrative unit.

Administrative Unit Codes: The budget and accounting systems are structured so that budgeting and accounting can be controlled at the fund, business area/fund center and department level as appropriate. Budgets are usually

adopted at the department level in the General Fund including Social Services, the Utilities Fund (Enterprise Fund) and Special Revenue Funds. Budgets are adopted for grants and Community Development projects. The Debt Service Fund is adopted at the fund level.

Administrative Unit coding in the budget and accounting systems is categorized according to the following structure:

Fund
 Department
 Fund Center (Business Area)

Fund center coding is used to identify separately budgeted administrative units. A three digit Fund Center designates the overall department level. If divisions within a department are separately budgeted, they are designated with a five digit fund center code.

Account Codes: Account codes are used to identify expenditures/appropriations and revenues.

Revenues and expenditures are appropriated and adopted by the Legislature at the account level, which is indicated by a six-digit account code in the budget. All accounts are part of a hierarchy which serves to group accounts into like categories.

Expenditures/appropriation and revenue coding in the budget and accounting systems is generally categorized according to the following structure:

Expenditure/Appropriation Codes		Revenue Codes	
Account*	Description	Account*	Description
500000-500350	Personal Services	400000-400060	Real Property Tax Revenues
501000	Overtime	402000-402700	Local Source Revenues
502000-502140	Fringe Benefits	415000-480030	Fees, Other Taxes
504992	Contractual Salary Reserve	405000-409040	State or Other Partial Reimbursement
504990-504997	Reductions for Turnover Service Restoration	410000-414160	Federal or Other Partial Reimbursement
505000-507000	Supplies & Repairs	450000-486040	Interfund Revenues
510000-555050	Other		
516000-520110	Contractual		
525000-530020	Assistance Payments		
561100-561450	Equipment		
550000-551600	Debt Service		
910100-980000	Interdepartmental		
559000-575040	Interfund		

*Specific descriptive account titles and codes are provided throughout the budget documents for each account.

Budgeting for Fringe Benefits

Fringe benefits are appropriated separately in each fund included in the budget which also has budgeted employees and authorized payroll expenses.

Fringe benefits are budgeted at the department level in the operating fund. Fringe Benefits are budgeted at the individual project level for grants and community development projects.



GLOSSARY

GLOSSARY

Account

A category of expense, such as office supplies, personal services, or utilities.

Accrual

Recognition and recording of accounts receivable as revenue and accounts payable as expenditures in the current period, but for which cash receipts or disbursements have not yet occurred.

Accrual Accounting

A basis of accounting in which expenditures and revenues are recorded at the time they are incurred or are available, as opposed to when cash is actually received or spent.

Adjusted Budget

The adopted budget as modified by all changes to budgeted revenue and appropriation accounts approved and processed.

Adopted Budget

The budget plan for the next fiscal year, which has been formally approved pursuant to the provisions of Article 25 of the Erie County Charter.

Appropriated Fund Balance

The amount of unassigned fund balance available from previous years designated for use in the current year.

Appropriation

A specific amount of money authorized by the Legislature for the purchase of goods and services.

Assessed Valuation

The value set upon real property by local tax assessors and the state as the basis for levying real property taxes.

Board of Election Re-spread

Reimbursement from towns and cities for certain allowable expenses associated with the cost of conducting elections. The actual costs are billed back to the various towns and cities where elections are held and recorded as revenue in the operating fund.

Capital Budget/Expenditures

Budgets/expenditures in the Capital Projects Fund for major physical improvements and construction, or for purchase of equipment having a useful life of at least five years. The Capital Budget is included in the annual budget documents, as required by the County Charter, but is not a part of the operating budget, nor is it considered part of the operating fund.

Community College Re-spread

Revenue that is attributed to reimbursement from towns and cities for tuition payments made by the County for town and city residents who are enrolled in community colleges outside of Erie County. The tuition costs are billed back to the various towns and cities in the county for the town/city residents for whom tuition was paid.

Community Development Fund

A Special Revenue Fund used to assist participating municipalities in the development of locally approved community or economic development activities, including housing programs, which are eligible under Federal program regulations. This fund is included in the County's annual budget documents in order to secure legislative authorizations, but it is not a part of the operating budget nor is it considered an operating fund.

Contingency

An appropriation of funds to cover unforeseen events that may occur during the fiscal year, or reserved to cover future events, which can be foreseen.

County Share

The amount of support required from general county resources (e.g., property or sales taxes); after all other revenue sources attributed to the operations of a department or division are subtracted from total appropriations or expenditures.

Countywide Appropriations/Revenues

Appropriations and revenues, such as debt service expenditures or sales tax revenues, which cannot be directly attributed to the operations or operational responsibilities of specific departments.

Debt Service

The county's obligation to pay the principal and interest on all bonds and other debt obligations according to a predetermined payment schedule.

Debt Service Fund

A special fund established to account for the payment of interest and principal on long-term debt. The Debt Service Fund is a part of the operating budget and is considered an operating fund.

Deficit

The excess of expenditures over revenues during an accounting period.

Downtown Mall Fund

A Special Revenue Fund used to account for revenues raised through a special district charge and the subsequent expenditure of these monies for the operation and maintenance of a downtown pedestrian/transit mall. This fund is not included in the county's annual budget documents, nor is it considered an operating fund.

ECIDA

The Erie County Industrial Development Agency (ECIDA) is a public benefit corporation which coordinates economic development for Erie County. It authorizes industrial revenue bonds for eligible projects and administers a revolving loan program for businesses in specific county areas.

Encumbrance

Financial commitments related to unperformed contracts for the purchase of goods and services. Purchase transactions which are not yet completed, but for which funds have been designated and specifically reserved (encumbered) for future payment when the purchase transaction is completed. Outstanding encumbrances at year-end are reported as assignments of fund balance because the commitments will be honored during the subsequent year.

E-911 Fund

A self-balancing Special Revenue Fund for appropriations and revenues associated with the operation of the Enhanced 911 emergency telephone system as required by State law when a telephone surcharge is utilized to offset E-911 service cost. The E-911 Fund is part of the operating budget and is considered an operating fund.

Enterprise Funds

Self-supporting governmental funds in which the services provided are financed and operated similarly to those of a private business, with user charges providing the majority of the revenues necessary to support operations. The Utility Fund is budgeted as an Enterprise Fund. The Enterprise Fund is a part of the operating budget and is considered part of the operating funds.

Equalized Full Valuation of Taxable Property

The term used to indicate the value of all real property in a taxing jurisdiction, appraised at 100% of market value at a specified prior point in time, which has been adjusted by a factor to reflect different rates of housing market price change from area to area. The equalization factor allows comparison of full valuation on an equal dollar basis for all areas and for all time periods.

Equalized Full Value Tax Rate

The amount of property tax levied for each \$1,000 of equalized full valuation for all non-exempt property in the county. It is calculated by dividing the equalized full valuation of taxable property by \$1,000 and then dividing the county property tax levy by the result. This rate is used for all comparisons of property tax growth or reduction.

Full Valuation

The term used to indicate a real property appraisal at 100% of market value at a specified prior point in time.

Fund

A set of inter-related accounts to record revenues and expenditures associated with a specific purpose. Funds are self balancing. The Erie County budget includes ten (10) funds: General Fund, E-911 Fund; the Utilities Enterprise Fund; Grant Fund; Capital Fund; Sewer Fund; Road Fund; Community Development Fund; the Debt Service Fund; and the Public Library Fund.

Fund Balance

The section of the financial statement that reports the results of operations. It can include restricted amounts such as prepaid items along with assignments such as judgments and claims. The remainder of fund balance is the unassigned portion which is available for appropriation when necessary.

GASB 45

GASB 45 is an accounting standard that requires governments to reflect in their financial statements the estimated future cost of paying for benefits, such as retiree health insurance, that has been earned due to the service years provided to-date by existing retirees and current employees.

Gain

A position and/or job title not currently authorized in a department, which is transferred in from another department or budget entity.

General Fund

The principal operating fund of the county, which includes the budgets, revenues and expenditures for most county departments.

Generally Accepted Accounting Principles (GAAP)

Conventions, rules and procedures that define accepted accounting and financial reporting practice, including broad guidelines and detailed practices. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Grant

A contribution by a government or other organization to support a particular function, service or program.

Grant Budget/Expenditures

Budgets/expenditures in the Grant Special Revenue Fund related to defined projects funded by contributions from other governments or organizations to support particular functions, services or programs. The Grant Fund is not a part of the operating budget but appears in the budget documents in order to secure necessary legislative authorizations.

Indirect Costs

Costs associated with, but not directly attributable to, the operation of county departments. These "overhead" costs are usually incurred by other departments in support of all operating departments.

Interdepartmental Billing

The reimbursement received by a division, such as Information and Support Services, for services provided to other county departments within the same fund. Interdepartmental billings are quasi-revenues budgeted as negative appropriations.

Interdepartmental Payment

An appropriation of funds for reimbursing other county departments, such as Information and Support Services, for services provided by departments within the same fund.

Interfund Transfers/Revenue

Amounts transferred from one fund to another.

Job Group

The grouping of similar position classifications and their assignment to a range of salaries within a county pay scale.

Line-Item Budget

A budget that lists each expenditure and revenue category separately, along with the amount budgeted for each specified category.

Local Source Revenue

Funds that the county receives as income from local sources, such as property and sales taxes, service fees, and interest income, as opposed to funds received from other governments.

New Position

A new position in an existing job title and/or a new job title not previously budgeted.

NFTA

The Niagara Frontier Transportation Authority, created in 1967 as a public benefit corporation under the Public Authorities Law of the State, administers the regional transit system in Erie and Niagara Counties which includes a transit line, public buses and airport facilities. The NFTA receives a portion of the county sales tax plus a subsidy from the county general fund.

OTB Revenues

Revenues received from a portion of profits of the Western Regional Off-Track Betting ("OTB") Corporation from a pari-mutuel wagering tax.

Other than Personal Services

Expenditures for all non-personal services, goods and services including supplies, equipment, contractual services, utilities, rental and repairs.

Personal Services

Expenditures for salaries and wages for full-time and part-time employees, overtime costs, shift differential, and holiday pay, etc.

Project

A project is a distinct organizational unit with a separate budget which is identified by a unique name usually used in the capital fund.

Proposed Budget (Tentative Budget)

The budget plan for the upcoming fiscal year recommended to the County Legislature by the County Executive for its formal approval. The Erie County Charter designates this as the "Tentative Budget". It is popularly known as the "Proposed Budget".

Public Library Fund

The Public Library Fund is used to record transactions of the Buffalo and Erie County Public Library which is supported, in whole or in part, by real property taxes. The use of the Library Fund assures compliance with Education Law, Section 259, which provides that all monies received from taxes or other public sources for library purposes shall be kept in a separate fund.

The Public Library Fund is a special revenue fund. The accounting is the same as the General Fund including the use of budgetary, revenue, expenditure and fund balance accounts. It is a part of the county's operating budget and is considered an operating fund.

Re-allocation

A change in job group but not in position title for a currently authorized position; an upgrading of a position.

Real Property Tax

The net County tax requirement determined by subtracting the total estimated revenues from the total proposed expenditures as set forth in the budget (Erie County Charter, Article 26, Financial Procedures, Section 2609).

Reclassification

A change in position title which may or may not change the job group for a currently authorized position.

Reductions from Personal Services (Turnover)

Anticipated savings in salary and fringe benefit expenses resulting from temporary job vacancies created by employee turnover. This amount is subtracted from the amount budgeted for salaries and fringe benefits in the form of a negative appropriation.

Reserve

Funds which are accumulated, held and set-aside for future use or the payment of some future obligation. Funds held in reserve may be restricted to particular uses or they may be unrestricted.

Revenue

Funds that the county receives as income, including tax payments, service fees, receipts from other governments, fines, forfeitures, grants, and interest income, etc.

Road Fund

A Special Revenue Fund used to account for all revenues and expenditures related to the maintenance of county roads and bridges, snow removal, and the construction and reconstruction of county roads not required to be recorded in the Capital Projects Fund.

The Road Fund is a part of the operating budget of the county and is considered an operating fund.

Transfer

A currently authorized position and/or job title in a department, which is transferred to another department, business area or fund.

Sales Tax

A charge placed on certain goods when they are purchased from a vendor. Sales Tax revenue accounts for a considerable portion of the discretionary budget. Erie County's local sales tax rate is 4.75%.

Sewer District Budgets/Expenditures

Budgets/expenditures in the Sewer Special Revenue Fund related to the annual program and spending plan for sewer facility operations, services and normal maintenance. Sewer districts are self-supporting entities with a separate property tax levy. The Sewer Fund is not a part of the operating budget, nor is it considered an operating fund.

Source

A category of revenue, such as local source, state aid, or federal aid.

Surplus

The excess of revenues over expenditures during an accounting period.

Taxable Assessed Valuation

The value of non-exempt (taxable) real property in a taxing jurisdiction on which the jurisdiction's portion of the County real property tax levy is spread.

Taxable Assessed Value Tax Rate

The amount of property tax levied for each \$1,000 of taxable assessed valuation of real property in each taxing jurisdiction. It is calculated by dividing each jurisdiction's share of the County real property tax levy by the taxable assessed valuation of all non-exempt (taxable) real property in the jurisdiction, and dividing the result by 1,000.

Utilities Fund

An Enterprise Fund created to provide financial accounting and support necessary for the operation of the Erie County Utilities Aggregation. This fund allows members of the aggregation (cities, towns, villages, and authorities in Erie and neighboring counties) to jointly purchase natural gas, heating oil and electric utilities at reduced cost. The Utilities Fund is part of the operating budget and is considered an operating fund.

Variable Minimum

A request to hire an employee at a pay step higher than the normal entry level step. Variable Minimums are often requested to appropriately compensate potential job candidates who possess qualifications and experience in excess of what a position normally requires, and are subject to the approval of the Erie County Legislature.

Visit Buffalo Niagara (CVB)

Visit Buffalo Niagara, formerly known as the Convention and Visitors Bureau (CVB), is an organization funded with taxpayer dollars and organized to serve as the county's marketing arm to the nation and world. Visit Buffalo Niagara is tasked with attracting visitors and conventions to the Buffalo Niagara region.

