



ECLEG APR09'13 Am10:23

COUNTY OF ERIE

MARK C. POLONCARZ

COUNTY EXECUTIVE

April 9, 2013

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

Re: Budget Status Update for January and February 2013

Dear Honorable Members:

As you are aware and as has been standard practice for years, the County does not conduct the accrual process to produce monthly financial results for the months of January and February. As such, a traditional Budget Monitoring Report ("BMR") cannot be prepared by the Division of Budget and Management for those months. A BMR for the month ending March 2013 will be released by April 30, 2013.

Notwithstanding the foregoing, Budget would like inform you of a number of negative and positive developments in 2013. Several of the positive trends are due to forces outside of the County's control such as State actions. Several of the worrisome negative trends are due to actions taken by the Legislature in the 2013 Budget amendments or management issues in certain departments.

Areas of Concern

It is early in the year and we only have hard data for the first two months of the year, but there remain several areas of concern for 2013, a number of which are created by the 2013 Budget amendments.

- Through February 2013, based on actual claims for assistance through the Safety Net Assistance State-mandated program, the County could be over-budget (negative) in this account by \$2.3 million, and at worst case, the County could be negative in this account by \$4.1 million net local share by year-end 2013.
- The Department of Law's Risk Retention account was funded in an amount less than \$70,000 for the year. Earlier this year, \$1 million was reappropriated to the account to enable the payment of claims, settlements, judgments, legal bills and insurance premiums. The account is nearly depleted and additional funds will need to be reappropriated/designated to the account.
- We remain concerned about overtime trends in the Office of the Sheriff, including both the Sheriff Division and the Division of Jail Management. In 2012, both divisions went over-budget. Positive steps have been taken in Jail Management to address overtime,

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aided by the New York State Commission of Correction-mandated positions, but historically, overtime increases in the summer months.

- Due to 2013 budgetary considerations, we are reviewing all pay-as-you-go highway spending and projections. In addition, all cultural and related public benefit agencies receiving 2013 funding have been advised that they will have 10% contract holdbacks in their 2013 funding; in October-November 2013, if the County's fiscal situation allows for the held-back funding to be released, it will be issued to agencies. We are also carefully reviewing all departments' requests for filling vacant positions and holding positions vacant as long as practicable.

Positive Developments

- Despite our larger concerns about the 2013 budgeted revenue from the sales and compensating use tax ("sales tax"), initial receipts for 2013 are positive. Sales tax revenue has been finalized for January 2013 and part of February and March 2013. To date, this revenue grew compared to the same period in 2012, pending a quarterly reconciliation.
- In the adopted 2013-2014 State Budget all counties will benefit from an adjustment in the local share Medicaid-MMIS account.
- Property tax collections, including delinquent property owners and collections through the Department of Real Property's recent foreclosure sale are positive.
- In the adopted 2013-2014 State Budget, all counties will benefit from an adjustment in the State's Consolidated Highway Improvement Program ("CHIPs").
- Due to a variety of factors, including but not limited to the growth of third party worker's compensation reimbursements, reduced expectations for old ECMCC costs (both workers compensation and retiree healthcare) and the tightening of pharmacy benefit actions starting in 2012 under a new pharmacy benefit manager, we have experienced reduced costs for both employee and retiree healthcare.

If you have any questions, please do not hesitate to contact my office.

Sincerely yours,



Robert W. Keating
Director of Budget and Management

RWK/tcc

cc: County Executive Mark C. Poloncarz
Erie County Fiscal Stability Authority