



ERIE COUNTY COMPTROLLER

HON. STEFAN I. MYCHAJLIW

June 24, 2020

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

Re: Revenue Anticipation Note

Dear Honorable Members,

Please be advised that Erie County is issuing a Revenue Anticipation Note (RAN) for \$125 million, with a closing date scheduled for tomorrow, June 25, 2020. As per section 1802I this is formal notification of the action. Please see attached for complete details of the transaction. The RAN will assist Erie County in addressing cash shortfalls that are, in part, a result of the economic impact from COVID-19.

As your honorable body is aware, my office did not see the need to conduct a RAN last year because of the considerable sales tax revenue generated by a strong economy. However, Erie County anticipated sales tax collections for 2020 to be approximately \$491 million, and crafted a spending plan for this fiscal year with those amounts budgeted. Because sales tax collections will not meet those levels, but Erie County taxpayers are still relying on the services, programs, and infrastructure work that the revenue would have funded, Erie County found it necessary to issue a RAN.

Erie County anticipates collecting revenue due us from the state and federal government for various programs and services that we are then reimbursed for. Once those funds are received, they will be set aside for repayment of the Revenue Anticipation Note. However, it should be noted that with the RAN we anticipate a cash decrease for this fiscal year of 3.46%. Without the Revenue Anticipation Note that figure would be 10.8%.

The federal government has allocated \$160 million to Erie County to help with COVID-only related expenses. In other words, those funds cannot go towards any spending that was already planned for in the 2020 budget.

The need for a RAN comes when bills come due before anticipated revenue comes in. While FEMA reimbursements and the CARES Act funding of \$160 million will likely cover the COVID expenses. However, there is still a loss in revenue from what was budgeted for in 2020.

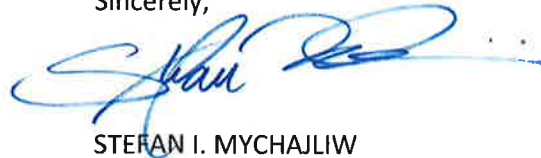
Erie County went to market for RAN issuance one week after New York State and was able to secure a better rate than the state, despite New York State's higher credit rating. I believe that is a strong indicator that we are on sound financial footing with the markets and is proof that we needed a timely deficit declaration. This allowed the administration to develop a plan, and subsequently allowed the County to prepare to go to Wall Street and get the best rate possible.

The fact that the County was able to receive this favorable rate is a tribute to the hard work by the team that I put together. Hilltop Securities, the County's fiscal advisor, Jefferies and TD Securities, the underwriters for this transaction. Harris Beach PLLC, the County's bond counsel, Hodgson Russ LLP, the underwriter's Counsel, as well as my staff, the County Attorney, Director of Budget and Management and all others that participated in this very successful transaction.

Erie County benefits from strong financial management and we should do bond sales soon to begin some of the many needed infrastructure projects this year. That will also help to jump start the local economy.

I realize you face some difficult budget decisions, including managing salary and benefit costs within your honorable body, as well as in Erie County departments. There continues to be volatility in some areas, and a larger than historical use of fund balance. In addition, I am certain the deficit plan passed recently by your honorable body will also direct much of your decision making going forward. I hope this letter provides you some guidance. As always, I am happy to answer any questions you have relative to the issuance of the Revenue Anticipation Note.

Sincerely,



STEFAN I. MYCHAJLIW
Erie County Comptroller

CC: Hon. Mark Poloncarz, Erie County Executive
ECFSA
Robert Keating, Erie County Budget Director

Enclosure