COUNTY OF ERIE

MARK C. POLONCARZ
COUNTY EXECUTIVE

FM

April 20, 2012

Hon. Joseph Lorigo
Erie County Legislature
92 Franklin Street – 4th Floor
Buffalo, New York 14202

RE: Bee News Column on Approved 2012-2015 Four-Year Financial Plan

Dear ~~Legislator Lorigo~~: Joe

I read with interest your April 19, 2012 opinion column in the West Seneca and East Aurora editions of the Bee Newspaper regarding the County's Four Year Financial Plan ("Plan"). Based on many inaccurate assertions in your column, it seems as though you either are unfamiliar with the Plan or you chose to use your column to level factually inaccurate partisan attacks towards my administration in a cheap attempt to score political points.

Needless to say, I was disappointed to see your erroneous assertions regarding Erie County's ("County") finances. Such inaccurate and partisan commentary disrupts our ability to work cooperatively together and is a disservice to the constituents you represent. As such, I am taking this opportunity to inform you on my administration's revised Four-Year Plan, as well as address several of the factual inaccuracies you made.

Collins-Era Misrepresentations

I would first like to set the record straight regarding the perpetuation of two myths pertaining to former County Executive Christopher Collins' administration which you made: 1) that his 'sound financial planning' created budget surpluses between 2009 and 2011; and 2) that he eliminated a substantial amount of long-term County debt.

Federal Stimulus Assistance Lead to Surpluses – Not Collins' Efficiencies

It is no secret that Erie County has enjoyed budget surpluses totaling $62.7 million over the past several years ($28.7 million in 2009, $7.1 million in 2010, and an estimated $26.9 million in 2011). However, you and other Republican legislators consistently ignore the fact that Erie County received $105 million in Federal Medical Assistance Percentage ("FMAP" or "Stimulus") funding from the federal government over that same period of time ($41 million in 2009, $44.8 million in 2010, and $19.2 million in 2011). Instead of using the Stimulus money to pursue new infrastructure projects such as rebuilding roads and bridges (which Congress intended), the former administration banked the Stimulus funds into the County's fund balance (reserves) to use as revenue starting in his re-election year – 2011.

9E-1

Simple math shows that without the one-shot Stimulus funding, Erie County would have experienced significant budget deficits each year totaling tens of millions of dollars and/or would have been forced into making painful budgetary and programmatic decisions such as raising revenues or cutting discretionary services in massive ways. The only reason Erie County ended each year with a surplus was because the federal government's Stimulus Package and the prior administration's failure to spend it. So, if you are going to credit any administration for these surpluses, in reality, it should be the Obama administration.

False Claims about Reductions in the County's Bonded Indebtedness

In 2011 Mr. Collins stated that by the end of 2011, he would have reduced Erie County's long-term indebtedness by $143 million. You and your Republican colleagues continue to cite this figure as fact when the evidence shows otherwise. First, Mr. Collins overstated his numbers by including more than $37 million in debt retired in the County's <u>2007</u> fiscal year, <u>the year before he even took office</u>.

Second, he claimed that he reduced approximately $100 million in debt associated with the Erie County Medical Center Corporation ("ECMCC") and the County's 2004 bond guarantee. That is simply not true. The County is legally obligated to guarantee that debt, must identify it under New York State law as a long-term outstanding indebtedness obligation of the County, and we would be forced to pay it if ECCMC were to default. When looking at the real debt numbers, starting with the actual County debt when Mr. Collins took office in January 2008, ($525 million) and the actual debt as of the end of 2011 ($515 million), the reality is that Erie County's bonded indebtedness only decreased by about $10 million over his entire term.

Misstatements about the 2012-2015 Four Year Financial Plan

In your column, you made a number of statements and assertions about the revised Plan which was unanimously approved on April 16, 2012 by the Erie County Fiscal Stability Authority ("ECFSA" or "control board").

You stated that the Plan "seems to lack pertinent details that could have a major bearing on the county's economic future" and proceed to list three (3). Had you or your staff ever contacted me, my office or the County's Division of Budget and Management ("Budget") to ask questions, or attended the ECFSA's Finance Committee meeting on April 13, 2012 when Budget explained the Plan and its elements, including those you criticize, you surely would have been satisfied with the explanations, as was ECFSA. But, alas, you did no such thing and instead decided to write a newspaper column making uninformed partisan attacks against the Plan.

Fund Balance

Your column started by criticizing the Plan for proposing to use $5.4 million in fund balance in 2013 as a potential gap-closing measure while ignoring the fact that Mr. Collins' prior approved plan and 2011 Adopted Budget appropriated $16.7 million of fund balance (and actually used more than $28 million) and $7.4 million in the Adopted 2012 Budget. My Plan uses less fund balance than Mr. Collins' last two budgets and plans and yet you praised his financial acumen and criticized me. This is perplexing and incongruous. Either you are uniformed or disingenuous in your description of the matter, neither a trait a representative of the people should possess.

Also, as my staff expressed to ECFSA directors, who agreed with us, there is a fine line on maintaining too much fund balance (being accused of over-taxing property owners) and the alternative of having too little in reserves. My Plan realistically uses a modest amount of fund balance to help avoid over-taxation, a proposal I am sure you would agree with, which ensures the fund balance remains at an appropriate level.

Union Contracts

In your column you criticized me for not including new union contract raises or "retroactive wage increases" in the Plan. As Budget stated to ECFSA in March and again on April 13th, the Plan specifically did not include any such projections because the unions could see those assumptions and numbers and use them to gain a competitive advantage in negotiations with my administration, including using those projections as a starting point for new contracts. As an attorney, I thought you would have agreed that we cannot engage in any process that telegraphs our intentions or bargaining strategy. When and if we arrive at satisfactory union contracts that serve the needs of the County and our taxpayers and are fiscally responsible, we will publicly discuss numbers. In addition, we cannot forecast such numbers if we do not know them.

I would further note that Mr. Collins' plans never included any fiscal provisions for new union contracts either.

Employee Reductions

You criticized me for "maintaining an excessive workforce" and asserted that "reducing the county workforce by only 50 employees over four years, while being mindful of the jobs added back into the 2012 budget, leaves the county workforce larger then it was at the end of 2011." Your statement is factually wrong. In his proposed 2012 Budget, Mr. Collins deleted 211 positions, of which 66 were restored by the Legislature in its budget amendments, for a net reduction in the County's workforce by 145 positions from 2011 staffing levels. In minor adjustments since January 1, 2012 – <u>all of which were approved by the Legislature, including you personally</u> – my administration added approximately 20 positions including vector control (rodent control) workers, several Sheriff deputies, caseworkers and an architect. My revised Plan calls for an additional reduction of 50 positions by attrition in 2013 through not filling and then deleting certain jobs when they become vacant.

This is reasonable because the County routinely has significant numbers of positions vacant at any one time and has dozens of employees retire every year. In my Plan, when employees retire or separate from the County in 2012, at least 50 positions will be held vacant and deleted for 2013 (and moving forward) for recurring savings. This is a net of 50 positions after any mandated adjustments such as federal or state-requirements for new positions in the Sheriff's Division of Jail Management. Contrary to your claim that all 50 positions will come from retirees, some positions will come from retirements and most will come from the normal personnel process as employees resign or are terminated. We will carefully review with department heads which positions can be deleted without major disruptions to services our taxpayers expect and demand.

Incorrect Math in your Comment on Health Insurance Expense

Finally, you have claimed that the Plan projects decreased health insurance expense, which is not correct. My Plan takes actual health insurance expense for the past three years and adjusts for a 5% annual rate of growth – not 6% as in the prior approved Collins plan. In attacking my projection, you stated that the County's health insurance expense has grown by 15% between 2008 and 2011 and asserted the 5% projection was too low. However, you fail to understand the math. The 15% increase in health insurance expense was over four years (not annually), and was 3.5% annual average increase. As such, it justifies my estimate for a 5% annual growth between 2012 and 2015.

As I consistently said while shining light onto the previous administration's use of 'smoke and mirrors' and 'fuzzy math' pertaining to Erie County's finances, you are always entitled to your own opinions, but not your own facts.

Although you were not in office during the previous administration, I am sure your colleagues would note the difference in my administration's general working relationship with your honorable body and responsiveness to legislative inquiries. In that spirit, I have initiated a bi-monthly lunch meeting legislators and senior officials from my administration attend committees and caucuses and private meetings with all legislators, including the Republican Caucus – a stark difference from the prior administration.

If you would like to meet with me or Budget to pose questions and discuss the Plan, its assumptions, and related financial issues, please do not hesitate to contact me. We would be pleased to discuss any of these issues with you and answer your questions prior to you writing an uninformed column to your constituents.

In the spirit of bi-partisan cooperation, I would hope you and your colleagues would ask questions and look to work with me on solutions for the differences we may have, rather than voting in favor of something one day and attacking me in the media the next. However, should you choose to air your grievances in the media, I would request that any criticism you lodge of my administration be factually sound and motivated by doing what is in your constituents' best interests, not simply a cheap attempt to score political points with false data.

Sincerely yours,

Mark C. Poloncarz, Esq.
Erie County Executive

cc: Erie County Legislature
Honorable David Shenk, Comptroller
Erie County Fiscal Stability Authority
David Sherman, Managing Editor, Bee News