ERIE COUNTY FISCAL STABILITY AUTHORITY COMMENTARY ON ERIE COUNTY PROPOSED BUDGET AMENDMENTS
November 30, 2012

INTRODUCTION

The Finance Committee of the Erie County Legislature has had two separate packages of budget amendments put forward. One from the legislative majority that would take just over $900,000 from mostly risk retention ($800,000) to add back the position cut in the comptroller's office, fund a study on what to do with the Erie County Home and Infirmary in Alden and increase funding for certain public benefit and cultural organizations.

The minority amendments total over $8.5 million, (with the majority of cuts coming from risk retention, turnover, overtime and fringe benefits), with the sole add-back being the deleted comptroller's position. The remainder would be used to eliminate the 2013 property tax increase.

The ECFSA has been asked by the Legislature's Finance Committee to provide comments regarding these amendments. This report is intended to bring forward those comments to county decision makers.

OVERVIEW

This report is not intended to replace the budget and financial plan review the ECFSA is mandated to perform upon receipt of the 2013 adopted budget and associated financial plan. Its sole purpose is to opine on very narrow proposed amendments.

The ECFSA cannot comment, at this time, on whether an amended/adopted budget and/or plan would be deemed by the Authority to be in balance, or not. However, any significant, unsustainable revenue loss would create concerns that would lead the ECFSA to have to re-evaluate whether the budget is in balance and whether the four year plan is achievable.

SPECIFIC ITEMS

1. ***Risk Retention*** – the proposed budget lists a $3 million appropriation. Both majority and minority amendments assume reductions in that amount -the majority, by $800,000, the minority by the total amount. Based upon ECFSA analysis, the current executive recommended appropriation appears consistent with previous years' claims.

2. ***Overtime*** – revisions assume a reduction of $812,750 in Jail Management overtime and $100,000 in Public Works overtime. In its report of October 26, 2012, the ECFSA commented on county anticipated overtime spending, indicating the need for a consistent overtime management program to reduce this expense to budget/financial plan levels. Thus far, there is no evidence of such an overall program. Given that, and the history of county overtime spending, there is a significant risk that overtime expenses will exceed executive recommended budget levels for 2013. The ECFSA already believes that overtime may exceed CE budget and any reduction would be risky.

3. ***Fringe Benefits*** – revisions assume a reduction of $347,418 in Buildings and Grounds and $1.8 million in Jail Management. In its October 26th report, the ECFSA commented that fringe benefit calculations in the executive recommended budget and plan are reasonable, yet not excessive.

4. ***Turnover*** – revisions assume an additional turnover amount of $1,187,585 (a negative personnel appropriation). In its October 26th report, the ECFSA indicated the executive recommended amount to be achievable and conservative, yet recommended turnover savings remain at minimal levels despite the history of the county turnover savings being a multiple of the executive recommended amount.

5. ***Safety Net Assistance*** – revisions assume a $1,422,002 reduction in net appropriations in this account. ECFSA analysis of this account indicates that the executive recommended budget should be sufficient to meet anticipated expenses for 2013.

The sum total of amendments would reduce the county's 2013 property tax levy by approximately $8.5 million. Without subsequent expense reductions and/or revenue enhancements, the county's financial plan that includes the additional $8.5 million in 2013 property tax revenues would have to be adjusted for the plan's 4-year period, resulting in a potential cumulative gap in excess of $34 million.

CONCLUSION

The ECFSA can't opine on its future status (advisory or control) with the proposed revisions without receiving a comprehensive financial plan based on the adopted 2013 budget. However, an $8.5 million per year reduction in the property tax levy (without corresponding spending reductions and/or revenue enhancements), would create concerns that would lead the ECFSA to have to re-evaluate whether the budget is in balance and whether the four year plan is achievable.