



2009 ERIE COUNTY BUDGET

COUNTY EXECUTIVE'S BUDGET MESSAGE & SUMMARY ERIE COUNTY, NEW YORK



Six Sigma Green Belts Inaugural Class



**ERIE
COUNTY**

CHRIS COLLINS
COUNTY EXECUTIVE

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DIRECTOR OF BUDGET & MANAGEMENT

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COUNTY EXECUTIVE'S BUDGET MESSAGE





COUNTY OF ERIE

CHRIS COLLINS
COUNTY EXECUTIVE

October 15, 2008

The Honorable Erie County Legislature
92 Franklin Street
Buffalo, NY 14202

Dear Honorable Members:

Introduction

Enclosed are the Erie County Executive Recommended 2009 Budget and 2009-2012 Four-Year Plan for review and approval by your Honorable Body.

The taxpayers of this county elected me to run Erie County like the \$1.0 billion business it is. Based in solid business principles, my 2009 Recommended Budget, as well as my 2009-2012 Four-Year Plan, are balanced. Moreover, the budget is fiscally sound and responsibly conservative, and does not rely on budgetary tricks to meet objectives.

As we refocus our efforts on economic development and attracting jobs to this region, we need to assure our potential investors that the principal government in this region is fiscally sound and being managed like a business. This budget is realistic, responsible, and respectful of the need to provide vital services, and maintain our infrastructure and quality of life here in Erie County.

I present this budget at a time when our nation's economy is significantly challenged, Wall Street is still reeling from record losses, and New York State is facing budget deficits totaling billions of dollars. This reality is putting tremendous economic pressure on local governments and their taxpayers. Erie County is certainly no exception.

Locally, Erie County is dealing with our own financial obstacles. Sales tax growth has slowed as the national economy impacts local pocketbooks. To be prudent, I am taking the historic step of forecasting a 0% growth in sales tax collection for 2009 compared to our estimate of 2008 actual sales tax collection. This responsibly conservative approach will ensure that Erie County will not be negatively impacted in future months if the economy continues to struggle for a prolonged period of time.

Unfortunately, the County's costs are climbing. Cost increases outside of our control have created a \$32 million negative impact on the 2009 Budget. New York State has continued its irresponsible policy of shifting costs to the County for state mandated programs totaling millions of dollars, rather than enacting real reforms and cuts. Furthermore, road repairs, fuel, utility and supply costs have soared while healthcare, workers' compensation and litigation costs continue to rise.

Finally, this Administration is forced to confront the budget mistakes of prior administrations. Most notably, the decision to sell Erie County Medical Center Corporation (ECMCC) to itself has begun to cascade onto the county taxpayer, totaling over \$20 million in ECMCC related debt payments for 2009 alone. Simply stated, previous reliance on one-shot revenues, "smoke-and-mirrors" and short-term political fixes decimated the county reserves and ultimately compromised the long-term interests of the county taxpayer.

The past practice of selling tax liens has ended. This one-shot gimmick did nothing more than fill current operational budget deficits by raiding the reserves of the past. Tax liens grow at the compounded rate of 18% annually and are ultimately collected when a property is sold or foreclosed. To sell these taxpayer assets at a discount to hide operational deficits is wrong and short-sighted, and we have ended it.

The Road Fund was driven to a \$7 million deficit by hiding general expenses in this separate fund in a futile attempt to improperly inflate our Undesignated General Fund Balance. We have zeroed out this deficit and commit that the Road Fund will never again have a negative year end balance.

As I run county government like a business, I will not sacrifice the long term fiscal stability of Erie County for short-term political gain. Unfortunately, that is a mistake some of my predecessor's have made, and it will not happen under this Administration.

As a result, the average homeowner will see a modest property tax increase of \$18 on their \$100,000 home.

The combination of a national financial crisis, state cost shifting and significant local mismanagement in the past make this average \$18 per household property tax increase a necessity. Despite this modest increase, Erie County still has the lowest property tax rate of any large county in New York State. A comparison of key figures will also show that Erie County is more efficient, lean, and responsive to the needs of taxpayers.

To date, several counties have already released their budget proposals for 2009. Our modest property tax increase is well below or on par with their suggested increases.

This action is not taken lightly. I firmly believe that maintaining lower taxes is the best approach to supporting economic opportunity and growth. Our ultimate success will occur only when we return to an era of growth, as we cannot shrink to success. The simple and painful reality is that given the fiscal challenges we face, this rate increase would be significantly larger if it were not for the cost saving initiatives and programs my administration has aggressively pursued from day one, along with substantial cuts in jobs and programs reflected in this budget.

Important Changes

You will notice several changes in the format of my first budget. All of these changes were made with one goal in mind: transforming the Erie County Budget from an historical accounting document into a performance management tool engineered to drive savings and efficiencies, in accordance with Six Sigma and performance based budgeting.

As we delved into the details of past budgets, we have clarified many confusing aspects of previous budget presentations. Practices such as counting debt service on general obligation debt twice; including debt service on the Sewer Authority in the general budget despite its own independent revenue stream; counting county share of road repairs twice; utilities being used by other municipalities included in the Erie County budget; and the pass-through of sales tax shared with other municipalities and the Niagara Frontier Transportation Authority (NFTA) being counted in our budget, have been corrected.

Furthermore, we have incorporated the fringe benefit cost into each department's budget, to accurately reflect personnel salary and benefit costs to county taxpayers. In past budgets the total fringe benefit costs were aggregated as one number which prevented any meaningful analysis.

All of these past issues prevented thoughtful budget analysis, greatly overstated the magnitude of our true revenue and expenses, and thus improperly understated our Undesignated General Fund Balance as a percentage of the budget.

This budget focuses on what I describe as the **Erie County Operations Budget**. This budget includes all revenue and expenses of our General Fund plus the county portion of the Library Fund. It excludes the large amount of sales tax pass-through to other municipalities and the NFTA since Erie County plays no role in collecting or spending these taxes. We identify them as a footnote to our budget, in accordance with the State Comptroller's opinion, but do not include them in any of our operational calculations. We have ended the double counting in the Utilities Fund, Road Fund, and Debt Service Fund including sewer authority debt service. The details of these funds are shown in Book A, but are not part of our Operations Budget.

To put this in perspective, our true Erie County Operations Budget totals \$1,026,963,686 instead of a distorted and misleading amount of \$1,483,960,754. This significant change allows us to do meaningful analysis and puts all the numbers in the proper perspective.

Lean Six Sigma

Lean Six Sigma is my administration's key reform and efficiency initiative. In addition to driving efficiency and reducing waste, Lean Six Sigma is empowering county employees to suggest changes to their work process. As a result, Erie County is realizing significant cost savings and improving the quality of services provided to the public.

The first wave of Lean Six Sigma projects is generating a total annual taxpayer savings of nearly \$2 million, far surpassing our initial expectations. These nine projects represent a cross section of county departments and functions, and were driven internally by county employees who successfully completed Six Sigma Green Belt training. A detailed breakdown of these projects is presented later in the summary section of this book.

The Erie County Fiscal Stability Authority has acknowledged the success of our Lean Six Sigma program and agreed to fully fund this initiative through 2009. Our staff is currently drafting a program deployment plan for 2009 with estimated savings double those of 2008.

Real Estate & Asset Management

The Real Estate and Asset Management Department is charged with using county owned and leased facilities in the most efficient manner possible. This Administration's Space Utilization initiative is funded with efficiency grant dollars from the Erie County Fiscal Stability Authority.

During 2008, this department has re-engineered approximately 47,000 square feet of office space in the Rath Building. The department has also re-negotiated leases to save the county approximately \$80,000 annually and plans to terminate five unnecessary leases over the next five years, saving approximately \$2.6 million. Finally, the department has introduced space usage standards and procedures to eliminate future waste, as well as drafting standard contracts to be used by all county departments whether the county is a lessor or lessee.

Employee Reduction

We propose the elimination of nearly 200 positions. The bulk of these positions will be eliminated as of January 1, 2009, with a smaller percentage being eliminated in July of 2009. This action includes full time, regular part time (RPT), and seasonal employees. We are eliminating positions at every level - from seasonal laborers to deputy commissioners and managerial confidential employees - to right-size county government.

Past administrations have resisted eliminating vacancies to inflate the 'turnover account.' This practice was commonly used to help plug budget deficits at year's end. My administration has ended this practice.

The elimination of nearly 200 positions is on top of the Administration's earlier policy to maximize the use of RPT employees. These employees work as many as 39 hours a week, but receive half of the regular employee time-off benefit package. By filling county vacancies with RPT employees when possible, Erie County is saving nearly \$800,000 annually.

Reduction of Cell Phones and Electronic Devices

We undertook a comprehensive review of all county cell phones and electronic devices, asking employees to justify their use. In the end, we eliminated more than 250 phones, pagers and other electronic devices, representing a reduction of over 35 percent. These cuts impacted all employees from rank and file to commissioners and department heads. I have personally declined the use of a county cell phone. As a result, we are saving more than \$140,000 annually.

County Vehicles and Mileage Reimbursement

Leadership by example is a cornerstone of this administration. As you know, I have declined the use of a taxpayer-funded take-home vehicle. Moreover, I have eliminated the use of take-home vehicles for many of my commissioners and my entire senior staff. For those Executive Branch staff whose use of a take-home vehicle is essential, we have posted the details of this use on www.erie.gov, as part of our continuing effort to make county government more transparent.

It is only fair and proper that we respect taxpayers. We will not provide perks to county employees that are not available to hard working taxpayers in Erie County. I also reduced mileage reimbursement rates for non-union county employees.

Other Reductions

This budget contains a certain amount of pain for all constituencies in Erie County. We were faced with difficult choices as we dealt with \$32 million in cost increases outside of our control. In fairness to taxpayers, we looked at every program for potential cuts, eliminated pork spending that played to the special interests, and will be asking all agencies to do more with less in these difficult economic times.

One of our most difficult cuts eliminated the extra \$1.6 million in funding the Legislature included in the 2008 Adopted Budget for the Buffalo and Erie County Public Library. This funding was above and beyond the \$22.2 million in library budget funding that is included in the property tax levy. We noted that the library fund has an undesignated fund balance of \$2.6 million as of December 31, 2007 and the library's leadership has the ability to dip into that fund as we face this difficult time. It should also be noted that other libraries around the country depend on governmental support for less than 50% of their budget. Looking forward, we are asking the Buffalo and Erie County Public Library to follow this example and increase the amount of revenue it receives from non-governmental sources.

We also implemented reasonable cuts in subsidies to cultural agencies in the County. The "Big 5" agencies (Albright-Knox Art Gallery, Buffalo Museum of Science, The Buffalo Zoo, The Buffalo & Erie County Historical Society and The Buffalo Philharmonic Orchestra) received an average funding reduction of 6.1%. The reduction in Erie County Cultural Resource Advisory Board (ECCRAB) funding includes the elimination of funding for Studio Arena Theatre, which has ceased operations. These overall reductions are appropriate in these difficult economic times.

Finally, we eliminated all support for non-mandated, pork spending that played to special interests without an overall benefit for Erie County taxpayers.

Termination of City/County Parks Agreement

In June 2008, we notified the City of Buffalo that Erie County was terminating the City/County Parks Agreement effective June 13, 2009. As the County Comptroller noted in his August 2006 audit of the agreement, this has been a significant cost to Erie County taxpayers from the day it was signed. The stated purpose of the Agreement was to regionalize the parks in a revenue neutral manner – this did not happen. In these difficult financial times for Erie County, it is time to return the City Parks to the City of Buffalo.

Issues surrounding Olmsted Parks still need to be resolved. It is our collective goal to preserve the Olmsted Conservancy and to negotiate and sign a long-term agreement between Erie County, the City of Buffalo, and the Olmsted Conservancy. The historic Olmsted Parks need to be preserved and restored in accordance with the Conservancy's long-term strategic plan.

Erie County Medical Center Corporation (ECMCC)

There are many complicated issues surrounding the Erie County Medical Center. This short-sighted transaction improperly used deficit financing to fill a budget gap by “pretending” to sell ECMC to a Public Benefit Corporation. However, this was never a real sale and resulted in Erie County taxpayers being saddled with future debt payments and unlimited future subsidies to ECMCC. Worse yet, county buildings were improperly transferred to ECMCC resulting in rent payments from Erie County to ECMCC on buildings that the county built, occupies and maintains. In 2009, Erie County is financially responsible for over \$7 million in debt service on ECMCC debt related to this pretend sale and Erie County will remain responsible for the next 20 plus years.

I remain confident we can remove Erie County from the hospital business sometime in the near future. As part of the Berger Commission hospital consolidation legislation, ECMCC is now a partner of the Western New York Healthcare System hospital network ('Newco') that includes Kaleida and ECMCC. The stated intention is to affect a full asset merger of Kaleida and ECMCC, which can only happen if Erie County is removed from the hospital business.

In the short term, my administration has entered into a legally binding agreement with ECMCC that states that Erie County does not have to pay a court ordered \$23 million in capital to ECMCC, until (1) such time as ECMCC has a Certificate of Need from the New York State Department of Health to spend the money and; (2) ECMCC has exhausted previous capital funds provided by Erie County. It is my opinion that Erie County will be out of the hospital business long before that day ever arrives. I have not, therefore, included any portion of that \$23 million in our 2009-2012 Four-Year Plan.

To expedite this process, I recently formed an eight member panel of influential community leaders and representatives of Kaleida, ECMCC, and Newco to make recommendations on removing Erie County from the hospital business. A road map to success generated by this panel will remove the unknown future obligations of Erie County relative to ECMCC and play a key role in the full asset merger of Kaleida and ECMCC.

Tax Liens

As stated earlier in this letter, this administration will not sell Erie County tax liens at a discount to improperly fill budget gaps. These tax liens belong to the taxpayers of Erie County and are the same as accounts receivable in the business world. In addition, they grow at an 18% interest rate compounded annually.

It is unfortunate that governmental accounting standards do not allow Erie County to record these tax liens on our balance sheet and include them in our Undesignated General Fund Balance. These accounting standards pretend that tax liens do not exist and tempt governmental entities to improperly sell them at a discount to fill budget gaps and turn them into cash to include in the fund balance.

I know the tax liens are real and have recorded them in a Restated Undesignated General Fund Balance report to give them visibility as we analyze our financial condition.

Community College and Board of Elections Respreads

There are two other accounts receivable that belong to the Erie County taxpayer, but do not appear on our balance sheet.

The first account consists of funds owed to Erie County by cities, towns and villages located in Erie County where their residents attended community colleges other than Erie Community College. The second account is for Board of Elections expenses.

The money owed to Erie County is always two years in arrears, but is guaranteed to be repaid as part of the town and city tax collection process. The expenses and revenue for these accounts appear in the Erie County budget, but do not include the two year amounts in arrears. Again, accounting standards pretend that this money is not owed to Erie County and is not included on our balance sheet or in our fund balance.

Since we know the money is owed and is guaranteed to be repaid, it has been recorded in the Restated Undesignated General Fund Balance report to give them visibility as we analyze our true financial condition.

Union Contracts

All but one of our union contracts have expired. We are in negotiations on new contracts. I have insisted that Erie County deal with unaffordable benefits including health insurance for current and future employees, health insurance for retirees, and paid time off. I am optimistic we can negotiate contracts that are fair to hard working county employees, fair to taxpayers, and fair to future generations.

GASB 45 Unfunded Retiree Health Insurance Deficit

Erie County's unfunded retiree health insurance deficit is a staggering \$750,000,000 as of January 1, 2006. This is commonly referred to as our GASB 45 liability.

We currently record retiree health insurance costs on a “pay as you go” basis when the bills arrive for current retirees. Yet, we have refused to recognize any future liabilities. Despite the reality of this crushing, long-term financial obligation on future generations, similar to the unfunded Social Security and Medicare liabilities at the federal level, prior administrations have simply refused to address this overwhelming cost.

It is a travesty that our generation has allowed this unfunded burden to go unchecked. It is a priority of this Administration to deal with this massive liability through meaningful negotiations on new union contracts.

Restated Undesignated General Fund Balance

As stated earlier, we will report a Restated Undesignated General Fund Balance that fairly reflects the reserves of Erie County, both on and off the balance sheet. We will subtract the deficit in the Road Fund and will add the accounts receivable linked to Tax Liens, Community College Respreads, and Board of Elections Respreads. This restated balance will then be compared to our Operations Budget which excludes items that do not belong in an operational budget.

Bond Rating

Lost in the chaos of the 2004-2005 budget crisis is the fact that Erie County has always had an investment grade bond rating. We have never lost our ability to borrow on Wall Street, which is unique among municipalities in New York State overseen by control boards. As our financial position has strengthened since the meltdown of 2004 and 2005, our bond rating has been upgraded to the top tier of ratings.

In the near future all municipalities will be rated on a new Corporate Global Scale. This will be done so that investors can compare municipal debt to corporate debt. It is widely recognized that many municipalities, such as Erie County, will see a significant upgrade in their bond rating. This recognizes the fact that municipalities do not default on debt and as taxing entities always have the ability to raise revenue to service municipal debt. This is good news for Erie County taxpayers.

Essential Albany Reform

We all know that much of our budget is dedicated to providing services in accordance with unfunded or partially funded mandates from Albany. Medicaid is our largest single expense. New York’s mandated Medicaid program provides benefits not available anywhere else in the nation and is crippling New York taxpayers with a burden not seen anywhere else in the country. Real, meaningful Medicaid reform is desperately needed to reduce this burden on taxpayers.

To address the Medicaid problem, as well as other unfunded New York State mandates, I have joined with the county executives in Monroe County and Onondaga County to form an Upstate Unfunded Mandate Relief Commission. This 10 member commission has been directed to prepare a full report on the costs of these unfunded mandates and to make recommendations by year end that we plan to deliver to Albany as New York State starts budget deliberations for the 2009 – 2010 fiscal year.

We all need to demand that Albany enact real reform and stop cost shifting to county taxpayers.

Four-Year Operating Plan

We have developed a Four-Year Operating Plan to encompass fiscal years 2009 through 2012. This plan calls for property tax revenue to grow only through 4% estimated market value growth (the past 5 years of market value growth has been 5.2%) and for sales tax revenues to increase by 3% each year in line with inflation. We expect to trim over \$3.3 million in the 2010 budget through the success of our cost cutting and efficiency programs, resulting in a net yearly decrease of at least 50 full time positions starting in 2010. As a result, our Four-Year Operating Plan achieves budget surpluses in 2010, 2011 and 2012 using reasonable assumptions. We expect the Erie County Fiscal Stability Authority (ECFSA) to approve and endorse our 2009 Budget and 2009-2012 Four-Year Plan.

Six-Year Capital Plan

As County Executive, I am committed to improving the county's infrastructure as our community prepares for growth. Unfortunately, the condition of our roads, bridges, and other vital infrastructure has been allowed to deteriorate over the last several years. As a result, I am proposing a large and aggressive six year capital plan, including \$50 million of county funding for new capital projects in 2009, 2010, 2011 and 2012. In addition, \$36 million in state and federal matching funds are also provided in 2009.

Our proposed 2009 Capital Budget includes critical road and bridge repair and reconstruction projects. With over 1,000 miles of county roads, maintaining this infrastructure will remain a challenge. Sadly, however, we have all witnessed the unacceptable and dangerous condition of many of our roads and bridges - especially in our rural towns. This proposal also includes needed repairs and upgrades to the Erie County Holding Center and Jail; improvements to our parklands; investments in our Fire Training Complex and emergency communications; and upgrades to our computer systems including appropriate disaster recovery expenditures. We will also continue to honor our responsibilities to Erie Community College, Ralph Wilson Stadium, Botanical Gardens and the Convention Center.

Conclusion

In closing, I strongly urge this body to look at this budget through the lens of the county taxpayer. As partners in reform, we have an opportunity to do something historic for our community, and fundamentally change the way government operates in Erie County. We must continue restoring fiscal stability, right sizing county government, and ultimately rebuilding our economy. Your body is a critical component of these efforts and I hope you will work with me to accomplish these goals.

My Administration looks forward to working with you on the adoption of the 2009 Budget and 2009-2012 Four-Year Plan. I know that you also recognize the challenges we face and the need for fiscally sound and responsible leadership. We are prepared to provide any requested information, respond to inquiries, and explain the details of the Recommended 2009 Executive Budget and 2009-2012 Four-Year Plan.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Chris Collins".

CHRIS COLLINS
Erie County Executive

**FOUR-YEAR
OPERATIONS PLAN
FISCAL YEARS
2009 - 2012**





COUNTY OF ERIE

CHRIS COLLINS
COUNTY EXECUTIVE

FOUR YEAR OPERATIONS PLAN FISCAL YEARS 2009 - 2012

Introduction

Enclosed herein is the 2009-2012 Four-Year Plan. Section 2603 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 four-year financial plan with his proposed budget. The attached Four Year Plan satisfies both the Charter and ECFSA requirements of a financial plan.

We view the 2009-2012 Four-Year Plan and 2009 Proposed Budget not as an historical accounting document, but a performance management tool engineered to drive savings and efficiencies, in accordance with Six Sigma and performance based budgeting. In addition, it provides a long-term financial road map for Erie County.

The 2009 Proposed Budget and projected 2008 results form the basis for the 2009-2012 Four-Year Plan. This plan calls for property tax revenue to grow only through 4% estimated market value growth (the past 5 years of market value growth has been 5.2%) and for sales tax revenues to increase by 3% each year in line with inflation.

In addition, we expect to trim over \$3.3 million per year in personnel expenses through the success of our cost cutting and efficiency programs, resulting in a net yearly decrease of at least 50 full time positions starting in 2010. Perhaps the most important component of this Administration's 2009-2012 Four-Year Plan is the elimination of "smoke and mirrors", one-shot fixes and budget gimmicks that permeated previous four year plans.

As a result, our Four-Year Operating Plan achieves budget surpluses in 2010, 2011 and 2012 using reasonable assumptions. We expect the Erie County Fiscal Stability Authority (ECFSA) to approve and endorse our 2009 Budget and 2009-2012 Four-Year Plan.

It is important to highlight that our plan is based on "reasonable assumptions" at the time of submission of this budget and Four-Year Plan. In reviewing this Four-Year Plan, I encourage the ECFSA to review §§ 3957(2)(e) of the Public Authorities Law, which states:

(e) The authority shall, in the event it disagrees with elements of the financial plan provided pursuant to paragraph (c) or (f) of this subdivision provide notice thereof to the county, with copies to the director of the budget, the state comptroller, the chair of the state assembly ways and means committee and the chair of the state senate finance committee, if, in the judgment of the authority, such plan: (i) is incomplete; **(ii) fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimations;** (iii) fails to provide that operations of the county and the covered organizations will be conducted within the cash resources available; or (iv) fails to comply with the provisions of this title or other requirements of law.

It is important to note that under Public Authorities Law §§ 3957(2)(e)(ii), the administration's estimates are valid if they are based on "reasonable and appropriate assumptions." As noted above, our revenue and expenditure estimates are based on historical trends over the last five years, which provide the most reasonable and appropriate basis for reviewing this Four-Year Plan.

In addition, should the ECFSA reject this 2009-2012 Four-Year Plan, they are statutorily required to submit their own Four-Year Plan. I direct your attention to §§ 3959(2)(a), which states:

(2) In carrying out the purposes of this title during any control period, the authority:

(a) shall approve or disapprove the financial plan and the financial plan modifications of the county, as provided in section thirty-nine hundred fifty-seven of this title, and **shall formulate and adopt its own modifications to the financial plan, as necessary;** such modifications shall become effective upon their adoption by the authority;

Should the ECFSA choose to reject this plan, they are statutorily required to fully justify why the Administration's assumption of revenues and expenses are not reasonable or appropriate. In addition, I will ensure that they fulfill their statutory mandate to formulate and adopt their own modifications to the financial plan.

During 2008 the County received two ratings upgrades, Moody's Baa2 and Standard and Poor's BBB+, which demonstrate the improving fiscal condition of the county under this Administrations management. The positive results expected in 2008, the 2009-2012 Four-Year Plan and the ongoing management initiatives and efficiencies that have already driven proven savings are part of the action plan that will ensure the continued fiscal stability of Erie County.

THE FOUR-YEAR PLAN (Reasonable and Appropriate Assumptions)

Revenue	2010	2011	2012
Sales Tax Growth	3%	3%	3%
Real Estate Market Value Growth	4%	4%	4%
Property Tax Rate Increase	0%	0%	0%
 Expense	 2010	 2011	 2012
Personnel Services	1.5% ¹	1.5%	1.5%
Health Insurance ²	10%	10%	10%
Pension Costs	1%	5%	5%

The estimated baseline surpluses in the Fiscal 2009-2012 FYP are:

2010 -	\$ 898,529
2011 -	\$ 3,631,226
2012 -	\$17,501,513

In addition to the cost cutting in the Four-Year Plan presented, the Administration will continue to identify and create new initiatives through Lean Six Sigma, utilization of remaining State funded efficiency grants and other reform initiatives.

¹ 2010 amount is calculated as a 1.5% increase, less the cost of parks workers who will be eliminated from the budget pursuant to the County's termination of the City/County Parks Agreement.

² Estimates provided by LMHF (Labor Management Healthcare Fund) as consultants to Erie County.

County of Erie
2009-2012 Four-Year Operations Plan

Fund 110 plus Library 820 (County Share)	Account Type	2007 Actuals	2008 Budget	2009 Executive Recommended	2010 Projection	2011 Projection	2012 Projection
Revenue							
Local Source Revenue							
Property Tax Levy							
	Property Tax Levy Operating	177,859,372	189,665,960	205,463,569	214,568,985	224,038,618	233,887,036
	Property Tax Levy Library	22,171,833	22,171,833	22,171,833	22,171,833	22,171,833	22,171,833
	Property Tax Levy Total	200,031,205	211,837,793	227,635,402	236,740,818	246,210,451	256,058,869
Property Tax Related							
	Sec 520 Exempt Removal	621,249	492,471	492,471	492,471	492,471	492,471
	Gain Sale Tax Acquired Property	0	85,000	20,000	85,000	85,000	85,000
	Payments In Lieu of Taxes	6,100,487	5,200,000	4,589,147	4,589,147	4,589,147	4,589,147
	Interest & Penalties-Property Tax	9,161,580	4,020,000	9,201,195	9,569,243	9,952,013	10,350,093
	Omitted Taxes	48,220	30,000	30,000	30,000	30,000	30,000
	Net Incremental Tax Lien Proceeds	0	4,646,827	0	0	0	0
	Dec Property Tax Deferred Revenue	(10,196,284)	0	(5,060,336)	(5,262,749)	(5,473,259)	(5,692,190)
	Property Tax Related Total	5,735,252	14,474,298	9,272,477	9,503,112	9,675,372	9,854,521
Sales Tax (County Share)							
	3% Sales Tax	126,773,297	126,428,067	129,320,525	133,090,423	136,947,698	140,972,909
	1% Sales Tax	123,189,926	122,807,984	125,913,901	130,066,318	134,343,308	138,748,607
	0.5% Sales Tax	33,922,994	33,826,996	34,603,998	35,642,118	36,711,381	37,812,723
	0.25% Sales Tax	67,845,987	67,653,993	69,207,995	71,284,235	73,422,762	75,625,445
	Sales Tax (County Share) Total	351,732,204	350,717,040	359,046,419	370,083,094	381,425,149	393,159,684
Fees Fines or Charges							
	Election Expenses Other Govts Respread	3,033,717	4,768,682	5,204,038	5,386,179	5,574,696	5,769,810
	All Other Fees Fines or Charges	28,102,173	27,986,734	28,016,826	28,296,994	28,579,963	28,865,763
	Fees Fines or Charges Total	31,135,890	32,755,416	33,220,864	33,683,173	34,154,659	34,635,573
Other Sources							
	Interest Earnings-General Investments	5,775,324	5,250,000	2,100,000	2,625,000	3,281,250	4,101,563
	Hotel Occupancy Tax Revenue	7,322,393	7,100,000	7,300,000	7,446,000	7,594,920	7,746,818
	Welfare Recoveries/Repayments	20,778,283	19,888,444	24,071,207	24,552,631	25,043,684	25,544,557
	Community College Chargeback Respread	3,111,619	3,572,791	3,928,430	4,006,999	4,100,000	4,168,881
	All Other Source Accounts Incl Interfund	27,271,168	15,740,523	15,091,125	14,963,416	14,841,711	14,687,246
	Other Sources Total	64,258,787	51,551,758	52,490,762	53,594,046	54,861,565	56,249,065
Local Source Revenue Total		652,893,338	661,336,305	681,665,924	703,604,243	726,327,196	749,957,712
State Partial Reimbursement Revenue							
	State-Education of Children with Special Needs	26,183,198	28,924,953	28,491,196	29,203,476	29,933,563	30,681,902
	State-Mental Health	29,670,071	35,029,886	35,558,360	36,447,319	37,358,502	38,292,465
	State-Family Assistance	9,956,955	8,323,330	8,338,394	8,469,112	8,603,751	8,742,430
	State-Soc Serv Administration	24,839,636	27,083,999	27,973,025	29,523,361	32,712,559	37,502,423
	State-Safety Net Assistance	15,204,050	17,210,269	14,089,856	14,854,143	15,652,823	16,487,443
	State-Child Welfare Services	21,024,738	20,168,832	21,795,720	22,262,720	22,755,872	23,276,640
	State-Serv For Recipients	9,627,304	12,836,805	11,368,677	11,537,739	11,583,808	11,772,232
	State-Day Care	5,491,125	5,286,137	6,042,994	6,224,096	6,948,502	7,145,903
	All Other State Accounts	36,223,433	43,551,034	44,423,886	45,534,483	46,672,845	47,839,666
	State Partial Reimbursement Revenue Total	178,220,510	198,415,245	198,082,108	204,056,449	212,222,225	221,741,104
Federal Partial Reimbursement Revenue							
	Federal-Family Assistance	7,806,853	2,268,947	1,735,813	2,261,418	2,802,791	3,360,405
	Federal-Soc Serv Administration	23,893,058	32,830,473	34,135,769	34,604,579	35,080,421	35,563,400
	Federal-Day Care	21,060,758	21,577,549	20,553,088	20,371,798	19,646,639	19,449,033
	Federal-CWS Foster Care	15,585,540	16,692,248	17,530,243	18,535,733	19,597,531	20,718,790
	Federal-Safety Net TANF Cases	683,424	778,071	600,187	632,753	666,785	702,348
	All Other Federal Accounts	69,404,740	68,087,188	72,660,554	74,477,068	76,338,995	78,247,469
	Federal Partial Reimbursement Revenue Total	138,434,373	142,234,476	147,215,654	150,883,349	154,133,162	158,041,445
State & Federal Partial Reimbursement Revenue Total		316,654,883	340,649,721	345,297,762	354,939,798	366,355,387	379,782,549
Total Operating Revenue (Excluding Shared Sales Tax)		969,548,221	1,001,986,026	1,026,963,686	1,058,544,041	1,092,682,583	1,129,740,261
Yearly % Increase			3.35%	2.49%	3.08%	3.23%	3.39%

County of Erie
2009-2012 Four-Year Operations Plan

Fund 110 plus Library 820 (County Share)	Account Type	2007 Actuals	2008 Budget	2009 Executive Recommended	2010 Projection	2011 Projection	2012 Projection
Expense							
Personal Services Related Expense							
Personal Services							
Full-Time Salaries (incl paid time off)		159,102,122	179,544,809	173,641,125	175,108,242	177,757,966	180,447,435
Part-Time Wages		2,605,341	3,653,953	3,691,372	3,746,743	3,802,944	3,859,988
Regular Part-Time Wages		2,160,426	2,369,620	7,373,352	7,483,952	7,596,212	7,710,155
Seasonal Emp Wages		522,054	895,026	495,751	503,187	510,735	518,396
Personal Services Total		164,389,943	186,463,408	185,201,600	186,842,124	189,667,857	192,535,974
Employee Payments non-salary							
Shift Differential		1,045,241	1,040,503	1,060,348	1,070,951	1,081,661	1,092,478
Uniform Allowance		574,274	652,000	655,750	655,750	655,750	655,750
Holiday Worked		1,539,891	1,539,498	1,520,711	1,543,522	1,566,674	1,590,175
Line-Up		1,614,288	1,754,128	1,645,000	1,669,675	1,694,720	1,720,141
Other Employee Payments/Allowances		506,831	435,836	469,236	473,928	478,668	483,454
Overtime		17,145,172	10,629,562	10,688,262	10,848,586	11,011,315	11,176,484
Employee Payments non-salary Total		22,425,697	16,051,527	16,039,307	16,262,412	16,488,788	16,718,482
Fringe Benefits							
Fringe Benefits-FICA		0	14,976,895	15,205,534	15,433,617	15,665,121	15,900,098
Fringe Benefits		75,802,254	916,047	0	0	0	0
Fringe Benefits-Medical insurance		0	33,806,376	40,760,172	44,836,189	49,319,808	54,251,789
Fringe Benefits-Workers Compensation		1,547,688	8,287,055	8,826,734	9,091,536	9,273,367	9,458,834
Fringe Benefits-Unemployment Ins		0	450,000	558,439	566,816	575,318	583,948
Fringe Benefits-Retiree Med Insurance		3,073,800	15,772,504	18,153,505	19,968,856	21,965,741	24,162,315
Fringe Benefits-Retirement Pension		0	18,440,241	17,999,281	18,179,274	19,088,236	20,042,650
Fringe Benefits Total		80,423,742	92,649,118	101,503,665	108,076,288	115,887,591	124,399,634
Turnover (Vacancy Savings) with Benefits			(4,150,000)	(1,932,500)	(1,147,946)	(1,165,165)	(1,182,642)
Future Job Cut Savings							
Eliminating 50 Jobs 2010					(3,276,350)	(3,325,495)	(3,375,378)
Eliminating 50 Jobs 2011						(3,325,495)	(3,375,378)
Eliminating 50 Jobs 2012							(3,375,378)
Future Job Cut Savings Total		0	0	0	(3,276,350)	(6,650,990)	(10,126,134)
Personal Services Related Expense Total		267,239,382	291,014,053	300,812,072	306,756,528	314,228,081	322,345,314
	Yearly % Increase		8.90%	3.37%	1.98%	2.44%	2.58%
Other Departmental Expense							
Supplies & Repairs							
Auto Supplies		1,713,416	1,929,630	3,017,550	3,092,989	3,170,313	3,249,571
Jail Management		3,514,035	3,387,000	3,600,685	3,690,702	3,690,702	3,690,702
All Other		3,773,307	4,122,875	3,785,458	3,880,094	4,069,364	4,263,366
Supplies & Repairs Total		9,000,758	9,439,505	10,403,693	10,663,785	10,930,379	11,203,639
Other							
Lawsuits		2,446,016	3,510,446	5,000,000	5,000,000	5,000,000	5,000,000
Control Board		653,946	700,000	700,000	717,500	735,438	753,823
Social Services		11,560,834	13,185,235	14,421,963	14,782,512	15,152,075	15,530,877
Utilities		2,132,947	2,342,010	2,350,650	2,409,416	2,469,652	2,531,393
Contingency		0	1,741,823	0	0	0	0
Equipment		1,149,740	1,553,431	862,580	884,145	906,248	928,904
All Other		3,906,812	4,752,895	4,746,460	4,865,122	4,986,749	5,111,418
Other Total		21,850,295	27,785,840	28,081,653	28,658,695	29,250,162	29,856,415
Contractual							
Social Services		21,293,268	21,856,419	22,591,847	23,156,643	23,735,559	24,328,948
Mental Health		34,454,638	39,326,336	40,558,601	41,572,566	42,611,880	43,677,177
Youth Detention		2,700,817	2,489,925	2,488,125	2,550,328	2,614,086	2,679,438
Legal Aid/County Bar		10,062,802	9,931,208	10,426,392	10,687,052	10,954,228	11,228,084
All Other Contractual		22,085,071	24,393,929	22,589,673	23,188,031	23,743,276	24,326,609
Contractual Total		90,596,596	97,997,817	98,654,638	101,154,620	103,659,029	106,240,256
Allocation							
County Share-Utilities		4,773,667	5,261,070	5,627,000	6,077,160	6,563,333	7,088,399
County Share-Grants		3,503,642	4,204,951	4,194,793	4,320,637	4,450,256	4,583,764
County Share-Road		3,304,357	5,957,302	12,711,140	14,219,586	15,788,369	17,219,904
All Other Allocations		6,179,579	6,099,972	5,692,937	5,749,866	5,757,365	5,743,838
Allocation Total		17,761,245	21,523,295	28,225,870	30,367,249	32,559,323	34,635,905

**County of Erie
2009-2012 Four-Year Operations Plan**

Fund 110 plus Library 820 (County Share)	Account Type	2007 Actuals	2008 Budget	2009 Executive Recommended	2010 Projection	2011 Projection	2012 Projection
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Expense

Program Related							
MMIS-Medicaid Local Share		185,619,810	191,222,362	193,520,843	200,523,333	206,604,870	211,765,453
Family Assistance		41,763,267	34,460,834	35,040,285	36,081,494	37,174,239	38,289,466
CWS-Foster Care		59,080,061	61,027,176	63,513,212	67,069,952	70,825,869	74,792,118
Safety Net Assistance		37,237,812	39,051,277	34,961,210	36,534,464	38,178,515	39,896,548
Child Care-DSS		30,142,038	29,894,450	31,759,501	31,830,355	32,113,773	32,191,004
Children With Special Needs Program		55,229,198	58,989,318	60,569,822	62,084,068	63,636,169	65,227,073
State Training School (STS)		2,535,683	2,553,261	3,570,454	3,810,389	4,066,447	4,339,712
All Other Program Related Accounts		16,370,642	8,538,113	12,014,026	12,314,377	12,622,236	12,937,792
Program Related Total		427,978,511	425,736,791	434,949,353	450,258,432	465,222,118	479,439,166
Debt Service							
Interest-Revenue Anticipation Notes		4,279,000	3,650,000	1,681,875	2,102,344	2,627,930	3,284,912
Interest-Bond Anticipation Notes		0	0	1,625,958	0	0	0
General Bond Debt Service (Excludes ECMCC)		45,272,483	43,201,753	41,241,861	47,402,307	50,041,958	53,743,115
Debt Service Total (Excluding ECMCC)		49,551,483	46,851,753	44,549,694	49,504,651	52,669,888	57,028,027

Sub-Total County Run Department Expense	883,978,270	920,349,054	945,676,973	977,363,960	1,008,518,980	1,040,748,722
Yearly % Increase		4.11%	2.75%	3.35%	3.19%	3.20%

Other Agency Expense

Other Agency Expense							
Library		22,171,833	23,771,833	22,171,833	22,171,833	22,171,833	22,171,833
Community Colleges							
Erie Community College		13,570,777	15,420,778	15,420,778	15,420,778	15,420,778	15,420,778
County Residents Enrolled in Other Community Colleges		3,928,430	3,718,939	4,100,000	4,168,881	4,307,563	4,415,252
Convention & Visitors Bureau		2,650,000	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000
Buffalo Bills		3,802,567	3,987,252	4,212,581	4,317,896	4,425,843	4,536,489
NFTA Sec 18b		3,657,200	3,657,200	3,657,200	3,657,200	3,657,200	3,657,200
ECCRAB-Cultural Support		5,330,013	5,687,832	4,878,000	4,878,000	4,878,000	4,878,000
ECMCC (Including Debt Service)		21,161,991	21,143,138	22,596,321	21,416,964	21,421,160	12,160,474
Other Agency Expense Total		76,272,811	81,636,972	81,286,713	80,281,552	80,532,377	71,490,026

Total Erie County Expense (Excluding Shared Sales Tax)	960,251,081	1,001,986,026	1,026,963,686	1,057,645,512	1,089,051,357	1,112,238,748
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Revenue Less Expense Surplus (Gap)	9,297,140	0	0	898,529	3,631,226	17,501,513
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**For Reference Only
Budget Including Shared Sales Tax**

Shared Sales Tax							
3% Sales Tax Distributed to Cities, Towns & Schools		263,386,074	262,661,933	268,673,549	276,733,755	285,035,768	293,586,841
1% Sales Tax Distributed to Cities & Towns		12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000
3% Sales Tax Distributed to NFTA (1/8th of 1%)		16,963,451	16,913,498	17,301,738	17,930,506	18,578,137	19,245,197
Shared Sales Tax Total		292,849,525	292,075,431	298,475,287	307,164,261	316,113,905	325,332,038

Total Fund 110 & Library 820 (County Share) Budget Revenue & Expense (Including Shared Sales Tax)	1,262,397,746	1,294,061,457	1,325,438,973	1,364,809,773	1,405,165,262	1,437,570,786
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KEY REFORM INITIATIVES



KEY REFORM INITIATIVES

The cornerstone of this Administration is a focus on increasing efficiencies and decreasing waste throughout Erie County government. We have implemented many cost-saving improvements during 2008, and the 2009 Budget continues to seek ways to drive efficiency and eliminate waste in County government.

The following pages provide detail on efforts to achieve this through:

- Lean Six Sigma Project Initiatives –
 - **2009 Projected Savings - \$5.1 Million**
- Space Utilization Project Initiatives
 - **2009 Projected Savings - \$537,799**
- Efficiency Grants
 - As awarded by the Erie County Fiscal Stability Authority

LEAN SIX SIGMA PROJECT INITIATIVES 2008-2009

2008 PILOT PROJECTS

1. Fleet Management

Department of Public Works

The consolidation/centralization of fleet services will reduce spending in the areas of inventory, capital, repairs, maintenance, and rentals. Improving upon the preventative maintenance of all County vehicles will reduce the overall spending on repairs. Sharing of vehicles will lead to a reduction of both capital purchases and equipment rentals. Centralized fleet services will lead to reductions of staff, overtime, and fringe.

Original Savings est.	<u>\$300,000</u>
2008 Savings Value	<u>\$105,600</u>
2009 Value Projected	<u>\$292,000</u>

2. Buildings & Grounds Overtime

Department of Public Works

The focus of this initiative will be the reduction of overtime spent in the Department of Public Works Division of Buildings and Grounds. The reduction of overtime will also lead to a reduction of shift differential, fringe and holiday worked payments.

Original Savings est.	<u>\$100,000</u>
2008 Savings Value	<u>\$ 98,220</u>
2009 Value Projected	<u>\$100,000</u>

3. Streamlining Application Workflow

Department of Social Services

The Department of Social Services has spent increasing amounts of overtime due to severe staff shortages coupled with caseload increases in all major program areas. The need to process cases on a timely basis to reduce overtime is the subject of a court stipulation requiring ongoing sampling. The focused areas for this project are Food Stamps, Medicaid, and Temporary Assistance programs.

The Department tracks monthly overtime expense for the purpose of claiming and control. A goal to reduce overtime expense by 10% as related to 2007 actual for every project was established for 2008.

Original Savings est.	<u>\$100,000</u>
2008 Savings Value	<u>\$136,000</u>
2009 Value Projected	<u>\$172,648</u>

4. Decreasing Current Office of Child Support Enforcement (OCSE) Backlog

Department of Social Services

A backlog of approximately 8 months currently exists in case establishment and processing in the Office of Child Support Enforcement. Custodial parents are entitled to a fixed percentage of non-custodial (respondent) parental income. This obligation is created in both cases where the custodial parent is in receipt of periodic public assistance cash benefits, as well as, when there is no public assistance involved. Paternity obligations are established through DNA tests mandated by the State. Hearings are conducted in Family Court in order to establish this obligation, and to provide child support payments to custodial parents based on court order. Payments for many cases are made through wage garnishment and payments are issued to custodial parents by New York State.

There are many means by which respondents are required to provide for their child support obligation and the establishment and the process of enforcements varies from asset seizure to forfeiture of professional licenses. The processing volume is now beyond the capacity of current staff to address and manage.

Original Savings est.	<u>\$160,000</u>
2008 Savings Value	<u>\$ 86,955</u>
2009 Value Projected	<u>\$153,836</u>

5. Parks Equipment Repairs

**Department of Parks,
Recreation & Forestry**

This initiative will overlap with the DPW Fleet consolidation/centralization initiative. The areas where the reduction of spending should occur are parts inventory, capital, repairs, maintenance, and rentals. Improved mechanics utilization will improve upon the preventative maintenance of all vehicles, thus reducing the overall spending on contracting with entities outside the County for repairs. Sharing of equipment with DPW and Sewers will reduce equipment rental expenses and capital purchases.

Original Savings est.	<u>\$ 95,000</u>
2008 Savings Value	<u>\$ 98,000</u>
2009 Value Projected	<u>\$131,355</u>

6. Permits Processing/Fee Collection and Park Readiness

**Department of Parks,
Recreation & Forestry**

The current permit/ fee collection process for Parks is manual, inconvenient and frustrating for customers. The goal of this project is to streamline the process in order to spend less time processing permits and collecting fees, while increasing revenue. Additionally, our current Park system is designed on a 5 day work schedule, where the service demanded is for a 7 day operation. A 7 day utilization of Park personnel will enhance public service and public safety. By using a correct combination of permanent and seasonal staff, we would achieve savings in labor costs. Additional savings may be realized through repair and maintenance of equipment, as a 7 day operation would put less stress on equipment.

Original Savings est.	<u>\$ 95,000</u>
2008 Savings Value	<u>\$102,254</u>
2009 Value Projected	<u>\$131,332</u>

7. Increase the Number of Family Planning Clients Enrolled In the Family Planning Benefits Program

Department of Health

Department of Health currently has a goal of applications per month established and would like to see our enrollers meet or exceed this goal. The project is focused on developing strategies to increase efficiency in the application process to increase revenue.

2008 Increased Family Planning Benefit Program Application Goal:

Additional applications per month = 58

Additional revenue per visit = \$126.91

Average number of visits per enrolled client = 2.5

Total Revenue = \$221,707

Original Savings est.	<u>\$160,000</u>
2008 Savings Value	<u>\$ 64,800</u>
2009 Value Projected	<u>\$ 96,000</u>

8. Juvenile Residential Treatment

Department of Mental Health

Erie County is currently spending approximately \$8 million for residential treatment. Residential Treatment is court ordered and therefore a mandated cost with local share. New York State establishes the reimbursement rate and the local share. Over the last two years by diverting youth in the Person in Need of Supervision category (PINS) and reducing length of stay, Erie County has been able to reduce utilization of residential treatment which produced a local annualized saving of approximately \$2 million.

The purpose of this project is two fold: First, to replicate the level of success for diversion from residential treatment that has been demonstrated with the PINS population through the work of the FST (PINS Diversion, DSS Intake, Family Voices Network) to the Juvenile Delinquency and the Child Welfare population. Second, to create an interdepartmental Single Point of Accountability that integrates county out of home placement oversight functions by creating a utilization management system that relies on real time data to manage not only residential utilization but also residential penetration.

Original Savings est.	<u>\$200,000</u>
2008 Savings Value	<u>\$278,325</u>
2009 Value Projected	<u>\$400,000</u>

9. Forensic Mental Health Services

Department of Mental Health

Erie County has spent an average of \$200,000+ over the last three years for Court Ordered admissions to State Psychiatric Forensic Inpatient Units for services to individuals' that have committed a serious felony and lack the capacity or are deemed incompetent to stand trial due to their psychiatric instability. The admission is meant to sufficiently stabilize the individual so that he/she can stand trial. It occurs under Criminal Procedure Law 730 which mandates that costs for these Inpatient stays include a local share. New York State establishes the reimbursement rates and the local share.

The project will focus on improved assessment and stabilization within the Holding Center. In addition, the County Mental Health Department has begun discussions with the NYS Office of Mental Health regarding an enhanced local role for monitoring the treatment and status of enrolled cases at the State Facilities and collaborative discharge planning consistent with article 41.17 of State Mental Hygiene Law. There are no additional expenses associated with implementing this initiative. Savings will be in proportion to the achieved reductions in State Facility bed day utilization (Budget line 516010).

Original Savings est.	<u>\$125,000</u>
2008 Savings Value	<u>\$348,810</u>
2009 Value Projected	<u>\$400,000</u>

Total Original Savings Estimate	<u>\$1,335,000</u>
Total 2008 Value of Savings	<u>\$1,318,964</u>

2009 DEPLOYMENT PLAN

Total 2009 Value of Carry-Over Savings: \$1,877,171

2009 Green Belt Projects Scheduled: 18

Yielding: \$1.8 Million Savings

2009 Yellow Belt Projects Scheduled: 120

Yielding: \$1.4 Million Savings

TOTAL 2009 SAVINGS **\$5.1 Million**

SPACE UTILIZATION PROJECT INITIATIVES 2008-2009

The Space Utilization initiative was introduced to Erie County government as a way to improve efficiencies within Erie County government's real estate portfolio. Public buildings are among the County's most valuable assets and represent significant taxpayer investments. The mission is to incorporate private sector real estate practices when designing, constructing, managing, furnishing, and maintaining Erie County public buildings and grounds, owned and leased. This initiative will introduce industry standards used by private industry to:

- Incorporate space utilization standards county-wide to reduce waste in county owned and leased buildings.
- Introduce a Quality Management Plan (QMP) to Capital Projects that will reduce change orders and future maintenance costs. By incorporating pro-active design practices, building operating systems will be evaluated during the design phase and thereby reducing future operating system repairs, replacements and overall construction costs.
- Introduce property management practices to reduce overtime & eliminate waste

2008 - 2009 Major Project Summary

- 46,873 square feet of office space in the County Rath Building has been evaluated to identify project opportunities
- Existing Rath Building departmental space usage was reduced by an average of 43%
- Existing Leases that were relocated to Rath Building were reduced by an average of 55%
- Five (5) leases with third party entities will be terminated
- County will save an estimated \$2.6 million in lease payments over the next five years by terminating leases and moving users back into County owned facilities
- Space Standards and procedures were introduced and have been implemented to eliminate future inefficiencies and create countywide space standards
- Lease procedures and standards were introduced and have been implemented to eliminate waste

Summary of Space Utilization Projects Identified in 2008

<u>Name of Department</u>	<u>Reduction of Departmental Space Utilization</u>
County Attorney	32%
Real Property	57%
Budget	37%
Labor Relations	45%
Equal Employment Opportunity	54%
Status of Women	50%
Veterans Affairs	16%
Department of Health	69%

Ongoing Project Implementation and Completion during 2009

1. County Attorney Lease Termination and Construction of New Space

Estimated Lease Savings: \$1.04 million over the next five years

Space Efficiency: Space will be reduced by an estimated 32% or 4,000 square feet through re-design.

The third party lease at 69 Delaware will be terminated in 2009 and we will construct new space for the County Attorneys in a County owned facility located at 95 Franklin.

2. Veteran's Affairs

Estimated Space Efficiency: 16% Space reduction and relocation

3. Real Property

Estimated Space Efficiency: 57% Space reduction

4. DMV – Lease Termination and Construction of New Space

Estimated Lease Savings: \$910,000 over the next five years

This lease will be terminated in 2009 and we will complete the construction of new space to be located in the County owned facility located at 95 Franklin.

5. Status of Women

Space Efficiency: 50% Space reduction through design and departmental collaboration

The above mentioned departments were researched and analyzed in 2008 based on the following criteria:

1. Potential Cost Savings
2. More Efficient work flow and space utilization
3. User Friendly/Customer Service oriented space decisions/services
4. Collaboration efforts to produce time management results

The customer service aspects of the above mentioned divisions were analyzed and it was concluded that services could be provided more efficiently by re-engineering the space resulting in the utilization of less space. These relocations will also allow departments to service customers through collaboration.

2008 Lease Terminations

3 Leases totaling 9,634 square feet will be terminated

Total 2008 annual estimated savings: \$146,919

2009 Lease Terminations

2 Leases totaling 20,353 square feet will be terminated

Total 2009 annual estimated savings: \$390,880

TOTAL 2009 SAVINGS: \$537,799

Estimated Savings over the next 5 years: \$2.68 Million

EFFICIENCY GRANTS

In 2006 the Governor's Executive budget included an \$18 million allocation of Efficiency Grant funding to "encourage implementation of cost savings initiatives included in Erie County's Four Year Gap-Closing Plan". To that end, Erie County has submitted Efficiency Grant requests totaling \$22,734,567, and has been awarded \$4,190,333 to date.

DEPARTMENT	EFFICIENCY GRANT	AMOUNT REQUESTED	AMOUNT AWARDED
County Executive	<ul style="list-style-type: none"> •Study of Police Consolidation •Six-Sigma Position 2008-2011 •Space Utilization Position 2008-2011 •Establish Office of Grants Management (4 yrs) •Relocation-Dept. of Motor Vehicles and Law •Six Sigma Director Position 9/2008-12/2008 •Six Sigma Director Position 2009-2011 •Six Sigma Training, Software & Travel 2009-2011 •Fund Space Utilization Position 2009-2011 	<ul style="list-style-type: none"> \$500,000 \$800,000 \$640,000 \$720,000 \$1,770,000 \$52,276 \$490,000 \$425,000 \$480,000 	<ul style="list-style-type: none"> \$0 \$147,724 \$160,000 \$0 \$1,770,000 \$52,276 \$163,334 \$333,661 \$160,000
Budget	<ul style="list-style-type: none"> •Consultant Fee to Implement Performance Based Budget (as required in Charter Revisions) 	<ul style="list-style-type: none"> \$500,000 	<ul style="list-style-type: none"> \$0
Division of Real Property Tax	<ul style="list-style-type: none"> •On-line Tax Collection Software (revised 3 times) 	<ul style="list-style-type: none"> \$29,500 	<ul style="list-style-type: none"> \$0
Department of Public Works	<ul style="list-style-type: none"> •Energy Conservation Measures on Small County Buildings (less than 7 yr payback according to study validated by NYSERDA) •Perform Feasibility Study on Cogeneration Project at Correctional Facility 	<ul style="list-style-type: none"> \$800,000 \$175,000 	<ul style="list-style-type: none"> \$0 \$0

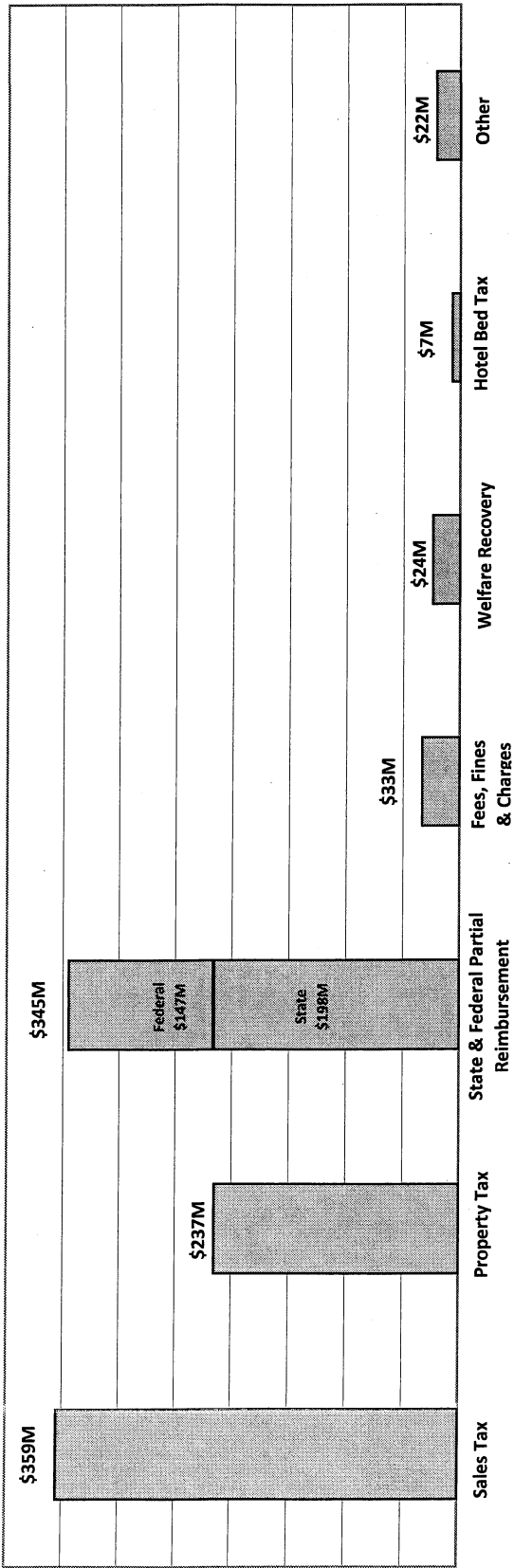
DEPARTMENT	EFFICIENCY GRANT	AMOUNT REQUESTED	AMOUNT AWARDED
Department of Public Works (cont.)			
	•ECC-Energy Efficiencies	\$615,000	Tabled
	•Master Plan for Space Consolidation and Relocation	\$500,000	\$250,000
	•Small Buildings-Energy Efficiencies	\$240,000	Tabled
	•Replacement of Vehicles	\$3,400,000	Tabled
	•Purchase GPS Devices for County vehicles	\$136,000	\$136,000
Social Services			
	•Integrated Case Management	\$4,390,000	\$0
Personnel			
	•Risk Management-Gap Analysis	\$25,000	\$25,000
	•Risk Management-Phase II	\$75,000	\$0
Parks			
	•Reinstate Forestry Program	\$187,776	Tabled
Sheriff			
	•Purchase of Vehicles	\$750,000	\$750,000
Department of Information and Support Services			
	•Technical Training for County Staff	\$355,498	\$0
	•Contract with Consultant to Create 5-year plan and Implementation	\$2,500,000	\$0
	•VM Ware Virtual Infrastructure Proposal	\$709,517	Tabled
Central Police Services			
	•Transfer Police Training to ECC	\$800,000	\$0
Probation			
	•Alternatives to Incarceration Study	\$169,000	\$169,000
	•Electronic Monitoring of Defendants	\$500,000	\$73,338
	TOTAL Funding Requested:	\$22,734,567	
	TOTAL Funding Awarded:		\$4,190,333
	Funding Requested but Rejected	\$18,544,234	

OVERVIEW

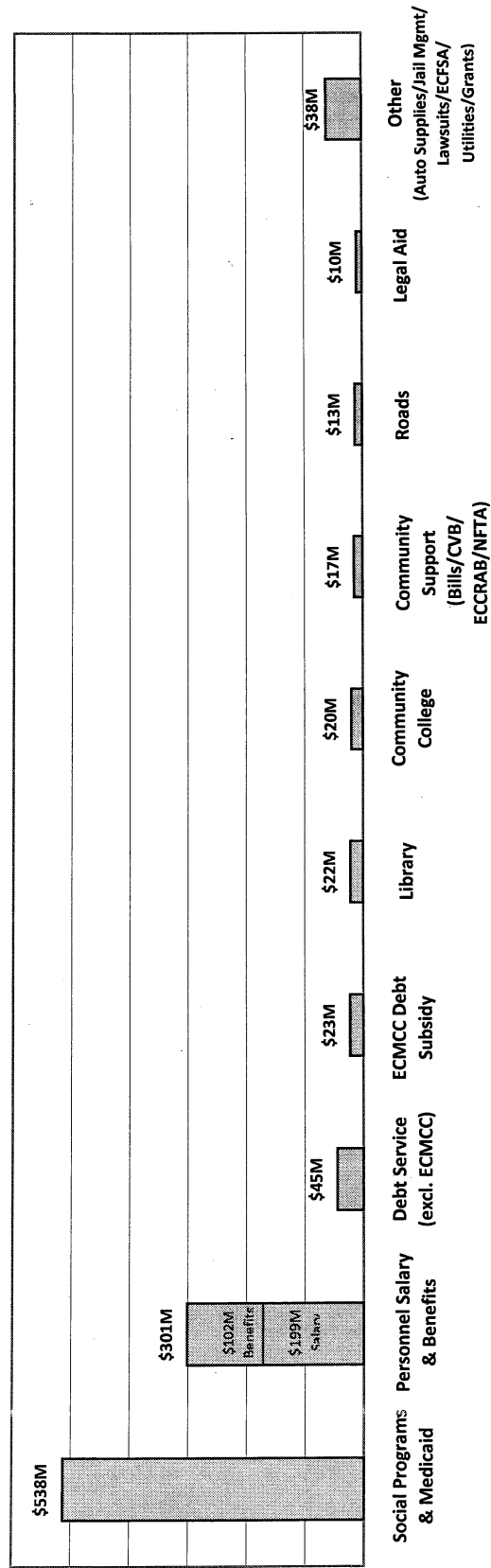


\$ 1 BILLION BUDGET*

REVENUE



EXPENSES



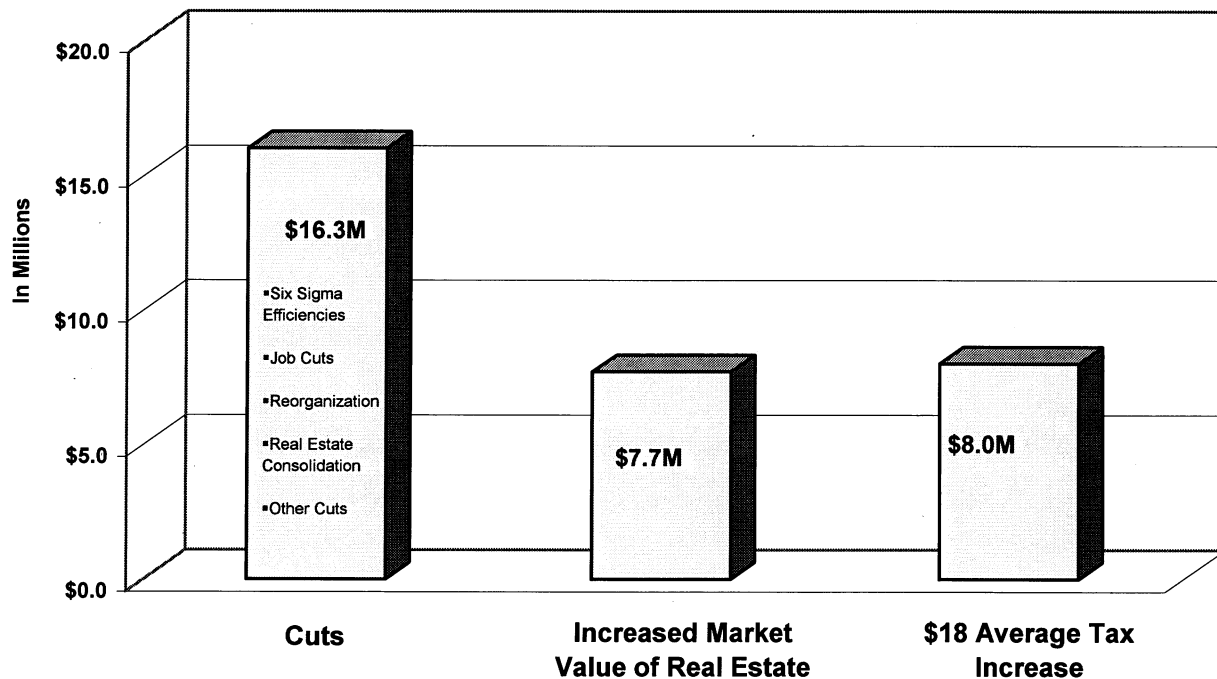
* Actual budget is \$1,026,963,686

2009 BUDGET

COST INCREASES ABSORBED IN 2009 BUDGET

ROAD/FUEL RELATED INCREASES	\$7,612,543
UTILITIES	1,753,760
REAL ESTATE ASSET MANAGEMENT	347,470
HEALTH INSURANCE INCREASES	9,334,797
2% ALBANY COST SHIFT	995,836
EARLY INTERVENTION/PRE-K MANDATE INCREASE	895,597
COMMUNITY COLLEGE CHARGE-BACK	381,061
DEPARTMENT OF JUSTICE REQUIREMENTS	511,790
LAWSUITS	1,489,554
ECMCC SUBSIDY INCREASE	2,070,000
UNION CONTRACT STEP INCREASES	2,147,587
MEDICAID INCREASE	2,298,481
WORKERS' COMPENSATION INCREASE	539,679
SHERIFF	170,391
JAIL MANAGEMENT	417,845
1 YEAR RAN BORROWING COST	1,042,500
INCREASE OVER 2008	\$32,008,891

\$32 MILLION COST INCREASES ABSORBED IN THE 2009 BUDGET



Summary of Undesignated Fund Balances Recorded 2002-2007

Fund Name	2002	2003	2004	2005	2006	2007
110 General	20,553,673	17,860,956	(10,774,000)	4,647,000	23,069,000	32,960,569
210 Road	<u>(3,894,000)</u>	<u>(3,670,000)</u>	<u>(4,484,414)</u>	<u>(7,898,000)</u>	<u>(6,911,000)</u>	<u>(6,977,463)</u>
Subtotal	16,659,673	14,190,956	(15,258,414)	(3,251,000)	16,158,000	25,983,106
820 Library	1,165,000	1,173,000	550,000	629,000	2,216,000	2,599,307
Total	17,824,673	15,363,956	(14,708,414)	(2,622,000)	18,374,000	28,582,413

In governmental funds, fund balance may be broken out between designated (reserved) and undesignated (unreserved) fund balance. The county may appropriate a portion of the undesignated fund balance and must report designated and undesignated fund balance. Charter revisions in 2006, Article XXVI, Section 2605, call upon the County to maintain a fund balance equal to or greater than five percent of the amount contained in the budget of each fund in the immediately preceding fiscal year.

RESTATED FUND BALANCE

The Restated Undesignated General Fund Balance is the total of the audited Undesignated General Fund Balance, minus the Road Fund deficit, plus the sum of balances of tax liens, board of elections and community college respreads.

	<u>Amount</u>	<u>Subtotal</u>
Audited Undesignated General Fund Balance as of 12/31/2007	\$32,960,569	
Road Fund Deficit	<u>(6,977,463)</u>	25,983,106
Community College Respread		
2007	3,928,430	
2008	<u>4,006,999</u>	7,935,429
Board of Election Respread		
2007	5,204,038	
2008	<u>5,386,179</u>	10,590,217
Tax Liens – <i>Expected Collections</i>		
2006	\$1,711,000	
2007	9,752,779	
2008	<u>14,814,719</u>	26,278,498
TOTAL AVAILABLE RESTATED FUND BALANCE		<u>\$70,787,250</u>
2009 OPERATIONS BUDGET		<u>\$1,026,963,686</u>
UNDESIGNATED GENERAL FUND BALANCE %		<u>6.9%</u>

Note: The Erie County Charter calls for a General Fund Balance of 5.0%

TAX LIENS

Estimated Collectable Balance Due: 12/31/2008

2006	\$ 1,711,000
2007	9,752,779
2008	<u>14,814,719</u>
Total	\$ <u>26,278,498</u>

- As a general rule the County of Erie collects 97.5% of the total taxes levied each year by the tax lien certificate date, which is the last week of November.
- At the time a tax lien certificate is filed against a property an average of 18% interest and penalty have accumulated.
- Historical trends indicate that 100% of the original tax lien (including the 18% interest and penalty) is collected over the next 3 years as follows:

Year 1 Jan-Feb = 15%
Year 1 Mar-Dec = 45%
Year 2 Jan-Dec = 30%
Year 3 Jan-Dec = 10%

- Erie County Tax Liens were sold off in 2002, 2003, 2004, and 2005 as a portion of the gimmicks used to fill operating deficits. The tax liens were not sold in 2006, 2007 and 2008 resulting in an outstanding collectable balance owed to Erie County taxpayers of **\$26,278,498** (these tax liens grow at an annually compounded rate of 18%).
- Since the tax liens are actual dollars owed to Erie County, and will be collected by Erie County, they have been included in the Restated Undesignated General Fund Balance.

GASB 45

GASB 45 EXPENSE

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 health insurance, promised to existing retirees, current employees, and future employees.

Monthly Cost per Retiree To Erie County For Health Insurance Premiums

Retiree Date & Coverage	2004	2005	2006	2007	2008
Retired Prior to 1/1/2003					
Pre-65 Single	\$271	\$365	\$390	\$367	\$412
Pre-65 Family	542	828	878	817	916
Post 65 Single	117	184	204	227	251
Post 65 Family	\$277	\$409	\$451	\$498	\$548
Retired After 1/1/2003					
Pre-65 Single	\$ 540	\$ 731	\$ 780	\$ 736	\$ 826
Pre-65 Single-MC	459	621	663	626	702
Pre-65 Family	\$1,084	1,656	1,757	1,635	1,832
Pre-65 Family-MC	\$921	\$1,408	\$1,493	\$1,390	\$1,557
Post 65 Single	\$235	\$369	\$409	\$455	\$ 502
Post 65 Single-MC	200	314	348	387	427
Post 65 Family	554	819	902	996	1,097
Post 65 Family-MC	\$471	\$696	\$767	\$847	\$ 932

*MC employees hired after 1/1/2005 pay 50% of premium at retirement.

GASB 45 Liability as of January 1, 2006

Actuarial Accrued Liability (AAL)	
Retirees & Dependents	\$164,300,751
Actives Fully Eligible	123,558,134
Actives Not Fully Eligible	222,718,158
Disableds	0
Total Actuarial Accrued Liability	\$510,577,043
Additional Obligation Attributable to Future Service	245,938,135
Present Value of Total Future Liability	\$756,515,178

ERIE COUNTY DEBT

2006-2012

Erie County General Obligation Debt Outstanding (Including ECMCC Debt, Excluding Sewers)

Year	Outstanding GO Debt January 1	Outstanding ECMCC Debt January 1	GO Debt Issued During Year	Debt Run-Off During Year	Debt Balance December 31
2006	446,484,077	101,375,000	46,055,000	(31,736,298)	562,177,779
2007	460,802,779	101,375,000	-	(37,264,750)	524,913,029
2008	423,538,029	101,375,000	-	(44,292,562)	480,620,467
2009*	379,245,467	101,375,000	133,377,000	(44,361,434)	569,636,033
2010*	470,331,033	99,305,000	50,000,000	(48,969,289)	570,666,744
2011*	473,516,744	97,150,000	50,000,000	(50,795,147)	569,871,597
2012*	474,971,597	94,900,000	50,000,000	(38,926,183)	580,945,414
*Estimated					

UNION CONTRACTS

UNION CONTRACTS

The below table details all county union contracts, date contract expires, who the union represents and number of members broken out by employer. As it shows, all contracts have expired except for Erie Community College (ECC) specific contracts, and the Police Benevolent Association (PBA) representing the Erie County Sheriff Road Patrol. The County is pursuing negotiations with all unions, holding firm on reducing the county cost of employee and retiree health insurance, as well as other adjustments in current work rules and benefits, especially paid time off, to bring them in line with the private sector.

Union Name	Date Contract Expired	Represents
CSEA	12/31/06	White Collar
AFSCME	12/31/05	Blue Collar
NYSNA	12/31/04	Nurses
CSEA CO's	N/A	Sheriff-Correction Officers
Teamsters	12/31/04	Sheriff-Guards
PBA	12/31/08	Sheriff-Road Patrol
Librarians	12/31/06	Librarians
Faculty	12/31/09	ECC Faculty
Administrator's	08/31/11	ECC Administration

*CSEA Corrections Officer Unit is a new unit and has not yet negotiated a stand alone agreement. They remain covered by the CSEA proper Collective Bargaining Agreement.

OVERVIEW OF REVENUES



PROPERTY TAX REVENUES

PROPERTY TAX LEVY

2008 Budget: \$ 211,837,793
2009 Proposed: \$ 227,635,402

Property Tax Levy

The County property tax levy represents the total amount of real property revenue to be raised by the County. 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 2009 County property tax levy totals \$227,635,402.

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

Twelve-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>
2009	227,635,402	5.12
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

A breakout of the total property tax levy into two required reporting categories for 2008 and 2009 totals:

	<u>2008</u>	<u>2009</u>
General Fund	\$189,665,960	\$205,463,569
Library Fund	\$ 22,171,833	\$ 22,171,833
Total Property Tax Levy	\$211,837,793	\$227,635,402

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:

$$\begin{array}{rcll} \text{County Tax Levy} & \div & \text{Total Equalized Full Market Value} & = & \text{Average County Full Market Property Tax Rate} \\ \$227,635,402 & \div & \$44,434,521,054 & = & \$5.123/\text{Per } \$1,000 \text{ Assessed Value} \end{array}$$

Equalized Full Market Value

Compared to 2008 the amount of equalized full value has increased by 3.66 percent. The amount of equalized full value is determined as follows:

$$\begin{array}{rcll} \text{Total Taxable Assessed Value} & \div & \text{Equalization Rate (rounded)} & = & \text{Equalized Full Market Value} \\ 2008 & \$32,158,167,722 & \div & .7502 & = & \$42,866,825,579 \\ 2009 & \$33,446,388,926 & \div & .7527 & = & \$44,434,521,055 \end{array}$$

A five-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
2004	34,492,756,878	
2005	35,982,862,212	4.32%
2006	38,102,215,597	5.89%
2007	40,477,681,759	6.23%
2008	42,866,825,529	5.90%
2009	44,434,521,055	3.66%

5.20% Average 5-Year Growth

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 of the five-year average full value of taxable real estate of the County.

The computation of the County's constitutional taxing power for 2009 is set forth below:

Computation of Constitutional Tax Power for 2009

2005	\$ 35,980,745,078
2006	\$ 38,102,215,587
2007	\$ 40,477,680,885
2008	\$ 42,866,825,529
2009	\$ 44,434,521,054
Total ^(a)	\$201,861,988,134
Five-Year Average Full Valuation	\$ 40,372,397,627
Tax Limit (1.5%)	\$ 605,585,964
Total Exclusions	\$ 55,154,878
Total Taxing Limit	\$ 660,740,842
Total Tax Levy for 2009^(b):	\$ 236,767,870
Unused Tax Limit	\$ 423,972,972.20

^(a)The County's Constitutional Tax Limit is computed utilizing the previous five years of full value

^(b)Includes taxes for certain election and Community College expenses totaling \$9,132,468.

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.

Pursuant to the terms of this local law, Erie County's estimated one-percent property tax limit is \$403,723,976.00 leaving a tax margin of \$222,110,984.20.

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

Five-Year Avg. Full Valuation:	\$40,372,397,626.73
Tax Limit (1.0%):	\$ 403,723,976.00
Total Exclusions:	\$ 55,154,878.20
Total Taxing Power:	\$ 458,878,854.20
Total Levy for 2008 ^(b) :	\$ 236,767,870.00
Projected One-Percent Tax Margin:	\$ 222,110,984.20

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

SALES TAX REVENUES

SALES TAX REVENUES

2009 Proposed

Retained by Erie County	\$ 359,046,419	55%
Shared with Cities, Towns, Villages, School Districts, NFTA	\$ 298,475,287	45%

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 55% of the total.

Sales Tax Sharing Formulas 4.75% Sales Tax

	3%	1%¹	.75%²
County of Erie:	35.3055%	100% (less \$12.5M)	100%
School Districts:	29.0000%	—	—
Cities:	10.0087%	\$12.5 Million	—
Cities, Towns & Villages:	25.6858%	—	—

¹1% Sales Tax authorization expires November 30, 2010

².75% Sales Tax authorization expires November 30, 2009

SALES TAX SHARED WITH OTHER LOCAL GOVERNMENTS

The following table indicates 2009 estimated sales tax to Erie County and the amount of sales tax passed through to local jurisdictions.

	2009 Estimated Collections	
County Sales Tax		
3% Sales Tax	\$129,320,525	
1% Sales Tax	125,913,901	
.75% Sales Tax	<u>103,811,993</u>	
Total 2009 Estimated County Share	\$359,046,419	55%
Shared Sales Tax		
3% Sales Tax Distributed to Cities, Towns, Schools	\$268,673,549	
1% Sales Tax Distributed to Cities & Towns	12,500,000	
3% Sales Tax Distributed to NFTA (1/8 th of 1%)	17,301,738	
Total to Other Jurisdictions	298,475,287	45%

ALL OTHER REVENUES

ALL OTHER REVENUES

2008 Budget: \$84,307,174
2009 Proposed: \$85,711,626

2009 Distribution of All Other Revenues

	<u>Total</u>
Welfare Recoveries/Repayments	\$24,071,207
Hotel Occupancy Tax	7,300,000
Election Expense Respread	5,204,038
Community College Respread	3,928,430
Interest Earnings-General Investments	2,100,000
Off-Track Pari-mutuel Tax	596,500
Fees, Fines, Charges	28,016,826
All Other Source Accounts	14,494,625
Total	\$85,711,626

Welfare Recoveries/Repayments

2008 Budget: \$19,888,444
2009 Proposed: \$24,071,207

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

2008 Budget: \$7,100,000
2009 Proposed: \$7,300,000

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

2008 Budget: \$4,768,682 – 2006 election expense
2009 Proposed: \$5,204,038 – 2007 election expense*
2010 Estimated: \$5,386,179 – 2008 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 various towns and cities where elections are held.

**The County Undesignated General Fund Balance does not include the last two years of respread expenses that will be reimbursed by the towns and cities to Erie County. We have noted these amounts as part of the Restated Undesignated General Fund Balance.*

Community College Respread Revenue

2008 Budget: \$3,572,791 – 2006 actual community college payments
2009 Proposed: \$3,928,430 – 2007 actual community college payments*
2010 Estimated: \$4,006,999 – 2008 community college payments*

This revenue is 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 residents for whom tuition was paid.

**The County Undesignated General Fund Balance does not include the last two years of respread expenses that will be reimbursed by the towns and cities to Erie County. We have noted these amounts as part of the Restated Undesignated General Fund Balance.*

Interest Earnings

2008 Budget: \$5,250,000
2009 Proposed: \$2,100,000

Revenue is realized from the regular investment of available funds in certificates of deposit, treasury notes and repurchase agreements.

Off-Track Pari-mutuel Tax (OTB Revenue)

2008 Budget: \$596,500
2009 Proposed: \$596,500

The County receives a portion of the profits of the Western Regional Off-Track Betting Corporation (WROTB) from a parimutuel wagering tax. The amount distributed to the

County is based both on population and the value of wagers originating in each participating county.

Fees, Fines, Charges

2008 Budget: \$27,986,734
2009 Proposed: \$28,016,826

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.

All Other Source Accounts

2008 Budget: \$14,944,023
2009 Proposed: \$14,494,625

Other types of revenue include payments in lieu of taxes and revenue from the removal of property exemptions, revenues from sales of scrap or sales of County property, prior year fund balances carried over into the current budget, adjustments to reserves, deferred revenue or liabilities, refunds and recoveries, and a wide variety of cash receipts.

STATE PARTIAL REIMBURSEMENT

STATE PARTIAL REIMBURSEMENT

2008 Budget: \$198,415,245
2009 Proposed: \$198,082,108

2009 Distribution of State Partial Reimbursement Operating Fund

	<u>Total</u>
Social Services	\$107,020,764
Youth Services	6,190,351
Youth Bureau	1,616,492
Health Department	6,037,108
Early Intervention/Pre-K/Special Ed	28,491,196
Early Intervention Administration	5,413,869
Mental Health	35,558,360
Mental Health Forensic	1,281,060
Probation	1,594,759
Sheriff/Jail	457,000
Law (Indigent Defense)	1,800,000
All Other Departments	2,621,149
Total	\$198,082,108

Department of Social Services

2008 Budget: \$107,138,860
2009 Proposed: \$107,020,764

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.

For most programs, reimbursement is one-half of the non-federal share of total cost. Child day care subsidies for families in receipt of Family assistance are reimbursed at 75 percent of total cost from the CCDBG up to a fixed allocation ceiling that is expected to be sufficient to cover 2009 costs. Claiming adjustments made in previous years by the State for the Family Assistance (FA) program, which were related to meeting the federal TANF maintenance of effort (MOE) requirements, are not expected in 2009. The MOE adjustments are not needed in 2009 due to higher statewide MOE-countable expenditures that will fully satisfy the MOE requirement.

State reimbursement is also provided for all categories of administrative costs at varying rates, depending on the program administered. The State created a new Local Administrative Fund in 2006 for the reimbursement of administrative costs for Temporary Assistance, Food Stamps, Fraud Recovery and Employment programs. These programs were previously subject to a State reimbursement cap. The funding level for the Local Administrative Fund is expected to be sufficient to fully reimburse expected costs of these programs in 2009.

Administrative costs for Medical Assistance are a component of the Medicaid Cap in 2009. Because the local share costs of Medical Assistance administration are included in the Medicaid Cap chargeback, the State will reimburse the full non-federal share of Medical Assistance administration in the separate administrative claim. State reimbursements for all foster care services and administration are capped in a Foster Care Block Grant in 2009. Enhanced, uncapped 65 percent State reimbursement, re-instituted for child protection services in 1998 and for foster care prevention, adoption administration and independent living services in 2002, continues in 2009.

State reimbursement reductions totaling \$814,882 are included in the 2009 revenue estimates for items subject to the 2 percent state aid cuts expected on an ongoing basis in 2009.

Health Department

2008 Budget:	\$6,826,618
2009 Proposed:	\$6,037,108

The Health Department 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

2008 Budget: \$34,110,360
2009 Proposed: \$33,905,065

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

2008 Budget: \$36,332,795
2009 Proposed: \$36,839,420

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

2008 Budget: \$1,615,059
2009 Proposed: \$1,594,759

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

Youth Services

2008 Budget: \$6,363,342
2009 Proposed: \$6,190,351

State revenues are received to offset the operating costs of the secure and non-secure programs at the Youth Services Center. Erie County youth served in these programs are reimbursed at 49 percent of costs while those in the secure program from other counties are reimbursed at 100 percent. Additionally, reimbursement is received from the New York State Department of Education for the School Food breakfast and lunch program provided at the Detention Facility. Amounts budgeted in 2009 reflect the impact of 2 percent state reimbursement reductions expected to continue on an ongoing basis.

Youth Bureau

2008 Budget: \$1,109,154
2009 Proposed: \$1,616,492

State revenues are received from the State Division of Youth for Youth Development and Delinquency Prevention, and Runaway and Homeless Youth programs. In 2009, state reimbursement for the Partnership for Youth and for the Special Delinquency Prevention program (SDPP) is included in the operating budget, as are the corresponding program costs that were previously separate grants. 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 2009 reflect the impact of 2 percent state reimbursement reductions expected to continue on an ongoing basis.

Sheriff's Department and Jail Management

2008 Budget: \$447,000
2009 Proposed: \$457,000

The Sheriff's Department is reimbursed for expenses related to the patrol and enforcement of navigation and snowmobile laws in Erie County. Erie County does not receive revenue or incur expense related to court security as it did in previous years.

Law

2008 Budget: \$1,800,000
2009 Proposed: \$1,800,000

Revenues are utilized to offset the expense incurred in providing legal defense for the indigent

All Other Departments

2008 Budget: \$2,672,057
2009 Proposed: \$2,621,149

Other State revenues received include reimbursement for the operation and maintenance of court facilities, interest costs associated with court improvements, the burial costs of indigent veterans, and training costs for 55-a eligible individuals hired by Erie County.

FEDERAL PARTIAL REIMBURSEMENT

FEDERAL PARTIAL REIMBURSEMENT

2008 Budget: \$142,234,476
2009 Proposed: \$147,215,654

2009 Distribution of Federal Partial Reimbursement Operating Fund

	<u>Total</u>
Social Services	\$138,320,746
Youth Detention	55,625
Early Intervention/Pre-K/Special Ed	1,907,479
Sheriff/Jail	215,600
Emergency Services	200,000
Mental Health	4,405,606
Medicare Part D	2,013,724
District Attorney	96,874
Total	\$147,215,654

Department of Social Services

2008 Budget: \$134,563,123
2009 Proposed: \$138,320,746

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 is one-half of the total cost. Child day Care subsidies for low income families are reimbursed at 100 percent of cost from the CCDBG up to a fixed allocation ceiling that is expected to cover 2009 costs. SSBG services are reimbursed at 100 percent of cost up to a fixed ceiling. Federal reimbursements are also received for administrative costs related to TANF/Family Assistance, Employment program administration, Medical Assistance, Food Stamps, Foster Care and Adoption, and Child Support.

Welfare Reform legislation enacted in 1996 has capped all Federal reimbursements related to temporary assistance programs and their administration in a block grant to New York State covering TANF/Family Assistance, Emergency Family Assistance (formerly EAF) and related programs. Reimbursement of some TANF-funded administrative, transitional services and employment programs was consolidated in a new Flexible Fund for Family Fund for Family Services (FFFS) by the State in 2006. The 2008 level of FFFS funding is assumed in 2009.

The 2009 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. Reduction adjustments made in previous budgets to TANF reimbursement claims to ensure that the required maintenance of effort (MOE) is met are not necessary in the 2009 budget, as statewide TANF spending is expected to fully satisfy the MOE requirement.

Department of Mental Health

2008 Budget:	\$3,459,078
2009 Proposed:	\$4,405,606

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.

Youth Services

2008 Budget:	\$81,238
2009 Proposed:	\$55,625

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

Early Intervention/Pre-K/Special Education

2008 Budget:	\$1,838,972
2009 Proposed:	\$1,907,479

Revenues budgeted represent the Federal share of Medicaid reimbursement for the medical component of the special education programs provided to 3 and 4 year-old children with special needs. Reimbursement is received at 50 percent of the cost for Medicaid eligible children with net County revenue of 20.25 percent after a required refund to the State Education Department of 59.5 percent of the Federal aid received. Additionally, Federal Medicaid reimbursement for certain administrative activities

associated with the pre-school education program is received at 50 percent of total cost.

Sheriff's Department and Jail Management

2008 Budget: \$204,133
2009 Proposed: \$215,600

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 2008 from the Social Security Administration through the prisoner reporting incentive program.

Department of Emergency Services

2008 Budget: \$166,000
2009 Proposed: \$200,000

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

Medicare Part D

2008 Budget: \$1,800,000
2009 Proposed: \$2,013,724

Revenues of \$2,013,724 are received from the Federal government that help Erie County pay the cost of drug prescription coverage for its retirees.

District Attorney

2008 Budget: \$121,932
2009 Proposed: \$ 96,874

Federal money allocated to the District Attorney's Office to offset a portion of the expense of prosecuting fraudulent claims.

OVERVIEW OF EXPENDITURES



OPERATING FUND EXPENDITURES

TOTAL OPERATING FUND EXPENSES FOR COUNTY RUN DEPARTMENTS

2008 Budget: \$920,349,054
2009 Proposed: \$945,676,973

2009 Distribution of Operating Fund Expenses

	<u>Total</u>
Personal Services	\$199,308,407
Fringe Benefits	101,503,665
Contractual Agency Payments	98,654,638
Social Services Assistance & Programs	374,379,531
Early Intervention/Pre-K/Special Ed	60,569,822
County Share Roads	12,711,140
County Share Grants	4,194,793
County Share Utilities	5,627,000
Other Allocations	5,692,937
Debt Service (excludes ECMCC)	44,549,694
Supplies & Repairs	10,403,693
All Other Expense	28,081,653
Total	\$945,676,973

Personal Services

2008 Budget: \$198,364,935 (adjusted to include \$4,150,000 Turnover Account)
2009 Proposed: \$199,308,407 (adjusted to include \$1,932,500 Turnover Account)

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

2008 Budget: \$ 92,649,118
2009 Proposed: \$101,503,665

Fringe benefit expenses are budgeted at the department level in the operating fund for 2009.

Contractual Agency Payments

2008 Budget: \$97,997,817
2009 Proposed: \$98,654,638

The major accounts comprising this appropriation include: Mental Health contractual agencies - \$40,558,601; Social Services contractual agencies - \$22,591,847; contractual services relating to the legal defense of the indigent - \$10,426,392; payments for youth in agency non-secure detention placements - \$2,488,125.

Other Agency Expense

2008 Budget: \$81,636,972
2009 Budget: \$81,286,713

Includes the Library payment of \$22,171,833; Community College payments (residents enrolled in other Community Colleges) of \$4,100,000; Convention & Visitors Bureau - \$4,250,000; Buffalo Bills operational support of \$4,212,581; cultural support totaling \$4,878,000; ECMCC payments (including debt service) of \$22,596,321; and \$3,657,200 for NFTA 18-b support detailed below.

NFTA

	Sales Tax	County Subsidy (18-b)	Total
2008 Budget:	\$16,913,498	\$3,657,200	\$20,570,698
2009 Proposed:	\$17,301,738	\$3,657,200	\$20,958,938

For the County's 2009 fiscal year, there is a State-mandated 18-b subsidy of \$3,657,200, equal to 89.2% of the State appropriation (currently \$4,100,000).

Additionally, although not part of Operating Fund expenditures, sales tax is passed through the County to the NFTA equal to \$17,301,738 in 2009 and shown above for illustrative purposes.

Social Services Assistance Payments and Program Expenses

2008 Budget: \$366,737,473
2009 Proposed: \$374,379,531

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

Family Assistance (Account 525040)

2008 Budget: \$34,460,834
2009 Proposed: \$35,040,285

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.

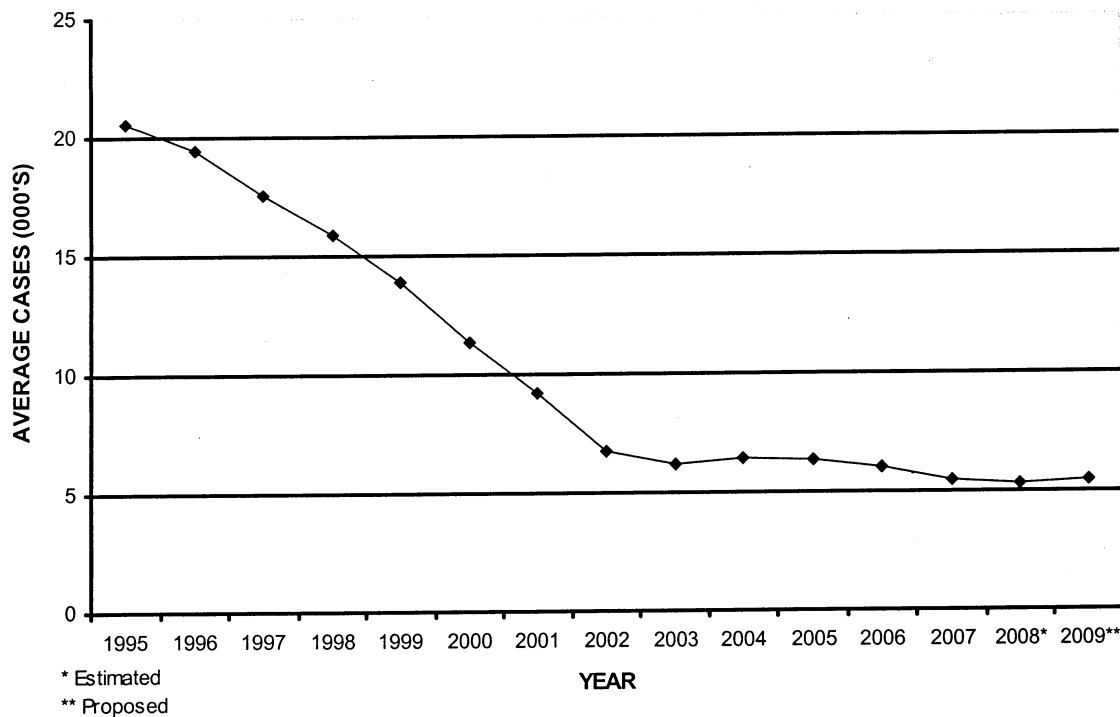
Federal Welfare Reform legislation enacted in December 1996 ended the Federal entitlement to public assistance. It provides funding to the states in the form of fixed block grants to cover temporary assistance to families. Limits are placed on the length of time families may receive Federal TANF (Family 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 5,466 cases per month in 2009 with an average base monthly cost per case of \$488.02.

The 2009 caseload estimate reflects caseload trends that have occurred to date. It assumes that the current base caseload will continue to increase throughout 2009 at a monthly rate of 40 cases. This produces a beginning trend caseload estimate for 2009 that averages 5,629 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 300 cases are expected to reach their time limits and to be shifted to Safety Net Assistance by the end of 2009 at the current rate of 25 new cases shifted per month. In all, a monthly average of 163 time limit cases are subtracted from the trend estimate of 5,629 cases to arrive at the budgeted monthly average caseload of 5,466 which accounts for the cases that will move to Safety Net Assistance.

The 2009 monthly base cost per case estimate of \$488.02 is consistent with current actuals with adjustments to provide for voucher fuel cases and the expected commodity price of natural gas paid out on those cases.

Also reflected are increased benefit costs for households containing SSI recipients pursuant to a 2007 court judgment.

The appropriation includes added amounts for utility emergency assistance, \$641,681; for supplemental payments to clients as required in an annual reconciliation of fuel allowances to actual costs, \$57,191; and \$2,331,038 for non-utility emergency assistance (formerly EAF). These amounts are consistent with current costs and cost trends.

The total County share cost of the Family Assistance program is \$8,385,102 in 2009 after subtracting client repayments, Federal and State reimbursements and other revenues from the gross appropriation. This is an increase in local share cost of \$65,375 or 0.79 percent, compared to the 2008 Adopted Budget.

The base local share in 2009 will be adjusted in claiming for the shift by the State of \$14.99 million in Federal TANF revenue that otherwise would be applied against Family Assistance costs, to Foster Care and Foster Care Administration in an effort to address Federal TANF maintenance of effort (MOE) requirements. Combined Federal/State net TANF revenue reductions that add to County share TANF costs in order to avoid a Federal TANF MOE shortfall and penalty are not necessary in 2009 due to higher statewide caseloads. The net TANF reductions are approximately \$0.58 million higher in 2009 as compared to the 2008 budgeted amount.

Safety Net Assistance (Account 525060)

2008 Budget:	\$39,051,277
2009 Proposed:	\$34,961,210

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.

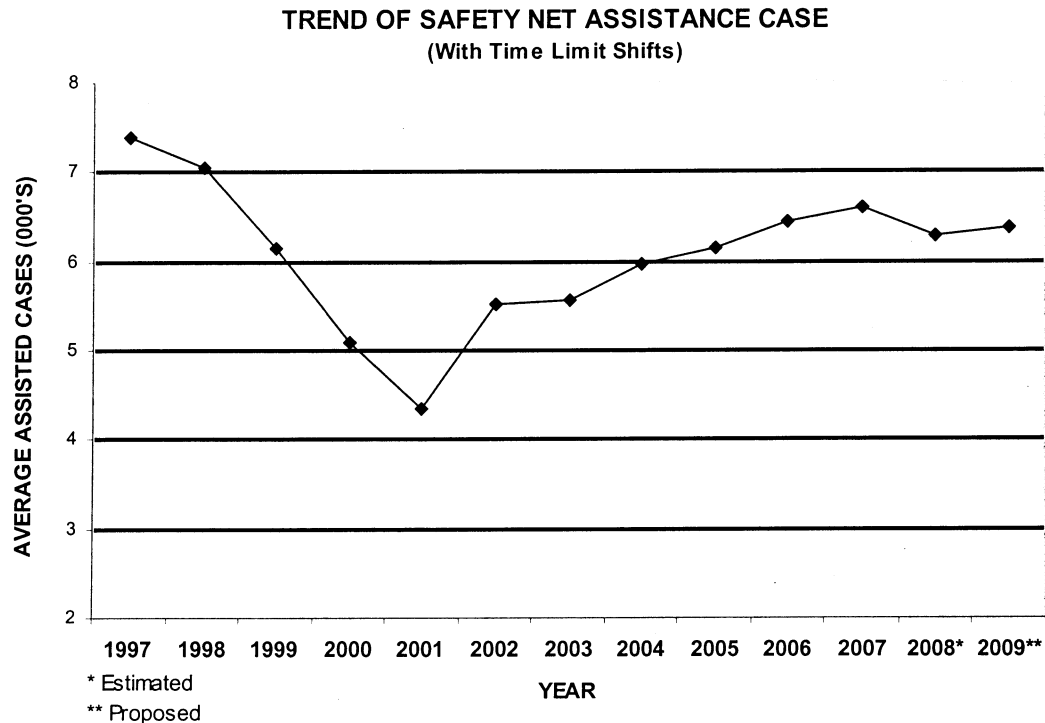
Welfare reform and the creation of the new Safety Net Assistance program has affected caseloads and costs per case in much the same way as described above for the Family Assistance Program.

Caseloads are funded at an average level of 6,383 cases per month in 2009, with an average base monthly cost per case of \$445.12.

The 2009 caseload estimate is based on caseload trends that have occurred to date. It assumes that the current base caseload will continue to increase through 2009 at a monthly rate of 20 cases. This produces a beginning trend caseload estimate for 2009 that averages 6,350 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 163 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 reduce the number that will actually be maintained in Safety Net Assistance once they have been transferred. In all, a monthly average of 33 cases are added to the trend estimate of 6,350 cases to arrive at the budgeted average monthly caseload of 6,383.



The 2009 base monthly cost-per-case estimate of \$445.12 is consistent with current actuals with adjustments to provide for voucher fuel cases and a projected 20% increase in the expected commodity price of natural gas paid out on those cases. The base cost reflects the higher costs per case of the growing proportion of family cases in Safety Net Assistance as a result of the 60-month time limit for Family Assistance eligibility, as compared to the traditional single adult Safety Net case. Also reflected are increased benefit costs for households containing SSI recipients pursuant to a 2007 court judgment.

The appropriation includes added amounts for utility emergency assistance, \$709,682; and \$120,188 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 \$14,304,515 in 2009 after subtracting client repayments, reimbursements and other revenues from the gross appropriation. This is a decrease of \$3,073,987 (17.68 percent)

compared to the 2008 budgeted amount. This reflects both reduced caseloads and increased repayments in 2009.

Medicaid – MMIS Local Share (Account 525000)

2008 Budget:	\$191,222,362 (53 weeks)
2009 Proposed:	\$193,520,843 (52 weeks)
2010 Estimate:	\$200,523,333 (52 weeks)

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 sets 2005 actual cash local share costs as a base year, with costs in subsequent years fixed by an annual inflation factor. In 2009 the Medicaid Cap will be the 2008 actual Medicaid Cap amount plus 3.00 percent of the 2005 final cash basis local share Medicaid Base. It will be charged to the County by the State in 52 weekly wire transfer installment payments.

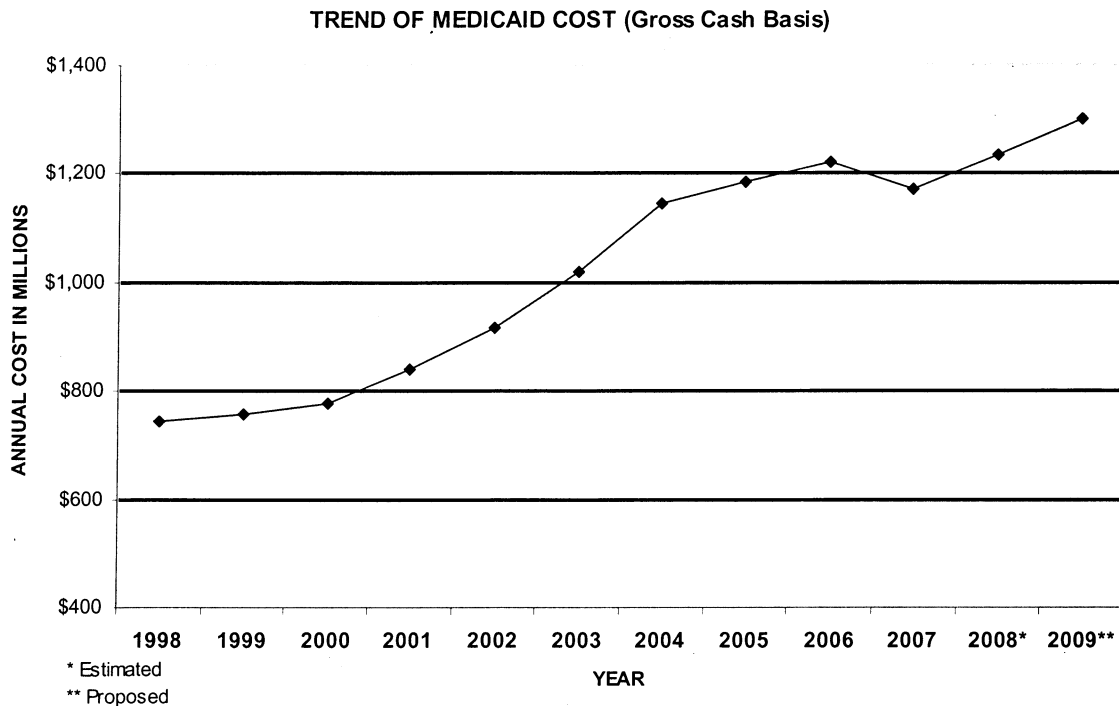
In 2010 and subsequent years the cap will grow by 3.0 percent of the 2005 Medicaid local share base annually. In any year, if actual local share costs are lower than the Medicaid Cap amount, counties will be refunded the overpayment.

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 that are claimed for reimbursement of Federal and State shares.
- Medicaid program administration costs that are part of the monthly reimbursement claim.
- 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.



The 2009 appropriation is the amount of the 2009 Erie County Local Share Medicaid Cap plus the local share of the Indigent Care adjustment payments. It totals \$193,520,843 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 2009. This amount is \$191,189,068. The Indigent Care adjustment adds another \$2,331,775 for a total of \$193,520,843. The amount required reflects weekly cash payments for the 2009-10 State fiscal year that are calculated based on the State's 53 payment cycles, whereas the county must make only 52 payments in 2009. The reduced weekly cost for the period April-December 2009 results in 2009 county budget savings of 42.8 million because of the extra state payment cycle used to determine the weekly payment amount.

Medicaid -- Gross Local Payments (Account 525030)

2008 Budget: \$ 7,259,467
2009 Proposed: \$ 8,130,230

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 prior-approved medical transportation by taxi or wheelchair van, medical insurance premiums when private insurance coverage is available and cost-effective, and other miscellaneous medical expenses.

The 2009 appropriation includes \$4,544,787 for medical transportation, \$3,348,225 for insurance premiums, and \$237,218 for other expenses. Medical transportation costs in the 2009 budget are \$697,823 (20 percent) higher than the 2008 estimated actual costs. The increase covers taxi fare increases effective in September 2008, and growth in Public Assistance clients eligible for transportation. It also reflects the continuation of effective cost-containment initiatives undertaken by the department, including full implementation of a mobility management contract with the Center for Transportation Excellence (CTE), to maximize the use of public transportation and to deny approval of transportation assistance for those clients who have other alternatives available to them which do not cost public dollars. The amount budgeted in 2009 for insurance premiums incorporates a 10 percent increase over estimated 2008 costs to cover premium inflation, and is based on recent trends and expectations about health insurance premium increases.

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)

2008 Budget: \$ 61,027,176
2009 Proposed: \$ 63,513,212

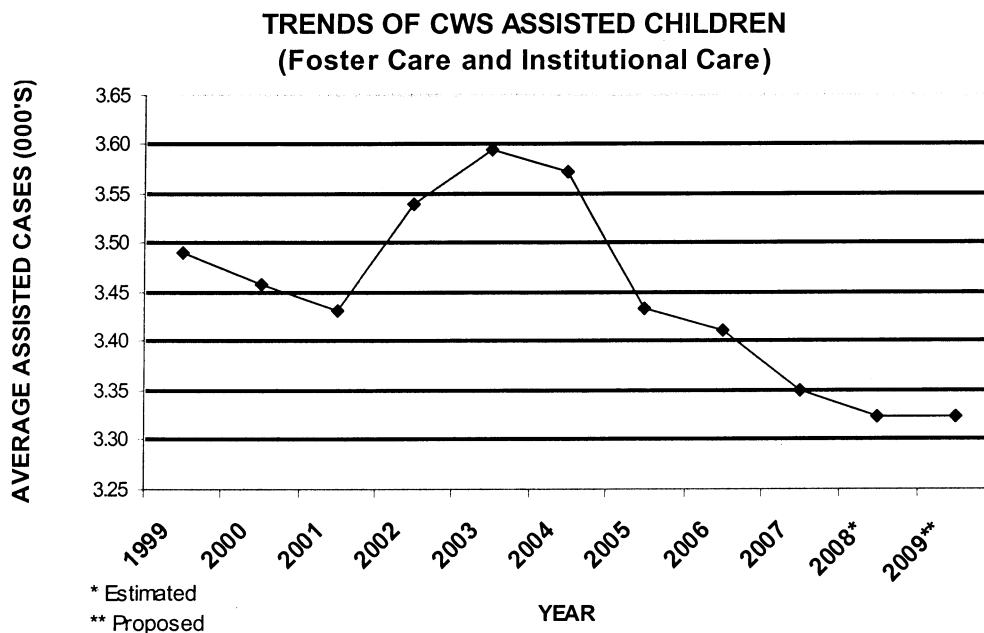
This appropriation is used to pay for the costs of the care of children placed by the Family Court into the custody of the Commissioner of Social Services. These children reside in foster homes, group homes and in child caring institutions. A majority of children are in foster home placements in connection 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 2009 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 3,323 per month in 2009, with an average monthly cost per child of \$1,592.77.

Based on present trends, the average monthly number of children funded in 2009 is held at the 2008 estimate of children in care. The ability to hold the total number of children served relatively steady over the last seven 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 expended 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. Furthermore, the fourth year of a special initiative to reduce placements and lengths of stay in costly institutional settings is expected to continue to favorably impact both the number of children in care and overall costs in 2009.



Costs per child assumed in 2009 incorporate regular rate growth of 4.75 percent as well as a 4.2 percent added cost of living (COLA) rate increase required by the State effective in April 2009. They are fully funded in 2008. 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 reduction in institutional care lengths of stay.

The County share cost of Child Welfare Services is \$18,476,819 in 2009 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. The 2009 base local share will be adjusted in claiming for \$11.46 million in TANF/EAF funds that are to be shifted by the State from Family Assistance to address federal TANF maintenance of effort (MOE) requirements.

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 State share of 73.5 percent of non-federal costs. There is no fixed limit to this reimbursement.

Child Care Development Block Grant (Account 525090)

2008 Budget:	\$27,004,504
2009 Proposed:	\$28,610,413

This program was previously budgeted in a grant which was moved to the operating budget in 2004 as a result of conversion to the SAP system.

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. Families with incomes below 200 percent of the Federal Poverty Level are eligible for subsidies 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 2009 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 4,669 children in low income families are expected to receive subsidies in 2008. Children in Public Assistance families receiving subsidies are estimated at 1,643 on average each month, a number necessary to support the level of work activity participation required of parents. The 2009 total cost of low income subsidies is budgeted at \$20,553,088. These costs are 100 percent reimbursed with federal funds through the Child Care Development Block Grant. The budget includes \$8,057,325 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 \$2,014,331 in 2009.

Other Programs

2008 Budget: \$ 6,711,853
2009 Proposed: \$10,593,338

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), \$1,093,391; Account 525080 – Education of Handicapped Children in residential schools, \$624,959; Account 525130 State Training School chargebacks, \$3,570,454; Account 525100 – expenses for housekeeping and home-delivered meal assistance, \$153,136; and Account 525120 – expenses for the special needs of individuals in Adult Family Homes, \$2,310. Amounts budgeted in 2009 reflect current trends in utilization, 20 percent increases for utility emergency payments in EEA, a 7.5 percent rate increase for State Training Schools an added \$388,111 payment for retroactive 2002 and 2007 State Training School rate increases and an increase of 2% in the State training School chargeback due to reductions in State reimbursement.

Child care funded by Title XX, in cases of child protection and for purposes of foster care prevention, totals \$3,149,088 in Account 525090 in 2009. Home Energy Assistance Program (HEAP) benefit costs totaling \$2,000,000 (account 525150) previously budgeted in a grant have been moved to the operating budget in 2009.

Early Intervention/Pre-K/Special Ed

2008 Budget: \$58,939,318
2009 Proposed: \$60,569,822

Developmental and special education programs, administered beginning in 2002 by the Department of Health Division of Services to Persons With Special Needs, have been, with the exception of Medicaid, the fastest growing State-mandated programs in Erie County. 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 by the State Education Department. Some services to eligible three and four year-old children may also be claimed for the Federal share of Medicaid.

Under Chapter 243 of the laws of 1989, the County is also responsible for a 10 percent share of the cost of the school age summer program, ages five to twenty-one, which are 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 (I.F.S.P.) developed by the family, an evaluator, a County case manager and the County Local Early Intervention Official. 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 by the State Health Department.

The 2009 appropriation for the Children with Special Needs Program in Account 528000 is \$60,569,822. The 2009 appropriation represents a 2.8 percent increase compared to the 2008 Adopted Budget.

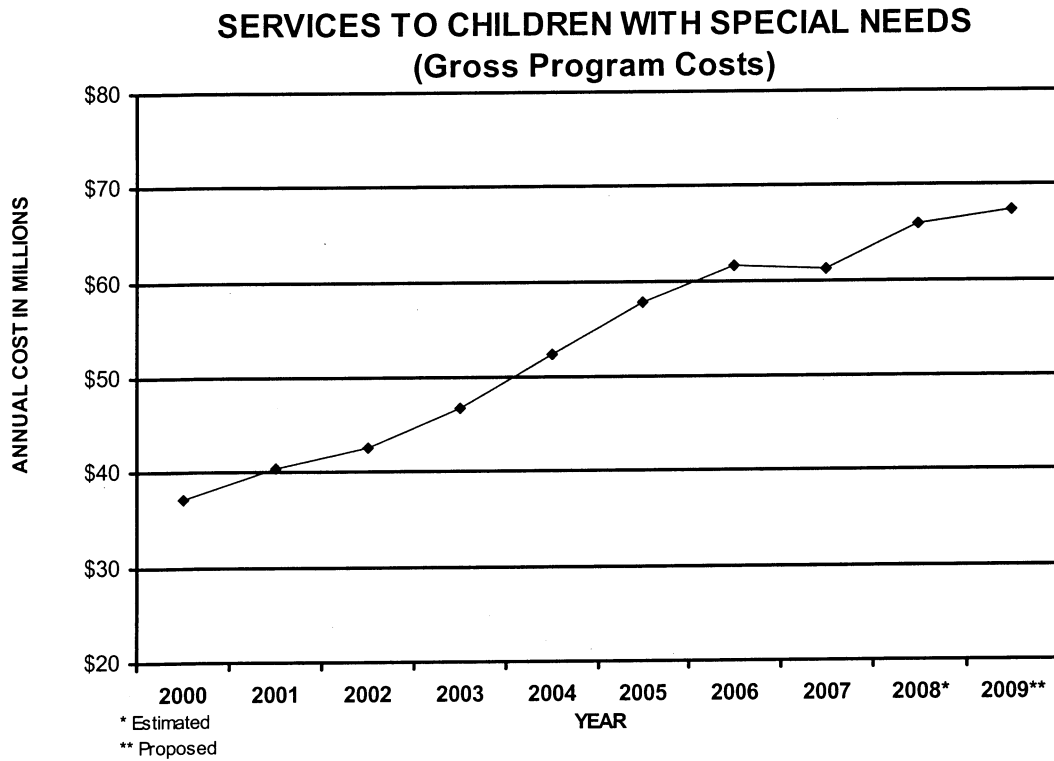
Other program and administrative expenses which total \$6,703,916 are included elsewhere in the budget summary, in the Personal Services, ECMC Contractual, ID payments and All Other Expense categories, and are not included in the Account 528000 appropriation.

The increase in program costs is a result of growth in the Preschool program which is experiencing significant overall enrollment increases, tuition rate increases for facility-based programs and increases in service units delivered outside of facility-based programs. The Early Intervention Program enrollment growth has moderated over the past year and is expected to continue at a lower rate in 2009.

County representatives review and have input on all service plans to ensure their appropriateness to the needs of the child. In spite of these efforts, the monthly average number of children enrolled in 3 and 4-year-old preschool facility-based programs continue to increase for a sixth year, after six years of small annual reductions, and will grow to 979 children in 2008. Meanwhile, three and four-year-old children served more appropriately and much less expensively in their homes or day care centers continue to increase most dramatically. Those served by agencies have increased more than ten-fold over the last ten years, while ECMC enrollments have more than doubled. The 2008 estimate of 1,917 monthly average children in this program component is up 3.34 percent from the 2007 projected level.

Early Intervention program enrollments have stabilized and are expected to average 1,868 per month in 2008. This represents a 1.97 percent increase in children compared to projected enrollments in 2007. Early Intervention program enrollments had previously increased 315 percent since 1995.

The incredible growth in cost of these mandated programs, from their inception in 1971 to the present, is shown in the graph below. While it took 24 years to exceed \$30 million mark, it has taken just 13 more years to exceed \$65 million in annual cost.



The table which follows on the next page outlines the various components of the total program for 2008 and 2009.

**2008/2009 Comparison of
Early Intervention/Pre-K/Special Ed**

	2008 Gross	2009 Gross	2008 Co. Share	2009 Co. Share
Birth - Two-Year-Old Early Intervention Program				
0-2 Agency Services, Evaluation & Transportation	\$11,815,759	\$13,179,008	\$ 3,493,688	\$3,889,704
0-2 ECMC-Related Services	843,806	991,721	246,237	369,404
Expense Transfer to DSS	1,156,239	1,155,948	1,156,239	1,155,948
Health Dept. Case Mgmt.	0	0	0	0
E.I. Case Management	<u>457,520</u>	<u>586,200</u>	<u>69,210</u>	<u>154,424</u>
0-2 Kids Total	\$14,273,324	\$15,912,877	\$ 4,965,374	\$5,569,480
09 vs. 08 Change		\$ 1,639,553		\$ 604,106
Three & Four-Year-Old Preschool Program				
3 & 4 Facility-Based, Evaluation & Transportation	\$35,654,140	\$33,983,313	\$13,457,859	\$12,867,335
3 & 4 Related Serv. - Contract Agencies	9,366,763	10,040,574	3,166,728	3,537,309
3 & 4 ECMC-Related Services	2,387,800	2,211,274	914,330	850,023
School District Charges	1,204,663	2,037,152	487,889	834,788
Expense Transfer to DSS	<u>28,629</u>	<u>28,920</u>	<u>28,629</u>	<u>28,920</u>
3 & 4 Kids Total	\$48,641,995	\$48,301,233	\$18,055,435	\$18,118,375
09 vs. 08 Change		\$ (340,762)		\$ 62,940
School Age Program - Summer				
	\$ 947,993	\$ 1,329,776	\$ 947,993	\$1,329,776
09 vs. 08 Change		\$ 381,783		\$ 381,783
Administration				
Special Needs Division, EI and Preschool Admin	\$ 1,981,207	\$ 1,729,852	\$ 615,948	\$ 462,716
Administration Total	<u>\$ 1,981,207</u>	<u>\$ 1,729,852</u>	<u>\$ -615,948</u>	<u>\$ 462,716</u>
09 vs. 08 Change		\$ (251,355)		\$(153,232)
GRAND TOTAL	<u>\$64,844,519</u>	<u>\$67,273,738</u>	<u>\$24,584,750</u>	<u>\$25,480,347</u>
		Gross Change	County Share	
		<u>\$ 1,429,219</u>	<u>Change</u>	
			<u>\$ 895,597</u>	

Interfund Transfers (Allocation)

2008 Budget: \$21,523,295
2009 Proposed: \$28,225,870

This includes allocations for County share of the Road Fund \$12,711,140; County share of grants \$4,194,793; and County share of Utility Fund totals \$5,627,000.

Debt Service

2008 Budget: \$46,851,753
2009 Budget: \$44,549,694

This includes \$41,241,861 for General Obligation Bond Debt Service, excluding ECMCC; \$1,681,875 for interest on Revenue Anticipation Notes; and \$1,625,958 interest for the expected sale of Bond Anticipation Notes.

All Other Expenses

2008 Budget: \$27,785,840
2009 Proposed: \$28,081,653

Control Board Expense: \$700,000

Included in the Other Expense category is the \$700,000 of mandated operational expense for the Erie County Fiscal Stability Authority.

The remaining \$27,381,653 covers all other remaining expenses in the 2009 Budget for the Operating Fund including: lawsuits, telephone charges; 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 employee contribution for 2009 will normally be 7.65% of the total salary, up to the maximum wage base. The maximum salary base for 2009 is estimated to be \$106,000. In developing FICA appropriations for 2009, 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 \$106,000 that are subject to the 1.45 percent Medicare only portion of FICA.

Workers' Compensation

The proposed appropriation for Workers' Compensation in 2009 was based on the current year's cost trend and was adjusted for medical costs and benefit levels in 2009. 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 a percentage of gross payroll charges.

Unemployment Insurance Coverage

The appropriation for unemployment insurance is based on 2008 trends.

Medical and Hospitalization Insurance - Active Employees

The 2009 budget estimate for active employees' medical and hospitalization insurance is based on our 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 from Labor-Management Health Care Fund, the county consultants who advise the County on health insurance issues.

Dental Insurance

The estimated cost for dental insurance for County employees in 2009 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

The pension retirement expenses were projected on the basis of a projected salary base for the period April 1, 2009 through March 31, 2010. Growth factors for each tier and year were based on estimates supplied by the Office of the State Comptroller. The estimated rate for each tier for the year ending March 31, 2010 was also provided by the Office of the State Comptroller.

Medical and Hospitalization Insurance - Retirees

The County's projected contribution toward retirees' medical and hospitalization insurance is based on the 2008 and 2009 cost trend 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 health insurance, promised to existing retirees, current employees, and future employees.

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 on 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 26 of the Erie County Charter and Article 26 of the Erie County Administrative Code.

This is the first year we have employed an Operations Budget as a management tool to allow for meaningful analysis. In the past the budget included double counted items and was significantly distorted by including shared sales tax that was distributed to other municipalities and the NFTA.

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 should be adopted by April 1. The state budget for their fiscal year (April 1, 2008-March 31, 2009) was adopted on April 8, 2008.

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 and specific budget targets are issued to department heads in July to guide the preparation of department budget requests.

August: Departments submit their detailed budget requests to the County Executive for consideration in mid-August. The County Executive and the Director of Budget and Management hold public hearings in late August to review departmental budget requests.

September: Departmental budget requests are analyzed in detail by staff in the Division of Budget and Management during the month of September. 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 which the County Executive submits to the Erie County Legislature. The County Executive's recommended Proposed Budget is the starting point for the Legislature's adoption of a County budget.

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 each year. 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 2009 budget must be adopted by the Legislature by the first Tuesday in December (December 2, 2008). 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 of December (December 3, 2008) 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 8, 2008).

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 9, 2008).

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 9, 2008).

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 approximately twenty-five appropriation and revenue accounts that are 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;
- ongoing tracking and analysis of local share Medicaid expenditures, as well as Safety Net Assistance and Family Assistance caseloads;
- periodic reports reflecting population counts at County institutions, including the Erie County Detention Center, the Holding Center and the Correctional Facility.

Adapting To Change

Approximately 20% of Erie County's operational revenue comes from New York State through various partial reimbursement programs.

The Division of Budget and Management devotes considerable staff resources to evaluating and quantifying potential impacts of the Governor's proposed annual budget. This fiscal impact information is shared with State Legislative representatives, members of the County Legislature and interested citizens as a means for lobbying for change.

Subsequent to the New York State Legislature's adoption of a final New York State Budget, a "Statement on the Fiscal Impact of the New York State Budget" may be released to the Erie County Legislature, along with a comprehensive set of budget amendments if any are necessary to offset state reimbursement losses with expenditure reductions and unanticipated revenues. The Erie County Legislature reviews any proposed amendments that may be submitted and usually enacts the plan, along with its own amendments to it.

The County Administration and the County Legislature's willingness to adapt to change in a timely manner have allowed Erie County government to maintain balanced budgets in uncertain economic times.

OPERATING 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

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 including budget targets.

August

Departments prepare ensuing year budget revenues and submit to DBM.

Departments submit personnel change requests to Personnel Department.

County Executive and DBM conduct hearings on department budget requests.

Community agency budget requests are developed.

September

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

Special studies are incorporated into Proposed Budget.

Personnel Department submits recommendations to DBM.

October

County Executive and DBM finalize recommendations for Proposed Budget.

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 2009 Budget – 12/2/08.

Deadline for Legislature to return Budget to County Executive if any increases – 12/3/08.

Deadline for County Executive to veto any increases – 12/08/08.

Deadline for Legislature to meet and consider County Executive's vetoes – 12/09/08.

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 annual budget documents except the Downtown Mall Fund and the Tobacco Proceeds Fund. All funds are included in the County's General Purpose Financial Statements.

Operations Budget (General Fund 110 & Library Fund 820–County Share)

This new budget format is the basis on which the 2009 Operations Budget and 2009-2012 Four-Year Operations Plan are presented. This budget includes all revenue and expenses of our General Fund plus the county portion of the Library Fund. It excludes the large amount of sales tax pass-through to other municipalities and the NFTA since Erie County plays no role in collecting these taxes or spending these taxes. We note them as a footnote to our budget but do not include them in any of our operational calculations. Obviously we also exclude all the double counting in the Utilities Fund, Road Fund, and Debt Service Fund including sewer authority debt service. The details of these funds are shown in Book A, but are not part of our Operations Budget.

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 bed tax.

Special Revenue Funds: used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The annual budget documents include the following Special Revenue Funds which 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 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.

The following Special Revenue Fund is included in the County's annual financial statements as a component unit:

Public Library Fund (Budget Fund 820)

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.

The following two funds are included in the County's annual financial statements but are not included in the annual budget documents.

Downtown Mall Fund

Funding Sources: Special district assessment.

Tobacco Proceeds Fund: used to fund capital projects that otherwise would have been supported by operating funds or the issuance of bonds.

Funding Sources: Net proceeds from the County's securitization of its share of the 1998 Master Settlement Agreement.

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 provide 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 County Medical Center Erie County Home

The Erie County Medical Center and Erie County Home are no longer included in the County budget. The ECMC Healthcare Network became a Public Benefit Corporation in 2004.

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 contribution from the County budget-General Fund.

County Operating Funds/Budget

The funds and their associated budgets that are related to the annual spending plan for the County operations, services and normal maintenance are referred to as the operating budget. In 2009, the operating budget includes the following operating funds: General Fund; Road Fund; E-911 Fund; Debt Service Fund; the Enterprise Fund (Utilities Fund); and the Public Library Fund.

Other funds that appear in the budget documents (Community Development; Sewer Fund; Grant Fund; and Capital Projects Fund) are in the documents because of Charter requirements or the need for specific legislative authorizations. They are not a part of the operating budget, nor are they included among the

operating funds. Their revenue and appropriations are excluded in calculating the amount of the total operating budget or the operating funds total.

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 and 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	400000-400070	Real Property Tax Revenues
501000	Overtime	402000-402600	Local Source Revenues
502000-502130	Fringe Benefits	415000-467000	Fees, Other Taxes
504992	Contractual Salary Reserve	405000-409040	State or Other Partial Reimbursement
504990-504995	Reductions for Turnover	410000-414020	Federal or Other Partial Reimbursement
505000-506400	Supplies & Repairs	486000-486030	Interfund Revenues
510000-555050	Other		
516000-520110	Contractual		
525000-530020	Assistance Payments		
561250-561450	Equipment		
550000-550800	Debt Service		
910100-980000	Interdepartmental		
559000-575000	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.

In 2009, fringe benefits are budgeted at the department level in the operating fund. To provide a management tool unavailable in past budgets. Fringe Benefits are budgeted at the individual project level for grants and community development projects. They are budgeted for each sewer district in the Sewer Fund.

Fringe benefits do not appear at the department level for the 2008 Adopted Budget, but are included in the 2008 Adjusted Budget column.

GLOSSARY



GLOSSARY

Account

A category of expense, such as office supplies, personal services, or utilities. Accounts for expense may be broken down into subcategories called subaccounts.

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 as of July 31st.

Adopted Budget

The budget plan for the next fiscal year, which has been formally approved pursuant to the provisions of Article XXVI, Section 2608, of the Erie County Charter.

Appropriated Fund Balance

The amount of unreserved fund balance (surplus) available from previous years designated for use in the current year. An appropriated fund balance is an excess of liquid assets over liabilities. The Erie County Charter prescribes that a fund balance from a given year cannot be appropriated until the next succeeding budget year. Thus, a 2006 fund balance may be appropriated in 2008.

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 Respread

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 a 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 Respread

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 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.

Convention and Visitors Bureau (CVB)

An organization, funded with taxpayer dollars and organized to serve as the county's marketing arm to the nation and world. The CVB is tasked with attracting visitors and conventions to the Buffalo Niagara region.

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 levy 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 reservations 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 a 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.

Erie County Cultural Review Advisory Board (ECCRAB)

A volunteer board that provides the County Executive with a non-political perspective on how to responsibly fund cultural organizations in Erie County. ECCRAB meets several times a year to consider funding requests from various cultural organizations and makes official recommendations to the County Executive on how to appropriate the available funding.

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 various reserves including: encumbrances; retirement system credits; tax stabilization; advances to enterprise funds; and prepayments. The section can also include various designations including: subsequent years' expenditures; judgments and claims; property

tax relief; and contingencies. The last part of fund balance is the undesignated portion that equals the years' surplus or deficit.

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 health insurance, promised to existing retirees, current employees, and future 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.

Lean Six Sigma

A business improvement methodology that maximizes taxpayer value by achieving the fastest rate of improvement in customer and employee satisfaction, cost, quality, and process speed. Lean Six Sigma focuses on waste elimination and variation reduction in the day today processes of County government. Lean Six Sigma is a major policy initiative of the County Executive and has proved its ability to save millions over time.

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.

Operating Fund

The Operating Fund, as referred to in this Budget document, is the General Fund 110 (excluding shared Sales Tax) and including the County portion of the Library Fund 820. Budgets/expenditures/revenues related to the annual program and spending plan for county operations, services and normal maintenance are included.

OTB Revenues

Revenues received from a portion of profits of the Western Regional Off-Track Betting 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.

Performance Based Budgeting

Is a reader-friendly format for presenting data in a budget by tying it to outcomes.

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.

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.

Restated Fund Balance

Where referenced in this document, Restated Fund Balance refers to the sum of balances of tax liens, board of elections and community college respreads, in addition to the audited Undesignated Fund Balance, net of Road Fund.

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.

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 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 authority to levy real property taxes. The Sewer Fund is included in the annual budget documents because of the need for legislative authorizations, but it 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. Revenue sources may be broken down into sub sources.

Subaccount - Expense

A subcategory of expense, such as electric, telephone, and water, within a category of expense (utilities).

Subaccount – Revenue

A subcategory of revenue, such as sales tax, interest earnings, service fees, within a revenue category or source (local source revenues).

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.

Tax Lien

A lien imposed on a piece of property by law to secure payment of taxes. Tax liens hold value and incur interest charges which increase their value. Tax liens are account receivables of the county but do not appear on the county balance sheet and are not included in the audited Undesignated General Fund Fund Balance. They are included in the Restated Fund Balance.

Tax Levy

The total amount of real property tax revenue to be raised by the county.

Tentative Budget (Proposed 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".

Turnover (Reductions from Personal Services)

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.

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 rarely granted and are subject to the approval of the Erie County Legislature. Variable Minimums are often requested to appropriately compensate potential job candidates who possess qualifications and experience in excess of what a position normally requires.