The County of Erie

Four-Year Financial Plan

Transmitted by:

Joel A. Giambra, County Executive

To

The Erie County Fiscal Stability Authority

October 18, 2006

ERIE COUNTY FOUR-YEAR FINANCIAL PLAN

This four- year plan document for 2007-10 is organized into two major sections.

Section One is a reforecast of baseline expense and revenue assumptions for 2008 through 2010 based upon the projection of 2006 year-end results and the Executive Budget for 2007. Rather than the format developed by Public Financial Management, the plan utilizes the reporting categories contained in the County's monthly Budget Monitoring Reports. This change will allow for easier tracking and explanation in relation to the County's established budgetary structure.

Section Two outlines the strategies to close the future budget gaps as identified in the baseline revenue and expense assumptions from Section One. These strategies consist of 1) extension of the PFM matrix efficiencies to an annualized value of $42 million by 2010, 2) headcount reductions through a program of managed attrition, 3) a three-year phase-out of the County's cost for Sheriff's road patrol to those towns which do not have their own municipal police departments, and 4) collective bargaining concessions that offset any wage increases with employee contributions to health care and/or work rule changes.

Section Three discusses the plans to restore fund balance reserves.

The financial plan was prepared using guidelines from the recent publication, *Multiyear Financial Planning*, published by the Office of the State Comptroller.

SECTION ONE: BASELINE FORECAST OF REVENUES AND EXPENSE

Overview (See attached spreadsheet)

The 2007 Executive Budget is balanced. Based upon the 2007 budget, the forecast of revenues and expenses shows a cumulative gap of $32,355,907 by fiscal year 2010. This gap grows incrementally in the intervening years as follows:

- Fiscal Year 2008: $9,440,058
- Fiscal Year 2009: $11,166,748
- Fiscal Year 2010: $11,240,100

The forecasts developed by Public Financial Management for the 2006-09 plan had shown incremental annual gaps of approximately $15 million annually. As discussed below, the major factors contributing to lower gap forecasts in this updated plan version are threefold. First, projected real estate tax receipts from rising property assessment values are higher. Second, State aid for various social service programs is higher. Third, health care costs for employees are growing at a slower rate than forecast a year ago.

History (Fiscal years 2004 through 2006)

The attached spreadsheet shows the history of the County's fiscal performance in the last three years, which is summarized briefly as follows:

Fiscal Year 2004: The County ended the year with a deficit of $103,722,050. This event caused the County's reserve fund balance to be depleted to $4,933,000.

Fiscal Year 2005: The County ended the year with a positive operating result of $9,352,599. However, this result was achieved by lowering actual expenditures versus 2004 by $88.7 million and by the refinancing of the 2000 tobacco settlement which brought $108.0 million of one-time proceeds.

Fiscal 2006: The adopted 2006 budget reflected a structural balance in which recurring expenses were matched with recurring revenues. This balance was achieved with two major tax increases: 1) an increase in the sales tax to a rate of 8.75%, which allowed for higher budgeted revenues of $83.4 million versus 2005, and 2) an increase in the real estate tax rate which allowed for higher budget revenues of $30.5 million versus 2005.

At the current time, the County Administration forecasts a positive operating result that will be $27,702,622 better than the original budget plan for 2006. As explained in the July Budget Monitoring Report, this positive result is attributable to four major factors: 1) recalculation of the cap on the County's Medicaid costs as first announced by the State in 2005, 2) better than budgeted sales tax revenues, 3) higher than budgeted interest earnings, and 4) lower than budgeted personnel costs as a results of control on vacant positions.

Revenue Assumptions

Real Property Tax: There is no countywide increase in the property tax rate during the four-year plan period. Nonetheless, the growth of property values is forecast to produce revenues in 2007 of $175,109,372 – an increase of 5.22% over 2006. The County tax rate may vary by town because of differences in assessment practices among the towns. Because of these assessment differences, the average County property tax per $1000 of property value will fall from 4.94% in 2006 to 4.86% in 2007.

Exclusive of the separate tax for the library, the total levy is forecast to grow from $166,422,612 in 2006 to $191,346,739 in 2010. The growth rate in the future years is estimated at 3.0% annually. The levy for the library in 2006 was $21,671,833 and is planned to remain at that level through 2010.

Property Tax Related Revenues: This category includes payments in lieu of taxes on exempt properties, interest and penalties on delinquent properties, and other items. The amount is conservatively forecast to remain flat at $9,716,910 for the four-year period.

Sales Tax Revenue: Growth is forecast at 2.5% annually for the four-year period. Total revenue will increase from $358,941,851 in 2006 to $397,256,627 in 2010. This amount assumes continuation of the 8.75% rate throughout the four-year period. The agreement to share an extra $12,500,000 of sales tax revenue from the "eighth penny" of the sales tax effective in 2007 is presumed to continue through 2010.

Because of new guidelines from the State Comptroller, the County's budget for 2007 and future years will include the sales tax monies distributed to the cities, towns, and school districts in Erie County. These amounts are shown to grow from $255,100,871 in 2007 to $274,474,593 in 2010. These amounts will be shown as both revenues and expense in the budget – which increase the total size of the budget – but have no effect on the bottom line.

Fees, Fines, and Charges: This category is budgeted to grow in 2007 by over $4 million because of proposed fee increase in the Clerk's Office, Parks, and Health. Going forward, the total category is forecast to grow 1.5% annually from $32,186,329 in 2007 to $33,656,548 in 2010.

Interest Earnings: Interest earnings on the County's cash balances in 2006 are nearly double the budgeted amount because of the positive operating results. Going forward, this revenue is conservatively estimated to grow 2.0% annually as the County pursues its strategic goal of restoring reserve fund balances. Total interest earnings are forecast to grow from $4,925, 287 in 2006 to $5,275,265 in 2010.

Other Local Revenues: This category contains all other local revenue sources. The amount declines from $71,816,107 in 2006 to $44,410,006 in 2007 because the 2006 budget contains $15.9 million of tobacco proceeds and the $6.5 million judgment bond issued in connection with the ECMCC settlement. Going forward, this revenue source is forecast to grow 1.0% annually through 2010.

State Aid: The County's financial assistance from the State is largely related to provision of various human and health service programs. Each of these programs has its own reimbursement formulas tied to the level of the County's expense. The projections of State revenue in the accompanying spreadsheet were calculated using the reimbursement formulas applied to the forecast growth of expense. Total State aid is forecast to increase from $193,370,249 in 2006 to $229,579,519 in 2010.

Federal Aid: Like State assistance, Federal aid is received for reimbursement of social service programs using various rates tied to expense growth. The forecast of Federal revenues thus flows from the expected expense growth for these programs in the four-year period – increasing from $127,548,836 in 2006 to $142,393,549 in 2010.

Total Revenues: Exclusive of the sales tax monies which are shared, total revenues in the General Fund are forecast to grow from $978,763,840 in 2007 to $1,061,488,091 in 2010 – an increase of 8.5%.

Expenditure Assumptions

Salaries: Contracts with all the County's employee unions expire at the end of 2006. The 2007 budget does not assume any new contract agreements to be in effect for 2007. Thus, there is no provision for cost-of-living wage increases. Pay raises for employee longevity do continue and are forecast to cost an additional $3 million in 2007 – with a net expense to County tax dollars of about $2 million.

Total personal services are budgeted for $185,266,062 in 2007 – an increase of $8,164,191 over the 2006 budget. The remaining $5 million of salary expense (above the longevity raises) is for a net gain to the County workforce of 89 positions. Most of these new positions occur in Social Services, and are reimbursed with State dollars, or occur in Central Police Services, and are paid with the dedicated revenue from the 911 surcharge fee.

Beyond 2007, personal services are forecast to grow 3.3% annually – to a total amount of $204,219,324 in 2010. This percentage assumes 1.75% for annual cost -of -living increases and 1.55% for longevity increases. However, as discussed in the gap closing section below, the County Administration will not negotiate any contract agreements for 2008 and beyond unless the expense of cost-of-living raises are offset with union concessions on health care and work rules.

Effective in 2007, the budget also will include a planned amount for vacancy savings – also know as a "turnover account". The amount is budgeted at $2,300,000 for 2007 – growing 3.3% annually to $2,535,297 by 2010.

Other Employee Pay: The assumptions for other components of employee pay are as follows:

- 3.3% annual increases for holiday time worked, line-up pay, and overtime – all tied to the same assumption as salary increases.
- 1% annual increases for shift differential and all other employee payments.

In total, other employee pay would increase from $16,877,649 in 2007 to $18,437,050 in 2010.

FICA Payments: The employer contributions for Social Security are budgeted at $15,063,265 in 2007 and are forecast to grow to $16,500,591 in 2010 – based upon federal government formulas.

Retirement Costs: The County's contribution to the State's public employee retirement system is based upon costs calculated by the State Comptroller's Office: and is heavily determined by the Comptroller's investment performance for that system. The Erie County charge from the State Comptroller will actually decline by over $2 million in 2007 to $20,883,093. It is then forecast to grow moderately to $21,621,029 by 2010.

Worker's Compensation: Expenses for Workers Compensation claims are projected to grow 1.0% annually from $7,771,416 in 2007 to $8,006,898 in 2010. These expenses are forecast with assistance from the County's independent consultant, Self Funding, Inc, -- and their analysis is available.

Medical Insurance: The County is benefiting from its participation in the Labor Management Healthcare Fund – a cooperative venture between management and the public employee unions to control the cost of medical insurance. Of particular benefit for 2007 is the movement to a lower cost provider for prescription drugs, MedImpact, and the fact that many highly utilized drugs are switching from brand to generic status. As a result, medical insurance for active employees is projected to increase from $28,930,890 in 2006 to only $29,713,174 in 2007. Growth in the three future years is forecast at 10.0% annually. A complete analysis of projected health care insurance is available from the Healthcare Fund.

For retired employees, costs are being assisted by participation in the federal Medicare Part D program. Costs are budgeted to decline slightly to $11,072,834 in 2007 and to then grow 10.0% annually in the three future years.

Supplies and Repairs: This category of expense is budgeted at $9,628,199 in 2007 and is forecast to grow at 2.5% annually in the future years.

ECMCC Contribution: For 2007, the operating subsidy to the Erie County Medical Center (as stipulated by the Consent Decree) will be $8,438,460 and debt costs related to the 2004 sales agreement will be $5,561,532. The operating subsidy ends after 2007. The debt costs will be the same in 2008 and then grow to $7,631,245 in 2009 and 2010.

Other Contractual Accounts: This expense category is budgeted at $127,333,945 for 2007 and is forecast to grow by 3.0% annually in the future years.

Erie Community College: The subsidy is budgeted for $13,570,777 in 2007 – but is then increased to $15,420,780 in the three future years. This increase will allow the County to meet its required contribution to the college without reliance on capital budget projects – as has been the practice in recent years.

Utilities Fund: This fund provides for the County's energy costs and is budgeted in 2007 at $4,840,300 – with 5.0% annual increases in future years to meet the rise in energy costs.

County Share – Grants: This allocation provides County monies to fulfill matching requirements for State and Federal grants. This category is budgeted for $3,491,450 in 2007 and is assumed to increase 4.0% annually in the future years.

Road Fund: The County's share of the Road Fund expense is budgeted at $3,347,154 in 2007 and is assumed to grow at 4.0% annually in the future years.

Medicaid Local Share: Last year the State enacted a cap on the amount of local dollars that counties across New York State must pay for their share of the Medicaid program. This cap is calculated as a 3.0% growth annually off the 2005 base. Using this formula, Medicaid is budgeted at $185,962, 536 in 2007 – and will grow to $201, 444,285 by 2010.

Family Assistance: Expenditures for this program are forecast using an assumption of 1.5% annual increase in caseloads, but a constant cost per case. Total expenditures are expected to grow from $39,242,291 in 2007 to $41,034, 815 in 2010 – with the County paying 25% of that cost.

Foster Care: This program is assumed to have a 4.5% increase in costs, but a constant enrollment. Total expenditures are forecast to grow from $54,381,339 in 2007 to $56,803,816 in 2010. The County pays about 60% of this total cost.

Safety Net Assistance: This program is assumed to have a 5.5% annual increase in caseloads, but constant cost per case. Total expenditures are forecast to grow from $38,108,588 in 2007 to $44,262,533 in 2010 – with the County paying about half those costs.

Child Care: Provision of daycare and other services to low-income children is effected by varying assumption about enrollment and costs in its component programs. Total expense is forecast to grow from $33,774,538 in 2007 to $34,214,557 in 2010. Most of these costs are paid by the State and Federal governments – with limited County share.

Children With Special Needs: This program has several components including pre-school programs, early intervention programs, and transportation costs. The forecasted expense growth is based on various assumptions that include both expanding enrollment and rising costs. The total expense is budgeted for $57,677,439 in 2007 – growing to $69,234,187 in 2010. The County share grows from $4,899,511 to $5,165,867 in those years.

RAN Interest Expense: The Comptroller's Office expects that issuance of revenue anticipation notes to meet cash flow needs will decline from $110 million in 2006 to under $100 million in 2007 – as result of build-up of the County's cash balances. The borrowing was down this year from $160 million in 2005. Thus, the related expense in 2007 will be an estimated $4,279,000 – versus $5,385,000 in 2006. The plan keeps the 2007 numbers as the estimate for the future years.

Long-term Debt Service: The growth of debt service expense is based upon the following capital budget assumptions:

- **2007**: $30 million for normal infrastructure investment, $15 million for the County's portion of the expanded downtown campus for Erie County Community College, and $15 million of capital for Erie County Medical Center (as part of the Consent Decree).
- **2008:** $30 million for normal infrastructure investment and $8 million for the Medical Center.
- **2009 and 2010:** $30 million in each year for normal infrastructure investment.

The County's total long-term, general obligation indebtedness is expected to be $534.3 million at year end 2010 – versus $560.9 at year-end 2006. Run-off of old debt is exceeding the plan to add new debt. Interest expense is budgeted at $57,535,474 in 2007 and will grow to $75,777,789 in 2010. The rise in debt service costs is largely attributable to the short five-year maturities for the debt related to the ECMCC settlement. The hospital debt will be totally paid off by the year 2013.

Total Expenditures: Exclusive of the local sales tax monies, total General Fund appropriations are expected to grow from $978,763,840 in 2007 to $1,093,843,998 in 2010 – an increase of 11.8%.

Erie County
2007-2010 Four Year Plan

Fund 110	Account Type		2004 Actuals	2005 Actuals	2006 Adopted	2006 Projected	2007 Executive Reco	2008 Projection	2009 Projection	2010 Projection
Revenue										
Local Source Revenue										
	Property Tax Levy	Real Property Tax	128,332,433	135,969,466	166,422,612	166,422,612	175,109,372	180,362,653	185,773,533	191,346,739
	Property Tax Related	Sec 520 Exemp Removal	540,279	682,806	492,471	705,157	492,471	492,471	492,471	492,471
		Gain Sale Tax Acquired Prop	1,749	0	85,000	85,000	85,000	85,000	85,000	85,000
		Payments In Lieu Of Taxes	5,111,961	5,179,152	5,102,992	5,502,074	5,200,000	5,200,000	5,200,000	5,200,000
		Interest & Penalties-Prop Tax	2,332,783	6,098,171	3,909,439	3,909,439	3,909,439	3,909,439	3,909,439	3,909,439
		Omitted Taxes	39,569	22,974	30,000	30,000	30,000	30,000	30,000	30,000
		Dec-Prop Tax Def Rev	1,102,579	750,000						
	Property Tax Related Total		9,128,921	12,733,103	9,619,902	10,231,670	9,716,910	9,716,910	9,716,910	9,716,910
	Sales Tax (County Share)		248,073,387	271,959,861	355,254,231	358,941,851	369,216,365	378,336,009	387,680,909	397,256,627
(1)	Sales Tax (Distrib. to Local Gov'ts)						255,100,871	261,401,863	267,858,489	274,474,593
	Fees Fines or Charges	Election Exp Other Govts	4,732,456	3,915,118	3,800,000	3,766,761	3,033,717	6,133,717	6,317,729	6,507,260
		All Other Fees Fines or Charges	23,443,533	21,958,089	27,453,650	27,526,719	32,186,329	32,669,124	33,159,161	33,656,548
	Fees Fines or Charges Total		28,175,989	25,873,207	31,253,650	31,293,480	35,220,046	38,802,841	39,476,889	40,163,809
	Other Sources	Int & Earn - Gen Inv	1,697,447	3,024,177	2,558,000	4,925,287	4,971,000	5,070,420	5,171,828	5,275,265
		All Other Sources Accounts	140,675,555	104,743,326	46,403,407	71,816,107	44,410,006	44,854,106	45,302,647	45,755,674
	Other Sources Total		142,373,002	107,767,503	48,961,407	76,741,394	49,381,006	49,924,526	50,474,476	51,030,939
Local Source Revenue Total			556,083,731	554,303,140	611,511,802	643,631,007	893,744,570	918,544,802	940,981,205	963,989,616
State Aid		State Aid-Family Assistance	10,134,735	9,842,088	11,065,403	9,537,471	9,547,641	9,621,220	9,695,903	9,771,706
		State Aid-Soc Serv Admin	23,730,950	12,574,363	34,622,061	24,173,123	27,123,400	27,937,102	28,775,215	29,638,472
		State Aid-Safety Net Assistance	12,358,645	13,695,452	15,754,907	14,591,725	15,898,735	16,880,289	17,915,829	19,008,323
		State Aid-Child Welfare Services	12,162,769	22,554,601	18,902,800	18,634,062	18,597,782	18,555,889	18,562,924	18,935,718
		State Aid-Mental Health	25,721,444	17,702,986	34,755,679	34,851,679	32,639,903	33,619,100	34,627,673	35,666,503
		State Aid-Education Of Handicapped Children	21,692,409	24,931,289	26,092,264	26,092,264	28,329,695	30,418,911	32,560,618	34,745,448
		State Aid-Serv For Recipients	7,358,139	2,051,872	8,839,257	8,962,633	11,720,390	14,171,487	17,772,525	17,823,902
		State Aid Day Care		5,159,788	5,968,492	5,344,000	7,717,987	8,026,707	9,310,980	9,683,420
		All Other State Aid Accounts	58,089,158	67,958,814	40,290,992	51,183,292	50,428,545	51,689,259	52,981,490	54,306,027
State Aid Total			171,246,249	176,471,253	196,291,855	193,370,249	202,004,078	210,919,964	222,203,157	229,579,519

Erie County
2007-2010 Four Year Plan

Fund 110 Account Type		2004 Actuals	2005 Actuals	2006 Adopted	2006 Projected	2007 Executive Reco	2008 Projection	2009 Projection	2010 Projection
Federal Aid									
	Federal Aid-Family Assistance	11,622,007	9,698,921	10,310,168	6,066,133	5,866,730	6,161,047	6,459,779	6,762,992
	Federal Aid-Soc Serv Admin	37,083,287	24,332,025	37,809,510	29,467,411	32,565,342	33,379,476	34,213,962	35,069,311
	Federal Aid-CWS Foster Care	16,843,418	14,736,580	16,134,199	14,372,844	14,500,357	14,418,883	14,432,564	15,157,575
	Federal Aid	29,017,695	381,911	24,914,083	997,484	0	-	-	-
	Fed Aid Day Care		22,208,612		20,073,641	21,924,995	21,513,369	19,801,005	19,304,419
	Federal Aid-Safety Net Tanf Cases	763,084	761,663	892,589	1,161,749	1,265,840	1,343,790	1,426,027	1,512,787
	All other Federal Aid accounts	47,752,627	61,400,300	44,563,725	55,409,574	61,992,799	62,742,619	63,011,184	64,586,464
Federal Aid Total		143,082,118	133,520,012	134,624,274	127,548,836	138,116,063	139,559,184	139,344,522	142,393,549
Interfund Revenue Total		3,346,296	33,819,568			0	0	0	0
Total Fund 110 Revenue		873,758,394	898,113,973	942,427,931	964,550,092	1,233,864,711	1,269,023,949	1,302,528,884	1,335,962,684
	Amount Change from Prior Year		24,355,579		66,436,119	291,436,780	35,159,238	33,504,935	33,433,800
	% Change		2.79%		7.40%	30.92%	2.85%	2.64%	2.57%

Erie County
2007-2010 Four Year Plan

Fund 110	Account Type	2004 Actuals	2005 Actuals	2006 Adopted	2006 Projected	2007 Executive Reco	2008 Projection	2009 Projection	2010 Projection
Expense									
Personal Service Related Expense									
Personal Services	Full-Time Salaries	191,008,192	164,971,568	171,250,712	163,820,855	178,447,675	184,336,448	190,419,551	196,703,396
	Part-Time Wages	2,779,233	1,676,051	2,890,827	2,498,489	3,523,885	3,640,173	3,760,299	3,884,389
	Regular Part Time Wages	1,529,455	1,504,808	2,026,826	2,082,850	2,424,818	2,504,837	2,587,497	2,672,884
	Seasonal Emp Wages	734,040	560,754	933,506	707,821	869,684	898,384	928,030	958,655
Personal ServicesTotal		196,050,920	168,713,181	177,101,871	169,110,015	185,266,062	191,379,842	197,695,377	204,219,324
Employee Payments non-salary	Shift Differential	786,385	984,910	787,254	1,021,945	1,014,671	1,024,818	1,035,066	1,045,417
	Uniform Allowance	699,750	629,000	602,000	647,000	726,750	726,750	726,750	726,750
	Holiday Worked	903,886	1,420,412	1,293,600	1,402,814	1,371,381	1,416,637	1,463,386	1,511,677
	Line-Up	1,342,493	1,807,924	1,606,000	1,846,528	1,727,880	1,784,900	1,843,802	1,904,647
	Other Employee Pymts	1,744,330	85,911	489,620	366,615	275,340	278,093	280,874	283,683
	Overtime	17,411,504	12,809,399	11,352,343	14,532,277	11,761,627	12,149,761	12,550,703	12,964,876
Employee Payments non-salary Total		22,888,349	17,737,556	16,130,817	19,817,179	16,877,649	17,380,958	17,900,580	18,437,050
Fringe Benefits	Fringe Benefits- FICA	16,477,130	14,326,988	14,817,165	13,208,125	15,063,265	15,470,809	15,977,353	16,500,591
	Fringe Benefits-Medical Insurance	24,257,541	28,846,994	26,337,595	28,930,890	29,713,174	32,684,491	35,952,941	39,548,235
	Fringe Benefits-Workers Compensation	8,096,459	7,302,295	1,472,825	7,857,992	7,771,416	7,849,130	7,927,621	8,006,898
	Fringe Benefits-Unemployment Insur.	276,909	3,899,691	433,185	401,200	403,500	403,500	403,500	403,500
	Fringe Benefits-Retiree Med Insur.	5,824,272	8,888,560	12,096,865	11,109,942	11,072,834	12,180,117	13,398,129	14,737,942
	Fringe Benefits-Retirement	15,656,072	24,899,245	24,357,535	22,996,259	20,883,093	20,924,859	21,238,732	21,621,029
Fringe Benefits Total		70,588,383	88,163,773	79,515,170	84,504,409	84,907,282	89,512,907	94,898,276	100,818,195
Reductions	Vacany Savings			(60,000)	0	(2,300,000)	(2,375,900)	(2,454,305)	(2,535,297)
Board of Elections	Reserve For Democratic Personnel					1,297,233	1,340,042	1,384,263	1,429,944
	Reserve For Republican Personnel					1,297,233	1,340,042	1,384,263	1,429,944
Board of Elections Reserve Total						2,594,466	2,680,083	2,768,526	2,859,887
Personal Service Related Expense Total		**289,527,652**	**274,614,510**	**272,687,858**	**273,431,603**	**287,345,459**	**298,577,891**	**310,808,455**	**323,799,160**
Other Departmental Expense									
Supplies and Repairs		8,733,125	6,278,847	8,453,708	9,261,372	9,628,199	9,868,904	10,115,627	10,368,517

Erie County
2007-2010 Four Year Plan

Fund 110	Account Type		2004 Actuals	2005 Actuals	2006 Adopted	2006 Projected	2007 Executive Reco	2008 Projection	2009 Projection	2010 Projection
	Other	Risk Retention	2,998,753	722,428	1,500,000	7,526,374		4,000,000		2,000,000
		Risk Retention ECMCC					1,000,000	1,000,000		
		All Other	34,332,634	21,964,856	17,528,745	18,718,902	18,544,011	19,007,611	19,482,802	19,969,872
	Other Total		37,329,387	22,687,284	19,028,745	26,245,276	19,544,011	24,007,611	19,482,802	21,969,872
	Contractual	Contractual-ECMCC Healthcare Network	12,665,651	19,000,000	6,000,000	20,000,000	14,000,000	5,561,532	7,631,248	7,631,245
(2)		Sales Tax Distrib.to Cities, Towns & Sch Dist.					255,100,871	261,401,863	267,858,489	274,474,593
		Distribution To Cities And Towns					12,500,000	12,500,000	12,500,000	12,500,000
		All Other Contractual Accounts	132,876,023	111,660,634	122,175,892	128,485,311	127,333,945	131,153,963	135,088,582	139,141,240
	Contractual Total		145,541,674	130,660,634	128,175,892	148,485,311	408,934,816	410,617,358	423,078,319	433,747,078
	Contingency				2,039,330	-	-	-	-	-
	Equipment		396,352	123,260	748,813	1,294,427	1,394,441	1,429,302	1,465,035	1,501,660
	Allocation	Interfund-Erie Community College	13,570,777	13,570,777	13,570,777	13,570,777	13,570,777	15,420,778	15,420,779	15,420,780
		Interfund-Utilities Fund	4,113,942	4,632,339	4,441,000	4,519,000	4,840,300	5,082,315	5,336,431	5,603,252
		County Share - Grants	3,453,453	3,520,478	3,479,436	3,731,026	3,491,450	3,631,108	3,776,352	3,927,406
		Interfund-Road		369,500	3,195,954	3,695,954	3,347,154	3,481,040	3,620,282	3,837,499
		All Other Allocation Accounts	(706,181)	(1,419,815)	840,487	1,184,413	3,765,360	7,319,168	12,226,435	12,831,848
	Allocation Total		20,431,991	20,673,279	25,527,654	26,701,170	29,015,041	34,934,409	40,380,279	41,620,785
	Program Related	MMIS-Medicaid Local Share	180,977,804	181,145,871	193,087,941	180,371,904	185,962,536	191,123,119	196,283,702	201,444,285
		Family Assistance	41,755,283	40,536,507	45,395,157	39,266,271	39,242,291	39,830,925	40,428,389	41,034,815
		CWS - Foster Care	63,090,541	58,136,605	56,989,042	53,988,140	54,381,339	54,081,028	54,131,456	56,803,816
		Safety Net Assistance	30,874,714	33,250,064	37,576,230	35,492,110	38,108,588	40,159,903	42,211,218	44,262,533
		Child Care-DSS	34,488,882	31,350,375	32,474,114	28,869,794	33,774,538	33,845,457	34,135,516	34,214,557
		Children With Special Needs Program	46,869,997	51,349,655	56,268,139	56,468,139	57,677,439	61,469,131	65,356,547	69,234,187
		State Training School (Sts)	1,308,958	1,147,143	1,580,000	1,580,000	2,107,261	2,265,306	2,435,204	2,617,844
		All Other Program Related Accounts	62,054,186	7,181,502	9,349,910	10,398,145	9,213,278	9,443,810	9,679,700	9,921,693
	Program Related Total		461,420,366	404,097,722	432,720,533	406,434,503	420,467,270	432,218,479	444,661,732	459,533,730
	Debt Service	Interest-Revenue Antic Notes	1,796,875	2,472,051	5,385,000	5,385,000	4,279,000	4,279,000	4,279,000	4,279,000
		ID General Debt Srv	12,303,022	27,153,787	47,660,398	47,660,398	53,256,474	63,040,053	69,373,443	71,498,789
	Debt Service Total		14,099,897	29,625,838	53,045,398	53,045,398	57,535,474	67,319,053	73,652,443	75,777,789
	Adjustment for Reappropriation					(8,057,589)				

Erie County
2007-2010 Four Year Plan

Fund 110 Account Type	2004 Actuals	2005 Actuals	2006 Adopted	2006 Projected	2007 Executive Reco	2008 Projection	2009 Projection	2010 Projection
Other Departmental Expense Total	687,952,792	614,146,864	669,740,073	663,409,868	946,519,252	980,395,117	1,012,836,236	1,044,519,431
Total Fund 110 Expense	977,480,444	888,761,374	942,427,931	936,841,470	1,233,864,711	1,278,973,007	1,323,644,691	1,368,318,591
Revenue Less Expense	(103,722,050)	9,352,599	0	27,708,622	0	(9,949,058)	(21,115,807)	(32,355,907)
Expense - Amount Change from Prior Year		(88,719,070)		48,080,096	291,436,780	45,108,296	44,671,684	44,673,900
% Change		-9.08%		5.41%	30.92%	3.66%	3.49%	3.38%
					08 Gap	(9,949,058)	(9,949,058)	(9,949,058)
					09 Gap		(11,166,748)	(11,166,748)
					10 Gap			(11,240,100)
					Total	(9,949,058)	(21,115,807)	(32,355,907)

Trend analysis without local sales tax addition

Fund 110 Account Type	2004 Actuals	2005 Actuals	2006 Adopted	2006 Projected	2007 Executive Reco	2008 Projection	2009 Projection	2010 Projection
Total Fund 110 Revenue	873,758,394	898,113,973	942,427,931	964,550,092	978,763,840	1,007,622,086	1,034,670,396	1,061,488,091
		24,355,579		66,436,119	36,335,909	28,858,246	27,048,309	26,817,695
		2.79%		7.40%	3.86%	2.95%	2.68%	2.59%
Total Fund 110 Expense	977,480,444	888,761,374	942,427,931	936,841,470	978,763,840	1,017,571,145	1,055,786,202	1,093,843,998
		(88,719,070)		48,080,096	36,335,909	38,807,305	38,215,058	38,057,795
		-9.08%		5.41%	3.86%	3.96%	3.76%	3.60%
Revenue Less Expense	(103,722,050)	9,352,599	0	27,708,622	0	(9,949,058)	(21,115,807)	(32,355,907)

Notes:
(1) Sales Tax Distributed to Local Governments
(2) Original Sales Tax Distrib.to Cities, Towns & Sch Dist.
In 2006 the NYS Comptroller issued a bullentin advising counties of changes in the budgeting of shared sales tax.
Counties who share sales tax with local governments must record an expenditure in the amount of the revenue.
The 2007 budget will therefore show a significant increase in sales tax revenue offset by a matching expense.
These amounts are projected into future years.

SECTION TWO: GAP-CLOSING ACTIONS

The attached summary schedule shows the proposed actions to close the budget gaps as forecast for fiscal years 2008, 2009, and 2010. The actions with regards to efficiency initiatives, headcount reduction though managed attrition, and Sheriff's road patrol are firmly within the County's management capability to implement. Together, these three actions are sufficient to close the projected future year gaps. The collective bargaining strategy, while not clearly achievable, will be pursued as a matter of public policy and, if successful, would provide resources in excess of the savings required to close the projected future year gaps.

1. EFFICIENCY INITIATIVES

Included as a separate document to this plan is an updated version of the efficiency initiative matrix first developed by Public Financial Management. The County Administration has continually reviewed and revised this document to reflect those initiatives which are achievable and accurately quantified. These initiatives are planned to increase to an annualized value of $42,208,940 by 2010. The incremental annual growth of these initiatives is as follows: 1) $5,530,000 for fiscal 2008, 2) $6,009,000 for fiscal 2009, and 3) $6,247,000 for fiscal 2010.

Some of the major initiatives include:

- Effective implementation of an alternatives to incarceration program to reduce inmate population in the jail and holding center – and thus reduce staffing and overtime costs.
- Optimize the use of County office space through development and implementation of a master plan.
- Combat Medicaid fraud and abuse.
- Reduce residential treatment center expenditure for children with special needs.
- Reduce social service program costs through an integrated system of case management.
- Pursue expanded Federal Part D reimbursement for providing prescription drugs to retired employees.
- Expand the use of more competitive purchasing practices.
- Reduce Workers Compensation costs through improved monitoring and oversight of cases.

FOUR YEAR PLAN: GAP CLOSING SUMMARY

FISCAL YEAR 2008

Incremental Gap:	$9,949,058
Matrix Efficiencies:	5,530,000
Managed Attrition Program:	2,720,248
Sheriff's Road Patrol:	1,913,563
Collective Bargaining Concessions:	3,225,887
Total:	**$13,389,698**
Excess over gap closing need:	$3,440,640

FISCAL YEAR 2009

Incremental Gap:	$11,166,748
Matrix Efficiencies:	6,009,000
Managed Attrition Program:	3,574,300
Sheriff's Road Patrol:	1,913,563
Collective Bargaining Concessions:	3,332,342
Total:	**$14,829,205**
Excess over gap closing need:	$3,662,457

FISCAL YEAR 2010

Incremental Gap:	$11,240,100
Matrix Efficiencies:	6,247,000
Managed Attrition Program:	3,384,790
Sheriff's Road Patrol:	1,913,563
Collective Bargaining Concessions:	3,442,309
Total:	**$14,987,662**
Excess over gap closing need:	$3,747,562

2. STAFF REDUCTION THROUGH MANAGED ATTRITION

The four-year plan includes a program of staff reduction through managed attrition. This concept is different and more strategic than simply eliminating random positions that become vacant through retirement or resignations. The key steps are as follows:

- Assign designated departments an annual dollar target for staff reductions.
- Establish "process improvement teams" in each department to determine changes in operational and administrative practices that can preserve service capacity despite reduced staff. These teams will be decentralized and include employees involved in the key work activities of each department.
- Based upon these "re-engineering" efforts, reorganize the staffing patterns within departments as vacancies do occur. Use those realigned vacancy savings to achieve the expense reduction targets.

The attached spreadsheet shows the departments that will be included in this program of managed attrition. The goal is to achieve a 15% reduction in personnel costs within these departments worth $9,679,338. This goal would be established by department at the 15% target amount to be phased in over three years in the following aggregate amounts:

- Fiscal 2008: $2,720,248
- Fiscal 2009: $3,574,300
- Fiscal 2010: $3,384,790

The departments to be included in this program currently have 1195 full-time authorized positions in the 2007 budget. A 15% reduction of this number would be about 180 positions. However, the savings will be calculated on a dollar basis and the number of position reductions could be larger or smaller in individual departments based upon the re-engineering programs designed. For instance, many departments may choose to expand the use of regular part-time employees (versus full-time employees), which might save dollars but involve lesser headcount reduction than the 180-position estimate.

As indicated on the attached sheet, certain departments would be excluded from this program because their positions are mostly State-reimbursed, or because their staffing needs at current levels are critical for public safety functions.

FOUR-YEAR PLAN: PROGRAM OF MANAGED ATTRITION

Department	2007 Salary Expense	FT Positions	15% Reduction in Salary With Additional 40% Fringe Savings
County Executive	$556,969	8	$116,963
Legislature	1,464,642	34	307,575
DISS	3,587,978	62	753,475
Senior Services (County share match)	1,516,948	32	318,559
Budget, Management and Finance	1,415,025	28	297,155
Purchase	409,190	7	85,930
Fleet	236,415	5	49,647
Public Advocacy	400,400	8	84,084
Comptroller	1,990,125	34	417,926
Clerk- Registrar	2,297,037	54	482,378
Clerk- Auto	1,728,652	47	363,017
District Attorney	7,073,720	115	1,485,481
Sheriff Division (Excludes Road Patrol)	2,127,043	68	446,679
Public Works	6,261,339	165	1,314,881
Highways (County Subsidy)	1,200,000	167	252,000
Youth Detention	2,873,456	74	603,426
Health Division (64% County Share)	2,489,333	92	522,760
Public Health Lab (64% County Share)	2,450,641	84	514,635
Law Division	1,727,794	25	362,837
Personnel	1,263,296	23	265,292
Environment and Planning	1,047,251	13	219,923
Parks	1,974,832	50	414,715
Total	**$46,092,086**	**1195**	**$9,679,338**

Departments not included in projections:

DSS- Positions average 75% reimbursement from State & Federal funds
Forensic Mental Health- All positions 100% reimbursed w/ exception of Commissioner who is 50% reimbursed
Probation- Department currently understaffed, which contributes to jail overcrowding
Emergency Services- Only 4 positions in this department
Medical Examiner- State reimbursed
Board of Elections- Just reinstated positions to meet HAVA requirements
Parks- City of Buffalo- No County share to reduce
Central Police Services & Emergency Services- Funding comes from Federal grants & 911 fee
Utilities fund- Minimal staffing- No positions to cut
Library- No authorization over staffing
Jail Management- Staff reductions not possible under current conditions of overcrowding.
See matrix for overtime savings from alternatives to incarceration.

3. SHERIFF'S ROAD PATROL

The County Executive has established a Commission on Regional Law Enforcement. The creation of the study commission came after extensive talks with town supervisors over the proposal to charge towns a contract-based fee for the provision of Sheriff's road patrol services. Rather than face a legal battle with the towns over this proposal, the Administration agreed that the special study commission is a better way to determine the future of police services in Erie County.

The key features of the Commission are as follows:

Membership: The Commission is comprised of the 1) County Executive, 2) Sheriff, 3) the chairman of the County Legislature committee on public safety, 4) two supervisors from towns who currently have their own municipal police departments, 5) two supervisors who currently use Sheriff's road patrol, 6) two police chiefs, and 7) two police union officials.

Scope of Study: The study will broadly examine the issue of centralized versus decentralized police services in Erie County with the intent to present recommendations on the most cost efficient and functionally effective method to organize our County and municipal law enforcement agencies. The analysis will be heavily guided by comparison to other models for police services throughout the United States. There are two likely outcomes of the Commission study: First, an expansion of Sheriff's road patrol to cover towns that now have their own municipal police departments. Second, a decision to withdraw Sheriff's road patrol from towns that now receive that service to be replaced by their own departments or to merge with other municipal departments.

Regardless of the study conclusions, the County can no longer afford to provide Sheriff's road patrol to some municipalities and not to other municipalities. Those municipalities who choose to use the Sheriff will need to enter into a contract with the County and reimburse the costs for road patrol service. At present, as shown on the attached schedule, 22 towns use Sheriff's road patrol as their primary source of police protection. The cost of this service was calculated to be $5,258,802 in 2005 – and is expected to grow to $5,746,435 by 2008.

As previously proposed, the County Administration will notify those towns in early 2007 of a three-year, phased-in charge for road patrol service. This program would bring the County $1,913,563 in 2008, $3,827,126 in 2009, and the full $5,258, 802 in 2010. Should towns choose to start their own municipal departments, offsetting reductions will be made in the Sheriff's Division budget.

FOUR-YEAR PLAN: FUNDING CHANGE TO SHERIFF'S ROAD PATROL

	Patrol Calls For Service				Fiscal Impact			
Town	2004 # of Calls	2005 # of Calls	Two Year Avg. # of Calls	% of Calls	2005 Cost	% of Cost	2008 Cost % (Inflated 2005)	One third charge for 2008
Akron	733	631	682	2.27%	$119,177	2.27%	$130,228	$43,366
Town of Alden	1,995	1,770	1,883	6.26%	328,959	6.26%	359,463	119,701
Village of Alden	953	736	845	2.81%	147,573	2.81%	161,257	53,699
Boston	1,085	1,008	1,047	3.48%	182,872	3.48%	199,829	66,543
Brant	687	464	576	1.91%	100,566	1.91%	109,891	36,594
Clarence	5,965	5,374	5,670	18.84%	990,722	18.84%	1,082,588	360,502
Colden	736	618	677	2.25%	118,303	2.25%	129,273	43,048
Collins	898	732	815	2.71%	142,418	2.71%	155,624	51,823
Concord	1,107	855	981	3.26%	171,426	3.26%	187,321	62,378
Elma	3,377	2,933	3,155	10.48%	551,323	10.48%	602,446	200,614
Farnham	72	93	83	0.27%	14,417	0.27%	15,753	5,246
Grand Island	5,113	4,739	4,926	16.37%	860,798	16.37%	940,617	313,226
Holland	854	766	810	2.69%	141,544	2.69%	154,669	51,505
Marilla	1,080	825	953	3.17%	166,445	3.17%	181,879	60,566
Town of North Collins	534	457	496	1.65%	86,587	1.65%	94,615	31,507
Village of North Collins	595	480	538	1.79%	93,926	1.79%	102,635	34,178
Newstead	990	882	936	3.11%	163,562	3.11%	178,729	59,517
Sardinia	827	736	782	2.60%	136,564	2.60%	149,227	49,693
Seneca Indian Nation	1,130	1,152	1,141	3.79%	199,385	3.79%	217,873	72,552
Springville	2,561	2,273	2,417	8.03%	422,361	8.03%	461,525	153,688
Wales	772	600	686	2.28%	119,876	2.28%	130,991	43,620
Total	**32,064**	**28,124**	**30,094**	**100.00%**	**$5,258,802**	**100.00%**	**$5,746,435**	**$1,913,563**
							$5,746,435	
							Represents an annual inflation rate of 3% for 2005 thru 2008	

4. COLLECTIVE BARGAINING CONCESSIONS

The baseline forecasts in the plan assume 1.75% cost of living increases in the three out years of the plan. These amounts are $3,225,887 in 2008, $3,332,342 in 2009, and $3,442,309 in 2010.

However, the collective bargaining strategy of the County Executive for 2008 is that any wage increases should be offset by union concessions in areas such as health care costs and work rule changes. For instance, management confidential employees in County government as of 2007 will contribute 15% of their medical insurance costs. Similar contributions from all County workers beginning in 2008 would save nearly $5 million per year.

In its analysis, Public Financial Management estimated the following potential annual savings from work rules reforms:

- Sick leave policy changes: $380,000
- Restructuring of vacation leave: $400,000
- Elimination of summer hours: $490,000
- Reform of overtime rules: $820,000

The current County Administration will not agree to wage increases for 2008 that are not cost neutral to the County as a result of concessions in health care and work rule benefits. A similar policy is recommended for the succeeding County Administration as it prepares its 2009 and 2010 budgets.

SECTION THREE: RESTORATION OF FUND BALANCE

Restoration of the County's reserve fund balance is an important strategic goal of the four-year plan. Fortunately, the County's positive operating results in 2005 and 2006 are contributing significantly toward the objective of reaching $75 million of fund balance reserves. Because of the 2005 surplus, the County currently has $14.4 million of fund balance. Based upon current projections, the Administration predicts that 2006 will end with a positive operating result of at least $27.8 million. Thus, when the 2006 audit is officially completed, the County will have cumulative fund balance reserves of over $42.0 million.

The proposal for fund balance restoration in 2007 relies upon the request to the Fiscal Stability Authority to make available to the County $9 million of the $18 million of Efficiency Grant funds appropriated by the State Legislature. With regards to the $18 million, the appropriation language says: "At least fifty percent of amounts appropriated herein shall be held by the Authority to match recurring savings achieved by Erie County through implementation of initiatives contained in such plan."

Outlined in Attachment I are over $9 million of savings achieved in 2006 which recur as part of the 2007 budget. This list of savings qualifies the County to receive from the Fiscal Stability Authority the $9 million of "matching" funds described in the appropriation language cited above. If approved, these funds would be set aside in a contingency account to provide a safeguard against unexpected negative events in the 2007 fiscal year. Should the contingency account not be needed, which is the expectation, they would contribute at the end of 2007 to the further restoration of fund balance – thus bringing total fund balance to over $50 million.

For future years, the County Administration intends to pursue the proposal previously outlined to change the method by which Erie County provides financial assistance to school districts. The key components of this plan are: 1) Eliminate the current method of sales tax revenue sharing to school districts, 2) Maximize the total amount of State STAR assistance to which Erie County school districts are entitled, and 3) Hold the school districts financially "harmless" by creating a new Erie School Tax Credit program. Discussions are currently underway on this proposal with all the parties involved: the three cities, the suburban school districts, the County Legislature, and the State Legislature. Depending upon the outcome of these discussions, the County Administration expects to realize at least a $10 million annual financial gain effective in the 2008 fiscal year. These monies would be used to continue the goal of restoring fund balance – and also could be used for such purposes as pay-as-you-go financing or debt reduction. (Note: Implementation of the school financing proposal is not necessary to close projected gaps in the fiscal 2008-2010 period.)

Appendix One

RECURRING SAVINGS FROM 2006 IN THE 2007 BUDGET

The 2007 budget contains numerous categories of savings which are recurring from the 2006 results of operation. Outlined below are some of those larger items.

1. Reduce Residential Treatment Facility Expenditures

The Department of Mental Health has a multi-year program to reduce the number of youth who are served in residential settings. This program saved $1,997,859 of County share dollars in 2006 – an amount that is expected to recur in 2007, as demonstrated by the following:

- 2005 County tax dollar appropriation: $8,494,804
- 2006 projected County tax dollar appropriation: $6,496,945
- 2007 budgeted County tax dollars: $5,715,995

Thus, the County will have saved $2,778,809 from the 2005 level: with $1,997,859 being a recurring amount from 2006.

2. Reduce Personnel Service Expense Through Vacancy Control

The County Administration has practiced tight control of vacancies in 2006 – and is projecting "turnover" savings of at least $5 million this year. For details, refer to the year-end projection contained in the July BMR. The 2007 budget will include a planned turnover account of $2,300,000 – which would qualify as a recurring savings from 2006.

3. Reductions in Library Expenditures

The County subsidy to the Library has been capped at $21,671,833 since 2005 – which has caused an extensive reduction in the number of personnel and closing of over 20 branches. The savings are indicated as follows:

- 2005 expenditures on personnel and branch operations: $13,878,748
- 2006 expenditures on personnel and branch operations: $10,526,947
- 2007 budget for personnel and branch operations: $9,875,387

Thus, there is $3,351,801 of 2006 savings which recur in 2007.

4. Personnel Savings in the Highways Division

The expenditures for full-time staff and overtime in the Highways Division have been reduced because of the move to one-person snow plowing and other operations changes, as demonstrated in the following:

- 2005 actual spending on full-time salaries and overtime: $8,771,964
- 2006 actual spending on full-time salaries and overtime: $7,570,000
- 2007 Executive Budget for full-time salaries and overtime: $7,743,110

Thus, there is recurring savings of $1,025,964 from 2006 to 2007.

5. Personnel Reduction in County Executive's Office

The expenditure for personnel in the County Executive's Office has been reduced as follows:

- 2005 actual personnel expenditure: $770,643
- 2006 actual personnel expenditure: $551,867
- 2007 budgeted personnel expenditure: $556,969

Thus, the recurring savings from 2006 is $213,667.

6. Change to Managerial Health Care Benefits

Effective in 2006, managerial confidential employees contributed 10% of their medical insurance costs through payroll deductions. This change saved the County $215,000 and that amount recurs in 2007.

7. Summary

- Residential treatment: $1,997,859
- Vacancy control: 2,300,000
- Library expenditures: 3,351,801
- Highways personnel: 1,025,964
- County Executive: 213,667
- Managerial health: 215,000

TOTAL: $9,104,291