The County of Erie, New York

Four-Year Financial Plan: FY2005 - FY2008

Transmitted by

The Honorable Joel A. Giambra

Erie County Executive

To

The Erie County Legislature

September 13, 2005

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<u>The County Government's Financial Challenges</u>

Despite the County of Erie's many strengths, it has struggled to adapt to economic change over the last half century. The Giambra Administration took office seeking to reverse this course, aiming to create an environment conducive to expanded private investment and quality of life by improving the County's infrastructure and reducing the cost of government through local government merger and tax reductions.

There have been successes. The County's employees have moved to a single healthcare provider. A modern financial management system is being put in place. Eying regionalism, the County assumed responsibility for City of Buffalo parks assets, and has entered into an agreement with a non-profit organization to operate them. The County Government has invested heavily in its roads, public buildings, and other capital assets, while keeping its debt burden moderate. Using 2003 data, out of nine New York counties used in a comparison, seven had higher debt service as a percent of total expenditures than did Erie County (2.5 percent), while five counties had outstanding debt per capita higher than Erie County ($489).[1]

Such achievements noted, the County Government faces severe financial challenges which quick fixes cannot overcome. The first step to recovery is to acknowledge these challenges. Eager to reduce the price of government, the County cut property taxes 35 percent at the beginning of the decade, only to be swept over by a tide of swelling employee costs, the Medicaid burden, the effects of a sluggish economy upon sales tax revenues, and lost opportunities for efficiencies due to the slow pace of organization change, particularly with respect to the County's Government's desire for greater regionalization. Medicaid spending as a share of the County's General Fund budget climbed from 17.4 percent in 1993 to 22.1 percent in 2003, at a cost to Erie County of $91.8 million.

When anticipated revenues and savings did not materialize, the County did not make enough difficult decisions to right itself financially. Until 2005, potential gains in revenue associated with an increase in property values were offset by a policy of reducing the tax rate to hold the total levy flat, even as the County's costs grew. The County's property tax policy has put hundreds of dollars back into the pockets of Erie County's taxpayers, but at the cost of depleting too much of the County's most stable, predictable revenue source.

A structural fiscal imbalance – an excess of recurring expenditures over recurring revenues – has ballooned in size over the decade. The County's operating deficits have climbed from $10 million in FY2001 to $39.9 million in FY2002, $44.1 million in FY2003, and $100 million in FY2004. Estimates of this fiscal gap reached as high as $118.4 million in FY2005 and $278.9

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[1] Counties are Albany, Dutchess, Erie, Genesee, Monroe, Nassau, Niagara, Onandaga, Suffolk. Source: 2005 Annual Report of Local Governments by the Office of the New York State Comptroller. The County's debt is described more fully in Financing Chapter of this Four-Year Plan.

million by FY2009, as identified by the Office of the New York State Comptroller.[2] Over $346 million in one-time measures have been used to bridge this gap, including the draw down of over $200 million in fund balance, the use of nearly $60 million in tobacco securitization proceeds, and $85 million from the transfer of the Erie County Medical Center, as well as a heavy reliance on expanding cash flow borrowings.

Over the last year, the County experienced a series of rating downgrades by firms which analyze the County Government's credit, Moody's and Fitch. Erie County's credit ratings have fallen from a high investment grade of A2/AA- in June 2004 to Baa3/BBB- in June 2005, the lowest investment grade ratings. Further downgrades will cause the County Government's rating to fall below investment grade. Erie County would then become the only major county in this country to be labeled with "junk bond status," adversely impacting the County's cost of borrowing and jeopardizing the County Government's ability to continue long term financings of important capital projects, as well as seasonal cash flow financings.

In March 2005, the County undertook a sweeping round of layoffs which drove a reduction of the workforce by 1,130 full-time employees. This was followed by the adoption of a 0.25 percent Sales Tax increase, expected to generate $15.4 million in revenue in FY2005, and $31.6 million in FY2006. In July, the State of New York promulgated a statute creating the Erie County Fiscal Stability Authority ("ECFSA" or "Authority"). Fitch then adjusted its negative outlook on the County's credit to a stable outlook, albeit still at Fitch's lowest investment grade rating. Also in July, the County undertook a transaction to free $108.0 million in tobacco securitization proceeds for use in closing its FY2005 gap, meeting its cash flow needs through early 2006, and providing about $18.0 million in funding for capital projects.

Through this combination of measures, the County will balance its budget in FY2005. But meeting the immediate budget need does not suggest that a permanent solution has been found. Far from it. Before factoring in the effects of the 2005 0.25 percent Sales Tax increase, the County Executive and County Comptroller, with technical assistance provided by consultants of the Authority, have projected a fiscal gap for FY2006 of $140.0 million if corrective action is not taken. This gap is projected to reach $183.9 million by FY2009. The Fiscal Gap chapter of the Four-Year Plan expands upon this projected gap, as well as a number of financial risks facing Erie County.

The statute authorizing the creation of ECFSA requires that the County adopt a Four-Year Financial Plan for FY2005, and subsequent years, which is to be reviewed and ultimately approved by the ECFSA. Aiming to reduce the County's reliance on one-time measures to meet immediate budget needs, the FY2005 Four-Year Plan is to identify sufficient recurring savings and revenues to close 10 to 15 percent of the $118.4 million gap identified by the Office of the New York State Comptroller in FY2005 (a minimum of $11.8 million), and increasing shares of the fiscal gap in future years.

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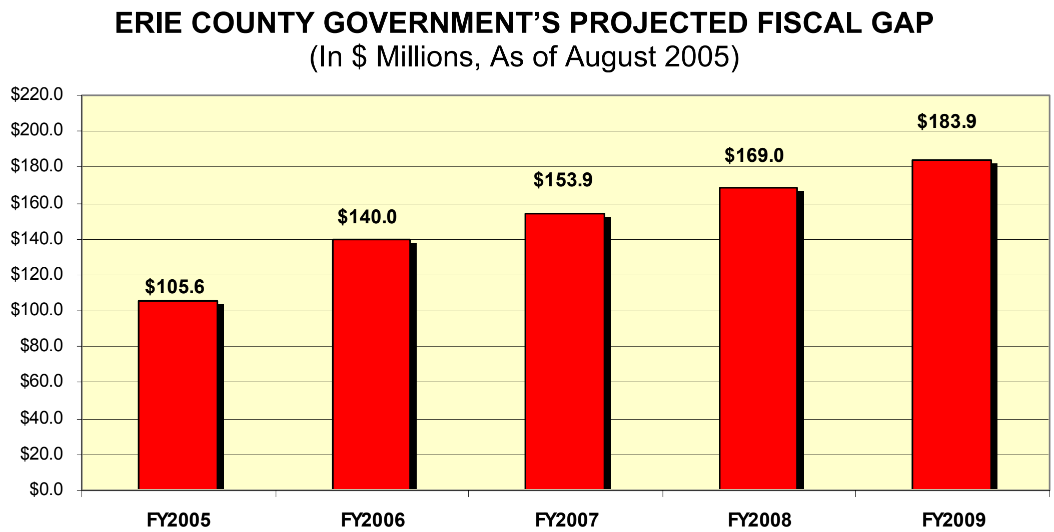
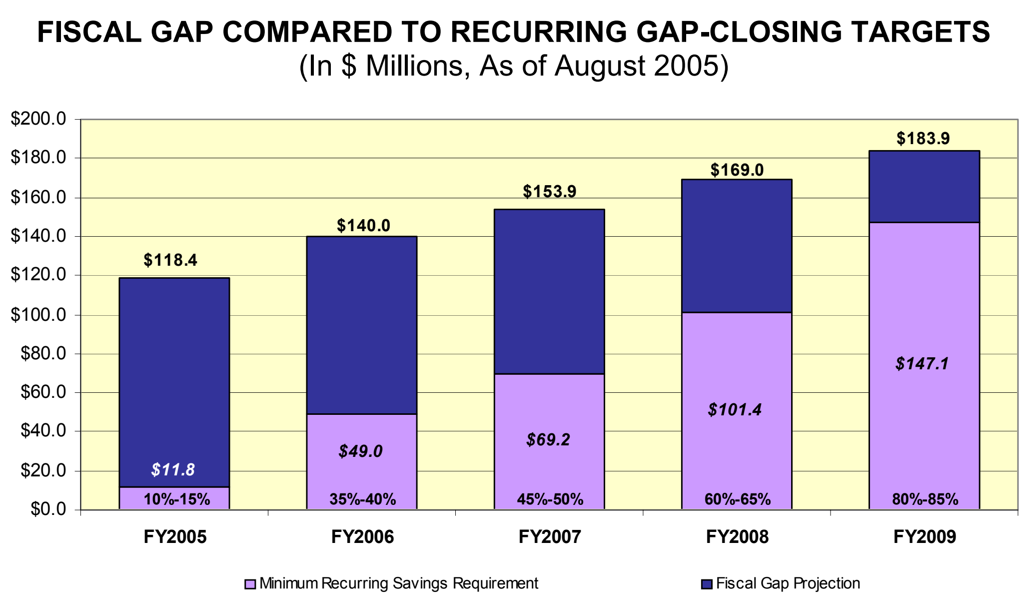
[2] Office of the New York State Comptroller, Division of Local Government Services & Economic Development, Budget Review Erie County, June 2005.



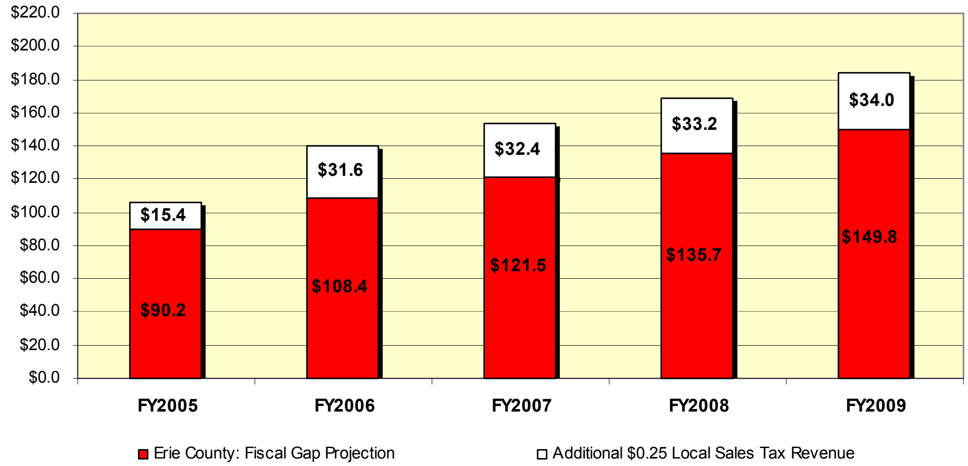
The FY2005 Four-Year Financial Plan, quickly followed by the FY2006 Financial Plan, will identify new sources of recurring revenues and savings to close the projected fiscal gap:

- FY2006: at least 35 percent of the gap to be closed by recurring savings and revenues ($49.0 million)
- FY2007: minimum 45 percent closed by recurring savings and revenues ($69.2 million)
- FY2008: recurring revenues and savings are to close at least 60 percent of the gap ($101.4 million)
- FY2009: at least 80 percent of the gap ($147.1 million) is to be eliminated by recurring revenues and savings.



The County has already implemented its first major gap-closing initiative through the passing of a 0.25 percent local sales tax rate increase as of July 1, 2005. This increase is projected to add $15.4 million in revenue in FY2005, and $31.6 million in FY2006 growing to reach $34.0 million by FY2009.

ANNUAL FISCAL GAP
INCLUDING ADDITIONAL 0.25 % LOCAL SALES TAX RATE
(In $Millions)



The revenue projected by this sales tax increase is expected to be sufficient to meet the minimum recurring revenue/savings initiative threshold for FY2005. The chart which follows presents these requirements through FY2009.

The Four-Year Financial Plan's Approach

There are a number of approaches to closing the fiscal gap. Perhaps the easiest would be a single, massive restoration in property and sales taxes, followed by continuation of business as usual. The FY2005 Four-Year Plan takes a much different approach. It is designed to maintain the focus of the County Government upon policy decisions and operational practices which will make the Government more efficient, more accountable, and more effective – fundamental conditions for the County's economic recovery. This balanced approach is built upon the following foundation:

- Management savings and cost-recovery initiatives, which serve as the cornerstone of the Four-Year Plan

- Property tax restoration, held in check by the accumulated impact of $183.6 million from implementation of management initiatives

- Diminished, then ultimately eliminated, use of one-time budget balancing measures, such as tobacco securitization proceeds in FY2005, and a deficit borrowing in FY2006, which will be used to buy time until the management initiatives take hold. The use of one-time measures will be much lower than that allowed in the fiscal stability statute.

2005	
2005 Structural Gap	$105,691,000
New $.25 Sales Taxes (partial year)	$15,533,000
Use of Tobacco Proceeds	$90,158,000
Net Gap After Actions to close	$0
Tobacco Proceeds	$108,000,000
Less Use to Close 2005 Gap	$90,158,000
Tobacco Proceeds for Capital (in addition to $87MM borrowing)	$17,842,000
Actions to Reach Structural Budgetary Balance	$15,533,000
Miminum Recurring Revenue or Recurring Savings Required by Statute in 2005	$11,840,000
Amout Actions Exceed Statutory Minimum	$3,693,000
One-Time Actions to Close Gap	$90,158,000
2005 Capital Borrowing	$87,000,000

2006	
2006 Gap	$140,020,000
Actions to Reach Structural Budgetary Balance	
New $.25 Sales Taxes (full year)	$31,600,000
25% Property Tax Increase	$35,853,000
Cut in Operating Subsidy to ECMCC	$13,500,000
Recurring Savings & Cost Recovery Initiatives (Not Counting Initiatives Needing Union/State Approval)	$12,988,000
Total Recurring Gap Closure 2006	$93,941,000
Increase Due to HigherCapital Borrowing	-$1,210,000
Net Gap Closure	$92,731,000
Miminum Recurring Revenue or Recurring Savings Required by Statute in 2006	$49,000,000
Amout Actions Exceed Statutory Minimum	$44,941,000
One-Time Actions to Close Gap	$51,645,000
Refunding For Savings (OR Contribution to Fund Balance)	$1,765,000
Deficit Financing	$45,524,000
Net Gap After Actions to Close	$0

2007	
2007 Gap	$153,880,000
Actions to Reach Structural Budgetary Balance	
New $.25 Sales Taxes	$32,400,000
25% Property Tax Increase of 2006 & 24% Tax Increase of 2007	$80,687,000
Recurring Savings & Cost Recovery Initiatives ($23.6 Million County Controlled; $14.7 Million Union or State Control)	$38,667,000
Cut in Operating Subsidy to ECMCC	$13,500,000
Total Recurring Gap Closure 2007	165,254,000
Increase Due to Higher Capital Borrowing	(5,414,000)
Net Gap After Actions to Close (Neg is contribution to fund balance)	-$5,960,000
Miminum Recurring Revenue or Recurring Savings Required by Statute in 2007	$69,200,000
Total Recurring Gap Closure 2007	$170,668,000
Amout Actions Exceed Statutory Minimum	$101,468,000

2008	
2008 Gap	$168,934,000
New $.25 Sales Taxes	$33,200,000
25% Property Tax Increase of 2006 & 24% Tax Increase of 2007	$82,301,000
Recurring Savings & Cost Recovery Initiatives ($33.3 Million County Control/$23.7 Million Union or State Control)	$52,666,000
Reducion of ECMCC $13 Million Operating Subsidy	$13,500,000
Total Recurring Gap Closure 2008	$181,667,000
Increase Due to Higher Capital Borrowing	$8,603,000
Net Gap After Actions to Close (Negative is Contribution to pay go Capital Projects or Fund Balance)	-$4,130,000
Miminum Recurring Revenue or Recurring Savings Required by Statute in 2008	$101,400,000
Total Recurring Gap Closure 2008	$173,064,000
Amout Actions Exceed Statutory Minimum	$71,664,000

2009	
2009 Gap	$183,819,000
New $.25 Sales Taxes	$34,000,000
25% Property Tax Increase of 2006 & 24% Tax Increase of 2007	$83,947,000
Recurring Savings & Cost Recovery Initiatives ($34.7 Million County Control/$32.9 Million Union or State Control)	$68,082,000
Reducion of ECMCC Operating Subsidy	$11,500,000
Total Recurring Gap Closure 2008	$197,529,000
Increase Due to Higher Capital Borrowing	$8,608,600
Net Gap After Actions to Close (Negative is Contribution to pay go Capital Projects or Fund Balance)	-5,101,400
Miminum Recurring Revenue or Recurring Savings Required by Statute in 2009	$147,100,000
Total Recurring Gap Closure 2009	$188,920,400
Amout Actions Exceed Statutory Minimum	41,820,400

Note. The County does not plan to budget funding any operating subsidy for ECMCC beyond the debt service payment obligation. The County and ECMCC are currently in litigation regarding the County's obligaton to fund operating expenses in excess of debt service. If the County loses and is obliged to pay the operating subsidy, it can be expected that the planned FY2006 deficit borrowing will have to increase by the amount of the subsidy, unless savings or revenues can be realized elsewhere.

Management Initiatives. Consistent with the theme of balance, the Four-Year Plan sets forth a large number of "tough love" management initiatives that may require sacrifices from a broad number of stakeholders. The Plan emphasizes about 150 of these management initiatives aimed at fundamentally strengthening the way the County's finances and workforce are managed, how its services are structured and delivered, and its costs recovered. Indeed, some initiatives suggest that the County may get out of certain businesses altogether, a concept to be further fleshed out in the FY2006 Four-Year Plan. These management initiatives will close an accumulated $183.6 million of the fiscal gap through FY2009. A summary of these initiatives is provided in Appendix C, with principal initiatives described in greater detail throughout the Plan.

Most of these management initiatives – with an estimated accumulated impact of $115.5 million – can be implemented at the discretion of the Executive and Legislature. Other initiatives, potentially closing $83.4 million of the gap, will likely be affected by union reaction, or the consent of State, or other local governments. If the latter group of initiatives is not approved, painful rounds of service reductions or tax increases will be necessary. But the Plan is not some mere litany of cuts. It is acknowledged that the layoffs which occurred in the first quarter of the year eliminated a number of employee positions which have constrained the County Government's ability to recover its costs (e.g., Medicaid Fraud) and constrain spending (e.g., the absence of probation officers contributing to spending at the Jail; the elimination of central Workers' Compensation and fleet manager positions). Initiatives with fiscal impacts which are currently "To Be Determined" ("TBD") will continue to be developed and will be implemented.

On the heels of the layoff of 1,280 employees over the prior 12 months, the Four-Year Plan contemplates hiring full-time and part-time staff principally aimed at controlling expenses and recovering revenue. The Plan also provides for continued investment in the County's infrastructure, including $85.7 million in capital improvements for the City's waterfront, the Erie County Medical Center, and other projects by the close of FY2005, and $30.0 million each year thereafter. Borrowing associated with this investment will be done in accordance with a debt management policy which takes into consideration the burden of debt upon the County's operating budget, and holds total outstanding debt to prudent levels.

To be conservative, the estimated impact of most of these management initiatives is heavily discounted in FY2006, and sometimes the out-years as well, to allow time for implementation. The fiscal impact of many initiatives is not yet calculated. Additional savings and revenues generated by discounted initiatives and those with impacts yet to be determined will contribute to building the County's fund balance. Sufficient initiatives are identified in FY2007 and beyond to provide the County Government with options regarding which initiatives to adopt.

The table below compares the accumulated value of the management initiatives associated with achieving savings and cost-recovery/non-tax revenue enhancement, before considering

Affecting recurring gap closure will be the level of County Government support to the Erie County Medical Center Corporation ("ECMCC"). The County is currently in litigation with the hospital corporation over the County subsidy, and the disagreement is about the interpretation of the terms of the contract of sale. The hospital corporation contends that the agreement requires the County to subsidize the hospital at a rate adequate to cover any budget deficit the hospital may realize. The County, however, believes that its only obligation is to cover $5.6 million to $7.6 million in annual debt service costs incurred by ECMCC to finance the purchase of the hospital and other assets. This case is scheduled to be ruled upon by the end of this calendar year, and the decision is likely to significantly impact the General Fund by either increasing or decreasing the required subsidy level to the hospital.

The Four-Year Plan assumes litigation will result in the County's favor, reducing the base case fiscal gap projection by $13.5 million. If the County loses and is obliged to pay the operating subsidy, exposure to the County could have to pay the $13.5 million, $18.6 million (based upon the ECMCC projection for FY2006 of $24.2 million less $5.6 million of debt service the County already intends to pay), or another amount ultimately determined. In such case, it can be expected that the planned FY2006 deficit borrowing will have to increase by the amount of the subsidy, unless savings or revenues can be realized elsewhere.

Property Tax Restorations. The Four-Year Plan calls for property tax rate restorations of 25 percent in FY2006 and another 24 percent in FY2007. These restorations are expected to generate $35.9 million of recurring revenue in FY2006, and $80.7 million in FY2007, keeping pace in the future with increases in assessed values. While property tax adjustments are undesirable, this tax restoration will keep the County competitive with respect to the rates of other Upstate New York counties, and will be lower than the tax hike needed to balance the budget in FY2006 if the Four-Year Plan's more balanced strategy were not in place. Erie County's property tax rates will still compare favorably to the 2004 rates in Monroe County, at $7.85; Niagara County at $8.86; and Onondaga County at $7.71, as well as the average of $8.11 for Upstate counties.

One-Time Measures. A financial recovery plan based only on one-shot use of tobacco proceeds or deficit borrowing would not be credible. But within the context of a multi-year financial plan such as Erie County's, the use of a modest and declining amount of one-time measures in the early years of the recovery process is not unusual, as it allows a large government to buy time until management initiatives take hold. The County of Nassau, NY and the County/City of Philadelphia, PA both applied this strategy as part of their successful financial recovery efforts.

Reliance upon one-shots must diminish each year. The statute creating the Fiscal Stability Authority contemplated this when setting forth the minimum thresholds of gap closing which had to be accomplished through recurring revenue and savings. Erie County's Plan applies over $90.0 million of tobacco securitization proceeds in FY2005. A deficit borrowing of about $46 million is anticipated for FY2006 – modest in scale compared to the hundreds of millions of dollars of non-recurring gap closing initiatives in recent years. No additional one-shots would be required in FY2007, or beyond, if the County's management initiatives are achieved.

However, if unfavorable events occur, such as a large operating subsidy payment to the ECMCC, or shortfall in the realization of initiatives whose outcomes are affected by unions or the State Government, some combination of tax increases, service cuts, or additional borrowing will be necessary.

How the Four-Year Plan Has Been Developed

The Four-Year Financial Plan is the County's document. The County Executive transmits it to the Legislature. The Legislature is to review it and, it is hoped, provide its consent. The Executive transmits it to the ECFSA for its review, and – again it is hoped – its approval. It is the County Executive's responsibility to manage the Four-Year Plan's implementation and report on its results. The Legislature will be asked to authorize the initiatives requiring its authorization. The figures and management initiatives presented in this Four-Year Plan are the County's. The ECFSA has made available a consultant, experienced in the development of multi-year financial recovery plans, to provide technical assistance to the County in formulating reasonable initiatives to close the gap and strengthen the credibility of its numbers.

Given the benefit of time, the FY2006 Four-Year Financial Plan, to be delivered to the Legislature on October 15th, will include more in-depth analysis on mandates associated with the County's services, interviews with State departments whose interaction with the County has significant impact on the County's finances, and an assessment of operational impacts of a number of key initiatives.

The ECFSA's consultants worked with the County Comptroller, Budget Director and their staffs in identifying Erie County Government's fiscal gap, using standard five-year fiscal gap projection methodology. To build the foundation of the projections, detailed FY2002 and FY2003 audited budget actual data and FY2004 preliminary budget actual data by fund, fund center, and account from the County's SAP financial system were used. Personal services costs were modified using year-to-date actual payroll data through pay period 16 of 26 annual pay periods. This data included salaries and wages, other compensation, health insurance and other benefits, workers' compensation and pension costs. FY2005 personal services costs were then derived by projecting the remainder of the fiscal year based on the first 16 pay periods, supplemented by historic trends and, where appropriate, additional information as provided by County department and financial staff. Lastly, FY2005 budget and/or year-to-date information was used where appropriate to reflect current service and subsidization levels and revenue trends as in, for example, the Social Services Department, the Parks Department, County Clerks Office, and the annual contract payment to the ECMC.

Once the base of the projections was set using this information, extensive data gathering and research was conducted with County finance and budget analysts to ascertain appropriate levels of growth rate assumptions for FY2005 and each of the next four years based on the three-year trends from the initial data. Where possible, revenue growth rate assumptions were developed based on five- to ten-year historic trends and/or independent analysis to apply longer-term historic trend assumptions. Additionally, third-party sources were consulted where available and appropriate to provide independent analysis including the State Comptroller's Division of Budget, the New York State and Local Retirement System, the Niagara Insurance Group, and the Buffalo Niagara Convention and Visitors Bureau. Also, regional and national trends were used where appropriate based on Size Class B Urban CPI data from the US Bureau of Labor and Statistics or the Survey of Professional Forecasters at the Federal Reserve Bank of Philadelphia. In all cases, County financial staff was consulted continually to ensure consensus on the accuracy and reasonableness of the findings of this analysis.

Management initiatives have been identified from discussions and analysis involving the County Executive, senior executive staff, the technical consultant provided to the County by the ECFSA, financial and operations managers, other elected officials and their staff, members of the Judiciary, and contractors supporting department operations. Intensive analysis has been applied to financial and personnel data drawn directly from the County's central financial and personnel management systems. A number of findings and recommendations of such documents as the Buffalo-Niagara Partnership Report and the Breaking the Cycle Report have been incorporated in the Four-Year Plan. This spirit of collaboration will be necessary if the Four-Year Plan is to be successfully put in place, and the County is to regain sound financial footing and effective organizational change.

Putting the County Government's fiscal house in order will depend on the cooperation of the County's elected officials. Virtually everyone with a stake in County Government will have to bear some measure of burden; but this burden will be much less than the long-term costs of lost economic competitiveness, quality of life, and credibility if the County's financial woes were allowed to continue.

The Four-Year Plan is as much a process as a document. As time passes, projections will change. Some initiatives may work more effectively than expected, others less so. As such, the County will update the Plan in years ahead, and establish a system to report on its implementation. In the final analysis, the Four-Year Plan will only be as good as the will to make it happen.

II. FISCAL GAP

THE FISCAL GAP

Projections of the County's budget from FY2005 are the foundation of the examined fiscal position of Erie County's funds. To gain a clear understanding of its financial health, the County embarked on a detailed analysis of its two main operating fund categories: the General Fund and Debt Service Fund. The General and Debt Service Funds are of particular concern because they directly impact the County's tax base and tax payers. Any shortfall in these two funds may adversely impact service provision or the tax rate. This chapter describes factors affecting the General and Debt Service Funds by defining and analyzing detailed budget projections, identifying potential fiscal gap(s), and introducing initiatives to remedy the fiscal gaps identified. This chapter also summarizes the results, along with associated key trends and assumptions.

The following section defines terms that are important for interpreting these projections.

Terms

The term *baseline projection* refers to the County's fiscal position if historical revenue and expenditure trends were to continue. Information provided by analysis of historical trends is supplemented by research into specific factors, such as the annual payment to the Erie County Medical Center ("ECMC"). The *deficits* that are projected in each of the Plan's five years reflect the excess of expenditures over revenues in a given year. As described below, the projections indicate that Erie County has a *structural deficit*; i.e., recurring expenditures exceed recurring revenues on an ongoing basis, factoring out one-time events.[1] The projections discussed herein do not project one-time events into the future.

The County's *total fiscal gap* is equal to its total projected deficit in each Plan year if no corrective action were taken to bring the County's revenues and expenditures into balance. The total fiscal gap is the target to be equaled or exceeded by the dollar value of gap-closing management *initiatives*. These initiatives include strategies for organizational restructuring, spending reductions, cost recovery and other increases in recurring revenues, labor cost containment, and productivity enhancements[2]. Reliance upon one-shot measures to close the gap, such as use of tobacco securitization proceeds for the operating deficit in FY2005, or deficit borrowing in FY2006, would not be consistent with sound fiscal strategy if relied upon as the principal means of meeting immediate budget pressures. Within the context of the Four-Year Financial Plan, these one-time measures will not be used to paper over structural imbalances in the County's revenues and expenditures. Instead, coupled with the FY2005 sales tax increase and 22 percent property tax increases in FY2006 and FY2007, one-time use of tobacco proceeds and then deficit borrowing will play a steadily diminishing role in bridging budget shortfalls in the Plan's early years, buying time to allow the management initiatives to take hold. The fiscal impact of these initiatives will ramp up each year of the Four-Year Plan, eliminating increasing shares of the fiscal gap each year.

[1] *Budget deficits* are the excess of expenditures over revenues counting one-time events as well as recurring expenditures and revenues.

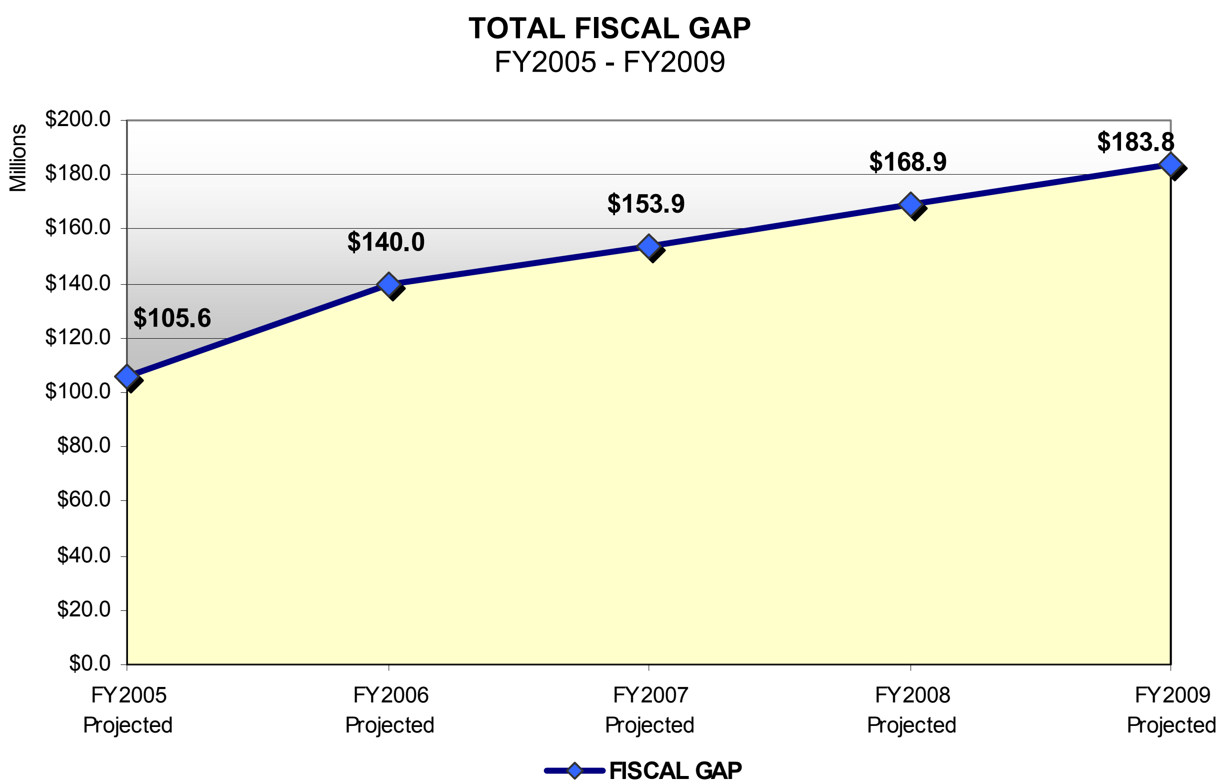
[2] Some initiatives are intended to improve internal controls, transparency, and accountability of County government, but are not necessarily expected to have a quantifiable impact on the fiscal gap.

A *fund* is a component or group of components of the County's budget. Funds are used to categorize operating and other monies by function, department, source, use or other characteristic for management purposes. For example, the General Fund is made up of monies used for the general operation of the County, and tracks revenues and costs of several but not all departments. The Debt Service Fund is earmarked for bond revenue and payments.

<u>The Fiscal Gap</u>

The analysis of the County's finances has uncovered fiscal distress, and the immediacy of the problem is demonstrated in the size of the total fiscal gap. The total fiscal gap is composed of the excess of expenditures over revenues in this and each of the next four fiscal years in the General Fund. Several parts work together to drain the County of budget dollars.

As shown in the graph below, the County faces a fiscal gap that grows successively to $183.8 million by FY2009. Without corrective action, Erie County faces a cumulative fiscal gap of $752.2 million through the next four years.



The following table breaks out the fiscal gap projections. Appendix A presents the projections for each fund in detail.

GENERAL FUND PROJECTED FISCAL GAP
FY2005 - FY2009

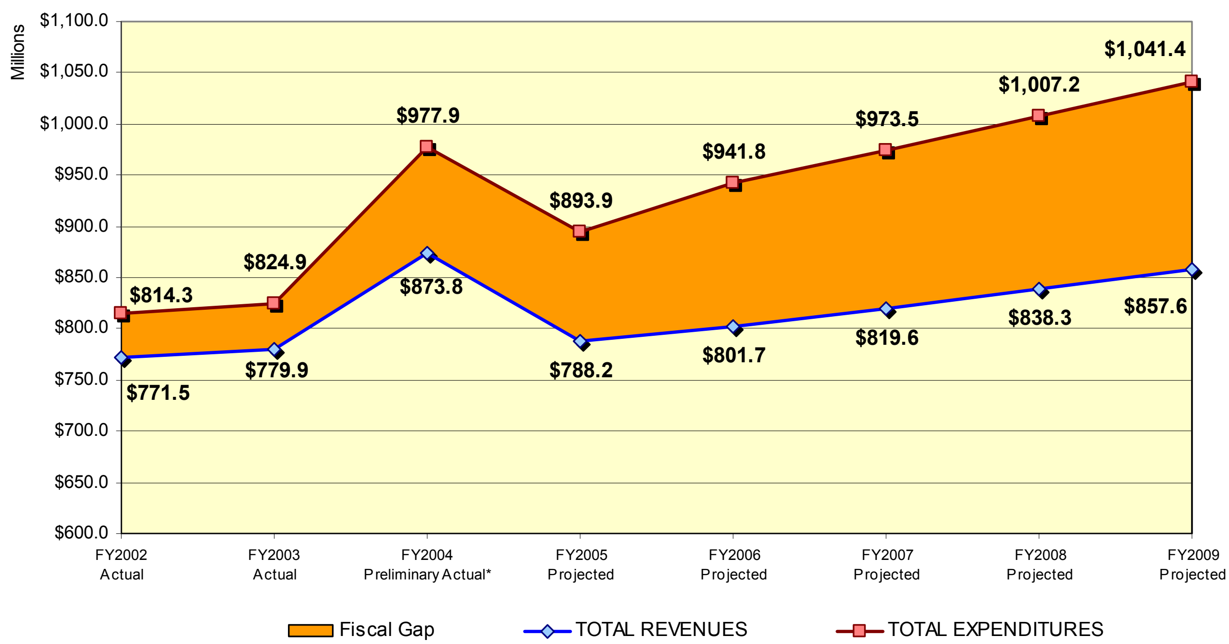
	FY2005	FY2006	FY2007	FY2008	FY2009
Revenues	$ 788,231,362	$ 801,743,122	$ 819,613,226	$ 838,282,274	$ 857,568,418
Expenditures	$ 893,872,280	$ 941,758,758	$ 973,484,483	$1,007,202,338	$1,041,369,705
TOTAL FISCAL GAP	**($105,640,918)**	**($140,015,635)**	**($153,871,257)**	**($168,920,065)**	**($183,801,287)**

General Fund

The General Fund is composed of operating funds used for essential County services, encompasses the majority of County departments' spending, and is almost entirely supported by State and Federal aid and local tax revenue. In addition to supporting County operations, the General Fund provides subsidies in the form of payments and fund transfers to cover debt service payments and operating expenses for other County functions.

Since FY2002, the General Fund has struggled to maintain balance amidst rising personnel costs and slower growth in revenues. General Fund revenues have grown each of the last two years, buoyed by the sale of the ECMC in FY2004. However, FY2003 and FY2004 saw personnel cost growth of over 10 percent. Expenses overall have grown an average 9.9 percent per year in the last three years, compared to revenue growth of 6.7 percent per year on average including the one-time ECMC sale revenues and expenditures. As a result, the County was forced to spend down the General Fund balance to below $0.5 million by the end of FY2004.

GENERAL FUND:
REVENUES AND EXPENDITURES
FY2002 – FY2009



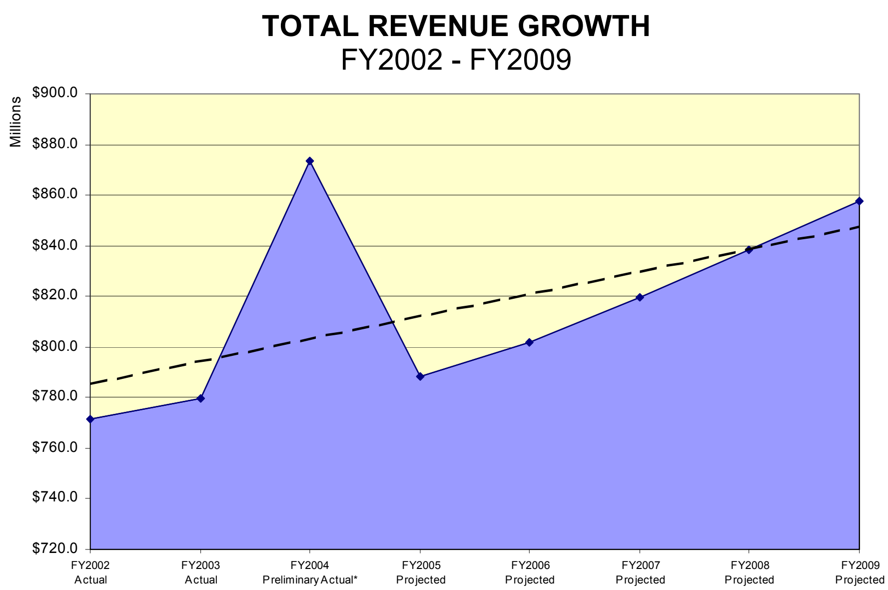
*Note: The Erie County Medical Center was sold in FY2004, resulting in one-time expenditures and revenues accounting for some irregularity in that year.

In each of the next four years, General Fund spending is projected to continue to surpass revenues. Without corrective action, General Fund expenditures are projected to be $893.9 million is FY2005, growing to $1,041.4 million in FY2009 with revenues of $788.2 million and $857.6 million respectively. This mismatch results in a General Fund budget deficit of $105.6 million in FY2005 growing to $183.8 million by FY2009.

Major Budget Drivers. The largest cost drivers in the General Fund are social service program expenditures, the apex of which is the local share of the Medicaid program. From FY2002 through FY2004, these costs accounted for 44.6 to 47.0 percent of total General Fund expenditures. Other than social service program costs, the General Fund budget is dominated by personnel expenditures, which are 54.2 percent of the FY2005 projected expenses. Therefore, social services and personnel expenses drive a majority of the General Fund deficit. On the revenue side, local taxes make up 51.6 percent of the revenues, of which property tax and sales tax revenue are 95.9 percent. State and federal aid for social service programs account for a large share of General Fund revenues. State and federal aid for social service and other programs account for 39.3 percent of the General Fund revenues projected for FY2005. State aid contributes 21.3 percent to annual revenue while Federal aid is projected to add 17.7 percent in General Fund revenue in FY2005. Fines, fees and charges are projected to be 3.4 percent of revenues in FY2005, while other sources and interfund revenue are projected to account for the remaining 5.7 percent of General Fund revenues.

Revenue

Budget projections for FY2005 through FY2009 show revenues growing at a steady average annual rate of 2.1 percent. Overall growth from FY2002 through FY2009 is shown in the graph below.

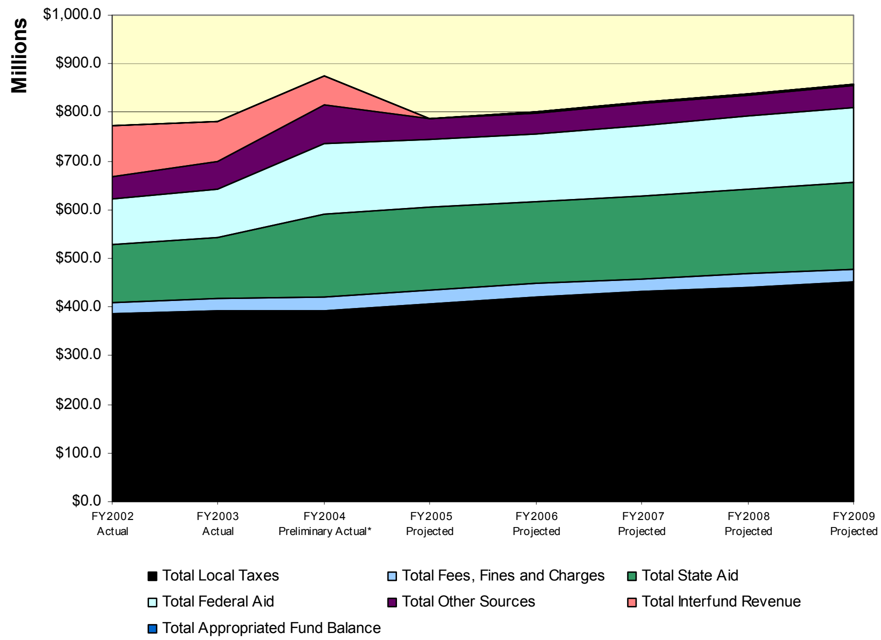


*Note: The County sold the Erie County Medical Center in FY2004 netting $36.7 million in one-time revenues. Additionally, a one-time accounting change moved approximately $30 million in revenues from Grants Funds into the General Fund, accounting for the unusual increase in revenue that year.

As shown in the following graph, the General Fund's revenue growth have been historically moderate, presenting a great challenge to the County as it faces expenditure growth that outweighs the growth of its limited revenue sources. The dynamics of individual revenue types will be described in greater detail in the following paragraphs.

ACTUAL AND PROJECTED GROWTH: MULTIPLE REVENUE SOURCES

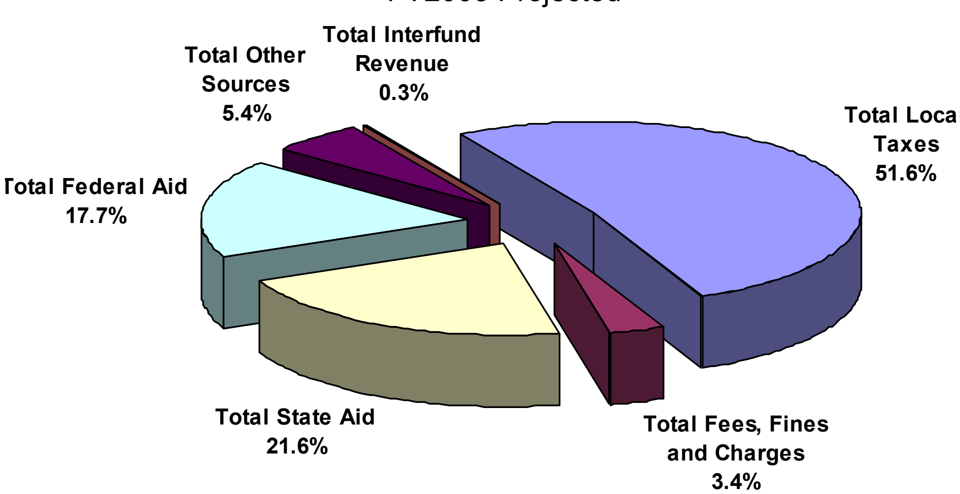
FY2002 - FY2009



Based on factors of each component, the baseline budget projections anticipate a modest growth in overall revenue of 1.7 percent in FY2006, reaching a high of 2.3 percent in FY2009 and averaging 2.1 percent per year, compared to a growth of 3.9 percent in expenditures.

GENERAL FUND REVENUE SOURCES

FY2005 Projected



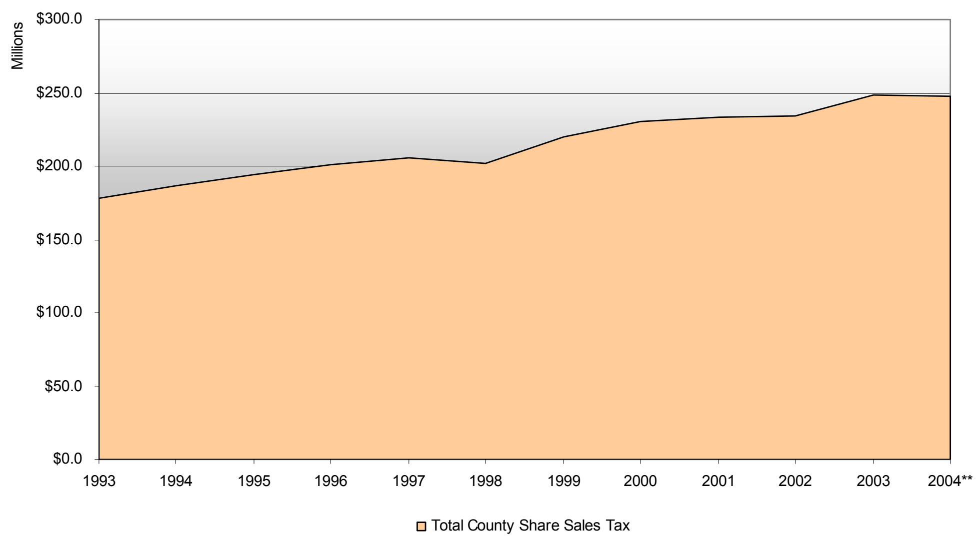
Local Taxes. Other than aid for social services, the General Fund is predominantly dependent on revenues from local taxes, which make up almost 51.6 percent of the $788.2 million FY2005 projected revenue. Of the 11 local taxes in this fund, Property Taxes make up 33.4 percent of local tax revenue, and sales tax revenue make up 62.5 percent as shown in the chart below.

GENERAL FUND PROJECTED LOCAL TAX REVENUE

	FY2005	Percent of Total Tax Revenue	Four-Year Average Annual Growth
Revenue From Real Property Taxes	$135,969,466	33.4%	3.05%
Sales And Use Tax	$130,797,034	32.1%	2.47%
1% Sales Tax Increase - Erie Co Purposes	$123,391,407	30.3%	2.47%
TOTAL	**$406,909,989**	**95.8%**	**2.57%**

The largest component of local tax revenue in Erie County is local sales tax revenue. Since 1993, sales tax revenue growth peaked at 9.1 percent in 1999 due to favorable tax law changes, but also saw declines as low as 1.8 percent the prior year. Total sales tax revenue has shown a five-year average annual growth of 2.5 percent per year.

HISTORICAL SALES TAX REVENUE
FY1993 ACTUAL – FY2004 ACTUAL



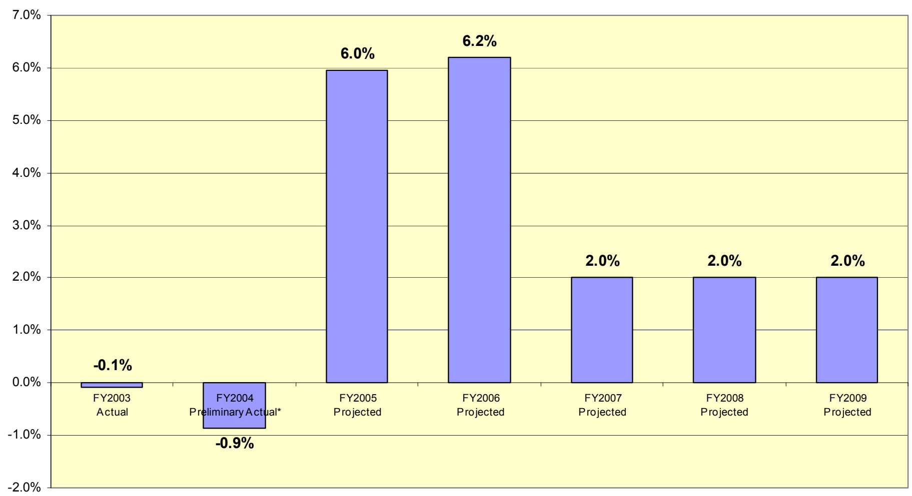
The County is projected to earn $130.8 million in FY2005 in local share tax revenue from the state's portion of sales taxes charged within the County. In addition, the County is enabled to charge an additional 1.0 percent local sales tax for County purposes. This tax is projected to earn $123.4 million in revenue in FY2005. Total sales tax revenue is projected to grow at the five-year historic trend of 2.5 percent per year to reach $280.2 million in FY2009.

The next largest component of local tax revenue is Real Property Taxes. Until the current fiscal year, the County Executive's policy for property tax revenue was to hold the total combined General Fund and Library Fund tax levy constant by adjusting the tax rate down to accommodate annual increases in assessed value. However, as of FY2005, the Executive has maintained that the General Fund tax rate will instead be held constant to allow the levy to rise. This policy change will realize additional property tax revenues in the General Fund as assessed property values increase. Additionally, in FY2002 and FY2003 the County had allocated an increasing share of the flat property tax levy to the library. However, the County also changed the policy regarding funding to the library for FY2005 into the near future by reducing the tax rate to the library by ten percent and, simultaneously, increasing the tax rate to the General Fund.

The County underwent property revaluation this year that will affect next year's property tax bills. The revaluation will cause a one-time increase in property value growth, with each of the outyears realizing more modest natural growth in property values. The County's property tax collection and tax payment delinquency rates are expected to remain steady.

During the Plan period, property taxes are projected to grow 6.2 percent in FY2006, and 2.0 percent each year thereafter based on projected growth in property value.

GENERAL FUND PROPERTY TAX GROWTH RATES
FY2002 - FY2009



Other property related local taxes are the payments in lieu of taxes and revenue from interest and penalties on real property taxes. Payments in lieu of taxes, or PILOTs, are payments made by local property owners by agreement with the County. Since FY2002, PILOT revenue has declined 4.5 percent per year primarily due to the expiration of PILOT agreements. This trend is projected to continue through each of the plan years.

Interest and penalties revenue is realized when property owners elect to pay their property tax bills past the due date. Interest and penalty fees are required to be paid in addition to the overdue taxes. Because this revenue is based on property taxes, the projected natural growth of property values of 2.0 percent per year is projected to apply to interest and penalties as well. Also reflected in interest and penalties revenue are residual payments from tax liens sold through agreement with Xspand. In FY2003 the County sold approximately seventy percent of its past due property tax liability to Xspand, a company that specializes in collecting revenue from municipal tax liens. In exchange for this sale, the County received a portion of the value of the liens at the time of sale with residual revenue to be forwarded to the County as it is collected either from property owners or through foreclosure. The County is projected to begin realizing $1.5 million in residual revenue beginning in FY2005, this revenue is also projected to grow 2.0 percent per year.

There are six other local tax revenues that contribute revenue to the General Fund. However, those cumulative revenues account for just over 4.1 percent of the total tax revenue in the General Fund and are expected to have varying growth and decline in the next five years based on historical trends. The hotel occupancy tax is expected to show 6.8 percent growth in FY2005 based on increased tourism this year, with 3.0 percent annual growth projected in the outyears; exemption removal revenue is projected to decline by 4.5 percent per year based on historical trends; off-track pari-mutuel tax is projected to decline 14.5 percent per year based on historic trends; mortgage tax is projected to grow 9.3 percent based on historic trends, while real estate transfer tax is projected to remain steady based on varying historic growth and year-to-date smaller collections.

Fees, Fines and Charges. In addition to local taxes, the County collects a variety of fees and fines that impact the General Fund, many of them collected through the public safety and judicial systems. As a whole, these funds are expected to decline initially for FY2005, and then grow moderately at an average annual rate of 2.1 percent based on historic trends.

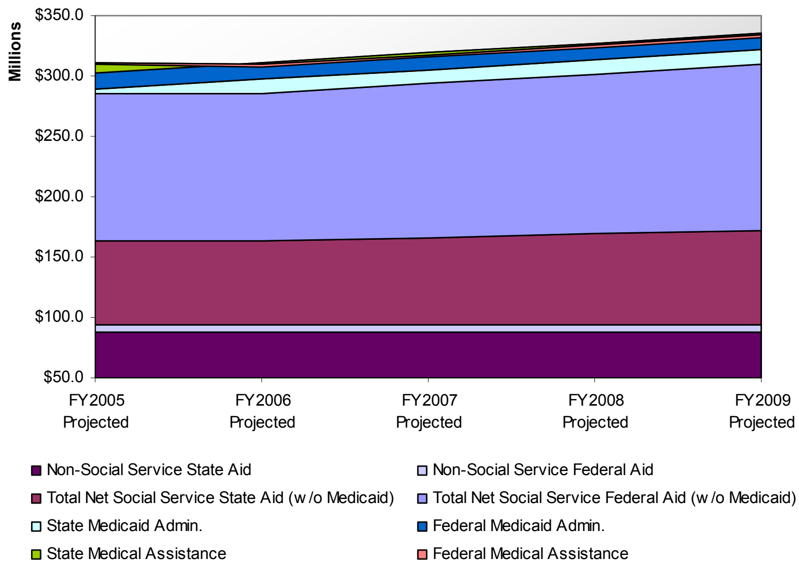
State and Federal Aid. The second largest revenue source for the County is State and Federal aid. Most of this funding is used for Medicaid and other social service related programs. The small portion of State and Federal aid revenues outside of social service programs are projected to hold steady.

State and Federal aid related to social service programs is generally intended to reimburse the County for operating these programs. While the rate of reimbursement varies by program, the rates of reimbursement are assumed to hold steady. Therefore, the state and federal aid dollars projected to be received by the County are projected to grow at the same rate as program expenditures. For FY2005 budgeted social service revenues are projected; in the out years growth rate projections are calculated based on projected social service expenses. State and Federal aid for social services not related to Medicaid is projected to grow 0.4 percent in FY2006, and an average 4.0 percent per year thereafter. Medicaid State and Federal aid revenue is projected separately as follows.

The Medicaid program is one of the largest cost centers for the County. The cost of this program is shared by Erie County, the State of New York, and the federal government. However, the County bears the cost of the program and the State and federal government provide their share through State and Federal aid to the County. Because a large portion of this program is reimbursed through State and Federal aid, this revenue is a correspondingly large portion of revenue to the County in the General Fund. In FY2005, the State Comptroller's office enacted a cap to Medicaid local share costs of program expenses for Erie County that would set FY2005 as the base year and limit growth in Medicaid expenditures each year going forward. As part of that cap, which will be discussed further under the expenditure section of this chapter, there are a few one-time effects on State aid revenue for Medicaid. The first is a one-time $8.2 million increase in the Medicaid portion of State aid for Medicaid administrative costs for which the State is reimbursing a larger portion under the cap. However, there is also a one-time $10.7

million decline in State aid medical assistance dollars also due to the cap. The County is also projected to realize an $8.0 million windfall from the shift in State aid from an accrual to cash basis. State and Federal aid for medical assistance and the Medicaid portion of administrative costs are projected to remain flat in each of the outyears.

STATE AND FEDERAL AID
FY2005 – FY2009



All Other Sources. Other sources of revenue to the General Fund include rental income, donated funds, and miscellaneous earnings that are projected at the FY2004 actual revenue levels with no growth projected in the out years. Also, included in this category are community college respreads – revenues received from other Counties for students who reside outside of Erie County. Those dollars have grown historically at 13.4 percent per year, for which they are projected in FY2005 and each year thereafter. There is also $6.1 million in revenue from the ECMC and the Erie County Home projected to grow 3.7 percent per year. Finally, interest earnings are included here. Based on a cash flow analysis based on projected available funds during the year, the County is projected to earn $1.4 million in interest in FY2005, growing to $1.6 in FY2006 and leveling off at $1.5 million through the end of the Plan period.

Expenditures

Without corrective action, expenses will continue to outpace revenue growth in each Plan year. As previously stated, the General Fund budget is dominated by social service and personnel expenditures, which together make up 74.4 percent of the projected expenditures in FY2005. While moderate annual growth is to be expected and some targeted spending reductions have been implemented in the current fiscal year, the County's expenditures have an average annual growth rate of 3.9 percent, well beyond the rate of inflation projected to be 2.5 percent per year[3].

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[3] Long-run average inflation forecast as of August, 2005; Survey of Professional Forecasters; Federal Reserve Bank of Philadelphia.

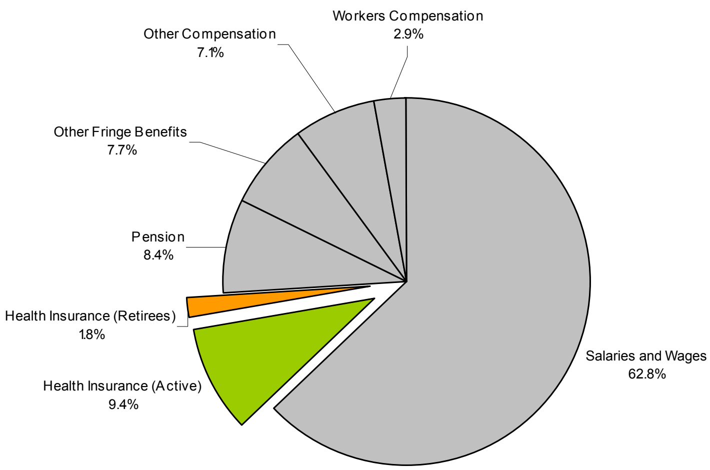
GENERAL FUND PROJECTED EXPENDITURES
FY2005 – FY2009

	FY2005	FY2006	FY2007	FY2008	FY2009
Salaries and Wages	$169,958,356	$175,777,633	$181,835,557	$187,825,971	$194,016,527
Other Compensation	19,095,112	19,832,143	20,398,731	21,201,740	21,785,822
Fringe Benefits	81,593,326	83,765,135	87,861,187	95,300,194	102,768,039
Non-Personal Services	177,859,961	182,558,320	186,235,600	191,058,954	196,037,540
Social Services Programs	394,548,655	407,554,425	420,856,814	434,190,801	448,045,572
Interfund Expense	45,990,811	65,459,802	68,710,294	68,998,377	68,889,905
ECMCC Sale Expenses	1,076,335	-	-	-	-
Debt Service: Revenue Anticipation Notes	2,468,125	5,385,000	6,160,000	7,200,000	8,400,000
Fiscal Stability Authority Budget	1,281,600	1,426,300	1,426,300	1,426,300	1,426,300
TOTAL EXPENDITURES	**$893,872,280**	**$941,758,758**	**$973,484,483**	**$1,007,202,338**	**$1,041,369,705**

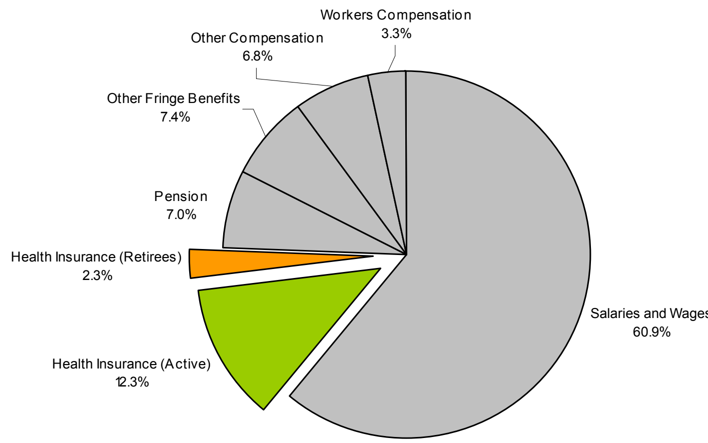
Personal Services. One of the largest drivers of the expense growth is personal services costs, which are projected to grow an average 4.2 percent in the next five years; far higher than projected revenue growth even assuming the employee headcount remains at FY2005 levels. Personal service costs for FY2005 are projected based on year-to-date actual payroll cost data through pay period 16 of 26 periods per year. Salaries are expected to grow an average 3.4 percent per year, reflecting the following assumptions: annual average cost-of-living increases of 1.75 percent for all employees, except for CSEA represented employees in FY2006 which will receive 2.0 percent increases as part of their contract agreement; an additional 1.75 percent annual growth is projected for all represented employees for annual step increases; management confidential employees are not projected to receive step increases because a majority of these employees are either ineligible or have reached the top of their salary scale.

Another serious impact on personal services expenses is growth in health and retirement benefit expenses. Due to the reduction in headcount this year and other changes to the plan, the County expects health insurance costs for active and retired employees to increase 3.7 percent in FY2006; each year thereafter an annual average of 14.2 percent per year is projected. Based on New York State and Local Retirement System actuarial estimates, County pension contribution rates will decline by 10 percent from FY2005 to FY2006. From FY2006 through FY2009 the pension contribution rate is expected to hold at 11.0 percent of pensionable salaries. Therefore, underlying growth in pension costs will result from increases in salaries. Also impacting County pension costs are amortization payments that the County must make to repay the capitalization of past pension costs. In FY2006, the County will begin making $1.5 million payments on the amortized portion of the FY2004 pension liability; however, by FY2007 the County will have repaid in full the amortized portion of the FY1989 pension liability and will realize a $2.2 million reduction in pension costs. By FY2009, health and retirement benefits are expected to account for 14.6 percent of personnel costs, compared to the 11.2 percent they are projected for FY2005, as shown in the charts below. The rapid growth of active employee and retiree benefit expenses drive the increase in personnel costs and overall expenses for the County. Additionally, any salary increases subsequently granted will drive additional growth in the cost of pension and other benefits provided by the County that are based on salary and wages. Lastly, Workers' Compensation costs have been growing an average 7.4 percent per year; this trend is projected to continue in the out years.

PERSONNEL EXPENSES
FY 2005 PROJECTED
$316.3 MILLION



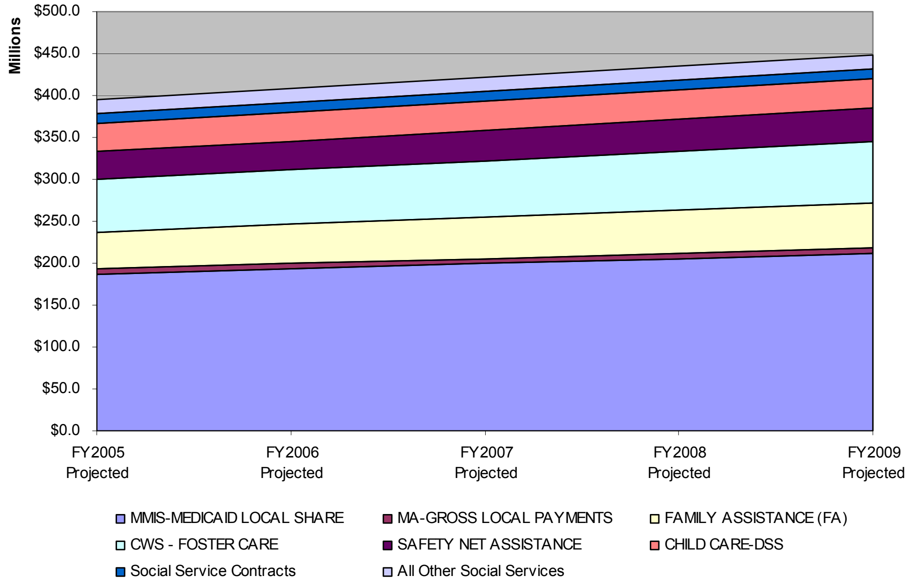
PERSONNEL EXPENSES
FY 2009 PROJECTED
$387.5 MILLION



Social Services. Next to personal services costs, the largest costs are for social service programs – the most expensive of which is Medicaid. Unlike the prior two years growth of 11.3 percent per year, the County has seen a reduction in Medicaid cost growth thus far this fiscal year. As a result, the County's local share expense for Medicaid is estimated to be $186.7 million by the State Comptroller's Division of Budget based on year-to-date actual expenses and other trends. This cost will serve as the base year for the State Medicaid cap. As stated previously, the State Comptroller implemented a cap on local share expenses for Medicaid programs for FY2006 and each year thereafter. The local share expenses incurred in FY2005 will serve as a base for this cap for which the rates of 3.5 percent in FY2006, 3.25 percent in FY2007, and 3.0 percent in each year following have been set by statute. This cap applies to the MMIS-Medicaid Local Share costs, but also affects other Medicaid related items in the General Fund as described in the revenue section of this chapter.

Other social service program expenditures for FY2005 are based on the budgeted costs, and are projected based on historic and current expenditure and caseload trends: Family Assistance is projected to grow 5.0 percent per year from FY2006 through FY2009; Child Welfare – Foster Care is projected to grow 4.25 percent through the Plan period; and Safety Net Assistance is projected to grow 5.0 percent per year. Other program expenses, such as medical assistance gross local payments and child care are projected to remain flat, while social service contracts for third party providers is projected to decline in FY2006 when HSAC contracts are expected to terminate; the remaining contracts are projected to hold flat through FY2009.

SOCIAL SERVICE PROGRAMS
PROJECTED EXPENDITURES
FY2005 – FY2009



Non-Personal Services. Non-personal service costs in the General Fund include interdepartmental billing costs, contractual expenses, equipment and supplies, and other program and operational related expenses. Contractual expenses are 64.3 percent of projected FY2005 expenses – the largest component of this category. Included here are professional, service and maintenance contracts such as janitorial services. Also included are programmatic contracts with outside entities. An important component of contractual expenses is the subsidy to the ECMC as required by the sale agreement. Included in the fiscal gap projections is the budgeted $19.0 million payment to the hospital for FY2005 and for each subsequent Plan years. Interdepartmental billing is projected to stay flat through the Plan period, with a decline in FY2006 due to the closure of the East Side Transfer Station. Other non-personal service costs, including equipment and supplies, are projected to grow by an inflation rate[3] of 2.5 percent per year.

Interfund Expenses. The last major component of General Fund expenses are interfund expenses, or transfers from the General Fund to other County funds. County share – grants expenses are used to meet match requirements for County grants. This figure is projected to hold flat. The transfer to the Erie Community College is a flat payment and is also projected to hold flat. The Interdepartmental transfers to the Debt Service Fund are for department specific capital projects and are paid from department budgets. These transfers follow the debt service schedules for each department. Inter-fund expenses to the Utilities Fund are payments for utility services. Based on five-year annual utility cost inflation[4], utility costs, transfers, and other payments to the Utilities Fund are projected to grow 3.7 percent per year.

[4] Based on US Bureau of Labor and Statistics CPI , Gas (piped) and electricity; Size Class B/C (between 50,000 and 1,500,000); January 1999 – December 2005; <www.bls.gov>

The County's Debt Service Fund is completely supported by transfers from other operating funds – primarily the General Fund and the Sewer District Funds. General Fund interfund debt service expenses encompass the General Fund subsidy for principal and interest payments on general obligation debt. This transfer is adjusted to meet any debt service costs not paid by other sources. Therefore, the Debt Service Fund is projected to balance each Plan year. The County currently has outstanding capital debt, as well as $57 million in previously authorized but unfunded capital projects planned. The fiscal gap projections include payments of $44.1 million to $48.7 million per year in existing debt service, with FY2005 payments additionally subsidized by $12.9 million in tobacco bond proceeds. The County projects an additional $2.3 million to $14.9 million in new money borrowing costs over the term of the Plan to capitalize $57.0 million for previously authorized borrowings in the fall of FY2005, and $30.0 million in annual borrowing in each of the next four years. Additional costs will affect the FY2006 through FY2009 expenditure projections. Other than general obligation bonds, the County is anticipated to require short-term cash flow borrowings annually. Those costs are projected to be $2.5 million in FY2005, and grow an average 12.0 percent per year to reach $8.4 million by FY2009.

Other Expenses. The County is also projected to incur one-time expenses of $1.1 million in personal service costs in FY2005 due to the sale of ECMC. Further, the creation of the Erie County Fiscal Stability Authority will begin to divert a portion of the County's sales tax revenue, beginning in FY2005, to support its staff and provide professional services in assisting the County in its financial recovery. The Authority's budget is projected to be $1.3 million in FY2005, and $1.4 million per year from FY2006 through FY2009.

Risks to the County's Fiscal Health

The Plan identifies a series of initiatives the implementation of which is necessary to eliminate projected out-year budget deficits. To ensure long-term fiscal health, the County will continue to identify and prevent potential risks to budgetary balance in all Funds. There are many risks facing the County's fiscal future. A number of them are described below.

- **Erie County Medical Center**. The current fiscal gap projections show a $19.1 million subsidy to the Erie County Medical Center Corporation ("ECMCC") to cover debt service and other expenses which will not otherwise be covered by hospital revenues. This subsidy level is the level budgeted in FY2005. However, there is a chance that ECMCC will request more then this in FY 2007 and 2008. The potential impacts of ECMCC's need for an increased subsidy appear to hinge strongly on control of ECMCC's labor costs. ECMCC's 2006 Budget Overview describes three scenarios with respect to subsidy requirements. If a hard freeze on wages and benefits is put in place in FY2007 and FY2008, the sensitivity analysis shows a difference of $24.2 million between revenues and expenses for FY2006, falling to $10.2 million in FY2007, and a surplus realized in FY2008. If moderate wage and benefit increases are realized, ECMCC could achieve a positive margin by FY2009, following operating deficits of $24.2 million in FY2006, $14.5 million in FY2007, and $5.8 million in FY2008. If historic wage and benefit trends continue, the sensitivity analysis shows operating deficits of $24.2 million in FY2006, $20.7 million in FY2007, and $20.1 million in FY2008. [5]

[5] The County Government's legal counsel has reviewed and approved this document.

The County is currently in litigation with the hospital corporation over what this subsidy level is required to be, and the disagreement is about the interpretation of the terms of the contract of sale. The hospital corporation contends that the agreement requires the County to subsidize the hospital at a rate adequate to cover any budget deficit the hospital may realize. The County, however, believes that its only obligation is to cover $5.6 to $7.6 million in annual debt service costs incurred by ECMCC to finance the purchase of the hospital and other assets. This case is scheduled to be ruled upon by the end of this calendar year, and the decision is likely to significantly impact the General Fund by either increasing or decreasing the required subsidy level to the hospital.

The Four-Year Plan assumes litigation will result in the County's favor, reducing the base case fiscal gap projection by $13.5 million. If the County loses and is obliged to pay the operating subsidy, exposure to the County could have to pay the $13.5 million, $18.6 million (based upon the ECMCC projection for FY2006 of $24.2 million less $5.6 million of debt service the County already intends to pay), or another amount ultimately determined. In such case, it can be expected that the planned FY2006 deficit borrowing will have to increase by the amount of the subsidy, unless savings or revenues can be realized elsewhere.

- **Sales Tax and Hotel Occupancy Tax**. While the County reasonably expects these revenue streams to continue to grow, the stability of this revenue is reliant upon the economic climate in Erie County and the Western New York region. While the current fiscal year and prior years have seen healthy growth in these revenues, past dips in the economy have resulted in annual declines as well. Should tourism decline significantly or another external factor adversely impact the local retail economy, these revenue streams have the potential to show slower growth or decline in any given year in the future.

- **Sunset of the Additional $0.25 Local Sales Tax**. The County received authorization by the State legislature to charge an additional $0.25 local sales tax effective July 1, 2005. And while this new tax is projected to be much needed additional revenue, and is projected to be extended upon renewal, the legislation permitting this additional tax sunsets on November 1, 2007. Should the extension of this tax fail, the County will need to identify an additional $33.2 to $34.0 million in revenue per year to close the fiscal gap in the out years of the Plan.

- **Employee Benefit Costs**. The County has projected 11.6 percent average annual growth for health benefit costs. Nationally, health benefit costs have seen double-digit growth for four consecutive years[6]. Currently, health benefits costs are often estimated at 15 percent or more per year, beyond the County's estimates. Pension contribution costs, projected at an average 11.0 percent of salaries for each year, have also challenged public sector employers as they struggle to meet the obligations to the growing retiree population. Pension contribution levels depend on the performance of investments in the pension fund. While the County is confident that the State's actuarial assumptions are reliable, there remains a risk that pension contribution requirements will rise unexpectedly due to market fluctuations and other factors.

[6] The Kaiser Family Foundation and Health Research and Educational Trust, *2004 Employer Health Benefits Survey*, September, 2004.

- **Utility and Fuel Costs.** In recent history, fuel and energy costs have fluctuated significantly. While electric costs have maintained steady growth, the costs of natural gas and gasoline has been sporadic at times. The Department of Public Works and their commodities buyers monitor the market daily to make strategic purchase decisions to protect the County from large swings in energy costs. However, sustained growth in energy costs or multiple market spikes may cause unavoidable negative impact to the General Fund.

- **Fund Balance Restoration/ Contingency.** The fiscal gap projections do not include restoration of General Fund balance. However, fund balance must be restored for the County to maintain an investment grade credit rating and to ensure the County's fiscal stability should unplanned expenses or losses of revenue occur. The County aims to restore a minimum General Fund balance equal to 5.0 percent of the County's budget. However, should fund balance not be restored and the General Fund face unexpected significant increases in expenses or reductions in revenue, the County is at risk for serious consequences not limited to loss of credit rating, cash flow strain or debt payment default.

- **Staff/Service Restoration without Corresponding Revenues**. From September 1, 2004, through the end of August 2005, the County has laid off a reported 1,280 full-time employees, of whom over 970 have not been rehired. Many County departments are operating at minimal levels due to understaffing and some are not able to function sufficiently. While some restoration of positions is to be expected – at least in those areas where additional personnel costs are more than offset by revenues, savings, and internal controls – this should be done only with an increase in recurring revenue or a separate offset in expenses. There is a risk that the pressure to fill positions and restore service levels beyond available resources will be too great to resist. If so, the General Fund will maintain structural imbalance.

III. REVENUE

REVENUE

Achieving ongoing structural budget balance involves first and foremost management initiatives to expand non-tax revenue and achieve savings. When facing a fiscal gap of over $100 million, it also inevitably involves tax policy changes and cost recovery enhancements are an important part of the County's fiscal future. In 2004, property and sales taxes made up about 45 percent of the County's General Fund revenue of $950 million. An additional 45 percent came from intergovernmental aid from the State and Federal governments and the remaining ten percent of revenue came largely from departmental cost recovery revenues.

As the table below indicates, in the past decade, sales tax revenues have grown by 34 percent. Over the same period, there has been a 28 percent decline in property tax collections. As noted by the State Comptroller in the June 2005 Budget Review Erie County, "the County has either reduced or held constant its property tax rate in the past five years." As a result, the County's revenue structure is increasingly dependent on sources largely outside of its control. The County will restore the property tax rate by 22 percent in FY2006 and another 22 percent in FY2007 to better align ongoing expenditures and revenues. As the most stable revenue stream, the upward adjustment of the property tax provides the most reliable alternative as the County works to improve its fiscal health. There are also opportunities to implement new fees and to raise existing ones to better recover the County's costs for providing some services.

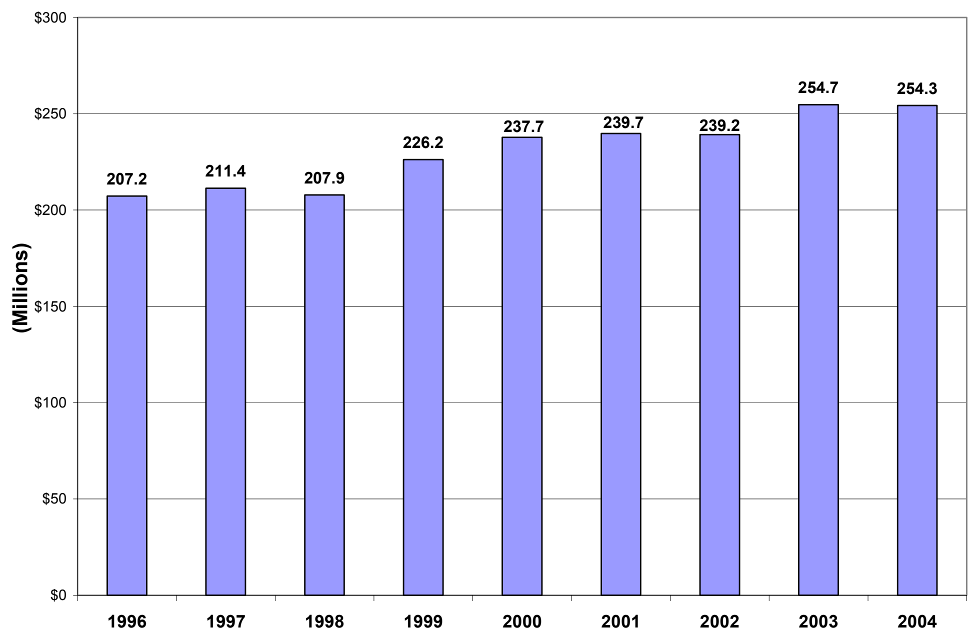
Erie County Revenue Trends from 1994-2004 (Dollars in Millions)

	1994	2004	Change	Percent Change
Property Taxes	$220.3	$157.9	($62.4)	-28%
Sales Taxes	$201.7	$270.9	$69.2	34%
Intergovernmental	$317.2	$416.5	$99.3	31%
Others	$99.6	$104.4	$4.8	5%
Total	**$838.8**	**$949.7**	**$110.9**	**13%**

Sales Tax

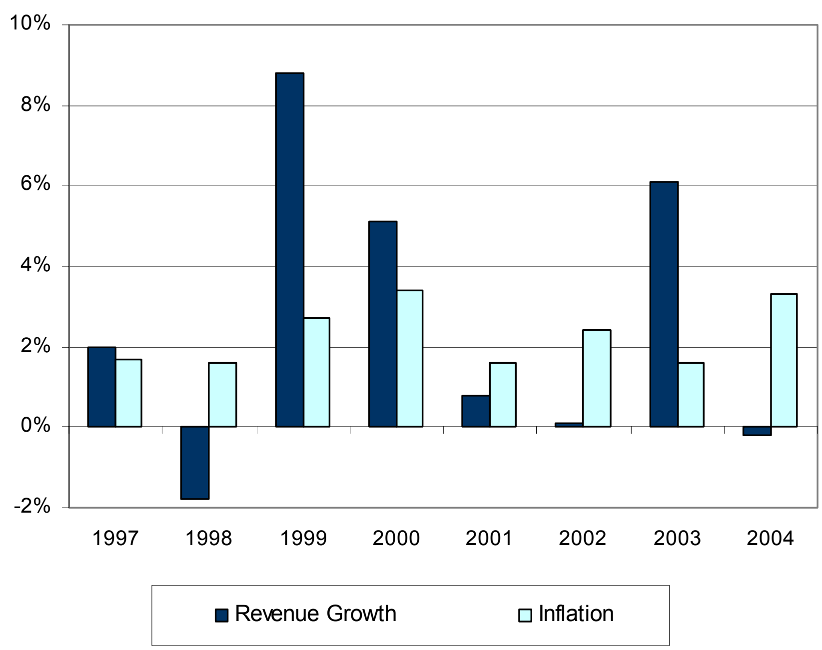
The sales tax base and rate are determined by the State. The three percent rate limit for most counties has been lifted, however, and today the median and most common sales tax rate is eight percent. The County levies the maximum three percent sales tax allowed under the law. By agreement, the County receives 35.3 percent of these sales tax revenues, with the balance distributed by formula to school districts, cities, and areas outside of cities. Through State enabling legislation, the County has imposed an additional one percent tax for County purposes only. Now, the additional tax is 1.25 percent. Effective June 1, 2005, the State sales tax rate fell from 4.25 percent to 4.0 percent and the County raised its rate by an additional 0.25 percent effective July 1, 2005, making the County sales tax 8.25 percent. Of that, the County now receives effectively 2.31 percent (3.53 X 3 percent + 1.25 percent), some of which goes to transportation. Prior to July 1, 2005, the County received effectively 2.06 percent. General fund tax revenue from the County Controller is shown below.

General Fund Sales Tax Revenue, 1996 - 2004



As shown in the following table, the growth in the sales tax versus inflation indicates changes in sales tax revenue are erratic and surges and declines are unrelated to movements of prices and the cost of living, making accurate budget forecasting difficult. Revenues information was provided by the Comptroller and inflation is US CPI-U.

Growth in Erie County Sales Tax Revenues Compared to Inflation, 1997 - 2004



Sales tax policy is generally dominated by issues of erosion and expansion of the tax base, the liability for businesses due to taxes on inputs, fairness for low income households, and cross-border shopping in response to differential rates. The latter is within the purview of local government and can be a major issue of concern. For Erie County this does not appear to be a problem, however. Erie County's sales tax base – at $10.9 billion in 2002 – is easily the largest upstate (besting Monroe/Rochester by about 25 percent) and dwarfs the bordering counties. Major local shopping centers are suburban and within the county boundaries. If there is significant cross-border shopping within New York State, it is likely to benefit Erie County. Further, Canadian cross-border shopping is largely a function of exchange rate fluctuations, which are outside of State and County policy reach. The table which follows provides the most current information for comparable urban counties as well as the bordering counties.

In this period of fiscal stress, the County has not developed a consistent policy toward raising the sales tax rate. Originally it requested and received from the State legislature in January 2005 the authority for a one percentage point sales tax increase. The State required the County to adopt local legislation to implement the increase, which failed to receive the required two-thirds support of the County legislature. Once the State's additional one-quarter percentage point rate expired on June 1, 2005, the County did implement an additional local one-quarter percentage point increase effective July 1, 2005. The State Comptroller estimated that the original extra one percentage point would have generated $120 million and the new one-quarter percentage point is forecast to add about $30 million in new revenue.

Comparative Sales Tax Bases and Rates

	Counties	Rate as of 7/1/05	Taxable Sales 3/01-2/02 (in billions)
	Erie	**8.25%**	**$10.9**
Upstate			
	Albany	8.0%	$4.8
	Monroe	8.0%	$8.6
	Onondaga	8.0%	$6.0
	Oneida	9.50%	$2.2
Downstate			
	Nassau *	8.63%	$19.3
	Suffolk *	8.63%	$20.0
	Westchester *	7.375-8.375%	$14.4
	New York City *	8.38%	$80.7
Bordering			
	Chautauqua	8.25%	$1.2
	Cattaraugus	8.0%	$0.8
	Genesee	8.0%	$0.6
	Niagara	8.0%	$2.1
	Wyoming	8.0%	$0.3

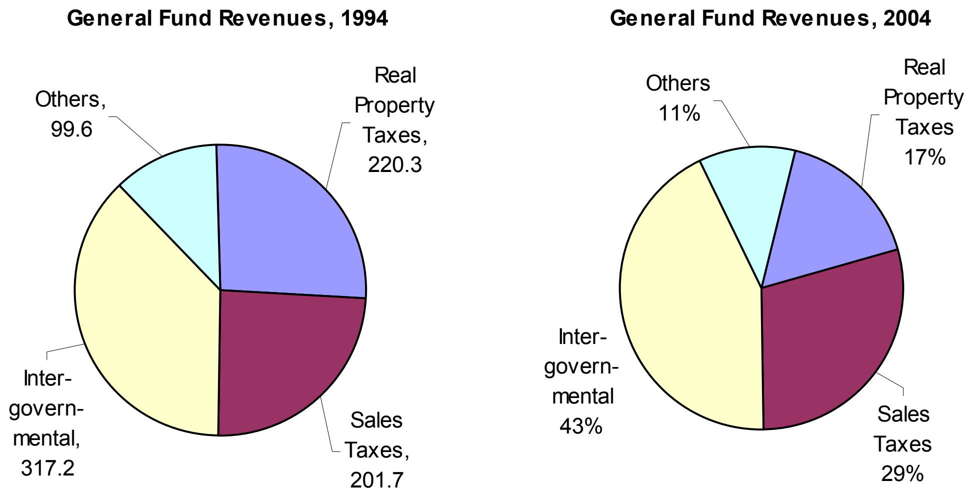
*Rates include .375% imposed for Metropolitan Transportation.
Sources: NYS Dept. of Taxation & Finance, Publication 718, 6/05.
Bases (Taxable Sales & Purchases) are latest data and preliminary.

The Real Property Tax

Virtually every level of local government – the County, cities, towns, special districts, villages and school districts – imposes a real property tax. The property tax offers the ability to collect whatever revenue the County requires. Once the tax base is valued, the rates are set to yield the projected revenue. Note that there may be a difference between the levy and revenues, which would likely be reserves against non-payment.

The following table shows the falling share of total County revenue from the property tax. Where property taxes provided about one of every four dollars in 1994, property taxes in 2005 have fallen to providing less than one out of five.

Shares of General Fund Revenue, 1994 and 2004



The County's 2005 levy raises $136 million, from a valuation base of $28.3 billion according to data from the Director of Real Property Tax Services. Unlike prior years, the 2005 levy grew from 2004 by the amount of the growth in assessed valuation.

The total property tax levy for all governments in Erie County grew steadily in the late 1990's, reaching a peak of $494 million in 1998. However, by 2003 the levy, at $447 million, was lower than a decade earlier. During the same period, the County's revenue rose to a peak of $226 million in 1998. It has since declined to $152 million, in each of the years from 2001 to 2003.[1] The percentage of all property taxes uncollected rose to a high of 5.4 percent in 1998, but has declined steadily to 3.4 percent in 2003.[2]

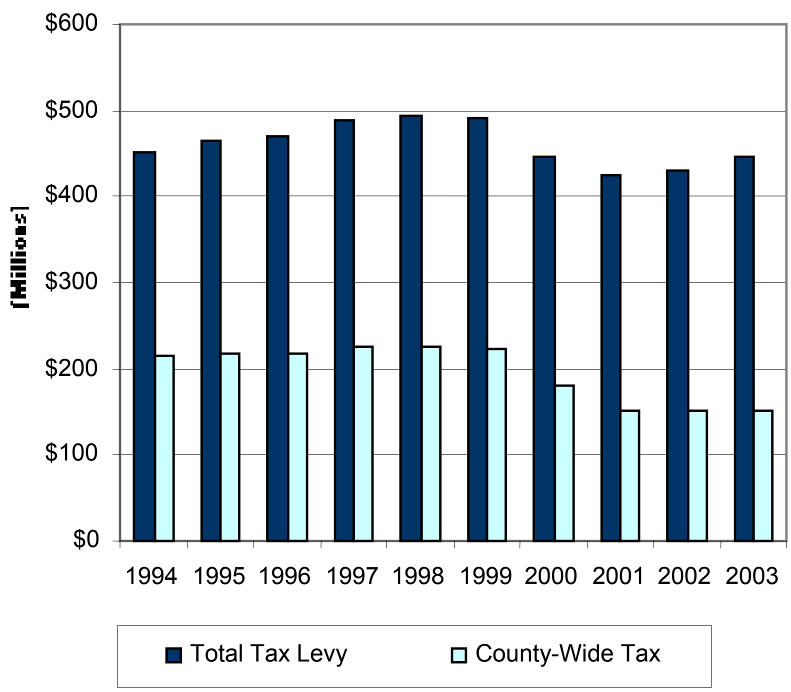
[1] The numbers are from the 2003 CAFR. But, there are slight differences in the published data for county-wide property tax collections. The *Erie County GO Bond Offering $79.7M* from Aug. 5, 2004 puts the property levy for county purposes at a constant $159M for the past four years, down from $188M in 2000.
[2] *Erie County GO Bond Offering $79.7M* from Aug. 5, 2004.

The 2006 assessed valuation is now finalized at $30 billion. If the levy were to remain constant at $136 million, tax rates and tax bills would fall as the base has grown. And, if the tax rates were to remain constant, the levy would grow by about $4 million. A useful "rule-of-thumb" is that raising $10 million in levy requires $254 on the average county-wide rate based on the full value average for a $100,000 house. The impact on taxpayers would vary from location to location, and it would be partially offset to individual homeowners by federal deductibility.

In 2004, Erie County lowered its property tax rate from $7.09 to $4.62 (per $1,000 of full value), a 35 percent reduction. A recent analysis by the State Comptroller found that Onondaga and Monroe counties have significantly higher property tax levies than Erie. While the real property tax bases in the upstate counties of Erie, Onondaga, and Monroe have all remained relatively flat since 1994, the other two counties continue to levy higher real property tax rates. The State Comptroller characterized Erie County's rates as "markedly lower" than the other two counties in the Budget Review.

It is important to note that while local governments assess the value and collect the revenue, the County is generally responsible for uncollected taxes (with the exception of city property taxes):

Total Property Tax Levy & County-Wide Tax Collection, 1994 - 2003[3]



In 2003, the median taxpayer in Buffalo with an income of $24,536 and house value of $59,300 paid total property tax of $1,754 and sales tax of $383, effectively 8.7 percent of income. In the rest of the County, the average equalized combined property tax rate is marginally lower than in the City. Higher home values in the rest of the County result in higher property tax payments,

[3] Erie County 2003 CAFR

and higher incomes mean higher sales tax payments. However, these taxpayers have different incomes and, thus, different ability to pay. The median taxpayer outside of Buffalo is paying 8.5 percent of income in county/local taxes, marginally less than the 8.7 percent of income being paid by the median taxpayer in Buffalo.

The following table provides a measure of the impact of the County's two large taxes on the "typical" resident. It presents the combined property and sales tax burden for the "median" (50th percentile) taxpayer in Buffalo and elsewhere in Erie County compared to income. "Elsewhere in Erie County" is a hypothetical represented by the average (combined tax payment and equalized rate) when Buffalo is excluded. A number of locations closely match the average. It also compares these tax burdens to those in Rochester (Monroe County) and Syracuse (Onondaga County) and in several comparably sized U.S. cities in 2003.[4]

Tax Rates on the Typical Resident for Selected Cities

City		County	City	School District	Total Property Tax Rate Per $1,000 2003	Median House Value	Median Property Tax Payment	Median Household Income	Median Sales Tax Payment	Income Tax Payment Median Income	Median Auto Tax Payment	Median Tax Payment	Median Effective Tax Rate
Buffalo		4.81	12.36	12.41	29.58	$59,300	$1,754	$24,536	$383	N/A	N/A	$2,137	8.7%
Average Erie County (excluding Buffalo)*					29.32	$90,800	$2,662	$38,567	$603	N/A	N/A	$3,265	8.5%
Rochester	NY	8.31	9.18	20.76	38.25	$61,300	$2,345	$27,123	$443	N/A	N/A	$2,788	10.2%
Syracuse	NY	12.84	6.56	15.34	34.74	$68,000	$2,362	$25,000	$425	N/A	N/A	$2,787	11.1%
Newark	NJ				29.6	$119,000	$3,522	$26,913	$349	$242	$196	$4,309	16.0%
Providence	RI				38.8	$101,500	$3,938	$26,867	$377	$0	$283	$4,598	17.1%
Louisville	KY				12.1	$82,300	$996	$28,843	$403	$1,500	$213	$3,112	10.8%
Birmingham	AL				7	$62,100	$435	$26,735	$479	$1,123	$225	$2,261	8.5%
Des Moines	IA				21.7	$81,100	$1,760	$38,408	$613	$615	$459	$3,447	9.0%
Wichita	KS				13.1	$78,900	$1,034	$39,939	$650	$959	$542	$3,184	8.0%

* Erie County excluding Buffalo is equalized, full value.

Sources: Erie County fom State Comptroller http://www.osc.state.ny.us/localgov/muni/orptbook/2003Table2.pdf
Others from Chief Financial Officer, District of Columbia, *Tax Rates and Tax Burdens in the District of Columbia, a Nationwide Comparison.*

Cost Recovery

The long-term fiscal stability of the County requires increasing recurring revenues. Fees which the County charges are an important way to recover some of the costs of County Government. In some instances, the State requires, as a condition of State aid, that fees are comparable to the cost of providing services. The County should identify and develop as many other sources of revenue as possible, particularly those under its control.

[4] The examples and methodology are taken from the annual comparison study performed by the District of Columbia, which has become a standard reference. That study, prepared under federal mandate, calculates and compares the tax burden for residents of various income levels in the largest city in each state. See Chief Financial Officer, District of Columbia, *Tax Rates and Tax Burdens in the District of Columbia – a Nationwide Comparison, 2003*, issued August 2004.

The first step in augmenting the County's non-tax revenue sources is to identify them. The County has no single, comprehensive inventory of its revenue sources and this makes analyzing, tracking, and increasing them difficult. The County can take steps to incrementally improve its management of its non-tax revenues, and carry out a plan to gradually increase them. Such steps include:

- Centralizing and assigning responsibility for the maintenance of the inventory and for analysis, reporting, and developing revenue increase strategies;

- Identifying and deploying the resources necessary to complete the data collection process;

- Developing systems and tools for collecting data on an ongoing basis, and providing adequate training in departments; and

- Developing a rationale and routine for systematic fee and fine increases, where appropriate.

There are new fees and fee increases proposed as part of the Plan. However, this is only a first step to what should become an ongoing process. Fees must be continually reviewed and increased to keep pact with inflation, charges by other comparable units of government, and with the cost of providing services. There are three methodologies for reviewing and increasing non-tax revenues:

- **Inflation-based Analysis** would calculate what rates and revenues would be now if rates were adjusted to keep pace with inflation since the last rate change. This analysis would assume that the last rate applied was appropriate at that time, and rely on detailed revenue data to be accurate.

- **Comparability Analysis** assumes that, in the "marketplace" of government fees, fee levels are likely to be acceptable if similar to rates charged by other jurisdictions.

- **Cost-of-service Analysis** quantifies the cost to the County of providing a service and presents a rationale for setting fees to recover costs.

The County needs to adopt a routine of regularly monitoring, reviewing, and updating its non-tax revenues. Better data control will allow the County to be more systematic in planning and executing fee and fine increases, and will improve the data supporting increase proposals. Ultimately, based on accumulated data, the County may be able to develop a regular schedule of planned increases for all fees and fines. The better planned or the more regular increase proposals are, the more easily they can be justified and the more they can contribute to multi-year financial planning. To the extent that proposals to increase fees and fines can become regular and predictable, and can form sensible and manageable packages, they may become more palatable to the legislatures of both the County and the State.

Recommendations for fee increases are presented below and described in more detail in the departmental initiatives.

Sample Cost Recovery Initiatives

Name of Initiative	Department	FY2006 Impact	FY2007 Impact	FY2008 Impact	FY2009 Impact	Total Impact
Increase Green Fees for County Golf Courses	Parks	$329,000	$336,000	$343,000	$350,000	$1,358,000
Increase Camping Fees	Parks	$13,000	$13,000	$13,000	$14,000	$53,000
Institute Parking Fee for County Parks	Parks	$117,000	$318,000	$325,000	$330,000	$1,090,000
Institute Boat Launch Fee	Parks	$25,000	$26,000	$26,000	$27,000	$104,000
Establish Supervision Fee for Probationers	Probation/ Youth Detention	$252,000	$257,000	$262,000	$268,000	$1,039,000
Institute Fee for Probationer Testing	Probation/ Youth Detention	$31,000	$31,000	$31,000	$31,000	$124,000
Establish Pre-Sentence Investigation Fee	Probation/ Youth Detention	$150,000	$306,000	$312,000	$319,000	$1,087,000
Implement an Electronic Monitoring Fee	Probation/ Youth Detention	$29,000	$29,000	$30,000	$31,000	$119,000
Increase DWI Supervision Fee	Probation/ Youth Detention	$70,000	$72,000	$73,000	$75,000	$290,000
Implement Custody and Visitation Investigations Fee	Probation/ Youth Detention	$4,000	$4,000	$4,000	$4,000	$16,000
Restore one Front-line Personnel Department Position to Ensure Appropriate Service, Supported by Increased Exam fees (Fees only)	Personnel	$15,000	$41,000	$15,000	$12,000	$83,000
Increase Pistol Permits to Comparable Rate	Clerk	$38,000	$38,000	$38,000	$38,000	$152,000
Increase of Motor Vehicle Fees	Clerk	$800,000	$820,000	$830,000	$840,000	$3,290,000
Increase Revenue by Increasing Inspection and Other Fees	Health	$1,468,000	$1,505,000	$1,543,000	$1,582,000	$6,098,000
Institute 911 Wireless Phone Surcharge of $0.30	Central Police Services	$830,000	$1,229,000	$1,351,000	$1,474,000	$4,137,000
Criminal History Record Information: Home Health Care	Central Police Services	$20,000	$21,000	$22,000	$23,000	$86,000
Criminal History Record Information: Landlords	Central Police Services	$6,000	$6,000	$6,000	$7,000	$25,000
Charge Local Developers for 239 Reviews	Environment and Planning	$40,000	$41,000	$42,000	$43,000	$166,000
TOTAL		**$ 4,237,000**	**$ 5,093,000**	**$ 5,266,000**	**$ 5,468,000**	**$ 20,064,000**

158. Raise Property Taxes by 25 Percent in FY2006, 24 Percent in FY2007

Dept:		**Rev/Exp/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$282,788,000
		Required Approval:	County

In 2004, Erie County lowered its property tax rate from $7.09 to $4.62 (per $1,000 of full value), a 35 percent reduction. This reduction has helped contribute to a structural imbalance between revenues and expenditures that resulted in layoffs over the past year. While maintaining low tax rates is an important goal, Erie County has the ability to increase property tax rates and should do so. Without raising the tax rate, the County risks its ability to provide basic services to County residents.

This Plan makes many recommendations achieve expenditure reductions. However, these initiatives are only part of a long-term solution. The County should raise its property taxes by 25 percent in FY2006 and 24 percent in FY2007.

The real property tax is the mainstay of American local government finance and in New York is completely within local control. Local assessors determine the value of the tax base and the local legislature determines the rate at budget adoption as the final item achieving balance. This provides predictability and dependability in budgeting. Property tax revenues bring inherent stability, stemming from the permanence of land and many structures, the annual valuation process, and the difference between cycles in the property market cycle and the rest of the economy. Further, property tax liability is fully deductible from federal taxation, for individuals and businesses.

Erie County's decreased reliance on the real property tax for general revenue has occurred along with "multiple years of structurally unbalanced budgets, chronic use of one-shot funding sources…and increased reliance on debt," according to the State Comptroller." His analysis, however, demonstrates that there is room to restore the real property tax to its prior role.

Raising the property tax rate will provide additional revenues of $35.9 million in FY2006, expanding to $80.7 million in FY2007, to $83.9 million in FY2009.

Discounted Fiscal Impact

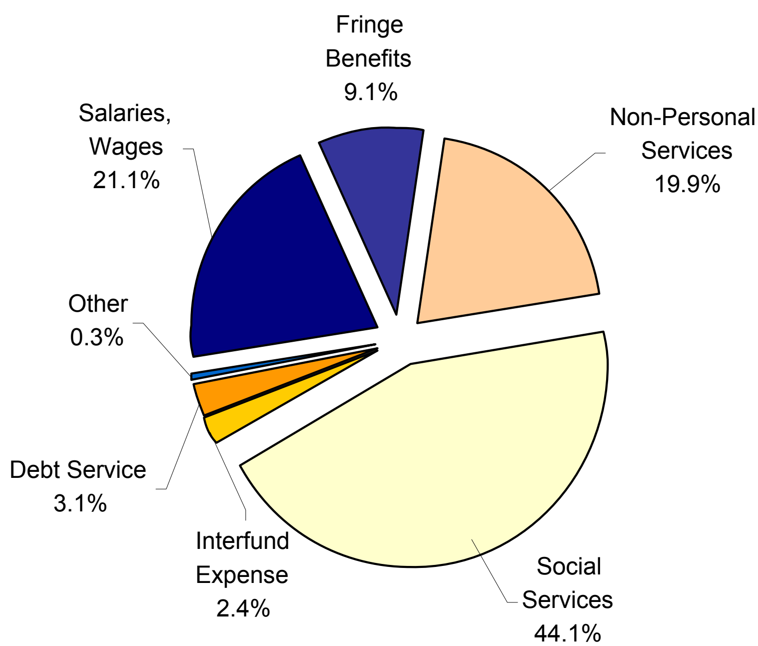
	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$35,853,000	$80,687,000	$82,301,000	$83,947,000

IV. WORKFORCE

WORKFORCE

One of the largest expenditure categories for Erie County is employee wages and benefits, totaling nearly one-third of overall General Fund expenditures – or $189 million – in FY2005 (projected). Like most governments, the County is a labor-intensive enterprise, requiring trained and quality workers to maintain parks and roadways, to administer the criminal justice system, to safeguard public health, and to deliver the many other important services of the County Government effectively. This Multi-Year Financial Plan recognizes and respects this critical role of public employees, and has sought both to minimize individual sacrifices and to maintain a competitive overall County compensation package going forward. At the same time, given the major impact of workforce expenditures as a share of the overall County budget, this Plan must take personnel costs into account.

2005 Projected Expenditures



Further, despite moderate across-the-board wage increases in recent years and significant reductions in the size of the County workforce, growth in personnel costs per employee continue to generate significant pressures on the budget going forward. Absent corrective action, health benefit costs for active employees are forecast to grow at double digit rates each year, well in excess of growth in the County revenue base. Further, retiree medical costs are increasing at an even faster pace due to a growing number of retirees and the higher utilization and cost of medical care for this cohort, while the New York State Comptroller estimates that County pension employer contribution rates across the Plan period will remain well above the levels of just a few years ago. A sustainable workforce cost structure has not yet been established.

To achieve recovery despite slow growth in the underlying revenue base, the County must contain its workforce spending, consistent with the following major themes:

- Minimizing the size of the overall workforce wherever excessive staffing levels, new productivity gains, and refocused programmatic priorities present opportunities for enhanced efficiency;

- Moderating wage increases to account for financial constraints;

- Restructuring the County's health benefits plan to contain skyrocketing costs while continuing to provide quality coverage;

- Capturing other opportunities to contain workforce costs without eroding core wages and benefits – such as reducing high leave usage that drives unnecessary overtime;

- Improving flexibility in job assignments, use of alternative resources, and other work practices important toward achieving efficient service delivery; and,

- Beginning to address the long-term cost pressures associated with pensions and post-retirement health benefits.

In addressing these critical issues, it is important to recognize that more than nine out of ten County workers are unionized. The following chart details the allocation of full-time employees[1] by group as of September 1, 2005.

Employee Group	Covered Positions	No. of Employees General Fund	No. of Employees All Funds	Contract Term
CSEA	Professional, technical, corrections, administrative, clerical	2,240	3,645	1/1/04 – 12/31/06
AFSCME	Labor and Trades	306	1,357	1/1/04-12/31/04
Teamsters, Local 264	Holding Center, Court Division Deputy Sheriff Officers and Civilians	532	532	1/1/04-12/31/04
Sheriffs PBA	Road Patrol Deputy Sheriffs	139	139	1/103-12/31/04
Librarians Association	Librarians		90	1/1/04-12/31/04
New York State Nurses Assoc.	Registered Nurses	21	646	1/1/04-12/31/04
Non-Represented	Executive, Management, Confidential	246	321	N/A
Total	**N/A**	**3,484**	**6,730**	**N/A**

[1] Erie County Community College Faculty and Administrator bargaining units not shown.

Given this highly unionized environment, the challenge of controlling the cost and managing the effectiveness of the County workforce can only be addressed through contract negotiations and effective labor management relations, combined with consistent cost containment measures for non-represented employees.

Again, given the labor-intensive nature of the public sector, Erie County's circumstances are not unique. In multiple other cases of municipal distress, personnel cost containment has been central to recovery – for example:

- In 1992, the City and County of Philadelphia, PA reached labor agreements through both negotiations and police/firefighter arbitrations that included a two-year wage freeze, elimination of 4 holidays (from 14 to 10), $6,000 (20 percent) reductions in police and fire starting pay, lower employer health benefit contributions, restructured longevity pay, civilianization of 169 sworn police positions, comprehensive work rule reforms, and disability and sick leave benefit restructuring.

- During its 1995 fiscal crisis, the District of Columbia imposed multiple compensation changes including 6 percent wage cuts in the middle of a negotiated contract term and 12 unpaid furlough days over a two-year period.

- In Nassau County's recovery, the total size of the workforce was reduced by over 900 positions from January 1, 2002 to January 1, 2005, while significant changes in compensation were negotiated, including reductions in the formula for police overtime, holiday pay, shift differential, and termination pay, along with lower starting pay and elimination of a paid holiday.

- Fiscal recovery efforts for Pittsburgh, PA in 2004 included a two-year wage and step freeze, introduction of a 15 percent employee contribution toward healthcare premiums with significant plan redesign, elimination or retiree medical coverage for future hires, frozen longevity pay (and elimination for new hires), reduced vacation and holiday leave, and increased management flexibility for staffing, assignments, and subcontracting.

While such workforce changes can be difficult in the short run, long-term spending must become aligned with revenue growth. Without a fiscally stable local government, future labor negotiations will always be about how to divide a shrinking pie.

Further, given the recent difficult cost pressures generated by health and retirement benefits, as well as post-recession revenue weakness, even governments not undergoing severe fiscal crisis have been led to negotiate relatively modest agreements to manage against budgetary strain. Within New York, for example, settlements reached in 2004 with over 70,000 State CSEA workers and 121,000 New York City AFSCME workers both featured no increases to base wages in the first year (lump sums only) and modest increases thereafter.

As outlined below, the wage and benefits package for Erie County now features multiple opportunities for cost containment via adjustment and restraint that will still leave County employees with competitive, quality, total compensation.

Workforce Size

There were 1,280 full-time employees laid-off over the past 12 months, with reductions seen in almost every business area. Likewise, as shown in the following chart, part-time and regular part-time positions have also been sharply cut.

	9/1/2004 - All Funds			9/1/2005 - All Funds		
Business Area	FT	PT	RPT	FT	PT	RPT
BEC Public Library	291	396	11	233	320	17
Board of Elections	60	29	5	36	21	1
Budget, Mgmt & Finance	37	5		20	1	
Bureau of Fleet Services	10					
Bureau of Purchase	12			6		
Central Police Services	81	17	1	70	16	
Commission on Status of Women	3			1		
Comptroller	51			31		
County Attorney - Dept of Law	36	3	4	23	1	2
County Clerk	117	66		91	1	
County Executive Department	21	2	2	12	1	1
Department of Social Services	1,634	36	2	1,418	15	
Dept of Mental Health	41		1	34		1
Dept of Public Works	190	32	12	136		10
District Attorney	169	1		141	1	
Emergency Services	14	36		10	23	
Environment & Planning Division	51	1	3	33		2
Equal Employment Opportunity	5			2		
Erie County Home	509	5	75	495	2	70
Erie County Medical Center	1,948	209	220	1,869	154	202
Health	456	41	35	331	11	27
Highways (DPW)	253			153		
Information & Support Services	81	10	2	54	9	2
Jail Management	748	23	4	718	3	1
Labor Relations	1	2		1	1	
Legislative Branch	65	15	12	30	1	13
Office of the Sheriff	233	36		171	5	
Office of Veterans' Services	4	1		2	1	
Parks	166	20		124	16	
Personnel	34			21		1
Probation/Youth Detention	230	28	6	175	15	7
Senior Services	105	15		87	16	
Sewer District - 2	32	1	1	33	1	
Sewer District - 3 / Southtown	60		1	60		1
Sewer District - 6	30			28		
Sewer Districts - 1,4,5	36			35		
Sewer Management	45	1		45		
Utilities Fund (DPW)	1			1		
	7,860	**1,031**	**397**	**6,730**	**635**	**358**

The majority of this workforce reduction has occurred in the General Fund, as detailed in the following chart.

	9/1/2004 - General Fund			9/1/2005 - General Fund		
Business Area	FT	PT	RPT	FT	PT	RPT
BEC Public Library				5		
Board of Elections	60	29	5	36	21	1
Budget, Mgmt & Finance	37	5		20	1	
Bureau of Fleet Services	10					
Bureau of Purchase	12			6		
Central Police Services	66	17	1	56	10	
Commission on Status of Women	3			1		
Comptroller	51			31		
County Attorney - Dept of Law	36	3	4	23	1	2
County Clerk	117	66		91	1	
County Executive Department	19	2	2	10	1	1
Department of Social Services	1,618	36	2	1,398	15	
Dept of Mental Health	41		1	33		1
Dept of Public Works	189	32	12	136		10
District Attorney	135	1		109	1	
Emergency Services	13	31		9	1	
Environment & Planning Divis'n	31	1	2	14		1
Equal Employment Opportunity	5			2		
Erie County Home				31		5
Erie County Medical Center				38	3	7
Health	333	37	25	213	7	14
Highways (DPW)				7		
Information & Support Services	62	9	1	47	9	1
Jail Management	748	23	4	718	3	1
Labor Relations	1	2		1	1	
Legislative Branch	65	15	12	30	1	13
Office of the Sheriff	233	33		171	4	
Office of Veterans' Services	4	1		2	1	
Parks	164	20		124	16	
Personnel	34			21		1
Probation/Youth Detention	204	27	5	150	15	7
Senior Services	44	5		27	6	
Sewer District - 2				2		
Sewer District - 3 / Southtown						
Sewer District - 6				1		
Sewer Districts - 1,4,5						
Sewer Management						
Utilities Fund (DPW)						
	4,335	**395**	**76**	**3,563**	**118**	**65**

Taking a longer-term view, the County has generally been reducing headcount for at least the past decade.

Within any large organization, there are always opportunities to become even more efficient, to consider increased use of outside service providers, and to rethink lines of business. Erie County is no exception, and this Plan includes multiple initiatives that would further reduce staffing pressures in certain operations. Still, with over 1,100 full-time positions eliminated over the last 12 months, the focus now turns to the costs of per employee compensation, as further outlined in many of the workforce initiatives to follow.

Workforce Initiatives

46. Restructure Managerial Confidential Employee Compensation Package

Dept:	All	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	All	**Fiscal Impact To FY09**:	$1,675,000
		Required Approval:	County

When difficult workforce changes are necessary, it is important for management to lead the way. Accordingly, in August 2005, the Administration proposed a series of changes to the compensation structure for Managerial Confidential employees intended both to achieve near-term savings and to begin the process of establishing a more affordable County compensation program overall. These proposed changes include:

- Active Managerial Confidential employees will begin to contribute toward the monthly premium cost of health insurance, beginning at 10 percent on January 1, 2006 and increasing to 15 percent on January 1, 2007 (exempting JG 10 or lower Managerial Confidential non-exempt from the Fair Labor Standards Act).

- Retiring Managerial Confidential employees will contribute 15 percent toward the cost of the monthly premium for their health insurance effective January 1, 2006, and Managerial Confidential employees newly hired on or after January 1, 2006, who subsequently retire, will be required to contribute 50 percent toward the cost of retiree health insurance

- The sick leave program for Managerial Confidential employees will be restructured effective January 1, 2006 to eliminate eligibility for extended sick leave with pay, create “Catastrophic Illness Banks”, and modify the sick leave bonus to apply only to employees who charge 8 hours or less of sick leave in a calendar year

- Reduced Summer Hours will be eliminated. Currently, all County employees work reduced hours between July 1st and the second Monday in September. With a typical schedule, this means a 9-5 workday (including a one-hour paid lunch and two paid 15 minute breaks) becomes a 9-4:30 workday – just six working hours once breaks are factored out.

According to the County Personnel Department, savings for active Managerial Confidential employees from a 10 percent premium contribution are estimated at just over $385,000 for FY2006 across the entire multi-employer benefits coalition which the County participates. In turn, the Personnel Department estimates that approximately 70 percent of this total, or $269,500, would be due to the General Fund. Applying a 15 percent contribution against escalating costs for 2007 and beyond, annual savings would be projected to grow to over $600,000 by 2009.

While the introduction of retiree healthcare contributions is important to reducing the County's long-term liabilities, the near-term impact will phase in slowly as retirements take place under the current pay-as-you-go approach to these benefits. Assuming 20 new Managerial Confidential eligible retirees per year beginning in FY2006, with using a blended rate for retiree medical coverage, savings would be estimated to start at over $17,000 in FY2006 (estimated annual premium of $11,434 multiplied by 15 percent, discounted by 50 percent to reflect occurrence of retirements throughout the calendar year). In subsequent fiscal years, savings will increase sharply as additional cohorts retire, rising to more than $175,000 by FY2009.

While sick leave changes and reduced summer hours are anticipated to improve productivity, no direct savings are quantified given that most Managerial Confidential positions do not generate overtime.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Active Employee Health Benefits	$0	$269,500	$461,330	$532,052	$602,017
Retiree Medical Benefits	$0	$17,177	$58,808	$113,040	$179,066
Sick Leave reforms	$0	CQ	CQ	CQ	CQ
Summer Hour Elimination	$0	CQ	CQ	CQ	CQ
Total Savings	**$0**	**$286,677**	**$520,138**	**$645,092**	**$779,083**

Because pending County legislation to enact these changes would not take effect until January 1, 2006, no savings are forecast in FY2005. It is assumed that savings would begin to be realized in FY2006. A 25 percent discount is applied as both a general conservatism factor and to reflect the potential loss of certain grant and reimbursement revenues relative to baseline assumptions.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	25%	25%	25%	25%
Fiscal Impact	$0	$215,000	$390,000	$484,000	$586,000

42. Achieve Target Savings From Collective Bargaining

Dept: All
Division/Bureau: Administration & Finance
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $97,000,000
Required Approval: Union

Partnership with the County's employee unions is critical to achieving sustainable fiscal recovery, and significant changes in compensation costs will be required. With much of the good faith collective bargaining process yet ahead, however, it would be premature to set forth precisely which changes may ultimately result from labor negotiations. Accordingly, the County will seek to work with the appropriate employee unions to reach the overall savings target, representing meaningful participation in fiscal recovery.

At the same time, the County believes it is important to demonstrate that the negotiation targets above are credible and achievable without compromising its ability to recruit and retain qualified personnel. Accordingly, a "menu" of quantified savings options is summarized below that totals well in excess of the minimum savings targets. Through the bargaining process, the County will work with its unions to determine which negotiation savings areas and options will best meet the interests of both employees and the taxpayers. As long as Erie's fiscal imperatives are recognized and addressed, the County will work flexibly to maintain an attractive and competitive compensation package.

In evaluating the menu to follow, it is also important to note that this Plan's aggregate negotiation targets represent savings relative to the County's Multi-Year Plan baseline. Wage freezes and other changes with lower costs than the baseline assumptions will, therefore, be counted toward this target as savings. At the same time, however, any wage increases or positive new benefits negotiated over and above the baseline assumptions will need to be funded by additional savings above these targets.

- **Introduce cost-sharing for active employee healthcare premiums.** According to the Bureau of Labor Statistics, 88 percent of U.S. private sector workers covered by employer-sponsored medical plans contributed toward the premium cost of family coverage in 2005 and 76 percent contributed toward individual coverage. In the U.S. public sector, according to a 2005 survey by Workplace Economics, 44 of 50 state governments now require employee contributions for basic family coverage, and more than two-thirds require contributions for single coverage. For example, State of New York employees contribute 10 percent of the cost for single coverage, and 25 percent of the incremental cost for any dependent coverage.

  In contrast, Erie County employees currently receive 100 percent employer-funded coverage for a generous Core health benefits plan [employees opting for a more affordable Value benefits plan receive back half of the incremental savings in the form of County contributions to a Section 105-h medical expense reimbursement account, while employees selecting a more expensive Enhanced plan option must contribute the incremental cost above the Core premiums funded by the County].

  If just a 10 percent premium contribution were established for 2006, rising to 15 percent by 2007, undiscounted savings would be estimated at over $2.3 million for FY2005, rising steadily to more than $5.2 million by FY2009. [Note: the preceding, general estimates are based on baseline "status quo" assumptions regarding plan design, cost growth, and enrollment patterns. Cost containment measures addressed in subsequent sections of this Plan section, as well as potential plan migration given changes in incentives, could materially impact the results achieved].

- **Restructure medical coverage "opt-out" provisions to eliminate payments for County employees still covered under the County plan.** Like many employers, Erie County offers a cash incentive ($67 per month for single coverage; $100 month for family coverage) to employees who waive coverage under the County's health benefits plan where eligible for quality coverage elsewhere. In general, this practice is sound, and will typically generate savings. As currently structured, however, a County employee who is married to another County employee is eligible to receive this opt-out benefit by claiming alternative coverage under their spouse's plan. Because the County's plan is substantially self-insured, however, the County will realize no savings from this "paper" change in stated coverage, but rather will still be responsible for the same set of plans. In effect, the County is paying $1,200 for nothing. According to the Erie Personnel Department, over 180 workers now receive such opt-out payments while still remaining covered by the County. Eliminating this practice would save an estimated $220,000 across All Funds. Assuming approximately 55 percent of this total is attributable to the General Fund, savings would exceed $120,000 annually.

- **Restructure sick leave benefits to encourage better attendance, while still providing a safeguard for catastrophic illnesses and events**. Sick leave usage averaged 14.9 days per employee per year for the period from August 2004 to August 2005, according to estimates provided by the County Personnel Department[2]. To some extent, this recent average may have been higher than would typically be expected for the County going forward due to excessive sick leave use by employees facing layoffs during this period reviewed. Anecdotally, County personnel managers report that past sick leave usage prior to recent layoffs averaged 10-11 days per employee per year. Nonetheless, even at the somewhat lower 10-11 day level, sick leave usage for Erie County is high. According to the Bureau of National Affairs, for example, typical private sector unscheduled absences average around 2.0 percent of scheduled workdays, or 5.2 days per year. Likewise, many public sector workplaces average well below Erie's levels.

  Compounding this challenge, round-the-clock operations where unscheduled absences have a strong impact on overtime are among the Erie County departments experiencing the highest levels of sick leave usage. For example, over the 2004-2005 period reviewed:

  – Probation/Youth detention averaged 15.7 days

  – Public Works averaged 19.3 days

  – The Sheriff's Department averaged 13.1 days

  Opportunities to restructure this benefit include:

  – Reducing the current 15-day annual sick leave accrual (plus one extra day if less than one day used in the preceding year), potentially establishing a catastrophic leave bank to safeguard against severe circumstances. In the U.S. private sector, allowances in large and medium firms average between 9.0 and 11.6 days per year, depending on years of service. Other public employers have found moderation of annual allowances to be a highly effective means of curtailing high sick leave usage.

  – Eliminating extended paid sick leave. This additional paid leave is now guaranteed under some collective bargaining agreements when a County employee qualifies for workers compensation.

[2] Includes Sewer Districts, but excludes ECMC (13.1 days), County Home (21.7 days), and Libraries (13.2 days).

− Eliminating the sick leave bonus. Currently, County employees who bank 1,800 hours of sick leave over the course of their career are eligible to receive a one-time $300 bonus, with additional $200 annual bonuses provided in subsequent years if the 1,800 balance is maintained and fewer than five days are used in that year. While modest sick leave bonuses can be a positive acknowledgement of good attendance, many human resources managers believe that this approach has little or no direct impact on employee behavior. Further, the particular structure of the County's benefit can provide the bonus to employees who still take multiple days in a year.

While it is difficult to quantify the bottom line saving attributable to attendance gains precisely, even a three day reduction in average sick leave usage would translate to approximately 10,689 additional productive workdays for the County each year (3563 full-time employees * 3 days), equivalent to more than 46 FTEs[3] . In turn, if even 20 percent of this improvement impacted the bottom line through reduced staffing needs and/or overtime, the County would save roughly $360,000 per year (9 FTEs * $40,000 approx. average[4] County salary).

- **Restructure vacation leave.** In addition to generous personal, sick, and holiday leave benefits, Erie County employees receive 30 days of annual vacation after 25 years of service. In the first year of employment, 10 days are provided, rising to 15 days after two years, 20 days after nine years, and 25 days from years after 16 years through the 25th anniversary. These allowances compare favorably to the national private sector as of 2005, particularly for more senior County personnel:

Annual Vacation Allowances – Erie Vs. U.S. Private Sector

	After 1 year	After 3 years	After 5 Years	After 10 years	After 15 years	After 20 years	After 25 years
Erie County	10	15	15	20	20	25	30
U.S. private sector	8.9	11.0	13.6	16.2	17.8	18.6	19.3

Note: Benchmark years of service shown above reflect BLS, March 2005, National Compensation Survey reporting format; as noted in narrative above, Erie County workers generally receive increases to their annual vacation allowances somewhat in advance of the junctures shown.

These high leave allowances contribute to overall staffing and overtime pressures. To estimate potential savings, we assumed capping vacation leave at 20 days per year for all employees. As of September 2005, the County Personnel Department reports that 928 County employees had between 16-25 years of service (receiving 25 days) and 637 employees had over 25 years of service (receiving 30 days). Based on these staffing levels, the county would regain approximately 11,000 workdays by capping vacation at 20 days per

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[3]FTE equivalence assumes 52 five-day workweeks (260 days) less 12 current County holidays, 15 vacation days as now earned after two years of service, and four personal days (5*52=260-12-15-4=229). No sick or other leave usage is assumed.
[4] Approximate average based on 9/9/2005 system output excluding Managerial and Confidential.

year, equivalent to more than 48 FTEs[5]. Even assuming that only 20 percent of this improved productivity would yield hard dollar savings based on reduced staffing needs, lower overtime, and decreased terminal leave payouts on retirement, this change would generate approximately $380,000 in annual savings assuming an approximately $40,000 average County salary (no associated benefit savings are assumed in this or similar initiatives to follow, reflecting the potential for some savings to be captured from reduced need for part-time personnel and overtime assignments, and as a measure of conservatism).

- **Reduce 12 paid holidays and/or convert to floating days.** Erie County currently provides 12 paid holidays, well in excess of the average of nine (9) received by U.S. private industry workers in 2005 among employers with 100 or more workers. Nationally, only one in ten private sector workers receive as many as 12 paid holidays. For each holiday eliminated, the County would avoid paying premium rates to personnel in round-the-clock operations such as the Corrections Center and Emergency Communications for work on "non-festive" holidays (e.g. Columbus Day), while also regaining productive hours toward improved public service across the full government. As a further option, to the extent that holidays remain, savings can be attained by converting non-festive holidays to "floating" holidays. Under this approach, coverage for around-the-clock operations can be maintained on non-festive holidays without high levels of overtime, while employees can schedule and enjoy their floating holidays in a manner that does not disrupt operations.

- **Restructure other paid leave (personal leave).** Over and above the vacation and sick leave allowances outlined above, County workers receive four (4) paid personal days per year after one year of service. Further, this personal leave allowance is provided in addition to separate provisions for paid bereavement leave, jury duty leave, union leave, and time off with pay to take County civil service exams. In contrast, a majority of private firms and state/local governments do not offer paid personal days. Reducing this personal leave allowance by two days per year would yield nearly 7,000 additional productive workdays across the General Fund workforce (3,484 employees * 2 days each), equivalent to 30 FTEs. Even assuming that only 20 percent of this improved productivity would yield hard dollar savings, this change would generate approximately $240,000 in annual savings assuming an approximately $40,000 average County salary. As an alternative to reducing personal leave for all employees, some employers have linked the receipt of annual personal days to good attendance in the preceding year.

  The following chart shows the overall paid leave benefits available to Erie County workers at 25 years of service relative to U.S. public and private sector norms – more than two weeks more than most governmental employers and over four weeks more than most private firms.

[5] Again, FTE equivalence assumes 52 five-day workweeks (260 days) less 12 current County holidays, 15 vacation days as now earned after two years of service, and four personal days (5*52=260-12-15-4=229). No sick or other leave usage is assumed.

Paid Leave For 25-Year Employees – U.S. Public And Private Sector

	Holidays	Sick Day Allowances	Vacation Day Allowances	Personal Day Allowances	Total
Erie County (CSEA)	12	15	30	4	61
US State and Local Govts[6]	11.4	12.6	23.1	0.0[7]	47.1
US Private Sector Average[8]	8	11.6	19.3	0.0[9]	38.9

- **Eliminate summer hours.** As noted above for Managerial Confidential personnel, all County employees work reduced hours between July 1st and the second Monday in September. With a typical schedule, this means a 9-5 workday (including a one-hour paid lunch and two paid 15 minute breaks) becomes a 9-4:30 workday – just six working hours once breaks are factored out. Where not provided due to operational factors, employees may receive an equivalent number of compensatory hours (approximately 25 hours). In addition to eroding productivity, this practice contributes to overtime costs to the extent that replacement needs are generated. Assuming 25 hours per employee, this practice equates to more than 58 FTEs [25 hours * 3,484 employees = 87,100 hours / (229 workdays * 6.5 hours per day for one FTE) = 58 FTEs]. Again assuming that only 20 percent of this improved productivity would yield hard dollar savings, this change would generate approximately $475,000 in FY05 savings assuming an approximately $40,000 average County salary.

- **Eliminate meal days.** If an employee receives less than one hour for lunch on a regular basis for nine or more months of the prior anniversary year, the employee gains the option of receiving either a $275 payment or three compensatory days. Across the full County government (including the Library system, Medical Center, and County Home, this provision generates both compensatory days and over $35,000 in payouts annually (April 2004-April 2005). Direct General Fund impact exceeds $17,500 in cash payouts alone.

- **Reform contract provisions driving unnecessary overtime.** Along with the various leave and schedule benefits outlined above, multiple other contract provisions contribute to unnecessary overtime. For example, County workers now begin earning at overtime rates after working" eight (8) hours in a day or 40 hours in a week with paid lunch hours, vacation leave, bereavement leave, and compensatory time credited as time worked. In contrast, the Fair Labor Standards Act (FLSA) only requires overtime after 40 hours of actual work in a

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6 National averages for holidays, sick, vacation, and personal days from Department of Labor, Bureau of Labor Statistics, *Employee Benefits in State and Local Governments, 1998* (pub. December 2000). Sick days are average number of days at full pay for full-time employees for cumulative plans.

7 According to *Employee Benefits in State and Local Governments, 1998* (pub. December 2000), three of five state and local governments do not provide personal days, and therefore the median number of days is shown in the table. For the minority of state and local governments that do provide personal days, the average number of days is 3.1.

8 National averages for holidays, sick, vacation, and personal days from U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in Medium and Large Private Establishments, 1997* (pub. September 1999). Sick days are average number of days at full pay for full-time employees for cumulative plans.

9 Holiday and vacation data from the *National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2005*. Also per this report, only 36 percent of full-time employees receive personal days, and therefore the median number of days is shown in the table. Because detailed sick leave benefit data not available in this report, *Employee Benefits in Medium and Large Private Establishments, 1997* (pub. September 1999) was used for the sick leave average reported.

week, such that workers are paid at a straight-time rate for extra hours until a full 40 have been worked. Across the full General Fund in 2004, overtime expenditures exceeded $17.4 million.

Erie County General Fund Overtime Expenditures by Business Area FY2002-04

Fund Center Name	FY02	FY03	FY04
Board of Elections	259,085	163,047	285,767
Budget, Management and Finance	4,489	9,059	21,841
Bureau of Fleet Services		8	713
Bureau of Purchase	1,388	9,247	7,083
Commission on the Status of Women			2,797
Comptroller	15,997	85,548	168,652
County Clerk Auto Bureau Division	108,887	107,316	89,057
County Clerk Registrar Division	92,257	78,206	44,966
District Attorney	2,771	3,595	1,913
DPW Commissioner			219
DPW - Buildings and Grounds	118,246	165,804	250,066
DPW - Bureau of Weights & Measures	24,739	27,709	23,429
Environment & Planning			1,754
Health Division	65,889	36,759	46,843
Health - Emergency Medical Services	67,661	69,708	91,910
Health - Public Health Lab	3,650	3,693	2,067
Health - Medical Examiner's Division	109,453	104,390	68,629
Division of Information and Support Services	31,217	54,651	86,814
Legislature			180
Parks	197,618	201,653	794,567
Parks - Recreation Division			13,718
Parks - Forestry Division	6,870	4,807	12,402
Parks - City of Buffalo			109,413
Personnel Department			70,786
Probation	89,001	66,540	115,544
Youth Detention	287,241	304,328	627,039
Sheriff Division	2,201,958	2,425,509	1,905,288
Jail Management	9,863,434	10,184,434	11,535,527
Central Police Services	187,817	269,990	310,570
Emergency Services	5,881	2,594	6,971
Social Services		646,465	716,342
Senior Services		-	1,013
Senior Services Transportation	1,235	1,669	
STOP DWI/Traffic Safety			421
Total	**$13,746,784**	**$15,026,729**	**$17,414,301**

While expected to moderate somewhat in 2005 due to post-layoff stabilization and a smaller overall workforce, Plan baseline gap projections for overtime are still expected to exceed $15 million annually from FY2006 forward without corrective action. Accordingly, for each 5.0 percent reduction in County-wide overtime achieved, savings would total more than $750,000 per year.

- **Reduce premium pays.** On top of base wages, the County provides multiple pay premiums, varying by assignment, position, and/or union. Longevity pay begins to be earned after nine continuous years of County service and five years at the maximum job group, without any linkage to performance. Uniform allowances of $750 are provided to some employees, at a total annual cost of more than $680,000. Others assigned pagers may earn a supplemental $35 weekly, totaling over $45,000 per year. For still others, a $0.85 hourly shift differential is earned, at a total annual cost of over $1 million. While generally not extraordinary, some or all of these allowances could be reduced or restructured to achieve overall contract savings. For example, simply reducing uniform allowances to $500 per year would generate annual savings of approximately $340,000.

- **Require completion of probation for full benefits.** Some employers, such as the City of Buffalo, require six months of service before newly hired employees are eligible for County-funded medical benefits, overtime in excess of Fair Labor Standards Act (FLSA) minimum requirements, or paid leave. Assuming 174 new hires per year (reflecting replacement for turnover at 5 percent of the total unionized workforce), this measure could save approximately $295,000 in FY2006 benefits costs, rising to $439,000 by FY2009 ($6,789 annual premium / 2 * 174 new hires * 50 percent discount to reflect the likelihood of smaller average family sizes and lower healthcare utilization among workers earlier in their careers; annual premium projected to rise to $7,747 for FY2007, $8,935 for FY2008, and $10,110 for FY2009).

- **Restructure medical benefits for future retirees.** Currently, Erie County retirees receive full medical coverage for life. In contrast, only 5 percent of U.S. private industry establishments offer health care benefits for retirees under age 65 (4 percent for retirees age 65 and over). Among firms with 100+ workers, availability is 13 percent before age 65 and 12 percent thereafter. Looking forward, with an increasing number of retirees and relatively higher healthcare costs for what is typically an older cohort, these post-employment benefits are projected to rise dramatically. Further, a new Governmental Accounting Standards Board (GASB) Statement 45 will soon require all public employers, including Erie County, to calculate and disclose the actuarially determined liability associated with such obligations. While every public employer faces unique circumstances, benefits experts estimate that the annual required contribution (ARC) for retiree medical benefits will typically exceed current pay-as-you-go cash outflows by a factor of ten or more. To control such growing liabilities, some municipalities, such as the fiscally distressed City of Pittsburgh, have eliminated post-employment medical coverage altogether for newly hired workers. Others are increasing cost-sharing and modifying plan design. Others, such as the City of Anaheim (CA), have established a defined contribution trust fund for new employees into which fixed payments are made and invested toward post-employment benefit needs. Although the short-term impact of potential changes is not quantified, retiree medical cost pressures will be a significant and escalating concern for Erie County going forward.

  Former Erie County employees retiring prior to January 1, 2003 (approximately 3,589 retirees out of 4,189), contribute an average of 45 percent towards medical insurance. Retirees who separated after January 1, 2003 (and estimated 600 or 14 percent), make no contribution to their Pre-65 premium, and none to their Post-65 premium for the designated Medicare PPO (requiring Medicare Part B premium payments by the retiree).

- **Revise dental plan provisions to more affordable levels.** Currently, County employees receive coverage under a preferred provider plan that covers preventive, basic, certain prosthetic, and orthodontic services up to $1,200 per person per calendar year through participating dentists ($1,998 lifetime maximum per dependent for orthodontia). The fee schedule used by the County's current third-party administrator averages 55 percent of usual and customary rates (UCR) for in-network services and approximately 28 percent of UCR on an out of network basis. As compared with traditional dental reimbursement of between 65-75 percent of UCR, the fee schedule is beneficial to the County. Concurrently, however, no co-insurance or premium contributions – common across many plans – are required. For further cost containment going forward, future contributions in form of premium and co-insurance should be targeted, thereby reducing the County's portion of the annual expenditure of nearly $4.8 million.

- **Freeze wages and steps.** Negotiated freezes in across-the-board wage adjustments and/or step and longevity increments would achieve significant savings relative to "business as usual" increases assumed in this Plan's baseline budget gap projections. Other related approaches may include reduced starting salaries, elongated pay progressions, longevity schedule restructuring to reduce costs for employees who have not yet received higher the maximum rates, and/or the use of one-time bonuses to minimize growth in the overall County wage base. Relative to the fiscal gap projection "status quo" baseline assumptions of a 2.0 percent general wage increase for the CSEA on January 1, 2006 (as contained within an existing collective bargaining agreement), 1.75 percent general increases each year where no negotiated terms are yet in place, and 1.75 percent per year for all groups to reflect aggregate step and longevity gains, an absolute wage freeze would save over $4.5 million in FY2006, rising to $28.9 million by FY2009 after a four-year freeze.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Employee healthcare premium contributions	N/A	$2,300,000	$4,000,000	$4,600,000	$5,200,000
Eliminate healthcare opt-outs to employees covered by County	N/A	$120,000	$120,000	$120,000	$120,000
Sick leave reforms	N/A	$366,000	$370,000	$379,000	$385,000
Restructure vacation leave	N/A	$386,000	$393,000	$400,000	$407,000
Restructure other paid leave	N/A	$244,000	$248,000	$252,000	$257,000
Modify holidays	N/A	TBD	TBD	TBD	TBD
Eliminate summer hours	N/A	$475,000	$485,000	$490,000	$500,000
Eliminate meal days (impact reflects cash pay outs only)	N/A	$17,000	$17,000	$17,000	$17,000

	FY2005	FY2006	FY2007	FY2008	FY2009
Reform contract provisions driving OT	N/A	$765,000	$785,000	$820,000	$840,000
Reduce premium pays (e.g., uniform allowance to $500).	N/A	$340,000	$340,000	$340,000	$340,000
Require completion of probation for full benefits.	N/A	$295,000	$336,000	$388,000	$439,000
Restructure retiree medical benefits	N/A	TBD	TBD	TBD	TBD
Redesign dental benefits	N/A	TBD	TBD	TBD	TBD
Wage and increment freeze	N/A	$4,500,000	$13,700,000	$21,200,000	$28,900,000
Total Savings	**N/A**	**$9,800,000**	**$20,800,000**	**$29,000,000**	**$37,400,000**

Due to the uncertainties of the bargaining process, costing is based solely on the savings estimated from implementation of a wage and increment freeze, beginning January 1, 2006. The County, however, will actively explore and bargain toward an alternative, preferable package.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$9,800,000	$20,800,000	$29,000,000	$37,400,000

43. Continue Active Focus on Benefit Cost Containment Via Labor-Management Healthcare Coalition to Hold Annual Cost Increases at or Below 7% by 2007 and 10% Thereafter

Dept: All
Division/Bureau: All
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $10,500,000
Required Approval: Union

While employee contributions toward monthly health plan premiums, are addressed above as a matter of collective bargaining for union-represented County employees, many other factors driving health benefit costs are controlled by the Labor Management Healthcare Coalition (LMHC) of which the County of Erie is a founding member. Established in 2003, the LMHC is a multi-employer, labor-management trust formed, managed and governed on a collaborative 50/50 basis between labor and management of the various members of the Coalition. The LMHCC mission is focused on providing quality healthcare coverage at an affordable price to public employers in Western New York. The Labor Management Healthcare Fund is the plan sponsor and administrator focused on leveraging the collective buying power of almost 28,000 members.

Since is inception in the fall of 2003, the LMHC has evaluated and implemented multiple strategies to manage costs. Looking forward, additional such opportunities include, but are not limited to, the following approaches in the areas of vendor management, individual health management, and plan management:

Vendor Management

Like many plan sponsors, the LMHC has actively managed and negotiated terms with its vendors since its inception, and continues to pursue opportunities for cost containment. To hold the current plan insurer, BlueCross BlueShield of Western New York, accountable for managing care at a high quality focused on outcomes, the LMHC also actively works to ensure that protocols are being followed regarding pre-authorizations, eligibility, and coordination of care initiatives, wherever appropriate. Ongoing areas with potential impact include:

- **Moving medical coverage to a self-insured mode.** The current LMHC plan features a minimum premium, whereby the County is responsible for a monthly administrative fee and for actual paid claims for each month subject to a monthly maximum. A further annual maximum is equal to 105 percent of annual projected claims. The LMHC has aggressively negotiated insured administrative rates that include medical management, claims management, reporting and other services. Looking forward, full self-funding has been explored, thereby potentially reducing risk charges and premium tax costs by approximately $1.8 million annually across the full Coalition. At the same time, such an approach would expose the LMHC to greater potential expenditure volatility. Evaluation of stop-loss insurance attachment points, as well as negotiations with the plan insurer regarding rebates and administrative charges are further cost-saving initiatives.

- **Exploring a carve-out of the plan's prescription drug program**. Currently, prescription drugs are provided through the LMHC overall insurer, Blue Cross Blue Shield and their vendor, Wellpoint. The current- pass through terms of this contract provide an opportunity to improve from a discount, dispensing, rebate and administrative fee basis. The LMHC is considering carving out this program to achieve cost savings and to mirror national trends with other pharmacy benefits managers (PBM's) to control overall Rx costs.

- **Evaluating potential savings from re-bidding overall medical claims administration at the next option year in 2007.** When the LMHC was first established in 2003, substantial savings were achieved by competitively bidding plan administration. As the next option year approaches, the LMHC should actively pursue any competitive opportunities that may then be available in the regional healthcare marketplace.

- **Auditing claims processing results to ensure that plan provisions and network discounts are being properly applied.** Currently, the LHMC is engaging an outside auditor to review the application of discounts and pricing models for prescription drugs. Such measures can often more than pay for themselves by ensuring more accurate billing.

- **Leverage federal 340b qualification of Erie County Medical Center (ECMC) by establishing ECMC as the preferred provider/mandatory mail order supplier of monthly maintenance drugs.** 340B discounts could yield an approximate reduction in average discounts of approximately 30 percent. Given that the LMHC generates approximately $29 million in annual drug spending, with 87 percent of all drugs dispensed for monthly maintenance, savings from this initiative might conservatively reach $2.4 million for the overall coalition, of which approximately 35 percent could be allocated to the County General Fund. Currently under active exploration, meeting the federal guidelines is difficult, and implementation is not yet certain.

Individual Health Management

There is a growing recognition that prevention and health promotion programs are an important component of reducing overall cost, particularly under a program such as Erie County's that is substantially self-insured. Disease management, wellness, and treatment compliance programs can all be beneficial, as can the establishment of financial incentives for employees to take a more active role in maintaining good health.

For example, the joint labor-management Pennsylvania Employee Benefits Trust Fund for state workers in Pennsylvania launched a "Get Healthy" program on July 1, 2005. Under this initiative, employees are provided a free health Risk Assessment, along with access to a Health Coach, health management services for chronic conditions, and/or weight loss programs where identified as beneficial by the assessment. As a further incentive to participate in this program, employees receive a six-month reduction in their required employee healthcare premium contribution equal to 0.5 percent of pay, and a continued reduction for ongoing participation in wellness, preventative, or Health Coach Programs.

Similarly, King County (WA) is establishing a program under which employees who participate actively in confidential health management plans will be required to contribute significantly less toward costs than co-workers who opt to avoid the initiative.

Several successful health management programs have already been implemented in Erie County since 2003, including an employee health assessment (approximately 20 percent participation) and cholesterol screening. Building on these and related initiatives, the County has further opportunities to improve in partnership with its healthcare providers and the community, for example:

- Mandatory bi-annual physicals might be established with monitoring of the baseline health of Coalition members and dependents. An incentive based approach might reward participation in the form of reduced payroll contributions where applicable, or contributions to a Health Reimbursement Account (HRA).

Plan Management

- **Eliminate massage and acupuncture benefits.** Currently, both active and retired County medical plan participants receive massage benefits (12 visits per calendar year) and acupuncture benefits (6 visits per calendar year) as part of the Core LMHC programs. Across the full LMHC, massages cost over $300,000 and acupuncture approximately $25,000 annually. With the County General Fund linked to approximately 35 percent of total LHMC costs, these two services are estimated to account for over $100,000 in General Fund expenditures.

- **Establish a mandatory mail order program for maintenance prescriptions.** Most Rx utilization is for maintenance medications, and mail order supply provides a substantially lower cost means of meeting such needs without impacting patient care. Earlier in 2005, the LMHC implemented a 90-day mail order program for the same co-pays as 30-day retail. Further transitioning to full mandatory mail order for maintenance drugs could yield six figure savings.

- **Adjust Rx co-pays and plan provisions to standard levels.** Currently, Erie County's benefits plan requires just $5 co-pays for generic prescription drugs, $7 for brand drugs, and $10 for preferred brand. According to the Kaiser/HRET Survey of both public and private employers, Rx drug co-pays nationally were typically more than twice as high as of 2004 – $10 for generics, $21 for preferred drugs, and $33 for non-preferred drugs – and these amounts continue to increase on average. In the New York State Empire Plan program available to the CSEA, co-pays are$5/$15/$30, plus participants in most circumstances pay the full differential above the generic cost when a generic is available. Other Rx cost containment measures successfully used elsewhere, but not yet in place for the LMHC, include a mandatory generic policy requiring the use of more affordable prescription drugs where appropriate, and a "step therapy" program under which lower cost medications are used unless determined to be ineffective, in which case plan participants can step up to higher cost options. Already in 2005, the LMHC launched voluntary generic step and half tablet programs.

- **Increase office visit co-pays to standard levels.** Currently, the LMHC plan requires $10 co-pays for physician office visits. According to the 2004 Kaiser Foundation Benefits Survey, nearly two-thirds of the U.S. workforce pays $15 or $20 for office visit co-pays, with only 18 percent still paying $10 or less. State of New York CSEA Empire Plan participants pay $12 for 2005.

While precise estimates have not been developed for all of the options outlined above, implementation of the full "menu" would be expected to generate savings well in excess of the targets set forth below. Further, these are just a sampling of the many plan design features that might be reevaluated as part of ongoing cost containment efforts, and should not be considered an exclusive list of opportunities.

Because the changes outlined above generally require joint labor-management action by the LMHC and cannot be adopted unilaterally, this Plan does not assume that all will be implemented immediately. At the same time, the LHMC is actively focused on cost containment, and the measures suggested above would all be consistent with continued high quality coverage. Accordingly, this Plan assumes that a sufficient level of cost containment initiatives will be approved and successfully implemented to cut forecast cost growth for 2007 in half from 14 percent to 7 percent, and to hold the rate of growth thereafter to no more than 10 percent per year (versus projected status quo growth rates of 15.3 percent for 2008 and 13.15 percent for 2009).

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Fiscal Impact	$0	$0	$1,800,000	$3,600,000	$5,100,000

Due to potential implementation delays, and to ensure prudent budgeting, no savings are assumed in FY2005 or FY2006 – although County Administration representatives to the LMHC will continue to pursue change actively. In addition, a 25 percent discount is applied thereafter as both a general conservatism factor and to reflect the potential loss of certain grant and reimbursement revenues relative to baseline assumptions.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	0%	0%	0%
Fiscal Impact	$0	$0	$1,800,000	$3,600,000	$5,100,000

<u>44. Negotiate Greater Flexibility to Subcontract.</u>

Dept: All
Division/Bureau: All

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: Union

Currently, the County's collective bargaining agreements are silent on the terms and procedures for subcontracting to deliver needed services. As a result, many managers believe themselves to be severely constrained from pursuing competitive approaches due to the requirements of the New York State Taylor Law. At the same time, County employees generally lack a clear understanding regarding the ground rules for such initiatives. From a national perspective, many governments have achieved significant cost savings and service improvements from competitively bidding specialized and/or ancillary services where a strong private market exists. Throughout this Plan, multiple opportunities specific to Erie County have also been identified from golf course operation to fleet maintenance.

To ensure flexibility to use the most effective and affordable approaches for delivering services to the public, the Administration will seek to negotiate viable ground rules for subcontracting County functions. Such a provision will seek to clearly establish the County's authority to move forward with the best options for the public, outline procedures for communications with the County's unions in advance of any such initiatives, and provide for a competitive dynamic. An example of such a provision from Nassau County's agreement with the CSEA is shown below:

> *Section 32. Sub-Contracting*
>
> *The County shall make good faith efforts to avoid the unnecessary assignment of CSEA unit work to persons not in the CSEA unit.*
>
> *A committee comprised of representatives from the Office of Labor Relations, County Executive's Office, and CSEA (totaling 3) shall meet not less than once per month to*

discuss current and proposed contracts between contractors and the County, which contracts related to work which has "historically and exclusively" been performed by bargaining unit members.

Before assigning CSEA unit work to persons not in the CSEA unit:

a) The County shall provide notice to the CSEA stating the County's needs; and
b) CSEA may, within ten (10) days thereafter, propose alternatives to satisfy the County's needs; and
c) If CSEA proposes alternatives, the County and CSEA shall meet and confer with respect to CSEA's proposals.

The Union shall receive monthly copies of such items relating to sub-contracting as are requested by the Union and which are available as a matter of public information.

The Union shall be provided copies of all future contracts between contractors and the County relative to work now being done by negotiating unit personnel.

The County agrees it will not lay off unit employees as a direct result of a transfer of unit work.

It may be noted that the above Nassau-CSEA procedure is somewhat restrictive due to its guarantee of no layoffs resulting directly from subcontracting decisions. Other communities have addressed union job security concerns via more flexible approaches, such as commitments to develop redeployment programs in the event of any worker displacement and/or by negotiating first hiring preferences with incoming contractors. Whatever specific provisions and processes may best fit any particular government and its represented employees, however, there is a clear benefit to guidelines that squarely address such concerns while still providing a framework for positive change.

Specific savings from identified Erie County competitive contracting opportunities are addressed throughout this Plan. Even beyond these current opportunities, the ongoing imperative for County leadership to operate with a full "toolbox" of service delivery alternatives makes this initiative a high priority.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

45. Negotiate Flexibility and Tools for Effective Operational Management

Dept:	All	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	All	**Fiscal Impact To FY09**:	TBD
		Required Approval:	Union

For the County workforce to deliver services competitively, it is important that effective management approaches be in place, supported by contemporary work practices. Currently, however, many County operations are hindered by outdated and/or inefficient work rules and human resources structures. While some of the following examples may not require collective bargaining to change, others are linked to current labor agreement terms, and all would benefit from stronger labor-management cooperation focused on improved productivity:

- Development of stronger performance-based incentives and management tools;
- Modified layoff procedures to limit seniority-based “bumping” to functional work units, such that experienced and productive workers are not displaced by longer-tenured personnel who may lack the relevant background to fill particular positions outside of their own work unit effectively;
- Increased flexibility to assign overtime based on qualifications and performance, rather than maintaining overtime “equalization” practices that lead to inefficient staffing at premium rates;
- Multiple function-specific work practice improvements as detailed throughout the departmental initiatives included in this Plan – such as increased flexibility to cross-assign staff from the County Holding Center and Jail.

While not directly quantified (or, in some cases, quantified elsewhere in the context of a single department’s operations), improved management tools and flexibility are of high importance if the County is to achieve significant productivity gains.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

37. Pursue Federal Medicare Part D Reimbursement for Providing Retiree Prescription Drug Benefit

Dept:	All	**Rev/Exp/Productivity**:	Rev
Division/Bureau:	All	**Fiscal Impact To FY09**:	$3,600,000
		Required Approval:	County

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Medicare Modernization Act, or MMA) was signed into law on December 8, 2003. The primary outcomes of the new legislation were the introduction of a Medicare Drug Benefit and the Medicare

Advantage Program. Under the new Medicare prescription drug program, employers who already provide a retiree Rx benefit determined to be actuarially equivalent to the new federal program are eligible for a 28 percent reimbursement for employer costs. The federal Centers for Medicare and Medicaid Services (CMS) have estimated that the employer subsidy will average $668 per year per eligible retiree, although the subsidy is provided on an individual basis, and is not simply a percentage of total drug costs.

As a provider of retiree prescription drugs, the County via the LMHC is believed to be eligible for these payments. For 2006, Erie County is already well underway with the subsidy application process, and the LMHC benefits consultant estimates that the County overall will receive $2.2 million in 2006. In general, the County General Fund allocation of costs for the LMHC is just under 35 percent, although inter-fund allocations of Part D revenues have yet to be determined. If equivalent to the overall allocation, the General Fund should expect to receive approximately $770,000. In future years, revenues are grown at a rate of 16.5 percent consistent with status quo healthcare trends, however, even greater increase are possible to the extent that the size of the retiree cohort also grows. Actual federal reimbursements are based on a percentage of County spending subject to an annual cap per retiree, indexed to national per capita spending growth.

Summary of Revenues
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Estimated Part D Reimbursement	$0	$770,000	$897,050	$1,045,063	$1,217,499
Total Impact	**$0**	**$770,000**	**$897,050**	**$1,045,063**	**$1,217,499**

While receipt of these payments is not considered to be at significant risk, a 20 percent first-year discount has been applied to reflect the uncertainty of precise allocations to the General Fund, and a 10 percent discount applied to FY2007.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	20%	10%	0%	0%
Fiscal Impact	$0	$600,000	$800,000	$1,000,000	$1,200,000

38. Improve Attendance Monitoring and Payroll Controls

Dept:	All	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	All	**Fiscal Impact To FY09**:	$234,000
		Required Approval:	County

As noted above, County sick leave usage is high – more than double national labor market averages of 5.2 days. To achieve improved attendance, modifications to County paid leave benefits, as also outlined above, will be critical. To complement such changes, however, it will also be important to strengthen management systems for monitoring and enforcing attendance policies – including provisions already in place. In addition, with the County's decentralized timekeeping systems, as well as recent high turnover due to workforce reduction, greater central review and control would better ensure consistent and accurate payrolls. To pursue these two goals, the 2006 Budget includes funding for a new Benefits Monitoring Specialist position within the Personnel Department to be responsible for improving management in these areas.

Initiatives may include, but not be limited to the following, with an initial priority focus on improving attendance in the County's 24/7 operations:

- Development and circulation of regular leave usage and overtime reports for County operating departments and major divisions to provide management feedback and to promote greater awareness and accountability.

- Monitoring and review of existing County attendance policies, such as sick leave notification and certification practices, to ensure strong and consistent application.

- Audits and review of departmental payrolls to ensure consistent and accurate timekeeping, recordkeeping, and application of policies regarding overtime and premium rates.

- Training departmental managers and administrators as warranted to improve and professionalize attendance and payroll practices.

The FY2006 Budget includes $40,301 to establish this new position, and an additional factor is assumed for benefits. While direct savings can not be precisely forecast, this investment is projected to yield many multiples of savings. Looking at attendance issues alone, even a 5 percent improvement in sick leave usage would equate to nearly 3,400 workdays gained per year – almost 15 FTEs. Even assuming that only 20 percent of this improved productivity would yield hard dollar savings, this change would generate approximately $120,000 in annual savings assuming an approximately $40,000 average County salary. While potentially significant, additional savings opportunities from payroll corrections are not quantified.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Cost of Attendance and Payroll Monitor	$0	$60,121	$61,624	$63,165	$64,744
Total Cost	**$0**	**$60,121**	**$61,624**	**$63,165**	**$64,744**
Savings from Improved Attendance	$0	$122,100	$124,798	$129,091	$133,326
Savings from Payroll Corrections	CQ	CQ	CQ	CQ	CQ
Total Savings	**$0**	**$122,100**	**$124,237**	**$126,411**	**$128,623**
Net Savings	**$0**	**$62,000**	**$63,000**	**$63,000**	**$64,000**

No discounting is applied to the additional personnel investment. For potential savings, a 20 percent discount is applied in FY2006 and 10 percent in FY2007, reflecting the uncertainty associated with the indirect bottom line impact from improved attendance.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	20%	10%	0%	0%
Fiscal Impact	$0	$50,000	$57,000	$63,000	$64,000

39. Co-Locate Personnel and Labor Relations to Support Coordinated Approach and Minimize Support Staff Needs

Dept: Personnel/Labor Relations
Division/Bureau: All
Rev/Sav/Productivity: Productivity
Fiscal Impact To FY09: TBD
Required Approval: County

Co-location of the County's Labor Relations unit with the Personnel Department will improve communication and coordination on important human resources issues, advancing key goals set forth by Buffalo Niagara Partnership in suggesting full consolidation of these functions along with the Equal Employment Opportunity (EEO) office. As outlined separately, the EEO program will be consolidated separately with several other County functions under a new Office of Public Advocacy.

With Personnel and Labor Relations, co-location will not only support continued functional coordination, but will also improve each group's capacity to manage support and general staffing pressures while minimizing added personnel. At this point, full and formal consolidation is not recommended. As recognized by County law that staggers the term of the Personnel Commissioner with that of the County Executive, the civil service merit system responsibilities of Personnel are intended to remain at arms-length from the elective process. At the same time, given the strong fiscal and operational impact of collective bargaining, it is important for Labor Relations to remain accountable to each County Executive.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

40. Restore One Front-Line Personnel Department Position to Ensure Appropriate Service, Supported by Increased Exam Fees

Dept: Personnel
Division/Bureau: All
Rev/Sav/Productivity: Rev/Exp
Fiscal Impact To FY09: ($100,000)
Required Approval: County

In addition to processing civil service examinations for positions in County government, the Personnel Department also manages the civil service testing and certification process for hiring in the region's Towns, Villages, Authorities, and School Districts. After significant staffing reductions earlier in 2005, the Department has struggled to meet its obligations to these other governments, and survey data compiled by the County indicates that Erie's civil service operation are well below comparable large New York counties. To begin to address this concern and minimize delays and backlogs, the FY2006 Budget includes one FT position restoration for a Data Entry Operator at a salary of $26,684. With benefits and overhead, total costs are projected at $39,765, with cost escalation in future years.

New York law prohibits counties from directly charging local municipalities for these services, however, costs can be recovered through application fees charged to individuals seeking public employment. Erie County currently has four fee levels for different categories of exams, at levels considerably lower than comparable counties that do not fully recover associated costs. The table below shows the exam fees for Erie in contrast to Monroe, Onondaga, Westchester, Suffolk and Nassau.

Civil Service Exam Fees – Erie and Comparable Counties

County	Decentralized Exams	State Scheduled Exams	Uniformed Services
Erie	$5 (job groups 4 and under) $10 (job groups above 4)	$10	$12.50
Monroe	$15	$15	$25
Westchester	$25	$25	$50
Suffolk	$25 (open-competitiveness exams) $15 (promotional exams)	$25 (open-competitiveness exams) $15 (promotional exams)	$100 (entry level) $50 (promotional exam)
Nassau	$15 (under $20,250 starting salary) $30 (over $20,250 starting salary)	$15 (under $20,250 starting salary) $30 (over $20,250 starting salary)	$100 police officer $50 correction officer/ deputy sheriff $40 all others
Onondaga	$15	$15	$28 (entry level police officers) $20 (other uniformed services)

Because a portion of each total fee charged is remitted to New York State, net revenues to the County will be lower than the gross revenues collected. For example, 100 percent of the current $12.50 uniformed services fee is remitted to the State in most circumstances. Also impacting projections, some major examinations (e.g., corrections, police) are only given every other or every third year. Accordingly, revenues are somewhat cyclical in character.

For 2006, the County Personnel Department recommends that Erie raise its exam fees to parallel those of comparable counties while concurrently simplifying its fee structure. A $15 fee is recommended for all decentralized and state scheduled exams and a $30 fee for uniform services exams. Initial revenue projections assuming these increased fees have been developed by the Personnel Department and are shown below relative to the $34,000 baseline[10] used in recent County budgets. Currently, Erie County must pay the State between $3 and $12.50 for every candidate tested; the revenue projections shown below reflect the *net* increase projected for the County and do not include revenues remitted to the State.

[10] FY2007 through FY2009 net revenues are adjusted for inflation.

FY2006 through FY2009 Projected Civil Service Exam Fee Increase Revenues

	FY2006	FY2007	FY2008	FY2009
Decentralized Exams	$19,340	$19,340	$19,340	$19,340
State Scheduled Exams	$28,688	$28,688	$28,688	$28,688
Uniformed Services	$2,625	$30,000	$4,625	$2,625
Estimated Revenues	**$50,653**	**$78,028**	**$52,653**	**$50,653**
Net Revenues without Increase	$35,721	$36,614	$37,530	$38,468
Change in Net Revenues	**$14,932**	**$41,414**	**$15,123**	**$12,185**

The higher FY2007 uniformed services fee revenues are due to the cyclical nature of this exam, typically conducted every three years and next slated for FY2007. Similarly elevated revenues for uniformed services should again be anticipated for FY2010.

Summary of Impact
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Cost of Partial Staffing Restoration	$0	($39,765)	($41,929)	($44,371)	($46,848)
Total Cost	**$0**	**($39,765)**	**($41,929)**	**($44,371)**	**($46,848)**
Incremental Fee Revenues	$0	$14,932	$41,414	$15,123	$12,185
Total Revenues	**$0**	$14,932	$41,414	$15,123	$12,185
Net Impact	**$0**	**($24,833)**	**($515)**	**($29,248)**	**($34,663)**

Due to implementation timing, no impact is projected for FY2005. With some volatility and uncertainty associated with fee receipts, projected revenue increases have been discounted 20 percent in FY2006 and 10 percent in FY2007, but not thereafter. Budgeted position costs have not been discounted, and increase annually by the assumed County baseline growth rates. Overall, this results in a modest net cost of $25,000-35,000 annually in most years, with a net positive benefit in years when a uniformed services exam is conducted.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	20%	10%	0%	0%
Fiscal Impact	$0	($28,000)	($5,000)	($31,000)	($36,000)

41. Conduct Training Needs Assessment and Enhance Employee Development

Dept: All
Division/Bureau: All
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: ($600,000)
Required Approval: County

As identified by the Buffalo Niagara Partnership, the Country would benefit from "a training Needs Analysis to ensure that all employees are trained to adequately perform their jobs and learn new ones." Looking forward, the County concurs that training and employee development are important to improving productivity, and will conduct a comprehensive training needs assessment in 2007, once a majority of the organizational changes outlined throughout this Plan have begun to move ahead and take greater shape. Based on this 2007 evaluation, the County will begin to implement new programs to address critical areas of need. Pending this evaluation, $250,000 per year is preliminarily targeted for this purpose, over and above any existing departmental training budgets.

Summary of Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Needs Assessment	$0	$0	$100,000	$0	$0
Estimated Cost of Program	$0	$0	$0	$250,000	$250,000
Total Cost	**$0**	**$0**	**$100,000**	**$250,000**	**$250,000**
Productivity Gains	NQ	NQ	NQ	NQ	NQ
Total Savings	**NQ**	**NQ**	**NQ**	**NQ**	**NQ**
Total Impact	**$0**	**$0**	**($100,000)**	**($250,000)**	**($250,000)**

No discounting is applied to the estimates above.

V. DEPARTMENT INITIATIVES

COUNTY EXECUTIVE

86. Reduce Office of the County Executive Expenditures while Maintaining Capacity to Implement Four-Year Plan Savings and Cost-Recovery Initiatives

Dept:	County Executive	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	$486,000
		Required Approval:	County

The County Executive will implement management strategies to reduce operational expenditures by at least $120,000 per year while maintaining the capacity to implement the savings and cost recovery initiatives detailed in this four year plan.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$120,000	$120,000	$122,000	$124,000

84. Automated Resolution Filing

Dept:	County Executive	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

The Office of the County Executive will support the implementation of cost reductions in the County Executive's Office through the establishment of an automated resolution filing system to reduce the workload associated with handling 1,000 resolutions a year.

The fiscal impact of this impact has not been determined.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

85. Establish "CountyStat" Program to Improve Management Accountability and Planning

Dept:	County Executive	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:		**Fiscal Impact to FY09**:	TBD
		Required Approval:	County

Erie County should create a "CountyStat" program based upon Baltimore's successful CitiStat program. CitiStat is an accountability process based on the successful CompStat program developed by the New York City Police Department. CompStat, used computer pin mapping and weekly accountability meetings, helped the NYPD dramatically reduce crime and is employed today by several police departments around the world. Erie County should develop a "CountyStat" program so that an effective and structured management mechanism can facilitate the implementation of Four-Year-Plan initiatives and enable ongoing budget/operations performance measurement tracking.

Four Tenets constitute the foundation of Baltimore's Citistat Program:

1. Accurate and Timely Intelligence

2. Effective Tactics and Strategies

3. Rapid Deployment of Resources

4. Relentless Follow-Up and Assessment

A CountyStat system would involve the following process steps:

- Department heads would come to a CountyStat meeting on a frequent, periodic basis (e.g, bi-monthly) with the County Executive and other senior personnel.

- Prior to each meeting, Departments would submit data to the CountyStat team. The data would include operational and budgetary information and would be focused on informing performance metric tracking and initiative implementation.

- After information is received, the CountyStat team (comprising existing senior County officials with budget and operations oversight responsibilities and their staff) would perform an analysis and distill the materials for presentation at the next meeting.

- At the department meeting, information would be reviewed and department heads (or their staff) would be asked questions – and held accountable – for their department's recent performance. Visual aids – such as projected spreadsheets and photographs – should be used to focus the discussion on important operational and budgetary tasks.

The value of the CountyStat process is that it can provide the County with a structured, organized, and focused process for examining operation/budgetary performance and tracking initiative implementation. Also, CountyStat creates a dynamic of accountability that is difficult to achieve through less formal management of government operations.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

COUNTY LEGISLATURE

151. Continue Identifying Savings in the County Legislature's Operations

Dept: County Legislature
Division/Bureau:

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $504,000
Required Approval: County

The Buffalo-Niagara Partnership Report outlined an approach to realign the Legislature's resource allocation toward core services as outlined in County Charter. Not restoring the Legislature's $750,000 contractual expense budget, nor reversing other cuts associated with the reduction of the Legislature's budget from $4.6 million in 2004 to $2.6 million in March 2005 maintains this direction.

A review of the Legislature's budget on a per capital basis suggests that the County should maintain the $2.0 million of FY2005 reductions, as well as trimming another $120,000 from the central office or other Legislature operations.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$120,000	$124,000	$128,000	$132,000

152. Adjust Legislators' Salaries to Regional Norms

Dept: County Legislature
Division/Bureau:

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $1,050,000
Required Approval: County

Analysis in the Partnership Report compares Legislature salaries in Erie County ($42,500 for non-leadership position) to that of Albany ($32,000), Onondaga ($22,000), Monroe ($18,000), and Niagara ($15,000) Counties, indicating that Erie is well above the norm.

Legislator Salaries in Selected Counties

County	Total Population (2000)	Total Budget	Total Legislature Budget	Per Capita Legislature Budget	Legislature Salaries
Albany	297,845	$462,736,070	$2,262,753	$0.13	$32,000
Monroe	735,177	$982,400,000	$1,978,975	$0.37	$18,000
Onondaga	459,805	$917,641,816	$1,681,590	$0.27	$22,000
Niagara	218,150	$524,251,522	$376,170	$0.58	$15,000
Erie	941,293	$1,184,054,922	$2,616,471	$0.36	$42,500

The County should implement the Partnership's recommendation of reducing salaries downward by $22,500 a year. Revisions to Legislators' salaries would be presented for consideration and adoption through the Charter Review Commission process.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$0	$338,000	$350,000	$362,000

153. Evening Meetings for County Legislature

Dept: County Legislature
Division/Bureau:
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: County

Consistent with the recommendations of the Partnership Report, the County Legislature should consider evening meetings to enhance public access to the legislative process and encourage "citizen legislators" who can work at another job during the day.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

DIVISION OF BUDGET, MANAGEMENT & FINANCE

94. Develop and Implement Market-Based Revenue Program

Dept:	Div of Budget, Management & Finance	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$2,660,000
		Required Approval:	County

A Market-Based Revenue Opportunities ("MBRO") program offers an opportunity to the County to maximize the revenue-generating capacity of County assets. This broad term encompasses various entrepreneurial concepts, including advertising, exclusivity arrangements, rental agreements, and corporate sponsorships. A comprehensive and effectively administered MBRO program could generate $2.6 million over the next five years.

While some MBRO opportunities, such as an outdoor advertising program, are generally well established in the governmental marketplace, other areas are still evolving. Such arrangements can raise legitimate community concerns regarding the appropriateness of advertising content, aesthetics, and excessive commercialization of public service. The County will initially establish MBRO program parameters and guiding principles for considering such arrangements consistent with local community values.

Within this policy framework, the County will – with the assistance of an MBRO specialist solicited through a request-for-proposals process – inventory facilities, real estate, and other assets and mechanisms under their control with potential for MBRO revenue generation. This assessment may include, but not be limited to, consideration of opportunities in the following categories:

- **General outdoor advertising**. Billboards and other outdoor signage can generate both a fixed rental payment and/or a share of gross advertising revenues. While the precise revenue generation potential largely depends on location, a single prime billboard location can generate tens of thousands of dollars per year. Some governments are also exploring temporary ad banners on public construction site fences.

- **Street furniture**. Advertising revenues can offset or even eliminate the costs of "street furniture[1]", including such amenities as bus shelters, benches, public toilets, newsstands, trash receptacles, information kiosks, bicycle racks, and telephone pillars. In Boston, for example, the city's advertising revenue stream for a high quality street furniture program includes both an annual fixed fee of $750,000 and a license royalty fee (10 percent of annual revenues, generating $314,780 in 2003).

[1] "Street furniture" is the terminology for physical components/amenities of the streetscap shelters, benches, and trash/recycling receptacles.

- **Indoor advertising**. Advertisements may be placed in public restrooms, libraries, civic centers, parking garages, and recreation venues. For a modestly scaled indoor advertisement, vendors estimate that each frame can generate as much as $1,920 annually, with a government receiving 10-25 percent of the revenue.

- **Other miscellaneous advertising**. Other advertising options being pursued by municipalities nationally include: tax and utility bill inserts; banners on government websites; advertising placements on the sides of rollout refuse carts as used in conjunction with automated trash collection; vehicle advertising "wrap" arrangements; and advertisements on parking meter poles.

- **Secondary use of public real estate**. County facilities and/or infrastructure can generate supplemental revenues from such options as leases for the placement of telecommunications equipment (e.g., cell-phone towers) and facility rentals for events and activities.

- **Municipal marketing partnerships**. A number of communities have developed corporate sponsorship programs, often in a blended arrangement involving commodity delivery, promotions, and discounts. For example:

    - **Oakland, CA**: Named Coca-Cola its official soft drink, giving it exclusive rights in city buildings and parks.
    - **San Diego, CA**: Corporate partnership program has netted $5 million over the past several years, resulting in a revenue to expense ratio of 22:1[2]. Corporate partners, including Pepsi, Verizon, and General Motors, have all paid for the right to be the "exclusive" provider of their respective products and services to the City.
    - **Huntington Beach, CA**: Realizes $3 million in annual benefit from corporate partners including Coca-Cola, Chevrolet, Simple Green, and Yamaha.
    - **Miami, FL**: Purina sponsored construction of two "Dog Chow Dog Parks" as part of a marketing campaign in exchange for promotion rights and a waiver of fees for park events.
    - **Austin, TX**: Austin has recently committed to exploring MBRO options and is considering which types of assets and services should be involved in a future program.

An MBRO program would enable the County to create new revenue streams within guidelines for the appropriate use of public space and facilities consistent with local standards. Benefits of such programs include cost avoidance, revenue, non-monetary benefits, and limited administrative burdens from contract structures emphasizing the responsibilities of the contractor.

MBRO programmatic responsibilities should be centrally coordinated. One individual or office/group should oversee the program. Through centralization or consolidation, the County

[2] The "expense" referred to in this ratio is the amount of money the City has spent on their MBRO program, meaning that for every $1 spent, they've generated $22 in MBRO income.

can maximize programmatic benefits and revenue potential by focusing efforts and avoiding duplication of labor.

Because of the competing interests inherent in the formulation and implementation of an MBRO program, other counties and professionals supporting such programs have recommended a phased approach to adopting MBROs. Regardless of whether a comprehensive or targeted approach is adopted, the County will phase in new MBRO initiatives to facilitate the public's acclimation and the program administrators' capacity.

In terms of allocation, it should be acknowledged that certain programs impact the feasibility and revenue generating potential of others. For instance, a comprehensive street furniture program may affect the County's ability to pursue advertising in other venues due to finite advertising revenue sources.

Comparables

Many governments around the country have instituted a variety of MBRO programs, including:

- Boston (MA)
- San Diego (CA)
- Hartford (CT)
- Los Angeles (CA)
- Oakland (CA)
- Huntington Beach (CA)
- Philadelphia (PA)
- San Francisco (CA)

Estimated Fiscal Impact

The following table projects Erie County MBRO revenue for the first five years of a structured program. These goals are based upon discussions with MBRO specialists who typically project revenue potential at 2 percent of current, locally-generated[3], General Fund income. Based upon Erie County locally-generated General Fund revenue of $415.7 million, annual revenue could be as high as $8.3 million. As a measure of conservatism, an implementation discount of 98 percent for the first year, 95 percent for the second, and 88 percent for years three and four has been calculated. Actual revenue potential cannot be ascertained with certainty until programmatic parameters are established; in particular, revenue potential is subject to the County's tolerance

[3] Local taxes, fees, fines, and charges, averaging $415,670,379 from 2002-2004. Two percent of this revenue is $8,313,408.

for placements, concepts, and content. In terms of physical assets, the County has over 1,000 miles of center-line road, scores of bridges, approximately 242 buildings, and a number of park and recreational assets. Additionally, some MBRO revenue is already flowing into the County and would offset this general projection. Further, finalized revenue projects will not be possible until RFPs are issued and vendors make firm financial commitments.

	FY 2005	FY 2006	FY 2007	FY 2008	FY2009
Discount %	100%	98%	95%	88%	88%
Fiscal Impact	$0	$166,000	$416,000	$1,039,000	$1,039,000

93. Create a Productivity Bank

Dept: Div. of Budget, Management & Finance
Rev/Sav/Productivity: Productivity
Division/Bureau:
Fiscal Impact To FY09: TBD
Required Approval: County

There are often opportunities to make one-time investments that result in reduced expenditures on a long-term basis. Governments may find it difficult to make such investments, and the needed funds may be viewed simply as an increase in a department's budget. Such requests often get lost in the overall need to reduce expenditures. One approach is to create a productivity bank whereby departments can apply for a "loan" to invest funds to improve operations or make other changes that will create savings.

The County should create a Productivity Bank to fund initiatives that will result in future cost savings. When investment is made in a new project or technology that is anticipated to save the County money, it expects a return on that investment. Using a Productivity Bank system, department heads will propose projects to a central committee that will evaluate requests and develop a formal framework for the savings to be achieved. Savings can come through reduced hardware or software maintenance, decreased overtime, the elimination of positions through attrition, or other ways. By agreeing to project terms in a formal agreement up front, there can be a clear understanding about how the cost savings will be reflected in subsequent budgets.

To start its Productivity Bank, Philadelphia used $20 million derived from a June 1992 bond issue. The Bank has loaned over $22.7 million for 16 projects, for savings and increased revenue of $70.9 million. Those projects funded promised to achieve cost savings, revenue gains and service improvements, and promote a strategic approach to the way in which City government conducts its business by encouraging innovation, accountability, and entrepreneurship. The projects are responsible for long-lasting innovations that will create service benefits well beyond their significant financial impacts.

The Philadelphia Productivity Bank grants loans to City departments and agencies for individual or collaborative projects, with those in excess of $250,000 requiring City Council approval. Eligible projects are those that cannot otherwise be funded from the City's capital budget or from a department's operating budget without endangering its normal service levels. Savings and revenues achieved through Bank projects are reflected in adjusted operating budgets, as are the loan repayments so that the Bank's lending capacity is never depleted.

The State of Iowa has a similar program – the Innovations Fund. This program is under the control of the Department of Management ("DOM") and was designed to stimulate and encourage innovation and entrepreneurship in State government by awarding repayable loans to State agencies. The DOM Director oversees an eight-member State Innovations Fund Committee that reviews all requests and approves qualified loans. From FY1996 to FY2003, the Innovations Fund, which was capitalized with a $1.0 million appropriation, achieved $11.2 million in identified savings.

Providing capital - through a productivity bank - for projects will allow Erie County managers to think beyond the annual budget and to advance projects that will achieve future cost savings and productivity enhancements.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

92. Centralize Collections & Receivables Management

Dept:	Budget and Finance	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:	Billing and Receivables Management	**Fiscal Impact To FY09**:	$14,474,000
		Required Approval:	County

Currently, collections and receivables management functions are decentralized, and staff cuts and budget reductions have reduced the time and commitment to managing receivables and collections. As the County looks to improve its revenue and cash flow situation, it is logical to first improve the collection of funds already owed to the County before looking to increase new revenue.

On November 4, 2004, the Erie County Legislature authorized a consulting agreement to design and implement a plan to improve the County's accounts receivables management, maximize revenue opportunities, and improve efficiency. In the course of its study, the consultant met with the Probation Department, ECMC, the Courts, Social Services, Department of Health, Sheriff's Department and others. In particular, the consultant's plan focused on assisting the Probation Department with the recovery of fees, fines and restitution.

The consultant's recommendation was to create a Division within the Budget and Finance Department that would bill and collect outstanding receivables owed to the County as well as cities, towns, and villages under a fee for service arrangement. The Division would have included a director, assistant director, two receivables analysts, a junior accountant, and a part time chief budget examiner.

As originally proposed, the arrangement between the new Division and the Probation Department would have allowed the Division to administer the monthly probation supervisory fee, which would enable the probation officers to focus on supervising probationers. Given staff reductions because of budget cuts, this would improve the effectiveness of remaining staff.

The original plan, presented in April 2005, would have allowed for a September 2005 implementation for the Probation Department, as well as doing backlog collections for ECMC, the Courts, and the town of West Seneca. In FY2006, the plan would have added new clients, including Social Services and current accounts for ECMC and the Courts, as well as 3-5 additional towns.

In July 2005, the project consultant, Lawrence R. Smith and Associates, Inc., indicated that, based on the information they had gathered from the Probation Department, the estimated revenue from currently outstanding Fees, Fines and Restitution owed would have been $3,282,983. They also projected that the new Division would have collected $815,798 in new and additional revenue for the County from other collections and accounts receivables work. Combined, these new revenues for a full fiscal year would total $4,098,781.

In other governments, general experience indicates that the collections unit will generate $1 of revenue for every $11 owed. According to Lawrence Smith and Associates, Erie County's outstanding receivables total an estimated $150 million, which would translate into potential revenue of $11.7 million.

Experience in other counties suggests that this is a realistic expectation. For example, Santa Clara (California) County, in its first year of experience with a similar centralized Division realized $4.2 million in collection and fee revenue, which grew to $8.3 million in the second year, $14.1 million in the third, and $19.1 million in the fourth year.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Salary and Benefits Cost	$0	$300,194	$312,112	$328,373	$344,956
Software, Equipment and Overhead	$0	$50,000	$75,000	$76,875	$78,987
Total Cost	**$0**	**$350,194**	**$387,112**	**$405,248**	**$423,943**
Additional Revenues	$0	$4,098,781	$4,508,659	$4,959,525	$5,455,478
Total Savings	**$0**	**$3,748,587**	**$4,121,547**	**$4,554,277**	**$5,031,535**

In FY2005, savings have been discounted 100 percent. Savings for FY2006 have been discounted by 41.67% to account for a September 1, 2005 start, and an additional 50% to account for implementation delays.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	0%	0%	0%
Fiscal Impact	$0	$766,000	$4,122,000	$4,554,000	$5,032,000

106. Centralize the Assessment, Distribution, and Collection of the Real Property Billing Process

Dept: Budget & Finance

Division/Bureau:

Rev/Sav/Productivity: Productivity

Fiscal Impact To FY09: TBD

Required Approval: County

Reduce overall costs in the real property tax collection process by centralizing the assessing, delivering, and collecting functions, and collecting functions of the real property process.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

COUNTY ATTORNEY

87. Add Clerk to Improve Productivity

Dept:	County Attorney	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	($222,000)
		Required Approval:	County

The Department is currently functioning without certain positions which, if filled, would increase the productivity of the County Attorney's Office and eventually lead to cost savings. The main positions for this initiative are principal clerk, paralegals, filers, and investigators.

With the principal clerk, this position would work to make sure payroll runs efficiently which would then allow the Office Manager to perform his own job function. Since office management is an integral part of an effective County Attorney's Office, the principal clerk has the potential to affect positively the department's productivity. This is especially important since the County Attorney's Office is instituting a comprehensive risk management program. In order for new programs within the department to succeed, support services within the department need to be functioning at capacity.

A Full Time Employee in the position of principal clerk has been estimated by the County Attorney's Office to cost approximately $35,000 plus benefits in FY2006. Although benefits will accrue to the department, exact savings can not be quantified at this time.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Personnel Costs	100%	$53,000	$54,000	$56,000	$59,000
Total Savings	**$0**	**($53,000)**	**($54,000)**	**($56,000)**	**($59,000)**

Due to potential implementation delays in filling the position, savings have been discounted 100 percent in FY2005. Starting in FY2006, the fiscal impact is no longer discounted as implementation delays are no longer anticipated.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	($53,000)	($54,000)	($56,000)	($59,000)

90. Pursue Pooled Insurance Bidding

Dept:	County Attorney	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Risk Management	**Fiscal Impact To FY09**:	TBD
		Required Approval:	OLC

The County currently self-insures for liability. However, across the country governments have been realizing cost savings from pooling insurance with other governments. Although none have so far has provided exact savings for members, best practices for insurance pools include the Maine Municipal Association Property and Casualty Pool and the Utah Counties Insurance Pool. In both cases, members have access not just to potential costs savings but also to a network of support systems which can advice members on effective risk management solutions.

An example of an insurance collective exists in New York State already. The New York Municipal Insurance Created in 1993, NYMIR was formed by the New York Association of Counties and currently has counties comparable to Erie County as members including Putnam County, Fulton County, and Orleans County. Due to the inherent complexity in governmental insurance, savings estimates from Erie County joining NYMIR were not available. However, the organization lists its main benefits as cost efficiencies and a comprehensive resource of risk management best practice programs.

Based on this, the County should analyze the legal feasibility as well as the potential of cost savings from either joining a current insurance pool or forming a new insurance cooperative.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Insurance Savings	$0	TBD	TBD	TBD	TBD
Total Savings	**$0**	**TBD**	**TBD**	**TBD**	**TBD**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	$0	TBD	TBD	TBD	TBD
Fiscal Impact	$0	TBD	TBD	TBD	TBD

14. Wrap Up Insurance Policy for Capital Construction

Dept:	Risk Management	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

At present, the County requires contractors engaged for capital projects to acquire insurance naming the County as the insured in the case of loss. These insurance costs are typically passed through to the County. Under this initiative, the County will actively explore acquisition of "wrap up" insurance which all contractors would have to engage. The County's advantage of scale in acquiring wrap up insurance would reduce costs. Fiscal impacts would be determined following further analysis to determine analytical, legal, procedural requirements/impediments, and willingness of towns, villages, and other local governments to join in this program.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

DEPARTMENT OF INFORMATION AND SUPPORT SERVICES

122. Strategic Sourcing Initiative

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Bureau of Purchase	**Fiscal Impact To FY09**:	$4,311,000
		Required Approval:	State

Strategic sourcing is a series of procurement best practices that enable an organization to buy more effectively and efficiently. It combines a deep understanding of commodity and market information with quantitative analysis about a government's needs and spending patterns in order to achieve lower costs. There are three overarching principles of strategic sourcing: First, it is predicated on understanding current and future requirements and developing a strategy to procure required goods and services; second, it uses analytical tools and a fact-based approach to more effectively negotiate contracts with suppliers; and third, as part of a strategic sourcing program, key performance indicators are defined, and a process to monitor and measure suppliers' performance as well as the internal performance of an organization's procurement function are outlined. Implicit in these themes is that strategic sourcing approaches must also be flexible enough to adapt to the County's regulatory environment and specific sourcing needs.
Strategic Sourcing differs from conventional purchasing in the following ways:

- Emphasis on full life-cycle costs of a product, not just its purchase price
- Consolidated purchasing power across the supplier relationship, across all buyers
- Tighter supplier relationships to achieve better standardization and improvements in cost, quality and delivery time
- Simplified sourcing requirements through common standards, work patterns and information requirements. This can lead to lower inventory costs and reductions in purchasing order frequencies
- Improved teamwork and purchasing skills through sharing information about products, markets and respective needs to meet wider organizational objectives, and
- Leveraging web technology to create new forums for interaction with suppliers (e-RFPs, reverse auctions).

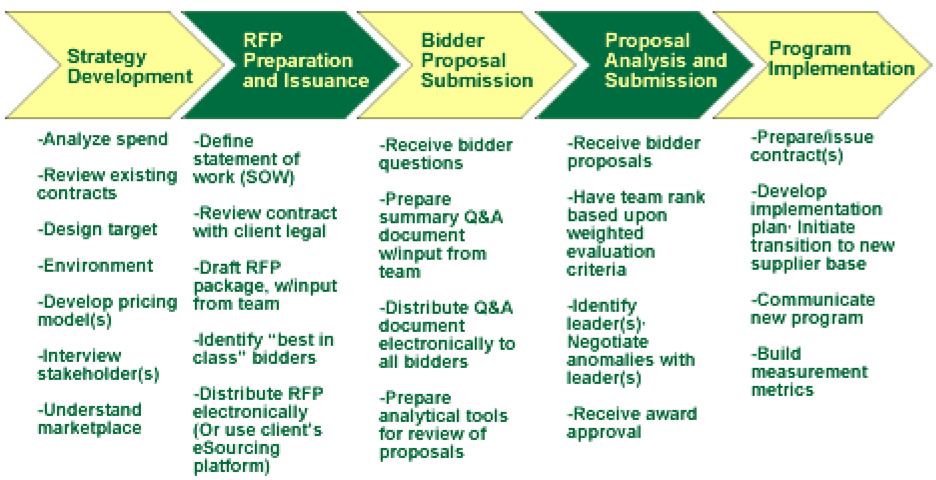
The overall universe of County procurement can be described in four general categories. These categories are: construction, purchases for health and social service programs, procurements for unique and ad hoc projects, and acquisition of routine and recurring commodity goods and services. While the principles of strategic sourcing are relevant to all these categories, public sector organizations acquire large quantities of routine goods and services. Spending in these categories alone typically comprises at least 5 percent of expenditure.

Strategic sourcing is a commercial best practice that is rapidly migrating to the public sector, largely driven by budgetary needs in governments, but also by an increased awareness by many procurement officials that there is value in viewing procurement in terms of total cost of ownership, as opposed to simply low cost. Some facts about strategic sourcing include:

Strategic Sourcing is a process designed to provide purchase of the best products and best services for the best value. Using this purchasing approach, the buyer analyzes what it's buying, what the market conditions are and who can supply those goods or services. The buyer then uses that information--plus innovative contracting techniques--to find the best values available in the marketplace.

This approach has been successful in many private-sector organizations and in several states, including Pennsylvania, California, Iowa, Texas, Illinois, Oklahoma, Virginia, and New Mexico. Recently, this experience has filtered down to county governments, including Fairfax (Virginia) and Miami-Dade. City governments, such as Portland, Oregon, have also achieved good results with this approach.

Strategic sourcing is a process that emphasizes a holistic procurement approach. It has been proved to create significant savings in the private and public sector. Typically, the approach includes:



The savings achieved from strategic sourcing can be substantial. The State of Virginia has reported annual savings of $26 million; New Mexico $23 million annually; the State of Pennsylvania $140.0 million; the State of Iowa projects savings of $57.0 million. At the County level, Fairfax, Virginia has reported savings of $5.0 million; at the City level, Portland, Oregon, has reported savings of over $1.0 million annually. Market research indicates average savings of between 5-20 percent.

At present, New York's General Municipal Law, which governs contracts and purchases by local governments, has not been significantly revised in over a decade. New York's law does not allow for procurement awards based on best value analysis, as opposed to low price. This analysis is a key component of strategic sourcing and is the recognized best practice and standard in most states. New York law should be amended to allow this practice for local governments.

Strategic sourcing is an intensive process that requires significant commitment of time and resources. Given its specialized nature, there are several firms that will enter into performance-based contracts with governments, guaranteeing a level of savings. It is also possible to contract for a percentage of the savings to be achieved. Given the County's financial condition, this may prove to be the favored approach.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
	$0	$0	$0	$0	$0
Total Cost	**$0**	**$0**	**$0**	$942,279	$965,836
Purchasing Savings	$0	$0	$0	$3,769,117	$3,863,345
Total Savings	**$0**	**$0**	**$0**	**$2,826,836**	**$2,897,509**

The calculations for savings assume the current level of county purchases ($70.0 million) grows by the assumed rate of inflation (2.5 percent) in the following years. The savings assume that in FY 2008, a strategic sourcing initiative could be put into place and achieve savings of 5 percent of total county purchases. This also assumes a percentage return contract equal to 25 percent of savings.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	100%	50%	0%
Fiscal Impact	$0	$0	$0	$1,413,000	$2,898,000

Because of the need for state action and the significant resources needed to be dedicated to the project, the savings have been discounted by 100 percent in FY2005 through FY 2007 and by 50 percent in FY2008.

121. Improve Contract Competition

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Bureau of Purchase	**Fiscal Impact To FY09**:	$781,000
		Required Approval:	County

County purchasing is governed by the State of New York's General Municipal Law 103. This approach to purchasing requires that goods and services are purchased on a competitive basis with the contracts awarded to the low bidder. Goods and services of over $10,000 require a formal bid (over $20,000 for public works), and those over $20,000 require advertising as well.

Erie County's Bureau of Purchase is a small bureau, with 6.0 FTEs, a reduction from the 11.0 FTEs in FY2004. This includes the director, a deputy director, a surplus and equipment worker, two general purchasers, and one secretarial staff. When making reductions, all three clerks were eliminated, as well as two of the four purchasing staff.

With limited staff time, Erie County needs a method for increasing competition and reducing costs that is not labor intensive. Use of electronic procurement and reverse auctions has been shown to result in significant savings in purchases of a wide variety of goods and services in federal, state, county, and municipal governments.

A reverse auction is a structured bid process that links web-based technology with traditional bidding methods to obtain better pricing for the customer. Pre-qualified vendors compete in a real-time on-line auction to determine the lowest responsible bidder. In effect, the buyers and sellers swap roles. The sellers compete for the opportunity to supply a product or service, and as bids come in, the price goes down. Reverse auctions make economic sense – they create price transparency in the market and allow the buyer to make more fully informed procurement decisions. By putting these auctions online, buyers can also streamline the process of collecting bids and deal with multiple sellers at the same time.

Some of the first extensive government use of reverse auctions was by the federal government. According to the U.S. General Services Administration, the Defense Finance and Accounting Service, Air Force and Coast Guard realized 12-48 percent savings in recent years through its use. Several states have also been active, including Minnesota, Pennsylvania, Massachusetts, Texas, and Wisconsin. State savings have been significant: since June of 2001, Minnesota has purchased via reverse auction a total of $30.5 million in products and services and realized savings of $3.2 million (10.6 percent). Florida has held two auctions purchasing $60.2 million of office supplies and paper, and netted a savings of $18.3 million (30.4 percent). Pennsylvania was recently successful in its reverse auction for office supplies, with projected savings of nearly $10.0 million from a contract that previously cost $22.5 million.

County governments have also had success with reverse auctions. Miami-Dade County's Department of Procurement Management negotiates the purchase of more than $700 million in good and services. Last fall, the department acquired long distance telephone services using an online reverse auction, and achieved savings of over $1 million. Allegheny County (city of Pittsburgh) has been using reverse auctions for several years and projects realized savings of 8-10 percent via reverse auction.

Municipalities have also been responding to the use of reverse auctions. The Kentucky League of Cities engaged a vendor to provide services to Kentucky cities, and several cities saved over $1 million on purchases via this process. Houston, San Antonio, and Minneapolis are other cities that have realized savings through this approach.

It is important that reverse auctions be limited to use in specific areas, because with limited vendor participation or highly specialized products or services, it is possible that reverse auctions will end up with greater costs than under traditional competitive bidding. As governments gain more experience with reverse auctions, the following conclusions are being reached:

- Auctions are cost effective when buying goods that are widely available and competitive on price.

- Auctions are cost effective when buying goods that have specific requirements. Examples would include office paper and other common supplies, uniforms, office furniture, rock salt, industrial tires, linens, etc.

- Auctions are less cost effective on technical services and IT purchases, where specifications vary greatly.

Reverse auctions is a growing but still specialized area of procurement, and there are upfront and ongoing costs associated with it. While the county's SAP enterprise resource planning system includes an e-procurement component, it has not been implemented to date. However, there are several software and vendor solutions that can be readily adapted to fit the county's needs. These include:

- Upfront fees – Minnesota, for example, bought software to conduct auctions at an annual fee of $70,000. Fees generally range from $0-$100,000 and can also involve additional event-specific fees.

- Transaction fees – these can range from 1-5 percent but are simple and straightforward to quantify.

- Supplier fees – while this is initially less expensive for the sponsoring agency, these fees get built into the bids and simply transfer cost to the contracts.

- Percentage of savings – these are difficult to quantify and require rigorous analysis and price history records. This is most likely not the optimal price strategy for Erie County.

This initiative assumes that in FY2006, the County will make two percent of its purchases by online reverse auction, growing to three percent in FY2007, four percent in FY2008, and five percent in FY2009 and realize savings of eight percent on these purchases in FY2006, 9 percent in FY2007, 10 percent in FY2008, and 11 percent in FY2009. This is in line with other government experience, which projects savings of between 8 and 12 percent.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Vendor fee and training	$0	$75,000	$65,000	$50,000	$50,000
Total Cost	**$0**	**$75,000**	**$65,000**	**$50,000**	**$50,000**
Purchasing Savings	$0	$114,800	$198,568	$301,529	$424,968
Total Savings	**$0**	**$39,800**	**$133,568**	**$251,529**	**$374,968**

Due to potential implementation delays, these savings are discounted by 100 percent in FY2005. They are also discounted by 50 percent in FY2006 but not discounted in later years. It assumes that the County enters into a fixed contract arrangement with a vendor to provide the necessary software to conduct reverse auctions. As the County's SAP ERP system has the capacity to provide this service, eventually this cost may be eliminated but it is not assumed in this initiative.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	0%	0%	0%
Fiscal Impact	$0	$20,000	$134,000	$252,000	$375,000

123. Increase Other Government Purchasing on County Contracts

Dept: Information and Support Services
Division/Bureau: Bureau of Purchase
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $714,000
Required Approval: County

Across the nation, governments at all levels are benefiting from the power of collective purchasing. Cooperative purchasing arrangements make economic sense – larger purchases drive down prices and provide savings for all the participants. Cooperative purchasing also allows the purchasers to aggressively pursue rebates in return for these larger purchases. Governments around the country have negotiated or re-negotiated contract provisions based on larger volume purchases.

While past efforts have focused on joint purchasing, they have not created the interest necessary to achieve joint savings within the county for all governments. Incentives for joint purchases will require an opportunity for all governments to benefit from pooled purchasing arrangements.

Given a pooled purchasing approach, there is no economic reason that all governments should not benefit. If, for example, a local government can gain a comparative advantage from purchasing through current authorities, the county should enter into an agreement with that local government. If that is not the case, the local government should join with the county and they both should contract with a firm that specializes in negotiating and re-negotiating purchasing arrangements based on larger volumes.

Most government experience is that significant volume increases will allow renegotiation with rebates in the range of one to three percent. In combination with reverse auction practices, this can either increase savings or be targeted in areas where there are significant joint purchases that do not lend themselves to adding value through reverse auctions (such as information technology hardware, software, and services).

To facilitate local government involvement, the County would provide rebates to local government equal to 50 percent of its savings in the first year of any purchasing arrangement (with the local government also keeping its share of rebates) on a pro rata basis to their purchases, and 25 percent in the second year in return for a 4-year joint purchasing commitment.

Under this scenario, all governments will benefit from the joint purchasing arrangement. The longer term goal is that the longer range strategic purchasing methods would allow all governments in Erie County to benefit from a proactive purchasing perspective.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
	$0	$0	$0	$0	$0
Total Cost	**$0**	**$0**	**$0**	**$0**	**$0**
Purchasing Savings	$0	210,000	799,500	$814,875	$753,823
Total Savings	**$0**	**$495,000**	**$522,750**	**$609,362**	**$700,022**

The calculations for savings assumes the current level of county purchases ($70.0 million) in FY2005, growing by the assumed rate of inflation (2.5 percent) in the following years. The savings assume 10 percent of total county purchases would be done through cooperative purchasing, and that the rebates for these purchases average 3 percent. The summary assumes that half of the projected county rebate is given to participating local governments in FY2006 and one-fourth to participating other local governments in FY2007.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	0%	0%	0%
Fiscal Impact	$0	$105,000	$161,000	$221,000	$227,000

124. Resume, with Better Internal Processes, the Use of Procurement Cards

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Bureau of Purchase	**Fiscal Impact To FY09**:	$315,000
		Required Approval:	County

One of the challenges of procurement is that small purchases consume a great amount of staff time and effort. The Lumsden Report, written to examine opportunities for efficiency in Erie County government, noted that 77 percent of individual purchase invoices processed through the purchasing system under $1,000 constituted only 3 percent of the total dollars spent.

Unfortunately, each of these purchases require much of the same invoice effort as larger purchases, which consumes resources better spent on more strategic analysis of methods for reducing purchasing costs. The Lumsden Report estimated that, with full implementation of procurement cards reducing 15,000 invoices, the productivity savings would allow the elimination of 9 to 11 FTE clerks and accountants and savings of $500,000, net of any monitoring costs. Given the current fiscal year's personnel reductions, it is unlikely that this level of staff savings could be achieved, but a functioning procurement card program should allows departments to better cope with these staff reductions.

As the report noted, the County's large purchase volume should allow the County to negotiate a favorable contract with a purchase card vendor with significant rebates on purchases. These generally amount to 3-5 percent of total purchases.

It should be noted that the County had an unfavorable experience with purchase cards in the past. Discussions with County staff suggest that the purchase card program was too restrictive and provided little opportunity to reduce paperwork and improve productivity. Current procurement card programs provide for greater online controls and safeguards against unauthorized use of the cards. Given other budget reductions, the procurement card, which has been successful in many other public organizations, should be re-established.

For example, by the end of 1999 it has been mandated by federal law that all federal agency small purchases (typically under $2,500 but often under $10,000) be purchased via the GSA SmartPay rather than via purchase order. There are currently over 250,000 IMPAC/SmartPay cards issued to government employees, accounting for over $3.5 billion in purchases over the past year. Government agencies are choosing to work with strategic suppliers, both large and small, who understand the advantages of doing business electronically. This helps reduce the cost and time involved in invoice preparation, government paperwork, and the effort involved in tracking down late payments.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Cost	**$0**	**$0**	**$0**	**$0**	**$0**
Purchasing Savings	$0	$43,050	$66,189	$90,459	115,900
Total Savings	**$0**	**$43,050**	**$66,189**	**$90,459**	**$115,900**

The calculations for savings assumes the current level of county purchases ($70.0 million) grows by the assumed rate of inflation (2.5 percent) in the following years. The savings assume that in FY2006, 2 percent of county purchases would be made with procurement cards, with a rebate on purchases of 3 percent. The use of procurement cards would grow to 3 percent of purchases in FY2007, 4 percent in FY2008, and 5 percent in FY2009.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$43,000	$66,000	$90,000	$116,000

128. Determine the Economic Viability of the Community Owned Dark Fiber Project

Dept: Information and Support Services
Division/Bureau:
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $4,000,000 (Capital)
Required Approval: County

The County, in conjunction with Buffalo University, has been engaged in the Community Owned Dark Fiber Project, with the goal to provide greater access to high speed connections throughout the county. While the project has been championed in a number of other locations, including New York City, the report of the Erie Niagara Partnership suggests that the availability of cheap bandwidth makes the project expendable at this time. While there is no general fund appropriation associated with the project, the County should investigate whether the $4 million in capital funding and the debt service associated with it may be put to more productive use.

126. Restore Internal Print Shop Services

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	$643,000
		Required Approval:	County

During the current fiscal year, the copy center, print shop, and graphics were reduced from 9.5 to 5.5 employees. This has dramatically reduced the output in this area. For example, total copy center copies were reduced from 6.5 million last year to an estimated 4.3 million this year; print shop copies were reduced from 14.0 million to a projected 3.0 million; and graphics forms, books and reports, masters, and special projects were reduced from 8,400 to 3,480.

From examination of current alternate charges, it appears that these changes in methods for producing documents are not cost effective. For example, DISS copying and print shop charges average 0.5 cents per page, while departments, through use of other copying methods, are averaging 1.78 cents per page. Given previous volume levels, this translates into an additional cost for the county of approximately $200,000. Given the County's level of printing, it makes more sense to restore the FTEs necessary to maintain previous levels of service.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Restored FTE positions	$0	$75,000	$76,875	$78,897	$80,767
Total Cost	**$0**	$83,000	$86,295	$90,791	$95,376
Savings in copying and print costs	$0	$192,000	$256,000	$268,800	$281,600
Total Savings	**$0**	**$109,000**	**$169,705**	**$178,009**	**$186,224**

Due to potential implementation delays, these savings are discounted by 100 percent in FY2005. It is assumed that these savings, as well as the cost of wage increases per the County's wage scale, would be realized in FY2006. It also assumes that in FY2006, 15 million copies would be printed by the County copy center rather than convenience centers, growing to 20 million in FY2007, 21 million in FY2008, and 22 million in FY2009.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$109,000	$170,000	$178,000	$186,000

127. Resume IT Replacement

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:	IT	**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

The DISS has put together a schedule for replacement of IT equipment for all other County Departments. There currently are 3,584 PC workstations, of which 1,798 have been completed for replacement, leaving 1,786 yet to be replaced, or 49.8 percent of all PCs to be replaced. The hardware has already been budgeted and purchased, however, the inability to use consultants for deployment has created a scheduling backlog.

To reduce disruption for Department operations, the DISS schedules these replacements over a period of two or three days, usually over weekends. To be able to replace as many as several hundred work stations in that amount of time requires a great deal of staff time, and the Division cannot accomplish these tasks in that timeframe without the use of additional contracted personnel.

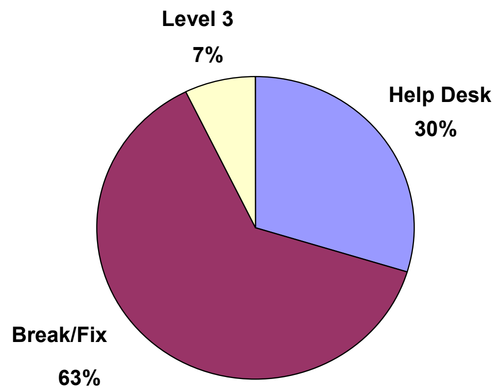
Resuming deployment will result in real savings for the impacted Departments and Divisions. Much of the equipment to be replaced has outlived its useful life, and there will be improved productivity from the faster and more stable replacement equipment. Further, the new work stations allow for DISS to undertake remote updates and upgrades and many workstation fixes. This reduces the maintenance and help station costs for these Departments and Divisions.

As an example, work order resolution is increasingly being handled by the Help Desk, without the need for a more expensive on-site Break/Fix (which requires an on-site visit by a technician) or Level 3 resolution (which is a broader infrastructure problem that usually affects more than one user). The following table illustrates the difference between work order resolution between FY2004 and FY2005:

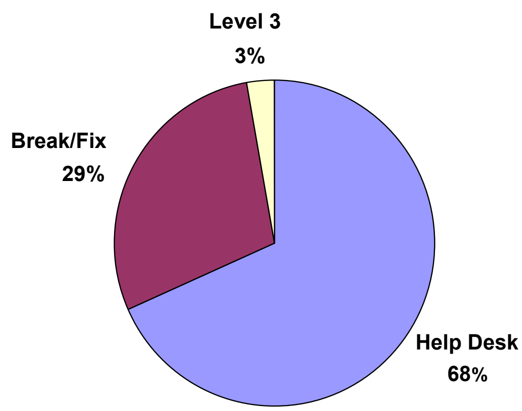
Resolution	2004	2005
Help Desk	4,333	6,052
Break/Fix	9,183	2,558
Level 3	1,059	252
Total	14,575	8,862

The replacement of approximately half of the County's PCs has allowed a dramatic increase in Help Desk resolution of problems. The following chart illustrates this progress:

Work Order Resolution by Team: 2004



Work Order Resolution by Team: 2005



This translates into direct savings for Department budgets. While the average site visit to make repairs takes about an hour, centralized support takes about one-third of that time. Based on the reduction in on-site repairs between FY2004 and FY 2005, this resulted in a savings to Departments of $195,000 (based on an average wage of $30.00 an hour). While there is not as much opportunity for further savings, it is likely to approach $100,000 a year with the completion of the project.

There will be productivity savings as well. The current staffing pattern for the Department assumed the completion of the computer replacement project, and the staffing mix between the Help Desk and the break/fix team accordingly. The interruption of the roll out has reduced the ability of the repair staff to quickly respond to service calls. The 50 percent Department reduction in personnel in March 2005 has made this issue even more apparent.

The County is also losing valuable warranty coverage. Because the computers have already been paid for and are sitting in the warehouse, they have already used up one year of their three year warranty.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

129. Assess Use of the WAN Infrastructure to Reduce Circuits No Longer in Use

Dept: Information and Support Services
Division/Bureau: IT
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: County

Because of extensive staff reductions, the County has more work stations than are necessary. As noted in the Erie County Stabilization Project, monthly recurring charges for T1 connections is about $250 per month, or $3,000 annually. The Project report recommended that the "County should dedicate time spent on the evaluation of utilization of circuits in order to verify there is no future need for these circuits, verify no contract obligations band then send disconnection notice. It must then follow up on billing to make sure charges no longer appear."

The Department has begun work on this initiative and estimate that they have disconnected about 13 T1 connections to date. This would project out to a savings of $39,000 on an annual basis. It should be noted that this reduction will result in savings to other Departments and will allow them to use those resources for other more productive purposes.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

125. Paperless Systems

Dept: Information and Support Services
Division/Bureau: IT
Rev/Sav/Productivity: Productivity
Fiscal Impact To FY09: TBD
Required Approval: County

The Department of Information and Support Services (DISS) installs and maintains all network links to all County facilities, all city, town and village police departments and to most town halls. This includes the wiring and management of over 1,000 pieces of network equipment.

The DISS also manages all county servers (over 100) where departmental applications or databases reside. DISS also provides helpdesk and break/fix support for almost 4,500 PCs and related devices, which encompasses nearly 1,800 calls per month. The DISS also manages all software licensing, data storage, backups, and system security.

The DISS is also responsible for managing all voice communications, including all hard-line telephones, fax lines, voice mail, directories, and break/fix. The Department also manages all wireless communication devices including almost 1,000 cell phones and 200 Blackberry devices.

DISS also handles centralized county-wide services, including mail, delivery and pick up, graphics and design printing services and management of convenience copier contract.

Through DISS, the County has embarked on a shared services model, which has generally been shown to be most cost beneficial. The County has also embarked on a major project to implement an enterprise resource planning (ERP) system, which is an effort to integrate the County's accounting, budget, and payroll, procurement, and customer service functions. While much progress has been made in implementing this SAP system, reductions in force have slowed its development and deployment.

A key aspect of productivity improvements in an ERP is the opportunity to reduce the use of paper intensive processes and handle otherwise "siloed" systems in a way that is integrated across separate systems.

Unfortunately, the productive value of this system has not been fully realized. While timesheets are handled by the ERP system, in practice employees are still filling out paper timesheets and then re-entering the information into the SAP system. Likewise, purchase orders continue to be done on paper rather than utilizing the e-procurement capabilities of the new system. While it is unlikely that these changes will result in direct expenditure savings for the County, they will provide productivity savings that can help the County manage the reductions in personnel that have already been undertaken.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

137. Reduce the Size of the Vehicle and Equipment Fleet

Dept: Information and Support Services
Division/Bureau: Fleet Bureau

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $2,331,000
Required Approval: County

Fleet size is the super-variable driving overall costs. Aggregate fleet costs ("FC") can be represented by the following equation:

$$FC = [A + R/M + F + I/O] \times \#V$$

A = acquisition expenditures;
R/M = repair/maintenance costs;
F = fuel costs;
I/O = indirect/overhead costs; and
#V = number of vehicles.

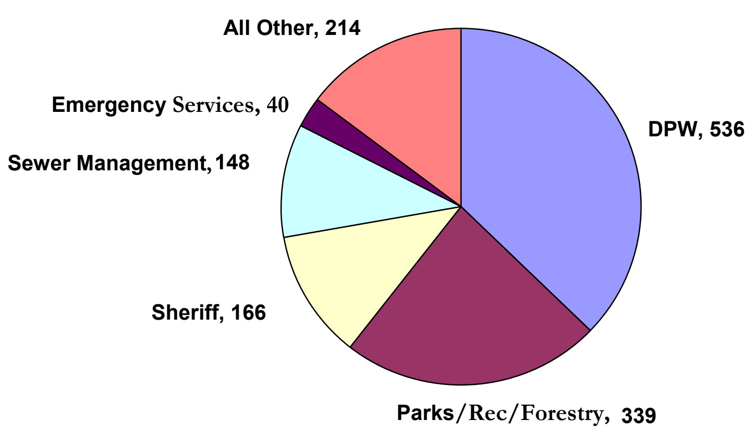
The right side of the equation is calculated for each departmental vehicle class (using averages for the four variables) and then summed to determine aggregate fleet costs. Regardless of how well costs are managed and efficiencies generated through process reengineering of the first four variables, fleet costs will be proportional to the overall fleet size. The County should consider implementing strategies including, but not limited to:

- Identifying underused and redundant vehicles and relinquishing them if appropriate; and,
- Outsourcing passenger vehicle pool management responsibilities to a vendor[4] for efficiency and effectiveness.

In Philadelphia, PFM conducted a fleet size/configuration optimization project that will save approximately $9.0 million over the next five years, attributable to the relinquishment of 330 vehicles and pieces of equipment out of approximately 6,700.

It should be noted that the County has already advanced appreciable fleet reduction efforts over the past several years. In particular, the sedan, van, pickup, and SUV classes have been reduced by 38 percent, 24 percent, 30 percent, and 54 percent, respectively. That said, further reductions are possible. The following chart provides information on departmental vehicle (and equipment) allocations for the County's 1,443 piece fleet:

Departmental Vehicle Allocation



[4] See www.carsharing.net for more information about automated vehicle sharing.

Fleet Size and Configuration

Fleet size, configuration, and allocation are largely dependent on political and practical concerns. One method that fleet management professionals use to ensure that their fleets are being optimally used is to establish a "minimum mileage threshold." This metric establishes a floor for vehicle usage; if a vehicle's annual usage falls under this, it is suspect and its retention in the fleet is contingent upon a plausible explanation from the user department.

For purposes of this analysis, operational vehicles subjected to fewer than 8,000 miles per year are considered underutilized[5]. The level is set here given the size of the County's geographically scope of operation and nature of functions. Further refinement of this metric by department and vehicle function can be contemplated in the future. Given operational considerations, these vehicles are not automatically assumed to be unjustified, but in divisional vehicle classes where more than two underutilized vehicles are present, consolidation opportunities (i.e., from two vehicles to one) are presumed.

The following charts illustrate the methodology used

Table 1	Approximated Annual Miles
Vehicle 1	7,500
Vehicle 2	7,500
Vehicle 3	7,500
Vehicle 4	6,500
Vehicle 5	6,500
Vehicle 6	4,500
Vehicle 7	4,500
Vehicle 8	4,500
Vehicle 9	4,500
Vehicle 10	3,000
Total Aggregate Miles for Underutilized Vehicles	56,500
FTVE	7.1

[5] Minimum usage standards are common in many government fleet operations, including New York City (NY), Multnomah County (OR), and states such as Missouri, North Carolina, Virginia, Connecticut, and New Jersey. Some standards are as high as 14,000 miles per year, with the average being around 10,000.

Table 2	Approximated Annual Miles
Vehicle 1	10,000
Vehicle 2	10,000
Vehicle 3	2,500
Vehicle 4	2,500
Vehicle 5	1,500
Vehicle 6	1,500
Vehicle 7	1,500
Vehicle 8	500
Vehicle 9	500
Vehicle 10	500
Total Aggregate Miles for Underutilized Vehicles	11,000
FTVE	3.4

In Table 1, there are ten vehicles and all are underutilized (i.e., under the 8,000 mile threshold); however, the Full Time Vehicle Equivalent ("FTVE") for these vehicles is 7.1. Therefore, it would be recommended that the vehicle complement within this divisional fleet be reduced from ten to seven (rounding 7.1 down to seven). In Table 2, there are ten vehicles and eight are underutilized. In this instance, it would be recommended that the divisional fleet be reduced from ten to three (1.4 FTVEs provided by the eight underutilized vehicles plus two vehicles over the mileage threshold = 3.4). Analysis of relinquishment possibilities has been informed by data provided by the Department of Information and Support Services. The aforementioned underutilization methodology has been applied to the fleet and reduction potential identified. Based upon this methodology, a potential fleet reduction of 148 vehicles has been projected. Savings potential is illustrated below:

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Operating Savings	$0	$444,000[6]	$444,000	$444,000	$444,000
Acquisition Savings	$0	$0	$0	$0	$2,885,850[7]
Total Savings	**$0**	**$444,000**	**$444,000**	**$444,000**	**$3,329,850**

Discounts of 50 percent are applied for all four years to account for implementation difficulties and rounded to the nearest thousandth:

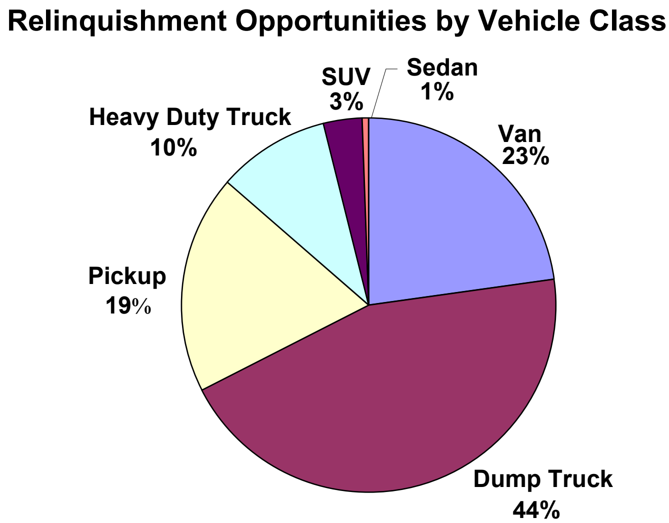
Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY20089	FY2009
Discount %	100%	50%	50%	50%	50%
Fiscal Impact	$0	$222,000	$222,000	$222,000	$1,665,000

[6] Because complete, reliable, historical information is not available for Erie County's fleet, per vehicle operating estimates of $3,000 per year have been used in these calculations. This number was provided by DISS as the cost per year for light-duty pool vehicles and is used here as a proxy for all vehicles.

[7] It is assumed that 1/3 of relinquished vehicles would have been replaced within the four year period. Cost avoidance savings has been informed by conservative, estimated acquisition costs.

The following chart indicates from what vehicle classes relinquishment opportunities come from as well as the percentage of the 148 vehicles they represent:



This initiative provides a snapshot analysis as to the extent of reduction possibilities; actual implementation should take into account other qualitative and operational variables not incorporated here. It is recommended that a Fleet Reduction and Containment Committee be convened to effectuate a reduction program and work to achieve the goals set forth in this initiative.

133. Conduct Competitive Contracting Exercise for Fleet Manager

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Fleet Bureau	**Fiscal Impact To FY09**:	$798,000
		Required Approval:	Union

County spending on fleet operations is significant, totaling nearly $2.6[8] million in FY2004. The County vehicle fleet is maintained by DISS (providing light-duty repair and maintenance to a number of departments) and DPW, Emergency Services, Jail Management, Library, Parks, Senior Services, Youth Detention, District Attorney, and Sheriff. While separate fleet operations interact sometimes (such as ad hoc discussions on parts purchasing or sporadic vehicle/equipment sharing), overall communication and coordination is lacking. Repair standards and systems vary, and the County has foregone opportunities to balance workloads, consolidate parts inventories, share resources, and improve overall management. The County should use managed competition to explore whether there are economic advantages associated with hiring a private contractor to manage all County fleet under a consolidated Fleet Department. In a competitive contracting exercise, the County's fleet management performance will be compared to that of the private sector proposals. The system that can deliver the lowest cost and best service should be selected. Note that outsourcing would still require the County to maintain in-house administrative personnel to oversee the contract and act as fleet manager.

[8] This figure does not include fuel, vehicle purchasing, and the labor costs of non-DISS fleet personnel.

The potential benefits of managed competition for vehicle maintenance should be evaluated. Based on experiences of other municipalities, managed competition has often resulted in the following:

- Minimization of duplicative and redundant labor, purchasing, infrastructure, and inventory;
- Improvement of training procedures, systems, and reporting; and
- Facilitation of County-wide prioritization in allocating limited resources.

Comparables

The following jurisdictions have been successful in using competitive contracting:

- **Darlington County, South Carolina** has had contracted fleet management services since 1993 for management of the County's 215 Sheriff vehicles and equipment. The total cost of the contract is currently $800,000 per year. The contractor has saved the County $25,000 per year, or 3 percent of the $800,000 budgeted under the contract.
- **Pittsburgh, Pennsylvania** has recently outsourced fleet operations and projects to save approximately $1 million annually
- **San Diego County, California** entered into a competitive management agreement with its own employees in 1995. Cost savings have been estimated at $1.9 million annually.

When a competitive contracting exercise determines that the private sector is better able to deliver services, substantial cost savings can be realized. A study by the Reason Public Policy Institute comparing in-house and contract services for motor vehicle maintenance found that outsourced costs are 1 percent to 38 percent below municipal costs for equivalent or higher levels of service. Within this range, the most common level of savings is approximately 20 percent.

Two key characteristics of successful outsourcing are independent monitoring and oversight of privatized activities and a clear scope of work with well-defined performance goals. In order to ensure an unbiased appraisal of contracting results, oversight would ideally be the responsibility of a unit that is not responsible for the activity that has been privatized. Ongoing monitoring and performance measurement is required to ensure that all contract obligations are being fulfilled and that the quantity and quality of services being provided meet contract specifications.

Estimated Fiscal Impact

Through a managed competition process, the savings that the County may realize from this initiative will be determined by the services required by the County, the types of responses solicited from the RFP process, and the results of contract implementation. If total savings of 20 percent over current costs are projected and then discounted by 60 percent, savings of approximately $265,674 (rounded to $266,000 in the table below) annually are possible.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	60%	60%	60%
Fiscal Impact	$0	$0	$266,000	$266,000	$266,000

135. Revise Vehicle Specifications

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Fleet Bureau	**Fiscal Impact To FY09**:	$264,000
		Required Approval:	County

Specifications should produce a vehicle that provides adequate functionality and efficiency, without jeopardizing safety or service delivery capacity. ***The general rule is that fleet operations should buy the least expensive, task-appropriate vehicle.***

Police passenger vehicles

The Sheriff typically purchases Ford Crown Victorias (police package version) as marked patrol vehicles. However, another manufacturer produces a less expensive police vehicle that gets better gas mileage. The Chevrolet Impala[9] costs usually thousands less than the Crown Victoria and gets approximately five more miles per gallon. If the Sheriff's were to purchase 22[10] Impalas per year over the next five instead of Crown Victorias, it would be possible to avoid spending $3,000[11] dollars on each vehicle, nearly $66,000 in cost avoidance per year and $264,000 over a four-year period. Significant fuel savings would also be possible as the Impala gets better gas mileage - five miles per gallon – than the Crown Victoria.

Photo of New York City Police Department Impala

[9] While the Crown Victoria is undisputedly the most widely used police vehicle, the Impala has been gaining ground and is now used (although not necessarily exclusively) by the Philadelphia Police Department, New York Metropolitan Transportation Authority, the New York State Police, Montreal, Quebec, the Illinois State Police, the North Carolina State Police, the North Dakota State Police, Memphis, Tennessee Police, the Virginia State Police, the Allegheny County Sheriff, the Pittsburgh Police Department, and the Vermont State Police.

[10] According to provided information, there are 108 Sheriff sedans; keeping them on a five-year life cycle would require purchasing 22 vehicles annually.

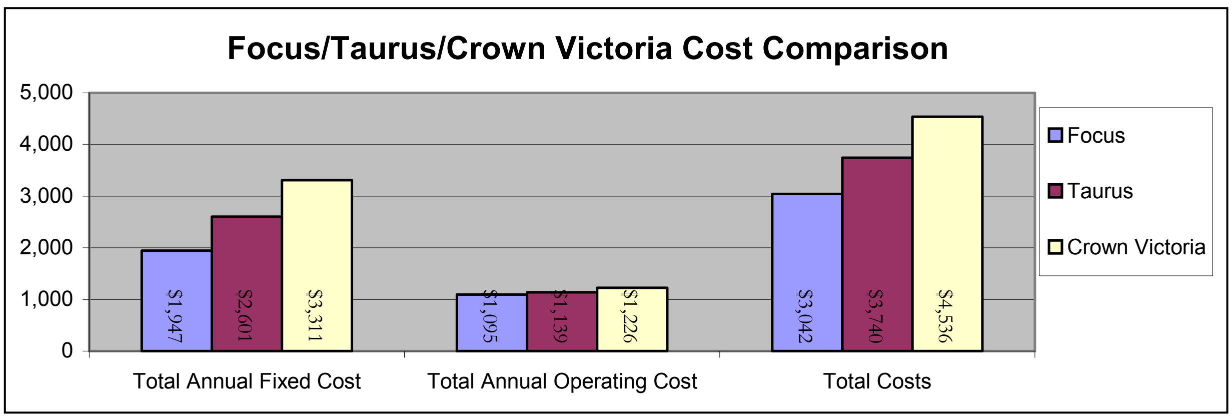
[11] Assuming an acquisition cost differential of $3,000 between the Impala and the Crown Victoria, the average difference seen between the police package versions of these vehicles.

Non-Police passenger vehicles

Specification revisions for non-Police passenger vehicles could also save money for the County. For instance, instead of purchasing mid or full-size sedans for passenger transport, a compact sedan like the Ford Focus could be acquired. Again, the cost differential and fuel economy enable significant cost avoidance without compromising functionality and service delivery capacity. Comparative costs of the Focus, Taurus, and Crown Victoria are presented in the following chart and table:

	Miles Per Gallon	Fuel Price Per Gallon	Fuel Cost per Mile	Maintenance Per Mile	Operating Cost per Mile	Total Annual Operating Cost	Total Annual Fixed Cost	Total Costs
Focus	28.00	$1	$0.0357	$0.0373	$0.0730	$1,095	$1,947	$3,042
Taurus	22.50	$1	$0.0444	$0.0315	$0.0759	$1,139	$2,601	$3,740
Crown Victoria	21.50	$1	$0.0465	$0.0352	$0.0817	$1,226	$3,311	$4,536

Source: *Fleet* Management, and industry publication produced by Skyline Publishing Company
Costs are calculated for 15,000 miles annually; Maintenance costs include maintenance, tire, and lubricants; Fixed costs are the projected acquisition costs annualized for an eight-year life cycle



If Erie County began purchasing a less expensive, task appropriate non-police vehicle and compact sedans for nearly all passenger vehicle applications, approximately $3,000 and $1,000[12] could be saved per unit purchased, respectively. Further savings could be generated through increased fuel efficiencies.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Savings	**$0**	**$222,000**	**$222,000**	**$222,000**	**$222,000**

A 100 percent discount is applied in FY2005. No other discounts are applied.

[12] $3,000 is the approximated acquisition cost differential between the Crown Victoria and Chevrolet Impala and $1,000 is the estimated difference between the blended average of mid/large sedans and compact sedans.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	50%	50%	50%
Fiscal Impact	$0	$66,000	$66,000	$66,000	$66,000

139. Implement an Automated Vehicle Sharing Program/Outsource Motor Pool Management

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Fleet Bureau	**Fiscal Impact To FY09**:	$266,000
		Required Approval:	County

Implement an Automated Vehicle Sharing Program

Automated vehicle sharing can help reduce the size of Erie County's fleet, reduce costs, and improve utilization by enabling multiple drivers to easily use the same vehicle. Available technology enables reliable, secure, and automated 24-hour a day, seven day a week access to vehicles in one or more locations. Automated scheduling and vehicle access systems process all administrative, scheduling, key management, usage tracking, and billing tasks.

How it Works

Each driver is issued a unique credit-card sized proximity card and each vehicle is outfitted with a small "black box" that facilitates entry and tracks usage. Car keys are kept tethered in the vehicle. Drivers make their own reservations via the internet in a few seconds. Reservations can be made up to a year in advance, for as little as one hour, on any vehicle in the system, depending upon predefined access parameters. The vehicle ignition is disabled until the reserving driver's proximity card is presented at the right time on the right vehicle. This technology enables secure access 24 hours a day, 7 days a week, without any administrative staff.

There are four major components of this integrated system:

- A user sign up, orientation and vehicle scheduling system;
- Tracking, billing and reporting (both for members and fleet) system;
- A wireless in-vehicle box; and,
- A full ticket (problem tracking and resolution) system.

Major Benefits

- **Improve Fleet Utilization:** Because drivers reserve the cars only for the time they need and use, several drivers can easily use the same vehicles on the same day. With no need to hand off the keys from one driver to the next, efficient scheduling results in improved fleet utilization. Depending on patterns of usage and the size of the fleet, the number of cars can be reduced significantly.

Because access is reliable, secure, and can be tracked uniquely, different departments can share a single pool, further reducing the size of the entire fleet. By pooling single cars or smaller fleets into a larger fleet, overall vehicle availability can be improved while the total fleet size is reduced.

- **Free up personnel:** With the tasks of key management, departmental billing, and fleet scheduling completely automated, personnel managing these tasks can be re-deployed.

- **Decrease the number of dedicated vehicles; increase pooled fleet vehicles:** Because scheduling and reliable vehicle access guarantees vehicle availability, some drivers who have underutilized dedicated cars may be able to use pooled fleet vehicles instead.

- **Eliminate paperwork:** The system is completely automated with excellent real time reporting: no logs, no billing concerns, and no driver records.

- **Enhance Access:** The entire pooled fleet is available 24 hours a day 7 days a week. Additionally, cars can be placed in any geographic location rather than a central pool, making it more convenient and efficient for the drivers.

Suggested Implementation at Erie County

While a more expansive program might evolve in the future[13], it is recommended that 25 pool vehicles be relinquished and replaced by an automated vehicle sharing program. Further, while there is no assumption that there is not a sufficient nexus between actual mileage of these pool vehicles and bono fide business functions, there is no assumption that there is. That is, due to the nature of passenger vehicle travel and the existence of less costly accommodative options[14], diminution of available resources in this discrete complement of passenger vehicles is not a zero sum proposition; a reduction in the vehicle pool does not need to be replaced by an equivalent amount of automated vehicle sharing resources.

Erie County could solicit automated vehicle sharing services from one of the two national private sector companies that provide such services[15].

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[13] An automated vehicle sharing program can be expanded beyond sedans and SUVs to other light, medium, and heavy-duty pieces. Additionally, individuals other than County employees could enroll in a downtown Buffalo-based automated vehicle sharing program. In particular, the County and City could collaborate on the implementation of an automated vehicle sharing committee.

[14] Including the proposed automated vehicle sharing program as well as personal vehicles, mass transit, taxis, etc.

[15] For more information, see www.zipcar.com or www.flexcar.com. For general information about car sharing in North America, see www.carsharing.net.

Cost Avoidance

If the pool vehicles were relinquished and sold, year-one cost avoidance could be $81,250[16]. In subsequent years, operating cost savings of $75,000 are projected. The four-year total for operational cost avoidance is $306,250. It is assumed that one-half of the pool vehicles would have been replaced within the next four years; therefore moving to an automated vehicle sharing program for this pool would make it possible to avoid incurrence of $195,000[17] in acquisition costs over that period. In total, it is possible to avoid $501,250 in vehicle spending over the next four years if these pool vehicles are relinquished.

Acquiring automated vehicle sharing services will mitigate these savings somewhat; it is estimated that three semi-exclusive[18] use vehicles would cost $28,800[19] annually, for a four-year total of $172,800. Therefore, net savings would be approximately $328,800 *($501,250 - $172,800 = $328,450*) during this period.

Cost Avoidance – Maintenance/Fuel (Year One)	$81,250
Cost Avoidance – Maintenance/Fuel (Beyond Year One)	$75,000
Four-Year Cost Avoidance - Operation	$306,250
Five-Year Cost Avoidance – Acquisitions	$195,000
Four Year Cost Avoidance	***$501,250***
Four Year Cost to Implement (Automated Vehicle Sharing Program)	***$172,800***
Net Savings/Cost Avoidance	***$328,450***

Thereafter, savings would be approximately $31,800 in the aggregate on an annual basis for operating expenses, with more significant cost avoidance achieved in the out-years as future vehicle purchases are avoided. Calculations for annual cost savings – excluding vehicle acquisitions - are illustrated in the table below:

	Current Pool	Automated Vehicle Sharing Program
# of Vehicles	25	3
Annual Cost	75,000	43,200
	Difference	**31,800**

[16] Assumes $500 sale price per relinquished unit (25*$250= $6,250) and a fuel and maintenance cost of $3,000 in operating costs per pool vehicle, as per DISS fleet maintenance records.
[17] Assumed at $15,000 per unit, as per DISS records.
[18] "Semi-exclusive" use would set aside vehicles solely for Erie County (or Buffalo) personnel during the work day and open up usage to others during other times of the day. If semi-exclusivity was not needed, the program could be modified and costs would decrease. In Philadelphia, the ratio of cars relinquished to automated car sharing resources was 30:1 and the vehicles were not semi-exclusive; a more generous complement is being suggested here as a measure of conservancy. Resources can be adjusted downward/upward as needed.
[19] Approximately $1,200 per month for a semi-exclusive use of a car share vehicle, according to pricing information on FlexCar's website. Actual costs may vary, as this vendor might not be used and/or other costs may be negotiated.

Summary of Savings (Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Savings	$0	$81,000	$75,000	$75.000	$75,000

Because of the challenges of implementation, the savings are discounted 100 percent in FY2005 and 50 percent in FY2006.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	0%	0%	0%
Fiscal Impact	$0	$41,000	$75,000	$75,000	$75,000

145. Purchase Pre-Owned Light-Duty Vehicles

Dept: Information and Support Services
Division/Bureau: Fleet Bureau
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $44,000
Required Approval: County

Purchasing pre-owned vehicles is another effective and cost-efficient method of accommodating the County's light-duty vehicle purchasing needs[20]. Pre-owned vehicles are less expensive than comparable new vehicles (approximately 15 percent less, possibly more) while providing an equivalent level of functionality and quality. Bid specifications for this initiative can be formulated to provide optimal effectiveness for the County and can also minimize any perceived or actual risks associated with the acquisition of pre-owned vehicles. Items in the bid specification should include, but not be limited to, the following vendor requirements: a minimum of five years experience; delivered vehicles' compliance with State safety and emission inspection standards; and inclusion of warranties that begin subsequent to the termination of the original equipment manufacturer ("OEM") warranties and extend coverage by 24,000 to 36,000 miles. If Erie County had purchased pre-owned light-duty, passenger, non-police vehicles (sedans) during the past several years, approximately $2,250 per unit in acquisition costs could have been avoided (based on an assumed historical vehicle purchase price of $15,000). If Erie County purchases 20 pre-owned vehicles (five per year) over the next four years rather than new, approximately $45,000 in acquisition costs can be avoided, based upon a projected light-duty vehicle price of $15,000 (*$15,000 x 20 = $300,000 x .15 percent = $45,000*). Figures are rounded to the nearest thousandth below:

Summary of Savings

	FY2006	FY2007	FY2008	FY2009	Total
Purchase Pre-Owned Vehicles	$11,000	$11,000	$11,000	$11,000	$44,000

[20] This practice has been used in Philadelphia and Nassau County (NY).

142. Explore Implementation of Global Positioning System ("GPS") Technology

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Fleet Bureau	**Fiscal Impact To FY09**:	($10,000)
		Required Approval:	County

GPS can be an invaluable management tool. It can detail vehicular movements with incredible specificity, making it possible to accurately assess efficacy of vehicle usage. It is typically difficult to determine the usage efficiency of vehicles that are assigned to field/maintenance functions. Frequently, dispatched vehicles are stationary for extended periods of time while a work order is completed. However, without accurate operational data, it is difficult to corroborate anecdotal accounts of what goes on in the field. With GPS data, it would be possible to compare a vehicle's operational data with the productivity level of the crew. Analyzing this data and employing it to inform management decisions will advance fleet reduction efforts, as it is presumed that low productivity (as opposed to low usage) vehicles would be identified through the use of GPS technology. Relatedly, Erie County would be able to monitor employee productivity as it relates to vehicle usage. In many instances, it will be possible to reduce/eliminate overtime or staff[21] as workload productivity is improved through more effective vehicle usage.

Information provided through GPS can facilitate dramatic cost-savings and improvements in service delivery. For instance, gas mileage decreases precipitously when vehicles travel over 60 mph. Therefore, each 5 mph over 60 mph is equivalent to paying approximately $.10 cents more per gallon of gas. GPS systems allow fleet managers to track excessive speeding and address driver behavior. Additionally, difficult to monetize savings could also be achieved through the avoidance of insurance or casualty losses attributable to safer traveling speeds.

In the past, GPS has been cost prohibitive. As with other developing technologies, costs have decreased significantly making it possible to acquire GPS technology at reasonable prices. Costs vary depending on the level of functionality and sophistication desired. Programs can be implemented for less than $1,000 per unit annually, with return on investment contingent on current levels of efficiency – exposed plainly by GPS – and proportionate to management's response to same. The chart below provides an example of the component costs of implementing a pilot program at Erie County for 10 vehicles. Overall, a program of this scope would cost $9,000 for five years. If managed properly, productivity savings should at least zero out the cost of the pilot and will likely exceed them.

[21] After implementing GPS in fleet vehicles that transport field personnel, most organizations find that overtime is cut dramatically (and immediately) and productivity improves as a result of field personnel knowing that their movements are being monitored. Overtime reductions and productivity increases can lead to a staff to task realignment that may result in personnel reductions.

Discounted Fiscal Impact

GPS Cost for 10-Vehicle Pilot Program	FY2005	FY2006	FY2007	FY2008	FY2009
Hardware Fees	$0	($6,000)	-	-	-
Setup Fees	$0	($500)	-	-	-
Monthly Service Fees	$0	($500)	($500)	($500)	($500)
Total Cost	**$0**	**($7,000)**	**($1,000)**	**($1,000)**	**($1,000)**

131. Establish Support and Authority for Full Fleet Consolidation

Dept:	DISS	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:	Fleet Bureau	**Fiscal Impact To FY09**:	$1,148,000
		Required Approval:	County

Full consolidation will temporarily disturb current operations and may personally affect employees; therefore, it is important to officially memorialize administrative (e.g., County Executive) support for consolidation through an executive order or similar instrument that explicitly outlines the newly created fleet management program's responsibilities and confers upon it authority to assume control of fleet related activities. Consequently, the fleet management program can move forward with ample authority and organizational confidence.

In the context of Erie County, "full consolidation" means a reconstitution of the Fleet Bureau within DISS (mostly servicing light-duty vehicles at their central garage) and the transition of fleet management responsibilities from DPW, Sheriff, and Parks to DISS. In the end, no employees other than DISS Fleet Bureau personnel should be involved in the maintenance, repair and management of fleet vehicles and equipment.

Full consolidation can provide two main benefits to Erie County:

- Resource Consolidation: Equipment, facility[22], and personnel resources could be combined, creating economies of scale that produce savings and cost avoidance; and,

- Managerial Consolidation: Centralized fleet management decision-making generally promotes efficiency and enhanced service because a more global, County-wide perspective informs policy/practice.

Consolidation and centralization of managerial decision-making should achieve appreciable economies of scale in fuel, service, and vehicle procurement. Because fleet related activities would be coordinated centrally, consolidation should:

- Minimize duplicative and redundant administrative and vehicle resources;

- Improve and standardize procedures, systems, and reporting;

[22] As part of this consolidation initiative, the County should advance DISS's facility consolidation plan.

- Facilitate prioritization of resource allocation and overcome resistance to change; and
- Increase the professionalism and stature of the County's fleet management operation.

Further, full fleet consolidation should take place immediately (i.e., "light switch implementation"). A gradual phase-in is not advisable, as this will simply produce a more pronounced and lengthier period during which perturbation exists.

In Philadelphia – where eight fleets were consolidated into one - the cost per vehicle (and piece of equipment) savings has been $383 dollars. For Erie County's roughly 1,500 vehicle and equipment fleet, savings from a full and complete consolidation could be $574,223 annually. Full implementation wouldn't take as long as Philadelphia, given the relative sizes of the fleet, supporting facility infrastructure, and administration. Projected cost savings are contained in the below table:

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	Fy2009
Savings	$0	$574,223	$574,223	$574,223	$574,223

A discount of 100 percent has been applied for the first year and descending discounts of 50%, 30 percent, and 20 percent are applied for the remaining three years to account for the challenges of implementation and other variables that will impact the rapidity and extent of consolidation:

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	50%	25%	10%
Fiscal Impact	$0	$0	$287,000	$402,000	$459,000

It should be noted that the cost of putting back fleet staff for DISS is in the context of a 100% de-funding that took place during the Spring of 2005; therefore, staffing savings would be significantly larger if compared to that baseline. Further, consolidation savings are calculated conservatively and could be more significant.

130. Convene an Interdepartmental Fleet Management Coordinating Council

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:	Fleet Bureau	**Fiscal Impact To FY09**:	CQ
		Required Approval:	County

Convening an Interdepartmental Fleet Management Coordinating Council ("FMCC") would sharpen focus and improve coordination. A FMCC would assemble representatives from the County's executive and budgetary staff, The Department of Information and Support Services, the County's fleet-using departments, and other relevant/appropriate parties on a regular basis to formulate strategies collectively, address challenges and exploit opportunities. Convening an FMCC will help eliminate/mitigate duplicative efforts. Prospectively, a FMCC could substantively discuss consolidation planning and form strategies for advancing such. This group should build on the good work of the Fleet Steering Committee, particular in the areas of automation and facilities management.

132. Appoint a Fleet/Contract Manager and Support Staff

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:	Fleet Bureau	**Fiscal Impact To FY09**:	($1,108,000)
		Required Approval:	County

After the decision to consolidate has been committed to, a fleet program manager should be appointed. This position would have general oversight responsibilities and would also perform contract management, should the County outsource a major portion of fleet operations. A job specification that clearly articulates qualitative and quantitative responsibilities should establish expectations at the onset. The cost of this initiative is factored into the initiative to consolidate the County's fleet operations. Further, three mechanic staff should be brought back on to administer the central garage.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Fiscal Impact	$0	($277,000)[23]	($277,000)	($277,000)	($277,000)

138. Acquire Automated Fleet Management Tracking Capabilities

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:	Fleet Bureau	**Fiscal Impact To FY09**:	TBD
		Required Approval:	Union

The County has a home-grown system that provides some functionality, but a better option is to use an off-the-shelf, fleet specific, automated tracking system. Optimizing fleet management without the benefit of accurate and accessible operational and budgetary information is difficult. Without such information, decision-making is essentially supported by anecdote and experience, rather than empirical evidence and analysis. Using such a system is necessary if Erie County's fleet operation is to make progress. *In particular, the County should move forward with implementation of SAP's fleet module.*

The primary benefit of an automated system is that operational and budgetary information for every vehicle is recorded and monitored: each vehicle will have a "birth certificate" that is electronically entered and stored. When a vehicle comes in for repair, a work order will be opened and relevant cost and operational data will be entered. Database systems providing adequate functionality will track a variety of cost and operational data[24] for each vehicle with

[23] Includes funding for a Fleet Director (est. at $112,000 including fringes) and the restoration of three mechanics (est. at $165,000 including fringes).
[24] Basic information such as vehicle type, make, model, acquisition cost, VIN number, and other descriptive characteristics should be tracked by the automated vehicle tracking system. Additionally, all historical repair and

reporting functionality at the back end. Initially, baseline information to inform performance measurement establishment can be created. Subsequently, individual vehicle records can be accessed and reports can be created that will enable managers to make more informed, cost-effective decisions. One important benefit of such a system is that charging back accurately across departments is facilitated through reporting protocols provided by an automated system. Optimally, all fleet operations will be acquiring service from one vendor that uses a common software application. Also, scheduling and enforcing compliance with preventive maintenance schedules is facilitated by automated vehicle tracking.

137. Improve Fuel Management

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau	Fleet Bureau	**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

Currently, the County maintains a network of 30 fueling stations for its vehicle and equipment fleet. Costs associated with operation of an in-house fuel distribution network can be significant in terms of administration, monitoring and maintenance, and particularly storage tank replacement and remediation. The County should explore transitioning out of their system to one that relies on both fuel card and mobile delivery components.

A fuel card is essentially a credit card that is specifically designed and managed for fleet customers. Unique features include useful reporting protocols (e.g. “exception reports” that reveal suspicious usage and consumption patterns) and the ability to impose management controls and usage parameters. For instance, cards can be programmed so that users can only fuel up a certain number of instances per time increment or can only purchase a certain amount of fuel (based upon the fuel tank size of the vehicle the card is associated with). With a fleet card, opportunities to leverage the County’s purchasing strength can be realized and effective and less administratively burdensome oversight is possible. Further, the personnel and other expenditures associated with fuel system management are largely avoided. A fuel card program would be appropriate for the County’s “rolling-stock” or on-road vehicles.

A mobile fuel delivery system would be appropriate for the County’s stationary and off-road equipment. Mobile fuel delivery is accomplished by tanker trucks equipped with automated equipment that facilitates quick and accurate fuel transfer. As with fuel cards, detailed usage and consumption reports are available and management controls and usage parameters can be imposed.

To implement this initiative, the County should put a request-for-proposals out to solicit level of service and pricing proposals from interested vendors.

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maintenance information – both quantitative and qualitative – should be tracked by the automated vehicle tracking system.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	$0	TBD	TBD	TBD	TBD
Fiscal Impact	$0	TBD	TBD	TBD	TBD

136. Create Comprehensive Policies and Procedures

Dept: Information and Support Services
Division/Bureau Fleet Bureau
Rev/Sav/Productivity: Productivity
Fiscal Impact To FY09: CQ
Required Approval: County

Operating a fleet without comprehensive and uniform policies and procedures is problematic. The inability to dispense uniformly with similar issues in a standard fashion produces inequity and confusion, and extra time and work will necessarily be dedicated to management and administrative functions. At Erie County, there exist some written policies and procedures for certain aspects of fleet management. However, they are not comprehensive or universal. This is likely a symptom of Erie County's deconsolidated fleet operations. Notwithstanding, while a lack of such policies is not atypical for governmental fleet operations, it is not optimal; operational uniformity and consistency would be established and maintained through the creation and promulgation of concise and informative County-wide policies and procedures that cover all important aspects of fleet management.

144. Create an Annual Purchase Plan (APP)

Dept: Information and Support Services
Division/Bureau Fleet Bureau
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: County

An annual purchasing plan fixes yearly vehicle acquisitions at a certain base level. Greater efficiency results when managers know which vehicles are coming out of the fleet and when they are going to be replaced.

This fiscal impact of this initiative has not been determined.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

70. DISS Support Services FTE Restoration

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Expenditure
Division/Bureau:		**Fiscal Impact To FY09**:	($2,677,000)
		Required Approval:	County

In May, 2004, Erie County rolled out its Enterprise Resource Planning (ERP) system, which integrates core operational areas across the enterprise in the areas of accounting, human resources, payroll, budget, procurement, and grant management. This integrated approach replaces "siloed" old legacy systems. Unlike phased implementation approaches, where one or more components are developed and rolled out in stages, the County chose to implement all parts of their system at the same point in time.

When choosing this approach, the County determined that it would be more cost effective to implement all at the same time. Doing so reduced the length of time required for consultants and software and developers as well as the length of time where the County would have to run simultaneous, redundant systems.

While this decision was financially sound in 2004, the 2005 reductions in force have created significant obstacles to the continued development and use of the County's ERP system. These problems reside both in the Division of Information and Support Services (DISS) and in the various Departments that utilize the new ERP system.

In developing its ERP, the County contracted with Price Waterhouse Coopers as its implementation consultant, and SAP was its software provider. The ERP implementation was governed by a steering committee chaired by the Deputy County Executive and included eight commissioners and elected officials from the County's larger departments. This committee continues to meet and chart the course for further development and implementation of the system.

While this is a sound governance and implementation model, there is evidence that the ERP system is not being utilized to its full potential, and there is great concern that current staffing levels in the DISS – and in key departments – will hamper further implementation and use of the system. In particular, the DISS now lacks the capacity to work to redesign business processes to take full advantage of the potential contained within its ERP system.

In general, the full benefits of an ERP system are derived from the opportunity to take old processes and revamp them to work within the new ERP system. While the greater speed and real time processing of a new ERP system are important, there is a danger in viewing those advantages as the end result – it can lead to only incremental improvements (sometimes referred to as 'paving the cow path') when more revolutionary changes will yield greater productivity and results.

The DISS needs design staff that can work with Departments to take old processes and reshape them to meet the new technology and its capabilities. This staff will also be necessary to continue with the next phases in ERP implementation, which will focus on assisting the Department of Social Services with the Blueprint for Change by, among other things, building an integrated, unified case management system. It will also assist with efforts associated with the Department of Public Works to improve physical plant maintenance processes.

At the same time, there is still a basic need to maintain the existing system and make incremental changes that have the opportunity to improve productivity across the enterprise. There are widespread examples that the current system is not well understood within other Departments, and older, paper-driven processes, such as in timesheet recording, are still being used even though more efficient processes exist within the ERP. In fact, in some situations, redundant processes have been created – some departments still utilize paper timesheets and then also enter the information electronically into the ERP system.

The DISS should continue to develop and implement an aggressive training module that fully orients current users to the ERP system and its various modules. The DISS also must maintain the system, particularly in security, where its staff is strained, and in basic programming. Enhancements in areas like time keeping and accounts payable are critical to the financial well being of the County.

There is also great potential for cost savings in procurement, as electronic markets have been proven to reduce costs in other government enterprises. The County needs to dedicate an individual to lead this process, because the cost savings provided in other initiatives will more than pay for this effort.

Position	Salary
ERP programmer	65,510
ERP security	59,266
Technician	59,266
Technician	49,929
Business process engineers (3)	65,675

Summary of Savings
(Before Discount)

	FY2005	FY2006	FY2007	FY2008	FY2009
Increased Staffing	$0	($663,856)	-$690,211	-$726,171	-$762,843
Total Cost	**$0**	($663,856)	($690,211)	($726,171)	($762,843)
Total Savings	**$0**	**($664,000)**	**($690,000)**	**($726,000)**	**($763,000)**

In FY2005, expenditures have been discounted 100 percent. To account for lag time in finding and hiring suitable personnel, the staffing costs are discounted 25 percent in FY 2006.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	25%	0%	0%	0%
Fiscal Impact	$0	($498,000)	($690,000)	($726,000)	($763,000)

143. Use Online Auctions for Disposing of Surplus Property

Dept:	Information and Support Services	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:	Purchasing	**Fiscal Impact to FY09**:	CQ
		Required Approval:	County

The Department of Information and Support Services (DISS) Purchasing Division is responsible for receiving and transporting surplus property to a warehouse facility that the County recently purchased. Items that are in surplus for more than a quarter are auctioned. Items that go through two auctions without being sold are broken into parts, and any recyclable parts (such as scrap metal) are sold and usable parts (chair wheels, etc.) are saved. Auctions are held every three months, and a car auction is held twice a year, in May and October. Aside from auctions, savings from transferred items are monitored. In FY2OO4, transfer savings totaled $139,205.

Currently, the County provides a goal for surplus sales of $85,000 a year. In FY2004, revenue from auction and recycling was $193,819.

Unfortunately, the County does not estimate the actual value of the auctioned property or its original acquisition value. As a consequence, it is not possible to calculate the County's rate of recovery from its current auction mechanism. The County should undertake a complete inventory and evaluation of its surplus property as a way to maximize asset management.

Governments are increasingly turning to online auctions of surplus property as a way to reach a larger potential bidder audience and as a way to quickly dispose of a larger share of their surplus property. Most governments utilizing this method have reported an increase in their sales of surplus property. It has been suggested that the impact of online auction dynamic pricing on liquidation sales is to improve closed auction recovery prices from 5-35 percent of an item's original purchase price to between 30-85 percent.[25] Research has shown that companies that employ auctions increase their recovery prices on assets by, on average 25 percent.[26]

There are a variety of services available for governments wishing to utilize this method. While eBay is the most notable example (and one author found 1,491 items there using the search for "government surplus"), various other services and vendors are available. In fact, the State of Oregon, which has one of the older and more advanced programs, contracts out its services to other governments. A number of Counties, including Harris County (Texas), Lucas and Hamilton County (Ohio), Charleston County (South Carolina), and Davidson County (Tennessee) have moved to online auction for disposing of surplus property. The County should investigate the cost and potential benefits of this method for disposing of surplus property.

[25] Harden and Leyman, The Auction-App: How Companies Tap the Power of Online Auctions to Maximize Growth. 2002. New York: McGraw-Hill.
[26] Queree, Anne (2000). "Bid It Out." *Global Finance* 14☹1): 36-37.

DEPARTMENT OF PUBLIC WORKS

146. Achieve Staffing Efficiencies on Snow Plow Operations

Dept:	DPW	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:	Highways	**Fiscal Impact To FY09**:	TBD
		Required Approval:	Union

Currently, all County plows operate with two-person crews; this includes one driver (personnel classification of "motor vehicle operator") and wingman (personnel classification of "laborer"). Two people per crew is not required by law or regulation; the New York State Department of Transportation and most towns operate primarily with one-person crews. The DPW has already begun and should continue to work in bringing its crew complement down to one person where appropriate and feasible.

There are currently 37 snow routes that have to be staffed over two shifts, for a total of 74 routes. At the current staffing levels, 148 people are needed for coverage. However, DPW has determined that only 50 percent of the routes are configured such that a second "wingman" is required for effective plowing; therefore, only 111 *(37 routes with one employee and 37 with two = 111 employees)* employees are required to effectively cover the 74 routes, a reduction of 37 employees. Union discussions regarding change are ongoing. *Also, it would be more appropriate to characterize this initiative as achieving cost avoidance rather than savings*, as this staffing reconfiguration will enable the department to absorb – to some extent – the 92 full-time position reduction (and 22 seasonal) advanced in March.

	FY2005	FY2006	FY2007	FY2008	FY2009
Cost Avoidance	$0	$2,571,000	$2,673,000	$2,812,000	$2,954,000

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Insurance Savings	$0	TBD	TBD	TBD	TBD
Total Savings	**$0**	**TBD**	**TBD**	**TBD**	**TBD**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	$0	TBD	TBD	TBD	TBD
Fiscal Impact	$0	TBD	TBD	TBD	TBD

144. Space Audit and Optimization

Dept:	DPW	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Buildings and Grounds	**Fiscal Impact To FY09**:	$1,705,000
		Required Approval:	County

The County owns approximately 280 buildings, ranging from equipment sheds to the Erie County Medical Center to multi-story office buildings, with a total volume of approximately 6.7 million square feet ("sq. ft."). The library, hospital, ECC, and Family Court account for about 4.5 million sq. ft. There is an additional 377,000 sq. ft. of space classified as miscellaneous. The main opportunities presently exist in optimizing that space designated as "office", both owned (1.4 million sq. ft.) and leased (231,900 sq. ft.), for a total of 1.6 million sq. ft.

The County employs approximately 7,800 full, part-time, and seasonal workers, and approximately 4,440 work in the non-office portions of the County's owned/leased real estate. The remaining 3,400 work in the 1.6 million owned/leased office space; thus, each employee occupies on average 480 sq. ft.

According to industry standards, office space per worker is closer to 125 sq. ft. per worker. However, as a measure of conservatism and to account for the public spaces and service delivery areas of the County's real estate portfolio, the square footage appropriate for Erie County employees is assumed at 160 sq. ft., or almost 30 percent more than industry standards. Using this as a basis for calculation, the County would require 544,000 sq. ft. of office space. Compared to the 1.6 million sq. ft. the County does control, this leaves approximately 1,088,000 sq. ft. of excess volume. A portion of this excess is leased (231,900 sq. ft.); therefore, savings for this component would have to be phased in over a period of years as leases expired.

The County should continue efforts to optimize space utilization; for every sq. foot of owned, surplus square footage reduced *(1,400,000 total owned – 544,000 surplus = 856,000 owned surplus)*, these approximated amounts of upkeep expenditures can be avoided:

Cost per Sq. Ft.	Service	Total
$1.65	Cleaning	$1,412,400
$1.20	Electric	$1,027,200
$1.13	Gas	$967,280
Total		**$3,406,880**

As illustrated above, a reduction of the County's owned office space to more optimal levels could generate savings of $3.4 million annually. As a measure of conservatism, this projection is discounted by 100 percent in FY2005, by 95 percent in FY2006, 90 percent in FY07, 85 percent in FY08 and 80 percent in FY09 to allow for implementation delays and the loss of reimbursements.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	95%	80%	80%	80%	80%
Fiscal Impact	$0	$171,000	$341,000	$512,000	$681,000

149. Better Allocation of Road/Highway Responsibilities

Dept: DPW
Division/Bureau:
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $789,000
Required Approval: County

Erie County has more centerline miles than nearly every county in the state at 1,336. The large portfolio was assumed decades ago when the County was in a much better fiscal position than its constituent municipalities. The inertia of history and practice has resulted in a large, static portfolio. A process to examine Erie County road/highway allocation between the State, County, and municipalities has been ongoing, advanced by the Greater Buffalo-Niagara Regional Transportation Council ("GBNRTC"). Results have been difficult to achieve, as it is difficult to off load what are essentially "liabilities" (as opposed to "assets") to other governments. Notwithstanding, the GBNRTC's work should be continued and reinvigorated so that achievable results are realized over the next four years.

As a context for these ongoing discussions, criteria for determining state, county, and municipality highway/road allocations might be articulated simply and clearly in the following manner:

- **Roads of Statewide Significance**
  Those highways/roads that connect three or more Counties (in the same state) and that are important arteries for statewide commerce and service delivery.

- **Roads of Countywide Significance**
  Those highways/roads that connect three or more cities/towns (in the same county) and that are important arteries for Countywide commerce and service delivery.

- **Roads of Local Significance**
  Highways/roads that do not comport with one of the two above definitions are that are otherwise wholly contained within a city/town and do not connect one city/town to another.

Every lane mile of County road costs approximately $16,436 in local spending[27]. If the County were to reduce their road portfolio over the next four years by 20 miles per year, $328,714 annually or $1,314,858 in aggregate savings are possible. Note that a net reduction of 80 miles is modest with respect to the Counties overall portfolio (a five percent decrease) and would still leave the County with a portfolio far larger than most counties in the State.

As a measure of conservatism and implementation delays, this initiative has been discounted at a rate of 100 percent in FY2005 and FY2006 and 20 percent and rounded to the nearest thousandth in the remaining years.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	20%	20%	20%
Fiscal Impact	$0	$0	$263,000	$263,000	$263,000

<u>145. Managed Competition for Janitorial Services</u>

Dept: DPW
Division/Bureau: Building and Grounds
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $216,000
Required Approval: County/Union

According to County budget documents, the cost per square foot for cleaning of the Rath Building is $1.65. The International City/County Managers Association's ("ICMA") benchmarking information reveals that the average cost for custodial services is $1.65 when conducted in-house (comparable to the County at the Rath Building), while the cost of outsourced services is .99 cents. Assuming that costs for cleaning the Rath Building are uniform across the County, the possibility of administering a managed competition process could produce significant savings for the County. Because the private sector's provision of custodial services to government buildings is .66 cents less than in-house provision of the same services, the County could conceivably save $359,040 in cleaning expenditures for the 544,000 sq. ft. of office space that it needs. A managed competition would allow the in-house service provider to compete against the private sector, resulting in the development of competitive proposals; the provider with the highest level of service and lowest cost would be selected. It is assumed that either public or private service providers would be motivated by the managed competition to offer cost per square foot pricing better than is currently provided.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Savings	$0	$359,040	$359,040	$359,040	$1,436,160

An implementation discount of 100 percent has been applied in FY2006 and 80 percent in the following years, to account for implementation delays, to account for that portion of the cleaning

[27] Extracted from budget model; excludes state and federal monies. $21,958,127 million divided by 1,336 centerline miles = $16,436.

that is reimbursable and would be cost neutral and as a measure of conservatism. This translates into a cost reduction of 13.2 cents per square foot, or $1.52 per square foot. Cost savings are discounted below and rounded to the nearest thousandth:

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	80%	80%	80%
Fiscal Impact	$0	$0	$72,000	$72,000	$72,000

148. Review Energy Purchasing Policies

Dept: DPW
Division/Bureau: Utilities
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: County

The County will ensure that current purchasing consortiums are broad and effective and that peak load sharing programs offered by the State are being applied.

The fiscal impact of this initiative has not been determined.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

147. County Maintains Coordination Responsibility for Snow Plowing Operations, while Contracting Operations with Cities, Towns, and Village

Dept: DPW
Division/Bureau: Highway
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: County

The County's plowing resources are overextended and plowing operations are often scattered, confusing, and inefficient. Cities, towns, and villages could provide more responsive services at a cost lower than the County. Under this initiative, the County would act as contract manager and compensate municipalities for undertaking plowing functions

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

150. Automate Inspections (Fire & Building)

Dept: DPW

Division/Bureau:

Rev/Sav/Productivity: Savings

Fiscal Impact To FY09: TBD

Required Approval: County

The County will work to automate inspections to improve the efficiency and management of the inspection process. The County will investigate the use of PDA's to gather information as a way to avoid duplicate entry and ensure accuracy. This program could be eligible for state technology aide.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

DEPARTMENTS OF HEALTH, MENTAL HEALTH, AND SOCIAL SERVICES

56. Increase Medicaid and Private Insurance Collections for Early Intervention Program Participants

Dept:	Health	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	$1,751,000
		Required Approval:	County

With appropriate effort, the County should be able to increase Medicaid reimbursement in early intervention and preschool programs. The Early Intervention (EI) Program is a statewide program that provides many different types of early intervention services to infants and toddlers with disabilities up to age three. The Preschool Program is a statewide program that provides pre school children with disabilities, three years of age and above, timely and appropriate services in the least restrictive environment.

The EI and Preschool programs are funded with federal, state and local dollars. The health related services provided in both programs are reimbursed by Medicaid and third party health insurance. It is the responsibility of the county to identify individuals and families eligible for Medicaid and commercial health insurance.

When the child is referred to EI or preschool, a plan of care is developed by the parents, representatives of the county, the school district, providers and other appropriate county agencies. The primary difference between the planning processes for the two programs is that the county chairs the EI conferences and the school district chairs the Preschool conferences. Due to staffing shortages, the county may not be represented adequately at the annual review conferences. Consequently, parents, providers and special education professionals dictate the plan of service.

For EI, The County projects that they will serve 2700 children in 2006 at annual cost of $5,000 per child. In 2004, the Department of Health submitted a report to the Legislature on the status of the EI program. They found that in Erie County, from July 1, 2003 through December 31, 2003, for 11.5 percent of the children served in EI it was unknown if they had commercial insurance or Medicaid. Other large counties outside of New York City had an average of less than 2 percent unknown. The State Department of Health is currently checking pre and post 2004 data to determine if the percentage of unknown coverage has changed from 2003. Erie County Department of Health representatives were aware of the large percentage of unknown coverage.

Thirty-seven percent of the children enrolled in EI have Medicaid that covers the total costs of EI. Commercial insurance covers five percent of the annual cost of an insured child. Assuming that the percentage of children with coverage unknown remains 11 percent, 300 children will have no coverage (11 percent 0f 2,700). The total cost of EI for the 300 children is $1.5 million dollars ($5,000 X 300) that is reimbursed 50 percent state and 50 percent local dollars ($750,000). Assuming that thirty-seven percent or 112 of the 300 children would be Medicaid eligible, Gross Medicaid costs for the 112 would be $560,000 ($420,000 federal and state and $140,000 local share). Assuming the remaining 188 children have commercial insurance, $47,000 in EI costs would be offset by commercial insurance (five percent of costs for 188 children). Maximizing Medicaid and commercial insurance would reduce the county costs by $467,000 annually ($420,000 from Medicaid and $47,000 from insurance). This is an ongoing cost if not corrected through aggressive identification and pursuit of Medicaid and commercial insurance.

For preschool, in 2006, the county projects they will serve 1,011 children in facility based care at a cost of $28,572 per child and 1,944 children in home or day care settings at annual costs of $5,778 per child. As indicated above, the county often does not have adequate experienced professional representation at the Preschool conferences, especially at the annual reviews conducted for every child. The plan of services for the child is dictated by the parents, special education staff and other professionals. The facility based care includes five one-half days of care plus transportation. The County Health Department experts believe that five percent of the children could be served with 2 to 3 half days of facilitated based care that would make room for children in facility based that are now served with multiple related services in the home. Three percent of the children in facility based programs could be served in the home. Although the overall costs per child will be reduced in the summer of 2006 and the 2006-2007 school year, total program costs will remain the same.

**Summary of Savings
(Before Discounting)**

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Cost	**$0**	**$0**	**$0**	**$0**	**$0**
Additional Savings	$0	$467,000	$467,000	$467,000	$467,000
Total Savings	**$0**	**$467,000**	**$467,000**	**$467,000**	**$467,000**

In FY2005, savings have been discounted 100 percent. To account for implementation delays, the savings have been discounted 75 percent in FY2006.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	75%	0%	0%	0%
Fiscal Impact	$0	$350,000	$467,000	$467,000	$467,000

57. Develop a Regional Automated Public Health Laboratory Testing Program

Dept:	Health	**Rev/Sav/Productivity**:	Revenue
Division/Bureau	Public Health Laboratories	**Fiscal Impact To FY09**:	$978,000
		Required Approval:	County

The Erie County Public Health Laboratories (ECPHL) maintains nucleic acid amplification testing (NAAT) capacity for detection of gonorrhea and Chlamydia infections. This is a state-of-the art program that offers great opportunity to maximize its use throughout the State of New York. For example, the ECPHL already provides fee-for-service testing to a variety of clients, including Genesee, Niagara, Orleans, and Wyoming County. These counties already generate revenue of approximately $50,000 annually. However, it is not clear that the current fee structure entirely reimburses the County for its expenses, either direct or indirect.

Because of its testing facility, which is among the best in the region, numerous public health and health care agencies have sought to contract with ECPHL for this service. However, concerns about the current system lacks a full “turnkey” system that provides the necessary tools from collection to report and automation to allow current laboratory operations to handle increased load have hampered expansion of testing services.

The public health and health care agencies that have used Erie County’s testing service but not been willing to undertake a contractual relationship is significant. These include the New York State Department of Health, the Philadelphia Planning Coalition, the New York State Office of Children and Family Services, and Chautaugua and Cattaraugus Counties.

Currently, ECPHL lacks the capacity to fully utilize its state of the art testing facility and public health pricing power. To better utilize this asset and benefit from economies of scale, ECPHL needs to develop a “turnkey” system that provides clients the full array of services from specimen collection to reporting, and it needs to automate its laboratory testing process.

With an investment in robotics technology, the ECPHL can significantly augment its testing capacity. At the same time, ECPHL should contract for marketing services to deliver the message that this testing is available and cost effective.

The Department of Health believes that there is an extensive market for a fully automated turnkey testing system for detection of gonorrhea and chlamydia in Western New York. The need for this testing remains constant, and ECPHL’s current pricing structure is nearly $100 per test less than charged by private laboratory facilities.

While this expansion, which better utilizes County laboratory resources, is a useful method for recovering costs associated with the Department, the current fee structure does not adequately cover current direct and indirect costs. The current list price for these tests is $17.85; by contrast, a local private laboratory charges $119.00 for these tests. The current test costs about $20 per test. An expansion of services would raise the cost per test to about $23. To cover department fixed overhead and indirect costs, we would place the scheduled fee at $30 per test. At the same time, the Department should be given the opportunity to use variable rate pricing to enter into bulk purchase agreements with bulk purchasers at around $25 per test.

It is important to note, however, that this initiative requires the County’s steadfast commitment to customer service in laboratory testing. For this initiative to realize its potential, the County must continually demonstrate its commitment to providing this service in a timely fashion. The staffing necessary to provide this service must be maintained, supplies must be available at all times, and the County and Department must be willing to contractually commit to these obligations. While this is an excellent opportunity for the county to efficiently utilize its laboratory facility asset, it cannot do so without a firm commitment to this operation.

It is also likely that the Department will need to aggressively market this service to obtain the envisioned increases. The initiative provides $25,000 a year in the first two years for a marketing agreement with a consultant or marketing firm.

The County currently does 26,000 tests and charges a fee of $17.85 per test. The initiative assumes that the County will increase its testing to 35,000 tests in FY2006, 41,000 in FY2007, 60,000 in FY 2008, and 56,000 in FY2007. It assumes that the new $30 fee will be charged for all tests, and the turnkey services will be provided for all tests for which the County can collect the fee (some tests done at its public health clinics must, according to state law, be done at no cost to the patient).

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Testing Expenses	$0	$75,000	$120,000	$220,000	$281,250
Automation Expense	$0	$30,000	$30,000	$30,000	$30,000
Turnkey Expense	$0	$39,150	$65,250	$104,400	$130,500
Marketing Expense	$0	$25,000	$25,000		
Total Cost	**$0**	**$169,150**	**$240,250**	**$354,400**	**$441,750**
Additional Revenues	$0	$261,450	$411,450	$636,450	$786,450
Total Savings	**$0**	**$92,300**	**$171,200**	**$282,050**	**$344,700**

In FY2005, savings have been discounted 100 percent. Savings for FY2006 have been discounted by 50 percent to account for implementation delays.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	0%	0%	0%
Fiscal Impact	$0	$65,000	$210,000	$320,000	$383,000

58. Increase Revenue by Increasing Medicaid Reimbursement

Dept: Health
Division/Bureau:

Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $350,000
Required Approval: State

The Erie County Department of Health operates clinics which provide primary care and other health care services. Since a majority of Medicaid enrollees are members of managed care plans, the clinics do not receive payment from insurers because the adult medicine physicians are not credentialed.

At the current time, in part because of low rates of payment to physicians employed by Erie County ($60 per hour); the clinic is operating without a credentialed adult medicine physician. Some insurers are refusing to credential this physician and thus the clinics cannot receive reimbursement for visits provided by the physician as well as physician assistants supervised by the physician. Recruiting a Board Certified physician and collaborating with area insurers companies to complete credentialing would result in an increase in revenue.

The Health Department provides family planning services. New York State, with a Federal waiver, has initiated a special category of eligibility under the Medicaid program called Family Planning Benefit Program. Under this program, which provides a limited family planning scope of benefits to enrollees, persons ineligible for regular Medicaid hcoverage can receive services paid for by the Medicaid program.

Health Department officials believe that more people receiving family planning services are eligible for the Family Planning Benefit Program than are enrolling. Facilitated enrollers are present at the clinics taking applications for Family Health Plus and Child Health Plus but not the Family Planning Benefit Program. The reason applications are not being taken for the Family Planning Benefit Program is that current State policy has precluded it because existing contracts do not permit it and facilitated enrollers have not been trained to do so.

There are indications that an Erie County request to permit facilitated enrollers in its clinics to take applications for the Family Planning Benefit Program would be approved by the State. This would allow the face-to-face interview requirement to be met by the facilitated enroller and thus eliminate the current requirement that an applicant go to Erie County Department of Social Services for the interview. Since many applicants for the Family Planning Benefit Program do not complete this step and thus become eligible, eliminating this requirement will increase the number of program enrollees and thus clinic revenue.

Summary of Savings - Clinics
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY 2009
Physician Costs	$0	$50,000	$50,985	$53,641	$56,350
Total Costs	**$0**	**$50,000**	**$50,985**	**$53,641**	**$56,350**
Addition Revenue	0	$75,000	$76,875	$78,797	$80,767
Total Savings	**$0**	**$25,000**	**$25,890**	**$25,156**	**$24,417**

Summary of Savings-Family Planning Benefit
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Costs	**$0**	**$0**	**$0**	**$0**	**$0**
Additional covered	$0	$75,000	$75,000	$75,000	$75,000
Total Savings	**$0**	**$75,000**	**$75,000**	**$75,000**	**$75,000**

Both of these approaches are discounted 100 percent for implementation delays in FY2005 and 50 percent in FY06 with no further discounting in the following years.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	0%	0%	0%
Fiscal Impact	$0	$50,000	$101,000	$100,000	$99,000

59. Increase Revenue by Increasing Inspections and Other Fees

Dept: Health
Division/Bureau

Rev/Sav/Productivity: Revenue
4-Yr. Fiscal Impact: $6,098,000
Required Approval: County

The Erie County Health Department charges fees for Environmental Health Services to support the critical public health and safety functions implicit in inspecting and licensing food service establishments, hotels and motels, caterers, pools and beaches and other locations. These fees have not been adjusted since 1995.

New York State Public Health Law, Article 6, requires that in order for a County to receive State Aid, it must charge for services at a rate comparable to the cost of providing the services. These fee adjustments would allow the County to more accurately reflect the cost of providing these necessary services.

From an analysis of similar fees for some of the larger Department of Health services, the proposed increases would result in similar fee levels for comparable counties. The following table provides this information for Erie, Monroe, and Nassau Counties:

	Food Service Establishments		Pools	Temporary Food Permits		
County	0-50 Seats	50+ Seats		1-3 days	4-7 days	7+ days
Erie (proposed)	$196	$376	$376	$106	$120	$150
Monroe	avg. $155	avg. $335	$200	$40	$100	$100
Nassau	avg. $325	Avg. $400	avg. $469	$80-$160	$135-$350	$135-$350

The revenue levels assume permitting and licensing activity similar to the previous fiscal year in FY 2006. It also assumes that fees will be continually adjusted to match the inflation rate in the following years.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Cost	**$0**	**$0**	**$0**	**$0**	**$0**
Additional Revenues	$0	$1,468,000	$1,505,000	$1,543,000	$1,582,000
Total Savings	**$0**	**$1,468,000**	**$1,505,000**	**$1,543,000**	**$1,582,000**

In FY2005, savings have been discounted 100 percent. There is no additional discounting in the following fiscal years.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$1,468,000	$1,505,000	$1,543,000	$1,582,000

55. Reduce Residential Treatment Facility Expenditures

Dept: Mental Health, Social Services
Division/Bureau

Rev/Sav/Productivity Savings
Fiscal Impact To FY09: $10,026,000
Required Approval: County

The Department of Mental Health is in the process of developing and implementing initiatives to reduce the number of youth, who currently number 217, placed in residential treatment centers (RTC). These treatment options are cost intensive, with an average annual cost of over $100,000 for each placement, for a total of $22.0 million from the County general fund in FY2005. Placement in residential care facilities and hospitals is not only extremely expensive for the County, but research suggest it may also have longterm adverse consequences.

In addition to the economic costs, placement in a residential treatment facility often means that the young person will be labelled as mentally ill or emotionally disturbed. There is an extensive body of research establishing the negative effects of such labelling on an individual's self-esteem and behavior patterns, which may also make treatment more difficult, more expensive, and less likely to succeed.

Institutional placement also has adverse effects on the parents and other members of the family and can lead to a decline in relationships and the need for additional services, sometimes with other costs for the County and other governments. Given this set of circumstances, it is appropriate to work together more home and community-based treatment alternatives, and that is the focus of this initiative.

To help improve outcomes, the Department is undertaking two major initiatives:

- Diversion

- Length of Stay

Under the diversion category, efforts will be undertaken to divert Persons in Need of Supervision, Juvenile Delinquents (JD) and children in the Mental Health and Department of Social Services systems from initial placement in RTCs. In part, this will be achieved through working with judges to educate them about viable alternatives to RTC placements.

The Length of Stay category will include the awarding of contracts to RTC providers which contain incentives to reduce length of stay.

In order to provide alternatives to RTC placements, wrap-around slots providing community-based services will need to be established (350 in 2006 increasing to 475 in 2009). In addition, the Department will introduce new evidenced-based programs and other community-based programs to provide alternatives to RTC care. Investments in these services will be required in order to achieve the projected reductions in RTC expenditures. The County plans to use some of the savings achieved with these programs to invest in the components that make them so successful. Besides the Wrap Around program, plans are to also invest in programs funded by the Substance Abuse and Mental Health Services Administration – which is partially necessitated by reduced federal funding in this area..

While the opportunity for savings in this area are very real and are supported by both the Department of Mental Health and Social Services, the need to make continued investments in community infrastructure and services is very real. While RTC is expensive and disruptive, it can be ultimately more expensive and disruptive to individuals and the community if children are removed from this treatment option and provided inadequate alternative services.

The following provides the detailed commitment of both local resources and the reduction in use of RTC:

	2005	2006	2007	2008	2009
Total RTC Cost 2005 Rates	21,995,721	16,098,341	12,788,226	9,829,938	7,304,488
Total RTC Cost		16,822,766	13,965,063	11,217,592	8,710,738
Projected Savings		**2006**	**2007**	**2008**	**2009**
Total RTC Annual Utilization Savings		5,172,955	2,857,703	2,747,471	2,506,854
Total RTC Annual Utilization Savings from 2005		5,172,955	8,030,658	10,778,129	13,284,983
Total Cumulative Savings from 2005 Base		5,172,955	13,203,613	23,981,742	37,266,725
Annual County RTC Utilization Savings from 2005 Base		1,997,809	3,101,462	4,162,543	5,130,697
Total Cumulative RTC Utilization Savings from 2005 Base		1,997,809	5,099,271	9,261,814	14,392,510
Investment in Community Infrastructure					
Sustainability Commitment to SAMHSA		0	1,000,000	1,500,000	2,500,000
Wrap Slots Needed		350	400	450	475
Additional Wrap Slots $'s		0	1,100,000	2,200,000	2,750,000
Subtotal Investment All Funds			2,100,000	3,700,000	5,250,000
Subtotal Investment Local Share			735,000	1,295,000	1,837,500
Net County Savings					
Net Annual County Savings from 2005 Base		1,997,809	2,366,462	2,867,543	3,293,197

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Increased Local Programming	$0	$3,175,146	$10,837,151	$21,114,199	$33,973,528
Total Cost	**$0**	**$1,997,809**	**$2,366,462**	**$2,867,543**	**$3,293,197**
Reduced RTC Expenditures	$0	5,172,955	$13,203,613	$23,981,742	$37,266,725
Total Savings	**$0**	**$1,997,809**	**$2,366,462**	**$2,867,543**	**$3,293,197**

In FY2005, savings have been discounted 100 percent. Savings for FY2006 have been discounted by 25 percent to account for implementation delays.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	25%	0%	0%	0%
Fiscal Impact	$0	$1,499,000	$2,366,000	$2,868,000	$3,293,000

60. Develop Integrated Data Warehouse System

Dept: Social Services
Division/Bureau:

Rev/Sav/Productivity: Productivity
Fiscal Impact To FY09: CQ
Required Approval: County

The County will develop an integrated ERP system to transfer client data to appropriate departments for targeted case management. This will also allow a single point of entry and will reduce the amount of redundant case management and other services.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$0	CQ	CQ	CQ

67. Meet Waiver Requirements for Case Supervisory Review

Dept: Social Services
Division/Bureau:

Rev/Sav/Productivity: Productivity
Fiscal Impact To FY09: CQ
Required Approval: State

Case Supervisory Review (CSR)

ECDSS currently has a waiver from the State that exempts them from supervisory review of all cases processed by the eligibility workers. Due to shortage of supervisors and the increase in applications, the supervisors are having difficulty meeting the current waiver requirements. DSS administration has developed a proposal to reduce the number of CSRs from 30 to 10 and use the supervisor's time to train eligibility workers and provide correction action.

The most common eligibility processing errors are repeated from case to case and they occur in income and resources. The supervisors need more time to implement a corrective action plan with eligibility workers to correct the errors. It can be assumed that implementation of a sound corrective action plan will result in fewer errors and more accurate case decisions and less worker and supervisor time in addressing errors.

It is likely that the State would be receptive to a revised proposal from Erie that focuses on corrective action. This effort should prove cost effective for all parties.

66. Expand Use of Facilitated Enrollers

Dept:	Social Services	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

State rules require that each head of household applying for Medicaid must meet face to face with the Medicaid Eligibility Worker. Erie County uses county Department of Social Services (DSS) eligibility staff to fulfill this requirement.

With the onset of New York State's Child Health and Family Health programs, the state gave local districts an opportunity to use Facilitated Enrollers (FE), who are non-DSS staff to meet the face to face interview requirements. In larger counties, more than one entity contracts with the New York State Department of Health as FEs.

Onondaga County, with approval from New York State uses FEs to meet the face to face requirement for general Medicaid for families where all members are less than 65 years of age. The FEs collect all the required information and documentation from the applicants and provides a hard copy of the completed Medicaid application and documentation to Onondaga DSS. Twenty-two county eligibility workers process and make the Medicaid decision. Each county worker processes 60 cases per month. If the county eligibility workers conducted the interviews, each worker would only be able to process 50 cases per month. With 18,000 applications projected for 2005, the county would need four more FTEs if county eligibility workers conducted the interviews. Onondaga County DSS does not pay for FEs. They are paid by managed care plans and the hospitals.

Erie DSS Medicaid staff conducts the face to face interviews for general Medicaid (not Child Health Plus or Family Health Plus) for individuals and families under 65 years of age. As of March 2005, the Medicaid only eligibles, less than 65 years of age, total 66,141 in Erie and 34,107 in Onondaga. Assuming Erie realized the same efficiencies as Onondaga, they should be able to reduce the number of FTEs by at least six thereby either freeing staff time for other projects or relieving some of the burden of the large caseloads in Medicaid. Current caseloads are about 1,000 per worker, while numbers of about 300 to 1 are considered reasonable.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

65. Increase Third-Party Health Insurance Collections

Dept:	Social Services	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$550,000
		Required Approval:	County

Third Party Health Insurance Units
Medicaid is the payer of last resort. Commercial insurance and Medicare are primary payers to Medicaid.

During the Medicaid eligibility process, applicants are asked to provide information about health insurance coverage. The primary insured may be the applicant, an absent spouse or father. Most county social services departments have special units that are knowledgeable about the various health insurance plans available in the region. They understand what employers provide insurance, type of coverage and plans available and what managed care plans are available and the services offered in the area. They work with the family courts to insure health insurance is included in support orders. They have access to files and data bases and develop an understanding and relationship with health insurers in the region.

Large counties like Erie County receive hundreds of applications in a month. The eligibility worker does not have the time or the expertise to obtain appropriate health insurance information. During the 2005 fiscal year Erie County will cost avoid $95 million dollars to Medicaid. These are actual dollars that are paid by insurers and reduce the cost of Medicaid.

The State provided cost avoidance dollars for Erie County from April through August.

04/20/05	$6,051,342.78
05/25/05	$13,125,280.08
06/22/05	$7,437,865.41
07/20/05	$10,408,543.33
08/24/05	$7,818,901.71

In 2005 Erie County laid off two FTEs from the third party unit. It is too early to determine the impact of this action but with the large number of new applications received each month, the reduced staffing will have an impact.

Managed Care

For Medicaid recipients enrolled in managed care plans, the county pays a monthly premium. If an individual is insured and already enrolled in a managed care plan, the plan is not entitled to a separate Medicaid premium.

Families may be enrolled in the same plan by Medicaid and by an employer. In such cases, the plan must refund the county for months in which it received a duplicate premium.

Monroe County has been very successful in recovering monthly premiums when a plan receives duplicate premiums. Three part-time and one full-time staff are assigned to this project. In the past year, Monroe recovered $1 million gross ($250,000 local share) in duplicate payments from managed care providers. This is an ongoing effort because the thousands of new Medicaid applicants determined eligible every year can potentially be enrolled in the same plan by employers and county social services.

As of August 2005, Erie County has 103,474 Medicaid eligibles and 73,363 or 71 percent are enrolled in managed care. Monroe has 85,500 Medicaid eligibles and 51,864 or 61 percent are enrolled in managed care.

Assuming Erie County devoted the same effort to recovering duplicate payments as Monroe County, it is expected that the county would recover at least $1 million gross or $250,000 local share in 2006 and $100,000 in subsequent years because the largest retroactive recoveries will have occurred in the first year.

**Summary of Savings
(Before Discounting)**

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Costs	0	0	0	0	0
Total Savings	$250,000	$250,000	$100,000	$100,000	$100,000

Given implementation delays, the savings are discounted by 100 percent inFY2005 but are not discounted in the following years.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$250,000	$100,000	$100,000	$100,000

68. Implement Automated Medicaid Eligibility System

Dept:	Social Services	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	State

Electronic Eligibility Determination Process (EEDS)

The state has developed an electronic eligibility tool for workers. It is an interactive process that assists the workers to collect correct information and documentation on personal identity, residence, income and resources from the applicants. EEDS has been successfully tested in New York City and is scheduled to be phased in upstate in 2006. Erie is not scheduled until the latter part of 2006.

The benefit of EEDS is more complete information and documentation and more accurate eligibility decisions freeing up workers time by reducing the number of duplicate requests for information from applicants and reducing the supervisor-worker conferences on individual cases.

The State of New York has indicated that if Erie County requested to be phased in earlier, the request would be considered and may be granted.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

61. Medicaid Fraud and Abuse

Dept:	Social Services	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$7,440,000
		Required Approval:	County

Given the size and scope of the program, Medicaid program integrity is a critical concern at both the State and County level. Currently, this is a function of both the County and State's quality control and assurance programs. The overall client eligibility error rate in Erie County is within the state's long-standing acceptable rate of 3 percent. However, issues of provider fraud and abuse have been well publicized, and the County is proposing to improve its eligibility review process by initiating a second level review by an independent unit within the Social Services Department.

The State has assumed the major role for provider fraud and abuse activities. Erie County believes its knowledge and presence in the community enables it to be a strong force to reduce provider fraud and abuse. The county must request approval from the State to conduct provider fraud and abuse activities. The process begins when the County and the State enter into a Memorandum of Understanding.

As is being proposed, the County will analyze data and target particular provider groups and request relevant data from the State. The State will identify potential provider problem areas from its data warehouse. Typical examples are physicians and dentists whose billing patterns exceed a given amount in an annual period, physicians with high ordering/prescribing patterns for pharmacy supplies and laboratory tests.

For example, the County may choose to initiate investigations on physician ordering practices. Five hundred and twenty-five physicians in Erie County ordered over $50,000 in services over 12 months. The top seven physicians ordered over $1 million dollars in services. Most of the services ordered were prescription drugs. Experts who investigate provider fraud and abuse indicate that for every dollar spent, you can expect ten dollars in return.

To be effective, the County must employ investigators who examine client records and determine if a valid service was provided; the medical necessity of ordered services; the total amount of inappropriate services ordered; and the liability of the ordering provider. Any recovery takes 12 to 18 months after the provider exercises judicial rights. The State and the provider often settle on a lesser amount.

The State does not believe that abusive and fraudulent practices are as high as recently reported by the *New York Times*, which suggested rates of 10 percent or higher. Assuming provider fraud and abuse equaled 5 percent in Erie or $50 million, and assuming the county investigative activities could substantiate that amount, the county would recover the local share (between 10 percent and 25 percent) of $5 million to $12.5 million. The 10 percent equals the local share of long term care services 5 for the elderly and disabled while the 25 percent is the county share for services for all other services. After provider appeals and judicial rights, it is more likely that the county would recover between $2.5 and $6.25 million a year. For purposes of determining savings, the middle point in this range has been used.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008
Salry and Benefits	$181,930	$252,204	$331,680	$418,115
Overhead	$50,000	$100,000	$102,500	$105,063
Total Costs	**$231,930**	**$352,204**	**$434,180**	**$523,178**
Recoveries	$4,375,000	$4,375,000	$4,375,000	$4,375,000
Total Savings	**$4,143,070**	**$4,022,796**	**$3,940,820**	**$3,851,822**

Given implementation delays and the delay in collecting payments, the savings have been discounted 100 percent in both FY2005 and FY2006. To account for the need to gain expertise in investigation and collection, the savings are further discounted by 60 percent in FY2007 and 40 percent in FY2008 but not discounted in FY2009.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	60%	40%	0%
Fiscal Impact	$0	$0	$1,398,000	$2,190,000	$3,852,000

62. Fiscal Sanction Avoidance

Dept:	Social Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	State

Because of the State takeover of a portion of Medicaid costs and a cap on the increase borne by Counties in the future, concern has been expressed that some Counties may attempt to reduce their FY2005 expenditures to provide for a lower threshold for figuring their FY2006 Medicaid liability. There are concerns that the State may seek to revise those spending thresholds if they detect these practices.

However, the budget reductions experienced in Erie County during FY2005 represent legitimate reductions in personnel expenses associated with the Medicaid program. Under the current set of circumstances, it is imperative that the Erie County Commissioner of Social Services clearly articulate this special circumstance to the New York State Department of Health. Indications are that the Department of Health understands this unique set of circumstances, and the County should be proactive in explaining its actions prior to any decision on possible adjustment to County Medicaid baseline expenditures for FY2005 for purposes of figuring future County spending increases for Medicaid.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount%	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

64. Increase Use of Donated Funds to Provide Match for State Children's Services Funding

Dept:	Social Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	State

Currently, under a state formula Counties are allowed to use only a small portion of donated funds to provide their required match for New York State Children's Services funding. Erie County's donated funds greatly exceed that cap. Within the County, organizations like the United Way of Buffalo and Erie County are able to raise funds and designate them for use by community providers for these services.

The County should seek a waiver from the State of New York for a two year period allowing up to $2.0 million in donated funds to be used as its required 35 percent local match. This would reduce the required expenditure by County taxpayers while also providing a strong connection for the contributing community to these important services.

Inquiries have been made to the State of New York Children and Family Services regarding a waiver for this match. To date, the State has been unwilling to grant a County specific waiver.

The County, given its financial circumstances, should press for this waiver to provide resources for serving this vulnerable population and to restore staff and services.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

63. Special State Assistance

Dept: Social Services
Division/Bureau:

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: State

The New York State Department of Health has the authority to grant waivers, demonstration projects, staff supplementation, and other methods that have the capacity to reduce the cost of providing social services. The Department of Social Services is currently involved in various demonstration projects, such as their joint effort with the Department of Mental Health on Managed Addictions, and has demonstrated cost savings as a result.

The New York State Department of Health has expressed a willingness to work with the County to consider other waivers and demonstration projects. The Department of Social Services should be proactive in pursuing these opportunities.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

71. Monitor Payments from OMRDD

Dept: Social Services
Division/Bureau:

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $720,000
Required Approval: State

Day Treatment is Medicaid reimbursed service provided for persons with disabilities. Voluntary providers bill the State's fiscal intermediary for the Day Treatment services, and as is the case with most Medicaid billings, counties incur a local share. Through the State's Overburden repayment system counties are retroactively reimbursed by the State for the local share of Day Treatment

The Office of Mental Retardation and Developmental Disabilities is transitioning Day Treatment to Day Habilitation, a Home and Community Based Waiver Service. There is a county share for the cost of Day Habilitation for Medicaid recipients living at home and for some individuals residing in small residential units. OMRDD received an allocation to reimburse counties for any local share incurred for Day Treatment cases transitioned between April and December 2005.

The state fiscal year runs from April, 2005 to March 2006. The county fiscal year runs from January, 2005 to December 2006. Payments received in the 2005 calendar year will reduce Erie County's Medicaid base year. The county should follow up with the state to make sure the payments are received in the calendar year and applied against the Medicaid base.

There are currently 341 persons with disabilities receiving Day Treatment services in Erie County that will be transitioned to Day Habilitation this year. According to the State, hat a local share will be charged for 200 of these persons. The average costs for day treatment including transportation, is $120 per day. The county share is $30 of the $120. Assuming that the average number of days persons will be in day habilitation in 2005 is 30, the county share for 2005 will be $180,000. If received this year, Erie's Medicaid base will be decreased by $180,000. The county must take the initiative with the OMRDD to ensure that they are credited for payment in 2005.

Because the credit will be because of FY2005 payments, the initiative does not apply and the savings are discounted at 100 percent. Given that the State has provided the information necessary to calculate the savings, there is no further discounting applied in subsequent fiscal years.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$180,000	$180,000	$180,000	$180,000

69. Social Services FTE Restoration

Dept: Social Services
Division/Bureau:

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: ($3,782,000)
Required Approval: County

While all Departments have experienced hardships in dealing with the FY2005 reductions in force, perhaps none have had the impact, both on the County's finances and the population it serves as those in the Department of Social Services. Social Services deals with vulnerable individuals in need of health care, nursing home care, child care, foster care, and similar services.

The issues of determining appropriate staffing levels are complicated by discussions of funding streams. While many Departments mostly rely on the general fund to fund their personnel costs, Social Services is largely state and federal funded. In fact, some positions, such as those associated with the Food Stamp program, are entirely federally funded.

As part of its budget reduction strategies for FY2005, the Department of Social Services eliminated 171 positions. It also carried over 175 vacant positions from the previous fiscal year. As a consequence, the Department is operating with a 20% reduction in its workforce. At the same time, the Department must comply with State and Federal mandates to maintain programs and services, often with maintenance of effort requirements as well.

As an example of the challenges faced by the Department, based on previous lawsuits on behalf of clients, the State and Federal governments have mandated timelines for processing entitlement benefits such as Temporary Assistance for Needy Families and Medicaid. Additionally, Child Welfare services are required to be conducted with 24 hours a day, 7 days a week contact when a report of child abuse or neglect is received. This capacity has been seriously eroded by budget and workforce reductions.

In many instances, staff reductions have an overall negative impact on the County's financial position. As an example, during FY2005 half of the staff that determines whether Medicaid recipients are also eligible for Third Party Insurance were eliminated. As a result, as much as $26 million per year in cost avoidance by determining that private payers are responsible for these costs may be impacted. There are other cost avoidance issues -- those working to obtain employment for families eligible for assistance are a good example.

Finally, even when there is not a direct financial gain to the County, some services are by their nature critical to the well being of the clients and must be provided. In many instances, the caseloads for Social Services workers have grown to levels that are not acceptable for adequate service delivery, and the County should work to develop caseload benchmark levels and seek staffing levels that meet them

In order to address these issues, the County should restore the following positions:

Position	Salary	Cost Center
Energy Crisis worker	$32,887	Home Energy Assistance Program
Energy Crisis worker2	32,887	Home Energy Assistance Program
System Support Specialist	54,945	Program Support
Senior Special Investigator	46,378	SID Investigations & Collections
Asst. Special Investigator	39,292	SID Investigations & Collections
Sr. Social Welfare Examiner	39,292	SID Investigations & Collections
Social Welfare Examiner	35,840	SID Investigations & Collections
Social Welfare Examiner	35,840	SID Investigations & Collections
Social Welfare Examiner	35,840	SID Investigations & Collections
Medicaid Auditor	39,292	Medicaid Utilization Review
Paralegal	32,887	Legal IVD Child Support
Supervisor Child Support Investigator	49,928	Child Support Enforcement
Sr. Child Support Investigator	42,821	Child Support Enforcement
Account Clerk	30,928	Support Collection Unit
Counsel	72,610	Legal – Children's Services
Social Welfare Examiner	35,840	EC Works Center
Clerk Typist (Spanish Speaking)	27,840	EC Works Center
Social Welfare Examiner Sp. Speak	35,840	Employment & Financial Planning Teams

Position	Salary	Cost Center
Employment Counselor	46,378	Temp Asst Specialized Teams
Clerk	27,840	Temp Asst Specialized Teams
Data Entry Operator	30,928	Temp Asst Specialized Teams
Data Entry Operator	30,928	Temp Asst Specialized Teams
Employment Counselor	46,378	Employment Assessment
Sr. Social Welfare Examiner Sp. Speaking	39,292	Transition to work Teams
Social Welfare Examiner	35,840	Transition to work Teams
Sr. Caseworker	46,378	Child Day Care
Social Welfare Examiner	35,840	Multi Abuse Assessment Teams
Head Social Welfare Examiner	49,928	Food Stamps Eligibility
Sr. Social Welfare Examiner	39,292	Food Stamps Eligibility
Sr. Social Welfare Examiner	39,292	Food Stamps Eligibility
Social Welfare Examiner	35,840	Food Stamps Eligibility
Social Welfare Examiner	35,840	Food Stamps Eligibility
Social Welfare Examiner	35,840	Food Stamps Eligibility
Social Welfare Examiner	35,840	Food Stamps Eligibility
Social Welfare Examiner	35,840	Food Stamps Eligibility
Social Welfare Examiner Sp. Speak	35,840	Food Stamps Eligibility
Clerk	27,840	Food Stamps Eligibility
Social Welfare Examiner	35,840	Community Medicaid Eligibility
Social Welfare Examiner	35,840	Community Medicaid Eligibility
Social Welfare Examiner	35,840	Community Medicaid Eligibility
Sr. Caseworker	46,378	CASA Homecare Eligibility
Sr. Caseworker	46,378	CASA Homecare Eligibility
Caseworker	39,292	CASA Homecare Eligibility
Sr. Medicaid Reform Specialist	42,821	Medicaid Reform/managed Care
Sr. Med Reform Specialist	42,821	Medicaid Reform/managed Care
Social Welfare Examiner	35,840	Medicaid Reform TPHI
Social Welfare Examiner	35,840	Medicaid Reform TPHI
CHAP health Aide	29,575	Medicaid Reform C/THP
Social Services. Clinic Spec	54,945	Services clinic Specialist
Social Services Clinic Spec	54,945	Services clinic Specialist
Child Protection worker	42,821	Child Protective Services
Child Protection worker	42,821	Child Protective Services
Child Protection worker	42,821	Child Protective Services
Child Protection worker	42,821	Child Protective Services
Social Case Supervisor unit	54,945	Children’s Services
Caseworker	39,292	Children’s Services
Caseworker	39,292	Children’s Services
Social Case Super Unit	54,945	Children’s Services
Social Services Team Worker	32,887	Adoption
Sr. Caseworker	46,378	TANF Services Plan
Caseworker	39,292	TANF Services Plan
Sr. Home Economist	49,928	Services Support Services
Homemaker	29,575	Services Support Services

Energy crisis workers are necessary for the opening of the Home Energy Assistance programs in November 2005. The system support specialist is necessary to perform Child Welfare Service computer system functions. Four positions are restored for investigations and collections – positions critical to ensuring that the County files liens against personal injury recoveries, arranges repayments for overgrants including lawsuits or garnishments. This is also the business case for restoring a Medicaid auditor, a position that results in significant cost avoidance for the County. It is also recommended that the County restore child support services, as these services also help to reduce other public assistance for clients.

There are many positions where providing or increasing services lead to diversions from public assistance. For example, the County should restore a social welfare examiner and clerk typist in the EC Works program – the Department's Orientation program, discontinued due to layoffs, provided 3,737 diversions in 2004, and the Self Sufficiency Unit provided 1,249 diversions from welfare in 2004. Likewise, the County should restore a Child Daycare caseworker – this supports client work activity participation and job placement and retention.

Many positions are necessary to avoid legal or fiscal sanctions. For example, legal counsel for children's services is necessary to ensure Federal IV E compliance to avoid possible fiscal sanctions.

The County should also work to restore positions directed at Spanish speaking individuals. It can be extremely time consuming and difficult for clients where language barriers exist. There currently is reduced capacity within the Department to assist Spanish speaking clients. The restorations will provide three additional Spanish speaking social welfare examiners, and a Spanish speaking clerk typist. Besides the benefits to clients, these will reduce costly translation services the County currently must contract to provide.

The County should also restore 4 positions in the Temporary Assistance to Needy Families (TANF) program to deal with caseloads that could result in legal sanctions and should also contain costs by better determining eligibility and monitoring aid issuance. It should also restore 2 caseworkers related to the TANF services plan devoted to foster care placements.

The County should restore 3 individuals dedicated to employment assessment and transition to work teams and an examiner on the multi-abuse assessment teams. Besides the obvious benefit of moving individuals into work as opposed to welfare, these workers are necessary to achieve federal TANF client work participation rates and to avoid fiscal penalties for failure to meet increasing participation rates.

The County should restore 10 positions relating to the Food Stamps program. These positions are 100 percent federally funded and are necessary to meet State and Federal timelines and to reduce the risks of fiscal penalties, sanctions, and lawsuits.

The County should restore three social welfare examiners dedicated to determining Medicaid eligibility. Caseloads in this area are nearly 1,000 per worker, while 300 per worker is considered ideal. Besides the cost avoidance issues surrounding accurately determining

Medicaid eligibility, this is also necessary to meet State and Federal timeliness mandates and reduce the risk of fiscal sanctions and penalties.

While providing Medicaid caseworker service is important, it is just an critical to continue efforts to reform the program. This restoration initiative provides 5 positions devoted to Medicaid reform, targeted at managed care and third party health insurance. Third party health insurance achieved over $112 million in Medicaid cost avoidance in FY2004, but staff reductions are causing it to fall below projections for 2005 – 23.1% below for the first 6 months of FY2005. This translates into a potential cost avoidance loss of $25 million for FY2005.

The County should restore 2 clinical specialists, 4 child protective workers, and 4 children's services caseworkers in the Foster Care program. These positions reduce foster care placements and are necessary to maintain federal Title IV E compliance. The County should also restore a position focused on adoption, which is a cost containment measure focused on reducing length of stay in foster care and also helps the County meet Title IV 4 requirements. The Senior Home Economist and Homemaker positions should also be restored, as they are also focused on cost containment by reducing length of stay in foster care.

The salary necessary to fund the recommended positions totals $ 2,526,554. Coupled with fringe benefit costs of $ 1,240,538, the total cost of the positions totals $ 3,767,092. However, much of the cost of these positions is reimbursed by the Federal and State governments. It is projected that these reimbursements total $ 2,831,346. As a result, the local share for these positions would total $935,746. The costs associated with the following fiscal years have been increased by the same percentages assumed in the fiscal gap model.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Increased Staffing	$0	($3,767,092)	-$3,916,646	-$4,120,703	-$4,328,798
Total Cost	**$0**	**($3,767,092)**	**($3,916,646)**	**($4,120,703)**	**($4,328,798)**
State and Federal Reimbursement	$0	$2,863,218	$2,944,000	$3,097,000	$3,253,399
Total Savings	**$0**	**($903,874)**	**($972,646)**	**($1,023,703)**	**($1,075,400)**

In FY2005, expenditures have been discounted 100%. Because of hiring delays the expenditures have been discounted 25 percent in FY2006.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	25%	0%	0%	0%
Fiscal Impact	$0	($710,000)	($973,000)	($1,024,000)	($1,075,000)

159. Enhance Efforts to Implement Blueprint for Change and Other Cost Saving Initiatives

Dept:	Social Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

In January 2001, Erie County Executive Giambra launched the Blueprint for Change initiative to make organizational and service delivery improvements for more cost effective, integrated, and outcome focused services for children and families. The Steering Committee for the Blueprint is led by the Commissioner of Social Services and includes the leadership of the Departments of Health, Mental Health, Probation, Self-Sufficiency, and Senior Services. There are also teams assigned the responsibility for operational change and ad hoc management support (dealing with planning, evaluation and research; personnel/labor relations; finance; logistics; and information technology).

However, the County's fiscal issues have required some modification of the original Blueprint. Where the plan originally sought to establish one Department for Children, Youth and Families now administered by five county departments, the revised structure calls for three departments, each headed by a Commissioner. The Departments of Senior Services, Mental Health, and Social Services will be combined into one Department of Human Services. The Departments of Health and Probation will have services related to children and families reassigned to the Division of Children and Families; the Departments will continue, however, as independent Departments. The plan has also been broadened to include integration of services to adults, with adult protection and long term care services moving to a new Division of Adults and Senior Services within the Department of Human Services.

On June 13, 2005, the Steering Committee identified the initial cross-department collaboration projects to begin the implementation process. The projects include:

- Development of the Division of Children and Families to be implemented in phases corresponding to clusters of services that consolidate related programs from the existing Departments of Health, Social Services, and Probation/Youth Services;

- Development of the Division of Adult and Senior Services implemented in phases and consolidating services from the Departments of Social Services and Senior Services.

- Development of Performance Based Master Contracts, which will increase the coordination and consolidation of multi-department contracts with provider agencies and increase the use of outcome and performance based contracts.

There are a variety of opportunities for a revamped structure to provide greater efficiency, better coordination of services, and more consistent cooperation and collaboration. While the focus, understandably, should be toward improving outcomes for clients, there are also opportunities for administrative savings and efficiency. With the staff reductions from FY2005 in mind, there should be opportunities to pool administrative resources and create greater staffing flexibility under the revised structure.

In the long run, the plan to develop a standardized case management database through the County's Enterprise Resource Planning (ERP) system has great potential. The County should continue to plan for its implementation, and it could prove to be a logical candidate for funding through the State of New York's Efficiency Incentive Grant Funds, by which the County can access up to $10 million a year (if appropriated) for a plan to achieve recurring savings through innovations and reengineering.

While the impacted Departments work toward these long range goals to improve organizational and client outcomes, the Department of Social Services should continue its efforts to obtain program cost reductions and improved client services. The Department has had many notable successes in this area, and there have been demonstrated savings in demonstration projects dealing with disease management, use of community based services to replace more expensive inpatient psychiatric and substance abuse services, and "wrap around" services for children and youth to reduce the utilization of high cost residential treatment.

There are continued opportunities to increase the use of disease management and other strategies. Currently, the Department is partnering with Chautauqua County and UB Family Medicine, Inc., on a disease management RFP to the New York State Department of Health Medicaid Disease and Care Management Demonstration Program. These sorts of partnerships are available in other areas as well; within the County, there have been notable successes in reducing costs and improving patient outcomes relating to Diabetes and through pharmacy case management. The Department should seek opportunities to partner within these and similar efforts.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	$TBD	$TBD	$TBD	$TBD	$TBD

PROBATION AND YOUTH DETENTION

14. Review Probation Caseloads and Adjust Staffing to Meet Supervision/Investigation Responsibilities and Reduce Unnecessary and Costly Incarceration

Dept:	Probation, Youth Detention	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	($4,842,000)
		Required Approval:	County

Over the past year, the number of Probation Officers has decreased from 90 to 58 as a result of lay-offs and retirements. The Buffalo-Niagara Partnership report notes that "the reduction in probation officers will increase County jail costs" and recommends that some probation officers be rehired.

In relation to comparable counties, the number of caseloads per officer in Erie is high. The County is at an average of 89.7 cases per Probation Officer as compared with 70.3 in Niagara, the next highest of the counties surveyed. It should be noted that this is an imprecise measure of workload as there is a wide degree of variation in the actual number of cases per Probation Officer. This is, however, an indication that overall Erie County is likely understaffed.

Caseload information is from the New York State Division of Probation and Correctional Alternatives (DPCA) and is slightly different than the current actual number of Probation Officers. According to an August 29, 2006 letter from the Commissioner of the Probation Department, the current average is 109 cases per officer. The current number of Probation Officers is 58.

Average Caseload per Probation Officer in 2005

	Erie	Onondaga	Nassau	Suffolk	Westchester	Monroe	Niagara
Number of probation officers	61	74	112	266	162	142	23
Average number of cases supervised per day	5,472	3,006	7,505	11,726	7,769	6,640	1,618
Average caseload per probation officer	89.7	40.6	67.0	44.1	48.0	46.8	70.3

Erie County should restore 14 Probation Officers, four to conduct pre-sentence investigations, eight to reduce the caseload per probation officer, and two to staff a weekend Release Under Supervision (RUS) program. Additionally, the County should hire two Probation Supervisors, one RPT Investigative Aide, and two part-time Investigative Aides. While this initiative will cost the County real dollars despite a partial State reimbursement, savings are anticipated to result from a smaller jail population as indicated in the Breaking the Cycle Report. With the addition of these staff, the following programs are anticipated to bring reductions in the daily prison population:

- Pre-Trial and Release Under Supervision Weekend Program (32)
- Weekend Programs (7, during weekends only)
- Electronic Monitoring (50)

All of these initiatives seek to reduce costly and inappropriate incarceration in the Holding Center and Correctional Facility. The Pre-Trial Release program evaluates those charged with misdemeanors and non-violent felonies for release. Through the RUS program, individuals can remain in the community while their case is pending. Because these programs are not staffed on weekends, individuals booked on the weekends are placed in a holding center longer than necessary.

Enhancements in the weekend programs will allow more individuals to be monitored in their homes instead of in a detention facility, and the electronic monitoring program will allow more individuals to be closely monitored. The County is also considering the use of Global Position Systems to monitor probationers, although the financial impact of this is not included in this report as many of the program costs are unknown. The Breaking the Cycle Report indicates, however, that this program could reduce the jail population by an additional 50 prisoners.

In addition to expanding these programs that help to reduce the jail population, eight officers will provide supervision to adults and juveniles. Four will conduct the pre-sentence investigation reports required by the Courts for Class A offenses. Prior to the staff reductions, there were eleven investigators. There are now seven. Before the staff reductions the reports took about six weeks to prepare, according to the Director of the Probation Department. Now, they can take 16 weeks. Until sentencing takes place the County bears the cost of incarceration.

The anticipated 2005 average salary for the Probation Officers is anticipated to be $52,337, with a total cost of $78,075 including fringe benefits and overtime, and an adjusted cost of $65,514 because of State aide. The total cost in 2005 would be $917,195 for all 14 officers. This is calculated as follows: 14 Officers X average salary of $52,337 + $1,100 in anticipated overtime + fringe benefit rate of 49.2 percent – anticipated state reimbursement of 20 percent of the salary and 20 percent fringe benefit rate. The salary, fringe benefit rate, and overtime amount have been adjusted in FY 2006-09 to account for anticipated changes.

The anticipated 2005 cost for the RPT Investigative Aide would be $43,357. This is calculated as follows: salary of $29,064 + fringe benefit rate of 49.2 percent. The salary and fringe benefit rate have been adjusted in FY 2006-09 to account for anticipated changes.

The cost for the 2 part-time Investigative Aides is anticipated to be a total of $31,281 in 2005. This is calculated as follows: salary of $29,058 + FICA of 7.65 percent.

The anticipated 2005 average salary for the Probation Supervisors is anticipated to be $63,594, with a total cost of $94,868 including fringe benefits, and an adjusted cost of $79,605 because of State aide. The total cost in 2005 would be $159,210. This is calculated as follows: 2 Probation Supervisors X average salary of $63,594 + fringe benefit rate of 49.2 percent – anticipated state reimbursement of 20 percent of the salary and 20 percent fringe benefit rate. The salary, fringe benefit rate, and overtime amount have been adjusted in FY 2006-09 to account for anticipated changes.

This initiative is anticipated to reduce overtime. In 2004, overtime was $115,544 for the Probation Department. In 2005, it is anticipated to be $246,639. Base overtime is expected to grow by 3.5 percent to $255,271 over the 2004 projection. The addition of Probation Officers is expected to reduce overtime by 15 percent. The overtime reduction anticipated in 2006 is $38,291.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Probation Officer	($917,195)	($965,200)	($970,123)	($1,020,424)	($1,038,049)
Investigative Aide PT	($31,281)	($32,454)	($33,590)	($34,766)	($35,982)
Investigative Aide RPT	($43,357)	($44,873)	($46,655)	($49,088)	($51,569)
Probation Supervisor	($159,210)	($164,777)	($165,534)	($174,166)	($177,121)
Total Cost	**($1,151,043)**	**($1,207,303)**	**($1,215,902)**	**($1,278,443)**	**($1,302,721)**
Overtime Savings	$0	$38,291	$39,631	$41,018	$42,454
Total Savings	**$0**	**$38,291**	**$39,631**	**$41,018**	**$42,454**
Total Cost	**($1,151,043)**	**($1,169,013)**	**($1,176,271)**	**($1,237,425)**	**($1,260,268)**

This initiative has been discounted by 100 percent in 2005 as it will be implemented on January 1, 2006. The savings achieved from this initiative are estimated to be $5,383,000 creating a net savings of $541,000 and are discussed under jail management.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	($1,169,000)	($1,176,000)	($1,237,000)	($1,260,000)

15. Establish Supervision Fee for Probationers

Dept: Probation, Youth Detention
Division/Bureau:

Rev/Sav/Productivity: Revenue
Fiscal Impact To FY05: $1,039,000
Required Approval: County

Many counties have implemented fees to recover costs involved with the supervision of prisoners. Nassau County recovered $541,262 in 2004 from a $40 per month fee. Suffolk County charges $50 per month.

The Erie County Legislature has approved a fee of $35 per month to monitor probationers. This fee is being implemented in September 2005 and the first receipts are anticipated in October. With approximately 6,000 cases annually, the implementation of this fee would bring in $2,520,000 each year, less a discount factor based on the anticipated collection rate. The County has found that other counties that assess a similar fee have a collection rate of approximately 30 percent. The total fiscal impact is based on an average of 6,000 cases X $35 per month X 12 months. The fiscal impact is adjusted in FY2007-09 to account for anticipated growth.

Summary of Revenue
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Revenue	$2,520,000	$2,520,000	$2,570,400	$2,624,378	$2,682,115
Total Revenue	**$2,520,000**	**$2,520,000**	**$2,570,400**	**$2,624,378**	**$2,682,115**

Preliminary data from comparable counties show significant variation in collection rate experience. Given that these fees will be new, this initiative is discounted by 100 percent in FY2005 and by 90 percent in FY2006-09 to allow time for implementation and anticipated collection rates.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	90%	90%	90%	90%
Fiscal Impact	$0	$252,000	$257,000	$262,000	$268,000

16. Institute Fee for Probationer Testing

Dept: Probation, Youth Detention
Division/Bureau:

Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $128,000
Required Approval: County

Counties across New York impose a drug testing fee to help offset the costs involve with drug testing. Nassau County charges $10 per test and Westchester charges $10 per month for an unlimited number of tests in that month.

Each year there are approximately 2,075 new probationers that require drug testing. To offset the costs of providing the approximately 5,425 drug tests that are administered each year, the County Legislature has approved a one-time fee of $50 that will be due at sentencing. The fee is being implemented in September 2005 and the first receipts are anticipated in October. On an annual basis, this fee will realize $103,750, less a discount factor based on the anticipated collection rate. This is calculated as follows: 2,075 individuals X $50 due at sentencing each year. The fiscal impact is adjusted in FY2007-09 to account for anticipated growth.

Summary of Revenue
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Revenue	$103,750	$103,750	$105,825	$108,047	$110,424
Total Revenue	**$103,750**	**$103,750**	**$105,825**	**$108,047**	**$110,424**
Total Revenue	**$103,750**	**$103,750**	**$105,825**	**$108,047**	**$110,424**

Preliminary data from comparable counties show significant variation in collection rate experience. Given that these fees will be new, this initiative is discounted by 100 percent in FY2005 and by 70 percent in FY2006-09 to allow time for implementation and anticipated collection rates.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	70%	70%	70%	70%
Fiscal Impact	$0	$31,000	$32,000	$32,000	$33,000

23. Implement Custody and Visitation Investigations Fee

Dept:	Probation, Youth Detention	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$16,000
		Required Approval:	County

As other counties have done, Erie recently approved a custody and visitation investigations fee. Onondaga County bases its fees on Adjustable Gross Taxable Income. For visitation investigation fees, it charges $200 if income is over $30,000. For adoption fees, $0 is charged for those with income of less than $30,000, $150 if income is greater than $30,000, $300 if income is over $40,000, and $500 for those with incomes over $50,000. In 2004, Onondaga County recovered $20,275 from these fees.

In Erie, the fees for custody and visitation investigations will be implemented on a sliding scale. Collections are anticipated to begin in October 2005. In 2004, there were 276 custody and visitation investigations ordered. With the imposition of the fees, the County anticipates that the number of investigations will decrease by 40 to 50 percent because demand will fall. Therefore, this initiative anticipates that there will be 140 investigations ordered. The fiscal impact is adjusted in FY2007-09 to account for anticipated growth.

Fee Schedule for Custody and Investigation Fees

Probation Department Custody and Visitation Fee Schedule						
Combined Income of Parents	**Number of Dependents**					
	1	**2**	**3**	**4**	**5**	**6**
$20,000 or less	0	0	0	0	0	0
$20,001 - $25,000	50	0	0	0	0	0
$25,001 - $30,000	100	50	0	0	0	0
$30,001 - $35,000	150	100	50	0	0	0
$35,001 - $40,000	200	150	100	50	0	0
$40,001 - $45,000	250	200	150	100	50	0
$45,001 - $50,000	300	250	200	150	100	50
$50,001 - $55,000	350	300	250	200	150	100
$55,001 - $60,000	400	350	300	250	200	150
$60,001 - $65,000	450	400	350	300	250	200
$65,000 and up	500	450	400	350	300	250

To calculate the financial impact of this initiative, it is assumed that the average fee that will be collected is $100 and that 140 investigations will be completed annually. The first collections are anticipated in November. Based on these assumptions, then the annual amount collected will be $22,400. The fiscal impact is adjusted in FY2007-09 to account for anticipated growth.

Summary of Revenue
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Revenue	$14,000	$14,000	$14,280	$14,580	$14,901
Total Revenue	**$14,000**	**$14,000**	**$14,280**	**$14,580**	**$14,901**
Total Revenue	**$14,000**	**$14,000**	**$14,280**	**$14,580**	**$14,901**

Preliminary data from comparable counties show significant variation in collection rate experience. Given that these fees will be new, this initiative is discounted by 100 percent in FY2005 and by 70 percent in FY2006-09 to allow time for implementation and anticipated collection rates.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	70%	70%	70%	70%
Fiscal Impact	$0	$4,000	$4,000	$4,000	$4,000

17. Establish Pre-Sentence Investigation Fee

Dept: Probation, Youth Detention
Division/Bureau:

Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $1,087,000
Required Approval: County

The Probation Department provides pre-sentence investigation reports to the courts for persons convicted of both criminal and civil offenses. The County will establish a pre-sentence investigation fee of $300 to help offset the cost of these reports.

Nassau County charges $300 for normal and $400 for enhanced pre-investigation fees. The collection rate is approximately 35 percent.

Implementing a fee of $300 in Erie County would realize $1.5 million a year, less a significant discount factor based on estimated collection rates. This is calculated at a fee of 5,000 reports annually. The fiscal impact is adjusted in FY2007-09 to account for anticipated growth.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Revenue	$1,500,000	$1,500,000	$1,530,000	$1,562,130	$1,596,497
Total Revenue	$1,500,000	$1,500,000	$1,530,000	$1,562,130	$1,596,497
Total Revenue	**$1,500,000**	**$1,500,000**	**$1,530,000**	**$1,562,130**	**$1,596,497**

Preliminary data from comparable counties show significant variation in collection rate experience. Given that these fees will be new, this initiative is discounted by 100 percent in

FY2005, 90 percent in 2006, and by 80 percent in FY2007-09 to allow time for implementation and anticipated collection rates.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	90%	80%	80%	80%
Fiscal Impact	$0	$150,000	$306,000	$312,000	$319,000

18. Implement an Electronic Monitoring Fee

Dept: Probation, Youth Detention

Division/Bureau:

Rev/Sav/Productivity: Revenue

Fiscal Impact To FY09: $119,000

Required Approval: County

The County is implementing a $3 per day electronic monitoring fee for each of the 88 individuals being electronically monitored. It is anticipated that the County could realize $96,360 annually from the implementation of this fee, less a discounting factor for collections anticipated. This is calculated as follows: 88 individuals X 365 days per year X $3 per day. The fiscal impact is adjusted in FY2007-09 to account for anticipated growth. If the electronic monitoring program is expanded, additional revenue could be realized.

Summary of Revenue
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Revenue	$96,360	$96,360	$98,287	$100,351	$102,559
Total Revenue	**$96,360**	**$96,360**	**$98,287**	**$100,351**	**$102,559**
Total Revenue	**$96,360**	**$96,360**	**$98,287**	**$100,351**	**$102,559**

Preliminary data from comparable counties show significant variation in collection rate experience. Given that these fees will be new, this initiative is discounted by 100 percent in FY2005 and by 70 percent in FY2006-09 to allow time for implementation and anticipated collection rates.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	70%	70%	70%	70%
Fiscal Impact	$0	$29,000	$29,000	$30,000	$31,000

19. Increase DWI Supervision Fee

Dept:	Probation, Youth Detention	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$290,000
		Required Approval:	County

The County has increased its DWI supervision fee from $30 per month to $35, an increase of $5. This initiative is calculated using and estimated 3,900 charges based on the 2004 experience.

Summary of Revenue
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Revenue	$234,000	$234,000	$238,680	$243,692	$249,054
Total Revenue	**$234,000**	**$234,000**	**$238,680**	**$243,692**	**$249,054**
Total Revenue	**$234,000**	**$234,000**	**$238,680**	**$243,692**	**$249,054**

Preliminary data from comparable counties show significant variation in collection rate experience. Given that these fees will be new, this initiative is discounted by 100 percent in FY2005 and by 70 percent in FY2006-09 to allow time for implementation and anticipated collection rates.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	70%	70%	70%	70%
Fiscal Impact	$0	$70,000	$72,000	$73,000	$75,000

20. Evaluate Youth Detention Food Services Contract

Dept:	Probation, Youth Detention	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

The current food cost per day for secure youth detention is $10.90 and on September 1, 2005 this will increase by the local CPI by 3.4 percent. The current contract has been extended twice. When the current contract expires on 8/31/2006, the County will aggressively pursue a new, more favorable contract. The financial impact of this initiative is to be determined.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Savings from Food Contract	TBD	TBD	TBD	TBD	TBD
Total Savings	TBD	TBD	TBD	TBD	TBD
Total Savings	**TBD**	**TBD**	**TBD**	**TBD**	**TBD**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD%	TBD%	TBD%	TBD%	TBD%
Fiscal Impact	$TBD	$TBD	$TBD	$TBD	$TBD

21. Reduce Medical Expenditures for Youth Detention Services

Dept:	Probation, Youth Detention	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

The Health Division provides medical services and prescription drugs for the detention center and recovers its costs through a MOU with the Probation Department. Nurses that are employed by the County are provided by the Health Department. Physician Assistants are provided via a contract. Prescription drugs for children that have Medicaid or insurance through a private insurance carrier are filled at the ECMC. For those that do not have insurance, the County covers the cost, currently estimated at $10,000 per year.

The most expensive aspect of the program is from nurses that are provided by the County's Department of Health. The estimated cost of this program in 2006 is $400,000. The Physician Assistant contract costs the Probation Department approximately $28,000 per year. This is based on an estimate by the Health Department of $43 per hour X 2.5 hours per day X 5 days per week X 52 weeks.

While the facility will need to remain certified by the State Office of Children & Family Services, it should work to reduce and contain medical costs. The County is working to take advantage of the 340b prescription drug program through the Erie County Medical Center (ECMC). If this is successful, then it is anticipated that the County could save 20 to 30 percent annually, less ECMC administrative costs. The assignment of nursing staff should be reviewed to determine if it is the most cost-effective way of providing service to the youth.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Medical savings	TBD	TBD	TBD	TBD	TBD
Total Savings	TBD	TBD	TBD	TBD	TBD
Total Savings	**TBD**	**TBD**	**TBD**	**TBD**	**TBD**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

22. Maximize Revenue Potential of Secure Youth Detention Facility

Dept:	Probation, Youth Detention	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$1,521,000
		Required Approval:	County

The capacity of the secure juvenile facility is 64, although only 48 of the beds are currently used. Erie County should increase the capacity to 64 by adding staff so that it can maximize revenue from the facility by charging other counties to hold youth there. The estimated rental cost per bed is $348 per day for 2005 for the secure facility. Staffing the facility for 64 will require the following additional staff:

- 1 Detention Social Worker
- 7 Youth Detention Workers RPT positions at 32 hours per week
- 18 Youth Detention Workers JG PT at 16 hours per week
- Senior Account Clerk

The estimated cost to the County for these positions in 2005 is $500,685 in salary and $246,223 in benefits. This amount has been inflated by the anticipated growth in salaries and fringe benefits in FY2007 and beyond. Additionally, the County will provide food at cost of $11.27 per day in 2006. This amount has been inflated from FY2007 and beyond at 1.5 percent. These costs will be recovered with approximately 6 placements from other jurisdictions.

It is anticipated that the County will be able to "sell" 10 beds at a rate of $356 per day in 2006. This rate is based on the 2005 calculated rate of $348 for that year, inflated by the anticipated growth of expenditures.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Cost of new positions	$0	$771,486	$802,130	$843,955	$886,609
Cost of Food	$0	$41,136	$42,164	$43,218	$44,298
Total Cost	**$0**	**$812,622**	**$844,294**	**$887,173**	**$930,907**
Revenue	$0	$1,299,969	$1,337,942	$1,378,782	$1,420,376
Total Revenue	**$0**	**$1,299,969**	**$1,337,942**	**$1,378,782**	**$1,420,376**
Revenue	**$0**	**$487,347**	**$493,648**	**$491,610**	**$489,469**

This initiative has been discounted by 100 percent in 2005, 30 percent in FY2006, and 20 percent in FY2007 and beyond to allow time for implementation and for uncertainty.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	30%	20%	20%	20%
Fiscal Impact	$0	$341,000	$395,000	$393,000	$392,000

24. Encourage Usage of Juvenile Alternative Home Services

Dept:	Probation, Youth Detention	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	($494,000)
		Required Approval:	County

The placement of youth in detention facilities is expensive. To reduce County costs and to better address the needs of youth, the County will increase the use of Alternative Home Services to offset the costs of secure, non-secure, and group juvenile programs. Both PINS (Persons in Need of Supervision) and JD (Juvenile Delinquent) youth are assigned to AHS agree to follow the terms of their release and with their parents or guardian. In the AHS program, youth are referred to community programs and their behavior is monitored by a social worker.

The current caseload is an average of 175, according to the Probation Department. In 2004, there were 5 full-time Social Workers to operate the Alternative Home Service and there are now two. In order to properly oversee the 175 youth, the Department recommends a ratio of one Social Worker to 25 Youth.

The County should restore two Social Workers to Alternative Home Services as a way to divert youth from the high cost detention facility. Restoring two Social Workers would cost $113,000. This is calculated as follows: 2 Social Workers at Grade 10, Step 3 X $45,108 salary + Fringe Benefits of 49.2 percent – state reimbursement of 20 percent of salaries + 20 percent fringe benefit rate. Salaries and fringe benefits have been adjusted in FY2006-09 based on anticipated changes.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Salaries	($90,216)	($93,599)	($96,875)	($100,266)	($103,775)
Fringe Benefits	($44,366)	($46,029)	($47,640)	($49,308)	($51,034)
Total Cost	**($134,582)**	**($139,629)**	**($144,516)**	**($149,574)**	**($154,809)**
State Reimbursement	$21,652	$22,464	$23,250	$24,064	$24,906
Total Reimbursement	**$21,652**	**$22,464**	**$23,250**	**$24,064**	**$24,906**
Total Cost	**($112,930)**	**($117,165)**	**($121,266)**	**($125,510)**	**($129,903)**

This initiative has been discounted by 100 percent in 2005 as it will be implemented in 2006.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	($117,000)	($121,000)	($126,000)	($130,000)

JAIL MANAGEMENT

28. Review Inmate Trends for County in Conjunction with Overall Criminal Justice Coordination

Dept:	Jail Management	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	$5,383,000
		Required Approval:	County

The Erie County Holding Center is regularly burdened by overcrowding problems. To date, the NYS Corrections Commissions has granted 19 variances that allow the Holding Center to house detainees above the official inmate maximum capacity of 586, which is typically exceeded on any given day. Since March 2005, these variances have had to be applied for quarterly. The average daily number of inmates for the Holding Center for the years 2000-2004 was 880, ranging from as high as 1,153 to no lower than 637, with an average length of stay of 19 days.

To address this overcrowding, an Erie County Holding Center Task Force has been established at the local level, while the New York State Corrections Commission has recommended the construction of a new Holding Center at a great cost to the taxpayers of Erie County. It is estimated the cost of construction for each new cell added is between $115,000 and $150,000. Historically, building new cells has rarely been shown to be a long-term solution to the issue of overcrowding; rather, policy changes must be made to address the causes of overcrowding.

Average Length of Detainee Stay in the Holding Center

	FY2000	FY2001	FY2002	FY2003	FY2004
Average Daily Population					
Male	709	737	801	779	873
Female	91	91	102	103	116
Average Length of Stay					
Male	20	20	22	19	18
Female	9	9	10	10	10
Weighted Average	**18.75**	**18.52**	**20.64**	**18.18**	**16.89**
Total Weighted Average All Years:			**18.56**		

Increase use of Appearance Tickets

Although the issue of overcrowding is complex, there are short–term, more immediate steps that can be taken to help alleviate the problem. Pre-arraignment, the increased use of Appearance tickets could help minimize those going into the Holding Center, and technological improvements to the current booking system could enhance processing efficiency for those that are admitted. For charges classified as low-risk, such as prostitution, shoplifting, fraud, marijuana possession, etc. in which the person does not necessarily pose a risk to the community, an Appearance ticket simply directs the person to appear in court on a specified day and time. In this way, it minimizes the number of low risk offenders admitted into the Holding Center. Appearance tickets should not only be applicable at the time of arrest, but also after an individual has been admitted to the Holding Center and deemed eligible, thus further reducing the necessary jail population.

Expand Alternative Sentencing

Other strategies focus on increasing the number of Probation Officers, establishing clear protocol for defendant release, expanding eligibility criteria, and expediting the release of detainees post-arraignment and pre-adjudication including expanding the current Pre-Trial Services and Release Under Supervision (RUS) programs to weekends. A Pre-Trial Services unit within the Erie County Probation Department currently screens non-violent felony and misdemeanor cases for both pre-trial release and the Release Under Supervision Program (RUS). By expanding the structure of the Pre-Trial Services and RUS programs to include weekends, the County has found that more judges will be likely to use these programs. In a comprehensive report – "Breaking the Cycle" – by the Holding Center Task Force, a four-tier approach is set forth to address overcrowding:

- Pre-trial release
- Release Under Supervision (RUS)
- GPS monitoring
- Not eligible for release

<u>Expand Release Under Supervision</u>

The RUS program is an enhanced diversion pre-trial release program provided as an option to posting bail. In 2004, Pre-Trial Services and Release Under Supervision diverted 988 persons from the Holding Center, saving a total of 18,772 days, based on the average of each detainee spending 19 days in the Holding Center prior to bail release. That savings alone amounts to $234,838 (988 diverted persons X 19 days average length of stay X cost per day) annually, using a daily savings of $12.51 per prisoner per day[28]. The Erie County Department of Probation has calculated that level of diversion can be tripled by modifying its release criteria without addition to staff. Since the RUS program is not staffed on weekends, individuals booked on the weekends are placed in a holding center and are typically not processed until Tuesday following the weekend, increasing the population of persons that are being unnecessarily held. Additionally, eligibility criteria need to be examined and may be too stringent. Estimates show that in a given year 360 detainees are recommended for the Release Under Supervision program and are not accepted[29]. The County projections estimate an increase of 2,336 potential detainees diverted from the Holding Center, which could amount to an annual fiscal impact of $555,244 (total number of prisoner days of 19 X 2,336 X $12.51 cost per day).

As recommended by the Breaking the Cycle report, the RUS and Pre-Trial Services programs should be staffed on the weekend to help avoid costly and inappropriate weekend detainment. Further detail on staffing the programs and associated costs can be found in the Probation chapter under the section discussing the adjustment of probation staffing to reduce unnecessary and costly incarceration.

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[28] Calculation comprised of food, medical and clothing costs per prisoner per day.
[29] Estimated from the *Breaking the Cycle Report* Preliminary Report. March 2005. p.13

Hire additional Probation Officers

With a reduced number of Probation Officers due to layoffs and retirements, Judges are more likely to sentence jail time instead of using alternative sentencing methods. This is yet another contributor to the problem of jail overcrowding. It is recommended that Erie County restore 14 Probation Officers, which includes those that would staff the RUS and Pre-Trial Services on weekends. Further detail and associated costs can be found in the Probation chapter under the section discussing the adjustment of probation staffing to reduce unnecessary and costly incarceration.

Broaden Eligibility Criteria

Pre-Trial Services would act as a "clearing house", identifying options and eligibility for non-financial release. Within Pre-Trial Services, every detainee would be interviewed via an assessment instrument to determine level of risk as follows:

- Individuals charged with misdemeanors and non-violent felonies would be assessed for eligibility for release at the pre-trial stage.

- Individuals charged with non-violent felonies, already on probation, or posing a moderate risk, would be referred to the RUS program. They would be monitored through electronic monitoring bracelets, telephone and personal contacts, as well as be required to undergo evaluation and follow-up for issues such as substance abuse, mental health or employment

- For Individuals posing a more significant risk, the County could monitor and track the actual movement and location of probationers using active and passive Global Positioning System (GPS). The Task Force contends this could also be combined with Day Reporting, and would be staffed by a Probation Officer, a GPS Technician and a Deputy Sheriff, who would assist in active monitoring and help to minimize missed court appearances. Nassau County, NY, has been using GPS to track sex offenders since 2002. This costs Nassau $10/day, which they in turn charge the probationers, recovering costs at a rate of 60 percent. Suffolk County is currently testing various GPS technologies, also for their sex offender probationers. They have found the average cost of service is $10 per unit per day, and that many providers charge only a service fee, providing the units free of charge. A study conducted by Suffolk did in fact find GPS tracking a cheaper alternative to incarceration, including salaries of the additional officers (1 Officer to 6 probationers) which would be needed for the program.

- The final category would consist of those who represent a substantial risk to the community, either because of the nature of their crime or past behavior. Those individuals would not be released without posting a court-imposed financial bond.

Savings from Population Reduction

According to the Sheriff's office, in order for sizable cost savings to be realized from a population reduction, the reduction must result in the closing of an entire unit consisting of an average of 28 inmates. Units in the linear design are typically sized to hold 8, 22, or 28 inmates, and podular designed cells sized to hold up to 48 inmates. The smaller units could probably not be eliminated since those are typically reserved for problem/special needs inmates that cannot be held with a larger population. For every reduction of one inmate, savings in food, medical and clothing total \$12.51. Because even one prisoner must be attended by at least one guard, the reduction of a guard is a step function that cannot be realized until an average reduction of 28 inmates or more. The Sheriff's Office estimates that for every 28 inmates reduced, 1 guard position could be eliminated, for an average savings of \$858 per day and \$313,170 annually, including the incremental food, medical, and miscellaneous costs associated with each inmate. This amount increases incrementally with the size of the unit reduced and the corresponding number of guards that can be removed as a result. If Pre-trial Services and Release Under Supervision were expanded to the weekends and the overall criteria for being accepted to RUS was expanded, the County has calculated that 89 fewer inmates would be incarcerated on a daily basis[30].

Holding Center Savings Per Unit Size Reduced

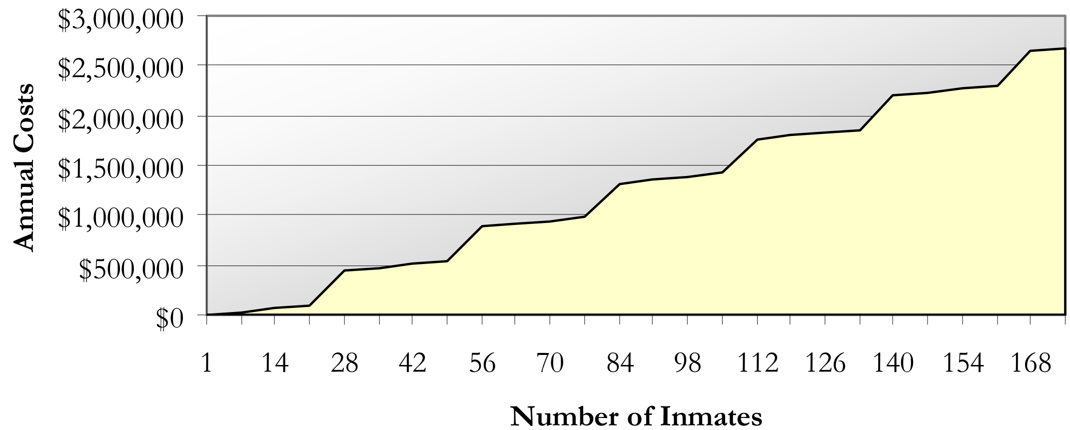
Size of Unit reduced	Number of Guards	Guard Costs[1]	Clothing	Food	Medical	Total Cost per Day	Total Cost per Year
1	1	N/A	\$0.31	\$4.60	\$7.60	\$12.51	\$4,566.15
22	1	N/A	6.82	101.20	167.20	\$275.22	\$100,455.30
28	1	858.00	8.68	128.80	212.80	\$1,208.28	\$441,022.20
36	1	858.00	11.16	165.60	273.60	\$1,308.36	\$477,551.40
48	2	1,716.00	14.88	220.80	364.80	\$2,316.48	\$845,515.20
Costs thereafter in increments of 28[2]							
76	2	1,716.00	23.56	349.60	577.60	\$2,666.76	\$973,367.40
104	3	2,574.00	32.24	478.40	790.40	\$3,875.04	\$1,414,389.60
132	4	3,432.00	40.92	607.20	1,003.20	\$5,083.32	\$1,855,411.80

1. Based on average hourly overtime rate for Sheriff Deputies and Corrections Officers for a 24hr period.
2. Based on Sheriff's Office estimate that on average one Guard is needed per every 28 inmates.

Due to varying inmate classifications and the fact that not all inmates can be placed with a larger group, reductions of more than 28 may be required to net the savings shown. If 89 inmate placements can be avoided, however, it is assumed that enough similar cohorts will be identified to support the closure of at least three units.

[30] Estimated from the *Breaking the Cycle Report* Preliminary Report. March 2005. p.15

Number of Inmates and Annual Costs



**Summary of Savings
(Before Discounting)**

	Reduction in Daily Population	FY2005	FY2006	FY2007	FY2008	FY2009
Pre-trial and Release under Supervision	32	$0	$149,770	$153,514	$157,352	$161,286
Weekend Programs	7	$0	$9,335	$9,568	$9,808	$10,053
Electronic Monitoring	50	$0	$234,015	$239,866	$245,862	$252,009
Guard reduction	3	$0	$972,393	$1,010,997	$1,063,670	$1,117,385
Savings	**89**	**$0**	**$1,365,513**	**$1,413,945**	**$1,476,692**	**$1,540,732**

To allow time for implementation, these savings are discounted by 100 percent in FY2005. It is assumed that these savings would be realized in FY2006, again discounted 20 percent to adjust for implementation. Savings would be discounted by 10 percent in FY2007, and not be discounted thereafter. Additionally, inflation and salary increases have been calculated into the savings.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	20%	10%	0%	0%
Annual savings for a daily inmate reduction of 89	$0	$1,092,000	$1,273,000	$1,477,000	$1,541,000

25. Reduce Inmate Medical Expenditures through Various Cost Containment Initiatives

Dept:	Jail Management	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	$956,000
		Required Approval:	County

Inmate medical care for the holding center and correctional facility is now provided by Erie County through a combination of in-house and outsourced medical services. Medical, dental, and mental health care are available for inmates through in-house infirmaries and referrals to specialty clinics at the Erie County Medical Center (ECMC). In-house infirmaries hold sick call in the evening seven days a week and licensed physicians rotate schedules in order to effectively evaluate inmates medical complaints and provide quality medical care.

FY2004 Medical Care Expenses

Expenditure Category	FY2004 Expenditures
ECMC:	
Laboratory Services	$91,247
Pharmacy Supplies	$1,161
Inmate Services	$566,874
MEDICAL SUPPLIES:	
General Supplies	$19,942
Inmate Prescriptions	$1,390,810
DUES & FEES:	
Dental Services	$33,965
In House Physician	$1,513
Physician Assistants	$100,000
Ambulance Transports	$24,971
Other Vendors	$33,965
PERSONNEL COSTS:	
Holding Center	$1,249,492
Correctional Facility	$695,635
TOTAL MEDICAL EXPENSES:	**$4,209,575**
Average Daily Number of Inmates - HC	990
Average Daily Number of Inmates - CF	528
Total Daily Inmate Population	1,518
Average Annual Medical Expenses Per Inmate	**$2,773**

The ECMC is an important partner of the County's jail management division, and its close proximity to the correctional facility and holding center makes it a natural service provider for inmate medical care. To build upon this historical partnership, financial management of this medical services agreement needs to be evaluated and potentially strengthened to facilitate cost containment measures for inmate medical needs.

The County does not have a contract with the ECMC for inmate medical services. Instead, inmate care is billed at the Medicaid rate and additional Medicaid reimbursements are provided for prisoners who are eligible. Given the current financial arrangement between the County and medical center, ECMC costs are largely driven by the needs of the inmates for that year. As a result, significant variations in ECMC costs can occur from one year to the next. For example, the chart below shows the inpatient and out patient care provided to inmates in FY2003 compared to FY2004. As shown here, FY2003 total costs of $931,501 exceeded FY2004 costs of $787,943 by $143,558, or 18.2 percent. These increased costs are due to the nearly $200,000 higher costs in FY2003 for inpatient medical care, which when looking at individual patient data can be linked to the unusually high inpatient needs of just a handful of inmates.

FY2003 and FY2004 – ECMC Costs for Inmate Medical Care

Care Type	# patients	FY2003 expenditures	# patients	FY2004 expenditures
Outpatient				
Corrections Facility	638	$68,654	717	$84,555
Holding Center	605	$78,992	594	$110,237
Total	1,243	$147,646	1,311	$194,792
Inpatient				
Corrections Facility	20	$81,738	26	$123,137
Holding Center	95	$702,117	76	$470,014
Total	115	$783,855	102	$593,151
TOTAL	**1,358**	**$931,501**	**1,413**	**$787,943**
COST PER INMATE		**$686**		**$558**

To reduce volatility in annual medical expenditures as well as provide more cost efficient medical service, Erie County is in the process of developing a contract with the Erie County Medical Center. Since Erie County currently pays Medicaid rates for inmate medical care, it is not anticipated that the contract terms will have a large impact on average per inmate medical expenditures; nonetheless the ECMC contract should serve to maintain the current quality of care while encouraging more cost-effective service delivery.

From a cost avoidance standpoint, the County will further explore the following measures to reduce inmate medical costs:

- **Increased in-house specialty clinic capabilities**: Currently, the ECMC provides a number of specialty medical services for the Holding Center and Correctional inmates. Transportation, supervision, and overtime costs are incurred every time inmates travel off-site to receive medical care. If in-house specialty clinic capabilities for the most commonly treated conditions were developed, per annum transportation-related savings could potentially be achieved by the County. Speaking with senior leadership at jail managements indicates that some areas to be explored may be STD and AIDS clinic capabilities. A more in-depth analysis reviewing currently outsourced treatments, the costs associated with providing the services in-house (capital needs, staffing requirements), and avoided costs from transportation, overtime, and supervision savings would be required to quantify potential cost savings.

- **Stop-loss insurance for catastrophic inmate medical care**: The County's current lack of stop loss insurance exposes it to significant risks in the event that an inmate may require extremely costly catastrophic care. While it is generally prudent for large governments to self-insure for most expenses, a relatively affordable stop-loss policy should be considered to cap the County's exposure in extraordinary cases, thereby minimizing the risk of unpredictable swings in cost.

- **Pursuit of 340b Drug Pricing Program discounts**: Established in response to the passage of U.S. Public Law 102-585, the Veterans Health Care Act of 1992. Section 340B of this law limits the cost of drugs to federal purchasers and to certain grantees of federal agencies. Significant savings on pharmaceuticals may be seen by those entities who participate in this program. Inmate pharmaceuticals are presently provided by MedCare, a private pharmaceutical provider. The chart below shows 340b pricing relative to other price levels,[31] Comparisons are shown in relative terms, and each price has been shows as a percentage of the average wholesaler price, average manufacturer's price, Medicaid net price, and federal supply schedule. Non-FAMP refers to the average price paid to a manufacturer by wholesalers for drugs distributed to non-federal purchasers. The Medicaid minimum price structure refers to the 15.1 percent rebate for brand name drugs mandated by law[32] and the Medicaid Net pricing refers to the effective drug price after manufacturer rebates to state Medicaid programs. As stated before, the basic Medicaid rebate is 15.1 percent of AMP for brand name drugs and 11 percent of AMP for generic drugs; Medicaid net reflects the additional rebates that are given for brand name drugs whose AMP increases exceed inflation in the consumer price index.

  Jail administrators estimate that current pharmaceutical prices fall somewhere between an average manufacturers' price and the 340b price level. Since the Federal Supply Schedule is only available to federal purchasers, it has been conservatively estimated that the price level now achieved by the Erie County jails is equal to Medicaid Net prices, which as stated before are the price levels available to State Medicaid programs. This approximation of a 23.5 percent price differential between Erie's current price levels and 340b pricing is consistent with the Sheriff's Office estimates that a 10 to 20 percent price reduction should be achieved through 340b pricing after payment to the ECMC for administration costs.

Estimated Relationship among Key Price Terms for Pharmaceutical Purchasing

Price Level	Relative Price	% of AWP	% of AMP	% of Medicaid Net	% of 340b
Average Wholesaler Price (AWP)	$1.00	100.0%	125.0%	165.3%	204.1%
Average Manufacturers Price (AMP)	$0.80	80.0%	100.0%	132.2%	163.3%
AMP- Medicaid (minimum)	$0.68	67.9%	84.9%	112.2%	138.6%
Non-FAMP	$0.63	63.0%	78.8%	104.1%	128.6%
Medicaid Net	$0.61	60.5%	75.6%	100.0%	123.5%
Federal Supply Schedule (FSS)	$0.52	51.7%	64.6%	85.5%	105.5%
340b	$0.49	49.0%	61.3%	81.0%	100.0%
Federal Ceiling Price (FCP)	$0.48	47.9%	59.9%	79.2%	97.8%
Veterans Administration	$0.45	44.8%	56.0%	74.0%	91.4%

Source: Pharmaceutical Discounts Under Federal Law: State Program Opportunities. Public Health Institute. May 2001. http://www.phpcrx.org/PHI.Pharm.pdf

[31] Survey results are based on the composite prices of commonly prescribed brand name drugs.
[32] 42 U.S.C Section 1396r-8(C)(l).

Inmate pharmaceutical costs for FY2004 totaled $1,390,810. Even assuming the lower price levels of Medicaid Net, the introduction of 340b pricing should effect a 19.7 percent reduction or $288,000 in FY2006[33], assuming that the relative prices derived in the survey for Medicaid Net and 340b are consistent with the formularies used by County inmates. For anticipated savings projections, however, a 20 percent discount has been applied from FY2006 to FY2009 to account for the newness of the program as well as variations in inmate pharmaceutical needs from the surveyed drug composite. A one hundred percent discount has been applied for FY2005 to account for the time necessary to gain approval for 340b pricing.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Non-340b Pricing	$1,425,580	$1,461,220	$1,497,750	$1,535,194	$1,573,574
340b pricing	-	$1,173,359	$1,202,693	$1,232,761	$1,263,580
Savings	**$0**	**$288,000**	**$295,000**	**$302,000**	**$310,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	20%	20%	20%	20%
Fiscal Impact	$0	$230,000	$236,000	$242,000	$248,000

35. Reduce Transportation Costs through Video Arraignments

Dept: Jail Management
Division/Bureau:
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: County

In a typical arraignment process, the accused must be processed for transportation, shackled, transported with security to the Court, placed in a court holding facility, guarded during the arraignment, and transported with security back to the Holding Center if further detainment is necessary. The process requires time and personnel. It also involves the potential for danger to officers as well as risk of escape by the accused.

Under a system offering video arraignment, the accused are able to be arraigned without leaving the detention facility. The Clerk swears the accused in and connects the accused through the video conferencing equipment to the Judge, the Prosecution, and the Defense. The proceedings take place as if all were present in the room and the accused is able to see the Judge, the defense attorney, the prosecutor, and any witnesses if they are called. Erie's jail management currently owns the equipment it needs to conduct video arraignments, and only lacks a space in which to hold the arraignments.

[33] FY2005 levels are estimated to be 2.5 percent higher than FY2004 actuals of $1,390,810. A 2.5 percent annual increase has been projected for both 340b pricing and non-340b price levels.

As noted in the FY2005 Sheriff's Annual Report, Erie County is the 20th county in the state to receive authorization to conduct video arraignments and currently has 10 video conferencing/ arraignment sites in the county. For FY2005 an estimated 11,265 arraignments will be performed for the County. Transporting prisoners for arraignments requires two deputies per day for an average of three hours per day, seven days per week, at an average transport deputy salary of $24.97 per hour. Up to 24 prisoners can be transported at one time; and according to jail administrators numbers near this size are generally transported. If all 11,265 arraignments were performed via video conferencing, an estimated 2,190 man hours would be saved in transportation costs, which equates to $54,640 in avoided costs for the deputy transport officers' salaries as well as overtime costs resulting from their absence.

Currently, arraignments require four officers per day for eight hours Monday through Friday and two deputies for four hours on Saturday and Sunday at an average pay of $24.58. Total costs for court security translate into 9,152 man hours per year dedicated towards court security or an estimated $224,956 in the salaries for court security guards. Conversations with jail management administrators however indicate that projected security needs for in-house arraignment will be equal to those of courthouse arraignments; as such no savings have been forecasted for reduced security service needs.

Generally speaking, one of the strongest benefits of video arraignments is the greater efficiency with which they can be conducted. As the Buffalo Niagara Partnership report *Who Does What?* noted, those arrested in Erie County jurisdictions after regular court hours are generally held in either a municipal overnight lock-up or the county holding center to await arraignment, and larger municipalities have lock-ups which house prisoners until they can be brought before a municipal judge on the next court business day. Given the significant cost of housing prisoners, some localities, such as Philadelphia have instituted 24 hour a day, 7 days a week Arraignment Court, located at Philadelphia's Criminal Justice Center. All arraignments in Philadelphia are done via video arraignment, where the detainee will be taken to a secure area in the local district criminal processing unit and will wait to be called into a videoconferencing cell. The offender will be videoconferenced through the pre-trial services, who will request background demographic information from the detainee using the telephone and webcams in the cell. Everything said by the defendant is entered into the system. Simultaneously, an ADA seated at a Police Arrest Report System (PARS) terminal in the DA's offices will view the same cases, will read the Police Report on PARS, and will type in the charges that will be brought against the defendant on the basis of the Police Report. At no time does the DA generally meet in person the arresting officer in either felony or misdemeanor cases. Once both agencies have completed their data-entry, all criminal cases go to the Arraignment Queue. The Arraignment Court Bail Commissioner views each case electronically as it reaches the head of the queue, and can view all documents by clicking on different icons (such as the Police Report, Criminal History, Pre-Trial information needed to set bail amount, etc.). The Commissioner sets the trial date and bail terms which are signed electronically by the DA and the Commissioner; and the subpoena is signed by the detainee at the remote terminal. Up to 120 detainees can be arraigned in a Commissioner's session, and each videoconferencing case can take as little as 45 seconds. Because of the efficiencies created by video arraignment, the time needed for security services is less and should affect costs savings.

In terms of the potential impact of this initiative for Erie County, however, cost savings are limited due to the section 182 of the New York Criminal Procedure Law which states “the court, in it discretion, may dispense with the personal appearance of the defendant, except at a hearing or trial, and conduct an electronic appearance in connection with a criminal action provided that the chief administrator of the courts has authorized the use of electronic appearance and the defendant, after consultation with counsel, consent on record. Such consent shall be required at the commencement of each electronic appearance to such electronic appearance.” This law therefore dictates that the accused, counsel to the accused, and court agree to the use of video arraignment.

Of the comparable counties surveyed, Onondaga County implemented video arraignment and related that in practice only 10 percent of accused selected the video arraignment option[34]. Similarly, in a video arraignment survey conducted by the New York State Sheriff’s Association, Ontario Count noted that their video arraignment system was generally underutilized because accused persons general prefer to appear in court, if only to leave the jailhouse for a period time. As such, given these low participation rates, the cost savings that can be affected through the adoption of video arraignment technology is drastically reduced. By law, two or more guards must be used to transport prisoners regardless of the number of prisoners being transported, and since prisoners are generally transported in groups of 24, a 10 percent reduction will not affect the number of guards needed. Similarly, the number of officers needed for court security is not anticipated to be affected by a 10 percent reduction in the number of prisoners arraigned. Although it should be noted that a 10 percent usage rate for video arraignment will affect several thousand dollars of savings in transportation costs for the District Attorney’s Office, given that additional security would be needed to staff the video arraignment facility, no cost savings have been projected for this initiative.

It should be noted however that if New York State law removed the requirement of consent by the accused, substantial cost savings should be affected through reduced transportation needs and decreased arraignment time, which should yield benefits in terms of overtime, court security costs, and lock-up costs, if Erie County were to adopt after hour arraignment capabilities. The projections below show anticipated cost savings if video arraignment was used by 100 percent of defendants, although it does not attribute a number to the potentially large savings that result from the substantially faster arraignment of prisoners that is possible with videoconferencing and its subsequent impact on security costs and overtime expenditures. The savings will be determined as more experience is gained.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

[34] Onondaga County has recently ceased the use of video arraignment due to low utilization rates.

32. ***Competitively Contract Commissary***

Dept:	Jail Management	**Rev/Sav/Productivity**:	Savings/Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$75,000
		Required Approval:	County

As a relatively small operation, with a total budget of under $365,000 per year, any potential savings from changes in Commissary operations are projected to be modest at best. Nonetheless, some jail systems have experienced positive results from the privatization of Commissary services. Commissary expenses for FY2003 and FY2004 are shown in the table below, as shown here, in FY2003 and FY20004 the County has an estimated operating deficit of $68,096 and $63,475 for these two years. Significantly, this figure is smaller than the actual operating deficit, since it does not include labor costs associated with purchasing, inventory, accounting, and staffing the commissary.

FY2003 and FY2004 Net Income Statement for Commissary Unit

INCOME:	2003	2004
Commissary Sales	$751,159	$868,294
Locker Income	$7,688	$8,273
Checking Account Interest	$4,024	$4,008
Copies/Money Orders	$1,865	$2,022
TOTAL INCOME	$764,736	$882,597
COST/GOODS SOLD	$500,610	$582,551
GROSS PROFIT	$264,126	$300,046
OPERATING EXPENSES:	**2003**	**2004**
Erie County	$284,983	$293,000
Postage	$39,461	$44,973
Supplies & Repairs	$4,868	$22,522
Damaged Merchandise	$2,910	$3,026
TOTAL OPERATING EXPENSES	$332,222	$363,521
NET INCOME (LOSS)	**-$68,096**	**-$63,475**

As an operation that is technically supposed to be a self-supporting operation, Erie County currently charges that jail system an annual rent that represents the cost of the space as well as the allocated expenses associated with that space. In FY2004, this amount was $293,000 and documented in the "Erie County" line item.

A successful case study on commissary privatization involves the commissaries of the Rhode Island Adult Correctional Institutions, which prior to privatization operated at a net loss of $360,000 in FY2001. In FY2002, however, the ACI turned the operation over to a private contractor, and now expects to see a $360,000 profit. Its contractor, Keefe Commissary Network, has successfully run commissary operations for prisons in four state systems and for numerous counties and basis the state's commission on a percentage of sales[35]. A more regional example is the Westchester County Correctional Center's use of third party vendors. Under its current agreement with Aramark, Westchester County Correctional Center receives 31.3 percent of gross profits and is also able to avoid those costs associated with purchasing, inventory, accounting, and staffing the commissary unit. Weekly gross revenues received from inmates

[35] Editorial - Saving money at ACI . *The Providence Journal* . 5 September 2002

are $24,000, of this $7,512 is paid to Westchester County, for total annual revenues of $390,624[36]. While Westchester County's commissary revenue may be unusually high, even Onondaga County's commissary unit, presently contracted to Swanson at the rate of 26 percent of gross sales, receives an estimated $80,000 in revenue annually from this agreement[37].

Security concerns are commonly cited as a reason not to pursue commissary privatization. However, according to the 2004 report issued by Nassau County's comptroller, Westchester County officials state that security has not been jeopardized by their use of an outside vendor and that all employees of the outside firm undergo a security clearance and are responsible for bagging and sealing items for distribution. They deliver these items to the jail floors and the assigned unit officers distribute them[38]. Moreover, no correction officers are assigned to the commissary operations; they distribute the items as part of their regular assigned duties. If Erie County were to use this model, the corrections officers currently assigned to the commissary could be redeployed for guard service, and should therefore serve to reduce overtime costs.

The Correctional Center should issue an RFP to obtain the services of an outside contractor to operate the commissary. Privatization could generate revenue than can be used for the inmates' welfare, and would allow the Correctional Center to transfer correction officers currently working partially in the commissary back to security positions, thereby reducing the need for overtime. Privatization would also reduce the time non-commissary employees spend supervising, purchasing inventory, and maintaining commissary accounting records in support of the in-house commissary unit[39]. Using Onondaga's contract terms, it is estimated that at 26 percent of gross sales, $226,000 in revenue could potentially be generated through the contracting out of the commissary unit. Although it is difficult to project how much of the rent for the commissary a contractor would be willing to provide, any amount more than $4,000 per year in rent money would offset the sheriff's current operating deficit of $63,475 and would therefore be a gain for the County. Further cost savings should be achieved through the redeployment of officers and resulting reductions overtime costs

Without knowing the potential contribution by vendors towards space rental, a modest contribution of $2,000 per month in rental costs in addition to the 26 percent of gross revenue has been estimated for the potential benefits of commissary privatization. A one hundred percent discount has been used for FY2005 and 2006 to account for the transitional requirements associated with issuing and RFP and contracting out the management of the commissary. An additional 5 percent discount for FY2006 to FY2009 revenues has been assumed due to the newness of the program.

[36] Director of Administrative Services. Westchester County Correctional Facility.
[37] Onondaga County Correctional Facility. Accounting Department.
[38] Correctional Center Commissary Operations: Follow-up to Audit Report of September 8, 2000. Comptroller's Office. June 21, 2004
[39] Ibid.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
% Discount	100%	20%	20%	20%	20%
Current Operating Deficit	-$63,475	-$65,062	-$66,688	-$68,356	-$70,065
County rent	-$293,000	-$300,325	-$307,833	-$315,529	-$323,417
Contractor payment (26% gross revenues)	$231,400	$237,185	$243,115	$249,193	$255,423
Contractor rent	$24,000	$24,000	$24,000	$24,000	$24,000
Operating Deficit with Contractor	-$37,600	-$39,140	-$40,718	-$42,336	-$43,994
Estimated reduction in Operating Deficit	**$26,000**	**$26,000**	**$26,000**	**$26,000**	**$26,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	5%	5%	5%
Fiscal Impact	$0	$0	$25,000	$25,000	$25,000

33. Establish Inmate Housing Fee

Dept: Jail Management
Division/Bureau:

Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: TBD
Required Approval: County

In light of rising incarceration costs, it is in the interest of Erie County to require persons who are incarcerated in the Erie County holding facility and subsequently convicted of the crime which led to their incarceration to pay Erie County for actual unreimbursed costs of their incarceration. Suffolk and Nassau counties in New York State have already established a holding center charge for inmates relative to inmates' assets. Prisoners with assets greater than $100,000 are charged $130 per day, inmates with assets less than $100,000 are charged $40 a day, and inmates not represented by legal aid are not required to pay any expenses associated with their incarceration. If inmates are not convicted of a crime they are not required to pay for the costs of their incarceration. In the event of non-payment of any costs which have not been waived, Suffolk and Nassau counties may seek to enforce payments in any manner permitted by law. Presently, Corrections Law § 500-n prevent charging prisoners for food "[e]xcept as otherwise provided by law" and outright prevents charging rent. The law is effective until September 1, 2007, when it "sunsets." It is suggested that in interim Erie County should take steps to pursue state approval to gain exception from this law, as Nassau and Suffolk counties have.

Since Suffolk County only implemented holding center charges this year, no information on revenue collections are not yet available. Revenues from Nassau County's holding center charge however were $149,557 for FY2003 and projected revenues were $160,000 for FY2004. Since Erie County's average prison population is similar to Nassau's average prison population of 1,500, similar revenue streams can be anticipated. Given the legal steps necessary to begin collecting an inmate housing fee, however, no revenue projections will counted towards gap closures.

Summary and Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Inmate Housing Charge	$0	$0	$150,000	$153,150	$156,519
25 percent discount	$0	$0	$37,500	$38,288	$39,130
Estimated Revenues	**$0**	**$0**	**$112,500**	**$114,863**	**$117,389**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

34. Establish Inmate Co-pays for Medical Services

Dept: Jail Management
Division/Bureau:
Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: CQ
Required Approval: County

Nationally, an increasing number of prison systems have implemented co-pays for inmate health services and prescription medicine. According to a 1997 U.S. Department of Justice, National Institute of Corrections survey of 100 of the nation's largest jails, 56 percent charged inmates co-pays for medical care. As of the date of the survey, 33 state legislatures nationwide had authorized local jails to charge fees for medical services. While direct fee revenues were generally very small, averaging $22,800 per jail per year, 75 percent of surveyed facilities reported a significant decline in inmate use of medical services, generally attributed to a reduction in frivolous requests. Although precise cost savings from such effects are difficult to quantify, even a 2 percent reduction in FY2004 actual spending[40] of $2.3 million could achieve $45,300 in annual savings. In New York State, however, state legislation would be required to authorize such a program. Because of statewide implications, and the resulting uncertainty of this initiative, no savings are assigned toward fiscal gap closure.

31. Contain Jail Food Costs

Dept: Jail Management
Division/Bureau:
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $622,000
Required Approval: County

In FY04, correctional center food services were provided in-house at the approximate cost of $1.60 per meal or $4.80 per inmate per day in the corrections facility, not including labor costs,

[40] Does not include the in-house personnel costs for medical care, includes only ECMC costs, medical supply costs, and other dues and fees associated with inmate medical care.

food and kitchen supplies amount to $0.96 per meal[41]. The table below details the derivation of this cost estimate.

Erie County FY2004 Food Costs

Expenditure Category	FY2004 Expenditures
Holding Center	
Salaries	$655,464
Fringe @ 36.4%	$238,589
Total Labor Costs	**$894,052**
Correctional Facility	
Salaries	$230,226
Fringe @ 38.2%	$87,946
Total Labor Costs	**$318,173**
Food & Kitchen Supplies	$1,818,062
Total Food Services Cost	$3,030,287
# of Meals Served	1,890,627
Cost Per Meal (all costs)	**$1.60**
Cost Inmate per Day	**$4.81**
Cost Per Meal (w/o labor costs)	**$0.96**

Food costs for the five comparable county jails selected for this analysis are shown below. As seen here, Erie County's food costs are 11.6 percent higher than Onondaga County and 18.5 percent higher than Oneida County on a cost per meal basis, for food costs only. Erie County's all-in-food costs is $0.37 higher on a cost per meal basis than Westchester according to the Westchester County Correctional Facility, which is currently under a $2.3 million contract with Aramark to provide its inmate food services[42].

Cost Per Meal - Erie and Comparable Counties

County	Food Service Contracted out?	Cost per Meal (w/labor)	Cost per Meal (w/o labor)
Erie County	No	$1.60	$0.96
Onondaga	No	NA	$0.86
Oneida	Yes	NA	$0.81
Rockland	No	NA	$1.12
Suffolk	No	$1.75	NA
Westchester	Yes	$1.23	NA

Given the performance or regional comparables such as Onondaga and contracted out services such as Westchester and Oneida, it is anticipated that Erie County should be able reduce its food costs by 10 percent, or approximately $180,000 per year. Although the Sheriff's Office has

[41] FY2004 food service data is being used due to lack of information regarding total meals served for FY2005. Budgeted positions from FY2004 to FY2005 have remained relatively the same, with only the elimination of one kitchen helper position.

[42]. Westchester County Correctional Facility.

implemented such cost saving measures as portion control, use of a dietician to determine meal content and portion sizes, and recently, use of the State contract for food purchase, further cost savings should be achievable through such changes as the elimination of free meals or at least nominal charges to correction officers and deputies for meals. Further improvements to purchasing, portion control, and inventory oversight might also be pursued. In the future, Erie County may want to pursue the privatization of its food services as similar contract terms to Westchester County, since a $0.37 per meal reduction, could achieve an annual estimated savings of $700,000[43].

To reflect the transitional requirements associated with this initiative, the ten percent anticipated achievable savings have been reduced 100 percent in FY2005 and 50 percent in FY2006. FY2007 to FY2009 have been discounted 10 percent.

Summary and Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
In-house food costs	$1,818,062	$1,863,514	$1,910,101	$1,957,854	$2,006,800
Targeted food costs (10% reduction)	$1,636,256	$1,677,162	$1,719,091	$1,762,069	$1,806,120
Estimated Revenues	**$182,000**	**$186,000**	**$191,000**	**$196,000**	**$201,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	10%	10%	10%
Fiscal Impact	$0	$93,000	$172,000	$176,000	$181,000

36. Minimize Utilities Expenditures

Dept: Jail Management
Division/Bureau:

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: County

Many organizations have achieved significant cost reductions in utility costs through rate restructurings and conservation measures. Moreover, large institutional energy users with high load profiles such as the Correctional Center and Holding Center facilities often are the best candidates for cost reduction programs. The reduction of utilities expenditures for the jail management division is discussed as part of a larger county-wide initiative and is detailed in the Department of Public Works section.

[43] Assumes that the number of meals served will remain at FY2004 levels of 1,890,627.

29. Update Federal Marshal Reimbursement

Dept:	Jail Management	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	$956,000
		Required Approval:	Federal

The United States Marshals Service (USMS) is dependent upon state or local governments to provide detention space and services for federal prisoners. In support of this requirement, Intergovernmental Agreements (IGA's) are established with local and state governments to provide detention space and services for federal prisoners in return for a mutually acceptable fixed per diem rate. The fixed per diem rate will be computed on the basis of actual, allowable, and allocable direct and indirect costs associated with the operation of the facility and that benefit federal prisoners during the most recent accounting period[44]. Included as actual and allowable costs are the cost incurred through personnel costs, personnel benefits, consultants and contract services, other direct jail operating costs, equipment and building depreciation costs, and allocated costs from other government services. To qualify for federal reimbursement, costs must specifically benefit federal prisoners. If costs do not benefit federal prisoners, they cannot be claimed, such costs include the costs associated with work release programs and the cost of operating detention facilities in which federal prisoners are not housed.

The current reimbursement rate from USMS for its federal prisoners is $95 per day per detainee and $93 per day for each Immigration hold. According the jail administrators, this federal reimbursement rate has not been updated since 1991, and as such substantially lags actual per diem costs of housing federal prisoners. Speaking with jail administrators, it is anticipated that all costs incurred by the facilities should qualify for federal reimbursement and that future federal reimbursement rates should be $105[45] per inmate per day. Following the approval of the new federal reimbursement rate, it can be expected that federal inmate per diem reimbursements should increase $10 for non-immigration holds and $12 for immigration holds.

As shown in the table below, the average number of federal prisoners housed per day from January to May of this year was 70 inmates per day. Using this daily average, it can be anticipated that between $256,000 and $307,000 in additional reimbursements should be received annually, depending upon the mix of immigration and non-immigration holds.

Federal Inmate Population – January 2005 Through May 2005

Month	Number of Federal Prisoners Housed	Average Daily Number of Federal Prisoners
January	1,926	62
February	1,877	67
March	2,107	68
April	2,206	74
May	2,439	79
Average		**70**

[44] http://www.usmarshals.gov/prisoner/243instr.htm

[45] Senior leadership at the jail management department indicate that although actual per diem costs are nearer to $115 per day, it is expected that an amount nearer to $105 will be granted by the federal government. As such, this recommended amount will be used but no additional discounts will be taken. This per diem cost of $115.61 per day is also somewhat deflated due to the use of 2001 utilities expenditures for its calculation. Conversations with jail administrators indicate that with FY2004 utilities expenditure rates, per diem costs should near $120.

For conservatism, the lower of these values will be used for FY2006 to FY2009 projections. Speaking with jail administrators, it is anticipated that a six month time period should be sufficient to update the federal reimbursement rate; for conservatism however, a full 50 percent discount will be taken in FY2006 as well as a one-hundred percent discount for FY2005. No other discounts will be taken[46].

Summary and Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Revenue from current $95 marshal reimbursement	$2,427,250	$2,487,931	$2,550,130	$2,613,883	$2,679,230
Anticipated Revenue from $105 marshal reimbursement	$2,682,750	$2,749,819	$2,818,564	$2,889,028	$2,961,254
Revenue Increase	**$256,000**	**$262,000**	**$268,000**	**$275,000**	**$282,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	0%	0%	0%
Fiscal Impact	$0	$131,000	$268,000	$275,000	$282,000

30. Pursue Increased State Reimbursement to Improve Cost Recovery

Dept: Jail Management
Division/Bureau:

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: State

As noted in the Buffalo Niagara Partnership Report, the County houses a number of state ready inmates and reimbursement rates are set at levels well below actual costs. Currently, state prisoners are reimbursed at a rate of $34 per day[47] compared to federal reimbursement levels of $93 to $95 dollars per day. As stated before, actual per diem costs are nearer to $115 per day creating a differential of over $5 million a year. Similarly problematic are recent changes to New York State laws such as the Vehicle and Traffic Law, which makes the aggravated unlicensed operation of a Motor Vehicle, 1st, 2nd, and 3rd Degrees misdemeanors, and as such for defendants who are charged with this crime and do not pay their fines must be detained at the

[46] Conversations with senior leadership at the jail management department indicate that although actual per diem costs are nearer to $115 per day, it is expected that an amount nearer to $105 will be granted by the federal government. As such, this recommended amount will be used but no additional discounts will be taken. This per diem cost of $115.61 per day is moreover somewhat deflated due to the use of 2001 utilities expenditures for its calculation. Conversations with jail administrators indicate that with FY2004 utilities expenditure rates, per diem costs should be nearer $120.

Holding Center[48]. Of even greater fiscal impact, as noted in the Breaking the Cycle report, is recent State legislation discontinuing reimbursement for State parole violators with new arrests, on the premise that have committed local crimes and as such are not the responsibility of the state[49]. However, while they may have committed local crimes, the state lodges warrants against them, thus preventing them from being bailed and also incurring housing fees for local jails. According to the Breaking the Cycle report, this practice is estimated to cost the County an estimated $1.7 million annually[50]. This plan concurs with the Buffalo Niagara Partnership report and Breaking the Cycle report that the state reimbursement levels should be addressed by the legislature in efforts to shift the costs back to the states. Since changes to state reimbursement levels require an amendment to state correction law, no projections have been made towards the gap closure at this time.

Similarly, the Sheriff's Office now receives reimbursements from the New York State Unified Court System for court security provided to the County courts. Contracts established between local law enforcement agencies and the Unified Court System (UCS) require that such agencies provide protection and maintain security for all court personnel and property, as well as members of the public utilizing the courts. Under this contract, reimbursable security services include the time spent protecting and guarding the judges, non-judicial officers and employees, jurors, parties, attorney's witness and the general public in the designated court[51]. Non-reimbursable costs include transportation costs to and from the facility and moving prisoners within the court system. In accordance with this agreement, the salaries, benefits, and overtime costs for the four officers who guard the courts Monday through Friday and the two deputies who guard the court on Saturday and Sunday are covered. What is not reimbursed, however, are injuries sustained while in service of the State. In FY2003, $72,979 in line of duty injuries were paid by Erie County for injuries sustained while in service of the State, although speaking with jail administrators, typical levels are nearer to $10,000. Regardless, it is recommended that Erie County pursue with the Unified Court System reimbursement terms that more accurately reflect the actual cost of service. Due to the uncertainties involved with changing contract terms, however, no cost savings in this area have been projected for use in gap closures.

27. Realign Workforces in Corrections Facility and Holding Center to Maximize Cost-Effective Service Delivery

Dept:	Jail Management	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	Union

To maximize productivity levels of its current jail management workforce, Erie County should pursue a three pronged approach to achieve optimal service levels: the County should:

- seek to eliminate staffing restrictions imposed by union agreements;

48 Alexander, George B. Breaking the Cycle. 14 March 2005.
49 Alexander, George B. Breaking the Cycle. 14 March 2005. p9.
50 Alexander, George B. Breaking the Cycle. 14 March 2005. p8.
51 http://www.courts.state.ny.us/admin/financialops/FPCM-PDFs/V2_contracts/IX_1000.pd. State of New York. *Financial Planning & Control Manual.* Unified Court System.

- develop target staffing levels for its jails to minimize overtime expenditures; and,

- seek, where applicable, to increase the use of civilian personnel so as to minimize unnecessary costs. These three approaches are discussed below.

Eliminate Union Staffing Constraints

Currently, separate unions staff the County holding center and correctional facility. CSEA represents the 153 corrections officers at the Correctional Facility and Teamsters represent the 316 deputy sheriffs and sheriffs that staff the Holding Center. Because of the separate union representation for these two facilities, staffing shortages in one facility cannot be supplemented by staff in the other facility. As noted in the Buffalo Niagara Partnership report, this inflexibility restricts the ability of management to assign staff as needed and thus creates unnecessary overtime costs. Moreover, this inflexibility is compounded due to the fact that there are currently eight unfilled positions in the corrections facility and eight unfilled positions in the holding center, which also exacerbates overtime costs. By lifting union restrictions, corrections facility can be easily transferred to holding center when needed and vice versa and should result in a the more cost-efficient operation of both facilities. Some differences in terms of training requirements officers and salary levels also need to be integrated between the corrections officers and deputy sheriffs to facilitate the full transferability of duties.

As noted in the Buffalo Niagara report, twenty-five deputy sheriff deputies from the enforcement divisions have been tasked to the Sheriff's transport division to relieve overtime burden on the jails division. While this is a positive step in creating greater efficiencies between the holding center and corrections facility, full integration between the supervisory personnel of each facility should reduce overtime costs. Senior leaders at the jail management department indicate that since the Erie County corrections facility and holding center are generally near capacity, the overtime resulting from union constraints is somewhat moderated compared to what it would be a lower capacity. Nonetheless, should Erie County lower its prison populations through the various alternatives to incarnation methods proposed throughout this plan, the elimination of these union constraints and the staffing flexibility that would results should serve to meaningfully decrease overtime costs.

Develop Targeted Staffing Levels to Minimize Overtime Expenditures

In addition to removing the artificial staffing shortages caused by union restrictions, the County should seek to develop target staffing levels for the Holding Center and Correctional Facility, which should also moderate overtime expenditures. The County has maintained that overtime costs are generally more cost-effective than increasing positions. Based on the information received from Jail management, current overtime costs per hour is on average $42.97 as compared to an estimated $43.77 per hour rate for a corrections officer position, showing the marginal benefit of $0.81 per hour for overtime usage. While these differences indicate that overtime costs are slightly lower, the requirements set by the State Commission of Correction must also be considered.

As of September 2, 2005, the State Commission of Correction eliminated 126 variance beds at the corrections facility. These actions were taken in response to the 120 correction officer shortage estimated by the State Commission on Correction staffing analysis. Additionally, the State has further stated that an additional 169 variances may be removed in the future. As of September 1st, the population of the corrections facility was 1,521, just 29 inmates below the new temporary minimum. If an additional 169 variance spaces were eliminated, the current inmate population would exceed spaces by an average 140 inmates per day. Should this occur, inmates would have to be housed at other localities' corrections facilities, at the estimated cost of $80 to $100 per prisoner. If one assumes the worst case scenario in which all 169 variance beds are eliminated, the daily cost of housing these excess inmates would amount to $11,200 per day or $4,088,000 per year, not including the cost of transporting prisoners to other facilities.

Cost Per Hour Overtime Compared To Hourly Rate Of Corrections Officer

Typical Salary for Officer		**$49,463**
BENEFITS AND PAYROLL TAXES		
FICA	7.65%	$3,784
Unemployment	0.25%	$124
Workers Compensation	0.85%	$420
Health and Dental Insurance	14.20%	$7,024
Retirement	12.80%	$6,331
Hospitalization - Retirement	4.25%	$2,102
Uniform Allowance		$1,000
Lineup Pay		$1,855
Total Cost of Typical Officer		$72,103
ACTUAL DAYS WORKED PER YEAR		
52 weeks/year x 5 days		260
Vacation Average		-20
Sick Time		-14
Personal Leave		-4
Holidays		-12
Summer Compensation Time		-2
Training and Other		-2
Actual Days Worked		206
Rate per Hour		**$43.77**
OVERTIME HOURLY RATE		**$35.67**
Fringe Benefits on Overtime	20.45%	$7.29
Total Overtime Hourly Rate		**$42.97**
Net Savings through Overtime per hour		**$0.80**

Given the fiscal repercussions of not increasing staffing levels, it is recommended that Erie County evaluate current staffing levels at the corrections facility. Further analysis will be conducted to determine what level of additional staff will achieve these goals and be effectively offset by savings in overtime costs. Other Four-Year Plan initiatives, such as alternative sentencing through the restoration of parole officer positions, may relieve pressure on the Jail population, reducing the number of staff who may be needed.

Increased use of civilian personnel

Another opportunity for cost savings involves the potential "civilianization" of non-security correctional center assignments currently filled by uniformed employees. The salaries for corrections officers on staff currently range from $39,982 to $52,937 and the salaries for deputy sheriffs currently range from $40,315 to $53,812, which is significantly more than civilian personnel. A list of administrative positions presently filled by sworn officers is being developed by the Sheriff's Office, following its completion the cost benefit of replacing these administrative positions with civilian personnel should be reviewed and implemented in consideration to overall jail needs.

It should be noted that the compensation differential between uniformed correctional employees and civilians is generally much smaller than the gap between uniformed police employees. Moreover, in corrections, there are advantages in terms of both morale and lower staff turnover to employing personnel accustomed to the jail environment, and there are also security benefits to having additional trained personnel on hand in the event of an emergency. Finally, senior leadership at jail management noted that during layoff periods, civilianized positions are generally the first ones eliminated and thus ultimately serve to exacerbate the understaffing problem. Nonetheless, the civilianization of certain positions is likely to achieve cost savings for the jail management department and should be pursued as an overall strategy for improved efficiencies. The actual cost savings for this initiative will be determined upon completion of the Sheriff's report.

DISTRICT ATTORNEY

80. Feed CPS Data into District Attorney's Office

Dept:	District Attorney	**Rev/Sav/Productivity**:	Productivity
Division/Bureau:		**Fiscal Impact To FY09**:	CQ
		Required Approval:	County

Currently all the separate Criminal Justice departments have their own data processing employees. Moreover, sharing of information between the departments is limited. Due to this, the District Attorney's Office is left uniformed of police records which will ultimately concern them.

Under the current system, Central Police Services keeps records on daily arrests. The District Attorney's Office does not have a feed to this information and is not updated with this information. They only have access to daily arrest records within the City of Buffalo. However, as the County District Attorney, the office is required to represent the accused across the County. Without daily access to County arrest records, the time between arrest and notification of District Attorney's Office is elongated limiting the D.A.'s ability to prepare for cases.

By installing a feed from CPS to the District Attorney's Office, the District Attorney's Office will be able to updated instantaneously on arrests across the County and can start preparing for the cases. The two departments have determined that start up costs would be minimal as would time constraints. At this time, actual costs and potential cost savings are not able to be quantified.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	CQ	CQ	CQ	CQ	CQ
Fiscal Impact	CQ	CQ	CQ	CQ	CQ

82. Scan Misdemeanors and Records

Dept:	District Attorney	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	N/A	**Fiscal Impact To FY09**:	$29,000
		Required Approval:	County

The District Attorney's Office currently keeps all records for misdemeanors in paper form. These records are stored in either the record room or storage room in the District Attorney's Office or in the ECMC, to which the District Attorney pays $1,425 a month for rent of storage space.

By scanning documents instead of filing paper copies, the department will save money on rent for storage, the paper needed for the paper copies, and boxes to store the copies. Some of these savings will not be realized until all the current back copies are scanned into the new system. Currently unquantifiable productivity gains will also be achieved. Personnel will no longer be needed to sort records, retrieve documents, and prepare necessary documents for destruction.

According to a similar RFP put out by the New York State Department of Archives cited by the County, start up costs for all necessary equipment will come to roughly $75,000. Since this new system is expected to take less time than creating and filing paper copies, current staffing will be able to process the new records as well as overtime turn past records into scanned documents.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Cost	**$0**	**$75,000**	**$0**	**$0**	**$0**
ECMC Rent	$0	$0	$17,000	$17,000	$17,000
Paper Costs	$0	$9,000	$9,000	$9,000	$9,000
Boxes	$0	$1,000	$1,000	$1,000	$1,000
Total Savings	**$0**	**($65,000)**	**$27,000**	**$27,000**	**$27,000**

Due to implementation delays in acquiring the scanning system, savings have been discounted 100% for FY2005. In FY2006, the necessary time lag between scanning new documents will cause the County to still pay rent to the ECMC. Beyond that, savings will be discounted 20 percent to allow for the conversion between systems. Starting in FY2007, savings will not be discounted.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	20%	0%	0%	0%
Fiscal Impact	$0	($52,000)	$27,000	$27,000	$27,000

85. Reduce Unnecessary Jail Time

Dept:	District Attorney	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	N/A	**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

The County will investigate the feasibility of a program which would allow for immediate access to the District Attorney's Office during the heaviest arrest periods in a day. Members of the District Attorney's Office staff would be positioned in the area of the County with the highest level of arrests, the City of Buffalo, during high arrest volume times. Immediately following an arrest, the District Attorney's Office would be able to make decisions regarding whether a case is sufficient to warrant the arrested being incarcerated.

Under the current system, a detainee is processed through the police system and has to be detained until the District Attorney is able to advise whether the charge is sufficient to warrant being held. Detainees are often not kept in custody once the District Attorney's Office comments on the severity and nature of a case. With the current cost of housing an inmate at $104 a day, the policy of housing inmates until the District Attorney's Office is able to look at the case is expensive for the County. By positioning Assistant District Attorneys in the City of Buffalo during high arrest periods for immediate access to cases, the County can avoid housing a percentage of these potential inmates whom the District Attorney's Office would choose not to prosecute.

The County will explore the effects of the bifurcated legal defense system (e.g. Public Defender at the City level, Legal Aide at the County level) and its affects on excessive jail time.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

81. Assess Establishment of Complaint Room Approach to Avoid Unnecessary Jail Time through Prosecutorial Decision-making Immediately after Arrest

Dept: District Attorney
Division/Bureau: N/A
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: OLC

The County should establish a Complaint Room to increase the contact between the District Attorney's office and arresting officers. This will reduce officer's appearances in court and reduce the caseload that the District Attorney's office handles beyond the Complaint Room.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

79. Daily Download of Felonies in Localities Other than Buffalo

Dept: District Attorney
Division/Bureau: N/A
Rev/Sav/Productivity: Productivity
Fiscal Impact To FY09: TBD
Required Approval: OLC

The District Attorney will be enabled with the ability to download a record daily of felonies committed across the County.

The fiscal impact of this initiative has not been determined.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

SHERIFF

119. Charge Local Jurisdictions without Own Police Departments for Patrol Services

Dept:	Sheriff	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:	Police Services Division – Patrol Services	**Fiscal Impact To FY09**:	$16,234,000
		Required Approval:	County

The Erie County Sheriff's Office ("Sheriff") through the Police Services Division performs primary law enforcement duties such as traffic enforcement, crime prevention and service to the citizens of Erie County. However, 87 percent of the population (40 percent of the geographic area in the County) is also served for primary police services by a department financed through the municipal jurisdictions' own revenue sources ("Own Source Communities"). In 2000 those local expenses, not including the Sheriff, were approximately $160 million[52].

For the additional 13 percent of population and 60 percent of the geographic region, the Sheriff is the primary police force in the area ("Sheriff Primary Communities"). Determining an arrangement whereby the Sheriff Primary Communities pay for the additional service of receiving primary policing would provide approximately $4.6 million annual additional revenue to the County's General Fund.

Background

The Patrol Services Division of the Sheriff is staffed with 68 sworn officers and two civilians[53] and the Sheriff's office maintains substations in the towns of Grand Island, Clarence, Alden, Elma, Colden, Sardinia and Collins, along with the Villages of Springville and North Collins[54]. In 2004 the Sheriff's Patrol Services Division responded to approximately 35,000 calls for primary police service[55]. Of those, one fifth or approximately 6,850 calls were to the Own Source Communities while an additional 28,200 calls were to the Sheriff Primary Communities.

Cost of Providing Road Patrol

The Sheriff's Patrol Services Division staffing and costs are detailed two of the tables below Over 90 per cent of costs of the Patrol Services division are personnel related.

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[52] 2000 is the last year for which data is compiled and this serves as a useful indication of financial cost to local jurisdictions.

[53] Four officers are funded through a contract with the Village of Springville, budgeted at $307,563.

[54] The operational and capital costs of these substations are in-kind contributions of the communities in which they are located.

[55] Central Police Services provided data related to all 2004 "calls logged" for dispatching Sheriff Personnel. The total number of calls provided was 48,839 but several of these were related to mandated functions of the Sheriff other than primary policing activities (e.g. prisoner transport). For the top one hundred call types (accounting for 47,562 calls, or 97% of all calls logged) the Sheriff's office characterized the calls logged as either primary policing activities or other than primary policing activities. Also included in the other than primary policing activities are those activities for which the costs are accounted separately (e.g. Aviation Unit, etc.) from Patrol Services.

Patrol Services Division Staffing

Title	Number
Chief Deputy Sheriff	1
Captain	2
Lieutenant	2
Sergeant	4
Deputy Sheriff - Criminal	59
Legal Stenographer (Sheriff) (70%)	1
Receptionist/Dispatcher	1
Total (68 Sworn, 2 Civilian)	**70**

Patrol Services Division Costs

Cost Component	Amount
Base Salaries	$3,512,274
Overtime	$405,312
Premium Pay (shift differential, line-up, uniform allowance, holiday pay, etc.)	$280,276
Fringe Benefits	$1,498,660
Vehicle Costs	$67,500
Miscellaneous Supplies	$20,000
Overhead @ 7.22%	$417,606
Less Springville Contract Revenue	$(307,563)
Total	**$ 5,894,065**

Calls Analysis

Generally, the characteristics of providing primary police service are similar to providing the "base" level of police service. (Additional data related to these activities in included at the end of this initiative write up). The table below indicates this.

Volume of Calls by Category for 2004

Category of Type of Call	Sheriff Primary	Own Source
Alarm	3,319	213
Animal	394	38
Community Police	195	273
Crime not major	3,207	589
First Aid/'Accident	5,621	679
Major Crime (Homicide/Assault/Sex Offender/Arson)	191	66
Special Service	100	175
Traffic/ Parking	1,471	668
Welfare	3,231	276
Premises Check	1,957	877
General Policing	7,722	1,987
Assist/Other/Government.	815	1,013
Total	**28,223**	**6,854**

Additional Cost of Providing Primary Police Services

In order to determine the additional cost of providing primary police services versus the "base" level provided to the majority of the County, this analysis calculated the number of calls per 1,000 in population. For the Sheriff Primary Communities that number was 228, while for those Own Source Communities the number was 8. If the Sheriff Primary Communities' calls per 1,000 was reduced to the "base" level, it would free up approximately 27,000 calls. Proportionally, this translates to a savings of approximately $4.6 million.

Primary Police Service Costs

This cost is approximately $37 per capita, substantially less than the $196 per capita that is the current local policing expense of the Own Source Communities.[56]

Legal Issues

It has been questioned as to whether or not the County Executive and County Legislature possess the legal authority to eliminate road patrol. Included in this initiative is a formal legal request to the County Attorney to obtain an authoritative opinion on this question.

However, the New York State Attorney General Informal Opinion No. 81-62 seems to unambiguously indicate that the County Administration can legally implement this initiative. The Conclusion of that report is as follows: "We conclude that a charter county by charter law may limit the sheriff's regular road-patrol service to those municipalities without police forces that contract for the service. We also conclude that both charter and non-charter counties may decline to appropriate county funds for regular road-patrol service except to the extent that municipalities contract for the service and provide the county with funds necessary to cover the cost of the service.

Implementation Issues

There are several challenges that must be addressed in order to efficiently implement this initiative with minimal impact on the public safety of the affected region. First, the County will need to formally notify the affected jurisdictions of its intent discontinue primary policing activities above the base level without a contract that provides the payment for those services.

The County will need to enter into negotiations with the Sheriff Primary Communities in order to educate them on the ramifications of not entering into a contract for payment of services. The County Administration currently assumes that if these Sheriff Primary Communities do not

[56] "The Sheriff has expressed his objections to focusing primarily on the equitable allocations of Sheriff's resources (i.e. a large majority of the Sheriff's total budget is spent in Own Source Communities) versus focusing on the equitable distribution of all county resources (i.e. total county resources expended in towns, villages, and cities, not just Sheriff's resources)." This analysis respectfully presumes that while the Sheriff's judgment is primary with regard to matters of policing and crime prevention in the County, the current legal system provides that the power to allocate resources is under the authority of the County Executive and the County Legislature.

contract with the County, the New York State Police will increase its presence to assure that these “formerly” Sheriff Primary Communities have police protection. The County Administration expectation is that the 911 call centers will be modified from dispatching the Sheriff to dispatching the State Police. The Administration will need to confirm how police protection will be handled after this initiative if implemented.

It will also be important to determine what parameters are available within policing contracts. Generally, communities are more willing to pay for primary policing services if there is a guarantee of a service level (e.g. one car in the town at all times) and if the town has some amount of direction as to how the town is policed (e.g. selecting the Sheriff Manager in charge of patrolling that town). If several of the “formerly” Sheriff Primary Communities choose to contract for primary policing services the Sheriff may need to increase staffing. However, if that were to happen, the contract revenues will need to be structured to achieve full cost recovery and therefore should be a net-neutral impact on the Counties finances.

In addition, there will be technical issues to overcome such as modifying the call centers that receive and dispatch calls to the Sheriff Primary Communities now to route calls to the appropriate policing jurisdiction that may no longer be the Sheriff.

Finally, if there are not enough “formerly” Sheriff Primary Communities that contract with the Sheriff to provide services at the current staffing level there will need to be layoffs and/or redeployments in order to achieve the available savings. With layoffs, there will be termination costs.

Fiscal Impact

As described above it is expected that this initiative will encounter significant challenges for implementation. While implementation may start January 1, 2006 (i.e. the Sheriff stops its primary policing services), some period of time in fact be required for a contract negotiation period with the affected localities for elimination of primary policing services by the Sheriff.

Along with this, there will be termination costs if layoffs must occur. Due to this uncertainty it seems prudent to assume the following discounting schedule: 35 percent in Budget year 2006, 15 percent in 2007 and 10 percent each year there after. This initiative also includes an inflationary projection each year after implementation.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Savings		**$4,570,000**	**$4,751,000**	**$4,999,000**	**$5,251,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	35%	15%	10%	10%
Fiscal Impact	$0	$2,971,000	$4,038,000	$4,499,000	$4,726,000

Type of Call	Number of Calls	Primary Policing Functions	Call Category
FIRST AID	4,670	Yes	First Aid/'Accident
WELFARE CHECK	3,509	Yes	Welfare
ALARM RINGING	3,263	Yes	Alarm
TRANS TO COURT	3,140	No	Transport
PREMISES CHECK	2,834	Yes	Premises Check
SUBPOENA	2,753	No	Serve Warrant/Supeona
TRANS CO INSTITUTION	2,062	No	Transport
ASSIST PERSON	1,637	Yes	General Policing
TRANS MED FACILITY	1,388	No	Transport
REFER TO PATROL	1,370	Yes	General Policing
ACCIDENT - PDO	1,000	Yes	First Aid/'Accident
MISC SERVICE CALL	1,000	Yes	General Policing
LARCENY	991	Yes	Crime not major
SERVICES-OTHER	932	No	General Policing
DISTURBANCE OTHER	887	Yes	General Policing
UNKNOWN TROUBLE	874	Yes	General Policing
WARRANT - SERVE	816	No	Serve Warrant/Supeona
REFER TO OTHER POLICE DEPT	798	Yes	Assist/other/govt.
DISORDERLY PERSON	789	Yes	Crime not major
HARASSMENT	733	Yes	Crime not major
ASSIST OTHER POLICE	710	yes	Assist/other/govt.
SERVE OP	604	no	Serve Warrant/Supeona
CRIMINAL MISCHIEF	595	yes	Crime not major
DIRECT TRAFFIC	405	yes	Traffic/ Parking
COMMUNITY POLICING	388	yes	Community Police
FIRE OTHER	330	yes	General Policing
TRANS ECCF WORK DETAIL	308	no	Transport
SUSPICIOUS PERSON	301	yes	General Policing
ACCIDENT INJURY	275	yes	First Aid/'Accident
MOTORIST BROKE DOWN	267	yes	Traffic/ Parking
SUSPICIOUS PERSON W/VEHICLE	265	yes	General Policing
PARKING VIOLATION	253	yes	Traffic/ Parking
ACCIDENT OTHER	247	yes	First Aid/'Accident
SUSPICIOUS VEHICLE	236	yes	General Policing
TRAFFIC INF OTHER	233	yes	Traffic/ Parking
TRANS STATE INSTITUTION	218	no	Transport
PROPERTY LOST	208	yes	General Policing
LOUD MUSIC (NO ARREST)	203	yes	General Policing
ANIMAL COMPLAINT-OTHER	202	yes	Animal
FUNERAL ESCORT	202	yes	General Policing
DOMESTIC TROUBLE	199	yes	General Policing
MALFUNCTON - FALSE ALARM	199	yes	Alarm
NARCOTICS	187	no	Crime not major
DEER STRUCK	181	yes	Traffic/ Parking

Type of Call	Number of Calls	Primary Policing Functions	Call Category
ATTEMPT TO LOCATE	180	yes	General Policing
WEAPON ORDINANCE	178	yes	Special Service
SUSPICIOUS INCIDENT	176	yes	General Policing
BAD CHECK	175	yes	General Policing
ASSAULT	173	yes	Major Crime (homicide/Assault/Sex offender/Arson)
DRUNK DRIVING	155	yes	Traffic/ Parking
ASSIST-OTHER	143	yes	General Policing
BURGLARY - RESIDENCE	139	yes	Crime not major
FRAUD	135	yes	Crime not major
REFERRAL-TOWN FIRE OFFICE	133	yes	Assist/other/govt.
UNWELCOME GUEST	132	yes	General Policing
ANIMAL LOOSE	130	yes	Animal
REFERRAL-COUNTY HWY DEPT	124	yes	Assist/other/govt.
LOCK IN/OUT	118	yes	General Policing
REPOSSESSED AUTO	112	yes	Traffic/ Parking
ACCIDENT HIT & RUN	110	yes	First Aid/'Accident
AMBULANCE ONLY	109	yes	General Policing
NEIGHBOR DISPUTE	109	yes	General Policing
SHOPLIFTING	108	yes	Crime not major
ABANDONED VEHICLE	101	yes	Traffic/ Parking
UUMV	94	yes	General Policing
OTHER LAWS	92	yes	General Policing
FIRE RESIDENTIAL	91	yes	General Policing
PROPERTY FOUND	86	yes	General Policing
YOUTH ACTIVITY	80	yes	Community Police
REFFERAL-OTHER	80	yes	Assist/other/govt.
FIGHT	75	yes	General Policing
TRAFFIC-DETAIL	71	yes	Traffic/ Parking
FIRE CO-DETECTOR	70	yes	Alarm
MENTAL	70	yes	General Policing
RECKLESS OPERATION	68	yes	Traffic/ Parking
ROAD OBSTRUCTION	66	yes	Traffic/ Parking
SUICIDE OR ATTEMPT	64	yes	General Policing
TRAFFIC STOP	63	yes	Traffic/ Parking
ATV-OPERATE/STREET	62	yes	Traffic/ Parking
TRESPASS	62	yes	Crime not major
ANIMAL INJURY	60	yes	Animal
LARCENY-OTHER	59	yes	Crime not major
MISSING PERSON	59	yes	General Policing
AIRCRAFT HELICOP ASST OTHER	57	yes	Special Service
FIRE VEHICLE	55	yes	Traffic/ Parking
ESCORTS	51	yes	General Policing
FIREWORKS-USE	51	yes	Crime not major
WIRE DOWN REF>UTILITY	50	yes	General Policing

Type of Call	Number of Calls	Primary Policing Functions	Call Category
VIOLATE OP	50	yes	Crime not major
MARINE-OTHER	50	no	Special Service
SNOWMOBILE-PVT	47	yes	Traffic/ Parking
PROPERTY OPERATION BURN INV.	44	yes	Major Crime (homocide/Assault/Sex offender/Arson)
SNOWMOBILE-OTHER	44	yes	General Policing
BURGLARY NON-RESIDENCE	43	yes	Crime not major
OPEN WINDOW/DOOR	43	yes	General Policing
LARCENY-AUTO ACCESSORIES	42	yes	Crime not major
HUNTERS	41	yes	General Policing
BARKING DOG	40	yes	Animal
BOATERS	40	yes	Special Service
SEX OFFENSES	40	yes	Major Crime (homocide/Assault/Sex offender/Arson)

Source: Erie County Sheriff's Office, Erie County Central Police Services

Jurisdiction	Own Police	Who Provides	Type	Population*	Square Miles	2000 Own Source Police Spending
AKRON	Yes	Village of Akron	Village	3,085	1.92	$145,300
ALDEN TOWN	no	Sheriff	Town	10,470	31.87	
ALDEN VILL	no	Sheriff	Village	2,666	2.67	
AMHERST	yes	Town of Amherst	Town	116,510	52.33	$15,242,000
ANGOLA	Yes	Village of Angola	Village	2,266	1.36	$231,500
AURORA	Yes	Town of Aurora	Town	13,996	33.97	
BLASDELL	Yes	Village of Blasdell	Village	2,718	0.99	$331,000
BOSTON	no	Sheriff	Town	7,897	35.82	
BRANT	No	Sheriff	Town	1,906	23.28	
BUFFALO	yes	City of Buffalo	City	292,648	41.06	$88,071,000
CHEEKTOWAGA	yes	Town of Cheektowaga	Town	94,019	25.46	$12,486,000
CLARENCE	no	Sheriff	Town	26,123	53.63	
COLDEN	no	Sheriff	Town	3,323	35.67	
COLLINS	no	Sheriff	Town	8,307	47.54	
CONCORD	no	Sheriff	Town	8,526	66.73	
DEPEW	Yes	Village of Depew	Village	16,629	5.04	$2,594,400
EAST AURORA	Yes	Village of East Aurora	Village	6,673	2.49	$1,380,400
EDEN	yes	Town of Eden	Town	8,076	39.87	$373,500
ELMA	no	Sheriff	Town	11,304	34.56	
EVANS	yes	Town of Evans	Town	17,594	40.20	$1,963,500
FARNHAM	no	Sheriff	Village	322	1.02	
GOWANDA	Yes	Village of Gowanda	Village	2,842	0.56	
GRAND ISLAND	no	Sheriff	Town	18,621	28.41	
HAMBURG TOWN	yes	Town of Hamburg	Town	56,259	37.85	$6,151,000
HAMBURG VILL	yes	Village of Hamburg	Village	10,116	2.38	$1,077,600
HOLLAND (no calls)	no	Sheriff	Town	3,603	35.74	
KENMORE	Yes	Village of Kenmore	Village	16,426	1.43	$2,227,500
LACKAWANNA	yes	City of Lackawanna	City	19,064	6.61	$3,813,400
LANCASTER TOWN	yes	Town of Lancaster	Town	39,019	33.43	$3,158,400
LANCASTER VILL	yes	Village of Lancaster	Village	11,188	2.75	$1,438,300
MARILLA	no	Sheriff	Town	5,709	27.42	
N COLLINS TOWN	no	Sheriff	Town	3,376	42.20	
N COLLINS VILL	no	Sheriff	Village	1,079	0.78	
NEWSTEAD	no	Sheriff	Town	8,404	49.07	
ORCHARD PARK TOWN	yes	Town of Orchard Park	Town	27,637	37.21	$2,622,700
ORCHARD PARK VILL	yes	Town of Orchard Park	Village	3,294	1.34	
OUTSIDE ERIE COUNTY	na	Other	Other			
SARDINIA	no	Sheriff	Town	2,692	50.33	
SENECA NATION INDIAN	No	Sheriff	Town		34.43	
SLOAN	yes	Town of Cheektowaga	Village	3,775	0.79	
SPRINGVILLE	no	Sheriff	Village	4,252	3.63	
TONAWANDA CITY	yes	City of Tonawanda	City	16,136	3.72	$2,834,700
TONAWANDA TOWN	yes	Town of Tonawanda	Town	78,155	17.46	$9,621,200
WALES	no	Sheriff	Town	2,960	35.72	
WEST SENECA	yes	Town of West Seneca	Town	45,920	21.47	$6,199,000
WILLIAMSVILLE	yes	Town of Amherst	Village	5,573	1.20	

* Population of Towns include the population of any associated Village

26. Criminal Justice System Protocols for Release

Dept:	Sheriff, Court, Others	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

Presently, no standard sentencing protocols exist for the city, town and village courts of Erie County. As such, wide disparities in defendant sentencing exist. Anecdotally, the Sheriff Office's relates that towns such as Cheektowaga have much harsher sentencing for similar crimes than does localities such as the City of Buffalo. To amend these disparities, Erie County's District Attorney, Court, and Sheriff are convening an inter-agency criminal justice committee which will establish written protocols to assist in the determination of whether to send an individual to jail or apply alternatives to incarceration. The standardization of protocols for defendant release should serve to divert from the jails those cases which would more appropriately and effectively served by alternatives to incarceration, thereby reducing the incarcerated population and achieving savings for the jail management department.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

117. Consolidate 911 Call Taking and Dispatch

Dept:	CPS, Sheriff, EMS	**Rev/Sav/Productivity**:	Exp
Division/Bureau:	N/A	**Fiscal Impact To FY09**:	$1,640,000
		Required Approval:	County

The County currently operates three separate 911 call taking and dispatch services. Emergency Medical Services operates medical 911 services while the Sheriff's Department provides dispatching for the Erie County Sheriff's Office as well as several part time police departments in the County. Central Police Services handles all wireless calls for the County as well as administrative and 911 calls for the City of Buffalo. All three departments are moving into a consolidated 911 center before the end of FY2005. However, other than a shared facility there is no current agreement to provide services jointly.

Based on information supplied by Central Police Services, potential productivity improvements as well as expenditure savings have been identified if the County were to consolidate its 911 call taking and dispatch into one program. Productivity improvements include:

- Standardized Training for Call Takers and Dispatchers
- Staffing Flexibility
- Standardized Response
- Improved Response Time

Capital costs will incur in order to standardize and consolidate the disparate programs. Presented in the table below, the County has calculated a need for over $4.1 million in capital needs to fully consolidate the service. Although all of these capital costs are necessary as the consolidated program goes forward, they are not needed for the start of the consolidation. Included in the capital costs are systems for telephony and Computer Aided Dispatch (CAD). The telephony system currently in place for Automatic Call Distribution (ACD) will need to be replaced due to its age and limited ability to provide future support. A CAD program needs to consolidate all agencies. Currently, the three programs are using three separate CAD systems. Consolidating to one uniform CAD system will be necessary to successfully integrate the various systems. Not included in the list below is one consolidate radio system. As described in the Radio System initiative, the County has an opportunity to partner with the State on a radio system that would increase interoperability between County departments as well as between Erie County emergency communications and other participating entities. Partnering with the State on such a project would aid in the County's efforts to improve its response to large scale 911 events.

Associated Capital Costs

System	Budgetary Estimate
Telephone	$750,000
Computer Aided Dispatch	$2,000,000
Millwork	$420,000
BFD Connectivity	$220,000
Microwave	$800,000
Total Capital Costs	**$4,190,000**

Once the consolidation occurs, the County has calculated that the new 911 program will be able to downsize from three PSAP telephone lines to one. Eliminating two lines will save the County $100,000 annually. The County has also identified through analyses of staffing that six 911 dispatch positions can be eliminated. According to Central Police Services, the average call taker has a base salary of $38,000 in FY2006. With fringe benefits calculated, these six positions represent $340,000 in personnel costs ($38,000*1.4918*6). Additional cost savings would accrue if the County

Summary of Savings (Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total PSAP Line Savings	$0	$100,000	$100,000	$100,000	$100,000
Total Personnel Savings	$0	$340,000	$352,000	$366,000	$385,000
Total Savings	**$0**	**$440,000**	**$452,000**	**$452,000**	**$485,000**

Savings will be discounted 10 percent annually starting in FY2006 to allow for implementation. Personnel savings in FY2006 will be discounted 50 percent for termination costs as well as implementation delays. However, personnel savings will not need to be discounted thereafter.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount % T1 Lines	100%	10%	%	0%	0%
Fiscal Impact T1 Lines	$0	$90,000	$90,000	$90,000	$90,000
Discount % Personnel	100%	50%	25%	0%	0%
Fiscal Impact Personnel	$0	$170,000	$ 339,000	$366,000	$385,000
Total Fiscal Impact	$0	$260,000	$429,000	$466,000	$485,000

120. Call to Court

Dept: Sheriff
Division/Bureau: Sheriff

Rev/Sav/Productivity: Expenditure
Fiscal Impact To FY09: $222,000
Required Approval: Union

After an Erie County deputy sheriff has made an arrest and the appropriate jurisdiction has determined that it will prosecute the case, the case is sent to court for coordination and scheduling. Often, the arresting officer will be scheduled to testify in court during the hearings. However, if an officer reports to court for a scheduled appearance and the case has been continued or cancelled, the officer is still paid for three hours of overtime. In many cases, the court schedule will be changed and the officer will have to continue to appear at court on scheduled days until the case reaches resolution.

Since the majority of continuances and dismissals occur before the actual day of the trial, a court call in system would be able to divert a large percentage of unnecessary court appearances for officers. Under a typical Call to Court system, the subpoenaed officer is able to call into a system which tells him/her if the trial is still scheduled or is no longer proceeding on that day. If the case is no longer scheduled, the officer no longer reports to court and the County is saved the three hours of overtime for an unnecessary appearance. If the case is still scheduled, the appearance proceeds as planned.

Comparable systems have been found to achieve results across the country. Notable examples include Albuquerque, New Mexico and San Francisco, California. The Albuquerque Police Department recently implemented a call in system and realized savings of $500,000 in the first year of implementation which equaled over 11 percent of court overtime costs. San Francisco implemented a message tape system which allowed officers to call in to see if their court appearance had been changed in the early 1990s and experienced a 30 percent decline in court appearance hours within three years.

In most cases, the Call to Court system can be managed by existing personnel. Start up costs are limited to the system which tracks cases and delivers the messages to the officers. IVR, an interactive voice response company, produces systems which have been piloted in Washington, D.C. among other places to act as a Call to Court system. When contacted, IVR estimated a system would have a one time cost of $40,000 which includes an IVR licensing fee of $15,000, an IVR programming cost of $10,000, and a database programming cost of $15,000.

Savings reported by other jurisdictions that have implemented call-in systems range from 10 percent to 30 percent. A conservative savings estimate of 15 percent, based upon FY2005 court overtime expenditures of $453,000, would result in $68,000 in savings in FY2006. This amount would grow in proportion to the salary growth negotiated as part of the collective bargaining agreement.

Summary of Savings (Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
System Costs	$0	$40,000	$0	$0	$0
Personnel Cost Upgrade Data Processor	$0	$4,000	$4,000	$4,000	$4,000
Total Costs	**$0**	**$44,000**	**$4,000**	**$4,000**	**$4,000**
Overtime Savings	$0	$68,000	$70,000	$73,000	$ 75,000
Total Savings	**$0**	**$24,000**	**$64,000**	**$69,000**	**$ 71,000**

Due to potential implementation delays as well as workforce negotiations, these savings are discounted by 100 percent in FY2005 and 25 percent in FY2006. Potential savings are included in the Workforce section.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	25%	0%	0%	0%
Fiscal Impact	$0	$18,000	$64,000	$69,000	$71,000

118. Assess Opportunities to Consolidated Specialized Services of Sheriff's Department and City Police

Dept: Sheriff
Division/Bureau: Sheriff

Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: TBD
Required Approval: OLC

The County will work to identify an approach to combining services such as the SWAT Team, Underwater Recovery Team, and the Arson Squad as a way to reduce costs through economies of scale.

DEPARTMENT OF CENTRAL POLICE SERVICES

73. Institute 911 Wireless Surcharge of $0.30

Dept: Central Police Services
Division/Bureau: 911

Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $4,884,000
Required Approval: County

One of the key public safety services offered by Central Police Services is the E911 program. The County has so far established 18 primary 911 centers and 8 secondary centers which work in conjunction with the program's 26 Full Time Employees and 8 part time employees to handle the 800,000 911 calls the system processes annually.

Under state legislation, a countywide landline telephone surcharge was designed to offset the costs of maintaining the Enhanced 911 telephone emergency system. However, as wireless phones became more common, residents of Erie County started making emergency 911 calls on wireless telephones. Revenue from the $0.35/month landline surcharge has also declined from $2.1 million to $1.9 million annually by FY2004 as it has become more common for residents to use a wireless phone as their sole phone line. Now the number of 911 wireless calls outnumbers the number of 911 landline calls in Erie County. Moreover, this leaves a deficit between revenues generated by the landline surcharge and the E911 annual budget which remained at $2.1 million in FY2004.

One way of offsetting the growing demand for E911 services from wireless phone users is to institute a 911 wireless phone surcharge. Although the State of New York already has a statewide wireless 911 surcharge on each wireless phone in the state, Section 308 of the County Law allows certain counties to initiate an additional $0.30 monthly surcharge on wireless phone in the county in order to fund the enhancement of wireless 911 services.

The table below shows revenues generated from comparable counties which have instituted the additional $0.30 wireless surcharge. Westchester County and Nassau County, which have similar populations to Erie County, are both able to generate over $2.0 million in annual revenue from the additional wireless surcharge.

County	Population	2003 Revenue	2004 Revenue	2003 Per Capita Revenue	2004 Per Capita Revenue
Nassau	1,334,544	$2,349,975	$2,677,390	$1.76	$2.00
Westchester	923,459	$1,207,917	$2,052,496	$1.31	$2.22
Chautauqua	139,750	N/A	$132,988	N/A	$0.95
Livingston	64,328	N/A	$94,530	N/A	$1.47
Rensselaer	152,538	$211,019	$202,542	$1.38	$1.33

Based on data provided by Central Police Services, it is assumed that 45 percent of the adult population of the County will have a wireless phone line in FY2006. Wireless penetration in the County is expected to rise 5 percent a year. Using this data, it is projected that the County will be able to generate over $1.1 million in FY2006 with 5 percent increases in revenue through the rest of the decade.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Surcharge Revenue	$0	$1,106,000	$1,229,000	$1,351,000	$1,474,000
Total Savings	**$0**	**$1,106,000**	**$1,229,000**	**$1,351,000**	**$1,474,000**

In FY2006, savings have been discounted 25 percent to allow for New York State Legislature approval. Since fees are collected automatically by wireless phone providers and this system is already in place, no implementation delays are expected thereafter.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	25%	0%	0%	0%
Fiscal Impact	$0	$830,000	$1,229,000	$1,351,000	$1,474,000

74. Add the City of Buffalo and the Erie County Sheriff to the Emergency Communications Center

Dept:	Central Police Services	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Communications	**Fiscal Impact To FY09**:	TBD
		Required Approval:	OCS

Compatible radio systems public safety can often be the difference between a coordinated regional response to a catastrophic event and response without regional backup. Since September 2001, the federal government has encouraged local governments to become part of regional radio systems. Currently, the County has an opportunity to upgrade its radio system as well as maintain the same frequency as New York State.

The County has been attempting to upgrade its radio system since 1999. The County went through the RFP process and chose a vendor, but the contract could not be consummated. Since then, the State of New York has started upgrading their communications system and has indicated interest in gaining local government partners in the regional communications system.

There is currently the potential for Erie County to join this partnership. The County would provide the facility, personnel, and the frequency for the State to use. In return, the County would be able to upgrade its radio system and would have access through the regional system to other participants. In a case where a catastrophic event were to hit Erie County, the County emergency services and law enforcement agencies would be able to communicate with each other and with neighboring jurisdictions if they were also members. This could allow the region to organize an organized collective response to the situation.

The County has estimated costs for the project totaling $41.0 million. The County has calculated that the State will provide $22.0 million in value from the State build-out in the County. Additionally, the County has confirmed $14.9 million in Homeland Security funding and has $2.3 million in Homeland Security funding pending. The additional $1.8 million can be funded by the County from the FY2006 Capital Plan. Since the funds are already designated for the Capital Plan in FY2006 and the project will not be funded through the County General Fund, the County will be able to upgrade its radio system with no impact on the General Fund.

Summary of Funding

MACOM/ Ericsson System	$41,000,000
Total Costs	**$41,000,000**
Proposed State Value	$22,000,000
Confirmed Homeland Security Funding	$14,900,000
Pending Homeland Security Funding	$2,300,000
Total Non County Funding	**$39,200,000**
County Capital Plan Funding	**$1,800,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

75. Criminal History Record Information: Home Health Care

Dept: Central Police Services
RevSav/Productivity: Revenue
Division/Bureau: N/A
Fiscal Impact To FY09: $86,000
Required Approval: County

Starting in 2001, the County Legislature mandated that a Criminal History Record Information check has to be performed before any potential employee could be hired by a home health care company. Since the mandate, the County has charged $7 per check with steady demand. Recently due to inelasticity of demand as well as the cost to Central Police Services for providing the Criminal History Record Information requests, CPS has proposed raising the fee from $7 to $10.

In 2004, $47,000 in fee revenue was generated by CPS for this $7 charge. This breaks down to over 6,700 Criminal History Record Information requests per year. With this fee increase, additional revenue is projected at $20,000 in FY2006 annually raising the total revenue for the service to $67,000 ($10*6,700). Starting in FY2007, revenue is expected to increase 2.5% annually with inflation. Since this service is already being provided by the department, no extra costs are involved.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Additional Revenue From Fee Increase	$0	$20,000	$21,000	$22,000	$23,000
Total Savings	**$0**	**$20,000**	**$21,000**	**$22,000**	**$23,000**

The increase in revenues has been discounted 100% in FY2005 to allow for legislative approval. Since the fee is already being collected by the County, no implementation delays are expected starting in FY2006.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$20,000	$21,000	$22,000	$23,000

76. Criminal Record History Information: Landlords

Dept: Central Police Services
Division/Bureau: N/A
Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $25,000
Required Approval: County

In the City of Buffalo, it is estimated by the United States Postal Service that roughly 4,500 addresses will change in a given year. National data from the United States Postal Service indicates that 2/3 of all movers are renters. If this holds true in Buffalo, over 3,000 renters will change addresses in the City every year.

Under the current system, landlords are not legally required to perform criminal history record checks before taking on a tenant. However, there are possible legal ramifications for landlords if an incident were to occur. This leads to a demand for the criminal history record checks for possible tenants

Much like the current system for record checks with possible home health care workers, the County has the option of instituting a fee to help recoup the cost of service. Since Central Police Services plans on using their current staff to perform this service, costs would be minimal. Also, CPS has proposed raising its Criminal Record History Information checks for potential home health care agencies employees to $10. If the same fee were to be charged for this check for landlords, $30,000 in revenue could be generated solely by offering this service inside the City of Buffalo. With a conservative estimate that landlords will acquire this record check for 20% of all new tenants in the City of Buffalo, $6,000 can be generated in FY2006 through this fee. Revenue is expected to rise by 2.5% annually due to inflation.

Summary of Revenue

	FY2005	FY2006	FY2007	FY2008	FY2009
Fee Revenue	$0	$6,000	$6,000	$6,000	$7,000
Total Revenue	**$0**	**$6,000**	**$6,000**	**$6,000**	**$7,000**

In FY2005, revenue has been discounted ten percent to allow for legislative approval. Starting in FY2006, no implementation delays are foreseen.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Fee Revenue	$0	$6,000	$6,000	$6,000	$7,000
Total Revenue	**$0**	**$6,000**	**$6,000**	**$6,000**	**$7,000**

77. Police Training in ECC

Dept: Central Police Services
Division/Bureau: Training Academy
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $1,572,000
Required Approval: County

The County currently provides law enforcement training to all agencies in Erie County from Basic Police Training to specialized training programs. This requires a total of four Full Time employees to run the program with a budget of $560,810. The training academy is directly used in high volumes by the criminal justice departments across the County as seen by the workload activities shown below.

	New Police and Peace Officers Trained	Supervisory Personnel Trained	Specialized Courses Conducted	Total Course Hours
FY 2004 Estimates	200	40	135	3,800

However, if Erie Community College provided the Training Academy instead of the County, cost savings would accrue to both the County as well as to the separate law enforcement agencies within the County.

Under the current structure, the County staffs the program with personnel totaling $210,709 in costs. These personnel will be transferred to the Erie County Community College This personnel cost would grow with wage and benefit increases if not contracted to the ECC. The County also would save from on operating and maintenance costs including an additional over $200,000 in savings stemming from information services (ID DISS Services). These savings are detailed below.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Payment to ECC	$0	$300,000	$250,000	$200,000	$0
Homeland Security Portion of Payment	$0	$50,000	$50,000	$50,000	$0
County Portion of Payment	$0	$250,000	$200,000	$150,000	$0
Total Cost	**$0**	**$250,000**	**$200,000**	**$150,000**	**$0**
Personnel Savings	$0	$317,615	$325,984	$338,028	$350,726
Supplies Savings	$0	$13,949	$13,949	$13,949	$13,949
County Grants	$0	$51,093	$51,093	$51,093	$51,093
ID DISS Services	$0	$200,425	$200,425	$200,425	$200,425
Total Savings	**$0**	**$333,000**	**$392,000**	**$453,000**	**$616,000**

In addition, savings will accrue to the participating municipalities. Each police agency within the County pays the trainee while in training. For one spot to be filled by a recruit, the agency would have to pay to staff the position while the person is in training, pay the applicant's salary while in training, as well as fund the actual training program. In return, they will not have to provide the training or pay an applicant's salary while in training. This also serves to take away the risk that applicants, after being funded through the training session, would not pass. For each trainee that a municipality would put through training, the new system of pre-credentialling would save $28,000 in direct benefit from not having to pay the trainee's salary, as well as an additional $5,000 in cost avoidance from not having to backfill a position. Total savings to the municipalities will total $33,000 per trainee.

Due to potential implementation delays, these savings are discounted by 100 percent in FY2005. Savings have been discounted 67 percent in FY2006 to allow for delays in transferring the program to the ECCC and are not discounted thereafter.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	67%	0%	0%	0%
Fiscal Impact	$0	$111,000	$392,000	$453,000	$616,000

78. Homeland Security Pilot Radio System Project

Dept: Central Police Services
Division/Bureau: Communications
Rev/Sav/Productivity: Producftivity
Fiscal Impact to FY09: TBD
Required Approval: State

Compatible radio systems public safety can often be the difference between a coordinated regional response to a catastrophic event and response without regional backup. Since September 2001, the federal government has encouraged local governments to become part of regional radio systems. Currently, the County has an opportunity to upgrade its radio system as well as maintain the same frequency as New York State.

The County has been attempting to upgrade its radio system since 1999. The County went through the RFP process and chose a vendor, but the contract could not be consummated. Since then, the State of New York has started upgrading their communications system and has indicated interest in gaining local government partners in the regional communications system.

There is currently the potential for Erie County to join this partnership. The County would provide the facility, personnel, and the frequency for the State to use. In return, the County would be able to upgrade its radio system and would have access through the regional system to other participants. In a case where a catastrophic event were to hit Erie County, the County emergency services and law enforcement agencies would be able to communicate with each other and with neighboring jurisdictions if they were also members. This could allow the region to organize an organized collective response to the situation.

The County has estimated costs for the project totaling $41.0 million. The County has calculated that the State will provide $22.0 million in value from the State buildout in the County. Additionally, the County has confirmed $14.9 million in Homeland Security funding and has $2.3 million in Homeland Security funding pending. The additional $1.8 million can be funded by the County from the FY2006 Capital Plan. Since the funds are already designated for the Capital Plan in FY2006 and the project will not be funded through the County General Fund, the County will be able to upgrade its radio system with no impact on the General Fund.

Summary of Funding

MACOM/ Ericsson System	$41,000,000
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Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$0	$0	$0	$0

8. Support Creation of Regional Parks Conservancy to, in Time, Assume Responsibility for Managing the County's Park System

Dept:	Parks, Recreation, and Forestry	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Parks	**Fiscal Impact To FY09**:	$1,375,000
		Required Approval:	County

Currently, the Buffalo Olmsted Parks Conservancy serves as an exemplary resource for managing a select group of parks. Through its strong leadership, dedicated funding base, and community participants, the Olmstead Conservancy has been able to implement a number of best practices, including the development of a 20 year management and restoration plan, the establishment of turf maintenance policies, the initiation of a marketing and branding program, merchandising, and community involvement through active fundraising and a strong volunteer program.

Beginning in FY2006, the County will undertake a process to support the development of a Regional Parks Conservancy, to take on increasing levels of responsibility for managing the County's overall park system by 2008. The current management partnership between the County and the Buffalo Olmsted Conservancy stemmed from a coordinated financial investment by the County to build up the capacity of the Buffalo Olmsted Conservancy so that it could be in position to manage the parks. A similar approach will be pursued for the expansion of this management partnership approach to encompass all County parks.

Public-private partnerships can be a tremendous resource for parks systems in terms of financial assistance as well as planning and programmatic support. Not-for-profits are excellent collaborators for parks systems due to the relative flexibility of their finances and their extensive community networks. Moreover, not-for-profits lend themselves more naturally to aligning community resources through partnerships with volunteer groups and “friends of” organizations and can utilize these partnerships to support a number of recreation programs and beautification activities such as tree-plantings, mentoring, youth-group park improvement projects, and adopt-a-park programs. As a not-for-profit, organizations such as the Buffalo Olmsted Conservancy are also better able to obtain grants, as well as fundraise, receive donations, coordinate volunteer support and assist with match requirements (cash and in-kind labor) for grants[57].

Another benefit of public private partnerships is relative operational flexibility. For instance, many parks maintenance services are readily available in the private market and park systems that contract out their maintenance services often achieve significant cost savings relative to previous municipal costs and staffing levels. Private partners such as the Buffalo Olmsted Conservancy are generally able to take advantage of such cost savings and as such are often able to provide services more cost-efficiently. Indeed, under the current contract, the Buffalo Olmsted retains the right to enter into any contracts or subcontracts that is deems appropriate to the performance of its responsibilities under the agreement.[58] As an example of potential

[57] Paying for Parks: An Overview of Fiscal Resources for Local Park and Recreation Agencies. page 29.
[58] Agreement between the County of Erie and The Buffalo Olmsted Parks Conservancy. 1 July 2004.

benefits, the City and County of Philadelphia (PA) subcontracted park grounds maintenance in the early 1990s during a period of fiscal distress, and achieved more than 50 percent reductions in its turf maintenance expenditures.

To capture such potential benefits, public private partnerships for parks have generally aligned themselves with one of several functions: restoration and preservation, fundraising, the development of capital projects, programmatic support for environmental and recreational programs, maintenance and operational support, and design and strategic planning.

- The Louisville Olmsted Park Conservancy serves as a planning and funding partnership between the city and private sector. The city provided $1 million in seed money to establish the Conservancy and fund the master plan for three city parks and parkways. Since its inception, the Conservancy has raised $3.5 million in philanthropic and public funds to match a $2.5 million grant, and is nearly finished raising another $1 million to match a $600,000 grant.

- The San Francisco Parks Trust spearheads the fundraising efforts of the San Francisco parks system and is a significant partner with the park department in planning the use of privately raised funds. Since its inception in the early 1990s, parks income increased more than 17-fold and dozens of new projects were undertaken or completed. Moreover, the effort helped many community leaders realize the vast amount of untapped money potentially available for park restoration and creation in San Francisco. One of the "quiet" services offered by SFPT is the Parks Partner Program. For the many "friends of" organizations that have an idea and want to raise funds to support the idea, the San Francisco Parks Trust will act as their fiscal agent for a small fee to cover its accounting expenses and allow them to use our non-profit status for fundraising and also acts as a "funding mentor" to guide the groups in grant writing, applying for permits and sending acknowledgment letters.

- Perhaps the best known conservancy model is that of New York's Central Park, under contract with the City to manage the 843 acre landmark. Under this eight-year contract, the Conservancy provides for the Park's day-to-day care, including landscape maintenance, replacement of dead trees and plants, mowing and reseeding, cleaning, maintenance and repairs, educational programs, and marketing. In terms of payment, CPC agrees to raise and annually expend a minimum of $5 million with respect to maintenance, repairs, programming, landscaping, renovation, etc. At the end of each fiscal year, the City gives CPC $1 million if the $5 million mark has been met plus $0.50 for every $1 raised and expended over the $5 million by CPC. The Erie County-Buffalo Olmsted Conservancy agreement in similar in terms of the Conservancy's operational responsibilities, although differs in terms of investment required by the private partner.

- The New York City Parks Foundation has also partnered successfully with the City. In 2003, the City Parks Foundation launched a four-year initiative combining community outreach with capital improvements, new programming, and additional staff in sixteen neighborhood parks in four areas of New York. The 16 parks were selected in part for their potential for improvement and received $5 million in private funds raised by the City Parks Foundation, some of these funds are also being used for programs that support and organize volunteer groups The $5 million investment is currently administered by Partnership for Parks, a joint program of CPF and Parks and Recreation.

As shown through the examples above, successful pubic private partnerships yield tremendous benefits for the public entity, partnering organization, and the citizens who use the parks system.

Overall, however, projecting the specific fiscal impact of developing a fully Regional Parks Conservancy is inherently somewhat uncertain. According to national park planners, best in class systems typically generate outside earned income amounting to 45-60 percent of operating expenditures in suburban communities, and 30-40 percent in urban settings, depending on service mix. Such systems embrace an active approach to revenue generation including entrepreneurial culture, strong incentives, and highly professional development staff in a dedicated revenue division or grant development office. Targeting such standards, it is projected that the County will potentially be able to achieve at least 50 percent cost recovery via development of a strong regional, private-public partnership with an organization such as the Buffalo Olmsted Conservancy, while simultaneously enhancing park and recreation services. In contrast, preliminary FY2006 County Budget data forecasts earned outside income at less than 30 percent of overall operating expenditures. If an expanded Conservancy model were to achieve overall improvements reaching the 50 percent cost recovery target, approximately $1.1 million of benefit would be generated for the combined City and County parks.

Given the significant logistical challenges associated with developing such a Regional Parks Conservancy, any potential impact is discounted 100 percent through FY2007. In FY2008, the potential impact is discounted 50 percent, with a further 25 percent discount for FY2009.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	100%	50%	25%
Fiscal Impact	$0	$0	$0	$550,000	$825,000

9. Restore Park Staffing to Sustainable Levels Until Transferred to Regional Park Conservancy

Dept:	Parks, Recreation, and Forestry	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	($1,360,000)
		Required Approval:	County

On November 1, 2005, park staff levels are slated for reduction from the current workforce of 69 fulltime employees and 31 seasonal and part time staff to 40 full-time positions and an increased number of part time and seasonal employees. In keeping with the recommendations of the Buffalo Niagara Partnership report, greater investment in part time and seasonal employees has been planned for FY2006. In FY2006, almost $600,000 has been budgeted for seasonal staff, compared to less than $300,000 in FY2005. Similar increased investments are seen in budgeted part time salaries. Consistent with the recommendations of the Buffalo-Niagara Partnership recommendation that the parks develop staffing plans better aligned with seasonal demands, County management anticipates that these staffing levels will be sufficient to handle the minimal maintenance requirements of the winter months, while providing greater resources for the more active summer months.

Incorporating this modest reinvestment relative to "status quo" baseline projections, salaries and fringe benefit savings are estimated to have a net cost $232,000 in FY2006, growing modestly in future years.

FY2005 to FY2006 – Base Salaries by Park Division

	FY2004 (actual)	FY2005 (estimated)	FY2006 (budgeted)	Change from FY2005 to FY2006
Parks	$5,739,479	$3,797,891	$3,920,674	122,784
Recreation	$464,797	$106,552	$87,643	-18,909
Forestry	$281,531	$117,401	$82,504	-34,897
City Parks	$1,875,984	$3,349,178	$3,807,147	457,968
Total	**$8,361,790**	**$7,371,022**	**$7,897,968**	**526,947**

Summary of Costs

	FY2005	FY2006	FY2007	FY2008	FY2009
FY2005 total salary	$7,371,022	$7,629,007	$7,931,879	$8,345,130	$8,766,559
Fringe	$2,353,751	$2,390,679	$2,495,584	$2,625,604	$2,758,197
Total	**$9,724,773**	**$10,019,686**	**$10,427,463**	**$10,970,734**	**$11,524,756**
FY2006 total salary		$7,897,968	$8,211,518	$8,639,338	$9,075,624
Fringe		$2,353,751	$2,573,218	$2,707,283	$2,844,001
Total	**$0**	**$10,251,720**	**$10,784,736**	**$11,346,621**	**$11,919,625**
Costs	**NA**	**$232,034**	**$357,273**	**$375,887**	**$394,869**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	($232,000)	($357,000)	($376,000)	($395,000)

1. Increase Green Fees for County Golf Courses

Dept: Parks, Recreation, and Forestry
Division/Bureau: Parks
Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $1,358,000
Required Approval: County

The County Parks division manages two County golf courses: Elma Meadows and Grover Cleveland golf courses. In FY2004, $1.1 million in revenue were generated from these two courses. As described in the August 2005 Buffalo Niagara Partnership Report, *A Plan for Moving On,* Erie's greens fees are substantially beneath the market rate of comparable golf courses in the region. Shown below is a modified version of the chart presented in the Buffalo

Niagara report showing just publicly owned regional courses[59] and Erie County; seasonal pass rates have also been added for all selected courses when available.

County greens fees are significantly below the fees of comparable regional golf courses. As shown in the table below, the greens fees for Elma Meadows and Grover Cleveland are both below the average median greens fees when compared to the eight other publicly owned golf courses in Erie County. Similarly, for those courses offering regular season permits,[60] both Grover Cleveland and Elma Meadows fall well below the median value.

Peak and Non-Peak Greens Fee and Season Permits for Publicly Owned Courses in Erie County

18 Hole Golf Courses		Peak Fee	Non-Peak Fee	Regular Season Permits
Sheridan Park	Town of Tonawanda	$25.00	$21.00	$370.00
Beaver Island State Park	New York State	$22.00	$18.00	-
Amherst Audobon	Town of Amherst	$21.00	$21.00	$320.00
Brighton Park	Town of Tonawanda	$21.00	$14.00	$370.00
Hamburg Town Golf Course	Town of Hamburg	$21.00	$14.00	$325.00
Elma Meadows	Erie County	$16.00	$12.00	$300.00
Delaware Golf Course	Olmsted Conservancy	$15.00	$9.00	$160.00
Grover Cleveland	Erie County	$12.00	$10.00	$190.00
Average		**$19.13**	**$14.88**	**$290.71**
Median		**$21.00**	**$14.00**	**$320.00**

If Erie County were to increase its greens fees by $4 and its seasonal passes by $50, an estimated $329,000 in additional revenues would be generated annually. In practice, the County might likely generate even more revenues since anecdotally it has been related that FY2004 was an unusually poor year for golf revenues due to a large number of inclement weather days. The table below shows projected revenue gains from FY2006 to FY2009, a 100 percent discount has been assumed for FY2005 in recognition of the fact that the Legislature would need time to approve this fee increase and that only a few weeks of the FY2005 golf season remains. Since revenue projects were based off of FY2004, which had unusually poor golf weather, no additional discounts were taken for FY2006 to FY2009 revenue projections. Also given the continued competitiveness of the proposed new greens fees relative to comparable courses in the region, no decline in rounds played is assumed due to price-sensitivity.

[59] The greens fees for the Town of Hamburg's eighteen-hole course have been added to the fees presented in the Buffalo Niagara report. The courses run by the Olmsted Conservancy have also been added as regional comparables, although these courses are heavily subsidized by the County.
[60] For counties with both resident and non-resident season permits. Resident seasonal permits were considered to be equivalent to Erie's regular permits.

Revenue Projections: Greens Fee Increase for Elma Meadows and Grover Cleveland

ELMA MEADOWS GOLF COURSE	FY04 Fee	FY04 Revenue	FY06 Proposed Rate	FY06 Revenue
Regular season permits	$300	$4,500	$350	$5,250
Senior & youth permits	$240	$9,600	$290	$11,600
Regular season permits*	$325	$63,050	$375	$72,750
Senior & youth permits*	$265	$55,385	$315	$65,835
Senior & youth permits	$6	$4,056	$10	$6,760
Senior & youth tee time pass	$31	$6,758	$35	$7,630
Senior Citizens	$8	$37,152	$12	$55,728
Youths	$8	$600	$12	$900
Access pass	$8	$3,632	$12	$5,448
Weekdays	$12	$159,564	$16	$212,752
Weekends & holidays	$15	$91,590	$19	$116,014
GROVER CLEVELAND	**FY04 Fee**	**FY04 Revenue**	**FY06 Proposed Rate**	**FY06 Revenue**
Regular season permits	$190	$11,210	$240	$14,160
Senior & youth permits	$160	$19,200	$210	$25,200
Regular season permits*	$215	$25,585	$265	$31,535
Senior & youth permits*	$185	$31,265	$235	$39,715
Senior & youth permits	$8	$15,288	$12	$22,932
Senior & youth tee time pass	$8	$104	$12	$156
Senior Citizens	$8	$4,968	$12	$7,452
Youths	$10	$136,310	$14	$190,834
Access pass	$12	$92,616	$16	$123,488
Weekdays	$10	$136,310	$14	$190,834
Weekends & holidays	$12	$92,616	$16	$123,488
TOTAL REVENUE - GROVER CLEVELAND AND ELMA MEADOWS		**$1,001,359**		**$1,330,461**

* denotes fees with tee time reservation privileges

These revenue projections have been made with Erie Parks Department proposed revenue increases of $4 to greens fee and $50 to season permits. For each additional $1 increase in daily greens fees, up to the point at which rounds played are significantly eroded as a result of non-competitive pricing, an extra $70,000 could potentially be achieved. For the revenue summary shown below, however, the suggested increase of $4 to daily greens fees and $50 to seasonal permits has been assumed. Again, as with the table above, attendance figures are assumed to be equal to FY2004 levels.

Net Revenue Projection – Greens Fee Increase

	FY2005	FY2006	FY2007	FY2008	FY2009
FY2004 Revenues	$0	$1,001,000	$1,021,000	$1,042,000	$1,065,000
Estimated Revenues from Fee Increase	$0	$1,330,000	$1,357,000	$1,385,000	$1,415,000
Change in Revenues	**$0**	**$329,000**	**$336,000**	**$343,000**	**$350,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$329,000	$336,000	$343,000	$350,000

3. Pursue Competitive Practices for Golf Course Operation

Dept: Parks, Recreation, and Forestry
Division/Bureau:
Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $802,000
Required Approval: County

As noted above, Erie County currently owns two golf courses, Elma Meadows and the Grover Cleveland. Golf course budget data indicates that the courses are underperforming and suggests that the County is likely to increase its return by pursuing practices used by privately managed course – including market assessments, purchasing agreements, equipment maintenance, and effective customer service practices and informational systems. In the long-run, contracted operation (as recommended by the Buffalo Niagara Partnership) merits active exploration. In the near-term, the adoption of competitive practices will serve to increase golf revenues and sustain and grow the current customer base.

As noted in the Buffalo Niagara Partnership Report, for example, competitive practices transformed Monroe County's $100,000 annual operating deficit into a revenue stream of $220,000 per year with no changes in greens fees. Privatized management can often drastically reduce operational expenditures through increasing the number of rounds played, cutting overhead costs, purchasing materials and supplies in volume, improving golf course management techniques, actively marketing programs and developing cooperative arrangements with golf associations, reinvesting revenues in capital improvements, and increasing productivity through implementing best practices[61].

The chart below shows revenues and expenditures for the County golf courses for FY2003 and FY2004. In addition to total operating expenditures, the county is paying debt service for various capital improvements such as an $819,500 irrigation system and $228,600 in water line replacement for Grover Cleveland, and a $47,000 in capital investment in Elma Meadows for a new fuel management system and backflow prevention pit. A similar irrigation system is anticipated to be needed for Elma Meadows in the future. As shown, Erie currently recovers

[61] Snell Lisa. Getting Greens in the Black: Golf Course Privatization Trends and Practices. Reason Public Policy Institute. Policy Study No. 260. August 1999.

approximately 91.5 percent of its operating costs and does not recover capital expenditures. While park management is now seeking to increase its fee levels to appropriate regional levels, municipal golf courses managed by a third party have often achieved full cost recovery plus a modest return-on-investment. Under a contracted approach, payments can vary widely depending on such terms as guaranteed minimum revenues, capital investments expected by the contractor, contract length, proximity of other courses managed by the same vendor, and the type and quality of included concessions such as a pro shops and food services. If a conservative 10 percent of gross revenues is assumed for the contractor payment over and above full cost recovery (a significantly higher payment might be expected, depending on the terms of any agreement), revenues would exceed $100,000 annually and the net benefit would be more than $200,000 per year.

Net Savings through Golf Course Competition

	FY2005	FY2006	FY2007	FY2008	FY2009
Estimated Expenditures (2005 Budget)	$1,173,782	$1,203,000	$1,227,000	$1,253,000	$1,281,000
Estimated Revenues (2004) Actuals	$1,073,983	$1,095,000	$1,117,000	$1,097,000	$1,121,000
Operating Deficit	-$99,799	-$108,000	-$110,000	-$156,000	-$160,000
Anticipated Contractor Payment	$107,398	$120,300	$122,700	$125,300	$128,100
Net Gain from Privatization	**$207,000**	**$228,000**	**$233,000**	**$281,000**	**$288,000**

Whether via privatization or internal reforms, the County should target to recover the full operational costs of its courses, some capital improvements, plus an additional return on prior public investment in these assets. Given collective bargaining considerations, and to avoid double-counting relative to cost recovery through greens fee increases, this plan conservatively excludes the savings potential of this initiative from gap closure totals at this time.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	0%	0%	0%
Fiscal Impact	$0	$0	$233,000	$281,000	$288,000

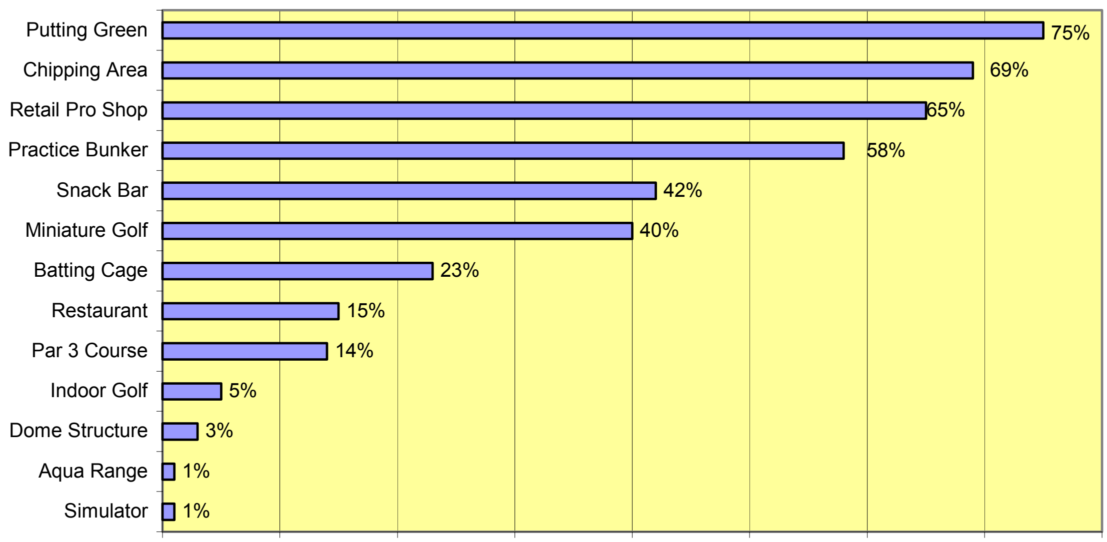
13. Explore Potential Expansion of Driving Range Opportunities and Other Recreational Concessions

Dept:	Parks, Recreation, and Forestry	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

Another revenue-generating golf-related opportunity lies in the development and operation of municipal driving ranges through contracts with private concessionaires. In other communities, such concessions have been developed under long-term agreements that provide for upfront capital investments by the vendor (and time to recoup such investments), payments to the host government might include the greater of payments established in a concession fee schedule or fifteen percent of gross revenues.

In conjunction with driving range development, other family entertainment activities such as batting cages, miniature golf, putting greens, or chipping areas can also be successful. These family friendly amenities serve to expand and diversify the facility's customer base. Putting greens and chipping areas enable driving range patrons to practice a number of related skills and similarly provide additional revenues for driving range owners. The chart below shows the percent of driving ranges having such amenities.

Percent of Ranges with Selected Family Amenities



Source: 2003 US Driving Range Survey

The most important factor affecting driving range success is location. According to the 2001 Alternative Facilities Report, Golf 20/20, an estimated 80 percent of customers will come from within 15 minutes drive from the range. Should Erie County pursue the development of a driving range, it should partner with a private driving range operator for the planning, construction, and management of the driving range facility. The contracted driving range developer could determine which of these locations would be most suitable for the development of a driving range given the distribution of the local population and existing driving ranges as well as determine which amenities will make the driving range locally competitive. Consultation with the Erie County Parks Commissioner suggests that Como Lake, Emery Creek, Ellicott Creek, and/or Akron parks have the open space necessary for the construction of a driving range and should be considered for the RFP.

In mid-Atlantic urban parks, such concessions have generated $150,000 to $160,000 per year. Given the shorter seasons and general demographics in western New York, it would be conservative to project somewhat lower revenue potential for Erie County. For this initiative, Erie County will issue an RFP to explore the market for the development and management of County driving ranges and related concessions. No revenue projections will be made for this initiative given the existing number of golf related activities located in the greater County region and the uncertainties resulting from these regional competitors.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

2. Secure Wendt Mansion Concessionaire

Dept: Parks, Recreation, and Forestry
Division/Bureau:
Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $120,000
Required Approval: County

The Wendt Mansion, as described in the County's 2003 *A Masterplan for the Erie County Parks System,* was built in the 1800s and is "reminiscent of an earlier era of influence, when the wealthy families of Buffalo recreated along the lakeshore during the summer months." As a result of a sizeable donation by the Wendt family, the County has partially renovated the Wendt mansion although these renovations have been temporarily halted due to budgetary constraints. The Wendt mansion is on Wendt Beach, which is a 178-acre, multi-purpose park with both beach related, passive activities and active recreational offerings. Located in the Town of Evans approximately 20 miles south of Downtown Buffalo, Wendt beach is less than one mile north of Bennett Beach and is accessible via Old Lakeshore Road.

As noted in the 2003 *Masterplan*, the Wendt facility has several potential reuses, including use as a catering facility, bed and breakfast, wedding or conference facility, restaurant and/or tea room. The County has recently issued an RFP for this facility, and has received a positive response. Although no specific concessions agreement has yet been reached, on the basis of these proposals, it is projected that this facility has the potential to generate moderate revenue for the County in future years. FY2005 and FY2006 have been discounted by 100 percent to account for the time needed for the concessionaire to renovate the facility.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	100%	0%	0%	0%
Fiscal Impact	$0	$0	$20,000	$40,000	$60,000

6. Institute Parking Fee for County Parks

Dept: Parks, Recreation, and Forestry
Division/Bureau: Parks
Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $1,090,000
Required Approval: County

Currently the County does not institute a parking fee for use of its parks system. A number of comparable park systems within Erie County and comparable counties, however, do charge parking fees, as noted in the table below. Some of these other jurisdictions limit fees to special purpose parking such as beach parking.

FY2004 Parking Revenues for Regional Park System and Comparable Counties

	Parking Fee	Notes	FY2004 Parking Revenue
Beaver Island State Park	$7.00	9am - 5pm on weekday 8am - 6pm on weekends during the summer	$124,990
Evangola State Park	$6.00 / $7.00	9am - 5pm on weekday / 8am - 6pm on weekends during the summer	$45,415
Town of Hamburg	$15.00 / $5.00	regular one year beach pass / senior one year beach pass	$3,200
Suffolk County	$10.00	May 28 to September 5	$644,925
Westchester County	$8.00 / $4.00	regular fee/ fee with Park Pass	NA
Onondaga County	$4.50	May 28 to September 5 for beach	$84,791
Monroe County	$0.00	NA	$0
Erie County	**$0.00**	**-**	**-**

As shown in the table above, fee structures and levels for parking vary widely for the parks within Erie County and comparable counties surveyed. Four comparable counties have summer and/or beach parking fees for their county parks; moreover conversations with senior administrators indicate that the expanded use of vehicle use fees are being considered in certain counties. Both state parks in Erie County, as noted in the Buffalo Niagara Partnership report, charge $6 to $7 per vehicle during the summer months depending on the day and time and whether the park has a beach.

As noted in *A Plan for Moving On*, the physical layout of state parks facilitates their ability to collect fees, since they usually only have one or two entrances. Since Erie County parks' generally have multiple entrances,[62] the Buffalo Niagara Report's suggestion that pay stations should be established for the collection of parking fees appears to be a prudent and cost-efficient mechanism to collect these revenues. The City of Baltimore paid about $6,000 per "pay and display" parking collection device with an installation cost of $1,200 and an initial public outreach cost of $600. Using Baltimore to benchmark acquisition, installation, and public outreach, an $8,000 capital cost per meter has been used for costing out in year one, for a combined cost of $200,000 for the 25 collection devices needed for each of Erie's park entrances. Additionally, based on the City of Baltimore's experiences, $200 per device per year has been budgeted for the maintenance costs associated with the devices (collection, vandalism, weather damage, replace receipt tape, etc.). Per recommendations from the park leadership, it is further assumed that the park ranger program will be reinstated to provide the necessary

[62] According to the Buffalo Niagara Partnership Report, there are two entrances at each park, except Como Lake, which has three, and Chestnut Ridge, which has four.

manpower to enforce the new parking fee through vehicle checks and the ticketing of non-compliant vehicles.

Erie County recently completed a 15 week traffic count between Memorial Day to Labor Day of 2005 with assistance from the Greater Buffalo Niagara Regional Transportation Council. Counting just the cars on Saturdays and Sundays, the total traffic count was 183,495 cars, or an estimated 12,233 vehicles per weekend. Using these vehicles counts, the transportation council estimated that at $3 per vehicle, an estimated $550,485 could be collected during this fifteen week period.

Although these numbers are encouraging in terms of the revenue potential of parking fees, some measure of conservatism has been applied to the revenue projections noted here. Since these traffic counts were conducted during the period of peak usage for the year, e.g. Memorial Day to Labor Day, they are not reflective of typical weekend or year-round weekday usage and should not be anticipated to be sustainable through the non-summer season. Similarly, with the imposition of a vehicle usage fee, some park attrition must be assumed. Furthermore, the County anticipates introducing a $25 annual parking pass option for regular system users, such as joggers, who are likely generating a significant component of overall traffic volume. As such, until greater experience with actual parking fee receipts is available, annual gross revenues are not projected at more than $550,485 estimated by the summer weekend traffic count.

In terms of implementation costs, park administrators estimate that seasonal park rangers will be needed to supervise parking lots to verify payments seven days a week for eight hours a day. Using FY2004 wages for park rangers, part time seasonal park rangers' wages are assumed to $8.33 per hour, to this park administration recommends that an additional 20 percent in fringe benefits should be added, for a combined annual cost of $194,589 in salaries and $38,918 in fringe benefits, with an annual growth factor added[63]. The growth factor utilized in the model for non-union represented employees has been assumed.

Net Revenue Projection – $3.00 Parking Fee Initiative

	FY2005	FY2006	FY2007	FY2008	FY2009
Estimated Parking Revenues	$0	$550,485	$561,495	$573,286	$585,898
Wages for Park Rangers	$0	($194,589)	($198,889)	($201,283)	($207,885)
Fringe Benefits for Rangers (20 percent)	$0	($38,918)	($39,778)	($41,641)	($43,007)
Cost of Fare Collection Devices	$0	($200,000)	-	-	-
Maintenance Costs	$0	$0	($5,000)	($5,125)	($5,253)
Net Revenues	**$0**	**$117,000**	**$318,000**	**$325,000**	**$330,000**

One of the benefits of parking revenue is that it enables the county to achieve some measure of cost recovery for those activities and services whose fees are otherwise not cost-effective to collect, such as ball fields, athletic fields, cross country ski trails, and hiking trails. By collecting parking revenues, the County enables users of these park services to contribute in some small measure to the maintenance costs of the services they use.

[63] The calculations below reflect implementation costs and estimates net revenues.

A one-hundred percent discount has been assumed for FY2005 due to anticipated time it would take to competitively acquire and install the parking fare collection devices and hire the staff needed to oversee the initiative. Given the overall conservatism of gross revenue projections, no further discount has been applied for FY2006 through FY2009.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$117,000	$318,000	$325,000	$330,000

7. Institute Boat Launch Fee

Dept:	Parks, Recreation, and Forestry	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:	Parks	**Fiscal Impact To FY09**:	$104,000
		Required Approval:	County

Erie County now operates the only free boat launches in the country at Isle View Park and the foot of Ontario Street[64]. As noted in the Buffalo Niagara report, the County pays $97,000 in debt service per year for the Isle View Park Boat Launch due to $1.4 million in expenses it bonded during FY1992. Although these debts are scheduled to be retired in FY2006, effective fiscal management policies nonetheless dictate that Erie County should attempt to recover some of these expenses through user fees. As shown in the table below, fee structures and fee levels for boat launch facilities vary widely among the other public launches within Erie County and the comparable counties surveyed here. However, given the fact that Erie's boat launches are adjacent to the Town of Tonawanda's launches, a similar fee structure, i.e. $6 weekend pass and $9 weekend pass with additional seasonal options, is suggested so as to keep Erie's fees locally competitive.

FY2004 Boat Launch Revenues for Regional Park System and Comparable Counties

	Boat Launch Fee	FY2004 Revenue
Beaver Island State Park	$6.00	NA
Town of Tonawanda	Resident Season Pass - $75 Non-resident Season Pass - $100 Daily weekday pass - $6 Daily weekend pass - $9	$20,331 (as of mid-August)
Town of Hamburg	$40/year (only residents) $10/year for multiple passes(each) $15/year for seniors	$14,125

[64] Buffalo Niagara Partnership report. *A Plan for Moving On*. August 2005. p133.

	Boat Launch Fee	FY2004 Revenue
Suffolk County	$25/year- annual: resident $15/year- annual: senior, handicapped, EMT $50/year- annual: non-resident $200/year- annual: commerical $5- daily: resident $10- daily: non-resident	NA
Onondaga County	$6.50	$28,000
Monroe County	$6.00 per boat $100 per year	$4,966
Nassau County	$20 per day $50 per season	$58,630
Erie County	**$0.00**	**$0**

As the Buffalo Niagara Report states, it is difficult to determine precisely what revenues could be achieved from such a user fee would be since counts do not currently exist as to the number of boats using Erie's launch facilities. Given Tonawanda's close proximity to Erie boat launches and comparable facilities, similar revenues are projected for Erie County and are shown in the chart below. In FY2004 Tonawanda boat launch was closed due to budget constraints, given January through mid-August collections of $20,331, however, it is assumed that Tonawanda's revenues will meet or exceed $25,000. No additional staffing has been assumed for the boat launch since it has been confirmed with park leadership that the park rangers should be able to monitor the boat launch as part of their regular duties.

Net Revenue Projection – Boat Launch Fee

	FY2005	FY2006	FY2007	FY2008	FY2009
Estimated Boat Launch Revenues	$0	$25,000	$25,500	$26,036	$26,608
Net Revenues	**$0**	**$25,000**	**$26,000**	**$26,000**	**$27,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$25,000	$26,000	$26,000	$27,000

5. Increase Camping Fees

Dept:	Parks, Recreation, and Forestry	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$53,000
		Required Approval:	County

Erie County camping fees are lower than regional norms. Erie's electric sites are $15 compared to the state's fee of $19 to $20[65]; non-electric County sites are only $12 compared to the state's fee of $13. A quick survey of the four largest towns in Erie, Amherst, Cheektowaga, Tonawanda, and Hamburg, show none with town-run campsites, leaving Evangola State Park as Erie's primary local competitor[66]. Given this, Erie will pursue an increase to its campsite fees to match those of the state. This fee increase will introduce a moderate amount of additional revenues for the County without exceeding regional norms. Using FY2004, data the County non-electric campsites were used 2,738 times and electric campsites were used 2,039 times for gross revenue of $63,441. Assuming the same usership levels, a fee increase of $5 for electric sites and $1 for non-electric sites should yield a net revenue increase of approximately $13,000 per year. A 100 percent discount has been used for FY2005 to account for the time needed by the Legislature to approve such a fee increase. No additional discounts have been taken since collections mechanisms already exist for all County campsites.

Net Revenue Projection – Fee Increase for Electric and Non-Electric Campsites

	FY2005	FY2006	FY2007	FY2008	FY2009
FY2004 Campsite revenues	$0	$63,441	$64,710	$66,069	$67,522
Anticipated Revenues with Fee Increase	$0	$76,374	$77,901	$79,537	$81,287
Net Gain from Fee Increase	**$0**	**$13,000**	**$13,000**	**$13,000**	**$14,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$13,000	$13,000	$13,000	$14,000

12. Review City of Buffalo Parks Fees for Potential Adjustments

Dept:	Parks, Recreation, and Forestry	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:	Parks	**Fiscal Impact To FY09**:	TBD
		Required Approval:	County

The primary revenue generating activities within the City parks division is enfolded into the Olmsted Conservancy agreement and discussed in the following initiative. Beyond these, the City of Buffalo parks also operates pools, ice rinks, and athletic fields. Excluding ice rink fees,

[65] $20 fee is for 50 amp electric campsites.
[66] Beaver Island State Park does not have campsites.

which are covered through a concessions agreement, remaining City parks revenues are below $100,000. Nonetheless, City fees should be regularly monitored to determine whether they are keeping with regional norms. Under the current City of Buffalo agreement, all revenues, leases, permits, licenses, concessions, and fees received from the City of Buffalo parks[67] flow to the County. Therefore, the County should seek to maximize City parks revenues through fee adjustments when appropriate, as well as other revenue generating activities with net positive revenue such as those discussed throughout this plan.

10. Develop Marketing, Sponsorship, and Naming Rights Program

Dept:	Parks, Recreation, and Forestry	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	Discussed elsewhere in the report
		Required Approval:	County

The Buffalo Niagara Partnership report proposes that the County sell naming rights for its parks facilities and speculates that the high visibility of several of the parks will make them attractive candidates for corporate sponsorship and branding. This plan endorses that such a program should be pursued and moreover should be expanded to include other opportunities for marketing alignments that are tasteful to community standards. A broader countywide naming rights program is discussed in initiative Budget and Management Department.

11. Establish Parks and Recreation Management Information System

Dept:	Parks, Recreation, and Forestry	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:		**Fiscal Impact To FY09**:	$168,000
		Required Approval:	County

A best practice for parks management is the use of management information systems for maintenance and recreational programming needs. Computerized maintenance and management systems provide a number of benefits, including, but limited to the following:

- **Management of customer service**: Recreational management systems are also invaluable for streamlining reservations and admission and implementing an effective customer tracking system. Currently, the Erie County parks department processes a number of facility permit applications for use of sports fields, swimming pools, shelters, campgrounds, picnic sites, and other outdoor areas. Customer management systems can streamline internal approvals and permit applications and enable the entire park staff to view facility reservation status and the approval stage of any permit at any time using such a system, which yields benefits in terms of improved customer service. Management systems are also valuable for their ability to track customer usage and demographic information, which allows for better informed long-term planning and asset development.

[67] Does not included those revenues delegated to the Buffalo Olmsted Parks Conservancy.

- **Tracking of work orders and parts and maintenance requests**: Management information systems provide a single point of contact for all facilities management requirements including maintenance requests and preventative and scheduled maintenance. As such, effective management information systems streamline operations and improve the quality and speed of service delivery and yields benefits in terms of improved internal and external customer service.

- **Inventorying and tracking of physical assets**: The automated tracking of park inventory and centralized purchasing that can be executed from such information systems will also allow the department to take advantage of economies of scale that can be achieved through joint purchasing. Similarly, such systems can also provide greater internal security through its capacity to identify inventory irregularities. The Buffalo Niagara Partnership Report estimates that Erie County could potentially save 10 to 15 percent, or $60,000 to $90,000 of its $606,963 budget for supplies and equipment through such a system, as other government purchasers have achieved similar savings levels. In evaluating this Partnership recommendation, Parks management concurs that strengthened management information and inventory controls would be beneficial, and that savings could be achieved with such tools.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	100%	20%	0%	0%
Fiscal Impact	$0	$0	$48,000	$60,000	$60,000

4. Institute Active Forest Management Program

Dept:	Parks, Recreation, and Forestry	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:	Forestry	**Fiscal Impact To FY09**:	$853,000
		Required Approval:	County

A vital function of the Forestry department is to maintain approximately 3,500 acres[68] of county owned forest land for the purposes of conservation, preservation, and recreation. The County's forest consists of 13 lots ranging from 71 to 852 acres in size. Roughly 45.5 percent of the County's forest consists of hardwood and 49.4 percent of the forest consists of conifers[69], underscoring the strong revenue generating potential of County forest lands. Currently, Erie County does not operate an active forest management program and limits its management of the forest to the removal downed trees from the forest and the recycling of them for use in other park related projects. The County Department of Forestry division manages a sawmill that provides the county with lumber and firewood; currently none of the timber removed from the forest is sold commercially. One fulltime forester presently staffs the County's Department of Forestry and carries out the County's maintenance, conservation, and recreational programs.

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[68] 2004 Erie County Budget. p475.

[69] Erie County Forest Management Plan. Erie County Department of Parks, Recreation and Forestry Draft Plan, November 2003

In February 2004, the Erie County legislature approved the ongoing selective harvesting of county timber to produce a moderate level of sustainable income for the County. Active forest management is widely practiced by New York State and well designed programs are considered to be environmentally beneficial for the both the forest and its wildlife. According to the Massachusetts Forestry Association, effective forest management programs serve to remove low quality and poorly formed trees thereby opening up the space needed for healthier and higher quality trees. Likewise, well designed programs increase biodiversity by developing a mixture of habitats for species whose habitat needs are otherwise not adequately met and protecting cavity trees and other important resources for wildlife[70]. In January 1999, New York State was recognized as the first state in the county to receive National Wildlife Federation certification for its "multiple-use" public forest lands that are managed for timber, wildlife, water quality, and recreation. This NWF/ Smartwood "Green" certification applies to the more than 700,000 acres of State forest outside the Forest Preserve that have been certified as "well managed" and in keeping with the long-term health of the forest[71].

The table below details state revenues received from forestry management in FY2004. Five of the nine State forestry regions were surveyed to determine potential forestry revenues. Of the remaining four regions, three do not have active forestry management programs;[72] region 3 has also been eliminated from this analysis due to a large amount of uncategorized revenues.[73] As shown in the table below, average per acre net revenues for the state ranges from $508 per harvested acre in Region 7 to $760 in Region 9. The amount of revenue that can be obtained on a per acre basis varies tremendously based on factors such as timber quality (species, maturity, and size), the accessibility and logging terrain for the wood harvested, the total volume for sale, the per acre harvest volume, and the landowner requirements and knowledge. Assuming that Erie County's forest lands are similar with respect to these variables to the State's Region 9 lands, which encompasses Alleghany, Cattaraugus, Chautauqua, Erie, Niagara, and Wyoming counties, it is likely that Erie's forests will yield revenues on the higher end of this range.

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[70] Massachusetts Forestry Association: http://www.massforests.org/management-logging/benefits-of-management.htm

[71] Litwhiler, Stephen. *State Land Timber Sales Top $430,000 in Three Counties in 1999*. New York State Department of Environmental Conservation press release. 15 February 2000.

[72] Regions 1 (Nassau, Suffolk), Region 2 (New York City), and Region 5 (Clinton, Essex, Franklin, Fulton, Hamilton, Saratoga, Warren and Washington.

[73] Total timber management related revenues for Region 3 amounted to $36,699 or only 0.7 percent of total state revenues.

FY2004 Net Forestry Revenues for New York State– Regions 4, 6, 7, 8, and 9

Region	Region 4	Region 6	Region 7	Region 8	Region 9	State Total	Average of Regions with Active Timber Management	Meidan of Regions with Active Timber Management
SAWTIMBER								
Acres	1,308	1,551	1,799	809	1,085	6,552	1,310	1,308
Revenue	$887,120	$1,229,415	$1,042,828	$765,750	$863,263	4,788,376	$957,675	$887,120
Dollars per Acre	$678	$793	$580	$947	$796	3,793	$759	$793
PULP WOOD								
Acres	283	420	281	177	28	1,189	238	281
Revenue	$247,330	$66,800	$61,535	$49,340	$0	425,005	$85,001	$61,535
Dollars per Acre	$874	$159	$219	$279	$0	1,531	$306	$219
FIREWOOD								
Acres	134	424	105	114	25	802	160	114
Revenue	$7,257	$45,590	$5,141	$10,246	$990	69,224	$13,845	$7,257
Dollars per Acre	$54	$108	$49	$90	$40	340	$68	$54
MISCELLANEOUS								
Revenue	$300	$76	$1,318	$8,420	$200	10,314	$2,063	$300
TOTAL								
Total Acres	1,725	2,395	2,185	1,100	1,138	8,543	1,709	1,725
Total Revenue	$1,142,007	$1,341,881	$1,110,822	$833,756	$864,453	5,292,919	$1,058,584	$1,110,822
Average Revenue per Acre	**$662**	**$560**	**$508**	**$758**	**$760**	**$620**	**$650**	**$662**

Another variable that factors heavily into estimating potential revenues are the number of acres selected for harvesting. While the New York State Department of Environmental Conservation's policy is not to harvest timber from more than 17,000 acres, or 2.5 percent, of its 700,000 acres currently under forest management in any given year. However, according to representatives from the Society of American Foresters, the commercial availability of forest lands for timber management can vary significantly depending on the land's accessibility, due to natural variations such as streams, wetlands, and steep slopes, and whether critical habitats are present. Given this variability, the County's head forester in consultation with regional specialists estimates that ten percent of 3,500 acres can be harvested on a rotating, ten-year cycle in a sustainable, environmentally conscientious manner.

The State of New York mandates logging in state forests under the Environmental Conservation Law (ECL). Timber harvesting contracts on State Land are normally awarded to harvesters who have submitted the highest bids for the timber offered. Logging is conducted under timber harvesting contracts with DEC and all aspects of the logging operation are carefully controlled by the DEC regional foresters, thus ensuring that the work is environmentally sound and the forest ecosystem is protected[74]. Conversations with regional foresters indicate that for new forest

[74] Ibid.

management programs, it is generally recommended that forestry consultants be used for tree selection, contract development, site inspections, general management planning, accounting services, and restoration activities. As such, the cost of a forestry consultant at the typical contract rate of 10 percent of gross revenues[75] been added to program costs. With the exception of the forestry consultant, it is assumed that Erie County will pursue a similar approach to the State and will therefore achieve similar net revenues per acre as shown in the table above.

Using these assumptions, the table below shows anticipated net revenue collections for Erie County. The $760 state average per acre revenue earnings for Region 9, which includes Erie County, has been used to benchmark the likely profit that could be generated through this forest management initiative. A 100 percent discount for FY2005 and 50 percent discount for FY2006 to account for the anticipated time that would be lost to select trees and competitively bid them out.

Net Revenue Projection – Forestry Management Initiative

	FY2005	FY2006	FY2007	FY2008	FY2009
Acres selected for harvest (10.0 percent of forest land)	-	350	350	350	350
Estimated revenues ($760 per acre assumed + annual inflation)	$0	$133,000	$266,000	$271,586	$277,560
Forest Consultant Costs (10 percent of gross revenue)	$0	$13,300	$26,600	$27,159	$27,756
Net Revenue	**$0**	**$120,000**	**$239,400**	**$244,000**	**$250,000**

Independent of the above analysis, the Erie County head forester has provided a revenue projection for this initiative detailing anticipated sales volume by type of wood product and a combination of in-house and contracted laborer. New York State forest management programs use a more fully contracted approach which may provide similar revenues with less risk. Given the newness of this program, state revenue earnings for region nine are being used as a conservative regional benchmark, although the County forester's projections indicate further upside potential.

Further, County forester has also noted that – due to the lack of active forest management over the years – County forests are currently overcrowded and as a result, initial harvests would be expected to exceed what would otherwise be available. Regional foresters concur that initial forestry revenues can be expected to be substantially higher, twice or even more, due to the length of time that the forest has not actively managed. Therefore, for the first few years following the initiation of active forest management, the County may be able to anticipate revenue collections several times higher than regional norms. This potential is not factored into the projections above, and provides a further measure of conservatism such that no additional discounts have been applied.

[75] This 10 percent of gross revenues rate was provided by the Director of Land Management, at Forecon, Inc. in Falconer, NY, and has been stated to be the typical contract agreement for a consulting forester.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$120,000	$239,000	$244,000	$250,000

CLERK

51. Reopen Auto Bureaus Previously Closed: Revenue Enhancement

Dept:	Clerk	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:	Auto Bureau	**Fiscal Impact To FY09**:	$6,683,000
		Required Approval:	County

Due to layoffs in March 2005, the Auto Bureau is currently operating only two bureaus. One is located in the City of Buffalo while the other is in Cheektowaga. This leaves many areas of Erie County without a local bureau. Since Erie County only retains a percentage of renewal fees if the transaction takes place in an Erie County bureau, the County risks loosing revenue to its state counterpart. For residents in the northern section of the County, it is in many cases a shorter distance for them to travel to a Niagara County auto bureau to conduct their transactions. According to the Niagara County Clerk, the North Tonawanda bureau in Niagara County conducts 70 percent of its business with Erie County residents. This also represents a loss of revenue to Erie County.

In order to recapture revenues, the Erie County Auto Bureau should be restored. Under this, six Full Time Employees will be restored as motor vehicle registration clerks (M.V.R.s) with a base FY2006 salary totaling $189,000 for the six positions. Additionally, supervisory personnel will be upgraded and 32 part time positions will be staffed. Expenditures from these positions are detailed below. Non-personnel costs to restore the Auto Bureau will include mileage costs of $10,000 in FY2006 as well as lab and tech fees for the satellite bureaus ($65,000 in FY2006). These are anticipated to rise 2.5 percent a year with inflation.

With this restored staffing level, the County projects to increase Auto Bureau revenue by $2.3 million in FY2006. The main source of this additional revenue is an anticipated $1.9 million from auto fees collected from satellite bureaus and drop boxes. The County will set up drop boxes as a pilot project to allow residents to drop off their renewals instead of sending them to Albany. The County will also open six satellite bureaus. Five of theses bureaus will be located in local government office buildings while the sixth will be in the Niagara Frontier Auto Dealers Association. In these satellites, the locality provides the facility and the T1 line at no cost to the County. Through this agreement, the County is able to operate these satellites while only accruing costs from personnel, lab costs, and mileage costs. Based on historical averages, revenue from these satellites is anticipated to grow 5.35 percent annually. The County Clerk has also raised the rate for summary pages in FY2005 which generates $600,000 a year.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Upgrade Personnel	$0	$45,000	$47,000	$51,000	$53,000
6 MVRs	$0	$326,000	$338,000	$351,000	$369,000
32 Part Time Employees	$0	$408,000	$422,000	$439,000	$462,000
Lab and Tech Costs	$0	$65,000	$66,000	$68,000	$69,000
Mileage	$0	$10,000	$10,000	$11,000	$11,000
Total Costs	$0	**$854,000**	**$883,000**	**$920,000**	**$964,000**
Summary Page Revenue	$0	$600,000	$600,000	$600,000	$600,000
Satellite Revenue	$0	$1,900,000	$2,002,000	$2,109,000	$2,222,000
Total Savings	**$0**	**$1,646,000**	**$1,719,000**	**$1,789,000**	**$1,858,000**

To allow for potential implantation delays in opening bureaus, savings have been discounted 20 percent in FY2006. Starting in FY2007, no implantation delays are expected.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	20%	0%	0%	0%
Fiscal Impact	$0	$1,317,000	$1,719,000	$1,789,000	$1,858,000

50. Increase Motor Vehicle Fees

Dept: Clerk
Division/Bureau: Auto Bureau
Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $3,290,000
Required Approval: County, State

The New York State Department of Motor Vehicles has increased rates for many motor vehicle fees as illustrated in the table below.

Fee	Current Rate	New Rate	Effective Date
Photo Document	$5	$5	1-Oct-05
Title Fee Original	$10	$50	1-Oct-05
Title Fee Duplicate	$10	$20	1-Oct-05
Title Fee Mobile/Manufactured Home	$25	$125	1-Oct-05
Data Sales-Electronic Search	$5	$7	1-Oct-05
Data Sales- Manual Search	$6	$10	1-Oct-05
FS Buy Back 8-30 days	N/A	$8/day	1-Oct-05
FS Buy Back 31-60 days	N/A	$10/day	1-Oct-05
FS Buy Back 61-90 days	N/A	$12/day	1-Oct-05
Dealer Transporter Fee: Application	$25	$37.50	1-Oct-05
Dealer Transporter Fee: Annual Renewal	$150	$225	1-Oct-05
Dealer Transporter Fee: Biennial Renewal	$300	$450	1-Oct-05
Dealer Issued Plates	$2	$5	1-Oct-05
Salvage Vehicle Inspection	$100	$150	1-Oct-05
ATV Trial Fee	$0	$15	1-Jul-05

By increasing Erie County's rates for these services, the State has calculated that Erie County will receive an additional $800,000 in FY2006 due to these increases with 1 percent annual increases in these revenues.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Increased Fee Revenue	$264,000	$800,000	$820,000	$830,000	$840,000
Total Savings	**$264,000**	**$800,000**	**$820,000**	**$830,000**	**$840,000**

In FY2005, savings have been discounted 100 percent to allow for implementation delays. Starting in FY2006, no implementation delays are expected.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$800,000	$820,000	$830,000	$840,000

48. Increase Pistol Permit Fee to Comparable Rates

Dept: Clerk
Division/Bureau: Administration

Rev/Sav/Productivity: Revenue
Fiscal Impact to FY09: $152,000
Required Approval: County

One of the functions of the County Clerk is to provide Pistol Permits. In Erie County the 2004 Budget projected 20,000 pistol permit transactions and revenue of $50,000. Currently, the main fee for a pistol permit is $5, although there are other types of fees included in the revenue source. However, according to NY CLS Penal § 400.00 (paragraph 14) the fee allowed is $10.

A relevant excerpt from that law is as follows: "14. Fees. In the city of New York and the county of Nassau, the annual license fee shall be twenty-five dollars for gunsmiths and fifty dollars for dealers in firearms. In such city, the city council and in the county of Nassau the Board of Supervisors shall fix the fee to be charged for a license to carry or possess a pistol or revolver and provide for the disposition of such fees. Elsewhere in the state, the licensing officer shall collect and pay into the county treasury the following fees: for each license to carry or possess a pistol or revolver, not less than three dollars *nor more than ten dollars* as may be determined by the legislative body of the county;" [emphasis added].

As detailed on their web sites, each of the following New York counties charges $10.00 for this permit: Albany, Ontario, Clinton, Essex, and Rockland. Revenue in 2004 (the last year for which budget data is available) was estimated to be $50,000. Doubling the fee would indicate a doubling of revenue. (Inflation is not included since the fee will now be at the statutory maximum).

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Savings	**$0**	**$50,000**	**$50,000**	**$50,000**	**$50,000**

Due to potential implementation delays and a possible reduction in demand due to the fee increase, these savings are discounted by 25 percent FY2006 to FY 2009.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	25%	25%	25%	25%
Fiscal Impact	$0	$38,000	$38,000	$38,000	$38,000

49. Restore Registrar's Office

Dept: Clerk
Division/Bureau: Registrar's Office
Rev/Sav/Productivity: Productivity
Fiscal Impact To FY09: ($750,000)
Required Approval: County

In March, the County Clerk's Registrar's Office was subject to layoffs. Since then, the Registrar's Office has experienced a growing backlog of record maintenance and unprocessed mail. The Clerk, who by New York State law is mandated to maintain the County's records, has indicated that the current record storage areas are filled to capacity. Record maintenance has been downsized to the point which the office is not able to purge any records with current staffing levels.

By restoring one records center manager as a Full Time Employee, who will be restored at a lower salary ($45,856) than the position collected before the layoffs, and two part time employees, the Clerk has calculated that the records management function of the County Clerk's Office will be able to meet its legal obligations to the County. The part time employees will not receive benefits.

The second half of the affected program, the mail cashier function, is currently processing mail that arrived over three months ago. This has the potential to limit the County's ability to take in revenue in two ways. First, payments which have not been processed by the County can not be collected by the County. The County currently is over three months behind on revenue collections due to the mail backlog according to the Clerk. Secondly, checks often expire if not deposited within a set amount of time after being drawn. Since the Clerk states that this time period before a check becomes invalid is usually six months, the County could potentially not be able to collect revenue if the tender becomes invalid. By adding eight part time employees who will be dedicated to processing checks, the County will better be able to meet its need to collect revenues issued to the County Clerk. All part time positions being filled will cost $10,800 a year. Personnel costs, including benefits, for all the above positions are detailed below.

Summary of Costs
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Records Center Manager	$0	$68,000	$71,000	$74,000	$77,000
Part Time Employees	$0	$108,000	$112,000	$116,000	$124,000
Total Costs	**$0**	**$176,000**	**$183,000**	**$190,000**	**$201,000**

Costs have been discounted FY2005 to allow for time to restore the positions. Starting in FY2006, costs have not been discounted.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$176,000	$183,000	$190,000	$201,000

47. Charge Administrative Surcharges

Dept: Clerk
Division/Bureau: Registrar

Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: TBD
Required Approval: County/State

Under State law, counties are limited in the rates they are able to charge for service fees. In most cases, this rate is capped at or below the cost to provide the service. However, this methodology only takes into account the direct costs of providing the service. Administrative costs associated with providing these services are not taken into consideration.

In certain instances, the State has levied special permission through laws which allow certain governments to charge administrative surcharges. Notably, Nassau County is allowed to charge administrative surcharges on parking tickets and pistol permits. According to the Nassau County Revenue Manual, Nassau County charges a $10 or $50 administrative surcharge, depending on the violation, on citations in order to compensate the Traffic and Parking Violations Authority for the administrative costs of processing the incident. In addition, the Penal Law of the State of New York Section 400.00 grants Nassau County the ability to charge set its own pistol permit fee. The current Nassau County rate of $200 allows for the costs for the County to perform appropriate background checks, examine the firearm, and process paperwork. Other than the noted exception in the law, counties have pistol permit fees set at $10.

Since the New York has made special exceptions for counties to charge administrative surcharges previously, Erie County should petition the State of New York to allow it special dispensation to charge administrative surcharges for certain fees. Due to inability for the County to control what the administrative surcharges will be set at or allowed for by the State, savings can not be calculated at this time.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

52. Establish Work Rules for Satellite Office Staff in Auto Bureaus to Schedule Shifts on Saturdays and Other Times when Service Demand is Highest

Dept: Clerk
Division/Bureau: Auto Bureau
Rev/Sav/Productivity: Productivity
Fiscal Impact To FY09: TBD
Required Approval: County/Union

When instating the satellite bureaus, the County should negotiate a Memorandum of Understanding with the represented employees to allow for flex hours at satellite bureaus.

Currently, personnel in the Auto Bureau assist all customers in line at closing before leaving for the evening. This can extend shifts beyond the normal length and lead to overtime. According to the Clerk's Office, this is the main source of the estimated $30,000 in overtime expenses in a given year.

In order to find a solution which both supplies the same level of customer service while also mitigating overtime expenses, the County has moved the Cheektowaga bureau to flex hours. The office is closed on Mondays and operates from 11am to 7pm on Tuesdays, Wednesdays, and Thursdays, from 9am to 5pm on Fridays, and from 7am to 3pm on Saturdays. Although no data is kept which delineates overtime by location, the Clerk's Office does credit the flex hour schedule with reducing overtime in the Cheektowaga office since implementation.

Although it would require the consent of the governments housing the satellite offices as well as the union representing the motor vehicle registration clerks, flex hours would control overtime costs while providing a comprehensive level of service. Since overtime reductions from the Cheektowaga office are not available, savings estimates are not available at this time.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

OTHER

108. Evaluate the Current Check Disbursement Process

Dept:	Comptroller's Office	**Rev/Sav/Productivity**:	Revenue
Division/Bureau:	Comptroller	**Fiscal Impact To FY09**	TBD
		Required Approval:	County

The County will quantify the impacts that the current check disbursement process has on the Comptroller's office including the current fines paid as a result of the backlog.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

114. Expand Centralized Human Resources (All Libraries Join CHR)

Dept:	Library	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Administration	**Fiscal Impact To FY09**	$1,060,000
		Required Approval:	County

Currently, participation in the Centralized Human Resources (CHR) Program is contingent on access to the County's SAP System. The Library must request HR transactions be conducted by County staff. Certain community libraries have not been able to join the CHR program because the County can not process the transactions quickly enough. Giving Library staff limited access to the SAP system would allow the Library staff to take on all HR functions. This would allow the elimination of up to 5 clerical positions. As with other Library initiatives, this one will not affect the General Fund. The potential impact on the Library Fund is shown

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$60,000	$250,000	$250,000	$250,000

113. Sell Mobile Library Tractor

Dept:	Library	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Library	**Fiscal Impact To FY09**:	$100,000
		Required Approval:	County

The Library has determined it is not cost effective to operate a mobile library program. They purchased a Tractor and Mobile Library Trailer Unit in 2001 for approximately $200,000. As with other Library initiatives, this one will not affect the General Fund. The potential impact on the Library Fund is shown

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$100,000	$0	$0	$0

54. Consolidation & Managed Competition for Radio Maintenance

Dept: Emergency Services
Division/Bureau:
Rev/Sav/Productivity: Exp
Fiscal Impact TO FY09: TBD
Required Approval: Union

Emergency Services currently has in-house staff performing radio maintenance. Public Works, Senior Services, Sheriff, and Parks also have this work performed. The County will consider initiating a managed competition process where in-house staff would compete for the County's radio maintenance work with outside providers, with the winning proposal engaging all of the work. Savings of at least 10 percent can be reasonably expected.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

53. Merge Emergency Services into Central Police Services

Dept: Emergency Services
Division/Bureau:
Rev/Sav/Productivity: Savings
Fiscal Impact TO FY09: $525,000
Required Approval: Union

This initiative would provide for joint, integrated communication with Central Police Services, while maintaining the County's commitment to providing critical Homeland Security and other Emergency Services functions. This would eliminate one Commissioners position.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	$115,000	$136,000	$146,000	$128,000

72. Transfer Additional Responsibilities to Contract Service Provider

Dept:	Senior Services	**Rev/Sav/Productivity**:	Expense
Division/Bureau:		**Fiscal Impact To FY09**:	$41,000
		Required Approval:	County

In 2005, Senior Services underwent nearly $0.5 million in staff reductions, including the elimination of 13 drivers from its transportation services. Going forward, Senior Services will use a Cluster Review Committee process to identify effective contract providers to take on an increasing share of Senior Services program resources and service delivery responsibilities, expanding the amount of Senior Services resources transferred to outside entities from 65 percent to 75 percent of total resources.

As an initial step, an in-house senior case manager position is being eliminated in FY2006. At least one additional position would be unfunded each of the following three years of the Four-Year Plan. While positions will be eliminated, General Fund savings are modest due to the high percentage of case manager costs that are grant funded

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$4,000	$8,000	$12,000	$17,000

116. Consolidate Veterans, Commission of Status of Women, and EEO into New Office of Public Advocacy

Dept:	Veterans, EEO, and others	**Rev/Sav/Productivity**:	Savings
Division/Bureau:		**Fiscal Impact To FY09**:	$399,000
		Required Approval:	County

An important function of County government is to provide advocates for people that are part of certain classes. Currently there are four such offices that could gain efficiencies by consolidating. Those include:

- Commission on the Status of Women
- Office of Veterans Services
- Division of Equal Opportunity
- Office for the Disabled

Consolidating these departments would allow the county to maintain significant services to the impacted communities while achieving cost savings. The new Office of Public Advocacy will be led by one Commissioner-level Director, rather than the current four Commissioner-level positions. Savings will be achieved by a reduction in grade of the current Commissioner-level positions and associated reduction in clerical staff.

Implementation is predominantly under the control of the County. Therefore, minimal discounting is necessary. Inflation is assumed in the savings.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Savings	**$0**	**$98,000**	**$100,000**	**$104,000**	**$107,000**

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	10%	0%	0%	0%
Fiscal Impact	$0	$88,000	$100,000	$104,000	$107,000

115. Charge Land Developers for 239 Reviews

Dept: Environment and Planning
Division/Bureau: Community Planning
Rev/Sav/Productivity: Revenue
Fiscal Impact To FY09: $166,000
Required Approval: County

According to Section 239-m of New York State Consolidated Laws (Article 12-B of the General Municipal) "County Planning Boards and Regional Planning Councils" mandates that Counties perform an analysis on specified land use and development actions proposed within 500 fee of the count (or in some instances, state property). This analysis must recommend approval, modification, disapproval, or statement of no regional effect.

Currently the County does not charge for this review. However, according to the department this analysis takes several hours to complete. In 2004 the Department completed 1,088 of these reviews and through July 31st the county completed 527 of these reviews. Niagara County charges $75 per review. The Department has proposed initiating a $100 fee for each review.

County Staff has indicated that additional staff would facilitate more of these reviews. Earlier this year there were 16 staff reductions for the Department. While they completed many of the 2005 reviews with staff that has since left the county, the county still has the capacity to perform many of these reviews without augmentation. The current estimate is that they will perform 800 of these reviews in 2006.

This initiative includes only the revenues from the new fee, discounted heavily to account for any implementation problems since it is a new fee. If after a reasonable period of time (e.g. six months) the revenue is being collected at estimated rates and an analysis can be performed to determine if additional staff will be cost effective (or at least cost neutral). A summary of savings, including inflation, is listed below.

Summary of Savings
(Before Discounting)

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Savings	**$0**	**$80,000**	**$82,000**	**$84,000**	**$86,000**

Due to potential implementation delays, administrative challenges that may occur since this is a new fee in the initial years and the revenue may be offset by additional staff in the out years this revenue estimate is discounted by 50 percent throughout.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	50%	50%	50%	50%
Fiscal Impact	$0	$40,000	$41,000	$42,000	$43,000

VI. FINANCING PROGRAM AND DEBT RESTRUCTURING AND MANAGEMENT

FINANCING PROGRAM, DEBT RESTRUCTURING & MANAGEMENT

This chapter analyzes the County's historical financing trends, existing debt profile, issuance practices, and policies for investing cash and bond proceeds. In addition, it provides recommendations for formulating a sound and fiscally-prudent debt policy and debt affordability standards and a multi-year financing program that incorporates future capital borrowings as well as debt restructuring ideas. The Chapter includes a recommendation to use the Erie County Fiscal Stability Authority to borrow on the County's behalf, in order to achieve the lowest financing costs for the County. Implementing these guidelines will allow the County's infrastructure improvements and economic development projects to continue at a level that is affordable and equitable over the long run. In addition these guidelines can be institutionalized as the County manages its long-term capital program in future years.

Currently, the County Executive's Office is responsible for managing the capital planning process, prioritizing capital projects to be financed and determining the level of annual financings for the County's capital program. The Erie County Comptroller's Office (Comptroller) is custodian of all funds belonging to the County and is responsible for managing the County's cash flow, executing long-term bond financings and seasonal borrowings and investing bond proceeds and other funds on hand.

Capital Planning Process

The County Charter and Administrative code provide for a six-year capital program. A capital projects committee chaired by the County Executive and consisting of members of the executive and legislative branches is charged with assisting in the consideration of capital projects and programs. The Erie County Development Coordination Board also assists in this process by developing recommendations to and through the Capital Projects Committee. The Committee assigns priorities to the projects and during the course of the process, meets with various departments and investigates projects in order to develop recommendation.

The County Executive is required to submit annually to the County Legislature by November 10, a capital budget for the ensuing fiscal year and a capital program for the next six years. The County is required by its Charter and Administrative Code to adopt a capital budget annually, which may include capital items to be financed out of current funds. Whenever any capital project is to be financed by borrowings, the County Legislature is required to adopt a bond resolution pursuant to New York State Local Finance law (LFL). The LFL requires the County to estimate the maximum amount to be spent for each capital project and to identify its useful life as defined in the LFL. After a project is authorized by the County, it may at any time eliminate or terminate any such project, subject to any contract liabilities therefore incurred.

To address the County's current fiscal and cash flow stress, the County overhauled the existing capital program and modified the capital budgeting process. All spending on projects that have received prior authorization were halted pending further evaluation. The proposed financing schedule is designed to match the expected spending for the projects over the next 12 to 16 months.

As of summer FY2005, the County has about $182 million of capital projects still to be financed. This includes $140 million of capital projects that were previously authorized but not yet fully funded and about $42 million of capital projects that require new authorization and funding sources after the County decided to divert the existing "tobacco" proceeds originally designated for these projects to close the FY2005 budget gap. For all previously authorized capital projects, the County will either include them in the upcoming FY2005 new money financing or consider them as "lapsed". The proposed FY2005 new money bond sale will total $87 million, including $10 million for new projects not yet authorized. This leaves approximately $110 million of previously authorized projects unfunded. About $32 million of the proposed FY2005 financing still requires authorization from the legislature. The County has not released the capital plan for FY2006 and beyond but proposed to issue $30 million of new money bonds in each of the four years during the financial plan period of FY2006-09.

Long-Term Financing Trend

The County relies on long term borrowings to fund large capital programs. A small portion of the capital projects, with shorter useful lives, were generally funded from the operational budget, using "pay-as-you-go" financing. The County has historically issued only General Obligation (GO) bonds to fund various capital projects. Proceeds of the bonds were spent on general improvements of roads, buildings, parks, library, sewer facilities, the Erie County Community College and Erie County Medical Center. Prior to FY2000, the County followed a very conservative capital budgeting and debt issuance approach, maintaining the size of its capital program at about $20 million a year and issuing no more new debt than the amount being retired. Total county debt outstanding actually decreased by 2 percent to 5 percent a year between FY1995 and FY1999. The annual GO issuance for new money purposes, excluding issues for sewer purposes, had ranged from $20 million to $26 million prior to FY2000 (with a notable exception in FY1995). In recent years, the County began to fund library books and salaries attributable to staff working on capital projects with long-term borrowing. Annual GO financing increased dramatically from $26 million in FY1999 to $36 million, $59 million, $79 million and $96 million in FY2001-04, respectively.

Erie County Annual GO Issuance
New Money Only

FY	General	ECMC/Home	Total GO (Excl. Sewer)	Percentage of Changes
1995	39,614,000	4,846,000	44,460,000	
1996	15,085,670	4,914,330	20,000,000	-55%
1997	15,754,650	4,245,350	20,000,000	0%
1998	10,391,197	16,223,951	26,615,148	33%
1999	23,558,200	2,441,800	26,000,000	-2%
2000	30,399,324	5,350,676	35,750,000	38%
2001	32,705,000	2,500,000	35,205,000	-2%
2002	59,390,000	-	59,390,000	69%
2003	78,463,348	671,652	79,135,000	33%
2004	96,280,000	-	96,280,000	22%
Total	**401,641,389**	**41,193,759**	**442,835,148**	

Beginning in FY2000, the County's debt issuance outpaced the annual amortization of its GO debt outstanding. In FY2001, the County's long-term debt doubled with the issuance of tobacco bonds through a not-for-profit entity, the Erie County Tobacco Asset Securitization Corporation (ECTASC). The County sold its share of tobacco settlement revenues (TSRs), payable pursuant to a nationwide settlement agreement between 46 States and major tobacco manufacturers, to ECTASC which in turn issued $246 million of bonds in FY2001 secured by TSRs. The County spent approximately $137 million of the tobacco proceeds on capital projects and $63 million for debt service, leaving approximately $52 million unspent as of Summer FY2005 (including interest on the proceeds of the issue and other revenue). In FY2005, ECTSC sold another $319 million of bonds to refund all outstanding Series 2000 bonds and to generate $56 million of new money proceeds. Together with the $52 million of unspent proceeds from the FY2000 transaction, the County realized $108 million of proceeds from the 2005 tobacco securitizations. The County intends to use $18 million of the $108 million for capital purposes, and $90 million to close the budget gap in FY2005.

The County has historically financed the capital needs of the Erie County Medical Center (ECMC) with its GO bonds. In FY2004, the County sold the medical center to a public benefit corporation, Erie County Medical Center Corporation (ECMCC), which in turn issued $101 million of bonds to fund the purchase and to refund a portion of the County's debt originally issued for ECMC. In conjunction with the sale and pursuant to a Sale, Purchase and Operating Agreement with ECMCC (the "Sale Agreement"), the County agreed to guarantee ECMCC's Series 2004 bonds and to provide subsidy for the annual debt service on the bonds. For more detailed discussion on County relations with ECMCC, see the Erie County Medical Center Corporation chapter.

Even without ECTASC or ECMCC, the County's GO liabilities continued to grow from $254 million in FY2000 to $430 million in 2004, a 70 percent increase. Including debt issued by ECTASC and ECMCC, the County's long-term liabilities increased from $270 million to $825 million in 10 years, an increase of about 205 percent.

The County has periodically borrowed through the New York State Environmental Facility Corporation (EFC) for sewer and water related projects. EFC provides subsidized loans to localities for construction of wastewater facilities that reduce or prevent water pollution. The EFC debt, totaling $34.6 million as of December 31, 2004, is included in the sewer debt. The Erie County Debt Outstanding table and the Erie County Related Debt Outstanding table show the County's GO and related debt outstanding at year end from 1995 to 2005.

Erie County GO Debt Outstanding
(As of Year Ending December 31)

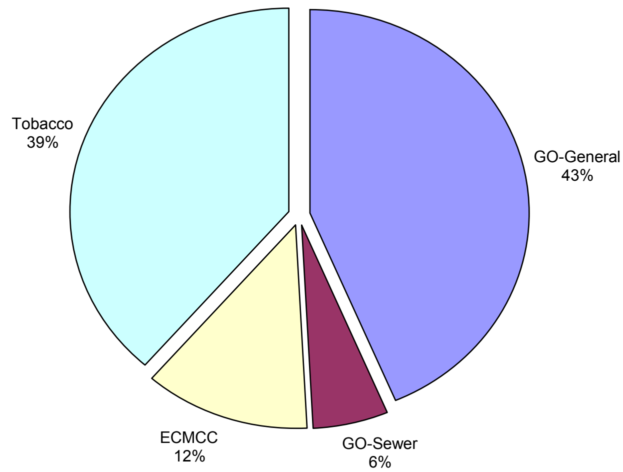
	General	ECMC/ Home	Sewer/ EFC	Total GO Outstanding	% Growth
1995	185,348,482	52,938,762	32,272,756	270,660,000	
1996	178,399,789	50,309,200	47,663,003	276,371,993	2%
1997	172,724,060	46,620,479	43,445,792	262,790,330	-5%
1998	160,657,809	54,583,186	41,663,297	256,904,291	-2%
1999	162,523,403	48,465,349	39,844,022	250,832,774	-2%
2000	172,781,649	42,109,133	38,784,478	253,675,260	1%
2001	187,621,420	33,587,719	43,062,717	264,271,856	4%
2002	299,566,146	26,729,431	43,542,940	299,838,517	14%
2003	304,402,188	21,987,850	46,389,059	372,779,097	24%
2004	383,888,820	-	47,001,493	430,890,313	16%
2005	360,168,154	-	44,535,828	404,703,982	6%

Erie County Related Debt Outstanding
(As of Year Ending December 31)

FY	ECTASC (Tobacco)	ECMCC	Total GO + Related Debt	% Growth
1995			270,660,000	
1996			276,371,993	2%
1997			262,790,330	-5%
1998			256,904,291	-2%
1999			250,832,774	-2%
2000			253,675,260	1%
2001	246,325,000		510,596,856	101%
2002	243,830,000		543,556,517	6%
2003	240,930,000		613,709,097	13%
2004	240,850,000	101,375,000	773,115,313	26%
2005	318,834,680	101,375,000	824,913,662	7%

As shown in the Erie County Related Debt Outstanding table, the County has $825 million of long-term liabilities outstanding as of December 31, 2005. The County's GOs total $360 million (excluding sewer debt), representing approximately 43 percent of total liabilities. Sewer debt, including $34.6 million of bonds issued through EFC, represents 6 percent of total liabilities. The tobacco bonds, at $319 million, account for 39 percent and ECMCC's debt, at $101 million, represents 12 percent of total liabilities. The breakdown of the debt category is shown in the Erie County Debt Outstanding as of Summer 2005 pie chart below.

Erie County Debt Outstanding As of Summer 2005



Erie County has a rapid debt repayment structure. Existing General Obligation debt service for FY2006 is $48.8 million, and it is scheduled to decline to $39 million by 2009. Approximately 33 percent of the County's GO bonds for general improvement purposes will be retired from 2005 to 2009. This picture changes when the debt service associated with the ECMCC is considered. The debt repaid by tax revenues (i.e., excluding sewer and tobacco debt) will also decrease from $462 million in FY2005 to $344 million in 2009. ECMCC debt has a more back-loaded principal payment schedule with no principal payment until 2009 and a final maturity date in FY2033.

GO bonds for sewer purposes, which are funded with sewer levies, amortize more slowly than other GO bonds at about $2 million to $3 million a year, with 20 percent retired by FY2009. Without adding any new debt, the County's long-term liabilities including sewer and tobacco bonds issued by ECTASC will decrease gradually from $825 million in 2005 to $678 million in FY2009. The tobacco bonds issued by ECTSC have an increasing principal payment schedule, corresponding to expected increases in future tobacco settlement revenues. (All future tobacco revenues are pledged to pay debt service.)

Erie County Existing Debt Outstanding (FY2005 – FY2009)

	FY2005	FY2006	FY2007	FY2008	FY2009
GO	360,168,154	327,781,279	296,866,404	268,057,398	242,134,031
ECMCC	101,375,000	101,375,000	101,375,000	101,375,000	101,375,000
TOTAL	**461,543,154**	**429,156,279**	**398,241,404**	**369,432,398**	**343,509,031**
Sewer	44,535,828	41,955,493	39,893,383	37,823,460	35,144,680
ECTASC	318,834,680	314,954,680	310,479,680	305,104,680	299,144,680
Total	**824,913,662**	**786,066,452**	**748,614,467**	**712,360,538**	**678,484,260**

Debt service on existing GO bonds will increase from $44 million in FY2005 to $49 million in FY2006 and decrease by $2 million to $4 million a year during the next three years. ECMCC bonds only begin to pay down principal in FY2009, with the annual debt service increasing from

$5.6 million in the early years to $7.6 million from FY2009-33. Debt service on ECTASC bonds is also expected to rise in the next two decades, corresponding to the expected increase in tobacco settlement revenues which are fully pledged pay for debt service.

Erie County Debt Service on Existing Debt
(FY2005 – FY2009)

	FY2005	FY2006	FY2007	FY2008	FY2009
GO	44,266,293	48,843,056	46,559,366	43,114,981	39,006,079
ECMCC	5,561,532	5,561,532	5,561,532	5,561,532	7,631,532
TOTAL	**49,827,825**	**54,404,587**	**52,120,898**	**48,676,512**	**46,637,610**
Sewer	4,483,684	41,496,582	3,897,245	3,834,231	3,681,469
ECTASC	16,151,226	20,630,750	20,846,650	21,058,750	21,264,650
Total	**70,462,735**	**79,531,919**	**76,864,792**	**73,569,493**	**71,583,730**

The County's debt burden, as compared to other comparable New York counties, is relatively low. Rating agencies have also noted that the County's low debt level was due mainly to the County's conservative approach to debt issuance during most of the 1990s, resulting in deferring of road maintenance, building modernization, fleet replacement and technology improvement. The table entitled Debt Burden Comparison of Selected New York Counties shows that in FY2003 Erie County's debt service as a percentage of total annual expenditures ranked almost last among the nine selected neighboring or comparable counties in New York. Only Niagara County had a negligibly lower debt service burden, at 2.2 percent. In terms of debt per capita, again Erie ranks number six at $489, toward the lower half of the group.

Debt Burden Comparison of Selected New York Counties

County	FY2003 % Debt Service/ Total Expenditures	Rank	FY2003 Total Outstanding Debt Per Capita	Rank	Combined Rank
Albany	2.90%	7	546	3	Moderate
Dutchess	3.50%	5	195	9	Very Low
Erie	**2.5%**	**8**	**489**	**6**	**Low**
Genesee	3.30%	6	294	7	Very Low
Monroe	5.10%	4	866	2	Moderate
Nassau	14.30%	1	2,173	1	High
Niagara	2.20%	9	259	8	Very Low
Onondaga	7.30%	2	501	5	Moderate
Suffolk	7.00%	3	539	4	Moderate

Source: Office of the New York State Comptroller, 2005 Annual Report on Local Governments

Even with the last few years of significant increases in capital expenditures and borrowings, the County's debt burden remains low. Debt service as percentage of total expenditures as of December 31, 2004, is 2.77 percent. The County's current low credit rating is not due to its debt burden, which is still significantly lower than the six percent ratio experienced by the County in FY1993 when it was rated in the single A category.

Historical Debt Service and Total Expenditure Ratio
(FY1993 – FY2004)

FY	Total GO Debt Service	Total Expenditures	Debt Service Per Expenditures
1993	46,906,000	786,397,000	5.96%
1994	45,309,000	851,831,000	5.32%
1995	45,521,000	851,376,000	5.11%
1996	43,217,000	859,218,000	5.03%
1997	43,044,000	879,570,000	4.89%
1998	41,854,000	890,062,000	4.70%
1999	39,041,000	925,907,000	4.22%
2000	35,599,000	984,539,000	3.62%
2001	32,382,000	1,043,888,000	3.10%
2002	31,905,000	1,114,000,000	2.86%
2003	34,019,000	1,185,000,000	2.87%
2004*	34,535,000	1,246,000,000	2.77%

Source: County Comptroller's Office Erie County FY2003 Comprehensive Annual Financial Report

* County Comptroller's Office draft FY2004 Basic Financial Statement and Management Discussion and Analysis debt service estimate. The FY2004 total expenditures are assumed to be the same as FY2003.

Debt Limit

By law, local indebtedness for Erie County shall not exceed seven per cent of the five-year average full valuation of taxable real estate of the County. Total indebtedness includes GO borrowings, real property liabilities, contract liabilities, judgments, claims, and guaranteed debt (i.e., ECMCC debt), but exclude debt for construction or reconstruction of sewer facilities for sewage conveyance, treatment and disposal. As of December 31, 2004, the County had $485 million of outstanding indebtedness against its $2.3 billion debt limit, leaving $1.8 billion of additional debt incurring power.

Erie County Constitutional Debt Limit
As of December 31, 2004 ($ in 000s)

		Amount
I.	Five Year Average Full Valuation of: Taxable Real Property (99-03)	$32,778,198
II.	Debt Limit @ 7%	2,294,474
III.	Outstanding Indebtedness	
	GO – General Purposes	(384,125)
	ECMCC – Guaranteed Debt	(101,375
	Net Indebtedness	(484,500)
IV.	Net Debt Contracting Margin	1,808,974
V.	Percentage of Debt Contracting Power Exhausted	21.16%

Sources: Erie County Comptroller's Office 2004 Basic Financial Statements and Management Discussion and Analysis (Draft)

The proposed financing program for the next four years includes $207 million in new money financing and $47 million of deficit financing as listed in the Erie County Financing Program:

Erie County Financing Program
FY2005 – FY2009

	FY2005	FY2006	FY2007	FY2008	FY2009	Total
New Money	87,000,000	30,000,000	30,000,000	30,000,000	30,000,000	207,000,000
Deficit Financing	-	47,000,000	-	-	-	47,000,000
Total	**87,000,000**	**77,000,000**	**30,000,000**	**30,000,000**	**30,000,000**	**254,000,000**

Assuming the County implements the proposed program listed above, the County's overall debt burden will be moderate and it will not come close to reaching current statutory debt limits. As shown in Erie County: Projections of Key Debt Ratios table, debt service as a percentage of the total budget will increase from 4.00 percent in FY2005 to 6.04 percent in FY2009. Total debt outstanding will grow from $548 million in FY2005 to $566 million in FY2009. Total debt outstanding as a percentage of the 5-year average full valuation of taxable real property will increase from 23.9 percent in FY2005 to 24.7 percent to FY2009. Per capita debt will increase from $582 in FY2005 to $602 in FY2009. These relatively low projected total tax supported debt levels should remain a credit positive for the County during the Four-Year Financial Plan period. The projected level of deficit or debt restructuring in the plan should not be viewed in a negative light by the credit rating agencies, as long as the deficit borrowings are undertaken as part of a well developed and aggressively implemented multi-year financial plan that will restore (or nearly restore) the County's structural budgetary balance by the end of the plan period.

Erie County: Projections Of Key Debt Ratios
FY2005 – FY2009

	FY2005	FY2006	FY2007	FY2008	FY2009
Projected Debt Outstanding*	548,0009,007	594,042,779	587,658,028	578,050,466	566,789,031
Projected Debt Service*	49,827,825	63,010,409	70,275,424	74,463,722	75,299,482
% Debt Service/Total Exp.**	4.00%	5.06%	5.64%	5.98%	6.04%
Debt Per Capita	582	631	624	612	597
% of Debt Contract Power Exhausted	23.9%	25.9%	25.6%	25.2%	24.7%

* Excludes GO debt for sewer purposes and debt issued by ECTASC. Includes RAN interest.
**Total expenditures in FY2004-09 are assumed to be equal to FY2004 level at $1,246,000,000.

The County's FY2005 capital budget forecasts a need to raise a total of $414 million for infrastructure development in the next six years. However, in developing the FY2006 budget, the County scaled back its proposed capital financing significantly in response to the current fiscal stress. The proposed new money financing, except for FY2005, basically allows for issuance of new debt in an amount equal to the amount of debt to be retired during the same fiscal year, keeping the overall debt outstanding at the current level. However, given the County's projected debt burden in the next few years, there is room for further infrastructure financing while maintaining debt service at levels that are moderate relative to other New York counties with similar demographic and economic conditions. The County could undertake up to approximately $110 million of added debt financing in the next four years and still limit its projected debt service burden to under seven percent of total expenditures.

Short Term Financing
FY1999 – FY2005 ($ in Millions)

	FY1999	FY2000	FY 2001	FY2002	FY2003	FY2004	FY2005
Amount	0	0	0	43	90	83	160

The County's short-term borrowings have steadily increased in the last four years after several years with no seasonal financings. In FY2002, the County borrowed $43 million through an issue of Revenue Anticipation Notes (RANs), followed by borrowings of $90 million and $83 million in 2003 and 2004, respectively. The FY2004 borrowing would have been higher had it not been for a one-shot revenue infusion of $85 million from the sale of the County's medical center. The County's reliance on short-term borrowings to meet monthly spending is a sign of significant financial stress and was one of the major factors leading to County credit downgrades by credit rating agencies. In July FY2005, with a BBB- rating and a potential lack of market access due to uncertainties in the County's finances, the County privately placed $80 million of RANs to meet its monthly cash flow needs. Together with the $80 million RAN financing in March FY2005 and including the $55 million proceeds from the August FY2005 tobacco transaction, the County needed a total of $215 million in FY2005 to meet its seasonal cash flow needs through early FY2006, reflecting an increasingly desperate cash position.

Were the Tobacco Restructuring proceeds not available in FY2005, then the County's short term borrowing needs for FY2005 would have exceeded $230 million. Based on the proposed Four Year Plan, the County's cash flow borrowing needs for FY2006 are estimated to be approximately $115 million to $160 million. This estimate does not include any provision to fund operating expenses for ECMCC, which are the subject of current litigation.

Costs of RANs Borrowing

The County's privately placed RANs sold in July FY2005 incurred higher costs than those sold in prior years by about 48 basis points on an all-in-cost basis. As a stressed BBB-/Baa3 credit and facing fiscal uncertainties, the County had to obtain a Letter of Credit (LOC) to secure the RAN. The costs of the LOC were 0.30 percent of the principal amount of RANs issued plus interest payment, totaling $248,283. Even with an LOC, the yield on the privately place note was about 0.176 percent higher than the MIG-1 index, a commonly used index for short-term paper. (Most high-grade short-term securities are sold at a rate equal to or lower than the MIG-1 index under normal market conditions). The additional costs, including LOC fees, paid by the County for its RANs issued in July FY2005 were about $384,000 (or $80,000,000 x 0.17 percent + $248,283).

If the County were to eliminate the 48 basis points differential in its future RANs borrowing, it could save about $778,000 a year, assuming $160 million of borrowing a year. Reducing the size of the RANs borrowing and improving the County's credit rating and fund balance could further reduce the financing costs of the RANs. The County will seek ways to minimize the future RANs borrowing.

County Credit Rating

In about a 12-month time span, the County experienced a series of rating downgrades, resulting in a significant change of credit rating from a high investment grade of A2/AA- in June 2004 to Baa3/BBB- in June FY2005, the lowest investment grade ratings. Moody's maintains a negative outlook on the County's credit. Fitch only removed the negative outlook after the Erie Fiscal Stability Authority was established. Any further downgrades would cause the County's credit rating to fall below investment grade adversely impacting the County's cost of borrowing and jeopardizing its ability to continue long term and seasonal financings**.**

The rating agencies cited a number of reasons for lowering the long term ratings:

- Complete depletion of reserve fund balance which totaled $200 million in 2004, resulting in a lack of financial flexibility and low liquidity position;
- Unsustainable and aggressive budget balancing actions;
- Overly-optimistic projections of sales tax revenues;
- Failure to implement recurring revenue enhancements or real expenditure savings measures to address structural imbalances;
- Reliance on one-shot revenues, such as using the reserve fund, tobacco proceeds and hospital sales proceeds to balance budgets;
- Record high cash flow borrowing in FY2004 and FY2005.

Erie County's credit strengths:

- The County remains western New York's economic, cultural and governmental center;
- Erie County's regional economy could benefit from long-term multi-level governmental cooperation and economic development projects;
- The County has moderate overall debt levels, and a low debt service burden on the budget.

To restore the County to fiscal stability and a high investment grade rating, the County would need to:

- Develop and implement an achievable short term plan to close the FY2005 fiscal gap;
- Develop a multi-year financial plan to achieve long term structural balance in the County budget;
- Demonstrate measurable success in implementing the multi-year financial plan to achieve long-term structural balance;

- Appropriate monies for a rainy day fund in annual budgets;
- Reduce annual cash flow borrowings and;
- Improve information systems with respect to financial management.

Debt and Financing Initiatives

The objectives of the proposed debt and financing initiative are to fund the County's essential infrastructure/capital projects and short-term cash flow needs at the lowest possible costs and to restructure the County's existing debt profile, providing budgetary relief during the financial plan period without severely raising the future debt burden. It is also recommended that the County formally adopt a debt policy and debt affordability standard and to integrate the capital budgeting process with debt affordability analysis to ensure that capital projects undertaken are essential, affordable and consistent with the County's taxing policies. The initiatives include the following:

- Use a $90 million of the $108 million of FY2005 Tobacco Debt Restructuring proceeds generated from the 2005 tobacco securitization to meet the County's FY2005 cash flow needs and close a portion of the County's FY2005 budget gap, which is currently projected at $106 million. The remaining $17.8 million of tobacco proceeds will be applied to fund capital projects.
- Consider the use the higher-rated Erie County Fiscal Stability Authority (expected AA/Aa level ratings) as an interim financing vehicle to borrow new money capital on behalf of the County
- Use the ECFSA to issue bonds to refinance the County's General Obligation Bonds (GO) for present value savings by the Authority
- Restructure County GO bonds by the Authority to provide current budgetary relief, via one-time restructure option, or an annual restructuring option (or annual deficit financing)
- Adopt more flexible bond resolutions, allowing bond proceeds to be applied based on the useful life of the projects as opposed to bonding for a specific capital project

155. Use Tobacco Proceeds to Close the FY2005 Gap

Dept:	Comptroller's Office	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Administration & Finance	**Fiscal Impact To FY09**:	$90,000,000
		Required Approval:	County

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$90,000,000	$0	$0	$0	$0

As mentioned earlier, the County, through, ECTSC sold $319 million of bonds securitized with Tobacco Settlement Revenues in August FY2005 to refund all outstanding ECTSC Series 2000 bonds and to generate $56 million of new money proceeds. Together with the $52 million of unspent proceeds from the FY2000 transaction, the County realized $108 million of proceeds from the FY2005 tobacco securitization. The County will use $90.1 million of the $108 million proceeds be used to meet the County's cash flow needs and budget gap in FY2005 and the remaining $17.9 million of the proceeds be used for capital purposes. The County will now need to find alternative financing source for $34 million other capital projects that would have been financed with tobacco proceeds.

156. Debt Service Costs for an Additional $30 Million of New Money Financing for Capital Projects in 2005

Dept:	Comptroller's Office	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Administration & Finance	**Fiscal Impact To FY09**:	($11,085,000)
		Required Approval:	County

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	$0	($1,210,000)	($3,290,000)	($3,290,000)	($3,295,000)
Fiscal Impact	$0	($1,210,000)	($3,290,000)	($3,290,000)	($3,295,000)

As mentioned earlier, debt service on $30 million of new money financing was not originally included in calculating the County's budget gap in future years. This adjustment adds back the debt service costs to reflect the most recent financing proposal by the County.

154. Refunding by Erie County Fiscal Stability Authority

Dept:	Comptroller's Office	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Administration & Finance	**Fiscal Impact To FY09**:	$2,300,000
		Required Approval:	County

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$578,000	$1,765,000	$0	$0	$0

The County could also use the Authority to refund County GO bonds to generate present value and cash flow savings. The purpose of a refunding for savings is to generate present value and annual cash flow savings for the County by refunding higher interest debt with lower interest debt. The County has not issued GO refunding bonds in recent years and there are opportunities for refunding for savings, particularly if AA-rated Authority backed bonds are issued to refund BBB- County bonds. Estimates of savings are sensitive to actual market interest rates at the time that the refunding bonds are sold.

Based on conservative market conditions as of August 19, 2005, the County has about $101 million of refunding candidates that could produce two percent or higher present value savings. An Authority refunding of these bonds could generate debt service savings of $0.6 million and $1.7 million in FY2005 and FY2006, respectively, without incurring any debt service dis-saving in any future years. The total present value saving for the transaction is about $3.5 million, or 3.19 percent of the total bonds refunded. While the County could also issue its own refunding bonds, the bond size would have to be significantly larger and the gross benefit would be much lower. This is largely due to onerous structuring constraint imposed by LFL, which would force the County to include bonds that normally would not have been refunded for lack of present value savings and to produce detailed compliance reports for individual capital projects that were funded with the proceeds of the refunded bonds. The complexity of the transaction demands more time, effort and expertise in structuring the bonds and reviewing the compliance tests, resulting in inefficient refunding structures and higher transaction costs. While the Authority can expect to incur a higher transaction fee for its initial issue as it creates new transaction documents and introduces the credit to the capital markets for the first time, it would still provide substantial savings to the County with lower overall borrowing costs. Also, once the bonds are issued the Authority will need to stay in existence until all its bonds are fully paid off.

Refunding Savings

Date	Prior Debt Service	Refunding Debt Service	Savings	PV Savings
12/31/2005	577,553	-	577,553	572,699
12/31/2006	7,144,364	5,379,679	1,764,685	1,729,467
12/31/2007	5,393,113	5,388,597	4,516	18,043
12/31/2008	5,393,113	5,390,709	2,404	15,698
12/31/2009	6,102,855	6,100,955	1,901	32,383

Date	Prior Debt Service	Refunding Debt Service	Savings	PV Savings
12/31/2010	7,248,065	7,243,961	4,105	45,990
12/31/2011	6,936,283	6,931,396	4,887	42,128
12/31/2012	7,373,783	7,368,896	4,887	34,970
12/31/2013	8,697,535	8,693,512	4,024	33,031
12/31/2014	8,482,665	8,478,976	3,690	31,110
12/31/2015	14,966,215	14,962,176	4,040	155,455
12/31/2016	12,036,406	12,034,808	1,599	104,109
12/31/2017	18,834,756	18,832,098	2,659	195,200
12/31/2018	18,747,903	18,747,708	196	193,851
12/31/2019	12,340,806	12,337,085	3,711	103,264
12/31/2020	11,492,991	11,489,848	3,143	102,698
12/31/2021	2,822,588	2,821,000	1,588	14,467
12/31/2022	2,781,538	2,776,388	5,150	16,049
12/31/2023	2,736,225	2,733,708	2,518	14,594
12/31/2024	2,691,650	2,687,698	3,953	15,096
12/31/2025	2,647,538	2,643,314	4,224	15,071
12/31/2026	945,500	940,286	5,215	6,400
12/31/2027	902,875	899,034	3,842	5,386
12/31/2028	860,250	857,694	2,557	4,478
12/31/2029	817,625	816,348	1,277	3,639
Total	**168,974,191**	**166,555,873**	**2,418,318**	**3,505,278**

157. Deficit Financing/Restructuring County Bonds

Dept:	Comptroller's Office	**Rev/Exp/Productivity**:	Savings
Division/Bureau:	Administration & Finance	**Fiscal Impact To FY09**:	$33,250,000
		Required Approval:	State

To provide interim budgetary relief, and allow time for cost savings initiatives to be implemented and the full savings value of the initiatives to be realized, the County could also consider requesting that the Authority issue deficit bonds or to restructure County debt. Restructuring differs from refunding in that restructuring defeases bonds that are coming due in the next few years and there is no present value savings generated from the defeasance. Essentially, restructuring extends the maturities of existing debt, creating cash flow relief in years in which there is budgetary pressure. However, the savings in those years would be offset by higher costs in later years. This is what was done in the recent Erie County Tobacco Restructuring – it was structured to put all of the cash flow savings into FY2005. Restructuring debt is just another form of deficit borrowing.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$46,000,000	($2,124,000)	($5,313,000)	($5,313,000)

Two different approaches could be taken to affect a restructuring of debt scheduled to come due in the next several years:

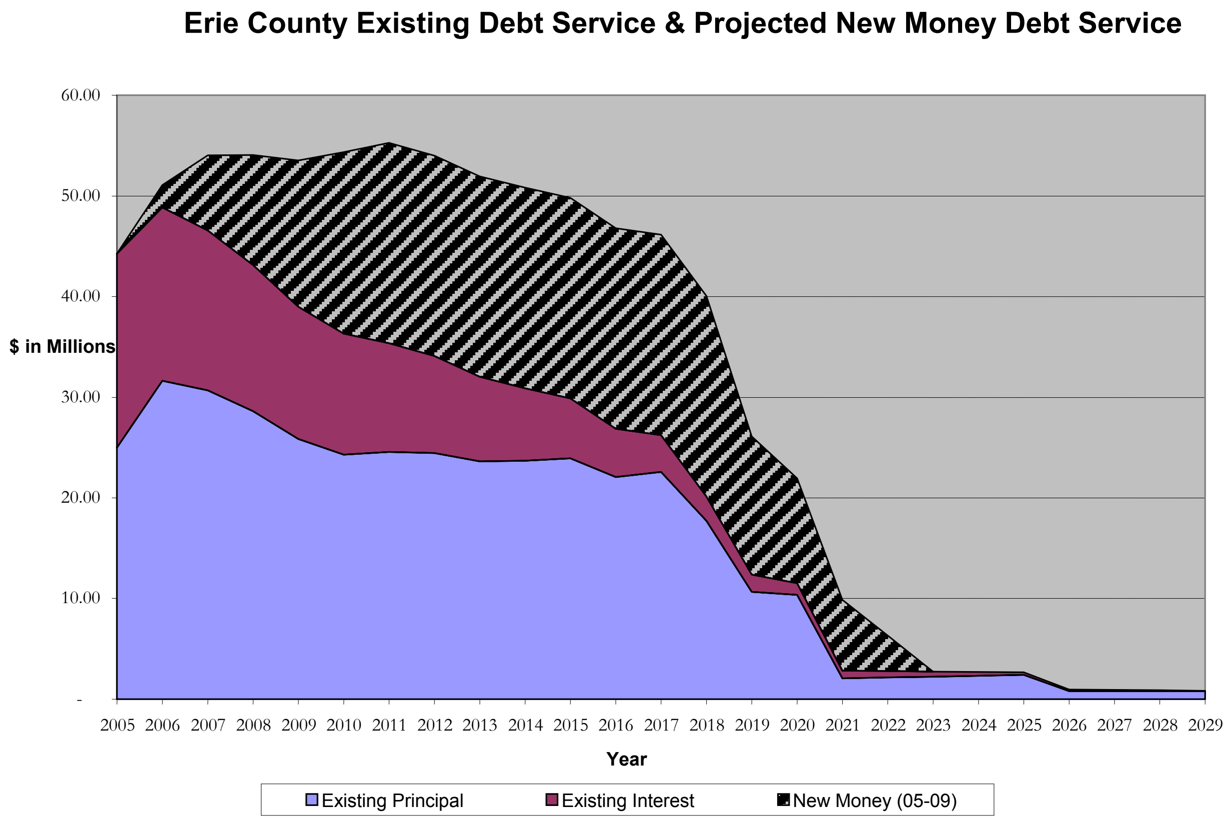
(1) One single refunding/restructuring transaction could be sold that restructures several years worth of debt service payments, or;

(2) Restructurings could be done annually in an amount that the County would have to demonstrate that it needs.

This second approach was used by the Nassau Interim Finance Authority (NIFA) for Nassau County. NIFA used the availability of annual restructurings as part of a "carrot and stick" oversight approach. The County got the low cost NIFA restructurings as a reward for meeting plan goals and objectives. The annual approach would be substantially more difficult to effect in Erie County than it was in Nassau County because there is less total debt outstanding and bonds are scheduled to be paid throughout the year.

The County's current debt structure places a heavy burden on current taxpayers with 75 percent of County GO debt repaid in ten years while the capital projects that were financed by the bonds have a longer weighted average useful life. The debt service on the County GOs for the next four years is approximately $44.3 million in FY2005, $48.8 million in FY2006, $46.6million in FY2007, $43.1 million in FY2008, and $39.0 million in FY2009 for a total of $221.8 million. The debt service structure is severely front-loaded, primarily as a result of issuing level principal structures in the past. Extending the maturity could create a more equitable debt burden over generations of taxpayers who will benefit from the capital projects.

The graph entitled Erie County Existing Debt Service & Projected New Money Debt Service shows existing debt service and projected debt service on future new money issues assuming issuance of $57 million in FY2005, and $30 million in each year FY2006-09. This reflects the aggregate debt service used in the Multi Year plan for the purposes of establishing a baseline of expenses.



Debt Restructuring/Deficit Financing in FY2006 and FY2007

The County could consider an annual debt restructuring or deficit financing, sizing the amount of financing based on the County's overall budget gap. This approach is essentially a long-term borrowing for current operating costs. While this is a measure generally frowned upon by the rating agencies, it can be an acceptable option if it is implemented as part of a comprehensive recovery strategy and is viewed as a measure necessary to buy time to allow recurring savings initiatives and revenue initiatives to be implemented. As mentioned above, this approach has been employed by NIFA as part of a "carrot and stick" oversight approach for Nassau County, NY. The County got the budget relief it needed through annual low-cost NIFA restructurings as a reward for meeting overall financial plan goals and objectives.

Another advantage of the annual restructuring option is its relatively smaller bond size. Assuming that the County were to implement a $47 million of deficit financing in FY2006 and FY2007 respectively, the incremental debt service costs during the financial plan years will be $12.75 million.

One-Time Restructuring Option with Multi-Year Benefit

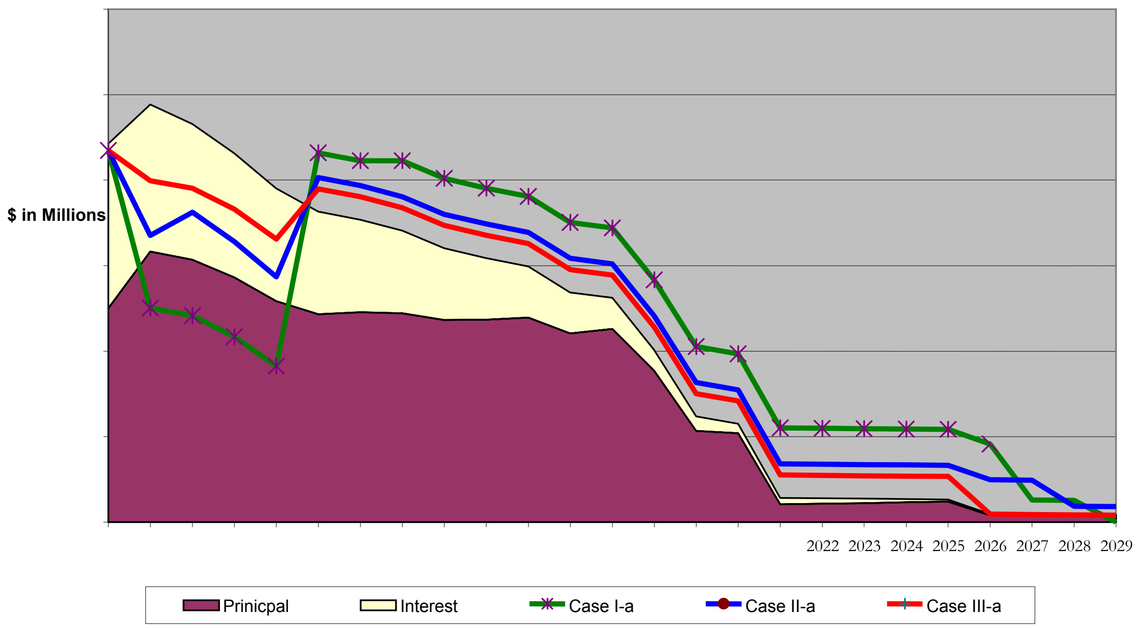
Alternatively, the County could implement a one-time restructuring of its existing debt. The Erie Restructuring Scenarios chart shows the potential impact on future debt service from three restructuring scenarios. Each case is structured to produce present value savings in the aggregate, and to minimize the amount of present value losses associated with the restructuring. All three cases target the same universe of refunding candidates. As illustrated in the chart below, the higher the near-term cash flow relief, the greater the debt service costs in the future. Case I maximizes the total cash flow benefit during the financial plan years (FY2006-09), totaling about $87 million. However, Case I also produces the highest debt service costs in years beyond FY2009, resulting in additional debt service costs of $50 million over the life of the bonds.

Erie Restructuring Scenarios
Combined Refunding / Restructuring

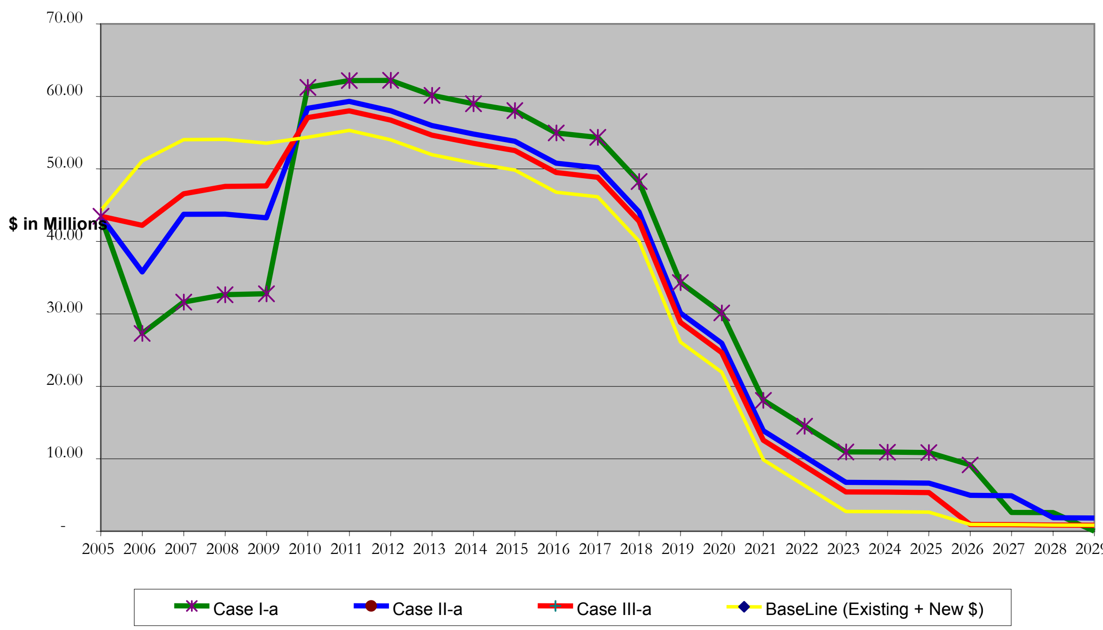
$ in Millions	Case I	Case II	Case III
Par	$310	$310	$310
Refunded Par	$101.9	$101.9	$101.9
Restructured Par	$191.0	$191.0	$191.0
% PV Saving	0.67%	0.98%	1.25%
$ PV Savings	$2.1	$3.0	3.9
TIC	4.32%	4.28%	4.25%
Negative Arb (%)	0.14%	0.05%	0.09%
Negative Arb.($)	$1.8	$0.6	$1.2
Savings (05-09)			
2005	0.8	0.8	0.8
2006	23.8	15.3	8.9
2007	22.4	10.3	7.5
2008	21.4	10.3	6.5
2009	20.8	10.3	5.7
Total	89.2	47.0	29.6
Dis-Savings			
2010	(6.9)	(4.0)	(2.7)
2011	(6.9)	(4.0)	(2.7)
2012	(8.2)	(4.0)	(2.7)
2013	(8.2)	(4.0)	(2.7)
2014	(8.2)	(4.0)	(2.7)
2015	(8.4)	(4.2)	(2.9)
2016	(8.3)	(4.1)	(2.8)
2017	(8.4)	(4.2)	(2.9)
2018	(8.4)	(4.2)	(2.9)
2019	(8.3)	(4.1)	(2.8)
2020	(8.2)	(4.0)	(2.7)
2021	(8.2)	(4.0)	(4.0)
2022	(8.2)	(4.0)	(2.7)
2023	(8.2)	(4.0)	(2.7)
2024	(8.2)	(4.0)	(2.7)
2025	(8.2)	(4.0)	(2.7)
2026	(8.2)	(4.0)	
2027	(1.7)	(4.0)	
2028	(1.7)	(1.0)	
2029	0.8	(1.0)	
Total	**(50.3)**	**(26.8)**	**(13.5)**

The following Erie County Debt Service (Existing vs Post Restructuring) and (Existing + New Money versus Post Restructuring + New Money) tables graphically display the projected debt service of each combined refunding and restructuring scenario compared to the County's current GO debt service plus projected debt service on new money issues during the period between FY2005 and FY2009.

Erie County Debt Service
(Existing Vs. Post Restructuring)



Erie County Total Projected Debt Service
(Existing + New Money Vs. Post Restructuring + New Money)



Refunding Assumptions

The assumptions used in the refunding and restructuring scenarios were the same for each scenario as follows:

- *Cost of Issuance*: $7/Bond

- *Market Interest Rates*: MMD-AAA as of 8-19-2005 + 45 bps, consisting of (1) 25 bps increase in interest rates between today and bond issuance and (2) 20 bps pricing spread to MMD

- *Insurance Premium:* 25 bps on total debt service
- Level debt structure with different first principal amortization dates depending on the assumptions of each scenario

Refunding Candidates[1]

In order to maximize up-front debt service savings for FY2005-2009, approximately $292.8 million in outstanding General Obligation principal was refunded in the combined refunding/restructuring scenarios. Of the $292.8 million in principal refunded approximately $180 million is advance or current refundable. $160 million of the refundable bonds generates positive PV savings as of 8/17/2005 while the remainder of the refunded principal provide debt service relief in the years of FY2006-09.

Refunding Candidates

Description	Issue Amount	Dates	Issue Price	Call Provisions		Savings
Series	Par Amount	Maturity	Coupon	Date	Price	% of Par
1996 A Series	730,000	2/1/09	5.550%	2/1/06	101.0%	3.286%
1996 A Series	730,000	2/1/10	5.650%	2/1/06	101.0%	5.275%
1996 A Series	730,000	2/1/11	5.750%	2/1/06	101.0%	7.037%
1999 A Series	1,405,000	10/1/13	5.750%	10/1/09	101.0%	3.070%
1999 A Series	700,000	10/1/15	5.500%	10/1/09	101.0%	3.962%
1999 A Series	1,415,000	10/1/14	5.750%	10/1/09	101.0%	4.102%
1999 A Series	700,000	10/1/19	5.250%	10/1/09	101.0%	4.395%
1999 A Series	700,000	10/1/16	5.500%	10/1/09	101.0%	4.559%
1999 A Series	700,000	10/1/17	5.500%	10/1/09	101.0%	4.991%
1999 A Series	700,000	10/1/18	5.500%	10/1/09	101.0%	5.357%
Series 1993 C (CIB)	55,000	8/1/11	5.250%	2/1/06	102.0%	2.698%
Series 1993 C (CIB)	55,000	8/1/12	5.250%	2/1/06	102.0%	3.918%
Series 1993 C (CIB)	60,000	8/1/13	5.250%	2/1/06	102.0%	4.855%

[1] Outstanding principal net of ECMC debt, Sewer debt, and EFC debt

Description	Issue Amount	Dates	Issue Price	Call Provisions		Savings
Series 1993 C (CIB)	50,000	8/1/06	5.000%	2/1/06	102.0%	28.305%
Series 1994 B	555,000	5/15/06	5.500%	12/31/05	102.0%	27.776%
Series 1995 A	500,000	6/1/10	5.500%	12/31/05	102.0%	2.215%
Series 1995 A	195,000	6/1/11	5.500%	12/31/05	102.0%	3.829%
Series 1995 A	195,000	6/1/12	5.500%	12/31/05	102.0%	5.068%
Series 1995 A	195,000	6/1/13	5.600%	12/31/05	102.0%	6.544%
Series 1995 A	195,000	6/1/14	5.600%	12/31/05	102.0%	7.317%
Series 1995 A	180,000	6/1/15	5.600%	12/31/05	102.0%	7.932%
Series 1995 A	515,000	6/1/06	5.100%	12/31/05	102.0%	27.650%
Series 1995 B	720,000	6/15/10	5.600%	12/31/05	101.5%	3.509%
Series 1995 B	760,000	6/15/11	5.500%	12/31/05	101.5%	4.846%
Series 1995 B	800,000	6/15/12	5.500%	12/31/05	101.5%	6.133%
Series 1995 B	845,000	6/15/13	5.500%	12/31/05	101.5%	7.150%
Series 1995 B	890,000	6/15/14	5.500%	12/31/05	101.5%	7.910%
Series 1995 B	940,000	6/15/15	5.625%	12/31/05	101.5%	9.282%
Series 1995 B	990,000	6/15/16	5.625%	12/31/05	101.5%	9.825%
Series 1995 B	1,615,000	6/15/25	5.500%	12/31/05	101.5%	10.202%
Series 1995 B	1,050,000	6/15/17	5.625%	12/31/05	101.5%	10.208%
Series 1995 B	1,530,000	6/15/24	5.500%	12/31/05	101.5%	10.328%
Series 1995 B	1,305,000	6/15/21	5.500%	12/31/05	101.5%	10.328%
Series 1995 B	1,450,000	6/15/23	5.500%	12/31/05	101.5%	10.396%
Series 1995 B	1,375,000	6/15/22	5.500%	12/31/05	101.5%	10.398%
Series 1995 B	1,105,000	6/15/18	5.625%	12/31/05	101.5%	10.526%
Series 1995 B	1,170,000	6/15/19	5.625%	12/31/05	101.5%	10.890%
Series 1995 B	1,235,000	6/15/20	5.625%	12/31/05	101.5%	11.156%
Series 1995 B	585,000	6/15/06	5.250%	12/31/05	101.5%	28.849%
2000 A Series	1,205,000	7/1/12	6.000%	7/1/10	101.0%	2.617%
2000 A Series	1,205,000	7/1/13	6.000%	7/1/10	101.0%	4.025%
2000 A Series	1,210,000	7/1/14	6.000%	7/1/10	101.0%	5.148%
2000 A Series	1,210,000	7/1/15	6.000%	7/1/10	101.0%	6.093%
2000 B Term Series	850,000	7/1/16	5.375%	7/1/10	101.0%	4.397%
2000 B Term Series	850,000	7/1/17	5.375%	7/1/10	101.0%	4.767%
2000 B Term Series	850,000	7/1/18	5.375%	7/1/10	101.0%	5.081%
2000 B Term Series	850,000	7/1/19	5.375%	7/1/10	101.0%	5.447%
2000 B Term Series	850,000	7/1/20	5.375%	7/1/10	101.0%	5.725%
2000 C Term Series	775,000	7/1/29	5.500%	7/1/10	101.0%	6.434%
2000 C Term Series	775,000	7/1/28	5.500%	7/1/10	101.0%	6.551%
2000 C Term Series	770,000	7/1/21	5.500%	7/1/10	101.0%	6.640%
2000 C Term Series	775,000	7/1/27	5.500%	7/1/10	101.0%	6.729%
2000 C Term Series	775,000	7/1/26	5.500%	7/1/10	101.0%	6.769%
2000 C Term Series	775,000	7/1/22	5.500%	7/1/10	101.0%	6.795%
2000 C Term Series	775,000	7/1/25	5.500%	7/1/10	101.0%	6.859%
2000 C Term Series	775,000	7/1/23	5.500%	7/1/10	101.0%	6.878%
2000 C Term Series	775,000	7/1/24	5.500%	7/1/10	101.0%	6.898%
2001 A Series	1,320,000	10/1/19	5.000%	10/1/11	100.0%	2.461%
2001 A Series	1,320,000	10/1/20	5.000%	10/1/11	100.0%	2.639%

Description	Issue Amount	Dates	Issue Price	Call Provisions		Savings
2003 A Series	5,360,000	3/15/15	5.250%	3/15/13	100.0%	2.152%
2003 A Series	5,650,000	3/15/16	5.250%	3/15/13	100.0%	2.566%
2003 A Series	5,955,000	3/15/17	5.250%	3/15/13	100.0%	2.849%
2003 A Series	6,280,000	3/15/18	5.250%	3/15/13	100.0%	3.089%
2003 A Series	6,615,000	3/15/19	5.250%	3/15/13	100.0%	3.388%
2003 A Series	6,975,000	3/15/20	5.250%	3/15/13	100.0%	3.608%
2004 A Series	2,215,000	1/15/15	5.000%	1/15/14	100.0%	2.005%
2004 B Series	7,065,000	4/1/17	5.250%	4/1/14	100.0%	2.275%
2004 B Series	7,445,000	4/1/18	5.250%	4/1/14	100.0%	2.527%
Total	**$101,875,000**					

Restructuring Candidates

Description	Issue Amount	Dates	Issue Price	Call Provisions		Savings
Series	Par Amount	Maturity	Coupon	Date	Price	% of Par
1992 Series	1,630,978	1/15/06	1/15/06	-	-	-
1992 Series	1,425,978	1/15/07	1/15/07	-	-	-
1992 Series	735,000	1/15/08	1/15/08	-	-	-
1992 Series	735,000	1/15/09	1/15/09	-	-	-
1992 Series	735,000	1/15/10	1/15/10	-	-	-
1992 Series	735,000	1/15/11	1/15/11	-	-	-
1992 Series	735,000	1/15/12	1/15/12	-	-	-
Series 1993 C (CIB)	85,000	8/1/09	8/1/09	2/1/06	102.0%	(1.267%)
Series 1993 C (CIB)	255,000	8/1/08	8/1/08	2/1/06	102.0%	(5.142%)
Series 1993 C (CIB)	90,000	8/1/07	8/1/07	2/1/06	102.0%	(13.588%)
Series 1993 C (CIB)	75,000	8/1/10	8/1/10	2/1/06	102.0%	-
Series 1994 B	555,000	5/15/08	5/15/08	12/31/05	102.0%	(2.560%)
Series 1994 B	555,000	5/15/07	5/15/07	12/31/05	102.0%	(9.513%)
Series 1994 B	555,000	5/15/09	5/15/09	12/31/05	102.0%	-
Series 1995 A	515,000	6/1/09	6/1/09	12/31/05	102.0%	(0.242%)
Series 1995 A	515,000	6/1/08	6/1/08	12/31/05	102.0%	(3.748%)
Series 1995 A	515,000	6/1/07	6/1/07	12/31/05	102.0%	(10.781%)
Series 1995 B	645,000	6/15/08	6/15/08	12/31/05	101.5%	(2.865%)
Series 1995 B	615,000	6/15/07	6/15/07	12/31/05	101.5%	(10.281%)
Series 1995 B	680,000	6/15/09	6/15/09	12/31/05	101.5%	-
1996 A Series	991,833	2/1/06	2/1/06	-	-	-
1996 A Series	730,000	2/1/07	2/1/07	2/1/06	101.0%	(3.042%)
1996 A Series	730,000	2/1/08	2/1/08	2/1/06	101.0%	-
1997 A Series	993,723	8/15/06	8/15/06	-	-	-
1997 A Series	993,723	8/15/07	8/15/07	-	-	-
1997 A Series	990,000	8/15/09	8/15/09	8/15/07	102.0%	(3.704%)
1997 A Series	990,000	8/15/08	8/15/08	8/15/07	102.0%	(7.437%)
1997 A Series	990,000	8/15/10	8/15/10	8/15/07	102.0%	(1.467%)
1997 A Series	990,000	8/15/11	8/15/11	8/15/07	102.0%	-
1997 A Series	990,000	8/15/12	8/15/12	8/15/07	102.0%	-
1998 Series	729,416	11/1/06	11/1/06	-	-	-

Description	Issue Amount	Dates	Issue Price	Call Provisions		Savings
1998 Series	729,416	11/1/07	11/1/07	-	-	-
1998 Series	729,414	11/1/08	11/1/08	-	-	-
1998 Series	697,593	11/1/09	11/1/09	11/1/08	101.0%	(5.837%)
1998 Series	643,651	11/1/12	11/1/12	11/1/08	101.0%	(0.738%)
1998 Series	663,048	11/1/11	11/1/11	11/1/08	101.0%	(2.019%)
1998 Series	697,593	11/1/10	11/1/10	11/1/08	101.0%	(3.639%)
1998 Series	644,512	11/1/13	11/1/13	11/1/08	101.0%	-
1999 A Series	1,423,800	10/1/06	10/1/06	-	-	-
1999 A Series	1,423,800	10/1/07	10/1/07	-	-	-
1999 A Series	1,423,800	10/1/08	10/1/08	-	-	-
1999 A Series	1,423,800	10/1/09	10/1/09	-	-	-
1999 A Series	1,395,000	10/1/10	10/1/10	10/1/09	101.0%	(2.884%)
1999 A Series	1,405,000	10/1/11	10/1/11	10/1/09	101.0%	-
1999 A Series	1,405,000	10/1/12	10/1/12	10/1/09	101.0%	-
2000 A Series	1,314,000	7/1/06	7/1/06	-	-	-
2000 A Series	1,313,000	7/1/07	7/1/07	-	-	-
2000 A Series	1,313,000	7/1/08	7/1/08	-	-	-
2000 A Series	1,313,000	7/1/09	7/1/09	-	-	-
2000 A Series	1,318,000	7/1/10	7/1/10	-	-	-
2000 A Series	1,200,000	7/1/11	7/1/11	7/1/10	101.0%	-
2001 A Series	2,305,000	10/1/06	3.200%	-	-	-
2001 A Series	1,820,000	10/1/07	3.500%	-	-	-
2001 A Series	1,820,000	10/1/08	3.750%	-	-	-
2001 A Series	1,820,000	10/1/09	5.000%	-	-	-
2001 A Series	1,820,000	10/1/10	5.000%	-	-	-
2001 A Series	1,820,000	10/1/11	4.000%	-	-	-
2001 A Series	1,820,000	10/1/14	4.500%	-	-	-
2001 A Series	1,820,000	10/1/13	4.375%	-	-	-
2001 A Series	1,820,000	10/1/12	4.250%	-	-	-
2001 A Series	1,820,000	10/1/15	4.625%	10/1/11	100.0%	-
2001 A Series	1,800,000	10/1/16	4.750%	10/1/11	100.0%	-
2001 A Series	1,320,000	10/1/17	4.800%	10/1/11	100.0%	-
2001 A Series	1,320,000	10/1/18	4.875%	10/1/11	100.0%	-
2002 A Series	3,390,000	9/1/06	5.000%	-	-	-
2002 A Series	3,560,000	9/1/07	5.000%	-	-	-
2002 A Series	3,740,000	9/1/08	5.000%	-	-	-
2002 A Series	3,925,000	9/1/09	3.250%	-	-	-
2002 A Series	4,050,000	9/1/10	5.000%	-	-	-
2002 A Series	4,645,000	9/1/13	5.000%	9/1/12	100.0%	-
2002 A Series	4,880,000	9/1/14	5.000%	9/1/12	-	-
2002 A Series	5,125,000	9/1/15	5.000%	9/1/12	-	-
2002 A Series	5,380,000	9/1/16	5.000%	9/1/12	100.0%	-
2002 A Series	5,650,000	9/1/17	5.000%	9/1/12	100.0%	-
2003 A Series	3,519,870	3/15/06	4.000%	-	-	-
2003 A Series	3,673,554	3/15/07	4.500%	-	-	-
2003 A Series	3,842,111	3/15/08	4.500%	-	-	-

Description	Issue Amount	Dates	Issue Price	Call Provisions		Savings
2003 A Series	4,020,584	3/15/09	4.500%	-	-	-
2003 A Series	4,213,928	3/15/10	5.000%	-	-	-
2003 A Series	4,848,496	3/15/13	5.000%	-	-	-
2003 A Series	5,095,000	3/15/14	5.000%	3/15/13	100.0%	-
2004 A Series	2,125,000	1/15/14	3.500%	-	-	-
2004 B Series	4,030,000	4/1/06	5.000%	-	-	-
2004 B Series	4,235,000	4/1/07	5.000%	-	-	-
2004 B Series	4,455,000	4/1/08	5.000%	-	-	-
2004 B Series	4,680,000	4/1/09	5.000%	-	-	-
2004 B Series	4,925,000	4/1/10	5.000%	-	-	-
2004 B Series	5,740,000	4/1/13	5.000%	-	-	-
2004 B Series	6,040,000	4/1/14	5.000%	-	-	-
2004 B Series	6,360,000	4/1/15	5.250%	4/1/14	100.0%	-
2004 B Series	6,705,000	4/1/16	5.250%	4/1/14	100.0%	-
						-
Total	**$190,960,622**					

112. Adopt Flexible Bond Resolutions

Dept: Comptroller's Office
Division/Bureau: Administration & Finance
Rev/Exp/Productivity: Savings
Fiscal Impact To FY09: CQ
Required Approval: County

Currently, the County uses general funds to advance capital expenditures, and it issues fixed-rate GO bonds to reimburse the general fund. The County also issues bonds based on a forward spending plan by specific capital project. However, if a project is delayed due to unforeseen circumstances, bond proceeds sit in an account and cannot be applied to other "like" projects. Capital advances for projects not yet bonded or not reimbursable from existing proceeds add pressure to the County's cash flow position. As of July 31, 2005, the County has approximately $35 million of unspent proceeds dedicated to specific projects.

To relieve cash flow pressure on the general fund, the County may want to adopt a broader bond resolution, allowing for a more flexible application of bond proceeds. In addition, the County may also want to consider implementing a Bond Anticipation Note (BAN) or a commercial paper program (CP) as interim financing vehicles. Both BAN and CP are short-term securities with maturities less than one year and could reduce interest cost by at least 200 basis points (2 percent) relative to the County's long-term fixed-rate bonds.

PROJECTS TO BE FUNDED BY CAPITAL BONDS IN LIEU OF TOBACCO PROCEEDS

All High Stadium		$ 1,000,000
Erie Canal Harbor (Waterfront Development)		$ 14,000,000
Ecc Purchase Of Equipment		$ 1,858,540
Ecmcc Various		$ 5,300,000
Lab & Technical Equipment		$ 1,800,000
Dunn Tire Park		$ 550,000
	Subtotal	**$ 4,508,540**

PROJECTS TO BE AUTHORIZED AS PART OF THE 2005 BOND SALE

Sidewalk Restoration		$ 160,000
Exterior Building Rehab		$ 425,000
Rath Cooling Tower		$ 365,000
Lake Shore Trail		$ 247,000
Ralph Wilson Stadium		$ 2,645,000
	Subtotal	**$ 3,842,000**

TOTAL AMOUNT TO BE AUTHORIZED BY THE LEGISLATURE $ 28,350,540

PROJECTED 2005 BOND SALE INCLUDING 2004 & PRIOR YEAR AUTHORIZED/UNISSUED

YEAR	PROJECT DESCRIPTION	AMOUNT AUTHORIZED/UNISSUED	
00	Courthouse Reconstruction	$ 16,491,437	
01	Urban Brownfields		$ 700,000
01	Como Park Blvd (Cr 523) Design 5755.08		$ 21,300
01	Lapp Rd Bridge (Cr24) Design 5756.08		$ 15,950
	Maple Rd (Ce 192) Design 5755.47		$ 75,450
	N. French Rd (Cr 299) Design 5755.82		$ 21,900
	E. Church St Br Construction 5754.59		$ 98,950
01	Emergency Generator	$ 150,000	
02	Motors/Power Generators		$ 90,000
02	Code Comp & Reconst Bldg & Equip		$ 235,000
02	Cps Training Academy-Construction	$ 8,439,000	
	Cps Facility Equipment Purchase	$ 850,000	
02	Rath Bldg Energy Conservation	$ 150,000	
02	Wehrle/Harris Hill Intersect Design (5756.47)	$ 11,250	
02	Youngs Rd/Aero Dr Intersect Design (5756.46)	$ 8,000	
02	Freeman Rd Br (Br 369-3) Design (5756.38)		$ 44,000
02	Bullis Rd Br (Br 330-7) Reconstruction (5755.67)	$ 172,000	

02	Abestos Removal	$	1,400,000
02	Hall Rd Br (Br 333-1) Reconstruction (5755.92)	$	124,000
02	Unanticipated Road & Bridge Costs-Design	$	40,000
03	Code Compliance & Reconstruction	$	700,000
03	Electrical Systems Improvements-Phase 1	$	300,000
03	Mechanical System Improvement	$	300,000
03	Energy Conservation Measures	$	100,000
03	Correctional Facility Lock Replacement	$	100,000
03	Holding Center Plumbing/Electrical Project	$	150,000
03	Emery Park Waterlines-Phase Ii	$	335,000
03	Preservation Of Bridges, Dams & Culverts	$	1,500,000
03	Capital Overlay Program	$	2,031,000
03	Culvert Design-Various Locations	$	350,000
03	Central Library Interior Renovations	$	420,000
03	Elevator Upgrade	$	150,000
03	Replacement Of HVAC System-School 84	$	250,000
03	Patient Unit Renovations	$	330,000
03	Laundry Equipment	$	213,500
03	Cpep-Phase Ii-Children's Services	$	200,000
03	Elevator Upgrade	$	100,000
03	Fuel Oil Tank Replacement	$	100,000
04	Wireless Infrastructure Improvements	$	225,000
04	Office Renovations-Erie County District Atty	$	165,000
04	Botanical Gardens Energy Improvements	$	3,150,000
04	Roof Replacement & Waterproofing -Various	$	770,000
04	Rehabilitation Of Ralph Wilson Stadium	$	540,000
04	Parks Equipment	$	60,000
04	Parks Machinery & Apparatus	$	440,000
04	Greiner Rd @ Shimerville Signalization-Design	$	34,000
04	Colvin Blvd-Brighton Rd Signals-Design	$	20,000
04	Elmwood Avenue Corridor Signals-Design	$	14,000
	Subtotal	**$**	**42,185,737**
2005	Eccmc Various	$	15,182,550
	Total	**$**	**57,368,287**

All of the above have been previously authorized by the Legislature.

AMOUNT TO BE AUTHORIZED BY THE LEGISLATURE $ 28,350,540

TOTAL 2005 BOND SALE $ 85,718,827

VII. CASH MANAGEMENT

CASH MANAGEMENT

The County's cash management and investment program has been analyzed as part of the development of the Multi-Year Plan for the County. The purpose of this review is to identify possible enhancements to the current program which may increase investment earnings and/or reduce the County's operational costs. In general, the County's investment management program is found to be well run. With the recent change in market conditions, there are some possible changes which could enhance earnings by $100,000 to $150,000 a year. Based on this initial assessment, the County will consider a more extensive analysis of the County's banking services to identify opportunities to reduce the cost of banking and optimize cash management. This further analysis has the potential to generate additional earnings and/or cost savings beyond those identified here.

Cash Management Overview

Cash management is a tool used by governments, businesses and others to ensure that excess cash is always put to its most effective use. Usually, this means investing the funds in securities that mature when the cash is needed to create maximum investment earnings with little to no risk to the government's capital. Cash management is an important part of the County's operating budget, as it provides a method of producing additional revenue from the same tax and fee base.

Analysis Scope and Methodology

This cash management review focused on the evaluation of the current investment program. This analysis included the following components:

- Review of the County's Investment Guidelines and applicable New York State Investment Statutes
- Assessment of bank accounts and balances opened as of December 31, 2004
- Analysis of trial balances for individual funds for the last three years
- Comparison of historic earnings rates relative to prevailing market rates
- Review of bank service charges on recent account analysis statements

In evaluating the County's cash and investment management program, alternative strategies permitted by state statute were compared to current policies and procedures. Several opportunities exist that may enhance the County's Cash Management Investment Program.

Current Approach

Cash Management/Investment Operations

The Comptroller's Office staff oversees the investment of a portfolio ranging in size from approximately $105 million to $300 million[1]. As the chief fiscal officer, the Comptroller is responsible for all activity related to cash management for Erie County. The County currently uses eight banks, maintaining one to 15 accounts per bank. For investment purposes, the County pools money from multiple funds and then allocates investment earnings among the funds

Funds are collected in a number of accounts in several banks. Daily cash positions in each account are reviewed in order to identify excess funds that can be invested. Recently, the County has been investing almost all of its funds in overnight money market savings accounts with local banks.

Investment Policy

The County's Investment Guidelines closely follows state statutes, which limit local governments to investments in direct obligations of the United States, collateralized bank deposits and repurchase agreements.

The County may invest in the following securities:

- Certificates of Deposit issued by a bank or trust company located in and authorized to do business in New York State;
- Time Deposit accounts in a bank or trust company located and authorized to do business in New York State;
- Obligations of the United States of America;
- Obligations guaranteed by agencies of the United States if the payment of principal and interest is guaranteed by the U.S. (i.e. Government National Mortgage Association-GNMA);
- Obligations of the State of New York; and
- Repurchase Agreements (102 percent collateral required)

The permitted investment language for municipal governments in New York is among the most restrictive in the nation. Further, some of the investment options such as obligations of the State of New York are not appropriate for public operating funds since they are normally tax-exempt and have much lower yields than U.S. Treasury obligations. Other asset classes, such as federal agencies issued with the full faith and credit of the U.S. Government, are offered in such limited supply with long maturity dates that it is difficult to incorporate them into an investment strategy for public funds.

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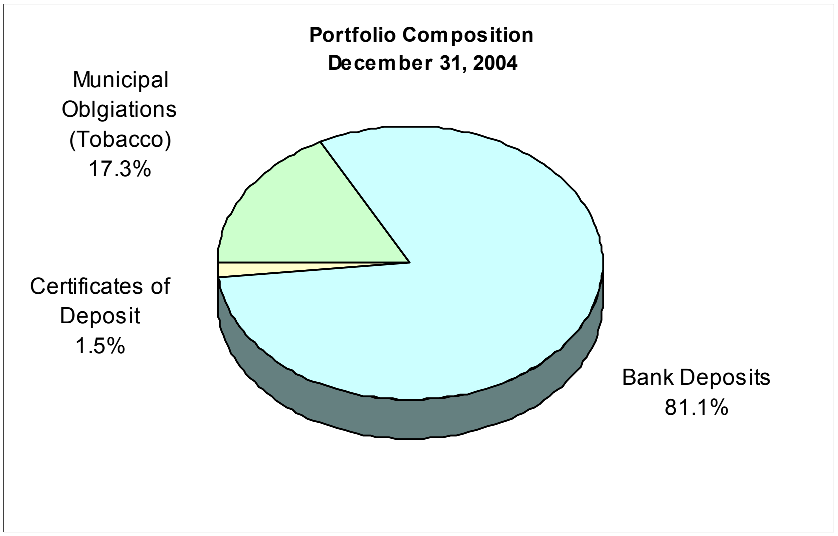
[1] Based on the month-end trial balances from the County's accounting system from July 2002 to June 2005.

The following chart shows the composition by sector of the County's portfolio as of December 31, 2004.



The portfolio is highly concentrated in overnight money market savings accounts with local banks ("bank deposits"). As of December 31st, over 81 percent of the County's portfolio is invested in these instruments. This is representative of the portfolio composition in recent years. There is a small allocation to Certificates of Deposit (1.5 percent).

The remainder represents proceeds from the Tobacco Asset Securitization Program. Since these balances are restricted to tax-exempt obligations, they are invested in municipal obligations. An outside investment manager, M&T Bank, invests these funds on behalf of the County.

County's Investment Process

The County has used bank deposits as the principal investment vehicle for available balances. These funds are primarily divided between three local banks, HSBC, Bank of America, and JP Morgan Chase. The following table shows the average balance and yield earned on these funds for the 12 month period ending July 31, 2005.

	HSBC	Bank of America	JP Morgan Chase
Average Balance	$96,054,435	$42,478,645	$30,145,098
High Balance	$103,277,572 (Mar 2005)	$68,582,912 (Sept 2005)	$56,963,998 (Mar 2005)
Low Balance	$73,856,212 (Feb 2005	$16,804,144 (Feb 2005)	$21,950,111 (July 2005)
Average APR	2.38%	2.34%	2.30%
Average Federal Funds Target Rate	2.35%	2.35%	2.35%
Spread over FDTR	+0.03%	-0.01%	-0.05%

The County's investment strategy has resulted in competitive yields. Over the last 12 months, these bank deposits generated returns consistent with the average Federal Funds Target Rate—a proxy for short-term overnight rates. As shown, the rate earned on each of these bank deposit investment vehicles was within 5 basis points (0.05 percent) of the Federal Funds Target Rate over this period.

An alternative strategy adopted by other large government entities in New York is investing short-term funds in repurchase agreements. Repurchase agreements are short-term investment vehicles where an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. Many large institutional investors use repurchase agreements to meet daily liquidity needs. However, unlike bank deposits, repurchase agreements require much more attention than investing in an overnight bank deposit. For example, a repurchase agreement would require (1) determining a balance early in the day that is available to be invested, (2) maintaining relationships with a number of primary broker/dealers with whom the County would have tri-party agreements, (3) soliciting quotations from these broker/dealers on a daily basis, (4) effecting the transaction with the County's custodian bank, and (5) monitoring the value of the collateral held.

The County has actively solicited quotations on repurchase agreements and Treasury investments from approximately 5 broker-dealers. On a weekly basis, the County has evaluated the yields on these investments relative to the rate paid on bank deposits. For the 12-month period ending July 31, 2005, repurchase agreements generated a return that was in-line with the County's current investment strategy[2]. Therefore, at the present time, overnight bank deposits appear to be the most cost effective and efficient investment strategy. If the rates offered on these bank deposits begin to drop below the Federal Funds Target Rate, the County may consider the use of repurchase agreements as an investment option.

Cash Management/Investment Recommendations

Erie County follows cash and investment management practices that were designed to allow the County to achieve its objectives of (1) compliance with all legal requirements, (2) safeguarding of principal, (3) provision of sufficient liquidity to meet operating requirements, and (4) obtaining a reasonable rate of return.

During the recent period of historically low investment rates, the County has maximized earnings by taking advantage of the good rates offered by local banks. As market conditions improve, the County will benefit with higher prevailing interest rates. Interest earnings for the County during 2005 are projected to significantly exceed 2004 interest earnings.

Although market conditions are now more favorable, the County may explore alternatives that could enhance earnings further while safely investing funds and ensuring adequate liquidity.

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2 Compared to the average rate on the bank deposit against the average yield for Bloomberg's 1 Day Repurchase Agreement Index with U.S. Treasury securities as collateral.

The alternatives consist of three related actions:

1. Use cash flow forecasting tools to identify excess liquidity, especially related to the Capital Funds.

2. Extend the maturity of investments as supported by the cash flow projections.

3. Diversify investments to include greater use of U.S. Treasury obligations and certificates of deposit.

By implementing these enhancements to the County's investment program, the County may be able to increase its investment earnings, with a possible net benefit of $100,000 to $150,000 per year. In addition to the investment related recommendations, the County will reexamine several of its banking relationships. Through restructuring several banking relationships, the County may be able to generate significant additional earnings and/or achieve cost savings.

The following discusses the possible areas of financial benefit to the County.

Use Cash Flow Forecasting Tools to Identify Excess Liquidity

The Comptroller's office directs a sizeable portfolio that averages approximately $190 million. This portfolio is divided into several funds that include a General Fund, Capital Fund, Sewer Fund, and Debt Service Funds.

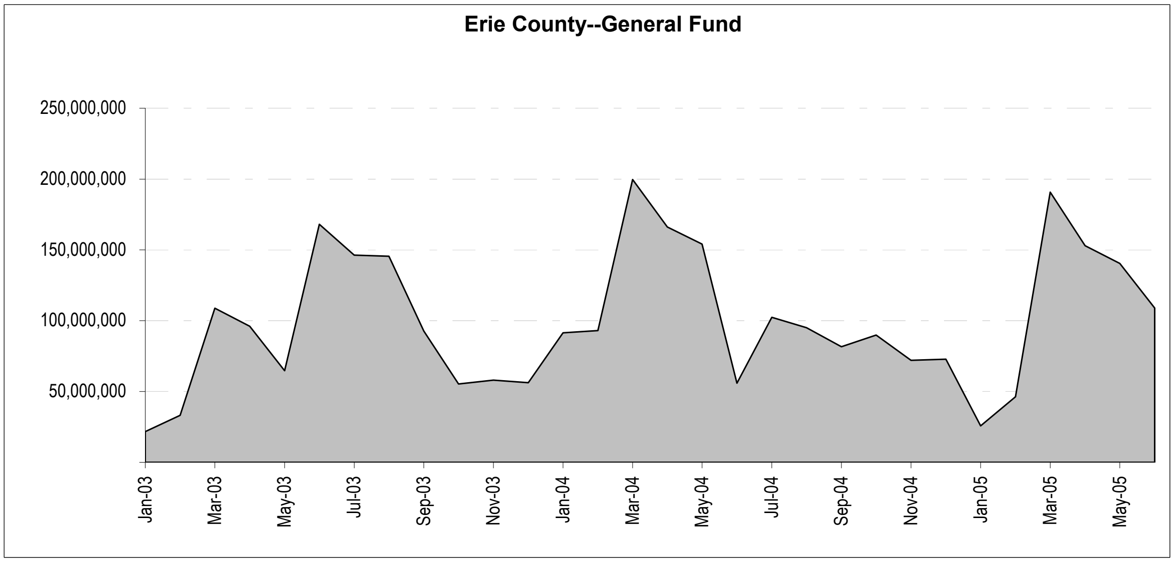
General Fund

Having an accurate cash flow projection is an important tool in the implementation of an effective investment strategy for short-term and intermediate funds. The County, like most government entities, experiences seasonal trends in its cash flows and operating fund balances.

Many public agencies track and forecast cash flows and there are cash flow models that analyze the historical cash flow patterns of the portfolio to determine its optimal allocation. The model identifies the portion of the portfolio needed for liquidity and the "core" that could be invested longer-term. Based on seasonal trends and a selected growth rate, the model projects future liquidity needs and the change in the core balance. In addition, the model builds in a liquidity cushion to account for unforeseen changes in cash flow patterns or for emergency cash flow needs, should they arise.

By building the County's month-end investment balances[3] into a seasonal cash flow model, the County can better understand its cash needs. The results are shown in following chart.

[3] Based on the County's end-of-month balances for the period January 2003 to June 2005 as shown in the County's ledger trial balances.



As shown, there is significant fluctuation in balances throughout the year. In order to maintain positive balances, Revenue Anticipation Notes (RANs) have been used to supplement General Fund balances with a $43 million borrowing in September 2002, $90 million borrowing in June 2003, and $83 million in June 2004. Based on this analysis, it does not appear that the County has a "core" portfolio available for longer-term investment (1+ years). In order to maintain adequate liquidity, the County is limited to investing in short-term obligations (less than 12 months).

In recent years, bank deposits offering rates in-line with the Federal Funds Target Rate were competitive with Treasury securities with significantly longer maturities. As interest rates continue to rise and return to more "normal" levels, a positively sloped yield curve may present the County opportunities to invest in short-term U.S. Treasury obligations or certificates of deposit that would offer more attractive yields than an overnight bank deposit.

Given the liquidity needs of the County, only a small percentage of the overall General Fund can be invested longer. One source of funds that could be invested longer is monies set aside in anticipation of paying off RAN borrowings. These funds would have a targeted disbursement date and may be an ideal candidate for a slightly longer investment. Another source of funds is from the real property tax receipts in February and March. This inflow of monies is used to fund operations throughout the year and can potentially be laddered out 1 to 3 months.

Capital Fund / Sewer Fund

Cash flow projections are a primary factor in designing an investment strategy for bond proceeds, serving as a basis for determining an appropriate maturity schedule for the portfolio, and identifying what portion of the funds need to be short and liquid. Laddering an investment portfolio to match projected cash flow needs (i.e. construction expenditures) with a corresponding investment will result in a somewhat longer maturity profile than the County has recently adopted. This will give the County access to higher rates that generally prevail when the investment yield curve is positively sloped. Before investing, consideration should be given to the arbitrage rebate compliance requirements and any limitations on the investment of bond proceeds.

A review of the County's historical Capital Fund and Sewer Fund balances shows that there are a number of ongoing construction projects at any given time. Some of the proceeds from bond issuances are used to fund projects with construction periods of one year or longer. In order to implement this slightly more aggressive strategy for the Capital & Sewer Funds, managers of the capital projects will develop and maintain draw down schedules as part of the capital projects budgeting process. A rough estimate of the valued added by adopting this strategy is $78,000 by extending $15 million out on average 9-12 months[4].

Target Longer-Term Investment Alternatives

Given the very limited range of investments permitted by State law, the average maturity of the investment portfolio is the single most important determinant of investment return. Historically, longer-term investment strategies have generated better returns than shorter-term strategies[5]. To illustrate the value of modest maturity extensions, the table below compares the total returns of several short-term indices with varying terms to maturity from overnight to 1-3 years.

Index[6]	Duration	1-Year	3-Year	5-Year	10-Years
Federal Funds Target Rate	1 day	2.20%	1.54%	2.56%	4.03%
Merrill Lynch 3-Month Treasury Index	0.15 years	2.15%	1.55%	2.62%	3.96%
Merrill Lynch 6-Month Treasury Index	0.40 years	2.15%	1.63%	2.92%	4.17%
Merrill Lynch 9-12 Month Treasury Index	0.81 years	1.87%	1.64%	3.37%	4.55%
Merrill Lynch 12 Month Treasury Index	0.90 years	1.73%	1.64%	3.57%	4.55%
Merrill Lynch 1-3 Years Treasury Index	1.67 years	1.87%	2.32%	4.49%	5.12%

In recent years (1 year and 3 year investment horizons), the County has been well served by staying "short" and leaving funds invested in overnight bank deposits. These deposits have produced returns similar to the Federal Funds Target Rate. While the relationship between overnight rates and rates on longer-maturity Treasuries will vary, history suggests that investors may earn additional income by extending further out the yield curve.

After an extended period of historically low interest rates, market conditions are improving and slightly longer securities will be considered.

For maturities of three months or more, U.S. Treasury Bills and Notes offer some additional advantages over overnight investments. U.S. Treasuries are liquid investments, so that if cash

[4] Assumed half of an annual $30 million capital program is invested in longer-term investments picking up 0.52 percent of additional yield.

[5] Under a "normal" interest rate environment, yields tend to increase as terms to maturity lengthen, resulting in an upward sloping yield curve. The higher yield 'compensates' the investor for the lower liquidity and the market value volatility associated with locking in funds for longer periods of time. While longer maturities have somewhat greater market value volatility, as the County limits its maturities to its forecasted draws, this market value volatility should not result in realized gains/losses that could result if the County were required to sell investments prior to maturity to meet draw downs.

[6] Source: Bloomberg & Merrill Lynch Indices. Annualized returns for the period ending June 30, 2005.

flow projections change over time the County can restructure its portfolio. A related advantage is that the County can ride the yield curve that usually exists in the Treasury market. Short-term Treasuries often appreciate significantly in value immediately prior to their maturity and can be sold with the proceeds invested either in bank deposits or in other Treasuries to gain further income. By actively managing its investment portfolio to respond to changes in cash flow projections and in the markets, the County may increase its investment returns. Moreover, diversifying investments into Treasury obligations with maturities that match cash requirements will improve the overall quality of the County's portfolio and further diversify holdings.

In addition to U.S. Treasury obligations, the County will consider using collateralized certificates of deposit as part of the short-term investment strategy. Certificates of deposit are bank obligations issued by a financial institution generally offering a fixed rate of return for a specified period of time (maturity). Collateralized certificates of deposit are typically non-negotiable resulting in these securities having limited liquidity and may be subject to early redemption penalties. However, certificates of deposit offer a significant yield advantage versus U.S. Treasury obligations. Presently, the spread between these two sectors is 30 basis points.

By diversifying some portion of the General Fund in short-term (1-month) certificates of deposit and 1 – 3 month U.S. Treasury obligations, the County can expect to add 5 to 15 basis points or $25,000 - $75,000 on an average balance of $50 million.

Performance Reporting

Currently, the County Comptroller issues an Investment Earnings Report to the County Executive and County Legislature on an annual basis. This report summarizes investments made during the year, interest earned by individual funds, and a weighted average yield of the aggregate portfolio. Although this information is useful for accounting purposes, it does not provide a good indication on how well the investment strategy performed relative to a 'standardized' index.

Benchmarks are used to measure and evaluate investment performance, and are used to make comparisons of risk and return. Benchmarks can also be used to evaluate the relative merits of a particular investment strategy. A portfolio's absolute level of return offers little useful information for performance evaluation unless considered in relation to a benchmark. It is difficult to evaluate performance if the only available information is that a portfolio has earned a total return of two percent. However, knowing that a particular portfolio has earned 2 percent while portfolios with similar characteristics earned four percent over the same holding period provides a much clearer picture of performance. To better measure performance, the County will establish an investment benchmark to monitor portfolio performance.

A performance benchmark needs to reflect the level of risk and cash flow requirements in a managed portfolio. For this reason, the performance benchmark for County funds will be based on the targeted maturity range of the portfolio and the types of securities permitted by the investment policy. Given the significant liquidity required by the County, it makes sense to evaluate performance relative to the Federal Funds Target Rate. This index is a fair and representative benchmark given the County's investment objectives and limitations.

Should a longer-term investment strategy become practical, there are a number of readily available indices of bond market performance. Some track a single security and others track a basket of securities. For instance, the Merrill Lynch Treasury bill and note indices reflect the total return for the current "on-the-run" Treasury issues (i.e. 91-day Treasury Bills, 182-day Treasury Bills, and 2-year Treasury Notes). Merrill Lynch also maintains indices of various baskets of securities (i.e. U.S. Treasury Notes maturing in 0 - 12 months, U.S. Treasury securities maturing in 1 - 3 years.) Most indices are updated daily and are readily available through on-line information services such as Bloomberg, and major indices are published in the Wall Street Journal.

Review Existing Bank Relationships

The County purchases banking services from 5 local banks and has deposit relationships with an additional 3 banks. The County has clearly identified its policy on banking services in its "Investment Guidelines":

> *Bank service charges are determined on a fee basis (i.e., per transaction). These charges can be paid directly or by the maintenance of a minimum balance on deposit. The objective is to minimize service charges. Whenever practicable, banking services agreements will be competitively bid.*
>
> *Generally, the County will pay for banking services directly and not maintain compensating balances. This will allow the County to allocate banking services fairly among funds and taxing jurisdictions. However, the Comptroller may make exceptions to this general rule if the use of compensating balances is in the best interest of the County.*
>
> *Additionally, the Comptroller shall obtain monthly account analysis statements for all bank accounts. These statements shall be reviewed to verify the accuracy of service charges and volume of transactions. Any unusual items shall be reviewed with the bank.*

The County has adopted accepted 'best-practices' in managing its banking relationships. This has resulted in competitive overnight investment rates (as discussed earlier under the County's Investment Process) and reasonable charges for banking services in aggregate.

Two of the financial institutions, Bank of America (formerly Fleet Bank) and JP Morgan Chase have agreed to waive all County service charges. The value of these services is estimated to be approximately $120,000 for Bank of America and $70,000 for JP Morgan Chase annually.

Among the 3 remaining banks, the County conducts significant bank activity with HSBC and M&T Bank. During April 2005, service charge expenses totaled $10,987 and $13,931, respectively. Assuming these charges are representative of the entire year, annual service charges are projected to exceed $130,000 and $165,000, respectively. The County may be able to cut fees by reducing per item charges for large volume activities and reducing reporting costs, which may be maximized through a competitive bid process.

Recent mergers and restructurings in the banking industry have dramatically increased competitiveness and led to a sharp reduction in some charges. Further, technological advances have increased the efficiency with which banks are able to provide various services, such as funds movement, availability and reporting. As a result, public agencies have been able to recognize substantial savings and improved efficiencies by rethinking their use of treasury and cash management services. A thorough review of banking services may help determine if current services continue to meet the County's needs. Historically, the County has used multiple accounts to facilitate collection and movement of money, but recent technology changes in the banking industry may provide other, more cost effective ways to do this.

In addition to fee reductions, a number of banks have been aggressively courting public funds by offering very favorable rates. A competitive bid process may identify additional financial institutions willing to offer competitive bank deposit or certificates of deposit rates. Expanding the list of financial institutions could allow for greater diversification of funds.

Since the County already has optimal relationships with two of its banks (Bank of America and JP Morgan Chase), the County may want to limit the competitive procurement process to just those services it is currently required to pay for. The banking relationships with HSBC, M&T Bank, and Key Bank, on a stand alone basis, would be coveted by prospective banks and the County should receive competitive pricing for these services. A competitive procurement may lead to the largest cost savings and/or earnings enhancement of any of the cash management initiatives.

110. Investment Management

Dept:	Finance	**Rev/Exp/Productivity**:	
Division/Bureau:	Comptroller	**Fiscal Impact To FY09**:	$390,000
		Required Approval:	N/A

Use of Improved Cash Flow Techniques / Extend the Maturity of Investments

The County Comptroller will develop and maintain draw down schedules of capital projects for the Capital and Sewer Funds. More reliable cash flow data will allow the County Comptroller to optimize the investment of these funds. The more reliable data will also allow the County Comptroller to provide comfort that the County has sufficient cash to meet its payment obligations.

By implementing a slightly more aggressive strategy with the Capital and Sewer Funds, investment income is projected to increase by $78,000 annually.

Diversify investments to include greater use of U.S. Treasury obligations and certificates of deposit

As market conditions become more favorable, modest maturity extensions into investment vehicles such as U.S. Treasury obligations and certificates of deposit should enable the County to generate incremental income. By diversifying some portion of the General Fund into short-term (1-month) certificates of deposit and 1 to 3 month U.S. Treasury obligations, the County could expect to add 5 to 15 basis points or $25,000 - $75,000 on a $50 million balance.

	FY2005	FY2006	FY2007	FY2008	FY2009
Capital / Sewer Fund	$0	$78,000	$78,000	$78,000	$78,000
Greater Diversification	$0	$50,000	$50,000	$50,000	$50,000
Earnings Enhancement	**$0**	**$128,000**	**$128,000**	**$128,000**	**$128,000**

It is assumed that these earnings enhancement would be realized in FY2006.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	$0	$128,000	$128,000	$128,000	$128,000

111. Reevaluate Existing Banking Relationships

Dept: Finance
Division/Bureau: Comptroller
Rev/Exp/Productivity: TBD
Fiscal Impact To FY09: TBD
Required Approval: County

In aggregate, the County's current banking relationships offer competitive interest rates and reasonable fees. However, favorable relationships with Bank of America and JP Morgan that agree to waive all service fees skews these results. There appears to be significant cost savings achievable through a competitive procure process for banking services.

In addition to fee savings, the County may also realize improvements in earnings on bank deposits.

Renegotiation of banking services would lead to the largest cost savings and/or earnings enhancement of any of the cash management initiatives.

A more detailed analysis needs to be completed in order to quantify the potential fiscal impact of new banking contracts.

	FY2005	FY2006	FY2007	FY2008	FY2009
Total Current Cost of Services	$295,000	$295,000	$295,000	$295,000	$295,000
Total Projected Cost of Services	$0	TBD	TBD	TBD	TBD
Savings	**$0**	**TBD**	**TBD**	**TBD**	**TBD**

VIII. FINANCIAL MANAGEMENT

FINANCIAL MANGEMENT

The County must have effective financial management policies. It should accurately and regularly report on the financial situation and should develop policies that restrict the dependence of nonrecurring revenue for recurring expenses. Budget and Comptrollers reports should allow the County to better assess its financial position and should include a realistic projection of year-end revenues and expenditures. While these reports should include sufficient detail, they must be able to be understood by decision makers so that they can react to the reports and take corrective actions.

Fund-specific fund balance targets should be developed and a policy should be developed regarding the inter-fund borrowing policies. The County should plan for future expenditures, such as the operating impact of capital projects. It should also work to receive reimbursements from other governments as quickly as possible. The County should maintain adequate staffing levels so that it can carry out the financial management function. Finally, the County should better integrate the capital planning process with overall financial discussions.

95. Financial Management Policies

Dept:	Comptroller/Budget & Finance	**Rev/Exp/Productivity**:	Productivity
Division/Bureau:	Administration & Finance	**Fiscal Impact to FY09**:	TBD
		Required Approval:	County

Interim Financial Reporting

Budget Reports

An important function for both the Division of Budget and the Comptroller's office is to provide accurate and meaningful interim financial reports. Though the County currently produces interim reports, improvements can be made to help the County understand its fiscal status throughout the year. Information should be made available electronically to allow for ad hoc analysis. The County should implement the following:

- **Provide timely and consistent budget status information.** Accurate budget information should be provided on a timely and consistent basis. While the County currently has interim budget reports, they are not provided consistently and on a scheduled basis (i.e., monthly). Especially during times of fiscal stress, it is important that the County produce timely and accurate interim financial reports. One approach to such reporting may be, until it can be managed otherwise, have a more detailed report on a less frequent basis, such as quarterly, and to produce more limited reports on a monthly basis.

- **Develop monthly budget monitoring reports with year-end forecasts**. It is important that the County's finance professionals provide estimated year-end forecasts. Current budget monitoring reports explicitly state that they are not intended to be used as year-end forecasts. It is not appropriate to assume that quarter-ending deficits will remain static for year-end. It is also not appropriate that a quarterly surplus or deficit be multiplied by four to forecast year-end results. At least on a quarterly basis, the County should provide a forecast of year-end results for key funds.

- **Develop meaningful monthly budget numbers**. The County's financial systems provide for a monthly budget. This can be a very helpful too in identifying where budgets are off track. However, monthly budgets should be more accurate than a $1/12^{th}$ monthly allocation of an annual budget. Many of the County's current system-generated reports allocate monthly budget numbers using a fixed $1/12^{th}$ allocation per month. While there may be a number of revenues and expenditures where this simple "straight-line" methodology is valid, it is not a valid methodology for "seasonal" revenues and expenditures such as the County's property tax revenues. The County must evaluate the system allocations and take steps to rectify the problem by providing more than high-level adjustments that correct for seasonality.

- **Include current and projected year end balances as a part of periodic monitoring reports**. Current budget monitoring reports produced by the County show surplus/deficits for the period covered but they do not carry surpluses/deficits forward to show the actual impact on fund balance. With this reporting system, a reader is unable to tell, for example, whether the variance shown is actually greater than available fund balance. At a point where the County's fund balance is decreasing, it is not necessarily the case that there is any fund balance with which to offset any year-end deficits, and the status of fund balance, as well as the variance, should be clear.

- **Treatment of appropriated fund balances and other nonrecurring sources**. The County's current budget monitoring reports show appropriated fund balances as simply another revenue source. It is important for budget reports to show how a government stands in terms of its structural balance. The County's reports (both interim and budget requests) should provide this information clearly by highlighting year-end fund balances and by identifying whether recurring revenues (excluding fund balance, land sales, etc.) match recurring expenditures.

- **Develop Fiscal Performance Indicators/Benchmarks**. The County should identify or develop meaningful performance indicators/benchmarks that help gauge or explain fiscal performance. Emphasis should be placed both on inputs, such as cost and man hours, to outputs, such as miles of road paved. These benchmarks should be compared with the County's peers to assess performance and for continuous improvement.

Comptroller's Reports

The Comptroller's office provides certain financial reports to the County in addition to budget monitoring reports. The Comptroller's reports include income statements and balance sheets, but not budget reports. Currently, the Comptroller's office is providing these reports on a quarterly basis, as required. Reports are transmitted, but not discussed. While budget reports are important element in managing the County's financial position, the County should also focus on information that is likely to be found only in the Comptroller's reports.

- It is important that the County also receive, and be able to understand, its financial position in a broader sense than budget reports. Decision-makers need to both receive this information and have it either explained in a meeting or in writing if they do not understand the significance.

- The balance sheets for each of the funds also contain important financial information that relates to the financial health of the County. The County should monitor trends on key balance sheet items such as cash position, receivables levels, and interfund borrowing.

- In prior years, the Comptrollers reports included footnotes and other information. It appears that post-staffing reductions, the current reports are basic trial balances. When it is manageable, the county needs to reinstitute this practice.

Other Reporting Issues

Additionally, the Division of Budget and the Comptroller's office might consider developing a periodic report that highlights the County's current budget status, key balance sheet information, and relevant indicators that would explain key issues, all in a single report. The County needs to have some format and content where a reader can easily identify what matters.

Structural Balance Policies

General

Budgets that are not in structural balance are often headed for problems, absent any form of revenue increase (i.e., sales tax, etc). Generally, sound structural balance means that a government uses recurring revenues for recurring expenditures. While fund balance is the most common non-recurring revenue, asset sales, deficit financing and other similar measures should also be considered non-recurring revenues. The County should monitor its structural balance, and, as it works through its fiscal issues, have future policies that restrict the dependence of nonrecurring revenue for recurring expenses.

Two Year Rule

There is a provision in the Administrative Code (Section 18.04(c) (2)) that requires the excess balances from two years prior to be appropriated. It does not seem that this necessarily requires that any funds that need to be so appropriated must be used for *recurring* expenditures. To the extent that it meets the legal requirements, at least for the foreseeable future, any excess funds should be used to replenish fund balances, even if they need to be budgeted to that purpose. When fund balances are at sufficient levels, the County should use such non-recurring resources for non-recurring expenditures, such as capital projects. This will also provide a benefit, by avoiding future debt service that would have been incurred if bonds were issued to fund the projects instead.

Property Tax Collections and Assessments

There are a number of individual tax assessors and tax collectors in the County. Erie County prepares and prints the tax bills for most of the municipalities and districts within the County. These entities are then responsible for mailing the tax bills to property owners and collecting the resultant taxes and the County receives funds after the municipalities' levies are satisfied. The collection of delinquencies is the task of the County. The tax collection process is one that can benefit from economies of scale and streamlining, whether the savings accrue to the county or to the municipalities.

Discussions with staff indicate that, periodically, funds from the municipalities (after their levies are satisfied) are not transferred to the County on a timely basis. The County needs to continue to actively pursue receiving funds when they are due.

The assessment process is managed at the individual municipality level as well, since individual municipalities also have their own assessors. As a result, each municipality has a separate challenge/ appeals process. The County does not separately assess parcels that are in municipalities. They begin with information from all of the individual assessors and then apply the state's equalization rates to attempt to place the parcels on an equal basis. Given the process, tax bills for the County may be based on a different assessment than those for the individual assessors. Furthermore, because there are numerous assessment and appeals processes, the County's revenues can be impacted by a number of different appeals processes, over which it has no involvement. A consolidated approach to the assessment process is estimated to benefit the County by approximately $4 million, as indicated in the Buffalo-Niagara Partnership Report.

Fund Balance Policies

Several of the County's budget documents cite acceptable fund balance levels to be approximately 5 percent but do little to clearly define fund balance policies. There are, in fact, several different types of fund balances, including reserved, unreserved but designated and unreserved. The County needs to revise its current fund balance policies and set clear definitions that consider the following.

Fund Balance Targets

The County should set an initial goal of achieving a 5 percent fund balance level that is often cited as a benchmark. However, this benchmark is not necessarily the appropriate level for all governments. Absent the use of cash flow borrowing to address the lag in some receivables, this level is likely to be too low as a target. The County should consider what is appropriate for them, which may be a higher level. Factors that should be considered include:

- Volatility and unpredictability of key revenues sources and expenditures.
- The extent to which the County can realistically adjust in the middle of a fiscal year, either by revenue measures or by expenditure cuts.

- How accurately (and how conservatively) the County's track record is for estimating revenues and expenditures.

- The potential for outside sources imposing mid-stream costs on the County.

- The County's cash flow pattern; i.e., if key revenues are collected early in the fiscal year.

- The level of lag in the receipt of receivables, as well as the County's willingness (and ability) to use interim borrowing to address this cash flow issue.

- The extent to which the County's general fund is also used as a reserve for other funds, which have no fund balance of their own.

- The extent to which the County uses the general fund as a "central bank" to meet cash flow needs and advances for other funds.

Periodically, the County should reassess its targets for fund balance, as the above factors will change. Additionally, the County's plans may also change (i.e., use of cash flow borrowing), and targets may need to be adjusted accordingly.

Fund Balance Target Definition

Additionally, the County also needs to determine how it will define fund balance for target purposes. Generally, it is prudent to "count" categories of fund balance that are available as a generally permanent reserve, and exclude amounts that are already committed, and/ or that are temporary in nature. For example, fund balance designated for future years expenditures should be excluded, if they are already budgeted for use in the next year. We recommend that, at least initially, the County measure its fund balance targets for undesignated fund balance.

Fund Balance Status Reporting

Any budget reports should indicate if projected results will cause the County to fall below its targets.

Other Funds and Financial Position

While there is a great deal of focus on the financial position of the general fund, it is important that the County also monitor the financial position of all funds. This is particularly important for funds that are tax supported, or which receive transfers from the general fund. Deficits in some funds may be viewed as a reduction in the general fund balance. These funds should have their own fund balances, or the county should include their revenues or expenditures in the calculation of general fund targets.

Budget Process

Capital Budgeting Process

The County does have a multi-year capital plan, but, its process does not clearly identify the future fiscal commitment which will be recurring costs. Additionally, some projects may also cause future impacts on operating costs. The governing body, and any other parties involved in the decision-making process, should understand how new debt service and operating cost changes will impact their future budgets, and they should know this before they commit to projects. This is a critical issue no matter how critical the projects may be.

Additionally, the County should have some policies, when affordable, about the level of pay-as-you go capital that it will plan for.

Revenue Estimates

It is important when developing budgets for the forthcoming year(s) that estimates for both revenues and expenditures are accurate as data permit, and to lean on the side of conservatism, unless the government has substantial reserves on which to draw. Additionally, revenue estimates should be updated to reflect latest information. No revenues should be increased aggressively to simply make the budget balance, even if there is fund balance that is available to cover it. This approach is masking the likely use of fund balance.

Receivables

The County needs to draft clear policies that require departments that receive grants, etc. to seek reimbursement promptly as regulations allow. The policies, whether centralized or not, should allow for the county to receive information about the reimbursement requirements/ timelines for these revenues.

The County's balance sheets show substantial levels of receivables from State and Federal government for social programs. The levels of such receivables owed to the County have grown in recent years. General fund accounts receivables were $120 million in 2000 and $179 million (un-audited) in 2004. High levels of receivables place substantial cash flow burdens on the General Fund. Generally, such requests for advances and reimbursements are managed in the departments responsible for the program. At one point, there was some consideration to centralizing the functions and the Comptroller's office performed some research into policies and allowable time frames for reimbursements. That approach was not implemented. Although the Comptroller's Office performed some level of monitoring of these activities, it is apparent that this is one function that has been nearly abandoned with reduced staffing levels. Additionally, the County has had no policies to require the departments to seek reimbursement as promptly as the regulations allow. While the departments may indeed be doing that, there is no policy or mandate to do so.

- The County should adopt some policies to govern such practices, whether they are carried out in user departments of centralized.

- The County also needs to have at least some level of centralized information about the reimbursement requirements/ timelines for these revenues and to have the monitoring be a specific assignment of finance professional. Alternatively, the county may reconsider the centralization of this function.

- The County needs to verify if such activities have been slowed down/ cut back after the layoffs. If this has had an impact on the timely receipt of such revenues, the County needs to reassign staffing support for such functions.

Other Financial Policy Issues

Interfund Borrowing Practices

The County has historically practiced inter-fund borrowing among funds. A certain level of inter-fund borrowing is expected; however, the County's stressed General Fund provides most of the "lending." The County needs to develop clear inter-fund borrowing policies. The County currently does not have any real policies about what is considered 'allowable' interfund borrowing and to what extent.

The County should consider adopting policies that set guidelines on what interfund borrowings are permitted, and should require explicit disclosure if the policy is to be exceeded. This is especially important given the County's cash position when there is likely to be considerable focus on the general fund cash levels. For example, before the County executed the medical center sale, the medical center fund had borrowed large sums that could not necessarily be easily replenished if the County needed the funds. Since temporary cash needs do not impact fund balance unless they eventually require a write-off, it is often not apparent when funds do not have sufficient liquidity on their own.

Liquidity

It is a popular myth that fund balance equals cash. This is clearly not the case for the County, and but readers of the budget would think that is the case. Given this, any targets for the County need to consider this difference and establish appropriate liquidity targets as well fund balance targets. This is particularly important given the County's significant level of receivables, mostly due to the lag in social services receipts, which are generally not within the County's control.

Staffing and Organizational Issues

Staffing Levels and Priorities

It is important, in this period of deficits and cutbacks, that the County maintain sufficient staffing levels and priorities so that it has reliable and accurate financial information, that revenue collection functions (both central and in departments) have sufficient resources so that collection rates are not impacted. The ability to collect funds due on a timely basis and to be able to ascertain financial position is also a critical element to future success.

Finance Function Organization

Currently, the County's finance functions are split between the Finance and Budget Office and the Comptroller's Office. There are a number of models for organizing such functions, in governments across the country, and there is not a single structure that fits all. However, the County might consider whether it could operate these functions more efficiently, and in a more coordinated manner, if there was a single finance function within the County structure. This would create more opportunity to allocate staff as needed to address workload concerns and may help facilitate provision of timely and consolidated financial status reports.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

105. Restore Budget's Central Role in Capital Planning

Dept:	Planning	**Rev/Exp/Productivity**:	Productivity
Division/Bureau:		**Fiscal Impact to FY09**:	TBD
		Required Approval:	County

The County's capital planning function should be transferred to the Budget & Finance Department because the current focus on budget and fiscal stability requires that the County integrate their capital budgets into their overall fiscal discussions. Additionally, the Budget & Finance Department is in a better position to evaluate the impact that capital projects will have on the operating budget. This includes the operational impact of projects (additional staff, utilities, etc), pay-as-you-go financing, and debt service. Of course, all departments should be involved in decisions about capital planning and execution.

As part of the capital planning process, the Budget and Finance Department should establish the financial position of the County by defining the maximum debt to be issued each year of the plan, and projecting the impact of that debt on the City's operating budget and on its long-term financial goals. This should include the current debt and debt service burdens in the context of the budget, legal limitations, and capital needs; the capacity of the operating budget to absorb additional debt service costs and the operating costs of new and expanded facilities; and the potential for shifting among sources or methods of financing.

Project requests from the departments should be prioritized align the County's capital program with current policies and goals; rationalize a broad range of factors deserving consideration, help create a structure for discussion by decision-makers, and serve as a record of the decision-making process. The calculations of capital needs that are a regular part of the budget process should continue to be reported in department budget requests.

The Budget and Finance Department should carefully monitor the progress of the capital program and should report regularly on the variance between the established budget and project schedules with current activities. This way, it can better coordinate the issuance of debt and ensure that capital funds are being used appropriately.

One of the first things that the Department should do is develop a formal debt affordability criteria and policy for the County to adopt. While capital planning involves a variety of important calculations, the creation of this policy will require that capital planning, if it involves issuance of debt, will be subject to these restrictions. In this set of circumstances, the budget and finance department is the logical place to build these plans into its overall budget framework.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

<u>104. Develop Formal Debt Affordability/Criteria Policy</u>

Dept: Budget
Division/Bureau:
Rev/Exp/Productivity: Productivity
Fiscal Impact to FY09: TBD
Required Approval: County

The County should formally adopt a debt policy and debt affordability standard. This should be integrated into the capital budgeting process to ensure that capital projects undertaken are essential, affordable and consistent with the County's taxing policies.

The County should develop analytical methods, such as debt targets (e.g., ratios) and reports that measure the impact of short and long-term borrowing. Develop projection reports that highlight the effects of borrowing on the short end (i.e., monthly and yearly) and long-term (i.e., 5 yrs out).

IX. RISK MANAGEMENT

RISK MANAGEMENT

Erie County's General Purpose government (General Fund), Community College, and Libraries are expected to expend $10.3 million on Workers' Compensation in 2005. Of this amount, at least $1.5 million is expected to be paid in assessments to the State of New York's Second Injury Fund, which in turn makes payments to local governments, including Erie County, for employees who have already been injured on the job, who file claims for a second injury. The remaining balance of Workers' Compensation costs include medical services, lost wages, and associated expenses (e.g., investigations).

The County contracts with a Third Party Administrator ("TPA") to administer claims, request independent medical examinations when deemed appropriate, assign nurse practitioners to monitor an injured employees' rehabilitation, investigate suspected cases of fraud, make payments on the County's behalf, coordinate payments from the New York State's Second Injury Fund, and conduct related functions. The County also engages a Risk Management Consultant to provide monthly reports to the County on trends associated with Workers' Compensation. The County Attorney's Office presently oversees Workers' Compensation, among many other responsibilities, and receives these reports, though no single manager is assigned. A fragment of the 1st Assistant County Attorney's highly burdened schedule is devoted to monthly reviews and cases as they may arise. A full time position had been established to coordinate Workers' Compensation, with the aim of improving Workers' Compensation management in each department through a network of department coordinators, through training and monitoring. This position was eliminated in early 2005, and is presently unfilled.

The County Attorney and staff handle between 500 and 600 legal claims against the County each year – most of which are claims associated with damaged property between $5,000 and $10,000. These claims are handled by attorneys assigned to litigation, plus half of the time of the 1st Assistant County Attorney, with outside counsel engaged on a case-by-case basis. The number of in-house County litigators was reduced as part of the 2005 layoffs.

The County's Risk Retention Fund, used for payments associated with legal claims and outside legal expenses, had a carry over of $1.4 million from FY2004, and had $0 budgeted for FY2005 – a challenging financial condition for a County which is self-insured. Facing depletion, the County's Revised FY2005 Budget will restore $3.0 million for FY2005. It is planning to increase the Risk Retention Budget in FY2006 to $3.5 million, and in additional $0.5 million increments until reaching $5.0 million in FY2009. Staff resources associated with subrogation – pursuit of payments from parties (or their insurers) whose actions cause financial loss to County workers and property – are limited, as the County Attorney's Office has had to take a more reactive posture following the 2005 layoffs. Systematic pursuit of subrogation has its benefits. For example, Maricopa County, AZ currently operates a subrogation program comparable to that being proposed in Erie County. If a member of Maricopa County's health care system receives benefits due to an injury or illness caused by a third party, the County tries to recover funds from the third party's insurer. In FY2004, Maricopa County was able to recover $307,000 under its subrogation program which equated to 1.6 percent of its Workers' Compensation payouts.

The County Attorney and staff also oversee insurance coverage provided to the County by contractors, whose services range from construction on capital projects to food stand operators. Many hundreds of insurance certificates are maintained in a handful of three-ring binders. Monitoring of the quality of insurance coverage intended to hold the County harmless needs strengthening to limit risk exposure.

The County will pursue the initiatives described below to strengthen the way in which it manages risk.

88. Engage Professional Risk Manager to Lead a Proactive, Comprehensive Risk Management Program

Dept:	County Executive	**Rev/Sav/Productivity**:	Savings
Division/Bureau:	Risk Management	**Fiscal Impact To FY09**:	($545,000)
		Required Approval:	County

The County will engage a full-time professional Risk Manager, working in the County Executive's Office, and reporting to the Deputy County Executive (Chief Operating Officer), who – working with the County Attorney, Personnel, and department coordinators – establishes and manages a Comprehensive Risk Management Program. The Risk Manager, with salary estimated to be $85,000, would have the following professional profile:

The position will be the chief Safety & Risk Management officer for the County. Responsibilities will require the person to communicate at all levels of the County structure and the individual should be vested with the authority to implement programs and initiatives so long as they have been properly reviewed are within protocols as noted in the Comprehensive Risk Management Program initiative which follows.

Successful implementation of pro-active programs should have a significant effect in reducing Workers Compensation costs. Reducing the causes of loss that give rise to accidents and pro-actively managing losses that have taken place will be accomplished:

The Risk Manager will share support staff with the County Executive's Office – including a newly restored clerical position in the County Attorney's Office proposed in the Attorney section of the Four-Year Plan – undertaking own on-site investigative analysis at the scene of incidents which may result in risk-related claims. County Attorney investigative resources and those of the Third Party Administrator for Workers' Compensation cases will be drawn upon as needed. This initiative also assumes $10,000 would be needed to engage a consultant to support development of the Loss Prevention Program.

If the search were initiated immediately, during the service of the interim Risk Manager, and the full-time Risk Manager were in place in January 2006, it is assumed this initiative would cost $137,000 in FY2006, climbing to $141,000 in FY2009.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	$0	($137,000)	($131,000)	($136,000)	($141,000)

89. Establish Comprehensive Risk Management Program

Dept: County Executive
Division/Bureau: Risk Management
Rev/Sav/Productivity: Savings
Fiscal Impact To FY09: $4,022,000
Required Approval: County

The Risk Manager will be responsible for directing the Comprehensive Risk Management Program, which, at a minimum, will include the following components:

- Systematic risk monitoring and reporting, coordinating with Personnel, County Attorney, and department risk management coordinators. For example, following every incident resulting in damage and opening the County to a claim, the Risk Manager would require an incident report be submitted by employees involved to their department manager, who would be required to state what actions would be taken to prevent such an incident from recurring

- Immediate on-site investigation of incidents likely to result in a claim against the County, identifying witnesses, assessing and documenting the scene of the incident, and providing the County Attorney and County Executive with sufficient information to support informed decisions on whether to contest or settle

- Support subrogation and third party suits pursued by the County Attorney

- Identification of the most cost-effective approach toward insuring the County, including bidding out insurances, evaluating costs and benefits of maintaining a self-insurance program as insurance market conditions change

- Risk Management-related budgeting and reporting, in coordination with the Budget Office

- Development and active management of a Loss Prevention Program

- Consistent policy and implementation of a Modified/Light Duty Program

- Provision of quality Risk Management training to department personnel

- Workers' Compensation management, such as coordinating discussion between temporarily disabled workers, TPA, and department managers, training, the Loss Prevention and Modified/Light Duty Program

- Advise the County Administration on work rule changes in collective bargaining agreements that drive up costs associated with risk-related employee absences.

The County's Risk Management consultant estimates that savings of up to 20 percent of Workers' Compensation costs could be achieved, once the Comprehensive Risk Management Program is effectively implemented, not counting savings in overtime for positions backfilled due to extended absences associated with work-related injury, nor accounting for avoided expenses from the Risk Retention Fund.

Estimated fiscal impact on the General Fund alone for this initiative before discounting in FY2006 is $277,000, climbing to $1,769,000 in FY2009. Applying deep discounting, this assumes savings of four percent of General Fund Workers' Compensation expenditures in FY2006, net assessment payments to the Second Injury Fund as the Comprehensive Risk Management Program is put in place, with savings climbing to 10 percent projected savings in FY2007, 15 percent Workers' Compensation spending in FY2008, and 20 percent savings in FY2009.

Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009
Discount %	100%	20%	0%	0%	0%
Fiscal Impact	$0	$277,000	$752,000	$1,224,000	$1,769,000

X. SELECTED COMPONENT ORGANIZATIONS

X.A. SEWER DISTRICTS

SEWER DISTRICTS

The six Erie County Sewer Districts and Southtowns Advanced Wastewater Treatment Plant ("Districts" and "Southtowns"), administered by the Division of Sewerage Management of the Department of Environment and Planning, are responsible for providing varying combinations of sanitary sewer collection, transmission, and treatment service across much of the County. At the same time, however, the Districts do not provide full sewer service County-wide. Across Erie, 29 municipal sewer operations and several private operators also provide varying levels of service to different communities.

Within this fragmented network, the Districts are professionally run, with significant advantages of economies of scale relative to smaller systems. As a comparatively large system, the Districts encompass over 700 miles of sewer, 74 sewage pumping stations, 426 low pressure grinding units, 5 overflow retention facilities, and 7 advanced wastewater treatment facilities. The County Division of Sewerage Management ("Division") also provides storm sewer service to Sewer District No. 6 and serves as the Erie County Sewer, Drainage, and Refuse Agency.

The Districts generate most revenue through a sewer tax on participating properties. In recent years, the tax has grown slowly – with modest rate increases averaging between 1.0% and 3.0% annually. Looking forward, the Division projects continued moderate increases over the course of the four-year plan.

In recent years, the Division has implemented multiple efficiency and productivity initiatives in order to streamline operations and contain rate growth. Some of the measures already undertaken and/or underway to improve efficiencies include:

- A major redundant pumping station elimination program;
- Information management upgrades, including Geographic Information Systems (GIS), Computerized Maintenance Management Systems (CMMS), and Supervisory Control and Data Acquisition (SCADA) technologies.
- Sewage sludge incinerator improvements at Southtowns; and,
- Energy management audits and initiatives.

While these and other measures have been positive for the Districts, it remains important to continue to pursue opportunities to improve productivity. Several further areas for potential improvements within the current structure are identified below.

The larger opportunity before the County, however, involves the potential benefits of regional water resources planning through consolidation, resultant streamlining, and improved coordination across the region.

Efficiency Opportunities Within Current Structure

- **Fee Adjustments**: In addition to general sewer charges, the Division applies separate charges for certain ancillary services. While rates for the sewer charge have been periodically adjusted to reflect rising costs, other fee rates have remained stagnant since 1988. An analysis performed recently by the Division has recommended an increase to connection, inspection, and equity fees so that revenues will more closely match the cost of providing services. The cost to the County and Sewer Districts to perform an inspection of a typical 50-lot subdivision is estimated at $500 per lot. The current charge for this is a $400 per lot connection fee. Based on 2004 data, increasing this fee by $100 to more fully cover actual costs will generate at least $100,000 annually. In addition, the Division has recommended a fee for the inspection of subdivision pumping stations. These inspections are currently performed without charge, while the cost associated with these inspections is estimated at $5,500. Since no subdivisions with pumping stations were installed in 2004, no specific revenues are forecast prospectively. As subdivisions do periodically need to be inspected, however, the County will be able to better recover its costs. Finally, out-of-district customers now pay an equity charge in Districts 1,2,4,5 and 6 ranging from $200 to $1,300. Based on the average charge of the assessed valuation for 20 years, the actual charge is recommended to be a uniform $1,100. Like the pumping station inspections, this equity charge is only applicable occasionally, with no specific revenues forecast.

- **Centralize District Maintenance Facilities:** Currently, maintenance services are decentralized. Each District provides its own secondary flushing, sewer television inspection services, and sewer repairs. Maintenance staff for each District performs all necessary maintenance functions instead of being assigned to one function. This structure results in duplicative staffing and equipment, and often results in preventative maintenance operations being performed less frequently than would be optimal. By combining these services into one centralized maintenance program, teams can be solely dedicated to one service. For specialized maintenance and repair functions such as flushing mains and sewer television inspections, this will result in increased service levels without increased costs. Likewise, redundant equipment now owned by individual Districts, such as backhoes, can be consolidated. Although this centralization will not result in loss of personnel, the County expects an annual reduction in vehicle purchases alone to average $86,000.

- **Streamline District Budgeting:** Currently, the Division maintains five separate budgets, generating significant, unnecessary paperwork. By transitioning to a consolidated budget, using allocation and charge-back mechanisms to maintain fiscal integrity across Districts, administrative requirements and costs could be reduced.

- **Asset Management:** Through sound life cycle planning, the Districts can best protect the County's infrastructure investments and achieve long-term savings. In recent years, the Division has completed condition assessments and advanced capital improvement plans for pumping stations and treatment plans, with similar analysis for the County sewer mains planned for the years ahead. In support of such initiatives, the Division has also initiated a more formalized asset management program linked to the County's GIS. As current assets age and Federal and State regulatory requirements continue to tighten, the Districts as a whole will need to sharpen focus on maintenance and preservation of assets. Along with improved capital investment planning, the Division is also advancing a capacity, management, operations, and maintenance (CMOM) plan that will allow the County to optimize system maintenance.

- **Lateral Inspections at Time of Property Sale:** Under emerging federal "wet weather" environmental regulations, the County bears heightened responsibility to address Sanitary Sewer Overflows (SSOs) that contribute to regional waterway pollution. In turn, infiltration and inflow (I&I) from private house laterals in poor condition and/or with improper connections to the stormwater system are a major cause of SSOs. When laterals are in poor condition, excess flow from rain and groundwater is allowed into the overall system and can lead to overflows. As one approach to address this environmental concern, the County will explore enactment of a local law requiring a private lateral and building plumbing inspection and repair/replacement as needed at the time of property sale or transfer. Mandating lateral inspections at the time of property sale would help to mitigate the County's current environmental problems, as well as reducing exposure to any new state or federal requirements to address SSOs.

Regional Vision

For many governmental services, collaborative regional approaches offer significant advantages through greater efficiencies and economies of scale. By their nature, watersheds and sewer systems do not fall within historical municipal boundaries. Sewer systems need to follow the flow of gravity, and eventually release treated effluent into shared bodies of water. Maintaining a healthy water environment is a regional challenge generally best approached through regional partnerships.

Specific aspects of sewer systems which may derive benefits from consolidation include:

- **Financing:** In a regional system, opportunities exist for better financing along with credit rating upgrades and the ability to refinance debt to achieve present value savings. In 2003, Nassau County, NY formed the Nassau County Sewer and Storm Water Finance Authority (NCSSWFA) for this purpose. By consolidating into a local financing authority, the County sewer system is able to access a greater range of financing options with enhanced flexibility. The NCSSWFA has the power to issue debt and refinance existing County debt in order to finance County sewer and storm water projects. When the Authority was formed, the 27 sewer collection districts and the three (3) sewer disposal districts in the County were consolidated into the Nassau County Sewer and Storm Water Resources District.

  Further, building, upgrading, and maintaining water and sewer infrastructure can demand tremendous capital resources. The Erie County Sewer System itself was originally established as a County function in the 1960s because many of the region's smaller jurisdictions did not have the financial resources to establish their own systems. Likewise, consolidated systems are able to more efficiently maintain financial records and reserves. When compared to the current system under which each District keeps its own separate reserve, the ability to pool reserves would reduce the pressure to increase customer rates.

- **Water Resources Planning:** The water cycle across a region is inherently interconnected. By creating a regional system, both planning to cost-effectively meet future needs and ongoing operational ebbs and flows can be handled more efficiently. If one plant fails in a single system, for example, the level of service can be greatly affected. Additionally, the cost to repair a major system deficiency can be a large financial shock which a smaller community may not be able to manage. Further, within an organization of larger scale, specialists in regulatory and technical issues can be developed more cost-effectively. For smaller utilities facing significant succession challenges as a wave of senior utility managers makes plan to retire in the years just ahead, this advantage may take on heightened importance.

An Erie County example of existing regional partnership can be seen in the Western New York Storm Water Coalition. With the State and Federal governments recently extending storm water regulatory requirements to cover smaller systems, 31 towns, villages, and cities and ten (10) in neighboring Niagara County are now facing similar challenges. Under Phase II storm water regulations, systems must now implement a storm water management program and meet six minimum control measures ranging from public education to eliminating illicit discharges. In response to these new regulations, the Western New York Storm Water Coalition was formed to allow members to share resources. The Erie County Department of Environment and Planning provides general administration for the Coalition, organizes its activities, and tracks developments on behalf of member communities at the state and federal levels. Other Erie County members of the Coalition include the Erie County Health Department and the Erie County Soil and Water Conservation District.

In an optimal consolidation, a County combined utility would be formed to provide all water, wastewater, and storm water services to Erie County as a whole. It is recognized, of course, that this would be major governance change for the region, and would involve important local planning and control issues that would need to be carefully considered. Nonetheless, such integrated, regional service delivery is the best practice nationally, and Erie County should begin to work toward this goal.

As steps forward toward this long-term vision, there are also multiple interim consolidation approaches that merit strong consideration and their own near-term benefits:

- **County Districts:** Through merger of the Sewer Districts within Erie County itself, savings and efficiencies can be achieved. Currently, although the Sewer Districts and Southtowns are distinct entities, the Division oversees daily operations and all employees are Erie County personnel (Note: Sewer District No. 3 and Southtowns have been operating under a combined budget since reaching a 1998 Memorandum of Understanding, and are the only of these entities with joint administrative functions). Even with this shared County government framework, however, the separate character of District operations constrains the ability to operate efficiently. Given the current organizational structure, it is difficult and unwieldy to transfer personnel and equipment across Districts based on need.

  In 2001, the County commissioned a consultant study quantifying the possible results of District merger. Ultimately, the study recommended that Sewer Districts No. 1 through 5 be consolidated in the near-term, with Sewer District No. 6 being consolidated in a subsequent phase. According to these projections, District consolidation would lead to a reduction in the median customer sewer bill of approximately 3.0%. Under this approach, administrative, managerial, and sewer maintenance can be consolidated, with personnel and equipment reductions achieved. Managerial and supervisory roles across Sewer Districts are similar, while District administrative teams handle their own payroll, purchasing, and reporting separately. With merger, all administrative functions can be centralized and additional administrative personnel specifically dedicated to each area. Additional productivity could be gained through moving from the current system of five operating budgets to one, and via use of pooled reserves.

Similarly, as outlined above, sewer maintenance consolidation would increase efficiency for assigning sewer inspections, flushing, manhole repairs, and other wet weather flow reductions tasks to areas where most needed. Further, consolidation would allow for the development of more specialized teams. For example, in 1999, the Sewer Districts were only able to inspect less than 1.0% of total sewer length with television cameras. By merging sewer maintenance teams and dedicating a team solely to television inspection of sewers, the total amount of sewer length evaluated would increase, allowing for a higher level of preventative maintenance. Further, the study found that merged Districts would be able to use sewer flushing crews across the regions, potentially improving sewer flushing by 80.0%.

- **County Sewer Districts – Erie County Water Authority (ECWA):** Many of the most efficient and effective utilities nationally offer combined water and wastewater services – and, in many cases, storm water management as well. By amendment to the ECWA enabling legislation, the region might authorize consolidation with wastewater services and/or the City of Buffalo water resources agencies. In turn, such consolidation would offer opportunities for coordinated watershed management, as well as joint purchasing, administration, laboratory services, customer service, and other operational activity.

- **County-City of Buffalo:** Another important opportunity to produce cost savings, and environmental benefit involves consolidated operations with the Buffalo Sewer Authority (BSA). Both the BSA and the Districts have the potential to reduce cost of service per unit through merger. Advantages from merging wastewater functions for the Districts include the ability to direct flows more efficiently, potentially helping to eliminate unneeded treatment facilities, along with streamlining of administrative and support functions. From an environmental perspective, SSOs can potentially also be reduced through coordinated use of the increased capacity of a larger system. Further cost savings could be generated through collective purchasing and resultant economies of scale, as well as consolidation of administrative, support, and ancillary functions such as laboratory services and industrial pretreatment. It may be noted that the BSA enabling legislation provides potential authority to serve the full County.

  Looking forward, as part of a broader strategy to capture the advantages of combined water/wastewater utility services in conjunction with the ECWA, further consolidation with the Buffalo Water Authority might achieve even greater economies.

- **County - Municipalities:** Over the long-term, the region's fragmented system of scores of separate water resources utilities is inherently inefficient, fails to capture available economies of scale, and misses opportunities to improve environmental outcomes. For example, the Wastewater Treatment Facility operated by the Village of Blasdell has recently merged with the Erie County Southtowns Agency, a facility just one mile away from it current location, and design is underway toward physical connection. By having the sewer system flow into the Southtowns facility, the water quality would improve near Woodlawn Beach State Park. During heavy rainfalls, untreated overflows would be reduced due to Southtowns greater capacity.

  In another example, the Village of East Aurora and the Town of Aurora are considering transferring their sewer functions to the County to form Erie County Sewer District No. 8. The idea was initiated by the Town and Village. Under the current system, Aurora and East Aurora have the highest sewer rates in western New York. To help determine the optimal service structure for area, the County commissioned an expert study. This analysis found that extensive capital investment was required at the Village Treatment Plant and within the collection systems. Further, to meet state and federal standards, additional staffing needs were identified both in collection system management as well as operations and management. In order to meet those standards, the system budget was projected for an increase of over 10% from $1,530,000 to $1,690,000. If the area were to become Erie County Sewer District No. 8, however, the study found that all necessary capital improvements could be made, collection system maintenance could be improved, and the annual budget including debt service and operations and maintenance costs could fall to $1,340,000. This represents a savings of 12.4% from the current budget and 20.7% from the cost of operating the system at the level projected to be necessary for meeting state and federal standards. Due to County rate stability, the study found that savings could reach $3-4 million over a ten year period, with the average property in East Aurora and Aurora saving 20.0% annually.

Looking forward, the County will build on recent progress to pursue the following parallel strategies:

- Advancing County Sewer District functional and legal consolidations, potentially in phases to manage impacts on operations and customer rate;
- Active exploration of service coordination and/or merger opportunities with the ECWA;
- Engagement with a broad range of communities, including the City of Buffalo, in regional partnerships such as the Western New York Storm Water Coalition, as well as the exploration of more formal consolidation opportunities; and
- Continued incremental consolidation with smaller municipal systems, building on multiple such successes in recent years.

Where joined by regional partners, such initiatives hold strong potential to capture powerful economies of scale and to generate the benefits of improved water resources planning and coordination.

X.B. ERIE COUNTY SOIL & WATER CONSERVATION DISTRICT

ERIE COUNTY SOIL & WATER CONSERVATION DISTRICT

The Erie County Soil and Water Conservation District (ECSWCD) was created by the Erie County Legislature in 1943. ECSWCD is governed by a seven member Board of Directors appointed by the County Legislature, including two members of the County Legislature. Under State law, three of the remaining five members of the Board must be practical farmers, one of whom is appointed from a list submitted by the Grange and the other appointed from a list by the Farm Bureau.

ECSWCD was created to carry out programs for the conservation, use and development of soil, water and related natural resources. It oversees a series of grant funded projects and provides technical and educational assistance, including on-site survey and design assistance for conservation practices. It also assists local farmers in meeting regulatory requirements that enables them to continue to farm in Erie County. ECSWCD's 2005 budget is $447,911.

Definition of County Financial Obligations

There is no apparent legal or other requirement for the County to provide funding to ECSWCD. In fact, in 2005, Erie County did not provide funding for the Soil and Water Conservation District.

Actual and Projected County Funding

In 2005, Erie County rejected ECSWCD's request for $265,000 in funding. Prior to the current year and since 2000, Erie County provided ECSWCD with between $200,000 and $265,000 per year in funding. ECSWCD has requested $200,000 for FY 2006.

Projected Funding Requirements – Operating Contributions

FY 2006	$0.2 million
FY 2007	$0.2 million
FY 2008	$0.2 million
FY 2009	$0.2 million

Projected Capital Funding Requirements

FY 2006 – FY 2008 $0 million

Under ECSWCD's proposed 2006 budget, total funding would increase from $447,911 in 2005 to $873,900. In addition to the $200,000 requested from Erie County, ECSWCD is also seeking to increase State funding from $356,611 this year to $600,000 in 2006. Most of the additional funding appears in a budget category for grant project implementation.

In its 2006 request for County funding, ECSWCD indicates that County funding would go for salaries and benefits for ECSWCD's five member staff and to cover the cost of dues for the Erie/Wyoming Joint Watershed Board. ECSWCD's budget proposal indicates that as a result of the loss of County funding this year, it laid off a water quality technician and an assistant civil engineer. A shared GIS position with County Environment and Planning was also eliminated.

In the absence of County funding, ECSWCD indicates that it will no longer be able to continue operation. This would reportedly jeopardize $1.3 million in grant projects currently being implemented.

Opportunities for Reducing the Need for County Funding

The need for future County funding for ECSWCD's operating should be determined based on two factors:

- The continuing need for the project management and other services provided byECSWCD

- The ability of others – including other agencies of the county – to perform necessary services at a lower total cost

Based on data from the U.S. Department of Agriculture, Erie County had 1,250 active farms in 2004: it was fourth among New York State counties. According to the Farm Bureau, there are approximately 1,100 member families in Erie County. According to 2000 Census data, there were 1,499 individuals in Erie County employed in agriculture, forestry, fishing and hunting, and mining.

County officials do not believe that they have the infrastructure or personnel who could assume responsibilities currently carried out by ECSWCD. In at least one other New York county – Westchester – the Soil and Waste Conservation District contracts for staff and other services from its Department of Planning.[1]

Conclusions

1. There needs to be a clearer understanding of the material impact of maintaining ECSWCD at its current level of funding. It is unclear from the ECSWCD proposal how the lack of County funding – given the absence of funding in 2005 – would result in additional reductions in staff. It is similarly unclear what the basis is for the expected increase in State funding.

2. County officials and ECSWCD should determine whether the contractual arrangement between Westchester County and the SWCD there is a model for maintaining access to federal and state funding without a need for a separately funded staff for the SWCD.

[1] According to the Westchester County Soil and Water Conservation District's 2004 Report, funding is actually provided to the County by the State for these services.

X.C. ERIE COUNTY COMMUNITY COLLEGE

ERIE COUNTY COMMUNITY COLLEGE

Erie Community College (ECC) is one of 30 community colleges in the State University of New York (SUNY) system. ECC is governed by a ten member Board of Trustees, including five appointees by the County Executive, four appointees by the Governor and one trustee elected by the student body. ECC's annual budget is subject to approval by its Board of Trustees, the Erie County Legislature and SUNY.

ECC currently has a total enrollment of approximately 13,000 students and a full time enrollment equivalent of approximately 11,000 students. After declining from an enrollment of 11,118 students in 1993 - 1994 to a low of 8,652 students in 1999-2000, enrollment has grown 30.1 percent in the last five years. By comparison, at all SUNY community college campuses, enrollment has grown by 22.5 percent during the same time period.[1]

ECC has three campuses - North Campus, City Campus and South Campus. Land at the North and South campuses is currently owned by Erie County. In the next year, the federal government is slated to turn over the City campus to Erie County. In FY2006, ECC has proposed a total budget of $80.9 million.

Definition of County Financial Obligations

Erie County's financial obligations to ECC are governed by Section 6304 of the New York State Education Law. Erie County is the "local sponsor" of ECC. Under State law, SUNY is responsible for one-half of all capital expenditures and up to forty percent of operating costs of community colleges. The local sponsor, here Erie County, is responsible for matching SUNY's contribution for capital and providing up to one-third of all operating costs: because ECC implements a program of full opportunity for local residents, Erie County's share is actually limited to four-fifteenths of all operating costs. The remaining one-third of operating cost is born by students through tuition payments.

Actual and Projected County Funding

Annual contributions to operating cost by the County have actually declined over time from $16.7 million in the County's Fiscal Year 2001 to $15.4 million in the County FY2005 Budget.[2] In its FY2006 budget proposal, ECC has proposed $15.4 million for the 2006 year. But in its five year projection, ECC also proposes a steady increase in operating assistance in out years -- going to $16.5 million in FY2007, $17 million in FY2008, and $17.5 million in FY2009.

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[1] Source: New York State Education Department, Office of Research & Information Systems.

[2] The higher subsidy amount in 2001 includes funding for equipment from tobacco litigation settlement funds. Also, Erie County and ECC operate on different fiscal years. The County fiscal year begins on January 1 and ends on December 31. Under State Law, ECC's fiscal year begins September 1 and ends on August 31.

Requested Funding Requirements – Operating Contributions

FY2006:	$15.4 million
FY2007:	$16.5 million
FY2008:	$17.0 million
FY2009:	$17.5 million

Requested Capital Funding Requirements

FY2006 – FY2008 $12.5 million

In 1998, SUNY issued its first five year capital plan, providing $420 million in State funding for capital projects at community colleges across the State. Since 2001, the County has also expended $YYY million on capital projects at ECC – matching some of the funding provided by SUNY. According to ECC officials, ECC was forced to return $3.5 million in State capital assistance under the first plan because they were unable to secure County matching funds.

Under SUNY's current five year plan, covering 2003-4 to 2007-8, the total capital spending allocation for ECC is $24.9 million: this allocation is designed to cover both State and local spending. Yet, ECC's 2005-6 budget submission details twelve capital projects totaling $29.4 million in 2005 alone, with a projected County share of spending totaling $16.7 million. Between 2005 and 2010, ECC has proposed a total of $161.2 million in capital spending with a County share of $90.6 million.

Opportunities for Reducing the Need for County Funding

The need for future County funding for ECC's operating and capital costs is dependent on several factors:

- ECC's ability to continue to increase revenue from other sources, such as State aid, tuition revenue and public/private partnerships
- Restrictions under State law regarding local sponsor maintenance of effort in funding operating costs
- ECC's ability to further defer capital construction projects
- ECC's ability to control expenditures

In FY2004, the last reported year of actual spending, County spending accounted for 19.7 percent of total ECC revenue; student tuition and fees accounted for 43.9 percent of revenue and State aid accounted for 33.3 percent of all revenue. Under its proposed FY2006 budget, the County contribution would account for 19.1 percent of all revenue; student tuition and fees would account for 44.8 percent of all revenue; and State aid would account for 32.9 percent of revenue. For the County to actually contribute its required sponsor share in FY2006, the contribution would have to increase from $15.4 million to $21.6 million.

Erie County, however, is not alone in its apparent failure to fully fund its local sponsor share of community colleges. The Buffalo Niagara Partnership, in its recent review of County finances and operations, found that both Niagara and Monroe Counties provided 15 percent and 22 percent respectively of the operating costs of community colleges in those counties.

In the absence of county contributions, ECC has come to increasingly rely upon revenue from tuition. Between FY2003 and 2005-6, tuition revenue is projected to grow from $26.65 million to $31.99 million – a 20 percent increase in three years. Most of the increased revenue is a result of higher tuitions rates – projected to grow 16 percent, from $2,500 to $2,900 – rather than continued growth in enrollment.

Further increases in tuition revenue could come from additional increases in tuition rate and increased enrollment. Both are contemplated under ECC's five year financial projections. ECC's five year plan anticipates a growth in FTEs from 11,260 in FY2006 to 12,118 in FY2010 – a 7.1 percent increase in enrollment over five years. At the same time, ECC projects an increase in tuition from $2,900 to $3,300 – a 13.8 percent increase.

Additional revenue could be generated through more rapid increases in enrollment and/or tuition. But a New York State Education Department analysis of full time tuition and fees at SUNY community colleges in 2004 found that ECC already had one of the highest tuition rates in the State. At Corning Community College, in State students paid the highest tuition and fees among SUNY community colleges in the State -- $3,196, just $96 more than at ECC.

Between 1999 and 2004, ECC increased FTEs by 30.1 percent -- an average of 5 percent per year. Most of that increase, however, occurred between 1999 and 2002. Between 2002 and 2004, enrollment increased at an annual rate of closer to just 1.75 percent annually. If enrollment growth returned to the pace of the 1999 to 2002 period, additional revenue could be obtained – though there might be a need for additional expenditures to provide services to the increased number of enrollees. A one percent enrollment increase at current tuition rates generates an additional $326,540 in revenue annually.

Enrollment projections from the New York State Education Department, however, suggest that enrollment growth in coming years may be even slower than that projected in ECC's budget.[3] For the period 2005 -2009, the State projects a statewide growth rate of 5.4 percent for SUNY community colleges. For all Western New York colleges, the State projects a growth rate of 2.3 percent.

There are other potential sources of revenue for ECC. It is possible that the State could increase its share of funding for community colleges, although there is no reason to believe that such a change would be likely in the near future. ECC's President and Board of Trustees have recognized the need to identify and implement fundraising and other revenue generating efforts. Foundation and other fundraising efforts produce as much as $1 million annually. Those funds go toward professional development, scholarships and athletics. In addition, ECC has sought to

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[3] Source: http://www.highered.nysed.gov/oris/counts/projections/index.htm

identify private sector partners as part of the community college's larger mission of workforce development.

The Buffalo Niagara Partnership report has also suggested that there may be significant revenue potential associated with the development of campus land. As part of its recommendation to sever the funding relationship between the County and ECC, the Partnership recommends that the land be deeded from the County to ECC so that ECC can "develop varying ways in which to utilize those resources to create long term funding opportunities." Alternatively, ECC and the County could jointly seek to develop campus land without an actual transfer in ownership. Funds derived from development could be designated by the County as part of its local sponsor contribution.

College officials have noted that if the County were to reduce its level of assistance in the coming years, it would trigger State mandated reductions in tuition rate. In a December 14, 2004 letter to ECC's Chief Administrative & Financial Officer, SUNY's Office of University Counsel opined that while the State Education Law "does not prohibit the sponsor of a community form reducing its level of financial support to the college…the law does provide for the sponsor's maintenance of effort." It goes on to note that "[I]f a sponsor fails to maintain effort, then tuition for that fiscal year may not be greater than one-third of the campus' net operating costs."

Under this formulation, if the County were to reduce its $15.4 million subsidy to $12.4 million it would trigger a reduction in available funds for operating costs of $12.1 million –$3 million in County funds and an additional $9 million loss in student tuition revenue.

The maintenance of effort requirement, however, may be met through other means. Under Section 6304(c) of the State Education Law, local sponsors may meet their contribution requirements through "the use of property, gifts of property or by the furnishing of services." There is no history of the County ever receiving credit – either on a one time or recurring basis – for providing land and services to ECC. The Buffalo Niagara Partnership report suggests a value of the land of between $36.2 million and $45.7 million.[4] A gift of the land from the County to ECC could credit the County with close to three years of maintenance of effort funding requirements.

The capital requirements set by the SUNY Capital Plan appear to be at the discretion of the County. In other words, the County could choose to fund none of the capital plan. Doing so, however, would have an impact on the ECC's ability to continue to operate and future maintenance costs. It would also result in the loss of more than $12 million in State funds.

ECC officials expressed an understanding of fiscal constraints at the County level which may make full funding of the Capital Plan difficult. They indicated, however, that it would be helpful for them if they could begin planning for that funding that will be made available. They suggested that it would be valuable for the County to also have a multi-year capital planning process.

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[4] Under the State Education Law, the valuation would be conducted by the SUNY trustees and with approval of the State Budget Director.

The other way to reduce levels of County funding would be through reduction in actual operating cost at ECC. A comparison of ECC's expenses per FTE with peers shows that its costs for instruction, academic support and institutional support were below the comparison group mean, while its cost for student services and other core expenses exceeded the comparison group mean.[5]

The largest variance between ECC and its peer group was in the area of other core services – those services not for instruction, academic support, student services or institutional support. Here, ECC's cost per FTE of $3,552 was more than 50 percent higher than the peer group mean of $2,335. Only one other college in the peer group – Community College of Allegheny County in Pennsylvania – had a higher cost per FTE.

ECC's instruction expenses per FTE were $4,054 compared to a comparison group mean of $4,568. Seven schools in the comparison group had a lower instruction expenses per FTE than ECC, with a low of $3,291 at Bergen Community College in New Jersey.

ECC's academic support cost per FTE of $705 was also below the comparison group mean of $745. ECC's student services support cost per FTE of $1,019 exceeded the peer group mean of $956, while ECC's institutional support cost per FTE of $1,129 was lower than the peer group mean of $1,579.

The largest component of ECC's proposed $80.9 million budget is for personal services – salaries and wages -- accounting for 63.7 percent of the total budget. Another 21.7 percent of total spending would go toward employee benefits. Over the last four years, salary and wage costs have largely kept pace with increases in cost of living – increasing 12.4 percent from $45.8 million in 2002-3 to a projected $51.5 million in 2005-6. Employee benefit costs, on the other hand, have increased at more than double the rate of actual salaries and wages – going from $13.5 million to a projected $17.1 million, a 26.7 percent increase.

Personal service and employee benefit costs are driven by both the number of employees and salary and benefit rates. In 2004, ECC had 771 full time employees, with 55.5 percent assigned to instruction or instruction related services. Total full time employment in 2004 reached its highest level since 1996, when ECC had 795 employees. College officials, note, however that the increase in full time employment occurred as enrollment – and demand for services – was growing. Moreover, in the 2005-6 budget, ECC proposes a reduction in full time staffing to 753, roughly the same number of full time employees as in 1998 – just prior to the increase in enrollment.

ECC officials initiated a hiring freeze in September 2004. The reduction in full time staffing is largely achieved through a reduction in instructional personnel, with the number of full time associate professors declining from 50 to 42 and the number of full time instructors declining

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[5] The analysis was conducting using the IPEDS Executive Peer Tool (EPT), available through the National Center for Education Statistics. The EPT selected 24 peer institutions for comparison with ECC based on the following characteristics: public, two year, degree granting, large enrollment and in the Northeast. Cost data was for FY 2003. Two schools were eliminated from the comparison due to the lack of accurate data.

from 72 to 64: as a result of increases in other instructional titles, the net reduction in instruction personnel is 10. Full time maintenance staff is also cut by 7 out of 68 positions, with all but one of those positions in the Laborer category.

Savings from reductions in both instructional staff and maintenance staff are offset by increases in adjunct and other part-time positions. The FY2006 Budget doubles funding for adjunct assistant professor positions from $1.2 million to $2.4 million. Similarly, funding for part-time laborer positions increases from $675,000 to $947,415.

ECC continues to maintain full time staffing in a number of areas where there might be opportunities for managed competition or outsourcing. For example, ECC employees 12 individuals in the title of building guard and – even after workforce reductions – maintains its own maintenance staff of 61.

Opportunities for savings in these areas, as well as other areas related to productivity, are somewhat limited by the labor relations process at ECC. All but 15 of the full time employees at the college are in unions and covered under collective bargaining agreements. Moreover, according to ECC officials, they have a relatively small role in the negotiation of those agreements. All union agreements are negotiated through the County, rather than through ECC as an independent entity. There may be opportunities for savings in the non-personal services components of ECC's operating budget. Here, ECC may have more flexibility. Under a 2003 agreement with the County, ECC now has autonomy over its purchasing function, along with personnel and payroll.

Conclusions

1. The General Erie County Government will engage with ECC to consider consulting with SUNY to determine if the County can receive "maintenance of effort" credit for both past and ongoing contribution of land for the ECC North and South campuses and future contribution of the land at the City Campus. In the absence of credit, the County should negotiate a lease agreement with ECC where County contributions are offset by rental payments by ECC to the County.

2. The General County Government will reach out to the ECC to explore the potential of the Buffalo Niagara Partnership proposal to phase out the County's funding obligation as a local sponsor in return for a gift of the land from the County to ECC.

3. ECC should closely review its current costs for services other than those related to instruction, academic support and institutional support. Based on the 2003 data used for peer comparison, this may be an area where ECC has an opportunity to achieve significant spending reductions. Managed competition and gainsharing are other areas for potential savings.

X.D. ERIE COUNTY MEDICAL CENTER CORPORATION

ERIE COUNTY MEDICAL CENTER CORPORATION

Erie County Medical Center Corporation ("ECMCC") is a public benefit corporation, created pursuant to State law in 2003. ECMCC is governed by a fifteen member Board of Trustees, including seven appointees by the County Executive and eight appointees by the Governor.

ECMCC operates the Erie County Medical Center, the Erie County Home in Alden and several health care clinics in Erie County. These facilities were formerly operated as departments of Erie County Government.

The Medical Center has 550 licensed acute care beds and 156 licensed residential health care facility beds. It is an affiliate of the State University of New York at Buffalo School of Medicine. The Medical Center also serves as the Level I Trauma Center for eight counties in Western New York, providing the region's only burn treatment unit, a spinal cord injury unit and a head trauma unit. It also serves as the region's designated AIDS treatment center, the principal point of entry into the local mental health community and the operator of the largest acute care mental health hospital program in Western New York. In 2004, according to State Health Department data, the Medical Center had an occupancy rate of 62.4 percent.

The Erie County Home has 565 beds and primarily provides geriatric services. In addition, the Home has developed programs to provide care for individuals with multiple sclerosis and psychiatric disorders. In 2004, according to State Health Department data, the Home had an occupancy rate of 99.1 percent.

According to its 2004 financial statements, ECMCC had operating expenses totaling $300 million. ECMCC officials project total operating expenses of $308.9 million in 2005.

Definition of County Financial Obligations

Erie County's ongoing obligations to ECMCC are defined by the ECMCC enabling statute, the Sale, Purchase and Operating Agreement between the County and ECMCC and bond covenants associated with the issuance of a $101.4 million bond in November 2004. Currently there is a law suit pending between the County and ECMCC regarding the annual subsidy.

The January 1, 2004 Sale, Purchase and Operating Agreement, as amended -- lays out a series of financial obligations for the County, including:

- Maintenance of effort to provide annual operating funding to the Corporation
  - In 2004, the County was required to pay a total contribution of $29.5 million – including $3.8 million for debt service
  - Commencing in 2005, the County is required to pay an operating contribution to the Corporation that shall at all times exceed the annual debt service associated with the financing of ECMCC's purchase of the hospital from the county

- Full funding of the existing 2004-6 capital program, totaling $23,037,000
- Completion of $12.7 million in ongoing capital projects
- Additional $3.2 million of capital improvement work
- Obligation for all payments, claims and judgments arising out of events prior to the transfer of the facilities
- Maintenance of the facility operated as School 84

In addition, if there is a breach in the Agreement, the Medical Center and Home would revert to County ownership.

Finally, under the Guaranty Agreement for the 2004 Series Bonds, Erie County has guaranteed the principal and interest on the bonds.

Actual and Projected County Funding

In FY2006, the County will fund the debt service for ECMCC for FY2006, but not pay any further operating subsidy. The County will thus reduce the gap by $13.5 million in FY2006, FY2007 and FY2008 and $11.5 million in FY2009.

ECMCC's 2004 financial statements list $28,827,906 in County contributions to ECMCC – apparently some $700,000 less than what was required under the Sale Purchase and Operating Agreement.

According to financial statements, in 2002, the County provided $22,738,047 in contributions to the operation of the Erie County Medical Center -- $18,268,387 for operations and $4,469,660 for capital needs. In 2003, the County contribution was $19,379,062 -- $16,350,169 was for operations and $3,028,893 was for capital. According to the State Comptroller's audit, during a six year period ending December 31, 2003, Erie County had paid a total of $119 million in subsidies for operation of the Erie County Medical Center.

The County is obligated to provide sufficient funding to pay the debt on the $101,375,000 bond issue, the proceeds of which were used – in part – by ECMCC to acquire the hospital from the County. Those payments equal approximately $5.6 million per year for 2005 to 2008 and approximately $7.6 million a year for the period 2009 to 2033.[1]

Initially, ECMCC projected that it would need a total subsidy of $39 million in 2005. Subsequently, the County and ECMCC agreed to a lower subsidy -- $19 million -- and the County is providing funding to ECMCC based on the $19 million allocation as litigation

[1] See Attachment A – Debt Service Schedule for Series 2004 Bonds. The County Government's legal counsel has reviewed and approved this document.

continues. ECMCC officials have publicly stated their intent to eliminate the need for an operating subsidy by 2008.

The County will provide the ECMCC capital subsidy by financing and constructing projects for ECMCC. According to the County Comptroller's office, the County did not provide $3.2 million in capital improvements by the end of 2004, though it intends to undertake the projects in the near future. Funding for $15.2 million out of the $23.0 million capital plan is included in the proposed County 2005 bond financing. Of the $12.7 million for funding ongoing capital projects, all but $5.0 million has now been funded. There is no obligation for future capital contributions to ECMCC beyond the obligations outlined in the Sale Purchase and Operating Agreement.

Finally, the County and ECMCC provide services for fees to one and other. According to ECMCC's 2004 financial statements, ECMCC received $5.3 million in revenue from services provided to the County including $1.4 million in subsidy for School 84 and $1.2 million in funding for mental health services. In addition, ECMCC incurred $2.1 million in expenses with the County, including $440,997 for buildings and grounds maintenance and $288,400 for law department services. While the Sale Purchase and Operating Agreement provided for continuation of this exchange of services during a transitional period ending June 30 of 2005, new agreements for the post-transition period are still in the process of being formalized. Nonetheless, the County continues to provide these services, as does the ECMCC, although the County has not completed a detailed process of cost accounting and allocation for services that it provides.

Opportunities for Reducing the Need for County Funding

The need for future County funding for ECMCC's operating and capital costs is dependent on several factors:

- Resolution of the current litigation involving the annual operating subsidy
- ECMCC's ability to develop new sources of revenue
- ECMCC's ability to control expenditures

The most significant factor is the County's future obligation for the ongoing subsidy. The Sale Purchase and Operating Agreement, defines the minimum subsidy as the amount of debt service. In 2005, County was only required to make payment on debt service, or $5.6 million. Yet the reality is that the County remains ultimately responsible for the operations of the Medical Center and the Home -- thus, the provision for reversion of its operations to the County in the event of a termination of the Sale Purchase and Operating Agreement.

Erie County would, however, be able to limit its obligation to debt service if ECMCC were able to achieve a balanced operating budget through a combination of increased revenue and reduced cost.

ECMCC officials have stated that they believe this can be achieved by 2008. Until recently, ECMCC officials have failed to disclose a plan for achieving this goal. ECMCC is required under it bylaws to develop a business plan and five year strategic plan. ECMCC officials, however, have declined to share their business plan out of concern that proprietary information – vital to maintaining a competitive edge – would be disclosed to competitors.

On September 1st, ECMCC officials provided the County with a budget overview containing both projected spending for 2006 and a series of three year financial scenarios. Each of the scenarios assume a 5.0 percent or $16.1 million increase in expenses in 2006 and a 27.3 percent increase in the County subsidy – going from $19.0 million to $24.2 million. The claim for additional subsidy funds in 2006 is driven by recurring expenditures that will lead to a projected $4.4 million operating shortfall in 2005: both expenditures and operating revenue are actually projected to grow by 5.0 percent in 2006. The County's projected 2006 gap assumed a 2006 subsidy of $19.4 million, accordingly, the ECMCC's projections, which were released after the release of the County's gap projections, are nearly $5 million higher than what was assumed in the 2006 baseline assumptions. The County has constructed its 4 year plan to provide for the debt service payments, but not operating subsidies.

The budget overview also projects a decline in non-net patient service revenue. According to ECMCC's 2004 financial statements, "other" operating revenue accounted for $34.4 million in revenue. In 2005, this is projected to decline to $30.2 million and decline further to $29.2 million in 2006. By comparison, net patient service revenue from 2004 to 2006 is expected to grow 14.2 percent. If other revenue grew at the same rate, it would increase revenue to ECMCC by $4.9 million in 2006.

Over the coming years, ECMCC's challenge is to overcome a structural deficit where costs are consistently greater than revenue. ECMCC's budget overview states a need to focus on revenue enhancement – through recruitment of physicians focused solely on ECMC, revenue cycle initiatives and process improvement and reimbursement for services. It also states a need for maximizing cost reduction opportunities – through labor cost control, process improvement, pay for performance physician contracts, drug, implant and other supply cost reduction initiatives and biomedical cost reductions.

Net patient revenue for 2004 – $237.9 million – was up by 8.5 percent from 2003 and up 15.5 percent from 2002. According to ECMCC's 2004 financial statements, inpatient revenue was up approximately 6 percent over the prior year as a result of increased counts of inpatient surgeries and adjustments in payment rates. Outpatient revenue gained nearly 16 percent due to increased visits and improved reimbursement rates.

Medicaid and Medicare revenues accounted for an estimated 60.6 percent of net patient service revenue in 2004 – an increase over 52.9 percent in the preceding year and the first time that Medicaid and Medicare revenue exceeded 60 percent since 1999. According to ECMCC's Budget overview, ECMCC is in the process of attempting to renegotiate reimbursement rates with private payers who reimburse at a rate lower than Medicaid and Medicare.

ECMCC's costs are driven by four components – three associated with the cost of labor. Based on ECMCC and Erie County Medical Center financial statements, salaries and wages have increased from $112.4 million in 2002 to $119.5 million in 2004 – a 6.3 percent increase over three years: in its budget overview, ECMCC projects $117.9 million in salary cost in 2005, a one year decline of 1.3 percent. During the same period, fringe benefits have increased from $32.4 million to $45.9 million – a 41.7 percent increase: in its budget overview, ECMCC projects $47.4 million in fringe benefit costs, a 3.3 percent increase.

Between 2002 and 2004, wages and benefits increased 14.2 percent.. Supply costs have grown at an even faster rate – up 26.3 percent from $37.7 million in 2002 to $47.6 million in 2004. The cost of professional and temporary services increased from $41.0 million to $46.9 million – a 14.4 percent increase.

ECMCC officials believe that controlling labor and fringe benefit costs are critical to reducing the need for a County subsidy. The State Comptroller's audit indicated that County and ECMCC officials believe that personnel costs at the Medical Center are about 20 percent higher than other regional health care providers. Similarly, a December 2003 study of staffing at the Alden Home found a ratio of FTEs to occupied beds that was 13 percent higher than for other regional health care facilities. The same study found salaries at Alden were more than one-third higher than the regional average.

The County 2004 Budget provided for 1,998 full time positions at the Medical Center and 562 full time positions at the Home. ECMCC officials have not initiated a hiring freeze, but require that all new hires be approved by senior management. As a result of layoffs in other parts of County government, ECMCC was forced to bump approximately 400 of its employees and absorb a commensurate number of more senior County workers. The ECMCC budget overview provides for an expected net decrease of 9 full time employees.

In its budget overview, ECMCC presented three budget scenarios for the 2006-2008 period. The scenario adopted by ECMCC's Board assumes moderate increases in labor costs – four percent increase in wages and six percent increase in fringe benefits -- in 2007 and 2008. Under this scenario, the projected subsidy would decline to $14.5 million in 2007 and $5.9 million in 2008. If, however, historical trends in labor cost were to continue, ECMCC projects a need for $20.7 million in subsidy in 2007 and $19.1 million in 2008. Finally, if there were a wage and benefit freeze in 2007 and 2008, the proposed subsidy declines to $10.2 million in 2007 and is eliminated by 2008.

Going forward, the potential impacts of the ECMCC upon the County's finances appear to hinge strongly on control of ECMCC labor costs. In its budget overview, ECMCC presents a sensitivity analysis with three scenarios for the 2006-2008 period. The moderate wage and benefit increase scenario – 4.0 percent increase in wages and 6.0 percent increase in fringe benefits – in 2007 and 2008, projects the subsidy to decline to $14.5 million in 2007 and $5.9 million in 2008, noting that a positive margin would be achieved by FY2009. If, however, historical trends in labor cost were to continue, ECMCC projects a need for $20.7 million in subsidy in 2007 and $19.1 million in 2008. Finally, if there were a wage and benefit freeze in

2007 and 2008, the proposed subsidy declines to $10.2 million in 2007 and is eliminated by 2008.

ECMCC's ability to proceed with savings through productivity increases is limited by collective bargaining agreements with unions that represent much of the ECMCC workforce. Under its enabling statute, ECMCC employees are "deemed to be employees of the county of Erie and shall be employed within the current county of Erie bargaining unit designation…The corporation and the county shall recognize the existing certified or recognized employee organizations for county employees as the exclusive bargaining representatives for such employees." Moreover, the law also provides that ECMCC "shall be bound by all collective bargaining agreements between the county of Erie and such collective bargaining representatives in effect as of the date of transfer of operations to the corporation and any successor agreements between such parties."

The principal responsibility for negotiations with ECMCC employee unions remains with the County, not ECMCC. Section 11.1 of the Sale Purchase and Operating Agreement provides that the Director of Labor Relations shall act as the bargaining agent for the Corporation.

Attachment A

Period Ending November 1	Total Debt Service
2004	$1,112,306
2005	$5,561,532
2006	$5,561,532
2007	$5,561,532
2008	$5,561,532
2009	$7,631,532
2010	$7,631,248
2011	$7,632,074
2012	$7,629,249
2013	$7,632,154
2014	$7,630,876
2015	$7,627,660
2016	$7,628,610
2017	$7,631,310
2018	$7,630,210
2019	$7,630,035
2020	$7,630,235
2021	$7,630,260
2022	$7,629,560
2023	$7,632,585
2024	$7,628,510
2025	$7,632,060
2026	$7,627,865
2027	$7,628,850
2028	$7,628,875
2029	$7,632,085
2030	$7,627,340
2031	$7,629,070
2032	$7,630,850
2033	$7,631,540
TOTAL	**$214,113,074**

XI. APPENDIX

XI.A. FISCAL GAP SUMMARY

Erie County, New York, Four-Year Projections Model

Summary for the General Fund

	HISTORICAL DATA			PROJECTED DATA				
	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES								
Local Taxes								
Revenue From Real Property Taxes	$ 129,559,571	$ 129,462,070	$ 128,332,433	$ 135,969,466	$ 144,385,976	$ 147,273,695	$ 150,219,169	$ 153,223,553
Exemption Removal Revenue	595,190	531,704	540,279	515,822	492,471	470,178	448,894	428,573
Revenue From Library Real Property Taxes	-	-	-	-	-	-	-	-
Gain on Sale of Tax Acquired Property	62,277	10,959	1,749	-	-	-	-	-
Other Payments In Lieu Of Taxes	5,486,235	5,832,553	5,111,961	5,261,961	5,102,992	4,948,826	4,799,318	4,654,326
Interest And Penalties On Real Property Taxes	10,489,394	2,199,377	2,332,783	3,832,783	3,909,439	3,987,627	4,067,380	4,148,727
Omitted Taxes	1,828	40,820	39,569	-	-	-	-	-
Pr/Yr Downtown Mall Tax Payments	-	-	-	-	-	-	-	-
Sales And Use Tax	120,481,562	127,665,342	127,650,428	130,797,034	134,021,204	137,324,851	140,709,933	144,178,458
1% Sales Tax Increase - Erie Co Purposes	113,526,622	120,489,365	120,422,959	123,391,407	126,433,027	129,549,624	132,743,045	136,015,185
Revenue From Bed Tax Receipts	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000
Hotel Occupancy Tax	4,915,130	5,773,962	5,404,819	5,773,962	5,947,181	6,125,596	6,309,364	6,498,645
E911 Surcharge	-	-	-	-	-	-	-	-
Off Track Pari-Mutuel Tax	966,541	717,346	694,233	593,555	507,477	433,882	370,960	317,163
Transfer Tax	-	-	-	-	-	-	-	-
Real Estate Transfer Tax	102,090	213,130	271,737	275,000	275,000	275,000	275,000	275,000
Mortgage Tax	318,750	325,000	381,250	400,000	438,537	480,787	527,107	577,889
Decrease In Property Tax Deferred Revenue	-	-	1,102,579	-	-	-	-	-
Total Local Taxes	**$ 386,604,190**	**$ 393,360,628**	**$ 392,385,780**	**$ 406,909,989**	**$ 421,612,304**	**$ 430,969,067**	**$ 440,569,170**	**$ 450,416,521**
Fees, Fines and Charges								
Recording Fees	$ 4,609,964	$ 5,840,430	$ 4,564,939	$ 4,000,000	$ 4,100,000	$ 4,202,500	$ 4,307,563	$ 4,415,252
Jail Facilities For Other Governments	4,300,877	4,313,270	5,212,782	5,212,782	5,212,782	5,212,782	5,212,782	5,212,782
Election Expense - Other Governments	4,934,673	5,002,393	4,732,456	3,915,118	3,915,118	3,915,118	3,915,118	3,915,118
All Other Fees, Fines and Charges	8,469,794	9,212,090	13,466,870	13,461,287	13,230,880	13,667,448	14,135,370	14,635,988
Total Fees, Fines and Charges	**$ 22,315,308**	**$ 24,368,183**	**$ 27,977,048**	**$ 26,589,187**	**$ 26,458,780**	**$ 26,997,848**	**$ 27,570,832**	**$ 28,179,139**
State Aid								
State Aid - Mental Health II	$ 19,101,575	$ 20,351,701	$ 25,721,444	$ 30,713,919	$ 30,713,919	$ 30,713,919	$ 30,713,919	$ 30,713,919
State Aid - Education Of Handicapped Children	14,252,978	16,444,033	21,692,409	21,692,409	21,692,409	21,692,409	21,692,409	21,692,409
State Aid - Fr Soc Serv Admin	16,829,018	18,633,948	23,730,950	19,537,796	27,703,563	27,703,563	27,703,563	27,703,563
State Aid - Safety Net Assistance	10,535,750	11,139,757	12,358,645	13,753,463	13,753,463	13,753,463	13,753,463	13,753,463
State Aid - CWS Foster Care	14,617,296	13,084,813	12,162,769	13,043,164	13,043,164	13,043,164	13,043,164	13,043,164
State Aid - Family Assistance	9,232,114	8,992,000	10,134,735	10,696,090	10,696,090	10,696,090	10,696,090	10,696,090
All Other State Aid	35,652,222	37,262,596	65,445,297	60,793,597	50,304,957	53,071,247	55,999,529	59,028,446
Total State Aid	**$ 120,220,953**	**$ 125,908,848**	**$ 171,246,249**	**$ 170,230,438**	**$ 167,907,565**	**$ 170,673,856**	**$ 173,602,137**	**$ 176,631,055**
Total Federal Aid	**$ 94,246,945**	**$ 97,917,739**	**$ 143,082,118**	**$ 139,476,001**	**$ 139,899,622**	**$ 144,749,700**	**$ 149,883,793**	**$ 155,194,330**
Other Sources								
Repayments - Medical Assistance	$ 4,670,918	$ 6,379,195	$ 8,818,356	8,964,898	$ 8,964,898	$ 8,964,898	$ 8,964,898	$ 8,964,898
IV D Administration Repayments	5,699,561	5,262,447	4,988,061	5,419,877	5,419,877	5,419,877	5,419,877	5,419,877
Medicaid - Early Intervention	4,837,578	5,119,095	5,551,198	5,551,198	5,551,198	5,551,198	5,551,198	5,551,198
Repayments - Safety Net Assistance	3,618,634	4,501,147	5,053,887	4,461,900	4,461,900	4,461,900	4,461,900	4,461,900
Park Services for Other Governments	-	-	900,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Unanticipated Prior-Year Revenue	2,686,376	44,083	(3,272,995)	118,075	118,075	118,075	118,075	118,075
SALE OF ECMC	-	-	36,706,836	-	-	-	-	-
All Other Other Sources	22,585,507	34,590,039	22,269,435	16,445,462	17,280,143	17,633,555	18,062,575	18,548,971
Total Other Sources	**$ 44,098,574**	**$ 55,896,006**	**$ 81,014,778**	**$ 42,761,410**	**$ 43,596,091**	**$ 43,949,504**	**$ 44,378,524**	**$ 44,864,920**
Total Interfund Revenue	**$ 103,965,698**	**$ 82,425,596**	**$ 58,052,421**	**$ 2,264,338**	**$ 2,264,338**	**$ 2,264,338**	**$ 2,264,338**	**$ 2,264,338**
Total Appropriated Fund Balance	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL REVENUES	**$ 771,451,668**	**$ 779,877,000**	**$ 873,758,394**	**$ 788,231,362**	**$ 801,738,701**	**$ 819,604,312**	**$ 838,268,795**	**$ 857,550,301**

Erie County, New York, Four-Year Projections Model

Summary for the General Fund

	HISTORICAL DATA			PROJECTED DATA				
	2002	2003	2004	2005	2006	2007	2008	2009
EXPENDITURES								
Salaries and Wages								
Full-Time Salaries	$ 150,595,511	$ 151,774,472	$ 191,008,192	$ 165,916,912	$ 171,606,862	$ 177,529,827	$ 183,386,536	$ 189,439,083
Part-Time Wages	1,013,360	890,776	5,236,961	3,247,219	3,348,947	3,455,336	3,560,477	3,668,950
Seasonal Wages	-	-	734,040	794,225	821,824	850,394	878,959	908,493
Total Salaries and Wages	**$ 151,608,871**	**$ 152,665,248**	**$ 196,979,194**	**$ 169,958,356**	**$ 175,777,633**	**$ 181,835,557**	**$ 187,825,971**	**$ 194,016,527**
Other Compensation								
Overtime	$ 13,746,784	$ 15,026,729	$ 17,414,301	$ 14,705,742	$ 15,313,482	$ 15,746,232	$ 16,412,660	$ 16,855,438
Holiday Worked	-	-	903,973	745,810	772,052	799,219	826,736	855,201
Shift Differential	-	-	786,385	950,087	983,336	1,017,752	1,053,374	1,090,242
Other Employee Payments (Non-Salary)	-	-	3,783,776	2,693,473	2,763,274	2,835,526	2,908,970	2,984,941
Total Other Compensation	**$ 13,746,784**	**$ 15,026,729**	**$ 22,888,435**	**$ 19,095,112**	**$ 19,832,143**	**$ 20,398,731**	**$ 21,201,740**	**$ 21,785,822**
Fringe Benefits								
Health Insurance (Active)	$ -	$ -	$ -	$ 25,308,064	$ 26,252,528	$ 29,958,303	$ 34,551,971	$ 39,094,581
Health Insurance (Retirees)	-	-	-	4,793,442	4,972,053	5,673,901	6,543,911	7,404,251
Pension	521,341	463,135	1,044,360	22,664,821	22,479,071	20,866,589	21,494,978	22,142,453
Workers Compensation	-	-	20	7,878,405	8,459,109	9,082,616	9,752,080	10,470,890
Other Fringe Benefits	42,455,839	62,796,437	63,798,020	20,948,595	21,602,373	22,279,778	22,957,254	23,655,865
Total Fringe Benefits	**$ 42,977,180**	**$ 63,259,572**	**$ 64,842,399**	**$ 81,593,326**	**$ 83,765,135**	**$ 87,861,187**	**$ 95,300,194**	**$ 102,768,039**
Non-Personal Services								
Interdepartmental Billing	$ 23,798,113	$ 27,436,902	$ (1,174,337)	$ (1,620,252)	$ (1,664,114)	$ (1,664,114)	$ (1,664,114)	$ (1,664,114)
Contractual	87,088,620	86,647,483	124,554,808	114,318,217	115,602,979	118,283,693	121,072,317	123,977,025
Equipment	256,708	641,100	352,225	136,619	140,034	143,535	147,123	150,801
Program Related Expenses	37,774,746	41,267,673	46,869,997	49,392,640	50,627,456	51,893,142	53,190,471	54,520,233
Supplies and Repairs	7,868,543	8,774,100	8,380,840	6,432,772	6,593,130	6,757,959	6,926,908	7,100,080
Other Non-Personal Services	20,979,488	11,172,628	7,831,329	9,199,965	11,258,834	10,821,385	11,386,249	11,953,514
Total Non-Personal Services	**$ 177,766,218**	**$ 175,939,886**	**$ 186,814,863**	**$ 177,859,961**	**$ 182,558,320**	**$ 186,235,600**	**$ 191,058,954**	**$ 196,037,540**
Social Services								
MMIS-MEDICAID LOCAL SHARE	$ 146,326,467	$ 158,372,303	$ 180,977,804	$ 186,743,030	$ 193,087,941	$ 199,363,299	$ 205,344,198	$ 211,504,524
MA-GROSS LOCAL PAYMENTS	6,060,428	6,179,446	6,193,059	6,388,470	6,388,470	6,388,470	6,388,470	6,388,470
FAMILY ASSISTANCE (FA)	37,801,441	36,951,463	41,755,283	44,224,958	46,436,206	48,758,016	51,195,917	53,755,713
CWS - FOSTER CARE	56,897,545	59,197,148	63,090,541	62,494,382	65,150,393	67,919,285	70,805,855	73,815,103
SAFETY NET ASSISTANCE	26,039,985	28,057,485	30,874,714	32,992,859	34,642,502	36,374,627	38,193,358	40,103,026
CHILD CARE-DSS	2,826,679	3,035,400	34,488,882	33,974,645	33,974,645	33,974,645	33,974,645	33,974,645
Social Service Contracts	10,624,495	12,471,745	20,073,319	11,838,791	11,698,837	11,698,837	11,698,837	11,698,837
All Other Social Services	96,508,529	66,573,237	68,409,680	15,891,520	16,175,431	16,379,635	16,589,521	16,805,254
Total Social Services	**$ 383,085,569**	**$ 370,838,227**	**$ 445,863,282**	**$ 394,548,655**	**$ 407,554,425**	**$ 420,856,814**	**$ 434,190,801**	**$ 448,045,572**
Interfund Expense								
COUNTY SHARE - GRANTS	$ 5,177,692	$ 5,656,634	$ 3,478,453	$ 3,493,851	$ 3,493,851	$ 3,493,851	$ 3,493,851	$ 3,493,851
INTERFUND-DEBT SERVICE	6,751,752	6,297,395	10,525,664	21,548,315	41,437,654	44,535,887	44,666,077	44,393,870
INTERFUND-ERIE COMMUNITY COLLEGE	12,770,777	13,570,777	13,570,777	13,570,777	13,570,777	13,570,777	13,570,777	13,570,777
ID GENERAL DEBT SERVICE	221,671	180,666	2,217,575	3,409,573	2,842,398	2,842,398	2,842,398	2,842,398
INTERFUND-UTILITIES FUND	3,182,860	3,665,825	4,113,942	3,968,295	4,115,122	4,267,381	4,425,275	4,589,010
All Other Interfund Expenses	16,669,417	16,342,873	27,939	(0)	-	-	-	-
Total Interfund Expense	**$ 44,774,169**	**$ 45,714,170**	**$ 33,934,349**	**$ 45,990,811**	**$ 65,459,802**	**$ 68,710,294**	**$ 68,998,377**	**$ 68,889,905**
Total ECMCC Sale Expenses	**$ -**	**$ -**	**$ 24,736,910**	**$ 1,076,335**	**$ -**	**$ -**	**$ -**	**$ -**
Total Debt Service: Revenue Anticipation Notes	**$ 307,569**	**$ 1,461,944**	**$ 1,796,875**	**$ 2,468,125**	**$ 5,385,000**	**$ 6,160,000**	**$ 7,200,000**	**$ 8,400,000**
Total Fiscal Stability Authority Budget	**$ -**	**$ -**	**$ -**	**$ 1,281,600**	**$ 1,426,300**	**$ 1,426,300**	**$ 1,426,300**	**$ 1,426,300**
TOTAL EXPENDITURES	**$ 814,266,360**	**$ 824,905,776**	**$ 977,856,307**	**$ 893,872,280**	**$ 941,758,758**	**$ 973,484,483**	**$ 1,007,202,338**	**$ 1,041,369,705**
ANNUAL FISCAL GAP	**$ (42,814,692)**	**$ (45,028,776)**	**$ (104,097,913)**	**$ (105,640,918)**	**$ (140,020,057)**	**$ (153,880,171)**	**$ (168,933,543)**	**$ (183,819,404)**

Erie County, New York, Four-Year Projections Model

Summary for the General Fund

	2002	2003	2004	2005	2006	2007	2008	2009
Incremental Fiscal Gap				$ 105,640,918	$ 34,379,139	$ 13,860,114	$ 15,053,373	$ 14,885,860
0.25 % SALES TAX	$ -	$ -	$ -	$ 15,423,926	$ 31,608,257	$ 32,387,406	$ 33,185,761	$ 34,003,796
GAP INCLUDING 0.25% SALES TAX	$ -	$ (45,028,776)	$ (104,097,913)	$ (90,216,992)	$ (108,411,800)	$ (121,492,765)	$ (135,747,782)	$ (149,815,607)