

County of Erie New York

Popular Annual Financial Report

For the Year Ended December 31, 2014

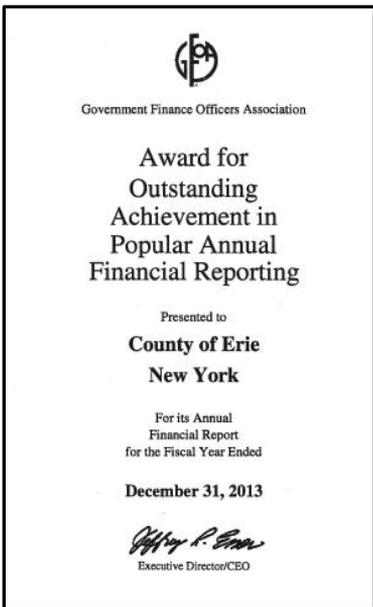
Stefan I. Mychajliw
Erie County Comptroller



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Government Finance Officers Association



The Government Finance Officers Association (“GFOA”) of the United States and Canada has given the Award for Outstanding Achievement in Popular Annual Financial Reporting to the County of Erie, New York for its Popular Annual Financial Report for the fiscal year ended December 31, 2013. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a governmental unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our

current report conforms with the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA for consideration.

Message from the Comptroller

As Erie County’s Chief Financial Officer, I remain committed to providing you with ready access to reliable information. This Popular Annual Financial Report (“PAFR”) is intended to demonstrate governmental accountability to the citizens of the County of Erie, New York (“County”) in a format that is readable and easy to understand.



Most of the information in this report has been taken from the 2014 Erie County Comprehensive Annual Financial Report (“CAFR”) that was prepared in conformance with Generally Accepted Accounting Principles (“GAAP”), which contains full financial statements and note disclosures for all activities, funds, and component units, was audited by the County’s independent external auditor, Drescher & Malecki LLP, and received an unmodified opinion. An unmodified opinion is issued when the independent external auditor believes that the entity’s financial

statements present fairly, in all material respects, the entity’s financial position and the respective changes in financial position, that is, the statements are free from material misstatements. The PAFR is unaudited and not presented on a GAAP basis. This is a summarized report that presents selected primary government and statistical information. This report does not include the County’s discretely presented component units, or legally separate entities that the County is considered to be financially accountable for, enterprise funds or fiduciary funds information.

To obtain a copy of the PAFR or CAFR, please visit our website at www.erie.gov/comptroller, where you will find this PAFR, all of our recent CAFR’s, audits and reviews, and many other items of interest.

To obtain a copy in printed form, contact the Erie County Office of the Comptroller at (716) 858-8400, or write us at 95 Franklin Street, Room 1100, Buffalo, New York 14202.

You may also e-mail your comments concerning this report, or any other aspect of the operations of the Erie County Comptroller’s Office.

Sincerely,

Stefan I. Mychajliw
Erie County Comptroller
Comptroller@erie.gov

The County of Erie

The County is a metropolitan center covering 1,058 square miles that is located on the western border of New York State, adjacent to Lake Erie. Situated within the County are three cities, twenty five towns, and sixteen villages, including the City of Buffalo,



which serves as the County seat and is the State's second most populous and largest city. The County provides and facilitates to its residents a number of discretionary and mandated services. These services and functions include: culture, parks and recreation, social services, public safety, youth, health, senior services, roads, mental health, probation, corrections, emergency services, license bureau and sanitary sewerage systems. Additionally, the County operates a community college, which is not included in this report.

Subject to the New York State Constitution and Laws, the County operates pursuant to a County Charter (“Charter”) and Administrative Code. Additionally, various New York State laws govern the County to the extent that such laws are applicable to counties operating under a charter form of government.

Legislative authority of the County is vested in an eleven-member governing body known as the County Legislature (“Legislature”), each member of which is elected for a two-year term. Principal functions of the Legislature include adoption of the annual budget, levying of taxes, review and approval of budget modifications, adoption of local laws, and authorization of the incurrence of all County indebtedness.



In addition to the members of the Legislature, there are five County-wide elected officials, each elected to four-year terms: County Executive, County Comptroller, County Clerk, District Attorney, and Sheriff. The County Comptroller serves as the County’s chief fiscal, accounting, financial reporting and auditing officer.

Economic Conditions

After the unemployment rate hovered at approximately 5.0 percent during the period 2001-2008, unemployment in Erie County increased dramatically through 2009 into 2012 as a result of the worldwide recession. Erie County's unemployment rate in 2014 averaged 6.1 percent as compared to 6.3 percent statewide and 6.2 percent nationally.

Major economic development initiatives that are in process and expected to stimulate significant job growth include:

- Construction of a new \$375 million School of Medicine and Biomedical Sciences medical school for the State University of New York at Buffalo is underway at the Buffalo Niagara Medical Campus.
- Other significant building projects in progress at the Buffalo Niagara Medical Campus include the \$272 million John R. Oshei Children's Hospital, the Conventus building that will house various research facilities (\$110 million), and Roswell Park Cancer Institute's Clinical Sciences Center (\$40 million).
- HarborCenter, (pictured at right) a hockey themed mixed use facility being constructed by the Buffalo Sabres in Downtown Buffalo (\$172 million), partially opened during 2014 and has already hosted several hockey tournaments and events, receiving rave reviews. The facility is expected to be in full operation in the Fall of 2015 with the opening of the Buffalo Marriott HarborCenter hotel.
- Uniland's building project (\$110 million) will house global headquarters for Delaware North Companies, a Westin hotel, class A office space, and retail.

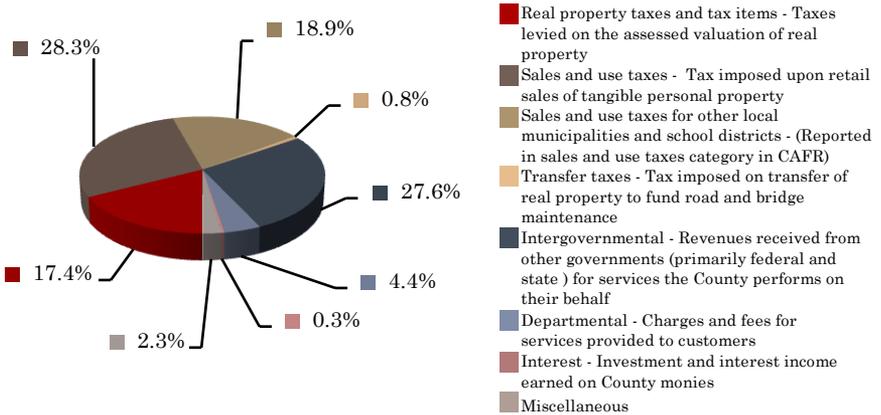


Under the State's "Buffalo Billion" economic development initiative, the State has committed \$1 billion in resources for the purpose of creating hundreds to thousands of new jobs to spur the local economy. As a result, a wide range of projects are underway, in close consultation with Erie County and the Erie County Industrial Development Agency including:

- "RiverBend" is a 188-acre site that will include a 1 million-square-foot solar panel factory, the largest in the Western Hemisphere. New York State is investing \$750 million to construct the facility that will be occupied by SolarCity, the nation's largest residential solar energy systems installer, who expects to create up to 3,000 jobs in Western New York over the next ten years.
- IBM will anchor a major new information technology center in downtown Buffalo called the Buffalo Information Technologies Innovation and Commercialization Hub. The State will spend \$55 million on construction and computer infrastructure for this project that will open during 2015.

Where the Money Comes From

The revenues presented are the total governmental funds reported in the 2014 CAFR’s Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary revenue sources are Sales and Use Taxes, Real Property Taxes and Federal and New York State Aid.



Revenue Trends (dollars in thousands)

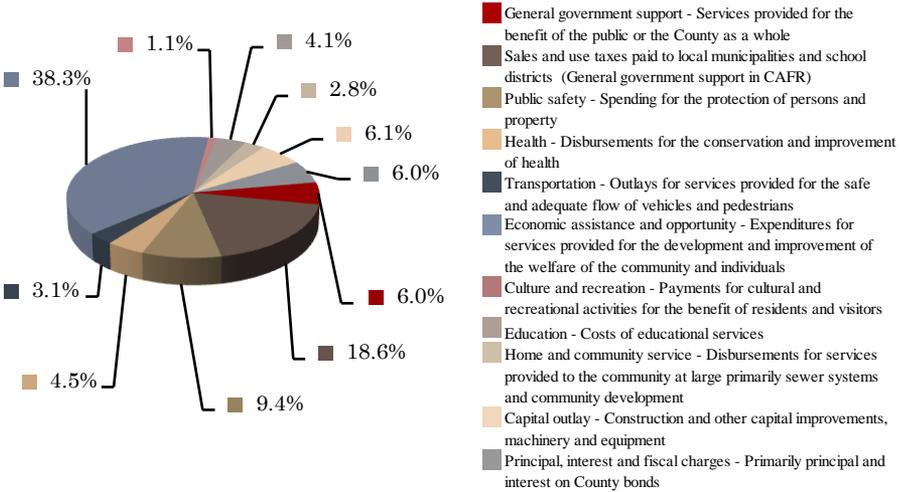
	2014 Actual	2013 Actual	\$ Change	% Change
Real property taxes and tax items	\$ 274,742	\$ 271,757	\$ 2,985	1.1%
Sales and use taxes	445,258	434,346	10,912	2.5%
Sales and use taxes for other municipalities	297,962	290,334	7,628	2.6%
Transfer taxes	12,010	9,719	2,291	23.6%
Intergovernmental	434,138	405,194	28,944	7.1%
Departmental	70,012	72,756	(2,744)	-3.8%
Interest	5,336	6,334	(998)	-15.8%
Miscellaneous	35,653	15,647	20,006	127.9%
Total revenues	\$ 1,575,111	\$ 1,506,087	\$ 69,024	4.6%

Federal and state aid for social services programs, mental health programs, and reimbursements for November 2014 snow storm expenditures accounted for most of the increase in the intergovernmental category.

Miscellaneous revenues increased primarily due to an increased credit from the Erie County Medical Center, a component unit of the County, for certain fringe benefit reimbursements.

Where the Money Goes

The expenditures presented are the total governmental funds reported in the 2014 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The major expenditure functions include Economic Assistance and Opportunity, and Public Safety.



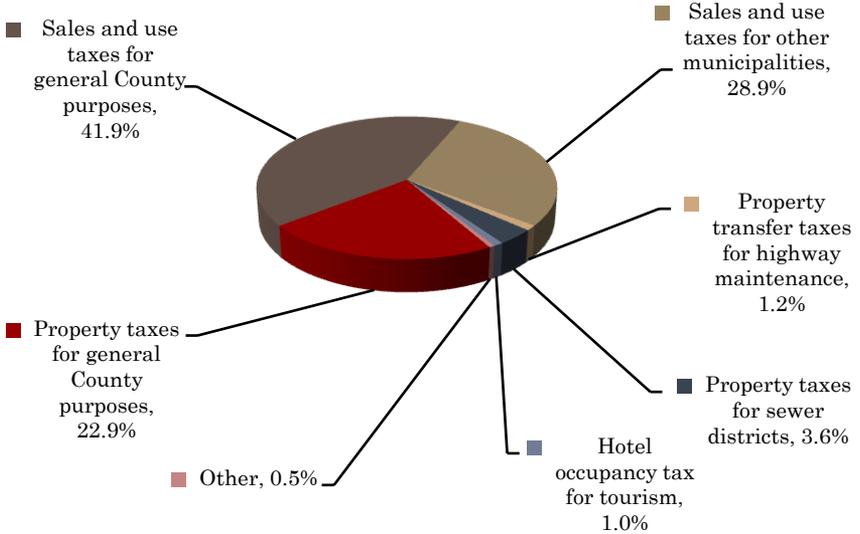
Expenditure Trends (dollars in thousands)

	2014 Actual	2013 Actual	\$ Change	% Change
General government support	\$ 95,539	\$ 93,731	\$ 1,808	1.9%
Sales and use tax paid to local municipalities	297,962	290,334	7,628	2.6%
Public safety	151,308	150,138	1,170	0.8%
Health	72,696	71,832	864	1.2%
Transportation	50,227	45,527	4,700	10.3%
Economic assistance and opportunity	616,018	588,819	27,199	4.6%
Culture and recreation	16,954	16,497	457	2.8%
Education	66,159	65,867	292	0.4%
Home and community service	45,267	46,685	(1,418)	-3.0%
Capital outlay	98,279	58,042	40,237	69.3%
Principal, interest and fiscal charges	97,145	89,785	7,360	8.2%
Total expenditures	\$ 1,607,554	\$ 1,517,257	\$ 90,297	6.0%

Increases in the economic assistance and opportunity and capital outlay categories were primarily a result of escalated expenditures for various programs in the Department of Social Services and increased spending on a variety of building, road and bridge construction projects.

Taxes

During 2014, the County received \$1,029,972,438 in tax revenue. The following chart shows the proportion derived from each type of tax:



Tax Trends (dollars in thousands)

	2014 Actual	2013 Actual	\$ Change	% Change
Property taxes for general County purposes	\$ 235,970	\$ 234,194	\$ 1,776	0.8%
Sales and use taxes for general County purposes	431,072	420,081	10,991	2.6%
Sales and use taxes for other municipalities	297,962	290,334	7,628	2.6%
Property transfer taxes for highway maintenance.	12,010	9,719	2,291	23.6%
Property taxes for sewer districts	37,392	36,247	1,145	3.2%
Hotel occupancy tax for tourism	9,929	9,751	178	1.8%
Other	5,637	5,830	(193)	-3.3%
Total tax revenues	\$ 1,029,972	\$ 1,006,156	\$ 23,816	2.4%

The General Fund (the main operating fund of the County) final property tax rate is \$5.04 per \$1,000 of assessed valuation.

The County’s sales tax rate remained at 8.75% (4.00% for New York State, 4.75% for the County with a portion shared with local cities, towns, villages and school districts). The increase in both sales and use taxes categories were primarily the result of a modest growth in taxable sales.

Transfer tax revenues that are used for the repair and maintenance of the County’s transportation network increased as a result of strong real property sales.

The County’s Property Taxes and Sales Taxes collected for general County purposes and compared to the County’s total General Fund revenues for the last five years are as follows (dollars in thousands):

Year	Property Taxes for General County Purposes		Sales and Use Taxes for General County Purposes		Total General Fund Revenue *
	Amount	Percent of Total General Fund Revenue	Amount	Percent of Total General Fund Revenue	
2010	\$ 219,650	20.5%	\$ 383,726	35.8%	\$ 1,071,872
2011	227,543	21.4%	400,994	37.7%	1,064,204
2012	230,772	21.9%	410,720	38.9%	1,055,000
2013	234,194	22.0%	420,081	39.5%	1,064,385
2014	235,970	21.2%	431,072	38.7%	1,112,865

* Excludes sales and use taxes for other municipalities

Principal Taxpayers

Taxpayer	Equalized Full Value	Rank	Percentage
			of Total County Equalized Full Value
National Fuel Gas	\$ 739,415,658	1	1.54%
National Grid / Niagara Mohawk	702,758,277	2	1.46%
Benderson Development Company	526,771,540	3	1.10%
Verizon New York Inc.	275,842,001	4	0.57%
NY State Electric & Gas Corporation	247,041,948	5	0.51%

Demographic and Economic Statistics

Last Five Calendar Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment (Grades K-12)	Unemployment Rate
2010	919,040	\$ 36,170,467	\$ 39,369	141,583	8.2%
2011	918,028	37,864,000	41,245	140,981	8.2%
2012	918,922	40,377,000	43,932	143,633	8.2%
2013	919,866	41,850,059	45,496	144,334	7.4%
2014	922,835	N/A	N/A	N/A	6.1%

N/A = Not Available

Principal Employers

Employer	Employees	Rank	Percentage of Total County Employment
State of New York	15,085	1	3.58%
U.S. Government	10,000	2	2.38%
Kaleida Health	10,000	2	2.38%
City of Buffalo *	7,944	4	1.89%
University at Buffalo	6,790	5	1.61%

* Includes Buffalo Public School District

Long-Term Assets and Obligations

Capital assets – The amount reported in the financial statements for governmental activity capital assets increased from \$812,764,561 to \$841,443,415, a net increase of \$28,678,854 in calendar year 2014. This net increase indicates asset acquisitions were greater than depreciation and asset dispositions. The investment in capital assets for governmental activities at December 31, 2014 and 2013, net of accumulated depreciation, is shown in the table below (dollars in thousands):

	Balance 12/31/14	Balance 12/31/13
Land	\$ 31,085	\$ 30,519
Buildings and improvements to buildings	241,705	247,906
Roads and bridges	252,538	256,619
Sewer systems	191,754	194,430
Improvements other than buildings	10,816	12,170
Machinery and equipment	22,739	29,022
Construction in progress	90,806	42,099
Total net capital assets	<u>\$ 841,443</u>	<u>\$ 812,765</u>

Long-term obligations – Outstanding debt and other long-term obligation activity for governmental activities for the year ended December 31, 2014 are shown below (dollars in thousands):

	Balance 1/1/14	Additions	Reductions	Balance 12/31/14
Bonds	\$ 611,590	\$ 31,891	\$ 62,367	\$ 581,114
Employee leave time	21,805	19,789	19,031	22,563
Judgments and claims	50,183	13,845	9,897	54,131
Retiree health insurance	313,529	44,540	25,477	332,592
Tobacco settlement bonds *	338,715	5,996	4,773	339,938
Accrued derivative liability *	-	10,041	1,805	8,236
Total long-term obligations	<u>\$ 1,335,822</u>	<u>\$ 126,102</u>	<u>\$ 123,350</u>	<u>\$ 1,338,574</u>

* Not paid by County taxpayers

The County's recognition of its retiree health insurance liability accumulated from prior years is being phased in over 30 years and represented \$30,683,766 of the 2014 additions.

A bond credit rating assesses the credit worthiness of a municipality's debt issues. The County's bond ratings are as follows: Standard & Poor's at AA-, upgraded from A- during the year (stable outlook), Moody's at A2 (stable outlook) and Fitch Ratings at A (stable outlook). The County's ratings represent a quality of bond in the upper medium grade and indicate the County's strong capacity to meet its financial commitments, but the County is somewhat more susceptible to changes in economic conditions. A stable outlook indicates a low likelihood of a rating change over the medium term.

Major Initiatives and Accomplishments

Initiatives are moving Erie County forward and helping to compete with the rest of the State and country. The progress of these projects lays the groundwork for future growth and prosperity.



The Buffalo Bills are the heart and soul of Western New York. Their patriotic colors remind us that our New York snow is white, at game time we see red, and our collar is still blue; an ode to the hard-working nature of the people in Erie County. The Pegula family (pictured at left), who owns the Buffalo Sabres, has purchased the Buffalo Bills from the trust that was set up

following the passing of the original owner, Ralph C. Wilson, Jr.. The County-owned stadium, which still bears the name of Mr. Wilson, has been completely renovated to add to a modern, comfortable fan experience. Major improvements include additional scoreboards, larger concession stands, a revamped team store, and larger “super gates” to improve the flow of people in and out of the stadium. Erie County invested \$31.3 million into the renovations during 2014.

This past November saw one of the strangest and potentially most dangerous snow events in the last century. The southern portion of Erie County suffered through a devastating storm. Homes were buried in snow on a Monday night into Tuesday morning, crippling travel. Snow, which continued to fall for days, left some stranded in homes until the weekend. Erie County responded swiftly to the event, calling in help from around the State to dig out streets and move snow. The intelligence, cooperation, and patience of Western New Yorkers allowed for a generally safe navigation through the storm and the aftermath. As a result of the storm and record-breaking cold winter, more than \$10.6 million in additional funding has been earmarked for future road maintenance, repairs and improvements.



One of Buffalo’s most unique characteristics is the Olmstead Park System. Integrated into Delaware Park is the iconic Buffalo Zoo, which continues to be a major attraction

for Western New York. In 2014, Erie County invested \$3.0 million into the new polar bear exhibit and the zoo receives an annual subsidy of \$1.4 million for their operations. Interactive animal exhibits and footage taken at the zoo to aid students studying on-site allowed the Buffalo Zoo to win the Center for Interactive Learning and Collaboration’s 2014 Pinnacle Award.



Elected Officials

County Executive
Mark C. Poloncarz

County Comptroller
Stefan I. Mychajliw

County Clerk
Christopher L. Jacobs

County Sheriff
Timothy B. Howard

District Attorney
Frank A. Sedita, III

Erie County Legislature

District 1
Barbara Miller-Williams

District 2
Betty Jean Grant

District 3
Peter J. Savage, III

District 4
Kevin R. Hardwick

District 5
Thomas A. Loughran

District 6
Edward A. Rath, III

District 7
Patrick B. Burke

District 8
Ted B. Morton

District 9
Lynne M. Dixon

District 10
Joseph C. Lorigo

District 11
John J. Mills

Erie County Directory

Board of Elections	(716) 858-8891	Information and Support Services	(716) 858-4940
Budget and Management	(716) 858-8515	Labor Relations	(716) 858-8476
Buffalo & Erie County Public Library	(716) 858-8900	Legislature	(716) 858-7500
Central Police Services	(716) 858-6365	Medicaid Inspector General	(716) 858-4639
Commission on the Status of Women	(716) 858-8307	Mental Health	(716) 858-8530
County Attorney	(716) 858-2200	Office for the Disabled	(716) 858-6215
County Comptroller	(716) 858-8400	Parks and Recreation	(716) 858-8355
County Clerk	(716) 858-8785	Personnel / Civil Service	(716) 858-8484
County Executive	(716) 858-8500	Probation	(716) 858-8200
District Attorney	(716) 858-2400	Public Works	(716) 858-8300
Emergency Services	(716) 858-6578	Purchasing	(716) 858-6395
Environment and Planning	(716) 858-8390	Real Property Tax Services	(716) 858-8333
Equal Employment Opportunity	(716) 858-7542	Senior Services	(716) 858-8526
Erie Community College	(716) 851-1001	Sheriff	(716) 858-7618
Erie County Medical Center	(716) 898-3000	Social Services	(716) 858-8000
Fleet	(716) 858-7983	Stop-DWI	(716) 858-6291
Health	(716) 858-7690	Veterans Services	(716) 858-6363



Erie County
Whistleblower Hotline
(716) 858-7722
or
WHISTLEBLOWER@erie.gov
All calls are confidential
Callers may remain anonymous