

County of Erie New York

Popular Annual Financial Report

For the Year Ended December 31, 2015

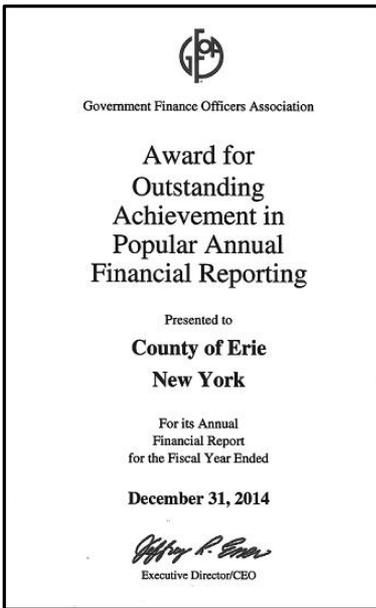
Stefan I. Mychajliw
Erie County Comptroller



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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, 2014. 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 fully understand the importance of being open, honest, and transparent with the taxpayers in our community. 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 clear, concise, and easy to read.



Most of the information in this report has been taken from the 2015 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 in conformity with GAAP. 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.

Copies of the CAFR and PAFR are available for public consumption at www.erie.gov/comptroller. There you can also find historical CAFR and PAFR documents as well as other audits, reviews, and information you might find interesting.

To obtain a print version of the material, please 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

Erie County's unemployment rate in 2015 steadily declined, starting at 6.5% in January and dropping to 4.9% in December. The average annual unemployment rate for 2015 at 5.4% is the lowest since 2007. The unemployment rate is slightly higher than the national average and the New York State average, both of which are around 5.3%.

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

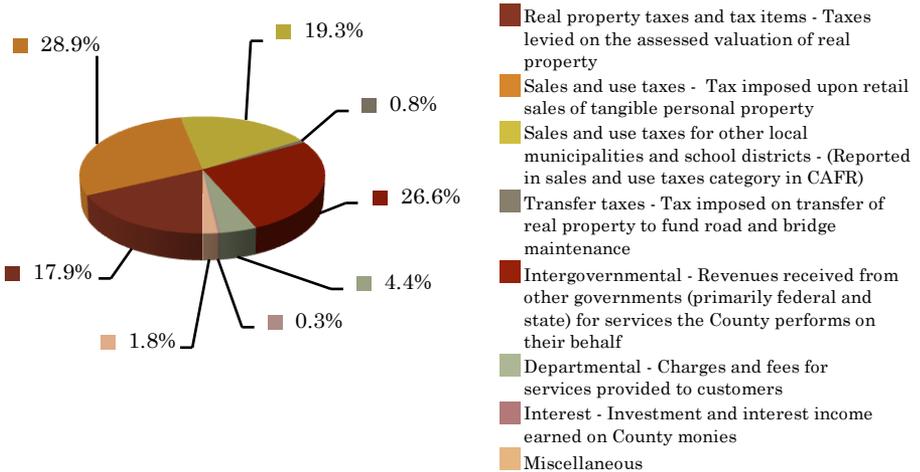
- Continued construction of SolarCity's plant on the Buffalo River will make the project the largest solar panel manufacturer in the Western Hemisphere. It is anticipated that the plant will produce 10,000 panels per day, which amounts to one gigawatt of solar capacity each year. SolarCity is obligated to create 2,000 jobs within five years of the plant's opening and 5,000 jobs within ten years in New York.
- The Millard Fillmore Gates Circle Hospital complex is being transformed into a mixed-use urban district. The project, which will be completed in stages over the next 5-7 years, will consist of 500 residential units, commercial space with on-site parking, and community green spaces.
- There is a renewed emphasis on downtown living and hotel space. The historic Harlow C. Curtiss Building is undergoing a \$20 million renovation, creating the Curtiss Hotel, with 68 high-tech rooms, a rooftop lounge, and 120-seat restaurant. The Stanton Building project involves the investment of \$48 million into various adaptive reuse downtown buildings, including 36 upscale apartments at 251 Main Street.



New craft brewers continue to create more options for restaurants serving locally-brewed products in Erie County. Those local brewers are also using locally grown ingredients, thus supporting the agricultural community. There are now almost a dozen new breweries that are thriving both in downtown Buffalo and in villages like East Aurora. To capitalize on the growing industry, Visit Buffalo Niagara has introduced the "Brewcation Passport," which will help both locals and out of town tourists learn more about craft beer options and visit each brewery.

Where the Money Comes From

The revenues presented are the total governmental funds reported in the 2015 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)

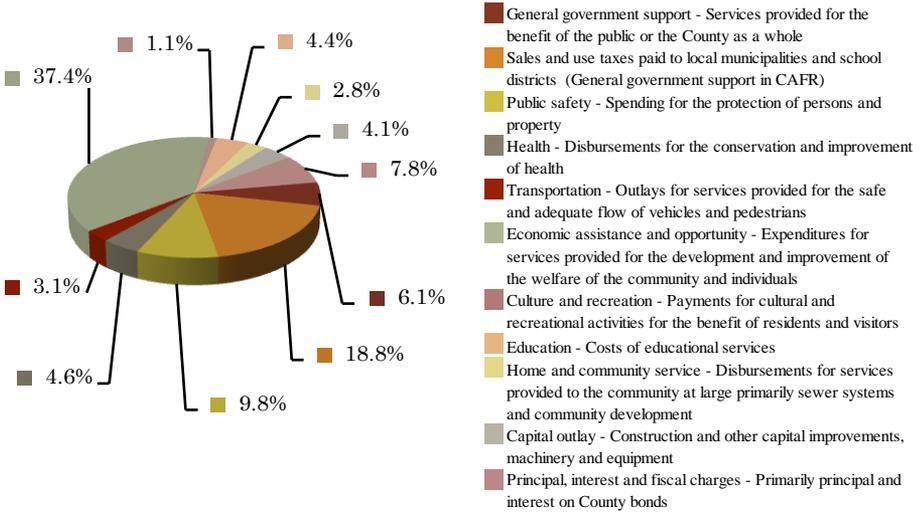
	2015 Actual	2014 Actual	\$ Change	% Change
Real property taxes and tax items	\$ 280,406	\$ 274,742	\$ 5,664	2.1%
Sales and use taxes	452,510	445,258	7,252	1.6%
Sales and use taxes for other municipalities	302,456	297,962	4,494	1.5%
Transfer taxes	11,888	12,010	(122)	-1.0%
Intergovernmental	416,188	434,138	(17,950)	-4.1%
Departmental	69,247	70,012	(765)	-1.1%
Interest	4,900	5,336	(436)	-8.2%
Miscellaneous	28,578	35,653	(7,075)	-19.8%
Total revenues	\$ 1,566,173	\$ 1,575,111	\$ (8,938)	-0.6%

Federal and state aid for social services programs and road and bridge projects accounted for most of the decrease in the intergovernmental category.

Miscellaneous revenues decreased primarily due to a decreased 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 2015 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The major expenditure functions include Economic Assistance and Opportunity, Sales and Use Taxes paid to Local Municipalities and School Districts, and Public Safety.



Expenditure Trends (dollars in thousands)

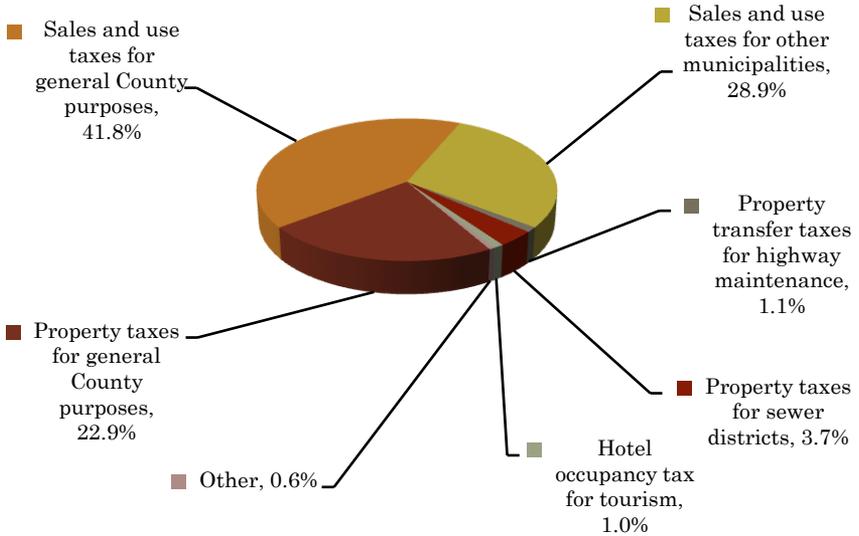
	2015 Actual	2014 Actual	\$ Change	% Change
General government support	\$ 99,808	\$ 95,539	\$ 4,269	4.5%
Sales and use tax paid to local municipalities	302,456	297,962	4,494	1.5%
Public safety	157,404	151,308	6,096	4.0%
Health	73,569	72,696	873	1.2%
Transportation	50,534	50,227	307	0.6%
Economic assistance and opportunity	603,687	616,018	(12,331)	-2.0%
Culture and recreation	17,722	16,954	768	4.5%
Education	71,177	66,159	5,018	7.6%
Home and community service	45,733	45,267	466	1.0%
Capital outlay	66,645	98,279	(31,634)	-32.2%
Principal, interest and fiscal charges	126,011	97,145	28,866	29.7%
Total expenditures	\$ 1,614,746	\$ 1,607,554	\$ 7,192	0.4%

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

The County early refunded \$27,405,000 of outstanding general obligation bonds, accounting for most of the increase in the principal, interest and fiscal charges category. The refunding will save taxpayers \$3,578,703 in debt service costs over the next 14 years.

Taxes

During 2015, the County received \$1,047,260,277 in tax revenue. The following chart shows the proportion derived from each type of tax:



Tax Trends (dollars in thousands)

	2015 Actual	2014 Actual	\$ Change	% Change
Property taxes for general County purposes	\$ 240,389	\$ 235,970	\$ 4,419	1.9%
Sales and use taxes for general County purposes	437,703	431,072	6,631	1.5%
Sales and use taxes for other municipalities	302,456	297,962	4,494	1.5%
Property transfer taxes for highway maintenance.	11,888	12,010	(122)	-1.0%
Property taxes for sewer districts	38,635	37,392	1,243	3.3%
Hotel occupancy tax for tourism	10,442	9,929	513	5.2%
Other	5,747	5,637	110	2.0%
Total tax revenues	\$ 1,047,260	\$ 1,029,972	\$ 17,288	1.7%

The General Fund (the main operating fund of the County) final property tax rate was reduced from \$5.04 to \$5.00 per \$1,000 of assessed valuation in the 2015 budget.

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. However, the sales tax for general County purposes fell short of the budgeted amount by \$8,826,201, chiefly as a result of the slumping Canadian dollar and associated decrease in Canadian shoppers.

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	
2011	\$ 227,543	21.4%	\$ 400,994	37.7%	\$ 1,064,280
2012	230,772	21.9%	410,720	38.9%	1,054,906
2013	234,194	22.0%	420,081	39.4%	1,066,022
2014	235,970	21.1%	431,072	38.6%	1,116,780
2015	240,389	21.6%	437,703	39.3%	1,112,616

* 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	\$ 728,186,743	1	1.48%
National Grid / Niagara Mohawk	723,172,034	2	1.47%
Benderson Development Company	545,789,471	3	1.11%
Pyramid Company of Buffalo	276,409,845	4	0.56%
NY State Electric & Gas Corporation	249,843,155	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
2011	918,028	\$ 37,894,000	\$ 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	41,287,539	44,740	137,617	6.1%
2015	922,578	N/A	N/A	N/A	5.4%

N/A = Not Available

Principal Employers

Employer	Employees	Rank	Percentage of Total County Employment
State of New York	17,643	1	4.15%
U.S. Government	10,000	2	2.35%
City of Buffalo *	9,455	2	2.23%
Kaleida Health	8,102	4	1.91%
Catholic Health System	7,069	5	1.66%

* 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 \$841,443,415 to \$848,607,544, a net increase of \$7,164,129 in calendar year 2015. This net increase indicates asset acquisitions were greater than depreciation and asset dispositions. The investment in capital assets for governmental activities at December 31, 2015 and 2014, net of accumulated depreciation, is shown in the table below (dollars in thousands):

	Balance 12/31/15	Balance 12/31/14
Land	\$ 31,125	\$ 31,085
Buildings and improvements to buildings	284,315	241,705
Roads and bridges	257,868	252,538
Sewer systems	189,745	191,754
Improvements other than buildings	9,341	10,816
Machinery and equipment	17,070	22,739
Construction in progress	59,144	90,806
Total net capital assets	\$ 848,608	\$ 841,443

Long-term obligations – Outstanding debt and other long-term obligation activity for governmental activities for the year ended December 31, 2015 are shown below (dollars in thousands):

	Balance 1/1/15 (as restated)	Additions	Reductions	Balance 12/31/15
Bonds	\$ 581,114	\$ 65,437	\$ 94,597	\$ 551,954
Employee leave time	22,563	19,479	19,045	22,997
Judgments and claims	54,131	14,513	13,298	55,346
Retiree health insurance	332,592	61,529	31,959	362,162
Tobacco settlement bonds *	339,938	6,415	2,135	344,218
Net pension liability	40,829	-	10,306	30,523
Accrued derivative liability *	8,236	17	-	8,253
Total long-term obligations	\$ 1,379,403	\$ 167,390	\$ 171,340	\$ 1,375,453

* Not paid by County taxpayers

In 2015, the County began recognizing its future net pension liability, which decreased during the year. The beginning of the year amount has been restated for comparative purposes.

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- (stable outlook), Moody’s at A2 (stable outlook) and Fitch Ratings at A+ (stable outlook), upgraded during the year from 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

Erie County looks to compete with areas across the country for job growth and economic development. The County has a bright future with some initiatives put in place during 2015.



The Erie County Legislature has worked diligently to deliver tax cuts to the people of Erie County by holding the line on spending and prioritizing. Amendments to the proposed budget allowed for the tax decrease. The 2015 budget was approved with a \$2.1 million tax decrease. Now, that \$2.1 million can be put towards development or additional money for taxpayers to spend. It is important that Erie County delivers its services in the most efficient way possible.

National Geographic compiled a list of the 2015 “Top 10 Cities to Eat In” in their World’s Best Cities book. Buffalo ranked #3 in the world, surpassing cities in Mexico, The Netherlands, Italy, Japan, and France on the list. Part of Buffalo’s appeal on the list was its original food contribution to the world – chicken wings. The region capitalizes on wing fandom with the National Buffalo Wing Festival every Labor Day weekend. In 2015, the Festival drew over 70,000 people and surveys have shown attendees come from all 50 states and nearly three dozen countries around the globe.



Erie County hosted its 176th Erie County Fair in 2015. The fair is recognized as the 3rd largest county fair in the United States, drawing well over one million people every summer. The fairgrounds span over 275 acres with 86 permanent buildings and structures. The Cornell Cooperative Extension receives \$270,000 in grant funding from Erie County and they provide exhibitions at the Erie County Fair for patrons to enjoy.

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

* Michael J. Flaherty, Jr., Acting District Attorney,
effective January 1, 2016

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