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FOR IMMEDIATE RELEASE

May 9, 2014

COMPTROLLER MYCHAJLIW RELEASES 2013 BUDGET FINDINGS

Comptroller closes the books on fiscal year 2013, revealing Administration's budget projections were off by tens of millions of dollars in several areas

(Buffalo, New York) – Erie County Comptroller Stefan I. Mychajliw released a report detailing the close out of the county's 2013 fiscal year. The official closing of the books signals the start of the county's outside audit by independent auditors and provides the first look at how the County Executive performed in terms of budgeting.

"I am deeply concerned that the County Executive is significantly off on many of his budget projections by nearly \$24 million. Closing the books on 2013 also confirms Mr. Poloncarz's proposed property tax increase would have needlessly punished already struggling homeowners."

"That being said, Erie County ended the year with an extremely slim operating surplus in the budget. I am pleased this was realized without the unnecessary \$8.5 million tax increase proposed by the County Executive last year," said Erie County Comptroller Stefan I. Mychajliw

There were several major variances in what the County Executive budgeted for and what actually materialized. Some major negative variances included a \$5.9 million decline in sales tax revenue and a \$3.5 million increase in gross non-salary spending. Gross non-salary spending includes costs for overtime, line-up pay and other personnel expenses.

Major positive variances included a \$10.3 million miscalculation on the actual cost of providing fringe benefits, \$8.1 million in savings from keeping positions vacant and \$6.2 million in additional property tax collections. County Clerk revenues were also up by over \$1.8 million in the auto bureau, while Medicaid expenses declined by \$1.9 million.

"When you consider the fact that the county only controls approximately \$120 million of the budget, and the rest is mandated by the State or Federal Government, the wild fluctuations between budget and actuals are very substantial," said Mychajliw.

Taking into consideration the portion of the budget that is under local control, the County Executive's initial budget proposal was off target from actuals by nearly 20%.

“An error rate that large is totally unacceptable, especially for a County whose largest revenue is sales tax, which is extremely volatile. I am concerned about these large fluctuations in budget actuals as opposed to what the County Executive projected. Either Mr. Poloncarz intentionally misled the Legislature regarding the County’s financial situation or he doesn’t know what he’s doing. Either answer is bad for taxpayers.”

“In the real world, budget surpluses are a great thing, because that means profit for investors or business owners. Those profits can be shared with employees, spent in the community or further invested to grow and stabilize the company. In government, ‘profits’ mean families are overtaxed. That is not something to be proud of,” added Mychajliw.

The Comptroller references the significant \$15.3 million difference in how the County actually performed in 2013 and what the County Executive budgeted for. Had a group of bipartisan Erie County Legislators not eliminated Mr. Poloncarz’s \$8.5 million property tax increase, the difference between actuals and budgeted numbers would have grown to almost \$24 million.

The failure to properly budget becomes more concerning when one recalls the County Executive’s repeated warnings to the Legislature not to tinker with his budget, or else. Those comments were followed by threats to significant cuts in services and programs.

Following the 2013 budget’s adoption, the County Executive continued to criticize the Legislature throughout the year by withholding funds to cultural organizations, road projects, and capital projects. Today, both the Comptroller and the Bi-Partisan group of Legislators that amended the budget are vindicated for their efforts to protect taxpayers.

The County Executive has acknowledged the large surplus and asked the Legislature to appropriate some of the funding to specific areas before it reverts to fund balance. Specifically, Mr. Poloncarz asked that \$7 million go toward paying the County’s 2013 pension obligation to the state.

“You may remember I lobbied very hard not to kick the can on pension payments. Mr. Poloncarz said the County could not afford to pay the bill. This is proof that we could. The county should have paid the pension obligation in full, rather than borrowing for it, with interest.”

“While the County Executive is to be commended for realizing his initial mistake, I’m flabbergasted that he isn’t asking for enough funds to pay the entire bill. It makes no sense for him to continue his mistake and kick the can on the remaining \$1.7 million payment,” concluded Comptroller Mychajliw.

The Comptroller’s final report was delivered to the Erie County Legislature. At this time Erie County’s independent auditors, Drescher & Malecki LLP, are in the midst of conducting their audit of the 2013 fiscal year. Their work will verify the work of both the Comptroller’s Office and the Administration. Final financial figures can be revised based on their completed audit, which would require the approval of the Legislature.

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