



# ERIE COUNTY COMPTROLLER

## HON. STEFAN I. MYCHAJLIW

June 2, 2016

The Honorable  
Erie County Legislature  
92 Franklin Street  
Buffalo, New York 14202

**RE: Update on County Finances**

Dear Honorable Members:

Earlier this year I delivered a report to your honorable body that detailed both current and historical sales tax collections for the county. That report showed a disturbing trend. As global oil prices decline, the Canadian economy feels pain, weakening the value of their dollar. As a result, the weak Canadian dollar slows cross border bridge traffic and our sales tax revenue takes a hit. We watched this trend play out in the third quarter of 2015, and in the first two months of 2016. Bridge traffic in January of 2016 was down nearly 20% and sales tax dipped, and it recovered only to flat line in February of 2016.

The 2016 budget is balanced on the projected 1.53% growth of sales tax revenue. In January 2016, sales tax revenue declined by 5.15% compared to the prior January. In February 2016, sales tax grew by 5.08% compared to the prior February. Of course, it should be noted that February was one day, or 3.48%, longer this year than last. Removing one day's revenue and attributing it to the year instead of just the month would result in a more apples-to-apples comparison and demonstrate growth for the month of 1.46%. In March 2016, sales tax increased 1.05% compared to last March. These numbers show a concerning trend with regard to sales tax.

For the first three months of the quarter, sales tax shows a growth rate of 0.61%. Excluding the extra day of revenue in February shows an actual **decrease** in sales tax revenue of 0.73% compared to 2015. If this trend continues, and accounting for the extra day of revenue in February, sales tax will come in **over \$8.5 million short of budget**. This will present some challenges for your honorable body.

Sales tax is our largest and most volatile revenue stream. Last year, sales tax growth was budgeted to be 2.95% greater than 2014. This did not happen. Sales tax revenue for 2015 came in short of budget by nearly \$9 million. This year, with a significantly more conservative growth estimate, we are again on pace to fall short of budget. As a county, we cannot afford to continue our current rate of spending if this revenue continues to underperform. As Legislators, I would advise you to consider this fact as you deliberate spending requests. It is especially relevant advice when you are asked to consider approving reoccurring expenses with non-reoccurring revenue streams.

Last month, my office turned over the county's financials to our outside and independent auditors. The numbers we turned over in terms of 2015's overall budget performance were concerning. Total general fund revenues outpaced expenditures by only \$335,000. The County's total general fund

balance will only increase from \$129,165,000 to \$129,500,000, representing a major step backward in fund balance growth policy.

To put this comment into perspective, one must consider the fact that the average historical fund balance growth amount is in the millions of dollars, not thousands. The only time that average was compromised was during the years leading up to the "Red/Green" budget crisis where, on average, the county was using \$17.6 million of reserves to fund operations. Legislators have to be mindful of that.

Spending requests going forward must be carefully scrutinized or Erie County will end up back where it was ten years ago. Now it is time to tighten the belt to protect taxpayers and our fund balance.

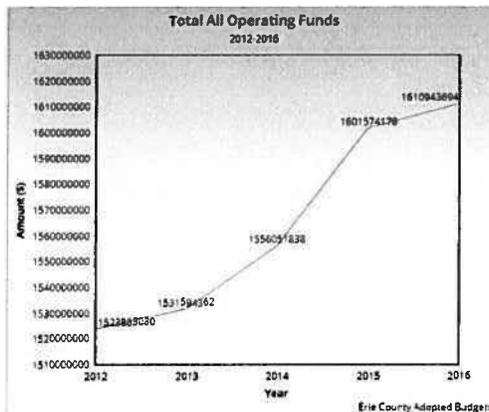
**AVERAGE GENERAL FUND BALANCE CONTRIBUTION**

YEARS	COUNTY EXECUTIVE	AVG. FUND BALANCE CONTRIBUTION
1988 – 1999	Dennis Gorski	\$12,960,420
2000 – 2007	Joel Giambra	-\$17,662,750
2008 – 2011	Chris Collins	\$17,148,500
2012 – 2015	Mark Poloncarz	\$3,322,500

The fact is: out of a \$1.6 billion budget, Erie County’s actual increase in total fund balance for 2015 is only \$335,000. The administration and legislature will deplete our savings account, our fund balance, quickly if spending continues increasing at the current pace, with revenues falling short.

I remain very concerned about the apparent lack of commitment to growing and sustaining our fund balance and the growing reliance on it for operating expenses. As you know, the fund balance is the taxpayer’s rainy day account. This is the last line of defense between an administration and legislature that wants to spend aggressively and the bottom line of their tax bill. I think taxes in Erie County are too high as it is, and we must take very seriously our obligation to protect taxpayers from losing more of their hard earned money to a mismanaged government bureaucracy. The last two budgets passed by your honorable body demonstrate that the majority of you agree with me.

Just as we reject the ideology that a government can only do more if it taxes and spends more, we must embrace the philosophy of prioritizing the budget we have. In the last five years, the county’s operating budget has grown nearly \$90 million. The tax rate has decreased, but we are still appropriating more resources than ever before into operating the government and have a historically low contribution to our fund balance.



Together, we should reject the ideology that the solution to every government problem is a new job, more money or an expanded government program. We must spend more time being introspective and consider the fact that we are stewards of a \$1.6 billion government operation and maybe, just maybe, within that budget are the resources needed to address the priorities of taxpayers.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stefan I. Mychajliw', with a horizontal line extending to the right.

STEFAN I. MYCHAJLIW  
Erie County Comptroller