

County of Erie New York

Popular Annual Financial Report

For The Year Ended December 31, 2013



Stefan I. Mychajliw
Erie County Comptroller

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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. This is the first PAFR ever issued by the Erie County Comptroller's Office.



Most of the information in this report has been taken from the 2013 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, is audited by the County's independent auditor, Drescher and Malecki, LLP, and received an unmodified opinion. An unmodified opinion is issued when the independent 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 and 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

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 2013 averaged 7.4 percent as compared to 7.1 percent statewide and 6.7 percent nationally.

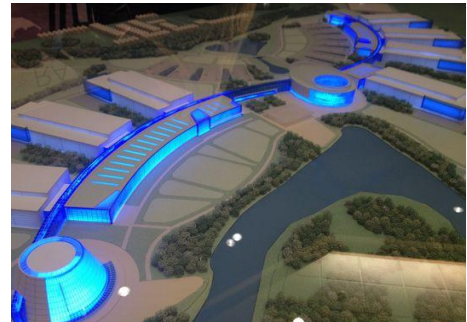


Major economic development initiatives that are in process and expected to stimulate significant job growth include:

- Construction of a new \$372 million medical school for the State University of New York at Buffalo, (at center in design photo at left) at the Buffalo Niagara Medical Campus
- A new \$270 million Children's Hospital also at the Buffalo Niagara Medical Campus
- HarborCenter, a hockey themed mixed use facility is being constructed by the Buffalo Sabres in Downtown Buffalo (\$172 million)
- In November 2013, Ford Motor Company announced plans to invest \$150 million to upgrade its Hamburg stamping plant

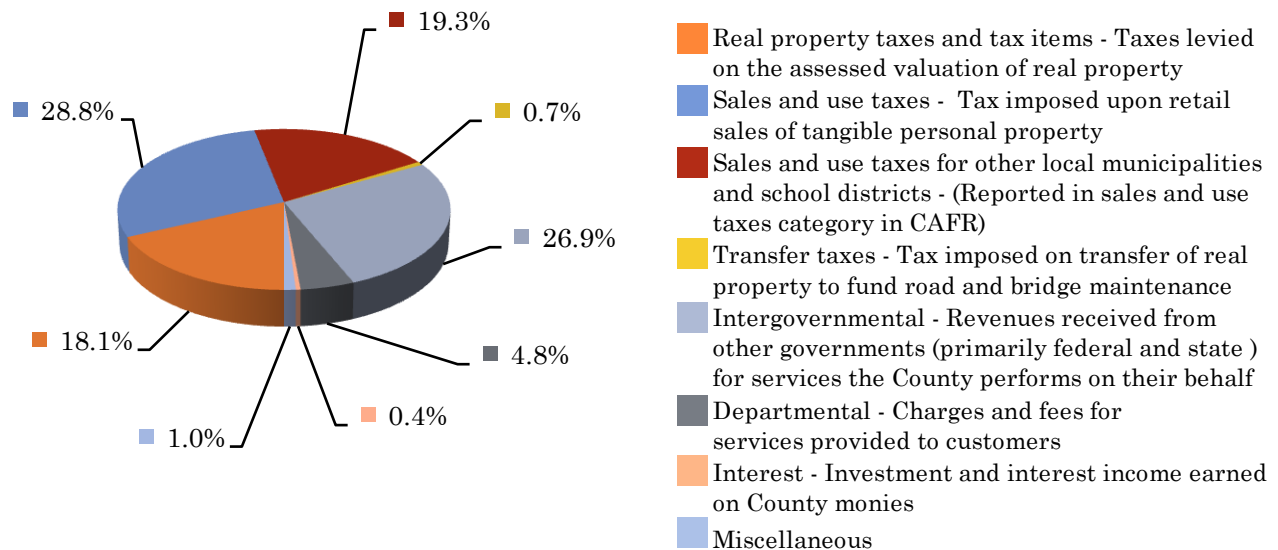
Under the State's "Buffalo Billion" economic development initiative, the state has committed \$1 billion in resources for the purpose of creating hundreds to thousands of new jobs to spur the local economy. As a result, a wide range of projects are underway, in close consultation with Erie County and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

- “RiverBend,” (design photo at right), is a \$225 million complex being developed by New York State. Two California clean-energy startups, Soraa and Silevo, (who agreed to be acquired by SolarCity in June, 2014), have announced they will each invest \$750 million in the project to operate their businesses here
- 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



Where the Money Comes From

The revenues presented are the total governmental funds reported in the 2013 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary revenue sources are Sales and Use Tax, Real Property Taxes and Federal and New York State Aid.



Revenue Trends (dollars in thousands)

	2013 Actual	2012 Actual	\$ Change	% Change
Real property taxes and tax items	\$ 271,757	\$ 268,069	\$ 3,688	1.4%
Sales and use taxes	434,346	424,011	10,335	2.4%
Sales and use taxes for other municipalities	290,334	283,984	6,350	2.2%
Transfer taxes	9,719	9,432	287	3.0%
Intergovernmental	405,194	426,376	(21,182)	-5.0%
Departmental	72,756	78,843	(6,087)	-7.7%
Interest	6,334	6,067	267	4.4%
Miscellaneous	15,647	11,410	4,237	37.1%
Total revenues	\$ 1,506,087	\$ 1,508,192	\$ (2,105)	-0.1%

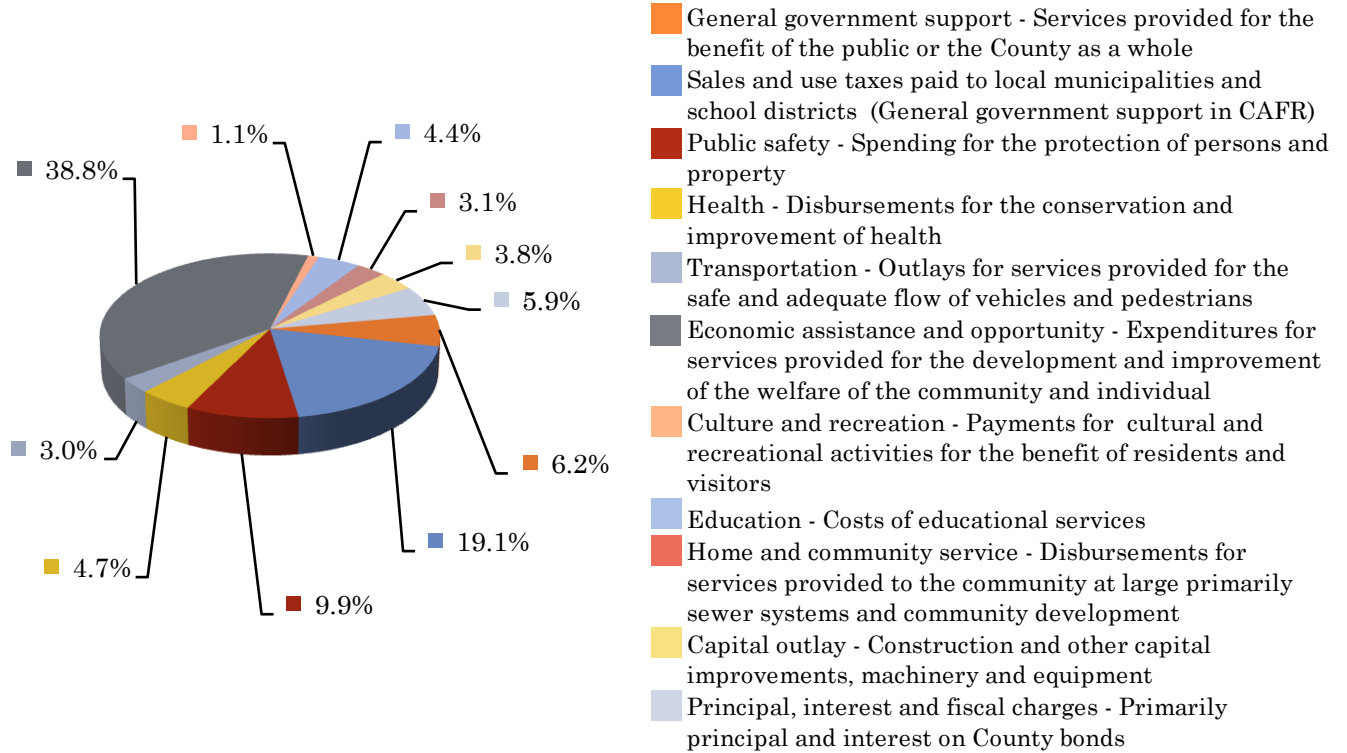
Reduced federal and state aid for highways, public works projects, mental health programs and Board of Elections voting equipment accounted for most of the decrease in the intergovernmental category.

Departmental revenue decreased mainly as a result of reductions in medical assistance repayments, legal settlements and participant contributions for various senior services programs.

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 2013 CAFR’s Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary expenditure functions are Economic Assistance and Opportunity, and Public Safety.



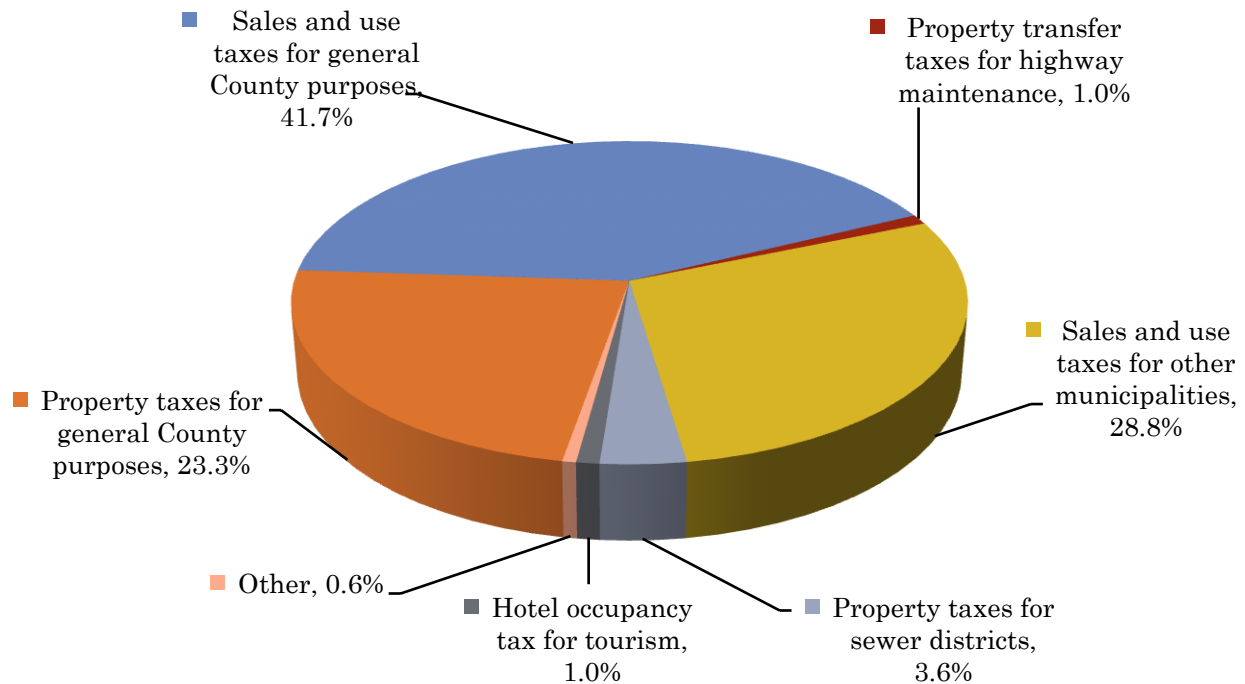
Expenditure Trends (dollars in thousands)

	2013 Actual	2012 Actual	\$ Change	% Change
General government	\$ 93,731	\$ 102,735	\$ (9,004)	-8.8%
Sales and use tax paid to local municipalities	290,334	283,984	6,350	2.2%
Public safety	150,138	148,601	1,537	1.0%
Health	71,832	72,412	(580)	-0.8%
Transportation	45,527	45,252	275	0.6%
Economic assistance and opportunity	588,819	577,526	11,293	2.0%
Culture and recreation	16,497	18,944	(2,447)	-12.9%
Education	65,867	68,152	(2,285)	-3.4%
Home and community service	46,685	44,280	2,405	5.4%
Capital outlay	58,042	61,896	(3,854)	-6.2%
Principal, interest and fiscal charges	89,785	92,531	(2,746)	-3.0%
Total expenditures	\$ 1,517,257	\$ 1,516,313	\$ 944	0.1%

The increase in the economic assistance and opportunity category was primarily a result of escalated expenditures for safety net, family assistance and Medicaid programs in the Department of Social Services, while the decrease in general government support was attributable to reduced voting equipment purchases by the Board of Elections through a federal grant.

Taxes

During 2013, the County received \$1,006,155,638 in tax revenue. The following chart shows the proportion derived from each type of tax:



Tax Trends (dollars in thousands)

	2013 Actual	2012 Actual	\$ Change	% Change
Property taxes for general County purposes	\$ 234,194	\$ 230,772	\$ 3,422	1.5%
Sales and use taxes	420,081	410,720	9,361	2.3%
Sales and use taxes for other municipalities . . .	290,334	283,984	6,350	2.2%
Transfer taxes	9,719	9,432	287	3.0%
Property taxes for sewer districts	36,247	36,023	224	0.6%
Hotel occupancy tax for tourism	9,751	8,862	889	10.0%
Other	5,830	5,703	127	2.2%
Total tax revenues	\$ 1,006,156	\$ 985,496	\$ 20,660	2.1%

The increase in the sales tax and hotel occupancy tax categories was a result of an increase in related taxable sales. 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 hotel tax rate also is unchanged and is either 3% or 5% depending on the number of rooms in the establishment.

The increase in the property tax categories was a result of an increase in assessed values of taxable real estate. The general fund (the main operating fund of the County) property tax rate remained at \$5.03 per \$1,000 of assessed valuation.

Long-Term Assets and Obligations

Capital assets The amount reported in the financial statements for governmental activity capital assets decreased from \$818,794,527 to \$812,764,561, a net decrease of \$6,029,966 in calendar year 2013. This net reduction indicates depreciation and asset dispositions were greater than asset acquisitions. The investment in capital assets for governmental activities at December 31, 2013 and 2012, net of accumulated depreciation, is shown in the table below (dollars in thousands):

	Balance 12/31/12	Balance 12/31/13
Land	\$ 30,479	\$ 30,519
Buildings and improvements to buildings	249,900	247,906
Roads and bridges	260,422	256,619
Sewer systems	182,948	194,430
Improvements other than buildings	13,575	12,170
Machinery and equipment	33,312	29,022
Construction in progress	48,159	42,099
Total net capital assets	<u>\$ 818,795</u>	<u>\$ 812,765</u>

Long-term obligations Outstanding debt and other long-term obligations for governmental activities for the year ended December 31, 2013 are shown below (dollars in thousands):

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13
Bonds	\$ 595,425	\$ 107,041	\$ 90,876	\$ 611,590
Tobacco settlement bonds *	334,818	5,603	1,706	338,715
Employee leave time	22,693	17,170	18,058	21,805
Judgments and claims	63,518	11,921	25,256	50,183
Retiree health insurance	276,066	60,864	23,401	313,529
Total long-term obligations	<u>\$ 1,292,520</u>	<u>\$ 202,599</u>	<u>\$ 159,297</u>	<u>\$ 1,335,822</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 \$41,299,809 of the 2013 additions.

A bond credit rating assesses the credit worthiness of a municipality’s debt issues. The County’s bond ratings were unchanged during the year and are as follows: Standard & Poor’s at A- (stable outlook), Moody’s at A2 (stable outlook) and Fitch Ratings at A (stable outlook). All three ratings represent a quality of bond in the upper medium grade. The County’s ratings indicate a 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 it compete with the rest of the state and country. The progress of these projects lays the groundwork for future growth and prosperity.



Although the city and immediately surrounding suburbs garner a lot of attention, Erie County has a strong agricultural tradition. In March, the County developed an Agricultural and Farmland Protection Plan, which aimed at creating a roadmap to ensure farming remains viable in the area during this century. The plan involves assisting farmers with access to local markets, addressing the regulatory environment farmers face in this area, and developing strategies to educate the public on what agriculture means to this region. Western New York developed a brand for marketing local foods, promoting careers in agriculture, and making Erie County an essential part of regional agriculture.

The Buffalo Bills are another deeply-rooted part of Erie County, which gives the area an identifiable feature on the national stage, eliciting great pride from all citizens. National Football League franchises are highly sought-after by many communities. Thanks to the new lease agreement, approved by the County Legislature, the Buffalo Bills have secured their future in Erie County for the next decade. Lease negotiations included a non-relocation agreement making Erie County's Ralph Wilson Stadium the home of the Bills for years to come. As part of the negotiations, the stadium will undergo additional renovations that will make it a premier place to watch professional football.



Erie County has received recognition from the National Oceanic and Atmospheric Administration's National Weather Service as being "StormReady®." In order to become the only county in the region to gain this honor, Erie County met impressive criteria when it comes to disseminating information



regarding potentially hazardous weather. Communities in Erie County have 24-hour warning points and experience the benefits of the Emergency Operations Center. Erie County prides itself on having a formal severe weather plan, citizens that are prepared through public seminars, and numerous ways of communicating with the public in the event of a weather emergency.

The summer of 2013 saw a season of fun that would take advantage of Erie County's unique position on the shores of Lake Erie. County beaches and parks were well-prepared to accommodate visitors, offering stretches of sand and green space with ample amenities for families who appreciate the natural settings. The areas along the Lake's edge provide a brilliant contrast to the commotion of the city or the office environment, of which many citizens are accustomed. County Parks underwent facelifts including the renovation of shelters and improvements to roadways.



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

* Took office January, 2014

** Took office April, 2014

Erie County Directory

The seal of Erie County, New York, is a large, faint watermark in the background. It features a central shield with a landscape scene, surrounded by the text "SEAL OF ERIE COUNTY" and "STATE OF NEW YORK".

Board of Elections	(716) 858-8891	Historian	(716) 858-8500
Budget and Management	(716) 858-8515	Information and Support Services	(716) 858-4940
Buffalo & Erie County Public Library	(716) 858-8900	Labor Relations	(716) 858-8476
Central Police Services	(716) 858-6365	Legislature	(716) 858-7500
Civil Service	(716) 858-8484	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	(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

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