

# County of Erie New York

## Popular Annual Financial Report

For the Year Ended December 31, 2016

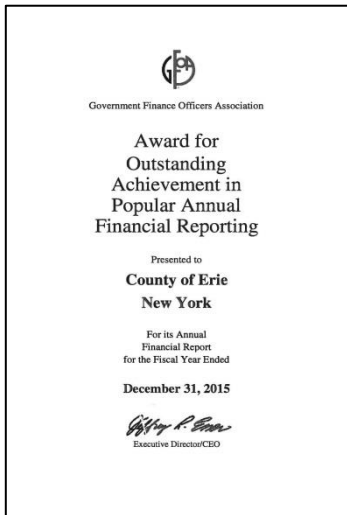
Stefan I. Mychajliw  
Erie County Comptroller



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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, 2015. 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 2016 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](http://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](mailto:Comptroller@erie.gov)

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## 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 continues to find itself in the middle of a mini-economic renaissance. While the pace of progress has slowed, a generation of younger “millennials” is showing that they want to live and work in downtown Buffalo. This shift has brought billions of dollars in private sector investment to many of our tired buildings. These architectural gems built as factories are re-opening for a second tour of duty as apartments, lofts, restaurants, breweries, shopping centers and creative arts initiatives.

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

- 🌐 The most iconic feature of the Buffalo skyline is the former North American Headquarters of HSBC Bank. The building was vacated a few years ago and was recently purchased by Washington DC based real estate developer Douglas Development. They are currently in the first phase of the buildings redevelopment, which includes converting the first five floors of the structure into residential and commercial retail space. Phase one will exceed \$100 million in investment.
 

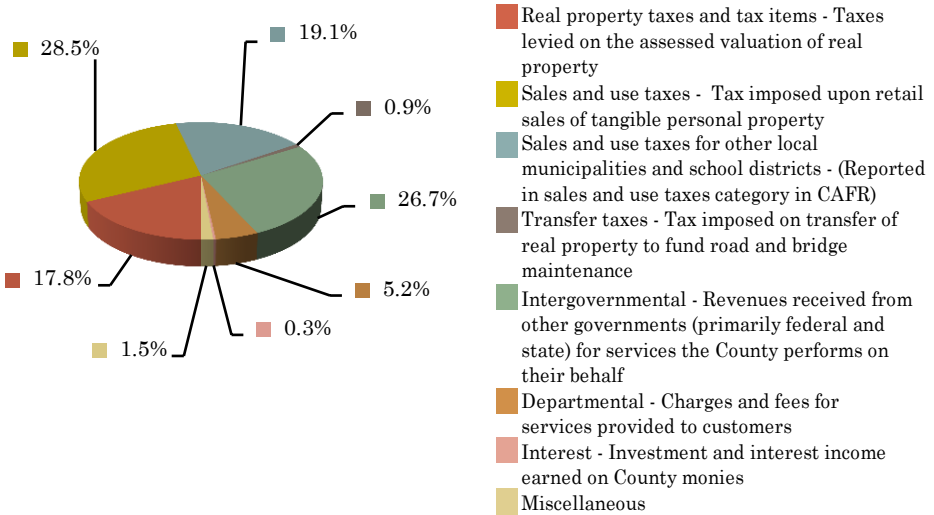


🌐 Kaleida Health is currently in the process of moving into their brand new John R. Oishei Children's Hospital. The \$270 million project generated hundreds of construction and permanent positions in taking its place as part of the vibrant Buffalo Niagara Medical Campus. The hospital is a 12-floor, 183 bed facility focused on providing the highest value and quality of care to women and children. It is the only access point for pediatric critical care, level III neonatal intensive care, and level 1 pediatric trauma services.

- 🌐 Elon Musk's SolarCity Gigafactory is finally open and taking orders. The factory itself was a \$350 million construction project, and in an operating capacity uses more than \$400 million in newly purchased and installed equipment. The factory is expected to create hundreds of new permanent jobs in the Western New York Community.

## Where the Money Comes From

The revenues presented are the total governmental funds reported in the 2016 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)

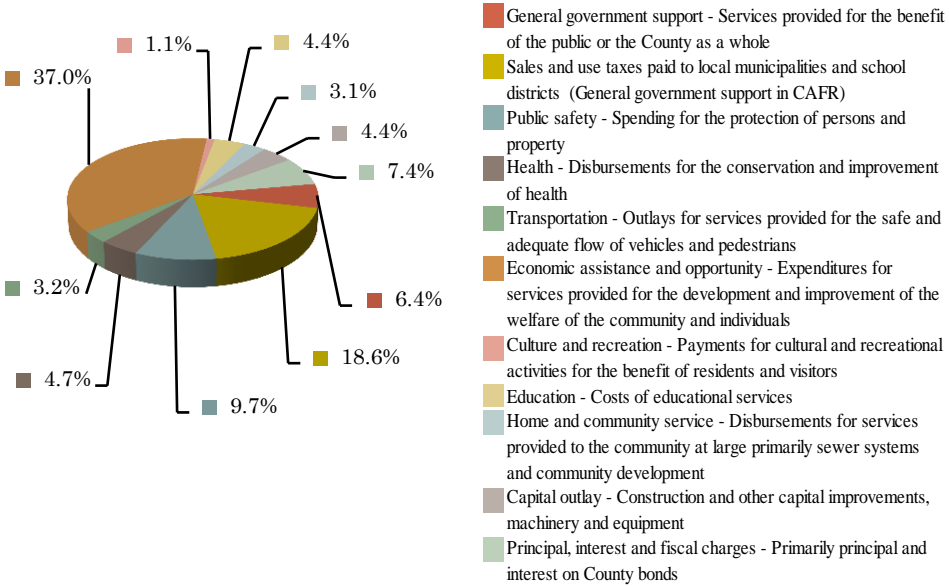
	2016 Actual	2015 Actual	\$ Change	% Change
Real property taxes and tax items . . . . .	\$ 283,732	\$ 280,406	\$ 3,326	1.2%
Sales and use taxes . . . . .	453,422	452,510	912	0.2%
Sales and use taxes for other municipalities . . .	303,169	302,456	713	0.2%
Transfer and other taxes . . . . .	14,054	11,888	2,166	18.2%
Intergovernmental . . . . .	423,586	416,188	7,398	1.8%
Departmental . . . . .	83,086	69,247	13,839	20.0%
Interest . . . . .	4,965	4,900	65	1.3%
Miscellaneous . . . . .	23,408	28,578	(5,170)	-18.1%
<b>Total revenues . . . . .</b>	<b>\$ 1,589,422</b>	<b>\$ 1,566,173</b>	<b>\$ 23,249</b>	<b>1.5%</b>

The increase in the transfer and other taxes category was primarily the result of increased non-exempt real estate conveyances.

Increased sewer user charges (in lieu of the property taxes for sewer districts that decreased as indicated on Page 6); increased reimbursements from local municipalities due to an increase in county residents attending NY community colleges other than Erie Community College (“ECC”); and increased medical assistance repayments as a result of a one-time \$3.0 million settlement accounted for most of the increase in the departmental category.

## Where the Money Goes

The expenditures presented are the total governmental funds reported in the 2016 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)

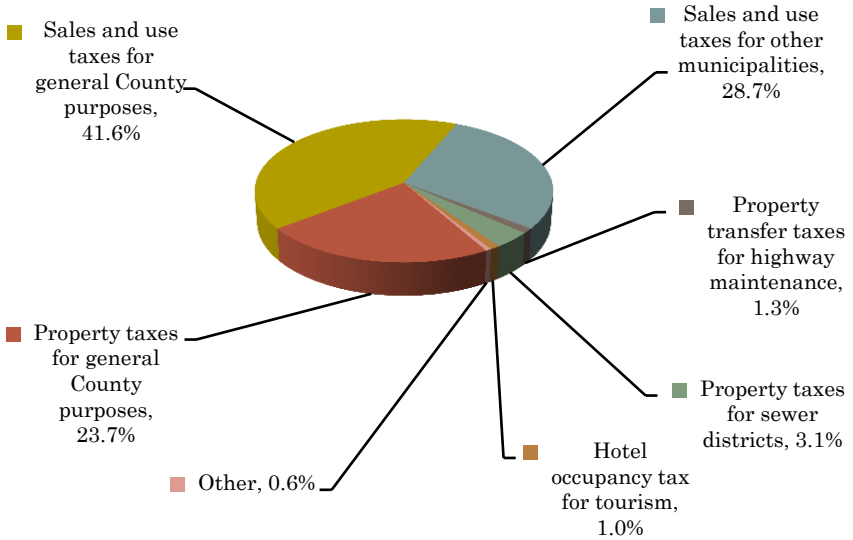
	2016 Actual	2015 Actual	\$ Change	% Change
General government support . . . . .	\$ 104,133	\$ 99,808	\$ 4,325	4.3%
Sales and use tax paid to local municipalities . . .	303,169	302,456	713	0.2%
Public safety . . . . .	158,624	157,404	1,220	0.8%
Health . . . . .	76,812	73,569	3,243	4.4%
Transportation . . . . .	52,425	50,534	1,891	3.7%
Economic assistance and opportunity . . . . .	602,921	603,687	(766)	-0.1%
Culture and recreation . . . . .	17,333	17,722	(389)	-2.2%
Education . . . . .	70,846	71,177	(331)	-0.5%
Home and community service . . . . .	50,360	45,733	4,627	10.1%
Capital outlay . . . . .	72,025	66,645	5,380	8.1%
Principal, interest and fiscal charges . . . . .	120,331	126,011	(5,680)	-4.5%
<b>Total expenditures . . . . .</b>	<b>\$ 1,628,979</b>	<b>\$ 1,614,746</b>	<b>\$ 14,233</b>	<b>0.9%</b>

The increase in the capital outlay category was chiefly a result of the ramped up construction of a new 57,000 square foot academic building at ECC's North Campus. The County, ECC and the State have agreed to provide funding for this project on a 25%/25%/50% basis.

Principal payments on County bonds decreased by \$11,127 while interest and fiscal charges increased by \$5,447.

## Taxes

During 2016, the County received \$1,054,376,696 in tax revenue. The following chart shows the proportion derived from each type of tax:



## Tax Trends (dollars in thousands)

	2016 Actual	2015 Actual	\$ Change	% Change
Property taxes for general County purposes . . . . .	\$ 249,562	\$ 240,389	\$ 9,173	3.8%
Sales and use taxes for general County purposes . . . . .	438,761	437,703	1,058	0.2%
Sales and use taxes for other municipalities . . . . .	303,169	302,456	713	0.2%
Property transfer taxes for highway maintenance. . . . .	14,050	11,888	2,162	18.2%
Property taxes for sewer districts . . . . .	32,406	38,635	(6,229)	-16.1%
Hotel occupancy tax for tourism . . . . .	10,523	10,442	81	0.8%
Other . . . . .	5,906	5,747	159	2.8%
<b>Total tax revenues . . . . .</b>	<b>\$ 1,054,377</b>	<b>\$ 1,047,260</b>	<b>\$ 7,117</b>	<b>0.7%</b>

The General Fund (the main operating fund of the County) final property tax rate was reduced from \$5.00 to \$4.96 per \$1,000 of assessed valuation in the 2016 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 \$5,646,605, 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	
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
2016 . . . .	249,562	22.4%	438,761	39.5%	1,111,640

\* Excludes sales and use taxes for other municipalities and includes other financing sources.

### Principal Taxpayers

Taxpayer	Equalized Full Value		Percentage of Total County Equalized Full Value	
	Value	Rank	Value	Percentage
National Grid / Niagara Mohawk . . . . .	\$ 751,943,329	1		1.45%
National Fuel Gas . . . . .	734,358,594	2		1.41%
Benderson Development Company . . . . .	594,513,263	3		1.14%
Pyramid Company of Buffalo . . . . .	274,718,686	4		0.53%
NY State Electric & Gas Corporation . . . . .	263,939,668	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
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	43,164,184	46,786	138,391	5.4%
2016 . . . .	921,046	N/A	N/A	N/A	4.9%

N/A = Not Available

### Principal Employers

Employer	Employees	Rank	Percentage of Total County Employment
State of New York . . . . .	23,350	1	5.23%
U.S. Government . . . . .	10,000	2	2.24%
Kaleida Health . . . . .	10,000	2	2.24%
Catholic Health System . . . . .	7,918	4	1.77%
M&T Bank . . . . .	7,500	5	1.68%

## Long-Term Assets and Obligations

**Capital assets** – The amount reported in the financial statements for governmental activity capital assets increased from \$848,607,544 to \$861,897,804, a net increase of \$13,290,260 in calendar year 2016. This net increase indicates asset acquisitions were greater than depreciation and asset dispositions. The investment in capital assets for governmental activities at December 31, 2016 and 2015, net of accumulated depreciation, is shown in the table below (dollars in thousands):

	Balance 12/31/16	Balance 12/31/15
Land .....	\$ 34,536	\$ 31,125
Buildings and improvements to buildings .....	270,998	284,315
Roads and bridges .....	246,002	257,868
Sewer systems .....	185,596	189,745
Improvements other than buildings .....	9,522	9,341
Machinery and equipment .....	14,926	17,070
Construction in progress .....	100,318	59,144
Total net capital assets .....	<u>\$ 861,898</u>	<u>\$ 848,608</u>

**Long-term obligations** – Outstanding debt and other long-term obligation activity for governmental activities for the year ended December 31, 2016 are shown below (dollars in thousands):

	Balance 1/1/16	Additions	Reductions	Balance 12/31/16
Bonds .....	\$ 551,954	\$ 92,084	\$ 113,283	\$ 530,755
Employee leave time .....	22,997	18,756	18,776	22,977
Judgments and claims .....	55,346	11,909	11,333	55,922
Retiree health insurance .....	362,162	77,223	32,132	407,253
Tobacco settlement bonds * .....	344,218	6,865	17,924	333,159
Net pension liability .....	30,523	115,091	-	145,614
Accrued derivative liability * .....	8,253	709	-	8,962
Total long-term obligations .....	<u>\$ 1,375,453</u>	<u>\$ 322,637</u>	<u>\$ 193,448</u>	<u>\$ 1,504,642</u>

\* Not paid by County taxpayers

The County's recognition of future retiree health insurance and pension obligations increased by \$45,090,679 and \$115,091,158 respectively.

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). 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 has been successful at attracting people and jobs to Western New York by offering them a place where they can live work and play unlike anywhere else in the country. Affordable housing, a low cost of living and high quality of amenities makes this a great place to live and visit. The strong desire to live in this region is the primary driver for investment into major initiatives and accomplishments. Some of those include:



Erie County was one of the first governments to make an investment into reviving Buffalo's waterfront. A major multi-million dollar grant provided the funding necessary to tear down the long vacant Buffalo Auditorium, which paved the way for a new space for residents and visitors to play. Incredibly successful public and private partnerships created

Canalside Buffalo. What was once an abandoned, dirty and polluted waterfront has become the cornerstone for what Buffalo will be in the years to come. Canalside Buffalo welcomes residents and visitors to Buffalo's waterfront for food and drink, music and concerts, arts and culture, games and activities, outdoor yoga and fitness classes, and celebrations and festivals.

Erie County takes a back seat to no other place in the country when it comes to 19<sup>th</sup> and 20<sup>th</sup> century architecture. The County Legislature recently increased the funding of the primary tourism agency bringing people here to see works by Frank Lloyd Wright, Louis Sullivan, H.H. Richardson, Eliel and Eero Saarinen, Lord and Burnham, Richard Upjohn, Elbert Hubbard, and the crowning achievement of America's first female architect, Louise Bethune. The architectural collection is so vast, the New York Times dubbed it "a textbook for a course in modern American buildings."



AK360 is an initiative of generational importance to expand and renovate the campus of the Albright Knox Art Gallery. The Gallery boasts one of the largest collections of modern art in the world and has outgrown its current building. The \$125 million expansion will double the number of masterworks the museum can display and will also provide state of the art space for presenting special exhibitions. Once complete, the project

will enhance the visitor experience at the museum, creating more space for education, dining, and social activities, while better integrating the campus to the landscape of Frederick Law Olmsted's Delaware Park.

## Elected Officials

**County Executive**  
*Mark C. Poloncarz*

**County Comptroller**  
*Stefan I. Mychajliw*

**County Clerk**  
*Christopher L. Jacobs*

**County Sheriff**  
*Timothy B. Howard*

**District Attorney \***  
*Michael J. Flaherty, Jr.*

### 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 through December 31, 2016  
John J. Flynn, effective January 1, 2017

## 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