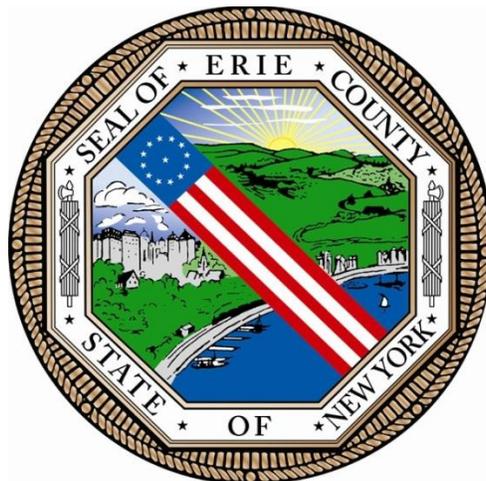


**June 2020**

**A Report on Recurring Bonded Capital Projects  
for SUNY/Erie**



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**June 10, 2020**

Erie County Legislature  
92 Franklin Street 4<sup>th</sup> Floor  
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Dear Honorable Members:

The Erie County Comptroller's Office has completed a report on recurring bonded capital projects for SUNY/Erie (ECC).

Our objectives were to:

- Determine the amount of bonds secured to perform projects at ECC.
- Determine the amount of funds actually spent on these projects.
- Make recommendations as to how to reduce debt service paid for these projects.

To accomplish these objectives, we reviewed data from the county's accounting records.

As a result of our examination, we have made recommendations to improve the conditions of ECC, as well as reduce debt service for college capital projects.

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## Background

SUNY/Erie (ECC) is a three campus community college in Erie County. The campuses are located in the City of Buffalo, the Town of Amherst, and the Town of Orchard Park. Erie County owns the property and facilities upon which Erie Community College is situated. As such, Erie County provides for capital improvements for the campuses. These improvements are typically matched with New York State funds.

In order to determine if the funds for recurring capital improvements are being invested into the college as approved by the Erie County Legislature, capital borrowing for the years 2014-2019 was examined. In particular, data regarding total amount budgeted, total amount borrowed by Erie County, total amount expended by Erie County, and total interest paid by Erie County was collected. The data regarding interest paid includes amounts paid through March 31, 2020.

Given these parameters, conclusions should not be made regarding borrowing for ECC capital projects prior to 2014. Nor should does this report address projects for which bonds are sold on a more occasional basis, or projects with a specific purpose. For example, in 2011, Erie County sold bonds in the amount of \$1,000,000 for the ECC North Campus cooling system. As of March 31, 2020, it has spent \$51,163 of the \$1,000,000 and paid \$262,751 in interest expense. This may not be typical for other bonds sold at and around that time, however.

It should also be noted that this report focuses on Erie County's capital project expenditures and interest on outstanding bonds. It makes no reference to the amounts that New York State may have paid on borrowing for ECC projects. As such, references to county expenditures and interest expended only refer to county share, and do not include matching funds from New York State. Further, references to unexpended funds refer only to unexpended funds on the bonds sold by the county. The true number available for the project is double that number, based on New York State matching funds available.

## 2014 Bonded Projects

In 2014, Erie County sold bonds to fund three categories of projects: ECC roofs – North Campus; classroom renovation; and, ECC code compliance.

The total budget for these projects was \$2,200,000, of which Erie County taxpayers were responsible for \$1,100,000. Of this \$1,100,000 borrowed, Erie County has expended \$840,725. To put it another way, Erie County has expended 76.4% of the money borrowed for projects in 2014. As such, \$259,725 remains available for projects on which the county continues to pay interest. As of March 31, 2020, Erie County has paid \$205,379 in interest expense on the total bonds sold.

More succinctly, Erie County continues to pay interest on money it has not actually invested into Erie Community College for capital projects in 2014. For 2014 classroom renovations, Erie

County has paid \$46,677 in interest, while spending only \$17,095 of the \$250,000 borrowed. Put another way, Erie County could have saved \$29,582 by paying cash for the 2014 classroom renovations performed to date.

Year	Description	Total Current Budget	Commitments	County Bonds Sold	County Share Expended	Interest Paid
2014	ECC Roofs North Campus	\$1,600,000	-	\$800,000	\$800,000	\$149,367
2014	Classroom Renovation	\$500,000	\$106,223	\$250,000	\$17,095	\$46,677
2014	ECC Code Compliance	\$100,000	\$27,057	\$50,000	\$23,630	\$9,335
2014 Subtotal		\$2,200,000	\$133,280	\$1,100,000	\$840,725	\$205,379

Given the above information, the County has \$259,275 in unexpended funds for projects for which it borrowed in 2014. WE RECOMMEND that the County take steps to invest the budgeted money as intended by the Legislature, or, in the alternative, undertake management practices which would avoid paying interest on money that is not being utilized for ECC projects until such a time that the money is actually needed.

### 2015 Bonded Projects

In 2015, Erie County secured bonds to fund two categories of projects: ECC roof replacement and ECC code compliance.

The total budget for these projects was \$6,300,000, of which Erie County taxpayers were responsible for \$3,150,000. Of this \$3,150,000 borrowed, Erie County has expended \$2,541,490. To put it another way, Erie County has expended 81% of the money borrowed for projects in 2015. As such, \$608,510 remains available for projects on which the county continues to pay interest. To date, Erie County has paid \$533,966 in interest on the total amount borrowed.

More succinctly, Erie County continues to pay interest on money it has not actually invested into Erie Community College for capital projects in 2015.

Year	Description	Total Current Budget	Commitments	County Bonds Sold	County Share Expended	Interest Paid
2015	ECC Roof Replacement	\$6,000,000	\$724,305	\$3,000,000	\$2,440,642	\$508,539
2015	ECC Code Compliance	\$300,000	\$98,304	\$150,000	\$100,848	\$25,427
2015 Subtotal		\$6,300,000	\$822,608	\$3,150,000	\$2,541,490	\$533,966

Given the above information, the County has \$608,510 in unexpended funds for projects for which it borrowed in 2015. WE RECOMMEND that the County take steps to invest the budgeted money as intended by the Legislature, or, in the alternative, undertake management practices which would avoid paying interest on money that is not being utilized for ECC projects until such a time that the money is actually needed.

### 2016 Bonded Projects

In 2016, Erie County secured bonds to fund four categories of projects: ECC roof replacement; 2016 sitework; infrastructure and construction of student center; and ECC code compliance.

The total budget for these projects was \$4,600,000, of which Erie County taxpayers were responsible for \$2,300,000. Of this \$2,300,000 borrowed, Erie County has expended \$155,924. To put it another way, Erie County has expended 6.8% of the money borrowed for projects in 2016. As such, \$2,144,076 remains available for projects on which the county continues to pay interest. To date, Erie County has paid \$312,206 in interest on the total amount borrowed.

More succinctly, Erie County continues to pay interest on money it has not actually invested into Erie Community College for capital projects in 2016. For 2016 ECC roof replacement, Erie County has paid \$135,742 in interest, while spending only \$8,321 of the \$1,000,000 borrowed. To put it another way, Erie County could have saved \$127,421 by paying cash for the 2016 roof replacements performed to date. For 2016 sitework, Erie County has paid \$67,871 interest and has spent none of the \$500,000 it borrowed. For 2016 infrastructure and construction of the student center, Erie County has paid \$81,445 interest and has spent only \$15,609 of the \$600,000 borrowed. For 2016 code compliance, Erie County has paid \$27,148 interest, while spending \$131,993 of the \$200,000 borrowed. The spending for code compliance includes \$106,906 since December, 2019. Prior to that, only \$25,027 was spent.

Year	Description	Total Current Budget	Commit- ments	County Bonds Sold	County Share Expended	Interest Paid
2016	ECC Roof Replacement	\$2,000,000	\$46,631	\$1,000,000	\$8,321	\$135,742
2016	2016 Sitework	\$1,000,000	\$32,850	\$500,000	-	\$67,871
2016	Infrast & Const of S. Student Center	\$1,200,000	-	\$600,000	\$15,609	\$81,445
2016	ECC Code Compliance	\$400,000	\$136,013	\$200,000	\$131,993	\$27,148
	2016 Subtotal	\$4,600,000	\$215,494	\$2,300,000	\$155,924	\$312,206

Given the above information, the County has \$2,144,076 in unexpended funds for projects for which it borrowed in 2016. WE RECOMMEND that the County take steps to invest the budgeted money as intended by the Legislature, or, in the alternative, undertake management practices which would avoid paying interest on money that is not being utilized for ECC projects until such a time that the money is actually needed.

## 2017 Bonded Projects

In 2017, Erie County secured bonds to fund five categories of projects: roof replacement; 2017 sitework; infrastructure and construction of student center; ECC code compliance; and 2017 mechanical, electric and plumbing.

The total budget for these projects was \$7,050,000, of which Erie County taxpayers were responsible for \$3,525,000. Erie County has expended 1.3% of the money borrowed for projects in 2017. As such, \$3,477,428 remains available for projects and on which the county continues to pay interest. To date, Erie County has paid \$346,244 in interest on the total amount borrowed.

More succinctly, Erie County continues to pay interest on money it has not actually invested into Erie Community College for capital projects in 2017. For 2017 roof replacement, Erie County has paid \$98,225 in interest, while spending none of the \$1,000,000 borrowed. For 2017 sitework, Erie County has paid \$63,846 interest and has spent none of the \$650,000 it borrowed. For 2017 infrastructure and construction of the student center, Erie County has paid \$98,225 interest and has spent none of the \$1,000,000 borrowed. For 2017 code compliance, Erie County has paid \$36,834 interest, while spending only \$29,868 of the \$375,000 borrowed. It has spent more on interest than it has actually spent for these projects. For 2017 mechanical, electric and plumbing, Erie County has spent \$49,113 in interest on \$17,704 spent of \$500,000 borrowed.

Year	Description	Total Current Budget	Commit- ments	County Bonds Sold	County Share Expended	Interest Paid
2017	Roof Replacement	\$2,000,000	-	\$1,000,000	-	\$98,225
2017	2017 Sitework	\$1,300,000	-	\$650,000	-	\$63,846
2017	Infrast & Const of S. Student Center	\$2,000,000	-	\$1,000,000	-	\$98,225
2017	ECC Code Compliance	\$750,000	\$444,213	\$375,000	\$29,868	\$36,834
2017	2017 Mech, Elec, Plumb	\$1,000,000	\$86,913	\$500,000	\$17,704	\$49,113
2017 Subtotal		\$7,050,000	\$531,225	\$3,525,000	\$47,572	\$346,244

Given the above information, the County has \$3,477,428 in unexpended funds for projects for which it borrowed in 2017. WE RECOMMEND that the County take steps to invest the budgeted money as intended by the Legislature, or, in the alternative, undertake management practices which would avoid paying interest on money that is not being utilized for ECC projects until such a time that the money is actually needed.

## 2018 Bonded Projects

In 2018, Erie County secured bonds to fund six categories of projects: roof replacement; 2018 sitework; 2018 infrastructure; ECC code compliance; 2018 mechanical, electric and plumbing; and, preservation of buildings.

The total budget for these projects was \$6,000,000, of which Erie County taxpayers were responsible for \$3,000,000. Erie County has expended less than 1% of the money borrowed for projects in 2018. As such, \$2,976,265 remains available for projects and on which the county continues to pay interest. To date, Erie County has paid \$180,263 in interest on the total amount borrowed.

More succinctly, Erie County continues to pay interest on money it has not actually invested into Erie Community College for capital projects in 2018. For 2018 roof replacement, Erie County has paid \$60,088 in interest, while spending \$19,962 of the \$1,000,000 borrowed. For 2018 sitework, Erie County has paid \$24,035 interest and has spent none of the \$400,000 it borrowed. For 2018 infrastructure, Erie County has paid \$30,044 interest and has spent none of the \$500,000 borrowed. For 2018 code compliance, Erie County has paid \$18,026 interest, while spending none of the \$300,000 borrowed. For 2018 mechanical, electric and plumbing, Erie County has spent \$30,044 in interest and has spent none of the \$500,000 borrowed. For 2018 preservation of buildings, Erie County has spent \$18,026 in interest and has spent \$3,773 of the \$300,000 borrowed.

Year	Description	Total Current Budget	Commitments	County Bonds Sold	County Share Expended	Interest Paid
2018	Roof Replacement	\$2,000,000	\$69,583	\$1,000,000	\$19,962	\$60,088
2018	2018 Sitework	\$800,000	-	\$400,000	-	\$24,035
2018	2018 Infrastructure	\$1,000,000	-	\$500,000	-	\$30,044
2018	ECC Code Compliance	\$600,000	\$317,150	\$300,000	-	\$18,026
2018	2018 Mech, Elec, Plumb	\$1,000,000	-	\$500,000	-	\$30,044
2018	Preservation of Buildings	\$600,000	\$37,455	\$300,000	\$3,773	\$18,026
2018 Subtotal		\$6,000,000	\$424,188	\$3,000,000	\$23,735	\$180,263

Given the above information, the County has \$2,976,265 in unexpended funds for projects for which it borrowed in 2018. WE RECOMMEND that the County take steps to invest the budgeted money as intended by the Legislature, or, in the alternative, undertake management practices which would avoid paying interest on money that is not being utilized for ECC projects until such a time that the money is actually needed.

### 2019 Bonded Projects

In 2019, Erie County changed the description for borrowing for Erie Community College projects. As seen above, bonded money was divided into a few categories to allow the approvers to somewhat target how money was intended to be spent. For the 2019 capital budget, there is only one category: collegewide improvements. Although this decreases transparency as to how money will be spent, it allows for the direction of resources as perceived needs arise.

The total budget for these projects was \$6,800,000, of which Erie County taxpayers were responsible for \$3,400,000. Of this \$3,400,000 borrowed, Erie County has not yet expended any money. Although it has not used any of the money which it borrowed, the county has expended \$33,793 on interest. As such, all \$3,400,000 remains available for projects on which the county continues to pay interest.

Year	Description	Total Current Budget	Commitments	County Bonds Sold	County Share Expended	Interest Paid
2019	Collegewide Improvements	\$6,800,000	-	\$3,400,000	-	\$33,793

Given the above information, the County has \$3,400,000 in unexpended funds for projects for which it borrowed in 2019. WE RECOMMEND that the County take steps to expend the budgeted money as intended by the Legislature, or, in the alternative, undertake management practices which would avoid paying interest on money that is not being utilized for ECC projects until such a time that the money is actually needed.

## Conclusion

Erie County owns the three campuses which comprise the Erie Community College system. As such, it budgets and borrows for certain capital improvements each year. Most of these projects include significant matching funds from New York State. For the years 2014 -2019, Erie County sold \$16,475,000 in bonds to fund \$32,950,000 in projects. To date, Erie County has expended \$3,609,446 of the \$16,475,000 that it has borrowed. To put it another way, Erie County has spent 21.9% of the money it has borrowed for recurring improvements to Erie Community College during these years. Regardless of whether the money is spent, Erie County is responsible for paying interest on the money borrowed. To date, the amount of interest paid on recurring bonds sold from 2014 – 2019 is \$1,611,851. The money spent on interest is 44.7% compared to the money actually spent on improvements.

A valid argument could be made that the money budgeted by the Legislature should be used to fix and improve Erie Community College. The physical issues that exist at ECC are not just cosmetic or preventative of further deterioration, but also pose safety concerns. This is evident by the recent incident at ECC North campus with the air conditioning system

In the alternative, an argument could also be made that if projects are not yet ready to be undertaken, money should not be borrowed. This would avoid prematurely paying interest without being able to enjoy the fruits of the investment due to inaction to improve the campuses.

The latter argument carries additional weight in light the recent revenue shortages which have caused a deficit in the Erie County. The County Executive has proposed closing out three projects from ECC mentioned in this report in an effort to avoid interest costs associated with the bonds sold. These projects include the 2011 ECC-North Campus Cooling System, paying off \$948,837 of the \$1,000,000 bonded in 2011 (\$51,163 funds expended; \$262,751 interest expended); 2016 Sitework, paying off \$500,000 of the \$500,000 bonded in 2016 (\$0 funds expended; \$67,871 interest expended); and, 2018 Sitework, paying off \$400,000 of the \$400,000 bonded in 2018 (\$0 funds expended; \$24,035 interest expended). In addition, the County Executive has proposed closing out the 2014 ECC Masonry Project, paying off \$50,000 of the \$75,000 bonded in 2014 (\$25,000 funds expended; \$14,003 interest expended). This project was not a subject of this report, due to its non-recurring nature. While this money cannot be used to address the revenue shortage, it will avoid future interest expenses. WE RECOMMEND that the Legislature accepts the County Executive's plan to close out these four projects, if the Legislature determines that the projects are complete, or the intention behind these capital improvements is no longer their priority.

However, there are other bonds from which money has been borrowed over the years, yet the funds have not been expended. For some of these bonds, the amount of interest paid exceeds the amount of money expended. WE RECOMMEND that the Legislature determine if the purpose for which the bonds were sold is still the Legislature's priority, and, if not, whether the funds should be repaid to avoid future interest expenses.