



ERIE COUNTY COMPTROLLER

HON. STEFAN I. MYCHAJLIW

May 4, 2020

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

Dear Honorable Members,

As I have been reporting to your honorable body frequently since March 16th, 2020, Erie County faces significant financial challenges due primarily to impacts from the COVID-19 pandemic. As Comptroller, it is my duty to keep you apprised of certain fiscal situations that may require adjustments to the budget during the fiscal year.

According to Erie County Charter section 2511:

"If at any time during the fiscal year it appears, from cash flow projections or other generally accepted accounting principles, that the revenues available, as projected through the end of the fiscal year, will be insufficient to meet either (a) the amounts appropriated, or (b) expenses anticipated to be incurred through the end of the fiscal year, such that the cumulative effect thereof is a projected year-end deficit in excess of 50 percent of the County's undesignated, unreserved fund balance as of the end of the immediately preceding fiscal year, the County Executive or the Comptroller shall submit a report to the Legislature setting forth the estimated amount of the deficit with appropriate details and explanations."

At this time, it is necessary to inform the Legislature that the revenues as projected through the end of the year will be insufficient to meet the amounts appropriated, such that the cumulative effect thereof is a projected year-end deficit in excess of 50 percent of the County's undesignated, unreserved fund balance as of the end of the 2019 fiscal year. As such, given this triggering event, I am declaring a deficit pursuant to the Erie County Charter.

At this time, the Office of Erie County Comptroller is projecting sales tax revenue to fail to achieve budgeted revenue by \$127,933,095. Further, there have been significant discussions regarding shortfalls in aid from New York State. The Governor has stated that localities can expect state aid in an amount of 20 percent less than budgeted. I anticipate state aid to fail to achieve revenue by \$36,507,988. Further, the travel industry has been devastated by social distancing restrictions as a result of the COVID-19 pandemic. As such, I anticipate hotel occupancy tax revenue to fail to achieve budgeted revenue by \$7,732,560. Similarly, I also anticipate other revenue accounts to be impacted

negatively in the amount of \$16,037,408 and fees negatively in the amount of \$17,947,374. Falling interest rates are estimated to result in interest earnings to be approximately \$451,000 less than budgeted.

Cumulatively, the Office of Erie County Comptroller is estimating revenue shortfall to be \$206,609,425. It should be noted that these are estimates based upon information currently available and conditions could change significantly and rapidly. Such conditions include the possibility of additional federal and state aid, or conditions resulting in further prolonged social distancing measures.

This estimated revenue deficit only refers to revenues for the General Fund. Similar revenue deficits are anticipated in the Road, Road Repair Reserve, Library, Debt Service, Grant and Sewer Funds. Further, I recognize that this figure is less than the \$230 million figure stated by the administration and greater than the "best case scenario" of a \$150 million shortfall, also stated by the administration.

However, the charter requires that I set an amount, and not a range of possibilities, for action by your honorable body.

At the end of the 2018 fiscal year, undesignated, unreserved (unassigned) fund balance was \$102,490,000. As of the end of the 2019 fiscal year, the unaudited total General Fund, fund balance was \$173,749,601. If Comm. 9E-21 as submitted by the County Executive were to be approved by the Legislature, the unaudited undesignated, unreserved (unassigned) fund balance would be \$102,898,000.

Compared to any of the above fund balance figures, the shortfalls in projected revenue are in excess of 50 percent of the County's undesignated, unreserved fund balance.

According to the Erie County Charter, the County Executive will provide your honorable body with "a written proposal of actual remedies to overcome the deficit" within seven days of my submission of this letter to the Legislature. At that time, I will provide your honorable body with written comments regarding the County Executive's plan in order to assist you with your deliberations. I look forward to working with you to address this serious and unfortunate situation.

As always, should you have any questions, please do not hesitate to contact me.

Sincerely,



Stefan I. Mychajliw, Jr.

cc: Hon. Mark C. Poloncarz, Erie County Executive