



STEFAN I. MYCHAJLIW
 ERIE COUNTY COMPTROLLER

October 15, 2021

The Honorable
 Erie County Legislature
 92 Franklin Street, 4th Floor
 Buffalo, New York 14202

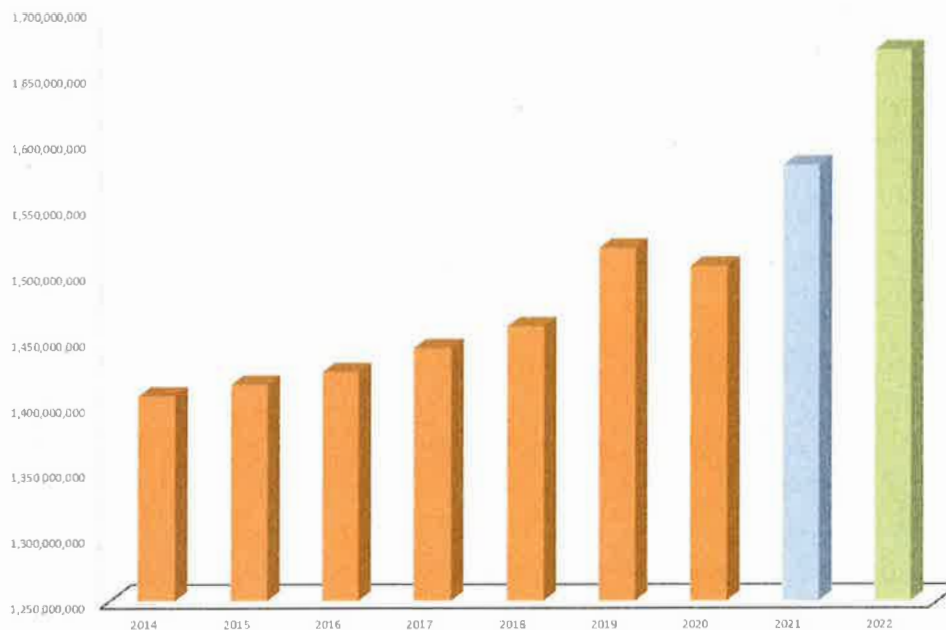
RE: Regarding 2022 Revenue Projections

Dear Honorable Members:

For the sake of continuity, the Office of the Comptroller is providing your Honorable Body these historical snapshots of Erie County’s General Fund 110 major revenues over the last several years, including the County Executive’s proposed budget of 2022.

Below is a graph depicting annual expenditures from fund 110 for the years 2014 through the projected 2022 budget. Grant funds, as well as funds such as fund 252 are not included in this graphical depiction.

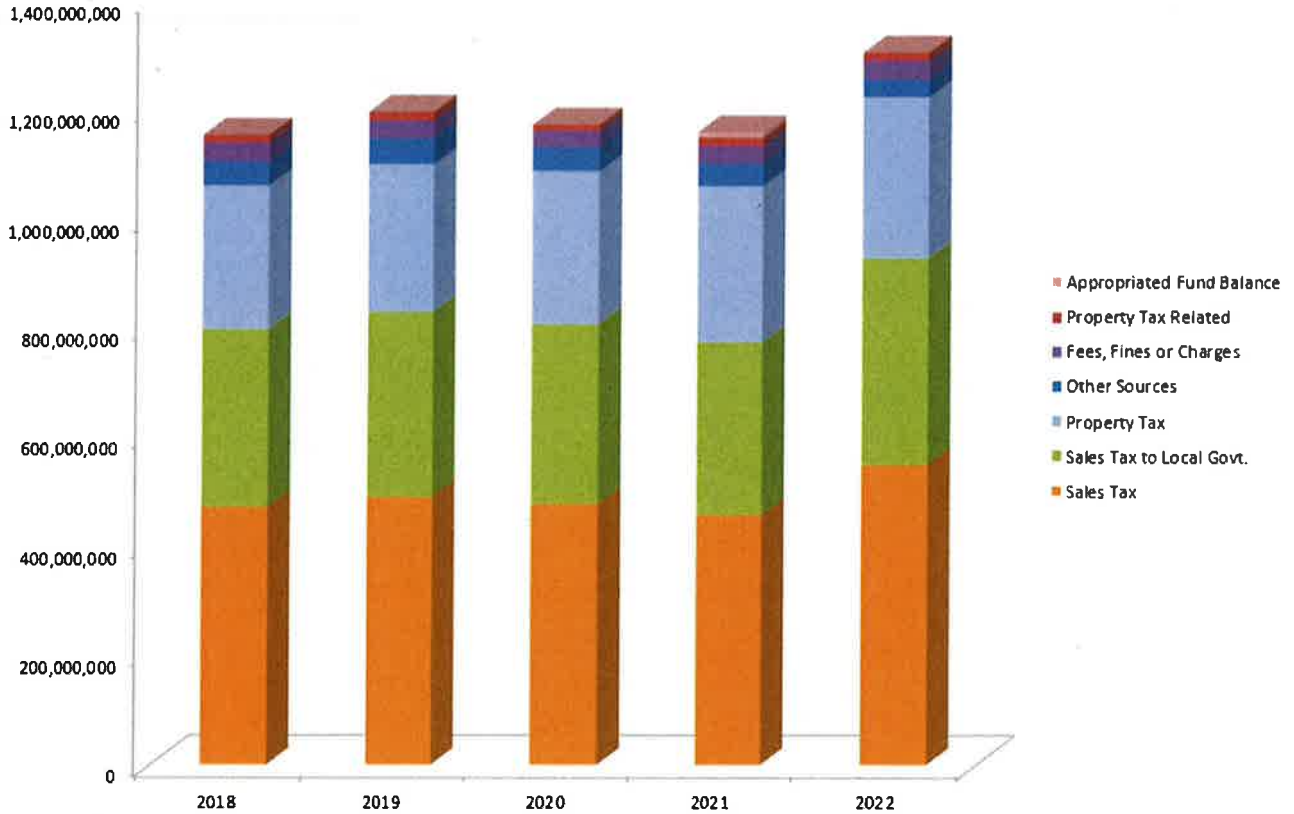
Annual Expenditures with 2 Year Budgeted Forecast



Providing an overview, this chart compares the totals of all of Erie County's Major Revenues. 2018, 2019 and 2020 give actual figures, and 2021 and 2022 are budgeted figures.

ERIE COUNTY'S MAJOR REVENUES

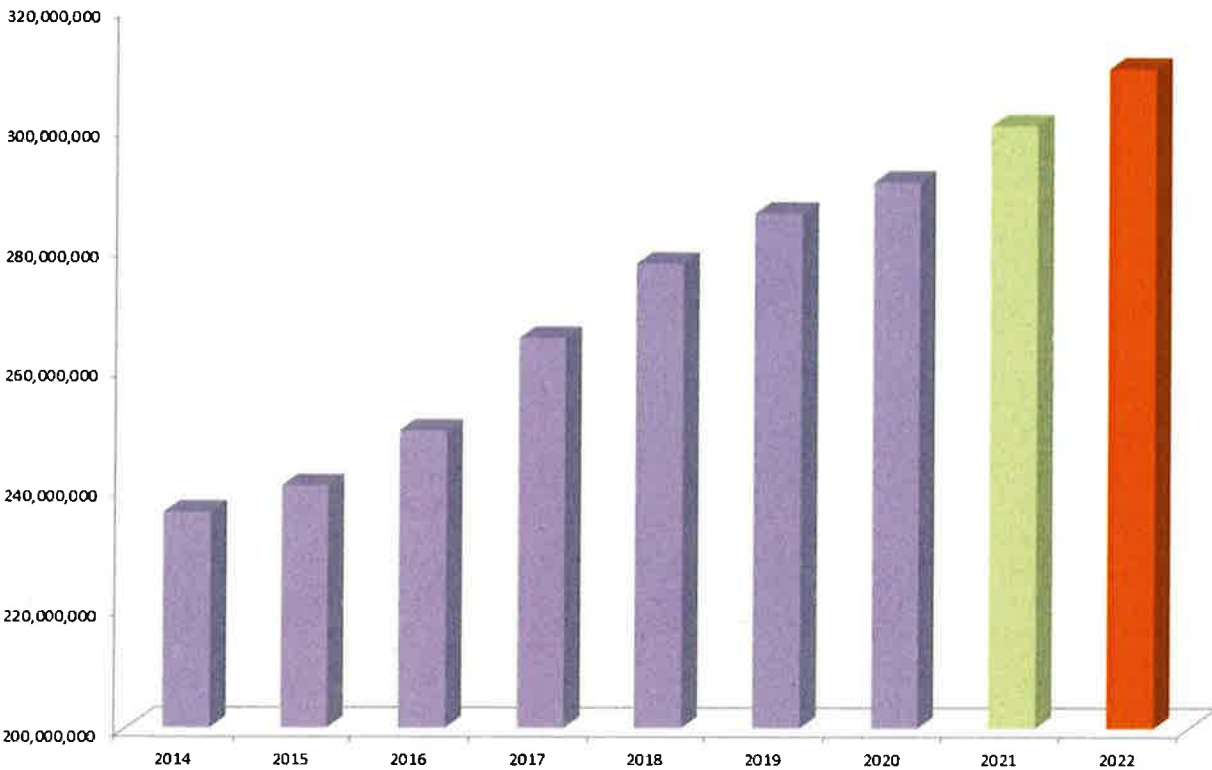
Local Source Revenue with 2 Year Budgeted Forecast



PROPERTY TAX GROWTH

Since the 2022 budget has been presented, we are able to provide you a comparison with a historical snapshot of property tax revenues over the last several years. Based on the proposed 2022 budget, property tax collections will have increased \$73,992,724 since 2014, an annualized increase of 3.47%.

PROPERTY TAX GROWTH 2014 – 2021 (Actual) 2021-2022 (Budget)



The property tax revenue estimate is reasonable, in the context of presenting a proposed balanced budget. However, this statement of reasonableness must be accompanied with a word of caution.

The proposed property tax levy of \$321,448,264 (\$295,012,576 general + \$26,435.688 library) in and of itself does not fall within the New York State property tax cap limit. However, the revised 2021 tax cap calculation resulted in an allowable carry forward of \$786,231. As a result of applying the carry forward, the proposed budget property tax levy complies with New York State law.

The proposed property tax levy for 2022 is 3% greater than last year and 35% greater than 10 years ago.

It has been stated that the proposed property tax rate for 2022 is 4.33/\$1,000 property value, which is the lowest rate in decades. The tax rate was 4.34/\$1,000 property value in 2005. According to New York State law, the 4.33/\$1,000 proposed rate is the maximum rate that the property can be to remain in compliance with the property tax cap. To clarify this, it is helpful to expand the rate to fractions of a penny. Currently, the proposed property tax rate for 2022 is 4.3305/\$1,000 property value. If the county continues to utilize the full \$786,231 carry forward and levies the maximum allowable amount to the property tax cap, the rate would be \$4.3338/\$1,000 property value. This is a difference of a third of a penny, or 50 cents on a \$150,000 home. In short, the proposed property tax levy, even after applying the \$786,231 carry forward, is \$245,690 from the New York State property tax cap.

Given the tightness to the New York State property tax cap, I ask the legislature to exercise caution when offering budget amendments, particularly amendments which may increase spending. Amendments which increase spending should be offset with corresponding spending cuts. Further, I suggest that the legislature carefully scrutinize the property tax billing process. Errors in billing, such as

those that occurred in 2020, could cause the budget to fall out of compliance with the New York State property tax cap law. This is especially concerning given the proximity of the property tax levy in the 2022 proposed budget to the property tax cap.

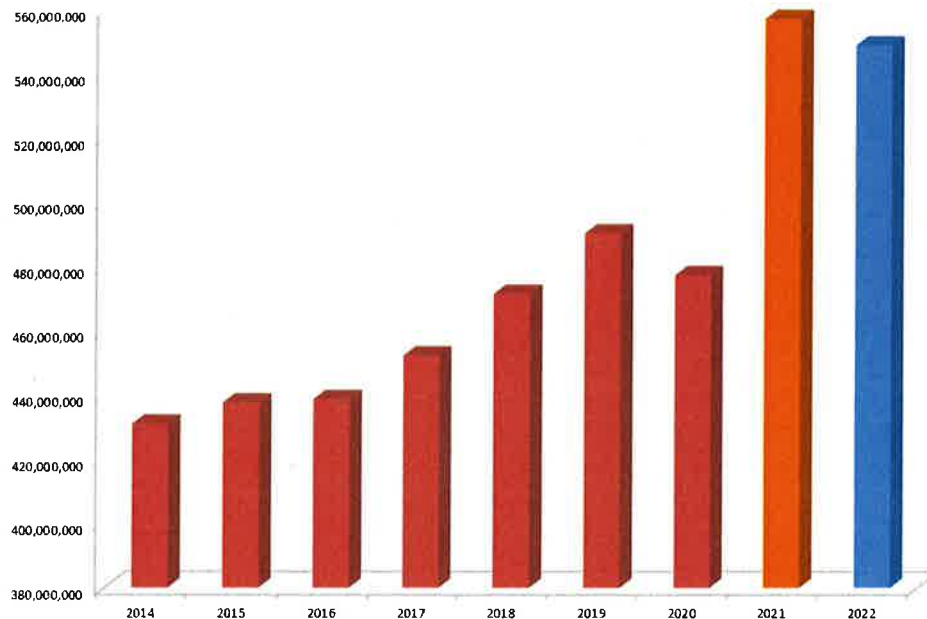
SALES TAX

ERIE COUNTY SALES TAX REVENUE

To date, 2021 sales tax collections are 24.5% higher than they were in 2020. Projecting this trend through 2021 results in an anticipated sales revenue for County purposes of \$557,375,466. The proposed 2022 budget anticipates sales tax revenue of \$549,174,319. Despite the significant decline in sales tax revenue early in 2020 due to Covid-19 lockdowns, sales tax has rebounded, even growing well above 2019 levels.

Given rising inflationary pressure affecting taxable goods both nationally and locally, combined with the continued reopening of the economy, and incorporating the lag effect of tax stimulus efforts, the sales tax revenues contemplated in the proposed budget are reasonable.

Sales Tax Revenue with 2021 Actuals + 4 Mth Projected and 2022 Budget

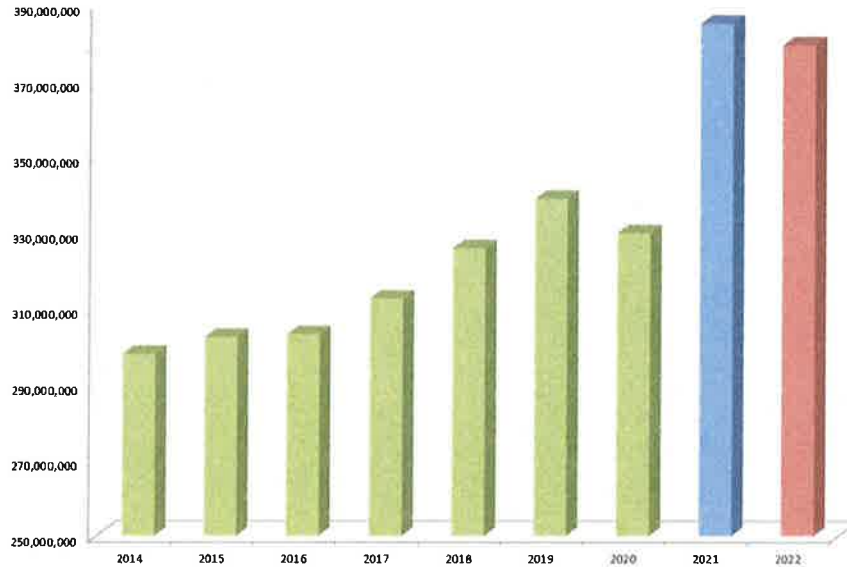


SALES TAX SHARED WITH LOCAL GOVERNMENTS

The increase in sales tax revenue in 2021 is not only beneficial for Erie County, but it also significantly aids our municipal and governmental counterparts in local towns, villages, and school districts. Pursuant to the 1977 Sales Tax Sharing Agreement, Erie County agrees to share sales tax revenue with local municipalities in exchange for the Cities not electing to collect their own tax. This arrangement is unique to Erie County. For the first 3 quarters of 2020, 5% less had been paid out to municipalities than the same period of the prior year, which was about 7.5% less than they were

expecting. However, for the first 3 quarters of 2021, a gain of 20% has meant that the municipalities have received approximately what they would have expected based on 2019 amounts.

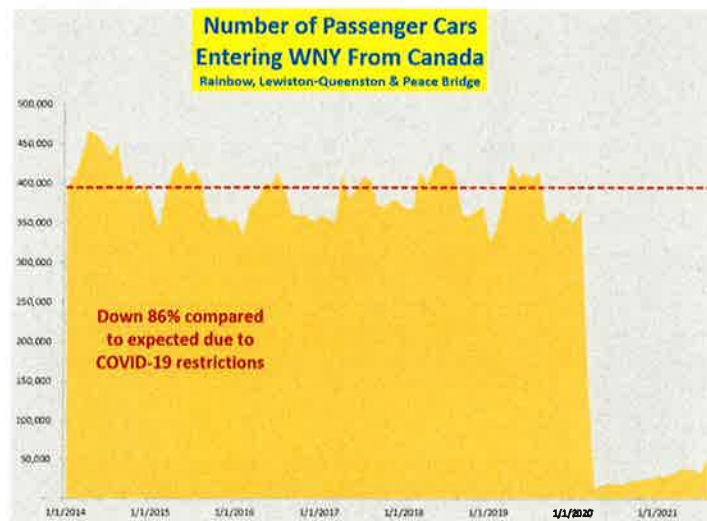
Sales Tax to Municipalities with 2021 Actuals + 4 Mth Projected and 2022 Budget



SALES TAX PERFORMANCE INDICATORS

CROSS-BORDER TRAFFIC

Prior to Covid-19, a notable amount of sales tax revenue was driven by cross-border traffic. However, the border is now essentially closed for traffic to come from Canada for shopping or entertainment. When the border opens up for daily traffic, as it is anticipated to do in November this year, it could further bolster sales tax revenue.



POPULATION GROWTH

The updated 2020 census showed that Erie County had a 3.8% gain in population, the first increase in population since the 1970 census. More people living in Erie County should cause sales tax to continue to increase.

GASOLINE PRICES

Revenue from gasoline tax makes up a significant amount of sales tax that Erie County collects. Because gasoline prices can be volatile, it can cause significant change in the amount of sales tax that Erie County collects. During early Covid-19 lockdowns in 2020, gasoline prices fell below \$2.00 per gallon, and many people were at home, causing revenue from gasoline to decrease significantly. However, by summer of 2021, gasoline prices had risen to over \$3.00 per gallon. This increase in price can lead to a difference of millions of dollars per month. However, increased spending on gasoline could also negatively impact spending on other consumer goods, due to limited resources with which to make purchases.

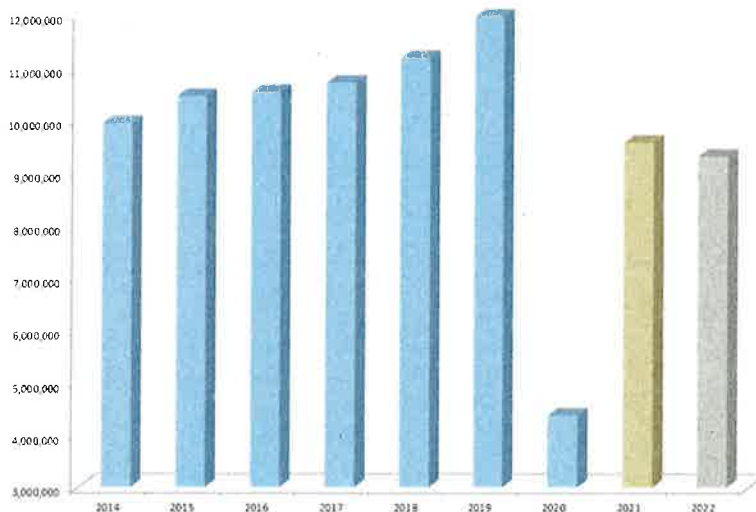
HOTEL OCCUPANCY TAX

The Erie County Hotel Room Occupancy Tax is not an overly significant revenue in the county budget, however it was a line item that had a steep decline in 2020 due to Covid-19 restrictions. The tax was originally put in place in 1974 and has been amended in 1975, 1983, 1987 and 2007. In short, the tax places a charge of 3% on the cost of a hotel room in Erie County. Proceeds from the tax are directed to the county's general fund. The amount of revenue raised from the hotel occupancy tax provides a good indicator to assess the strength of the tourism industry.

A majority of the revenue was put back into the 2021 and 2022 budgets, however it is still significantly below the revenue that was received in 2019.

Given the continued reopening of the economy, whose effects were especially felt locally in the hospitality industry, the revenue projections are reasonable.

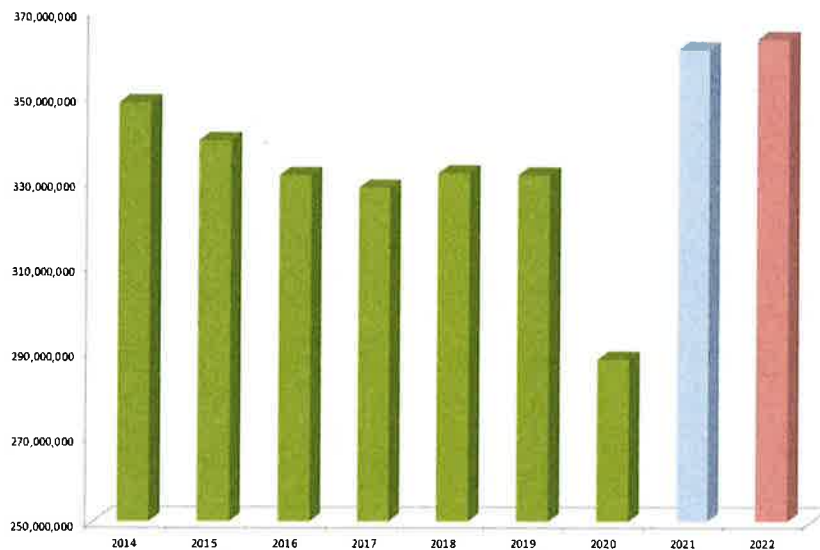
HOTEL OCCUPANCY TAX GROWTH 2014 – 2020 (Actual) 2021-2022 (Budget)



STATE AND FEDERAL AID

After having a steady amount of state and federal aid to the General Fund between 2014 and 2019, there was a significant drop of over \$40 million in aid in 2020. However, budget for both 2021 and 2022 has seen these revenues grow to over \$360 million, compared to approximately \$330 million in revenues prior to Covid-19.

STATE AND FEDERAL AID GROWTH 2014 – 2020 (Actual) 2021-2022 (Budget)



RETIREMENT AND PENSION COSTS

The New York State Comptroller manages the state's retirement fund and on an annual basis determines the rates that participating municipalities and entities pay. Those rates are based on the retirement tier system. Contributions for employees in the lower tiers are more expensive than those who are hired today in tier 6. As employees in tiers 1-4 are replaced they are, for the most part, hired as tier 6 employees at a lower cost to Erie County. This factor, along with strong fund performance, has been very positive for our pension expense/obligation.

The rates paid to New York State were recently announced and indicated a reduced burden on Erie County. As such, the anticipated decrease in retirement expense as compared to 2021 is reasonable. Similarly, health insurance and dental expenses also appear reasonable.

PUBLIC ASSISTANCE

The Public Assistance expenses proposed for MMIS-Medicaid Local Share, Indigent Care Adjustment DSH, MA-Gross Local Payments, Family Assistance, Safety Net Assistance and Emergency Assistance to Adults in the amount of \$275,534,860 represent an increase of 6.9% over the 2021 adjusted budget. These expense estimates appear to be reasonable.

The revenues budgeted appear to be suitable. Should you have any questions about this report, or require more detail, don't hesitate to ask.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Stefan Mychajliw, Jr.', with a long horizontal flourish extending to the right.

Stefan I. Mychajliw, Jr.
Erie County Comptroller

cc: Erie County Executive Mark Poloncarz