

2019-2020 First Quarter Gap Sheets Response

As required by the City Charter, we have reviewed the 2019-2020 First Quarter Gap Sheets Report (Gap Report), which was prepared and submitted by the administration, and are submitting this analysis.

The anticipated timing of certain receipts and expenditures for the last three quarters of this fiscal year is unknown to our fiscal office. Therefore, past transactions were utilized to review the reasonableness of the projections as established by the administration. Unusual and non-recurring items were considered in this calculation and adjustments were made accordingly.

The administration's Gap Report projects a \$1.36 million budgetary surplus for the current year ending June 30, 2020, based on actual results through September 30, 2019, and projections for the period October 1, 2019 through June 30, 2020.

This office's financial review of the year-end projection varies from that of the administration, largely as it relates to revenues. We continue to be concerned that actual operating revenues will come in below the amounts budgeted in specific line items, as has consistently been the case for the last three years.

Prior to 2016-2017, the City had been receiving approximately \$7 million per year from the Seneca Nation (via New York State) as the host community for the Buffalo Creek Casino. A dispute between the Seneca Nation and New York State had stopped those payments in 2016-2017.

In January 2019, a binding arbitration decision was delivered in favor of New York State, finding that the Seneca Nation must continue to pay slot revenue sharing payments to the state and host municipalities like Buffalo. As reported in the Buffalo News, The Seneca Nation contends that this ruling violates federal law, and has asked the United States Department of Interior to examine the arbitration panel's ruling to determine if it made the correct decision. As of this date, the timing and the final outcome of this review is unknown

Revenue Item	2019-2020 Budget	Actual Revenue Received by 9/30/19	MUNIS Balance as of 12/4/2019	Projected Revenue at 6/30/2020	Projected Under Budget
Tribal Pact Casino Revenue	\$11,000,000	\$0	\$0	\$11,000,000	\$0
Sale of City Owned Real Estate	6,900,000	2,377,000	2,377,000	\$4.8 m. budgeted for In Rem proceeds. Actual below?	
Security Surcharge Fee	755,000	0	0	0	755,000
Gifts and Donations	1,250,000	0	117,500	Commitments pending	?
Rental Dwelling Registrations	3,747,000	72,000	112,000	1,500,000	
Total	\$23,652,000				

*Revenue was received from the sale of properties on St. Paul Mall in February 2019.

The Department of Audit and Control is aware that there has been a buyer identified for the former Police Headquarters for \$3 million. This building currently has approximately \$1 million in debt that will need to be paid with the proceeds from the sale. This would leave \$2 million of revenue that would be recognized when the contract closes and funds are received. As of this date there is not a signed contract for this sale, therefore we are not including this in our expectation for June 30, 2019.

School 11 on Doat Street is also expected by the Administration to close by June, 30, 2019, for approximately \$900,000, but as of this date there is not a signed contract for sale, therefore we are not including this in our expectation.

Additionally, we have been informed that there is a signed contract for \$1.7 million for the Gates Circle Parking Ramp. This sale has been pending for an extended period of time and as of this date, with the information we have, we are not certain that it will close by June 30, 2019, therefore we are not including this in our expectation for June 30, 2019.

We are aware that other properties are at various stages of the negotiation process however, given the uncertainty around the timing of the closing process, our projection will remain the same.

**There was an announcement that the City is establishing an account for donations. Donations must be made without any restrictions and received by year end in order to have a positive impact on the City's General Fund for June 30, 2019. At this point we have not received any information about unrestricted donations or pledges that have been made to the City other than the \$132,000 booked which is to cover the cost of the addition of a position in the Department of Administration and Finance.

Most of the items noted above were all mentioned in the 2018-2019 Comptroller's Budget Response as highly questionable revenue projections, and with the completion of the third quarter of the current fiscal year, our concerns relative to these items remain largely unchanged. We do not have enough verifiable information that any of the noted revenues will be realized at amounts greater than we have projected. Additionally, it appears that the budgeted transfer in from the Parking Enterprise Fund will likely fall short by \$1.8 million due to that fund's current financial performance. This would mean that the City could be looking at revenues and transfers in being \$33.3 million below budget at June 30, 2019.

The City has been able to control some of its expenses, most notably overtime, which has decreased significantly subsequent to the adoption of the Local 282 Firefighters contract and its related change in work hours effective January 1, 2019. Additionally, there are projected savings within retirement expense as compared to budget. It's projected that expenses will finish the year \$9.0 million under budget.

It should also be noted that the City has estimated \$8.3 million of future Judgments and Claims as of June 30, 2018, but there was only available fund balance of \$2.7 million in assigned fund balance to cover these claims.

Aside from the lack of assigned fund balance to cover potential Judgments and Claims, there is currently \$0 of unassigned fund balance, which had been a resource in previous years when the City's revenues did not cover expenses. The City used \$35 million and \$23 million of available fund balance to balance the budgets in fiscal years 2017 and 2018, respectively. There is no more available unassigned fund balance to cover any shortages in fiscal year 2019.

We understand that historical trends, though useful in performing a reasonableness test, may not necessarily be a fair prediction of what may occur in the next three months. Furthermore, as our office is not a part of City-wide management decisions, we may not be aware of all anticipated changes to staffing and operations during the remainder of the fiscal year.