

2021-2022 Second Quarter Gap Sheets Response

As required by the City Charter, we have reviewed the 2021-2022 Second 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 two 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. Occasional and non-recurring transactions were considered in this analysis and adjustments were made accordingly.

The Administration's Gap Report projects a \$9.6 million budgetary surplus for the current fiscal year ending June 30, 2022, based on actual results through December 31, 2021, and projections for the period January 1, 2022 through June 30, 2022.

This office's financial review of the year-end projection varies from that of the Administration, mainly as it relates to the reporting of Intergovernmental Funds, Operating Transfer-In and Total Expenditures & Other Uses. Based on our recent analysis the budgetary surplus may approach an excess of \$18 million which consists of at least \$2.5 million shortfall in projected revenues and transfers in. Please note that Comptroller's office recognized the entire use of budgeted Federal Revenue-Stimulus (\$50 million), increased Operating Transfers-In revenue by \$1.50 million and did not include budgeted revenue from the Tribal Compact (\$11 million). We further note that an \$11 million budgetary savings in expenditures and transfers out is anticipated.

The table below summarizes the differences between the Comptroller's projection and the administration's projection:

| | Per Comptroller | Per Administration | Difference |
|---------------------------------------------|---------------------|--------------------|--------------------|
| Revenues: | | | |
| Taxes | \$158,080,482 | \$158,930,998 | (\$850,516.04) |
| Non-Property Taxes | 12,201,000 | 12,307,905 | (\$106,905) |
| Licenses and Permits | 5,228,784 | 4,733,395 | \$495,389 |
| Intergovernmental | 312,741,608 | 316,061,429 | (\$3,319,821) |
| Service charges | 14,997,817 | 14,460,041 | \$537,776 |
| Fines | 7,255,306 | 7,038,180 | \$217,126 |
| Interest | 100,000 | 100,081 | (\$81) |
| Miscellaneous | 11,916,656 | 12,385,098 | (\$468,442) |
| Operating Transfers In | 10,664,084 | 9,664,084 | \$1,000,000 |
| Total Revenues & Other Resources | \$533,185,738 | \$535,681,211 | (\$2,495,473) |
| Total Expenditures & Other Uses | \$515,216,522 | \$526,110,931 | (\$10,894,409) |
| (Deficit)/surplus | \$17,969,216 | \$9,570,280 | \$8,398,936 |

Our analysis show actual operating expenditures will come in less than the amounts budgeted primarily due to a reduction in Fringe Benefits, Supplies, Services and Capital Outlay costs. However, judgment & claims payouts will cause the City to exceed Other expenses by \$4.1 million. The city actual sales tax receipts for FY 2021 - 2022 continue to trend much higher than budgeted and property taxes receipts are slightly higher than budget ***Also, if the City of Buffalo receive current/retro Tribal Pact Casino Revenue by June, 2022 revenues will come in much higher than we currently anticipate.***

Most of the items noted in the 2021-2022 Comptroller's Budget Response remain largely unchanged. We have no immediate material concerns relating to the 2021-22 results; however, we again caution that once the federal stimulus program ends, future budgets may be materially structurally unbalanced, which will pose a challenge for the City. We'll continue to remain optimistic on the City of Buffalo financials and report what we know as more information become available.

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 coming 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.