A Message from the Comptroller

December 29, 2017

As the Comptroller for the City of Buffalo, I am pleased to present to you our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2017.

Annually, the City issues audited financial statements, known as the Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with Generally Accepted Accounting Principles (GAAP). The CAFR contains detailed financial and disclosure information for the City that, although extremely informative, can prove challenging to interpret for those who do not regularly review financial statements.

The PAFR, on the other hand, presents the financial information from the CAFR in a more concise and user-friendly format. Please note that this PAFR is unaudited and presented on a non-GAAP basis. Only general government financial data is provided in this report. Information about component units and enterprise funds is available in the CAFR.

The City’s last four PAFRs received Awards for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA also awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for last year’s CAFR, the eleventh consecutive year Buffalo has earned that honor. Electronic copies of both the CAFR and PAFR can be found at our website: www.city-buffalo.com/comptroller

In addition to information about the City’s finances, this PAFR contains information about Buffalo’s governmental structure, economic progress, business climate, education system, cultural attractions, and demographics. Thank you for your interest in our City, and we hope you enjoy this report!

Sincerely,

Mark J.F. Schroeder

Mark J.F. Schroeder
Business & Economic Development

Largest Public Companies
M&T Bank
Moog
National Fuel Gas
Gibraltar Industries
Astronics
Columbus McKinnon
Sovran Self Storage
Computer Task Group
Synacor
Financial Institutions, Inc.

Largest Private Companies
Rich Products Corporation
Delaware North
Basil Family Dealerships
Employer Services
John Danforth Co.
Stampede Presentation Products
Jack Hunt Coin Broker
Curbell
Sevenson Environmental Services
Rosina Food Products

Largest Employers
New York State
United States of America
Kaleida Health
Buffalo City School District
Catholic Health
M&T Bank
University at Buffalo
Tops Markets
Erie County
Seneca Gaming

Headquartered in Buffalo
M&T Bank
Moog
Delaware North
Rich Products
Labatt USA
New Era Cap
Lactalis American Group

Source: Buffalo Business First, 6/2/17, 7/31/17, 11/17/17

Canalside’s popularity has led to more than a half billion dollars in private development in the area surrounding the attraction. This includes HarborCenter (above, background), where the National Hockey League’s Buffalo Sabres have built a $250 million, 20-story facility that recently hosted the 2016 NHL Draft and the 2017 World Junior Championships.

Waterfront development has spread past downtown, including the Outer Harbor and the Buffalo River.

Tesla opened its 1.2 million square-foot SolarCity facility in 2017, where solar roofing tiles will be will manufactured, as well as photovoltaic cells for Panasonic.
Two major projects were completed on the Buffalo Niagara Medical Campus in 2017, bringing the total number of employees at the 120-acre site to more than 17,000.

Both Kaleida Health’s $250 million Oishei Children’s Hospital (right) and the University at Buffalo’s $375 million Jacobs School of Medicine and Biomedical Sciences (above) opened for business late in the year on the campus, which is a consortium of the region’s top health care, education, and research institutions. The campus was already home to Roswell Park Cancer Institute, Buffalo General Hospital, and the Innovation Center, a business incubator.

More than 130 start-up companies have been founded at the campus, capitalizing on synergy created by so many different entities on one site.
The Buffalo area is home to world-renowned architecture, museums, and other cultural attractions.

**Notable Architecture:**
- Darwin D. Martin House
- H.H. Richardson Towers
- Guaranty Building
- Our Lady of Victory Basilica
- Electric Tower
- Ellicott Square Building
- Central Terminal
- Graycliff
- Kleinhan’s Music Hall
- Buffalo City Hall

**Cultural Attractions:**
- Albright-Knox Art Gallery
- Buffalo History Museum
- Burchfield Penney Arts Center
- Buffalo Philharmonic Orchestra
- Shea’s Performing Arts Center
- Chautauqua Institute
- Buffalo Zoo (above)
- Buffalo & Erie County Botanical Gardens (below)
- Buffalo Museum of Science

**Colleges & Universities**
The Buffalo area is home to 21 colleges & universities, for a total of 110,000 students and 32,000 employees in higher education, creating a $3.2 billion economic impact.

University at Buffalo
Buffalo State College
Fredonia State College
Canisius College
Niagara University
Alfred State
D’Youville College
Daemen College
Alfred University
Medaille College
St. Bonaventure University
Houghton College
Hilbert College
Empire State College
Villa Maria College
Erie Community College
Niagara Community College
Genesee Community College
Jamestown Community College
Bryant & Stratton College
Trocaire College

The Buffalo area is home to world-renowned architecture, museums, and other cultural attractions.
<table>
<thead>
<tr>
<th>Demographics</th>
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| City Population (2010 census) | 261,310 |
| City Population (2016 estimate) | 256,902 |
| Erie County Population (2016 estimate) | 921,046 |
| Metropolitan area population (2016 estimate) | 1,132,804 |
| Land area in square miles | 40.38 |
| Persons per square mile (2010) | 6,470 |
| Male (2016) | 47.6% |
| Female (2016) | 52.4% |
| Persons 65 or older (2010) | 11.40% |
| Per Capita money income (2012-2016) | $21,566 up $840 |
| Persons below poverty level (2012-2016) | 31.2% up 0.3% |
| Speak language other than English (2012-2016) | 16.8% |
| Foreign-born (2012-2016) | 8.9% |
| Homeownership rate (2012-2016) | 41.4% |
| Mean travel time to work (2012-2016) | 21 minutes |
| Education attainment (over the age of 25) |
| High school graduate or higher (2012-2016) | 83.3% |
| Bachelors degree or higher (2012-2016) | 25.3% up 0.6% |

<table>
<thead>
<tr>
<th>Occupations (2012-2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management, Business, Science &amp; Arts</td>
</tr>
<tr>
<td>Service</td>
</tr>
<tr>
<td>Sales and Office</td>
</tr>
<tr>
<td>Natural Resources, Construction, Maintenance</td>
</tr>
<tr>
<td>Production, Transportation &amp; Material Moving</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class of Worker (2012-2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private worker</td>
</tr>
<tr>
<td>Government worker</td>
</tr>
<tr>
<td>Self-employed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By Household (2012-2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households</td>
</tr>
<tr>
<td>Median Value of Owner Occupied Housing</td>
</tr>
<tr>
<td>Median household income</td>
</tr>
<tr>
<td>Persons Per Household</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unemployment rate (as of 6/17)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffalo (metro)*</td>
</tr>
<tr>
<td>New York State*</td>
</tr>
<tr>
<td>United States**</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau
*Source: N.Y.S. Dept. of Labor
**Source: U.S. Dept. of Labor
Leadership

MAYOR
Byron W. Brown
201 City Hall
Buffalo, NY 14202
(716) 851-4851

COMPTROLLER
Mark J.F. Schroeder
1225 City Hall
Buffalo, NY 14202
(716) 851-5255

COMMON COUNCIL
Darius G. Pridgen
Council President
Ellicott District
(716) 851-4980

David A. Rivera
Majority Leader
Niagara District
(716) 851-5125

Christopher P. Scanlon
President Pro Tempore
South District
(716) 851-5169

Joel P. Feroleto
Delaware District
(716) 851-4553

Richard A. Fontana
Lovejoy District
(716) 851-5151

David A. Franczyk
Fillmore District
(716) 851-4138

Joseph Golombek Jr.
North District
(716) 851-5116

Ulysees O. Wingo
Masten District
(716) 851-5145

Rasheed Wyatt
University District
(716) 851-5165

Departments

ADMINISTRATION, FINANCE,
POLICY, & URBAN AFFAIRS
Includes Divisions of Budget,
Treasury, Collections, and Purchase.

AUDIT & CONTROL
Led by the Comptroller, includes
Divisions of Accounting, Audit, and
Investment & Debt Management.

ASSESSMENT & TAXATION
Responsible for the preparation and
mailing of City property tax
and sewer rent bills.

COMMON COUNCIL
The legislative body of the City, which
also oversees the City Clerk’s office.

COMMUNITY SERVICES
Includes Divisions of Youth
Services and Senior Services.

EXECUTIVE DEPARTMENT
Includes Office of Strategic
Planning and Divisions of
Citizen Services and Real Estate.

FIRE DEPARTMENT
Responded to 38,039 calls in 2016.*

HUMAN RESOURCES
Responsible for all personnel functions,
including benefits and training programs,
for the City’s 2,727* employees.

LAW
Prosecutes and defends all actions
and proceedings brought by or
against the City. Also responsible
for drafting and reviewing all
contracts involving the City.

PARKING
Responsible for parking meters
and city owned parking ramps.

PERMITS AND INSPECTIONS
Conducted 68,500 inspections
and 164 demolitions in 2017.*

POLICE DEPARTMENT
Made 13,060 arrests and enforced
58,579 traffic violations in 2017.*

MANAGEMENT
INFORMATION SYSTEMS
The City’s Information Technology
department provides computers
and internet service.

PUBLIC WORKS,
PARKS, & STREETS
Responsible for maintenance and
capital improvement to infrastructure
and buildings, street lighting, sanitation,
snow removal, and parks maintenance.

*Source: 2017 Comprehensive
Annual Financial Report
Comptroller Schroeder warns of Buffalo’s dwindling reserves

City needed nearly $35 million in fund balance to close budget gap

With Buffalo needing nearly $35 million in fund balance to fill its budget gap in the previous fiscal year, Buffalo Comptroller Mark Schroeder is warning that the city’s reserves are dwindling. “For too long the city has relied on its reserves to compensate for structurally imbalanced budgets,” said Schroeder.

“But those reserves dwindling, the city will soon no longer be able to dip into its savings to fill the holes in its budgets.”

Schroeder’s office just issued its year-end financial statements for the city’s last fiscal year, which is July 1, 2016 through June 30, 2017. $34.5 million in reserves were needed to balance operations in that year, leaving only $6.5 million in the “unassigned” category of fund balance, the only type that can be used to fill a budget gap.

“While fund balance can be useful in closing the occasional budget gap, it should not be relied upon as a long-term solution to balancing the city’s budget, year-in and year-out,” said Schroeder, pointing out that the city has squandered nearly $85 million in reserves over the past seven years.

Schroeder points to overly optimistic revenue projections, rising expenses, and the money-hemorrhaging solid waste fund as major causes of the budget deficit.

“A truly fiscally responsible and structurally balanced budget has revenues that equal expenses, without relying on savings or unrealistic revenues,” said Schroeder. “Unfortunately, there has been no progress in achieving this goal. In fact, the budget deficits are only getting worse.”
City Finances

Revenues & Expenditures

General Fund revenues decreased by $3.7 million, while General Fund expenditures increased by $29.2 million, from 2016 to 2017. Under current operations, revenues are not likely to keep pace with expenditures in the long term. The City must address this discrepancy in order to provide a structurally balanced budget and to avoid completely depleting its reserves.

### Revenues

<table>
<thead>
<tr>
<th>Revenue Source (in millions)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental</td>
<td>$263.4</td>
<td>$266.3</td>
</tr>
<tr>
<td>Property Tax</td>
<td>134.2</td>
<td>135.8</td>
</tr>
<tr>
<td>Charges</td>
<td>28.9</td>
<td>26.7</td>
</tr>
<tr>
<td>Gross Utility Tax</td>
<td>8.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>7.3</td>
<td>6.8</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6.7</td>
<td>9.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$448.8</strong></td>
<td><strong>$452.5</strong></td>
</tr>
</tbody>
</table>

**Intergovernmental**
New York State Aid and Sales Tax revenue.

**Property Tax**
Imposed on taxable property in the City. The Homestead and Non-Homestead rates for 2017 were $17.88 and $27.01 per $1,000 of assessed value, respectively.

**Charges**
License and permit fees, fines, and other service charges.

**Gross Utility Tax**
Paid by providers of utilities on a percentage of their gross receipts.

**Other Taxes**
Includes Franchise Tax, Mortgage Tax, and Foreign Fire Insurance Tax.

**Miscellaneous**
Includes reimbursement for items sold, insurance reimbursement, interest income, and other rental revenue. In 2016, revenue from a refund from a utility company was included, but did not recur in 2017.

### Expenditures

<table>
<thead>
<tr>
<th>Expenditure Type (in millions)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>$200.0</td>
<td>$187.2</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>130.2</td>
<td>125.1</td>
</tr>
<tr>
<td>Supplies</td>
<td>8.7</td>
<td>8.6</td>
</tr>
<tr>
<td>Utilities</td>
<td>17.1</td>
<td>13.4</td>
</tr>
<tr>
<td>Services</td>
<td>24.6</td>
<td>23.1</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>84.4</td>
<td>78.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$465.0</strong></td>
<td><strong>$435.8</strong></td>
</tr>
</tbody>
</table>

**Personal Services**
Salary and overtime for City employees. Increase in expenditure due to increase in salary and overtime.

**Fringe Benefits**
Includes City employees’ and retirees’ health and dental insurance, FICA, Medicare, and Workers’ Compensation costs. Also includes increased contributions to the state retirement system, largely accounting for the growth in this expenditure.

**Utilities**
Predominately electricity for street lights and City-owned buildings, this expense also includes natural gas costs.

**Services**
Includes expenses for professional services provided by contractors hired by the City.

**Miscellaneous**
Includes an annual payment to the school district, which represents nearly 90 percent of this expense. Also includes an increase of payments for judgments and claims, largely accounting for the rise in this expenditure.
To understand the City’s flow of financial resources, we looked at where the money comes from and goes. When looking at the City’s financial condition we focus on the net position: assets minus liabilities. By looking at this in an accrual basis of accounting, we consider all assets and liabilities at a certain date. This is different than the previous general fund analysis that was presented in a modified accrual basis of accounting. Over time, increases or decreases in net position serve as an indication of whether the financial condition is improving or deteriorating. Our Primary Government consists of governmental activities as well as the activities of our Refuse, Parking and Water Funds (Business-Type activities).

### Statement of Net Position (Primary Government)

#### Our Assets and Outflows (What We Have)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted current assets consisting mainly of cash and amounts owed to the City</td>
<td>$449.8</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>133.1</td>
</tr>
<tr>
<td>Real estate acquired for resale</td>
<td>8.2</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>90.7</td>
</tr>
<tr>
<td>Net capital assets consisting primarily of buildings, equipment and vehicles</td>
<td>699.5</td>
</tr>
<tr>
<td><strong>Total assets and deferred outflows of the City</strong></td>
<td><strong>$1,381.3</strong></td>
</tr>
</tbody>
</table>

#### Our Liabilities and Inflows (What We Owe)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities consisting of all the amounts the City owes and expects to pay in 2017, except City bonds</td>
<td>$306.8</td>
</tr>
<tr>
<td>Other amounts the City owes and expects to pay after 2017, except for bonds, other post-employment benefits and net pension liability</td>
<td>54.1</td>
</tr>
<tr>
<td>Other post-employment benefits and net pension liability</td>
<td>684.6</td>
</tr>
<tr>
<td>Amount of bonds payable</td>
<td>392.2</td>
</tr>
<tr>
<td>Deferred inflows of Resources</td>
<td>16.9</td>
</tr>
<tr>
<td><strong>Total liabilities and deferred inflows of the City</strong></td>
<td><strong>$1,454.6</strong></td>
</tr>
</tbody>
</table>

### Net Position

- Net position has been consistently trending downward over the past decade, decreasing $88 million last year and falling below zero. This decrease is largely a result of annual revenue streams being less than annual expenses of the City of Buffalo. Budgeting practices used in recent years could weaken the City’s financial position and potentially jeopardize its bond rating, especially when relied upon year after year. The most concerning of these practices is the use of fund balance and other one-time revenues, as opposed to reducing expenditures or finding new or increased recurring sources of revenue.
Presented by:

Comptroller Mark J.F. Schroeder
City of Buffalo
Department of Audit & Control
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Buffalo, NY 14202
(716) 851-5255
www.city-buffalo.com/comptroller

Mission Statement:

“The Department of Audit & Control will protect, report, and strengthen the City’s finances to help ensure an efficient, effective, and transparent government that will better serve the citizens and taxpayers of Buffalo.”

Vision Statement:

“To advance as a world class financial organization by unleashing our full potential”

The Mission and Vision Statements were developed by the employees of the Department of Audit & Control.