

## ***2019-2020 Third Quarter Gap Sheets Response***

As required by the City Charter we have reviewed the 2019-2020 Third Quarter Gap Sheets Report (GAP Report) which was prepared and submitted by the Administration to the City of Buffalo Common Council. As City Comptroller, I submit this financial analysis of the Third Quarter G.A.P. Report as outlined in this document for review and consideration.

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

The Administration's Gap Report projects a \$15.6 million budgetary shortfall for the current fiscal year ending June 30, 2020, based on actual results through March 31, 2020 and Fourth Quarter (April 1, 2020 through June 30, 2020) projected revenues and appropriations/expenses.

This office's financial review of the year-end projection varies from that of the Administration. It is our estimation that the budgetary gap may approach \$24.4 million which consists of at least \$38.2 million shortfall in projected revenues and transfers in. We further note that a \$21.2 million budgetary savings in expenditures and transfers out is anticipated.

We remain concerned that actual operating revenues will come in below the amounts budgeted in fiscal year 2019 - 2020. Our estimation of total expenditures and transfers out is in line with the Administration's projection.

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Revenue Item</b>	<b>2019-2020 Budget</b>	<b>Actual Revenue Received as of 3/31/2020</b>	<b>Projected Revenue as of 6/30/2020</b>	<b>Projected Under Budget (A - C)</b>
<b>Tribal Compact Agreement</b>	\$ 11,000,000	\$0	\$0	\$ 11,000,000
<b>Sales Tax</b>	\$ 89,800,000	\$ 60,281,238	\$ 76,356,235	\$ 13,443,765
<b>Service Charges</b>	\$ 20,012,575	\$ 10,363,202	\$ 14,163,907	\$ 5,848,668
<b>Fines</b>	\$ 13,738,200	\$ 7,694,312	\$ 8,157,571	\$ 5,580,629
<b>Miscellaneous</b>	\$ 15,003,173	\$ 11,295,678	\$ 13,756,779	\$ 1,246,394
<b>Operating Transfers-In</b>	\$ 13,207,646	\$ 5,772,593	\$ 12,121,156	\$ 1,086,490
<b>Net Totals</b>	\$ 162,761,594	\$95,407,023	\$124,555,648	\$ 38,205,946

The projections in this Third Quarter GAP Response are subject to various risks and uncertainties based on current trends and economic activities as reviewed by the Department of Audit & Control.

- Concurrence with the Administration's exclusion of the \$11 million of Tribal Compact Revenue in its revenue projections for this current fiscal year.
- Currently there is \$0 of unassigned fund balance, which had been a resource in previous years when the City's revenues did not cover expenses. The aforementioned funds are not available to cover any shortages at this time.
- Estimates reflect that the sales tax receipts for the fourth quarter will be 20% less than the actual amounts received in the first three quarters. Our estimation of sales tax receipts is approximately \$5 million below the Administration's projection.
- Service charge estimates are expected to come in below budget by \$5.8 million due to the effects of the COVID-19 pandemic. Our estimation is materially in line with the Administration's projection.
- Estimated Fines are expected to be \$ 5.6 million below budget due to the pandemic. The Administration is projecting the budgetary shortfall in this line to be \$2.9 million. The difference is due to the amounts we estimate to be received in traffic violations and parking fines.
- Miscellaneous Revenue estimations are \$2.4 million below budget, which is \$1.1 million below what the Administration is projecting for this line.
- Due to the elimination of off-street parking revenue beginning in March 2020 as a result of the COVID-19 Pandemic, we estimate that operating transfers in will be \$1.1 million below budget.

It is understood 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 budgetary adjustments to operations, funding allocations and staff changes during the remainder of Fiscal Year 2020. As City Comptroller I will continue to provide oversight in an independent and impartial manner to promote fiscal transparency to all citizens & taxpayers.

Barbara Miller-Williams  
City of Buffalo Comptroller  
May 21, 2020