

*Building
Buffalo's
Future*



CITY OF BUFFALO

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**POPULAR ANNUAL FINANCIAL REPORT
COMPTROLLER MARK J.F. SCHROEDER**

BUFFALO, NEW YORK · FOR FISCAL YEAR ENDED JUNE 30, 2013

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A Message from the Comptroller

January 31, 2014

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, 2013.

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. 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. This is the City's first PAFR and we hope you find it useful and welcome your feedback.

For the seventh consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for last year's CAFR, and we hope to receive a similar certification for this year's CAFR, as well as this PAFR. Electronic copies of both the CAFR and PAFR can be found at our website: www.city-buffalo.com/comptroller

This is an extremely exciting time for the citizens of Buffalo. The economic development, especially on the waterfront and at the Buffalo Niagara Medical Campus, has been unparalleled in recent decades.

Financially, the City is on the right track, but we need to be careful not to make missteps. Buffalo's fund balance is at \$166 million, the highest in its history, including a \$36 million rainy day fund for emergencies.

The City has reduced its debt burden by more than \$120 million in the past decade. We have also aggressively refinanced the City's debt, taking advantage of its improved bond ratings and favorable market conditions to save more than \$62 million in interest costs over the past two years.

The three major credit rating agencies have noticed the fiscal and economic progress we have made recently. Currently our ratings are A+ with Fitch, A1 with Moody's, and A with Standard & Poor's.

Please note that, while the CAFR includes audited financial statements and is prepared in accordance with Generally Accepted Accounting Principles (GAAP), 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.

I hope you enjoy reading this PAFR. We hope you agree that it truly is a great time to live and work in the City of Buffalo!

Sincerely,



Mark J.F. Schroeder



Business & Economic Development

Largest Public Companies

M&T Bank
Moog
National Fuel Gas
First Niagara
Gibraltar Industries
Columbus McKinnon
Greatbatch
Computer Task Group
Astronics
Sovran Self Storage

Largest Private Companies

Rich Products Corporation
LPCiminelli
Delaware North
Northtown Automotive
Osmose Holdings
Towne Automotive Group
Jack Hunt Coin Broker
Sevenson Environmental Services
Tripifoods
Employer Services

Largest Employers

New York State
United States of America
Kaleida Health
University At Buffalo
Catholic Health
Employer Services
M&T Bank
Tops Markets
Buffalo City School District
Erie County

Headquartered in Buffalo

M&T Bank
First Niagara
Rich Products
Labatt USA
New Era Cap
Sorrento Lactilis
Delaware North



The consortium of the region's top health care, education, and research institutions currently has 12,000 employees, and is expected to have 17,000 by 2016. 120-acre site adjacent to downtown is already home to the Roswell Park Cancer Institute, Buffalo General Hospital, the University at Buffalo's Clinical and Translational Research Center, and the Hauptman-Woodward Medical Research Institute. The rapid growth is thanks to several new projects, including the \$291 million Gates Vascular Institute pictured above, and the following projects which are underway:

- Kaleida's \$250 million Women & Children's Hospital
- University at Buffalo's \$375 million medical school
- Roswell Park Cancer Institute's \$50 million expansion
- Catholic Health System's \$46 million headquarters
- Conventus, a \$100 million medical facility
- Albany Molecular Research's \$250 million facility
- \$100 million genomic research facility

Source: Buffalo Business First Book of Lists

Business & Economic Development

Since 2010, nearly \$4 billion in construction projects are either completed, underway, or in the planning stages, according to Buffalo Business First, a business newspaper. That number climbs to more than \$8 billion when including projects from the region as a whole. These figures, published in October 2013, do not include a \$1.7 billion high-tech manufacturing campus planned for Buffalo, which was announced in November 2013. With this project, construction in Buffalo exceeds \$5.5 billion, with nearly \$10 billion in construction across the region.

Buffalo High-Tech Manufacturing Innovation Hub @ RiverBend

This project includes a \$1.5 billion private investment from clean energy companies Soraa and Silevo, which are each investing \$750 million, and a \$225 million investment from New York State. The state funding is part of Governor Andrew Cuomo's pledge of \$1 billion for Buffalo intended to lure private investment. The project is expected to create 850 jobs within three years, and will eventually result in 5,000 jobs at the campus, according to state estimates.

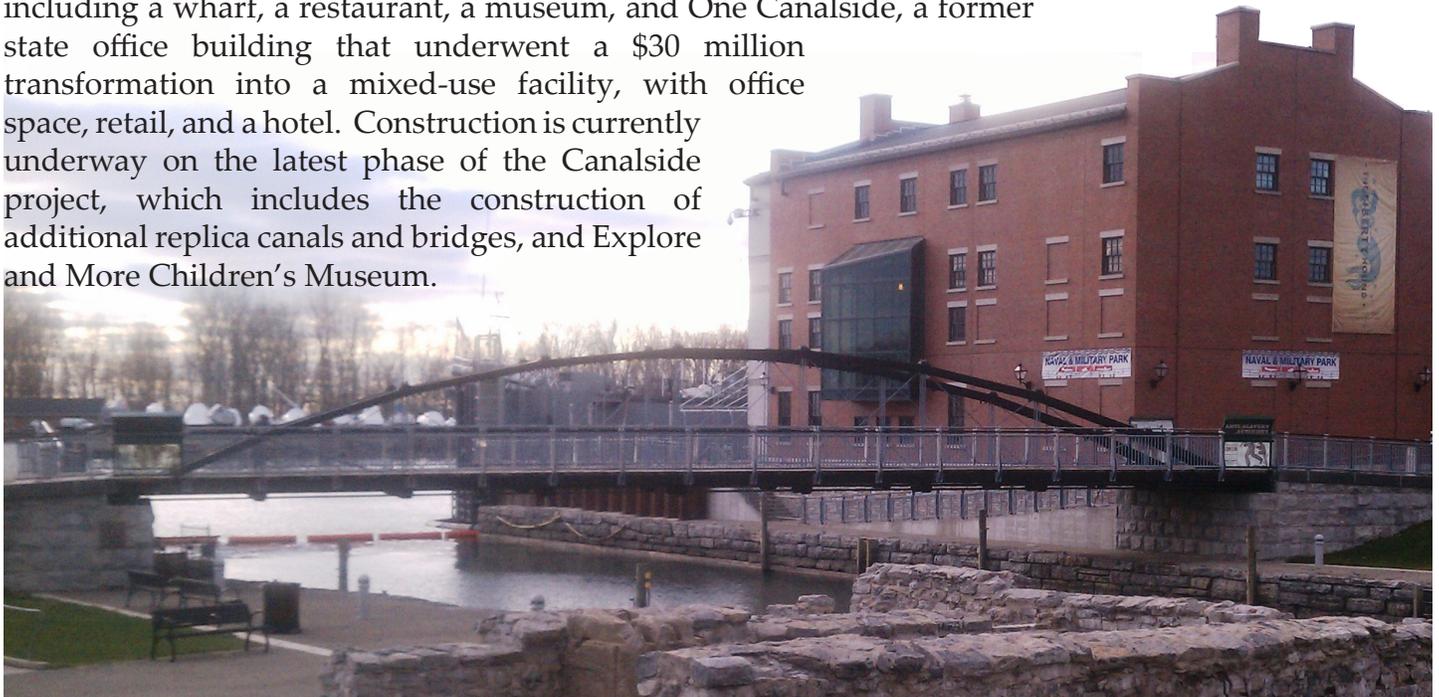
Waterfront Development

Capitalizing on its Lake Erie shoreline and historic significance as the western terminus of the Erie Canal, Buffalo has recently made great strides in developing its waterfront, especially thanks to the efforts of Congressman Brian Higgins. In addition to smaller waterfront parks on the Buffalo River and Outer Harbor, the waterfront development downtown blends public access with private investment to create a destination in the heart of the city. Two major projects, Canalside and HARBORcenter, are spearheading this effort.



HARBORcenter, the Buffalo Sabres' \$172 million project includes a 20-story facility with two ice rinks, a 200-room hotel, retail space, and a high-end sports bar and grill.

CANALSIDE includes more than \$100 million of improvements to the waterfront. Most of these improvements have already been completed, including a wharf, a restaurant, a museum, and One Canalside, a former state office building that underwent a \$30 million transformation into a mixed-use facility, with office space, retail, and a hotel. Construction is currently underway on the latest phase of the Canalside project, which includes the construction of additional replica canals and bridges, and Explore and More Children's Museum.



Education & Culture

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.

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
Bflo. & E.C. Botanical Gardens
Buffalo Museum of Science

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



UB2020

The University at Buffalo is the largest public university in New York State, with more than 28,000 students across 3 campuses. UB2020 is a comprehensive growth strategy to increase jobs, enrollment, and research funding at the school, and is expected to create more than 1,000 jobs at the university, in addition to 2,000 private-sector research jobs, and 1,600 construction jobs.

UB 2020
ACHIEVING OUR VISION



Demographics



Population (2010 census)	261,310
Population 2012 estimate	259,384
Metropolitan area population	1,135,509
Land area in square miles	40.38
Persons per square mile, 2010	6,470
Male	47.90%
Female	52.10%
Persons 65 or older	11.40%
Per Capita money income	\$20,245
Persons below poverty level 2007-2011	30.1%
Speaks a language other than English at home	14.8%
Foreign-born	7.7%
Homeownership rate	42.3%
Mean travel time to work (minutes)	20.4
Education attainment (over the age of 25)	
<i>High school graduate or higher</i>	81.7%
<i>Bachelors degree or higher</i>	23.3%
Occupations	
<i>Management, Business, Science & Arts</i>	29.2%
<i>Service</i>	21.1%
<i>Sales and Office</i>	27.0%
<i>Natural Resources, Construction, Maintenance</i>	5.5%
<i>Production, Transportation & Material Moving</i>	17.2%
Class of Worker	
<i>Private worker</i>	76.6%
<i>Government worker</i>	19.4%
<i>Self-employed</i>	3.5%
By Household	
<i>Households</i>	112,144
<i>Median Value of Owner Occupied Housing</i>	\$66,700
<i>Median household income</i>	\$30,502
<i>Persons Per Household</i>	2.25
Unemployment rate (as of 6/13)*	
<i>Buffalo</i>	10.9%
<i>New York State</i>	7.5%
<i>United States</i>	7.6%

Source: U.S. Census Bureau

*Source: N.Y.S. Dept. of Labor

City Government

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

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

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

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

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

Michael J. LoCurto
Delaware District
(716) 851-4553

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

Rasheed Wyatt**
University District
(716) 851-5165

Demone A. Smith
Masten
(716) 851-5145

*President as of 1/14 **Took office 1/14



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 33,223 calls in 2013.*

HUMAN RESOURCES

Includes the Divisions of Civil
Service, Compensation & Benefits,
and Employment Training.

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 38,478 inspections
and 203 demolitions in 2013. *

POLICE DEPARTMENT

Made 17,078 arrests and enforced
30,918 traffic violations in 2013.*

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: 2013 Comprehensive
Annual Financial Report

City Finances

Fund Balance

General Fund \$165.8 million

Includes:

Emergency Stabilization Fund

\$35.7 million

30 days' worth of expenditures; only for unanticipated non-recurring expenses. Also known as the Rainy Day Fund

Non-spendable

\$24.6 million

Land Held for Resale, Solid Waste Deficit, Prepaids

Restricted

\$11.1 million

Capital Outlay, Emergency Medical Service, BFSAs Deficit Bond Set Aside

Assigned

\$30.5 million

Encumbrances, Judgments and Claims, Next Year's Budget Deficit

Unassigned

\$63.9 million

Free and clear for general purpose use

Comptroller Schroeder announces highest fund balance in city's history

Increased reserves will be needed to cover upcoming expenses

Comptroller Mark J.F. Schroeder issued the Buffalo's year-end financials, which show the city's fund balance at nearly \$166 million, the highest in its 181-year history.

"The record-level fund balance is definitely an indicator of Buffalo's financial strength," said Schroeder. "However, those reserves will be needed to cover some significant upcoming expenses in the near future."



Nearly \$16 million from the Seneca Buffalo Creek Casino came into the city coffers in the fiscal year that ended June 30, representing more than three years' worth of Buffalo's share of slot machine revenue. That revenue, as well as money set aside to cover the new firefighters' contract and the police union's arbitration award, helped increase the fund balance by nearly \$52 million over the previous year.

Schroeder said that raises included in the new firefighters' contract, which weren't budgeted for, and the depletion of additional state aid and other one-time revenues will eat into the fund balance over the next few years.

"Since the budget had already been adopted when the firefighters' contract was signed and the police arbitration award was given, the pay raises resulting from these developments were not reflected in the current year budget or the four-year plan," said Schroeder. "The money that was set aside will be needed, both in this current fiscal year and subsequent fiscal years, in order to cover these raises."

Schroeder also warned about the use of fund balance to close budget deficits.

"Rising pension and health care costs have made the task of balancing the budget especially difficult," said Schroeder. "But relying on fund balance could weaken the City's finances and jeopardize its bond rating, especially if it becomes a trend."

City Finances

Revenues & Expenditures

While General Fund revenues increased by nearly \$67 million, or 15 percent, from 2012 to 2013, the increase was largely due to one-time revenues that can not be relied upon in future years.

General Fund (in millions)	2013	2012
Beginning General Fund Balance	\$113.6	\$129.9
Revenues	505.0	438.4
Expenditures	(427.9)	(428.9)
Transfers to Debt Service and Refuse Funds	(36.0)	(37.9)
Other Transfers from Water and Parking Funds	11.1	12.1
Net Change in Fund Balance	52.2	(16.3)
Ending General Fund Balance	\$165.8	\$113.6

Under current operations, we can expect revenues will not keep pace with expenditures in the long term. The City must address this discrepancy in order to provide a structurally balanced and sustainable budget, as well as to avoid depleting its healthy amount of reserves.

Revenues

Revenue Source (in millions)	2013	2012
Intergovernmental	\$291.5	\$256.8
Property Tax	133.3	136.6
Gross Utility Tax	9.4	10.1
Other Taxes	4.9	4.5
Charges	24.4	21.2
Miscellaneous	41.5	9.2
Total	\$505.0	\$438.4

Property Tax

Imposed on taxable property in the City. The Homestead and Non-Homestead rates were \$17.95 and \$28.02 per \$1,000 of assessed value, respectively.

Gross Utility Tax

Paid by providers of utilities on their gross receipts.

Other Taxes

Includes Franchise Tax and Mortgage Tax.

Intergovernmental

New York State Aid and Sales Tax revenue.

Charges

Charges are comprised of license and permit fees, fines, and other charges for doing certain business in the City.

Miscellaneous

Miscellaneous revenue includes reimbursement for items sold, insurance reimbursement, interest income and other rentals.

Expenditures

Expenditure Type (in millions)	2013	2012
Personal Services	\$166.6	\$169.3
Fringe Benefits	136.0	137.1
Utilities	16.6	16.1
Supplies	8.5	9.0
Services	19.4	20.1
Miscellaneous	80.8	77.3
Total	\$427.9	\$428.9

Personal Services

Salary and overtime for City employees.

Fringe Benefits

Includes health and dental insurance for city employees and retirees, contributions to the state retirement system, FICA, Medicare, and Workers' Compensation costs.

Utilities

Predominately electricity for street lights and city-owned buildings, this expenditure also includes natural gas costs.

Supplies

Includes gasoline and automotive supplies.

Services

Includes expertise or services that are not available within the City departments.

Miscellaneous

Includes transfers out for debt service and to the school district, as well as payments of claims and judgments.

City Finances

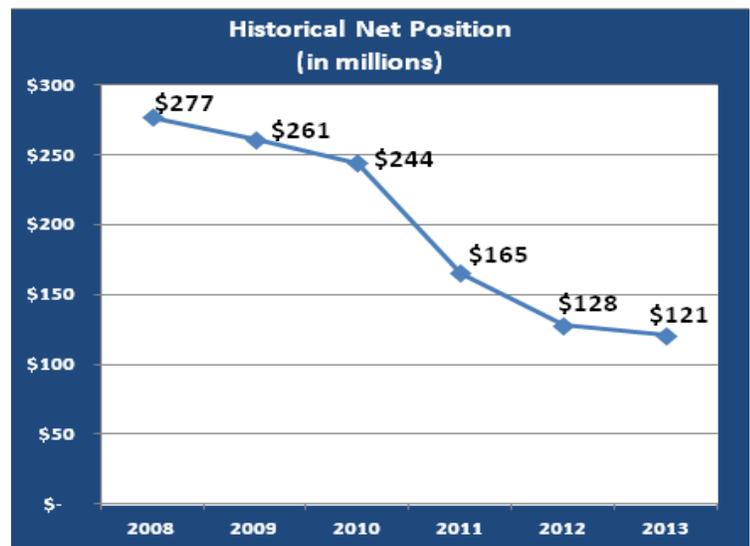
Assets & Liabilities

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).

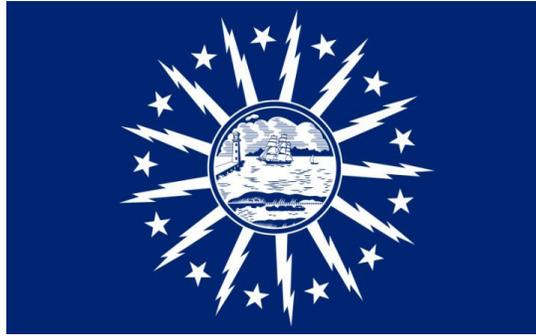
Statement of Net Position (Primary Government)

<i>Our Assets and Outflows (What We Have)</i>	<i>(in millions)</i>
Unrestricted Current Assets consisting mainly of cash and amounts owed to the City	\$627.5
Restricted Cash and Cash Equivalents	153.1
Real Estate Acquired for Resale	7.6
Deferred Outflows of Resources	12.9
Net Capital Assets consisting primarily of buildings, equipment and vehicles	612.3
Total Assets and Deferred Outflows of the City	\$1,413.4
<i>Our Liabilities and Inflows (What We Owe)</i>	
Current Liabilities consisting of all the amounts the City owes and expects to pay in 2014, except City bonds	\$368.0
Other Amounts the City owes and expects to pay after 2014, except for bonds and Other Post-Employment Benefits	61.0
Other Post-Employment Benefits	384.9
Amount of Bonds Payable	478.4
Deferred Inflows of Resources	0.3
Total Liabilities and Deferred Inflows of the City	\$1,292.6
Net Position	\$120.8

Net position has been consistently trending downward over the past 5 years. This decrease is largely a result of the recognition of Other Post-Employment Benefits, such as retiree health insurance, and annual revenue streams being less than annual expenses of the City of Buffalo. Some 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 finding new recurring sources of revenue or reducing expenditures.



PRESENTED BY:



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