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COUNTY OF ERIE

MARK C. POLONCARZ

COUNTY EXECUTIVE

April 19, 2024

Erie County Legislature
92 Franklin Street
Buffalo, NY 14202

Re: February 2024 Budget Monitoring Report

Dear Honorable Members:

The County Charter calls for a monthly Budget Monitoring Report (BMR). For January and February, the County does not go through the accrual process to produce monthly financial results. Thus, a "traditional" BMR for those months cannot be prepared. A traditional BMR will be released covering March year-to-date activity in early May 2024 after the March 2024 monthly closing process has been finalized.

The County's 2023 fiscal year is expected to close with a surplus of \$18.4 million dollars, ending the year approximately 1% favorable as compared to budget. After factoring in the proposed year-end designations, we expect to assign \$9.9 million to Unassigned Fund Balance for a 2023 ending balance of \$146.3 million, an amount equal to approximately 11% of the 2023 General Fund Budget.

Early 2024 sales tax receipts provide significant reason for concern for the remainder of the year. While we ended 2023 with a \$29.25 million sales tax budget surplus (before recognizing \$15.2 million of it for the capital project PAYGO conversion via COMM. 6D-10 (2024)), growth declined significantly in the latter part of the year - dropping from 4.6% July YTD growth to 2.5% to end 2023. As a result of this new lower baseline, we immediately began 2024 behind and needed to achieve 4.1% growth just to meet the 2024 Adopted Budget.

To make matters worse, February 2024 year-to-date sales tax growth receipts are down ten percent (-10%) compared to February 2023. This is due primarily to a uniquely negative reconciliation for the first quarter (Dec 2023 – Feb 2024) that is down \$9.7 million (-49%) from the same payment for February 2023. After consulting with NYSAC and identifying Erie County as an outlier among NYS Counties, we believe this to be evidence of the temporary residential fuel sales tax exemption which was in effect for the same Dec 2023 – Feb 2024 period and not an economic warning sign that would require immediate, aggressive cost cutting measures.

However, while we are optimistic that sales tax revenue will rebound to pre-existing trends now that all exemptions have expired, growth was still flat (-0.13%) for all other receipts through Feb 2024, indicating that the amount of growth required the remainder of the year just to make budget in 2024 (6%) is unlikely. We should expect a sizable budget gap that will need to be addressed. For example, in the scenario where remaining sales tax returns to 2023 growth-level (2.5%) for the remainder of the year, we would now expect a year-end sales tax shortfall of approximately \$22.1 million.

As the year progresses, we will continue to closely monitor sales tax receipts and growth trends in hopes that this newly anticipated gap begins to close itself. And, as necessary, we will also begin to consider the implementation of precautionary gap closing measures.

Sincerely,



Mark Cornell
Director of Budget and Management

cc: County Executive Mark C. Poloncarz
Erie County Fiscal Stability Authority