ACHIEVING STABILITY THROUGH FISCAL RESTRAINT

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BUFFALO CITY COMPTROLLER
ACHIEVING STABILITY THROUGH FISCAL RESTRAINT

- EFFECTIVE BUDGETING
- AGGRESSIVE CASH MANAGEMENT INITIATIVES
- IMPLEMENTING FISCAL POLICIES
- STREAMLINING GOVERNMENT
- COMMUNICATION
CITY OF BUFFALO: A CASE STUDY

- ROLE OF COMPTROLLER
- BRIEF HISTORY FROM A FISCAL STANDPOINT
  - 9/11 CRISIS – SIGNIFICANT CUT OF ANTICIPATED STATE AID
  - BUDGET & CASH FLOW ISSUES

CREATION OF CONTROL BOARD
CONTROL BOARD:

- STATE IMPOSED A ‘HARD’ CONTROL BOARD
- HIRING FREEZE
- WAGE FREEZE
- CITY CONTRACTS MORE THAN $50,000 HAD TO BE APPROVED BY THE CONTROL BOARD
- DEBT ISSUANCE CAPABILITY
CITY RESPONSE TO FISCAL CHALLENGES:

- STRONG/PRUDENT BUDGET INITIATIVES AND PRACTICES
- COST CONTAINMENT – JOB REDUCTIONS
- DEBT MANAGEMENT OVERSIGHT
  - CAP AND PRIORITIZE CAPITAL SPENDING
  - MORATORIUM
CITY RESPONSE TO FISCAL CHALLENGES: (CONT.)

- The City and School District’s cash management operations were merged.
- Discretionary spending reduced or eliminated.
- Operated a very conservative government with an eye toward regaining fiscal independence.
- Accelerated deposits to general fund.
  - Example: Amended state aid distribution schedule to reduce short-term borrowing costs.
TOOLS & OVERSIGHT MECHANISMS USED:

REDUCE WORKFORCE

City of Buffalo - Workforce Trend

- 1970: 6,718
- 1980: 6,275
- 1990: 4,256
- 2000: 3,442
- 2008: 2,592
- 2009: 2,600
- 2010: 2,608
EFFECTIVE BUDGETING

➢ REALISTIC BUDGETING

➢ CONSERVATIVE REVENUE PROJECTIONS
  ➢ LOWER THAN PRIOR YEAR ACTUAL NUMBERS

➢ CONSERVATIVE EXPENDITURE PROJECTIONS
  ➢ HIGHER THAN PRIOR YEAR ACTUAL NUMBERS
City of Buffalo
Revenues: Budget to Actual
SPENDING LESS THAN BUDGET

City of Buffalo
Expenditures: Budget to Actual
Positive Budget Variances

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Variance Over Budget</th>
<th>Expenditure Variance Under Budget</th>
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<tbody>
<tr>
<td>2004</td>
<td>$7,991,027</td>
<td>$6,707,614</td>
</tr>
<tr>
<td>2005</td>
<td>$17,790,009</td>
<td>$19,774,757</td>
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<tr>
<td>2006</td>
<td>$5,554,085</td>
<td>$25,001,569</td>
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<tr>
<td>2007</td>
<td>$10,334,660</td>
<td>$19,137,490</td>
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<tr>
<td>2008</td>
<td>$18,487,436</td>
<td>$3,613,107</td>
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<tr>
<td>2009</td>
<td>$4,304,570</td>
<td>$6,152,054</td>
</tr>
<tr>
<td>2010</td>
<td>$3,415,560</td>
<td>$10,244,313</td>
</tr>
</tbody>
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Values are in $US million.
EFFECTIVE BUDGETING: (CONT.)

- PERCEPTION VS. REALITY
  - BUDGET FOR AID THAT HAS ACTUALLY BEEN APPROPRIATED BY LEGISLATION, NOT ON PROMISES

- BUDGET FOR THE APPROPRIATE LEVEL OF PERSONNEL
  - ATTRITION SAVINGS

- MAXIMIZE INVESTMENT EARNINGS
AGGRESSIVE CASH MANAGEMENT INITIATIVES:

- MONITOR CASH FLOW DAILY
  - ANALYZE MONTHLY FOR REVENUE/EXPENDITURE FLUCTUATIONS AND EXPLANATIONS
- CHART OUR INVESTMENT EARNINGS/RATES
- STREAMLINING BANKING OPERATIONS TO CUT COSTS
- STATE OF THE ART BANKING SOFTWARE
- STAY IN CONTACT WITH THE EXPERTS IN THE INVESTMENT COMMUNITY
AGGRESSIVE CASH MANAGEMENT INITIATIVES: (CONT.)

- SUFFICIENT COLLATERAL PLEDGING LEVELS
  - NO FREDDIES OR FANNIES – ONLY FULL FAITH AND CREDIT OF U.S. GOVERNMENT
  - THIRD PARTY CUSTODIAL AGREEMENTS
  - PERFECTED SECURITY INTEREST OF SECURITIES PLEDGED AGAINST PRINCIPAL
  - MARKED TO MARKET WITH HAIRCUT PERCENTAGE OF AT LEAST 2-3%
City of Buffalo Investment Earnings
At June 30:

- 2000: $4,181,564
- 2001: $2,336,553
- 2002: $2,364,089
- 2003: $839,119
- 2004: $743,577
- 2005: $1,941,236
- 2006: $4,903,340
- 2007: $6,760,550
- 2008: $6,461,051
- 2009: $3,412,658
- 2010: $2,068,644
IMPLEMENTING FISCAL POLICIES:

- **FOUR-YEAR FISCAL PLAN**
  - Looking at more than one year, you can see how current decisions effect future years and determine if funding will be available to maintain operations going forward to ward off possible crisis in the future.

- **FIVE-YEAR CAPITAL BUDGET PLAN**
  - Helps prioritize projects and eliminate projects that have little long-term benefit or may add additional costs to the operational budget.
IMPLEMENTING FISCAL POLICIES: (CONT.)

- CITIZENS REVIEW COMMITTEE FOR CAPITAL PROJECTS
  - PROVIDES FOR THE USE OF OUTSIDE EXPERTISE IN DIFFERENT AREAS AND HELPS WITH PUBLIC APPROVAL
  - IT ALSO HELPS ELIMINATE SOME SHORT-SIGHTED POLITICAL SPENDING

- OUR DEBT MANAGEMENT POLICY----OR “DEBT DIET”
  - HELPS CONTROL THE AMOUNT OF OUTSTANDING DEBT SERVICE COSTS THAT HAVE TO BE COVERED IN FUTURE YEARS
  - ESSENTIALLY PAYING DOWN MORE THAN YOU BORROW
TOTAL BOND INDEBTEDNESS AT JUNE 30:
* $ AMOUNTS IN THOUSANDS

![Bar graph showing total bond indebtedness from 2000 to 2010. The amounts are in thousands of dollars. The graph shows a peak in 2002, followed by a decline in subsequent years.](image-url)
IMPLEMENTING FISCAL POLICIES: (CONT.)

➢ MAINTAINING TAX LEVY

➢ TAX LEVY - LIMITED BY THE STATE CONSTITUTION

➢ TOTAL TAX LEVY HAS REMAINED STEADY SINCE 2005

➢ INCREASE IN STATE AID

➢ DECREASING DEBT SERVICE OBLIGATIONS

➢ INCREASES IN ASSESSED VALUATIONS

➢ REDUCTION IN COST OF GOVERNMENT
Total Tax Levy
City and School District

Total Tax Levy over years:
- 2000: $147,575,000
- 2001: $140,875,000
- 2002: $130,895,000
- 2003: $131,880,584
- 2004: $141,345,000
- 2005: $146,300,000
- 2006: $146,300,000
- 2007: $146,300,000
- 2008: $146,300,000
- 2009: $143,586,356
- 2010: $142,376,356

Years:
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
Assessed Valuation

Year

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

$9,500,000,000

$10,000,000,000

$10,500,000,000

$11,000,000,000

$11,500,000,000

$12,000,000,000

$12,500,000,000
IMPLEMENTING FISCAL POLICIES: (CONT.)

- FUND BALANCE POLICY
- RAINY DAY FUND
  - MAINTAIN A REASONABLE AMOUNT OF FUND BALANCE TO AVOID A SHORT-TERM CRISIS
  - MAINTAIN AN AMOUNT OF FUND BALANCE TO BE USED ONLY FOR UNANTICIPATED SHORTAGES
    - SUSTAIN BETWEEN 1 TO 2 MONTHS OF EXPENDITURES
IMPLEMENTING FISCAL POLICIES: (CONT.)

- QUARTERLY REPORTING & REVIEW
  - FORMAL PROCESS
  - INDEPENDENT REVIEW BY COMPTROLLER - FORM OF CHECKS & BALANCES
  - LOOK AT CURRENT YEAR SPENDING AND PROJECT YEAR-END RESULTS BASED ON ACTUALS TO DATE SO THAT OPERATIONS CAN BE ADJUSTED TO MAINTAIN A BALANCED BUDGET
STREAMLINING GOVERNMENT:

- HIRING AND WAGE FREEZE
- ELIMINATE DUPLICITY
  - EXAMPLES - BUFFALO MOVED THE CITY PARKS INTO THE COUNTY PARKS SYSTEM, CONSOLIDATION OF CITY DEPARTMENTS
- GOVERNMENT MUST KNOW ITS LIMITATIONS
  - KNOW WHAT ROLE IT MIGHT PLAY AND AREAS WHERE IT SHOULD NOT GET INVOLVED
- INTERNAL CONTROL MECHANISMS
- THE BOTTOM LINE TO EFFECTIVE, EFFICIENT GOVERNMENT IS COST CONTROL
COMMUNICATION:

- OPEN-DOOR POLICY WITH MEDIA
- MAKE PUBLIC THE PLANS AND POLICIES WE HAVE IN PLACE TO MAKE GOVERNMENT OPERATE MORE EFFICIENTLY
  - EDITORIAL BOARDS WHEN POSSIBLE
  - USING CABLE ACCESS TELEVISION
  - THE INTERNET THROUGH OUR WEB PAGE
- TRANSPARENT POLICIES - SUBJECT TO PUBLIC SCRUTINY
  - FRAUD AND ABUSE HOTLINE
SIGNS OF FISCAL STABILITY:

- SUCCESSFULLY AND FAIRLY NEGOTIATE AFFORDABLE LABOR CONTRACTS WITH PUBLIC EMPLOYEE UNIONS:
  - WHILE MAINTAINING RECORD FUND BALANCES
  - ESTABLISH A RAINY DAY RESERVE FUND
  - WITHIN THE ABILITY OF THE CITY’S RESOURCES

- STRUCTURALLY SOUND & BALANCED BUDGETS
SIGNS OF FISCAL STABILITY: (CONT.)

- TWO CONSECUTIVE YEARS WITHOUT BORROWING FOR CASH FLOW NEEDS

- ENDED THE 2008 FISCAL YEAR WITH A RECORD FUND BALANCE
  - UNRESERVED FUND BALANCE OF $89.1 MILLION

- ENHANCED OUR CREDIT RATINGS
  - THREE RATING UPGRADES IN LAST 18 MONTHS

- WE’VE ACCOMPLISHED THIS WITH STRONG OVERSIGHT, AGGRESSIVE COST-SAVINGS, AND FISCAL RESTRAINT
City of Buffalo - Total Fund Balance

- $138,598 in 2009
- $133,295 in 2008
- $117,357 in 2007
- $95,661 in 2006
- $77,032 in 2005
- $53,996 in 2004
- $36,006 in 2003
- $17,816 in 2002