

**Buffalo Fiscal Stability Authority**  
**Summary of the City of Buffalo's 2019 Third Quarter Report**

General Fund Overview:

As required by the Buffalo Fiscal Stability Authority (the "BFSA") Act, the City of Buffalo (the "City") has submitted to the BFSA its third quarterly report for the nine-month period from July 1 to March 31, 2019. As of the end of the third quarter, the City is projecting a total year-end deficit of \$1.4 million, as follows:

Projected year-end revenues	\$ 501,179,311
Projected year-end expenditures	<u>\$ 502,576,866</u>
<b>Total projected deficit/use of fund balance</b>	<b><u>\$ (1,397,555)</u></b>

The projected year-end deficit of \$1.4 million is favorable as compared to the projected year-end deficit at the end of the second quarter of \$3.5 million. The City's 2018-19 Adopted Budget included a \$4.0 million deficit as the City planned to use of \$4.0 million of restricted fund balance for capital outlay, representing a non-recurring expenditure.

The projected favorable budget variance of \$2.6 million consists of unfavorable budgetary variances in revenues totaling approximately \$8.4 million and a positive variance in expenditures of approximately \$11.0 million:

<b>City of Buffalo</b>	
<b>2018-19 3rd Quarter Summary</b>	
<b>Projected Budget Variances - General Fund</b>	
Revenues - projected unfavorable budget variance	\$ (8,417,923)
Expenditures - projected favorable budget variance	<u>11,006,008</u>
<b>Total - projected favorable budget variance</b>	<b><u>\$ 2,588,085</u></b>

The City's 2018-19 Adopted Budget included estimated revenues of \$509.6 million, budgeted appropriations of \$513.6 million and a resulting deficit of \$4.0 million representing the intended use of restricted fund balance; related capital outlay expenditures of \$4.0 million were included in the budget. Currently, the City estimates that \$3.8 million of restricted fund balance for capital projects will be used in the current year to offset the same amount in expenditures. The final overall impact is a projected decrease to restricted fund balance of \$3.8 million and an increase to unrestricted fund balance of \$2.4 million as the City is projecting a surplus from operations.

The following chart demonstrates the current year-end projections compared to the 2018-19 Adopted Budget at the end of the City's third quarter:

City of Buffalo 2018-19 3rd Quarter Summary Projected Budget Variances - General Fund				
	<u>Adopted Budget</u>	<u>3rd Quarter Year-End Projection</u>	<u>Variance Between Adopted Budget and Year-End Favorable / (Unfavorable)</u>	
	\$	\$	\$	%
Revenues	509.6	501.2	(8.4)	-1.6%
Expenditures	(513.6)	(502.6)	11.0	-2.1%
Projected deficit - funded through use of fund balance	<u>(4.0)</u>	<u>(1.4)</u>	<u>2.6</u>	<u>-65.0%</u>

Revenues:

Following is a line item summary of the 2018-2019 Adopted Budget and current year-end projections as reported in the City's third-quarter report:

City of Buffalo 2018-19 Third Quarter Report Summary of Revenues				
<u>Revenue Source</u>	<u>Adopted Budget</u>	<u>3rd Quarter Year-End Projection</u>	<u>Variance Between Adopted Budget and Year-End Projection Favorable / (Unfavorable)</u>	
	\$	\$	\$	%
<i>Intergovernmental</i>	268,918,233	272,926,579	4,008,346	1.5%
<i>Taxes</i>	157,116,824	156,628,852	(487,972)	-0.3%
<i>Service Charges</i>	15,881,860	15,208,043	(673,817)	-4.2%
<i>Non-Property Taxes</i>	12,110,000	11,610,000	(500,000)	-4.1%
<i>Fines</i>	15,153,000	11,474,560	(3,678,440)	-24.3%
<i>Miscellaneous</i>	18,289,429	11,292,683	(6,996,746)	-38.3%
<i>Licenses and Permits</i>	6,146,880	5,348,598	(798,282)	-13.0%
<i>Interest</i>	605,000	1,313,988	708,988	117.2%
<b>Total Departmental</b>	<b>494,221,226</b>	<b>485,803,303</b>	<b>(8,417,923)</b>	<b>-1.7%</b>
<i>Operating Transfers In</i>	15,376,008	15,376,008	0	0.0%
<i>Use of Fund Balance<sup>(1)</sup></i>	3,985,640	3,823,099	(162,541)	-4.1%
<b>Total Resources and Transfers In</b>	<b>19,361,648</b>	<b>19,199,107</b>	<b>(162,541)</b>	<b>-0.8%</b>
<b>Total Revenues, Resources and Transfers In</b>	<b>513,582,874</b>	<b>505,002,410</b>	<b>(8,580,464)</b>	<b>-1.7%</b>

(1) Per generally accepted accounting principles (GAAP) the use of fund balance is not recognized as a revenue, but a deficit to be closed utilizing fund balance.

As shown in the above schedule, excluding the effect on fund balance which is not a revenue source, an unfavorable variance for total revenues of \$8.4 million is projected as compared to the Adopted Budget. The City is projecting a shortfall in most revenue categories, excluding the intergovernmental and interest earnings categories. This negative variance places pressure on the current fiscal year and the financial plan, as there are no resources available in unassigned fund balance. At June 30, 2018, unassigned fund balance was reported as \$0; unrestricted fund balance totaled \$52.1 million and consisted of the Rainy Day Fund of \$38.7 million and assigned fund balance of \$13.4 million.

Notable variations to the Adopted Budget include the following:

- There is a favorable variance in intergovernmental revenue in the amount of \$4.0 million, or 1.5 percent. Of this amount, \$0.5 million represents a reclassification from the taxes category pertaining to a payment-in-lieu-of-taxes from the NFTA Peace Bridge; overall there is no revenue impact. Sales tax collections are projected to exceed the estimated revenue by \$3.6 million, and \$0.4 million of higher than budgeted Medicare Part D reimbursements are anticipated. These increases are offset by a negative variance of \$0.3 million due to the transition of a lead inspection program to the Buffalo Urban Renewal Agency (“BURA”), a negative variance of \$0.1 million for parking surcharge refunds, and a negative variance of \$0.1 million from off-track betting revenues.

The Tribal State Compact (“TSC”) revenue, related to the operation of the Seneca Buffalo Creek gaming facility, was budgeted at \$17.0 million in the Adopted Budget; however, the Seneca Nation has not made any TSC payments to New York State since December 2016, with the last cash receipts received by the City in March 2017. The arbitration panel issued its finding in favor of NYS, and the TSC revenue payments have been uncertain since that time. The Administration has indicated that NYS continues to convey the revenues are expected to be paid before the end of the fiscal year.

- The unfavorable variance for fines of \$3.7 million is resulting from lower than projected revenue from traffic violations in the amount of \$3.0 million, parking penalties in the amount of \$0.4 million, and all other fines and penalties in the amount of \$0.3 million. The projection is based on actual revenue collected during the first nine months of the year and reflects that actual revenue collected through the third quarter was lower than estimated. The City intends to implement the planned amnesty program during June to July 2019 to collect outstanding assessed fees for various violations; it is estimated by the City that approximately \$2.0 million of the outstanding fines of \$6.0 million will be paid through this program. If the City is unsuccessful in commencing the amnesty program in the current fiscal year, the negative variance of \$3.7 million would potentially increase to \$5.7 million.

The BFSA continues to recommend this revenue category be closely monitored as this item is difficult to estimate and has been overestimated in recent years.

- The projected unfavorable variance of \$7.0 million in miscellaneous revenue is due to lower than projected receipts from the sale of capital assets, primarily City-owned properties, vehicles, and other equipment. Of this amount, \$4.2 million is related to city-owned properties that were projected to sell in the current fiscal year; further delays in selling City assets would increase the unfavorable variance. The City budgeted \$8.0 million in capital asset sales for the CFY and plans on closing the sale of the following properties by year-end: the former police headquarters at 74 Franklin Street, St. Paul Mall and School #11 on Doat Street. The St. Paul Mall transaction was completed in early February and Buffalo Common Council approved the sale of the former police headquarters on March 5, 2019. There is a negative variance of \$2.0 million in relation to the proposed entertainment surcharge fee, which did not occur in 2018-19 as originally planned. There is a projected negative variance of \$1.0 million for gifts and donations; \$2.0 million had originally been estimated. Smaller variances include a negative variance of \$0.2 million from the Board of Education due to the reduced number of participants in the Summer Youth program and a net increase of \$0.4 million in the remaining miscellaneous revenue lines.
- Licenses and permits are projected to be under budget by \$0.8 million. There are multiple licenses and permits charges projected to be under budget based on actual collections through the end of the third quarter. Compared to the adopted budget building permits will have a negative variance of \$0.4 million and home improvement licenses will have a negative variance of \$0.3 million. The remaining licenses and permits fees on a net basis will have a negative variance of \$0.1 million.
- Service charges are projected to be under budget by \$0.7 million. There are multiple service charges projected to be less than originally estimated based on actual revenue collected during the first nine months of the year. The revenue variance is attributed to the City over-estimating current year collections for these charges and fees.
- The variance in taxes of \$0.5 million reflects the reclassification of NFTA PILOT revenue to the intergovernmental category as discussed above; overall there is no impact to revenue.
- Non-property taxes are projected to be under budget by \$0.5 million and is attributed to the Class I Utility tax being lower than expected.
- Interest earnings revenue is projected to have a positive variance of \$0.7 million compared to the adopted budget.
- There is variance projected in operating transfers in.

It is noted the City instituted a new parking plan during 2018-19 that expanded the number of metered on-street parking spots and increased the fee structure for on-street parking. This program was not estimated in the original budget; the City has not estimated how much additional revenue this program will generate.

## **Fiscal Year-End (FYE) 2017-18 Actual Revenues Compared to FY 2018-19 Projected Revenues**

Actual General Fund revenues, excluding the use of fund balance and operating transfers in, were \$453.4 million in FY 2018. General Fund revenues for FYE 2018-19 are projected to be \$485.8 million, an increase of \$32.4 million or 7.2 percent on a year-to-year basis. All eight revenue categories are projecting an increase over prior year actual.

Intergovernmental revenue is projected to increase \$20.1 million, or 8.0%, due to the Administration's expectation that casino revenue will be received for 2018-19; \$17.0 million was budgeted. In addition, sales tax is increasing by \$3.1 million.

Miscellaneous revenue, which includes property and capital asset sales, is projected to increase by \$4.7 million due to a \$3.2 million year-to-year increase in the sale of buildings and property and an increase of \$1.0 million in gifts and donations. There is a net increase of \$0.5 million from the remaining miscellaneous revenue sources.

Taxes are projected to increase \$5.2 million due to the property tax increase.

Fines are projected to increase \$0.5 million largely attributed to the amnesty program that is expected to generate \$2.0 million in revenue; as noted this program is anticipated for June through July 2019 but has not yet occurred. Due to the timing of the program it is expected that recorded revenue will span the two fiscal years.

Service charges, non-property taxes and licenses and permits are projected to increase by \$1.2 million, \$0.2 million, and \$0.1 million, respectively, due to increased utilization on a year-to-year basis.

Interest rates have increased year-to-year and is attributed to a projected increase in interest earnings of \$400,000.

Operating Transfers In are projected to be reduced by \$2.5 million on a year-to-year basis due to a decrease in the amount transferred in from the Parking Fund.

The City used \$22.9 million of fund balance in 2017-18 and is projecting to use restricted fund balance for capital outlay of \$3.8 million in 2018-19.

Expenditures:

The following chart summarizes the variances for expenditures between the Adopted Budget and the year-end projections as of the third quarter:

<b>City of Buffalo 2018-19 Third Quarter Report Summary of Expenditures</b>				
<u>Departments</u>	<u>Adopted Budget</u>	<u>3rd Quarter Year-End Projection</u>	<u>Variance Between Adopted Budget and Year-End Projection</u>	
			<u>Favorable / (Unfavorable)</u>	<u>%</u>
	\$	\$	\$	%
<i>Police</i>	91,355,867	90,387,634	968,233	1.1%
<i>Fire</i>	59,710,170	60,783,414	(1,073,244)	-1.8%
<i>Public Works</i>	31,213,249	31,301,436	(88,187)	-0.3%
<i>Administration &amp; Finance</i>	9,352,502	8,920,981	431,521	4.6%
<i>Permits &amp; Inspections</i>	5,783,838	5,202,804	581,034	10.0%
<i>Human Resources</i>	5,740,688	5,178,146	562,542	9.8%
<i>Management Information System:</i>	5,268,247	4,894,909	373,338	7.1%
<i>Community Services</i>	4,537,176	4,103,624	433,552	9.6%
<i>Law</i>	3,551,773	3,138,712	413,061	11.6%
<i>Assessment</i>	2,743,031	2,466,092	276,939	10.1%
<i>Mayor &amp; Executive</i>	5,110,364	5,095,387	14,977	0.3%
<i>Audit &amp; Control</i>	3,534,154	3,189,294	344,860	9.8%
<i>Parking</i>	3,144,057	2,918,779	225,278	7.2%
<i>City Clerk</i>	2,682,510	2,311,862	370,648	13.8%
<i>Common Council</i>	2,376,216	2,325,692	50,524	2.1%
<b>Total Departmental</b>	<b>236,103,842</b>	<b>232,218,766</b>	<b>3,885,076</b>	<b>1.6%</b>
<b><u>General Charges</u></b>				
<i>Fringe Benefits</i>	148,778,665	144,349,723	4,428,942	3.0%
<i>Other</i>	4,056,548	2,760,000	1,296,548	32.0%
<i>Personal Services</i>	5,350,000	5,354,558	(4,558)	-0.1%
<i>Capital Outlay</i>	0	0	0	N/A
<i>Grants In Aid</i>	860,000	860,000	0	0.0%
<i>Debt Service</i>	592,000	92,000	500,000	84.5%
<i>Services</i>	1,391,500	1,391,500	0	0.0%
<i>Utilities</i>	17,320,000	16,420,000	900,000	5.2%
<b>Total General Charges</b>	<b>178,348,713</b>	<b>171,227,781</b>	<b>7,120,932</b>	<b>4.0%</b>
<b>Total General Fund</b>	<b>414,452,555</b>	<b>403,446,547</b>	<b>11,006,008</b>	<b>2.7%</b>
<b>Transfers Out</b>	<b>99,130,319</b>	<b>99,130,319</b>	<b>0</b>	<b>0.0%</b>
<b>Total General Fund w/ Transfer</b>	<b>513,582,874</b>	<b>502,576,866</b>	<b>11,006,008</b>	<b>2.1%</b>

At the end of the third quarter, the City is projecting a favorable budgetary variance of \$11.0 million consisting of a favorable budget variance of \$3.9 million in departmental expenditures and \$7.1 million for general charges.

Fourteen out of fifteen departments are projected to be either under budget or consistent with the budget at year-end with a combined favorable variance projected of \$5.0 million. These budgetary savings are attributed primarily to lower than projected staffing (i.e., vacancies), and to a lesser degree a decrease in the purchasing of supplies and services contracts. A minor unfavorable variance of approximately \$88,200, or 0.3 percent, is projected for public works.

The fire department is projected to be over the adopted budget amount by \$1.1 million, or 1.8 percent. The overage in the fire department expenditures is related to overtime costs incurred largely between July and December 2018 before the most recent graduating fire academy class had been assigned to their firehouses and the new 24-hour shift schedule was implemented. Prior to January 2019 overtime averaged \$410,200 per pay period, overtime since the January 2019 has decreased to an average of \$178,700 per pay period. The fire department had 44 recruits complete the fire academy and assigned to their fire companies in early January. The City currently has 32 recruits in the fire academy who are expected to be assigned to their line company houses in August 2019. In addition, the City negotiated a new labor agreement between the City and Local 282, representing the firefighters, which provided 2 percent salary increase in the current year effective July 1, 2018.

The police department was projected as of the end of the second-quarter to exceed budget, but due to departmental changes and elimination of special details, police overtime has decreased. Over the first six months of the year police overtime averaged \$351,460 per pay period and since January 1<sup>st</sup> it has been reduced to \$308,700 per pay period.

Both the police and fire departments provide key public health and safety functions and have minimum manning requirements which have contributed to the previous budget overages in overtime in addition to the unfavorable variance in overtime within the fire department for 2018-19. The police department is currently at 94 percent staffing capacity with 46 vacancies, and the fire department is at 97 percent capacity with 23 vacancies. The fire department staffing numbers include the thirty-two recruits who are currently in the fire academy. Both departments have a sizable employee population that is currently eligible for retirement or could be eligible within the year. Currently in the fire department there are 52 individuals, or 7.2 percent of the department, that are eligible for retirement by June 30, 2019. In the police department there are 56 police officers, or 7.4 percent of the police department, eligible to retire by June 30, 2019. Retirement eligibility for this analysis requires a minimum of 25 years of service and for the individual to be at least 55 years old.

A new hire for a police officer or firefighter is included in the City's total full-time equivalent ("FTE") staffing levels, but there is a lag between the time they are officially hired and serving in the role due to required training. The training for a police officer includes five months of academy training followed by an additional sixteen weeks of field training for a total of nine months from a police officer's date of hire to being able to work independently. The fire academy lasts eighteen weeks, and successful graduates are assigned to a fire company upon completion of the academy.

Overtime in both the police and fire departments for the current year is projected to exceed budgeted amounts. Through the end of the third quarter, overtime for the police department totaled \$7.7 million, a decrease of \$1.3 million from the \$9.0 million reported for the same period in the prior year. The current projection for overtime is \$10.5 million, which is \$1.4 million over the Adopted Budget amount of \$9.1 million and is \$2.3 million less than the prior year's amount of \$12.8 million.

As of March 31, 2019, overtime for the fire department is \$6.5 million; compared to the prior-year third quarter of \$9.4 million, this reflects a year-to-year decrease of \$2.9 million. Total overtime expenditures for the fire department in FY 2018 totaled \$12.7 million, and the current year-end projection for overtime is \$9.0 million, representing a decrease of \$3.7 million on a year-to-year basis. Compared to the 2018-19 Adopted Budget amount, this would result in an overage of \$4.3 million in the current fiscal year.

Combined total overtime for the police and fire departments is currently projected to exceed the 2018-19 Adopted Budget by \$5.7 million.

General Charges are projected to be under the 2018-19 Adopted Budget by \$7.1 million. Of that amount, \$4.4 million is attributed to lower than budgeted expenditures under the fringe benefits category, lower than budgeted expenditures under the other category in the amount of \$1.3 million, lower than budgeted expenditures for utilities in the amount of \$900,000, and lower than budgeted expenditures for debt service in the amount of \$500,000.

The \$4.4 million in projected budgetary savings under the fringe benefits category is attributed to lower than budgeted active and retiree health insurance costs of \$0.5 and \$0.9 million, respectively, and lower than budgeted expenditures for dental insurance of \$0.2 million. The City originally budgeted \$2.4 million for contract negotiations in the salary adjustment line, under fringe benefits, and will utilize approximately \$0.6 million of that line in the current year in relation to the Local 282 labor agreement, leaving a balance of \$1.8 million. Savings from the salary adjustment line of \$1.8 million are offset by increased costs for unused sick leave in the amount of \$0.5 million. In addition, total pension payments are projected to be under budget by \$1.5 million. The City's projection for actual fringe benefits expenditures may be understated at this time as it does not reflect all vacancies that have been carried for the year or projected for the remainder of the year.

The other category includes freeze funds with a favorable variance of \$1.0 million, tax and fee adjustments having a favorable variance of \$0.2 million and all other expenditures for a net favorable variance of \$0.1 million, for a net favorable variance of \$1.3 million. Utilities are projected to be favorable and under budget by \$0.9 million due to a combination of lower natural gas and electricity utilization. Debt service is reduced by \$0.5 million since the City did not be issue a revenue anticipation note in the current fiscal year.

## **FY 2017-18 Actual Expenditures Compared to FY 2018-19 Projected Expenditures**

Actual General Fund expenditures for 2017-18 were \$494.2 million. Projected General Fund expenditures for 2018-19 are \$502.6 million, representing an increase of \$8.4 million, or 1.7 percent. Departmental costs are estimated to be \$232.2 million at year-end, an increase of \$2.8 million, or 1.2 percent over the 2017-18 amount of \$229.4 million. General charges including transfers out are projected to increase by \$5.5 million, or 2.1 percent, from \$264.8 million in the prior year 2017-18 to \$270.4 million projected for the current year.

The year-to-year increase is comprised of the following:

Departmental Costs are increasing \$2.8 million, or 1.2 percent:

- Employee compensation, excluding duty disability payments, is decreasing \$0.5 million, or 0.3 percent.
- Services are increasing \$1.5 million, or 6.4 percent.
- Capital outlay is increasing \$1.2 million, or 46.2 percent.
- Supplies are increasing \$0.7 million, or 7.5 percent, and all other departmental costs are flat.

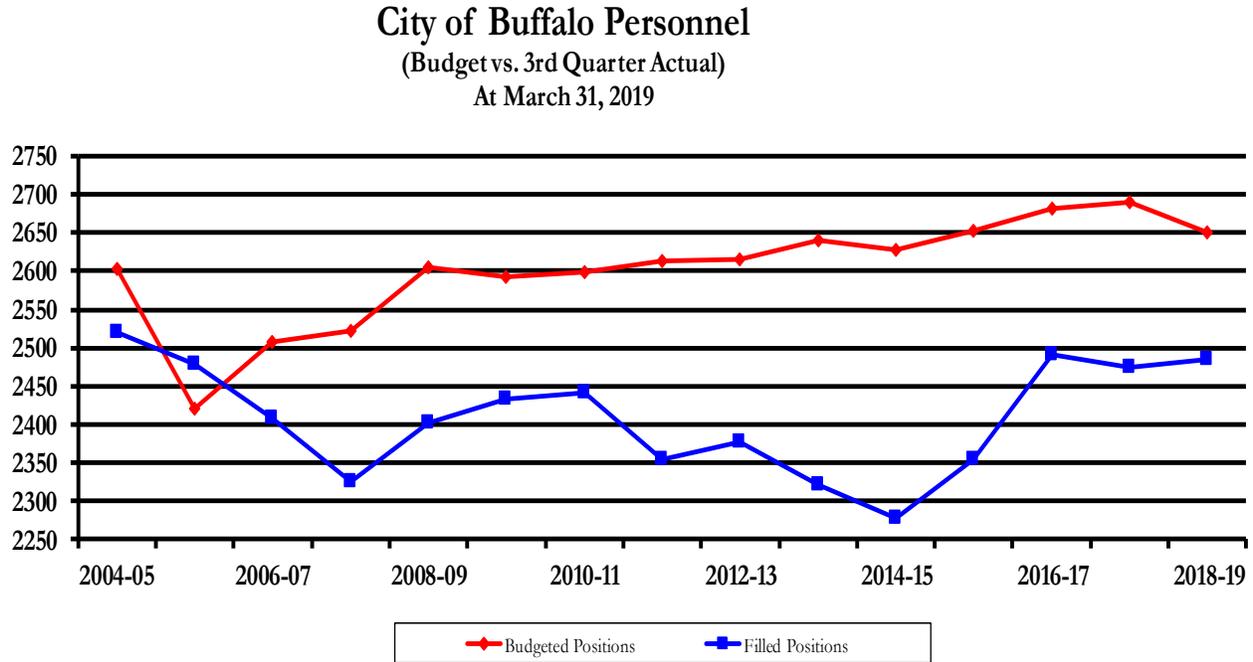
General Charges are increasing \$5.5 million, or 2.1 percent:

- Employee benefits are increasing \$9.2 million, 6.6 percent on a year-to-year basis, and includes duty disability salary and the funds set aside for contract negotiations.
  - Significant increases in fringe benefits include: an increase of \$2.5 million, or 6.9 percent, for retiree health insurance; an increase of \$2.4 million, or 6.5 percent, for active employee health insurance; a \$2.0 million increase, or 21 percent, for contributions to the employee retirement system; and a \$0.8 million increase, or 2.6 %, for contributions to the police and fire retirement system.
  - Smaller year-to-year increases include workers' compensation which is projected to increase by \$0.7 million, and expenditures from the salary adjustment line is increasing \$0.6 million for the settled firefighter contract whereas there was no such expenditure in the prior year. All other fringe benefits are increasing by \$0.2 million on a net basis.
- Interfund transfers out are decreasing by \$1.0 million, or 1.0 percent.
- Other is decreasing by \$4.4 million, or 61.2 percent on a year-to-year basis. This decrease is attributed to one-time costs in the prior fiscal year.
- There are increases under Grants in Aid in the amount of \$0.6 million, or 217.9 percent.
- Utilities are increasing \$0.9 million, or 6.1 percent. Although utilization is down on a year-to-year basis, rates have increased resulting in overall year-to-year increase.

While expenditures are projected to increase on a year-to-year basis, actual 2018-19 expenditures may not increase as much as currently projected at the end of the third quarter. Personnel costs constitute approximately 84 percent of the City's operating budget and depending on the City's management of its workforce and filling of vacant positions, the actual costs associated with employees may be lower than currently projected when including salary, health insurance, payroll taxes, and pension contributions. In addition, with the new dynamic staffing model under the new labor agreement with the fire department, additional savings were projected to occur due to the new shift schedule that allows for more efficient utilization of manpower to limit overtime. Savings have materialized during the third-quarter due to the addition of the new firefighters as well as the implementation of the new 24-hour shift schedule.

## Personnel

The following chart compares budgeted positions to actual filled positions on an annual basis from 2005 to 2019:



The City budgeted for 2,651 positions for the fiscal year 2018-19, representing a decrease of 40 FTE positions from the prior fiscal year of 2,691. As of March 31, 2019, 2,485 positions have been filled resulting in 166 vacant positions, or a vacancy rate of 6.3 percent. Over ten years, the budgeted number of FTE's increased by 47 (1.8 percent) from 2,604 to 2,651. Concerning filled positions, there is an increase of 84 FTE's over the last ten years from 2,401 in FY 2009 to 2,485 on March 31, 2019. The increase in staffing is largely attributed to the City retaking park services and cellblock services from the County. In prior years Erie County had taken over those services as an attempt to consolidate services.

As compared to last year's third quarter, there is an increase of 10 filled positions from 2,475 at March 31, 2018 to 2,485 at March 31, 2019. The increase of 10 filled positions is driven primarily by the increase of 47 uniformed firefighters, which is offset by a decrease of 28 sworn police officers, followed by a decrease of eight civilian employees that left the police department. The remaining thirteen departments had a net decrease of 1 FTE.

The police department currently has 804 FTE sworn officers budgeted; as of March 31, 2019, 758 positions were filled leaving 46 vacancies, or 5.7 percent. Non-sworn police department personnel are budgeted at 204 FTE's with 178 filled, creating a vacancy of 26 positions, or 12.7 percent. A total of 72 out of the 192 current vacancies, or 37.5 percent of vacancies, are in the police department.

The fire department has 742 FTE uniformed officers budgeted, and currently 719 of those positions are filled, representing a vacancy count of 23 positions, or 6.6 percent. The vacancy number of 23

is equivalent to 13.9 percent of total City vacancies as of March 31, 2019. The City increased the budgeted position count for firefighters last year to include approximately an additional 25 firefighters to assist in hiring, as the lower headcount did not provide enough capacity to the City to bring in classes that were large enough. The City doesn't intend to fill all 742 positions permanently.

On a year-to-year basis, the City has increased the number of filled firefighter positions from 672 FTE's at March 31, 2018, to 719 FTE's at March 31, 2019, an increase of 47 FTE's, or 7.0 percent, on an annual basis. Police FTE's have decreased over the same period from 786 FTE's to 758 FTE's, a net decrease of 28 FTE's or 3.6 percent.

As of March 31, 2019, there were 46 vacant sworn positions in the police department and a new police academy class of 33 recruits began their training on January 21, 2019. The first fire academy class of 44 recruits completed their training in early January and were assigned to their fire companies. There is a second fire academy class of 32 recruits, currently in the fire academy with the expectation they will be assigned to their firehouse by August 2019.

#### Conclusions and Recommendations:

Nine months provides substantial experience to analyze trends and determine if there are any significant areas of concern. It is noted that assumptions could change or unexpected events could occur that could have a significant impact on current estimates.

The City has projected a total deficit of \$1.4 million consisting of a use of restricted fund balance for capital outlay of \$3.8 million and an increase to unrestricted fund balance of \$2.4 million. This is compared to an actual reported deficit and reduction to unrestricted fund balance for the prior year ended June 30, 2018 of \$22.9 million. Unfavorable operating results to what was projected could result in further reductions to unrestricted fund balance. At July 1, 2018, unrestricted fund balance totaled \$52.1 million and consisted of \$38.7 million of the Rainy Day Fund and \$13.4 million in assigned fund balance.

As previously recommended by BFSAs, we continue to recommend that revenues be closely monitored. There are areas identified as potentially being overestimated with respect to year-end 2018-19 projected revenues including the casino revenue of \$17.0 million and revenue in other categories including miscellaneous and fines. The City has addressed the shortfalls partially with changes to the on-street parking fee structure which is estimated to bring in additional revenue for the current fiscal year; however, current estimates are not available.

Based on our analysis, we are comfortable with the projected year-end expenditures. Overtime for the police and fire departments remains an area of ongoing focus as actual overtime expenditures for both departments have been unfavorable as compared to the budget in the past. There has been a substantial improvement in the amount of overtime utilized by the police department as year-to-year overtime through the end of the third quarter has decreased by \$1.3 million, or 14.4 percent and fire overtime has decreased by \$2.9 million, or 30.7 percent, compared to the prior year. The recently settled labor agreement moved the workforce to a 24-hour work schedule and is expected to have immediate positive implications to overtime; additionally, 44 fire recruits were assigned to their line company in January 2019 upon training completion which is further expected to reduce overtime.