Buffalo Fiscal Stability Authority
Summary of the City of Buffalo's 2019 Second 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 second quarterly report for the six-month period from July 1 to December 31, 2018. As of the end of the second quarter, the City is projecting a total year-end deficit of $3.5 million, as follows:

Projected year-end revenues	$	505,567,978
Projected year-end expenditures		509,072,575
Total projected deficit/use of fund balance	**$**	**(3,504,597)**

The projected year-end deficit of $3.5 million remains unchanged from the projection at the end of the first quarter ended September 30, 2018. The City budgeted for a $4.0 million deficit, having planned for the use of $4.0 million of restricted fund balance for capital outlay, which is a non-recurring expenditure. The resulting favorable budget variance of $0.5 million consists of projected unfavorable budgetary variances in revenues of approximately $4.0 million and a positive budgetary variance in expenditures of approximately $4.5 million:

City of Buffalo 2018-19 2nd Quarter Summary Projected Budget Variances - General Fund		
Revenues - projected unfavorable budget variance	$	(4,029,256)
Expenditures - projected favorable budget variance		4,510,299
Total - projected favorable budget variance	**$**	**481,043**

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 funded with the use of restricted fund balance for capital outlay. Currently, the City intends to utilizing $3.7 million of the restricted fund balance for capital projects. The following chart demonstrates the current year-end projections compared to the 2018-19 Adopted Budget at the end of the City's second quarter:

City of Buffalo 2018-19 2nd Quarter Summary Projected Budget Variances - General Fund				
	Adopted Budget	**2nd Quarter Year-End Projection**	**Variance Between Adopted Budget and Year-End Favorable / (Unfavorable)**	
	$	**$**	**$**	**%**
Revenues	509.6	505.6	(4.0)	-0.8%
Expenditures	(513.6)	(509.1)	4.5	-0.9%
Projected deficit - funded through use of fund balance	(4.0)	(3.5)	0.5	-12.5%

Revenues:

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

City of Buffalo 2018-19 Second Quarter Report Summary of Revenues				
Revenue Source	**Adopted Budget**	**2nd Quarter Year-End Projection**	**Variance Between Adopted Budget and Year-End Projection Favorable / (Unfavorable)**	
	$	**$**	**$**	**%**
Intergovernmental	268,918,233	270,622,805	1,704,572	0.6%
Taxes	157,116,824	156,628,252	(488,572)	-0.3%
Service Charges	15,881,860	15,496,943	(384,917)	-2.4%
Non-Property Taxes	12,110,000	11,710,000	(400,000)	-3.3%
Fines	15,153,000	12,160,970	(2,992,030)	-19.7%
Miscellaneous	18,289,429	16,933,746	(1,355,683)	-7.4%
Licenses and Permits	6,146,880	5,892,598	(254,282)	-4.1%
Interest	605,000	746,656	141,656	23.4%
Total Departmental	**494,221,226**	**490,191,970**	**(4,029,256)**	**-0.8%**
Operating Transfers In	15,376,008	15,376,008	0	0.0%
Use of Fund Balance (1)	3,985,640	3,664,398	(321,242)	-8.1%
Total Resources and Transfers I	**19,361,648**	**19,040,406**	**(321,242)**	**-1.7%**
Total Revenues, Resources and Transfers In	**513,582,874**	**509,232,376**	**(4,350,498)**	**-0.8%**

(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 above, excluding the effect on fund balance which is not a revenue source, a budgetary deficit for total revenues of $4.0 million is projected as compared to the Adopted Budget. The City is now projecting a shortfall in every revenue category except for the intergovernmental and interest earnings categories. The total unfavorable variance places additional 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. The fund balance that is budgeted for 2018-19 is capital reserve fund balance and is restricted solely for capital activities.

Notable variations to the Adopted Budget include the following:

- There is a favorable variance in intergovernmental revenue in the amount of $1.7 million. Of that amount, $1.6 million is attributed to higher than expected sales tax collections and $0.5 million is related to a reporting change in the way the City accounts for the receipt of the NFTA Peace Bridge payment-in-lieu of taxes ("PILOT") payment. Previously the PILOT was reported under the taxes category, but on a go-forward basis it will be reported under the intergovernmental revenue category. There is no change in the amount of the PILOT, with the only change being how it is reported. 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"), 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 are expected to recommence. The City of Buffalo expects to receive the TSC revenue in April 2019.

- The unfavorable variance for fines of $3.0 million, which is resulting from lower than projected traffic violations in the amount of $2.8 million and penalties in the amount of $0.2 million. The projection is based on actual revenue collected during the first six months of the year and reflects that actual revenue collected through the second quarter was lower than anticipated. The City intends to implement the planned amnesty program during April to May 2019 to collect on outstanding violations; it is estimated by the City that approximately $2.0 million of the outstanding fines of $6.0 million will be paid. The BFSA continues to recommend this revenue source be closely monitored as this item has been overestimated in recent years.

- The projected unfavorable variance of $1.4 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, $1.6 million is related to city-owned properties that were projected to sell in the current fiscal year, which is offset by higher than expected sales of In-Rem properties in the amount of $0.4 million. 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. In addition, there was a negative variance of $0.2 million from the Board of Education due to the reduced number of participants in the Summer Youth program.

- Service charges are projected to be under budget by $0.4 million. There are multiple service charges projected to be less than originally estimated based on actual revenue collected during the first six months of the year. The revenue variance is attributed to the City over-estimating current year collections for these charges and fees.

- Taxes are projected to be under budget by $0.5 million which is attributed to the change in reporting of the NFTA PILOT payment; as discussed above this amount is now reported in the intergovernmental revenue category.

- Non-property taxes are projected to be under budget by $0.4 million and is attributed to the Class I Utility tax being lower than expected.

- Less significant variances were noted in the licenses and permits and interest revenue categories with no variance projected in operating transfers in; the combined budgetary negative variance is approximately $113,000, or less than 0.1 percent of the total budgeted amounts.

- The 2018-19 Adopted Budget was balanced with the use of $4.0 million of capital reserve fund balance. It is currently projected that $3.7 million of the restricted reserve will be expended in 2018-19 for capital projects.

There are two new revenue sources that continue to be monitored including a new entertainment surcharge at City venues and a charitable donations program which are each budgeted in the amount of $2.0 million and are still in the process of being implemented. The entertainment surcharge fee program has not been implemented in the current year. The charitable donations program continues to move forward with pledges to date totaling $650,000; revenue estimates continue to be consistent with the budget. In addition, the City has instituted a new parking plan that expanded the number of on the street parking spots available in selected commercial corridors as well as increased the hourly rate and increasing the hours required to pay 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 $490.2 million, an increase of $36.8 million or 8.1 percent on a year-to-year basis. Seven out of eight revenue categories are projecting an increase of $36.7 million, whereas interest earnings are projecting a decrease of $0.1 million, or 15.3 percent.

Intergovernmental revenue is projected to increase $17.8 million, or 7.0%, due to the anticipated casino revenue to be received in the fourth quarter; there was no TSC revenue reported in 2017-18. The $17.8 million estimate includes payments that have not been received since December 2016. Miscellaneous revenue, which includes property and capital asset sales, is projected to increase by $10.3 million due to a $7.1 million increase in the sale of capital assets and property, an increase of $2.0 million in gifts and donations, and an increase of $2.0 million for the entertainment ticket surcharge. These increases are offset by multiple reductions that cumulatively total $800,000.

Taxes are projected to increase $5.2 million resulting from the property tax increase. Fines are projected to increase $1.2 million largely attributed to the amnesty program that is expected to generate $2.0 million in revenue. Service charges are projected to increase by $1.5 million, followed by licenses and permits increasing $0.6 million, non-property taxes increasing by $0.3 million and interest revenue is projected to decrease $134,000. The estimated increase for service charges, licenses and permits and non-property taxes is driven by increased utilization.

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 be operationally balanced this year. The City has budgeted the use of restricted reserves for capital outlay in the amount of $4.0 million and is currently projecting to use $3.7 million. These funds are restricted for capital investments/projects and shall not be used for general operations or to address a year-end deficit. It is noted that as of June 30, 2018, the City has a zero balance in unassigned fund balance.

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

City of Buffalo 2018-19 Second Quarter Report Summary of Expenditures				
			Variance Between Adopted Budget and Year-End Projection	
Departments	Adopted Budget	2nd Quarter Year-End Projection	Favorable / (Unfavorable)	
	$	$	$	%
Police	91,355,867	93,500,161	(2,144,294)	-2.3%
Fire	59,710,170	60,917,895	(1,207,725)	-2.0%
Public Works	31,213,249	30,951,566	261,683	0.8%
Administration & Finance	9,352,502	9,013,165	339,337	3.6%
Permits & Inspections	5,783,838	5,398,325	385,513	6.7%
Human Resources	5,740,688	5,228,154	512,534	8.9%
Management Information System:	5,268,247	5,223,437	44,810	0.9%
Community Services	4,537,176	4,217,555	319,621	7.0%
Law	3,551,773	3,154,774	396,999	11.2%
Assessment	2,743,031	2,574,065	168,966	6.2%
Mayor & Executive	5,110,364	4,833,376	276,988	5.4%
Audit & Control	3,534,154	3,087,618	446,536	12.6%
Parking	3,144,057	3,017,526	126,531	4.0%
City Clerk	2,682,510	2,449,827	232,683	8.7%
Common Council	2,376,216	2,390,058	(13,842)	-0.6%
Total Departmental	**236,103,842**	**235,957,502**	**146,340**	**0.1%**
General Charges				
Fringe Benefits	148,778,665	146,949,722	1,828,943	1.2%
Other	4,056,548	2,921,532	1,135,016	28.0%
Personal Services	5,350,000	5,350,000	0	0.0%
Capital Outlay	0	0	0	N/A
Grants In Aid	860,000	860,000	0	0.0%
Debt Service	592,000	92,000	500,000	84.5%
Services	1,391,500	1,391,500	0	0.0%
Utilities	17,320,000	16,420,000	900,000	5.2%
Total General Charges	**178,348,713**	**173,984,754**	**4,363,959**	**2.4%**
Total General Fund	**414,452,555**	**409,942,256**	**4,510,299**	**1.1%**
Transfers Out	**99,130,319**	**99,130,319**	**0**	**0.0%**
Total General Fund w/ Transfer	**513,582,874**	**509,072,575**	**4,510,299**	**0.9%**

At the end of the second quarter, the City is projecting a favorable budgetary variance of $4.5 million consisting of a favorable budget variance of $0.1 million in departmental expenditures and $4.4 million for general charges.

Thirteen 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 $3.5 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 $14,000 is projected for Common Council.

The departmental expenditure categories that are currently projected to be over the adopted budget include the police department in the amount of $2.1 million and the fire department in the amount of $1.3 million. Combined these departments are projected to be over budget by $3.4 million. The overage in the police department is related to the retirement of fifty-four police officers during the first six months of the fiscal year, which places additional strain on the remaining officers and required the use of overtime. There are additional costs associated with the separation of service such as with paying the retiring officers for unused vacation days. The overage in the fire department expenditures is also related to overtime costs.

The fire department had 44 recruits complete the fire academy, and they were assigned to their fire companies in early January. The addition of these new firefighters as well as the new 24-hour schedule effective January 1, 2019, should lead to a reduction in overtime in the fire department. 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 resulting in a 2 percent salary increase in the current year effective July 1, 2018.

Projected departmental savings in both the police and fire departments offset the overspending in the overtime budgets. Both departments provide key public health and safety functions and have minimum manning requirements which have contributed to the increase in overtime. The police department is currently at 95 percent staffing capacity with 39 vacancies, and the fire department is at 93 percent capacity with 49 vacancies. The fire department staffing numbers include the forty-four recruits who have completed the fire academy and were assigned to their line company in early January 2019. 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 50 individuals, or 7.2 percent of the department, that are eligible for retirement by June 30, 2019. In the police department there are 67 police officers, or 8.8 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 second quarter, overtime for the police department totaled $4.6 million, a decrease of $2.3 million from the $6.9 million reported for the same period in the prior year. The current projection for overtime is $9.9 million, which is $0.8 million over the Adopted Budget amount of $9.1 million and is $1.3 million less than the prior year's amount of $11.2 million.

As of December 31, 2018, overtime for the fire department is $5.3 million; compared to the prior-year second quarter of $5.8 million, this reflects a year-to-year decrease of $0.5 million. Total overtime expenditures for the fire department in FY 2018 totaled $12.7 million, and the current year-end projection for overtime is $10.7 million, representing a decrease of $2.0 million on a year-to-year basis. Compared to the 2018-19 Adopted Budget amount, this would result in an overage of $6.0 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 $6.8 million.

General Charges are conservatively projected to be under the 2018-19 Adopted Budget by $4.4 million. Of that amount, $1.8 million is attributed to lower than budgeted expenditures under the fringe benefits category and lower than budgeted expenditures under the other category in the amount of $1.1 million.

The $1.8 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 $2.35 million for contract negotiations in the salary adjustment line, under fringe benefits, and will utilize approximately $1.7 million of that line in the current year in relation to the Local 282 labor agreement, leaving a balance of $0.65 million. Savings from the salary adjustment line of $0.7 million are offset by increased costs for unused sick leave in the amount of $0.5 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 certiorari adjustments with a negative variance of $100,000 for a net favorable variance of $1.1 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 will not be issuing 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 $509.1 million, representing an increase of $14.9 million, or 3.0 percent. Departmental costs are estimated to be $236.0 million at year-end, an increase of $6.6 million, or 2.9 percent over the 2017-18 amount of $229.4 million. General charges including transfers out are projected to increase by $8.3 million, or 3.1 percent, from $264.8 million in the prior year 2017-18 to $273.1 million projected for the current year.

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

Departmental Costs are increasing $6.6 million, or 2.9 percent:

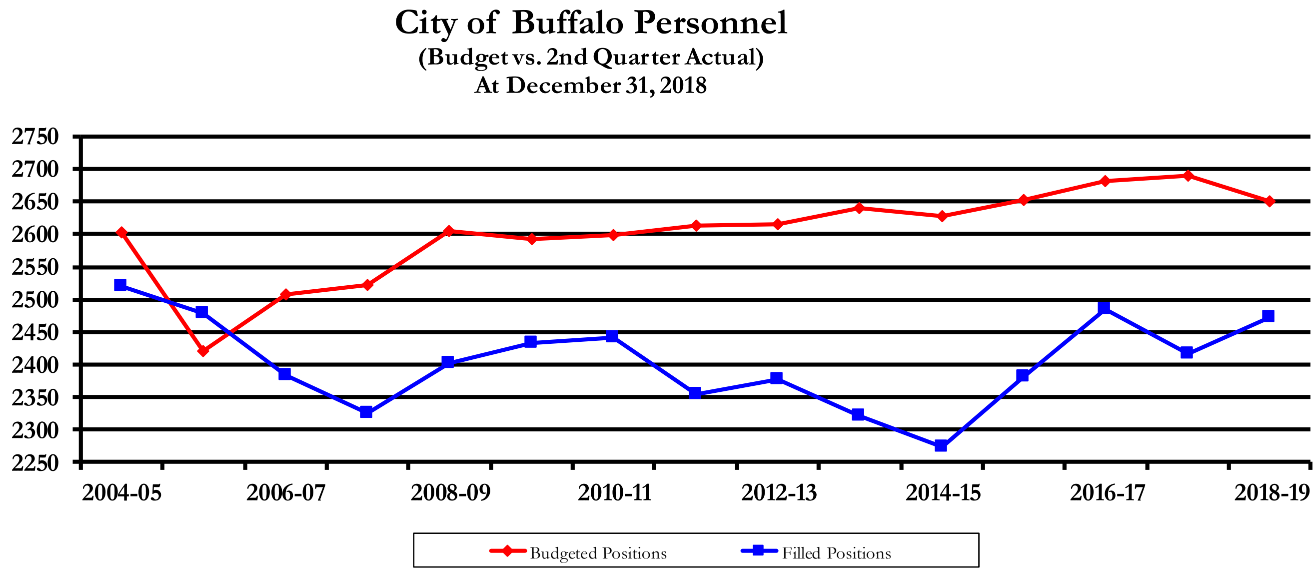
- Employee compensation, excluding duty disability payments, is increasing $3.4 million, or 1.8 percent.
- Services are increasing $1.3 million, or 5.6 percent.
- Capital outlay is increasing $1.1 million, or 42.3 percent.
- Supplies are increasing $0.7 million, or 7.5 percent, and all other departmental costs are increasing by $0.1 million on a net basis.

General Charges are increasing $9.3 million, or 5.7 percent:

- Employee benefits are increasing $11.8 million, 8.4 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 $2.4 million, or 6.5 percent, for active employee health insurance; $2.5 million increase for contributions to the employee retirement system; and $1.8 million increase for contributions to the police and fire retirement system.
    - In addition, workers' compensation is increasing $0.7 million, and the salary adjustment line is increasing $1.7 million. The City initially budgeted $2.35 million in the salary adjustment line in FY 2019, after spending $9,781 in FY 2018. As compared to the amount in the Adopted Budget, the year-end projection of $1.7 million provides a reduction of $650,000. The $1.7 million is being utilized to pay for the Local 282 labor contract that was settled in the fall of 2018. All other fringe benefits are decreasing 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 $4.2 million, or 59.0 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, rate 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 second 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 are projected to occur due to the new shift schedule that allows for more efficient utilization of manpower to limit overtime.

Personnel
The following chart compares budgeted positions to actual filled positions on an annual basis from 2005 to 2018:



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 December 31, 2018, 2,473 positions have been filled resulting in 178 vacant positions, or a vacancy rate of 6.7 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 72 FTE's over the last ten years from 2,401 in FY 2009 to 2,473 on December 31, 2018. 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 second quarter as of December 31, 2017, there is an increase of 56 filled positions from 2,417 to 2,473 at December 31, 2018. The increase of 56 filled positions is driven primarily by the increase of an additional 76 uniformed firefighters, followed by an increase of five employees in sanitation and streets. These increases were offset by a decrease of fourteen civilian employees that left the police department as well as eight sworn officers between December 31, 2017 and December 31, 2018. The remaining twelve departments had a net decrease of 3 FTE's.

The police department currently has 804 FTE sworn officers budgeted; as of December 31, 2018, 765 positions were filled leaving 39 vacancies, or 4.9 percent. Non-sworn police department personnel are budgeted at 204 FTE's with 175 filled, creating a vacancy of 29 positions, or 14.2 percent. A total of 68 out of the 178 current vacancies, or 38.2 percent of vacancies, are in the police department.

The fire department has 742 FTE uniformed officers budgeted, and currently 693 of those positions are filled, representing a vacancy count of forty-nine positions, or 6.6 percent. The vacancy number of 49 is equivalent to 27.5 percent of total City vacancies as of December 31, 2018.
On a year-to-year basis, the City has increased the number of filled firefighter positions from 617 FTE's at December 31, 2017, to 693 FTE's at December 31, 2018, an increase of 76 FTE's, or 12.3 percent, on an annual basis. Police FTE's have decreased over the same period from 773 FTE's to 765 FTE's, a net decrease of 8 FTE's or 1.0 percent.

As of December 31, 2018, there were 39 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 are plans to begin a second fire academy class of 30-35 recruits, in the spring of 2019. As of December 31, 2018, there were 49 uniformed vacancies in the fire department.

Conclusions and Recommendations:

While six months does allow the City to analyze certain trends and determine if there are any significant areas of concern, assumptions/events could change that could have a significant impact on current estimates.

The City has estimated a deficit of $3.5 million, fully funded with restricted fund balance for capital outlay. It's important to note the capital outlay expenditures are one-time expenditures and the City's operations are balanced within the budget. For the year ended June 30, 2018, a general fund deficit of $22.9 million was reported which resulted in a decrease in unassigned fund balance of $6.5 million and a reallocation and use of $16.4 million of assigned fund balance, $12.2 million was assigned for use in the 2017-18 budget and an additional $4.2 million was reallocated and used in conjunction with the unassigned fund balance to close the year-end deficit. The emergency stabilization fund, i.e., the Rainy Day Fund, remained fully intact at this date. Any operating deficit in excess of fund balance released from restrictions will result in further reassignment and use of fund balance and possibly use of the Rainy Day Fund, depending on the extent to the deficit.

As previously recommended by BFSA, we continue to recommend that revenues be closely monitored. It is known that the entertainment surcharge fee will not be collected in the current fiscal year which was budgeted at $2.0 million. Gifts and donations were also budgeted at $2.0 million and there is uncertainty as to whether this amount is reasonable. Fines were significantly overestimated by $3.0 million, or 20%, based on projections at December 31, 2018. Furthermore, the sale of property budgeted at $8.0 million has been revised to an expected $6.1 million and assumes several property sales will close before year-end. 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.

The shortfall in the casino revenue was considered temporary as the City expected to collect this amount in the future at the conclusion of the litigation between the State and the Seneca Nation. The arbitration was in favor of the State and the City currently expects to receive approximately $17.0 million and is waiting on a final amount from New York State.

Based on our analysis, we are comfortable with the projected year-end expenditures. Expenditures are projected to be favorable on a net basis at year-end. However, overtime for the police and fire departments remains an area of 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 second quarter has decreased by $2.4 million, or 34.2 percent; this is largely attributed to overall efficiencies in managing the workforce. Fire overtime on a year-to-year basis has decreased by $0.4 million, or 7.3 percent. However, the recently settled labor agreement moved the workforce to a 24-hour work schedule that 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. It is noted, however, that if overtime is incurred at the same level as the first six months, overtime will exceed the budgeted amount by $4.5 to $6.0 million.