

BUFFALO FISCAL STABILITY AUTHORITY
ANNUAL DISCLOSURE REPORT

For the Year Ended June 30, 2020

Pursuant to Certain Continuing Disclosure Certificates and Continuing Disclosure Agreements

Entered into Pursuant to the Provisions of Rule 15c2-12 of the
Securities and Exchange Commission

Exhibits

Exhibit A	CUSIP Numbers
Exhibit B	Annual Information Relating to Authority Bonds as of December 14, 2020
Exhibit C	Summary of Terms
Exhibit D	Financial Statements and Independent Auditors' Report - Buffalo Fiscal Stability Authority, dated September 23, 2020

DISCLAIMER

All information contained herein has been furnished or obtained by the Buffalo Fiscal Stability Authority (the "Authority") from sources believed to be accurate and reliable. The information contained in this Annual Disclosure Report is subject to change without notice and delivery of this information shall not, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. Reference should be made to the offering circulars and the operative documents for each series for a full and complete statement of the terms of each series of bonds. Certain definitions for terms utilized within this Annual Disclosure Report are included in the Summary of Terms within Exhibit C; the Summary of Terms is qualified in its entirety by reference to the information appearing within the original Offering Circular.

THIS IS NOT AN OFFERING DOCUMENT

The information in this Annual Disclosure Report relates to bond issues of the Authority that have been sold and distributed in underwritten public offerings described in the related official statements. Each viewer of the following information acknowledges that (i) the Authority is not now by this document offering any bonds or other securities, nor soliciting an offer to buy any securities, (ii) this information is not to be construed as any description of the Authority or its programs in conjunction with any offering of bonds or securities of the Authority - such offerings are only made pursuant to the appropriate offering circulars of the Authority - nor shall anyone assume from the availability of the following information that the affairs of the Authority have not changed since the date of this information, (iii) no representation is made as to the propriety or legality of any secondary market trading of the bonds or other securities of the Authority by anyone in any jurisdiction and (iv) the Authority does not hereby obligate itself in any manner to periodically or otherwise update this information.

CUSIP Numbers*

This Annual Disclosure Report relates to bonds and notes issued by the Authority which records available to the Authority indicate have, or had at the time of issuance, the following six-digit issuer identification CUSIP numbers:

119679

119683

*The Authority is not a subscriber to the CUSIP Service Bureau and has no means to verify the accuracy of these CUSIP numbers or to determine if such numbers have changed as a result of events in the secondary market. In accordance with the terms of the bonds and notes of the Authority, failure to use CUSIP numbers in any notice to holders of the bonds or notes, or any error or omission with respect thereto, does not constitute an Event of Default or any similar violation of any the Authority contract with such holders.

The Authority acknowledges the copyright position of Standard & Poor's and the American Bankers Association with respect to CUSIP numbers and the CUSIP numbering system.

Authority failure to use CUSIP numbers in any notice to holders of the bonds or notes, or any error or omission with respect thereto, does not constitute an Event of Default or any similar violation of any of the Authority's contracts with such holders.

Annual Information Relating to Authority Bonds as of December 14, 2020

The Buffalo Fiscal Stability Authority (the “Authority”) is a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation created by the Buffalo Fiscal Stability Authority Act, Chapter 122 of the Laws of 2003, as amended from time to time (the “Act”).

The Act authorizes the Authority to issue debt (the “Bonds”) and to secure the repayment of such debt with a pledge of the Authority’s right, title and interest in the Revenues of the Authority, which are required by the Act to be paid to the Authority. In accordance with the Act, Revenues are applied in the following general order of priority: first, pursuant to the Authority’s contracts with bondholders, for the payment of Debt Service and to replenish any reserve funds securing the obligations of the Authority, then, in the order of priority provided in the Indenture and the Financing Agreement, to pay Authority expenses not otherwise provided for, and then to the City of Buffalo, New York (the “City”) and the Buffalo City School District (the “School District”), as frequently as practicable. The Authority’s Revenues, which consist primarily of certain City Tax Revenues and certain School District Tax Revenues, which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law, State Aid Revenues which are paid or payable to the Authority pursuant to the Act, and investment earnings on money and investments on deposit in the Bond Accounts established under the Indenture, are the only source of payment for the holders of the Bonds. Pursuant to the Act and the Indenture, the Authority has pledged the Revenues to the Trustee for payment of the Bonds. The Act provides that the Authority’s pledge of its Revenues represents a perfected first security interest on behalf of the holders of the Bonds. The lien of the Indenture on the Revenues for the security of the Bonds is prior to all other liens thereon.

The Authority does not have, nor is it expected to have, any significant assets or sources of funds other than City Tax Revenues, School District Tax Revenues, State Aid Revenues and amounts on deposit pursuant to the Indenture. Neither the City, the County of Erie, New York (the “County”), the State nor the Trustee will insure or guarantee the Authority Bonds. The State is not obligated to make any additional payments, impose any taxes or make available any additional State aid to satisfy the Debt Service obligations of the Authority. The County is not obligated to make any payments or impose any taxes or set aside net collections for educational purposes pursuant to the authority of Section 1262(a) of the State Tax Law, except that the County shall impose the Local Sales Tax (defined below) at a rate of no less than 3% through the period ending June 30, 2037. The City is not obligated to make any payments or impose any taxes except that if the City imposes sales and compensating use taxes, it shall do so pursuant to Section 1210 of the State Tax Law at the maximum rate authorized by such Section.

Under the Act, the Authority is not authorized to file a petition in bankruptcy pursuant to Title 11 (the “Bankruptcy Code”) of the United States Code. The Act also prohibits the City and the Covered Organizations (as defined below) from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of the Authority and the State Comptroller, and no such petition may be filed while Authority Bonds or Notes remain Outstanding. Under the Act, the term Covered Organizations specifically includes the Buffalo City School District, the Joint Schools Construction Board, described in Chapter 605 of the Laws of 2000, as amended, and the Buffalo Municipal Housing Authority, and any governmental agency, public authority or public benefit corporation which receives or may receive moneys directly, indirectly or contingently from the City (other than

the Authority and any State public authority defined in Section 201 of the State Civil Service Law). Any such governmental agency, public authority or public benefit corporation may be exempted from the provisions of the Act by order of the Authority upon a finding by the Authority that such exemption does not materially affect the ability of the City to adopt and maintain a budget pursuant to the provisions of the Act. The Act also provides that the Authority may terminate any exemption granted by it upon a determination that the circumstances upon which the exemption was granted are no longer applicable. Under the authority of the Act, on January 21, 2004, the Authority adopted a resolution which (i) specifically determined that the Buffalo City School District, the Buffalo Municipal Housing Authority, the Buffalo Sewer Authority, the Buffalo Urban Renewal Agency, the Joint Schools Construction Board, the Buffalo Water Board and the Buffalo Water Finance Authority are to be Covered Organizations; and (ii) granted exemptions from the Authority's financial control and oversight powers to the Buffalo Sewer Authority, the Buffalo Water Board, and the Buffalo Municipal Water Finance Authority.

Directors and Management

The Authority is governed by a board of nine directors, seven of which are to be appointed by the Governor of the State. Of the seven directors appointed by the Governor, one must be a resident of the City, one is to be appointed following the recommendation of the State Comptroller, and one is to be appointed on the joint recommendation of the Temporary President of the Senate and the Speaker of the Assembly. The Mayor of the City and the County Executive serve as *ex officio* directors. The Governor designates the Chairperson and Vice Chairperson from among the directors. Five directors constitute a quorum.

Directors and Officers

As of December 14, 2020, the following individuals have been appointed directors and officers:

George K. Arthur, Director and Secretary. Mr. Arthur is a former President of the Buffalo Common Council.

Frederick G. Floss, Director. Dr. Floss is a professor of Economics and Finance at the State University of New York College at Buffalo and previously was the Executive Director of the Fiscal Policy Institute. Additionally, he is a former Vice-President for Academics with United University Professionals.

Jeanette T. Jurasek, Ph.D, Director and Interim Vice Chair (internally appointed). Dr. Jurasek is the former President of Medaille College.

R. Nils Olsen, Jr., Director and Chairperson. Mr. Olsen was most recently a Professor of Law at the State University of New York at Buffalo. Mr. Olsen previously served as Dean of the School of Law at the State University of New York at Buffalo from 1998 to 2007.

Byron W. Brown, Director *ex officio*. Mr. Brown is the Mayor of the City of Buffalo.

Mark C. Poloncarz, Director *ex officio*. Mr. Poloncarz is the Erie County Executive.

Senior Officers

The following is a brief description of certain senior officers of the Authority:

Jeanette M. Robe, CPA, Executive Director since June 2009. Ms. Robe is the former Deputy Comptroller of the City of Buffalo and former Senior Manager with Deloitte & Touche LLP, Buffalo, New York.

Bryce E. Link, MPA, Principal Analyst/Media Contact. Mr. Link joined the Authority in January 2007 and is a former budget fellow and examiner with the New York State Division of Budget – Expenditure Debt Unit.

Claire A. Waldron, CPA, Comptroller since September 2019. Ms. Waldron is the former Special Assistant to the Comptroller of the City of Buffalo, and former Controller for the Weinberg Campus.

Revenues

The Bonds are payable from the Authority’s Revenues, which consist of (i) City Tax Revenues, which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law; (ii) School District Tax Revenues, which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law; (iii) State Aid Revenues, which are paid or payable to the Authority pursuant to the Act; and (iv) all other aid, rents, fees, charges, gifts, payments and other income and receipts paid or payable to the Authority or a trustee for the account of the Authority, to the extent such amounts are pledged to Bondholders.

City Tax Revenues

City Tax Revenues are presently defined as that portion of the County’s net collections from sales and compensating use taxes, penalties and interest that is payable to the City under the agreement among the City, the County and the cities of Lackawanna and Tonawanda (the “Local Sales Tax Agreement”) authorized by Section 1262(c) of the State Tax Law. Such sales and compensating use taxes are authorized by the State and imposed by the County, currently at the rate of 4.75%, on the sale and use of tangible personal property and services in the County (the “Local Sales Tax”). The Act requires the County to impose the Local Sales Tax at a rate of no less than 3% through the period ending June 30, 2037. Under the Local Sales Tax Agreement, the City is presently entitled to receive a pro rata share, on the basis of population, of (i) an amount equal to 10.0087% of the net collections from such 3%, which amount is shared among the City, Lackawanna and Tonawanda, and (ii) an amount equal to 25.6858% of the net collections from such 3%, which amount is shared among the City, Lackawanna, Tonawanda and the towns within the County. In addition, pursuant to Section 1262-q of the State Tax Law, as amended, during the period beginning January 1, 2007 through and including November 30, 2023, the County is required to allocate to the cities and towns within the County the first \$12.5 million of any net collections from the additional 1% of sales and compensating use taxes authorized by Section 1210(i)(4) of the State Tax Law, which allocation must be made in the manner and proportion required by the Local Sales Tax Agreement, and therefore result in additional City Tax Revenues of approximately \$5.7 million. The Act provides that the City has no right, title or interest in or to City Tax Revenues required to be paid to the Authority, until after payment of debt service, replenishment of reserves and payment of operating expenses of the Authority pursuant to the Authority’s contracts with bondholders and then as provided in the Authority’s agreement with the City. City Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by

the State, the County or the City. The Local Sales Tax is one of the major sources of revenue for the City, accounting for approximately 19.6% of City revenues, as audited, in the City's general fund for the fiscal year ending June 30, 2020. The current total sales tax rate in the County is 8.75%, of which 4% is the State's share and 4.75% is the Local Sales Tax. For a description of the servicing and application of City Tax Revenues, see "Application of Revenues" below.

Pursuant to authorizing legislation enacted by the State in 1965, the County has imposed a Local Sales Tax since August 1, 1965, at a base rate initially of 2%, which base rate was increased to 3% in 1972. In addition, since 1984, with the exception of a nine-day period in January 1988, enabling legislation has been enacted periodically by the State permitting the County to increase the Local Sales Tax rate by 1%, from the base rate of 3% to 4%; the additional 1% has historically been used solely for County purposes. Effective July 1, 2005, the County was authorized by the State to increase the Local Sales Tax rate by an additional .25%, to 4.25%, and effective January 10, 2006, the County was authorized by the State to increase the Local Sales Tax by another .50%, to 4.75%. However, during the period beginning January 1, 2007 through and including November 30, 2023, the County is required to allocate to the cities and towns within the County the first \$12.5 million of any net collections from the additional 1% of sales and compensating use taxes authorized by Section 1210(i)(4) of the State Tax Law, which allocation will result in additional City Tax Revenues of up to approximately \$5.7 million.

The County Legislature has adopted local laws to implement the State's authorization to impose the additional 1% and the additional .75% through November 30, 2023, the current limits of the State's authorization for such incremental increases. No assurance can be given that either the County Legislature or the State will enact legislation extending the effective date of the additional 1% or the additional .75% components of the Local Sales Tax beyond November 30, 2023, nor can any assurance be given that, if such legislation is so enacted, any net collections from such additional Local Sales Tax will be allocated to the City. If such provisions are not renewed, the County is required by the Act to maintain the existing 3% base rate.

In the event that the City, with the approval of the Authority, imposes sales and compensating use taxes pursuant to the authority of Section 1210 of the State Tax Law, City Tax Revenues will also include net collections from such City-imposed taxes. The Act provides that if the City imposes such sales and compensating use taxes, it must do so at the maximum rate authorized by the Tax Law. There can be no assurance that the City will independently impose such sales and compensating use taxes. The following table sets forth the history of the City's cash receipts from the County's Local Sales Tax collections since calendar year 2003. From 2003 to 2020, the average annual compound growth rate for City cash receipts from Local Sales Tax collections was approximately 2.26%.

**CITY TAX REVENUES FROM
SALES TAX COLLECTIONS**

<u>Calendar Year</u>	<u>Actual City Tax Revenues</u>	<u>Calendar Year</u>	<u>Actual City Tax Revenues</u>
2003	\$60,170,160	2012	\$76,656,059
2004	60,538,856	2013	78,603,674
2005	63,168,416	2014	80,455,519
2006	64,038,027	2015	80,232,456
2007	73,570,764	2016	81,894,037
2008	76,547,533	2017	83,271,591
2009	73,561,456	2018	86,846,173
2010	74,482,504	2019	89,943,125
2011	74,245,192	2020	87,955,206

See “MONTHLY CITY TAX REVENUE DISTRIBUTIONS” table.
SOURCE: Buffalo Fiscal Stability Authority (2003 – 2020)

The amount of future City Tax Revenues to be collected depends upon various factors including the economic conditions in the County. Economic conditions in the County have reflected numerous cycles of growth and recession, quite notably the recent COVID-19 pandemic. The impact of the pandemic has resulted in decreased Sales Tax collections for the first time in many years. This impact is expected to continue into fiscal year 2021. There can be no assurance that historical data relating to economic conditions in the County are predictive of future trends. In addition, the State has in the past enacted amendments to the Tax Law to exempt specified goods and services from the imposition of the sales and compensating use tax, or to reduce the rate of the sales tax on such goods and services. There can be no assurance that future proposals will not result in additional exemptions or reductions.

School District Tax Revenues

School District Tax Revenues are presently defined as that portion of the County’s net collections from the Local Sales Tax that is payable to the School District by the County pursuant to Section 1262(a) of the State Tax Law. The Act requires the County to impose the Local Sales Tax at a rate of no less than 3% through the period ending June 30, 2037. The School District presently receives a pro rata share of an amount equal to 29% of the net collections from such 3%, which amount is shared among all school districts with territory in the County; the School District’s pro rata share is calculated on the basis of average daily attendance of public school pupils who are residents of the County. The Act provides that the School District has no right, title or interest in or to School District Tax Revenues required to be paid to the Authority, until after payment of debt service, replenishment of reserves and payment of operating expenses of the Authority pursuant to the Authority’s contracts with bondholders and then as provided in the Authority’s agreement with the City. School District Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State, the County or the City.

The following table sets forth the history of the School District’s cash receipts from the County’s Local Sales Tax collections since calendar year 2003. From 2003 to 2020, the average annual compound growth rate for School District cash receipts from Local Sales Tax collections was approximately 2.88%

**SCHOOL DISTRICT TAX REVENUES FROM
SALES TAX COLLECTIONS**

<u>Calendar Year</u>	<u>Actual School District Tax Revenues</u>	<u>Calendar Year</u>	<u>Actual School District Tax Revenues</u>
2003	\$30,150,449	2012	\$36,345,462
2004	30,241,128	2013	38,361,445
2005	31,654,134	2014	40,679,906
2006	32,200,882	2015	40,529,790
2007	33,646,882	2016	42,999,304
2008	34,417,261	2017	44,188,379
2009	32,022,474	2018	47,383,905
2010	33,269,390	2019	50,000,911
2011	34,760,380	2020	48,830,906

See “MONTHLY SCHOOL DISTRICT TAX REVENUE DISTRIBUTIONS” table.
SOURCE: Buffalo Fiscal Stability Authority (2003 – 2020)

The amount of future School District Tax Revenues to be collected depends upon various factors including the economic conditions in the County. Economic conditions in the County have reflected numerous cycles of growth and recession, quite notably the recent COVID-19 pandemic. The impact of the pandemic has resulted in decreased Sales Tax collections for the first time in many years. This impact is expected to continue into fiscal year 2021. There can be no assurance that historical data relating to economic conditions in the County are predictive of future trends. In addition, the State has in the past enacted amendments to the Tax Law to exempt specified goods and services from the imposition of the sales and compensating use tax, or to reduce the rate of the sales tax on such goods and services. There can be no assurance that future proposals will not result in additional exemptions or reductions.

Sales Tax Collection and Distribution

Sales tax is collected by vendors and service providers in the County and remitted to the New York State Department of Taxation and Finance monthly, quarterly or annually based on the volume of sales. The New York State Department of Taxation and Finance reports the amounts of such collections to the State Comptroller, and such amounts are deposited daily with such banks, banking houses or trust companies as may be designated by the State Comptroller, to the credit of the State Comptroller in trust for the Authority to the extent net collections from Local Sales Tax imposed by the County are payable to the Authority. After retaining such amount as the State Commissioner of Taxation and Finance may determine to be necessary for refunds and for the reasonable costs of the State Tax Commissioner in administering, collecting and distributing such taxes, on or before the twelfth day of each month, the State Comptroller is required to pay to the Authority all City Tax Revenues and School District Tax Revenues collected during the preceding calendar month; provided, however, that the State Comptroller is required to make a partial payment on or before the last day of June and December consisting of collections made during and including the first 25 days of such months. The amount of City Tax Revenues and School District Tax Revenues received by the Authority each month in a year may vary from the amount for such month received by the Authority in prior years because of the impact of amounts deducted from or added to such payments to reflect the recalculation by the New York State Department of Taxation and Finance of actual amounts of Local Sales Tax collected. The Authority has instructed the State Comptroller to pay City Tax Revenues and School District Tax Revenues directly to the Trustee

for application in accordance with the Act and the Indenture. For more information regarding the application of City Tax Revenues upon receipt by the Trustee, see “Application of Revenues” below. The following tables set forth, on a cash basis, monthly distributions of the City’s share and the School District’s share, respectively, of Local Sales Tax collections received by the Authority since January 2015.

**MONTHLY CITY TAX
REVENUE DISTRIBUTIONS**

<u>Month</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	\$6,680,193	\$7,929,595	\$7,391,411	\$7,878,377	\$8,175,470	\$8,668,443
February	8,698,263	8,612,864	8,789,609	9,128,577	9,488,279	10,059,245
March	8,510,967	8,199,564	8,293,132	8,618,419	8,497,209	8,640,366
April	6,577,081	6,883,135	7,099,674	6,757,898	6,880,750	7,429,000
May	5,633,594	5,616,959	5,657,540	6,281,754	6,185,907	4,596,051
June	7,708,585	7,814,327	8,460,904	8,701,250	9,445,736	8,311,768
July	5,592,193	5,201,504	5,107,216	5,536,550	5,381,695	4,433,341
August	5,948,274	6,065,109	6,161,730	6,511,691	6,815,140	6,081,378
September	5,923,250	6,037,039	6,151,829	6,363,893	6,909,954	6,102,327
October	7,410,364	7,606,911	7,856,695	8,312,608	8,846,528	11,222,429
November	5,807,814	5,862,024	5,961,096	6,300,518	6,666,832	6,342,596
December	5,741,878	6,065,006	6,340,755	6,454,638	6,649,625	6,068,262
TOTALS	\$80,232,456	\$81,894,037	\$83,271,591	\$86,846,173	\$89,943,125	\$87,955,206

SOURCE: Buffalo Fiscal Stability Authority

**MONTHLY SCHOOL DISTRICT
TAX REVENUE DISTRIBUTIONS**

<u>Month</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	\$3,585,259	\$4,469,255	\$4,179,646	\$4,574,163	\$4,844,183	\$5,161,657
February	3,335,712	3,433,420	3,534,745	3,756,447	3,953,390	4,258,521
March	2,859,181	2,848,522	2,920,740	3,257,357	3,345,838	3,501,994
April	3,529,919	3,879,452	4,014,676	3,923,616	4,077,027	4,423,626
May	3,023,550	3,165,814	3,199,188	3,647,168	3,665,314	2,736,736
June	4,137,197	4,404,288	4,784,415	5,051,920	5,596,849	4,949,267
July	3,001,330	2,931,656	2,887,994	3,214,505	3,188,797	2,639,849
August	3,192,438	3,418,399	3,484,294	3,780,669	4,038,151	3,621,179
September	3,179,008	3,402,578	3,478,695	3,694,858	4,094,331	3,633,653
October	4,176,607	4,301,505	4,561,574	4,925,441	5,267,698	6,602,610
November	3,273,368	3,314,816	3,460,988	3,733,216	3,969,789	3,731,609
December	3,236,221	3,429,599	3,681,424	3,824,545	3,959,544	3,570,205
TOTALS	\$40,529,790	\$42,999,304	\$44,188,379	\$47,383,905	\$50,000,911	\$48,830,906

SOURCE: Buffalo Fiscal Stability Authority

Historically, both the City and the School District have received a portion of the County-wide 3% sales tax collected by the State. This tax is in addition to the 4% State sales tax, the proceeds of which remain with the State, and an aggregate 1.75% County sales tax presently retained in large part by the County. The base 3% County-wide sales tax is distributed in accordance with the Local Sales Tax Agreement, effective January 1, 1978. In addition, during the period beginning January 1, 2007 through and including November 30, 2023, the County is required to allocate to the cities and towns within the County the first \$12.5 million of any net collections from the 1% County sales tax authorized by Section 1210(i)(4) of the State Tax Law, which allocation must be made in the manner and proportion required by the Local Sales Tax Agreement, and therefore results in additional City Tax Revenues of approximately \$5.7 million. The Local Sales Tax Agreement provides that any party thereto may terminate the agreement upon one year's prior written notice. In the Act, the City has covenanted and agreed that (i) it will not take any action, without the Authority's consent, which would terminate or alter the terms of the Local Sales Tax Agreement and thereby reduce or eliminate the amount to be received by the City thereunder, including without limitation the imposition by the City of sales and compensating use taxes preempting the County's imposition of the Local Sales Tax; and (ii) if the City imposes such sales and compensating use taxes, it will do so at the maximum rate authorized by Section 1210 of the Tax Law.

Beginning with the State fiscal year 2019-2020, State Tax Law Section 1261(c)(5-a) required the State Comptroller ("OCS") to withhold and pay the towns and villages in Erie County from the sales tax remaining, after paying the Authority, amounts equal to the base level of grants that these municipalities had received from the State under the Aid and Incentives for Municipalities ("AIM") program in the State fiscal year 2018-2019 as "AIM-related payments". Such AIM-related payments are made from the local, not the State, sales tax portion. The total amount redistributed during the Authority's fiscal year ended June 30, 2020 was \$724,803.84, consisting of \$454,293.25 from City sales tax and \$270,510.59 from District sales tax. In December 2020, a total of \$602,076.48 was redistributed consisting of \$379,060.07 and \$223,016.41 from City and District sales tax, respectively. Such redistributions were made to effectuate the AIM-related payments. There was no fiscal implication as the City and the District had no right to the sales tax required to be withheld and distributed as AIM-related payments pursuant to State Tax Law Section 1261(c)(5-a).

State Aid Revenues

State Aid Revenues are defined as all general purpose local government aid, emergency financial assistance to certain cities, emergency financial assistance to eligible municipalities, supplemental municipal aid, and any successor type of aid and any new aid appropriated by the State as local government assistance for the benefit of the City, which are paid or payable to the Authority pursuant to the Act, except as otherwise prescribed by the State Legislature. The Act provides that the City will have no right, title or interest in or to State Aid Revenues required to be paid to the Authority, except after payment of debt service and operating expenses of the Authority pursuant to the Authority's contracts with bondholders and then as provided in the Authority's agreement with the City.

Any provision of the Act with respect to State Aid or State Aid Revenues shall be deemed executory only to the extent of moneys available, and no liability shall be incurred by the State beyond the moneys available for that purpose. Any payment by the State Comptroller to the Authority of State Aid Revenues is subject to annual appropriation of State Aid by the State Legislature.

The following table sets forth the history of the City’s State Aid Revenues on a State fiscal year basis since the fiscal year of the State ending 2003. The amount of State Aid Revenues received by the City is subject to annual State appropriation and other factors, and historical State Aid Revenues cannot be relied upon to predict future State Aid Revenues. The Act does not restrict any right of the State to amend, repeal, modify or otherwise alter Section 54 of the State Finance Law or any other provision of State law relating to State aid to municipalities.

**ANNUAL STATE AID REVENUE
DISTRIBUTIONS**

<u>State Fiscal Year</u>	<u>State Aid Revenues</u>	<u>State Fiscal Year</u>	<u>State Aid Revenues</u>
2003	\$102,772,529	2012	\$161,285,233**
2004	102,772,529*	2013	161,285,233**
2005	102,772,529**	2014	161,285,233**
2006	115,876,026**	2015	191,285,233**
2007	142,267,026**	2016	161,285,233**
2008	155,071,058**	2017	161,285,233**
2009	171,206,673**	2018	161,285,233**
2010	167,337,178**	2019	161,285,233**
2011	164,576,768**	2020	161,285,233**

* Of the amount shown, \$51,955,464 was received by the Authority in 2004.

** Received by the Authority.

SOURCE: Buffalo Fiscal Stability Authority

The above presentation is based on the State’s fiscal year of April 1 to March 31. The State’s fiscal year 2020 ended on March 31, 2020. In June 2020, the State withheld 20% of the City’s State Aid and Incentives to Municipalities payment, which amounted to an approximate \$20 million reduction, due to the COVID-19 pandemic and resulting decreased State revenues. A determination by the State has not been made as to whether the withholding is temporary or permanent. A 20% reduction is budgeted by the State to continue through its fiscal year 2024, for an annual negative impact of \$32,257,047.

Authority Bonds

Pursuant to the Act, the Authority has the power to issue its bonds, notes and other obligations to finance (a) the refunding, repayment or restructuring of a portion of the City’s outstanding indebtedness or that of any Covered Organization; (b) cash flow needs of the City or any Covered Organization; (c) any object or purpose of the City or any Covered Organization for which a period of probable usefulness is prescribed in Section 11.00 of the State Local Finance Law; (d) amounts necessary to finance a portion of the operating costs of the City or any Covered Organization, as provided under the Act and approved by the Authority; (e) debt service reserve funds in connection with such bonds, notes and other obligations; and (f) incidental costs in connection with such issuance. Bonds may only be issued by the Authority upon a request therefor by the City made by the Mayor and approved by the City’s Common Council. Any such issuance of Bonds shall be at the discretion of the Authority. No Bond of the Authority may mature later than June 30, 2037, or more than 30 years from its date of issue. Bonds of the Authority may be

issued, amortized, redeemed and refunded without regard to the provisions of the State's Local Finance Law.

The Authority has previously issued \$156,580,000 of Bonds, of which \$6,440,000 are outstanding as of December 14, 2020. Other series of bonds and notes may be issued from time to time by the Authority.

Debt Service Coverage on Senior Bonds

The Authority cannot predict the amounts of additional Senior Bonds, if any, that the Authority will issue as requested by the City and approved by the Authority, except that in any event the Indenture limits the aggregate principal amount of outstanding Senior Bonds and Senior Notes to \$300,000,000. The following table shows coverage of maximum annual aggregate Debt Service on all currently Outstanding Senior Bonds of the Authority by historical City Tax Revenues, School District Tax Revenues and State Aid Revenues.

**DEBT SERVICE COVERAGE ON SENIOR BONDS
BY HISTORICAL CITY TAX REVENUES, SCHOOL DISTRICT
TAX REVENUES AND STATE AID REVENUES**

<u>Year</u>	<u>City Tax/School District Tax Revenues</u>	<u>City Tax/School District Tax/ State Aid Revenues</u>	<u>Maximum Annual Debt Service Coverage (City Tax/School District Tax Revenues)</u>	<u>Maximum Annual Debt Service Coverage (All Revenues)</u>
2003	\$90,320,708	\$193,093,237	4.44x	9.50x
2004	\$90,779,984	\$193,552,513	4.47x	9.52x
2005	\$94,822,550	\$213,195,079	4.66x	10.49x
2006	\$96,238,909	\$212,114,935	4.73x	10.73x
2007	\$107,217,188	\$249,484,214	5.18x	12.05x
2008	\$110,964,794	\$266,035,852	5.36x	12.85x
2009	\$105,583,930	\$276,790,603	5.10x	13.37x
2010	\$107,751,894	\$275,089,072	5.20x	13.29x
2011	\$109,005,572	\$273,582,340	5.26x	13.21x
2012	\$113,001,521	\$274,286,754	5.59x	13.57x
2013	\$116,965,119	\$308,250,352	5.79x	15.25x
2014	\$121,135,425	\$282,420,658	7.00x	16.32x
2015	\$120,762,246	\$282,047,479	10.88x	25.40x
2016	\$124,893,341	\$286,178,574	14.64x	33.55x
2017	\$127,459,970	\$288,745,203	18.78x	42.55x
2018	\$134,230,078	\$295,515,311	20.03x	44.10x
2019	\$139,944,036	\$301,229,269	22.64x	48.72x
2020	\$136,786,112	\$298,071,345	26.45x	57.63x

SOURCE: Buffalo Fiscal Stability Authority

The aggregate principal amount of the Authority's bonds, notes or other obligations that may be Outstanding at any one time may not exceed \$175,000,000. The Authority may also issue its bonds, notes or other obligations to refund obligations previously issued by the Authority. Bonds, notes or other obligations of the Authority issued (i) to pay reasonable costs of issuance, (ii) to establish debt service reserve funds, (iii) to refund or advance refund any outstanding bonds or notes of the City or the Authority, or (iv) as Cash Flow Borrowings will not count against the \$175,000,000 limitation described above. In any event, however, the Act limits to \$145,000,000

the aggregate principal amount of Cash Flow Borrowings that may be outstanding at any one time, and the Indenture limits the aggregate principal amount of outstanding Senior Bonds and Senior Notes to \$300,000,000. No Bond of the Authority may mature later than June 30, 2037, or more than 30 years from its date of issue.

The Indenture provides that (i) other series of Bonds or Notes may be issued only (a) as Senior Bonds or Senior Notes on a parity with other series of Senior Bonds or Senior Notes, or (b) as Subordinate Bonds or Subordinate Notes; but (ii) no series of Senior Bonds or Senior Notes on a parity with other series of Senior Bonds or Senior Notes shall be authenticated and delivered unless the amount of City Tax Revenues and School District Tax Revenues received by the Authority for the twelve consecutive calendar months ended not more than three months prior to the calculation date is at least three (3) times the amount of annual Debt Service (excluding any accrued or capitalized interest), including Debt Service on such series of Senior Bonds and Senior Notes proposed to be issued, for each fiscal year such Bonds or Notes will be Outstanding.

In addition, no Senior Bonds may be issued unless there is deposited to the Debt Service Reserve Account from the proceeds of such Bonds the amount required to satisfy the applicable Debt Service Reserve Account Requirement. Amounts on deposit in the Debt Service Reserve Account are held in trust under the Indenture and applied to remedy any shortfall in the Bond Account in amounts due on Debt Service, except that money on deposit in such account in excess of the Debt Service Reserve Account Requirement will be transferred to the Collections Account. The Debt Service Reserve Requirement means the amount equal to the maximum total Principal Installments and interest becoming due in the current or any future fiscal year on Senior Bonds, including on the Senior Bonds to be issued contemporaneously with such computation, using the Estimated Average Interest Rate for any variable interest rate Senior Bonds (or any reimbursement obligations issued in connection therewith which are deemed to be Bonds pursuant to the related Supplemental Indenture). The Authority may provide for a letter of credit, surety agreement, insurance agreement or other type of agreement or arrangement which provides for the availability of an amount which, together with other deposits, if any, will at least be equal to the Debt Service Reserve Account Requirement.

Application of Revenues

Upon receipt of City Tax Revenues, School District Tax Revenues and State Aid Revenues required to be paid to the Authority in accordance with the Authority's instructions to the State Comptroller, the Trustee must deposit such amounts into the Collection Account held by the Trustee. Under the Indenture, the priority for the use by the Authority of its Revenues is as follows: *first*, to the Bond Account or Redemption Account to pay or set aside for Debt Service in accordance with the procedures described below under Retention Procedures and to reserve the amount, if any, necessary to replenish the Debt Service Reserve Account to the extent of any withdrawal therefrom; *second*, to pay debt service on any Subordinate Bonds or Subordinate Notes and to reserve the amount, if any, necessary to replenish any reserve accounts established in connection therewith, and to pay any other amounts pursuant to supplemental Indentures for the benefit of Subordinate Noteholders, Subordinate Bondholders and parties to subordinate agreements; *third*, to the Authority's operating expenses, including deposits to the Redemption Account for optional redemption of the Senior Bonds, if any, and any reserves held by the Authority for payment of operating expenses; and *fourth*, to the City and the School District, as soon as practicable, free and clear of the lien of the Indenture.

Retention Procedures

At the beginning of each calendar month, the Trustee will first transfer Revenues from the Collection Account to the Bond Account in an amount equal to Accrued Debt Service. In order to provide for the timely payment of Debt Service on each payment date, Accrued Debt Service has been defined under the Indenture to account for a number of variables, such as: any accrued or capitalized interest deposited in the Bond Account and available for the payment of Debt Service on a given payment date; any other amounts held by the Trustee and irrevocably pledged to the payment of Debt Service; actual rates of interest on Notes or Bonds; any interim purchase or redemption of Notes or Bonds that reduces the amount of Debt Service payable on the next payment date; and other similar factors. In addition, the Indenture provides that sufficient moneys will in any event be retained in the Bond Account to ensure that the amount of moneys required to pay Debt Service on the next succeeding payment date will be available for such purpose two months prior to such payment date; provided, however, that any failure so to retain sufficient moneys will not constitute an Event of Default under the Indenture.

After all payments are made to the Bond Account and Redemption Account and to the Debt Service Reserve Account, if necessary to replenish the amount of any withdrawal therefrom, moneys on deposit in the Collection Account will be used in the following order of priority: for the benefit of Subordinate Bondholders, Subordinate Noteholders parties to Subordinate Agreements, to the extent required by Supplemental Indentures, for the payment of the Authority's operating expenses and, as soon as practicable, to the City and the School District, free and clear of the lien of the Indenture. The City has covenanted to provide the Authority with a schedule of forecasted collections of City Tax Revenues and School District Tax Revenues before the beginning of each fiscal year and each month during such fiscal year. In the event projected collections from City Tax Revenues, School District Tax Revenues and State Aid Revenues are anticipated to be insufficient during any month to completely provide for the amount required to be retained in such month, the Trustee is required to withhold additional City Tax Revenues, School District Tax Revenues and State Aid Revenues in subsequent months.

Agreements of the State, the County and the City

State

In the Act, the State pledges and agrees with the holders of the Bonds that the State will not limit, alter or impair the rights vested in the Authority by the Act to fulfill the terms of the Indenture, or in any way impair the rights and remedies of such holders of the Bonds or the security for the Bonds until such Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged. The State is not obligated to make any additional payments, impose any taxes or make available any additional State aid to satisfy the Debt Service obligations of the Authority. The State Constitution allows the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the Local Sales Tax. City Tax Revenues and School District Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State, the County or the City. The Act does not restrict any right of the State to amend, repeal, modify or otherwise alter Section 54 of the State Finance Law or any other provision of State law relating to State aid to municipalities. Any payment by the State Comptroller to the Authority of State Aid Revenues is subject to annual appropriation of State aid by the State Legislature.

County

The Act also contains the covenant of the County that it will not limit, alter or impair the rights vested in the Authority by the Act to fulfill the terms of the Indenture, or in any way impair the rights and remedies of such holders of the Bonds or the security for the Bonds until such Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged. Nothing contained in the Act restricts any right the County may have to amend, modify, repeal or otherwise alter local laws, ordinances or resolutions affecting or relating to the Local Sales Tax, or appropriations relating to the Local Sales Tax, or the setting aside of net collections for educational purposes pursuant to Section 1262(a) of the State Tax Law, so long as, after giving effect to such amendment, modification or other alteration, the aggregate amount projected by the Authority of City Tax Revenues and School District Tax Revenues to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration is not less than 200% of maximum annual Debt Service on all Authority Bonds then outstanding. The Act requires the County to impose the Local Sales Tax at a rate of no less than 3% through the period ending June 30, 2037. The County is not obligated to make any payments or impose any taxes or set aside net collections for educational purposes pursuant to the authority of Section 1262(a) of the State Tax Law, except that the County shall impose the Local Sales Tax at a rate of no less than 3% through the period ending June 30, 2037.

City

In accordance with the Act, the City will pledge and agree with the holders of the Bonds that the City will not limit, alter or impair the rights and remedies of such Bondholders or the security for the Bonds until the Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged. Nothing contained in the Act or the Financing Agreement restricts the right of the City to amend, modify, repeal or otherwise alter any local law, ordinance or resolution affecting or relating to the City Tax Revenues, or appropriations relating to the City Tax Revenues, so long as, after giving effect to such amendment, modification or other alteration, the aggregate amount projected by the Authority of City Tax Revenues and School District Tax Revenues to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration is not less than 200% of maximum annual Debt Service on all Authority Bonds then outstanding. The City further agrees that (i) it will not, without the Authority's prior approval, take any action, including the imposition of sales and compensating use taxes preempting the County's imposition of the Local Sales Tax, to terminate or alter the terms of the Local Sales Tax Agreement so as to reduce or eliminate the amount of net collections that the County distributes or is to distribute to the City, and (ii) if the City does impose sales and compensating use taxes, it shall do so pursuant to Section 1210 of the State Tax Law at the maximum rate authorized by such Section. The City is not obligated to make any payments or impose any taxes; except that, if the City imposes sales and compensating use taxes, it shall do so pursuant to Section 1210 of the State Tax Law at the maximum rate authorized by such Section.

THE BONDS ARE NOT A DEBT OF EITHER THE STATE, THE COUNTY OR THE CITY, AND NEITHER THE STATE, THE COUNTY NOR THE CITY IS LIABLE THEREON.

The covenants of the City, the County and the State described above shall be of no force and effect with respect to any Bond if there is on deposit in trust with a bank or trust company sufficient cash or Defeasance Collateral to pay when due all principal of and applicable redemption premium, if any, and interest on such Bond.

Certain Other Payments

In consideration of the Authority's issuance of certain bonds, the City has delivered to the Authority general obligations of the City payable from the City's real property tax revenues (the "City Bonds"). Payment by the City on the City Bonds may not directly correspond in timing or amount to the payments required to be made by the Authority with respect to its Bonds. *The City Bonds and any payments thereon are not pledged to the holders of the Authority Bonds, and the holders of the Authority Bonds have no recourse to the City or to the City's real property tax revenues.*

Summary of Terms

The following definitions are used within this Annual Disclosure Report. The following is qualified in its entirety by reference to the information appearing within the original Offering Circular.

Bond Account — The Bond Account held by the Trustee in accordance with the terms of the Indenture.

Bondholders or Noteholders — These and similar terms mean the registered owners of the Bonds and Notes from time to time as shown on the registration books of the Authority or its designee as registrar, and to the extent specified by Supplemental Indenture, the owners of bearer Bonds and Notes.

Bonds — All obligations issued as Bonds.

Cash Flow Borrowings — Shall have the meaning ascribed to the term “cash flow borrowings” in the Act.

City Tax Revenues — City Tax Revenues are defined as that portion, payable to the City under the agreement among the City, the County and the cities of Lackawanna and Tonawanda (the “Local Sales Tax Agreement”), authorized by Section 1262(c) of the State Tax Law, of the County’s net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County.

Collections Account — The State Comptroller is required by the Act, on or before the twelfth day of each month, to pay City Tax Revenues and School District Tax Revenues collected during the preceding calendar month (with partial payments to be made on or before the last day of June and December consisting of collections made during the first 25 days of such months) to the Authority for application in accordance with the Act. The State Comptroller is also required to pay State Aid Revenues to the Authority pursuant to the Act. The Authority has instructed the State Comptroller to pay City Tax Revenues, School District Tax Revenues and State Aid Revenues directly to the Trustee for application in accordance with the Act and the Indenture. All Revenues received by the Authority are deposited immediately into the Collections Account.

Debt Service — Interest, redemption premium, purchase price to the extent provided by Officer’s Certificate of the Authority, principal and sinking fund payments due on outstanding Senior Bonds and (to the extent provided by supplemental Indenture) Notes, and amounts payable from the Bond Account on Senior Agreements.

Debt Service Reserve Account — The Account so designated and held by the Trustee pursuant to the Indenture.

Debt Service Reserve Requirement — The Account so designated and held by the Trustee pursuant to the Indenture.

Estimated Average Interest Rate — The interest rate or rates anticipated to be borne by such Bonds.

Event of Default — Events of Default represent any one of the events set forth below and “default” means any Event of Default without regard to any lapse of time or notice: (a) the Authority shall fail to pay when due any interest, principal or redemption premium on a Note or Bond; (b) the Authority shall fail to observe or perform any of its other agreements, covenants or obligations under the Indenture and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the Authority; (c) specified events of insolvency; (d) the State shall (i) amend, alter, repeal or fail to comply with the State Covenant in the Act as in effect on the date of the Indenture or (ii) enact a moratorium or other similar law affecting the Bonds or Notes; (e) the County shall amend, alter, repeal or fail to comply with the County Covenant in the Act as in effect on the date of the Indenture; (f) the City shall (i) fail to observe or perform any of its agreements, covenants or obligations under the Agreement that have been pledged for the benefit of the Holders and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the City and the Authority or by the Authority to the Trustee and the City, or (ii) amend, alter, repeal or fail to comply with the City Covenant in the Act as in effect on the date of the Indenture.

Financing Agreement — The Financing Agreement provides for the application of bond proceeds to pay Financeable Costs, including the refunding of a portion of the City’s outstanding bonds and/or the cost of certain City of Buffalo capital projects, as applicable, and includes covenants of the City of Buffalo pledged to the benefit of Bondholders.

Indenture — The Indenture provides for the issuance of the Bonds pursuant to the Act, including the Authority’s pledge to the Trustee of the Revenues, accounts and statutory and contractual covenants contained therein. The Trustee is authorized to enforce the Indenture and such covenants against the Authority, the County, the City and the State.

Notes — All obligations issued as Notes.

Outstanding — Refers to Bonds or Notes issued under the Indenture, excluding: (i) Bonds or Notes which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment; (ii) Bonds or Notes which have been paid; (iii) Bonds or Notes which have become due and for the payment of which money has been duly provided; (iv) Bonds or Notes, including any portion of any series thereof, for which there has been irrevocably set aside sufficient defeasance collateral timely maturing and bearing interest, to pay or redeem them; and if any such Bonds or Notes are to be redeemed prior to maturity, the Authority shall have taken all action necessary to redeem such Bonds or Notes and notice of such redemption shall have been duly mailed in accordance with the Indenture or irrevocable instructions so to mail shall have been given to the Trustee; (v) Bonds and Notes, including any portion of any series thereof, the payment of which shall have been provided for; and (vi) for purposes of any consent or other action to be taken by the holders of a majority in interest or specified percentage of Bonds or Notes under the Indenture, Bonds or Notes held by or for the account of the Authority, the City or any person controlling, controlled by or under common control with either of them.

Principal Installment — With respect to any obligations the payment of which constitute Debt Service, principal and sinking fund payments and any other such payment obligations not constituting interest or an interest component of such payment obligation.

Redemption Account — A Redemption Account is established with the Trustee and money shall be deposited therein as provided in the Indenture. The money and investments in such Account shall be held in trust and, except as otherwise specified in the Indenture, shall be applied by the Trustee to the redemption of Bonds and Notes.

Revenues — The Bonds are payable from the Authority’s Revenues, which consist of (i) City Tax Revenues, which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law; (ii) School District Tax Revenues, which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law; (iii) State Aid Revenues, which are paid or payable to the Authority pursuant to the Act; and iv) all other aid, rents, fees, charges, gifts, payments and other income and receipts paid or payable to the Authority or a trustee for the account of the Authority, to the extent such amounts are pledged to bondholders.

School District Tax Revenues — School District Tax Revenues are defined as that portion of the County’s net collections from the Local Sales Tax that is payable to the School District by the County pursuant to Section 1262(a) of the State Tax Law.

Senior Bonds — All Bonds issued as Senior Bonds.

Senior Notes — All Notes issued as Senior Notes.

State Aid Revenues — State Aid Revenues are defined as all general purpose local government aid; emergency financial assistance to certain cities; emergency financial assistance to eligible municipalities; supplemental municipal aid; and any successor type of aid and any new aid appropriated by the State as local government assistance for the benefit of the City, which are paid or payable to the Authority pursuant to the Act.

Subordinate Bonds — All Bonds other than Senior Bonds.

Subordinate Notes — All Notes other than Senior Notes.

Trustee — The Bank of New York - Mellon, New York, New York.

2020 Financial Statements and Independent Auditors' Report

Buffalo Fiscal Stability Authority

Dated September 23, 2020