

SPONSORS MEMO:**NEW YORK STATE SENATE
INTRODUCER'S MEMORANDUM IN SUPPORT
submitted in accordance with Senate Rule VI. Sec 1**

BILL NUMBER: S7281A

SPONSOR: VOLKER

TITLE OF BILL: An act to amend the public authorities law, the tax law and the local finance law, in relation to revenues of the Buffalo fiscal stability authority

PURPOSE: Technical amendments to ensure a high credit rating for Buffalo Fiscal Stability Authority (BFSA) bonds, to ensure that BFSA can take the actions required in the BFSA Act to provide short-term budgetary relief and economical cash flow and capital borrowing for the City and its dependent School District.

SUMMARY OF PROVISIONS: These technical amendments would ensure that Buffalo could receive the benefits of a high BFSA credit rating through the pass through of School District sales tax revenues through BFSA accounts and guarantee of two-times annual BFSA debt service coverage through City and School District sales tax revenues. It would also ensure that BFSA has adequate capacity to issue cash flow borrowing on behalf of the City, if needed.

At the same time the City and County would retain the right to amend local laws relating to taxes, while still protecting bondholders' rights and remedies. In addition, the City's property tax capacity would not be impaired by the issuance of Authority debt, through the use of a mirror bond structure. Under the amendment, BFSA would provide a monthly accounting for City and School District moneys.

JUSTIFICATION: Without this amendment, the City of Buffalo faces dire fiscal circumstances. The City Comptroller's most recent cash flow document shows a negative cash flow in May, absent \$7.811 million in BFSA borrowing. These funds are also required for Buffalo to end its 2003-2004 fiscal year in balance. The Act authorizes BFSA to provide these funds, the Mayor and the Common Council have requested the assistance and the financial plan has been approved by the BFSA Board based on its receipt. The Mayor's 2004-05 budget also assumes receipt of \$20 million in BFSA budgetary assistance.

The Buffalo City School District may also require assistance :trom the Buffalo Fiscal Stability Authority in the event that anticipated increases in State Aid are not provided for in time for budget adoption. Absent the authority for BFSA to receive School District sales tax revenues, the School District would be forced to reduce its budget by \$17.7 million for 2004-05, above the more than \$18 million in reductions already made (actions which include more than \$10 million in attrition/layoffs). BFSA's borrowing capacity would enable adoption of a balanced budget and financial plan, pending possible receipt of any additional State Aid for the 2004-05 fiscal year.

This amendment will also facilitate achievement of a AA credit rating for the Buffalo Fiscal Stability Authority, with the associated savings

which would inure to the City and School District.

LEGISLATIVE HISTORY: This is a new bill; amendment to Laws 2003, Chapter 122

FISCAL IMPLICATIONS: None to the State

LOCAL FISCAL IMPLICATIONS: This amendment would provide \$7.811 million in short-term budgetary savings to the City in its 2003-04 fiscal year, and is expected to provide \$20 million in budgetary savings in 04-05. It may also result in \$17.7 million in budgetary savings for the School District in 04-05.

EFFECTIVE DATE: Immediately
