

**BUFFALO FISCAL STABILITY AUTHORITY
RESOLUTION NO. 20-05
DECLARATION OF INCOMPLETE FINANCIAL PLAN WITH RESPECT TO THE
CITY'S REVISED FINANCIAL PLAN DATED MAY 22, 2020 AND BUDGET
ADOPTED JUNE 4, 2020**

WHEREAS, pursuant to the Buffalo Fiscal Stability Authority (“BFSA”) Act the Mayor of the City of Buffalo submitted to BFSA a four-year financial plan (“Plan”) and the Mayor’s proposed budget (“Proposed Budget”) for the fiscal year July 1, 2020 – June 30, 2021 (FY21) on May 1, 2020 (BFSA Act §3857, subd. 1); and

WHEREAS, the BFSA Act provides that not more than 20 days thereafter BFSA shall determine whether the financial plan is complete and compliant with the Act and shall make recommendations with respect to the Plan (BFSA Act §3857, subd. 2(b)); and

WHEREAS, there was and remains, owing to the coronavirus pandemic, great uncertainty as to the amounts of federal and state financial assistance that will be available to the City during FY21 and the following three years, and pursuant to informal agreement between the Mayor and BFSA, and letters dated May 11 from the Chairman of BFSA to the Mayor and from the Mayor to the Chairman dated May 19, copies of which are annexed to this Resolution as Exhibits A and B, respectively; it was agreed that the Mayor would submit a revised Proposed Budget and Plan; and

WHEREAS, the Mayor, by letter dated May 22 to the Chairman of BFSA, a copy of which is annexed as Exhibit C, submitted an alternative spending model, commented on the estimate for casino revenue, proposed to issue Budget (deficit) notes to fund an operating deficit in FY20 and Deficit Bonds under §10.10 of the Local Finance Law to fund a projected operating deficit in FY21, and referred in general terms to additional steps (beyond the reductions in expenditures proposed in the alternate spending plan) to balance the FY 2021 Budget.

WHEREAS, the BFSA prepared a report and analysis of the Budget and Plan submitted by the Mayor on May 1, 2020 and the Mayor's letter of May 22 ("together the "Revised Plan") and the BFSA Executive Director consulted with the City's Director of Finance and Administration at length on a draft Resolution stating BFSA's determination and recommendations in respect to the Revised Plan (a copy of which is annexed hereto as Exhibit D); and

WHEREAS, BFSA scheduled a meeting of its Board of Directors for June 3, 2020, with the intention of adopting a resolution stating its determination and recommendations, and transmitting its report and resolution to the Mayor and Common Council on June 4, 2020, so as to allow as much time as feasible for consideration by the Mayor and Common Council before adoption of the City's final budget and four year plan; and

WHEREAS, the Mayor requested because of civil unrest BFSA delay its meeting until after a special meeting of the Common Council on June 4, 2020; and

WHEREAS, the Mayor did not submit to the Common Council the Mayor's May 22 letter and alternative spending model; and

WHEREAS, the Common Council proceeded to adopt the Mayor's May 1, 2020 Budget, with certain relatively minor amendments and without having had the opportunity to consider BFSA's report and recommendations.;

NOW, therefore, it is

RESOLVED that, in order to meet its obligations under BFSA Act §3857 to the extent practicable under the extraordinary circumstances of this time, BFSA shall submit its report and this resolution to the Mayor and Common Council forthwith; and further

RESOLVED that, BFSFA recommends that the Mayor and Council consider, pursuant to BFSFA Act §3257, subd. 2, pars. (f), (g) and (h), submitting to BFSFA no later than June 24 a financial plan and budget modification based upon consideration of the Mayor's May 22 letter and BFSFA's report and the following resolutions; and

RESOLVED, that BFSFA finds that the Revised Plan and the budget adopted on June 4 are incomplete and not compliant with the BFSFA Act in that they fail to contain projections of revenues that are based on reasonable and appropriate assumptions and methods of estimations and are not balanced; and

RESOLVED, that BFSFA recommends that a modified budget and financial plan be adopted as follows:

1. Unless and until the U.S. Senate passes or indicates that it will enact the bill passed by the House of Representatives for additional federal financial assistance to state and local governments, the estimate of \$65,082,569.00 for federal disaster relief should be omitted.

2. Although the Federal Court sustained the arbitrator's award in favor of the state in November 2019, the Seneca Nation has not yet made payment and the state has not yet acted to enforce payment. BFSFA recommends that the FY21 revenue estimate of \$11 million pursuant to the Tribal Compact Agreement be omitted, thereby creating a deficit to be addressed by further budget modifications through such actions as the Mayor and Common Council deem appropriate which could include increasing the real property tax levy and reducing the adverse impact on essential services or probable gaps between recurring revenues and expenditures in the following years.

3. The estimates for Sales Tax Revenues and School Zone Camera Violations are difficult to predict and it is recommended such revenues be closely monitored with modifications made to the Financial Plan as necessary.

4. The City's alternative spending model proposes that the City issue Deficit Notes in the amount of \$15 million in FY 2020. BFSA recommends consultation among the Director of Finance and Administration, the City Comptroller and BFSA regarding the issuance of Notes. BFSA is ready and available to the City if needed.

5. The City's alternative spending model as set forth in the Mayor's May 22 letter proposes, if its revenue estimate for Federal Disaster Relief (in the amount of \$65,082,569.00) is not realized, to issue Deficit Bonds to fund a projected operating deficit in FY 21 in the amount of \$52 million pursuant to Local Finance Law §10.10, which would require a special act of the State Legislature. BFSA has proposed in informal discussions with the Mayor that, if the Federal Disaster Relief is not forthcoming, BFSA would, in its report to the State's fiscal officers pursuant to the BFSA Act §3857, subd. 2(e), request legislation authorizing BFSA to issue an additional series of bonds (similar to those authorized for FYs 2004-2007) to fund deficits in the City's operating budgets in order to mitigate the severe financial impact of the Covid Pandemic on essential services. The use of deficit bonds under the Local Finance Law would entail a process of reports to and recommendations by the State Comptroller, overlapping the process prescribed by the BFSA Act. BFSA recommends consultation with City Officials to determine what would be most advantageous for the City.

6. In order to enable the Common Council and BFSA to assess whether adequate reserves are provided to maintain essential programs in the event revenues have been overestimated or expenditures underestimated for any period (BFSA Act §3857, subd. 4) and to

support a request for state legislation to authorize deficit bonding, BFSAs recommends that the City disaggregate the reductions shown in the alternate spending model and show the proposed reductions in full-time equivalent positions for each department, including those positions in protective services for both fire and police positions.

7. The City has the capacity within its 2% state constitutional tax limit, to increase its real property tax levy by approximately \$110 million. BFSAs recommends that the City consider increasing its tax levy in annual phases each year of the plan while sustaining home ownership in order to maintain essential services and to support a request for state legislation to authorize deficit bonding; and further

RESOLVED, that BFSAs stands ready to exert every effort to assist the City and its covered organizations to mitigate the severe fiscal impact of the epidemic and to maintain essential services for the people of the City of Buffalo.

This Resolution shall take effect immediately.

Approved June 17, 2020

/s/ George K. Arthur

George K. Arthur,
Secretary

BUFFALO FISCAL STABILITY AUTHORITY

617 Main Street Suite 400
Buffalo, New York 14203
Phone: 716.853.0907 ~ Fax: 716.853.9052
www.bfsa.ny.gov



May 11, 2020

Honorable Byron W. Brown
City of Buffalo Mayor
201 City Hall
Buffalo, NY 14202

Dear Mayor Brown:

The Buffalo Fiscal Stability Authority (BFSA) is requesting the submission of a revised 2021-2024 financial plan for the City of Buffalo (City) to address how the budget gap will be closed in the event federal stimulus is not approved and casino revenues are not received. The financial plan as dated May 1, 2020 includes \$65.1 million of federal stimulus intended to cover estimated reductions in State aid and sales tax revenue; however, federal stimulus funding for general operations for state and local governments has not yet been approved. Additionally, the 2020-21 budget includes \$11.0 million in casino revenue and various other revenues that likely will be negatively impacted by extenuating circumstances related to the pandemic. It is important for BFSA to understand the potential impact to both the finances of the City and services being provided if revenues are insufficient to meet expenditures not only in the subsequent budget year but also how this would impact future years.

With respect to the general proposal to borrow for the resulting budget gap, the financial plan should include borrowing limits and repayment provisions as currently permitted under statute or guidelines; proposed legislation increasing limits and/or extending repayment terms should not be considered at this time.

Additionally, a written detailed synopsis should be included that provides the key underlying assumptions made over the financial plan including the outyears, as it is needed for BFSA to be able to analyze and comment on the financial plan. The revised financial plan should also include realistic revenue and expenditure budgetary projections based on a pragmatic recovery period as currently the expectation is that there will not be a swift economic recovery.

The BFSA has the utmost confidence in your ability to lead the City of Buffalo through this unprecedented pandemic. We recognize the difficulty and effort in preparing such a financial plan. Please know our staff are available to assist your staff with any questions they may have.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Nils Olsen, Jr.", is positioned above the typed name.

R. Nils Olsen, Jr.
Chairman

cc: BFSA Board of Directors
Richard Grimm – Magavern Magavern & Grimm
James Magavern - Magavern Magavern & Grimm
Honorable Barbara Miller-Williams
City of Buffalo Common Council
Donna Estrich, Commissioner of Finance, Administration and Urban Affairs



CITY OF BUFFALO
OFFICE OF THE MAYOR

BYRON W. BROWN
MAYOR

May 19, 2020

Dear Mr. Olsen,

My Recommended Budget is a recovery plan for Buffalo that will enable the City to recover as quickly as possible from the economic impacts that have resulted from the COVID-19 pandemic by maintaining our workforce, providing tax relief to residents and ensuring critical investments to help make us more resilient against future emergencies. The \$65 million in federal disaster relief in the budget is consistent with the House's recognition that local governments need flexible and direct federal aid, as well as being in line with the Federal Reserve's belief that additional stimulus will be necessary to protect our economy from a prolonged downturn.

Per the request of the Buffalo Fiscal Stability Authority on May 11, 2020, the City of Buffalo will submit an outline of our contingency plans for the 2021-2024 financial plan.

The revised plan will include multiple initiatives that could be used to close a budget gap if the Federal Disaster Relief funds are not received or not received in full. Detailed information on the cost of any borrowing and information on proposed state legislation to extend payment terms will be provided.

Sincerely,

A handwritten signature in black ink that reads "Byron W. Brown".

Byron W. Brown
Mayor



BYRON W. BROWN
Mayor of Buffalo

ELIZABETH A. BALL
Deputy Mayor & Chief of Staff

OFFICE OF THE MAYOR

May 22, 2020

Buffalo Fiscal Stability Authority
617 Main Street, Suite 400
Buffalo, New York 14203

Dear R. Nils Olsen, Jr.:

I am writing in response to the Buffalo Fiscal Stability Authority (BFSA)'s request for a revised 2021-2024 financial plan for the City of Buffalo (City) that addresses how the budget will be balanced in the unlikely event that federal disaster relief is not passed by Congress and the Seneca Nation's Casino revenue owed to the City, which is currently being held in a Court ordered escrow account, is not paid. The following is a written detailed synopsis of the alternative means the City would employ in that improbable scenario.

I would like to reiterate that my Administration is confident that including federal disaster relief in our financial plan is consistent with sound budgeting practices. The various levels of acknowledgement by leadership in the House of Representatives, members of the United States Senate, the Chairman of the Federal Reserve and the Secretary of the Department of the Treasury for additional federal funding as part of the ongoing response to this emergency gives me a great deal of confidence that the conservative figure included in my Recommended Fiscal Year 2020-2021 budget will be realized in the near future.

I also believe that the revenue the City and State derives from the Tribal Impact Agreement (Casino revenues), which the City has budgeted for at the level \$11 million annually as well as an additional \$24 million in Year Two resulting from the settlement of pending litigation should remain part of the City's financial plan. The BFSA's assertion that it is an uncertain source of revenue for the City has not been supported by any Court or other venue which has decided on this matter and the funds consistently remain part of New York's State Budget. Additionally, the amount of revenue owed to the City from previous years' non-payments by the Seneca Nation are not being impacted by the current suspension of operations at the Casino as a result of the COVID-19 pandemic. Therefore,

the amounts anticipated should be considered more certain. The State's growing confidence that the Seneca Nation of Indians will finally adhere to the decision of the binding arbitration was demonstrated when they advanced the City \$7.5 million for Fiscal Year 2018-2019. Due to the Seneca Nation having exhausted their options in the Courts for avoiding payment, the matter is now proceeding towards settlement in the near future. Therefore, the City did not remove either source of revenue in the alternative financial model.

The chart below summarizes the City's alternative spending model:

| | Year One 2020-2021 | Year Two 2021-2022 | Year Three 2022-2023 | Year Four 2023-2024 |
|-------------------------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------------|
| Beginning Amt (balanced at zero) | - | - | - | - |
| Sales Tax Adjustment (net) | | (2,716,000) | (2,770,167) | (2,825,570) |
| State Aid Adjustment (net) | | (10,000,000) | (20,000,000) | (20,000,000) |
| Federal Disaster Relief | (65,082,569) | | | |
| Additional Proceeds from Fernbach | | | 6,170,000 | |
| School Zone Cameras Revenue | | 2,800,000 | 2,800,000 | 2,800,000 |
| Reduction in Misc Expenses | | 689,000 | 1,257,624 | 993,069 |
| \$15m Deficit Borrowing FY19-20 | (225,000) | (15,225,000) | | |
| \$52m 10 Yr Deficit Bonds FY 20-21 | 52,000,000 | (867,926) | (6,292,926) | (6,292,518) |
| Reduction of Capital Outlay | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Eliminate Non-Essential Overtime | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |
| Close One Firehouse | 2,300,000 | 2,300,000 | 2,300,000 | 2,300,000 |
| Reduction of Cultural Contributions | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Departmental Reductions | 4,007,569 | 16,019,926 | 9,535,469 | 16,025,019 |
| Remaining (balanced at zero) | - | - | - | - |

The City carefully considered how much borrowing is needed for current and future years. For current Fiscal Year 2019-20, the City anticipates a deficit of \$15 million. To cover this gap, the City will issue Deficit Notes sometime in mid to late June. The amount borrowed must be paid back in two years and carries the cost of two annual interest payments. The principal balance will therefore be due in June of 2022.

As part of the contingency plan to balance the budget without federal disaster relief, the City will issue \$52 million of Deficit Bonds in Year One. Deficit Bonds are issued pursuant to Local Finance Law §10.10 and will require an act of State legislation to issue the Bonds following certification of the deficit by the State Comptroller. With a repayment period of ten years, this creates debt service for the next ten fiscal years following the year of borrowing. Short of a total collapse of the financial markets our ability to borrow remains our primary contingency plan.

Additional steps that could be contemplated under this alternative funding scenario to balance the budget include the reduction of Departmental and Capital costs. The City

would reduce its Capital Outlay paid with general funds. This could result in decreasing or eliminating the number of demolitions, computer equipment and software purchases, and delaying critically needed improvements to City infrastructure and buildings.

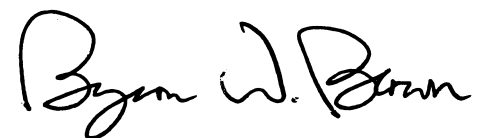
Another potential step would be to eliminate overtime in all departments, with the exception of overtime that is contractually obligated. These steps would have an impact on the delivery of both essential and non-essential services which the City would work to mitigate but could not ultimately eliminate.

The Recommended Budget invests to support Cultural and Educational organizations throughout Buffalo, as well as other community-oriented initiatives that are coordinated through City Departments. The alternative spending plan would reduce this investment. These essential programs are critical to my Administration's ongoing crime reduction and academic skills improvement efforts and could potentially increase costs to the City in future years.

Finally, the alternative spending model would seek to balance the budget through targeted expense reduction in all Departments. For Year One, the reduction amount is less than two percent of Departmental budgets. For the following years, the reductions would grow, and using a portion of the Rainy Day fund would be contemplated to protect other services.

My Recommended Budget is a recovery plan for Buffalo that will enable the City to recover as quickly as possible from the COVID-19 pandemic's economic impact. My Recommended Budget allows us to maintain our workforce, provide tax relief to residents, and ensure critical investments to help make the City more resilient against future emergencies. The alternative financial model provided in this document could be implemented to balance the budget if the Federal Disaster Relief funds are not received but only at a significant cost to the City's operations and residents that would have a long-lasting negative impact on the City and region's economic outlook.

Sincerely,

A handwritten signature in black ink that reads "Byron W. Brown". The signature is written in a cursive, flowing style.

Byron W. Brown
Mayor

Buffalo Fiscal Stability Authority**Review of the City of Buffalo's 2020-21 Proposed Budget and 2021-2024 Financial Plan**

The Mayor submitted the 2020-21 Proposed Budget and the 2021-2024 Financial Plan of the City of Buffalo (the "City") to the Buffalo Fiscal Stability Authority (the "BFSA") on May 1, 2020. This submission contains budget actions related to the current ongoing COVID-19 pandemic. The pandemic has had a negative impact on City revenue beginning at the end of the third quarter and into the fourth quarter of fiscal year 2019-20. The negative impact on revenues is expected to carry into the 2020-21 fiscal year and possibly into the out-years of the financial plan, depending on when the economic recovery occurs.

Due to the COVID-19 pandemic, the City has experienced a significant reduction in multiple revenues during the current fiscal year and is projecting a year-end (2019-20) deficit of \$15.7 million. The City has implemented various cost control measures including a hiring freeze along with reductions in purchases and service contracts; however, the timing of the pandemic and the resulting New York on PAUSE order was at the end of the third quarter which provided limited time to control costs.

The Mayor submitted a proposed budget that totals \$519.6 million. The following schedule provides historical context by providing revenues and expenditures for fiscal year-end June 30, 2019, both the adopted budget and year-end projection for fiscal year 2019-20, and the proposed budget for fiscal year 2020-21.

| | Fiscal Year | | | | | | |
|---------------------------|---------------------|----------------|-------------------|-----------------|---------------------|------------------------|--|
| | Ended June 30, 2019 | 2019-20 | 2019-20 | 2020-21 | Increase/(Decrease) | Increase/(Decrease) | |
| | Actual | Adopted Budget | Year-End Estimate | Proposed Budget | Budget to Budget | over Year-End Estimate | |
| | (\$ in millions) | | | | | | |
| Revenue | | | | | | | |
| Total Revenue | \$ 477.8 | \$ 495.4 | \$ 465.4 | \$ 505.3 | \$ 9.9 | \$ 39.9 | |
| Transfers In | 13.9 | 13.3 | 13.3 | 14.3 | 1.0 | 1.0 | |
| Total Revenue & Resources | \$ 491.7 | \$ 508.7 | \$ 478.7 | \$ 519.6 | \$ 10.9 | \$ 40.9 | |
| Expenditures | | | | | | | |
| Total Departmental Costs | \$ 231.1 | \$ 234.6 | \$ 226.8 | \$ 237.5 | \$ 2.9 | \$ 10.7 | |
| Total General Charges | 160.6 | 173.9 | 167.4 | 181.5 | 7.6 | 14.1 | |
| Transfers Out | 99.1 | 100.2 | 100.2 | 100.6 | 0.4 | 0.4 | |
| Total Expenditures | \$ 490.8 | \$ 508.7 | \$ 494.4 | \$ 519.6 | \$ 10.9 | \$ 25.2 | |
| Surplus / (Deficit) | \$ 0.9 | \$ - | \$ (15.7) | \$ - | \$ 0.0 | \$ 15.7 | |

The Mayor's budget totals \$519.6 million, which reflects an increase of \$10.9 million (2.1%) over the prior year budget. Budgeted expenditures are \$25.2 million (5.1%) over the current year-end projection of \$494.4 million. The estimated revenue represents a \$40.9 million (8.5%) increase compared to current year-end projected revenue of \$478.7 million. The City reported a surplus of \$0.9 million for fiscal year ended June 30, 2019 and as previously noted, has projected a deficit in the current fiscal year of \$15.7 million.

Revenues

The following schedule summarizes revenue by category and includes actual revenue for the fiscal year ended June 30, 2019, both the adopted budget and year-end projection for fiscal year 2019-20, and the 2020-21 proposed budget along with year-to-year variances.

| | Fiscal Year | | | | Increase/(Decrease) Budget to Budget | Increase/(Decrease) over Year-End Estimate |
|--------------------------------------|---------------------|-----------------|-------------------|-----------------|---|---|
| | Ended June 30, 2019 | 2019-20 | 2019-20 | 2020-21 | | |
| | Actual | Adopted Budget | Year-End Estimate | Proposed Budget | | |
| (\$ in millions) | | | | | | |
| Revenue: | | | | | | |
| Taxes | \$ 156.7 | \$ 158.7 | \$ 157.8 | \$ 157.2 | \$ (1.5) | \$ (0.6) |
| Non-Property Taxes | 13.3 | 11.6 | 11.6 | 11.6 | - | - |
| Licenses and Permits | 5.7 | 6.2 | 5.4 | 5.4 | (0.8) | - |
| Intergovernmental | 262.7 | 269.0 | 250.4 | 284.3 | 15.3 | 33.9 |
| Service Charges | 15.2 | 20.0 | 14.0 | 15.3 | (4.7) | 1.3 |
| Fines | 11.0 | 13.7 | 10.8 | 16.5 | 2.8 | 5.7 |
| Interest | 1.9 | 1.2 | 1.7 | 1.0 | (0.2) | (0.7) |
| Miscellaneous | 11.3 | 15.0 | 13.7 | 14.0 | (1.0) | 0.3 |
| Total Revenue | 477.8 | 495.4 | 465.4 | 505.3 | 9.9 | 39.9 |
| Resources: | | | | | | |
| Transfers In | 13.9 | 13.3 | 13.3 | 14.3 | 1.0 | 1.0 |
| Total Other Resources | 13.9 | 13.3 | 13.3 | 14.3 | 1.0 | 1.0 |
| Total Revenue & Resources | \$ 491.7 | \$ 508.7 | \$ 478.7 | \$ 519.6 | \$ 10.9 | \$ 40.9 |

The following schedule is a summary by major revenue category of total projected revenue over the 2021-2024 Financial Plan. Total revenues over the financial plan are estimated to increase \$11.2 million, or 2.2 percent, from \$519.6 million to \$530.7 million. Total projected revenue decreases \$1,965,439 (0.4%) in 2021-22 and increases \$5,502,247 (1.1%) and \$7,651,634 (1.5%) in 2022-23 and 2023-24, respectively.

| Revenue | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Four-Year | |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-------------|
| | Recommended Budget | Projection | Projection | Projection | Increase/(Decrease) | |
| | Financial Plan | | | | \$ | % |
| Taxes | \$ 157,190,897 | \$ 162,789,548 | \$ 165,700,951 | \$ 168,670,582 | \$ 11,479,685 | 7.3% |
| Non Property Taxes | 11,630,000 | 11,630,000 | 11,630,000 | 11,630,000 | - | 0.0% |
| Licenses and Permits | 5,434,464 | 5,488,809 | 5,543,697 | 5,571,415 | 136,951 | 2.5% |
| Intergovernmental | 284,278,968 | 273,011,014 | 260,844,718 | 275,026,846 | (9,252,122) | -3.3% |
| Service Charges | 15,243,848 | 15,501,339 | 15,755,607 | 15,966,948 | 723,100 | 4.7% |
| Fines | 16,481,925 | 19,388,675 | 19,496,358 | 19,604,981 | 3,123,056 | 18.9% |
| Interest | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | - | 0.0% |
| Miscellaneous | 14,006,882 | 14,111,636 | 28,052,385 | 17,752,669 | 3,745,787 | 26.7% |
| Subtotal | 505,266,984 | 502,921,021 | 508,023,716 | 515,223,441 | 9,956,457 | 2.0% |
| Transfers In | 14,283,560 | 14,664,084 | 15,063,634 | 15,515,543 | 1,231,983 | 8.6% |
| Total | \$ 519,550,544 | \$ 517,585,105 | \$ 523,087,350 | \$ 530,738,984 | \$ 11,188,440 | 2.2% |

The following discussion addresses each individual revenue category and provides information regarding key revenue assumptions.

Taxes – Taxes consist of the real property tax levy, mortgage tax, the School Tax Relief (“STAR”) program, payment-in-lieu-of-taxes (“PILOTs”) and interest and penalties. On a year-to-year basis taxes are decreasing by \$1.5 million, or 0.9 percent, from \$158.7 million in 2019-20 to \$157.2 million in the 2020-21 proposed budget. Revenue for the Taxes category over the financial plan is estimated to increase \$11.5 million, or 7.3 percent, from \$157.2 million to \$168.7 million. Taxes represent 30.3 percent of total revenues in fiscal year 2020-21 and increase to 31.8 percent by 2023-24.

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Four-Year | |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|-------------|
| | Adopted Budget | Recommended Budget | Projection | Projection | Projection | Increase/(Decrease) | |
| Taxes | Financial Plan | | | | | \$ | % |
| Real Property Taxes | \$ 139,465,000 | \$ 139,971,280 | \$ 145,570,131 | \$ 148,481,534 | \$ 151,451,165 | \$ 11,479,885 | 8.2% |
| STAR Program | 8,400,000 | 7,893,720 | 7,893,720 | 7,893,720 | 7,893,720 | - | 0.0% |
| Mortgage Tax | 3,900,000 | 3,900,000 | 3,900,000 | 3,900,000 | 3,900,000 | - | 0.0% |
| Payment in Lieu of Taxes | 3,112,403 | 3,223,897 | 3,233,897 | 3,233,897 | 3,233,897 | 10,000 | 0.3% |
| All Other Taxes | 3,774,000 | 2,202,000 | 2,191,800 | 2,191,800 | 2,191,800 | (10,200) | -0.5% |
| Total Taxes | \$ 158,651,403 | \$ 157,190,897 | \$ 162,789,548 | \$ 165,700,951 | \$ 168,670,582 | 11,479,685 | 7.3% |

The reduction of taxes by \$1.5 million, or 0.9 percent, between 2019-20 and 2020-21 is attributed to a decrease of \$1.6 million in interest and penalties on taxes and a decrease of \$0.4 million in revenues from the STAR program. The reduction of \$2.0 million is offset by an increase of \$0.5 million in the real property tax levy.

The City completed a full reassessment of City property values in fiscal year 2018 and the revised assessments are effective beginning with the 2020-21 budget. The maximum constitutional taxing power increased from \$239.0 million in 2019-20 to \$257.1 million, an increase of \$18.1 million, or 7.6 percent while the available tax levying margin increased from \$91.1 million to \$109.2 million. The City maintained the real property tax levy at \$147.9 million year-to-year; this amount includes both the real property tax and the STAR program combined. The City is currently utilizing 57.5 percent of the total available taxing levy. Both the homestead and non-homestead rates were reduced by the city-wide reassessment. The homestead rate was \$18.47 per \$1,000 of assessed value in 2019-20 and is \$9.99 in the 2020-21 proposed budget. The non-homestead rate was \$29.49 per \$1,000 of assessed value in 2019-20 and is reduced to \$16.75 per \$1,000 of assessed valuation.

Taxes increase from \$157.2 million in 2020-21 to \$168.7 million in 2023-24, an increase of \$11.5 million, or 7.3 percent. The increase is attributed to an annual increase of real property taxes, which are budgeted to increase by \$5.6 million, or 4.0 percent, to \$145.6 million in 2021-22. An increase of 2 percent is projected in years three and four, increasing real property taxes to \$148.5 million in 2022-23 and \$151.5 million in 2023-24. Total real property taxes are projected to increase by \$11.5 million, or 8.2 percent over the financial plan. The remaining tax revenues are held flat over the financial plan and include the STAR program at \$7.9 million, mortgage tax at \$3.9 million and PILOTs at \$3.2 million.

Intergovernmental – Intergovernmental revenue consists of New York State (the “State”) Aid and Incentive for Municipalities (“AIM”), sales tax, Tribal State Compact casino revenue and federal aid. This revenue category fluctuates annually, decreasing by \$11.3 million (4.0 percent) in 2021-22, decreasing further by an additional \$12.2 million (4.5 percent) in 2022-23, and increasing \$14.2 million (5.4%) in 2023-24. Intergovernmental revenues represent 54.7 percent of total revenue in fiscal year 2020-21 and decrease to 51.8 percent of the budget by fiscal year 2023-24.

The following schedule summarizes the budgeted and projected individual revenues comprising the Intergovernmental revenue category.

| | 2019-20 Adopted Budget | 2020-21 Recommended Budget | 2021-22 Projection | 2022-23 Projection | 2023-24 Projection | Four-Year Increase/(Decrease) | |
|--------------------------------|---------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|----------------------------------|--------------|
| Intergovernmental | | Financial Plan | | | | \$ | % |
| State AIM | \$ 161,285,233 | \$ 129,028,186 | \$ 139,028,186 | \$ 149,028,186 | \$ 161,285,233 | \$ 32,257,047 | 25.0% |
| Sales Tax | 89,800,000 | 70,440,000 | 90,201,000 | 92,005,020 | 93,845,120 | 23,405,120 | 33.2% |
| TSC - Casino Revenue | 11,000,000 | 11,000,000 | 35,000,000 | 11,000,000 | 11,055,000 | 55,000 | 0.5% |
| Federal Stimulus | - | 65,082,569 | - | - | - | (65,082,569) | -100.0% |
| FEMA Reimbursement | 10,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | - | 0.0% |
| All Other | 6,915,062 | 7,228,213 | 7,281,828 | 7,311,512 | 7,341,493 | 113,280 | 1.6% |
| Total Intergovernmental | 269,010,295 | 284,278,968 | 273,011,014 | 260,844,718 | 275,026,846 | (9,252,122) | -3.3% |

The City budgeted \$269.0 million in intergovernmental revenue in 2019-20 and budgeted an increase of \$15.3 million, or 5.7 percent, to \$284.3 million in 2020-21. Both State AIM and sales tax have been reduced to reflect the estimated financial impact from the COVID-19 pandemic. State AIM is reduced by \$32.3 million, or 20 percent; sales tax is reduced by \$19.4 million, or 21.6% percent. The budget includes \$65.1 million of federal stimulus funding that has yet to be approved by the U.S. Senate. In addition to those revenue sources, the City has increased reimbursements from the Federal Emergency Management Agency by \$1.5 million.

The City included \$65.1 million in federal stimulus aid in fiscal year 2020-21 as a non-recurring revenue. At this time the U.S. House of Representatives has passed the HEROES Act, which would provide additional aid to state and local governments that have been negatively impacted by the COVID-19 pandemic and the resulting shut-down of businesses. It is expected that the U.S. Senate will take up the legislation in June. Members of the local federal delegation have cited support for the City of Buffalo; however, it is unknown when or if the legislation will be passed and if it is passed, the amount to be provided and the timing is unknown, although it would be anticipated during 2020-21. The budgeted amount of federal stimulus includes the assumed reduction of \$32.3 million of State AIM, the estimated reduction of sales tax of \$19.5 million, and a remaining amount of \$13.3 million.

The City estimated a decrease in State AIM of \$32.3 million in fiscal year 2020-21 and projects increases in each out-year of the financial plan increasing from \$129.0 million in year one to \$139.0 million in year two, \$149.0 million in year three and a return to the current AIM allocation of \$161.3 million in year four. AIM was reduced by the State in fiscal year 2012 and has been held flat at \$161.3 million through 2019-20. Due to the far reaching anticipated financial impact of the COVID-19 pandemic, it is unknown what the impact on State AIM revenues will be over the next several years. Over the financial plan, State AIM is budgeted to increase \$32.3 million, or 25.0 percent.

The TSC casino revenue is included in each year of the financial plan, increasing from \$11.0 million in year one to \$35.0 million in year two, and then returning to an annual revenue amount of \$11.0 to \$11.1 million in the final two years of the financial plan. The City included all outstanding casino revenue due to the City in year two of the financial plan, which totals approximately \$24.0 million. The \$7.5 million received by the City in fiscal year 2018-19 was advanced by the State as the Seneca Gaming Corporation has not remitted casino revenue to the State since December 2016. The timing of receipt of these funds is unknown as the dispute between the State and the Seneca Gaming Corporation continues.

Sales Tax is estimated to increase \$23.4 million, or 33.2 percent over the financial plan. The budget amount was reduced by nearly \$20.0 million in the first year of the financial plan to \$70.4 million as compared to the 2019-20 budget amount of \$89.8 million. The City estimates that sales tax will rebound in year two of the financial plan to pre-pandemic levels and has increased this revenue by \$20.0 million, or 28.4 percent. The City included moderate increases of 2 percent in years three and four of the financial plan. It is unknown when, or if, sales tax will resume to pre-pandemic levels in the near-term; the assumption of a return to normal in year two is optimistic, however the increases in years three and four appear to be reasonable.

All other intergovernmental revenue is increasing from \$7.2 million to \$7.3 million, an increase of \$0.1 million, or 1.6 percent. Over the course of the financial plan intergovernmental revenue decreases from \$284.3 million to \$275.0 million, a decrease of \$9.3 million or 3.3 percent.

Fines – Fines include parking tags fines and penalties, traffic violations fines, school zone camera fines, court fines and several other fines. Over the financial plan Fines increase \$3.1 million, or 18.9 percent, from \$16.5 million in 2020-21 to \$19.6 million in 2023-24. Fines represent 3.2 to 3.7 percent of total revenues over the financial plan.

| | 2019-20 Adopted Budget | 2020-21 Recommended Budget | 2021-22 Projection | 2022-23 Projection | 2023-24 Projection | Four-Year Increase/(Decrease) | |
|--------------------------------|------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|----------------------------------|--------------|
| Fines | | Financial Plan | | | | \$ | % |
| Parking Tags Fines & Penalties | \$ 7,900,000 | \$ 7,900,000 | \$ 7,979,000 | \$ 8,058,790 | \$ 8,139,378 | \$ 239,378 | 3.0% |
| Traffic Violations Fines | 3,300,000 | 5,500,000 | 5,527,500 | 5,555,138 | 5,582,913 | 82,913 | 1.5% |
| School Zone Cameras | 400,000 | 2,300,000 | 5,100,000 | 5,100,000 | 5,100,000 | 2,800,000 | 121.7% |
| Court Fines | 740,000 | 275,000 | 275,000 | 275,000 | 275,000 | - | 0.0% |
| All Other Fines | 1,398,200 | 506,925 | 507,175 | 507,430 | 507,690 | 765 | 0.2% |
| Total Fines | 13,738,200 | 16,481,925 | 19,388,675 | 19,496,358 | 19,604,981 | 3,123,056 | 18.9% |

Fines represent approximately 3.2 percent of budgeted revenue in 2020-21 and are increasing \$2.8 million, or 20.4 percent, to \$16.5 million, over the 2019-20 budget amount of \$13.7 million. The year-to-year increase is attributed to an increase of \$2.2 million for traffic violations fines and an increase of \$1.9 million for the school zone cameras. The increase for traffic violations is attributed to the implementation of the new school bus cameras installed on the crossing arm of Buffalo City School District buses. The company that was awarded the contract guaranteed a \$2.5 million payment to the City in the first year of the program, with a revenue sharing agreement over the remaining years of the financial plan. All other traffic violations are decreasing on a net basis of \$0.3 million. As a reference, traffic violations were averaging \$255,000 per month in 2019-20 prior to the pandemic, which would be equivalent to a year-end total of \$3.1 million, which is \$0.2 million less than what was budgeted for in 2019-20.

There is a concern with the revenue estimate of \$2.3 million for the school zone cameras fines in 2020-21 and \$5.1 million in the remaining years, since Common Council did modify the local law governing the use of speed zone cameras to the first two hours of the school day and the last two hours of the school day, and not for a full 8 to 10 hours as initially implemented this past spring. Additionally, it is unknown what the fall school year will be with respect to reopening in September. Based on limited implementation during the spring of 2020, the City has provided an estimate that supports an increase to the \$2.3 million amount as long as the school zone is enforced throughout the entire school day.

Exhibit D

Over the financial plan Fines are increasing from \$16.5 million to \$19.6 million, an increase of \$3.1 million, or 18.9 percent. The increase is primarily related to the inclusion of the school bus crossing cameras that will be added to school buses to monitor and ticket drivers that illegally pass stopped school buses. The company that was awarded the contract for the installation of the cameras and administering the program guaranteed \$2.5 million in year one of the implementation, which is fiscal year 2020-21. There is no guarantee from the company beyond year one, however the assumption is that there will be enough violators to garner the same amount of revenue over the remaining three years of the financial plan. All other fines are consistent over the financial plan, with an increase of \$0.2 million, or 3.0 percent for parking tags fines and penalties.

Miscellaneous – Miscellaneous revenue includes grant reimbursements, sale of land, property and other capital assets, settlements of legal claims, and a myriad of other revenue sources. The Miscellaneous revenue category fluctuates annually over the financial plan and represents 2.7 percent of total budgeted revenues in 2020-21 and 2021-22, 5.4 percent in 2022-23 and 3.3 percent in 2023-24.

| | 2019-20 Adopted Budget | 2020-21 Recommended Budget | 2021-22 Projection | 2022-23 Projection | 2023-24 Projection | Four-Year Increase/(Decrease) | |
|----------------------------|------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|----------------------------------|--------------|
| Miscellaneous | | | Financial Plan | | | \$ | % |
| Grant Reimbursement | \$ 1,117,795 | \$ 4,510,595 | \$ 4,510,595 | \$ 4,510,595 | \$ 4,510,595 | \$ - | 0.0% |
| Sale of Capital Assets | 6,900,000 | 3,515,000 | 3,515,000 | 17,345,000 | 3,515,000 | - | 0.0% |
| Settlement of Legal Claims | 300,000 | 300,000 | 300,000 | 300,000 | 3,740,000 | 3,440,000 | 1146.7% |
| All Other Misc. | 6,685,378 | 5,681,287 | 5,786,041 | 5,896,790 | 5,987,104 | 305,817 | 5.4% |
| Total Miscellaneous | 15,003,173 | 14,006,882 | 14,111,636 | 28,052,385 | 17,752,699 | 3,745,817 | 26.7% |

On a year-to-year basis Miscellaneous revenues are decreasing by \$1.0 million or 6.7 percent. There is a budgeted decrease of \$3.4 million for the sale of capital assets. The sale of capital assets is a one-time resource, and the decrease year-to-year is attributed to the sale of two City-owned properties in 2019-20. The amount of \$3.5 million included in the 2020-21 Proposed Budget is reflective of what the City expects to receive for the tax foreclosure sale. During 2019-20, the City implemented a new tax foreclosure process resulting in approximately \$3.4 million in revenue in fiscal year 2019-20. The decrease in the sale of capital assets is offset by an increase of \$3.4 million in grant reimbursement. The increase over the first three years of the financial plan is driven by the Staffing for Adequate Fire & Emergency Response (“SAFER”) grant that was awarded to the City. The initial SAFER grant was in the amount of \$9.0 million over three-years. The City utilized \$1.2 million in 2019-20, and budgeted \$3.0 million in fiscal years 2021 and 2022, and the balance of \$1.8 million in 2024. In addition to the SAFER grant the City has received notice that it has been awarded an additional \$0.8 to \$1.0 million in fiscal years 2023 and 2024 for personal safety/protection equipment for the fire department. This amount of \$4.5 million is held flat over the financial plan. Gifts and donations are being reduced by \$1.0 million year-to-year, to more accurately reflect actual commitments that will be received in fiscal year 2020-21.

Over the course of the financial plan Miscellaneous revenue is consistent at \$14.0 million in fiscal years 2021 and 2022, and then increases to \$28.5 million in fiscal year 2023 and decreases to \$17.8 million in 2024. The aforementioned miscellaneous revenues are constant across the financial plan, except for the sale of capital assets and settlement of legal claims. In fiscal year 2023 the City included \$13.9 million for the sale of properties with the expectation that the sales will be completed during that year. As demonstrated in recent years it is difficult to accurately predict from a revenue timing perspective when a marketed property will be sold and closed on. The City included \$3.4 million in legal settlement claims

for a settlement regarding litigation involving the opioid crisis in 2023-24. All other miscellaneous revenue is consistent over the financial plan.

All Other Remaining Revenue Categories – The following schedule includes the remaining revenue categories including non-property taxes, licenses and permits, service charges and earned interest. There are minimal variances in these revenue lines in the financial plan and in total those revenues comprise \$33.8 to \$34.2 million annually and comprise approximately 6.4 percent of total projected revenue over the course of the financial plan.

| | 2019-20 Adopted Budget | 2020-21 Recommended Budget | 2021-22 Projection | 2022-23 Projection | 2023-24 Projection | Four-Year Increase/(Decrease) | |
|--------------------|------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|----------------------------------|-------------|
| Remaining Revenues | Financial Plan | | | | | \$ | % |
| Service Charges | \$ 20,012,575 | \$ 15,243,848 | \$ 15,501,339 | \$ 15,755,607 | \$ 15,966,948 | \$ 723,100 | 4.7% |
| Non-property Taxes | 11,610,000 | 11,630,000 | 11,630,000 | 11,630,000 | 11,630,000 | - | 0.0% |
| Licenses & Permits | 6,189,545 | 5,434,464 | 5,488,809 | 5,543,697 | 5,571,415 | 136,951 | 2.5% |
| Interest | 1,200,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | - | 0.0% |
| Total | 39,012,120 | 33,308,312 | 33,620,148 | 33,929,304 | 34,168,363 | 860,051 | 2.6% |

On a year-to-year basis Service Charges are decreasing from \$20.0 million in 2019-20 to \$15.2 million in 2020-21, a reduction of \$4.8 million, or 23.5 percent. Of this amount, a decrease of \$1.9 million is attributed to the rental dwelling unit registry, specifically the default mortgage fee. The City has revised estimated revenue from \$2.4 million to \$0.5 million for this program. The City has eliminated the entertainment surcharge fee that was included in both the 2019 and 2020 budgets resulting in a reduction of \$0.7 million. In addition, estimates for parking meter fees were adjusted downward by \$0.5 million and the public utility inspection fee was reduced by \$0.4 million. All other service fees are decreasing by \$1.3 million on a net basis year-to-year. These reductions in service charges adjust the 2020-21 proposed budget to be more in line with actual 2019 revenue receipts.

Over the financial plan Service Charges increase from \$15.2 million to \$16.0 million in 2023-24, an increase of \$0.7 million, or 4.7 percent. Significant increases over the financial plan are attributed to an increase of \$0.4 million for parking meter fees and an increase of \$0.1 million for indirect services to the Buffalo Sewer Authority. All other service charges are increasing by \$0.2 million over the financial plan.

Non-property taxes represent 2.2 percent of total revenues and are held flat at \$11.6 million between 2019-20 and 2020-21, as well as across the financial plan. This revenue stream is comprised of class I utility taxes of \$8.0 million, cable franchise tax of \$2.9 million and the foreign fire insurance tax of \$0.7 million. These amounts are budgeted consistent to prior years and there is no variance in these revenues over the financial plan.

Licenses and permits are decreasing by \$0.8 million, or 12.9 percent, from \$6.2 million to \$5.4 million, when comparing the 2019-20 Adopted Budget and the 2020-21 Proposed Budget. The decreases are attributed to a decrease of \$0.4 million in building permits due to a lower volume of building permits being requested and a decrease of \$0.2 million for street permits attributed to a new loading zone fee the City planned to implement in 2019-20 that was not enacted. All other licenses and permits are decreasing by \$0.2 million on a net basis and there are no other significant revenue changes year-to-year. Permits represent 1.0 to 1.1 percent of total revenue across the financial plan. They are projected to increase \$0.1 million over the financial plan.

Exhibit D

Earned Interest income is budgeted to decrease by \$0.2 million from \$1.2 million in 2019-20 to \$1.0 million in 2020-21. Interest income is budgeted at \$1.0 million over the financial plan and represents 0.2 percent of budgeted revenue.

Operating Transfers In – Operating Transfers In include transfers in from three of the City’s enterprise funds including the water enterprise fund, parking enterprise fund and the solid waste and recycling enterprise fund. Operating Transfers In increase \$1.0 million from \$13.3 million in 2019-20 to \$14.3 million 2020-21 due to an increase of approximately \$350,000 from the water enterprise fund and \$650,000 from the parking enterprise fund. Over the financial plan Transfers In increase from \$14.3 million in fiscal year 2020-21 to \$15.5 million in 2023-24, an increase of \$1.2 million, or 8.6 percent. Transfers in represent 2.7 to 2.9 percent of total revenue and resources over the financial plan.

| | 2019-20 Adopted Budget | 2020-21 Recommended Budget | 2021-22 Projection | 2022-23 Projection | 2023-24 Projection | Four-Year Increase/(Decrease) | |
|---------------------------|------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|----------------------------------|-------------|
| Transfers In | | Financial Plan | | | | \$ | % |
| Water Board | \$ 7,248,078 | \$ 7,610,482 | \$ 7,991,006 | \$ 8,390,556 | \$ 8,642,273 | \$ 1,031,791 | 13.6% |
| Parking Fund | 5,346,490 | 6,000,000 | 6,000,000 | 6,000,000 | 6,180,000 | 180,000 | 3.0% |
| Solid Waste Fund | 673,078 | 673,078 | 673,078 | 673,078 | 693,270 | 20,192 | 3.0% |
| Total Transfers In | 13,267,646 | 14,283,560 | 14,664,084 | 15,063,634 | 15,515,543 | 1,231,983 | 8.6% |

Transfers in from the water enterprise fund are projected to increase from \$7.6 million in 2020-21 to \$8.6 million in fiscal year 2023-24, an increase of \$1.0 million or 13.6 percent. The transfers in from the parking enterprise fund are increasing from \$6.0 million in 2020-21 to \$6.2 million in 2023-24, an increase of \$0.2 million or 3 percent. The solid waste fund transfer in is flat over the financial plan, increasing by \$20,000, or 3 percent.

Exhibit D

Expenditures

The City submitted a proposed budget that totals \$519.6 million in total General Fund expenditures. The following table identifies expenditures by department and various general charges that are budgeted centrally for the City, such as utilities and fringe benefits.

| | Fiscal Year | | | | | |
|--|-------------------------------|---------------------------|------------------------------|----------------------------|---|---|
| | Ended June 30, 2019 Actual | 2019-20 Adopted Budget | 2019-20 Year-End Estimate | 2020-21 Proposed Budget | Increase/(Decrease) Budget to Budget | Increase/(Decrease) over Year-End Estimate |
| (\$ in millions) | | | | | | |
| Departments | | | | | | |
| Common Council | \$ 2.3 | \$ 2.5 | \$ 2.4 | \$ 2.8 | \$ 0.3 | \$ 0.4 |
| City Clerk | 2.3 | 2.9 | 2.7 | 2.8 | (0.1) | 0.1 |
| Mayor & Executive | 4.7 | 5.5 | 5.2 | 5.7 | 0.2 | 0.5 |
| Audit & Control | 2.8 | 3.6 | 3.2 | 3.9 | 0.3 | 0.7 |
| Law | 3.2 | 3.3 | 3.1 | 3.1 | (0.2) | - |
| Assessment | 2.4 | 2.7 | 2.5 | 2.5 | (0.2) | - |
| MIS | 4.1 | 5.6 | 5.3 | 5.8 | 0.2 | 0.5 |
| Administration & Finance | 8.9 | 10.0 | 9.2 | 12.5 | 2.5 | 3.3 |
| Parking | 2.8 | 3.2 | 2.8 | 3.4 | 0.2 | 0.6 |
| Police | 89.8 | 89.6 | 84.8 | 86.1 | (3.5) | 1.3 |
| Fire | 61.4 | 58.5 | 61.8 | 63.1 | 4.6 | 1.3 |
| Human Resources | 5.0 | 5.6 | 4.4 | 5.1 | (0.5) | 0.7 |
| Public Works | 31.8 | 31.0 | 29.3 | 30.5 | (0.5) | 1.2 |
| Community Services | 4.1 | 4.8 | 4.6 | 4.4 | (0.4) | (0.2) |
| Permits & Inspections | 5.5 | 5.8 | 5.5 | 5.8 | - | 0.3 |
| TOTAL DEPARTMENTS | 231.1 | 234.6 | 226.8 | 237.5 | 2.9 | 10.7 |
| GENERAL CHARGES | | | | | | |
| Grants In Aid | 0.4 | 1.1 | 0.4 | 0.3 | (0.8) | (0.1) |
| Utilities | 15.9 | 17.1 | 15.6 | 16.6 | (0.5) | 1.0 |
| Services | 1.3 | 1.4 | 1.4 | 1.4 | - | - |
| Other | 3.3 | 2.7 | 6.9 | 2.7 | - | (4.2) |
| Fringe Personal Services | 5.5 | 6.2 | 5.7 | 6.0 | (0.2) | 0.3 |
| Fringe Benefits: | | | | | - | |
| Active Employee Health Insurance | 40.0 | 38.5 | 35.7 | 39.0 | 0.5 | 3.3 |
| Retiree Health Insurance | 36.6 | 38.5 | 38.6 | 45.8 | 7.3 | 7.2 |
| FICA & Medicare Payroll Taxes | 14.2 | 14.9 | 14.4 | 14.3 | (0.6) | (0.1) |
| Employment Retirement System | 7.8 | 10.3 | 9.0 | 10.3 | - | 1.3 |
| Police & Fire Retirement System | 28.3 | 31.3 | 29.5 | 31.8 | 0.5 | 2.3 |
| All Other Fringe Benefits | 7.2 | 11.5 | 10.1 | 13.1 | 1.6 | 3.0 |
| Debt Service | 0.1 | 0.4 | 0.1 | 0.2 | (0.2) | 0.1 |
| Subtotal General Charges | 160.6 | 173.9 | 167.4 | 181.5 | 7.6 | 14.1 |
| Interfund Transfers Out - Education | 70.8 | 70.8 | 70.8 | 70.8 | - | - |
| Interfund Transfers Out - Other | 28.3 | 29.4 | 29.4 | 29.8 | 0.4 | 0.4 |
| Subtotal Transfers Out | 99.1 | 100.2 | 100.2 | 100.6 | 0.4 | 0.4 |
| TOTAL GENERAL CHARGES AND TRANSFERS OUT | 259.7 | 274.1 | 267.6 | 282.1 | 8.0 | 14.5 |
| TOTAL BUDGET | \$ 490.8 | \$ 508.7 | \$ 494.4 | \$ 519.6 | \$ 10.9 | \$ 25.2 |

The expenditures included in the proposed budget appear reasonable. The 2020-21 proposed budget increases expenditures by \$25.2 million when compared to the third quarter year-end estimate of \$494.4 million. Departmental costs are increasing by \$10.7 million, general charges are increasing \$14.1 million, and transfers out are increasing \$0.4 million.

Exhibit D

The proposed budget amount of \$519.6 million is an increase of \$10.9 million compared to the 2019-20 Adopted Budget amount of \$508.7 million. Departmental expenditures are budgeted to increase \$2.9 million, or 1.2 percent. Departmental increases are attributed to personal service costs. General charges are increasing \$7.6 million, or 4.4 percent, and transfers out are increasing \$0.4 million, or 0.4 percent.

Departmental Costs

Departmental costs are budgeted to increase by \$2.9 million on a year-to-year basis, with \$2.1 million, or 72.4 percent, of departmental increases attributed to personal service costs. Supplies are increasing \$1.7 million, or 15.4 percent. Capital outlay is decreasing \$0.5 million, or 18.9 percent and services are decreasing \$0.4 million, or 1.4 percent.

The police department on a year-to-year basis is decreasing by \$3.5 million, or 3.9 percent, in 2020-21 for a total departmental cost of \$86.1 million. The decrease in the police department is attributed to the increased number of patrol officers at the lower steps compared to the positions that were included in the 2019-20 budget. The City has experienced attrition in the police department and had over 100 vacancies in the department during 2019-20. The fire department is increasing by \$4.6 million, or 7.9 percent; this increase is related to the negotiated 4.0 percent salary increase for Local 282. Police expenditures total 16.6 percent of the total budget amount of \$519.6 million, and the fire department expenditures total 12.1 percent of total expenditures. On a combined basis both departments total \$149.2 million, or 28.7 percent, of total budgeted expenditures for the City in 2020-21. The Police Benevolent Association, (the "PBA") has been out of contract since June 30, 2019. The firefighter's union, Local 282, is currently under contract through June 30, 2025.

Administration and finance is increasing by \$2.5 million, or 24.1 percent. The increase is attributed to increased costs associated with purchasing of supplies, which is increasing by \$2.5 million when compared to fiscal year 2019-20. Part of the increase is related to the COVID-19 pandemic and the City has budgeted for the costs associated with purchasing additional cleaning/disinfecting supplies and personal protection equipment for the City's workforce. All other administration and finance costs are decreasing by \$0.1 million on a net basis. The remaining 12 departments are budgeted to decrease by \$0.6 million, or 0.3 percent. There are no other significant departmental variances noted.

General Charges

The City's general charges, excluding transfers out, are budgeted to increase \$7.6 million, or 4.4 percent year-to-year. Fringe benefits are increasing by \$9.3 million, or 6.4 percent, and all other general charges are reduced by \$1.7 million, or 1 percent on a net basis. In regard to fringe benefits the largest cost escalator is the retiree health insurance, which is budgeted to increase \$7.3 million, or 19 percent, in 2020-21. There are several components to the increase costs and considering that the City is self-insured, it appears these costs are conservatively budgeted. The City utilized a rate increase of 6.6 percent for health insurance, which is approximately \$2.5 million. In addition, the City Administration lost in arbitration with the fire department concerning the payment of Medicare Part B rates; the arbiter found in favor of Local 282 and the City is required to pay the costs for retirees' Medicare Part B rates with the resulting increase to the City estimated to be between \$1.5 and \$2.0 million. In addition, there were deferrals of elective surgeries in fiscal year 2019-20 that will be performed in 2020-21 and are estimated to be approximately \$2.0 million. The remaining increase of \$0.8 million is attributed to increased utilization as more City employees retire.

Both active employee health insurance and contributions to the police and fire retirement system (pension contributions), are projected to increase by \$0.5 million each, and employer payroll taxes are budgeted to decrease by \$0.6 million. The salary adjustment line is budgeted to increase by \$1.6 million to \$4.9 million in 2020-21 and reflects resources to be utilized for negotiating with unions out of contract. All other fringe benefit costs are budgeted flat on a year-to-year basis. As of June 30, 2019, there were three unions that were out of contract, including the PBA, Local 264 (blue collar employees), and the crossing guards. In addition, both Local 2651 (building inspectors) and the Local 17 (operating engineers) are set to expire at June 30, 2020. The City will have five unions with expired contracts in fiscal year 2020-21.

The remaining general charges are budgeted to decrease by \$1.7 million on a net basis. Grants in aid are being reduced from \$1.1 million to \$0.3 million, a reduction of \$0.8 million. Utilities are being reduced by \$0.5 million. Both duty-disability payments and debt service are budgeted to decrease by \$0.2 million each.

Transfers Out are budgeted to increase by \$0.4 million, for a total of \$100.6 million, which is attributed to the increase for the transfer to the capital debt service fund of \$0.4 million. There are three components to Transfers Out including \$29.4 million for capital debt service fund, \$70.8 million for the transfer to the Buffalo City School District, and \$0.4 million for the capital projects fund. Both the transfer to the District and capital projects fund are maintained at previous year levels.

Financial Plan

Expenditures over the 2021-2024 Financial Plan are budgeted to increase from \$519.6 million to \$530.8 million, an increase of \$11.3 million or 2.2 percent. Departmental Costs are budgeted to increase \$9.4 million, or 3.9 percent, General Charges are budgeted to increase \$2.2 million, or 1.2 percent and Transfers Out are budgeted to decrease \$0.3 million, or 0.3 percent. Negotiated salary increases for the unions under contract including Local 282 and Local 650 (white collar) are included in the respective departments. Resources for negotiating with the unions out of contract are carried in the salary adjustment and total approximately \$13.6 million over the financial plan.

Exhibit D

| | 2019-20 <u>Adopted</u> Budget | 2020-21 <u>Proposed</u> Budget | 2021-22 | 2022-23 <u>Projection</u> | 2023-24 | <u>Increase/(Decrease)</u> Four-Year | |
|------------------------------|-------------------------------------|--------------------------------------|--------------------|------------------------------|--------------------|---|-------------|
| <u>Departments</u> | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Common Council | 2,536,152 | 2,801,449 | 2,849,870 | 2,899,260 | 2,899,260 | 97,811 | 3.5% |
| City Clerk | 2,895,526 | 2,837,427 | 2,860,932 | 2,884,898 | 2,886,070 | 48,643 | 1.7% |
| Mayor & Executive | 5,492,327 | 5,674,164 | 5,693,645 | 5,717,966 | 5,743,762 | 69,598 | 1.2% |
| Audit & Control | 3,628,905 | 3,871,988 | 3,944,216 | 4,017,868 | 4,021,310 | 149,322 | 3.9% |
| Law | 3,263,310 | 3,095,392 | 3,118,225 | 3,141,291 | 3,164,595 | 69,203 | 2.2% |
| Assessment | 2,719,166 | 2,479,232 | 2,511,432 | 2,534,263 | 2,557,327 | 78,095 | 3.1% |
| MIS | 5,617,457 | 5,839,137 | 5,901,805 | 5,975,562 | 6,050,427 | 211,290 | 3.6% |
| Administration & Finance | 10,037,899 | 12,462,042 | 12,578,202 | 12,688,101 | 12,799,772 | 337,730 | 2.7% |
| Parking | 3,198,691 | 3,402,455 | 3,437,549 | 3,473,332 | 3,509,816 | 107,361 | 3.2% |
| Police | 89,621,930 | 86,053,364 | 86,461,194 | 87,231,787 | 87,988,817 | 1,935,453 | 2.2% |
| Fire | 58,475,038 | 63,079,032 | 64,267,436 | 65,813,653 | 67,327,090 | 4,248,058 | 6.7% |
| Human Resources | 5,561,043 | 5,119,010 | 5,173,435 | 5,228,651 | 5,284,673 | 165,663 | 3.2% |
| Public Works | 31,021,593 | 30,602,304 | 31,040,489 | 31,563,854 | 32,107,704 | 1,505,400 | 4.9% |
| Community Services | 4,773,764 | 4,373,384 | 4,434,359 | 4,496,308 | 4,559,248 | 185,864 | 4.2% |
| Permits & Inspections | 5,798,348 | 5,792,340 | 5,844,623 | 5,897,456 | 5,950,843 | 158,503 | 2.7% |
| Total Departmental | 234,641,149 | 237,482,720 | 240,117,412 | 243,564,250 | 246,850,714 | 9,367,994 | 3.9% |
| General Charges | | | | | | | |
| Grants In Aid | 1,110,000 | 280,000 | 280,000 | 280,000 | 280,000 | - | 0.0% |
| Utilities | 17,142,800 | 16,644,947 | 15,957,968 | 15,971,120 | 15,984,403 | (660,544) | -4.0% |
| Services | 1,391,500 | 1,376,500 | 1,376,500 | 1,376,500 | 1,376,500 | - | 0.0% |
| Other | 2,650,000 | 2,703,000 | 2,703,000 | 2,428,000 | 2,428,000 | (275,000) | -10.2% |
| Fringe Personal Services | 6,200,000 | 6,000,000 | 6,120,000 | 6,242,400 | 6,367,248 | 367,248 | 6.1% |
| Fringe Benefits | 144,979,419 | 154,295,217 | 150,317,975 | 153,755,238 | 157,082,657 | 2,787,440 | 1.8% |
| Debt Service | 390,000 | 183,000 | 183,000 | 183,000 | 183,000 | - | 0.0% |
| Total General Charges | 173,863,719 | 181,482,664 | 176,938,443 | 180,236,258 | 183,701,808 | 2,219,144 | 1.2% |
| Interfund Transfers Out | 100,177,969 | 100,585,160 | 100,585,160 | 100,291,536 | 100,262,467 | (322,693) | -0.3% |
| Total Budget | 508,682,837 | 519,550,544 | 517,641,015 | 524,092,044 | 530,814,989 | 11,264,445 | 2.2% |

Departmental costs are increasing from \$237.5 million to \$246.9 million, an increase of \$9.4 million, or 3.9 percent over the financial plan. The most significant increases include an increase of \$4.2 million (6.7 percent) for the fire department, \$1.9 million (2.2 percent) for the police department, and \$1.5 million (4.9 percent) for public works. The remaining 12 departments are increasing by \$1.8 million, or 0.7 percent, over the financial plan.

General charges are increasing by \$2.2 million, or 1.2 percent over the financial plan. Significant changes include a reduction of utilities in the amount of \$0.7 million, or 4.0 percent, the other expense category is reduced by \$0.3 million, or 10.2 percent, and there is an increase in injured-on-duty salary costs of \$0.4 million, or 6.1 percent. Fringe benefits are budgeted to increase \$2.8 million, or 1.8 percent over the financial plan.

Fringe benefits are budgeted to increase from \$154.3 million in 2020-21 to \$157.1 million in 2023-24, an increase of \$2.8 million, or 1.8 percent. Retiree health insurance is budgeted at \$45.8 million in 2020-21 and is increased 3.0 percent annually, for a total increase of \$4.2 million, or 9.2 percent, to \$50.0 million in 2023-24. Active employee health insurance is increased 3.0 percent annually over the financial plan, increasing from \$39.0 million to \$42.6 million over the financial plan, a total increase of \$3.6 million or 9.2 percent. Total health insurance for both retirees and active employees is budgeted to increase \$7.8 million over the financial plan.

Included within Fringe Benefits are contributions to the New York State and Local Retirement System which are increasing between 1 to 2 percent over the financial plan, increasing from \$10.3 million to \$10.8 million, an increase of \$0.5 million. Contributions to the police and fire retirement system are increasing 2.0 percent annually, increasing from \$31.8 million to \$33.8 million, a total increase of \$2.0 million. There is not a single rate that is used in calculating the pension contributions annually. The City uses a blended pension rate calculation based on the employees' pension tier, and as more employees retire they are replaced by new employees who would be in tier 6 compared to employees that are predominately in tiers 2, 3, and 4. Increased costs to the pension system attributed to the impact of the COVID-19 pandemic will most likely materialize in fiscal years 2022-23 and 2023-24, based on how the rates are calculated by the New York State Comptroller.

Also included within Fringe Benefits is a salary adjustment line, budgeted at \$4.9 million in 2020-21 and decreasing to \$2.3 million in 2023-24, representing a decrease of \$2.6 million, or 53.1 percent, over the financial plan. The Administration included a new hiring freeze line budgeted at \$6.0 million annually in the last three years of the financial plan. This reflects the Administration's ability to control expenditures by not filling positions as they become vacant and reduces total fringe benefits by \$6.0 million in each of the three outyears of the financial plan. If the hiring freeze is eliminated, total Fringe Benefits increase by \$8.8 million compared to the current \$2.8 million as presented in the financial plan. All other fringe benefits are static or have minimal increases budgeted over the financial plan.

Transfers out are budgeted to decrease \$0.3 million from \$100.6 million in 2020-21 to \$100.3 million in 2023-24. The reduction of \$0.3 million is attributed to the decrease for the transfer to the capital debt service fund, which is projected to decrease from \$29.4 million to \$29.1 million. Both the transfer to the school district of \$70.8 million and the transfer to the capital projects fund of \$0.4 million are held flat across the financial plan.

Staffing

Budgeted positions are to be reduced by 8 full time equivalents (“FTEs”) compared to the prior budget; total positions are budgeted at 2,674 FTEs for 2020-21 compared to 2,682 FTEs for 2019-20. The financial plan maintains budgeted positions at 2,674 FTEs throughout the financial plan. Both the police and fire departments are maintained at the 2019-20 levels which are 798 sworn police personnel and 742 firefighters, with the remaining City workforce totaling 1,134 FTEs.

| | 2019-20 Adopted | 2020-21 Projected | 2021-22 Projected | 2022-23 Projected | 2023-24 Projected |
|--------------------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| Police (uniform) | 798 | 798 | 798 | 798 | 798 |
| Fire (uniform) | 742 | 742 | 742 | 742 | 742 |
| Other | 1,142 | 1,134 | 1,134 | 1,134 | 1,134 |
| Citywide | 2,682 | 2,674 | 2,674 | 2,674 | 2,674 |
| Net Increase/(Decrease) | - | (8) | 0 | 0 | 0 |

Recommendations

With respect to the observations and recommendations made on the components of the May 1 submission that carryforward into the revised financial plan, the following are made:

The proposed budget includes \$65.1 million of federal stimulus funding. The House of Representatives passed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act on May 15, 2020. Within the HEROES Act is \$1.0 trillion of funding to state and local governments facing revenue shortfalls due to the impact from the pandemic. There has been no action taken by the Senate at this time.

The 2020-21 budget also includes \$11.0 million of Tribal State Compact revenue, or casino revenue. The Seneca Gaming Commission stopped making payments to the State after its December 2016 payment. The dispute went before a three-member arbitration panel in December 2018, with a decision in favor of the State. The Seneca Gaming Corporation appealed the decision to the U.S. Department of Interior requesting the decision be vacated; the Department of Interior declined to review the case. In June 2019, the Seneca Gaming Corporation requested the U.S. District Court of Western New York to vacate the arbitration panel’s decision and in November 2019, the U.S. District Court of Western New York upheld the decision that the Seneca Gaming Corporation wrongly withheld \$255 million in casino payments to the State. It is unknown when the Seneca Gaming Corporation will make payment. The State advanced \$7.5 million to the City for 2018-19, representing a portion of the then-estimated amount due of \$17.0 million. The total amount the City has estimated is due from casino payments including the amount not received in 2019-20 is \$24.0 million.

On May 11, 2020, the BFSA requested a revised financial plan from the Mayor to address how the resulting budget gap will be addressed in the event federal stimulus funding and TSC casino revenue is not received. The Mayor submitted a revised financial plan on May 22, 2020.

The expenditure estimates appear to be reasonably developed overall. There are certain revenues that could be overestimated and we recommend the City closely monitor these and revise the financial plan as necessary. These revenues include sales tax, traffic violations and school zone camera violations.