

*In the opinion of Bond Counsel, under existing law, and assuming continued compliance with various requirements of the Internal Revenue Code of 1986, as amended, interest on the Series 2015 Refunding Bonds will not be included in the gross income of holders of the Series 2015 Refunding Bonds for federal income tax purposes. While interest on the Series 2015 Refunding Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Series 2015 Refunding Bonds will be included in "adjusted current earnings" of corporate holders of the Series 2015 Refunding Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations. It is also the opinion of Bond Counsel that interest on the Series 2015 Refunding Bonds is exempt from personal income taxes imposed by or under the authority of the State of New York (the "State") or any political subdivision thereof (including The City of New York). . See "SECTION VI: TAX EXEMPTION" herein.*



**\$14,170,000**

**BUFFALO FISCAL STABILITY AUTHORITY  
SALES TAX AND STATE AID SECURED BONDS, SERIES 2015A**

**Dated: Date of Delivery**

**Due: September 1, as shown on the inside front cover**

The Sales Tax and State Aid Secured Bonds, Series 2015A (the "Series 2015 Refunding Bonds") are being issued as Senior Bonds pursuant to an Indenture, dated as of June 1, 2004, as amended and supplemented from time to time (the "Indenture"), including as supplemented by the Eleventh Supplemental Indenture, dated as of December 1, 2015, by and between the Buffalo Fiscal Stability Authority (the "Authority"), a corporate governmental agency and instrumentality of the State constituting a public benefit corporation created pursuant to the Buffalo Fiscal Stability Authority Act, as amended (the "Act"), and The Bank of New York Mellon, New York, New York, as trustee (the "Trustee").

Provided certain statutory and contractual conditions are met, other Series of Bonds on a parity with or subordinate to the Series 2015 Refunding Bonds may be issued (all Series of Bonds hereafter issued under the Indenture, including the Series 2015 Refunding Bonds, the "Bonds"). See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds."

Pursuant to the Act, the Bonds are payable from the Revenues of the Authority, which are primarily derived from (i) the City of Buffalo's share (the "City Tax Revenues") of the sales and compensating use taxes imposed by and within Erie County, New York (the "County") pursuant to authorization of the State (the "Local Sales Tax"); (ii) the Buffalo City School District's share (the "School District Tax Revenues") of the Local Sales Tax; and (iii) any aid appropriated by the State (the "State Aid Revenues") as local government assistance for the benefit of the City of Buffalo (the "City"). Neither the State, the County nor the City is prohibited from amending, modifying, repealing or otherwise altering existing sales and compensating use taxes, subject, with respect to the County and the City, to limitations set forth in the Act. The Act provides that (i) the City will have no right, title or interest in or to City Tax Revenues or State Aid Revenues required to be paid to the Authority, and (ii) the Buffalo City School District will have no right, title or interest in or to School District Tax Revenues required to be paid to the Authority, in each case except after payment of debt service, replenishment of reserves and payment of operating expenses of the Authority and then as provided in the Authority's agreements with the City. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS."

The Series 2015 Refunding Bonds will be issued only as fully registered bonds, registered in the name of The Depository Trust Company, New York, New York, or its nominee ("DTC"). Purchases of beneficial interests in the Series 2015 Refunding Bonds will be made in book-entry form in denominations of \$5,000 principal amount or whole multiples thereof. Purchasers will not receive physical delivery of the Series 2015 Refunding Bonds, except under the limited circumstances described herein. See "SECTION III: THE SERIES 2015 REFUNDING BONDS-Book-Entry Only System."

Principal and redemption price of and interest on the Series 2015 Refunding Bonds (with interest accruing from the delivery date and payable on March 1, 2016, and thereafter on March 1 and September 1 of each year) will be payable to DTC by the Trustee. So long as DTC remains the registered owner, disbursements of such payments to DTC Participants are the responsibility of DTC and disbursements of such payments to the purchasers of the Series 2015 Refunding Bonds are the responsibility of DTC Participants, as described herein.

The Series 2015 Refunding Bonds are not subject to optional redemption prior to maturity.

**THE BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A LIEN ON THE REVENUES OF THE AUTHORITY AND RELATED ACCOUNTS HELD BY THE TRUSTEE. THE BONDS ARE NOT A DEBT OF EITHER THE STATE, THE COUNTY OR THE CITY, AND NEITHER THE STATE, THE COUNTY NOR THE CITY SHALL BE LIABLE THEREON, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE AUTHORITY.**

This cover page contains information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Offering Circular to obtain information essential to making an informed investment decision.

*The Series 2015 Refunding Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality of the Series 2015 Refunding Bonds and certain other matters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its General Counsel, Magavern Magavern Grimm LLP. Certain legal matters will be passed upon for the Underwriter by its counsel Dentons US LLP. It is expected that the Series 2015 Refunding Bonds will be available for delivery in New York, New York, on or about December 21, 2015.*

**Ramirez & Co., Inc.**

**\$14,170,000 SALES TAX AND STATE AID SECURED BONDS, SERIES 2015A**

<u>September 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIPS*</u>
2016	\$2,465,000	3.00%	.32%	119683DE7
2017	2,550,000	4.00	.70	119683DF4
2018	2,665,000	5.00	.92	119683DG2
2019	2,805,000	5.00	1.10	119683DH0
2020	2,935,000	5.00	1.27	119683DJ6
2021	135,000	5.00	1.49	119683DK3
2022	145,000	5.00	1.67	119683DL1
2023	150,000	5.00	1.86	119683DM9
2024	155,000	5.00	2.00	119683DN7
2025	165,000	5.00	2.12	119683DP2

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\* CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2015 Refunding Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2015 Refunding Bonds or as indicated above.

The information in this Offering Circular has been provided by the Authority, the City and other sources considered by the Authority to be reliable. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

The Underwriter has provided the following sentence for inclusion in this Offering Circular. The Underwriter has reviewed the information in this Offering Circular in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representation with respect to the Series 2015 Refunding Bonds other than those contained in this Offering Circular, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2015 Refunding Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Offering Circular contains forecasts, projections and estimates that are based on current expectations. In light of the important factors that may materially affect economic conditions in the City and the amount of the Revenues (as defined herein), the inclusion in this Offering Circular of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the Underwriter that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Offering Circular, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Offering Circular. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

**THE SERIES 2015 REFUNDING BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY CORPORATION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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**SUMMARY OF TERMS**

*The following is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular. Terms used in this summary and not defined herein are defined in “APPENDIX B— SUMMARY OF INDENTURE AND FINANCING AGREEMENT.”*

Issuer .....	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”).
Securities Offered .....	<p>Sales Tax and State Aid Secured Bonds, Series 2015A (the “Series 2015 Refunding Bonds”) are to be issued as Senior Bonds pursuant to an Indenture, dated as of June 1, 2004, as amended and supplemented from time to time (the “Indenture”), including as supplemented by the Eleventh Supplemental Indenture, dated as of December 1, 2015, by and between the Authority and The Bank of New York Mellon, as trustee (the “Trustee”). See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.”</p> <p>The Series 2015 Refunding Bonds (along with other Series of Bonds hereafter issued under the Indenture, the “Bonds”) will be payable from Revenues, which consist primarily of City Tax Revenues, School District Tax Revenues and State Aid Revenues required by the Act to be paid to the Authority as described herein. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.”</p>
Trustee .....	The Bank of New York Mellon, New York, New York. See “SECTION XIV: TRUSTEE.”
Sales Tax Collection .....	The New York State Department of Taxation and Finance collects City Tax Revenues and School District Tax Revenues, each described below, and reports the amount of such collections to the State Comptroller. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS— Sales Tax Collection and Distribution.”
Disbursement of Revenues .....	Collections of City Tax Revenues and School District Tax Revenues are remitted to the State Comptroller who holds such collections, together with any State Aid Revenues appropriated for the benefit of the City of Buffalo (the “City”), in trust for the Authority. The State Comptroller deposits such Revenues with the Trustee, in accordance with instructions from the Authority, for payment of Debt Service and other expenses of the Authority. Such Revenues are applied, in accordance with the Act, in the following general order of priority: first, pursuant to the Authority’s contracts with bondholders, including payment of Debt Service, then to replenish any reserve funds securing the obligations of the Authority, then to pay Authority expenses not otherwise provided for, and then, pursuant to the Financing Agreement, dated as of June 1, 2004 (the “Financing Agreement”), between the Authority and the City, to the City and the School District, as frequently as practicable. For information regarding payment of Revenues to the Authority, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—City Tax Revenues,” “SECTION II: SOURCES

OF PAYMENT AND SECURITY FOR THE BONDS—School District Tax Revenues” and “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—State Aid Revenues.”

Not Debt of State, County or City.....	The Bonds are not a debt of either the State, Erie County (the “County”) or the City, and neither the State, the County nor the City shall be liable thereon. The Bonds are not payable out of any funds other than the Revenues of the Authority.
Bankruptcy Prohibition.....	The Authority is not authorized by State law to file a petition in bankruptcy pursuant to Title 11 (the “Bankruptcy Code”) of the United States Code. In addition, under the Act, the City and the Covered Organizations are prohibited 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.
Purpose of Issue.....	The proceeds from the sale of the Series 2015 Refunding Bonds will be deposited in escrow accounts by the Trustee to be used, along with other funds of the Authority, if any, to refund Bonds of the Authority previously issued to provide for the payment of Financeable Costs (the Refunded Bonds”) and to pay costs of issuance.
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, 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, currently at the rate of 4%, 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% for 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. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—City Tax Revenues.” 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 the City has no right, title or interest in or to City Tax Revenues required to be paid to the Authority, until after (i) payment of debt service, (ii)

replenishment of reserves, and (iii) payment of operating expenses of the Authority pursuant to the Authority’s contracts with bondholders, and then only 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.

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. The Act requires the County to impose the Local Sales Tax at a rate of no less than 3% for the period ending June 30, 2037. The School District presently receives a pro rata share, on the basis of average daily attendance of public school pupils who are residents of the County, 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. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—School District Tax Revenues.” 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 (i) payment of debt service, (ii) replenishment of reserves, and (iii) payment of operating expenses of the Authority pursuant to the Authority’s contracts with bondholders, and then only 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.

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 Legislature. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—State Aid Revenues.” The Act provides that the City has no right, title or interest in or to State Aid Revenues required to be paid to the Authority, until after (i) payment of debt service, (ii) replenishment of reserves, and (iii) payment of operating expenses of the Authority pursuant to the Authority’s contracts with bondholders, and then only 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.

Enabling Legislation..... The Act provides for the issuance of bonds, notes and other evidence of indebtedness by the Authority, including the Bonds; the payment of the Bonds from the Revenues; the execution of swap contracts; the issuance of obligations of the City to the Authority in connection with the issuance of the Authority’s bonds, notes or other obligations for purposes other than deficit financing; and the statutory and contractual covenants of the Authority, the County, the City and the State.

Agreement of the State ..... The Act and the Indenture contain the covenant of the State with the Bondholders (the “State Covenant”) that the State shall 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 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.

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. For more information regarding the State Covenant, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Agreements of the State, the County and the City.”

Agreement of the County .....

The Act and the Indenture contain the covenant of the County with the Bondholders (the “County Covenant”) that the County shall 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% for 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% for the period ending June 30, 2037. For more information regarding the County Covenant, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Agreements of the State, the County and the City.”

Agreement of the City .....

In accordance with the Act, the City has, in the Financing Agreement, pledged and agreed with the Bondholders (the “City Covenant”) 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. For more information regarding the City Covenant, see "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Agreements of the State, the County and the City."

Other Series of Bonds  
and Notes .....

The Authority has previously issued \$156,580,000 of Bonds, of which \$40,115,000 are Outstanding as of November 1, 2015. Other Series of Bonds and Notes may be issued from time to time by the Authority. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds."

The Act authorizes the issuance of 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; provided, however, that the aggregate principal amount of such bonds, notes or other obligations outstanding at any one time may not exceed \$175,000,000. The Authority may also issue 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 means those Bonds and Notes that may be issued: (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 and 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, including Debt Service on the Series of Senior Bonds or Senior Notes proposed to be issued, for each fiscal year such Bonds or Notes will be Outstanding.

Upon the issuance of additional Senior Bonds, under the circumstances and in the amounts described herein under “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds,” the Authority will be required to deposit the amounts required in the Debt Service Reserve Account, which amounts will be available to pay Debt Service on all Senior Bonds. See “APPENDIX B— SUMMARY OF INDENTURE AND FINANCING AGREEMENT.”

Interest and Principal ..... Interest on the Series 2015 Refunding Bonds will accrue from their dated date at the rates set forth on the inside cover page hereof and will be payable semiannually, commencing March 1, 2016. The record date for payment of interest on the Series 2015 Refunding Bonds is the last business day of the month preceding the interest payment date.

Principal will be due on the annual serial maturities and sinking fund installments as shown on the inside cover page and herein.

Interest and principal on the Bonds will be paid from the Revenues on deposit in the Bond Account or Redemption Account, if applicable. Revenues shall be deposited into the Bond Account in accordance with the retention schedule as described in “Retention Procedures” below.

Optional Redemption..... Series 2015 Refunding Bonds are not subject to optional redemption prior to maturity.

Debt Service Reserve Account Surety Bond..... National Public Finance Guarantee Corporation will issue a reserve fund policy to be held by the Trustee in the Debt Service Reserve Account as an alternative to the deposit therein by the Authority of an amount equal to the Debt Service Reserve Account Requirement for Outstanding Series 2015A Bonds.

Form and Denomination ..... The Series 2015 Refunding Bonds will be issued in book-entry form and will be denominated in principal amounts of \$5,000 and integral multiples thereof.

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.

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 includes covenants of the City pledged to the benefit of Bondholders.

Collection 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 next 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. See "Application of Revenues" below.

All Revenues received by the Authority are deposited immediately into the Collection Account.

Bond Account..... The Bond Account is held by the Trustee in accordance with the terms of the Indenture. The Trustee shall deposit amounts from the Collection Account into the Bond Account (i) in accordance with the procedures described below for the payment of Debt Service, and (ii) to provide for the payment of Notes and Senior Agreements, if any, that are to be paid out of the Bond Account on a parity with the Senior Bonds. Currently the Authority is not a party to any Senior Agreements.

Application of Revenues ..... All Revenues in the Collection Account shall be applied upon receipt by the Trustee in the following order of priority: first, to the Bond Account or Redemption Account to pay Debt Service in accordance with the Retention Procedures described in the paragraph below and 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 the amount, if any, necessary to replenish any reserve accounts established in connection therewith, and 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.

Tax Exemption ..... In the opinion of Bond Counsel, under existing law, and assuming continued compliance with various requirements of the Internal Revenue Code of 1986, as amended, interest on the Series 2015 Refunding Bonds will not be included in the gross income of holders of the Series 2015 Refunding Bonds for federal income tax purposes. While interest on the Series 2015 Refunding Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Series 2015 Refunding Bonds will be included in “adjusted current earnings” of corporate holders of the Series 2015 Refunding Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations. It is also the opinion of Bond Counsel that interest on the Series 2015 Refunding Bonds is exempt from personal income taxes imposed by or under the authority of the State of New York (the “State”) or any political subdivision thereof (including The City of New York). . See “SECTION VI: TAX EXEMPTION” herein.

Ratings..... The Series 2015 Refunding Bonds are rated “Aa1” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by Fitch Ratings (“Fitch”) (each a “Rating Agency”, and, collectively, the “Rating Agencies”). A security rating should be evaluated independently of similar ratings of different types of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to a revision or withdrawal at any time by the assigning Rating Agency. See “SECTION VII: RATINGS.”

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## SECTION I: INTRODUCTION

This Offering Circular of the Buffalo Fiscal Stability Authority (the “Authority”) sets forth information concerning the Authority in connection with the sale of the Authority’s Sales Tax and State Aid Secured Bonds, Series 2015A (the “Series 2015 Refunding Bonds”). All Series of Bonds issued hereafter under the Indenture (defined below), including the Series 2015 Refunding Bonds, are hereinafter referred to as the “Bonds.” 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 Series 2015 Refunding Bonds are being issued as Senior Bonds pursuant to an Indenture, dated as of June 1, 2004, as amended and supplemented from time to time (the “Indenture”), including as supplemented by the Eleventh Supplemental Indenture, dated as of December 1, 2015, by and between the Authority and The Bank of New York Mellon, as trustee (the “Trustee”). See “SECTION XIV: TRUSTEE.” The Authority and the City of Buffalo, New York (the “City”) have entered into a Financing Agreement, dated as of June 1, 2004 (the “Financing Agreement”), which provides, among other things, for the application of Bond proceeds. A summary of certain provisions of the Indenture and the Financing Agreement, together with certain defined terms used therein and in this Offering Circular, are contained in “APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT.”

The proceeds of the Series 2015 Refunding Bonds will be deposited in escrow accounts held by the Trustee to be used, along with other moneys of the Authority, if any, to refund the Refunded Bonds and to pay costs of issuance.

The Bonds are payable from the Authority’s Revenues which consist primarily of City Tax Revenues, School District Tax Revenues and State Aid Revenues (each as defined herein). In accordance with the Act, Revenues are applied in the following general order of priority: first, pursuant to the Authority’s contracts with bondholders, including 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 and the City’s dependent school district (the “School District”), as frequently as practicable. Concurrently with the delivery of the Series 2015A Bonds, National Public Finance Guarantee Corporation (the “Surety Provider”) will issue a debt service reserve fund surety bond to be held by the Trustee in the Debt Service Reserve Account as an alternative to the deposit therein by the Authority of an amount equal to the Debt Service Reserve Account Requirement for Outstanding Series 2015A Bonds.

The Act provides that the Authority shall have different financial control and oversight powers depending upon whether the City’s financial condition causes it to be in a “control period” or an “advisory period.” Pursuant to the Act, an advisory period may not begin until the Authority has determined that: “(a) for each of the three immediately preceding City fiscal years, the City has adopted and adhered to budgets covering all expenditures, other than capital items, the results of which did not show a deficit, without the use of any the Authority assistance as provided for within the Act, when reported in accordance with generally accepted accounting principles, and; (b) the City Comptroller and the State Comptroller jointly certify that securities were sold by the City during the immediately preceding City fiscal year in the general public market and that there is a substantial likelihood that such securities can be sold by the City in the general public market from such date through the end of the next succeeding City fiscal year in amounts that will satisfy substantially all of the capital and cash flow requirements of the City during that period in accordance with the four-year financial plan then in existence”. On May 29, 2012, the Authority made a determination that all provisions of the Act with respect to transitioning into an advisory period had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds.”

Amendments to the Act were passed by the State Legislature and signed into law on May 26, 2004. Among other things, the amendments provide the Authority with (i) additional financial resources for the payment and security of the Authority’s bonds; (ii) expanded bond issuance authority; and (iii) enhanced covenants regarding minimum debt service coverage and non-impairment of bondholders’ rights.

The Act authorizes the issuance of 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; provided, however, that the aggregate principal amount of such bonds, notes or other obligations outstanding at any one time may not exceed \$175,000,000. The Authority may also issue 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. For additional information regarding the issuance of parity or subordinate obligations of the Authority, see "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds." The Act also provides for the execution of swap contracts; the issuance of obligations of the City to the Authority in connection with the issuance of the Authority's bonds, notes or other obligations for purposes other than deficit financing; and the statutory and contractual covenants of the Authority, Erie County (the "County"), the City and the State.

The Authority has previously issued \$156,580,000 of Bonds, of which \$40,115,000 are Outstanding as of November 1, 2015.

## **SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**

### **General**

The Act authorizes the Authority to issue debt 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, including 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 and the School District, as frequently as practicable. The Authority's Revenues, which consist primarily of City Tax Revenues and 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 Accounts established under the Indenture, are the only source of payment for the holders of the Bonds. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—City Tax Revenues" below. 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, the State nor the Trustee will insure or guarantee the Series 2015 Refunding 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% for 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 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.

## **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, 2017, 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 16.56% of City revenues, as unaudited, in the City’s general fund for the fiscal year ending June 30, 2015. 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 “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR

THE BONDS—Sales Tax Collection and Distribution” and “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS —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, 2015, 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, 2017, 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, 2017, 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. Moreover, 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. There can be no assurance that historical data relating to economic conditions in the County are predictive of future trends. For more information regarding the economic conditions in the County, see “APPENDIX A—INFORMATION REGARDING THE CITY OF BUFFALO.” 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.

The following table sets forth the history of the City’s cash receipts from the County’s Local Sales Tax collections since calendar year 2006. From 1997 to 2014, the average annual compound growth rate for City cash receipts from Local Sales Tax collections was approximately 2.50%.

**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>
2006	\$64,038,027	2011	\$74,245,192
2007	73,570,764	2012	76,656,059
2008	76,547,533	2013	78,603,674
2009	73,561,456	2014	80,455,519
2010	74,482,504	2015*	68,682,764

\*Through November 1, 2015

See “MONTHLY CITY TAX REVENUE DISTRIBUTIONS” table.

SOURCE: The Authority



**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 2006. From 1997 to 2014, the average annual compound growth rate for School District cash receipts from Local Sales Tax collections was approximately 2.43%.

**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>
2006	\$32,200,882	2011	34,760,380
2007	33,646,882	2012	36,345,462
2008	34,417,261	2013	38,361,445
2009	32,022,474	2014	40,679,906
2010	33,269,390	2015*	34,020,201

\* Through November 1, 2015

See “MONTHLY SCHOOL DISTRICT TAX REVENUE DISTRIBUTIONS” table.

SOURCE: The Authority

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. There can be no assurance that historical data relating to economic conditions in the County are predictive of future trends. For more information regarding the economic conditions in the County, see “APPENDIX A—INFORMATION REGARDING THE CITY OF BUFFALO.” 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 next 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 "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS —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 since January 2010.

**MONTHLY CITY TAX  
REVENUE DISTRIBUTIONS**

<u>Month</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
January	\$6,779,290	\$7,117,662	\$7,488,247	\$7,458,697	\$7,373,479	\$6,680,193
February	8,058,944	8,383,631	8,196,013	8,550,305	8,080,467	8,698,263
March	8,247,969	8,314,680	8,259,772	8,416,140	8,253,893	8,510,967
April	6,218,368	5,342,156	6,239,574	6,068,801	7,043,802	6,577,081
May	5,227,482	5,217,123	5,387,019	5,329,490	5,622,137	5,633,594
June	5,131,514	5,111,833	5,267,273	7,359,610	7,392,124	7,708,585
July	6,520,399	6,845,848	7,020,802	5,540,574	5,561,480	5,592,193
August	5,521,277	5,346,785	5,516,412	5,711,751	5,940,704	5,948,274
September	5,398,152	5,240,461	5,549,419	5,646,210	5,758,493	5,923,250
October	6,796,679	7,025,678	7,083,646	7,078,029	7,604,994	7,410,364
November	5,242,121	5,177,714	5,408,282	5,846,068	5,731,861	
December	5,340,309	5,121,621	5,239,600	5,597,999	6,092,085	
<b>TOTALS</b>	<b>\$74,482,504</b>	<b>\$74,245,192</b>	<b>\$76,656,059</b>	<b>\$78,603,674</b>	<b>\$80,455,519</b>	<b>\$68,682,764</b>

SOURCE: The Authority

**MONTHLY SCHOOL DISTRICT  
TAX REVENUE DISTRIBUTIONS**

<u>Month</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
January	\$3,286,457	\$3,459,295	\$3,816,453	\$3,870,842	\$4,029,367	\$3,585,259
February	2,746,860	2,889,318	2,970,343	3,137,315	3,107,791	3,335,712
March	2,298,768	2,359,407	2,528,429	2,726,934	2,721,757	2,859,181
April	3,014,534	3,176,927	3,180,056	3,149,527	3,849,209	3,529,919
May	2,534,173	2,639,482	2,745,543	2,765,847	3,072,315	3,023,550
June	2,487,650	2,586,210	2,684,514	3,819,418	4,039,556	4,137,197
July	3,160,952	3,463,494	3,578,215	2,875,393	3,039,168	3,001,330
August	2,676,599	2,705,079	2,811,490	2,964,229	3,246,402	3,192,438
September	2,616,910	2,651,286	2,828,312	2,930,215	3,146,829	3,179,008
October	3,303,295	3,580,701	3,676,201	3,673,287	4,081,600	4,176,607
November	2,547,718	2,638,854	2,806,709	3,033,935	3,076,290	
December	2,595,474	2,610,327	2,719,197	3,414,503	3,269,622	
<b>TOTALS</b>	<b>\$33,269,390</b>	<b>\$34,760,380</b>	<b>\$36,345,462</b>	<b>\$38,361,445</b>	<b>\$40,679,906</b>	<b>\$34,020,201</b>

SOURCE: The 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, 2015, 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 result 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.

**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 1997. 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>
2006	\$115,876,026	2011	\$164,576,768
2007	142,267,026	2012	161,285,233
2008	155,071,058	2013	191,285,233
2009	171,206,673	2014	161,285,233
2010	167,337,178	2015	161,285,233
		2016	98,361,870*

\* Received by the Authority through November 1, 2015  
 SOURCE: The Authority

**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 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 \$40,115,000 are outstanding as of November 1, 2015. Other series of bonds and notes may be issued from time to time by the Authority.

The total anticipated Debt Service payable on Outstanding Bonds of the Authority (after the redemption or defeasance of the Refunded Bonds), as well as anticipated Debt Service on the Series 2015 Refunding Bonds, is set forth herein in the table entitled "Debt Service on Senior Bonds" under the heading "SECTION III: THE SERIES 2015 REFUNDING BONDS—Debt Service Requirements."

### **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. It is anticipated that upon the issuance of the Series 2015 Refunding Bonds and the redemption or defeasance of the Refunded Bonds, the Maximum annual aggregate Debt Service on all Outstanding Senior Bonds will be reduced. See "SECTION III: THE SERIES 2015 REFUNDING BONDS—Debt Service Requirements."

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**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)<sup>(a)</sup></u>	<u>Maximum Annual Debt Service Coverage (All Revenues)<sup>(a)</sup></u>
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*	\$102,702,905	\$244,822,319	9.25x	22.05x

\* Through November 1, 2015

SOURCE: Buffalo Fiscal Stability Authority

<sup>(a)</sup> Based on Debt Service for all currently Outstanding Senior Bonds of the Authority.

**Additional Bonds**

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. See “APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT.”

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 Collection 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

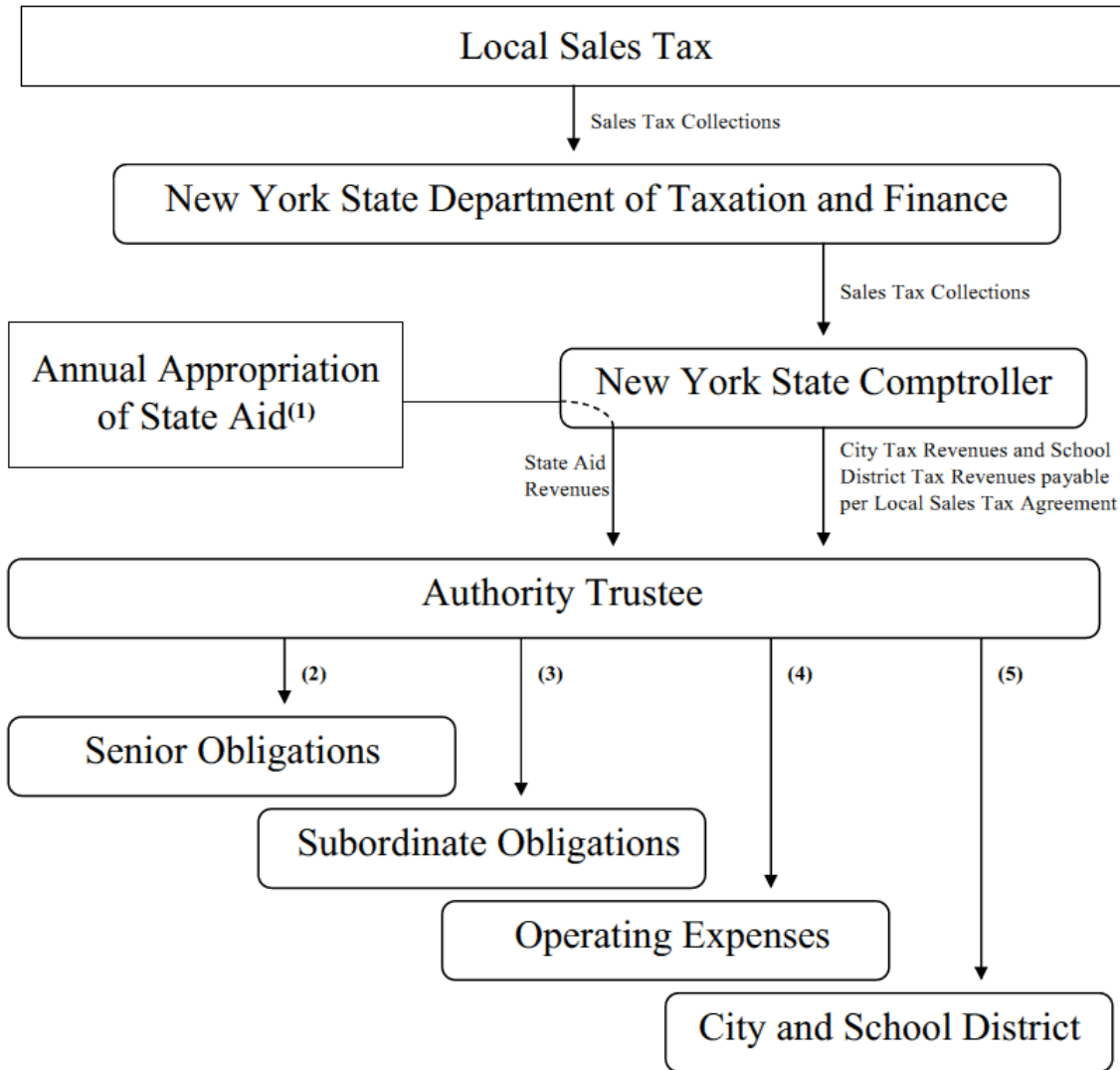
any variable interest rate Senior Bonds (or any reimbursement obligations issued in connection therewith which are deemed to be Bonds pursuant to the related Supplemental Indenture). The Authority may provide for a letter of credit, surety agreement, insurance agreement or other type of agreement or 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. See “APPENDIX B— SUMMARY OF INDENTURE AND FINANCING AGREEMENT.”

### **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 “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—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. The chart on the following page illustrates the collection of City Tax Revenues, School District Tax Revenues and State Aid Revenues and the flow of funds under the Indenture, as described below.

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**APPLICATION OF CITY TAX REVENUES, SCHOOL DISTRICT TAX REVENUES AND STATE AID REVENUES**



**Notes:**

- (1) State Aid is subject to the prior lien of the holders of the MBBA Bonds. See SECTION II: Sources of Payment and Security for the Bonds—State Aid Revenues.
- (2) Revenues will be retained by the Trustee for the payment of Debt Service on Outstanding Senior Bonds and Senior Notes and for the payment of Senior Agreement providers, if any, in accordance with the retention procedures detailed below, and for the payment of the amount, if any, necessary to replenish the Debt Service Reserve Account to the extent of any withdrawal therefrom.
- (3) Revenues are next applied pursuant to Supplemental Indentures for the benefit of Subordinate Bondholders, Subordinate Noteholders and parties to Subordinate Agreements.
- (4) After Revenues are retained by the Trustee for the payment of Debt Service, the replenishment of the Debt Service Reserve Account and payments for the benefit of Subordinate Bondholders, Subordinate Noteholders and Subordinate Agreement providers, if any, such Revenues are paid to the Authority for its operating expenses.
- (5) After the payments described in (2), (3) and (4) above are made, subject to the Financing Agreement, remaining Revenues are paid to the City and the School District, as frequently as practicable.

## **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. See "APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT."

## **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% for 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% for 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. For a further description of the covenants of the City set forth in the Financing Agreement, see "APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT."

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.

## **SECTION III: THE SERIES 2015 REFUNDING BONDS**

### **General**

The Series 2015 Refunding Bonds will be dated, will bear interest at the rates and will mature on the dates as set forth on the cover and inside cover page of this Offering Circular unless redeemed prior to maturity. All of the Series 2015 Refunding Bonds will be issued in book-entry only form.

The Series 2015 Refunding Bonds will be issued in denominations of \$5,000 or any whole multiple thereof, and will bear interest calculated on the basis of a 360-day year of 30-day months.

### **Optional Redemption**

Series 2015 Refunding Bonds are not subject to optional redemption prior to maturity.

### **Debt Service Reserve Account Surety Bond**

Application has been made to National Public Finance Guarantee Corporation ("National") for a commitment to issue a surety bond (the "Debt Service Reserve Account Surety Bond"). The Debt Service Reserve Account Surety Bond provides that upon notice from the Trustee to National to the effect that insufficient amounts

are on deposit in the Debt Service Account to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, National will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Account Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by National of a Demand for Payment in the form attached to the Debt Service Reserve Account Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to National, National will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Account Surety Bond is the initial face amount of the Debt Service Reserve Account Surety Bond less the amount of any previous deposits by National with the Trustee which have not been reimbursed by the Authority. The Authority and National will entered into a Financial Guaranty Agreement dated as of the closing date (the "Agreement"). Pursuant to the Agreement, the Authority is required to reimburse National, with interest, within one year of any deposit, the amount of such deposit made by National with the Trustee under the Debt Service Reserve Account Surety Bond.

No optional redemption of Bonds may be made until the Insurer's Debt Service Reserve Account Surety Bond is reinstated. The Debt Service Reserve Account Surety Bond is held by the Trustee in the Debt Service Reserve Account and is provided as an alternative to the Authority depositing funds equal to the Debt Service Reserve Requirement for outstanding Bonds.

### Debt Service Requirements

The following schedule sets forth, for each 12-month period ending June 30 of the years shown, on a cash basis, the anticipated amounts required to be paid by the Authority for the payment of principal and sinking fund installments, if any, of, and interest on, the Series 2015 Refunding Bonds payable on their respective payment dates of each such period, and the total payments to be made with respect to debt service on Outstanding Senior Bonds.

#### Debt Service On Senior Bonds

12-Month Period Ending June 30	Outstanding Senior Bonds Debt Service <sup>(1)</sup>	Series 2015 Refunding Bonds Principal Amounts	Series 2015 Refunding Bonds Interest Payments	Total Series 2015 Refunding Bonds Debt Service	Total Senior Bonds Debt Service
2016	\$ 470,325	\$	\$123,219	\$ 123,219	\$ 593,544
2017	5,508,525	2,465,000	596,725	3,061,725	8,570,250
2018	3,602,150	2,550,000	508,750	3,058,750	6,660,900
2019	3,507,938	2,665,000	391,125	3,056,125	6,564,063
2020	2,992,888	2,805,000	254,375	3,059,375	6,052,263
2021	2,017,700	2,935,000	110,875	3,045,875	5,063,575
2022	2,016,100	135,000	34,125	169,125	2,185,225
2023	2,011,700	145,000	27,125	172,125	2,183,825
2024	2,009,400	150,000	19,750	169,750	2,179,150
2025		155,000	12,125	167,125	167,125
2026		165,000	4,125	169,125	169,125
Totals*	<u>\$24,136,725</u>	<u>\$14,170,000</u>	<u>\$2,082,319</u>	<u>\$16,252,319</u>	<u>\$40,389,044</u>

\* Totals may not add due to rounding.

<sup>(1)</sup> Debt Service on the Authority's Outstanding Sales Tax and State Aid Secured Bonds, excluding the Refunded Bonds. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Authority Bonds."

## Plan of Finance and Use of Proceeds

The proceeds from the sale of the Series 2015 Refunding Bonds will be deposited in escrow accounts held by the Trustee and will be used, along with other funds of the Authority, if any, to refund the Refunded Bonds and to pay costs of issuance, as set forth in the table below. Bond proceeds are not pledged or available to pay any indebtedness of the Authority.

## Sources and Uses of Funds

Set forth below are the sources and uses of the proceeds of the Series 2015 Refunding Bonds:

### SOURCES OF FUNDS

Par amount of the Series 2015 Refunding Bonds .....	\$14,170,000.00
Plus Original Issue Premium .....	1,536,366.65
Plus other available amounts under the Indenture .....	<u>4,837,286.40</u>
Total Sources of Funds.....	\$20,543,653.05

### USES OF FUNDS

Deposits to escrow accounts to pay the Refunded Bonds.....	\$20,062,351.84
Underwriter's discount, Debt Service Reserve Account surety bond premium and other costs of issuance .....	<u>481,301.21</u>
Total Uses of Funds.....	\$20,543,653.05

## Book-Entry Only System

Beneficial ownership interests in the Series 2015 Refunding Bonds will be available in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Series 2015 Refunding Bonds will not receive certificates representing their interests in the Series 2015 Refunding Bonds purchased.

DTC will act as securities depository for the Series 2015 Refunding Bonds. The Series 2015 Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Refunding Bond certificate will be issued for each principal amount of Series 2015 Refunding Bonds bearing interest at a specified interest rate, each in the aggregate principal amount of such quantity of Series 2015 Refunding Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or

maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2015 Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Refunding Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015 Refunding Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Refunding Bonds, except in the event that use of the book-entry system for the Series 2015 Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Refunding Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2015 Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Refunding Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 Refunding Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2015 Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detailed information from the Authority or the Trustee, on a payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Refunding Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a depository is not obtained, the Series 2015 Refunding Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2015 Refunding Bond certificates will be printed and delivered.

The information in this section under the heading “SECTION III: THE SERIES 2015 REFUNDING BONDS—Book-Entry Only System” concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

### **Other Information**

For additional information regarding the Series 2015 Refunding Bonds and the Indenture including the events of default under the Indenture and the remedies of the Bondholders thereunder, which include acceleration of the Series 2015 Refunding Bonds under certain circumstances, see “APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT.”

## **SECTION IV: THE AUTHORITY**

### **Purpose and Operations**

The Authority is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation created by the Act in July 2003 with a broad range of financial control and oversight powers, including the power to issue its bonds and notes for various City purposes, including the restructuring of a portion of the City’s outstanding debt. The Authority shall continue in existence until its oversight, control or other responsibilities and its liabilities, which include the payment of Authority bonds and notes, including the Series 2015 Refunding Bonds, have been met or discharged, which in no event may be later than June 30, 2037. In addition, the Authority has certain powers under the Act to control, oversee and monitor the City’s finances, including Covered Organizations. During a “control period,” the Authority possesses significantly expanded oversight authority, all as more fully described below under “Authority Financial Control and Oversight Functions.”

The Authority is not authorized by State law to file a petition in bankruptcy. In addition, under the Act, the City and the Covered Organizations are prohibited 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.

### **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 Chair from among the directors. Five directors constitute a quorum.

#### *Directors and Officers*

As of the date of this Offering Circular, 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.

Dottie Gallagher-Cohen, Director. Ms. Gallagher-Cohen is currently President and Chief Executive Officer of the Buffalo Niagara Partnership.

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

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

Frank B. Mesiah, Director. Mr. Mesiah is the President of the Buffalo branch of the National Association for the Advancement of Colored People.

R. Nils Olsen, 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. Mongold-Robe, CPA, Executive Director since June 2009. Ms. Mongold-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.

Robert L. Miller, CPA, Comptroller since October 2011. Mr. Miller is the former Chief Financial Officer of CVF Technologies Corporation, and former Vice President/Controller with Pratt & Lambert United Inc.

### **Financing Agreement**

In accordance with the provisions of the Act described above, the Authority and the City have entered into the Financing Agreement, dated as of June 1, 2004, providing for, among other things, the issuance of bonds and notes by the Authority to finance various City purposes authorized under the Act. See “APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT.”

### **Authority Financial Control and Oversight Functions**

The Act provides that the Authority shall have different financial control and oversight powers depending upon whether the City’s financial condition causes it to be in a “control period” or an “advisory period.” Pursuant to the Act, an advisory period may not begin until the Authority has determined that: “(a) for each of the three immediately preceding City fiscal years, the City has adopted and adhered to budgets covering all expenditures, other than capital items, the results of which did not show a deficit, without the use of any the Authority assistance as provided for within the Act, when reported in accordance with generally accepted accounting principles, and; (b) the Comptroller and the State Comptroller jointly certify that securities were sold by the City during the immediately preceding City fiscal year in the general public market and that there is a substantial likelihood that such securities can be sold by the City in the general public market from such date through the end of the next succeeding City fiscal year in amounts that will satisfy substantially all of the capital and cash flow requirements of the City during that period in accordance with the four-year financial plan then in existence”. On May 29, 2012, the Authority made a determination that all provisions of the Act with respect to transitioning into an advisory period had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed.

Under the Act, the Authority began its existence during a City control period, which means that the Authority commenced operation with its maximum authorized complement of financial control and oversight powers, as described below. Under an advisory period the Authority operates with a reduced set of financial

oversight powers and responsibilities. After an advisory period has been established, a control period may be reimposed on the City upon a determination that a fiscal crisis is imminent or that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (a) the City shall have failed to adopt a balanced budget, financial plan or budget modification as required by Sections 3856 and 3857 of the Act; (b) the City shall have failed to pay the principal of or interest on any of its bonds or notes when due; (c) the City shall have incurred an operating deficit of one percent or more in the aggregate results of operations of any major fund of the City or a Covered Organization during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles, subject to the provisions of the Act; (d) the chief fiscal officer's certification at any time, at the request of the Authority or on the chief fiscal officer's initiative, which certification shall be made from time to time as promptly as circumstances warrant and reported to the Authority, that on the basis of facts existing at such time such officer could not make the certification described in subdivision one of Section 3851 of the Act; or (e) the City shall have violated any provision of the Act.

During an advisory period, the Authority is empowered, among other things, (i) to review the operation, management, efficiency and productivity of City operations and of any Covered Organization's operations, and to make reports and recommendations thereon; (ii) to review and comment on the budget, financial plan and financial plan modifications of the City and any of the Covered Organization's; (iii) to audit compliance with the City and any of the Covered Organization's financial plans; (iv) to review and comment on the terms of any proposed borrowing, including the prudence of each proposed issuance of bonds or notes by the City; (v) to assess and comment on the impact of any collective bargaining agreement to be entered by the City; and (vi) to impose a control period upon making one of the statutory findings.

While currently under an advisory period, a control period could be reimposed in the event of the occurrence of certain events as described above. During a control period, the Authority would be empowered, among other things, (i) to approve or disapprove contracts, including collective bargaining agreements to be entered into by the City or any Covered Organization, binding or purporting to bind the City or any Covered Organization; (ii) to approve or disapprove the terms of borrowings by the City and Covered Organizations; (iii) to approve, disapprove or modify the City's financial plans and take any action necessary in order to implement the financial plan should the City or any Covered Organization fail to comply with any material action necessary to fulfill the plan, including issuing binding orders to the appropriate local officials; (iv) to set a maximum level of spending for any proposed budget of any Covered Organization; (v) to impose a wage or hiring freeze, or both, with respect to employees of the City or any Covered Organization; (vi) to review the operation, management, efficiency and productivity of the City and any Covered Organization; and (vii) upon a determination that no condition exists which would permit imposition of a control period to terminate the control period.

### **Authority Review of Financial Plans and Budgets**

The Authority entered into an advisory period effective July 1, 2012. The Authority is empowered under an advisory period to review and comment on the budget and financial plans of the City and the Covered Organizations. If the Authority determines that the financial plan is complete and complies with the standards set forth in the Act, the Authority shall make a certification to the City setting forth revenue estimates agreed to by the Authority in accordance with such determination. In the event the Authority disagrees with elements of the financial plan as provided for within the Act, the Authority shall provide notice thereof to the City, with copies to the Director of the Budget, the State Comptroller, the Chair of the Assembly and Means Committee and the Chair of the Senate Finance Committee, if in the judgment of the Authority, such financial plan: (i) is incomplete; (ii) fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation; (iii) fails to provide that the operations of the City and the Covered Organizations will be conducted within the cash resources available; or (iv) fails to comply with the provisions of the Act or other requirements of law.

### **Authority Oversight Actions Related to the City's 2015-16 Fiscal Year**

On May 1, 2015, the City submitted to the Authority the respective 2015-16 budgets and 2016-19 four-year financial plans of the City and Covered Organizations for review and determination that the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 20, 2015, the Authority declared the financial plan to be incomplete with respect to the Buffalo Municipal Housing Authority ("BMHA")

and required a revised financial plan be submitted. The BMHA submitted a revised financial plan on June 4, 2015, but failed to appear at the meeting of the Authority on June 22, 2015 to clarify the additional information as submitted. On June 22, 2015 the Authority found that with the exception of the financial plan of the BMHA, the 2016-19 financial plan was complete and compliant with the Act; attendance by BMHA officials was requested for the Authority's July 29, 2015 meeting. On July 29, 2015, an official from the BMHA was present at the meeting and satisfactorily explained and clarified the BMHA's revised financial plan and the Authority found the BMHA's financial plan to be complete and compliant with the Act.

On July 29, 2015, the Authority reviewed and commented on the terms of a proposed collective bargaining agreement between the City and the Buffalo Police Benevolent Association, Incorporated, representing approximately 720 sworn law enforcement officers employed by the City; the terms of this labor contract with respect to wage increases and healthcare benefits are also extended by the City to exempt officers. The costs associated with this proposed labor agreement resulted in the submission of a modified financial plan which increased projected expenditures over the financial plan by approximately \$16.0 million and is funded through the use of additional unassigned fund balance. Also on July 29, 2015, the Authority approved the reallocation of approximately \$211,000 of New York State Efficiency Grant monies among various previously approved projects.

In accordance with the Act, for so long as an advisory period shall remain in effect, the City and the non-exempted Covered Organizations are required to submit their budget modifications to the Authority to address changing expenditures and revenue projections.

#### **Authority Oversight Actions Related to the City's 2014-15 Fiscal Year**

On May 1, 2014, the City submitted to the Authority the respective 2014-15 budgets and 2015-18 four-year financial plans of the City and Covered Organizations for review and determination that the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 14, 2014, the Authority found the financial plan to be incomplete and required additional information be submitted by the Buffalo Municipal Housing Authority ("BMHA") and a revised financial plan be submitted by the Buffalo Urban Renewal Agency ("BURA"). The Authority also requested that the Buffalo City School District (the "Buffalo CSD") specifically delineate those potential actions to close the budget gaps as projected over the 2015-18 financial plan by prioritizing such potential actions, as soon as practical. The Buffalo CSD did not submit a delineated plan to close the projected budget gaps.

The City submitted a revised budget for 2014-15 and the related four-year financial plan to the Authority for review on June 10, 2014. On June 12, 2014, BURA submitted a revised financial plan to the Authority. The Buffalo CSD and the BMHA did not submit a revised financial plan. On June 18, 2014, the Authority determined that the 2015-18 financial plan was complete and complied with the standards set forth in the Act. On March 11, 2015, the Authority passed a resolution requiring certain detailed information be submitted with the upcoming Buffalo CSD financial plan in order for the financial plan to be deemed complete pursuant to the provisions of the Act.

On December 3, 2014, the Authority reviewed two proposed collective bargaining agreements between the Buffalo CSD and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO, representing both the Food Service Workers and the Summer Food Service Workers. In connection with this review, the Authority also reviewed a budget modification for the District's Food Service Fund for increased costs associated with these labor agreements which appropriated an additional \$221,000 from fund balance. On March 11, 2015, the Authority reviewed a proposed labor agreement between the City and the American Federation of State, County and Municipal Employees, AFL-CIO, Local 650, representing approximately 399 white collar employees; in addition the terms of this contract with respect to wage increases and the provision of healthcare benefits is extended by the City to exempt employees. No budget modification was deemed necessary. Also on March 11, 2015, the Authority reviewed a modification to a collective bargaining agreement between the Buffalo CSD and the Buffalo Council of Supervisors and Administrators, representing the administrators; the modification represented a retirement incentive provided to membership. No budget modification was necessary.



### **Authority Oversight Actions Relating to the City's 2013–14 Fiscal Year**

On May 1, 2013, the City submitted to the Authority the respective 2013-14 budgets and 2014-17 four-year financial plans of the City and Covered Organizations for review and determination that the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 15, 2013, the Authority declared the financial plan to be incomplete with respect to the Covered Organizations and required a revised financial plan to be submitted. On June 11, 2013, the City submitted a revised budget for 2013-14 and the related revised four-year financial plan for 2014-17 to the Authority; the Buffalo CSD submitted a revised 2013-14 budget and 2014-17 four-year financial plan to the Authority on May 31, 2013; the Buffalo Municipal Housing Authority (“BMHA”) submitted a revised 2013-14 budget and 2014-17 four-year financial plan to the Authority on June 11, 2013; and, the Buffalo Urban Renewal Agency (“BURA”) submitted a revised 2013-14 budget and 2014-17 financial plan on June 10, 2013. On June 19, 2013, the Authority determined that, subject to reservations stated (as noted below), that the four-year financial plans of the City and Covered Organizations for fiscal years 2014-17 were complete and complied with the standards set forth in the Act.

With respect to the financial plan of the Buffalo CSD, the Authority found that: (1) the Buffalo CSD faces a structural imbalance over the financial plan in that there are rapidly increasing costs mandated by state law and lagging state financial assistance; (2) the Buffalo CSD’s final four-year financial plan is balanced for fiscal year 2014, but depends upon the use of reserves, staffing reductions, closing of two charter schools, and unspecified program cuts to achieve balance in fiscal years 2015, 2016 and 2017 (“the out years”); (3) the Buffalo CSD’s actions to close the budgetary gaps in the out years includes actions that are undefined as they are based on studies to be performed in the upcoming year and it is therefore unclear if such savings can be realized; (4) such actions could have a devastating impact on the Buffalo CSD and such potential impact should be evaluated with respect to the potential effects of such actions on the educational achievement of the Buffalo CSD’s students; and (5) there is a significant risk that the Buffalo CSD will encounter a fiscal crisis at some time during the out years, and may be unable to preserve essential services, maintain programs mandated by the state and federal law, and ensure the availability of a sound basic education to all of the children of the City.

On June 19, 2013, the Authority reviewed and commented on the terms of a proposed collective bargaining agreement between the City and the Buffalo Professional Firefighters Association, Local 282, AFL-CIO, representing 655 members. On March 26, 2014, the Authority reviewed a budget modification for the Buffalo CSD appropriating \$1.8 million from fund balance to be used for the settlement of a long outstanding legal claim. Also on March 26, 2014, the Authority reviewed and commented on the terms of a proposed collective bargaining agreement between the City and the International Brotherhood of Teamsters Local 264, representing approximately 25 caulkers. Additionally the Authority reviewed budget modifications for the City totaling \$3.4 million, consisting of the appropriation of an additional \$4.6 million from restricted fund balance for the purchase of police vehicles (\$1.1 million) and demolitions (\$1.5 million), and the appropriation of an additional \$800,000 from unassigned fund balance for the purchase of road salt due to the cold winter (\$400,000) and for renovations to the City’s cafeteria (\$400,000). The City made budget modifications to appropriate \$6.3 million of unassigned fund balance to meet additional costs of the above-mentioned collective bargaining agreement with the Buffalo Professional Firefighters Association, Local 282, AFL-CIO and for additional costs for police salaries, and an additional \$2.5 million was appropriated from restricted fund balance for the settlement of a legal claim; contrary to the Act, the City did not submit those modifications to the Authority for review. On June 5, 2014, the Authority reviewed and commented on the terms of a tentative collective bargaining agreement between the Buffalo CSD and the American Federation of State, County and Municipal Employees Local 264, AFL-CIO, representing approximately 31 cook managers. On August 4, 2014, the Authority reviewed a budget modification to the BMHA’s 2013-14 budget in the amount of \$2.4 million for unanticipated overages in various operating accounts.

### **Authority Oversight Actions Relating to the City's 2012–13 Fiscal Year**

On May 1, 2012, the City and the non-exempted Covered Organizations submitted to the Authority their respective 2012-13 budgets and 2013-16 four-year financial plans for review and approval. On May 8, 2012 and also

on May 23, 2012, the City submitted a revised budget for 2012-13 and the related revised four-year financial plan for 2013-16 to the Authority for approval. The Buffalo CSD submitted a revised 2012-13 budget and 2013-16 four-year financial plan to the Authority on May 16, 2012. The Buffalo Municipal Housing Authority (“BMHA”) also submitted a revised 2012-13 budget and 2013-16 four-year financial plan to the Authority on May 31, 2012. The Buffalo Urban Renewal Agency (“BURA”) did not submit a revised budget. The Authority approved such budgets and financial plans for the City and the Covered Organizations on June 4, 2012.

The Authority entered into an advisory period on July 1, 2012. In July 2012, the Buffalo CSD submitted a budget modification appropriating an additional \$2.6 million from fund balance to be used for the settlement of a labor contract. On September 29, 2012, the Authority reviewed and commented on the terms of a collective bargaining agreement between the Buffalo CSD and the American Federation of State, County and Municipal Employees (“AFSCME”) Local 264 representing approximately 76 blue-collar employees; the Buffalo CSD had previously approved this collective bargaining agreement on July 11, 2012. On December 5, 2012, the Authority reviewed and commented on the terms of a collective bargaining agreement between the City and the Crossing Guards union. On March 13, 2013, the Authority reviewed and commented on the terms of a collective bargaining agreement between the BMHA and the International Union of Operating Engineers, Local 17-17S, AFL-CIO representing approximately 12 operating engineers. On May 15, 2013, the Authority reviewed a budget modification for the City in the amount of \$4.1 million related to a legal settlement.

### **Authority Oversight Actions Related to the City’s 2011-12 Fiscal Year**

On May 2, 2011, the City and the non-exempted Covered Organizations submitted to the Authority their respective 2011-12 budgets and 2012-15 four-year financial plans for review and approval. On June 10, 2011, the City submitted a revised budget for 2011-12 and the related four-year financial plan for 2012-15 to the Authority for approval. The Buffalo CSD submitted a revised 2011-12 budget and 2012-15 four-year financial plan to the Authority on May 31, 2011 based upon the 2011-12 budget adopted by the Board of Education. The BURA also submitted a revised 2011-12 budget and 2012-15 four-year financial plan to the Authority on June 9, 2011. The BMHA did not submit a revised budget. The Authority approved such budgets and financial plans for the City and the three Covered Organizations on June 15, 2011. On October 3, 2011, the Authority approved a budget modification for the City in the amount of \$1.8 million for the construction of a Court detention facility, to be funded from reserved fund balance for capital outlays, and a budget modification for the Joint Schools Construction Board in the amount of \$8.7 million related to the Phase III reconstruction work. On such date the Authority also approved a collective bargaining agreement between the City and Local 17 Operating Engineers, representing approximately 23 individuals City-wide. Also on October 3, 2011, the Authority approved a collective bargaining agreement between the District and the AFSCME Local 264, representing approximately 119 Food Service Workers and Summer Food Service Workers. On December 7, 2011, the Authority approved a request by the City to redesignate efficiency incentive grant funding to new projects, which redesignation resulted in a modification to the financial plan with respect to the three out-years and affected the City’s anticipated programs to eliminate the budget gap by \$2.0 million. Also on December 7, 2011, the Authority approved (i) the issuance and sale by the BMHA of senior housing revenue bonds for various purposes related to a low-income senior housing facility located in the City of Buffalo, and (ii) a collective bargaining agreement between the Buffalo CSD and the Professional, Clerical, and Technical Employees’ Association, representing approximately 450 filled positions. This collective bargaining agreement required both a budget modification and financial plan modification as costs for the collective bargaining agreement were not reflected in the original budget or related four-year financial plan. The Authority approved the budget modification in the amount of \$5.7 million for 2011-12 to be funded from Assigned Fund Balance, and for an additional \$12.5 million in the remaining three out-years of the Financial Plan. On March 14, 2012, the Authority approved (i) the City’s 2012-2016 capital improvement program budget, and (ii) the 2012 capital borrowing proposed by the City of Buffalo in an amount not to exceed \$27.0 million. On May 14, 2012, the Authority approved a retirement incentive which had been negotiated between the Buffalo CSD and the Buffalo Teachers Federation. On May 29, 2012, the Authority determined that the provisions of the Act with respect to transitioning from a control period to an advisory period had been met and resolved to enter into an advisory period effective July 1, 2012. On June 4, 2012, the Authority approved the 2011 and 2012 capital fund program budgets of the BMHA.

## **Authority Oversight Actions Related to the City's 2010-11 Fiscal Year**

On May 3, 2010, the City and the non-exempted Covered Organizations submitted to the Authority their respective 2010-11 budgets and 2011-14 four-year financial plans for review and approval. On May 31, 2010, the City submitted a revised budget for 2010-11 and the four-year financial plan for 2011-14 to the Authority for approval. The Buffalo CSD submitted a revised 2010-11 budget and 2011-14 four-year financial plan to THE AUTHORITY on June 18, 2010 based upon the 2010-11 budget adopted by the Board of Education. The BMHA and BURA did not submit revised budgets. The Authority approved such budgets and financial plans for the City and the three Covered Organizations on June 22, 2010. On February 17, 2011, the Authority approved a collective bargaining agreement between BURA and the Civil Service Employees Association, Inc., Local 815, representing approximately fifty-one individuals. The Authority also approved BURA's proposal to extend the same terms to approximately twenty-seven unrepresented exempt employees. No budget or financial plan modifications were required as the incremental costs associated with this collective bargaining agreement had been previously reflected within the Authority-approved 2010-11 budget and 2011-2014 four-year financial plan. On March 9, 2011, the Authority disapproved a memorandum of agreement amending the previous collective bargaining agreement between the BMHA and the International Union of Engineers, Local 17, thus causing the agreement to be renegotiated. In the event the Authority continues to exercise control period powers at the time that the parties reach a revised agreement, the Authority will be required to approve the revised agreement. On May 11, 2011, the Authority passed a resolution, which ordered that any increase in wages or other benefits provided in the arbitration panel opinion and award to the Buffalo Professional Firefighters Association Inc., Local 282, for the period beginning July 1, 2002 through June 30, 2004, not be paid for any period prior to July 1, 2007. Also on May 11, 2011, the Authority approved (i) a retirement incentive which had been negotiated between the Buffalo CSD and the Buffalo Teachers Federation, and (ii) a collective bargaining agreement between the Buffalo CSD and the Transportation Aides, representing 594 school bus aides. On June 15, 2011, the Authority approved a budget modification in the amount of \$2,582,000 for various judgments and claims to be paid by the City.

## **Litigation Regarding Wage Freeze Imposed by the Authority**

As a result of the fiscal-related actions taken by the Authority, a number of affected collective bargaining units representing employees of the City and certain non-exempted Covered Organizations initiated legal proceedings in federal and state courts challenging certain of the Authority actions, including the Authority's imposition of the wage freeze on April 21, 2004. These bargaining units sought reversal of those actions, in particular the imposition of the wage freeze. These challenges were litigated by the bargaining units and were ultimately unsuccessful. On June 5, 2007, the Authority adopted a resolution lifting the wage freeze effective July 1, 2007. By the same resolution, the Authority approved the City's and Buffalo CSD's financial plan providing a one-step increase on employees' salary schedules effective July 1, 2007. Certain bargaining units challenged this action, claiming entitlement to three additional steps as of July 1, 2007; i.e., the three additional salary steps employees would have received but for the wage freeze. On March 29, 2011, the New York State Court of Appeals, the State's highest Court, ruled in favor of the Authority, the City, and the Buffalo CSD. In June 2011, the Buffalo Teachers Federation moved in Federal District Court to reopen the case in which the wage freeze had been found to be constitutional. The motion was a result of the decision by the Court of Appeals of New York finding that the steps and increments did not accrue during the wage freeze. The Authority opposed the motion which was denied on February 8, 2012. The Buffalo Teachers Federation appealed, and on March 18, 2013 the Second Circuit affirmed the decision of the District Court denying the motion to reopen the decision finding the wage freeze constitutional. The Union representing the Police commenced an action in Federal District Court on July 21, 2011 seeking a declaration that the statute creating the Authority is unconstitutional based upon the imposition of the freeze and the lifting of the freeze. Both the Authority and the City moved to dismiss the complaint and the motion was granted on May 22, 2012. The Police Union did not file a notice of appeal and the action is concluded. On July 15, 2011, the Buffalo Professional Firefighters Association, Inc. brought a proceeding to declare a resolution enacted by the Authority on May 11, 2011 to be invalid. The resolution ordered the City of Buffalo to not pay any increases in wages or benefits provided under a recent arbitration award for the period beginning July 1, 2002 through June 30, 2004. The Authority and the City moved to dismiss the proceeding, the motion was granted on January 12, 2012, and a notice of appeal was filed by the Buffalo Professional Firefighters Association, Inc. On April 26, 2013, the Fourth Department affirmed the dismissal of the proceeding. Within a subsequent collective bargaining agreement executed in June 2013, the Buffalo Professional Firefighters Association, Inc. agreed to withdraw from this litigation.

## **SECTION V: NO LITIGATION**

There is not now pending any litigation (i) restraining or enjoining the issuance or delivery of the Series 2015 Refunding Bonds or questioning or affecting the validity of the Series 2015 Refunding Bonds or the proceedings and authority under which they are issued or will be issued, respectively; (ii) contesting the creation, organization or existence of the Authority, or the title of the directors or officers of the Authority to their respective offices; (iii) questioning the right of the Authority to perform its obligations under the Indenture or the Financing Agreement and to pledge the Revenues and funds and other moneys and securities purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture; or (iv) questioning or affecting the levy or collection of the Local Sales Tax in any material respect, or the application of the Local Sales Tax and State aid for the purposes contemplated by the Act, or the procedure thereunder.

## **SECTION VI: TAX EXEMPTION**

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Authority (“Bond Counsel”) is of the opinion that, under existing law, interest on the Series 2015 Refunding Bonds will not be included in the gross income of holders of the Series 2015 Refunding Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the “Code”), which must be satisfied subsequent to the date of issuance of the Series 2015 Refunding Bonds in order to ensure that interest on the Series 2015 Refunding Bonds is and continues to be excludable from the gross income of holders of the Series 2015 Refunding Bonds. Failure to comply with certain of such requirements could cause interest on the Series 2015 Refunding Bonds to be included in the gross income of holders of the Series 2015 Refunding Bonds retroactive to the date of issuance of the Series 2015 Refunding Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Authority has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, since the Series 2015 Refunding Bonds are not “private activity bonds” under the Code, interest on the Series 2015 Refunding Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the Series 2015 Refunding Bonds will be included in “adjusted current earnings” of corporate holders of the Series 2015 Refunding Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to any other matters of federal tax law relating to the Series 2015 Refunding Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the Series 2015 Refunding Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2015 Refunding Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Series 2015 Refunding Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Series 2015 Refunding Bonds, (iii) interest on the Series 2015 Refunding Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Series 2015 Refunding Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Series 2015 Refunding Bonds, and (vi) receipt of investment income, including interest on the Series 2015 Refunding Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

Interest paid on tax-exempt obligations such as the Series 2015 Refunding Bonds is generally required to be reported by payors to the IRS and to recipients in the same manner as interest on taxable obligations. In addition,

such interest may be subject to “backup withholding” if the Bond holder fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bond holder as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Series 2015 Refunding Bonds from gross income for federal tax purposes.

In addition, in the opinion of Bond Counsel, by virtue of the Act, interest on the Series 2015 Refunding Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity constitutes amortizable bond premium for federal and New York tax purposes. The required amortization of such premium during the term of a Bond will result in reduction of the holder’s tax basis on such Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bond taken into account as interest for tax purposes. Holders of Series 2015 Refunding Bonds purchased at a premium should consult their own tax advisers with respect to the determination and treatment of such premium for federal income tax purposes and with respect to the state or local tax consequences of owning such Series 2015 Refunding Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2015 Refunding Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Series 2015 Refunding Bonds or the tax consequences of ownership of the Series 2015 Refunding Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2015 Refunding Bonds from gross income for federal income tax purposes or any state tax benefit. Tax reform proposals and deficit reduction measures, including the limitation of federal tax expenditures, are expected to be under ongoing consideration by the United States Congress. These efforts to date have included proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation. Future proposed changes could affect the market value or marketability of the Series 2015 Refunding Bonds, and, if enacted, could also affect the tax treatment of all or a portion of the interest on the Series 2015 Refunding Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

#### **SECTION VII: RATINGS**

The Series 2015 Refunding Bonds are rated “Aa1” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by Fitch Ratings (“Fitch”) (each a “Rating Agency”, and, collectively, the “Rating Agencies”). A security rating should be evaluated independently of similar ratings of different types of securities. A rating is not a recommendation to buy, sell or hold securities. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency originally establishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or any of them, may have an effect on the market price of the Series 2015 Refunding Bonds.

#### **SECTION VIII: VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Integrity Public Finance Consulting LLC (the “Verification Agent”), will deliver to the Authority and the Underwriter on or before the date of delivery of the Series 2015 Refunding Bonds its verification report indicating that it has verified, in accordance with the standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of certain computations showing the Underwriter’s assertions of the adequacy of the cash and the maturing principal of and interest on certain government obligations held in the escrow funds to provide for the payment of the principal of and interest and redemption premiums, if any, on the bonds refunded or restructured identified herein.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Underwriter. The report of its verification will state that the

Verification Agent has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

#### **SECTION IX: UNDERWRITING**

The Series 2015 Refunding Bonds are being purchased for reoffering by Samuel A. Ramirez & Co., Inc. The Underwriter has agreed, subject to certain conditions, to purchase the Series 2015 Refunding Bonds from the Authority at an underwriter's discount of \$103,792.68 and to make an initial public offering of the Series 2015 Refunding Bonds at prices that are not in excess of the initial public offering prices, or at yields below the yields, set forth on the inside cover page of this Offering Circular. The Underwriter will be obligated to purchase all such Series 2015 Refunding Bonds if any such Series 2015 Refunding Bonds are purchased.

The Series 2015 Refunding Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriter.

The following paragraphs have been provided by the Underwriter:

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities and financial instruments for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority. In addition, to the extent the Underwriter or affiliate holds any of the Authority Refunded Bonds, such Underwriter or affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2015 Refunding Bonds.

#### **SECTION X: APPROVAL OF LEGALITY**

All legal matters incident to the authorization, issuance and delivery of the Series 2015 Refunding Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Authority. Certain legal matters are subject to the approval of the General Counsel, Magavern Magavern Grimm LLP, and to the approval of Dentons US LLP, counsel to the Underwriter.

#### **SECTION XI: FINANCIAL STATEMENTS**

The financial statements of the Authority as of and for the year ended June 30, 2015, included in this Offering Circular, have been audited by Lumsden & McCormick, LLP, independent auditors, as stated in their report dated September 24, 2015, appearing in "APPENDIX D— INDEPENDENT AUDITORS' REPORT."

Lumsden & McCormick, LLP, the Authority's independent auditors, have not been engaged to perform, and have not performed, since the date of their report included herein, any procedures on the financial statements addressed in that report. Lumsden & McCormick, LLP also has not performed any procedures relating to this Offering Circular.

#### **SECTION XII: CONTINUING DISCLOSURE UNDER RULE 15C2-12**

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority and the Trustee will enter into a written undertaking (the "Continuing Disclosure Agreement") for the benefit of the holders of the Series 2015 Refunding Bonds to provide continuing disclosure. The Authority will undertake for the benefit of the holders of the Series 2015 Refunding Bonds to provide certain financial information and operating data relating to the Authority by no later than 185 days after the

end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events. The Annual Information will be filed by the Authority with the MSRB through its EMMA system. Notices of enumerated events will be filed by the Authority with the MSRB through EMMA. The form of the Continuing Disclosure Agreement is set forth under the caption “APPENDIX F – Proposed Form of Continuing Disclosure Agreement.”

Under the Continuing Disclosure Agreement, the sole remedy for any Bondholder upon an event of default is a suit in equity for specific performance in a court of competent jurisdiction.

Annual Information, which includes the financial Statements of the Authority with respect to the fiscal year ended June 30, 2014 was filed in accordance with existing continuing disclosure agreements on December 30, 2014, is incorporated herein by reference and is available through EMMA.

The Authority has various series of bonds outstanding that are subject to continuing disclosure requirements. These require the Authority to file Annual Information, including financial information and operating data of the Authority, by not later than 185 days after the end of its fiscal year. The Authority posted its financial information and operating data on EMMA for the fiscal year ended June 30, 2014 on December 30, 2014, for the fiscal year ended June 30, 2013 on December 30, 2013, for the fiscal year ended June 30, 2012 on December 31, 2012, for the fiscal year ended June 30, 2011 on December 29, 2011, and for the fiscal year ended June 30, 2010 on January 28, 2011. The Authority posted the Fitch upgrade that occurred on January 28, 2015 on EMMA on March 25, 2015. The Authority anticipates submission of required continuing disclosure on a timely basis.

### **SECTION XIII: LEGAL INVESTMENT**

Pursuant to the Act, the Bonds of the Authority are securities in which all public officers and bodies of the State and all public corporations, municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, conservators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. Pursuant to the Act, the Series 2015 Refunding Bonds may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

### **SECTION XIV: TRUSTEE**

The Bank of New York Mellon, New York, New York, is acting as Trustee in connection with the Series 2015 Refunding Bonds.

### **SECTION XV: FINANCIAL ADVISOR**

Public Financial Management, Inc. of Philadelphia, Pennsylvania, has acted as financial advisor to the Authority in connection with the issuance of the Series 2015 Refunding Bonds. Public Financial Management, Inc. is not obligated to undertake, and has not undertaken, an independent verification of, nor has assumed responsibility for, the accuracy, completeness or fairness of the information contained in this Offering Circular. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **SECTION XVI: MISCELLANEOUS**

The references herein to the Act, the Indenture and the Financing Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act, the Indenture and the Financing Agreement for full and complete statements of such provisions. Copies of the Act, the Indenture and the Financing Agreement are available at the offices of the Trustee.

The agreements of the Authority with holders of the Series 2015 Refunding Bonds are fully set forth in the Indenture. Neither any advertisement of the Series 2015 Refunding Bonds nor this Offering Circular is to be construed as a contract with purchasers of the Series 2015 Refunding Bonds.

Any statements in this Offering Circular involving matters of opinion, projections or estimates, whether or not expressly stated, are intended merely as expressions of opinion, projections or estimates and not as representation of fact.

The delivery of this Offering Circular has been duly authorized by the Authority.

BUFFALO FISCAL STABILITY AUTHORITY

By:     /s/ Jeanette M. Mongold-Robe      
JEANETTE M. MONGOLD-ROBE  
EXECUTIVE DIRECTOR



## APPENDIX A

### INFORMATION REGARDING THE CITY OF BUFFALO

*The information contained in this section has been prepared by the City and discusses certain major economic and demographic factors in the City and the County, which may affect Revenues of the Authority. Sources of information are indicated in the text or immediately following the tables. The Authority has made no independent verification of the information presented herein and does not warrant its accuracy.*

The City was incorporated in 1832. It is the second largest city in the State, encompassing a land area of 42 square miles with a 2010 population of 261,310. The City is located in Erie County in western New York State on the eastern shore of Lake Erie.

#### Employment

The economy of the Buffalo area underwent a transition in the decade from 1980 to 1990. Traditionally dominated by heavy manufacturing and petrochemical industries, the area lost manufacturing jobs in part from the decline in steelmaking employment at both Bethlehem Steel and Republic Steel. However, these losses were offset by increases in employment in trade, government, services, finance, insurance and real estate and contract construction.

While total employment declined from 2000 through 2010, growth in government, services, financial and insurance sectors helped compensate for reductions in manufacturing and trade. Statistically, the Buffalo area's job categories compare well with the U.S. average in the year 2010 with slight variances in two categories – finance/insurance and mining/construction.

The City remains committed to its downtown development strategy as a means of further diversifying its employment base. (See "Development Activity" herein.)

Major employers in the Buffalo area include the State, University of Buffalo, the U.S. Government, Kaleida Health, the County, Buffalo CSD, Catholic Health Systems and Manufacturers and Traders Trust Company.

#### TRENDS IN EMPLOYMENT BY CATEGORY IN THE BUFFALO METROPOLITAN STATISTICAL AREA ("MSA") 2000-2014 (000's Omitted)

Category <sup>(3)</sup>	2000		2010		2012		2013		2014	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA <sup>(1)</sup>	United States <sup>(2)</sup>
Manufacturing	83.0	17,263.0	49.6	11,528.0	51.3	11,921.0	50.7	12,006.0	50.6	12,142.0
Trade, Transportation & Utilities:	109.3	26,225.0	97.8	24,636.0	100.6	25,511.3	101.1	25,870.0	101.5	26,409.0
Retail Trade	65.8	15,279.8	60.8	14,440.4	63.0	14,869.4	62.4	15,076.6	63.5	15,363.6
Wholesale Trade	23.9	5,933.2	21.1	5,452.1	21.8	5,673.9	21.7	5,746.8	21.7	5,867.0
Government	90.7	20,790.0	95.0	22,490.0	91.8	21,914.9	90.6	21,864.0	90.5	21,900.0
Service Providing	455.3	107,232.0	469.7	112,166.0	476.3	115,323.3	478.0	117,668.0	24.3	119,816.0
Other Services	23.1	5,168.0	23.4	5,331.0	23.3	5,436.4	23.9	5,464.0	481.7	5,511.0
Finance & Insurance	23.2	5,772.8	24.2	5,761.0	25.6	5,833.8	25.3	5,877.8	24.8	5,906.9
Mining & Lodging	20.8	599.0	18.9	705.0	19.5	850.8	19.2	868.0	19.2	912.0
	895.1	204,262.8	860.5	202,509.5	873.2	207,334.8	872.9	210,441.2	877.8	213,827.5

Source: U.S. Department of Labor - Bureau of Labor Statistics Data, January 2015

<sup>(1)</sup> Includes preliminary figures for the month of December 2014

<sup>(2)</sup> Includes preliminary figures for the months of November & December 2014

<sup>(3)</sup> Does not include all categories of employment

**Total Non-Agricultural Employment by Category  
2000-2014**

Category <sup>(3)</sup>	2000		2010		2012		2013		2014	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA <sup>(1)</sup>	United States <sup>(2)</sup>
Manufacturing	9.3%	8.5%	5.8%	5.7%	5.9%	5.8%	5.8%	5.7%	5.8%	5.7%
Trade, Transportation & Utilities	12.2%	12.8%	11.4%	12.2%	11.5%	12.3%	11.6%	12.3%	11.6%	12.4%
Retail Trade	7.3%	7.5%	7.1%	7.1%	7.2%	7.2%	7.1%	7.2%	7.2%	7.2%
Wholesale Trade	2.7%	2.9%	2.4%	2.7%	2.5%	2.7%	2.5%	2.7%	2.5%	2.7%
Government	10.1%	10.2%	11.0%	11.1%	10.5%	10.6%	10.4%	10.4%	10.3%	10.2%
Service Providing	50.9%	52.5%	54.6%	55.4%	54.6%	55.6%	54.8%	55.9%	2.8%	56.0%
Other Services	2.6%	2.5%	2.7%	2.6%	2.7%	2.6%	2.7%	2.6%	54.9%	2.6%
Finance & Insurance	2.6%	2.8%	2.8%	2.8%	2.9%	2.8%	2.9%	2.8%	2.8%	2.8%
Mining & Lodging	2.3%	0.3%	2.2%	0.4%	2.2%	0.4%	2.2%	0.4%	2.2%	0.4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: U.S. Department of Labor - Bureau of Labor Statistics Data, January 2015

<sup>(1)</sup> Includes preliminary figures for the month of December 2014

<sup>(2)</sup> Includes preliminary figures for the months of November & December 2014

<sup>(3)</sup> Does not include all categories of employment

**Unemployment Rates**

The following table indicates that the City's rate of unemployment is higher than the State and national percentages. City data in the table were determined by using the Census share methodology, which is based on the ratio of the City to the County with respect to employment figures. The 2005-2010 data for the City is based on the City's population data from the 2000 Census. The 2011-2014 data for the City is based on the 2010 Census.

**UNEMPLOYMENT RATES <sup>(1)</sup>**

<u>Year</u>	<u>City</u>	<u>Buffalo MSA</u>	<u>State</u>	<u>United States</u>
2005	6.5%	5.3%	5.0%	5.1%
2006	6.3%	4.7%	4.6%	4.6%
2007	5.9%	4.9%	4.5%	4.6%
2008	6.9%	6.0%	5.3%	5.8%
2009	10.0%	8.6%	8.4%	9.3%
2010	10.2%	8.4%	8.4%	9.6%
2011	9.7%	7.8%	8.0%	9.0%
2012	11.1%	8.6%	8.6%	8.1%
2013	9.7%	7.5%	7.7%	7.4%
2014	7.2% <sup>(2)</sup>	5.8% <sup>(2)</sup>	5.7% <sup>(2)</sup>	6.2%

Source: U.S. Department of Labor, Bureau of Labor Statistics, January 2014

<sup>(1)</sup> Total employment by place of residence

<sup>(2)</sup> Includes preliminary figures for the month of December 2014

## Population

The 2010 Census revealed that the City's population declined from 292,648 in 2000 to 261,310 in 2010. The most recent estimate provided by the U.S. Department of Commerce, Bureau of the Census has the City of Buffalo with a population of 258,703 for 2014.

### POPULATION TREND 1980-2010

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Buffalo	357,870	328,123	292,648	261,310
Erie County	1,015,472	968,532	950,265	919,040
Buffalo MSA	1,242,573	1,189,288	1,170,111	1,135,509
New York State	17,355,668	17,990,455	18,976,457	19,378,102
United States	225,234,182	249,632,692	281,421,906	308,745,538

Source: U.S. Department of Commerce, Bureau of the Census

### CITY OF BUFFALO HOUSING CHARACTERISTICS 1980-2010

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Year Round Housing Units	156,393	151,971	145,574	139,174
Occupied Housing Units	140,954	136,436	122,720	112,844
Persons Per Household	2.41	2.33	2.29	2.26

Source: U.S. Department of Commerce, Bureau of the Census

## Development Activity

Buffalo's economy continues to build momentum, with major construction projects, primarily on the waterfront and the Buffalo Niagara Medical Campus, as well as a \$5.8 billion solar panel production facility that is expected to be completed in 2016. Since 2011, nearly \$11.2 billion in construction projects in Buffalo are either completed, underway, or in the planning stages, according to Buffalo Business First, a business newspaper. That number climbs to more than \$19.5 billion when including projects from the surrounding communities.

### *Buffalo RiverBend*

The solar panel production facility, known as RiverBend, includes a \$5 billion investment from SolarCity, coupled with a \$750 million investment from the State. Upon completion, the 1.2 million square-foot facility will be the largest solar manufacturing facility in the western hemisphere, and have the ability to expand five-fold to accommodate future growth. The 88-acre site is currently under construction and will create 3,000 permanent new jobs.

### *Information Technology*

While RiverBend is the signature project in Governor Andrew Cuomo's pledge to invest \$1 billion in State funds to spur economic development in Buffalo, the "Buffalo Billion" also led to a commitment by IBM to bring 500 jobs to a new, 100,000-square-foot, state-owned computer information technology center in Downtown Buffalo to train future and current industry workers and to create cutting-edge software for energy, health, defense and other industries.

### *Buffalo Niagara Medical Campus*

The "Buffalo Billion" has also led to critical State investments at the Buffalo Niagara Medical Campus (BNMC), a consortium of the region's top health care, education, and research institutions. The 120-acre site adjacent to

downtown is home to the Roswell Park Cancer Institute, Buffalo General Hospital, the Hauptman-Woodward Medical Research Institute, and the recently completed \$291.0 million facility that is home to the Kaleida Health Gates Vascular Institute and the University at Buffalo's Clinical and Translational Research Center. Currently there are more than 12,000 employees at the BNMC today, up from 7,000 in 2002. By 2017 there is expected to be more than 17,000 employees at the BNMC, due to the completion of several major projects at the campus:

- The University at Buffalo's \$375.0 million new medical school, with more than a half-million square feet of space, which broke ground in 2013 and will be completed by 2016.
- Kaleida Health's Oishei Women & Children's Hospital, a \$270.0 million, 12-story, 250,000 square foot facility, which broke ground in 2014 is expected to be completed by 2017.
- A \$40.0 million expansion of Roswell Park Cancer Institute, including an 11-story, 142,000 square foot Clinical Sciences Center, which is under construction and expected to be completed by 2016.
- Conventus, a \$100 million medical office facility, opened in 2015.
- A \$105 million genomic and supercomputing center at the campus was announced in 2014.

Just a few blocks from the campus, Catholic Health System opened a newly constructed \$51.0 million, six-story, 140,000-square-foot headquarters in 2014.

### *Education*

The construction of the University at Buffalo's new medical school at the BNMC is part of the "UB2020" plan, a comprehensive growth strategy to increase jobs, enrollment, and research funding at the school, the largest public university in New York State, with more than 28,000 students across 3 campuses. UB2020 is expected to create more than 1,000 jobs at the university, in addition to 2,000 private-sector research jobs and 1,600 construction jobs.

In addition to the University at Buffalo, the area is home to 20 other colleges & universities (State University College at Buffalo, Niagara University, Canisius College, D'Youville College, Daemen College, Erie County Community College, etc.), for a total of 110,000 students and 32,000 employees in higher education, creating a \$3.2 billion economic impact.

### *Waterfront Development*

Capitalizing on its Lake Erie shoreline and historic significance as the western terminus of the Erie Canal, Buffalo has recently made great strides in developing its waterfront. The centerpiece of this effort is the Canalside project, which has blended public access with private development to create a destination in the heart of downtown.

The initial phases of the project included more than \$100.0 million in renovations to the waterfront, including a central wharf, a navigable commercial slip, the excavation of historic streets and buildings, a pedestrian bridge, a new building housing a restaurant and a museum, an amphitheater, a public park, and One Canalside, formerly the Donovan State Office Building, which recently completed a \$30.0 million renovation including office space, retail and a 96-room Marriott hotel.

The most recently completed phase of the Canalside project, which includes the construction of replica canals and bridges at the site of the former Memorial Auditorium, is an all-season attraction with ice skating in the winter and paddleboats in the summer. Three new buildings at Canalside, including the \$12.0 million Explore and More Children's Museum, are also planned.

The public investment at Canalside has spurred more than \$250.0 million in private investment surrounding the site.

Adjacent to Canalside is HarborCenter, where the Buffalo Sabres have completed a \$172 million hockey-themed project, which includes a 20-story facility with two ice rinks, a 200-room Marriott hotel, retail space, and a high-end sports bar known as "716". Connected to the Sabres' arena, the First Niagara Center, HarborCenter is expected to draw 500,000 visitors annually, creating 350 full time jobs and generating \$4.1 million in state and local taxes.

Waterfront development has also spread past downtown, with major public access developments on the Outer Harbor and the Buffalo River. Major improvements have been made at Gallagher Pier on the Outer Harbor portion of the Lake Erie shoreline, including a new pier and boardwalk, a small boat/personal watercraft launch, beach access, bike paths, and a playground. Another new waterfront park on the Outer Harbor, Wilkeson Pointe, opened in 2013 and includes wind sculptures, beach volleyball, and boat docking. The 2014 transfer of Outer Harbor land

from the Niagara Frontier Transportation Authority to two state entities – the Erie Canal Harbor Development Corporation and the Office of Parks, Recreation, and Historic Preservation – will help to accelerate the waterfront development currently underway.

On the Buffalo River shoreline is the \$5.0 million Buffalo Riverfest Park, which features a wharf, a boardwalk, boat docking, trails, gardens, an amphitheater, a concession building and interpretive signage. Upstream is the Mutual Riverfront Park, a multi-million project that includes a museum, a public park, a boardwalk promenade, a river overlook, and a boat launch with a storage facility. Another Buffalo River attraction, Buffalo Riverworks, opened in 2015, a \$15.0 million project that converted a grain elevator into a waterfront recreational facility with two ice rinks, a beer garden, boat docks and a performing arts space.

### *Infrastructure*

An \$11.0 million investment in Ohio Street converted the formerly industrial street into a bicycle and pedestrian-friendly parkway that connects attractions at Canalside, the Buffalo River, and the Outer Harbor.

The Cars Sharing Main Street project continues to bring vehicular traffic back to Main Street, while preserving the light rail system on the thoroughfare. With the 600 and 700 block of Main Street completed, and 500 block currently under construction, the project is already fulfilling its goal of increasing economic development and activity on the street. An additional \$18 million in federal Transportation Investment Generating Economic Recovery (TIGER) grant funding for the project was announced in October 2015 and will be used for the portion of Main Street in the Canalside area, between Exchange and Scott Streets.

### *Housing*

With the Buffalo Niagara Medical Campus and Canalside being located on the city's Metro Rail subway system, \$91 million is being invested in real estate projects, primarily housing, near the subway stations. The city expects to approve 800 to 900 new housing units along the subway by 2016, with as many as 2,000 to 3,000 more in later years.

Kaleida Health announced in November 2013 a \$63.0 million plan for reuse for the site of the former Millard Fillmore Gates Circle Hospital, including a \$28.0 million continual care campus for elderly residents, as well as a \$35.0 million plan for more than 500 condominiums and market-rate apartments.

Buffalo has seen a dramatic increase over the past decade in the number of residential units being developed in the downtown core. Approximately 1,000 new units have come online within the past five years, with the majority a result of renovating and repurposing existing structures. According to a 2011 study, 4,225 households comprise the potential downtown residential market, significantly higher than the 1,315 households identified in a 2004 study. Over the next five years, it is estimated that between 160 and 320 new units can be absorbed annually. Demographic trends and lifestyle preferences indicate that downtown residential markets will continue to gain strength into the foreseeable future.

Data from research firm Clear Capital, published in the January 2014 issue of Kiplinger's Personal Finance magazine, shows Buffalo prices are up 16 percent since May 31, 2006 – highest among the nation's 100 largest metro areas. Home prices in some City of Buffalo neighborhoods increased as much as 43 percent during this period. In 2013, home prices in the Buffalo area rose 6.9 percent.

### *Hospitality*

The hotels at HARBORCenter and One Canalside will soon be joined by another project that includes hotel space, Ellicott Development Company's "The Carlo," a 14-story, \$75.0 million mixed-use complex to be located near the Erie Basin Marina. These new builds are in addition to five other new hotels recently completed or planned in Buffalo that rehabilitate historic buildings. The Hotel @ the Lafayette a \$42.0 million project, and the Webb Building, a \$9.0 million project, were completed in 2012. Construction is completed on the Tishman Building, a \$40.0 million project that includes a 123-room Hilton Garden Inn, and the Curtiss Building, an \$18.0 million 68-room luxury hotel. Initial work has also begun on the historic Richardson Olmsted Complex, which will renovate H.H. Richardson's architectural masterpiece into a 90-room, \$56.0 million boutique hotel and high-tech conference center.

### *Finance & Corporate Headquarters*

Buffalo is the home to the corporate headquarters of two banks, M&T Bank and First Niagara Bank. M&T Bank, founded in Buffalo in 1856, is one of the nation's largest 20 banks, with \$81.0 billion in assets and more than 15,000 employees, a third of which are located in the Buffalo area. M&T's footprint includes 750 branches in New York, Maryland, Pennsylvania, Virginia, Washington, D.C., West Virginia, Delaware, New Jersey, and Florida. First Niagara Bank is one of the nation's largest 40 banks, with \$33.0 billion in assets and more than 5,000 employees, most of which are located in the Buffalo area. First Niagara's footprint includes 450 branches in New York, Pennsylvania, Connecticut, and Massachusetts. First Niagara has reportedly agreed to a merger into Key Bank with a likely reduction in the number of employees in the Buffalo area.

HSBC bank has a major back-office presence in Buffalo, with more than 3,000 employees located in the area. Key Bank, Bank of America, Citizens Bank, and several local banks also have a major branch presence in the region.

Buffalo is home to the headquarters of several major corporations, including Rich Products, Labatt USA, the New Era Cap Company, Sorrento Lactalis, and Delaware North Companies. Construction is nearing completion on Delaware North's new headquarters, an \$80 million, 12-story tower with a 120-room hotel. The company has moved its offices into the nearly completed facility.

### *Automotive Industry*

More than \$1 billion has been invested or are slated to be invested in automotive factories in the Buffalo area. \$825 million was invested in the General Motors engine plant, which added 113 jobs in 2013, for a total of 1,902 jobs at the facility. Ford is currently implementing \$150 million in new investments to its stamping plant. The investments have led to 230 new jobs, for a total workforce of 1,950 employees, with more jobs expected when the investments are completed.

### *Entertainment and Culture*

Downtown Buffalo is also the regional hub of Western New York entertainment, drawing approximately seven million visitors per year. The largest draw is special events, which attract 1.3 million visits per year for the Taste of Buffalo, Canalside Summer Music Series, the M&T Lunchtime concert series, the National Buffalo Wing Festival, and other events. Sporting events draw 1.2 million visits for hockey, baseball and lacrosse, while some 700,000 patrons enjoy Theatre District events. The City's vibrant arts community and world-renowned architecture are also major tourism draws.

The long term future of the National Football League's Buffalo Bills was ensured with the purchase of the franchise for \$1.4 billion by Buffalo Sabres owner Terry Pegula, who has committed to keeping the team in the region for the foreseeable future. Pegula has also committed to building a new stadium for the Bills, which could potentially be located in the City of Buffalo.

Buffalo is also home to the Buffalo Sabres of the National Hockey League (NHL), and the Buffalo Bisons baseball team, the Triple-A affiliate of the Toronto Blue Jays.

A \$40 million expansion of the Buffalo Creek Casino was announced in 2015. The two-story expansion will include 360 new slot machines, 10 table games, a performance stage, and a high-end restaurant.

The City of Buffalo is the home of numerous institutions devoted to the arts, including the world famous Albright-Knox Art Gallery and Kleinhans Music Hall, the home of the Buffalo Philharmonic Orchestra.

Buffalo's historic theater district provides the stage for legitimate theater with the largest concentration of theaters in New York State outside of New York City. Shea's Buffalo Theater, 710 Main Theatre, Alleyway Theatre, and the Irish Classical Theatre anchor the City's downtown theatre district.

The City is also the location of the Buffalo Museum of Science, the Buffalo and Erie County Historical Museum, the Buffalo Zoo, and the Botanical Gardens of Buffalo and Erie County.

Library services are provided through the Buffalo and Erie County Public Library Systems with 218 employees, circulating over 7.6 million items at 37 branches located throughout Erie County.

### *Canadian Impact*

Buffalo's proximity to Canada has resulted in robust retail growth at a time when the retail industry has struggled across the country. Canadian shoppers, taking advantage of lower sales tax, have been attributed as the cause for a 4.5% increase in sales tax revenue. Canadian travelers have also been credited with the rapid increase in passengers at the Buffalo Niagara International Airport. Canadians are estimated to make up 40% of the recorded 5.1 million passengers that used the airport in 2013, supporting 17,000 jobs with \$1.1 billion economic impact.

The impact of Canadians on the local economy is expected to increase as the "Golden Horseshoe" region of Southern Ontario (Toronto-Niagara Falls-Hamilton area) is projected to grow from 8.8 million people today to 11.5 million by 2031. An expanded Peace Bridge Plaza is currently under construction aimed at strengthening the region's ties with Southern Ontario by making border crossings quicker and easing congestion on the bridge. The plan also includes \$2.0 million for improvements to the surrounding neighborhood.

### *Transportation*

Buffalo is located in the center of a complex transportation network of truck, rail, highway, water and air facilities. The Peace Bridge Authority has begun a full EIS (Environmental Impact Statement) process to study location, size and design of one or two bridges and an associated plaza.

The Port of Buffalo is eighth in size of the 54 Great Lakes ports and twenty-ninth in size of the 40 major U.S. ports. The Port's terminal facilities encompass 185,000 square feet of enclosed storage space for marine cargo and approximately 200 acres of open storage space. On May 28, 1976 a Foreign Trade Zone (the "FTZ") began operation at the Port of Buffalo. Imported goods may be processed in the FTZ, sorted, stored and repackaged without payment of any duties until the goods are actually sold to importers in the United States or elsewhere. A total of 153 acres at the former Bethlehem Steel Plant has been designated as the FTZ and approximately 31 companies occupy the FTZ at the relocated Port of Buffalo.

Truck service is provided in the Buffalo area by various transcontinental, international and common carriers. Several freight and passenger lines, including Conrail, Amtrak and Canadian National Railways, provide rail service.

The Buffalo Niagara International Airport (BNIA), operated by the Niagara Frontier Transportation Authority (NFTA) is a regional airport serving the Buffalo-Niagara Metropolitan Area providing approximately 110 daily flights. The following table sets forth the trend in passenger volume at the Buffalo Niagara International Airport from 2005 through 2014.

<b>Year</b>	<b>Passenger Volume</b>	<b>% Change from Prior Year</b>
2005	4,868,890	9.6%
2006	5,063,884	4.0%
2007	5,335,394	5.4%
2008	5,526,301	3.6%
2009	5,334,232	-3.5%
2010	5,203,104	-2.5%
2011	5,194,162	-0.2%
2012	5,177,913	-0.3%
2013	5,134,925	-0.8%
2014	4,750,643	-7.5%

Source: Niagara Frontier Transportation Authority, January 2015

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## APPENDIX B

### SUMMARY OF INDENTURE AND FINANCING AGREEMENT

This summary of the Indenture and the Financing Agreement is qualified in its entirety by reference to such documents, copies of which are available from the Authority.

#### The Indenture

This summary of the Indenture and the Agreement is qualified in its entirety by reference to such documents, copies of which are available from the Authority.

Definitions. The following terms, among others, are defined in the Indenture or Agreement:

“Accrued Debt Service” means, as of the beginning of each calendar month, an amount equal to the sum of the amounts of accrued Debt Service, calculating the accrued Debt Service with respect to each obligation to include: (i) commencing eight months prior to any due date of interest, one-sixth of the amount of interest payable on such due date of interest and (ii) commencing fourteen months prior to any due date of Principal Installments, one-twelfth of the amount of Principal Installments payable on such due date of Principal Installments (if there is no Principal Installment due date for more than fourteen months, then, the deposits required with respect to (ii) shall commence fourteen months prior to the due date of such Principal Installment); provided, however, that as of the beginning of the calendar month two months prior to each due date with respect to Principal Installments and/or interest, Accrued Debt Service shall be recalculated, to the extent necessary, as the amount required to bring the balance in the Bond Account up to the full amount of interest and/or Principal Installments coming due on such due date, plus, if there are no Principal Installments due on such due date, such additional amount required pursuant to (ii) above. In connection with the issuance of any obligations, the Authority may provide a schedule to the Trustee setting forth the Accrued Debt Service due in each month for such obligations and other obligations then Outstanding under the Indenture. Notwithstanding the foregoing, in connection with the issuance of any obligations bearing a variable rate of interest, “Accrued Debt Service” shall be calculated pursuant to the definition of such term included in any Supplemental Indenture authorizing the issuance of such obligations.

The term “ancillary contracts” means contracts entered into pursuant to law by the Authority or for its benefit or the benefit of any of the Beneficiaries to facilitate the issuance, sale, resale, purchase, repurchase or payment of Bonds or Notes, including bond insurance, letters of credit and liquidity facilities.

“Beneficiaries” means Bondholders and, to the extent specified in the Indenture, Noteholders and the parties to ancillary and swap contracts.

“Bondholders,” “Noteholders” 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.

“Bond Proceeds Fund” means the Bond Proceeds Fund established pursuant to the Agreement.

“Bonds” means 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” shall have the meaning ascribed to the term “city tax revenues” in the Act.

“Code” or “Tax Code” means the Internal Revenue Code of 1986, as amended.

“Counsel” means nationally recognized bond counsel or such other counsel as may be selected by the Authority for a specific purpose under the Indenture.

“Debt Service” means 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” shall mean the Account so designated and held by the Trustee pursuant to the Indenture.

“Debt Service Reserve Account Requirement” shall mean, as of any particular date of calculation, the amount equal to the maximum aggregate amount of Principal Installments and interest becoming due in the current or any future Fiscal Year on Outstanding 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); provided, however, that 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, will at least be equal to such Debt Service Reserve Account Requirement.

“Declaration of Need” means a determination and declaration by the City that it requests the Authority to undertake a financing of Financeable Costs pursuant to and in accordance with the Act.

“Defeasance Collateral” means money any (a) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including “CATS”, “TIGRS” and “TRS” unless the Authority obtains Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(b) obligations timely maturing and bearing interest but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof;

(c) certificates evidencing ownership of the right to the payment of the principal of or interest on obligations described in clause (b) of this definition, provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian; and

(d) bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, and (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (a), (b) or (c) of this definition which fund may be applied only to the payment when due of such bonds or other obligations.

“Defeased Bonds” means Bonds or Notes that remain in the hands of their Holders but are no longer deemed Outstanding.

“Eligible Investments” means and includes any of the following obligations to the extent they are at the time legal for investment of such funds pursuant to any applicable provision of law:

(i) Defeasance Collateral;

(ii) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any of the fifty largest banks in the United States which bank, at the time of investment, has an outstanding unsecured, uninsured and unguaranteed debt issue ranked by two nationally recognized independent rating agencies at a rating category that is no lower than the then current rating of the authority's bonds, notes or other obligations;

(iii) commercial paper of any bank or corporation created under the laws of either the United States or any state of the United States which commercial paper, at the time of the investment, has received the highest rating of two nationally recognized independent rating agencies;

(iv) bonds, debentures, or other evidences of indebtedness, issued or guaranteed at the time of the investment by the federal national mortgage association, federal home loan mortgage corporation, student loan marketing association, federal farm credit system, or any other United States government sponsored agency, provided that at the time of the investment such agency receives, or its obligations receive, any of the three highest rating categories of two nationally recognized independent rating agencies;

(v) any bonds or other obligations of any state or the United States of America or of any political subdivision thereof or any agency, instrumentality or local governmental unit of any such state or political subdivision which bonds or other obligations, at the time of the investment have received any of the three highest ratings of two nationally recognized independent rating agencies;

(vi) any repurchase agreement with any bank or trust company organized under the laws of the state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in paragraph (i), (ii) or (v) above, which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of the state or any national banking association domiciled in the state, as custodian;

(vii) reverse repurchase agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in paragraph (i), (ii) or (v) above which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of the state or any national banking association domiciled in the state, as custodian; or

(viii) such other investments as the Authority may approve in any Supplemental Indenture;

provided that no investment held in the Bond Proceeds Fund may (a) evidence the right to receive only interest with respect to the obligations underlying such instrument or (b) be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

"Estimated Average Interest Rate" means, as to any obligations bearing a variable interest rate (including Bonds and swap contracts) and as of any date of calculation, the interest rate or rates anticipated to be borne by such Bonds and the period or periods for which such rate or rates are anticipated to be in effect, all as determined by the Authority as the greater of the Index plus 2%, or the actual average for the last twenty-four months of variable interest rates on Outstanding variable interest rate Bonds, which rate or rates may, to the extent determined by the Authority, be the rate or rates payable in connection with such obligations and a related swap contract meeting the requirements of the Indenture.

"Fiduciary" means the Trustee, any representative of the Holders of Notes or Subordinate Bonds appointed by Supplemental Indenture, or any Paying Agent, including each fiscal agent.

"Financeable Costs" has the meaning given to the term "financeable costs" in the Act.

“Fitch” means Fitch Inc.; references to Fitch are effective so long as Fitch is a Rating Agency.

“Index” when calculating the Estimated Average Interest Rate under the Indenture, shall mean the average for the last twenty-four calendar months of (a) the BMA Municipal Swap Index<sup>TM</sup>, formerly the PSA Municipal Swap Index<sup>TM</sup> (as such term is defined in the *1992 ISDA U.S. Municipal Counterparty Definitions*) (the “BMA Municipal Swap Index<sup>TM</sup>”) or (b) if the BMA Municipal Swap Index<sup>TM</sup> is no longer published, the Kenny Index<sup>TM</sup> (as such term is defined in the *1992 ISDA U.S. Municipal Counterparty Definitions*) or (c) if neither of the BMA Municipal Swap Index<sup>TM</sup> nor the Kenny Index<sup>TM</sup> are published, the index determined to equal the prevailing rate determined by the Authority for tax-exempt state and local government bonds meeting criteria determined in good faith by the Authority to be comparable under the circumstances to the criteria used by the Bond Market Association to determine the BMA Municipal Swap Index<sup>TM</sup> just prior to when the Bond Market Association stopped publishing the BMA Municipal Swap Index<sup>TM</sup>.

“LFL” means the Local Finance Law of the State, as amended from time to time.

“Majority in Interest” means the Holders of a majority of the Outstanding Bonds or Notes eligible to act on a matter, measured by face value at maturity unless otherwise specified in a Supplemental Indenture.

The term “maximum annual debt service on all Authority bonds, notes and other evidences of indebtedness” means, as determined by the Authority at any given time, the greatest amount of interest, principal and sinking fund payments on all outstanding Authority bonds, notes, and ancillary and swap contracts (including payments on Subordinate Bonds and Senior Bonds and Notes, but excluding payments on Bond Anticipation Notes anticipated by the Authority to be repaid from Authority bonds, whether or not any such payments constitute Debt Service) payable in the current or any future fiscal year.

“Moody’s” means Moody’s Investors Service; references to Moody’s are effective so long as Moody’s is a Rating Agency.

The term “operating expenses” means all expenses incurred by the Authority in the administration of the Authority including but not limited to salaries, administrative expenses, insurance premiums, auditing and legal expenses, fees and expenses incurred for professional consultants and fiduciaries, payments on Notes and swap and ancillary contracts not paid as Financeable Costs or from the Bond Account, transfers to pay or service Subordinate Bonds, and all operating expenses so identified by Supplemental Indenture.

“Outstanding”, when used to modify Bonds or Notes, 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” means, 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.

“Proceeding” means any suit, action or proceeding at law or in equity for the enforcement of the Undertaking or to remedy any breach thereof, except a remedial action pursuant to Article X.

“Rating Agency” means each nationally recognized statistical rating organization that has, at the request of the Authority, a rating in effect for the unenhanced Senior Bonds.

“Rating Confirmation” means evidence that no Senior Bond rating in effect from a Rating Agency will be withdrawn or reduced solely as a result of an action to be taken under the Indenture.

“Requisition” means a certificate in writing signed by an Authorized Officer of the City in the form required from time to time by the Authority under the Agreement.

“Revenues” means the City Tax Revenues, School District Tax Revenues, State Aid Revenues, investment earnings on money and investments on deposit in the Accounts and all other income and receipts (other than Note or Bond proceeds) paid or payable to the Authority or the Trustee for the account of the Authority to the extent such other income and receipts are to be treated as Revenues under the terms of the Indenture.

“S&P” means Standard & Poor’s Ratings Services; references to S&P are effective so long as S&P is a Rating Agency.

“School District” means the City’s dependent school district.

“School District Tax Revenues” shall have the meaning ascribed to the term “school district tax revenues” in the Act.

“Senior Agreements” means ancillary and swap contracts to the extent that amounts are payable thereon from the Bond Account pursuant to a Supplemental Indenture.

“Senior Bonds” means all Bonds issued as Senior Bonds. “Senior Notes” means all Notes issued as Senior Notes.

“Series” means all Notes or Bonds so identified in a Supplemental Indenture, regardless of variations in maturity, interest rate or other provisions, and any Notes or Bonds thereafter delivered in exchange or replacement therefor.

“State” means the State of New York.

“State Aid Revenues” shall have the meaning ascribed to the term “state aid” in the Act.

“Subordinate Agreements” means ancillary and swap contracts to the extent that such contracts are not Senior Agreements.

“Subordinate Bonds” means all Bonds other than Senior Bonds. “Subordinate Notes” means all Notes other than Senior Notes.

The term “swap contract” means an interest rate exchange or similar agreement entered into by the Authority pursuant to the Act, with Rating Confirmation from each Rating Agency.

“Tax-Exempt Bonds” or “Tax-Exempt Notes” means all Bonds or Notes so identified in any Supplemental Indenture.

“Tax Law” means the Tax Law of the State, as amended from time to time.

Directors, State and City Not Liable on Notes or Bonds. Neither the Directors of the Authority nor any person executing Notes, Bonds or other obligations of the Authority shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

The Notes, Bonds and other obligations of the Authority shall not be a debt of either the State, the County or the City, and neither the State, the County nor the City shall be liable thereon, nor shall they be payable out of any funds other than those of the Authority; and the Notes and Bonds shall contain on the face thereof a statement to such effect.

Security and Pledge. Pursuant to the Act, the Authority assigns and pledges to the Trustee in trust upon the terms of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, (a) the Revenues, (b) all rights to receive the Revenues (including the City Tax Revenues, the School District Tax Revenues and State Aid Revenues) and the proceeds of such rights, (c) all Accounts and assets thereof, including money, contract rights, general intangibles or other personal property, held by the Trustee under the Indenture, (d) the State Covenant, the County Covenant and the City Covenant and the other covenants, agreements and acknowledgments of the City made in the Agreement, and (e) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Indenture. Except as specifically provided in the Indenture, this assignment and pledge does not include: (i) the rights of the Authority pursuant to provisions for consent or other action by the Authority, notice to the Authority, indemnity or the filing of documents with the Authority, or otherwise for its benefit and not for that of the Beneficiaries, or (ii) any right, duty or power reserved to the Authority pursuant to the Act or other law. The Authority will implement, protect and defend this assignment and pledge by all appropriate legal action, the cost thereof to be an operating expense. The preceding, and all pledges and security interests made and granted by the Authority pursuant hereto, are immediately valid, binding and perfected to the full extent provided by the Act. The foregoing collateral is pledged and a security interest is therein granted, to secure the payment of Bonds, Notes, and payments in respect of Senior Agreements and Subordinate Agreements; provided, however, that the pledge and security interest in the Indenture granted to secure the Authority's obligation to pay Subordinate Bonds and Subordinate Agreements shall be subject and subordinate to the pledge and security interest in the Indenture granted to secure Debt Service. The lien of such pledge and the obligation to perform such contractual provisions made shall have priority over any or all other obligations and liabilities of the Authority secured by the Revenues. The Authority shall not incur any obligations, except as authorized by the Indenture, secured by a lien on the Revenues or Accounts equal or prior to the lien of the Indenture.

Defeasance. (a) If the Authority shall pay or cause to be paid to the Beneficiaries of all obligations then Outstanding the principal and interest and redemption price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the respective covenants, of the Authority, the State, the County and the City to the Beneficiaries shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Issuer all money, securities and funds held by them pursuant to the Indenture which are not required for the payment or redemption of obligations not theretofore surrendered for such payment or redemption.

(b) Outstanding Bonds or Notes or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Paying Agents shall, at the respective maturity or redemption dates thereof, be deemed to have been paid within the meaning and with the effect expressed in subparagraph (a) of this paragraph. Outstanding Bonds or Notes or any portions thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subparagraph (a) of this paragraph either (A) as provided in the Supplemental Indenture authorizing their issuance or (B) if (i) in case any of said Bonds or Notes are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in the Indenture notice of redemption on said date of such obligations, (ii) there shall have been irrevocably deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Collateral the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or redemption price, if applicable, and interest due and to become due on such Bonds or Notes or such portions thereof on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such Bonds or Notes are not by their terms maturing or are not subject to redemption within the next succeeding 60 days, the Authority shall have

given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Beneficiaries of such Bonds or Notes that the deposit required by (ii) above has been made with the Trustee and that said Bonds or Notes are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which money is to be available for the payment of the principal or redemption price, if applicable, on such Bonds or Notes. Neither Defeasance Collateral nor money deposited with the Trustee pursuant to the Indenture nor principal or interest payments on any such Defeasance Collateral shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds or Notes provided that any money on deposit with the Trustee, (x) to the extent such money will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or Notes or otherwise existing under the Indenture, and (y) to the extent such money will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Collateral maturing at times and in amounts sufficient, together with any money available to the Trustee for such purpose, to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds or Notes on and prior to such redemption date or maturity date thereof, as the case may be.

(c) Upon such defeasance, the funds and investments required to pay or redeem the Bonds, Notes and other obligations to Beneficiaries shall be irrevocably set aside for that purpose, subject only, however, to provisions of the Indenture relating to unclaimed money, and money held for defeasance shall be invested only as provided above in this section and applied by the Trustee and other Paying Agents, if any, to the retirement of the Bonds and Notes and other obligations. Any funds or property held by the Trustee and not required for payment or redemption of the Bonds, Notes and other obligations to Beneficiaries in full shall, after satisfaction of all the rights of the Authority and the Trustee, be distributed to the Authority upon such indemnification, if any, as the Trustee may reasonably require.

Notes and Bonds of the Authority. (a) By Supplemental Indenture complying procedurally and in substance with the Act and the Indenture, the Authority may authorize, issue, sell and deliver Bonds or Notes, including Notes in anticipation of Bonds, from time to time in such principal amounts as the Authority shall determine to be necessary, to provide sufficient funds to finance Financeable Costs by payment or reimbursement, and funding reserves to secure Notes or Bonds; and may issue Notes or Bonds to renew or refund Notes or Bonds, by exchange, purchase, redemption or payment, and establish such escrows therefor as it may determine; provided, however, that the aggregate principal amount of Senior Bonds or Notes Outstanding at any one time shall not exceed \$300,000,000 and provided further, however, that the aggregate principal amount of Subordinate Bonds or Notes issued as Cash Flow Borrowings Outstanding at any one time shall not exceed \$145,000,000.

(b) Bonds and Notes may be issued only:

(i) as Senior Bonds or Notes, or as Subordinate Bonds or Notes;

(x) to pay or reimburse Financeable Costs, but not to exceed the limitations for specified Financeable Costs set forth in §3862(1) of the Act in issuance amount, measured by proceeds to the Authority, and

(y) to refund or renew such Bonds or Notes; but

(ii) with the exception of the initial Series of Senior Bonds issued under the Indenture, no Senior Bonds or Notes shall be authenticated and delivered except upon receipt by the Trustee of:

(x) an Officer's Certificate of the Authority setting forth, and based upon information provided to the Authorized Officer filing such Officer's Certificate by the State Comptroller or other State official on whom such Authorized Officer may reasonably rely, the most recent receipts by the Trustee (or by the Authority or the City, as applicable, with respect to the period prior to redirection of such amounts to the Trustee) for the 12 consecutive calendar months ended not more than three months prior to the date of such certificate, of

the City Tax Revenues and School District Tax Revenues, in effect at the date of issuance of such Series of Bonds or Notes, to be payable to the Authority; and

- (y) an Officer's Certificate of the Authority setting forth
  - (I) the aggregate amount of Debt Service (excluding any accrued or capitalized interest), including such Series of Bonds or Notes, for each Fiscal Year Bonds or Notes will be Outstanding, and
  - (II) that the amount set forth pursuant to clause (x) will be at least three times such aggregate amount set forth in clause (y)(I) for each Fiscal Year set forth pursuant to clause (y)(I).
- (iii) no Senior Bonds shall be authenticated and delivered except upon receipt by the Trustee of (y) an Officer's Certificate of the Authority making the computation required in the definition of Debt Service Reserve Account Requirement and determining the amount required to be deposited to the Debt Service Reserve Account to fulfill such Debt Service Reserve Account Requirement, and (z) provision for such deposit.

Each interest rate on Outstanding and proposed variable interest rate Bonds or Notes shall be assumed at the Estimated Average Interest Rate.

(c) The Notes and Bonds shall bear such dates and shall mature at such times as the Authority may provide pursuant to the Act. The Notes and Bonds shall bear interest at such fixed or variable rates, and shall be in such denomination, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in such medium of payment, at such place and be subject to such, terms of redemption as the Authority may provide pursuant to the Act. The Notes and Bonds may be sold by the Authority at public or private sale pursuant to the Act.

Documents to be Delivered to Trustee. The Authority may from time to time request the authentication and delivery of a Series of Bonds or Notes by providing to the Trustee (at or prior to such authentication and delivery), among other documents, the following:

(a) an Officer's Certificate of the Authority as to the purposes to be financed, and to the effect that, to the best of such Authorized Officer's knowledge, there is no default under the Indenture that will remain uncured immediately following such delivery, nor an uncured failure of the State, the County or the City to comply with their respective agreements provided for in the Act, as in effect at the date of the Indenture;

(b) an opinion of Counsel as to the due authorization, execution and delivery by the Authority of the Indenture and each relevant Supplemental Indenture; to the effect that the Indenture is in full force and effect and that the Bonds or Notes are valid and binding obligations of the Authority secured by the pledge of the Indenture; and after delivery of the initial Series of Bonds under the Indenture, to the effect that the issuance of the Bonds or Notes will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or Tax-Exempt Notes theretofore issued (as set forth in the opinions delivered with such prior Bonds or Notes);

Ancillary and Swap Contracts. Pursuant to the Act, the Authority may enter into, amend or terminate, as it determines to be necessary or appropriate, any ancillary or swap contracts, including Senior Agreements. The Authority may by Supplemental Indenture provide for the payment through the Bond Account of any amounts due pursuant to ancillary and swap contracts (excluding termination payments), any such ancillary and swap contracts thereby constituting Senior Agreements. Any amounts paid or payable to the Authority pursuant to any ancillary or swap contract shall constitute a Revenue and, except as otherwise provided in a Supplemental Indenture, shall be deposited in the Bond Account.



Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may, by Supplemental Indenture, authorize the issuance of Notes and renewals thereof in anticipation of such Series. The interest on such Notes and renewals thereof may be made payable from the proceeds of such Notes, from the Bond Account or from the proceeds of the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of or interest on such Notes, and any such pledge shall have a priority over any other pledge of such proceeds created by the Indenture. Subject to Article V, the Authority may also pledge the Revenues and the Accounts to the payment of the principal of such Notes.

Financeable Costs. Proceeds of the sale of the Bonds and Notes issued for Financeable Costs shall be promptly deposited in the Bond Proceeds Fund to the extent set forth by Supplemental Indenture, and applied to finance, by payment or reimbursement, Financeable Costs. The Authority shall transfer its earnings on the Bond Proceeds Fund to the Collection Account as Revenues, or otherwise apply such earnings in accordance with the Tax Code pursuant to an Officer's Certificate.

Limited Purpose of Indenture. The Indenture provides for the issuance and payment of the Authority's obligations and the financing and refinancing of Financeable Costs. The Indenture is not intended to convey to the Trustee or the Beneficiaries any right to exercise or approve the Authority's financial control and oversight powers and duties, including those set forth in the Act, and the right and obligation to exercise such powers and duties is reserved solely to the Authority, nor is the Indenture intended to convey to the Trustee or the Beneficiaries the benefit of any provisions of the Agreement not expressly pledged pursuant to the Indenture. Except as set forth in the Indenture and the Agreement, the Authority, the City and the Trustee shall have no liability to each other or to the Beneficiaries for the construction, reconstruction, acquisition, installation, physical condition, ownership or operation of any capital project of the City or the School District financed as a Financeable Cost under the Indenture or otherwise for the financing of Financeable Costs.

Application of Revenues. (a) Provision is made in the Act for the payment to the Authority of the City Tax Revenues, School District Tax Revenues and State Aid Revenues, and the Authority has requested the State Comptroller to make such payments to the Collection Account to be held by the Trustee for application under the Indenture. Any Revenues received by the Authority shall be promptly deposited in the Collection Account. All Revenues in the Collection Account shall be applied upon receipt by the Trustee, in the following order of priority in accordance with an Officer's Certificate: first to the Bond Account to pay Debt Service pursuant to paragraph (b) summarized below, and any 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 Notes, amounts, if any, necessary to replenish any reserve accounts established in connection thereto, and 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, which may include deposits to the Redemption Account for optional redemption and reserves to be held by the Authority for payment of operating expenses, in such amounts as may be determined by Supplemental Indenture or Officer's Certificate; and fourth, subject to any agreements between the Authority and the City, as soon as practicable, to the order of the City, free and clear of the lien of the Indenture.

(b) At the beginning of each calendar month, the Trustee shall begin to transfer all Revenues from the Collection Account to the Bond Account, and shall continue such transfers until the amount transferred to the Bond Account in such month is equal to Accrued Debt Service. To the extent that Debt Service includes principal, interest or premium on Bonds or Notes to be purchased or redeemed prior to maturity, such Debt Service may be paid through the Redemption Account, and the Authority may by Officer's Certificate direct the Trustee in writing to transfer Revenues thereto, rather than to the Bond Account.

(c) Prior to any payment date for Debt Service, the Authority may by Officer's Certificate estimate interest payable at a variable rate; or treat anticipated receipts on an ancillary or swap contract as offsets thereto as specified in the Indenture.

(d) The transfers and payments to be made under this Article shall be appropriately adjusted by Officer's Certificate of the Authority to reflect the date of issue of Notes or Bonds, any accrued or capitalized interest deposited in the Bond Account or any other amounts irrevocably pledged to the payment of such Debt

Service for such period, dates of receipt of Revenues, actual rates of interest, any amount needed or held in the Accounts for Debt Service, and any purchase or redemption of Notes or Bonds, so that there will be available on each payment date the amount necessary to pay Debt Service and so that accrued or capitalized interest will be applied to the installments of interest to which it is applicable.

(e) Revenues shall in all events be transferred from the Collection Account to the Bond Account or the Redemption Account to provide for the timely payment of Debt Service, and all Revenues shall be applied to pay Debt Service and other amounts then overdue pursuant to the Indenture.

(f) Moneys on deposit in the Debt Service Reserve Account shall be held in trust and, except as otherwise provided, shall be applied solely to remedy any shortfall in the Bond Account in amounts due on Debt Service. In the event that, on the business day preceding any date upon which payment of Debt Service is due, the amounts on deposit in the Bond Account is less than the amount required to pay such Debt Service, the Trustee shall withdraw from the Debt Service Reserve Account and deposit to the Bond Account such amount as will increase the amount therein to an amount sufficient to make such payment. If at any time, the amount, if any, on deposit in the Debt Service Reserve Account is in excess of the Debt Service Reserve Account Requirement, the Trustee shall transfer such excess from the Debt Service Reserve Account to the Collection Account.

Bond Account. A Bond Account is established with the Trustee and money shall be deposited therein as provided in the Indenture. Accrued interest received upon the sale of Notes (if so specified by Supplemental Indenture) or Senior Bonds shall be deposited in the Bond Account. The money in the Bond Account shall be held in trust and, except as otherwise provided, shall be applied solely to the payment of Debt Service. If at any time the amount held in the Bond Account exceeds Accrued Debt Service, the Trustee shall transfer such excess to the Collection Account as Revenues. The Trustee shall pay, or transfer money from the Bond Account to a Paying Agent in time for such Paying Agent to pay Debt Service when due in same-day funds.

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. Upon direction by Officer's Certificate of the Authority, the Trustee shall apply money in the Redemption Account to the purchase of Bonds and Notes for cancellation at prices not exceeding (unless so directed by Officer's Certificate of the Authority) the price at which they are then redeemable (or next redeemable if they are not then redeemable), but not with money required to pay Bonds or Notes for which notice of redemption has been given. Accrued interest on the purchase of Bonds and Notes may be paid from the Bond Account (if so payable under the Indenture) or as directed by Officer's Certificate of the Authority.

When money in the Redemption Account is to be applied to the redemption of Notes or Bonds, the Trustee shall pay, or transfer such money to a Paying Agent in time for such Paying Agent to pay, such Notes or Bonds when due in same-day funds.

If on any date the amount in the Bond Account is less than the amount then required to be applied to pay Debt Service then due, the Trustee shall apply the amount in the Redemption Account (other than any sum irrevocably set aside for particular Notes or Bonds no longer Outstanding) to the extent necessary to meet the deficiency.

Redemption of the Bonds and Notes. The Authority may redeem Bonds and Notes at its option in accordance with their terms and shall redeem Bonds and Notes in accordance with their terms pursuant to any mandatory redemption ("sinking fund") requirements established by Supplemental Indenture. When Bonds or Notes are called for redemption, the accrued interest thereon shall become due on the redemption date. To the extent not otherwise provided, the Authority shall deposit with the Trustee on or prior to the redemption date a sufficient sum to pay principal, redemption premium, if any, and accrued interest.

Unless otherwise specified by Supplemental Indenture, there shall, at the option of the Authority, be applied to or credited against any sinking fund requirement the principal amount of any such Bonds that have been defeased, purchased or redeemed and not previously so applied or credited.

When Bonds or Notes are to be redeemed prior to maturity, the Trustee shall give notice in the name of the Authority, which notice shall identify the Bonds or Notes to be redeemed, state the date fixed for redemption and state that such Bonds or Notes will be redeemed at the corporate trust office of the Trustee or a Paying Agent. The notice shall further state that on such date there shall become due and payable upon each Bond or Note to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that money therefor having been deposited with the Trustee or Paying Agent, from and after such date, interest thereon shall cease to accrue. The Trustee shall give at least 30 days' notice by mail, or otherwise transmit the redemption notice in accordance with the applicable Supplemental Indenture, to the registered owners of any Bonds or Notes which are to be redeemed, at their addresses shown on the registration books of the Authority. Such notice may be waived by any Holder of Bonds or Notes to be redeemed. Failure by a particular Holder to receive notice, or any defect in the notice to such Holder, shall not affect the redemption of any other Bond or Note.

Investments. Pending its use under the Indenture, money in the Accounts may be invested by the Trustee in Eligible Investments maturing or redeemable at the option of the holder at or before the time when such money is expected to be needed and shall be so invested pursuant to written direction of the Authority if there is not then an Event of Default actually known to an Authorized Officer of the Trustee. Investments shall be held by the Trustee in the respective Accounts and shall be sold or redeemed to the extent necessary to make payments or transfers from each Account.

Except as otherwise specified in the Indenture or by Supplemental Indenture, any interest realized on investments in any Account and any profit realized upon the sale or other disposition thereof shall be credited to the Collection Account.

The Trustee may hold undivided interests in Eligible Investments for more than one Account (for which they are eligible) and may make interfund transfers in kind.

If any money is invested under the Indenture and a loss results therefrom so that there are insufficient funds to pay Debt Service or to redeem Bonds or Notes called for redemption, then the deficiency shall be timely filled from Revenues (as Debt Service if so payable under the Indenture). The Trustee shall not be liable for any losses on investments made at the direction of the Authority.

Unclaimed Money. Except as may otherwise be required by applicable law, in case any money deposited with the Trustee or a Paying Agent for the payment of the principal of, or interest or premium, if any, on any Bond or Note remain unclaimed for two years after such principal, interest or premium has become due and payable, the Fiduciary may and upon receipt of a written request of the Authority will pay over to the Authority the amount so deposited and thereupon the Fiduciary and the Authority shall be released from any further liability under the Indenture with respect to the payment of principal, interest or premium and the owner of such Bond or Note shall be entitled (subject to any applicable statute of limitations) to look only to the Authority as an unsecured creditor for the payment thereof.

Contract, Obligations to Beneficiaries. In consideration of the purchase and acceptance of any or all of the Bonds and Notes and ancillary and swap contracts by those who shall hold the same from time to time, the provisions of the Indenture shall be a part of the contract of the Authority with the Beneficiaries, and shall be deemed to be and shall constitute contracts among the Authority, the Trustee, the City to the extent specified in the Agreement, the Beneficiaries from time to time and, to the extent specified in the Act, the State and the County. The pledge made in the Indenture and the covenants set forth to be performed by the Authority, the City, the State and the County shall be for the equal benefit, protection and security of the Beneficiaries of the same priority. All of the Bonds or Notes or ancillary or swap contracts of the same priority, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any thereof over any other except as expressly provided pursuant hereto and to the Act.

The Authority shall pay when due all sums payable on the Bonds and Notes, from the Revenues and money designated in the Indenture, subject only to (i) the Act and the Indenture, and (ii) to the extent permitted by the Act and the Indenture, (x) agreements with Holders of Bonds and Notes pledging particular collateral for the payment thereof and (y) the rights of Beneficiaries under ancillary and swap contracts. The obligation of the Authority to pay principal, interest and redemption premium, if any, to the Holders of Bonds and Notes shall be

absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to setoff, recoupment or counterclaim. The Authority shall also pay its operating expenses.

Enforcement. The Authority shall enforce or cause the Trustee to enforce, by appropriate legal proceedings, each covenant, pledge or agreement made by the City, the State or the County in the Indenture or in or pursuant to the Act for the benefit of any of the Beneficiaries.

Tax Covenant. The Authority shall at all times do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid by the Authority on Tax-Exempt Bonds and Tax-Exempt Notes shall be excludable from gross income for Federal income tax purposes pursuant to § 103(a) of the Tax Code; and no funds of the Authority shall at any time be used directly or indirectly to acquire securities or obligations the acquisition or holding of which would cause any Tax-Exempt Bond or Tax-Exempt Note to be an arbitrage bond as defined in the Code and any applicable Regulations issued thereunder.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, pay from the Bond Proceeds Fund or as an operating expense the amount, if any, required by the Code to be rebated thereto or paid as a related penalty.

Accounts and Report. The Authority shall (1) cause to be kept books of account in which complete and accurate entries shall be made of its transactions relating to all funds and accounts under the Indenture, which books shall at all reasonable times be subject to the inspection of the City, the Trustee and the Holders of an aggregate of not less than 25% in principal amount of Bonds and Notes then Outstanding or their representatives duly authorized in writing; and

(2) keep in effect at all times by Officer's Certificate an accurate and current schedule of all Debt Service to be payable during the life of then Outstanding Bonds, Notes and Senior Agreements secured by the Bond Account; certifying for the purpose such estimates as may be necessary.

Ratings. Unless otherwise specified by Supplemental Indenture, the Authority shall pay such reasonable fees and provide such available information as may be necessary to obtain and keep in effect ratings on all the Senior Bonds from at least two nationally recognized statistical rating organizations.

No Other Business. The Authority shall not engage in any line of business not contemplated by the Act.

City Covenant. The Authority includes in the Indenture: (a) the City's pledge and agreement with the holders of any bonds, notes or other obligations of the Authority that the City will not take actions which limit, alter or impair the rights and remedies of such holders or the security for such bonds, notes or other obligations until such bonds, notes or other obligations, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged, (b) the further terms of the City Covenant in the Act to the effect that: Nothing contained in this covenant or the Act shall be deemed to restrict the right of the City to amend, modify, repeal or otherwise alter any local law, ordinance or resolution imposing or relating to the City Tax Revenues, the School District Tax Revenues or the State Aid Revenues, including sales and compensating use taxes pursuant to the authority of §1210 of the Tax Law, so long as, after giving effect to such amendment, modification or other alteration, the aggregate amount as then projected by the Authority of (i) sales and compensating use taxes to be imposed pursuant to the authority of §1210 of the tax law and paid to the City and (ii) all net collections for educational purposes to be set aside by the County pursuant to the authority of §1262(a) of the Tax Law and paid to the City's dependent school district during each of the authority's fiscal years thereafter shall be not less than two hundred percent of maximum annual debt service on Authority bonds then outstanding. The city further agrees that (i) it will not take any action, including the imposition of sales and compensating use taxes preempting the County's taxes, to terminate or alter the terms of the agreement among the County, the City and the other cities in the County under §1262(c) of the Tax Law that would reduce or eliminate the amount of net collections that the County distributes or is to distribute to the City prior to June 30, 2037, without the Authority's prior approval, and (ii) if the City imposes sales and compensating use taxes, it shall do so pursuant §1210(a) of the Tax Law at the maximum rate authorized by such section.

State Covenant. The Authority includes in the Indenture: (a) the State's pledge and agreement with the holders of outstanding bonds, notes or other evidences of indebtedness that the State will not limit, alter or impair the rights vested in the Authority by the Act to fulfill the terms of any agreements made with the holders (including the ability to enforce the City's obligations under the Agreement), or in any way impair the rights and remedies of such holders or the security for the bonds, notes or other evidences of indebtedness until such bonds, notes or other evidences of indebtedness, together with the interest thereon, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged, (b) the further terms of the State Covenant in the Act to the effect that: Nothing contained in this covenant or the Act shall be deemed to restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the City Tax Revenues, the School District Tax Revenues or State Aid Revenues. Nothing in this covenant shall be deemed to obligate the State to make any additional payments or impose any taxes to satisfy the obligations of the Authority; and (c) the tax exemption in the Act

County Covenant. The Authority includes in the Indenture: (a) the County's pledge and agreement with the holders of outstanding bonds, notes or other evidences of indebtedness that the County will not limit or in any way impair the rights and remedies of such holders or the security for the bonds, notes or other evidences of indebtedness until such bonds, notes or other evidences of indebtedness, together with the interest thereon, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged, (b) the further terms of the County Covenant in the Act to the effect that: Nothing contained in this covenant or the Act shall be deemed to restrict the right of the County to amend, modify, repeal or otherwise alter any local law, ordinance or resolution imposing or relating to the City Tax Revenues, the School District Tax Revenues or State Aid Revenues, or setting aside net collections for educational purposes pursuant to the authority of §1262(a) of the Tax Law, so long as, after giving effect to such amendment, modification or other alteration, the aggregate amount as then projected by the Authority of (i) sales and compensating use taxes to be imposed pursuant to the authority of §1210 of the tax law and paid to the City and (ii) all net collections for educational purposes to be set aside by the County pursuant to the authority of §1262(a) of the Tax Law and paid to the City's dependent school district during each of the authority's fiscal years following the effective date of such amendment, modification or other alteration shall be not less than two hundred percent of maximum annual debt service on Authority bonds then outstanding. Notwithstanding anything to the contrary in this section, the County further agrees that it shall impose taxes pursuant to the authority of §1262(a) of the Tax Law at the rate of no less than three percent.

Authority Acknowledgment. (a) The Authority acknowledges that the Covenants of the City, the County and the State constitute important security provisions of the Bonds and Notes, and to the fullest extent permitted by applicable Federal and State law, waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or in-directly assert, nor in any manner directly or indirectly support the assertion by the City, the State, the County or any other person of, any such claim to the contrary.

(b) By acknowledging that the Covenants of the City, the County and the State constitute important security provisions of the Bonds and Notes, the Authority also acknowledges, to the fullest extent permitted by applicable Federal and State law, that, in the event of any failure or refusal by the City, the State or the County to comply with their respective agreements, the Holders of the Bonds or Notes may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable Federal and State law, determined, in addition to any other remedy available at law or in equity, in the course of any action taken pursuant hereto; and to the fullest extent permitted by applicable Federal and State law, the Authority waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by the City, the State, the County or any other person of, any claim to the effect that no such monetary damages have been suffered.

(c) The Authority confirms that the acknowledgments and agreements set forth in paragraphs (a) and (b) above have been included in the Indenture as a result of negotiations with the underwriters of the initial Series of Bonds delivered under the Indenture and may further acknowledge in any Supplemental Indenture if and the extent to which any provision of the Indenture has been amended, or any provision of such Supplemental Indenture has been included therein, as a result of the same or similar negotiations.

Rights and Duties of the Fiduciaries. The Fiduciaries shall not be required to monitor the financial condition of the Authority or the physical condition of any Project and, unless otherwise expressly provided, shall not have any responsibility with respect to reports, notices, certificates or other documents filed with them under the Indenture, except to make them available for inspection by Beneficiaries.

Upon a failure of the Authority to make a payment of Debt Service when due or a failure actually known to an Authorized Officer of the Trustee to make any other payment required within 7 days after the same becomes due and payable, the Trustee shall give written notice thereof to the Authority. The Trustee shall give default notices when instructed to do so by the written direction of another Fiduciary or the owners of at least 25% in principal amount of the Outstanding Senior Bonds; or with respect to the Indenture, if the Event of Default is actually known to an Authorized Officer. The Trustee shall proceed under the Indenture for the benefit of the Holders in accordance with the written directions of a Majority in Interest of the Outstanding Senior Bonds. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred.

Each Fiduciary shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. Each Fiduciary may rely conclusively on any notice, certificate or other document furnished to it under the Indenture and reasonably believed by it to be genuine. A Fiduciary shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under the Indenture or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or consent or other action by a Fiduciary is called for by the Indenture, the Fiduciary may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act.

Any fees, expenses, reimbursements or other charges which any Fiduciary may be entitled to receive from the Authority under the Indenture, if not otherwise paid, shall be a first lien upon (but only upon) any funds held under the Indenture by the Trustee for payment of operating expenses.

Paying Agent. The Authority designates the Trustee a Paying Agent. The Authority may appoint additional Paying Agents, generally or for specific purposes, may discharge a Paying Agent from time to time and may appoint a successor. The Authority shall designate a successor if the Trustee ceases to serve as Paying Agent. Each Paying Agent shall be a bank or trust company eligible under the Act, and unless otherwise provided by Supplemental Indenture shall have a capital and surplus of not less than \$50,000,000 and be registered as a transfer agent with the Securities and Exchange Commission. The Authority shall give notice of the appointment of a successor to the Trustee as Paying Agent in writing to each Beneficiary shown on the books of the Trustee. A Paying Agent may but need not be the same person as the Trustee. Unless otherwise provided by the Authority, the Trustee as Paying Agent shall act as Bond and Note registrar and transfer agent, in accordance with the Indenture.

Resignation or Removal of the Trustee. The Trustee may resign on not less than 45 days' written notice to the Authority and the Holders. The Trustee will promptly certify to the Authority that it has given written notice to all Holders and such certificate will be conclusive evidence that such notice was given as required by the Indenture. The Trustee may be removed by written notice from the Authority (if not in default) or a Majority in Interest of the Outstanding Senior Bonds to the Trustee and the Authority. Such resignation or removal shall not take effect until a successor has been appointed.

Successor Fiduciaries. Any corporation or association which succeeds to the municipal corporate trust business of a Fiduciary as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights, powers and duties thereof under the Indenture, without any further act or conveyance.

In case a Fiduciary resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of a Fiduciary or of Its property is appointed, or if a public officer takes charge or control of a Fiduciary, or of its property or affairs, then such Fiduciary shall with due care

terminate its activities under the Indenture and a successor may, or in the case of the Trustee shall, be appointed by the Authority. The Authority shall notify the Holders of the appointment of a successor Trustee in writing within 20 days from the appointment. The Authority will promptly certify to the successor Trustee that it has given such notice to all Holders and such certificate will be conclusive evidence that such notice was given as required by the Indenture. If no appointment of a successor Trustee is made within 45 days after the giving of written notice in accordance with the Indenture or after the occurrence of any other event requiring or authorizing, such appointment, the outgoing Trustee or any Holder may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee appointed under this section shall be a trust company or a bank having the powers of a trust company, located in the State, having a capital and surplus of not less than \$50,000,000.

Fiduciaries for Notes and Subordinate Bonds. The Authority may by Supplemental Indenture provide for the appointment of a Fiduciary (which may be the Trustee) to represent the Holders of Notes or Subordinate Bonds, having powers and duties not inconsistent herewith or with the Act.

Action by Holder. Any request, authorization, direction, notice, consent, waiver or other action provided by the Indenture to be given or taken by Holders of Bonds or Notes may be contained in and evidenced by one or more writings of substantially the same tenor signed by the requisite number of Holders or their attorneys duly appointed in writing or by such electronic or other means as may be recognized pursuant to applicable law. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Indenture (except as otherwise in the Indenture expressly provided) if made in the following manner, but the Authority or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate or signature guarantee, which need not be acknowledged or verified, of an officer of a bank, trust company or securities dealer satisfactory to the Authority or to the Trustee; or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Holder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or secretary. Any action of the Owner of any Bond or Note shall be irrevocable and bind all future record and beneficial owners thereof.

Registered Owners. The enumeration of certain provisions applicable to DTC as Holder of immobilized Notes and Bonds shall not be construed in limitation of the rights of the Authority and each Fiduciary to rely upon the registration books in all circumstances and to treat the registered owners of Notes and Bonds as the owners thereof for all purposes not otherwise specifically provided for by law or in the Indenture. Notwithstanding any other provisions of the Indenture, any payment to the registered owner of a Note or Bond shall satisfy the Authority's obligations thereon to the extent of such payment.

Events of Default: Default. "Event of Default" in the Indenture means 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.

Remedies of the Trustee. If an Event of Default occurs and is continuing: (1) The Trustee may, and upon written request of the Holders of 25% in principal amount of the Senior Bonds and Notes Outstanding shall, in its own name by action or proceeding in accordance with the Civil Practice Law and Rules of the State:

(a) enforce all rights of the Holders and require the Authority or, to the extent permitted by law, the State, the County or the City to carry out its agreements with the Holders and to perform its duties under the Act;

(b) sue upon such Bonds and Notes;

(c) require the Authority to account as if it were the trustee of an express trust for the Holders of such Bonds and Notes; and

(d) enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds and Notes.

(2) The Trustee shall, in addition to the other provisions above, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Act or incident to the general representation of Holders in the enforcement and protection of their rights.

(3) If such Event of Default is described in clause (a) and relates to a Bond or Note the payment of which constitutes Debt Service or is described in clause (c), the Trustee shall (a) give Written Notice thereof to the Authority, the Holders, the Mayor, the Common Council, the City Comptroller, the County Executive, the Governor, the State Comptroller, the chair and ranking minority member of the Senate Finance Committee, and the chair and ranking minority member of the Assembly Ways and Means Committee, and (b) if so directed by a Majority in Interest of the Senior Bonds, and having given 30 days' notice to the Authority, declare the principal amount of all Bonds and Notes to be, and the same shall become, due and payable.

Subordinate Note and Subordinate Bond Remedies. Subject to the prior application of the Accounts to pay Debt Service, to the Indenture and to each applicable Supplemental Indenture, the Holders of Subordinate Notes or Subordinate Bonds, or a Fiduciary appointed for them, may enforce the provisions of the Indenture for their benefit by appropriate legal proceedings.

Individual Remedies. No one or more Holders shall by his or their action affect, disturb or prejudice the pledge created by the Indenture, or enforce any right under the Indenture, except in the manner in the Indenture provided; and all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Holders of the same class; but nothing in the Indenture shall affect or impair the right of any Holder of any Bond or Note to enforce payment of the principal of, premium, if any, or interest therein at and after the maturity thereof, or the obligation of the Authority to pay such principal, premium, if any, and interest on each of the Bonds and Notes to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Bonds and Notes.

Venue. The venue of every action, suit or special proceeding against the Authority shall be laid in the County of Erie, New York.

Waiver. If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences, by written notice to the Authority, and shall do so upon written instruction of the Holders of at least 25% in principal amount of the Outstanding Senior Bonds and Notes.

Application of Money. If available money in the Accounts is not sufficient on any day to pay all Debt Service, Subordinate Bonds and Subordinate Agreements then due or overdue, such money (subject to provisions theretofore made for the payment of Bonds or Notes no longer outstanding) shall be applied first to the Trustee's fees and other costs of collecting and applying the Revenues and administering the accounts, second to the



payment of interest, including interest on overdue principal and interest, in the order in which the same became due (pro rata with respect to interest which became due at the same time), and if the amount available shall not be sufficient to pay in full any installment or installments of interest or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other; third to the payment of principal (including sinking fund installments) and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due), and if the amount available shall not be sufficient to pay in full all principal, premium or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other; and fourth to the payment to any Notes (to the extent not paid as Debt Service), Subordinate Bonds and Subordinate Agreements then due and, if the amounts available are insufficient to pay in full all such subordinated payment obligations, then to the payment thereof ratably, without preference or priority of any such item over any other. For this purpose Debt Service on Senior Agreements shall be characterized in accordance with their financial terms and interest on overdue principal shall be treated as coming due on the first day of each month. Whenever money is to be applied pursuant to this section, such money shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Upon the exercise of such discretion the Trustee shall fix the date (which shall be the first of a month unless it deems another date more suitable) upon which such application is to be made, and upon such date interest on the principal then provided for shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing, of any such date. When interest or a portion of the principal is to be paid on an overdue Bond or Note, the Trustee may require presentation of the Bond or Note for endorsement of the payment.

Supplements and Amendments. (A) The Indenture may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Officer of the Authority to (a) provide for earlier or greater deposits into the Bond Account, (b) subject any property to the lien of the Indenture, (c) add to the covenants and agreements of the Authority or surrender or limit any right or power of the Authority, (d) identify particular Notes or Bonds for purposes not inconsistent herewith, including credit or liquidity support, remarketing, serialization and defeasance, or (e) authorize Bonds or Notes of a Series and in connection therewith determine the matters referred to in the Indenture, and any other things relative to such Bonds or Notes that are not prejudicial to the Holders, or to modify or rescind any such authorization or determination at any time prior to the first authentication and delivery of such Series of Bonds or Notes; or

(2) amended by the Authority and the Trustee (a) to cure any ambiguity or defect, (b) to add provisions that are not prejudicial to the Holders, (c) to change the aggregate principal amount of Bonds or Notes authorized to be Outstanding at any one time, provided that such amendment shall not be inconsistent with the provisions of the Act and will not take effect unless the Authority obtains Rating Confirmation from each Rating Agency; (d) to adopt amendments that do not take effect unless and until (i) no Bonds or Notes Outstanding prior to the adoption of such amendment remain Outstanding or (ii) such amendment is -consented to by the Holders of such Bonds or Notes in accordance with the further provisions of the Indenture, or (e) pursuant to the following paragraph (B).

(B) Except as provided in the foregoing paragraph (A), the Indenture may be amended (1) only with the written consent of a Majority in Interest of the Subordinate Bonds, Senior Bonds and Notes (acting as three separate classes) to be Outstanding at the effective date thereof and affected thereby; but (2) only with the unanimous written consent of the affected Holders for any of the following purposes: (a) to extend the maturity of any Bond or Note, (b) to reduce the principal amount or interest rate of any Bond or Note, (c) to make any Bond or Note redeemable other than in accordance with its terms, (d) to create a preference or priority of any Bond or Note over any other Bond or Note of the same class or (e) to reduce the percentage of the Bonds and Notes required to be represented by the Holders giving their consent to any amendment.

(C) Any amendment of the Indenture shall be accompanied by a Counsel's Opinion to effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds and Tax-Exempt Notes from gross income for Federal income tax purposes.

(D) When the Authority determines that the requisite number of consents have been obtained for an amendment hereto or to the Agreement which requires consents, it shall, file a certificate to that effect in its records and give notice to the Trustee, the Holders and each Rating Agency. The and such Trustee will promptly certify to the Authority that it has given such notice all Holders certificate will be conclusive evidence that such notice was given in the manner required by the Indenture.

Beneficiaries. The Indenture is not intended for the-benefit of and shall not be construed to create rights in parties other than the Authority, the Fiduciaries, the Holders of Notes and Senior Bonds, and the other Beneficiaries to the extent specified in the Indenture.

### **The Financing Agreement**

City's Further Assurances. Pursuant to the Act, the City hereby acknowledges the State's grant to the Authority and the Authority's pledge and assignment to the Trustee of, and disclaims ownership of, all subject to the terms of the Act: the City's right, title and interest in and to the Sales Tax Revenues and State Aid Revenues, and all rights to receive the same and the proceeds thereof. The City will protect and defend the Trustee's title to the assets.

Separate Accounts and Records. The Authority and the City represent and covenant, each for itself, that: (a) Each of them will maintain its books, financial records and accounts (including, without limitation, inter-entity transaction accounts) in a manner so as to identify separately the assets and liabilities of each such entity; each has observed and will observe all applicable corporate procedures and formalities, including, where applicable, the holding of regular periodic and special meetings of governing bodies, the recording and maintenance of minutes of such meetings, and the recording and maintenance of resolutions, if any, adopted at such meetings; and all transactions and agreements between and among the Authority, the City and the Trustee have reflected and will reflect the separate legal existence of each entity and have been and will be formally documented in writing; (b) Neither the Authority nor the City has commingled or will commingle any of its assets, funds or liabilities with the assets, funds or liabilities of any other person or entity. Each of them has conducted and will conduct all business between itself and third parties in its own name and separate and distinct from the other; and (c) Assets will not be transferred by the City to or from the Authority inconsistently with the Act or with the intent to hinder, delay or defraud creditors.

Bond Proceeds Fund. A Bond Proceeds Fund is established under the Agreement to be held by the Trustee in trust for the benefit of the Authority and the City. The Beneficiaries shall have no interest in the Bond Proceeds Fund or any amounts from time to time on deposit in it. Money shall be deposited therein as provided in the Indenture. The money and investments in the Bond Proceeds Fund shall be applied at the direction of the Authority as described below.

The Trustee shall pay from the Bond Proceeds Fund the Costs of Issuance which are approved by the Authority, and, except as otherwise directed by the Authority in accordance with this Agreement, disburse funds to the City upon receipt of a Requisition to finance, by payment or reimbursement of Financeable Costs to the extent set forth in the related Declaration of Need or as otherwise approved by the Authority. When all Costs of Issuance and other Financeable Costs have been paid or reimbursed, as evidenced by Officer's Certificates of the Authority and the City, any excess in the Bond Proceeds Fund shall promptly be paid to the Trustee for deposit in the Redemption Account.

The Authority shall develop, and may from time to time modify, procedures for the disbursement of money to the City from the Bond Proceeds Fund, upon terms, conditions and documentation providing for compliance with the Act, the provisions of the related Arbitrage and Use of Proceeds Certificate, the Agreement, the Indenture, and the advice of Counsel as to the application of proceeds of Tax-Exempt Notes and Tax-Exempt Bonds. The City shall apply Note and Bond proceeds made available to it only to pay such Financeable Costs as have been included in a Declaration of Need previously approved by the Authority and for which Requisition in proper form has been submitted. The City shall apply such proceeds to pay such Financeable Costs under contracts awarded by the City or to make a contribution of such proceeds as City funds to another entity for the payment or reimbursement of such Financeable Costs.

To the extent provided in any applicable Supplemental Indenture, the Trustee shall, upon the direction of the Authority, pay from the Bond Proceeds Fund amounts necessary to accomplish any restructuring or refunding of the City's or the Authority's debt, as applicable, into a separate account or fund for investment in appropriate defeasance securities as provided in a Supplemental Indenture.

Money in the Bond Proceeds Fund shall be invested and reinvested at the direction of the Authority in accordance with the Act and the Indenture, consistent with the related Arbitrage and Use of Proceeds Certificate. Earnings thereon shall be transferred to the Collection Account as Revenues.

Indemnity. To the extent permitted by law, the City shall indemnify the Authority and hold it harmless against any claim, demand, action, liability, damages, cost, loss or expense (including, legal fees and disbursements) that the Authority incurs arising out of or in relation to any capital project of the City or the financing of any Financeable Cost by the Authority.

Limited Purpose of Agreement. The Agreement provides for the Authority's financing of Financeable Costs. Except as specified in the Agreement, the Authority, the City, and the Trustee shall have no liability to each other or to the Beneficiaries of the Indenture for the construction, reconstruction, acquisition, installation, physical condition, ownership or operation of any capital project of the City or arising out of the status of any such capital project under the State Environmental Quality Review Act or otherwise. Whether to undertake any financing, as well as the specific Financeable Costs to be paid or reimbursed by the Authority, shall be determined by the Authority, in its sole discretion, upon the request of the City as evidenced by submission to the Authority by the City of a Declaration of Need.

Covenants of the City. The City covenants with the Authority, and consents to the pledge and assignment to the Trustee of any of its covenants, that:

(A) The City will at all times do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid by the Authority on Tax-Exempt Bonds and Tax-Exempt Notes shall be excludable from gross income for Federal income tax purposes pursuant to §103(a) of the Code; and shall execute and deliver to the Authority an Arbitrage and Use of Proceeds Certificate, as requested by the Authority or Counsel to the Authority and shall comply with the terms thereof; and no funds of the City shall at any time be used directly or indirectly to acquire securities or obligations the acquisition or holding of which would cause any Tax-Exempt Bond or Tax-Exempt Note to be an arbitrage bond as defined in the Code and any applicable Regulations issued thereunder.

(B) The City in its papers and in the statements of its officials has referred and will refer to the Authority as a separate and distinct legal entity; and the City will take no action that is inconsistent with this Agreement and that would give any creditor of the City cause to believe either that any such obligations incurred by the City would be not only the obligation of the City, but also of the Authority, or that the City were not or would not continue to remain an entity separate and distinct from the Authority.

(C) The City will not exercise any right it may have to amend, modify or otherwise alter local laws imposing or relating to the Sales Tax Revenues without first requesting in writing the Authority to make the projection of Sales Tax Revenues required the Agreement and confirming with the Authority that such exercise will not violate the City covenant contained therein and in the Act. The foregoing is not intended to limit the right of the City to adopt one or more local laws or ordinances imposing or extending the imposition of sales and use taxes.

(D) The City will at all times do and perform all acts and things permitted by law and necessary or desirable to maintain compliance with its undertakings hereunder and in connection with any financing by the Authority, including, cooperating with the Authority, its employees, consultants and underwriters, and in providing certifications and opinions requested by the Authority, and, further, (i) providing all material disclosure for any Offering Circular of the Authority or in connection with any necessary undertaking under Securities and Exchange Commission ("SEC") Rule 15c2-12 to allow the underwriters of Authority financings to meet their obligations thereunder and under SEC Rule 10b-5, and

(ii) annually updating such material disclosure contained in any Offering Circular as required by any related continuing disclosure agreement.

(E) The City will comply, and will take all reasonable efforts in its power to cause any “non-exempted covered organization”, as such term is defined in the Act, to comply with the provisions of §3860(1) of the Act.

(F) Except to the extent expressly identified in any such Declaration of Need, the City will not make any Declaration of Need or submit any Requisition except with respect to Financeable Costs that could be financed by the City by the issuance of its bonds or notes as of the date of such Declaration of Need or Requisition, there being in effect with respect to each capital project constituting such a Financeable Cost (i) findings or other proceedings meeting the requirements of the State Environmental Quality Review Act and (ii) all proceedings necessary under the City Charter and all other applicable State law necessary to authorize the appropriation and expenditure of City funds for such purposes, and each Declaration of Need and Requisition shall be deemed to be a representation by the City to such effect with respect to the Financeable Costs that are the subject thereof. The City shall provide to the Authority such documentation and information as requested, and in the form requested, by the Authority from time to time in connection with Financeable Costs proposed for financing.

Statutory Pledge and Agreement. The City pledges and agrees with the Holders of the Outstanding Bonds and Notes that the City will not take actions which limit, alter or impair the rights and remedies of such Holders or the security for such Bonds and Notes until such Bonds and Notes, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully paid and discharged. The pledge and agreement contained in this section shall not be deemed to restrict any right the City may have to amend, modify, repeal or otherwise alter any local law, ordinance or resolution imposing or relating to City Tax Revenues, School District Tax Revenues or State Aid Revenues, including sales and compensating use taxes pursuant to the authority of §1210 of the Tax Law, so long as, after giving effect to such amendment, modification or other alteration, the aggregate amount projected by the Authority of (i) sales and compensating use taxes to be imposed pursuant to §1210 of the Tax Law and paid to the City and (ii) all net collections for educational purposes to be set aside by the County pursuant to the authority of §1262(a) of the Tax Law and paid to the City’s dependent school district during each of the Authority’s fiscal years following the effective date of such amendment, modification or other alteration shall be not less than 200% of maximum annual debt service on the Bonds. The City further agrees that (i) it will not take any action, including the imposition of sales and compensating use taxes preempting the County’s taxes, to terminate or alter the terms of the agreement among the County, the City and the other cities in the County under §1262(c) of the Tax Law that would reduce or eliminate the amount of net collections that the County distributes or is to distribute to the City prior to June 30, 2037, without the Authority’s prior approval, and (ii) if the City imposes sales and compensating use taxes, it hereby agrees do so pursuant §1210(a) of the Tax Law at the maximum rate authorized by such section.

Statutory Requirement. To the extent required by the Act, the City agrees that it shall require every contract entered into by the City or entered into by any other entity receiving funds from the City for projects or costs to be financed in whole or in part by the Authority to be subject to the provisions of the City Charter, the Act and other applicable laws governing contracts of the City or such entity, as the case may be.

Transfers to City; Issuance of Bonds or Notes. Subject to the provisions of the Act and the Agreement, all money received by the Authority which, together with other money available for the purposes of the Indenture, exceeds the amount determined by the Authority to be necessary for such purposes shall be transferred to the City as frequently as practicable. The City acknowledges that any decision by the Authority to issue or incur its Bonds, Notes or other evidences of indebtedness from time to time is in the sole discretion of the Authority consistent with the Act and the Indenture.

City Acknowledgments. (a) The City acknowledges that the paragraphs entitled “Covenants of the City” and “Statutory Pledge and Agreement” above constitute important security provisions of the Bonds and Notes, and to the fullest extent permitted by applicable Federal and State law, waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support any assertion of any claim to the contrary.

(b) By acknowledging that its covenants constitute important security provisions of the Bonds and Notes, the City also acknowledges, to the fullest extent permitted by applicable Federal and State law, that, in the event of any failure or refusal by the City to comply therewith, the Holders of the Bonds or Notes may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable Federal and State law, determined, in addition to any other remedy available at law or in equity, in the course of any action taken pursuant hereto; and to the fullest extent permitted by applicable Federal and State law, the City hereby waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support any assertion of any claim to the effect that no such monetary damages have been suffered.

(c) The City further acknowledges that the acknowledgments and agreements set forth in paragraphs (a) and (b) above have been included as a result of negotiations with the underwriter of the Series 2015 Refunding Bonds and may further acknowledge if and the extent to which any provision of this Agreement has been amended, or any provision of a Supplemental Indenture has been included therein, as a result of the same or similar negotiations.

Remedies. If the City shall fail to observe or perform any covenant, or condition or agreement on its part to be observed or performed, the Authority shall, if such default has not been cured, have the right (i) to institute any action at law or in equity deemed by the Authority to be necessary or desirable to collect any amounts then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the City hereunder and (ii) to withhold disbursement of any amounts from the Bond Proceeds Fund other than amounts set aside for the payment of City bonds or notes. At its election, the Authority may withhold any amounts adjudged or decreed payable to it from the Revenues as an Operating Expense.

Amendment. (A) The Agreement may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Officer of the Authority and executed or approved by the City to the extent required hereby and by the Act, to add to the covenants and agreements of the City or the Authority for the benefit of the Holders or surrender or limit for the benefit of the Holders any right or power of the City or the Authority; or

(2) amended by the parties with notice to the Trustee but without Bondholder or Noteholder consent to (a) cure any ambiguity or defect, (b) change any provision of the Agreement that is not pledged to the Trustee pursuant to the Indenture, or (c) add provisions that are not materially prejudicial to the Holders of the Bonds and Notes, including provisions that do not take effect unless and until (i) no Bonds or Notes Outstanding prior to the adoption of such amendment remain Outstanding or (ii) such amendment is consented to by Holders in accordance with the further provisions hereof.

(B) Except as provided in the foregoing paragraph (A), the Agreement may be amended only by the City and the Authority with the written consent of a Majority in Interest of each of the Subordinate Bonds, Senior Bonds and Notes (acting as three separate classes) to be Outstanding at the effective date thereof and affected thereby; but only with the unanimous written consent of the affected Holders to reduce the percentage of the Bonds and Notes required to be represented by the Holders giving their consent to any amendment.

(C) Any amendment of the Agreement shall be accompanied by a Counsel's Opinion to the effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds and Tax-Exempt Notes from gross income for Federal income tax purposes.

Beneficiaries. The Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the City, the Authority and, to the extent specified in the Agreement and in the Indenture, the Holders of Notes and Senior Bonds and the other Beneficiaries.

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## APPENDIX C—

### PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Series 2015 Refunding Bonds in definitive form, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, Bond Counsel to the Authority, proposes to render its final approving opinion in substantially the following form:

#### BUFFALO FISCAL STABILITY AUTHORITY

Ladies and Gentlemen:

We have acted as bond counsel to the Buffalo Fiscal Stability Authority (the “Authority”) relating to the issuance of \$14,170,000 Buffalo Fiscal Stability Authority Sales Tax and State Aid Secured Bonds, Series 2015A (the “Series 2015 Refunding Bonds”), as more particularly described below. The Series 2015 Refunding Bonds are dated, bear interest, mature, are subject to redemption and are secured as set forth in the Indenture between the Authority and The Bank of New York Mellon, as Trustee, as supplemented, including the Eleventh Supplemental Indenture (the “Indenture”). Terms defined in the Indenture and used herein shall have the meanings assigned in the Indenture, unless the context otherwise requires.

The Series 2015 Refunding Bonds are issued as Senior Bonds under the Indenture. The Authority is authorized to issue additional Senior Bonds (the Series 2015 Refunding Bonds, together with all Senior Bonds heretofore and hereafter issued the “Bonds”) only on the terms and conditions set forth in the Indenture and all such Bonds shall with the Series 2015 Refunding Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements in the Indenture.

The City of Buffalo, New York (the “City”), has requested the Authority to undertake the financing of Financeable Costs (as defined in the Act), and the Authority and the City have entered into a Financing Agreement dated as of June 1, 2004 (the “Agreement”), provisions of which have been pledged by the Authority to secure the Bonds. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

Based on the foregoing and our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion that:

1. The Authority is a duly organized and validly existing public benefit corporation under the Constitution and laws of the State of New York, and such proceedings show lawful authority for the issuance and sale of the Series 2015 Refunding Bonds pursuant to the Buffalo Fiscal Stability Authority Act, Title 2 of Article 10-D of the Public Authorities Law, constituting Chapter 43-A of the Consolidated Laws of the State of New York, as supplemented by Chapter 86 of the Laws of 2004 (the “Act”), and the Indenture.

2. The Series 2015 Refunding Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding obligations of the Authority payable from the Revenues pledged and the other collateral provided therefor in the Indenture. The Bonds do not constitute a debt of the State or the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority.

3. The Act validly provides for (a) the payment to the Authority of (i) sales and compensating use tax net collections paid or payable to the Authority pursuant to §1261 of the Tax Law or a successor statute (the “Sales Tax Revenues”) and (ii) all general purpose local government aid and all other aid appropriated by the state as local government assistance for the benefit of the City payable to the Authority pursuant to §3864 of the Act (the “State Aid Revenues”), (b) the Authority’s pledge to the Trustee of the Sales Tax Revenues, the State Aid

Revenues, the Accounts and the money and investments on deposit therein (collectively, the “Revenues”), and (c) the application of proceeds of the Bonds to finance Financeable Costs. The Act also provides that the City shall have no right, title or interest in the Sales Tax Revenues and the State Aid Revenues paid to the Authority pursuant to the Act. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid with respect to all provisions thereof material to the subject matter of this opinion letter.

4. The Sales Tax Revenues are subject neither to appropriation by the City or the State, nor to prior claims in favor of other obligations or purposes of the City or the State except as specified in §1261 of the Tax Law with respect to overpayments and the State’s reasonable costs in administering, collecting and distributing such taxes. Upon any failure of the State Legislature to make required appropriations for State debt obligations, the Sales Tax Revenues would not constitute revenues applicable to the General Fund of the State; hence Article 7, Section 16 of the State Constitution does not mandate such money to be set apart by the State Comptroller for the payment of State obligations.

5. The Indenture (a) has been duly and lawfully authorized, executed and delivered by the Authority, (b) creates the valid pledge of Revenues and other collateral that it purports to create and (c) is a valid and binding obligation, enforceable in accordance with its terms, of the Authority and, to the extent specified in the Act, the State. The lien of the Indenture on the Revenues for the security of the Bonds is prior to all other liens thereon. The Act does not restrict the right of the State to amend, modify, repeal or otherwise alter (a) §54 of the State Finance Law or any other provision relating to state aid, or (b) statutes imposing or relating to the taxes payable to the Authority pursuant to § 1261 of the Tax Law or fees, or appropriations relating thereto, nor does it obligate the State to make any payments not specified in the Act or impose any taxes to satisfy the obligations of the Authority.

6. The pledge of Revenues and other collateral made by the Authority in the Indenture is valid, binding and perfected without any physical delivery of the collateral or further act, and the lien thereof is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of such parties’ notice thereof.

7. The Agreement has been duly authorized, executed and delivered by the Authority and, assuming due and proper authorization, execution and delivery by the City, constitutes a legal, valid and binding obligation of the Authority and the City (including with respect to the City, its pledge and agreement not to limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with Holders of Outstanding Bonds pursuant to the Act, or in any way impair the rights and remedies of such Holders or the security for such Bonds), enforceable in accordance with its terms.

8. Pursuant to the Act, the State Comptroller shall pay the Sales Tax Revenues and the State Aid Revenues to the Trustee, to be applied first pursuant to the Authority’s contracts with the holders of the Bonds, then to pay the Authority’s operating expenses, and then pursuant to the Authority’s agreements with the City, which shall require the Authority to transfer the balance of such taxes to the City as frequently as practicable; all of which is provided for in the Indenture and the Agreement.

9. The Authority is not eligible for protection from its creditors pursuant to Title 11 (the “Bankruptcy Code”) of the United States Code. Pursuant to the Act, so long as any Bonds are Outstanding, neither the City nor any “covered organization” (as defined in the Act) is eligible to file a petition for protection from its creditors under either the Bankruptcy Code or the laws of the State.

10. No registration with, consent of, or approval by any governmental agency or commission that has not been obtained is necessary for the execution and delivery of the Series 2015 Refunding Bonds.

11. Except as provided in the following sentence, interest on the Series 2015 Refunding Bonds is not includable in the gross income of the owners of the Series 2015 Refunding Bonds for purposes of Federal income taxation under existing law. Interest on the Series 2015 Refunding Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2015 Refunding Bonds in the event of a failure by the Authority or the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as



amended (the “Tax Code”), and their respective covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Series 2015 Refunding Bonds for Federal income tax purposes on or after the date on which any action is taken under the Indenture or related proceedings upon the approval of counsel other than ourselves. In rendering the foregoing opinions, we have relied upon the representations and covenants made by the Authority and the City and assumed continuing compliance by the Authority and the City with their respective covenants to comply with the provisions of the Tax Code so that interest on the Series 2015 Refunding Bonds will remain excludable from gross income for Federal income tax purposes.

12. Interest on the Series 2015 Refunding Bonds is not a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Tax Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

13. Under the Act, interest on the Bonds is exempt from personal income taxes imposed by the State and its political subdivisions.

The rights of the Holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted, to the extent constitutionally applicable and except as specifically stated above, and may also be subject to the exercise of the State’s police powers and of judicial discretion in appropriate cases.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

Very truly yours,

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**APPENDIX D—**

**INDEPENDENT AUDITORS' REPORT**

The Authority's financial statements as of June 30, 2015, and for the year then ended, included in this Offering Circular, have been audited by Lumsden & McCormick, LLP, independent auditors, as stated in their report appearing herein.

**BUFFALO FISCAL STABILITY AUTHORITY**  
**(A Component Unit of the City of Buffalo, New York)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Buffalo Fiscal Stability Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Change in Accounting Principle*

As described in Note 2 to the financial statements, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Lummodin & McCormick, LLP*

September 21, 2015

**BUFFALO FISCAL STABILITY AUTHORITY**  
**(A Component Unit of the City of Buffalo, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**  
**(UNAUDITED)**

**Introduction**

The Buffalo Fiscal Stability Authority (BFSA or the Authority) is a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation created by BFS Act (the Act) – Chapter 122 of the Laws of 2003, as amended, signed by the Governor on July 3, 2003. BFSA has a broad range of financial control and oversight powers over the City of Buffalo (the City) and its non-exempted covered organizations including the City of Buffalo School District (the District), the Buffalo Municipal Housing Authority, the Buffalo Urban Renewal Agency, the Joint Schools Construction Board, and other covered organizations as defined by the Act. The Act provides for the Authority to be in existence until its oversight, control or other responsibilities and its liabilities (including the payment in full of Authority bonds and notes) have been met or discharged, which in no event shall be later than June 30, 2037. The Act provides the Authority different financial control and oversight powers depending upon whether the City's financial condition causes it to be in a "control period" or an "advisory period." During a control period the Authority possesses significantly expanded powers, including the power to impose a wage and/or hiring freeze. During an advisory period, BFSA operates with a reduced set of financial oversight powers and responsibilities. BFSA transitioned from a control period to an advisory period on July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. A control period may be reimposed in the event of the occurrence of certain events as outlined within the Act.

The Act empowered BFSA in the earlier years of its existence to finance a declining percentage of the yearly deficits of the City and covered organizations which are part of an approved budget and four-year financial plan. There was no deficit financing required for the fiscal year 2006-2007, the last year BFSA had this power. In its capacity to issue bonds and notes on behalf of the City, the Authority has funded deficits, capital projects and certain working capital needs of the City and has issued bonds to refund City debt. Revenues to pay Authority debt service and to fund Authority operations are provided by the City's State aid, and the City's and School District's share of Erie County sales tax, on which the Authority has a first lien. BFSA became entitled to the City's share of Erie County sales tax revenues and State aid on July 3, 2003, the effective date of the Act. BFSA became entitled to the School District's share of Erie County sales tax revenues on July 1, 2004 as provided in Chapter 86 of the Laws of 2004, which amended the Act. Pursuant to the Act, the City and the School District have no right, title or interest in these revenues until transferred to the City and the School District by the Authority. The Authority has no independent operating income or taxing power.

**Overview of the Financial Statements**

The annual financial statements of the Authority consist of the following components: management's discussion and analysis (this section), financial statements, and notes to financial statements.

Management's discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2015, 2014 and 2013. The overview, which covers the most important financial events of the period, should be read in conjunction with the Authority's financial statements, including the notes to the financial statements.



Government-wide financial statements of the Authority are in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The government-wide financial statements use the economic resources measurement focus and accrual basis of accounting. These statements are presented to display information about the reporting entity as a whole. The Statement of Net Position presents information on all the Authority’s assets and liabilities, with the difference between the two reported as net position. The Statement of Activities presents information showing how the Authority’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Government fund financial statements are the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances*. Under the modified accrual basis, revenue is recognized when it becomes both measurable and available to finance expenditures in the current fiscal period.

In addition to these two types of statements, the financial statements include a reconciliation between the government-wide and governmental fund statements. Accompanying notes to the financial statements are an integral part of the financial statements.

#### Adoption of New Accounting Pronouncements

Effective July 1, 2013, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which required the Authority to retroactively expense bond issuance costs previously recorded as deferred outflows of resources.

The effect on prior year comparative statements was a reduction in net position at July 1, 2012 totaling \$1,389,209 and a decrease in interest expense of \$235,008 for the year ended June 30, 2013.

Effective July 1, 2014, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the Authority to include in its statement of net position its proportionate share of the net pension liability and deferred outflows and deferred inflows of resources for the pension provided to Authority employees and administered by the New York State and Local Employees’ Retirement System (ERS).

The cumulative effect on the current year statements is a decrease in beginning of year net position totaling \$67,581 as detailed in Note 2 to the financial statements.

#### **Financial Highlights and Overall Analysis**

The most critical factors in the Authority’s financial position are its revenues derived from the City’s sales tax revenue (since July 1, 2003), the District’s share of Erie County (the County) sales tax revenues (beginning July 1, 2004), and the City’s State aid, which together provided 99% of the Authority’s revenue from 2013 to 2015. The Act granted the Authority a first lien and perfected security interest in net collections from sales and use taxes authorized by the State and imposed by the County. Sales taxes are imposed by the County, collected by the State and remitted to the Authority, usually several times each month. After provision for Authority debt service deposits and operating expenses, the remaining funds are remitted immediately to the City or the District. The State legislation also provided that all State aid appropriated as local government assistance for the benefit of the City is payable to the Authority to use for debt service requirements and operating expenses, with the remaining funds to be remitted to the City.

The amount of BFSAs sales tax revenues to be collected depends upon various factors, including the economic conditions within the County, which has experienced numerous cycles of growth and recession. In addition, in the past the State has enacted amendments to the Tax Law to exempt specific goods and services from the imposition of sales tax. The Act requires the County to impose the local sales tax at a rate of no less than 3.0% for the period ending June 30, 2037. Pursuant to State statutory authority, the County currently imposes sales tax at the rate of 4.75%. New York State has reauthorized the additional 1.0% sales tax rate, above the general State authorization, in the County every year since January 1978, but is under no obligation to continue to do so. The additional 1.0% sales tax currently expires on November 30, 2015, absent future reauthorization. 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 1.0% of sales and compensating use taxes authorized by Section 1210(i)(4) of the State Tax Law as long as the County maintains the 1.0% sales tax. This allocation resulted in additional City tax revenues delivered to BFSAs of approximately \$5.7 million annually in 2015, 2014 and 2013; the District does not share in this additional sales tax revenue.

Sales tax revenue for the years ended June 30, 2015, 2014 and 2013 were \$120,524,217, \$119,578,002 and \$114,937,114. The increase from 2014 to 2015 was \$946,215, or 0.8%, while the increase from 2013 to 2014 was \$4,640,888, or 4.0%. The increase in sales tax revenue is attributed to increased sales subject to such taxes within the County stemming from the overall economic recovery both locally as well as nationally. However, the rate of increase slowed during 2015 due to: 1) the harsh winter weather; 2) the significant drop in gasoline prices (there is currently no cap on the County sales tax collected on gasoline sales); and, 3) the negative impact from Canadian shoppers as the Canadian dollar dropped compared to the U.S. dollar. The Authority also received State aid for the year ended June 30, 2015 in the amount of \$161,285,233; the Authority received \$162,628,968 for the year ended June 30, 2014 and \$175,963,231 for the year ended June 30, 2013. State aid decreased \$1,343,735 (0.8%) from 2014 to 2015, and decreased \$13,334,263 (7.6%) from 2013 to 2014. The decrease in 2015 compared to 2014 is due to \$1,343,735 of Efficiency Grant revenue received from the State of New York in 2014 compared to nil in 2015. The decrease in 2014 compared to 2013 is due to a combination of less State aid in the amount of \$10,834,111 resulting from a spin-up of Aid to Municipalities funds in 2013 and a decrease of \$2,500,152 in Efficiency Grant revenue from the State of New York. Investment income, which accounts for the remaining Authority revenue, totaled \$2,335,723, \$2,933,770 and \$3,417,558 for the years ended June 30, 2015, 2014 and 2013, respectively, which primarily is derived from interest on the City's general obligation bonds described below. As principal is repaid on the outstanding long-term debt, the amount of interest earnings decreases.

The other significant element in the Authority's financial position is its long-term debt. From 2004 through 2007, the Authority issued a total of \$109,515,000 in long-term bonds (Series 2004A, 2005A, 2005 B&C, 2006A and 2007A) to provide for deficit financing as well as to finance the City's cost of various City and District capital projects. The City, in return, issued a series of its own general obligation long-term bonds, privately placed with the Authority, evidencing the obligations of the City for the 2005A, 2005 B&C, 2006A and 2007A bonds. On July 7, 2005 the Authority refunded \$47,015,000 of City serial bonds by issuing \$46,705,000 in 14-year bonds, (2005B series) and \$360,000 in 2-year taxable bonds (2005C Series). The City issued its own 13.5-year premium bonds privately placed with the Authority in the amount of \$48,157,000. The Authority has not issued any debt since 2007.

The statement of net position shows total net position of \$84,676 at June 30, 2015, after restatement of beginning net position due to implementation of GASB 68, as compared to a deficit of \$68,439 at June 30, 2014 and \$9,061,631 (as restated) at June 30, 2013. The increase of \$153,115 from 2014 to 2015 represents changes due the timing of sales tax and State aid receipts and distributions to the City and the District offset by recognition of the net pension liability. The decrease of \$9,130,070 from 2013 to 2014 is due primarily to the transfer of \$12,000,000 of restricted State aid held by the Authority to the City, as well as the timing of sales tax and state aid receipts and distributions to the City and the District. The differences in assets and liabilities are from a combination of several factors. Principal payments on bonds payable totaling \$14,265,000 in 2015 caused the majority of the decrease in total liabilities of \$15,099,539 from \$81,220,163 in 2014 to \$66,120,624 in 2015.

The Authority made principal payments on bonds payable totaling \$13,540,000 in 2014 resulting in a decrease in total liabilities of \$14,731,017 from \$95,951,180 in 2013 to \$81,220,163 in 2014. Total assets decreased \$14,953,967 from 2014 to 2015 as the Authority received principal payments from the City on outstanding notes receivable of \$8,691,440, investments decreased \$5,895,577 primarily due to using the funds to pay off the 2004A bonds which matured in 2015, and due from other governments decreased \$503,992. Total assets decreased \$23,861,087 from 2013 to 2014 as the Authority received principal payments from the City on outstanding notes receivable of \$10,965,657, due from other governments decreased \$1,007,419 primarily due to a receivable for efficiency grants in the amount of \$1,441,534 at June 30, 2013 which was remitted to the City in July 2013, and cash and cash equivalents decreased \$12,000,000 for the distribution of restricted State aid to the City. In 2013, assets decreased \$31,471,843 primarily due to the receipt of principal payments from the City on notes receivable totaling \$10,404,673 and a reduction in due from other governments for State aid of \$19,165,879 that was received before fiscal year end 2013 as opposed to subsequent to year end for 2012. In past years, the Authority received funds from the State which the City can only use for specified purposes; no such funds were received by the Authority during fiscal 2015, 2014 and 2013. The Authority retains those funds until the conditions have been met. No amounts were released to the City in 2015. Amounts released in 2014 and 2013 were \$12,000,000 and \$2,401,259.

Cash and investments totaled \$10,759,875, \$16,273,380, and \$27,915,603 at June 30, 2015, 2014 and 2013, respectively. These amounts include funds for the future repayment of debt and restricted State aid in the amount of \$10,245,481, \$16,198,480 and \$27,835,839, at June 30, 2015, 2014 and 2013 respectively. State aid was paid to BFSAs in prior years for targeted purposes awaiting the City's request for disbursement. As of June 30, 2015, the majority of this restricted State Aid had been requested by the City, with a balance of \$242,530 remaining. Additionally, cash and investments included \$1,997, \$74,900 and \$79,764 of accrued interest to be paid to the City at June 30, 2015, 2014 and 2013, respectively, for the investment of such debt service reserves in accordance with outstanding agreements. Remaining cash and investments represents cash available for BFSAs operating expenses.

Operating expenses reported in the governmental fund statements totaled \$667,587, \$661,569 and \$717,096 for the years ended June 30, 2015, 2014 and 2013. Total operating expenses increased \$6,018, or 0.9%, from 2014 to 2015 and decreased \$55,527, or 7.7%, from 2013 to 2014. The reasons for the changes are discussed below.

Staff expenses for the years ended June 30, 2015 and 2014 were as follows:

	<b>2015</b>	<b>2014</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Change</b>
Wages	\$ 365,916	\$ 348,621	\$ 17,295	5.0%
Other staff-related expenses	9,649	9,650	(1)	0.0%
Total direct staff expenses	<u>375,565</u>	<u>358,271</u>	<u>17,294</u>	<u>4.8%</u>
Staff benefits:				
ERS contributions	63,693	72,336	(8,643)	-11.9%
Payroll taxes	27,855	26,666	1,189	4.5%
Health insurance (net of employee contributions)	69,438	65,699	3,739	5.7%
Total staff benefits	<u>160,986</u>	<u>164,701</u>	<u>(3,715)</u>	<u>-2.3%</u>
Total staff expenses	<u>\$ 536,551</u>	<u>\$ 522,972</u>	<u>\$ 13,579</u>	<u>2.6%</u>

Staff expenses increased \$13,579, or 2.6%, from 2014 to 2015. The primary reason for the increase is the change in personnel. The Authority had one position filled for a portion of 2015 that was vacant in 2014; one position was elevated during 2015 and a general inflationary salary increase was given to employees, resulting in the increase to direct staff expenses in 2015. The increase in health insurance expense is related to an increase in premiums. Other staff expenses have minor increases, with the exception of pension contributions to ERS which decreased \$8,643, or 11.9%. This decrease is a result of the decrease in required employer contributions as a percentage of payroll from 2014 to 2015.

The Authority employed a range of four to five salaried staff members during the years ended June 30, 2015 and 2014.

Staff expenses for the years ended June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Wages	\$ 348,621	\$ 348,069	\$ 552	0.2%
Other staff-related expenses	9,650	10,478	(828)	-7.9%
Total direct staff expenses	<u>358,271</u>	<u>358,547</u>	<u>(276)</u>	<u>-0.1%</u>
Staff benefits:				
ERS contributions	72,336	51,892	20,444	39.4%
Payroll taxes	26,666	26,197	469	1.8%
Health insurance (net of employee contributions)	65,699	63,066	2,633	4.2%
Total staff benefits	<u>164,701</u>	<u>141,155</u>	<u>23,546</u>	<u>16.7%</u>
Total staff expenses	<u>\$ 522,972</u>	<u>\$ 499,702</u>	<u>\$ 23,270</u>	<u>4.7%</u>

Staff expenses increased \$23,270, or 4.7%, from 2013 to 2014. The primary reason for the increase is the increase in pension contributions to ERS which increased \$20,444, or 39.4%. This increase is a result of the increase in required employer contributions as a percentage of payroll from 2013 to 2014.

The Authority employed a range of four to five salaried staff members during the years ended June 30, 2014 and 2013.

The next largest category of expenses was for professional fees. The following charts indicated the amount expended for professional fees for the years ended June 30, 2015, 2014 and 2013.

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Legal fees	\$ 12,970	\$ 33,777	\$ (20,807)	-61.6%
Other professional fees	54,776	35,334	19,442	55.0%
Total professional fees	<u>\$ 67,746</u>	<u>\$ 69,111</u>	<u>\$ (1,365)</u>	<u>-2.0%</u>

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Legal fees	\$ 33,777	\$ 116,930	\$ (83,153)	-71.1%
Other professional fees	35,334	26,865	8,469	31.5%
Total professional fees	<u>\$ 69,111</u>	<u>\$ 143,795</u>	<u>\$ (74,684)</u>	<u>-51.9%</u>

Legal fees decreased \$20,807, or 61.6%, from 2014 to 2015 due to the level of litigation services required. Other professional fees increased \$19,442, or 55.0%, due to additional consultants hired in 2015.

Legal fees decreased \$83,153, or 71.1%, from 2013 to 2014 due to the level of litigation services required. Other professional fees increased \$8,469, or 31.5%, due to more expenditures in 2014 as the Authority had higher needs and the 2013 expenditures were unusually low.

Directors of the Authority do not receive any compensation for their services but are reimbursed for any Authority-related expenses, primarily travel expenses for those attending meetings from outside the Buffalo area. The following chart details expenses connected with Authority meetings and Directors' travel.

Meeting expenses for the years ended June 30, 2015, 2014 and 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Facilities expenses - public board meetings	\$ 5,284	\$ 7,211	\$ (1,927)	-26.7%

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Facilities expenses - public board meetings	\$ 7,211	\$ 4,972	\$ 2,239	45.0%

Meeting expenses have remained consistent over the last three fiscal years. Minor fluctuations are due to the number of meetings held each year.

Other expenses include various items necessary for the operation of the Authority's offices and are as follows for the years ended June 30, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Office services including postage and delivery	\$ 3,657	\$ 5,831	\$ (2,174)	-37.3%
Rent	42,063	42,933	(870)	-2.0%
Telephone and data processing	9,351	8,745	606	6.9%
Office supplies	638	2,650	(2,012)	-75.9%
Public notices	1,010	1,095	(85)	N/A
Equipment	1,287	1,021	266	26.1%
Total Other Expenditures	<u>\$ 58,006</u>	<u>\$ 62,275</u>	<u>\$ (4,269)</u>	<u>-6.9%</u>

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Office services including postage and delivery	\$ 5,831	\$ 5,520	\$ 311	5.6%
Rent	42,933	43,020	(87)	-0.2%
Telephone and data processing	8,745	8,638	107	1.2%
Office supplies	2,650	3,768	(1,118)	-29.7%
Public notices	1,095	-	1,095	N/A
Equipment	1,021	7,681	(6,660)	-86.7%
Total Other Expenditures	<u>\$ 62,275</u>	<u>\$ 68,627</u>	<u>\$ (6,352)</u>	<u>-9.3%</u>

In total, other expenses have decreased steadily over the last three fiscal years. The decrease in equipment of \$6,660 from 2013 to 2014 is due to the purchase of a multi-function copier machine in 2013.

The Authority's rental payments, prior to October 2014, were made to the Buffalo Economic Renaissance Corporation (BERC), the economic development arm of the City, where they can be used toward the City's economic development efforts. In September 2014, BERC sold the building to an independent company. The Authority is negotiating a lease with the new owner and continues to rent on a month to month basis.

### **Debt Service Fund**

The Authority did not enter into any new debt transactions during this fiscal year.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide taxpayers, investors, and creditors with a general overview of the Authority's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeanette M. Mongold-Robe, Executive Director, Buffalo Fiscal Stability Authority, 617 Main Street, Market Arcade Building - Suite 400, Buffalo, New York 14203.

**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

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**Statement of Net Position**

**June 30, 2015**

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**Assets**

Cash and cash equivalents	\$ 844,958
Investments	9,914,917
Notes receivable - City of Buffalo due within one year	7,852,712
Due from other governments	14,309,713
Prepaid expenses	13,869
Notes receivable - City of Buffalo	33,257,239
Capital assets, net (Note 6)	4,349
<b>Total assets</b>	<u>66,197,757</u>

**Deferred Outflows of Resources**

Deferred outflows of resources from pensions	<u>29,635</u>
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**Liabilities**

Accounts payable	31,241
Accrued liabilities	793,688
Due to the City of Buffalo - sales tax	12,601,950
Long-term liabilities	
Due within one year:	
Bonds	8,780,000
Due beyond one year:	
Bonds	43,283,172
Other postemployment benefits	568,375
Net pension liability	62,198
<b>Total liabilities</b>	<u>66,120,624</u>

**Deferred Inflows of Resources**

Deferred inflows of resources from pensions	<u>22,092</u>
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**Net Position**

Net investment in capital assets	4,349
Restricted	9,977,111
Unrestricted	<u>(9,896,784)</u>
<b>Total net position</b>	<u>\$ 84,676</u>

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**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

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**Statement of Activities**

**For the year ended June 30, 2015**

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**Expenses**

General and administrative	\$ 752,929
Distributions	
City of Buffalo - general operations	241,076,476
City of Buffalo School District	40,167,930
Interest expense	1,927,142
<b>Total expenses</b>	<u>283,924,477</u>

**General revenues**

State aid	161,285,233
Sales tax	120,524,217
Interest and other income	2,335,723
<b>Total general revenues</b>	<u>284,145,173</u>

**Change in net position** 220,696

Net position - beginning, as restated (Note 2) (136,020)

**Net position - ending** \$ 84,676

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**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

**Balance Sheet - Governmental Funds**

**June 30, 2015**

(With summarized comparative totals as of June 30, 2014)

	General	Debt Service	Total Governmental Funds	
			2015	2014
<b>Assets</b>				
Cash and cash equivalents	\$ 756,924	\$ 88,034	\$ 844,958	\$ 462,886
Investments	-	9,914,917	9,914,917	15,810,494
Due from other governments	13,403,299	42,016,365	55,419,664	64,855,899
Prepaid expenses	13,869	-	13,869	16,441
<b>Total assets</b>	<b>\$ 14,174,092</b>	<b>\$ 52,019,316</b>	<b>\$ 66,193,408</b>	<b>\$ 81,145,720</b>
<b>Liabilities and Fund Balances</b>				
Accounts payable	\$ 31,241	\$ -	\$ 31,241	\$ 13,258
Accrued liabilities	28,721	764,967	793,688	1,038,672
Due to the City of Buffalo	12,584,153	17,797	12,601,950	12,858,615
<b>Total liabilities</b>	<b>12,644,115</b>	<b>782,764</b>	<b>13,426,879</b>	<b>13,910,545</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid expenses	13,869	-	13,869	16,441
Restricted:				
Debt service	-	51,236,552	51,236,552	66,037,304
State-mandated initiatives	756,924	-	756,924	243,427
Unassigned	759,184	-	759,184	938,003
<b>Total fund balances</b>	<b>1,529,977</b>	<b>51,236,552</b>	<b>52,766,529</b>	<b>67,235,175</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,174,092</b>	<b>\$ 52,019,316</b>	<b>\$ 66,193,408</b>	<b>\$ 81,145,720</b>

**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

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**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position**

**June 30, 2015**

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**Total fund balances - governmental funds** \$ 52,766,529

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. 4,349

The Authority's proportionate share of the net pension liability as well as pension-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:

Deferred outflows of resources from pensions	29,635	
Net pension liability	(62,198)	
Deferred inflows of resources from pensions	<u>(22,092)</u>	(54,655)

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Bonds payable	(52,063,172)	
Other postemployment benefits	<u>(568,375)</u>	(52,631,547)

**Net position - governmental activities** \$ 84,676

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**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

**Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2015  
(With summarized comparative totals for June 30, 2014)

	General	Debt Service	Total Governmental Funds	
			2015	2014
<b>Revenues</b>				
State aid	\$ 161,285,233	\$ -	\$ 161,285,233	\$ 162,628,968
Sales tax	120,524,217	-	120,524,217	119,578,002
Interest and other income	61,957	2,273,766	2,335,723	2,933,770
<b>Total revenues</b>	<b>281,871,407</b>	<b>2,273,766</b>	<b>284,145,173</b>	<b>285,140,740</b>
<b>Expenditures</b>				
General and administrative	506,601	-	506,601	496,868
Distributions				
City of Buffalo - general operations	240,703,784	372,692	241,076,476	251,019,070
City of Buffalo School District	40,167,930	-	40,167,930	40,104,319
Employee benefits	160,986	-	160,986	164,701
Debt service				
Principal	-	14,265,000	14,265,000	13,540,000
Interest	-	2,436,826	2,436,826	3,152,355
<b>Total expenditures</b>	<b>281,539,301</b>	<b>17,074,518</b>	<b>298,613,819</b>	<b>308,477,313</b>
<b>Excess revenues (expenditures)</b>	<b>332,106</b>	<b>(14,800,752)</b>	<b>(14,468,646)</b>	<b>(23,336,573)</b>
<b>Fund balances - beginning</b>	<b>1,197,871</b>	<b>66,037,304</b>	<b>67,235,175</b>	<b>90,571,748</b>
<b>Fund balances - ending</b>	<b>\$ 1,529,977</b>	<b>\$ 51,236,552</b>	<b>\$ 52,766,529</b>	<b>\$ 67,235,175</b>

**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

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**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the Statement of Activities**

**For the year ended June 30, 2015**

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**Total net change in fund balances - governmental funds** \$ (14,468,646)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense. (1,655)

Net differences between pension system contributions recognized on the fund statement of revenues, expenditures, and changes in fund balances and the statement of activities.

2015 contributions	62,469	
2015 accrued contribution	16,841	
2014 accrued contribution	(15,617)	
2015 net pension expense	<u>(50,767)</u>	12,926

Payments of long-term liabilities are reported as expenditures in the governmental funds, and as a reduction of debt in the statement of net position. 14,265,000

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:

Amortization of bond premiums	509,684	
Other postemployment benefits	<u>(96,613)</u>	413,071

**Change in net position - governmental activities** \$ 220,696

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**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

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**Notes to Financial Statements**

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**1. Summary of Significant Accounting Policies**

**Reporting Entity**

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 (the Act), Chapter 122 of the Laws of 2003, as amended from time to time. Although legally separate and independent of the City of Buffalo (the City), the Authority is a component unit of the City for financial reporting purposes and, accordingly, is included in the City's financial statements. The Act provides for the existence of the Authority through June 30, 2037.

The Authority is governed by nine directors, with seven appointed by the Governor. One of the seven must be a resident of the City. One director is appointed following the recommendation of the State Comptroller; one director is 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 of Erie County, New York serve as ex-officio members. The Governor also designates the chairperson and vice-chairperson from among the directors.

The Authority has power under the Act to monitor and oversee the finances of the City and "covered organizations" - City of Buffalo School District (the District), the Joint Schools Construction Board, Buffalo Urban Renewal Agency, Buffalo Municipal Housing Authority, and any governmental agency, public authority, or public benefit corporation which receives or may receive money directly, indirectly, or contingently from the City. The Authority is empowered to issue bonds and notes for various City purposes, defined in the Act as "financeable costs." The Act authorizes the issuance of bonds, notes, or other obligations in amounts necessary to pay any financeable costs and to fund reserves to secure such bonds. The aggregate principal amounts of such bonds, notes, or other obligations outstanding at any one time excluding refunding bonds of the City or the Authority cannot exceed \$175,000,000. The Authority may also issue bonds, notes, or other obligations to pay the cost of issuance of such borrowings, to establish debt service reserves, or to refund or advance refund any outstanding notes of the City. The Authority may issue cash flow borrowings which do not count toward the above limit, but are limited to \$145,000,000 of aggregate principal amounts outstanding at any one time.

The Act provides the Authority different financial control and oversight powers depending upon whether the City's financial condition causes it to be in a control period or an advisory period. The Act defined and established a control period to be in effect as of the date of the Act and continue until specific conditions were met regarding the stability of the City's finances. In May 2012, the Authority determined such conditions had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. A control period may be reimposed if the Authority determines at any time that a fiscal crisis is imminent or that any of the certain events, as outlined in the Act, have occurred or are likely to occur.

The Act provides broad monitoring responsibility over the City's finances during a control period, including the requirements for the City to provide annually a financial plan for four years to be approved by the Authority. The Act also allows the Authority to establish a maximum level of spending; impose a wage or hiring freeze; review and approve or disapprove any contracts, settlements, debt issuances or collective bargaining agreements entered into by the City or covered organization; and may require the City to explore certain actions regarding merger of services with the County of Erie. Under an advisory period, the Authority's monitoring responsibilities continue to exist, however the Authority is not required to approve the various items as noted above, but will publicly comment on such items.

The Authority receives all sales tax revenues designated for the City and the District, and State aid to be paid to the City. State aid includes all general purpose local government aid, emergency financial assistance to certain cities, emergency financial assistance to eligible municipalities, supplemental municipal aid, and any successor or new aid appropriated by the State as local government assistance for the benefit of the City. The Authority is also entitled to receive all other aid, rents, fees, charges, payments, and other income to the extent such amounts are pledged to bondholders of the City.

The Authority maintains amounts it deems necessary for its operations and debt service requirements with the excess transferred to the City as frequently as practicable. On occasion, the Authority has been directed by the State to retain certain State aid amounts for the City's future use.

### **Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display financial activities of the overall Authority. These statements are required to distinguish between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Authority does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Given the specific nature of the Authority's purpose, its only function is displayed as monitoring of City finances.

*Fund Financial Statements:* The fund financial statements provide information about the Authority's funds. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

The Authority reports the following major funds:

- *General fund.* This is the Authority's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Debt service fund.* This fund is used to account for resources that are restricted, committed, or assigned to expenditure for principal and interest payments on long-term debt obligations of governmental activities on behalf of the City. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.

The governmental fund financial statements include certain prior year summarized comparative information in total but not by major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

## **Basis of Accounting and Measurement Focus**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority receives value directly without giving equal value in exchange, include State aid and sales taxes. Revenue is recognized in the fiscal year for which taxes and State aid are earned or designated. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end, with the exception of amounts determined by statute as State general purpose aid. By law, although designated for the current fiscal year, the amount is typically paid by the State in December. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent that they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Interest expense is recognized on the accrual basis in the government-wide financial statements. In the governmental fund statements, interest expenditures are recognized when funds are deposited in the debt service fund.

The Authority receives sales tax revenue several times each month, and receives interest earnings from time to time as investments mature. Funds for debt service are required to be set aside from revenues on a monthly basis. The Authority also withholds, as necessary, amounts which in its judgment are required for operations and operating reserves. Residual sales tax revenue and investment earnings are then transferred to the City.

No revenues are generated from operating activities of the Authority; therefore, all revenues are defined by the Authority as non-operating revenues. Revenues are received in the general and debt service funds. Expenditures of the Authority that arise in the course of providing the Authority's oversight and debt issuance services, such as payroll and administrative expenses, are considered operating expenses, and are accounted for in the general fund. Expenditures related to debt issuance are considered non-operating expenses, and are accounted for in the debt service fund.

## **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, and commercial paper with original maturities of three months or less.

## **Investments**

The Authority's investment policy complies with the State Comptroller's guidelines for Public Authorities. Investments consist primarily of government obligations stated at carrying value.

## **Capital Assets**

Assets are capitalized at historical cost if their value is greater than \$500 and has a useful benefit in excess of one year. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives of five years using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

## **Bond Premiums**

Premiums received upon the issuance of debt are included as other financing sources in the governmental fund statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

## **Pensions**

The Authority uses GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) on the government-wide statements to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the defined benefit pension plan. The Authority's participation in the New York State and Local Employees' Retirement System (ERS) is mandated by State law. ERS recognizes benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. More information on pension activity is included in Note 8.

## **Equity Classifications**

### **Government-Wide Statements**

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or by the terms of the Authority's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and, therefore, are available for general use by the Authority.

## **Interfund Balances**

The operations of the Authority at times include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. Permanent transfers of funds include resources for required debt service payments.



In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables, if any, represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds.

### Governmental Fund Statements

The Authority considers restricted resources to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available.

Restricted fund balances and net position result from reserves created primarily by enabling legislation to preserve resources for future expenditures as required by budgetary regulations or bond instruments. Earnings on invested resources are required to be added to the reserves. Nonspendable fund balances represent resources that cannot be spent because they are not expected to be converted to cash and include prepaid expenses.

Fund balance and net position restrictions consist of the following:

*Debt service* - used to accumulate resources for a sinking fund in connection with the requirements of the related bond agreements.

*State-mandated initiatives* – used to accumulate money provided by the State through aid and incentives for municipalities that is held by the Authority on behalf of the City. These funds are required to be used by the City for maintaining, stabilizing, or reducing the real property tax burden; investing in technology or other efficiency and productivity initiatives that permanently minimize or reduce the City’s operating expenses; supporting economic development or infrastructure investments that are necessary to achieve economic revitalization and generate growth in real property tax base; or minimizing or preventing reductions in City services. The money will be disbursed by the Authority when requested by the City for the aforementioned initiatives.

### 2. Change in Accounting Principle

Effective July 1, 2014, the Authority adopted GASB 68 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements address accounting and financial reporting for the pension provided to Authority employees and administered by ERS. The statements also require various note disclosures (Note 8) and required supplementary information. As a result, beginning of year net position has been restated as follows:

Net position previously reported, July 1, 2014	\$	(68,439)
Net pension liability		(83,198)
Deferred outflows of resources for contributions made subsequent to measurement date		15,617
Net position as restated	\$	<u>(136,020)</u>

### 3. Transactions with and on Behalf of the City

The Act and other legal documents of the Authority establish various financial relationships between the Authority, the City, and the District. The resulting financial transactions between the Authority, the City, and the District include the receipt and use of revenues as well as Authority debt issuances to fund financeable costs of the City.

The receipt and remittance of revenues in 2015 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$120,524,217 were recorded, of which \$68,313,752 was or will be paid to the City and \$40,167,930 was designated for the District. The balance was retained for Authority operations and to provide for a debt service sinking fund.
- State aid of \$161,285,233 was received during 2015. No amounts were accrued at June 30, 2015 or 2014.
- Distributions paid or accrued to the City in 2015 totaled \$241,076,476, which includes \$68,313,752 of sales tax receipts, \$172,388,877 of State aid and other revenue, and interest receipts of \$373,847.

#### 4. Cash and Investments

Investment management is governed by State laws in accordance with the Act and as established in the Authority's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit the Executive Director to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, obligations of the State or its localities, and commercial paper of any bank or corporation provided it has the highest rating of two independent rating agencies.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. At June 30, 2015, the Authority's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's trust department in the Authority's name.

The Authority's cash and investments at June 30, 2015 consist of the following:

	<b>Carrying Value</b>	<b>Fair Value</b>
Cash	\$ 95,115	\$ 95,115
Money Market	749,843	749,843
U.S. Treasury SLGS	1,128,844	1,128,844
U. S. Treasury Notes	177,145	184,086
Federal National Mortgage Association Discount Notes	2,892,332	2,962,694
Federal Home Loan Mortgage Corporation Medium Term Notes	5,120,982	5,217,038
Federal Home Loan Banks	516,139	537,122
Federal Farms Credit Banks	77,478	74,520
Accrued interest	1,997	1,997
	<u>\$ 10,759,875</u>	<u>\$ 10,951,259</u>

The risk and type of investments presented above generally indicate activity and positions held throughout the year. Maturities are generally short term with certificates of deposits issued with 30 day maturities and commercial paper due within 45 days of purchase.

## 5. Due from Other Governments

### Due from Other Governments:

New York State:	
May and June sales tax receipts	\$ 13,403,299
Accrued interest due from the City	906,414
	<u>\$ 14,309,713</u>

### Due from the City:

Mirror bond 2005A (1/15/2025), interest at 5.0% inclusive of premium of \$569,391	\$ 7,683,831
Mirror bond 2005B&C (1/15/2019), interest at 5.0% inclusive of premium of \$457,181	5,117,181
Mirror bond 2006A (1/15/2020), interest at 5.0% inclusive of premium of \$83,732	12,243,732
Mirror bond 2007A (1/15/2023), interest at 5.0% inclusive of premium of \$447,002	16,065,207
	<u>41,109,951</u>
Amount due within one year	7,852,712
	<u>\$ 33,257,239</u>

Amounts to be received from the City, net of bond premiums of \$1,557,306 on the mirror bonds are as follows:

Year ending June 30,	Principal	Interest
2016	\$ 7,852,712	\$ 1,977,632
2017	6,293,597	1,584,997
2018	6,509,277	1,270,316
2019	6,315,816	944,853
2020	5,628,181	629,062
2021-2025	6,953,062	779,295
	<u>\$ 39,552,645</u>	<u>\$ 7,186,155</u>

## 6. Capital Assets

	Balance July 1, 2014	Increases	Retirements/ Reclassifications	Balance June 30, 2015
Furniture, fixtures, and computers	\$ 70,399	\$ 905	\$ 1,927	\$ 69,377
Accumulated depreciation	64,395	2,560	1,927	65,028
	<u>\$ 6,004</u>	<u>\$ (1,655)</u>	<u>\$ -</u>	<u>\$ 4,349</u>

Depreciation of \$2,560 has been allocated to general and administrative expense.

## 7. Long-Term Liabilities

	July 1, 2014	Increases	Decreases	June 30, 2015	Amounts Due in One Year
Series 2004A bond maturing August 2014 with interest ranging from 4.0% to 5.25% over the life of the bond.	\$ 3,215,000	\$ -	\$ 3,215,000	\$ -	\$ -
Series 2005A bond maturing September 2025 with interest ranging from 4.0% to 5.0% over the life of the bond.	11,430,000	-	2,090,000	9,340,000	2,140,000
Series 2005B&C bonds maturing September 2019 with interest at 5.0% over the life of the bonds.	12,435,000	-	5,145,000	7,290,000	2,630,000
Series 2006A bond maturing September 2020 with interest ranging from 4.0% to 5.0% over the life of the bond.	16,250,000	-	1,995,000	14,255,000	2,095,000
Series 2007A bond maturing September 2023 with interest ranging from 4.5% to 5.5% over the life of the bond	19,830,000	-	1,820,000	18,010,000	1,915,000
	63,160,000	-	14,265,000	48,895,000	8,780,000
Premiums:					
2004A	332	-	332	-	-
2005A	1,196,862	-	106,663	1,090,199	-
2005B	1,407,554	-	269,530	1,138,024	-
2006A	557,553	-	77,922	479,631	-
2007A	515,555	-	55,237	460,318	-
	3,677,856	-	509,684	3,168,172	-
	\$ 66,837,856	\$ -	\$ 14,774,684	\$ 52,063,172	\$ 8,780,000

## Debt Service Requirements

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 8,780,000	\$ 2,109,494
2017	7,935,000	1,696,969
2018	6,380,000	1,339,094
2019	6,600,000	1,020,131
2020	6,400,000	706,456
2021-2025	12,495,000	907,188
2026	305,000	3,291
	<u>\$ 48,895,000</u>	<u>\$ 7,782,623</u>

## Lease Obligation

The Authority leases office space under the terms of an expired operating lease with a month to month arrangement. Rental expense amounted to \$42,063 for the year ended June 30, 2015.

## 8. Pension Plan

The Authority participates in ERS, which is a cost-sharing, multiple employer, public employee retirement system. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at [www.osc.state.ny.us/retire](http://www.osc.state.ny.us/retire).

*Benefits:* ERS provides retirement, disability, and death benefits for eligible members, including an automatic cost of living adjustment. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

*Contribution Requirements:* No employee contribution is required for those hired prior to July 1976. ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Authority to the pension accumulation fund. For 2015, these rates ranged from 16.6% - 20.3%.

A liability to ERS of \$16,841 is accrued based on the Authority's legally required contribution for employee services rendered from April 1, 2015 through June 30, 2015.

## Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the Authority reported a liability of \$62,198 for its proportionate share of the net pension liability.

The net pension liability was measured as of March 31, 2015, and the total pension liability was determined by an actuarial valuation as of April 1, 2014. The Authority's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2015 measurement date, the Authority's proportion was 0.0018411%.

For the year ended June 30, 2015, the Authority recognized pension expense of \$50,767. At June 30, 2015, the Authority reported deferred outflows and deferred inflows of resources as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,991	\$ -
Net difference between projected and actual earnings on pension plan investments	10,803	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	22,092
Authority contributions subsequent to the measurement date	16,841	-
	<b>\$ 29,635</b>	<b>\$ 22,092</b>

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	<b>Net Deferred Outflows and Deferred Inflows of Resources</b>
2016	\$ 2,325
2017	2,325
2018	2,324
2019	2,324
	<b>\$ 9,298</b>

### Actuarial Assumptions

The actuarial assumptions used in the April 1, 2014 valuation, with update procedures used to roll forward the total pension liability to March 31, 2015, were based on the results of an actuarial experience study for the period April 1, 2005 to March 31, 2010. These assumptions are:

***Inflation*** - 2.7%

***Salary increases*** - 4.9%

***Investment rate of return*** - 7.5% compounded annually, net of investment expense, including inflation

***Mortality*** - Based on ERS experience from April 1, 2005 - March 31, 2010 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

***Discount rate*** - 7.5%

The long-term expected rate of return on ERS's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

### Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and ERS's target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	38%	7.3%
International equities	13%	8.5%
Private equities	10%	11.0%
Real estate	8%	8.3%
Domestic fixed income securities	2%	4.0%
Bonds and mortgages	18%	4.0%
Short-term	2%	2.3%
Other	9%	6.8%-8.6%
	<b>100%</b>	

### Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of its net pension asset (liability) calculated using the discount rate of 7.5% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	Discount Rate	1.0% Increase
Authority's proportionate share of the ERS net pension asset (liability)	\$ (414,575)	\$ (62,198)	\$ 235,296

## 9. Postemployment Healthcare Benefits

The Authority maintains a single-employer defined benefit healthcare plan (the Plan) providing for lifetime cost sharing of medical, dental, and vision premiums to eligible retirees and spouses.

The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retire from the Authority whom are over age 55 and have a minimum of ten years of service. The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially-determined liabilities. For the year ended June 30, 2015, there were no retirees of the Authority receiving benefits.

The Authority's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the Authority. The Authority has elected to calculate the ARC and related information using the projected unit credit cost method permitted by GASB. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize the unfunded actuarial liability over 10 years.

The following table summarizes the Authority's annual OPEB for the year ended June 30, 2015:

Annual required contribution	
Normal cost	\$ 112,834
Amortization of unfunded actuarial accrued liability	12,084
Interest on net OPEB obligation	18,871
ARC adjustment	(47,176)
	<u>96,613</u>
Contributions made	-
Increase in net OPEB obligation	<u>96,613</u>
Net OPEB obligation - beginning of year	471,762
Net OPEB obligation - end of year	<u><u>\$ 568,375</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years were as follows:

<u>Year ended June 30,</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net OPEB</u>
	<u>OPEB Cost</u>	<u>Annual OPEB</u>	<u>Obligation</u>
		<u>Cost Contributed</u>	
2015	\$ 96,613	0%	\$ 568,375
2014	43,845	0%	471,762
2013	56,654	0%	427,917

As of June 30, 2015, the most recent alternative measurement method date, the actuarial accrued liability for future benefits was \$337,694, all of which is unfunded. The annual payroll of employees eligible to be covered by the Plan was \$361,360, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 93%.



The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the Authority and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the Authority and Plan members. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following assumptions were made:

**Retirement age for active employees** – Employees are expected to retire, on average, at age 62 and ten years of service

**Marital status** – 100% of future retirees will be married, with male spouses three years older than female spouses

**Mortality** – RP2000, mortality table for males and females projected 10 years

**Turnover** – Standard turnover assumptions - GASB 45 Paragraph 35b

**Payroll growth** – 4% payroll growth rate

**Healthcare cost trend rate** – Initial rate of 8%, reduced to an ultimate rate of 4.7% after ten years; dental plan 3.5% reduced to 3% after year 2; and vision plan 3%.

**Health insurance premiums** – 2015 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

**Discount rate** – 4%

**Amortization method** – 10 years, level percentage of payroll

**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

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**Required Supplementary Information**  
**Schedule of Funding Progress for Other Postemployment Benefits**

June 30, 2015

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Actuarial Valuation Date *	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2011	\$ -	\$ 83,458	\$ (83,458)	0%	\$ 228,327	37%
6/30/2012	\$ -	\$ 116,194	\$ (116,194)	0%	\$ 319,377	36%
6/30/2015	\$ -	\$ 337,694	\$ (337,694)	0%	\$ 361,360	93%

\*Alternative Measurement Method

**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

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**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**New York State and Local Employees' Retirement System**

**As of the measurement date of March 31, 2015**

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Authority's proportion of the net pension liability		0.0018411%
Authority's proportionate share of the net pension liability	\$	62,198
Authority's covered-employee payroll	\$	334,762
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll		18.58%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>		<u>97.90%</u>

*Data prior to 2015 is unavailable.*

**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

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**Required Supplementary Information**  
**Schedule of Contributions**  
**New York State and Local Employees' Retirement System**

<b>June 30,</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contribution	\$ 62,469	\$ 75,625	\$ 53,237
Contribution in relation to the contractually required contribution	(62,469)	(75,625)	(53,237)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 334,762	\$ 348,621	\$ 306,554
Contributions as a percentage of covered-employee payroll	<u>18.66%</u>	<u>21.69%</u>	<u>17.37%</u>

**BUFFALO FISCAL STABILITY AUTHORITY**  
(A Component Unit of the City of Buffalo, New York)

**Supplementary Information**  
**Schedule of Administrative Expenditures - General Fund**

For the years ended June 30,	2015	2014
<b>General and Administrative</b>		
Board functions		
Public meeting expenses	\$ 5,284	\$ 7,211
Staff expenses		
Wages	365,916	348,621
Professional development	4,796	4,913
Parking	4,039	3,978
Payroll processing fees	814	759
	<u>375,565</u>	<u>358,271</u>
Central services		
Postage, printing and dues	2,519	4,347
Rent	42,063	42,933
Telephone and data processing	9,351	8,745
Insurance	1,138	1,484
Office supplies	638	2,650
	<u>55,709</u>	<u>60,159</u>
Administrative		
Professional fees and consultants	54,776	35,334
Legal fees	12,970	33,777
Public notices	1,010	1,095
Equipment	1,287	1,021
	<u>70,043</u>	<u>71,227</u>
<b>Total General and Administrative</b>	<u>506,601</u>	<u>496,868</u>
<b>Employee Benefits</b>		
New York State and Local Employees' Retirement System contributions	63,693	72,336
Social security and medicare taxes	27,855	26,666
Medical insurance net of employee contributions	69,438	65,699
<b>Total Employee Benefits</b>	<u>160,986</u>	<u>164,701</u>
<b>Total general and administrative expenditures and employee benefits - general fund</b>	<u>\$ 667,587</u>	<u>\$ 661,569</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Buffalo Fiscal Stability Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 21, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lumaden & McCormick, LLP*

September 21, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF  
THE NEW YORK STATE PUBLIC AUTHORITIES LAW**

The Board of Directors  
Buffalo Fiscal Stability Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as listed in the table of contents, as of June 30, 2015, which collectively comprise the Authority's basic financial statements, and we have issued our report thereon dated September 21, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with Section 2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended June 30, 2015. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

*Lumsden & McCormick, LLP*

September 21, 2015



APPENDIX E—

REFUNDED BONDS TO BE REDEEMED

**Buffalo Fiscal Stability Authority  
Sales Tax and State Aid Secured Bonds,  
Series 2005A**

**Date of Issue: June 2, 2005  
Call Date: January 20, 2016  
Call Price: 100%**

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>
119683BG4	September 1, 2016	5.00%	\$1,050,000
119683BH2	September 1, 2017	5.00%	1,100,000
119683BJ8	September 1, 2018	5.00%	1,155,000
119683BK5	September 1, 2019	5.00%	1,215,000
119683BL3	September 1, 2020	5.00%	1,275,000
119683BM1	September 1, 2021	4.00%	260,000
119683BN9	September 1, 2022	4.00%	270,000
119683BP4	September 1, 2023	4.00%	280,000
119683BQ2	September 1, 2024	4.125%	290,000
119683BR0	September 1, 2025	4.125%	305,000

**Buffalo Fiscal Stability Authority  
Sales Tax and State Aid Secured Bonds,  
Series 2006A**

**Date of Issue: April 26, 2006  
Call Date: September 1, 2016  
Call Price: 100%**

<b>CUSIP</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>
119683CH1	September 1, 2016	5.00%	\$2,200,000
119683CJ7	September 1, 2017	5.00%	2,310,000
119683CK4	September 1, 2018	5.00%	2,425,000
119683CL2	September 1, 2019	5.00%	2,550,000
119683CM0	September 1, 2020	5.00%	2,675,000

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APPENDIX F—

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

\$14,170,000

BUFFALO FISCAL STABILITY AUTHORITY  
Sales Tax and State Aid Secured Bonds, Series 2015A

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CONTINUING DISCLOSURE AGREEMENT

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This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by the Buffalo Fiscal Stability Authority (the “Issuer”) and The Bank of New York Mellon, as trustee (the “Trustee”) under the Indenture (as defined below), in connection with the issuance by the Issuer of its Sales Tax and State Aid Secured Bonds, Series 2015A (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of June 1, 2004 (the “General Indenture”), as amended and supplemented from time to time, including as supplemented by the Eleventh Supplemental Indenture, dated as of December 1, 2015 (the “Eleventh Supplemental Indenture,” and, together with the General Indenture, as previously amended and supplemented, the “Indenture”), each by and between the Issuer and the Trustee. The Issuer and the Trustee hereby agree as follows:

Purpose of the Agreement This Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Bondholders and Beneficial Owners (each as defined below) of the Bonds, and is being executed for the purpose of complying with subsection (b)(5) of the Rule (as defined below).

Definitions In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Information” shall mean any report provided by the Issuer pursuant to, and as described in, Section 3 of this Agreement.

“Audited Financial Statements” shall mean the Issuer’s annual financial statements, prepared in accordance with generally accepted accounting principles (“GAAP”) for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”), and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards.

“Beneficial Owners” shall mean, with respect to the applicable Bonds, persons who have or share investment power, including beneficial owners of Bonds held by The Depository Trust Company.

“Bondholder” shall mean the person in whose name a security is registered.

“EMMA” shall mean the Electronic Municipal Market Access system for municipal securities disclosure or any other single dissemination agent or conduit required, designated or permitted by the SEC.

“Fiscal Year” shall mean the fiscal year of the Issuer.

“Issuer” shall mean the Buffalo Fiscal Stability Authority, which is the obligated person under this Agreement with respect to the Bonds.

“Material Events” shall mean any of the events listed in Section 4 of this Agreement, if material.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Official Statement” shall mean the “final official statement”, as defined in paragraph (f)(3) of the Rule.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of issuance and delivery of the Bonds, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

“SEC” shall mean the United States Securities and Exchange Commission.

Financial Statements and Annual InformationThe Issuer hereby undertakes to provide to the MSRB (as defined below) through its EMMA (as defined below) system no later than 185 days following the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2015, the annual Audited Financial Statements of the Issuer, unless any such Audited Financial Statement shall not be available in which case the unaudited financial statement shall be provided and an Audited Financial Statement shall be delivered to shall be provided to the MSRB through its EMMA system when they become available if and when available.

The Issuer hereby undertakes to provide to the MSRB through its EMMA system when they become available on an annual basis on or before 185 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2015, certain financial information and operating data concerning the Issuer and the sources of revenue for the Bonds described as follows (the “Annual Information”).

The Annual Information shall consist of financial information and operating data with respect to the Issuer of the type included in the Official Statement under the heading “SECTION II: Sources of Payment and Security for the Bonds,” including information under the subheadings “City Tax Revenues”, “School District Tax Revenues,” “Sales Tax Collection and Distribution” and “State Aid Revenues” relating to the material taxes and other revenues that constitute a source of payment and security for the Bonds, a historical summary of such revenue, if available, together with an explanation of the factors affecting collection levels, for a period of at least the five most recent completed fiscal years then available. The Annual Information may

contain such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of the financial information and operating data and in judging the financial condition of the Issuer.

The foregoing is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it relates have been materially changed or discontinued, a statement to that effect will be provided.

Any or all of the items listed above may be incorporated by reference from other documents, including Official Statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been filed with each of the Repositories or the SEC. If the document incorporated by reference is a final Official Statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

The Issuer shall provide to the MSRB through its EMMA system in a timely manner, notice of any failure to provide the annual financial statements and Annual Information required by this section by the date specified.

Reporting of Material Events(a) The Issuer shall provide in a timely manner, not in excess of 10 business days, to the MSRB via EMMA notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of the holders (including Beneficial Owners) of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar events;

(13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) With respect to event (4) and (5), the Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

(c) With respect to event (8), the Issuer does not undertake to provide notice of a mandatory scheduled redemption not otherwise contingent upon the occurrence of an event if (i) the terms, dates and amounts of redemption are set forth in detail in the Official Statement, (ii) the only open issue is which Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Beneficial Owners as required under the terms of the Bonds, (iv) public notice of the redemption is given pursuant to the Release Number 34-23856 of the SEC under the 1934 Act, even if the originally scheduled amounts are reduced by prior optional redemptions or bond purchases.

Termination of Reporting Obligation The Issuer's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement and any provision of this Agreement may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause this Agreement or the Issuer to violate the Rule.

Additional Information; Means of Dissemination Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Information or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Information or notice of occurrence of a Material Event, in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Information or notice of occurrence of a Material Event.

Default and RemediesIn the event of a failure of the Issuer to comply with any provision of this Agreement, the Trustee may, and, at the request of the holders of at least twenty-five percent (25%) of the aggregate principal amount of Outstanding Bonds, shall, or any Bondholder may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement for the equal and proportionate benefit of all holders similarly situated.

Beneficial Owners shall have the right to seek specific performance by court order to cause the Issuer to comply with its obligations to provide Annual Information and notices of Material Events under this Agreement for the equal and proportionate benefit of all holders similarly situated.

A breach or default under this Agreement shall not be deemed a default under the Bonds or the Indenture, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance. No person, including any Bondholder or Beneficial Owner, may recover monetary damages herewith under any circumstances.

Duties, Immunities and Liabilities of Trustee Article VIII of the General Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the General Indenture.

Beneficiaries This Agreement shall inure solely to the benefit of the Issuer, Lehman Brothers Inc., as underwriter, and the Bondholders from time to time of the Bonds (and, solely for the purposes set forth in Section 8(b), the Beneficial Owners), and shall create no rights in any other person or entity. In the event of any conflict between the terms of the Indenture and this Agreement, the terms of the Indenture shall control. This Agreement, or any provision hereof, shall be null and void in the event that the Issuer delivers to the MSRB through its EMMA system, if any, an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which required this Agreement are invalid, have been repealed retroactively or otherwise do not apply to the Bonds.

Counterparts This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Governing Law This Agreement shall be governed by and in accordance with the laws of the State of New York without regard to its conflicts of law principles.

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**\$14,170,000**

**BUFFALO FISCAL STABILITY  
AUTHORITY**

**Sales Tax and State Aid Secured  
Bonds, Series 2015A**

**OFFERING CIRCULAR**

**December 4, 2015**

