BUFFALO FISCAL STABILITY AUTHORITY

Annual Report of the Buffalo Fiscal Stability Authority
Fiscal Year Ended June 30, 2019

September 23, 2019

Buffalo Fiscal Stability Authority
Authority Directors and Staff as of June 30, 2019

Directors

R. Nils Olsen, Jr., Chair

Jeanette T. Jurasek, Interim Vice-Chair

George K. Arthur, Secretary

Frederick G. Floss

Dottie E. Gallagher

Byron W. Brown (ex officio)

Mark C. Poloncarz (ex officio)

Vacant

Vacant

Staff

Jeanette M. Robe, CPA
Executive Director

Nikita M. Fortune, BA
Administrative Assistant

Bryce E. Link, MPA
Principal Analyst/Media Contact/Treasurer

Nathan D. Miller, BS
Senior Analyst II/Manager of Technology

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Annual Report of the Buffalo Fiscal Stability Authority

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Introduction

This annual report summarizes the actions, accomplishments and progress of the Buffalo Fiscal Stability Authority (the "BFSA") since its inception in 2003. This is the sixteenth such annual report. The focus of this report is the period from July 1, 2018 through June 30, 2019 and complements the information reported in prior annual reports. Since 2003, the City of Buffalo (the "City") and its non-exempt Covered Organizations, including the Buffalo City School District (the "District"), the Buffalo Urban Renewal Agency ("BURA"), the Buffalo Municipal Housing Authority (the "BMHA"), and the Joint Schools Construction Board (the "JSCB"), collectively, (the "Covered Organizations"), have operated under the requirements of the Buffalo Fiscal Stability Authority Act.

The information presented within this annual report is historical in nature and is not intended to project the BFSA's expectations of future events. Please note that within the section titled "BFSA Reports on the 2019-20 Budgets and 2020-2023 Financial Plans of the City of Buffalo and the Covered Organizations," information related to future projections over the next four fiscal years as made by management of the City and Covered Organizations are discussed. BFSA examined and reported on the reasonableness of these forecasts. The Joint Schools Construction Board is no longer operational as the program has been completed; therefore, there is no report on this Covered Organization. The results of BFSA's analyses, review and recommendations to the City and Covered Organizations are provided in the individual reports included within the aforementioned section and should be read as part of this annual report to fully understand the financial condition of the various organizations.

Since the BFSA was created in 2003, the cumulative financial impact of BFSA's actions to the City of Buffalo and its Covered Organizations has totaled approximately $458.5 million. Of this amount, $240.4 million is attributed directly to savings achieved through the wage freeze which was implemented on April 21, 2004 and lifted on July 1, 2007. The financial impact and related savings were created through the exercise of extraordinary powers granted to the BFSA by New York State (the "State"), and through the cooperation of the City of Buffalo and its Covered Organizations. For details of the BFSA's actions and related savings, please see Tables 1-3 beginning on page 33 of this report.

This report has been prepared pursuant to the requirements of New York State's Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009.

Background

In May 2003, the State declared a state of fiscal crisis with respect to the City following the New York State Comptroller's report on the City of Buffalo's financial condition and a subsequent determination by the State Legislature (the "Legislature") that the City was faced with a severe fiscal crisis that could not be resolved without State assistance. Declaring the maintenance of a balanced City budget a matter of "overwhelming State concern," on July 3, 2003, the Governor signed into law Chapter 122 of the Laws of 2003 of the State, as amended from time to time (the "BFSA Act"), creating the BFSA. The BFSA is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation with a broad range of financial control and oversight powers over the City and its Covered Organizations.

As per the BFSA Act, and subsequent resolution by the BFSA, the City is understood to include certain non-exempt Covered Organizations, as defined above.

The BFSA Act was adopted with unanimous bipartisan support in the Legislature and included the following provisions to return the City of Buffalo to fiscal stability:

- Established BFSA as a fiscal control agency over the City and the Covered Organizations;

- Required the annual development of a four-year financial plan by the City to include both the City and each Covered Organization. The BFSA was vested with the power to ensure compliance with the financial plans;

- Granted the BFSA the power to provide deficit financing assistance for the City over a four-year period beginning in 2003-04 and for the subsequent three fiscal years, provided that recurring actions were taken to close increasing percentages of the structural budget gap each year;

- Established the legal basis for creation of a highly rated borrowing structure to reduce City borrowing costs and provide short-term budgetary assistance; and

- Empowered BFSA to impose financial control mechanisms if the City and its Covered Organizations are unable to adopt a balanced financial plan and/or operate in accordance therewith.

The BFSA Act provides that the BFSA 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 BFSA Act, an advisory period may not begin until the BFSA 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 BFSA assistance as provided for within the BFSA Act, 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 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 plan then in existence". On May 29, 2012, the BFSA determined that all provisions of the BFSA Act with respect to transitioning into an advisory period had been met and resolved to enter an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed.

Under the BFSA Act, the BFSA began its existence during a control period, meaning that the BFSA commenced operations with its maximum authorized complement of financial control and oversight powers. During a control period, BFSA retains significant powers to protect the integrity of the financial condition of the City and the Covered Organizations. Among them are the powers to: (i) review and approve or disapprove contracts, including collective bargaining

agreements to be entered into by the City or any Covered Organizations, binding or purporting to bind the City or any Covered Organizations; (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 Organizations 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 the City or any Covered Organizations; (v) to impose a wage or hiring freeze, or both, with respect to employees of the City or any Covered Organizations; (vi) to review the operation, management, efficiency and productivity of the City and any Covered Organizations; and (vii) upon a determination that no condition exists which would permit imposition of a control period to terminate the control period.

During an advisory period BFSA is empowered to, among other things to: (i) 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 Covered Organizations; (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 the impact of any collective bargaining agreement to be entered into by the City or any Covered Organizations; (vi) to certify revenues included in the financial plan; and (vii) to re-impose a control period if the BFSA determines at any time that a fiscal crisis is imminent or if the City meets certain statutorily defined conditions. Such statutorily defined conditions include the following: (a) the City shall have failed to adopt a balanced budget, financial plan or budget modification as required by the BFSA Act; (b) the City shall have failed to pay the principal of or interest of any of its bonds or notes when due; (c) the City or the Buffalo City School District shall have incurred an operating deficit of one percent or more in the aggregate results of operations of any major fund during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles, subject to the provisions of the BFSA Act; (d) the chief fiscal officer's certification at any time, at the request of the BFSA 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 BFSA, 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 BFSA Act; or (e) the City shall have violated any provision of the BFSA Act. The BFSA must also make a determination as to whether or not the financial plan is complete and compliant with the BFSA Act. In the event a financial plan is found not to be complete and compliant, a revised financial plan is required to be submitted in accordance with the instructions of the BFSA. In the event that the revised financial plan continues to be found incomplete and non-compliant, the BFSA shall provide notice to the City and various State officials as required by the BFSA Act.

Mission Statement

The BFSA's Mission Statement is as follows:

> "Created by the State of New York as a public benefit corporation, it is the mission of the Buffalo Fiscal Stability Authority (the "BFSA") to provide financial oversight over the budgets, financial plans and capital plans of the City of Buffalo and its covered organizations. BFSA shall undertake such actions as afforded to it under its enabling legislation, as necessary, to assure the financial stability of the City and its covered organizations, to preserve the confidence of the investors and bond rating agencies, to uphold essential services to residents, to maintain affordable property taxes, and to protect the economy of both the region and the State as a whole."

BFSA Governance and Administration

The BFSA is governed by a board of nine directors, seven of whom are appointed by the New York State Governor. 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. As of June 30, 2019, there were two vacancies on the Board of Directors and as of the date of this report those vacancies remain. All Directors terms have expired; however, such Directors are continuing to serve until either reappointed or replaced.

At June 30, 2019, the following individuals served on BFSA's Board of Directors:

- **R. Nils Olsen, Jr., J.D., Chair**
  Former Dean (from 1998 to 2007) and retired Professor of Law of the University at Buffalo Law School

- **Jeanette T. Jurasek, Ph.D., Interim Vice-Chair**
  Former President of Medaille College

- **George K. Arthur, Secretary**
  Former President of the City of Buffalo Common Council

- **Dottie E. Gallagher**
  President and CEO of the Buffalo Niagara Partnership

- **Frederick G. Floss, Ph.D.**
  Professor of Economics and Finance and Co-Director of Center for Economic Education, Buffalo State College, former Executive Director of the Fiscal Policy Institute, and former Vice President for Academics with United University Professions

- **Byron W. Brown (ex officio)**
  Mayor, City of Buffalo

- **Mark C. Poloncarz (ex officio)**
  County Executive, Erie County

BFSA maintains two standing committees. The first of these is the Audit, Finance and Budget Committee which is chaired by Chair Olsen with Interim Vice-Chair Jurasek and Director Floss constituting the remaining members.

The second committee is the Governance Committee and is chaired by Chair Olsen with Interim Vice-Chair Jurasek and Secretary Arthur constituting the remaining members.

At June 30, 2019, BFSA had the following staff members:

- **Jeanette M. Robe, CPA (Executive Director)**
  Former Deputy Comptroller with the City of Buffalo and former Senior Manager with Deloitte and Touche LLP, Buffalo, New York

- **Nikita M. Fortune, B.A. (Administrative Assistant)**
  Former Safe Routes to School Coordinator for GoBike Buffalo and former Common Council Deputy Chief of Staff

- **Bryce E. Link, M.P.A. (Principal Analyst/Media Contact/Treasurer)**
  Former BFSA Analyst, Senior Analyst and former Budget Fellow with the State Division of the Budget's Expenditure Debt Unit

- **Nathan D. Miller, B.S. (Senior Analyst II/ Manager of Technology)**
  Former BFSA Senior Analyst, Financial Analyst, Executive Assistant/Office Manager

- **Robert L. Miller, CPA (Comptroller)**
  Former Chief Financial Officer with CVF Technologies Corporation and former Vice President/Controller with Pratt & Lambert United, Inc.

Summary of Accomplishments in 2018-19

The BFSA continued to provide fiscal oversight over the City and the Covered Organizations during 2018-19. The BFSA is operating under an advisory period and provides assistance largely through analyses and recommendations as opposed to direct actions.

The BFSA held nine board meetings during 2018-19. In addition, the BFSA held three Audit, Finance and Budget Committee meetings and three Governance Committee meetings. During such meetings, the BFSA approved several reports with recommendations for the City and Covered Organizations, which are summarized within this section. Additionally, the BFSA held numerous discussions concerning specifically the BMHA and the District. Additional information related to these discussions are summarized within this section.

This was the seventh year the BFSA operated under an advisory period; prior to July 1, 2012, the BFSA had operated for nine consecutive years within a control period. The City and the Covered Organizations continue to benefit from savings resulting from the actions the BFSA took during the nine-year control period as well as the findings and recommendations issued in the past as well as during the current advisory period. A summary of the cumulative impact of such BFSA actions is included on page 33.

Progress Towards Fiscal Stability

The BFSA was created in 2003 as a result of the City of Buffalo facing a severe financial crisis. The City had utilized 92% of the maximum legal real property tax levy, had bond ratings one level above "non-investment" grade, was at risk of losing access to the credit markets, and was facing a structural budget imbalance. The City has since made substantial progress towards fiscal stability, although it is noted that the City and Covered Organizations continue to face financial challenges. These challenges are discussed in detail within this report and are included in the individual reports within the section titled, "BFSA Reports on the 2019-20 Budgets and 2020-2023 Financial Plans of the City of Buffalo and the Covered Organizations" beginning on page 36.

Certain key City and District fiscal progress indicators include the following:

- The City's fund balance has increased since BFSA's inception, although the City has reported significant deficits over the last two years. At July 1, 2003, the City's total fund balance was $36.0 million and unreserved, undesignated fund balance was $8.3 million, which represented 3.0 percent of actual fiscal year ("FY") 2002-03 expenditures. The legislative findings that led to BFSA's creation indicated that this was a significant threat to the City and was symptomatic of a financial crisis.

- At June 30, 2018, the most recent year audited financial results are available for, the City's total fund balance was $92.0 million, representing an increase of $56.0 million from 2003. Over this period of time, the City settled all outstanding labor contracts while maintaining a relatively flat tax levy. Total unrestricted fund balance at June 30, 2018 was $52.1 million; however, unassigned fund balance was $0 and is an indicator of fiscal pressure.

- It is further noted that from July 1, 2003 to June 30, 2010, total fund balance steadily increased. Over the next five-year period, the City reported a combined surplus of $6.8 million with total fund balance at June 30, 2016 of $149.5 million and unassigned fund balance of $41.9 million. For the years ended June 30, 2017 and 2018, the City reported a deficit of $34.5 million and $22.9 million, respectively, reducing fund balance to $92.0 million.

- The City has projected a deficit for the year ended June 30, 2019 which would further reduce unrestricted fund balance. Unrestricted fund balance includes the emergency stabilization fund (i.e., Rainy-Day Fund) and assigned fund balance, which totaled $38.7 million and $13.4 million, respectively, at June 30, 2018.

The 2020-2023 Financial Plan does not rely on the use of Unassigned fund balance, as it is no longer available. The City did plan and use approximately $4.0 million in fund balance from the capital reserve for 2018-19 capital investments.

- In 2007, the City established a Rainy Day Fund, representing funds set aside for unanticipated revenue shortfalls or unexpected expenditures, thus providing the City a safety net. The establishment of this fund is an indicator of the City's stronger financial position since the BFSA was created. The Rainy Day Fund is established at 30 days of General Fund expenditures, excluding transfers. At June 30, 2018, the balance of the Rainy Day Fund was $38.7 million, a decrease of $0.1 million from the prior year. As discussed above, the City could utilize a portion of this source of funding in FY 2019 if a deficit is reported in excess of the balance of assigned fund balance.

- The District's fund balance at June 30, 2003 totaled $33.5 million. Unreserved, undesignated fund balance totaled $4.6 million, which represented 1.1% of actual FY 2002-03 expenditures. The BFSA reported that this was a significant threat to the District and was symptomatic of the financial crisis.

- The District's fund balance position has improved since 2003. Total fund balance peaked at $235.7 million at June 30, 2011 and totaled $194.7 million by June 30, 2018. In total, over the last four years (i.e., FY 2015 through 2018) the District reported a combined surplus of $1.0 million. The District has projected a FY 2019 deficit of up to $5.0 million.

- A surplus of $12.2 million was reported for the fiscal year ended June 30, 2016; this surplus was prior to settlements of the long outstanding labor contracts with the Buffalo Teachers' Federation (BTF or teachers), the Buffalo Council of Supervisors and Administrators (BCSA or administrators), and with the Substitutes United of Buffalo (substitute teachers). A deficit of $20.6 million was reported in FY 2017 following these settlements. A surplus was reported for the year ended June 30, 2018 of $12.1 million.

- Unassigned fund balance at June 30, 2018 totaled $77.8 million representing 9.0% of actual FY 2017-18 expenditures. The remaining $116.9 million is comprised of non-spendable/restricted fund balance of $25.5 million and assigned fund balance of $91.4 million. Assigned fund balance represents funds set aside for management's intended purposes and includes amounts for the subsequent year's budget and capital needs ($19.0 million and $12.1 million, respectively), other postemployment benefits ($48.1 million), encumbrances ($3.2 million) and prior years' claims ($9.0 million) which is set aside for labor negotiations.

- In 2003, the City had utilized 92% of the City's available Constitutional Tax Limit, which was equivalent to a remaining tax levying margin of $12.5 million. This amount was considered to be dangerously low and without intervention and relief the City could have potentially fully utilized the remaining available balance for the maintenance of services. Since 2003, the City has been able to decrease the proportion used of the Constitutional Tax Limit and increase the available tax margin. As included within the 2019-20 Adopted Budget, the City is utilizing 53.2 percent of the available Constitutional

Tax Limit and has a remaining tax margin of $91.1 million, representing an increase of $24.2 million when compared to the 2018-19 Constitutional Tax Limit of $66.9 million.

- The City's bond ratings have increased from Baa/BBB- to A1/A+ from Moody's Investors Service and Standards and Poor's Rating Services, respectively. Fitch Ratings ("Fitch") has increased the City's bond ratings to AA- in 2016 from the rating of A+ since 2010, which was the initial year that Fitch rated the City. More recently the City has received negative outlook changes. Additional background related to the City's bond ratings is located in the "Providing a More Cost-Effective Financing Framework" on page 22.

Multi-Year Financial Planning

The multi-year financial planning process represents the core of BFSA's financial oversight and is one of the most critical components to the fiscal stability of the City and the Covered Organizations. With BFSA's assistance, the City and Covered Organizations have developed and maintained a comprehensive financial planning process that has helped to address structural budget gaps as well as to recognize and prepare for future fiscal challenges. The Mayor is required to submit the annual four-year financial plan to the BFSA by May 1 of each year; the financial plan is to include the City and Covered Organizations.

During 2018-19, the BFSA monitored implementation of the 2019-2022 Financial Plan of the City and its non-exempt Covered Organizations. The 2019-2022 Financial Plan included the adopted annual budgets for the City and the Covered Organizations, as required, along with financial projections for the subsequent three fiscal years. There was one financial plan modification submitted to BFSA during the year by the BMHA, which impacted the 2018-19 fiscal year as the remaining years of the 2019-2022 Financial Plan. No budget or financial plan modifications were submitted by the City, District or BURA during the 2018-19 fiscal year.

The BMHA Board of Commissioners modified the FY 2018-19 budget and FY 2019-2022 Financial Plan on December 20, 2018 to recognize additional estimated operating revenue as well as increases to personnel costs to account for the increase in wages for the settlement of the Operating Engineers labor contract. The budget modification is discussed further in the section subtitled "Monitoring Fiscal Health."

On May 1, 2019, the City submitted the 2020-2023 Financial Plan to the BFSA which included the financial plans of the City and Covered Organizations, as required. The City's Financial Plan did not include a deficit for any fiscal year and included both new and enhanced revenues as a way to balance the budget, including an increase in property taxes in the out-years of the financial plan.

The District has been faced with a structural imbalance over the last several years with a cumulative deficit and corresponding use of fund balance of $41.0 million reported from 2011 to 2018. A deficit of $10.0 million has been budgeted for within the FY 2019-20 Adopted Budget (the "Adopted Budget"). The District's 2020–2023 Financial Plan includes $3,772.6 million in estimated revenues and $3,830.1 million in budgeted appropriations. A budget gap has been projected for each year of the Financial Plan with a cumulative four-year deficit of $47.5 million.

The District's Financial Plan includes deficit-closing and cost-savings initiatives ("Gap Closing Plan") to address the cumulative four-year deficit of $47.5 million. The Gap Closing Plan includes potential additional revenues and resources, various areas wherein the District is working to improve operations through efficiency measures and reduce costs, as well potential actions the District has available to reduce expenditures and close the projected out-year budgetary gaps in the event additional revenues and/or savings from efficiencies are inadequate to address the budget gaps. The Gap Closing Plan was originally developed in connection with the 2018-2021 Financial Plan; the 2020 -2023 Financial Plan was developed using the original gap closing actions revised as necessary. Several actions have been implemented or are slated to be implemented in FY 2019-20; the cost-savings associated with these implemented actions were estimated at $16.7 million in FY 2019-20 and have been integrated in the Financial Plan.

The Board of Education requires unassigned fund balance to be maintained at a level equal to or greater than 4% of total District General Fund expenditures. This policy is adhered to within this Financial Plan. After taking into consideration the minimum fund balance policy and amounts set aside for specific future purposes, a balance of $51.0 million more than the Board's policy was forecasted to remain at June 30, 2023.

The BMHA's 2019-20 Adopted Budget estimates $46.7 million in total revenue and appropriates $46.2 million for total expenses. The Adopted Budget contains budgeted net income of $0.5 million prior to the payment of principal on outstanding debt. The three out-years of the Financial Plan include net income ranging between $0.5 million and $0.6 million before the payment of principal on debt. After reducing net income for the impact of principal debt payments and adding back in the non-cash accrual for other postemployment benefits ("OPEB"), BMHA is projecting a cumulative, four-year cash surplus of $5.5 million. Revenues are projected to increase $1.5 million from $46.7 million in FY 2019-2020 to $48.2 million in FY 2022-23, representing a 3.2% increase over the Financial Plan. Expenses are projected to increase $1.4 million from $46.2 million in FY 2019-20 to $47.6 million in FY 2022-23, representing a 3.0% increase over the Financial Plan. BMHA has applied a 2% annual increase in total salaries based on the contractual salary increases dictated by the current Memorandum of Agreement ("MOA") with Local 264 representing the managerial, white-collar and blue-collar employees employed by the BMHA, as well as the contractual salary increases afforded in the MOA with Local 409 representing the operating engineers. The labor agreements with Local 264 and Local 409 expire on June 30, 2023.

The Financial Plan for BURA projected $46.0 million in expenditures over the four years of the Financial Plan. The Financial Plan submitted to BFSA shows expenditures decreasing from 2019-20 ($11.8 million) to 2020-21 ($11.3 million), increasing modestly in 2021-22 ($11.4 million) and held flat in 2022-23 ($11.4 million). Revenues are projected to decrease in a corresponding manner, with the increase in out-years two and three being funded with prior-year entitlement funds from the U.S. Department of Housing and Urban Development ("HUD"). BURA does not expect to receive an increase in HUD entitlement funds and is continuously looking for additional resources. BURA's operating budget is largely financed with Community Development grants in addition to a few other smaller federal grants. In addition to the annual allotment approved by Congress, BURA has the option of drawing down prior year funds to fund programs.

The BFSA's individual reports on the budget and related financial plans of the City and Covered Organizations are included within this report in the section titled, "BFSA Reports on the 2019-20 Budgets and 2020-2023 Financial Plans of the City of Buffalo and the Covered Organizations."

On June 17, 2019, the BFSA reviewed the final 2020-2023 Financial Plan and found the submission to be complete and compliant with the standards set forth in the BFSA Act.

Monitoring Fiscal Health

Regular and aggressive monitoring of spending, budgetary processes and cost-savings initiatives is essential to ensuring that the City continues its progress towards fiscal stability. Under the guidance of the BFSA, the City and Covered Organizations have developed a reliable reporting process for revenues, expenditures, cash flow, workforce size and the status of gap-closing measures. This process has yielded a more disciplined approach to fiscal monitoring and has resulted in the identification of necessary budget transfers or modifications during the fiscal year.

During 2018-19, the BFSA monitored the 2019-2022 financial plans of the City and its Covered Organizations. Monitoring was performed through various activities including but not limited to: analysis and reporting on the financial plans, analysis and reporting on quarterly reports, monitoring of actions by entities (e.g., revenue collection monitoring, overtime monitoring, etc...), reviewing proposed collective bargaining agreements and determination of whether such agreements were consistent with the financial plan, and reviewing any proposed budget and financial plan modifications. The BFSA's final evaluation of the City's compliance with its budget for the year ended June 30, 2019 is expected to occur in or around December 2019 after the City Comptroller releases the audited financial statements.

The BFSA reviewed the City and its Covered Organizations' quarterly report projections to evaluate if revenues had been overestimated and/or expenditures/expenses had been underestimated to determine if a budget modification was needed.

During FY 2018-19 the BMHA submitted a budget modification to the BFSA as requested by BFSA. The BMHA Board of Commissioners modified the FY 2018-19 budget and FY 2019-2022 Financial Plan on December 20, 2018. The modified budget and financial plan recognized additional estimated operating revenue of $0.5 million annually from FY 2018-19 to 2020-2021 and $0.4 million in FY 2021-22. The additional revenues totaling $1.9 million over the four years of the Financial Plan were projected based on an increased operating subsidy from the U.S. Department of Housing and Urban Development ("HUD") as well as an increase in the administrative fee reimbursement associated with the HUD Section 8 Housing Voucher Program. The modification reduced the staffing plan by nine budgeted positions, impacting the Financial Plan by reducing projected expenses by $4.2 million; and increased personnel costs over the Financial Plan by a net $1.8 million.

Reports and Recommendations Issued by the BFSA during 2018-19

The BFSA issues reports during the year on various matters during fulfillment of its statutory responsibilities involving the fiscal oversight of the City and the Covered Organizations. The following summary provides a description of the reports issued, recommendations provided to the City or Covered Organization as applicable, and the response from the City or Covered Organization as provided to such recommendations as appropriate.

City of Buffalo

- On July 12, 2018, the BFSA provided a written and verbal report on the City's property tax exemptions. The scope of the report focused on the changes in property tax assessments and total property tax exemptions for the City of Buffalo over a ten-year period, highlighting significant trends. The presentation also provided a year-to-year summary of changes for the City of Buffalo and a comparison of property exemption rates and equalization rates with four other major cities in New York State. An update of the written report with technical corrections was provided to the Board of Directors at the September 24, 2018 meeting.

- On September 24, 2018, the BFSA Board of Directors received an oral report from Mr. Keith Lucas, BURA's Director of Community Planning, regarding a recent housing study entitled, "Buffalo Housing Opportunity Strategy," and the City's plan to address housing needs, in particular affordable housing projects.

- On November 28, 2018, the BFSA held a special meeting and reviewed a Proposed MOA between the Buffalo Professional Firefighters Association, Inc., Local 282, I.A.F.F., AFL-CIO and the City. The agreement covers an eight-year period from July 1, 2017 through June 30, 2025. Local 282 is funded through the City's General Fund. In conjunction with the review of the labor agreement, the related incremental costs to the City were calculated and reviewed. The total net cost of the MOA over the eight-years was estimated at $45.2 million. Total personnel costs were estimated to increase $77.3 million and would be offset by estimated savings of $32.0 million. There were no retroactive costs associated with this labor agreement and the FY 2018-19 were fully funded within the budget year. A budget modification was not required.

  The City submitted a modified 2019-2022 Financial Plan identifying additional resources to fund the prospective costs associated with the MOA in the last two-years of the Financial Plan.

  The BFSA noted the estimated costs of the labor agreement increase exponentially over the term of the contract as salary raises compound and estimated savings level out, with the majority of total estimated costs being incurred in years beyond the current financial plan. It was advised that the City forecast beyond the four-year financial plan to evaluate the impact the increased labor costs will have on future budgets. Additionally, the affordability of the labor contract relies on the reasonableness of the underlying assumptions in both the 2019-2022 Financial Plan and the projected savings estimated by the City for certain provisions within the labor agreement. The City has included uncertain revenues over the Financial Plan which must be recognized to be operationally

balanced. Certain key underlying estimated savings in the labor contract are difficult to predict and therefore estimate. Actual labor cots associated with this labor contract that exceed the estimate will result in additional fiscal pressure to the City. It was additionally noted that fund balance is no longer available to balance the budget and a deficit in 2019 consistent with that reported in 2018 would result in significant pressure to the City.

- On November 28, 2018, the BFSA reported on the City's first quarter operations. At the end of the first quarter, the City was projecting a year-end deficit of $3.6 million which represented a $0.4 million positive budget variance. The City's adopted budget included the planned use of $4.0 million in restricted fund balance designated for capital improvements. The BFSA recommended that the City closely monitor traffic fines, parking meter collections, and the sale of capital assets. It was also noted that the Tribal State Compact revenue in the amount of $17.0 million may not materialize and should be monitored. Overtime was still a concern for the police and fire departments based on recent historical experience and current year fiscal trends.

  In addition, Secretary Arthur motioned for two resolutions that were passed by the board to:

  1. advise the Buffalo Common Council of the Board's recommendations and conclusions with respect to the MOA with firefighters and the first quarter review; and
  2. request that future expense and revenue financial reports be provided in a timely fashion from the City Administration.

- On December 18, 2018, the BFSA provided a written and oral report on the City's 2019 Recommended Capital Budget and 2019-2023 Capital Improvement Plan. The 2019 Recommended Capital Budget contained 25 projects that cumulatively totaled $27.1 million. The proposed borrowing, separate and distinct from the Capital Budget, recommended total borrowing of $20.2 million of projects from the 2019 Recommended Capital Budget with the remaining balance to be financed in the future. In addition to the new project borrowing, the Mayor's proposal included five projects that were previously authorized but unissued in the amount of $3.0 million; a total request of $23.2 million was made for the borrowing.

  Subsequently, the Common Council added $1.0 million to the adopted capital budget to reflect a matching funds requirement for a New York State grant for improvements on Grant Street, which increased the final capital budget to $28.1 million and the amount to be authorized and unissued to $7.9 million.

  The 2019 Capital Budget included only City capital projects and did not include any amount for the District. The District's management determined that a capital borrowing in 2019 was unnecessary. The 2019-2023 Capital Improvement Plan met the requirements of the BFSA that the City develop a full five-year capital improvement program.

  The BFSA recommended that the City exclude general maintenance functions from the Capital Budget. The City included such functions in the 2019 Recommended Capital

Budget notably building demolitions and tree trimmings/maintenance at a total of approximately $1.6 million, or 5.9 percent of the proposed capital budget. Over the five-year Capital Improvement Plan, such general maintenance functions comprise 8.7 percent, or $10.1 million, of the total plan. Additionally, the BFSA recommended that a long-term plan be established in which the sale of projects is carefully laid out in the context of the limits placed by the City Comptroller and other funding sources to the City as authorized and unissued projects have grown to $16.3 million.

- On December 18, 2018, the BFSA provided a report on the City's 2018 audited financial statements. The presentation on the City's financial statements provided an analysis on revenues, expenditures and other year-end operational metrics, as well as historical trends and analyses. The actual budgetary expenditures, including encumbrances, totaled $504.1 million resulting in a positive variance of $7.0 million. Actual revenues totaled $471.3 million resulting in a negative budget variance of $16.2 million.

  Total expenditures reported without encumbrances were $494.2 million. The final deficit for the year ended June 30, 2018 was $22.9 million, which correspondingly reduced fund balance.

  The BFSA noted that the Solid Waste and Recycling Fund ended the year with an operating loss of $3.4 million and an accumulated debt to the City of $19.5 million which the City has set-aside in General Fund fund balance as a receivable from the Solid Waste and Recycling fund.

  The BFSA Directors noted that State Aid and Incentives to Municipalities ("AIM") has not increased since FY 2010 and that at some point New York State will need to increase that amount. They also noted that the City has been able to reduce or maintain the property tax rate during Mayor Brown's tenure. All collective bargaining agreements were current through June 30, 2019.

- On March 13, 2019, the BFSA provided a written and verbal report on the City's second quarter operations. At the end of the second quarter, the City was projecting a $3.5 million deficit at year-end, representing a positive $0.5 million budget variance.

  The BFSA noted that overtime for both the fire and police departments continued to be an area of focus. Both departments had shown improvement on a year-to-year basis. All other remaining expenditures appeared to be reasonable, however there was a concern with specific revenues. The BFSA recommended that those revenues be closely monitored including: the entertainment surcharge fee, gifts and donations, fines, sale of capital assets/property and the Tribal-State Compact casino revenue. It was also noted that short-fall in casino revenue was considered temporary as the City expects to receive this revenue after the settlement of litigation between New York State and the Seneca Nation of Indians.

- On March 13, 2019, the BFSA presented on the New York State 2019-20 Executive Budget and the potential impact it could have on the City, noting that State Aid and Incentive to Municipalities ("AIM") is budgeted at the same level over the State's next and subsequent fiscal years.

- On March 13, 2019, the BFSA reported on the City Common Council's final 2019 Capital Budget as approved on December 12, 2018 for $28.1 million. The City's total proposed requested financing totaled $22.1 million, consisting fully of projects to be paid for by General Fund property taxes. The requested financing is $1.1 million below the City Comptroller's cap of $23.2 million. The District did not budget an amount in the 2019 Capital Budget and is utilizing savings from prior year bond refundings to finance its current fiscal year capital needs.

  The City's financing request of $22.1 million consists of $5.8 million for projects authorized prior to and in 2018 as well as $16.3 million for projects authorized in the 2019 Capital Plan. BFSA noted that the total authorized but unissued debt will total $20.3 million after the 2019 bond sale. BFSA recommended that the City develop a plan to finance projects on a prioritized basis, to identify additional financing or funding sources, and consider rescinding certain projects authorized but unissued.

- On April 2, 2019, the BFSA held a special meeting to review the City of Buffalo's financing for the 2019 Capital Program. The financing was for a proposed borrowing of $22.1 million. The City planned to issue a bond anticipation note ("BAN"), as opposed to bonds, with the intent to refinance with a longer-term bond at a later time. The BFSA advised that a BAN/bond program can be beneficial to address some of the concerns raised by the City, but a 3- to 5-year BAN program raises concerns about market access and interest rate risks. It is believed that rating agencies would share this concern. BFSA indicated rolling BANs for several years is not necessary to resolve the City's issue of limited time between approval and drafting of bond resolutions, that issuing a one-year BAN should provide enough time to more accurately determine actual financial needs, that 29 projects are a manageable amount and furthermore 29.6% of total projects are for roadway improvements and 7.1% for City Hall improvements that have a period of probable usefulness of 10 years and therefore a 3- to 5-year BAN program appears excessive. The BFSA recommended a one-year BAN be issued with all or a majority of all projects bonded in the following year.

- On May 20, 2019, the BFSA provided an oral and written report on the City's third quarter operations. The City was projecting a year-end deficit of $1.4 million at the end of the third quarter. The planned use of restricted fund balance was $2.4 million. Year-end revenues were projected to have an $8.4 million negative variance when compared to the adopted budget and expenditures were projected to be favorable by $11.0 million. Timing of the Tribal-State Compact casino revenue is key. It is unknown when the revenue would be received. The BFSA continued in its recommendation for the City to closely monitor revenues as potential shortfalls had been identified by BFSA.

- On May 20, 2019, the BFSA reported on the City's 2019-20 Proposed Budget and 2020-2023 Financial Plan. While no modifications were requested, the BFSA raised several concerns on the City's Financial Plan including the inclusion of uncertain revenues and underestimated overtime for protective services and out-year health insurance costs. See further actions below on June 17, 2019.

- On June 17, 2019, the BFSA provided a brief report on the City's 2019-20 Adopted Budget and the final 2020-2023 Financial Plan, outlining changes between the proposed

and adopted budget and revisions to the Financial Plan. The Board adopted Resolution 19-06, "Determination that the City's Financial Plan is complete and compliant with the BFSA Act." A copy of the BFSA's final report is included in the section titled "BFSA Reports on the 2019-20 Budgets and 2020-2023 Financial Plans of the City of Buffalo and the Covered Organizations." The BFSA found the City's 2020-2023 Financial Plan to be complete and compliant with the BFSA Act.

Buffalo City School District

- On September 10, 2018, the BFSA Board called a special meeting to review the District and the Transportation Aides of Buffalo ("TAB") proposed collective bargaining agreement. The BFSA provided both a written and oral report quantifying the proposed labor agreement's impact on the 2018-19 Adopted Budget and the 2019-2022 Financial Plan. The labor agreement's net financial plan impact was estimated at $1.3 million. Modifications to the budget and Financial Plan were not required.

- At the December 18, 2018 board meeting, the BFSA reported on the District's FY 2017-18 Audited Financial Statements. The District's 2017-18 Adopted Budget included the use of $24.7 million in fund balance to balance the budget. The report documented a surplus of $12.1 million for the year ended June 30, 2018. Actual revenues of $878.8 million were positive compared to the budget by $6.6 million, while actual expenditures (excluding encumbrances) of $866.7 million were $30.2 million less than the adopted budget amount. The District reported deficits in six out of the last seven fiscal years. Fund balance increased by $12.1 million to $194.7 million. A total of $8.0 million of fund balance was assigned and designated by management for expired contracts.

- At the December 18, 2018 board meeting the BFSA provided a written and verbal report on the history of District's fund balance. Fund balance totaled $33.5 million in FY 2003 and increased to $221.2 million by FY 2012. Fund balance decreased to $194.7 million by fiscal year 2018, and the District planned to utilize a total of $29.0 million to close projected gaps in FY 2019 and 2020.

- The December 18, 2018 board meeting additionally included a written and oral report estimating the impact of the District settling all expired and expiring contracts over the 2019-2022 Financial Plan. Assumptions were based on past precedent and staff's analysis. The estimated total net cost for settling all outstanding contracts was estimated to be between $33.4 million and $47.5 million over the 2019-2022 Financial Plan. The Financial Plan included estimates for the settlement of contracts of 1.5 percent, or approximately $14.7 million for several labor groups. The settlements would equate to an incremental increase of between $18.7 million to $32.8 million over the Financial Plan.

- At the December 18, 2018 meeting, the BFSA provided a written and oral report on the District's first quarter operations. The District was projecting a fiscal year-end $1.5 million budgetary surplus and a year-end operating deficit of $17.5 million as of September 30, 2018.

- At the March 13, 2019 board meeting, the BFSA provided a written and oral update on the District's 2019-2022 Financial Plan with a specific focus on the various deficit-closing measures. The report was in response to a request by the BFSA Board of Directors for a quarterly update on the status of the proposed gap-closing measures in order to track the District's ability to close projected budgetary gaps and avoid sweeping cost reductions through layoffs and reductions to services. The BFSA reported that the FY 2018 surplus provided the District with a safety-net against the potential costs reductions such as reducing positions, reducing or eliminating nonmandated programs and reducing or eliminating amounts set-aside for settling labor contracts. BFSA reported that several of the cost-savings initiatives have been implemented, whereas others either have not resulted in savings as originally estimated or haven't progressed enough to estimate the impact. The District continues to indicate the intent is to be operationally balanced beginning in 2020-21.

- Also, at the March 13, 2019 board meeting, the BFSA provided a written and oral report on the District's second quarter operations. The District projected a fiscal year-end $7.7 million budgetary surplus and an $11.3 operating deficit of million at December 31, 2018.

- At the March 13, 2019 board meeting, the BFSA provided a report summarizing the potential impact of the State Fiscal Year ("SFY") 2019-20 Executive Budget as it related to the Buffalo City School District.

- At the May 20, 2019 meeting, the BFSA provided a written and oral report of the District's third quarter operations. The District projected a fiscal year-end $14.0 million budgetary surplus and an operating deficit of $5.0 million at March 31, 2019.

- On May 20, 2019, the BFSA reviewed the District's 2019-20 Proposed Budget and 2020-2023 Financial Plan. The Financial Plan included deficits in each year for a cumulative deficit of $57.5 million and included a Gap-Closing Plan that depicted the District's ability to address these forecasted deficits including: new revenues, the utilization of available fund balance, savings to be achieved through efficiencies, and/or other cost reductions. The District's use of fund balance in addition to proposed gap-closing measures appear to be sufficient to address out-year budgetary gaps. See further actions below on June 17, 2019.

- On June 17, 2019, the BFSA provided a summary of the changes between the District's proposed and adopted 2019-20 budget. The BFSA found the District's adopted 2020-2023 Financial Plan to be compliant with the BFSA Act. The Board of Education adopted the 2019-20 budget on May 16, 2019. A copy of the final report issued by the BFSA begins on page 74. The BFSA found the District's 2020-2023 Financial Plan to be complete and compliant with the BFSA Act.

- On June 17, 2019, BFSA provided a written and oral report estimating the net Financial Plan impact of settling outstanding District labor agreements. The BFSA estimated that after considering amounts available within the 2020-2023 Financial Plan, an additional $18.7 million to $32.9 million would be needed to settle all labor contracts. BFSA recommended that future financial plans address the costs for negotiating current

contracts by including a reasonable estimate within the framework of the financial plan, along with clearly identified funding sources.

Buffalo Municipal Housing Authority ("BMHA")

- On September 10, 2018, a special BFSA Board meeting was called to review the proposed collective bargaining agreement between the BMHA and the American Federation of State, County and Municipal Employees ("AFSCME") Local 264. The BFSA provided both a written and oral report concerning the impact of the proposed collective bargaining agreement on BMHA's 2019-2022 Financial Plan, with net costs of the agreement estimated to cost $7.7 million over the Financial Plan. A modification to the Financial Plan was required and a draft modified four-year Financial Plan was provided. The BMHA Board of Commissioners subsequently ratified the labor agreement, and a modified financial plan was approved on December 20, 2018. The BFSA accepted the draft modified financial plan while noting use of operating reserves is not a sustainable practice and recommending the BMHA examine areas of savings through efficiencies and cost reductions to balance budgetary gaps as operating reserves are a finite resource to balance budgets. The BFSA Board of Directors resolved to request BMHA submit a biannual report on occupancy and revenue along with measures taken and related outcomes.

  The Directors additionally discussed the amount of time it takes to turnover a housing unit, what the BMHA's turnover goal was, and what BMHA could do to be quicker and more efficient in turning apartments around for occupation.

- On December 18, 2018, the BFSA reported on the BMHA's first quarter operations. It was noted that the BMHA Financial Plan was not formally modified after the approval of the Local 264 labor contract in September. The BFSA subsequently authorized a resolution declaring the BMHA Financial Plan to be incomplete and required the BMHA to submit a modified financial plan to the BFSA by January 18, 2019.

  Net income as reported for the first quarter was favorable by approximately $700,000, with expenditures favorable by $800,000. BMHA budgeted a net loss of $800,000 at year-end.

- On March 13, 2019, the BFSA provided a written and oral report on the BMHA's second quarter operations. As of December 31, 2019, revenues exceeded expenses by $600,000. After adjusting net income by $600,000 for actual debt service payments made and $500,000 for non-cash expenses for OPEB, BMHA had an estimated positive cash flow of $500,000. The modified budget included a deficit of $0.7 million funded by reserves. Reserves totaled $4.6 million as of June 30, 2018.

  The Executive Director of BMHA addressed the BFSA Board of Directors to discuss the occupancy rates of the BMHA, and the actions the BMHA are taking to address to improve turn-over on authority apartments.

- On May 20, 2019, the BFSA Board reviewed the proposed collective bargaining agreement between the BMHA and the International Union of Operating Engineers, Local 17-17s, AFL-CIO ("Local 17"). The BFSA provided both a written and oral report concerning the impact of the proposed collective bargaining agreement on BMHA's 2018-19 Adopted Budget and the 2020-2023 Financial Plan. Total costs of the labor agreement were estimated at $355,000 over the Financial Plan and $475,000 in total. No modification to the Financial Plan was required. BMHA identified $120,000 in resources for the retroactive and current-year costs, while including resources in the 2020-2023 Financial Plan to reflect the increased salaries over the Financial Plan. BFSA recommended that future labor agreements incentivize employees to select lower cost individual plans, if appropriate, by including a lower contribution rate for single plans as compared to family plans.

  On May 20, 2019, the BFSA reported on BMHA's 2019-20 Budget and 2020-2023 Financial Plan. The BMHA Board of Commissioners approved the budget and 2020-2023 Financial Plan on April 25, 2019. The Financial Plan is balanced with a projected cumulative net income of $2.2 million. The plan identified new opportunities which will allow BMHA to access new resources, including: the Capital Fund Financing Program, the Rental Assistance Demonstration Program, and the Low-Income Housing Tax Credit Program. The Board requested more details on the strategic opportunities BMHA is pursuing and how the residents will benefit. A copy of the final report issued by the BFSA begins on page 104.

- On May 20, 2019, the BFSA Board received the BMHA's Audited Financial Statements for the year ended June 30, 2018.

- Additionally, on May 20, 2019, the BFSA reported on the BMHA's third quarter operations. BMHA had budgeted for a net loss of $0.7 million. At March 31, 2019 revenues exceeded expenses by $2.2 million.

- On June 17, 2019, the BFSA found the BMHA's 2020-2023 Financial Plan to be complete and compliant with the BFSA Act.

Buffalo Urban Renewal Agency ("BURA")

- At the December 18, 2018 meeting, the BFSA provided a written and oral report on BURA's first quarter operations. At September 30, 2018 BURA was not projecting any significant variance in either revenues or expenditures.

- On March 13, 2019, the BFSA provided a report on BURA's 2018 Audited Financial Statements and single audit findings, reported on key revenues, expenditures, personnel service costs and internal control findings. All prior year findings have been resolved and there are no new findings with the single audit for the third consecutive year. The financial statements were restated to reflect implementation of GASB 75.

- On March 13, 2019, the BFSA provided a written and oral report on BURA's second quarter operations. At the end of the second quarter, December 31, 2018, BURA was not projecting any significant variance in either revenues or expenditures. BURA continues

to maximize additional revenue streams and has been successful in identifying additional amounts outside of the HUD entitlement funds, including resources from Evans Bancorp, Inc., and the Local Initiatives Support Corporation.

- On May 20, 2019, the BFSA reviewed BURA's 2020-2023 Financial Plan and subsequently issued Resolution No. 19-04, "Declaration of Incomplete Financial Plan." BFSA determined that the Financial Plan contained incorrect revenue projections based on the HUD Entitlement Letter, which was received by BURA after the submission of the budget and financial plan to the BFSA. BURA was requested to resubmit a revised budget to the BFSA by May 31, 2019 reflecting the decrease in Entitlement Funds and the budgetary impact to both revenues and expenditures.

- Additionally, on May 20, 2019, the BFSA provided a written report on BURA's third quarter operations. BURA continues to maximize additional revenue streams and has been successful in identifying additional amounts outside of the HUD entitlement funds, including resources from Evans Bancorp, Inc., and the Local Initiatives Support Corporation. BFSA recommended that BURA report on expense categories as functional categories to demonstrate the purpose of the expenditures. It was also recommended that BURA submit a budget and financial plan that is in line with BURA's Annual Action Plan that outlines projects and programs for the upcoming year, including assumptions for staffing and salary, health insurance and pension costs.

- On June 17, 2019, the BFSA received a written and oral report on BURA's 2019-20 Adopted Budget and the revised 2020-2023 Financial Plan, submitted to the BFSA on June 13, 2019. The BFSA found the revised 2020-2023 Financial Plan to be complete and compliant with the BFSA Act.

Workforce Summary and Trends

Workforce costs represent the single largest expenditure category in the City and its Covered Organizations. The City's 2018-19 employee salary, pension, health insurance (for active and retired employees) and other benefits accounted for 84.7 percent of total budgeted General Fund appropriations. These costs represented 55.4 percent of total District budgeted General Fund appropriations. Both the City and the District's long-term fiscal stability remains directly tied to its ability to manage the size and cost of its workforce. Workforce costs continue to be the primary growing budget category due to increases in both wages and fringe benefits, including health insurance, vacation and sick leave cash out and employer payroll taxes. Several labor agreements expired June 30, 2019 including those with the crossing guards, the Police Benevolent Association, the white-collar union and the blue-collar union. Those not expiring include Buffalo Firefighters Local 282, Water Caulkers Local 264T, and Building Inspectors Local 2651. The City settled one labor contract during FY 2018-19 with the Buffalo Firefighters Local 282.

The District's contract with the administrators expires September 1, 2020. The labor agreements with transportation aides and white-collar employees expire June 30, 2021 and June 30, 2022, respectively. The District is out-of-contract with the teachers effective June 30, 2019. All other employee groups funded through the General Fund are operating under expired labor agreements.

BURA negotiated a Memorandum of Agreement ("MOA") with the Civil Service Employees Association, Local 1000, AFSCME, AFL-CIO, Local 815 during 2017-18. The MOA is valid through June 30, 2020. Exempt employees received comparable salary increases and receive comparable health insurance benefits as well.

BMHA has settled all labor contracts with their employees with labor agreements set to expire on June 30, 2023. BMHA ratified a labor contract with Local 264 (including white collar, blue collar and managers) in September of 2018 and Local 17 (Operating Engineers) in May 2019. BMHA has included a 2% annual increase for salary and wages in each year of the 2020-2023 Financial Plan.

The City's liability for OPEB was first required to be reported under generally accepted accounting principles ("GAAP") for the year ended June 30, 2008. This estimate is required to be revalued by an actuary every two years; the City's last valuation was for fiscal year-end June 30, 2018. It was estimated at $1.3 billion. The District's OPEB liability was estimated at $2.1 billion at June 30, 2016. The OPEB liability for the BMHA is $80.1 million at June 30, 2017, and $24.9 million as restated for implementation of GASB No. 75 for BURA. The full valuation was completed for the year ended June 30, 2017 for both BMHA and BURA.

The City increased its budgeted workforce by 31 positions from FY 2019 to FY 2020. Actual filled positions at June 30, 2019 increased by 19 to 2,460 as compared to 2,441 at fiscal year-end 2018. The increase in actual employee levels on a year-to-year basis is attributed primarily to new police and fire recruit classes in FY 2019 to address recent retirements.

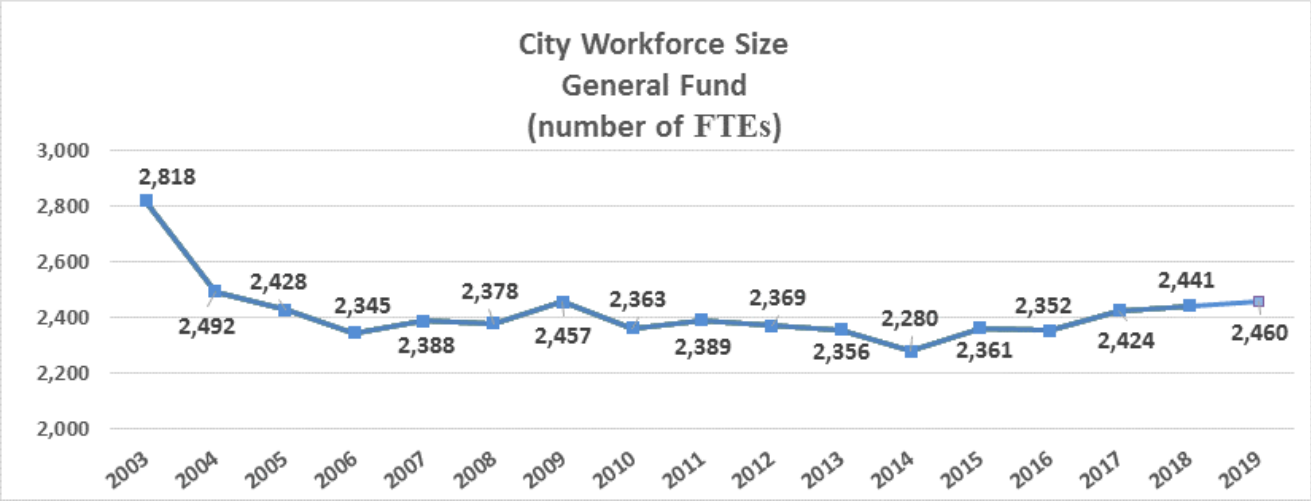
The District has included a staffing plan which increases the number of budgeted positions in FY 2019-20 by 125 FTE positions on a General Fund basis. Budgeted staffing at 4,833 FTEs represents the highest level of budgeted FTEs since 2003 on a General Fund basis. On an All Funds basis, 5,594 FTEs are budgeted, an increase of 207 FTEs over the FY 2018-19 Adopted Budget. Of the 207 FTE increase, 88 are teachers, 108 are teacher aids or teaching assistants, 8 are white-collar employees, 4 are administrators, and two are exempt employees. Blue-collar employees, operating engineers, and members of trades are reduced by 1 position each.

The BMHA's 2019-20 Adopted Budget includes 157 positions of which 133 were filled at June 30, 2019. BMHA's workforce has increased on a year-to-year basis by four positions at June 30, 2019. BMHA has reduced its workforce gradually in recent years: there were 236 filled positions in 2012. The 2018-19 Adopted Budgeted included 166 positions.

BURA had 38 positions budgeted and 35 filled at the conclusion of the 2018-19 fiscal year. BURA's workforce was reduced from 60 budgeted FTE's at FYE 2012 down to the current 39 budgeted in 2019-20, a decrease of 21 positions over six years. Employment levels remain significantly below 2003-04 levels when BFSA was created. BURA has adopted a budget and financial plan that maintains 39 positions in each year of the Financial Plan, with 29 classified employees and 10 exempt employees. The significant decrease in BURA positions has been driven by several factors, including reductions in federal grant funding, the elimination of programs, and corresponding positions that were determined not to be an appropriate use of federal grant funds. The reduction of BURA positions was largely through the elimination of

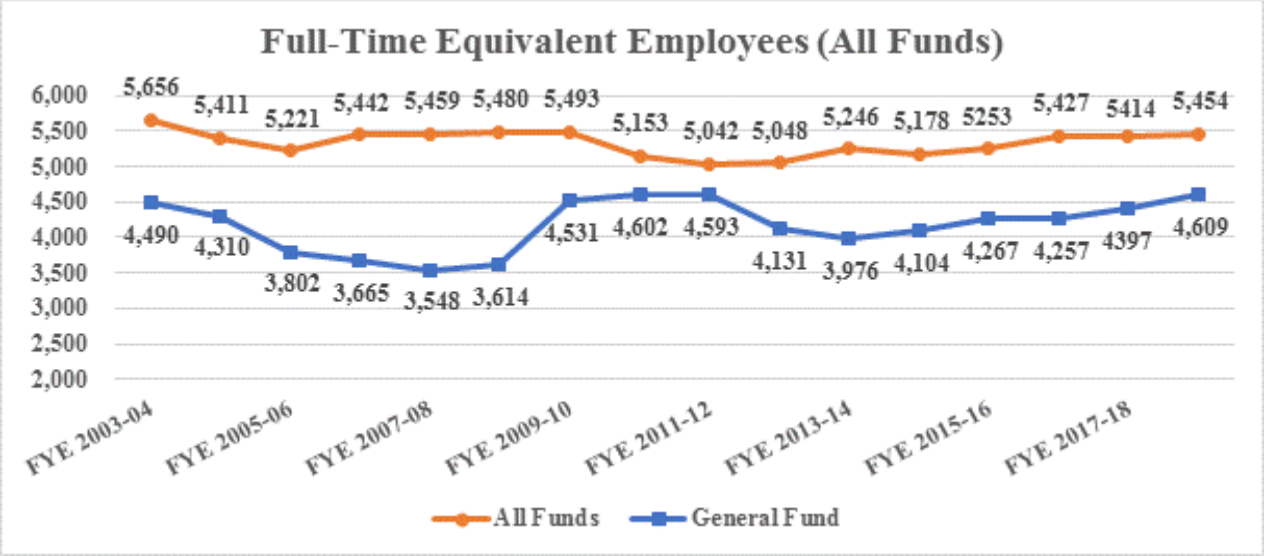
vacant positions and, to a lesser extent, through layoffs. BURA has stated that if there are further reductions in grant funding they will need to continue to reduce staff.

The following chart shows the City's actual number of filled positions from 2003 to 2019:



The City has reduced filled positions by 358 and reduced its workforce by 12.7 percent since BFSA's inception. The reduction in the workforce was achieved initially through a collaborative effort resulting in the consolidation of certain functions with Erie County, including the maintenance of City parks and prisoner detention services. Additionally, the City utilized layoffs as well as not filling vacant positions to reduce overall employee levels. Beginning in 2009, the City took back maintenance of City parks and the respective workforce when Erie County returned park services to the City. Erie County returned prisoner detention services back to the City of Buffalo in 2012 for male detainees and in 2015 for female detainees. These positions are reflected in the City's General Fund.

The following chart shows the District's actual number of filled positions from 2003 to 2019 for both the General Fund and on a District-wide basis:



The District has included a staffing plan which increases the number of budgeted positions in FY 2019-20 by 125 FTE positions on a General Fund basis. Budgeted staffing at 4,833 FTEs represents the highest level of budgeted FTEs since 2003 on a General Fund basis. On an All Funds basis, 5,594 FTEs are budgeted, an increase of 207 FTEs over the FY 2018-19 Adopted Budget.

Projected workforce trends are discussed in the individual entity reports within the section titled "BFSA Reports on the 2019-20 Budgets and 2019-2022 Financial Plans of the City of Buffalo and the Covered Organizations."

Providing a More Cost-Effective Financing Framework

Background and Bond Ratings

The BFSA issued debt from 2004 through 2007 on the behalf of the City for both its capital and cash flow needs, refunded existing City debt at more beneficial interest rates, and provided short-term budgetary relief through deficit financing. The statutory power to undertake deficit financing expired at the end of the 2006-07 fiscal year. These actions were possible due to BFSA's higher-rated credit as compared to the City's bond ratings, which enabled savings for the City upon issuance of its Declaration of Need. The BFSA permitted the City to begin to borrow on its own behalf beginning in 2008.

The BFSA's credit rating from Fitch Ratings ("Fitch") is currently AAA with a stable outlook. This rating was last reaffirmed in October 2016. It increased in January 2015 from AA+. Moody's Investor Service ("Moody's") has rated BFSA at Aa1 with a stable outlook. Fitch's rating represents the highest investment grade with minimal risk; Moody's rating reflects a high investment grade and very low risk. Both credit ratings are consistent in that they represent a better credit rating then the City.

All City State aid including both the City and District's portions of the local sales tax are legally revenues of BFSA per the BFSA Act. The first call on revenues is to pay debt service. This intercept and first call provision allows BFSA to maintain a credit rating superior to the City's.

The City last received a bond rating upgrade in 2016-17 from Fitch to AA- from A+. Prior to this rating increase, Standards and Poor's Rating Services ("S&P") increased the City's rating in 2013-14 from to A+ from A. The rating from Fitch is consistent with the bond ratings from Moody's of A1 and S&P of A+, both of which were reaffirmed in 2018. Both Moody's and S&P downgraded the outlook from positive to stable citing "the City's recent performance and resulting draw on reserves, as well as the expected year-end deficit."

The City has made significant strides in improving its bond ratings since 2003. BFSA's financial oversight over the City has been consistently included as a key rationale to determine that rating upgrades were appropriate. The rating agencies have commented on the financial success of the City particularly with respect to multi-year financial planning and the adequacy of the City's reserves but have cautioned that the overall high debt burden, below average socioeconomic indicators, and the near full use of fund balance to fund general operations are factors that could potentially negatively impact the ratings.

The City's credit rating has improved from BBB- with negative outlook from S&P, and from Baa with negative outlook from Moody's since BFSA was created. The City contracted with Fitch in 2010 to also rate the City's debt. The City's credit ratings were perilously close to the "non-investment grade" by the rating agencies in 2003. The current rating outlook from all three rating agencies is stable.

The historical overview of bond ratings from 2003 to present is as follows:

- Moody's affirmed the City's A1 rating as it had similarly done in the previous six years. The outlook was revised from a positive outlook to a stable outlook on the City's 2018 general obligation debt which totaled $20.8 million. Moody's last upgraded the City in 2012 from A2 citing significant improvements in the City's financial operations and liquidity following the augmentation of reserves in each of the last nine years and a trend of structurally balanced operations despite near-term declines. The A1 rating pointed to the following factors: (1) the improving local economy and expected continued growth in tax base; (2) a solid reserve and liquidity position; (3) the oversight of City operations by the Buffalo Fiscal Stability Authority which had approved the City's four-year financial plan; (4) the use of reserves to balance budgets; (5) the City's improved revenue raising flexibility given modest growth in assessed valuation and improved taxing margin, and (6) additional bondholder security provided by the City's legally required and trustee-held bi-annual set-aside of debt service payments from first property taxes collected. The stable outlook reflects Moody's belief that the City's liquidity and reserve position will remain adequate as evidenced by elimination of the need for seasonal, cash flow borrowing in the last nine fiscal years.

  Prior to the 2012 bond rating upgrade, Moody's upgraded the City's general obligation debt from Baa2 to an A2 rating with a stable outlook in the 2010-11 fiscal year. In 2007, Moody's upgraded the City credit rating from Ba to Baa2, reflecting, "the [City's] improved financial profile, stronger financial management controls, and continued advisement provided by the Buffalo Fiscal Stability Authority."

- S&P reaffirmed the City's A+ bond rating and revised City's 2018 general obligation debt outlook from positive to stable. S&P last upgraded the City's rating from A to A+ in 2014. This rating represents a high investment grade, with low risk comparable to the Fitch rating of AA- stable outlook. Both S&P and Fitch have assigned higher credit ratings for the City compared to Moody's. The rational provided to support the A+ rating included: (1) Very strong management conditions, with strong financial management policies and practices and oversight provided by the BFSA; (2) a weak economy; (3) weak budgetary performance in 2017 with operating deficits in the general fund and at the total governmental fund level; (4) weak budgetary flexibility, with decreasing fund balance; (5) limited revenue and expenditure flexibility; (6) adequate debt and contingent liability profile when pension and other postemployment benefits were considered; (7) and very strong liquidity.

Prior to the bond rating upgrade, S&P last upgraded the City from A- to an A rating with a stable outlook on the City's general obligation long-term debt in the 2010-11 fiscal year. S&P upgraded the City credit rating from BBB+ to A- in 2009 reflecting "the [City's] improved financial profile, stronger financial management controls, and continued advisement provided by the Buffalo Fiscal Stability Authority."

- Fitch Ratings reaffirmed the City fiscal year 2018 credit rating at A+ with a stable outlook. The stated rating rationale included: (1) the BFSA has assisted the City in restoring a sound fiscal foundation, resulting in much improved reserve levels; (2) City's history of modest but steady revenue growth; (3) long-term liability burden is low; (4) the City's economic base is diverse and continues to experience commercial and residential development; and (5) conservative policies and strong management have contributed to an increase in the City's overall financial flexibility. It was also noted that Fitch believed that if management is not able to align revenues with expenditures, the City might be challenged to maintain healthy reserve balances. As noted above, Fitch was first contracted by the City to begin rating the City's debt beginning in 2010 when they issued an A+ stable outlook. The rating was subsequently upgraded to a AA- stable outlook in March of 2017.

The following table illustrates FY 2019 credit rating comparisons between BFSA and the City of Buffalo:

	Moody's	S&P	Fitch
BFSA's Rating	Aaa Highest Investment Grade / Minimal Risk	AAA Highest Investment Grade / Minimal Risk	AAA Highest Investment Grade / Minimal Risk
BFSA's Rating	Aa1 High Investment Grade / Very Low Risk	AA+ Very High Investment Grade	AA+ Very High Investment Grade
City's Rating – Fitch and S& P		A+ High Investment Grade / Low Risk	AA- High Investment Grade / Low Risk
City's Rating - Moody's	A1 Upper Medium Grade / Low Risk		
	Baa Moderate Risk	BBB Moderate Risk	BBB Moderate Risk
	Ba **Speculative / Substantial Risk**	**BB** **Speculative**	**BB** **Speculative**

The BFSA's bond ratings are three steps higher for Moody's and three steps higher for Fitch based on current ratings.

Forward Delivery Agreements and Related Investment Earnings

The BFSA previously entered into forward delivery agreements ("FDAs") in conjunction with issuing debt on behalf of the City to invest the debt-service set asides that are withheld monthly from sales tax receipts as required for annual principal and interest payments. The BFSA reported a total of $199,555 in investment earnings for the year ended June 30, 2019 from funds held in various bond related accounts, from State funds held on behalf of the City, and from funds in its own operating accounts. The FDA's provide the City a guaranteed rate of return between 4.48 percent and 5.13 percent which far exceeded the rate of return the City earned during 2019 of approximately 0.93 percent. The BFSA earned $198,833 from the FDAs during the year ended June 30, 2019. The remaining amount of $712 was earned on the AIM funds held by the BFSA and on the operating funds.

Review of 2019 Capital Budget and Related Capital Borrowing

The BFSA reviewed and reported on the City's 2019 Capital Budget of $28.1 million during the 2018-19 fiscal year and the accompanying bond anticipation note sale of $22.1 million which included $5.8 million in borrowing for projects authorized in prior years and $16.3 million for projects approved with the 2019 Capital Budget. It is noted that the City has not required a cash flow borrowing since 2006.

BFSA Debt Issuances and Refundings

In December 2015, the BFSA issued a refunding bond for the outstanding 2005A and 2006A bond series. This refunding provided a net present value savings of $1.35 million over the next ten years, which will ultimately be passed along to the City.

The following table contains a listing of all BFSA debt transactions since the BFSA was created, and amounts outstanding at June 30, 2019:

BFSA Debt Table at June 30, 2019					
($ in thousands)	Issue Date	Bond Par Issued	Note (BAN) Par Issued	Bond Par Outstanding	Note Par Outstanding
Sales Tax and State Aid Secured Bonds (Series 2004A)	Jun-04	$25,745		$0	
Bond Anticipation Notes (Series 2004A-1)	Sep-04		$84,000		$0
Sales Tax and State Aid Secured Bonds (Series 2005A)	Jun-05	$28,030		$0	
Sales Tax and State Aid Secured Bonds – Refunding (Series 2005B&C)	Jul-05	$47,065		$320	
Bond Anticipation Notes (Series 2005A-1)	Jul-05		$90,000		$0
Sales Tax and State Aid Secured Bonds (Series 2006A)	Apr-06	$27,270		$0	
Bond Anticipation Notes (Series 2006A-1)	Apr-07		$60,000		$0
Sales Tax and State Aid Secured Bonds (Series 2007A)	Apr-07	$28,470		$9,760	
Sales Tax and State Aid Secured Refunding Bonds (Series 2015A)	Dec-15	$14,170		$6,490	
Total		**$170,750**	**$234,000**	**$16,570**	**$0**

Structural Reform and Savings Opportunities

The identification and implementation of new cost-savings initiatives is critical to the long-term fiscal stability of the City and its Covered Organizations. The City did not budget for a deficit over the 2020-2023 Financial Plan, which is operationally balanced but relies on new and expanding revenue sources. The City has been aggressive in including new revenues in the budget, however for various reasons many of the revenues have not been collected at the budgeted levels. The City has had a year-end deficit in excess of what was planned for, going back to 2016-17, due to actual revenues having a negative variance when compared to their respective adopted budgets. Such results resulted in the diminishment of unassigned fund balance to $0 at June 30, 2018. Future structural savings need to continue to focus on employee compensation and benefits, in particular with respect to healthcare costs and employee and retiree contributions towards health insurance.

The fiscal impact of these issues was examined in detail in BFSA's analysis of the City's 2019-2022 Financial Plan which is included herein and begins on page 37.

The District's FY 2019-20 Adopted Budget included year six of a school-based budgeting process. Each school is provided three types of operating funds: departmental allocations, principal and special area allocations, and grant allocations. Grant allocations were added to the individual school-based budgets beginning FY 2019-20. Departmental allocations include the recommended baseline staff allocations and resources that are provided to schools through District-adopted formulas, centrally-assigned staff, and resources by specific departments. These allocations are not typically changed by the individual schools and incorporate the individual school's specific pupil enrollment (i.e., general education and special education, English language learners and English-proficient, elementary or high schools, et. al.).

A deficit of $10.0 million is reflected in the Adopted Budget. A budget gap has been projected for each year of the Financial Plan with a cumulative four-year deficit of $57.5 million.
The Financial Plan includes a Gap Closing Plan to address the cumulative four-year deficit. The Gap Closing Plan includes various areas wherein the District is working to improve operations through efficiency measures, to increase revenues, as well as to demonstrate potential methods that the District has available to close the projected out-year budgetary gaps in the event additional revenues and/or savings from efficiencies are inadequate to address the budget gaps. The Gap Closing Plan was originally developed in connection with the 2018-2021 Financial Plan; the 2020-2023 Financial Plan was developed using the original gap closing actions revised as necessary. Several actions have been implemented or are slated to be implemented in FY 2019-20; the cost savings associated with these implemented actions have been integrated in the Financial Plan.

The fiscal impact of these issues was examined in detail in BFSA's analysis of the District's 2020-2023 Financial Plan included herein on page 74.

Collective Bargaining Agreements

The BFSA is required to review any proposed collective bargaining agreement before the agreement is adopted by the governing body of the City or the Covered Organization. The BFSA issues reports on all proposed labor agreements. Such reports and related

recommendations have been discussed in the section, “Reports and Recommendations Issued by the BFSA during 2018-19,” beginning on page 11.

Additional BFSA Operational Information:

Legal Matters

The adoption of the wage freeze by BFSA in April 2004 was the basis for a number of lawsuits as was the subsequent lifting of the wage freeze effective 2007. The wage freeze was effective April 2004 and prevented any increase in wages, including increased payments for salary adjustments according to, "plan and step-ups or increments.” BFSA has successfully defended each case. Currently there are no pending cases involving the BFSA.

The New York State Court of Appeals heard the series of wage freeze challenges on February 9, 2011 and rendered a unanimous decision in favor of BFSA on March 29, 2011. It was a key decision in that it overturned earlier decisions made by the NYS Supreme Court and Appellate Court which had both ruled against the BFSA and covered entities. The Court of Appeals found, “Thus, the entire purpose of the statute was to place the City of Buffalo on sound financial ground over the long term. In order to accomplish such purpose, BFSA was empowered to freeze wages and salary increments until the City's growth and stability were renewed. The intent of the statute supports the City's position.”

Annual Internal Controls Review/Governance

The purpose of the internal control structure is to ensure that BFSA has a system of accountability for and oversight of its operations and to assist BFSA in achieving its goals and objectives with minimal risk to the organization’s operations. BFSA’s Principal Analyst served as the BFSA’s Internal Controls Officer for 2018-19. The Internal Controls Officer is responsible for the review of internal control policies and procedures on an annual basis, or more if necessary, and regularly meets with BFSA staff to ensure internal control performance standards are being met and recommendations are being executed. The Internal Controls Officer meets a minimum of once a year with the Audit, Finance and Budget Committee to report on the procedures performed and findings made in conjunction with the internal controls review.

An internal management committee consisting of the Executive Director, Comptroller and Principal Analyst/Internal Controls Officer provides accountability for the internal control processes. The Executive Director and Comptroller additionally work closely with BFSA’s independent auditor who also reviews the internal control structure and performs tests to determine if it is operating effectively, as well as determining if any identified deficiencies have been addressed as necessary and in a timely manner.

BFSA follows the guidelines established in the Internal Controls Manual which describes internal control standards and contains various policies and procedures for areas such as procurement, investments, financial transactions, travel, purchase card reimbursement, general reimbursement policies, and the office technology and facilities management handbook. BFSA is satisfied that the internal control structure and the related policies and procedures provides an adequate system of controls so that errors do not occur without being detected in a timely manner and that assets are adequately safeguarded.

BFSA took a series of steps in 2018-19 to reinforce its system of internal controls as listed below:

- In July 2018, the Board of the BFSA reviewed, affirmed or adopted the following policies and procedures of the BFSA:

- The BFSA Bylaws, which provides guidelines and procedures for the operations of BFSA, including formation of committees, board meetings, and other general operations;

- The BFSA Code of Ethics, which each Director and staff member, excluding the ex-officio members, are required to receive, review and sign in affirmation that they have received a copy of the BFSA Code of Ethics and will abide by it. The Code Ethics states the BFSA's position on conflicts of interest, personal integrity, honesty, ethical conduct and public trust;

- The BFSA Mission Statement which identifies BFSA's mission;

- The BFSA Investment Guidelines, which establish a set of basic procedures to meet investment objectives and other specific criteria;

- The Property Disposal Guidelines detailing the BFSA's operative policy on the disposal of personal property;

- The Use of Discretionary Funds Policy, which delineates the proper use of the BFSA's discretionary funds, addressing what constitutes a proper discretionary expenditure related to the mission of the BFSA;

- The Whistleblower Policy, which provides guidelines and a process for whistleblowers to report illegal or unethical practices by the BFSA, staff members or Directors;

- The Lobbying Contact Policy, which provides a procedure for documenting contact between lobbyist and Directors or staff. The appointment of the Lobbying Contact Officer provides a contact person to oversee the implementation of the Lobbying Contact Policy;

- The Procurement Guidelines, which provides guidelines in regards to the use, awarding, monitoring, and reporting of procurement contracts during the course of BFSA business;

- The Procurement Report, which provides a summary of all procurement contracts that BFSA was engaged with in excess of $5,000;

- The Prompt Payment Policy, which provides guidelines and timing requirements concerning the payment of vendors for goods and/or services; and

- The Prompt Payment Report, which provides a listing of new contracts entered into during the 2018-19 fiscal year as well as any interest paid to vendors including the reason the payment was late.

Additional governance related BFSA actions included:

- In July 2018, the BFSA Board of Directors received an organizational overview that provided details on the BFSA, as well as employee levels of the City of Buffalo, Buffalo City School District, Buffalo Urban Renewal Agency and the Buffalo Municipal Housing Authority.

- In September 2018, the Governance Committee met and tallied the results of the Board of Directors self-evaluation.

- In September 2018, the Audit, Finance and Budget Committee received a presentation on the BFSA's 2017-18 Independent Auditor's Report and received the BFSA Annual Report for fiscal year 2017-18, which the committee recommended for approval to the full board.

- In September 2018, the Audit, Finance and Budget Committee received the BFSA's Annual Investment Report, which provides an annual summary on the investments held by the BFSA, investment earnings and fees paid to financial institutions.

- In September 2018, the Audit, Finance and Budget Committee approved a one-year contract extension with Public Financial Management as Financial Advisors to the BFSA.

- In December 2018, the BFSA approved the 2019-20 Minority and Women-Owned Business Enterprise Goal Plan. The goal includes an overall 30 percent participation goal with 15 percent participation equally by both Minority and Women Business Enterprises, same in total as compared to the prior year goals. The BFSA will continue to seek procurement opportunities with qualified MWBE's.

- In December 2018, the BFSA approved the 2019-20 Service Disabled Veteran-Owned Business Enterprise ("SDVOB") Goal Plan. The goal includes an overall 6 percent participation goal and The BFSA will continue to seek procurement opportunities with qualified SDVOB's.

- In December 2018, the BFSA Board of Directors re-designated Key Bank as BFSA's financial institution and authorized signatories and signing restrictions.

- In December 2018, the BFSA Board of Directors received a copy of the BFSA's first quarter operation results for FY 2019.

- In December 2018, the Board adopted a 2019 Public Meeting Calendar and publicly posted the scheduled meeting dates on the BFSA website.

- In March 2019, the Audit, Finance and Budget Committee reviewed the BFSA's 2019-20 Preliminary Budget and 2020-2023 Financial Plan and approved the posting of the budget for public review and comment.

- In March 2019, the Audit, Finance and Budget Committee reviewed and approved the proposed audit engagement between the BFSA and Lumsden &McCormick, LLP as auditors for the BFSA for fiscal year ending June 30, 2019.

- In March 2019, the Internal Controls Officer met with the Audit, Finance and Budget Committee to report on the results of the internal audits in regards to:
    - Financial reporting; and
    - Asset purchase and control.

- On March 13, 2019, the Board received a copy of the BFSA's second quarter operating results.

- On March 13, 2019, the Board authorized the BFSA to opt into the NYS Paid Family Leave Act by approving Resolution 19-02, "New York State Paid Family Leave Act Program Benefit Provision."

- In April 2019, the Board of Directors received two memos and participated in a meeting with the City and BFSA's Financial Advisor, PFM Financial Advisors LLC, concerning various questions and other matters that had been discussed regarding the City issuing bond anticipation notes as opposed to issuing a bond to fund the City's Capital projects.

- On May 20, 2019, the Board approved Resolution 19-04, "Declaration of Incomplete Financial Plan." The Financial Plan was deemed incomplete due to BURA's Financial Plan needing to be revised and resubmitted.

- In May 2019, the BFSA received the BFSA's third quarter operating results.

- In May 2019, the BFSA received a copy of the City's 2019 bond rating report from Moody's Investor Services.

- Additionally, on May 20, 2019, the Board received a draft copy of the City's Fund Balance policy as filed with Common Council.

- The BFSA provides an opportunity at the end of each public meeting a privilege of the floor, for members of the public to provide comments. The BFSA received public comments at the following meeting:
    - November 28, 2018;
    - December 18, 2018; and
    - May 20, 2019.

Financial Statements

BFSA received a clean, unqualified opinion on its 2018-19 Audited Financial Statements from its independent outside auditor, Lumsden & McCormick LLP. That audit report was reviewed, accepted and approved by the Board at its September 23, 2019 meeting. The 2018-19 audit report along with all previous independent audit reports of BFSA's finances, are available on the BFSA's website.

Budget

BFSA took several actions regarding its budget during the 2018-19 fiscal year:

- In March 2019, the BFSA's Audit, Finance and Budget Committee authorized by resolution the posting in at five separate locations of the Buffalo and Erie County Public Library system of BFSA's proposed 2019-20 budget and 2020-2023 Financial Plan. This action complied with regulations of the Office of the State Comptroller that BFSA make available the proposed budget and financial plan for public inspection for at least 30 days before Board approval, and not less than 60 days before the commencement of the next fiscal year, and for a period of not less than 45 days. In addition, the proposed budget and financial plan was posted on BFSA's website.

- In June 2019, after the public review period had been completed the BFSA adopted the 2019-20 budget and 2020-2023 Financial Plan.

Health Insurance Plans

In 2018-19, BFSA offered the following employee benefit plan options through the New York State Health Insurance Program: Empire Plan, Independent Health, and Blue Cross Blue Shield. Additionally, dental and vision plans are offered.

Leases

BFSA is a current party to a lease with the Sinatra and Company Real Estate for its offices in the Market Arcade Building located at 617 Main Street, Suite 400, Buffalo, New York, 14203. The monthly amount is currently $3,662; the BFSA expended $43,940 for the fiscal year ended June 30, 2019.

Cumulative Financial Impact of Actions Taken by the BFSA

As discussed within this Annual Report, there are various powers provided to the BFSA that, upon action by the BFSA, have resulted in financial impact to the City and Covered Organizations. A cumulative summary of such actions is as follows:

Cumulative Financial Impact of BFSA and the BFSA Act (Table 1)		
BFSA Actions		
Deficit Borrowing	$26.9	million
Wage Freeze Savings	$57.8	million
District Subsequent Wage Freeze Savings - through June 30, 2017	$168.1	million
Drawdown of Efficiency Grants	$20.1	million
Subsequent Wage Freeze Impact on Firefighters' Arbitration Award	$14.5	million
Reduction in Cosmetic Surgery Expenditures City-wide	$10.6	million
Savings on Debt Issuance Costs	$5.0	million
Interest Earnings over what the City could have earned	$3.9	million
Disapproval of BMHA Labor Contracts	$2.4	million
Refinancing of City Debt	$1.8	million
2015A Refunding of outstanding 2005A & 2006A series	$1.4	million
Participation in JSCB Phase II Bond Pricing	$1.0	million
Deputy Superintendent's Separation Agreement	$0.2	million
Subtotal	**$313.7**	**million**
City and Covered Organization Financial Plan Actions		
Fiscal Year 2003-04		
City Financial Plan Actions in 2003-04	$2.9	million
District Financial Plan Actions in 2003-04	$37.4	million
BURA Financial Plan Actions in 2003-04	$2.4	million
Fiscal Year 2004-05		
City Financial Plan Actions in 2004-05	$22.9	million
District Financial Plan Actions in 2004-05	$19.7	million
BMHA Financial Plan Actions in 2004-05	$1.0	million
Reduction of Proposed Capital Bond Sale	$6.7	million
Fiscal Year 2005-06		
City Financial Plan Actions in 2005-06	$4.9	million
District Financial Plan Actions in 2005-06	$21.6	million
BMHA Financial Plan Actions in 2005-06	$4.0	million
Fiscal Year 2006-07		
City Financial Plan Actions in 2006-07	$5.1	million
District Financial Plan Actions in 2006-07	$16.2	million
Subtotal	**$144.8**	**million**
Total Impact to Date	**$458.5**	**million**

Cumulative Financial Impact of BFSA and the BFSA Act (Table 2)
Other Actions
Credit Related:
Improved City credit rating to AA- stable from Fitch (2017)
Improved BFSA credit rating to AAA stable from Fitch (2015)
Improved City credit rating at A+ stable from S&P (2014)
Received rating on BAN from Moody's at MIG I Stable (2013)
Improved City credit rating at A1 stable from Moody's (2012)
Improved City credit rating at A stable from S&P (2011)
Recalibrated BFSA credit rating to Aa1 stable from Moody's (2010)
Recalibrated BFSA credit rating to AA+ stable from Fitch (2010)
Rated City credit rating at A+ stable level from Fitch (2010)
Recalibrated City credit rating to A2 stable from Moody's (2010)
Improved City credit rating to A- stable from S&P (2009)
Improved City credit rating to BBB+ stable from S&P (2008)
Improved BFSA credit rating to AA stable from Fitch (2007)
Improved City credit rating to Baa2 stable from Moody's (2007)
Improved City credit rating to BBB-stable from S&P (2006)
Improved BFSA credit rating to Aa2 stable from Moody's (2006)
Improved outlook on City debt from Moody's (2006)
Improved outlook on City debt from Standard & Poor's (2003)
Debt Related
Reduced authorized-unissued City debt by $27.7 million (2005)

Cumulative Financial Impact of BFSA and the BFSA Act
(Table 3)

Other Actions

Labor Related:

Reviewed a City of Buffalo labor agreement with the Buffalo Professional Firefighters Association, Inc. "Local 282"

Reviewed a Buffalo School District labor agreement with the Transportation Aides of Buffalo ("TAB")

Reviewed two Buffalo Municipal Housing Authority labor agreements including Local 264 - Blue, White and Managerial employees and Local 17 - "Operationg Engineers"

Reviewed three Buffalo School District labor agreements including the Buffalo Council of Supervisors and Administrators ("BCSA"), Substitutes United/Buffalo - NYSUT and Local 264 - Food Service Workers (2018)

Reviewed a City of Buffalo labor agreement with Water Caulkers Local 264T (2018)

Reviewed a BURA labor agreement with AFSCME Local 815 (2018)

Reviewed a labor agreement between the Buffalo Teachers Federation ("BTF") and the Buffalo School District (2017)

Reviewed impact negotiations for BMHA employees of Local 264 (2017)

Reviewed two City of Buffalo labor agreements including Crossing Guards and Local 17 "Operating Engineers" (2017)

Reviewed three City of Buffalo labor agreements including Police Benevolent Association ("PBA"), Local 264 "Blue Collar" and Local 2651 "Building Inspectors (2016)

Reviewed a City of Buffalo labor agreement with Local 650 "White Collar" (2015)

Reviewed a BURA labor agreement with AFSCME Local 815 (2015)

Reviewed three District labor agreements including Local 264 - Food Service Workers and Summer Food Service Workers, Transportation Aides of Buffalo, and a Retirement Incentive with BCSA (2015)

Reviewed two City of Buffalo labor issues including an Arbitration Award with the PBA (2013) and a CBA with the Water Caulkers Local 264T (2014)

Reviewed a District labor agreement including a retirement incentive for Cafeteria Cook Managers Local - 264 (2014)

Reviewed three District labor agreements including a retirement incentive for Cafeteria Managers (2012), a CBA for Blue Collar employees (2012), and a MOU with the BTF (2013)

Reviewed two City of Buffalo labor agreements including a CBA with the Crossing Guards (2012) and the Buffalo Firefighters - Local 282 (2013)

Reviewed a CBA between BMHA and Local 17 - Operating Engineers (2013)

Approved a new wage and benefit package with City's Local 17 - Operating Engineers (2012)

Implemented new wage and benefit package with BURA's employees (2011)

Disapproved a new wage and benefit package with BMHA's Local 17 - Operating Engineers (2011)

Implemented new wage and benefit package with BMHA's Exempt Non-Represented employees (2010)

Implemented new labor contract with the District's Summer Food Service Workers (2012, 2010 and 2008)

Implemented new labor contract with the Districts Substitutes United/Buffalo - NYSUT (2009)

Implemented new labor contract with BMHA's Blue, White and Managerial class employees, Local 264 (2009)

Implemented new labor contract with the City's Building Inspectors (2009)

Implemented new labor contract with Transportation Aides of Buffalo and the District (2009)

Implemented new labor contract with the City's Blue-Collar workers (2009)

Implemented new labor contract with cooks and food service workers and the District (2008)

Implemented new labor contract with the Buffalo Educational Support Team and the District (2008)

Implemented new labor agreement with the City's White-Collar workers (2008)

Implemented new labor contract with Buffalo Crossing Guards, Inc. (2008)

BFSA Reports on the 2019-20 Budgets and 2020-2023 Financial Plans of the City of Buffalo and the Covered Organizations

Overview

This section summarizes the financial plans of the City of Buffalo and the Covered Organizations which include the Buffalo City School District, the Buffalo Urban Renewal Agency, and the Buffalo Municipal Housing Authority.

The initial 2020-2023 Financial Plan was submitted by the Mayor to BFSA on May 1, 2019 in accordance with the timing requirements of the BFSA Act. The BFSA declared the preliminary 2020-2023 Financial Plan to be incomplete due to BURA's financial plan. BURA's financial plan included higher revenues than what was ultimately allocated by HUD. BURA was requested to submit a revised Financial Plan to BFSA. The final financial plan was submitted to BFSA on(June 13, 2019 and approved by the BURA Board on June 27, 2019.

The City Common Council approved the City budget on May 16, 2019, and the Mayor submitted the adopted budget and final four-year financial plan to the BFSA on June 10, 2019. The District approved the budget on May 15, 2019; a final financial plan was not submitted. The BMHA's Board of Commissioners approved both the annual budget and four-year financial plan on April 25, 2019 which was subsequently submitted to BFSA on May 1, 2019.

On June 17, 2019, the BFSA reviewed the final 2020-2023 Financial Plan and determined that it was complete and complied with the standards set forth in the BFSA Act.

The BFSA's detailed analyses of the City and the Covered Organization's financial plans follow in this section.

City of Buffalo

Report on the 2019-20 Adopted Budget and 2020-2023 Financial Plan

OVERVIEW OF THE 2019-20 ADOPTED BUDGET

Overview

The 2019-20 Adopted Budget for the City of Buffalo (the "City") provides General Fund expenditures of $508.7 million, representing a decrease of $4.9 million, or 1.0 percent, over last year's adopted budget of $513.6 million. Total 2019-20 revenues are estimated at $508.7 million, a decrease of $0.9 million, or 0.2 percent, below the prior year's estimated revenues of $509.6 million. The City's budget is balanced and does not rely on the use of fund balance; additionally, there is no intent to utilize restricted fund balance. The City's fiscal year is from July 1 to June 30.

The following summary provides a high-level overview of the components of the City's budget and provides additional detail on key changes and differences from the prior year.

Budget Summary

Total budgeted appropriations of $508.7 million includes other financing uses (i.e., transfers out) of $100.2 million. This balance consists of three separate transfers: the annual transfer to the Buffalo City School District (the "District") ($70.8 million), the transfer to the Debt Service Fund for the payment of principal and interest due in 2019-20 on outstanding debt ($29.0 million), and a transfer to the Capital Projects Fund ($0.4 million). Total budgeted appropriations for transfers out on a year-to-year basis represent an increase of $1.1 million and is attributed to an increase in the transfer to the Debt Service Fund for principal and interest on debt. This is the second consecutive budget proposal that does not include a transfer to the City's Solid Waste and Recycling Fund. In 2018-19, the City increased the fee structure for refuse services in order for the fees to support the expenditures of the fund without the need for a subsidy by the General Fund.

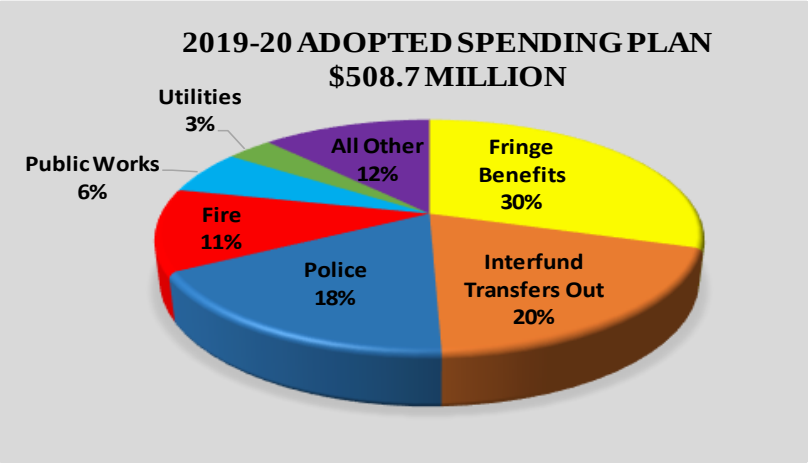
The largest transfer out is to the District in the amount of $70.8 million. The District is a dependent school district, as established by New York State (the "State"), and cannot levy taxes; as such, it relies on an annual contribution from the City to partially fund operations.

The City's tax levy as proposed for 2019-20 is $147.9 million and has increased $2.6 million compared to the prior year tax levy of $145.3 million. This is the second year in a row that the City has proposed increasing the tax levy after twelve years of no increases to property taxes.

The remaining operating budget, excluding transfers, provides a clearer picture of the amounts budgeted by the City for the general operations of the City and the provision of City-wide services. This remaining amount is $408.5 million, compared to $414.5 million in fiscal year ("FY") 2019, and has decreased approximately $6.0 million, or 1.4 percent, on a year-to-year basis.

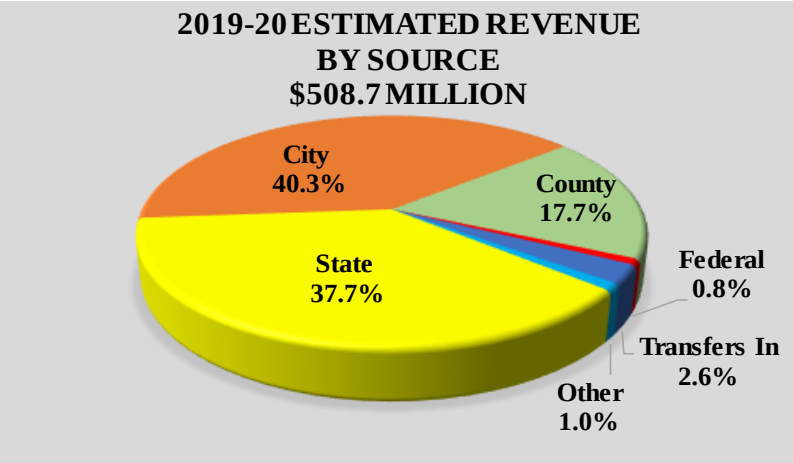
The following chart provides a summary of the budget with respect to categorizing the specific areas of spending:

The largest components of the budget are as follows: fringe benefits (30 percent), which includes health insurance for both active employees and retirees, pension contributions, employer payroll taxes, injured-on-duty payments, and other similar commitments; transfers out (20 percent); police department (18 percent); and fire department (11 percent). These four areas combined constitute 79 percent of the total budget. Public works comprises an additional 6 percent of total budgeted appropriations and utilities represents another 3 percent. All remaining departments and general charges comprise the remaining 12 percent of expenditures. On a year-to-year basis, the expenditure categories remain relatively stable with changes comprising less than one-half of one percent.



The following two charts provide a summary of the adopted budget with respect to total revenues and sources of those revenues:

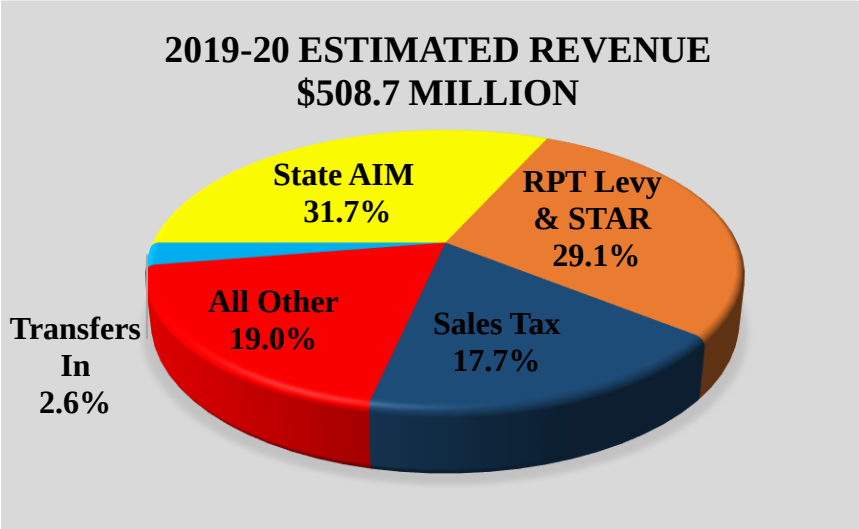
The first chart illustrates the main sources of estimated revenue of $508.7 million by summarizing the various revenues according to the originating source. The largest contributor of revenue to the City is the City itself, 40.3 percent, at $204.9 million, which is an increase of $6.2 million from last year's budgeted amount of $198.7 million. City revenue includes taxes (including property taxes), fines, licenses and permits, sale of land/assets, and various other miscellaneous revenue categories. This is the most significant categorical change from the prior year, in which New York State (the "State") was the largest revenue source provider to the City at 39.7% vs. City revenues of 39.0%. The shift is due to the increase in the City real property tax levy which increased on a two-year combined basis by $8.3 million, offset by a year-to-year reduction in casino revenues of $6.0 million attributed to timing as the 2018-19 budget provided for $17.0 million of casino revenue. In addition, budgeted School Tax Relief ("STAR") program revenue is reduced by $1.7 million as homeowners who have purchased a home since 2015 receive the refund directly from New



York State, as opposed to having the STAR payment made to the City by the State and reduce the homeowners overall tax burden to the City.

The second largest revenue source to the City is the State, which is budgeted to provide $191.7 million, or 37.7 percent to the City. This represents a decrease of $10.7 million from the prior year amount of $202.4 million. Total State Aid includes State Aid and Incentives to Municipalities ("State AIM"), Tribal State Compact ("TSC") revenue or casino revenue, School Tax Relief ("STAR") program revenue, grants and program specific funding. The third largest revenue contributor is Erie County (the "County") at 17.7 percent, with the most significant revenue source being sales tax, providing for $89.8 million. Other revenues to the City bring the total contributed amount from the County to $89.9 million. Total County revenue is estimated to increase $5.4 million, or 6.4 percent, in the adopted 2019-20 budget as compared to the prior year. This category has increased from 16.6 percent in the prior year, and is attributed to the continued projected growth in sales tax revenue and expected additional sales tax collections from internet sales that will begin to be collected in 2019-20. Transfers in from the Enterprise Funds of $13.3 million, or 2.6 percent of total revenues, includes transfers from the Water Fund ($7.3 million), the Parking Fund ($5.3 million), and the Solid Waste and Recycling Fund ($0.7 million). Transfers in are budgeted to decrease by $2.1 million, or 13.7 percent, over the prior year. There are two items that result in the year-to-year decrease: $2.5 million decrease in the transfer from the Parking Fund which is offset by a $350,000 increase in the transfer from the Water Fund. Federal revenue ($4.0 million) and other revenue ($4.9 million) each represent 0.8 percent and 1.0 percent, respectively, of total estimated revenue for fiscal year 2019-20; other revenue of $4.9 million represents service charges from other government entities. There were no significant categorical percentage changes from the prior year in either the transfers in, federal or other categories.

The next chart demonstrates the main categories of total estimated revenue of $508.7 million.



The largest categories are State AIM, City revenues consisting of the real property tax levy and STAR program revenue, and County sales tax. The City's real property tax levy and STAR revenue accounts for 29.1 percent of total estimated revenues, State AIM accounts for 31.7 percent and sales tax provided by the County accounts for 17.7 percent of the total estimated revenues. These three revenue sources compose 78.5 percent of the City's estimated revenues. As compared to last year, sales tax as a percentage of total revenue has increased 1.0 percent and the property tax levy and STAR category has increased 0.3%; these

increases are offset by a decrease in the all other category of 0.5 percent, transfers in of 0.4 percent and State AIM of 0.3 percent.

The adopted budget increases the City's property tax levy, including STAR, to $147.9 million in 2019-20 from $145.3 million in 2018-19, an increase of $2.6 million, or 1.8 percent. This is the second consecutive year that the property tax levy has been increased. The Mayor has committed to maintain a policy of controlling taxes, providing tax certainty for commercial businesses and homeowners, in an effort to attract more business and residents to the City of Buffalo. The City's available property tax margin is $90.8 million, representing an increase from the prior year of $67.1 million of $23.7 million, or 26.1 percent. Within the adopted budget, the City provides 47.9 percent of the tax levy to the District. The District's debt service is equivalent to 6.6 percent of the tax levy, while 19.6 percent of the tax levy is assessed for the City's debt service. From an operational standpoint, the City utilizes 32.5 percent of the levy while the District uses 41.3 percent of the tax levy for operations.

The adopted budget will utilize 53.3 percent of the City's constitutional taxing capacity, a decrease from the 60.1 percent utilized last year. The City is in the process of conducting a City-wide property reassessment which will be effective beginning in 2020-21.

Excluding the use of restricted fund balance for capital outlay in 2018-19, revenues are projected to decrease $0.9 million, or 0.2 percent, on a year-to-year basis; these increases are discussed within the "Estimated Revenues" section of this report.

The City did not plan on using unassigned fund balance in the 2019-20 budget. For the year ended June 30, 2018, the City reported a deficit and reduction in fund balance of $22.9 million, resulting in the full use of remaining unassigned fund balance of $6.5 million and the remaining deficit of $16.4 million reducing assigned fund balance. The Rainy Day Fund has remained intact, which was $38.7 million at June 30, 2018; a formal Rainy Day Policy related to the use of these funds has not been adopted.

Spending Levels Compared to 2018-19

Compared to the 2018-19 adopted budget, proposed City spending is decreasing by $4.9 million, or 1.0 percent, over the prior year adopted budget. Of that decrease, $1.5 million is attributed to departmental costs and is due to a budgeted decrease for capital outlay of $1.4 million and personal service costs of $0.8 million, offset by increases in services and supplies of $0.3 million each and travel of $0.1 million. General charges are decreasing on a budgetary basis by $4.5 million, largely due to a decrease in budgeted fringe benefits of $3.7 million. Transfers out are increasing by $1.1 million.

The following schedule compares the adopted 2019-20 budget to the prior year adopted budget, and includes actual amounts reported for the year ended June 30, 2018. There are five departments decreasing year-to-year by a combined $4.0 million and include the police, fire, law, public works and human resources departments. The most significant changes are in the police and fire departments which are being reduced by $3.4 million combined. The remaining ten departments account for a net increase of $1.4 million.

	Fiscal Year Ended June 30, 2018 Actual	2018-19 Adopted Budget	2019-20 Adopted Budget	Increase (Decrease) over Prior Year Budget
	($ in millions)			
Departments				
Common Council	$ 2.3	$ 2.4	$ 2.5	$ 0.1
City Clerk	2.6	2.7	2.9	0.2
Mayor & Executive	4.5	5.1	5.5	0.4
Audit & Control	2.8	3.5	3.6	0.1
Law	3.0	3.6	3.3	(0.3)
Assessment	2.5	2.7	2.7	-
MIS	4.6	5.3	5.6	0.3
Administration & Finance	8.7	9.4	10.0	0.6
Parking	2.8	3.1	3.2	0.1
Police	90.1	91.4	89.6	(1.8)
Fire	60.5	59.7	58.5	(1.2)
Human Resources	5.1	5.7	5.6	(0.1)
Public Works	30.0	31.2	31.0	(0.2)
Community Services	4.4	4.5	4.8	0.3
Permits & Inspections	5.5	5.8	5.8	-
TOTAL DEPARTMENTS	**229.4**	**236.1**	**234.6**	**(1.5)**
GENERAL CHARGES				
Grants In Aid	0.3	0.9	1.1	0.2
Utilities	15.5	17.3	17.1	(0.2)
Services	1.3	1.4	1.4	-
Other	7.1	4.1	2.7	(1.4)
Fringe Personal Services	5.3	5.4	6.2	0.8
Fringe Benefits:				
Active Employee Health Insurance	36.7	39.6	38.5	(1.1)
Retiree Health Insurance	36.0	39.4	38.6	(0.8)
FICA & Medicare Payroll Taxes	14.3	14.4	14.9	0.5
Employment Retirement System	9.5	12.0	10.3	(1.7)
Police & Fire Retirement System	31.0	32.8	31.3	(1.5)
All Other Fringe Benefits	7.6	10.5	11.4	0.9
Debt Service	0.1	0.6	0.4	(0.2)
Subtotal General Charges	**164.7**	**178.4**	**173.9**	**(4.5)**
Interfund Transfers Out - Education	70.8	70.8	70.8	-
Interfund Transfers Out - Other	29.3	28.3	29.4	1.1
Subtotal Transfers Out	**100.1**	**99.1**	**100.2**	**1.1**
TOTAL GENERAL CHARGES AND TRANSFERS OUT	**264.8**	**277.5**	**274.1**	**(3.4)**
TOTAL BUDGET	**$ 494.2**	**$ 513.6**	**$ 508.7**	**$ (4.9)**

The adopted 2019-20 budget includes the following special initiatives to help improve the quality of life across the City of Buffalo, as follows:

- An additional $125,000 has been budgeted for the Summer Youth Employment Program bringing the total budgeted amount to $1.9 million;
- A total of $1.4 million has been budgeted to the Buffalo Olmsted Parks Conservancy;
- $1.1 million for Grants in Aid for cultural and anti-violence grants;
- $513,000 to continue to fund the Police Body Camera program, for a total of $1.0 million;
- $500,000 for the Say Yes to Education Initiative (current year contribution would bring total commitment since FY 2011 to $2.8 million);
- $201,000 to Buffalo Place to assist with maintenance of Rotary Rink and downtown corridors;
- $191,000 for various historical and cultural venues across Buffalo including: Buffalo Zoo, Buffalo Place, Kleinhans Music Hall, Buffalo Historical Society, and the Dr. Lords Library;
- $150,000 in continued funding for Buffalo Peacemakers;
- $125,000 to Say Yes to Education and the District for summer enrichment programs for District students;
- $100,000 for the Police Athletic League to expand recreational activities;
- $35,000 to continue supporting AmeriCorps members in Buffalo;
- $20,000 to continue the mentoring program sponsored by Game Changers;
- Consolidation of the City and district Data centers;
- Thirty-four clean sweep initiatives planned.

Departmental Budgeted Expenditures

At the departmental level, total budgeted appropriations are $234.6 million, a decrease of $1.5 million over last year's adopted budget of $236.1 million, representing a decrease of 0.6 percent. Total actual departmental spending in 2017-18 was $229.4 million; the adopted 2019-20 budget amount of $234.6 million reflects an increase of $5.2 million, or 2.3 percent.

The budget reflects the additional labor costs associated with the various collective bargaining agreements ("CBAs") settled over the past several years. These increased costs associated with salary increases are offset with lower starting salaries for new employees. All contracts are settled through the end of 2018-19, with three CBAs set to expire on June 30, 2019 including the Police Benevolent Association (police officers), Local 264 (blue-collar), and Local 650 (white-collar); the contract with the Crossing Guards expires August 31, 2019. An additional two CBAs will expire on June 30, 2020, including Local 2651 (building inspectors) and Local 17 (operating engineers).

Five departments have budgeted decreases that total $3.6 million including the police department of $1.8 million (2.0 percent), the fire department of $1.2 million (2.0 percent), the law

department of $0.3 million (8.3 percent), public works of $0.2 million (0.6 percent), and human resources of $0.1 million (1.8 percent).

Eight departments are increasing on a year-to-year basis in the cumulative amount of $2.1 million and includes an increase of $0.6 million in administration and finance (6.4 percent), an increase of $0.4 million for the mayor and executive department (7.8 percent), an increase of $0.3 million for both community services (6.7 percent) and management information systems ("MIS") (5.7 percent), an increase of $0.2 million for the city clerk (7.4 percent), and $0.1 million each for common council (4.2 percent), parking (3.2 percent), and audit and control (2.9 percent).

There are two departments that are flat year-to-year and includes assessment and permits and inspections.

The decrease in the total departments budget is the result of a year-to-year decrease in budgeted capital outlay of $1.4 million and personal service costs of $0.8 million on a net basis, offset by increases in both services and supplies in the amount of $0.3 million and travel of $0.1 million for a net decrease of $1.5 million in departmental expenditures.

Comparing the 2019-20 Adopted Budget to actual results for the year ended June 30, 2018, there is an increase of $5.2 million, or 2.3 percent in departmental costs. Budgeted departmental costs exceed actual expenditures in all categories except for the police and fire departments. Actual expenditures for the police department were $90.1 million and $60.5 million for the fire department. Budgeted appropriations for the police department are $89.6 million, representing a decrease of $0.5 million. Budgeted appropriations for the fire department are $58.5 million, representing a decrease of $2.0 million. The decrease in both departments is reflective of the City hiring new employees at lower starting salary steps compared to those who have retired at a higher salary step. The City has estimated the impact from the hiring and training initiatives will reduce overtime and personal service costs. Overtime is a budget area that continues to require monitoring due to the Administration's past practice of exceeding budget as well as the minimum manning requirements of both departments. The police and fire department continue to exceed the amount budgeted for overtime, a trend that has been ongoing back to the inception of the BFSA in July 2003.

The City has incorporated various management tools into the CBA's to improve efficiencies and to control expenditures. Some examples of these management tools include a residency requirement for all new police and fire personnel, elimination of health insurance in retirement for new hires, a 24-hour shift schedule for the fire department and requiring employee contributions for health insurance. In addition, all contracts have moved beyond the previously typical five steps before an employee reaches their top salary step with all new hires now on an extended schedule that requires at least seven years of service prior to an employee reaching the top step, resulting in lower initial salaries for new hires.

General Charges

Total General Charges, excluding transfers out, are budgeted at $173.9 million for 2019-20, a decrease of $4.5 million, or 2.5 percent, from the prior year budget of $178.4 million. General charges include fringe benefits, utilities, grants, interdepartmental services, and debt service. General charges in 2017-18 totaled $164.7 million, with the current budget proposal of $173.9 million representing a difference of $9.2 million, or 5.6 percent.

The most significant budgetary decrease is in the fringe benefits category which is budgeted at $145.0 million, a decrease of $3.7 million, or 2.5 percent, over the prior year budget amount of $148.7 million. The majority of the decrease is due to a budgeted decrease in the annual pension contributions to the New York State Employees Retirement System (NYSERS) of $1.7 million (14.2 percent) and to the New York State Police and Fire Retirement System (NYSPFRS) of $1.5 million (4.6 percent). Additional decreases are noted for active employee health insurance of $1.1 million (2.8 percent) and retiree health insurance of $0.8 million (2.0 percent). The decreases are offset by an increase of $0.9 million (39.9 percent) in the salary adjustment line which provides a budgeted amount for contract negotiations and $0.5 million (3.5 percent) for employer payroll taxes.

Pension payments combined are budgeted to decrease from last year by $3.2 million, or 7.1 percent. The NYSERS contribution is projected to decrease by $1.7 million from $12.0 million to $10.3 million and the NYSPFRS contribution is budgeted to decrease $1.5 million, from $32.8 million to $31.3 million. The decrease of both the NYSERS and NYSPFRS contributions are reflective of individuals retiring from higher cost pension tiers and the replacement with employees entering pension tiers with lower contribution rates.

The City has budgeted a total of $77.1 million in 2019-20 for health insurance, consisting of $38.5 million for active employees and $38.6 million for retirees. Compared to the 2018-19 budget that is a decrease of $1.9 million, or 2.4 percent. The premium equivalent cost is estimated to increase 6.0 percent. The City is in the process of reviewing responses to a request for proposal for the pharmaceutical component and is expecting a reduction in costs for that component of health insurance.

The salary adjustment line has been budgeted at $3.3 million, an increase of $0.9 million from the $2.4 million budgeted last year. This budgeted amount is to provide resources for negotiating expired labor agreements.

Total fringe benefit costs in 2017-18 were $135.1 million, which is $9.9 million less than the adopted budget amount of $145.0 million, or 7.3 percent. Differences in fringe benefits between 2017-18 and the adopted 2019-20 budget are as follows: $3.3 million for the discretionary balance budgeted within the salary adjustment line, $3.0 million for retiree health insurance, $1.8 million for active employee health insurance, $0.8 million for NYSERS contributions, $0.6 million for employer payroll taxes, $0.3 million for NYSPFRS contributions, $0.5 million for workers' compensation, and all other fringe benefits net decrease of $0.4 million.

All other General Charges, including grants-in-aid, utilities, services, debt service, other and fringe personal services, are projected to decrease on a combined basis by $0.8 million, or 2.7 percent. The largest component of the decrease is related to the other category which decreases

by $1.4 million and is attributed to the elimination of $1.6 million in freeze funds which was a budget control mechanism in 2018-19 used to control spending. Both utilities and debt service are budgeted to decrease $0.2 million each. These decreases are offset by increases of $0.8 million in fringe personal services, representing payments to injured-on-duty public safety personnel, and grants in aid of $0.2 million. The increase to fringe personal services is due to the 4 percent increase that will be in effect July 1, 2019 for firefighters in addition to the City's portion of $12,000 to employees who receive service disability retirement through New York State.

For comparison purposes, all other General Charges (excluding transfers out) totaled $29.6 million for the year ended June 30, 2018, with a difference of $(0.7) million when compared to the 2019-20 adopted budget amount of $28.9 million. Individually, increases include $1.6 million for utilities, $0.9 million for fringe personal services, $0.8 million for grants in aid, $0.3 million for debt service and $0.1 million for services. These increases are offset by a decrease in the other general charges category of $4.4 million, which is attributed to a one-time judgment against the City that was expended in 2017-18.

Other Financing Uses

As previously noted, Transfers Out have increased by $1.1 million on a year-to-year basis due to an increase for principal and interest due on outstanding debt. This is the second consecutive year the City did not budget for a transfer to the Solid Waste and Recycling Fund, which historically has been subsidized by the General Fund between $3.2 to $3.6 million annually.

The amount budgeted for 2018-19 is consistent overall with the actual amount in 2017-18 of $100.1 million, but individual transactions changed significantly. In 2017-18, a total amount of $3.6 million was transferred to the Solid Waste and Recycling Fund and debt service payments were less by $4.2 million.

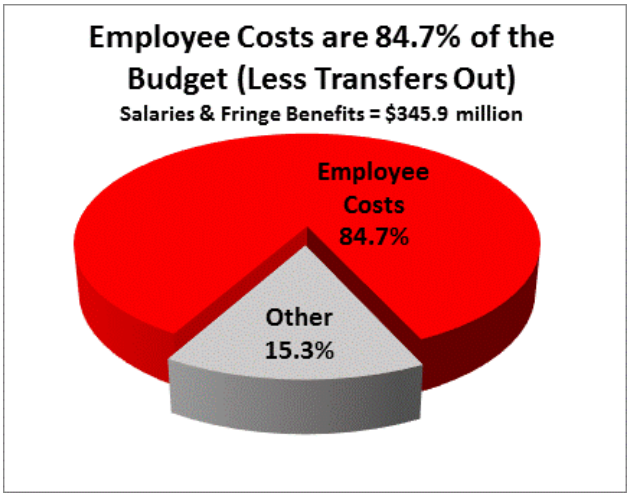
Employee-Related Costs

The vast majority of expenditures in the City budget are employee-related costs. Direct employee salaries and wages, coupled with fringe benefits such as health insurance, dental insurance, life insurance and pension, represent 84.7 percent of the City's General Fund expenditures exclusive of transfers. The City's historic employee-related costs average between 84-87% of total operational costs annually. The 2019-20 proposed budget includes $345.9 million in direct salary and fringe benefit costs, which are in total decreasing by $3.7 million, or 1.1 percent, over the amount budgeted in 2018-19 of $349.6 million. The decrease is reflective of several items, leading to the overall net decrease. As previously discussed, the budget for both the fire and police departments are decreasing on a year-to-year basis by a combined $3.0 million. Additionally, budgeted pension expenditures are decreasing by $3.2 million due to lower contribution rates and health insurance in total is budgeted to decrease by $1.9 million. These decreases are offset by increases in remaining budgeted departmental costs and fringe benefits, all of which are moderate, and no unusual fluctuations are noted.

Personal services, representing salaries and wages, including injured-on-duty salary payments, are held flat with a minimal increase of $50,000 from the 2018-19 budget amount of $200.8 million. The City has included increases in all departments for salaries and wages including both

contractual as well as estimated increases beyond the expiration of labor contracts in the out-years of the financial plan. The increases range between 1.0 to 2.0 percent annually, except for the fire department which increases by 4.0 percent annually based on contractually-based salary increases. Per the recommendations of the Buffalo Citizens Salary Review Commission, all elected positions will receive an increase in salary in the 2019-20 Adopted Budget. All eleven elected positions, including nine common council members, one mayor and one comptroller are included. Salary increases are effective on January 1 2020; the total salary increase for 2019-20 is $145,800 and the amount was included in the Mayor's Proposed Budget under the salary adjustment line. The Adopted Budget reflects the transfer into the respective elected official salary lines.

The following chart demonstrates the percentage of the total budget, less transfers out, that is comprised of employee costs:



The adopted budget includes an increase of thirty-one full-time equivalent positions ("FTEs") as compared to the 2019 adopted budget, which will be further discussed in detail in the staffing section of this report.

Personal service ("PS") costs for the police department are budgeted for $2.3 million (2.6 percent) less than the prior year; it is noted these costs are primarily for the uniformed officers but also include the civilians that work within the department. Annual salary is budgeted to decrease by $2.0 million, of which holiday pay and longevity are reduced by $0.3 million in total. These reductions are reflective of senior officers retiring and being replaced by new officers. These decreases are offset by a $0.4 million increase for overtime and an increase of $50,000 for court time. In addition, the field training officer line is increased $35,000 and is funded at $155,000. All other salary lines within the police department are decreasing by $33,400 on a net basis.

The City is planning to hire an additional seventy-five recruits during the 2019-20 fiscal year with two police academy classes of approximately 35 to 40 recruits each, with the first class schedule to begin in August 2019 and the second class to begin in January 2020.

The City has budgeted $9.5 million for police overtime for 2019-20. Overtime was budgeted at $9.1 million for the 2018-19 fiscal year and is projected to be $9.0 million for the year ending June 30, 2019. Overtime was initially projecting to be over budget for 2018-19 through the first half of the year, but due to hiring of new, additional police officers and management's focus on community policing as opposed to special operations, a decrease in overtime has occurred. Overtime has historically been under budgeted and has been funded largely through departmental vacancies and fund balance. The significant number of recruits hired in 2018-19 resulted in no vacancy related savings; however, the budget appears to be sufficient.

The fire department's budgeted personal service costs, including both firefighters and civilian workforce, is budgeted at $55.7 million, which is decreasing in the amount of $0.6 million. The

fire department currently has twenty-two vacant positions and is planning on adding up to 40 new fire trainees in 2019-20, through two classes. The City is planning on starting the next fire academy class in January 2020 and a second class is tentatively scheduled to begin in April 2020 based on attrition through the year. Budgeted annual salaries are decreasing by $1.3 million and overtime is increasing by $0.5 million. All other costs for the fire department are increasing on a net basis by $202,000. The decrease in annual salaries is reflective of a newer workforce that is beginning on a lower salary step and replacing those at the top salary step.

Historically, policies for controlling overtime and sick leave use have proven insufficient in reducing related expenditures. Under the most recent labor agreement with the firefighter's union, firefighters have moved to a 24-hour shift schedule as well as agreed to an enhanced home confinement policy, and also agreed to a maximum number of firefighters that can be granted paid-time off per shift. In addition, the City still has the option of closing a fire house and reassigning those firefighters to other firehouses if call-ins are excessive. With the influx of new firefighters and the transition to a 24-hour schedule, the average overtime expenditure per pay period has decreased from $410,200 to $178,700. Overtime was budgeted at $4.7 million for 2017-18 of which $6.8 million has been expended as of May 2, 2019. The current year-end estimate is between $7.7 million and $8.4 million, which is $3.0 to $3.7 million over the budgeted amount.

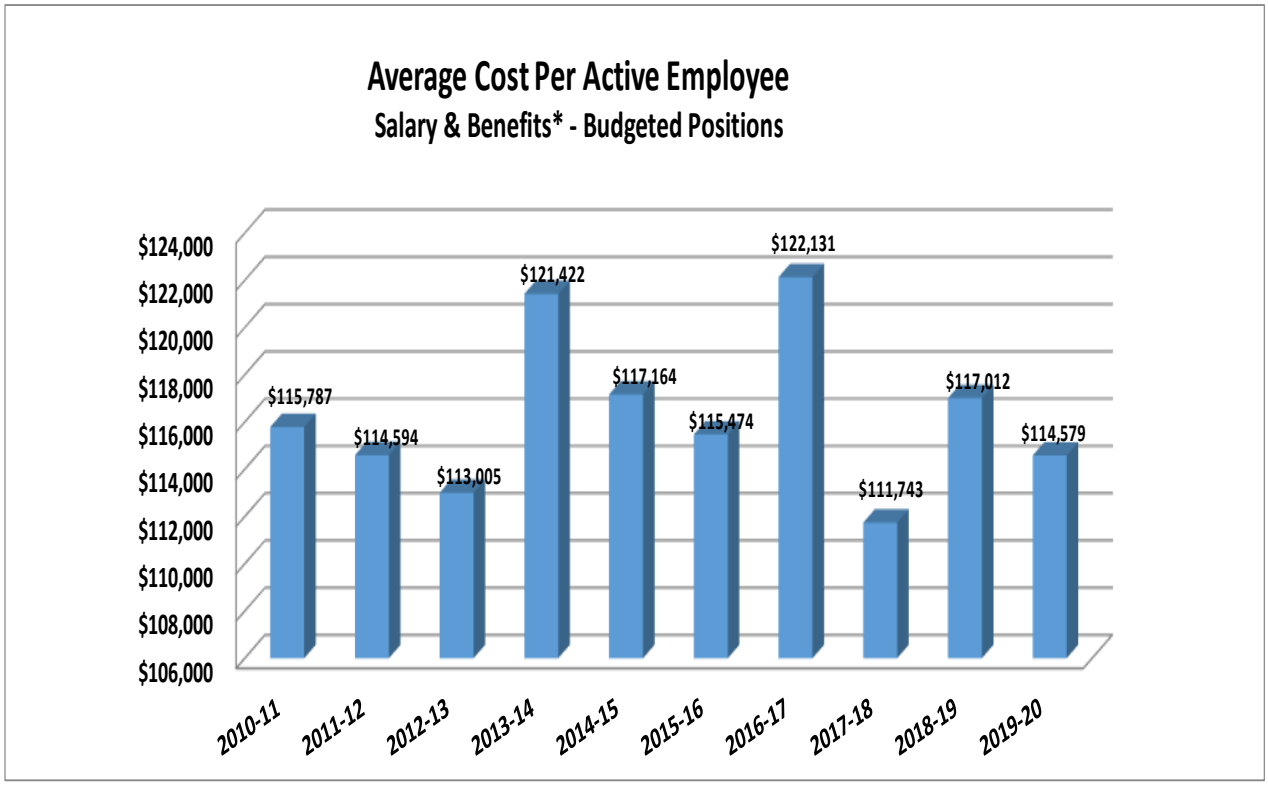
Similar to the police department, in prior years the City would use vacancy savings to cover overages in overtime; due to the increase in fire trainees, vacancy savings will not be available to cover the budget gap in 2018-19.

From 2018-19 to 2019-20, the City has increased budgeted overtime for police and fire by $365,000 and $461,000, respectively, for a total of $9.5 million and $5.2 million. Overtime continues to be an area of concern as it historically has been under-budgeted; however, the City has made strides in controlling overtime in 2018-19 and expects this to continue going forward.

All other expenditures including services, supplies, capital outlay and travel comprise the remaining 15.3 percent of the budget, or $62.6 million.

The following chart provides historical context in regard to the City's personnel costs over the past nine years. Employee costs for active employees, excluding retiree health insurance costs, have increased annually with personnel service costs increasing by $30.2 million (17.7%) and fringe benefits increasing by $14.3 million (15.3%). Personnel service costs have increased as a result of the settlement of employee contracts over the past decade. Fringe benefit costs increases are largely a result of health insurance premium increases, and to a lesser extent pension contributions and employer payroll taxes. In FY 2011, actual employee costs totaled $264.2 million; compared to the adopted 2019-20 budget of $308.8 million, this represents an increase of $44.6 million (16.9 percent) over the ten-year period. More specifically, employees' salaries and compensation have increased from $170.7 million to $200.9 million, or $30.2 million (17.7 percent) over this period, while fringe benefits have increased from $93.5 million to $107.9 million or $14.4 million (15.4 percent). On a year-to-year basis, budgeted employee compensation is increasing by $50,000 and fringe benefits are decreasing by $3.0 million, with NYSERS pension contributions decreasing by $1.7 million, NYSPFRS pension contributions reduced by $1.5 million, and active employee health insurance decreasing by $1.1 million. These

decreases are offset by increases within the salary adjustment line of $0.9 million and employer payroll taxes of $0.5 million. All other fringe benefits are consistent year-to-year, with a net increase of $0.1 million.



***Eliminates retiree health insurance from total PS costs.**

In 2010-11, the average actual cost per employee for salary and fringe benefits was $115,787. For the upcoming 2019-20 fiscal year, the average budgeted cost per City employee is $114,579, a decrease of $1,208, or 1.0 percent as compared to 2010-11. The decrease per employee is attributed to lower overall salaries resulting from turnover and employees starting at lower salaries than those who are replaced, and lower pension costs due to the State's implementation of Tiers 5 and 6 within the retirement systems which require lower employer contributions. The figures above exclude retiree health insurance costs to reflect the total cost per active employee.

The amount budgeted for health insurance for retirees for 2019-20 is reduced by $0.8 million (2.0 percent) from the prior year; the total amount budgeted is $38.6 million. Health insurance for active employees is budgeted at $38.5 million in 2019-20, a decrease of $1.1 million (2.8 percent) compared to the 2018-19 budget amount of $39.6 million.

The chart below provides a ten-year schedule of health insurance costs, with actual amounts provided for 2011 to 2018 and budgeted amounts for 2019 and 2020. Health insurance is budgeted to increase by $16.1 million (26.4 percent) over the actual amounts incurred in 2010-11. The actual increase from 2011 to 2018 was $11.3 million, or 18.5 percent. It is noted the City became self-insured for health insurance on January 1, 2016 and self-insured for prescription drug coverage on September 1, 2011. The City has purchased a stop-loss insurance

policy to mitigate the exposure to the City for unpredictable and high cost claims. The City is currently in the process of bidding out the prescription drug component of health insurance and has projected savings in the 2019-20 budget.

Health Insurance										
	ACTUAL								Budgeted	
FYE	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Active	$ 29.2	$ 29.7	$ 28.4	$ 28.6	$ 28.8	$ 29.7	$ 35.6	$ 36.7	$ 39.6	$ 38.5
Retiree	$ 31.8	$ 36.7	$ 38.0	$ 41.2	$ 42.1	$ 38.4	$ 33.0	$ 35.6	$ 39.4	$ 38.6
Total	**$ 61.0**	**$ 66.4**	**$ 66.4**	**$ 69.8**	**$ 70.9**	**$ 68.1**	**$ 68.6**	**$ 72.3**	**$ 79.0**	**$ 77.1**

Staffing Levels

The 2019-20 adopted budget includes a net increase of thirty-one positions from the 2018-19 budget. The following table shows budgeted staff changes within the various departments from the adopted 2018-19 budget to the adopted 2019-20 spending plan:

	2018-19 Adopted	2019-20 Adopted	Change	2018-19 3rd Quarter Filled	Variance to Adopted 2019-20 Budget
Animal Control & Shelter	15	15	0	14	(1)
Assessment & Taxation	34	34	0	30	(4)
Audit & Control	49	50	1	43	(7)
Budget & Urban Affairs	11	13	2	9	(4)
City Clerk	20	22	2	17	(5)
City Council	39	40	1	39	(1)
Community Services	33	31	(2)	27	(4)
Division of Buildings	60	61	1	52	(9)
Engineering	67	67	0	63	(4)
Fire (Non-Uniform)	44	48	4	42	(6)
Fire (Uniform)**	742	742	0	719	(23)
Forestry	6	6	0	5	(1)
Human Resources	19	20	1	17	(3)
Law	33	33	0	30	(3)
Mayor & Executive	75	80	5	69	(11)
MIS	29	31	2	25	(6)
Parking	39	39	0	33	(6)
Parks	35	35	0	28	(7)
Parks Admin.	3	4	1	3	(1)
Permits & Inspections	95	95	0	86	(9)
Police (Non-Uniform)	204	205	1	178	(27)
Police (Uniform)*	804	798	(6)	758	(40)
Public Works (Gen Office)	5	10	5	4	(6)
Purchase	26	27	1	23	(4)
Recreation	20	20	0	20	0
Sanitation & Streets	126	135	9	131	(4)
Telecommunications	5	5	0	5	0
Treasury & Collections	13	16	3	15	(1)
Total	**2,651**	**2,682**	**31**	**2,485**	**(197)**

* **Uniformed Police** positions are budgeted at 798 and decrease by six FTE's compared to the 2018-19 budget. The decrease of six positions is related to the elimination of six positions that became vacant when individuals holding those titles retired this past year; the City determined there would be no negative impact on operations in eliminating these positions which include three police inspectors and three detective sergeants.

A total of 804 positions were budgeted for 2018-19; as of March 31, 2019, the City had filled 758 positions which is a decrease of 28 FTE's compared to the third quarter count of 786 FTE's at March 31, 2018. The City expects this number to decline further through the remainder of the current year due to retirements. The City intends to hire up to seventy-five police recruits during 2019-20 consisting of two recruit classes of which one is scheduled to begin in August 2019 and a second class is anticipated in spring 2020. The City has included an attrition rate of 20 sworn police officers due to retirement next fiscal year. There are currently 56 sworn police officers that are at least 55 years old and have 30 years of service and are eligible to retire, representing 7.4 percent of the current force. Taken together, it is therefore improbable the City will staff 798 uniformed Police positions in 2019-20 with a more realistic expectation of 760 to 780 uniformed police officers on the force by the end of FY 2019-20.

** **Uniformed Fire** positions were budgeted at 742 in the 2018-19 fiscal year and are budgeted to remain flat in 2019-20. The addition of new hires in the current year offset the number of retirements, resulting in an increase in the size of the force to 719 at March 31, 2019, as compared to 672 at March 31, 2018, representing an increase of 47 FTE's. The City is estimating thirty retirements during the 2019-20 fiscal year and anticipates hiring 40 fire recruits in 2019-20 with a recruit class tentatively scheduled for January 2020; a second class in the spring may be added based on the department's staffing needs. The City expanded the number of budgeted positions in the 2018-19 budget to accommodate the hiring of larger recruit classes to offset retirements; the City uses the increased count to assist in hiring larger recruit classes but does not intend to maintain permanent positions at that level. It is most likely the City will have approximately 690 to 710 uniformed firefighters depending on the final number of retirements and recruits. There are currently 52 firefighters that are at least 55 years old and have at least 30 years of service and are currently eligible to retire, which is approximately 7.2 percent of the current workforce.

On a year-to-year basis, the total number of budgeted positions increased by thirty-one FTEs, or 1.2 percent over last year. The most significant increase is in the streets and sanitation department, which is budgeted to increase by nine positions which include five (5) FTEs for heavy equipment/truck drivers, two (2) laborers/street worker titles, one (1) fleet coordinator, and one (1) supervisor for street sanitation). Other increases include five (5) FTEs in both the mayor and executive department and public works general office, four civilian positions in the fire department, three positions in the department of treasury and collections, two positions in the departments of budget and urban affairs, management and information systems, and city clerk and an increase of one position in the departments of audit and control, city council, division of buildings, parks administration, human resources, police department civilians, and purchase.

These positions are offset by a reduction of eight budgeted positions including six positions in the police department for sworn officers and two in community services. There are no staffing changes in the remaining four departments. All eliminated positions are currently vacant.

The following schedule provides a summary of the composition of the fire and police forces as of April 1, 2019, summarized by membership in pension tier and including the average age, average years of service, median age and median years of service by tier. As noted below, the largest pension tier membership remains Tier 2 with a combined 730 FTEs which has decreased on a

year-to-year basis by 94 employees compared to 824 in 2017-18. As a reference, 2015-16 had 1,005 FTEs in Tier 2, which is a decrease of 275 Tier 2 FTEs over the last three years. On average, most protective service employees retire after 25 to 30 years of service.

Fire	# FTE's	Average Years of Service	Average Age	Median Age	Median Years of Service	Tier as Percent
Tier 1	-	-	-	-	-	-
Tier 2	341	21.5	50.1	51.2	22.5	47.4%
Tier 3	18	8.5	38.3	36.2	8.6	2.5%
Tier 4	-	-	-	-	-	-
Tier 5	59	7.0	38.3	36.7	7.0	8.2%
Tier 6	302	2.4	32.6	31.7	2.9	41.9%
Total Count	**720**	**13.0**	**42.3**	**42.4**	**13.4**	**100.0%**

Police	# FTE's	Average Years of Service	Average Age	Median Age	Median Years of Service	Tier as Percent
Tier 1	1	35.2	64.5	64.5	35.2	0.1%
Tier 2	389	19.7	47.6	49.0	20.7	51.3%
Tier 3	4	7.9	40.1	40.7	9.7	0.5%
Tier 4	1	9.7	52.1	52.1	9.7	0.1%
Tier 5	50	6.6	34.4	34.0	7.2	6.6%
Tier 6	313	2.8	30.6	30.1	2.4	41.3%
Total Count	**758**	**13.4**	**41.2**	**41.7**	**13.4**	**100.0%**

Estimated Revenues

The adopted budget includes total estimated revenues and other financing sources of $508.7 million, representing a decrease of $0.9 million, or 0.2 percent, over the 2018-19 budget. The following table shows estimated revenues by category for 2019-20 as compared to prior year and includes year-end actual revenue as of June 30, 2018 for a reference:

	Fiscal Year Ended June 30, 2018 Actual	2018-19 Adopted Budget	2019-20 Adopted Budget	Increase (Decrease) over Prior Year Budget
	($ in millions)			
Revenue				
Taxes	$ 151.4	$ 157.1	$ 158.7	$ 1.6
Non-Property Taxes	11.4	12.1	11.6	(0.5)
Licenses and Permits	5.3	6.1	6.2	0.1
Intergovernmental	252.8	268.9	269.0	0.1
Service Charges	14.0	15.9	20.0	4.1
Fines	11.0	15.2	13.7	(1.5)
Interest	0.9	0.6	1.2	0.6
Miscellaneous	6.6	18.3	15.0	(3.3)
TOTAL REVENUE	**453.4**	**494.2**	**495.4**	**1.2**
Resources				
Transfers In	17.9	15.4	13.3	(2.1)
TOTAL OTHER RESOURCES	**17.9**	**15.4**	**13.3**	(2.1)
TOTAL REVENUE & RESOURCES	**$ 471.3**	**$ 509.6**	**$ 508.7**	**$ (0.9)**

Revenues, excluding transfers in, are budgeted to increase $1.2 million, or 0.2 percent, while transfers in are projected to decrease by $2.1 million, or 13.6 percent, for a net decrease of $0.9 million, or 0.2 percent, year-to-year. Total revenue in 2017-18 was $471.3 million consisting of $453.4 million of departmental revenue and $17.9 million from transfers in. Significant

fluctuations noted in the revenue categories, as demonstrated in the table above, are discussed below.

The largest year-to-year budgetary increase is in the service charges category and is estimated to increase by $4.1 million, or 25.8 percent. Compared to the actual revenue in 2017-18, the budget reflects an increase of $6.0 million, or 42.9 percent. The budgeted increase is due to estimated increases in rental dwelling registration fees of $2.8 million, parking meter fees of $1.6 million, the entertainment fee surcharge in the amount of $750,000 which was previously included in the miscellaneous category, and $0.5 million for towing and storage fees. The rental dwelling registration fee is budgeted to increase by $2.4 million for estimated new revenue for a new mortgage default registration fee which requires a financial institution to register any property that is in the process of being foreclosed on, a rental registration fee increase in the amount of $0.2 million and an Airbnb fee estimated to generate approximately $0.3 million of new revenue. Parking meter fees are estimated to increase due to increased parking rates and additional metered spaces throughout the City; parking meter revenue is budgeted at $4.0 million for 2019-20, representing an increase of $1.5 million over the prior year. The entertainment ticket surcharge fee is a new revenue in the amount of $750,000; it is noted that this was budgeted last year in the amount of $2.0 million under the miscellaneous revenue category but there were no revenue receipts in 2018-19. The entertainment surcharge fee is based on agreed-upon payments from various organizations that utilize City-owned venues in the City and is in-lieu-of a ticket surcharge fee. The most significant budgetary decreases are for public utility inspector fees and treasury web payment fees. The public utility inspector fees decrease by $735,000 due to litigation with National Fuel. The City increased the fees assessed to National Fuel for street cuts in 2018-19, which are being disputed; the fee increase is in litigation and the budgeted decrease is reflective of the City returning to the prior fee structure before the increase in 2018-19. The City's treasury web payment fee is budgeted to decrease $280,000 as the City has contracted out this service as opposed to internally performing. The treasury web payment revenue has been generated from convenience fees; credit card processing will be outsourced on an ongoing basis due to an outdated system that presented security risks. The net change in remaining service charges are nominal and decrease by $61,000.

Taxes consist of the real property tax levy, interest and penalties, mortgage tax, the STAR program, and payment-in-lieu-of-taxes ("PILOTs"). Revenue for the taxes category is estimated to increase by $1.6 million, or 1.0 percent. The real property tax levy is increasing by $2.5 million to $147.9 million and under the amount allowable by the New York State tax cap; the remaining allowable amount of $2.3 million can be carried into the subsequent year. PILOT revenue is estimated to decrease by $1.0 million, of which $0.5 million is due to the expiration of such agreements and the inclusion of those properties on the tax roll and $0.5 million is due to a reclassification of PILOT revenue from the Niagara Frontier Transportation Authority to the intergovernmental revenue category. All other taxes are increasing $0.1 million on a net basis.

Interest income is projected to increase $600,000, attributed to better returns on City investments. The City budgeted $600,000 in 2018-19 and has earned over $1.0 million as of March 31, 2019.

Intergovernmental revenue in total is consistently budgeted with a minor $0.1 million increase over the prior year; a total of $269.0 million has been budgeted. Intergovernmental revenues include all revenues received from other government entities including federal, state and county governments. Several of the most significant revenues include State Aid and Incentives to Municipalities ("AIM"), County sales tax and the Tribal State Compact casino revenue. There are significant changes occurring within individual items comprising the overall revenue category. There is a year-to-year budgeted decrease in the amount of $6.0 million for the Tribal State Compact casino revenue. The City budgeted $17.0 million in the prior year that included estimated amounts from prior years that had not yet been remitted due to a pending dispute between the Seneca Nation and the State. The balance estimated for 2019-20 is based on a one-year estimate and assumes all past due casino revenue will have been received in 2018-19. Sales tax is increasing $5.4 million, or 6.4 percent, which consists of a general assumed increase of 4.3 percent which is equal to $3.6 million and an additional $1.8 million estimated for new sales tax collected from internet sales. The Medicare Part D reimbursement is budgeted to increase by $0.6 million. State AIM is held flat at $161.3 million per the New York State budget. As previously discussed, a reclassification in the amount of $0.5 million has been made to this category from the taxes (PILOT revenue) category. There are no other unusual or large fluctuations noted from the prior year. Actual intergovernmental revenue was $252.8 million in 2017-18 which is $16.2 million, or 6.4 percent, less than the 2019-20 budgeted amount. This is due to the difference in casino revenue as the City did not receive any casino revenue in 2017-18 and budgeted $11.0 million for 2019-20 and for sales tax which is projected to be $4.9 million higher due to the new internet sales tax legislation and overall year-to-year increases due to the general economy.

Licenses and permits are budgeted consistent year-to-year with a small increase of $0.1 million, or 1.6 percent, to $6.2 million. The increase is attributed to minimal changes across all the licenses and permits fees. Three significant changes include a reduction of $162,500 for building permits, a decrease of $140,000 from home improvement licenses, and an increase of $169,000 for street permits. All other lines are estimated to be increased by $0.2 million. Compared to 2017-18 which reported $5.3 million in revenue in this category, the budget represents an increase of $0.9 million.

The miscellaneous revenue category includes various items of which the most significant includes rental income, gifts and donations, entertainment ticket surcharges, grant reimbursement, court facility aid and proceeds from the sale of property and capital assets. In total miscellaneous revenue is budgeted to decrease $3.3 million, or 18.0 percent, from $18.3 million to $15.0 million. The areas with the most significant reductions include $1.3 million for the venue surcharge fee, $1.1 million for the sale of capital assets, $0.6 million in gifts and donations and $175,000 for court facility aid. All other miscellaneous revenue is decreasing on net basis of $0.1 million.

In 2018-19, the Administration proposed a new ticket surcharge for multiple entertainment venues in the City; the surcharge was budgeted for $2.0 million in 2018-19 and has been reduced in the 2019-20 budget to $0.75 million and is budgeted within the service charges category. The intent of the surcharge is to contribute to the costs of providing City services to the venues, including traffic control, police patrols and maintenance. The Administration continues to negotiate a fee with such applicable venues and has included $1.0 million in the budget under the miscellaneous category for an enhanced public facility parking fee. As such agreements have not been made, this revenue is uncertain.

The sale of capital assets is budgeted at $6.9 million, which is estimated at $1.1 million less than the prior year and is partially offset by in rem sales which are budgeted to increase by $0.2 million. The balance of $6.9 million estimated from the sale of capital assets is attributed to $2.1 million for proceeds from such sales and $4.8 million from a new program in which the City will purchase, and become owners of, properties prior to auction. Upon sale of the property and payment of all outstanding liens, the City will retain remaining proceeds as opposed to remitting them to the State as unclaimed funds.

Miscellaneous revenue totaled $6.6 million in 2017-18 and is estimated to increase $8.4 million (127.3%) in the adopted budget to $15.0 million. The increase is attributed to: $6.5 million for the sale of capital assets and property consisting of $4.8 million from the new program to retain auction proceeds and $1.7 million for the sale of capital assets, $1.4 million in gifts and donations as $0 was received in 2017-18 and the budgeted amount is reflective of commitments from organizations to provide these funds, and $1.3 million is attributed to the entertainment ticket surcharge which did not exist in 2017-18. These increases are offset by an estimated decrease of $1.3 million in prior-year cash refunds.

Fines are budgeted to decrease on a year-to-year basis by $1.5 million, or 9.9 percent, to $13.7 million and represents an area that should be monitored closely. The budget is $2.7 million higher than the actual revenue for the year ended June 30, 2018. The City is projecting a 2018-19 budget shortfall in this category of $3.7 million. If revenue from fines remain flat year-to-year this would represent a $2.2 million negative variance by the end of 2019-20. Decreases include a $2.7 million reduction in traffic violations fines and is based on historical and current year actuals. This decrease is offset by a budgeted increase of $565,000 for court fines and $400,000 for school zone camera fines. The school zone camera fines are a new revenue source, and the City plans on having the cameras installed and operational by the beginning of the school year in September. All other fines are budgeted to increase $320,000 on a net basis.

Non-property taxes are budgeted to decrease by $0.5 million and is attributed to a decrease in the Class I Utility collection.

Transfers in are budgeted at $13.3 million, a decrease of $2.1 million from the prior year budget amount of $15.4 million. The reduction reflects a decrease in the budgeted transfer from the Parking Fund of $2.5 million and offset by an increase in the transfer from the Water Fund of $0.4 million.

Fund Balance

The City's proposed 2019-20 budget is operationally balanced and does not rely on unassigned fund balance. Based on the final 2018 results of operations, total unassigned fund balance of $0 was reported at June 30, 2018 and the Rainy Day Fund of $38.7 million remained intact.

The City is no longer able to budget unassigned fund balance to fund budget deficits. Fund balance can only be replenished with surpluses, which are not projected over the Financial Plan. If the City runs a deficit in the current year, assigned fund balance would be used and if depleted, the Rainy Day Fund would need to be used. It is imperative the City remain structurally balanced as further draws on fund balance would further weaken the City's financial position, and at this time there is no budget mechanism for the City to replenish fund balance.

Enterprise Funds

In addition to the general fund revenues and expenditures that were discussed, it is important to include the City's Enterprise Funds when discussing the health of the City's finances. An Enterprise Fund by definition is a fund that provides services to the public for which fees are collected and are intended to fund a significant portion of operations. The City has three major enterprise funds which include the Parking Fund, Solid Waste and Recycling Fund and the Water Fund.

The Solid Waste and Recycling Fund has historically incurred an annual operating deficit that the City's General Fund was ultimately liable for. Up until the 2018-19 budget, the City budgeted a transfer of $3.2 million to the Solid Waste and Recycling Fund to assist in the support of its operations. The cumulative deficit in the fund is $67.0 million; of this amount, $19.5 million represents a long-term loan from the General Fund and is reported as nonspendable fund balance within the General Fund. Effective July 1, 2019, the Administration increased fees on all trash totes to generate additional revenue for the fund to be self-sustaining. In the event the fee increase is insufficient, and deficits continue to be reported, the General Fund will be required to fund such deficits either through a transfer or a cash loan. The intent is for any surplus generated by the Solid Waste and Recycling Fund be used towards repaying the General Fund.

The Parking Fund is in good fiscal standing and continues to subsidize General Fund operations. The budgeted transfer for 2019-20 is $5.3 million which is a decrease of $2.5 million compared to 2018-19 amount of $7.8 million. The Water Fund is budgeted to increase its transfer from $6.9 million to $7.2 million, an increase of $0.3 million.

To provide a more accurate review of the Enterprise Funds, it is recommended that the City include an FTE schedule similar to the one that is prepared for the General Fund. The City has included additional detail for the current year in regards to assumptions such as staff count and has discretely broken out payroll and fringe benefits, but does not provide the details for subsequent projected years.

2019-20 Budget Summary

In total, the City has budgeted appropriations of $508.7 million for FY 2019-20, representing a budgetary decrease of $4.9 million, or 1.0 percent, over the prior year. Of this total, departmental spending is budgeted to decrease $1.5 million and general charges is budgeted to decrease $3.4 million.

Significant decreases under general charges include NYSERS and NYSPFRS contributions ($3.2 million), health insurance for active employees ($1.1 million) and retirees ($0.8 million), and a decrease in other ($1.4 million). These decreases are offset by increases the salary accrual/adjustment line for the settlement of labor agreements ($0.9 million), fringe personal services ($0.8 million), and interfund transfers out ($1.1 million). In addition, debt service is decreasing by $0.2 million and all other expenditures are decreasing by $0.3 million.

The decrease in budgeted departmental costs are due to decreases in the police department ($1.8 million), fire department ($1.2 million), and the law department ($0.3 million). All other departments are increasing by $1.8 million on a net basis. The departmental decreases are projected based on reduced overtime needs for police as staffing increases and in fire due both to the increased staffing and revised contract terms providing for management efficiencies, as well as the salary differential projected between new employees and those leaving City service.

The City has historically underbudgeted overtime which in prior years was funded through vacancy savings; as vacancy savings have been reduced, the ability to fund overtime overages has been limited. Police overtime is currently projected to be within the budget for 2018-19 and fire overtime, while substantially over budget, has recently been reduced due largely to the new contract changes. We recommend this area be closely monitored as such costs can quickly escalate, especially with both departments bringing on new recruits.

It is furthermore noted that total departmental costs are decreasing by $1.5 million while staffing is increased by thirty-one full-time positions. The budget in 2018-19 was increased in this area by $13.9 million; the year-to-year decrease is reflective of the expectation that as individuals retire they are replaced with lower cost employees.

The City has estimated revenues of $508.7 million for 2019-20, which is a decrease of $0.9 million, or 0.2 percent, under the prior year budgeted amount of $509.6 million. State AIM is held flat over the prior year at $161.3 million; State AIM has not increased since 2010-11. Casino revenue is included at $11.0 million and assumes that all disputed amounts are remitted in the 2018-19 year; this was budgeted at $17.0 million in 2018-19. Property taxes, net of STAR, are budgeted to increase $2.5 million over 2018-19 due to an increase in the property tax levy. There is $1.4 million budgeted for gifts and donations and $750,000 in event surcharge fees, which were both budgeted in 2018-19 but have yet to be received. There is an increase of $2.9 million for housing enforcement service charges, including $2.4 million for the new mortgage default registration fee, $275,000 for registration of row houses and $272,000 for AirBnb enforcement fees. The City has included $4.8 million for the City's plan to take ownership of properties prior to the properties going to auction and retaining remaining proceeds. Approximately $12.7 million of the aforementioned revenue is new for the City and

may not materialize at the estimated amounts. All these revenues should be closely monitored as the City begins implementing the programs and collecting revenue.

Fines are projected to decrease by $1.5 million due to decreased volume in tickets for traffic adjudication. Service charges are projected to increase by $4.1 million due to the increase in the rental dwelling registration fees of $2.9 million and parking meter fees of $1.5 million; these increases are offset by $0.3 million in other reductions. Miscellaneous revenue is budgeted to decrease by $3.3 million, which is attributed primarily to the decrease of the service fee on entertainment tickets in the total estimated amount of $2.0 million; $750,000 of this fee is now included under service charges as opposed to all being budgeted as miscellaneous revenue in the prior year. There is a decrease of $1.1 million for the sale of capital assets, a decrease of $0.6 million for gifts and donations, which is offset by an increase of $1.0 million for a public facility parking fee and all other miscellaneous receipts are budgeted to decrease $0.6 million on a net basis.

As of the third quarter ended March 31, 2019, the City was projecting that current year revenues would total $505.0 million and be under budget by $8.6 million when compared to the adopted budget amount of $513.6 million. Actual revenue reported for the year ended June 30, 2018 was $471.3 million. Compared to the 2019-20 budgeted amount, the City has budgeted an increase of $37.4 million, or 7.9 percent. There is a risk the revenue estimates are optimistic and any significant shortfall would result in the weakening of the City's financial position. We recommend the City closely monitor the revenues during the year and modify the budget timely, as necessary, as $12.7 million of estimated revenue is difficult to estimate due to either uncertain sources or enhanced programs that have little history to base projections on.

OVERVIEW OF THE ADOPTED 2020-2023 FINANCIAL PLAN

The following is the analysis of the City of Buffalo's 2020-2023 Four-Year Financial Plan ("Financial Plan"). The Mayor submitted the City of Buffalo's 2020-2023 Financial Plan to Common Council and the Buffalo Fiscal Stability Authority ("BFSA" or "Authority") on May 1, 2019 and submitted the final financial plan to the BFSA on June 10, 2019. This section of the report provides a review of the Financial Plan and discusses the key assumptions underlying the Financial Plan.

The following is the summary of estimated revenues and projected expenditures over the four-year financial plan:

2020-2023 Financial Plan

	2019-20	2020-21	2021-22	2022-23	Total
Total Revenues	$ 508.7	$ 512.6	$ 518.2	$ 525.4	$2,064.8
Total Expenditures	$ 508.7	$ 512.6	$ 518.2	$ 525.4	$2,064.8
Baseline Deficit	$ -	$ -	$ -	$ -	$ -
Use of Fund Balance	$ -	$ -	$ -	$ -	$ -
Remaining Budgetary Gap	$ -	$ -	$ -	$ -	$ -

The City's 2020-2023 Financial Plan is balanced and does not include the use of fund balance. At June 30, 2018, unrestricted fund balance was $52.1 million consisting of $38.7 million in the

Rainy Day Fund and $13.4 million in assigned fund balance; there was a balance of $0 reported for unassigned fund balance. Unrestricted fund balance is equivalent to 10.2 percent of the total 2019-20 adopted budget. The Financial Plan does not include a provision for replenishment of fund balance outside of a budget surplus. Furthermore, financial results that are unfavorable could substantially weaken the City's financial position.

The Rainy Day Fund comprises a 30-day set-aside of current year general fund expenditures, excluding transfers, and totaled $38.7 million at June 30, 2018. Such funds are committed by action of the Common Council and can be used in the event the City has extraordinary operating or capital needs that could not be anticipated and cannot be funded with current budget resources. If the City was to draw on the Rainy Day Fund, a replenishment plan would need to be established.

Revenues:

Total revenues are estimated to increase $16.7 million over the four years of the Financial Plan, or 3.3 percent. Revenues are projected to fluctuate annually, decreasing in the proposed 2019-20 budget by 0.2 percent, increasing by 0.8 percent in 2020-21, and increasing in the two-remaining out-years by 1.1 percent and 1.4 percent, respectively.

Revenues, excluding transfers in, are estimated to increase $15.5 million over the four years of the Financial Plan, representing a total increase of 3.1 percent. The reasons for such fluctuations are addressed below. The following table provides a summary of the City's projected revenue over the course of the Financial Plan.

	2019-20 Adopted Budget	2020-21 Projection	2021-22 Projection	2022-23 Projection	Four-Year Increase/(Decrease)	
REVENUE	Financial Plan				$	%
Taxes	$ 158,651,403	$ 161,440,503	$ 164,285,589	$ 167,187,577	$ 8,536,174	5.4%
Non Property Taxes	11,610,000	11,610,000	11,610,000	11,610,000	-	0.0%
Licenses and Permits	6,189,545	6,251,440	6,313,955	6,345,525	155,980	2.5%
Intergovernmental	269,010,295	271,186,733	273,082,908	276,629,030	7,618,735	2.8%
Service Charges	20,012,575	20,212,701	20,404,828	20,506,852	494,277	2.5%
Fines	13,738,200	13,833,900	13,930,477	14,027,938	289,738	2.1%
Interest	1,200,000	1,200,000	1,200,000	1,200,000	-	0.0%
Miscellaneous	15,003,173	13,210,028	13,323,072	13,448,221	(1,554,952)	-10.4%
Subtotal	**495,415,191**	**498,945,305**	**504,150,829**	**510,955,143**	**15,539,952**	**3.1%**
Transfers In	13,267,646	13,630,049	14,010,573	14,430,891	1,163,245	8.8%
TOTAL	**$ 508,682,837**	**$ 512,575,354**	**$ 518,161,402**	**$ 525,386,034**	**$ 16,703,197**	**3.3%**

Key baseline assumptions and significant changes over the Financial Plan are addressed below.

Intergovernmental revenue is the largest revenue category and is projected to increase by $7.6 million, or 2.8 percent, over the Financial Plan. Included within this category is New York State Aid and Incentives to Municipalities ("State AIM"), which is estimated at $161.3 million for 2019-20 and is held flat over the Financial Plan until 2022-23, where it is increased by $1.6

million, or 1.0 percent, to $162.9 million. The City budgeted State AIM in 2019-20 in an amount consistent with the New York State budget and has estimated a modest 1 percent growth in 2022-23. New York State (the "State") has not included any increases in the State's financial plan over the same time period. City management has taken the position that it is unlikely the State will be able to continue to hold State AIM at a flat level due to the economic challenges faced by municipalities and has therefore projected an increase. The State has not increased State AIM to the City since 2010-11.

Sales tax is also included within Intergovernmental revenue. Sales tax revenue is budgeted to increase by $5.4 million, or 6.4 percent, to $89.8 million in 2019-20. The budgeted increase in sales tax is driven by estimated higher collections due to general economic conditions as well as proceeds from a new internet sales tax estimated at $1.8 million for 2019-20. The City has included projected sales tax increases of 2.5 percent in 2020-21 and 2.0 percent annually over the remaining two-years of the Financial Plan, increasing to $95.8 million by FY 2022-23. The actual increases for the last two reported years of 2017 and 2018 were 1.4% and 3.8%, respectively. The four-year increase for sales tax is projected to be $6.0 million, or 6.6 percent. The projected increase should be monitored against actual results for 2019 and the budget for 2020 particularly for the new portion associated with internet sales.

The intergovernmental revenue category includes casino revenue pursuant to the Tribal State Compact. As previously discussed, this amount is budgeted at $11.0 million in 2019-20 representing a year-to-year reduction of $6.0 million. The amount of $17.0 million as included in the 2018-19 budget included both a current year revenue estimate as well as back payments from 2017 and 2018; this amount has not been received but the City Administration has expressed that it is expected for 2018-19. The casino revenue is projected to increase moderately to $11.2 million in 2022-23.

Taxes represents the second largest revenue category and the category with the largest total dollar increase in revenue over the Financial Plan. On a combined basis, intergovernmental revenue and taxes represent approximately 84 to 85 percent of the budget annually over the Financial Plan. Taxes are projected to increase $8.5 million, or 5.4 percent, over the Financial Plan from $158.7 million to $167.2 million. The increase in this category relates to the real property tax levy which increases by $8.5 million. Beginning in fiscal year 2019-20, the real property tax levy combined with the STAR program revenue is projected to increase from $147.9 million to $156.4 million in FY 2022-23. The increase in the real property tax levy is not projected to exceed the real property tax cap as established by New York State. All other tax revenues are held flat over the course of the Financial Plan. It is further noted that the full City-wide tax reassessment is scheduled to take effect in 2020-21.

Fines are projected to increase $0.3 million, or 2.1 percent, over the course of the Financial Plan from $13.7 million in 2019-20 to $14.0 million in 2022-23. Fines were reduced as compared to the 2018-19 budget by $1.5 million and is due to revised estimates for traffic adjudication collections that have been overbudgeted over the past few years. Traffic adjudication is held at $3.3 million annually over the Financial Plan. The fines revenue category also includes a revenue line for parking tags, fines and penalties which is increasing by 3.0 percent or $239,000 over the Financial Plan. School camera fines are a new revenue source included under this category and are budgeted at $400,000 beginning in 2019-20 and held flat over the Financial Plan. New York State has legislation allowing the City to install up to twenty cameras around City school facilities and target drivers that do not adhere to posted speed limits and traffic controls.

Non-property taxes, consisting of utility taxes, foreign fire insurance, and cable franchise fees are estimated to remain flat over the four-year period at $11.6 million. The City decreased this revenue category in 2019-20 as compared to the prior year budget by $500,000 to reflect expected decreases in collections from the Class I Utility Tax, now projected at $8.0 million annually. The cause of the expected continued decline in this revenue is attributed to customers moving away from traditional land-line telephones to cellular phones. The City does not have a utility tax in place on cellular phones and has requested legislation be proposed in Albany to include cellphones, but it is unlikely to materialize in the near future. We recommend the City monitor the receipt of this revenue.

Service charges are budgeted at $20.0 million for 2019-20 and are projected to increase by $494,300 over the Financial Plan. There is a year-to-year increase of $4.1 million between 2018-19 and the 2019-20 adopted budget, and the revenues from those service charges are held relatively flat across the Financial Plan. As previously discussed, the increased estimated revenue is from a new rental dwelling registration fee ($2.4 million), additional parking meter fees ($1.5 million) and negotiated entertainment ticket fees ($0.8 million). The service fee received from the Buffalo Municipal Housing Authority (the "BMHA") for the provision of police services at the BMHA's properties has been maintained at a flat rate of $650,000 annually in the Financial Plan. The increases are offset by reductions in the utility inspection fee ($0.7 million), special event fee ($0.1 million), and all other service charges combined ($0.3 million).

Licenses and Permits are projected to increase $0.2 million over the life of the Financial Plan, increasing from $6.2 million in 2019-20 to $6.3 million in 2022-23. The projected revenue for 2018-19 is $5.0 million as compared to the budgeted amount of $5.3 million. The shortfall is attributed to a lower volume of building permits and contractor licenses which were both less than originally budgeted for. We recommend the City continue to monitor this revenue source and adjust the budget and/or financial plan on a timely basis, as necessary.

Miscellaneous revenue is projected to decrease by $1.6 million from $15.0 million to $13.4 million over the course of the Financial Plan, which is a 10.4 percent reduction. In 2019-20, the sale of existing buildings and assets are estimated at $2.1 million and the sale of auctioned properties is anticipated to generate $4.8 million due to a new program being implemented by the City. This new program involves the City taking title to a property prior to the annual City-wide auction of foreclosed properties and retaining remaining proceeds after the repayment of

outstanding liens as opposed to remitting such funds to the State. Therefore, the City is reducing its reliance on one-time revenues from the sale of existing assets and replacing it with what is expected to be a recurring source of revenue. This amount budgeted for the sale of assets is revised from $6.9 million for 2019-20 to $5.0 million in each of the three out-years. It is noted that this particular budgeted item has been overestimated over the last several years due to difficulties in projecting the timing of closing such sales. It is further noted that approximately $3.8 million of sales of existing buildings are currently pending and are expected to be completed in 2018-19; any properties that are not sold will be targeted for sale in the out-years of the Financial Plan. Other revenue lines within the miscellaneous category are held flat, including gifts and donations which is budgeted at $1.4 million over the Financial Plan. The revenue in this category should be monitored due to the difficulty in estimating the amounts.

Interest revenue is flat over the life of the Financial Plan at $1.2 million and is increased by $600,000 compared to the amount budgeted for in 2018-19 of $600,000. This amount is not significant to the overall Financial Plan.

The City has budgeted an annual increase in Transfers In over the course of the Financial Plan from $15.4 million in 2018-19 to $15.7 million for 2019-20, to $16.1 million for 2020-21, and to $16.5 million in 2021-22. The annual transfer from the Parking Fund is held at $7.8 million over the Financial Plan. The City continues to use funds generated from the operating surplus of the Parking Fund to fund general City operations. The annual transfer from the Water Fund fluctuates annually from $6.9 million in 2018-19 to $8.0 million in 2021-22, representing an increase of $1.1 million, or 15.8 percent. The transfer from the Solid Waste and Recycling Fund is held flat at $673,100 over the Financial Plan.

Expenditures:

Overall, expenditures are projected to increase from $508.7 million in 2019-20 to $525.4 million in 2022-23, for a total increase of $16.7 million, or 3.3 percent.

Expenditures are broken down into three major categories for purposes of the City's four-year Financial Plan and include departmental spending, general charges, and transfers out.

	2019-20 Adopted Budget	2020-21	2021-22	2022-23	Increase/(Decrease) Four-Year	
		Projection				
DEPARTMENTS	$	$	$	$	$	%
Common Council	2,536,152	2,579,330	2,623,371	2,623,371	87,219	3.4%
City Clerk	2,895,526	2,917,423	2,939,750	2,940,922	45,396	1.6%
Mayor & Executive	5,492,327	5,389,213	5,411,487	5,433,875	(58,452)	-1.1%
Audit & Control	3,628,905	3,696,662	3,765,752	3,769,123	140,218	3.9%
Law	3,263,310	3,286,858	3,310,644	3,334,671	71,361	2.2%
Assessment	2,719,166	2,748,860	2,776,053	2,803,570	84,404	3.1%
MIS	5,617,457	5,681,286	5,756,300	5,832,522	215,065	3.8%
Administration & Finance	10,037,899	10,131,350	9,775,378	10,367,324	329,425	3.3%
Parking	3,198,691	3,232,985	3,267,963	3,303,637	104,946	3.3%
Police	89,621,930	89,839,348	90,640,967	91,429,333	1,807,403	2.0%
Fire	58,475,038	59,553,719	60,987,997	62,355,549	3,880,511	6.6%
Human Resources	5,561,043	5,619,399	5,678,586	5,738,619	177,576	3.2%
Public Works	31,021,593	31,460,187	31,732,312	32,272,181	1,250,588	4.0%
Community Services	4,773,764	4,838,487	4,904,216	4,970,967	197,203	4.1%
Permits & Inspections	5,798,348	5,851,991	5,906,195	5,960,967	162,619	2.8%
TOTAL Departmental	**234,641,149**	**236,827,098**	**239,476,971**	**243,136,631**	**8,495,482**	**3.6%**
GENERAL CHARGES						
Grants In Aid	1,110,000	1,110,000	1,110,000	1,110,000	-	0.0%
Utilities	17,142,800	17,312,800	17,484,500	17,657,917	515,117	3.0%
Services	1,391,500	1,391,500	1,391,500	1,391,500	-	0.0%
Other	2,650,000	2,650,000	2,400,000	2,400,000	(250,000)	-9.4%
Fringe Personal Services	6,200,000	6,324,000	6,450,480	6,579,490	379,490	6.1%
Fringe Benefits	144,979,419	146,924,375	150,096,598	153,640,526	8,661,107	6.0%
Debt Service	390,000	390,000	390,000	390,000	-	0.0%
TOTAL General Charges	**173,863,719**	**176,102,675**	**179,323,078**	**183,169,433**	**9,305,714**	**5.4%**
Interfund Transfers Out	**100,177,969**	**99,645,582**	**99,361,354**	**99,079,968**	**(1,098,001)**	**-1.1%**
TOTAL BUDGET	**508,682,837**	**512,575,355**	**518,161,403**	**525,386,032**	**16,703,195**	**3.3%**

Total departmental expenditures are budgeted to increase from $234.6 million in 2019-20 to $243.1 million 2022-23, representing an increase of $8.5 million, or 3.6 percent. The increase of $8.5 million is driven by an increase of personal services in the amount of $7.7 million, or 4.0 percent. Supplies are budgeted to increase by $0.6 million, or 5.2 percent, and services are budgeted to increase $0.2 million, or 0.8 percent. The personal service increase over the Financial Plan is reflective of step increases and other contractual increases that are extended through the end of the Financial Plan, along with estimates for costs associated with settling expired labor contracts as well as the increase in elected official salaries.

Four union contracts expire on June 30, 2019, including those with the police, blue-collar, white-collar and the crossing guards unions. An additional two labor contracts expire on June 30, 2020, including those with the building inspectors and operating engineers. The labor agreement with the water caulkers expires on June 30, 2022. The contract with firefighters is current throughout the entire Financial Plan and expires June 30, 2025. The City has built in estimated increases of 1-2 percent in the departments over the Financial Plan for the negotiation of such contracts. In addition, the City has included the salary adjustment line which can be used for settling labor contracts in the amount of $3.3 million in 2019-20, $1.8 million in 2020-21, $1.4 million in 2021-22 and $1.3 million in 2022-23, for a cumulative amount of $7.8 million over the Financial Plan.

Individually, significant fluctuations are noted within the fire department, police department, and the division of public works. The fire department is projected to increase by $3.9 million or 6.6 percent; the increase is consistent with the negotiated labor agreement. The police department is projected to increase by $1.8 million, or 2.0 percent, through 2022-23; this is a large cost department and the increase is due to the estimate for the future settlement of the labor contract. The division of public works is projected to increase by $1.3 million, or 4.0 percent, through 2022-23, which is also a high cost department and the increase is due to assumed increases in employee compensation. The cumulative impact from increases for these three departments is $6.9 million; the remaining twelve departments are projected to increase by $1.6 million over the Financial Plan. The mayor and executive department is the only department projected to decrease; the decrease is $60,000 between the first and fourth year of the Financial Plan.

General Charges are projected to increase from $173.9 million in 2019-20 to $183.2 million in 2022-23, representing an increase of $9.3 million, or 5.4 percent. The majority of these expenditures are held flat or have minor increases with the exception of fringe benefits which increases by $8.7 million, or 6.0 percent, over the Financial Plan.

The increase in fringe benefits is attributed mainly to rising costs for health insurance: an increase of $7.1 million is projected on a combined basis for health insurance for retirees and active employees. Health insurance is budgeted to increase from $77.0 million in 2019-20 to $84.2 million in 2022-23, an increase of $7.2 million, or 9.4 percent over the Financial Plan. Health insurance is an area that should be monitored since actual annual increases have been higher than what is currently being estimated over the course of the Financial Plan. The Adopted Budget for 2019-20 provides for a 2.4 percent decrease from the prior year budget, decreasing by $2.0 million from $79.0 million to $77.0 million. The City became self-insured for health insurance on January 1, 2016 and self-insured for prescription drug coverage on September 1, 2011; the intent was to curb the growth of these costs by self-managing the programs. The City is in the process of bidding out the administration of the prescription drug coverage program and anticipates savings. In connection with becoming fully self-insured for both medical and prescription drug coverage, the City has purchased stop-loss insurance to provide the City protection against catastrophic costs. The City has built in the costs for the stop-loss insurance coverage within its healthcare costs accordingly. The City utilized the stop-loss coverage within the past fiscal year in five different incidents where the individual's costs reached the $400,000 threshold. Also included in fringe benefits is employer payroll taxes, which are projected to increase $0.9 million, or 6.1 percent, over the Financial Plan, which is reflective of the budgeted

increases to compensation. The increase to fringe benefits from health insurance and employer payroll taxes is offset by a decrease in the salary adjustment line, which are funds set aside for estimated costs to settle expired labor agreements. This amount is budgeted at $3.3 million for 2019-20 and decreases annually to $1.3 million in 2022-23, a decrease of $2.0 million, or 60.6 percent.

Pension costs are increasing over the Financial Plan by $2.4 million, or 5.7 percent. Contributions to the New York State Police and Fire Retirement System ("NYSPFRS") are projected to increase $2.0 million and contributions to the New York State Employees' Retirement System ("NYSERS") is projected to increase by $0.5 million. Total pension costs are budgeted at $41.7 million in 2019-20 and increase to $44.1 million in FY 2022-23, an increase of 5.7 percent. The City is expecting moderate pension growth going forward, largely related with the assumption that as lower tiered employees retire (Tiers 1-4), they will be replaced with new employees in Tier 6 which has a lower required employer contribution as compared to earlier pension tiers. The City's projections are consistent with the State Comptroller's projected employer contribution rates over the course of the Financial Plan. Due to the increase in the number of employees enrolling in Tier 6 of the pension plans, the City has had recent budgetary savings in these lines.

Utilities are projected to increase by $0.5 million from $17.1 million in 2019-20 to $17.6 million in 2022-23, or 3.0 percent. Current year utilities are projected to be approximately $16.4 million. Utilities include natural gas for heating and cooling purposes, electricity for City facilities and street lights, and phone service. The ability to hold these costs flat is attributed to several factors including the decreased cost of natural gas which reduces the City's heating and cooling costs. In addition, electricity costs will be reduced as the City moves forward with various efficiency programs as well as reducing actual use in City facilities. Improved building efficiencies and upgrades that reduce energy waste are factors contributing to the minor increase in budgeted utilities costs and include weatherization and insulation, conversion of light fixtures in buildings to light emitting diodes ("LEDs") and the conversation of street lights to LEDs. The City is in the preliminary phase of a plan for the conversion of the current luminescent street lights over to LED's and additional savings are expected in the long-term. At this time the cost and savings related with this capital endeavor are unknown, but it is considered a long-term investment in the City. We recommend this area continues to be monitored due to the fluctuations that can occur in energy prices and related delivery charges.

Debt service expenditures represents primarily capital lease expenditures and are held flat at $390,000 over the course of the Financial Plan. $300,000 of the budgeted amount is included in the event the City deems it necessary to issue a revenue anticipation note ("RAN") in any of the years of the Financial Plan.

Fringe personal services are increasing $0.4 million, or 6.1 percent, over the Financial Plan. This expenditure represents salary and fringe benefits paid on behalf of firefighters and police officers that are out on injured-on-duty status but have not been moved to the New York State disability system. The projected increase is reflective of the salary increases for fire provided for in the current labor contract.

Grants in aid and services are held flat over the course of the Financial Plan at $1.1 million and $1.4 million, respectively. The other general charges category is budgeted at $2.7 million in 2019-20 and is reduced by $250,000, or 9.4 percent, to $2.4 million in 2022-23. The other category includes $2.0 million annually for prior-year judgments and claims, as well as certiorari adjustments and tax/fee adjustments. The decrease over the Financial Plan is attributed to the anticipated reduction in certiorari adjustments in the amount of $250,000 between fiscal years 2021-22 and 2022-23. This amount is reduced based on the assumption that the new Citywide assessment effective 2020-21 will result in fewer people contesting tax assessments in the out-years.

Transfers out are held relatively flat over the Financial Plan, budgeted at $100.2 million in 2019-20 and decrease to $99.1 million in 2022-23. The annual contribution to the Buffalo City School District is held at $70.8 million annually. The City increased its contribution by $500,000 in 2017-18, and that increase is maintained over the Financial Plan. Transfers to debt service are based on principal and interest due on debt and fluctuates as necessary; $29.0 million is budgeted for 2019-20 which decreases to $27.9 million in 2022-23. The City eliminated the annual subsidy to the Solid Waste and Recycling Fund of $3.2 million in 2018-19 and maintains this assumption over the course of the Financial Plan. The City is in the first year of the new fee structure and in the event the fee increases are insufficient to fund operations and the Solid Waste and Recycling Fund generates a deficit, the General Fund would be liable for such deficit. It is noted that the General Fund has reported a long-term receivable of $19.5 million from the Solid Waste and Recycling Fund as of June 30, 2018. A formal repayment plan has not been established; informally it has been discussed that any surpluses generated by the Solid Waste and Recycling Fund be used to repay the General Fund.

The following schedule summarizes budgeted and projected departmental costs by purpose to provide a different view of the changes to projected expenditures over the Financial Plan.

	2018-2019 Adopted Budget	2019-20 Adopted Budget	2020-21	2021-22 Projection	2022-23	Increase/(Decrease) Four-Year	
Departmental Costs	$	$	$	$	$	$	%
Personal Services	195,480,541	194,678,336	196,633,030	199,601,539	202,370,130	7,691,794	4.0%
Utilities	217,086	207,186	212,165	214,348	216,556	9,370	4.5%
Travel	209,189	291,225	293,273	295,362	297,492	6,267	2.2%
Supplies	10,528,332	10,824,993	10,977,069	10,704,044	11,390,942	565,949	5.2%
Services	25,893,454	26,241,634	26,308,186	26,252,591	26,446,597	204,963	0.8%
Capital Outlay	3,775,239	2,397,775	2,403,375	2,409,087	2,414,913	17,138	0.7%
Subtotal	**236,103,841**	**234,641,149**	**236,827,098**	**239,476,971**	**243,136,631**	**8,495,482**	**3.6%**

Personal services costs are increasing from $194.7 million to $202.4 million, or an increase of $7.7 million, or 4.0 percent. As previously noted, this increase is attributed to negotiated employee salary steps and compensation increases in addition to estimated compensation increases for future settlement of labor contracts, and the increase for the elected officials' salaries. Additional resources for future labor costs associated with new labor contracts have been budgeted within general charges as the salary adjustment line.

Expenditures for services are projected to increase by $0.2 million over the Financial Plan. Services are outside contracts with private companies that provide the City with technical, engineering, and other services that the City does not have the capacity or expertise to provide. This reduction is reflective of multiple contracts being completed over the course of the Financial Plan. Examples of some of the more significant contracts that are expected to have reduced costs include deployment of body cameras in the police department, which has a second year cost of $513,000 in 2019-20 that decreases over the Financial Plan. The cost of the body cameras includes the physical cameras themselves, as well as the hardware and software to maintain storage of the videos after the cameras are deployed.

Supplies are increased by $0.6 million, or 5.2 percent, over the Financial Plan, increasing from $10.8 million to $11.4 million. Departmental utilities, capital outlay and travel are each held relatively flat over the Financial Plan with minor changes reflected.

Four-Year Plan Staff Levels

The following chart illustrates that the City has proposed consistent staffing levels over the life of the Financial Plan:

	2018-19 Adopted	2019-20 Adopted	2020-21 Projected	2021-22 Projected	2022-23 Projected
Police (uniform)	804	798	798	798	798
Fire (uniform)	742	742	742	742	742
Other	1,105	1,142	1,142	1,142	1,142
Citywide	2,651	2,682	2,682	2,682	2,682
Net Increase/(Decrease)	**-**	**31**	**0**	**0**	**0**

The increase between fiscal year 2019 and fiscal year 2020 was discussed in the Staffing Levels section of the 2019-20 Budget Overview.

Budget and Four-Year Plan Summary

The following represents key findings associated with the review of the Financial Plan:

- The City's Financial Plan is operationally balanced without the use of fund balance. Additionally, the Financial Plan was developed with a substantially reduced reliance on one-time revenues and uncertain revenues.

- The Financial Plan will require close monitoring, including difficult to estimate revenues, as unfavorable budgetary results will result in a decrease to unrestricted fund balance. Unrestricted fund balance for the most recent closed fiscal year ended June 30, 2018 was $52.1 million consisting of $38.7 million in the Rainy Day Fund and $13.4 of assigned fund balance. The Government Finance Officers Association recommends no less than two months of regular operating expenditures; two months of budgeted 2019-20 expenditures is equivalent to $84.8 million and if transfers are excluded two months is equivalent to $68.1 million. Therefore, the City is currently under recommended levels and should consider a fund balance replenishment program.

- There are various revenues that will require close monitoring due to the difficulty in estimating such revenue sources and the optimistic projections of such sources including fines, service charges and miscellaneous revenue. Specifically, within the miscellaneous revenue category is the sale of capital assets budgeted at $6.9 million in 2019-20 and cumulatively at $21.9 million. This amount is largely based on a new program in which the City will purchase and take title to properties prior to auction and will retain remaining proceeds from the sale of such properties as opposed to remitting such amounts to the State. The City has developed the revenue estimate based on historical experience with auction sales and should monitor actual results against the estimated amounts. Gifts and donations are budgeted at $1.4 million in 2019-20 and projected cumulatively at $5.6 million that are largely dependent on external support. There is a significant estimated new revenue in the amount of $2.4 million in 2019-20 and projected at $9.6 million over the four-years of the Financial Plan for a fee assessed to financial institutions to register a foreclosed property prior to selling.

- Sales tax is budgeted at $89.8 million for 2019-20 and totals a cumulative $371.5 million over the Financial Plan. Of this amount, a cumulative $7.2 million is estimated from the recently passed law to tax internet sales. As sales tax on internet sales is a new sales tax source, we recommend sales tax be closely monitored.

- Various revenues would be expected to be detrimentally affected by a recession, and certain expenditures, such as pension contributions, rise as a result of recessionary impact. The four-year financial plan is developed with the assumption the overall economy continues to grow.

- The City may be underestimating overtime in the police and fire departments. Underlying assumptions include the turnover rate and difference in salaries, assumptions related to injured-on-duty claims, the ability to manage the workforce through initiatives and contract changes, and training needs related to new employees. Due to the difficulty in predicting these costs and the significant reduction in vacancy savings as positions are filled, we recommend this continue to be closely monitored.

- There has been public discussion of the possibility that the Tribal State Compact casino revenue may be disputed further at the federal level. At this time, the City has indicated it is expected to be resolved and all expected payments received before the end of the fiscal year. In the event this ends up being disputed further and funds are not received or advance from the State, a deficit would be reported in the current 2018-19 fiscal year that would essentially deplete assigned fund balance and could potentially reduce the Rainy Day Fund until such time the proceeds are received. The 2019-20 budget is balanced with the estimated $11.0 million in casino revenue, which is equal to $44.3 million over the Financial Plan.

- Fines were adjusted downward in 2019-20 to reflect revised estimates based on experience; this category had been over-estimated over the last two years for both traffic adjudication fines and parking fines. Due to the difficulty in estimating these revenues, we continue to recommend fines be monitored by the City and adjusted as necessary.

- Due to the uncertainty of various revenues that could have a material impact on the operations of the City, we recommend that the City Administration develop a secondary operational plan to be able to sustain operations under the revised estimated revenue at a designated point of time. Due to the low level of unrestricted fund balance, it is recommended that these funds not be used to fund recurring operations as has been past practice.

Other areas of significance as noted within the report are summarized below:

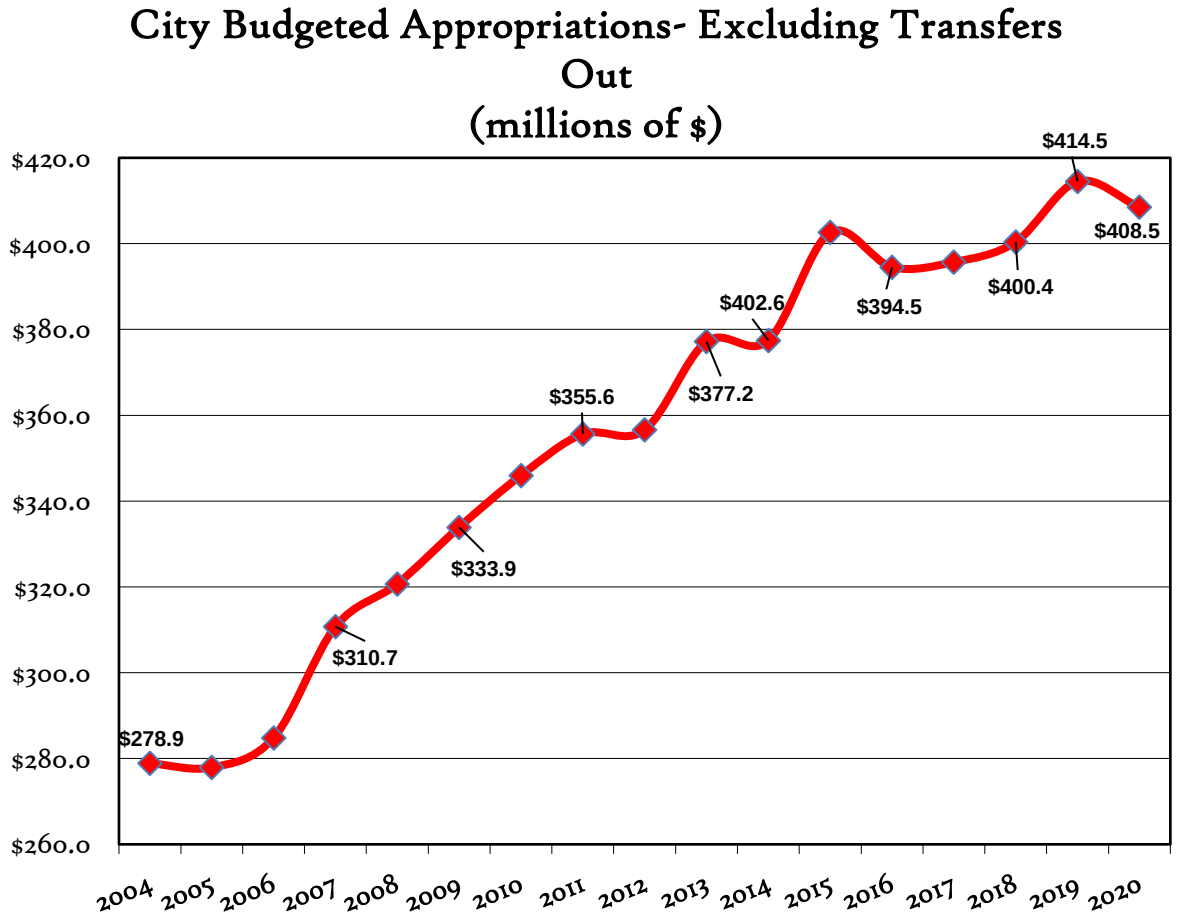
- There is a continued reliance from transfers in from the Parking Fund to fund the general operations of the City. The transfer is $5.3 million in 2019-20 and is increased to $5.5 million in 2022-23. This amount is equal to $21.5 million over the Financial Plan.

- The City is maintaining its contribution to the Buffalo School District of $70.8 million annually over the life of the Financial Plan. The District continues to request additional funding.

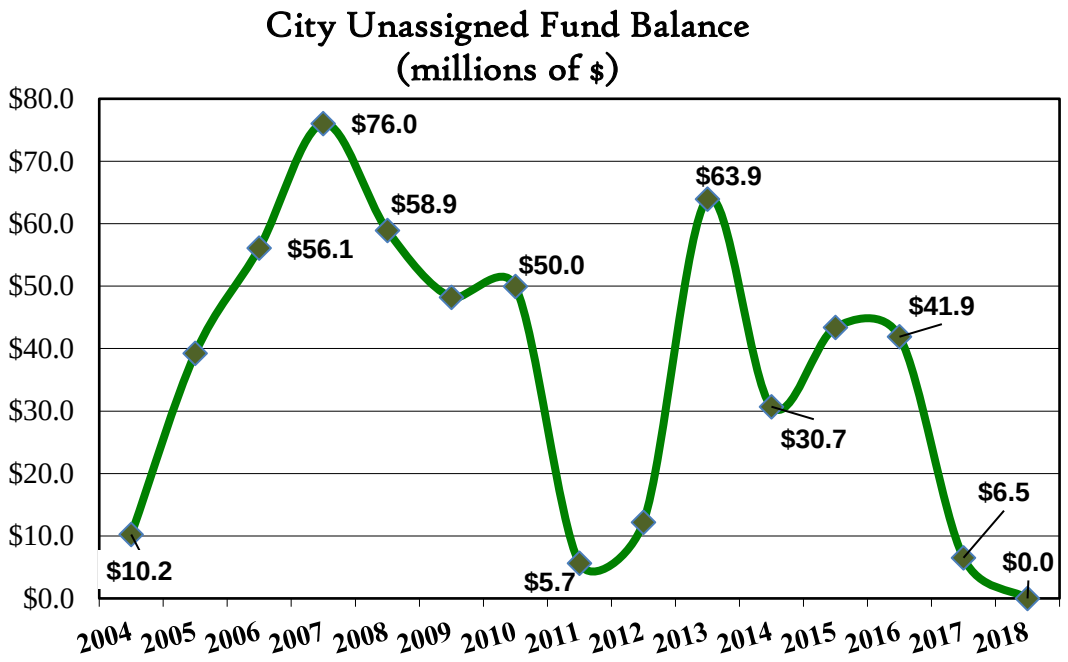
- The current fiscal year is the second year that the City did not include a subsidy to the Solid Waste and Recycling Fund in the Financial Plan. Based on the City's current year projections, the increased rates will be adequate to fund operations of this enterprise fund. If there are insufficient resources to support operations, the General Fund is responsible for any cash deficit. The amount due from the Solid Waste and Recycling Fund to the General Fund was $19.5 million at June 30, 2018, which is reported as a restriction to fund balance in the General Fund. No formal plan has been developed to address the outstanding receivable in the General Fund. The City has indicated that cash surpluses, if any, will be applied against the outstanding receivable. Such payments will reduce General Fund restricted fund balance and increase unrestricted fund balance.

- Health insurance may be underestimated over the course of the Financial Plan. The City is self-insured for both health and prescription drug coverage, which did result in savings upon implementation. Health insurance was projected to increase 9.3 percent over the Financial Plan which may be insufficient.

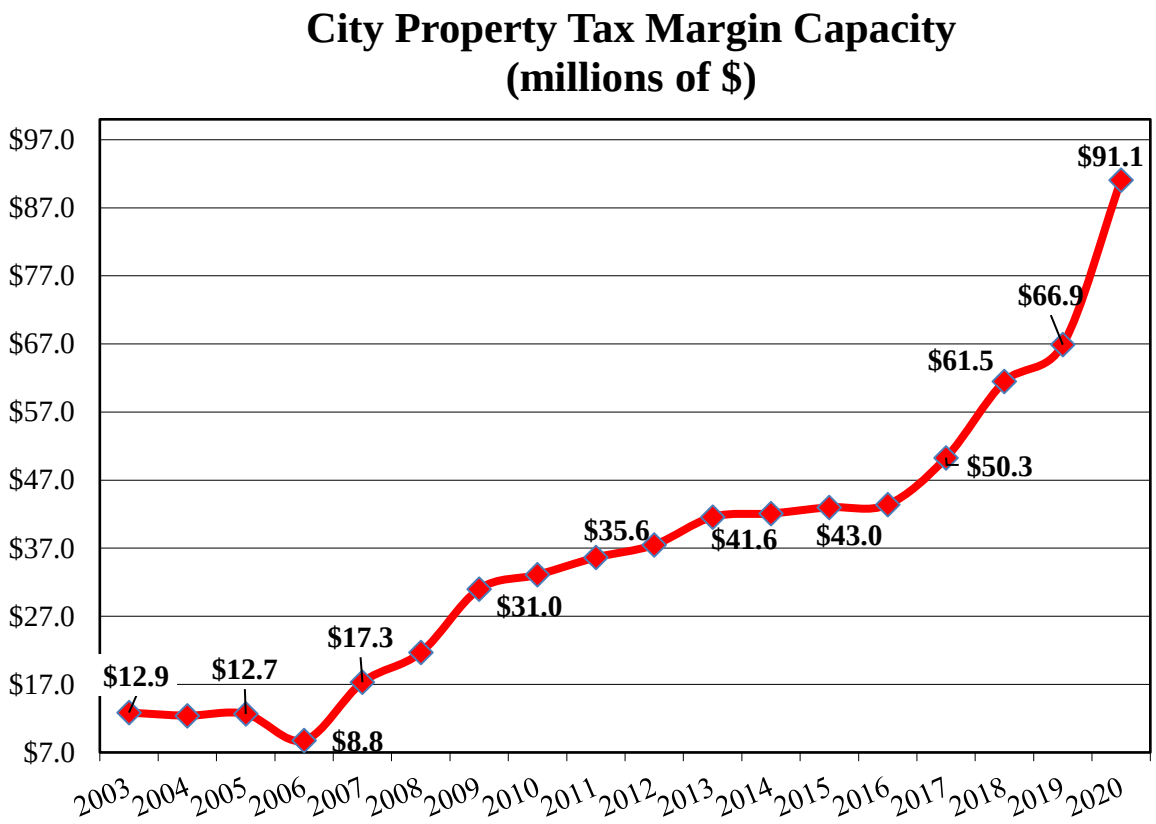
The following graphs and charts provide an overview of certain key statistics that the Buffalo Fiscal Stability Authority evaluates annually during its review of the City of Buffalo's operations. The explanations for fluctuations from year-to-year are available in the respective Annual Report for that particular year.



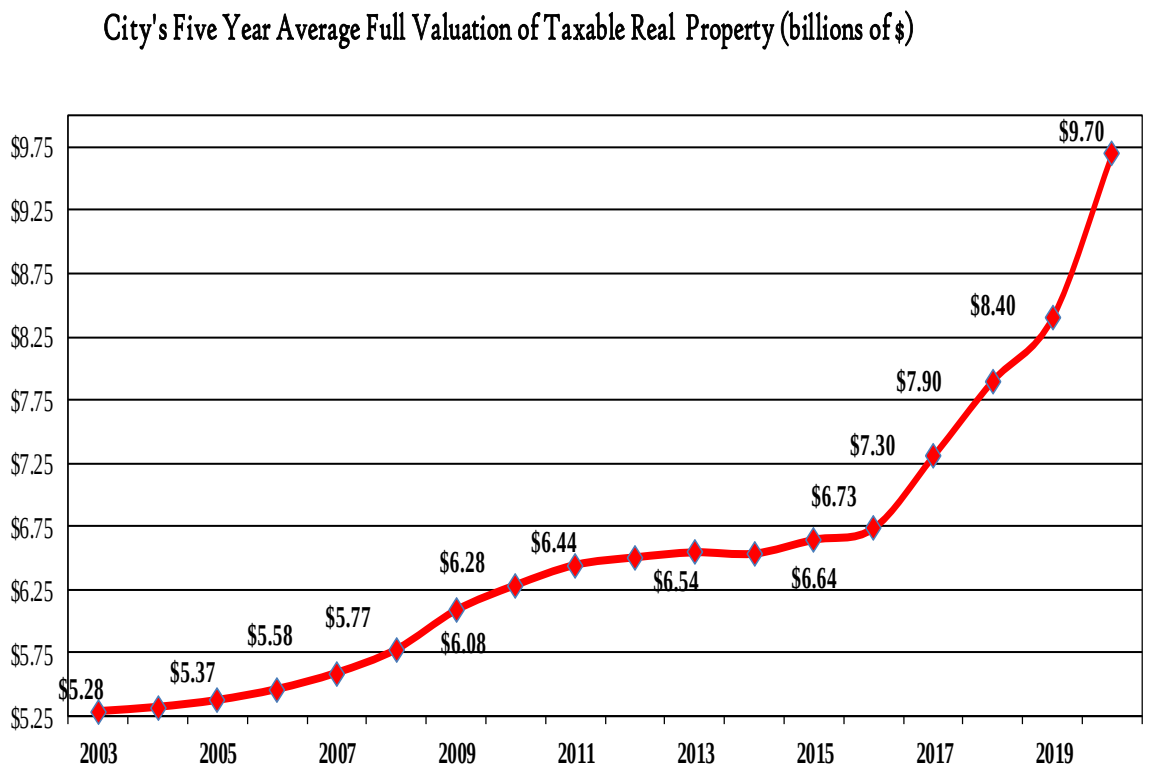
The chart above provides a historical overview of the City's budgeted expenditures since 2003-04, the year the BFSA was created. The budgeted appropriations represent operating expenditures only and exclude operating transfers out. Over the sixteen-year period, budgeted appropriations less operating transfers out have increased from $278.9 million for fiscal year 2004 to $408.5 million for fiscal year 2020, representing an increase of $129.6 million, or 46.5 percent. Appropriations decreased from $414.5 million to $408.5 million on an annual basis constituting a decrease of $6.0 million, or 1.4 percent. The decrease in appropriations is reflective of a decrease in both budgeted salaries, primarily for police and firefighters who will be starting at a lower salary than those that they are replacing, and fringe benefits from FY 2019 to FY 2020. The most significant cost drivers since FY 2008 have been pension costs, health insurance and salaries. Beginning in January 2016, the City moved to a self-insured health insurance program which held budgeted health insurance costs flat compared to the prior year. Health insurance expenditures have increased between 3-6.5 percent annually since this move.



The chart above demonstrates the historical balance of Unreserved, Undesignated/Unassigned fund balance at June 30 for each fiscal year reported. Effective June 30, 2008, the City allocated $30.2 million from its Unreserved, Undesignated fund balance into a "Rainy-Day" Fund which has been maintained since 2008 and has since increased to $38.7 million as of June 30, 2018. Unreserved, Undesignated/Unassigned fund balance represents an accumulation of operational results from all past years and provides funding that may be appropriated for specific purposes. It fluctuates widely from year-to-year based on the annual operating results, one-time events, and other required uses of fund balance. As of June 30, 2018, Unassigned fund balance was $0, leaving no amount available to the City for budgeting or use. The City's 2020-2023 Financial Plan is balance, but relies heavily on revenue increases.



The above chart provides a historical overview of the City's property tax margin capacity. At June 30, 2003, the City had remaining $12.9 million of its constitutional taxing limit. The recent property tax levy for the 2019-20 fiscal year provided a remaining property tax margin of $91.1 million, representing an increase of $78.2 million, or 606.2 percent, over the last seventeen years.



The above graph depicts the City's Five Year Average Full Valuation of Taxable Real Property and Special Franchises over the last seventeen years. The total average assessed property value has increased from $6.5 billion in 2014 to $9.7 billion in 2020, representing an increase of approximately $3.2 billion over the last five years. As a point of reference, the total average full valuation of taxable real property value was $5.3 billion for fiscal year 2003, which has increased by nearly $4.4 billion to the current year value of $9.7 billion. The average full valuation of taxable real property represents a five-year average of the full value of assessed properties and is utilized in calculating the City's property tax levying limitation.

INTRODUCTION

The Buffalo City School District (District) submitted the Superintendent's fiscal year (FY) 2019-20 Recommended Budget (Recommended Budget) and FY 2019-2023 Adopted Financial Plan (Financial Plan) to the Buffalo Fiscal Stability Authority on May 1, 2019. The District adopted the 2019-20 budget on May 15, 2019 (Adopted Budget).

The Recommended Budget included estimates of how funding could be allocated to individual schools. The Adopted Budget contains minor changes from the Recommended Budget and reflects the final school-based budgets of 70 individual schools. Each school is apportioned three types of operating funds: departmental allocations, principal and special area allocations, and grant allocations. Grant allocations were added to the school-based budget calculation beginning FY 2019-20. Departmental allocations include the recommended baseline staff allocations and resources that are provided to schools through District-adopted formulas, centrally-assigned staff, and resources by specific departments; these allocations incorporate the individual school's specific pupil enrollment (e.g., general education and special education population, the number of English language learners and English-proficient students, whether it's an elementary or high school, et. al.). Principal and special area allocations include staff and resource allocations from various funding sources based on District formulas and initiatives. Individual school principals consider the input from their school management team and have latitude to make decisions about allocation assignments. These allocations may change as individual principals finalize resource-allocation decisions for their individual schools. Grant allocations include the budgeted staff and resources from major grants specific to individual schools. The addition of a school's grant allocation within the school-based budget document is intended to provide a single view of each school's resources.

In total over the last four years (i.e., FY 2015 through 2018) the District reported a combined surplus of $1.0 million. The District has projected a FY 2019 deficit of $5.0 million, bringing the five-year cumulative total to a $4.0 million deficit. The District reported a surplus of $12.2 million for the fiscal year ended June 30, 2016. The surplus was prior to settlements of the long outstanding labor contracts with the Buffalo Teachers' Federation (BTF or teachers), the Buffalo Council of Supervisors and Administrators (BCSA or administrators), and with the Substitutes United of Buffalo (substitute teachers). A deficit of $20.6 million was reported in FY 2017 following these settlements. A surplus was reported for the FY ended June 30, 2018 of $12.1 million.

A deficit of $10.0 million is reflected in the Adopted Budget. A budget gap has been projected for each year of the Financial Plan with a cumulative four-year deficit of $57.5 million.
The Financial Plan includes deficit closing and cost savings initiatives (Gap Closing Plan) to address the cumulative four-year deficit. The Gap Closing Plan includes various areas wherein the District is working to improve operations through efficiency measures, to increase revenues, as well as to demonstrate the potential methods that the District has available to close the projected out-year budgetary gaps in the event additional revenues and/or savings from efficiencies are inadequate to address the budget gaps. The Gap Closing Plan was originally developed in connection with the 2018-2021 Financial Plan; the 2020-2023 Financial Plan was developed using the original gap closing actions revised as necessary. Several actions have been

implemented or are slated to be implemented in FY 2019-20; the cost savings associated with these implemented actions have been integrated in the Financial Plan.

The following chart provides a summary of the Financial Plan:

FY 2020-2023 Financial Plan Summary					
	2019-20 Adopted Budget	2020-21 Outyear 1	2021-22 Outyear 2	2022-23 Outyear 3	4-Year Totals
	$ in Millions				
Revenues	$917.4	$932.9	$950.9	$971.4	$3,772.6
Expenditures	927.4	951.6	968.4	982.7	3830.1
Surplus/(Deficit)	(10.0)	(18.7)	(17.5)	(11.3)	(57.5)
Assigned Fund Balance	5.5	3.0	0.0	0.0	8.5
Unassigned Fund Balance	4.5	(3.0)	0.0	0.0	1.5
Total Fund Balance	10.0	0.0	0.0	0.0	10.0
Remaining Deficit	$0.0	($18.7)	($17.5)	($11.3)	($47.5)

The following key observations have been made related to the Financial Plan:

1. General Fund revenues are budgeted at $917.4 million, an increase of $20.0 million, or 2.2% over the FY 2018-19 Adopted Budget amount of $897.4 million. General Fund expenditures are budgeted at $927.4 million, an increase of $11.0 million, or 1.2% over the FY 2018-19 Adopted Budget amount of $916.4 million.

2. General Fund revenues and expenditures increase at a compound annual growth rate (CAGR) of 1.9% over the Financial Plan.

3. The District has budgeted the appropriation of $10.0 million of fund balance in FY 2019-20. In total, the four-year deficit of $57.5 million is reduced to $47.5 million following the appropriation of fund balance. The Gap Closing Plan included within the Financial Plan demonstrates the District's strategic plan to improve operations, expand educational opportunities, and address these out-year deficits.

4. All collective bargaining units have labor agreements that either are expired or are scheduled to expire in the next several years. These include the teachers, whose labor agreement expires June 30, 2019, and the administrators, whose labor agreement expires September 1, 2020.

5. Several of the main cost drivers for the District have reduced rates of increase over the Financial Plan including health insurance for both active employees and retirees and pension payments. While these expenditures are projected to increase at rates that exceed most other expenditures, their rates of increase are not as high as experienced over the last decade.

6. The implementation and continuation of various efficiency initiatives along with additionally available fund balance appear to be sufficient to address projected out-year budgetary gaps. Various cost reduction actions have been included such as the reduction or elimination of non-mandated programs and the reduction of instructional positions. These actions could occur if other actions are insufficient to address the budgetary gaps.

7. The District continues in its commitment to be operationally balanced by FY 2020-21 and has not included the use of fund balance beyond year one of the Financial Plan.

8. The Financial Plan reflects the staffing plan as depicted in the Recommended Budget and has not been updated to reflect staffing adjustments in the Adopted Budget.

FY 2019-20 ADOPTED BUDGET SUMMARY

The following are the highlights of the Adopted Budget:

1. The changes made between the Recommended Budget as submitted to BFSA for review on May 1, 2019, and the Adopted Budget as approved by the Board of Education on May 15, 2019, were not significant to the overall budget and represent 0.2% of the total budgeted appropriations. The modifications appear to address the final considerations of the review process and reasonably adjust costs for the increase of nine net positions to the General Fund. The adjustments made to the Adopted Budget effect 2019-20 only and do not impact the out-years of the Financial Plan.

The Board of Education reallocated $1.5 million in the Adopted Budget from amounts set-aside and available for contract negotiations during 2019-20 to a discretionary fund for the Superintendent to hire additional staff as necessary to address potential equity issues yet-to-be identified pursuant to a report issued over the last year in which the allocation of funding among individual schools was questioned. The Gap Closing Plan includes a provision to potentially eliminate the reserve for contract contingency of $1.5 million annually, for a total of $4.5 million over the Financial Plan.

2. The Adopted Budget includes estimated revenues of $917.4 million and budgeted appropriations of $927.4 million. The excess of expenditures over revenues of $10.0 million represents the budgeted deficit and is closed through the appropriation of fund balance consisting of $4.0 million set aside for other postemployment benefits (OPEB), $4.5 million of Unassigned fund balance, and $1.5 million assigned for capital needs.

3. The New York State (NYS) Legislature approved a State Fiscal Year (SFY) 2019-20 budget that included $19.7 million in additional NYS Aid for the District as compared to the 2018-19 Adopted Budget. The increase in the FY 2019-20 NYS Foundation Aid exceeds the statutory minimum.

4. The Adopted Budget continues the full implementation of the Superintendent's Education Bargain, representing year four of the District's comprehensive educational program. The program has included a rigorous elementary education program, strong community schools, new innovative high schools, extended learning time, additional services and supports for students and their families, and a new relationship with the teachers.

FY 2020-2023 FINANCIAL PLAN SUMMARY

The following are the highlights of the Financial Plan:

1. An operating deficit is present in all four years of the Financial Plan. The cumulative deficit totals $57.5 million. The budget gaps are reduced to a cumulative $47.5 million following the draw-down of $10.0 million in fund balance in FY 2019-20.

2. Total Assigned and Unassigned fund balance is projected to be reduced to $154.2 million by June 30, 2023 consisting of:
    a. $63.9 million set-aside for specific purposes including capital needs ($9.6 million), prior years' claims and labor negotiations ($3.0 million), encumbrances ($3.2 million), and other postemployment benefits ($48.1 million); and
    b. $90.3 million of Unassigned fund balance. The Board of Education requires Unassigned fund balance to be maintained at a level equal to or greater than 4% of total General Fund expenditures. This policy is adhered to within this Financial Plan. After taking into consideration the minimum fund balance policy and amounts set aside for specific future purposes, a balance of $51.0 million more than the Board's policy remains at June 30, 2023. With respect to Assigned fund balance, District management may reassign purposes for which those dollars are currently allocated, which could increase the amount available to use to close budgetary gaps.

3. The Financial Plan includes the following for settling expiring and expired labor agreements:
    a. $5.0 million – Assigned fund balance is estimated to be $5.0 million at July 1, 2019. This is further reduced to $3.0 million in the Financial Plan each year thereafter and would require reassignment
    b. $1.5 million annually beginning in 2020-21 and $4.5 million cumulatively for a contract settlement contingency
    c. The District has included amounts within employee compensation for the incremental labor costs associated with settling labor contracts but has not quantified the amount.

GENERAL FUND REVENUES

General Fund revenues total $917.4 million in the Adopted Budget. The total increase in revenues over the four years of the Financial Plan is $54.0 million, or 5.9%. The CAGR over this period is 1.9%.

The following chart summarizes General Fund revenue as projected in the Financial Plan:

FY 2020-2023 Financial Plan General Fund Revenues

General Fund Revenues	2018-19 Modified Budget	2019-20 Adopted Budget	2020-21 Outyear 1	2021-22 Outyear 2	2022-23 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	(In Millions)						
Real Property Tax	$70.8	$70.8	$70.8	$70.8	$70.8	$0.0	0.0%
Erie County Sales Tax	44.6	47.0	47.7	48.4	49.1	2.1	4.5%
Federal Medicaid Reimbursement	2.6	2.6	2.6	2.7	2.7	0.1	3.8%
New York State Aid (less Building Aid)	647.7	664.3	677.4	694.5	714.2	49.9	7.5%
New York State Building Aid	117.0	120.1	121.6	121.6	121.6	1.5	1.2%
Miscellaneous *(Tuition, Interest Earnings, Interfund Revenues, earnings on Debt Service Reserve Fund)*	14.7	12.6	12.8	12.9	13.0	0.4	3.2%
Total General Fund Revenues	$897.4	$917.4	$932.9	$950.9	$971.4	$54.0	5.9%
Fund Balance	19.0	10.0	0.0	0.0	0.0		
Total GF Revenue & Assigned Fund Balance	$916.4	$927.4	$932.9	$950.9	$971.4		

The projected year-to-year increase in General Fund revenues is consistent with recent historic actual revenue increases.

Real Property Taxes

The City of Buffalo (City) forwards a portion of collected property tax revenues to the District for general operations and annual debt payments. The City's contribution for FY 2019-20 is $70.8 million. It is carried throughout the Financial Plan. The City's contribution increased $0.5 million in FY 2017-18 for the first time since FY 2007-08. The City may provide whatever contribution it deems necessary, but the level of effort must be maintained once the contribution for general operations has increased, unless there is a decrease in the total taxable assessed property value.

New York State Aid

The District receives revenues for its General Fund from several sources, most significantly through NYS Aid. The District is one of the "Big Four" NYS school districts which include the Buffalo City School District, the Rochester City School District, the Syracuse City School District and the Yonkers City School District. These school districts are financially dependent on their respective city governments as they have no independent authority to levy taxes or issue bonds. The District is heavily dependent on NYS Aid which comprises 85.5% of the District's total budgeted revenues for FY 2019-20. NYS Aid as a percentage of total budgeted revenue is projected to grow to 86% in FY 2022-23. NYS Aid has historically been the revenue with the highest annual rate of growth. NYS Aid as a percentage of total General Fund revenue has increased in each fiscal year since BFSA's inception at 74.5% of total General Fund revenues in FY 2003-04.

NYS Aid is a composite term utilized to combine a variety of different formula and expense-based aids, most significantly Foundation Aid, which uses objective criteria to target funds to

school districts. Foundation Aid represents funds available for the general operations of the District. It is estimated to be $544.7 million in FY 2019-20 out of the total budgeted NYS Aid (excluding NYS Building Aid) of $664.3 million, or 82%. Foundation Aid is projected to increase by $50.6 million to $595.3 million in FY 2022-23.

Total FY 2019-20 NYS Aid, excluding NYS Building Aid, is budgeted to increase by $20.9 million, or 3.3%, as compared to the FY 2018-19 fiscal year-end projection, although individual components of NYS Aid are budgeted to fluctuate.

New York State Building Aid

NYS Building Aid (Building Aid) is shown separately to delineate it from funds available for general operations. Building Aid is a reimbursement from NYS for capital projects and is directly correlated to the District's General Fund Debt Service payments. NYS reimburses the District in the form of Building Aid at reimbursement rates set by the New York State Education Department (NYSED) based on maximum cost allowances at approximately 94% of eligible capital improvement costs. These funds are applied to the related principal and interest payment due on the outstanding bonds.

NYS Building Aid is budgeted at $120.1 million in FY 2019-20. It is increased to $121.6 million in FY 2020-21 and held flat for the two remaining out-years of the Financial Plan, based on anticipated Debt Service expenditures. FY 2019-20 and 2020-21 include a combined $3.0 million in budgeted revenue related to the Emerson Commons II facility with 50% of the revenue to be received evenly between these two fiscal years. Overall, funding at $120.1 million represents a $3.0 million increase over the prior fiscal year (PFY).

Erie County Sales Tax

The third largest revenue source for the District is sales tax, which is budgeted at $47.0 million for FY 2019-20. Budgeting sales tax receipts at this level is deemed conservative given the District's 2018-19 projection of $46.8 million. This revenue is projected to increase $2.1 million, or 4.5%, over the course of the Financial Plan.

The local funding structure for the District is different from the other Big 4 NYS school districts. The District receives a total of 8.9% (excluding NYS Building Aid) of its funding from the City property tax levy, which furthermore represents 47.9% of the total tax levy. In addition, the District receives a significant portion of the 3% base sales tax levied by Erie County. Of the other three Big 4 NYS school districts, only the Syracuse City School District receives any portion of county sales taxes receipts, budgeted at $674,320 for FY 2019-20. Conversely, both the Syracuse and Rochester City School Districts receive a higher percentage of their host municipalities' property tax levy at approximately 64% and 67%, respectively, of the total levy and is equal to 13.4% and 17.2%, respectively, of total budgeted revenues.

All Other Revenue
All Other Revenue combined totals $12.6 million in the Adopted Budget, or 1.4% of total General Fund revenues. These amounts increase $0.4 million, or 3.2%, over the Financial Plan. This category includes investment earnings, tuition received, interfund transfers, and reimbursements from prior fiscal year expenditures.

All Other Revenues are $1.9 million, or 13%, higher in the Adopted Budget compared to the FY 2018-19 Adopted Budget. These revenues are budgeted at a higher level than the prior fiscal year primarily as tuition received from other school districts, interest earned, and interfund revenues for indirect costs and miscellaneous items are assumed to have a 1% growth rate from the prior fiscal year.

Federal Medicaid Reimbursement
The Federal Medicaid Reimbursement totals $2.6 million in the Adopted Budget, or 0.3% of total budgeted revenues. This reimbursement of healthcare services funded and provided for by the District that is Medicaid-eligible is projected to increase annually by approximately 1% to $2.7 million in FY 2022-23.

GENERAL FUND EXPENDITURES

General Fund expenditures total $927.4 million in the Adopted Budget. Expenditures are projected to total $982.7 million in FY 2022-23, an increase of $55.3 million, or 6.0%, over the course of the Financial Plan. The CAGR over this period is 1.9%.

The projected year-to-year increase in General Fund expenditures represents lower average annual increases than seen historically, particularly with the District's employee benefits and charter school payments. Debt Service payments decrease over the Financial Plan.

Expenditures are projected to increase at a rate which is slightly greater than the rate of increase for revenues in FYs 2020-21 and 2021-22 of the Financial Plan. The operating gap expands in each of these two years until FY 2022-23 when the rate of increase for revenues is projected to exceed that of expenditures. Since current expenditures exceed current revenues, and the rate of growth of revenues is equal to the projected rate of growth of expenditures, a structural imbalance continues to be reported for each year of the Financial Plan.

General Fund expenditures are examined here in six discrete subcategories: Employee Compensation, Employee Benefits, Charter School Payments, Debt Service, Transportation, and All Other Expenditures.

The following chart summarizes General Fund expenditures by these six subcategories as projected in the Financial Plan.

FY 2020-23 Financial Plan General Fund Expenditures							
General Fund Expenditures	2018-19 Modified Budget	2019-20 Adopted Budget	2020-21 Outyear 1	2021-22 Outyear 2	2022-23 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
$ in Millions							
Employee Compensation	$314.4	$320.5	$321.7	$325.3	$329.4	$8.9	2.8%
Employee Benefits	197.1	193.3	201.3	208.7	218.0	24.7	12.8%
Debt Service	128.5	113.0	112.7	109.2	101.5	-11.5	-10.2%
Charter School Payments	113.6	133.7	143.7	150.5	156.5	22.8	17.1%
Transportation	51.6	51.3	52.6	53.9	55.2	3.9	7.6%
All Other Expenditures	111.2	115.6	119.6	120.8	122.1	6.5	5.6%
Total	**$916.4**	**$927.4**	**$951.6**	**$968.4**	**$982.7**	**$55.3**	**6.0%**

Employee Compensation

Employee Compensation is the District's largest expenditure category at 34.6% of total budgeted 2019-20 General Fund appropriations. Total General Fund expenditures for Employee Compensation is budgeted at $320.5 million in the Adopted Budget and increases $8.9 million, or 2.8%, to $329.4 million over the course of the Financial Plan. Employee Compensation includes salaries and wages for District employees.

Employee Compensation includes the salary and wages for District employees including the following groups/categories:

- The Buffalo Teachers' Federation
- The Substitutes United of Buffalo
- The Buffalo Council of Supervisors and Administrators
- The Professional, Clerical, and Technical Employees' Association (PCTEA or white-collar)
- The Buffalo Educational Support Team (BEST) including teacher aides who are non-certified and teaching assistants who are certified
- The Transportation Aides of Buffalo (TAB or bus aides)
- Skilled Trades (trades)
- Local 264 members (blue-collar)
- Local 409 members (engineers)
- Miscellaneous Compensation Items and Overtime.

The following chart compares General Fund Employee Compensation expenditures in the Adopted Budget and the three out-years of the Financial Plan. Staffing information is also depicted to show how budgeted full-time equivalent positions (FTEs) in the General Fund have changed.

General Fund	FY 2018-19 Modified Budget	FY 2019-20 (Adopted Budget)	FY 2020-21 (Out-year 1)	FY 2021-22 (Outyear 2)	FY 2022-23 (Outyear 3)
	$ in Millions				
BTF	$226.6	$230.7	$231.7	$234.0	$237.0
# of FTEs	**3,148**	**3,218**	**3,194**	**3,178**	**3,169**
Substitutes*	$7.1	$6.9	$6.9	$6.9	$6.9
BSCA	$24.9	$25.8	$25.9	$26.3	$26.7
# of FTEs	**212**	**229**	**227**	**227**	**227**
PCTEA	$17.9	$17.8	$17.8	$18.1	$18.4
# of FTEs	**380**	**381**	**383**	**383**	**383**
BEST	$16.8	$17.8	$18.1	$18.4	$18.6
# of FTEs	**769**	**806**	**806**	**806**	**806**
TAB*	$5.5	$5.7	$5.8	$5.9	$6.0
Trades	$3.3	$3.6	$3.7	$3.8	$3.9
# of FTEs	**34**	**33**	**34**	**34**	**34**
Local 264 (Blue Collar)	$2.5	$2.5	$2.5	$2.6	$2.6
# of FTEs	**65**	**65**	**65**	**65**	**65**
Local 409 (Engineers)	$3.1	$3.1	$3.1	$3.1	$3.1
# of FTEs	**56**	**56**	**56**	**56**	**56**
Exempt Employees	$4.3	$4.4	$4.1	$4.1	$4.1
# of FTEs	**35**	**36**	**35**	**35**	**35**
Board Members*	$0.0	$0.0	$0.0	$0.0	$0.0
# of FTEs	**9**	**9**	**9**	**9**	**9**
Total # of FTEs	**4,708**	**4,833**	**4,809**	**4,793**	**4,784**
Miscellaneous Items	$0.4	$0.4	$0.4	$0.4	$0.4
Overtime	$2.0	$1.8	$1.7	$1.7	$1.7
TOTAL EMPLOYEE COMPENSATON	**$314.4**	**$320.5**	**$321.7**	**$325.3**	**$329.4**

* Substitute teachers are part-time employees. The District employed 597 substitute teachers as of 3.31.2019.

*The District's nine board members receive a $5,000 annual stipend.

The District has included a staffing plan which increases the number of budgeted positions in FY 2019-20 by 125 FTE positions on a General Fund basis including 70 teachers, 37 teacher aides/teaching assistants, 17 administrators, one (1) exempt employee, and one (1) white-collar position. There is a reduction of one (1) Trades position. Budgeted staffing at 4,833 FTEs represents the highest level of budgeted FTEs on a General Fund basis since BFSA's inception.

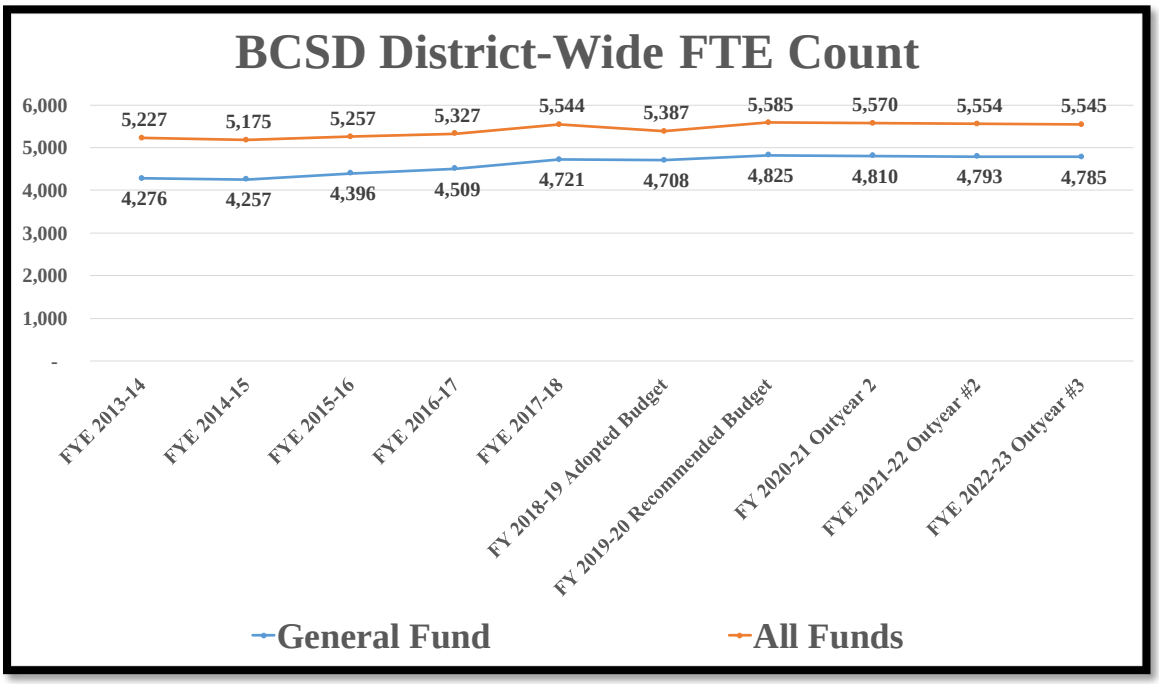
The District's staffing plan includes the reduction of 49 teacher FTEs over the four-years of the Financial Plan. The Financial Plan assumes a flat population of publicly-enrolled students in the City of Buffalo with District students declining from 33,100 in FY 2019-20 to an estimated 32,490 by FY 2022-23. The overall number of public-school students is projected to be 42,500 in each year of the Financial Plan as the number of Buffalo resident pupils enrolled in area charter schools is projected to increase in an amount equal to the decline in District students.

Of this, nine FTE positions represent an increase in the 2019-20 Adopted Budget that is not carried forward to subsequent years of the Financial Plan. The compensation cost associated with these nine positions is $2.3 million.

The Financial Plan incorporates a reduction of 6.5 FTE teaching positions for every 100 students that leave the District. The planned reduction of FTE positions due to the projected enrollment increase in charter schools is a change in policy that was included last year and differs from prior years, in which a reduction of teachers was not contemplated as part of the fiscal planning process as it was argued that the student population entering charter schools was too diffuse across the District to allow for an adjustment in teaching positions. The enrollment projection assumes that District enrollment will decline as charter school enrollment increases. In recent years District enrollment has been relatively flat while charter school enrollment has grown. The growth projection for charter school enrollment is based on the assumption that existing charter schools will continue to expand seating capacity. Two new charter schools opened in FY 2018-19 while one has been closed. Four new charter schools have been invited by the New York State Education Department Charter School Office including the Buffalo Academy of Science Charter School II, the Citizenship and Science Academy of Buffalo Charter School, the Nickel City Preparatory Charter School, and the Primary Hall Preparatory Charter School. The impact on the Financial Plan is a reduction of 40 positions over the three out-years at an annual savings ranging from $0.6 million to $1.2 million, for a cumulative impact of $2.8 million over the Financial Plan.

On a District-wide basis, total budgeted FTEs increase significantly from 5,387 FTEs in the FY 2018-19 Adopted Budget to 5,594 FTEs in the 2019-20 Adopted Budget. Of the 207 FTE increase, 88 are teachers, 108 are teacher aids or teaching assistants, 8 are white-collar employees, 4 are administrators, and two (2) are exempt employees. Blue-collar employees, operating engineers, and members of trades are reduced by 1 position each.

The following depicts overall staffing levels on a General Fund and All Funds basis for a ten-year period, consisting of the actual count for the last five years the budgeted/projected positions for the 2018-19 year, and over the 2020-2023 Financial Plan:



BTF Compensation

The largest area of employee compensation is for teachers. It is the largest employee group for the District, representing 66.6% of the total 4,833 budgeted FTE positions in the General Fund. General Fund expenditures for teacher compensation are budgeted at $230.7 million in the Adopted Budget and increases to $237.0 million, an increase of $6.3 million, or 2.7%, through the fourth year of the Financial Plan. A 1.5% salary increase is assumed in the Financial Plan based on annual step increases, less attrition, as the current labor contract expires on June 30, 2019. Budgeted expenditures for teacher compensation have been reduced in each out-year of the Financial Plan to reflect the adjusted number of teacher positions budgeted based on declining student enrollment.

BCSA Compensation

The BCSA represents the District's unionized administrators. Members of the BCSA represent 229 of the total 4,833 budgeted FTEs, or 4.7% of the workforce. Budgeted positions were increased by 17 FTEs, or 8.0%, from the FY 2018-19 Adopted Budget to the Adopted Budget and are held flat at 227 FTEs in each out-year of the Financial Plan.

General Fund expenditures for BCSA compensation are budgeted at $25.8 million in the Adopted Budget and increase by $0.9 million, or 3.5%, to $26.7 million by the fourth year of the Financial Plan. The increase in BCSA compensation is based on projected annual salary increases of 2.75% in FY 2019-20 per the terms of the current Collective Bargaining Agreement (CBA), as well as on annual step increases, less natural attrition of the workforce. Annual salary increases of 1.5% are projected in the three out-years of the Financial Plan based solely on annual step increases less natural attrition of the workforce. The labor agreement expires September 1, 2020.

PCTEA Compensation

PCTEA represents the white-collar employees of the District. Members of PCTEA represent 381 of the total 4,833 FTEs, or 7.9% of the workforce. Budgeted positions are held flat at 383 FTEs in each out-year of the Financial Plan.

Personnel costs total $17.8 million in the Adopted Budget and increase $0.6 million, or 3.4%, to $18.4 million over the Financial Plan. An increase of 1.5% is projected in salary increases based on annual step increases less natural attrition of the workforce as the overall number of employees is budgeted at a consistent level in each year of the Financial Plan and the labor agreement expired June 30, 2013.

BEST Compensation

BEST represents both Teachers' Aides (non-certified) and Teaching Assistants (certified by NYS) of the District. Members of BEST represent 806 of the total 4,833 FTEs, or 16.7% of the workforce. Budgeted positions are held flat at this level in each year of the Financial Plan.

Personnel costs total $17.8 million in the Adopted Budget and increase $0.8 million, or 4.5%, to $18.6 million over the Financial Plan based on 1.5% annual step increases less natural attrition. The labor agreement with BEST expired June 30, 2012.

Local 264 (Blue-Collar) Compensation

Local 264 represents the blue-collar employees of the District. The blue-collar employees represent 65 of the total 4,833 FTEs, or 1.3% of the workforce. Budgeted positions are held flat at this level in each year of the Financial Plan.

Personnel costs total $2.5 million in the Adopted Budget and increase $0.1 million, or 4.0%, to $2.6 million over the four years of the Financial Plan. An increase of 1.5% is projected in salary increases based on annual step increases less natural attrition of the workforce as the overall number of employees is budgeted at a consistent level in each year of the Financial Plan and the labor agreement expired June 30, 2013.

S/UB, TAB, Trades, Local 409 Operating Engineers, Exempts, and Board Member Compensation

All other employee compensation expenditures include salary and wages for substitute teachers, bus aides, trades, operating engineers, and exempt employees. Board of Education member stipends as well as overtime and other miscellaneous forms of compensation are included within these expenditures as well. The members of TAB are operating under a labor agreement that expires June 30, 2021. Students First, contracted by the District to provide yellow bus service, is currently running 642 bus routes daily on the behalf of the District. As of April 19, 2019, the District employed 348 bus aides covering 54% of total bus runs.

Engineers are operating under a labor agreement that expired on June 30, 2010. Substitute teachers are operating under a collective bargaining agreement that expires June 30, 2019. Board members are elected officials and receive a $5,000 annual stipend. Trades employees receive annual salary increases as determined by local prevailing wage laws, estimated to be 2.55% annually.

Exempt employees are workers who are not represented by any collective bargaining unit and are contracted individually, typically for 24- or 36-month terms. Exempt employees received raises effective January 1, 2018 and July 1, 2018. No raises have occurred since that time nor are projected to occur.

The combined expenditures for all other employee compensation categories are budgeted at $23.7 million and increase $0.7 million, or 3.0%, over the Financial Plan. The increases are based on annual increases of 2.55% for members of trades based on the requirements of local prevailing wage laws and an increase of 1.5% in projected salary increases for bus aides based on the terms of the current labor agreement for the first two fiscal years of the Financial Plan as well as annual step increases less natural attrition of the workforce in the final two years of the Financial Plan. Remaining compensation categories for substitutes, engineers and exempt employees are held flat over the Financial Plan. The overall number of employees is budgeted at a consistent level in each year of the Financial Plan and the labor agreement expires June 30, 2021.

Miscellaneous Compensation and Overtime

Miscellaneous Compensation items include non-instructional sick leave replacement and grievance awards. These expenditures are held flat in each of the four years of the Financial Plan at $0.4 million.

Overtime includes compensation to hourly employees who work beyond the regular work day and/or week and is budgeted at $1.8 million in the Adopted Budget and $1.7 million annually in the out-years of the Financial Plan.

The following chart provides a snapshot of the various employee groups with the average FY 2019-20 salaries, average total compensation including fringe benefits, and the date of contract expiration:

Average Employee Salary, Total Compensation and Contract Status

FY 2019-20 Employee Summary (Adopted Budget)

Employee Group	FTEs	Average Salary	Average Total Compensation (including FICA, Pension, Health Insurance, Supplemental Benefits)	Contract Expiration Date
	#	$		
BTF (Teachers)	3,218	71,690	99,923	6/30/2019
BCSA (Administrators)	229	112,664	147,564	9/1/2020
PCTEA (White-Collar)	381	46,719	74,614	6/30/2013
BEST	806	22,084	43,280	6/30/2012
Trades	33	105,882	130,982	Prevailing Wage
TAB (Bus Aides: Part-Time)	350	16,286	17,532	6/30/2021
S/UB (Substitutes: Part-Time)	650	10,615	11,427	6/30/2019
Local 264 (Blue-Collar)	65	38,462	61,012	6/30/2013
Local 409 (Engineers)	56	55,357	85,091	6/30/2010
Exempt	36	122,222	152,633	Current
Board Members	9	5,000	5,383	N/A

Employee Benefits

Employee Benefits is the second largest expenditure category at 20.8% of total General Fund budgeted expenditures and includes the cost to the District for all non-salary/wage-related benefits for employees such as pension, healthcare and employer payroll taxes. The District has included $193.3 million for Employee Benefits in the Adopted Budget. These expenditures increase by $24.7 million, or 12.8%, to $218.0 million over the Financial Plan.

Employee Benefits include payments for:

- The pension expense under the New York State Teachers' Retirement System (NYSTRS) and New York State Employee Retirement System (NYSERS)
- The employer portion of the payroll tax
- Health insurance for current and retired employees
- Termination Pay and other miscellaneous benefits

The following chart summarizes General Fund employee benefit expenditures in the Financial Plan as compared to the FY 2018-19 Modified Budget:

General Fund Expenditures	2018-19 Modified Budget	2019-20 Adopted Budget	2020-21 Outyear 1	2021-22 Outyear 2	2022-23 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
Employee Benefits	$ In Millions						
Civil Service Retirement	$5.7	$5.7	$5.4	$5.3	$5.1	-$0.6	-10.5%
Teachers Retirement	27.5	23.7	24.5	24.8	26.5	2.8	11.8%
Social Security	24.2	24.8	24.7	24.9	25.3	0.5	2.0%
Health Insurance (Active Employees)	60.6	64.7	68.9	72.2	75.6	10.9	16.8%
Health Insurance (Retired Employees)	62.0	57.1	60.4	64.1	68.0	10.9	19.1%
Termination Pay	3.6	3.8	3.8	3.8	3.9	0.1	2.6%
Other Benefits	13.5	13.5	13.6	13.6	13.6	0.1	0.7%
Total Employee Benefits	**$197.1**	**$193.3**	**$201.3**	**$208.7**	**$218.0**	**$24.7**	**12.8%**

New York State Pension

General Fund expenditures for the NYSERS and the NYSTRS are budgeted at a combined amount of $29.4 million in the Adopted Budget and increase by $2.2 million to a combined $31.6 million over the course of the Financial Plan. NYSTRS expenditures are projected to increase $2.8 million or 11.8% over the Financial Plan based on the assumed increased contribution rate as well as increased employee compensation. NYSERS expenditures are projected to decrease by $0.6 million, or 10.5%, over this period based on a declining employer contribution rate. The District's FY 2019-20 rate for NYSTRS is 8.86%; the effective FY 2019-20 rate for NYSERS is 14.45%. The District has assumed that the NYSTRS employer contribution rate will increase to 9.5% by FY 2022-23 based on NYSTRS's projection that rates will stabilize at 10.5% over the long-term. The NYSERS rate is projected to decrease to an effective rate of 12.88% over the Financial Plan. As such, the NYSERS expenditure is projected to decrease by $0.5 million over the Financial Plan despite increasing overall employee compensation over this period. NYSERS projects the employer contribution rate will stabilize over the long-term at approximately 12.5%. The contribution rate for NYSTRS and NYSERS for 2018-19 was 9.8% and 14.8%, respectively.

The District payment to the retirement systems is a function of the applicable contribution rates and the annual salaries of the employees. The overall increase in total pension payments is based on the increase in employee compensation and curbed somewhat by a declining employer contribution rate for NYSERS payments. As with employee compensation costs, the costs for pension contributions would be impacted by settled labor contracts.

Payroll Taxes

The District's employer portion of payroll taxes remains at 7.65% of budgeted Employee Compensation over the four years of the Financial Plan. It is budgeted at $24.8 million in FY 2019-20 and increases $0.5 million, or 2.0%, to $25.3 million by the fourth year of the Financial Plan. This increase is consistent with the static tax rates as well as the modest increase in employee compensation costs.

Active/Retiree Health Insurance

Health insurance for active employees is one of several major General Fund expenditures for the District and is budgeted at $64.7 million in the Adopted Budget, which represents a $4.1 million, or 6.8%, increase from the 2018-19 Adopted Budget, and a $8.1 million, or a 14.3%, increase over the current fiscal year-end projected amount of $56.6 million. The increase from the prior fiscal year's Adopted Budget is based on projected health insurance costs for active employees at $69.3 million, $0.5 million in projected in-lieu of health insurance waiver payments, less contractual premium contributions from employees of $4.9 million and $0.2 million in savings from various healthcare initiatives.

The District converted to a traditional model of self-insurance effective July 1, 2018 and discontinued the practice of paying premium equivalent rates. The projected health insurance cost is based on total gross allowable health insurance-related costs billed to the District through its third-party administrator.

A participation rate of 95% is assumed for all union and exempt employees and is based on experience.

Beginning in FY 2016-17 teachers were required to contribute towards the cost of the health insurance premium. The effective contribution amount is budgeted at $1,200 per teacher. These contributions offset expected expenditures by approximately $4.0 million.

Similarly, in FY 2017-18, administrators were required to contribute towards the cost of their health insurance premium. The overall expenditure in the Adopted Budget has been reduced by $0.4 million to reflect these contributions.

Premium contributions by exempt employees, members of PCTEA and Local 264 are projected to be $0.5 million in FY 2019-20. Healthcare initiatives implemented in FY 2018-19 are projected to allow for $0.5 million in additional savings. The Adopted Budget reflects these contributions and initiatives.

The cost of health insurance for retired employees is also a major General Fund expenditure. Retiree health insurance is budgeted at $57.1 million in the Adopted Budget, a $4.9 million or 7.9% decrease over the FY 2018-19 Adopted Budget. Budgeted retiree healthcare costs at $57.1 million in FY 2019-20 represent an increase of $4.1 million, or 7.7% over the FY 2018-19 fiscal year-end projected amount of $53.0 million. The FY 2019-20 budgeted retiree healthcare expenditures are based on the projected FY 2018-19 actual retiree expenditures which have been favorably impacted by a number of cost savings initiatives.

The expenditure increases $10.9 million, or 19.1%, to $68.0 million by the fourth year of the Financial Plan. Excluding payments to charter schools, the projected rate of increase for this expenditure exceeds the projected rate of increase for any other General Fund expenditure category (excluding expenditures budgeted at less than $10.0 million). This increase is consistent with the projected increase in the number of retirees receiving health insurance, less projected savings from Medicare Forever Blue conversions and other initiatives, as well as contributions from retirees estimated at $2.0 million in FY 2019-20.
The District began to contact qualified retirees receiving retiree health benefits in 2015 to offer an incentive to forego the costlier traditional plan for a Forever Blue Medicare Advantage Plan.

The cost of this plan is significantly less than most of the District's traditional plans for an average savings of $2,100 per member. The number of enrollees currently enrolled in the Forever Blue Medicare Advantage Plan is approximately 1,312; this is compared to 1,058 last year. The option to enroll in the Forever Blue Medicare Advantage Plan has allowed the District to curb the rate of growth in retiree health insurance expenditures.

The FY 2019-20 Adopted Budget assumes 4,304 retirees will receive health insurance growing to 4,604 retiree participants by FY 2022-23. The projections are deemed reasonable as the District projects the number of new retirees conservatively; actual new retirees tend to be somewhat less than projected.

Termination Pay and All Other Fringe Benefits

Termination Pay and All Other Fringe Benefits total a combined $17.3 million in the Adopted Budget. Termination Pay is projected to increase $0.1 million over the Financial Plan based on the actual number of employees eligible to retire and the related estimated termination pay benefit, and the percentage expected to retire based on trend date. Termination Pay includes compensation to newly retired individuals or eligible terminated individuals for unused paid leave was well as payouts for early retirement incentives.

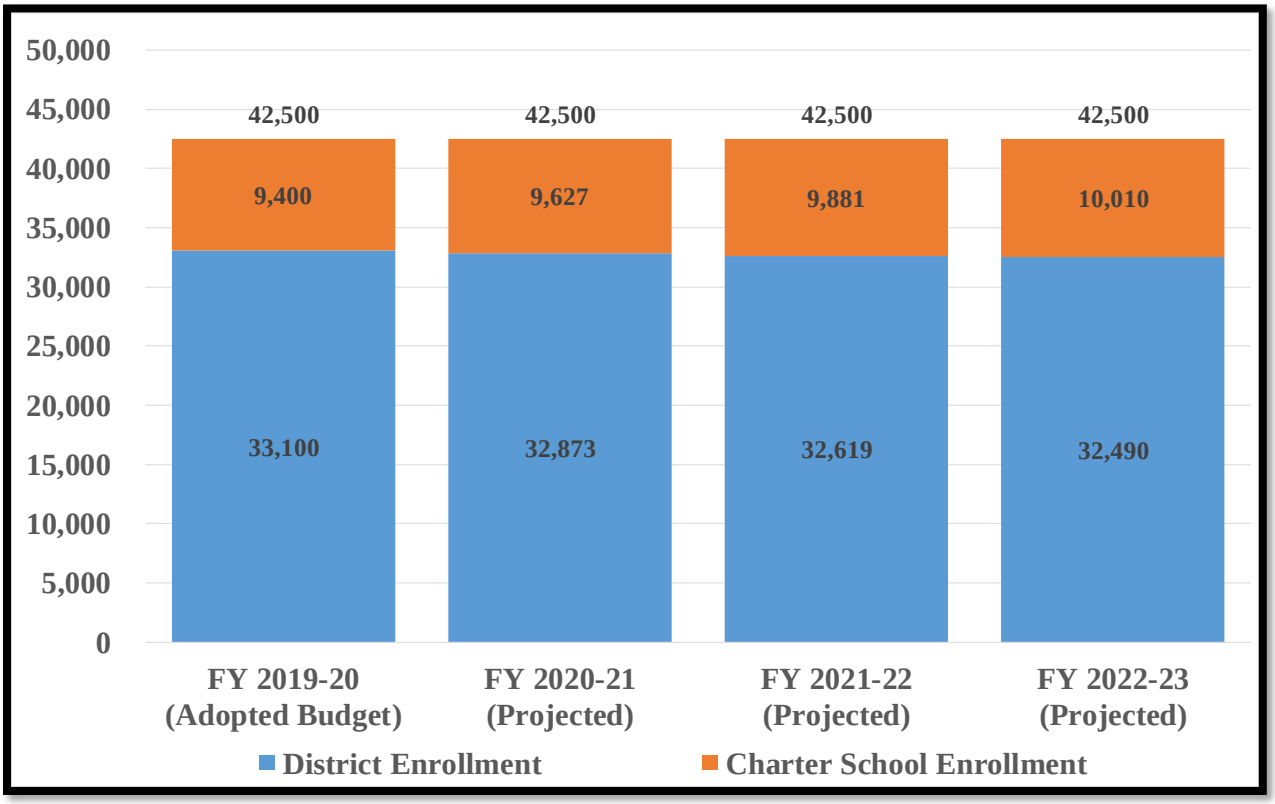
All Other Fringe Benefits include supplemental benefits, workers' compensation costs, unemployment, and other minor fringe benefit costs. These expenditures are projected to be essentially flat and increase $0.1 million over the Financial Plan with slight increases in total Supplemental Benefits, based on an increasing number of employees budgeted.

Payments to Charter Schools

Payments to Charter Schools grow at a rate that exceeds that of every other expenditure. It is the third largest at 14.4% of total General Fund budgeted expenditures.

Payments to Charter Schools include the funds the District forwards to area charter schools based on the number of students enrolled in charter schools at a rate established by NYS. The FY 2019-20 budgeted tuition rate is $14,231 per pupil. This includes $13,500 in base tuition and $731 for special education. Payments to Charter Schools are budgeted at $133.7 million in the Adopted Budget and increases $22.8 million, or 17.1%, to $156.5 million over the course of the Financial Plan. The increase is driven by both an increase in estimated pupils from 9,400 to 10,010 and an increased tuition rate. The budgeted charter school tuition per pupil is expected to be $14,231 and increase to $15,631 by FY 2022-23. The increase in the tuition rate is reimbursable to the District in the following year in the form of Supplemental Charter Tuition Reimbursement.

The following chart depicts projected enrollment in Buffalo public schools, both District and charter:



The District is projecting a declining enrollment within District schools while projecting an increase of 610 (6.5%) charter school students over the Financial Plan. The sizable increase in expected area charter school enrollment has been projected based on the expansion plans of existing charter schools as they add grade levels to meet their chartered plan and the recent opening of two new schools in FY 2018-19: the Persistence Preparatory Charter School and the Buffalo Collegiate Charter School.

The District serves as the Lead Educational Agency for all public and non-public school City-resident pupils. The District provides special educational services at rates set by NYS for area charter schools. These services include speech, physical and occupational therapy, vision and hearing.

Debt Service

Debt Service payments are the fourth largest expenditure category at 12.2% of total budgeted General Fund expenditures. Debt Service includes the annual principal and interest payments that the District pays on its outstanding bonds. Debt Service expenditures are budgeted at $113.0 million in the Adopted Budget and decrease $11.5 million, or 10.2%, to $101.5 million over Financial Plan. The annual amount of Debt Service expenditures is directly correlated to the annual amount of NYS Building Aid received, although NYS uses an assumed debt service amortization schedule in calculating the annual NYS Building Aid. NYS Building Aid is budgeted at $120.1 million in FY 2019-20 and increases to $121.6 million in FY 2022-23. Debt

Service includes the scheduled principal and interest payments on borrowings for capital improvements including work associated with the Joint Schools Construction Board project.

Transportation

Transportation expenditures constitute 5.5% of the District's total Adopted Budget and is the sixth largest General Fund expenditure category. Transportation expenditures total $51.3 million in the Adopted Budget. Transportation expenditures increase $3.9 million, or 7.6%, to $55.2 million over the four years of the Financial Plan.

Transportation aid is received by the District at a rate of approximately 87% of the prior years' expenditures. Qualified expenditures for reimbursement include, but are not limited to, contractual transportation costs, supplies and materials, insurance and salary and fringe benefits for bus aides providing services to students with disabilities if the aid was required by the student's Individual Educational Plan.

Overall, the expenditure is projected to increase 2.5% annually based on the increased bussing services provided by the District due to four additional charter schools, increased school activities such as extended learning time, and evening access to school facilities.

The District utilizes both private and public carriers for pupil transportation. The District approved a transportation contract with Students First, a private carrier, in FY 2014-15 that extends through the end of FY 2019-20. Additionally, the District has an on-going contract with a public carrier, the Niagara Frontier Transportation Authority, to provide transit passes for pupils in grades 9 through 12. The contracts provide transportation for Buffalo resident pupils in public schools including District schools and area charter schools, non-public students, and agency and foster students.

All Other General Fund Expenditures

All Other Expenditures is the final expenditure subcategory and is a composite category that includes all General Fund expenditures other than those described above. It constitutes 12.5% of total budgeted General Fund expenditures and includes tuition, contracts, textbooks and supplies, repairs and maintenance, and a contingency reserve.

The following chart summarizes All Other Expenditures as contained in the Financial Plan and includes for comparison purposes the FY 2018-19 Modified Budget.

General Fund Expenditures	2018-19 Modified Budget	2019-20 Adopted Budget	2020-21 Outyear 1	2021-22 Outyear 2	2022-23 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
All Other Expenditures	$ In Millions						
Utilities	$8.9	$8.9	$9.1	$9.2	$9.4	$0.5	5.6%
Tuition	33.5	34.0	34.5	34.8	35.1	1.1	3.2%
Contracts - Custodian	18.4	18.4	18.8	18.8	18.8	0.4	2.2%
Equipment	1.7	1.5	1.6	1.6	1.6	0.1	6.7%
Contracts - Misc.	21.1	23.9	23.1	23.1	23.1	-0.8	-3.3%
Reserve for Contingency	0.1	1.9	3.8	4.3	4.8	2.9	152.6%
Rental and Facility Contracts	6.7	8.6	10.2	10.3	10.5	1.9	22.1%
Repairs/Maintenance	3.7	3.5	3.5	3.6	3.6	0.1	2.9%
Textbooks	2.7	2.0	1.7	1.7	1.7	-0.3	-15.0%
Supplies and Misc.	7.8	6.4	6.9	6.9	7.0	0.6	9.4%
Software	3.6	3.6	3.5	3.6	3.6	0.0	0.0%
Interfund Transfers	3.0	2.9	2.9	2.9	2.9	0.0	0.0%
Total All Other Expenditures	$111.2	**$115.6**	**$119.6**	**$120.8**	**$122.1**	**$6.5**	**5.6%**

All Other Expenditures are budgeted at $115.6 million and increase $6.5 million, or 5.6%, to $122.1 million over the course of the Financial Plan.

Utilities

Utilities expenditures total $8.9 million in the Adopted Budget and is projected to increase by $0.5 million, or 5.6%, to $9.4 million over the four years of the Financial Plan based on an inflationary factor of 2.0%.

Reserve for Contingency

The Reserve for Contingency expenditure was created in FY 2011-12. It is not a specific expenditure and was established as a contingency to cover revenue reductions and/or expenditure increases which occur after a budget's adoption.

The Adopted Budget includes a Superintendent's Equity Contingency of $1.9 million to be used by the Superintendent to add staff in schools for reasons of equity or compliance. The three out-years of the Financial Plan include a Reserve for Contingency expenditure line containing two elements: a contingency to settle collective bargaining agreements of $1.5 million annually and totaling $4.5 million cumulatively, and a general contingency for other unspecified revenue shortfalls and/or unanticipated expenditures totaling $8.4 million cumulatively in the Financial Plan.

The following depicts the total of the Reserve for Contingency over the Financial Plan:

Reserve for Contingency	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Superintendent's Equity Contingency	$1.9 M	-	-	-
Settling labor agreements	-	$1.5 M	$1.5 M	$1.5 M
General	-	$2.3 M	$2.8 M	$3.3 M
Total Reserve for Contingency	$1.9 M	$3.8 M	$4.3 M	$4.8 M

Tuition

The District's tuition expenditure includes the costs for outside instruction including payments to agencies to educate children with special needs, payments to other school districts to educate foster children who are Buffalo resident pupils, and college tuition for Middle Early College and DaVinci High School students attending classes at Erie Community College, Buffalo State College, and D'Youville College. The Adopted Budget includes $34.0 million in Tuition expenditures of which $31.2 million, or 91.8%, relate to Agency instruction, representing agencies that educate students with special needs. An additional $1.5 million is budgeted for foster and resident student tuition. The remaining $1.3 million is budgeted for Career and Technical Educational college credit, DaVinci tuition at D'Youville College, Early Middle College at Buffalo State, and Early Middle College at Erie Community College.

The District has budgeted a 1.0% growth rate for this expenditure. It is projected to increase by $1.1 million, or 3.2%, to $35.1 million over the Financial Plan based on the projected enrollment in these programs and the tuition rates established by NYS.

Miscellaneous General Fund Expenditures

Miscellaneous General Fund expenditures include: contracts, equipment, software, repairs and maintenance, textbooks, supplies, and interfund transfers. These expenditures total $70.8 million in the Adopted Budget. They are projected to increase by $2.0 million, or 2.8%, to $72.8 million over the Financial Plan.

Miscellaneous contracts are budgeted to increase $2.8 million, or 13.3%, over the FY 2018-19 Modified Budget and are projected to decrease $0.8 million, or 3.3% over the Financial Plan. The District increased the modified budget for 2018-19 to reflect District needs. The District historically has overbudgeted this expenditure.

Rental and Facility contracts are budgeted at $8.6 million, an increase of $1.9 million over the FY 2018-19 Modified Budget, and reflects a new contact for $1.5 million annually to rent a facility for Emerson Commons II, and in total are projected to increase $1.9 million, or 22.1%, over the Financial Plan based on a 1.5% increase annually stipulated and/or assumed contractual increases for these contracts.

Textbook expenditures are budgeted to decrease $0.7 million, or 25.9%, over the FY 2018-19 Modified Budget and are projected to decrease $0.3 million in year two of the Financial Plan and are held flat thereafter. The budgeted decrease over the prior fiscal year is based the adoption of

a five-year replacement cycle as well as implemented cost saving initiatives to reduce procurement costs through more competitive bidding.

Supplies and miscellaneous expenditures are budgeted to decrease $1.4 million, or 17.9%, over the FY 2018-19 Modified Budget and are projected to increase $0.6 million over the Financial Plan. The budgeted decrease over the prior fiscal year is based on the anticipated cost of the numerous instructional and office-related supplies in FY 2019-20. The increase of $0.6 million over the Financial Plan is assumed based on an inflationary factor of 1.5%.

Miscellaneous General Fund expenditures include custodial contracts, budgeted at $18.4 million in FY 2019-20. This amount is increased by $0.4 million in FY 2020-21 and held flat over the out-years of the Financial Plan. The District is unique in its custodial contracts in that Operating Engineers receive lump sums of money based on the size of the building they maintain, and other factors as established by the collective bargaining agreement, to perform school custodial duties. These duties are carried out in part by custodians who are employees of the engineers, not the District.

Other Postemployment Benefits (OPEB)

The District has significant accrued liabilities for post-employment healthcare. NYS law does not currently authorize any municipalities to establish a governmental trust that entities could voluntarily contribute into to fund these long-term liabilities. The District provides OPEB benefits on a “pay-as-you-go” basis and may only assign fund balance for future OPEB costs. Such a designation is not binding as Assigned fund balance may be reallocated by District management.

As of June 30, 2018, the District had $48.1 million of fund balance assigned for OPEB. As of the last actuarial valuation report dated June 30, 2018, the total OPEB liability was $2.3 billion. This is a reduction from the estimate of the total OPEB liability at June 30, 2016 of $2.85 billion.

The District has actively been examining and implementing additional cost saving measures to address this long-term liability. The recently settled collective bargaining agreements with the BTF and BCSA provided terms that resulted in a decrease to the long-term liability. Additionally, the decrease in the total OPEB liability resulted from several changed underlying assumptions including a change in the actuarial cost method, an increased discount rate from 2.92% to 3.56%, and updated assumptions for termination, retirement, salary scale, and disability.

DEFICIT CLOSING AND COST SAVINGS INITIATIVES

The Financial Plan projects annual deficits and provides an outline of how such projected budget gaps will be addressed. The summary quantifies the various gap closing measures that the District has identified to address these projected deficits. The deficit closing and cost saving initiatives include: potential revenues and sources that are excluded from the general revenue projections as the revenue recognition criteria has not yet been met, actions to improve operational efficiencies and provide cost savings, and other cost reductions as necessary in the event additional revenues and sources and efficiency savings are insufficient to eliminate the cumulative remaining deficit of $57.7 million.

The Financial Plan provides a description of each individual item and quantifies the potential financial impact.

These initiatives were introduced in the FY 2017-18 Financial Plan. The potential actions are separated into three categories including other revenue and fund balance items, savings to be achieved through efficiencies, and other cost reductions. There are fifteen (15) initiatives currently listed which include quantified potential cost savings, revenue enhancements, or the availability of fund balance. Additionally listed are various initiatives which include savings that have since been realized and/or other initiatives that the District has identified as providing additional opportunities to enhance revenue or reduce expenditures but are unable to be quantified.

A summary of the results of actions from June 20, 2017 through April 17, 2019 is included.

The following chart summarizes the deficit closing and cost savings initiatives plan as provided in the Financial Plan.

General Fund Deficit Closing and Cost Saving Initiatives

	2019-20 Adopted Budget	2020-21 Outyear 1	2021-22 Outyear 2	2022-23 Outyear 3	4-Year Totals
	$ in Millions				
Revenues	$917.4	$932.9	$950.9	$971.4	$3,772.6
Expenditures	927.4	951.6	968.4	982.7	3,830.1
Baseline Gap	($10.0)	($18.7)	($17.5)	($11.3)	($57.5)
Use of Fund Balance	10.0	0.0	0.0	0.0	10.0
Revised Baseline Gap	$0.0	($18.7)	($17.5)	($11.3)	($47.5)
Revenues and Fund Balance	Estimated $16.7 M Achieved and Incorporated within the Budget	10.1	10.1	10.1	30.3
Efficiencies and Savings		4.8	5.0	5.2	15.0
National Foundation Funding		0.0	0.0	0.0	0.0
*Other Cost Reductions		9.3	9.3	9.3	27.9
Surplus/ (Deficit)	$0.0	$5.5	$6.9	$13.3	$25.7

*** Includes potential staffing reductions of $6.2 million in each out-year of the Financial Plan**

The Adopted Budget includes a budgeted deficit of $10.0 million, addressed through the appropriation of fund balance. An estimated $16.7 million of savings from efficiencies has been achieved and incorporated into the 2019-20 budget. Overall, after the use of fund balance in the Adopted Budget, the resulting cumulative remaining deficit of $47.5 million in the Financial Plan is addressed through the continuation of various deficit-closing and cost savings initiatives. The estimated $16.7 million of prior gap closing actions realized in 2019-20 include both increased revenues and cost savings through several efficiency initiatives. These include significant reductions in employee and retiree health insurance costs of $10.0 million in FY 2019-20 and thereafter, NYS aid revenue of over $1.1 million, renewed bullet aid for nursing services of $1.2 million, a reduction in occupational and physical therapy costs of $1.0 million, substitute teacher cost reductions of $0.4 million, school nursing cost reductions of $0.6 million, as well savings from reduced leave time for employees out on workers' compensation and administrative leave.

Cost reductions are additionally included as a method by which the District may close deficits through the reduction and/or elimination of programs as well as a reduction of staff. These cost reductions are not planned actions but have been quantified to demonstrate the District's ability to balance if other initiatives do not provide budgetary relief as projected.

Deficit Closing and Cost Savings Initiatives – Other Revenue and Fund Balance Items (#1-2)

The Financial Plan includes a revenue enhancement item and addresses the ability to use additional fund balance, although there is no current intent to use additional reserves. These items are listed at $10.1 million in each out-year of the Gap Closing Plan, for a cumulative amount of $30.3 million and include:

1. Revenue enhancement: A minor amount of $0.1 million in additional annual receipts for a cumulative $0.3 million is included for various revenue enhancements resulting from several current initiatives which are intended to yield greater revenues though better data collection and understanding of the various NYS and federal regulations.

The District received a Foundation Aid increase allocation more than the NYS average for FY 2019-20. The District stated that this increase is partially due to a better collection of student data because of this initiative.

2. Unassigned fund balance: Total fund balance at June 30, 2023 is projected to be $179.7 million including $90.3 million in Unassigned fund balance. Of this $90.3 million, 4% of projected expenditures, or $39.3 million, is required to be retained per the District's fund balance policy. A projected $51.0 million in excess of the Board of Education's 4% of expenditures retention policy would be available to address budgetary gaps. The projected fund balance is an improvement from that projected in the past two years and reflects positive financial results as compared to the budget.

Deficit Closing and Cost Savings Initiatives – Savings to be Achieved through Efficiencies (#3-10)

The Financial Plan includes eight (8) individual actions for cost reductions and savings to be achieved through greater efficiencies providing up to a cumulative $15.0 million of cost reductions over the three out-years of the Financial Plan. These actions are summarized as follows:

3. Vacancies: The District has included potential additional budgetary savings of up to $2.0 million resulting from vacancies based on historical experience; cumulative savings of $6.0 million are included. The District annually has budgetary savings based on budgeted but unfilled full-time equivalent (FTE) positions, particularly within the white-collar and blue-collar employee groups. This item does not represent an action but represents an area where the budgetary savings likely will occur.

4. Reduce substitute teacher costs: The District has included annual savings of $100,000 for a cumulative $0.3 million in substitute teacher savings resulting from better management of teacher absences. Substitute teachers are often requested in addition to the regular teaching staff to assist with classroom instruction. The District's Associate Superintendent for Human Resources has implemented approval controls for the use of substitute teachers. This additional use of substitute teachers now requires approval as the process has been centralized from the individual schools to the Department of Human Resources. An additional $0.1 million annually in cost savings have been listed based on the continued implementation and refinement of this initiative.

5. Nursing costs: The District received $1.2 million for nursing services in 2018-19 from NYS as additional NYS Aid. This grant is non-competitive and is a reauthorization of a previously awarded grant. The grant awards are recorded as "bullet aid" or "one-shot" as there is no requirement for this aid to be received on an annual basis and is therefore excluded from budgeted revenues. The Gap Closing Plan includes the continued reallocation by NYS of $1.2 million annually for a cumulative $3.6 million. As this funding has been provided over the past ten years, it is reasonable to include it annually as an additional revenue source in the event the revenue is not received, the District could reduce the budgetary cost associated with this service.

Additionally, two new lower cost vendors were approved for nursing services in FY 2018-19 for $0.6 million in estimated annual savings. These savings have been integrated into the Financial Plan.

6. Negotiations/Analysis of Top 150 Vendors/Best Practices (formerly Best and Final Offers): The Gap Closing Plan includes potential savings related to procurement in the amount of $500,000 in FY 2020-21, which increases annually by $200,000 for a cumulative amount of $2.1 million. On March 20, 2019, the Buffalo Board of Education adopted a revised procurement policy to allow for negotiation with the lowest responsible or best value bidder. In the event negotiations fail, an alternate award may be made.

The District intents to perform a full analysis of the top 150 vendors in 2019-20 to ensure the costs are appropriate for the services received, discounts available are taken, and items are bid on an appropriate schedule.

The District has also analyzed several best practices through work with the Council of Great City Schools and other organizations. It is anticipated that some of the best practices identified during this process will yield more cost-efficient procurements. Additionally, the District is examining whether certain functions currently performed by building engineers may be outsourced.

7. Facility closure (PS #86): The District has identified former PS #86 for closure. The operational cost savings is listed at $150,000 annually for a cumulative three-year impact of $450,000. The ultimate usage of this facility will depend on the recommendations of a long-term capital and facilities plan and a demographic study. As of April 17, 2019, the facility was in use by the District's Adult Education Department.

8. Reduction in overtime: The District scrutinized the use of overtime in FY 2017-18, particularly within trades, transportation, and security. An annual amount of $100,000 is estimated for potential annual savings for a cumulative $0.3 million in savings and reflects a tightening of controls over the use of overtime following this review.

As of March 2019, overtime was overbudget for the FY 2018-19 and is projected to exceed budget by $0.5 million.

9. Reduced compensated leave time: The District implemented procedural controls over staff's utilization of workers' compensation, medical leave and administrative leave in FY 2016-17. An annual savings of $0.5 million and a cumulative savings of $1.5 million is listed as a gap closing measure by expanding these efforts to curtail the use of compensated leave time. The District has seen positive trends associated with this action as current year employees on paid leave are less than that of the prior fiscal year.

10. Special Education: The Financial Plan includes $0.2 million annually and $0.6 million cumulatively from continued cost saving initiatives related to special education. The FY 2018-19 Adopted Budget included programmatic changes in the summer handicapped program to reduce the General Fund expenditures associated with unreimbursed costs by $0.2 million, and it is expected to be realized. This cost saving initiative is included in the Gap Closing Plan for similar calculations to impact future years.

Deficit Closing and Cost Savings Initiatives – Other Cost Reductions (#11-15)
The District intends to utilize savings from efficiencies to the extent possible. Additionally, the District has included five (5) gap closing measures to provide cost reductions in the event such actions are necessary. These actions have up to an estimated cumulative $27.9 million impact over the Financial Plan and include more severe measures:

11. the reduction of the general contingency account ($1.36 million annually for a cumulative total of $4.1 million);

12. the reduction or elimination of the contract settlement contingency account ($1.5 million for a cumulative 6.0 million)

13. the reduction or elimination of non-mandated programs ($0.25 million annually for a cumulative $0.75 million);

14. the reduction of central office positions ($660,000 annually for a net savings of $2.0 million);

15. the reduction of instructional and support positions ($5.5 million annually for a cumulative $16.5 million).

The District has not quantified the number of central office positions or instructional and support positions this would entail.

Deficit Closing and Cost Savings Initiatives – Other Opportunities
In addition to the Gap Closing Plan discussed above, the District has provided information related to other initiatives that are being pursued that could provide additional revenues, cost savings and/or operational advantages. These initiatives were previously included in the annual gap closing plan but due to the uncertainty of realization have subsequently been excluded. These items are summarized as follows:

1. Additional grants: New grants though national foundations continue to be pursued. The Community Foundation of Greater Buffalo will administer a $360,000 planning grant from the Ralph C. Wilson Foundation to determine needed improvements at eleven City of Buffalo parks and District athletic sites. Additionally, District received a three-year grant award of $1,000,000 from the Kellogg Foundation that will support children's success in schools through innovative enrichment curriculum.

Under the leadership and facilitation of Say Yes to Education, the District is partnering with five local institutions of higher education to support a best-in-class pre-kindergarten through grade 12 data system with the support of a national foundation. The purpose is to monitor and implement wraparound services on each campus and to support students through the completion of a high school diploma.

2. Master Scheduler: The District continues to intend to hire a master scheduler who will be tasked with ensuring high school schedules are built efficiently and that resources for special education and English as a second language services are efficiently utilized. The position will be responsible for auditing schedules during the year to make sure that, if staffing is excessive, positions are moved or reallocated.

The position was posted in April 2018 and has remained unfilled since being posted. The associated cost savings from the creation of this position will be evaluated following the hiring of an individual for this position based on the results of such work being performed.

Deficit Closing and Cost Savings Initiatives – Results reflected in Financial Plan

1. Employee healthcare: The District expects $500,000 in annual savings from a dependent verification audit in 2019-20. The expectation is that employees or retirees who have dependents listed inappropriately on their healthcare policy will be removed allowing for a cost reduction. The annual savings anticipated from this initiative are built into the Financial Plan; no additional potential savings are listed.

Additionally, the District is anticipating issuing a request for proposal (RFP) for health insurance administration services by the end of FY 2018-19 which could produce savings.

2. Facility closure (#187): Former PS #187 has nearly been vacated and will not be utilized within the 2019-20 school year. As this gap closing measure has been actualized, no potential savings are listed.

3. Reduced healthcare costs: In FY 2018-19 and 2019-20, the District achieved significant cost reductions related to the health insurance cost for active employees and retirees. The

savings for active employee health insurance resulted from the settlement of the BTF and BCSA labor agreements which included employee health insurance contributions for the first time and increases in co-pays for doctor visits and prescription drugs. Savings in providing retiree health insurance were additionally received as follows: $3.6 million in annual savings from the conversion of over 1,300 retirees and/or their dependents to a Medicare Advantage product, $2.0 million from the near elimination of retiree cosmetic surgery as a result of its inclusion as a federally-taxable income to users, $2.0 million in federal drug subsidy savings, and additional savings in negotiated rebates on drug purchases with Blue Cross/Blue Shield.

4. Renegotiate occupational therapy and physical therapy contracts: The District opted to extend the existing contract based on the cost savings realized in FY 2017-18 and forecasted to be saved in FY 2018-19. The total estimated savings of $1.0 million has been reflected within budgeted and projected expenditures.

5. Textbook purchases: Savings from purchasing textbooks through a bid process rather than directly from the publisher have been realized and reflected in the Financial Plan. While the District has not quantified the savings, it is noted that the Adopted Budget has been reduced by $1.1 million or 40.7%, compared to the prior year modified budget.

6. Public carrier transportation: The District reported that a newly approved two-year contract with the Niagara Frontier Transportation Authority is anticipated to provide $582,000 in additional costs for the District but with a significant increase in the amount of bussing services. These new costs have been included within the Adopted Budget and Financial Plan. The total transportation costs are reimbursable at 87% the following year through NYS Transportation Aid. The District will begin the bidding process for yellow bus transportation for the 2020-21 fiscal year.

The Financial Plan projects deficits in each out-year of the Financial Plan and the Gap Closing Plan provides information as to how the deficits may be closed. The cumulative remaining deficit after the planned use of fund balance for the three out-years of the Financial Plan is $47.5 million. Total efficiencies and savings are estimated up to a cumulative $15.0 million; the remaining amount of the budget gap is to be closed by additional revenues, potentially the use of additional fund balance, and through cost reductions.

The Gap Closing Plan lists the availability of $30.0 million in additional fund balance to address the projected deficits. The District is projecting to have $51.1 million in Unassigned fund balance in excess of the retention policy at June 30, 2023. As the amount of efficiency savings realized will be insufficient to close the entire budgetary gap, a determination will need to be made by the Board of Education whether to use additional fund balance or reduce costs in other areas as outlined within the financial plan.

FOOD SERVICE FUND

The District provides breakfast, lunch, and afterschool dinner to all District students as well as seven City charter schools, three non-public schools, and an out-of-District charter school. The program is administered through the District's Food Service Fund.

The Food Service Fund totals $41.6 million in the Adopted Budget, an increase of $3.6 million, or 9.5%, from the $38.0 million FY 2018-19 Adopted Budget. This increase is attributed to an increase of $0.4 million in employee compensation expenditures based on step increases, longevity payments and incentives, an increase of $0.1 million for employee benefits, and a $2.8 million increase in all the food supplies and commodities necessary to operate the various cafeterias and the Central Commissary.

The District drew down fund balance assigned for capital improvements in FY 2016 through 2019 for a building improvement and expansion project. This capital work continues in FY 2019-20 as $5.0 million in fund balance assigned for capital improvements is appropriated for continued building improvements and expansion of the District's central commissary.

SPECIAL PROJECTS FUND

The Special Projects Fund includes grants from a variety of sources, though most are from either the Federal government or the NYS government. The Adopted Budget for the Special Projects fund totals $116.5 million. This is projected at a static level in each of the four years of the Financial Plan. The acquisition of national foundational grants in support of the Educational Bargain is a high priority for the District.

No deficits are projected in any of the years of the Financial Plan. The fund is largely self-sufficient; if anticipated grant applications are either rejected, reduced, or require resubmission, mandated expenditures are funded via the General Fund.

CONCLUSIONS & RECOMMENDATIONS

The following is a summary of the conclusions reached in conjunction with the review of the District's FY 2019-20 Adopted Budget and 2020-2023 Financial Plan:

1. The Financial Plan was developed using consistent underlying key assumptions as used in development of the Adopted Budget, adjusted for known or estimated increases or decreases. Overall estimated revenues and expenditures are consistent over the Financial Plan with an adjustment noted in the Financial Plan's assumptions for teaching positions. The assumption is that there will be a reduction in teaching positions for a shift in students from District schools to charter schools; the estimate is a reduction of 6.5 teachers for every 100 students that enroll in charter schools. The total increased number of charter school students is 610 over the Financial Plan which equates to a reduction of 40 positions. The financial impact on the Financial Plan is a reduction to employee compensation expenditures of $2.8 million.

2. The changes made between the Recommended Budget and the Adopted Budget were not significant to the overall budget and represent 0.2% of the total budgeted appropriations. The modifications appear to address the final considerations of the review process and reasonably adjust costs for the increase of nine net positions to the General Fund. The adjustments made to the Adopted Budget effect 2019-20 only and do not impact the out-years of the Financial Plan.

3. The District's Financial Plan includes $3,772.6 million in estimated revenues and $3,830.1 million in estimated expenditures, leaving an initial budgetary gap of $57.5 million. The District has projected to use $10.0 million in fund balance in the first fiscal year of the Financial Plan. The final out-years of the Financial Plan contain projected budgetary gaps which are closed solely through the implementation of various gap closing measures.

The remaining budgetary gap of $47.5 million must be addressed through various gap closing measures. The District has updated its Gap Closing Plan to address the remaining budget gaps.

4. Several of the programs intended to create efficiency savings as listed previous gap closing plans have been actualized in the last two fiscal years as well as within the Adopted Budget. At the time the 2018-2022 financial plan was developed, the District had estimated a deficit of $26.7 million for FY 2019-20. The Adopted Budget includes a deficit of $10.0 million closed through the appropriation of fund balance. The variance is largely due to additional NYS Aid as compared to what was originally projected and to savings achieved through various efficiency actions; estimates are continually revised with the development of each subsequent financial plan. The District has not quantified the impact that efficiency-related savings has had on the Financial Plan.

5. The District has included a staffing plan which increases the number of budgeted positions in FY 2019-20 by 125 FTE positions on a General Fund basis. Budgeted staffing at 4,833 FTEs represents the highest level of budgeted FTEs since 2003 on a General Fund basis. On an All Funds basis, 5,594 FTEs are budgeted, an increase of 207 FTEs over the FY 2018-19 Adopted Budget.

6. Over the Financial Plan, a total of $5.5 million of Assigned fund balance and $4.5 million of Unassigned fund balance is allocated towards closing the proposed budgetary gaps for a total of $10.0 million. Unassigned fund balance more than the Board of Education's 4% retainage policy is projected to be $51.0 million at June 30, 2023.

Fund balance that is classified as nonspendable or restricted is unavailable for use in balancing the budget. Assigned fund balance represents set-asides for specific purposes including other postemployment benefits, prior years' claims and capital improvements. District management can reallocate the intended use of these sources of funds although it would be financially imprudent to use set-asides for balancing the budget beyond the level of fund balance already represented in the Financial Plan. Total Assigned fund balance that is not earmarked for use over the Financial Plan is approximately $59.4 million.

7. The District will be out-of-contract with its largest union, the BTF, on July 1, 2019. The CBA with BCSA expires September 1, 2020. The CBA with TAB expires June 30, 2021. All other employee groups funded through the General Fund are operating under expired labor agreements. The District has included in its deficit closing measures the elimination of the Contract Settlement Contingency which would hinder the ability of the District to negotiate. The Adopted Budget does not include an amount for Contract Settlement Contingency; the amount provided in the three out-years of the Financial Plan is $1.5 million annually for a cumulative $4.5 million.

Additionally, there is $3.0 to $5.0 million estimated as Assigned fund balance annually to settle expired labor agreements. There is also an amount included for labor contract increases associated with new labor costs within projected employee compensation, but such amounts have not been quantified by the District.

BUFFALO FISCAL STABILITY AUTHORITY

Overview of the Buffalo Municipal Housing Authority's FY 2019-20 Adopted Budget and FY 2020-2023 Financial Plan

Introduction

The Buffalo Municipal Housing Authority (BMHA) submitted its fiscal year (FY) 2019-20 Adopted Budget (Adopted Budget) and FY 2020-2023 Financial Plan (Financial Plan) to the Buffalo Fiscal Stability Authority (BFSA). The Adopted Budget and Financial Plan were approved by the BMHA's Board of Commissioners on April 25, 2019.

The Financial Plan includes the individual financial plans for the combined twenty-two Asset Management Projects (AMPs), the Central Office Cost Center (COCC), the Marine Drive Apartments and the U.S. Housing and Urban Development (HUD) Section 8 voucher program (Section 8). These individual financial plans are consolidated into the overall Financial Plan.

Financial Plan Summary

The following are the highlights of the Adopted Budget and Financial Plan.

Description	2018-19 Modified Budget	2019-20 Adopted Budget	2020-21 Outyear 1	2021-22 Outyear 2	2022-23 Outyear 3	Totals
	$ in Millions					
Total Revenues	45.1	46.7	47.1	47.7	48.2	189.7
Total Expenses	45.8	46.2	46.6	47.1	47.6	187.5
Net Operating Income(Loss) before Debt Service	(0.7)	0.5	0.5	0.6	0.6	2.2
Net Income reduced for Debt Service	(2.1)	0.2	0.2	0.2	0.2	0.8
Cash Impact (remove OPEB Accrual)	(1.1)	1.2	1.4	1.4	1.5	5.5

Note: Total expenses include the annual accrual for other postemployment benefits (OPEB), a non-cash accrued expense of future benefits earned by active employees.

The Adopted Budget contains budgeted net income of $0.5 million prior to the payment of principal on outstanding debt. The three out-years of the Financial Plan include net income ranging between $0.5 million and $0.6 million before the payment of principal on debt. After reducing net income for the impact of principal debt payments and adding back in the non-cash accrual for OPEB, BMHA is projecting a cumulative, four-year surplus of $5.5 million.

Revenues in total are budgeted to increase $1.6 million, or 3.5%, in FY 2019-20 as compared to the FY 2018-19 Modified Budget. Revenues are projected to increase $1.5 million from $46.7 million in FY 2019-2020 to $48.2 million in FY 2022-23, representing a 3.2% increase over the Financial Plan.

Expenses in total are budgeted to increase $0.4 million, or 0.9%, in FY 2019-20 as compared to the FY 2018-19 Modified Budget. Expenses are projected to increase $1.4 million from $46.2 million in FY 2019-20 to $47.6 million in FY 2022-23, representing a 3.0% increase over the Financial Plan. BMHA has applied a 2% annual increase in total salaries based on the contractual salary increases dictated by the current Memorandum of Agreement (MOA) with Local 264 representing the managerial, white-collar and blue-collar employees employed by the BMHA, as well as the contractual salary increases afforded in the proposed MOA with Local

409 representing the operating engineers, less natural assumed attrition of the workforce. The labor agreement with Local 264 expires on June 30, 2023. The labor agreement with Local 409 is proposed to expire on June 30, 2023.

Prior-Year Revenues and Current Year Projections

The BMHA's financial results for the year ended June 30, 2018 reflected a net income (excluding depreciation and the payment of principal on outstanding debt) of $3.2 million. Actual revenues were $41.5 million while expenses were $38.3 million.

FY 2018-19 revenues were favorable compared to the budget by $1.3 million at the end of the third quarter as the U.S. Department of Housing and Urban Development (HUD) Operating Subsidy was favorable by $0.2 million, HUD Public Housing Authority (PHA) vouchers were favorable by $0.7 million, transfers from capital grants were favorable by $0.2 million, and all other revenues were favorable by $0.3 million. Dwelling Rent income was unfavorable by $0.1 million.

Revenues

The following schedule summarizes revenues within the Financial Plan:

FY 2019-2022 Financial Plan Consolidated Revenues

Description	2018-19 Modified Budget	2019-20 Adopted Budget	2020-21 Outyear 1	2021-22 Outyear 2	2022-23 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
HUD Subsidy	17.3	17.0	17.5	17.5	17.5	0.5	2.9%
Net Dwelling/Non-Dwelling Income	13.9	14.4	14.6	15.0	15.2	0.8	5.6%
HUD PHA Grants - Vouchers	5.4	6.2	6.4	6.6	6.8	0.6	9.7%
All Other Revenues	5.4	6.1	6.0	6.0	6.1	0.0	0.0%
Transfers from Capital Grants	3.1	3.0	2.6	2.6	2.6	(0.4)	-13.3%
Total Revenue	**45.1**	**46.7**	**47.1**	**47.7**	**48.2**	**1.5**	**3.2%**

Operating Subsidy

Public Housing Authorities (PHAs) receive an operating subsidy from HUD to assist in funding the operational and maintenance expenses of public housing dwellings, in accordance with Section 9 of the U.S. Housing Act of 1937, as amended. HUD's Operating Fund determines the amount of operating subsidy to be paid to PHAs. PHAs provide HUD with financial information on the project expenses, utilities expenses, other formula expenses, and formula income, which are the major Operating Fund components. HUD reviews the information to determine each PHA's formula aid amount and the funds to be obligated for the funding period based on the appropriation by the U.S. Congress.

BMHA's HUD subsidy is budgeted at $17.0 million for FY 2019-20, a $0.3 million, or 1.7% decrease, over the prior fiscal year's budget. The subsidy is anticipated to increase $0.5 million, or 2.9%, over the Financial Plan. The increase is forecasted on BMHA's inflationary estimate of 2.9% from FY 2019-2020 to FY 2020-21. It is held flat for the two remaining out-years of the Financial Plan. The HUD Operating Subsidy is the BMHA's largest funding source at 36.4% of revenues. BMHA has estimated that it would receive approximately $268,000 per year for every 1% increase in occupancy.

The budgeted decrease in FY 2019-20 year is a conservative projection given the current fiscal year-end estimate of $17.3 million as well as the increase in HUD's overall funding as approved by the U.S. Congress in the 2019 Omnibus Bill. HUD's 2019 Public Housing Operating Fund was increased by 2.2% from $4.55 billion in 2018 to $4.65 billion in 2019. The projected proration is 95% of eligible funding with an occupancy rate of 95% (excludes A.D. Price Courts and Commodore Perry Homes).

Dwelling/Non-Dwelling Income

BMHA has budgeted $14.4 million in net dwelling/non-dwelling income, or 30.8% of total budgeted revenues. Net dwelling/non-dwelling income is anticipated to increase $0.8 million, or 5.6%, over the Financial Plan based on an inflationary factor of 2.0% annually.

Dwelling income includes the rental payments that BMHA receives from tenants. Non-dwelling income consists of rental income BMHA receives for rented space primarily for cellular towers but for other nonresidential needs as well. Of the $14.4 million in dwelling/non-dwelling income, $14.1 million is budgeted for dwelling income while the remaining $0.3 million is budgeted for non-dwelling rental income.

As of January 2019, the BMHA's overall occupancy rate for its federally-owned properties was 84% overall and 92% when excluding the units that BMHA has deemed uninhabitable at Commodore Perry Homes and at A.D. Price Courts. BMHA's goal is to achieve 96% occupancy for these rental units (excluding the aforementioned uninhabitable units) by the start of the 2019-20 fiscal year. BMHA is preparing a petition to HUD to allow for a waiver of the regulations which requires that these uninhabitable and obsolete units be included within the occupancy and vacancy rate calculations.

Voucher Grants

BMHA receives PHA voucher grants from HUD. The FY 2019-20 Adopted Budget includes $6.2 million in voucher grants, or 13.3% of total budgeted revenues. This projection is based on the HUD Housing Choice Voucher approved funding which increased from $22.0 billion to $22.6 billion including $20.3 billion for the renewal of all existing contracts in the recently approved 2019 Omnibus Bill. This revenue is projected to increase $0.6 million, or 9.7%, over the course of the Financial Plan based on a 3% inflationary factor. This revenue source has little impact on overall BMHA operations as the BMHA passes the vouchers to recipients. If voucher grant revenue does not increase at this rate, the amount of voucher grant funds passed through to recipients will be adjusted.

The revenues and expenses of the voucher program reflect BMHA's continued efforts to fully utilize the total vouchers available from the program. PHAs that do not spend 100% of available PHA grants are considered underutilized and may be subject to either a penalization or a recapture of the underutilized funds. PHA voucher grants from HUD are projected to grow at a rate that exceeds the rate of growth for all other revenues.

The Section 8 Housing Choice Voucher Administrative Fee is budgeted at $854,934. Net income is budgeted at $333,771, or 39% of the administration fee earned. BMHA budgets this net income primarily based on the income received less the administrative expense. The timing of revenue receipt and expense disbursements impacts this budget.

Transfers from Capital Grants

Transfers from Capital Grants are budgeted at $3.0 million in the Adopted Budget. These revenues constitute 6.4% of total FY 2019-20 revenues. Transfers from Capital Grants are projected to decrease to $2.6 million in FY 2020-21, representing a change of $0.4 million or 13.3% from FY 2019-20, and remain flat over the last two years of the Financial Plan.

These transferred Capital Grant funds are used to reimburse BMHA for administrative and programmatic work performed on grants and therefore may fund general operations. They consist of two components, one representing the reimbursement of administrative costs for the administering of the capital grant programs and the second for direct personnel costs. This amount will fluctuate depending on the annual capital grants awarded and expensed. This revenue represents the transfer of grant funds for the reimbursement of expenses.

All Other Revenues

All Other Revenues are budgeted at $6.1 million in the Adopted Budget. These revenues remain relatively static over the Financial Plan at $6.0 million in FY 2021-22 through FY 2022-23 and $6.1 million in FY 2022-23. These revenues comprise 13.1% of total FY 2019-20 revenues.

All Other Revenues include interest income, fees for services, administrative fees for development, administrative fee reimbursement associated with the HUD Section 8 Housing Voucher Program, and other miscellaneous income.

Most of these revenues are projected to be static over the Financial Plan; FY 2019-20 includes Housing Choice Voucher (HCV) special grant income of $73,000. It is excluded from the three out-years as it would be speculative to assume the annual reauthorization of this grant. A 3% inflationary growth in the HCV Administrative Fee Earned and for Laundry Income has been assumed.

BFSA has reviewed BMHA's revenue assumptions and determined that they appear fairly stated. The HUD Operating Subsidy appears to be conservatively estimated in that the FY 2018-19 HUD Operating Subsidy is currently projected to be greater than the budgeted FY 2019-20 amount; and HUD's 2019 approved Public Housing Operating Fund includes an increase of $0.1 billion. BFSA has estimated the HUD Operating Subsidy assuming a 95% proration; reductions to this reimbursement rate at the federal level would reduce the subsidy. Over the last five years, the proration factor has ranged between 82.35% and 94.74%.

Expenses

Total 2019-20 expenses are budgeted at $46.2 million. In addition, principal payments on outstanding debt will be $0.2 million. Total budgeted expenses and remaining debt service are $46.4 million.

Expenses are projected to increase $1.4 million, or 3.0% over the Financial Plan. The following summarizes the expenses as included in the Financial Plan:

FY 2019-2022 Financial Plan Consolidated Expenses

Description	2018-19 Modified Budget	2019-20 Adopted Budget	2020-21 Outyear 1	2021-22 Outyear 2	2022-23 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
General Expenses	13.8	12.8	12.8	12.9	13.0	0.2	1.6%
Maintenance	10.4	11.3	11.4	11.5	11.6	0.3	2.7%
Administrative	8.8	8.7	8.8	8.9	9.0	0.3	3.4%
Utility	5.7	5.7	5.9	6.0	6.2	0.5	8.8%
Other Expenses	5.4	6.2	6.2	6.3	6.3	0.1	1.6%
Protective Services/ Resident Service Costs	1.7	1.5	1.5	1.5	1.5	0.0	0.0%
Total Expenses	**45.8**	**46.2**	**46.6**	**47.1**	**47.6**	**1.4**	**3.0%**

General Expenses

General Expenses include employee benefits, insurance, the annual accrual for OPEB retiree health insurance and other miscellaneous expenses. BMHA has budgeted $12.8 million in General Expenses representing 27.7% of total FY 2019-20 expenses. The Financial Plan projects these expenses to increase by $0.2 million, or 1.6%, over the Financial Plan.

BMHA has budgeted employee benefits at $4.1 million, increasing to $4.3 million over the Financial Plan. OPEB and the OPEB accrual are budgeted flat at $3.2 million and $0.9 million respectively. This assumes that increased retiree healthcare expenses will be offset by retiree healthcare savings associated with the settled labor contract with Local 264. OPEB may be underbudgeted as the FY 2017-18 projection for these expenses is $3.5 million and $1.0 million respectively.

The various insurances (property, liability, workers' compensation, other) comprise 22% of total General Expenses. These expenses are budgeted to increase $0.1 million over the Financial Plan based on an assumed annual increase of 1%.

Maintenance

BMHA has budgeted $11.3 million in Maintenance Expenses in FY 2019-20 representing 24.5% of total expenses. The Financial Plan projects these expenses to increase by $0.3 million, or 2.7%, over the Financial Plan. While most Maintenance Expenses are projected to remain static, BMHA is projecting an increase of $0.3 million in maintenance employee compensation and a $0.1 million increase in maintenance costs associate with the Low-Income Housing Tax Credit (LIHTC) program. A $0.1 million decrease in expenses over the Financial Plan related to unit turnaround is included and based on the BMHA's efforts and the expectation that the average time and cost to rent a vacant unit will be reduced. BMHA is actively working to improve occupancy rates and general building maintenance. The intent is to have an improved process for certifying and interviewing potential tenants.

BMHA intends to actively address areas where maintenance has been deferred with the goal of improving its HUD PHA score. An improved score could potentially provide additional funding for the BMHA.

Administrative

BMHA has budgeted $8.7 million in Administrative Expenses in FY 2019-20, representing 18.8% of total expenses. The Financial Plan projects these expenses to increase by $0.3 million, or 3.4%, over the Financial Plan. While most Administration Expenses are projected to remain static, BMHA is projecting a $0.3 million increase in administrative employee costs from $4.2 million in FY 2019-20 to $4.5 million in FY 2022-23, based on the settled labor agreement.

Utilities

BMHA has budgeted $5.7 million in Utility Expenses in FY 2019-20, representing 12.3% of total expenses. Utilities including water, sewer, electric and gas are projected to increase 8.8% over the four years of the Financial Plan. Additionally, the utility employee cost is anticipated to increase 6.1% over the Financial Plan, based on the settled labor agreement.

It is noted that the BMHA is reimbursed through the HUD Operating Subsidy for utility expenses. There is, however, a time-lag associated with this reimbursement.

Protective Services/Resident Service Costs

BMHA has budgeted $1.5 million for Protective and Resident Service Expenses in FY 2019-20, representing 2% of total expenses. These expenses are held flat over the Financial Plan.

Protective Services Expenses are largely contractually based with $704,960 having been budgeted for the contract with the Buffalo Police Department. The remaining budget for this category consists of employee costs.

Resident Service Expenses are budgeted at $0.7 million in FY 2019-20, consistent with the prior year.

Other Expenses

The BMHA has budgeted $6.2 million for Other Expenses in FY 2019-20, representing 13.4% of total Expenses. These expenses increase $0.1 million, or 1.6% over the Financial Plan.

Other Expenses includes non-operating items, the majority of which is the housing assistance payment (HAP), representing the payments a PHA makes on behalf of housing choice voucher program participants. These payments increase from $6.2 million to $6.3 million over the Financial Plan based on projected PHA Grant Vouchers.

Personnel

Total employee salaries and benefits are budgeted at $12.8 million in FY 2019-20 and are projected to increase $0.6 million to $13.4 million over the financial plan. The increase in employee salaries and employee benefits is based on the contractual increases in employees' labor agreements. The employee groups represented by Local 264 (managerial, white-collar, and blue-collar) are all under contract until June 30, 2023. Non-represented employees are covered by the terms of this settled labor agreement. The operating engineers represented by Local 17 have reached a tentative agreement. The Financial Plan assumes that this labor agreement will be ratified and incorporates the anticipated net costs of this labor agreement with the plan.

Budgeted positions are held flat in each year of the Financial Plan. Total employee compensation decreases $2.3 million from the $15.1 million included in the 2018-19 Modified Budget to $12.8 million in FY 2019-20 representing a decrease of 15%. This projected decrease is based on a reduction of budgeted staff of 9 full-time equivalent (FTE) employees and adjustments made to average employee compensation based on FY 2018-19 actuals. FY 2018-19 is currently projecting a significant favorable budgetary variance of $1.2 million related to employee compensation and benefits.

The following is a depiction of the BMHA's four-year staffing plan. The total number of budgeted positions is 157 FTEs, equal to the FY 2018-19 Modified Budget staffing plan although staffing within categories has changed. BMHA has budgeted 3 additional asset management positions and one additional executive position, while decreasing two managers of information services and two finance positions.

BMHA STAFFING (FY 2018-19 Modified Budget)

Employee Group	2018-19 Modified Budget	2018-19 (as of 3.31.2019)	2019-20 Adopted Budget	FY 2021-2023 Outyears 1-3
Executive	**9**	**7**	**10**	**10**
MIS	**3**	**2**	**1**	**1**
Finance	**11**	**11**	**9**	**9**
Personnel	**3**	**2**	**3**	**3**
Capital Improvements	**11**	**10**	**11**	**11**
Asset Management	**120**	**101**	**123**	**123**
Total	**157**	**133**	**157**	**157**

** The number of budgeted positions in FY 2019-20 are maintained flat over the FY 2020-2023 Financial Plan.*

BMHA intends to fill all budgeted positions. BMHA historically has a level of vacancy between 10-25% at any period during a fiscal year.

Based on BFSA's analysis of budgeted salaries of $8.7 million for FY 2019-20, it appears that the workforce plan is fairly stated as an average salary for FY 2019-20 is $55,336 per employee, an increase of $2,907 per employee as budgeted in FY 2018-19 at $52,429.

Prior-Year Expenses and Current Year Projections
As previously noted, the BMHA's financial results for the year ended June 30, 2018 reflected net income (excluding depreciation and the principal payments on outstanding debt) of $3.2 million. Actual revenues were $42.5 million while expenses were $38.3 million.

FY 2018-19 expenses compared to the modified budget were favorable by $1.3 million at the end of the third quarter. General Expenses were favorable by $0.9 million, Administrative Expenses were favorable by $0.5 million, Maintenance Expenses were favorable by $0.5 million, and Protective Services/Resident Services Expenses were favorable by $0.2. million. Utility and Other Expenses were unfavorable by $0.1 million and $0.7 million, respectively.

Marine Drive Apartments
In February 2011, BMHA took over management of Marine Drive Apartments which is owned by BMHA. The BMHA has budgeted a net surplus in FY 2019-20 of $69,749. It is noted that in the event there are losses incurred, such losses would be funded by through current year operations of the COCC or through COCC reserves to the extent available.

BMHA had included a rental increase at the Marine Drive Apartments in the FY 2017-18 Adopted Budget. BMHA is currently awaiting approval of this increase from the New York State Division of Housing and Community Renewal and intends to implement this increase once this approval is received. Due to the delay in this implementation, BMHA has indicated that it has excluded these revenues from its budget until the approval is received.

HUD Section 8 Voucher Program
Beginning with the FY 2015-2018 Financial Plan, BMHA has included the financial impact from the HUD Section 8 Voucher Program. This program is budgeted to have a net income of $333,771 as total estimated revenues of $7,236,745 million exceed total budgeted appropriations of $6,902,974 million for FY 2019-20. Any reported operating surplus or deficit is temporary in nature as this program essentially self-balances.

Asset Repositioning
Bridges Development Inc. (Bridges) is the BMHA's 504(c)(4) not-for profit instrumentality/affiliated development entity. Bridges works closely with tax credit syndicators, financial institutions, and New York State and federal agencies to identify and target funding opportunities to assist BMHA bolster its aging housing stock. Some housing stock is disposed of from BMHA to Bridges to facilitate redevelopment as Bridges can access funding for which BMHA and private developers are ineligible. The following is a summary of the last two years of Bridges' development transactions, as provided by the BMHA:

A.D. Price Courts – A.D. Price Courts is a family development consisting of 170 units which currently sit vacant and are uninhabitable due to major capital improvement needs. A 9% low-income housing tax credit (LIHTC) funding application was submitted in 2017 to New York State Homes and Community Renewal. A revitalization plan that incorporated community input was approved by the BMHA Board of Commissioners in November 2016 and submitted to the City of Buffalo Planning Board for approval. This was tabled twice by the Planning Board.

The New York State Historic Preservation Office (SHIPO) issued its comments to the BMHA and the City of Buffalo stating that they concurred with the Alternative Analysis. In accordance with federal regulations, the City of Buffalo must conduct a public hearing and seek comments from interested parties as a part of the review process. This has not yet occurred and is pending. Following this, BMHA will make a determination regarding the revitalization of this facility.

Commodore Perry Homes – Commodore Perry Homes is largely vacant and uninhabitable. The facility requires approximately $66.0 million in capital improvements to be rehabilitated. BMHA is currently revisiting its transformation plan to resubmit for Choice Neighborhood funding. A previous request in 2013 was not successful.

Frederick Douglass I (2017 LLC) – Bridges, the sole developer for Frederick Douglass Phase I, used existing Rental Assistance Demonstration Program (RAD) unit awards for Commodore Perry Homes to convert 46 of the 87 apartments at the Frederick Douglass Apartments Phase I (FDA1) to RAD units. In December of 2017, Bridges successfully secured funding for the renovations FDA1. The total development cost of the project was $16.0 million. Residents living at FDA1 were temporarily relocated within the facility in what is referred to as a "checkered relocation" while the improvements are made at the facility. This housing unit is currently 100% occupied, and approximately 60 of the 80 units are covered under Section 8.

Opportunities

BMHA has included descriptions of various programs within its Financial Plan that it is utilizing and will continue to expand the use of to fund and improve operations, as follows.

Capital Fund Financing Program (CFFP) – The CFFP allows BMHA to borrow the net present value of up to 30% of the twenty-year future Capital Fund Program allocation, currently estimated at $30.0 million to enter into new redevelopment transactions and perform additional capital improvement work. At this time, this program is being evaluated by BMHA management and this has not been built into the Financial Plan.

Rental Assistance Demonstration Program (RAD) – The RAD program allows BMHA though Bridges to leverage private equity and financial resources to redevelop and reposition more of the distressed properties within BMHA's real estate portfolio. The RAD program allows PHAs in need of major capital improvement work and/or redevelopment to convert to a Section 8 platform. This allows BMHA to raise private equity funds through Bridges Development to be utilized for redevelopment and long-term debt payments.

As noted above, BMHA has recently completed a RAD conversion for Phase 1 Frederick Douglass Associates development. Shaffer Village Development, Commodore Perry Homes, and LBJ Apartments have additionally been identified for potential RAD conversions.

Low Income Housing Tax Credit Program (LIHTC) – The LIHTC provides a tax incentive to construct or rehabilitate affordable rental housing for low-income households. It subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants. This program is ideally used in conjunction with the RAD program. BMHA plans to utilize this program along with RAD conversions to develop rental units. The program allows rental contracts to be raised while limiting resident payments to 30% of income. Any revenue gap between resident income and contract rents is paid to BMHA through the Section 8 program. This program targets individuals and families within 60% of the area's median income level.

Conclusions

BFSA has reviewed the Financial Plan and has the following conclusions as follows.

Assuming the ratification of the tentative labor agreement between BMHA and Local 17, all collective bargaining units and non-represented employees will be under contract for the duration of the Financial Plan. The ratified labor agreement with Local 264 and the tentative labor agreement with Local 409 are set to expire on June 30, 2023. Expenses appear fairly stated as the Financial Plan includes all salary increases.

Net income is projected in each of the four years of the Financial Plan. This is a positive change from the FY 2019-20 Financial Plan which included projected net losses and the commensurate draw-down of reserves in each of the four fiscal years. Operating reserves totaled $7.9 million, an increase of $3.2 million at July 1, 2018. The BMHA has been requested to provide information to evaluate the individual divisions separately, specifically to determine how asset management projects, the central office cost center, the Marine Drive Apartments and the Section 8 voucher program are projected to operate individually and to evaluate how any income that is generate may be used by BMHA and if there are any restrictions.

BMHA has budgeted the HUD Operating Subsidy based on a 95% proration and a 95% occupancy rate. As of March 31, 2019, the occupancy rate for units classified as HUD-rentable units was 83.2%. In the event the proration factor is lowered at the federal level, this revenue would decrease.

A.D. Price Courts and Commodore Perry Homes have 332 units listed as HUD-rentable units which are uninhabitable. When excluding these units, BMHA's occupancy rate approaches 95% at 93.7%. BMHA's assumption of a 95% occupancy rate is predicated on the assumption that HUD will allow these 442 units to be removed from the occupancy calculation. As this reclassification has not been successful in recent years, the assumption of a 95% occupancy rate may be too speculative.

It is noted that BMHA has historically conservatively budgeted the HUD Operating Subsidy. It is projected to have a favorable budgetary variance for FY 2018-19.

The following report is based on the 2019-20 Adopted Budget ("Adopted Budget") and 2020-2023 Financial Plan ("Financial Plan") that was submitted to the BFSA on June 13, 2019 and was approved by the Buffalo Urban Renewal Agency ("BURA") Board of Directors on June 27, 2019. The Adopted Budget and Financial Plan reflects the change in estimated revenue for 2019-20 entitlement funds based on the award notice provided from the U.S. Department of Housing and Urban Development ("HUD").

Grant revenues administered by BURA on behalf of the City of Buffalo are largely based on funding received from federal allocations through HUD. Funding is approved by Congress; a formula determines how such funds will be distributed to local communities. In addition to the current grant awards, BURA also has the ability to draw down previously allocated funding that has not been expended from previous grant awards for program and administrative costs incurred in the current year. BURA's financial plan addresses the current year allocations as well as planned used of available prior year funds including: Community Development Block Grant ("CDBG") and Housing Opportunities Made Equal ("HOME") Program Funds resources, in addition to Emergency Shelter Grants ("ESG") and Housing Opportunities for People with Aids ("HOPWA"). Collectively these four funding sources are commonly referred to as Entitlement Funds, since they are an annual allocation to BURA from HUD.

The Office of the City Comptroller's Department of Audit and Control is responsible for several functions related to program implementation of CDBG funds including review of subrecipient submissions for the drawdown of grant proceeds, the issuance of payments to local service providers under contract, monitoring contracts between BURA and its subrecipients, and the auditing of payments and invoices. BURA has entered into a subrecipient agreement with the City of Buffalo in accordance with the HUD directive; the subrecipient agreement is renewed on an annual basis once the HUD entitlement is received by the City of Buffalo.

Three staff positions are maintained in the Office of the City Comptroller's Department of Audit and Control. These positions are funded by CDBG funds, subject to the administrative cost limitations as per grant requirements, and all three positions are currently filled.

Population is a major factor used within the allocation formulas in determining the amount of grant funding; it is noted the City had a population decrease of 31,338, or a decline of 10.7 percent, reported with the 2010 census results. The reduction in population had a negative impact on the amount of funding provided by HUD since the results of the census were released. Total entitlement funds have decreased by $5.1 million, or 21.4 percent, since the 2010-11 fiscal year and is partially reflective of the 2010 census results. The notice of funding from HUD for the 2019-20 fiscal year was received by the City on April 15, 2019. The notice provided the City with an increase in CDBG, ESG and HOPWA entitlement funds and decreased HOME funds for a net decrease of $103,300 when compared to the 2018-19 fiscal year. The Adopted Budget reflects the reduction in HOME funds through a reduction of entitlement funds revenue and program expenditures in 2019-20. BURA's assumption is that future allocations of HOME funds will be reduced by HUD and BURA will increase reliance on prior-year allocations of HOME funds over the remaining three out-years of the Financial Plan. As a result, the Financial

Plan includes annual increases to HOME spending and related revenue due to the expected use of both current available funding in addition to funds from prior years.

The following is a three-year comparison of total HUD funding by major grants as awarded to the City and BURA; the grant allocation is reflective of that year's funding and does not include any prior year awards.

	Amount of Grant Award		Increase/	
	2019-20	2018-19	(Decrease)	
	$	$	$	%
Grant:				
Community Development Block Grant	13,706,335	13,677,706	28,629	0.2%
HOME	3,007,593	3,255,279	(247,686)	-7.6%
Emergency Shelter Grants	1,160,583	1,123,496	37,087	3.3%
Housing Opportunities for Persons with Aids	798,764	720,135	78,629	10.9%
	18,673,275	18,776,616	(103,341)	-0.6%

	Amount of Grant Award		Increase/	
	2018-19	2017-18	(Decrease)	
	$	$	$	%
Grant:				
Community Development Block Grant	13,677,706	12,480,174	1,197,532	9.6%
HOME	3,255,279	2,307,774	947,505	41.1%
Emergency Shelter Grants	1,123,496	1,129,225	(5,729)	-0.5%
Housing Opportunities for Persons with Aids	720,135	635,722	84,413	13.3%
	18,776,616	16,552,895	2,223,721	13.4%

	Amount of Grant Award		Increase/	
	2017-18	2016-17	(Decrease)	
	$	$	$	%
Grant:				
Community Development Block Grant	12,480,174	12,543,125	(62,951)	-0.5%
HOME	2,307,774	2,401,418	(93,644)	-3.9%
Emergency Shelter Grants	1,129,225	1,137,467	(8,242)	-0.7%
Housing Opportunities for Persons with Aids	635,722	557,911	77,811	13.9%
	16,552,895	16,639,921	(87,026)	-0.5%

As per the schedule above, HUD funding to the City and BURA will decrease $103,300, or 0.6 percent, compared to last year's allocation. This allocation represents an increase of $2.0 million since 2016-17, or 12.2 percent. BURA had been faced with annual reductions in entitlement funding since 2011, with the increase for 2018-19 being the first significant increase to CDBG and HOME funding since 2011.

Beginning with the 2017-18 fiscal year, BURA no longer administers HOPWA or ESG funds as the City will be the primary administrator of those funds. HOPWA and ESG grants are funds

provided directly to subrecipients for administration of programs at their facilities and it was determined that the funds did not need to pass through BURA but should be administered directly by the City. Examples of several subrecipients include Jericho Road, Salvation Army and the City Mission.

BURA has budgeted total revenues and expenditures of $11.8 million for 2019-20; unused entitlement funds will carry forward to future years. This represents a decrease of $1.3 million (9.9 percent) from the 2019 budgeted amount of $13.1 million.

	Adopted Budget 2018-19	Adopted Budget 2019-20	Variance $	Variance %
Total Grant and Program Income	$ 13,106,689	$ 11,807,060	$ (1,299,629)	-9.9%
Total Program Costs	9,181,500	7,949,634	(1,231,866)	-13.4%
Total Administrative & Planning Costs	3,925,189	3,857,426	(67,763)	-1.7%
Total Expenditures	**$ 13,106,689**	**$ 11,807,060**	**$ (1,299,629)**	**-9.9%**

The following schedule provides a summary of the 2020–2023 Financial Plan which is developed based on the grant year (October 1 – September 30), beginning with Program Year 45 (2019-20); BURA does operate on a July 1 – June 30 Fiscal Year. It is noted that BURA is including prior year entitlement allocations as a current year resource, specifically for CDBG and HOME funds. Administrative expenses are reflected in both program costs and administrative and planning costs. The following schedule reflects only the funds that BURA manages, and not the entitlement funds that are managed by the City.

	2019-2020	2020-2021	2021-22	2022-23
Grant Revenues and Related Income				
Community Development Block Grant (CDBG)	$ 6,263,567	$ 6,368,419	$ 6,551,064	$ 6,551,064
CDBG Interest/Rental Income	275,000	275,000	275,000	275,000
Housing Opportunities Made Equal (HOME) Investments Partnership Program	3,007,593	3,097,821	3,195,482	3,195,482
CDBG Program Income	725,000	725,000	725,000	725,000
HOME Program Income	350,000	270,000	120,000	120,000
Evans Fund	30,000	-	-	-
Local Initiatives Support Corporation (LISC)	87,500	-	-	-
General Fund Revenues	1,068,400	603,400	553,400	553,400
Total Revenue	**$ 11,807,060**	**$ 11,339,640**	**$ 11,419,946**	**$ 11,419,946**
Expenditures				
HOME Program Costs	$ 2,518,695	$ 2,506,366	$ 2,429,612	$ 2,429,612
CDBG Emergency Loan Program Costs	2,800,000	3,000,000	3,200,000	3,200,000
CDBG Program Delivery	1,320,000	1,340,000	1,350,000	1,350,000
HOME Community Housing Development Organization	451,139	464,673	479,322	479,322
General Fund Project Costs	465,000	-	-	-
CDBG Crime Prevention	202,300	202,300	202,300	202,300
Evans Fund Program Costs	30,000	-	-	-
Local Initiatives Support Corporation Program Costs	87,500	-	-	-
HOME Program Delivery	75,000	75,000	75,000	75,000
Total Program Costs	**$ 7,949,634**	**$ 7,588,339**	**$ 7,736,234**	**$ 7,736,234**
Administrative & Planning Costs				
CDBG Admin @20% cap (on total CDBG Award) including Program Income	$ 2,941,267	$ 2,826,119	$ 2,798,764	$ 2,798,764
HOME Admin Costs @10% cap including Program Income	312,759	321,782	331,548	331,548
General Fund Costs	603,400	603,401	553,400	553,400
Subtotal Administrative & Planning Costs	**$ 3,857,426**	**$ 3,751,302**	**$ 3,683,712**	**$ 3,683,712**
Total Expenditures	**$ 11,807,060**	**$ 11,339,641**	**$ 11,419,946**	**$ 11,419,946**

Over the four years of the Financial Plan as presented, total grant revenues and expenditures are projected to decrease by $0.4 million, or 3.3 percent. The estimated decrease in grant revenues over the three out-years of the Financial Plan is reflective of conservative budget preparation due to the uncertainty facing BURA with respect to future federal grant awards. BURA has reduced total estimated revenues in the first out-year by 5.0 percent, or $0.5 million, and then increases estimated revenues by 0.7%, or $87,000, in the second out-year and maintains that level in the third out-year of the Financial Plan.

In addition to the estimated reduction in future entitlement awards, BURA continues to spend down available funds from prior awards; this amount fluctuates annually and is the source of the increase in 2021-22 and 2022-23. As BURA spends the remaining balances of prior year allocations, the resource is no longer available, and eventually all remaining balances will be fully disbursed. As the prior year allotments are reduced, new entitlement funds become the primary funding source for BURA and will limit the programmatic spending that can be performed.

The revenue categories and related projections over the financial plan are as follows:

- Community Development Block Grant ("CDBG") – CDBG funds represent the most significant revenue source to BURA and includes the current year award and an estimate of prior year grant awards to be expended during 2019-20 for a total estimated revenue balance of $6.3 million; combined it comprises 53.0 percent in 2019-20 and increases to 57.4 percent of total estimated grant revenue in 2022-23. As previously noted, current year entitlement CDBG funding is increasing by $28,600 (0.2 percent) in 2019-20 as compared to the prior year and is estimated to increase by 1.7 percent in 2020-21 and 2.9 percent in 2021-22; the estimated revenue is held flat in 2022-23. The increase of CDBG funds in the out-years is attributed to the use of prior-year allotments and not additional resources from HUD. The total estimated increase is $287,500 over the Financial Plan, or 4.6 percent. This will impact the program delivery within the City of Buffalo as additional funding will be available for various programs, as well as impact the available funding for administrative and planning costs.

  Administrative costs are limited to a maximum allowable percentage of each grant award and the total amount that could be spent on such costs is impacted by reductions to such grants awards. Prior year amounts are estimated to be $3.5 million at June 30, 2019.

- Housing Opportunities Made Equal ("HOME") Program Funds – The annual award of this amount from HUD is estimated to decrease by $247,700, or 7.6 percent, to $3.0 million in 2019-20. BURA has included both a current year allotment in addition to an amount for the use of prior year HOME funds, which are combined as a single amount in the budget and Financial Plan. The combined budgeted amount for both current year and prior year HOME funds is approximately $3.0 million for 2019-20. HOME funding is projected to be stable over the Financial Plan as the total combined available funding is estimated at $3.0 million in 2019-20, $3.1 million 2020-21 and $3.2 million in the two remaining out-years of the Financial Plan.

The increase of approximately $1.0 million in the 2018-19 award was the first significant increase since 2009-10 when the HOME award was $5.0 million. HOME funds are projected to increase over the Financial Plan by approximately $200,000. This increase is attributed to the use of prior year funds since new allocations of HUD entitlement funds are reduced in the three out-years of the Financial Plan. HOME funds represent 26-28 percent of total BURA revenue over the course of the Financial Plan. Prior year amounts are estimated to be $5.2 million at June 30, 2019.

- BURA generates program income from the CDBG and HOME programs which must be used for program eligible expenditures. In addition to program-generated revenue such as the repayment of loans, program income also includes transactions such as the sale of real estate. BURA management has projected program income based on expectations of receipts as well as other transactions including the sale of real estate.

  CDBG program income is budgeted at $725,000 in 2019-20 and is held flat at that amount over the Financial Plan. CDBG interest/rental income is also projected to remain flat over the Financial Plan at $275,000, for a total of $1.0 million each year.

  HOME program income is budgeted at $350,000 in 2019-20 and is reduced to $270,000 in 2020-21 and to $120,000 in the two remaining years of the Financial Plan.

- Other revenues include General Fund revenues, the Evans Fund grant, and the Local Initiatives Support Corporation ("LISC"). General fund revenues represent property rentals, parking and other smaller revenues and are budgeted at approximately $1.1 million in 2019-20. These revenues are projected to decrease to $603,400 in 2020-21 and decrease further to $553,400 in both 2021-22 and 2022-23. General fund revenues include a one-time revenue of $465,000 in 2019-20. These funds were recently transferred to BURA from the Buffalo Economic Renaissance Corporation ("BERC"), a one-time subsidiary of BURA. These funds originated from a now non-existent program and have been set-aside in an account for several years. BURA received direction from the New York State Department of Housing and Community Renewal that such funds may be used for restricted purposes; these funds are reflected in the General Fund and are restricted at this time for a stabilization program on Main Street. This revenue was received and recognized in 2018-19 and is erroneously included as a budgeted general fund revenue in 2019-20, when in fact the utilization of these funds in 2019-20 will be reported as a spend down of fund balance.

The remaining balance of the Evans Fund grant is being utilized in 2019-20; the initial award amount of $457,500 was received over the past two-years but due to timing BURA was unable to disburse all of the funds. The remaining balance of $30,000 is budgeted in 2019-20. Evans Bank had committed the funds to be used for various programs including programs such as weatherization assistance, homebuyer education workshops, and a down-payment closing cost assistance program.

In addition, BURA was previously awarded a grant from the Local Initiatives Support Corporation, which is dedicated to assisting nonprofit community development organizations transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. The original award amount from LISC was $175,000 and BURA has planned to use the remaining balance of $87,500 to fund an initiative to improve data management of various distressed properties across the City in order to provide information related to land use and rezoning, property sales, building permits and code violations.

- As was previously mentioned, beginning in 2017-18, Housing Opportunities for Persons with AIDS ("HOPWA") and Emergency Solutions Grants ("ESG") are no longer administered by BURA and are administered by the City; as such these programs are not reflected within the BURA operating budget.

  It is noted that the funding to the City for HOPWA increased by $78,600 and ESG funding was increased by $37,100 for a net increase of $115,700. This revenue represents pass-through dollars provided directly to subrecipients. In the City's budget, these funds are estimated to be reduced in the three out-years of the City's 2020-2023 financial plan by 2 percent, 2.5 percent and 3 percent, respectively.

The 2020-2023 Financial Plan is fairly stable over the four-years, being reduced by $0.4 million, or 3.3 percent. Historically BURA has been under budget at year-end when compared to the Adopted Budget.

As of March 31, 2019, 52.6 percent of budgeted expenditures for 2018-19 had been disbursed, and any funds not utilized will be rolled to future years. There likely will be additional proceeds available for future years, but as previously indicated such funding is non-recurring as it reflects all prior year available dollars. It is anticipated that amounts not expended from the 2018-19 budget will roll forward into the 2019-20 Adopted Budget as the use of these funds have been planned.

Management at BURA is continuously attempting to identify potential new revenues. Previous reductions in entitlement funds placed constraints on BURA that were previously discussed. Future entitlement fund allocations are unknown at this time, however if there are reductions in entitlement funds the organization will need to construct an approach to program delivery within the confines of the available revenues at that time.

Expenditures include both program costs and the administrative and planning costs incurred in implementing these programs. Administrative and Planning costs are capped at various levels as predetermined and communicated by the authorizing body. The cap for CDBG is 20 percent of the total grant, with a 15 percent cap on the public service cost, plus any program income generated; the cap for the HOME program is 10 percent of the grant award plus any program income that is collected. If BURA does not spend resources up to the cap amount, those resources may be utilized for future administrative costs but are still constrained by the cap limits. Administrative costs as included in the Financial Plan are limited to these amounts. The Financial Plan includes thirty-nine funded positions with salaries of approximately $2.2 million increasing to $2.4 million over the course of the Financial Plan. This number of positions is held constant over the Financial Plan.

From 2013-14 to 2016-17, BURA had 43 funded positions, which has subsequently been reduced over the years to 38 positions in 2018-19 and increased by 1 with the current proposal of 39 FTEs in 2019-20. That is a reduction of four funded positions over the last four fiscal years. The decrease in the number of positions is largely reflective of reduced federal funding combined with management's decision not to fill a position when such position became vacant. There are no projected savings from not filling vacancies as funds are only drawn down and utilized if the position is filled.

BURA's employees are covered by one collective bargaining unit, the Civil Service Employees Association, Local 815. The current labor agreement was ratified and approved by BURA management in April 2018 and expires June 30, 2020. In addition to the covered employees, BURA management has historically provided the same collective bargaining agreement ("CBA") provisions to exempt employees, including health insurance benefits. There are thirty-one budgeted classified employees and eight exempt employees within the 2020-2023 Financial Plan. The budget and financial plan as it is presented includes estimated increases in the two out-years and the final year held flat.

The current financial plan provided by BURA has demonstrated that it has adequate resources available to pay for projected salary and related fringe benefit increases. However, if there are reductions to future entitlement grants BURA may not have available resources to fund the current projected administrative costs. BURA has acknowledged that it may be challenged in maintaining the current staffing level as grant awards only permit a certain amount of administrative costs to be paid for with grant dollars. Future allocations of entitlement funds will determine how much funding will be available within the administrative caps. BURA anticipates some attrition through retirement and will reevaluate filling any open positions at that time; attrition is not reflected in the budget at this time.

As previously noted there are three positions located in the City Comptroller's Office Department of Audit and Control which are responsible for the financial transactions of the CDBG, HOPWA and ESG funds. These positions are not included in BURA's staffing plan, but are accounted for in regards to staying within the administrative cost cap restrictions.

BURA has identified the following allotments in regard to CDBG and HOME program funding.

CDBG has been budgeted in the amount of $7.3 million as follows:

- $4.3 million allocated to CDBG program delivery
  - $2.8 million for emergency loan program
  - $1.3 million for program delivery costs (personnel service costs) for employees working on housing rehabilitation, demolitions and capital improvements or repairs at public facilities including parks, street repair and community centers
  - $0.2 million for crime prevention program delivery
- $3.0 million for administrative costs

HOME has been budgeted in the amount of $3.4 million as follows:

- $3.1 million is allocated for HOME program delivery and housing activities
  - $2.5 million for rehabilitation and new construction
  - $0.5 million for community housing development organizations
  - $0.1 million for HOME program delivery
- $0.3 million for administrative costs

Other notable items include:

- BURA does not participate in the City of Buffalo's self-funding of health insurance and continues to maintain coverage through Blue Cross Blue Shield. BURA has included an annual increase of 5.5 percent over the Financial Plan for health insurance costs.

- BURA management has indicated that it intends to continue in its efforts to strategically assess the real property portfolio and sell properties to reduce overall maintenance and management costs. BURA holds approximately 59 properties valued at approximately $2.3 million which are held for redevelopment in accordance with grant regulations.

Conclusion:

BURA has submitted a balanced 2020-2023 Financial Plan. The level of grant funding will be monitored by BURA and City personnel on an ongoing basis. BFSA recommends that the Budget and Financial Plan be monitored as future revenue decreases would place additional pressure on BURA and may require budget reductions. As expenditures are limited to revenues, BURA management will need to monitor future entitlement awards and plan for the potential reduction of awards by prioritizing projects and staffing needs based on the available funding.

The 2020-2023 Financial Plan reflects the amount awarded to BURA for the 2019-20 fiscal year. Each year of the Financial Plan provides adjustments to estimated revenues and related expenditures for expected changes to annual awards and expected use of prior year funding. The significant decrease in estimated revenue between FY 2020 and FY 2021 is attributed to one-time resources of $465,000 being included in 2019-20 and removed as such resources are no longer available in 2020-21. The increase in revenue in the out-years of the Financial Plan is attributed to the use of prior-year entitlement funds and not additional resources from HUD or other revenue sources. The proposed Financial Plan reflects reductions to new entitlement funds in the out-years. The current plan provides adequate resources for BURA to provide current

services; however, as annual funding is decreased the overall amount available for BURA annually will be reduced as prior year funds are expended. There is historically a portion of current year awards carried forward and we anticipate this will continue in the future. As total available resources are reduced, BURA's ability to complete its mission may be compromised. The larger social and city-wide issues are challenging and are driven by policy as implemented by BURA's Board of Directors.

BURA will closely monitor employee compensation in relation to the various administrative caps associated with individual grant programs. If total revenues are reduced in future years BURA may be required to decrease the number of employees and corresponding fringe benefits to meet the administration caps in order to remain within the allotted budget amount.

Due to previous delays in the release of entitlement funds experienced by the City, we once again recommend BURA consider developing a cash flow statement to ensure that adequate cash is available to pay for the various program and administrative expenditures.

It is also recommended that BURA provide additional detail in future quarterly reports, detailing projects and programs that funds were disbursed for and reflective of the priorities established in BURA's Annual Action Plans.

CHAPTER TEXT:

LAWS OF NEW YORK, 2003

CHAPTER 122

AN ACT to amend the public authorities law and the tax law, in relation to creating the Buffalo fiscal stability authority

Became a law July 3, 2003, with the approval of the Governor. Passed on message of necessity pursuant to Article III, section 14 of the Constitution by a majority vote, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Legislative findings. The legislature hereby finds and declares that a condition of fiscal difficulty has existed for several years in the city of Buffalo, as a result of a weakened economy, population declines, and job losses. In recent months, the city's fiscal condition has been further weakened by the impact of the national economic recession, which has had a greater negative impact in Buffalo than in many other areas of the state. These factors have led to a structural imbalance between revenues and expenditures which, when combined with the city's limited ability to increase taxes on its residents, has resulted in a downgrade of Buffalo's bonds by independent bond rating services.

It is hereby found and declared that the city is in a state of fiscal crisis, and that the welfare of the inhabitants of the city is seriously threatened. The city budget must be balanced and economic recovery enhanced. Actions should be undertaken which preserve essential services to city residents, while also ensuring that taxes remain affordable. Actions contrary to these two essential goals jeopardize the city's long-term fiscal health and impede economic growth for the city, the region, and the state.

It is, therefore, further found and declared that a combination of enhanced budgetary discipline and short-term budgetary relief is necessary to assist the city in returning to fiscal and economic stability, while ensuring adequate funding for the provision of essential services and for the maintenance, expansion, and rebuilding of the infrastructure of the city. If the city financial plan incorporates the annual targets required by this act for recurring cost-saving measures, the Buffalo fiscal stability authority shall make savings available to the city through a restructuring of a portion of the city's outstanding debt, and/or through limited borrowing for operating costs, in either case, secured by an intercept of sales tax net collections as well as state aid.

It is hereby further found and declared that a control and advisory finance authority should be established to oversee the city's budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings through debt restructuring; to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the city if the city is unwilling or unable to take the required steps toward fiscal stability.

EXPLANATION--Matter in *italics* is new; matter in brackets [-] is old law to be omitted.

Based upon the fiscal crisis in the city of Buffalo, the legislature through this act creates a Buffalo fiscal stability authority with certain control, advisory and borrowing powers, and imposes on the city of Buffalo certain requirements as to budgetary operations and fiscal management, including minimum annual requirements to produce recurring budget savings in increasing amounts over the next four years. The agreements for financial and budgetary discipline between the authority and the city shall be for such period as is necessary under the standards set forth in this act to restore the city of Buffalo to fiscal integrity, with a control or advisory role for the authority continuing until June 30, 2037.

§ 2. Article 10-D of the public authorities law is amended by adding a new title 2 to read as follows:

TITLE 2

BUFFALO FISCAL STABILITY AUTHORITY

§ 3850. Short title. This title shall be known and may be cited as the "Buffalo fiscal stability authority act."

§ 3850-a. Legislative declaration of need for state intervention. The legislature hereby finds and declares that the city of Buffalo is facing a severe fiscal crisis, and that the crisis cannot be resolved absent assistance from the state. The legislature finds that the city has repeatedly relied on annual extraordinary increases in state aid to balance its budget, and that the state cannot continue to take such extraordinary actions on the city's behalf. The legislature further finds and declares that maintenance of a balanced budget by the city of Buffalo is a matter of overriding state concern, requiring the legislature to intervene to provide a means whereby: the long-term fiscal stability of the city will be assured, the confidence of investors in

the city's bonds and notes is preserved, and the economy of both the region and the state as a whole is protected.

§ 3851. Definitions. For the purposes of this title, unless the context otherwise requires: 1. "Advisory period" means that period no earlier than July first, two thousand six, after which 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 authority assistance, as provided for under section thirty-eight hundred fifty-seven of this title, 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 financial plan then in existence. The joint certification made by the comptroller and the state comptroller shall be based on their separate written determinations which may take into account a report and opinion of an independent expert in the marketing of securities selected by the authority as well as other information available to the comptrollers. Once begun, an advisory period shall continue through June thirtieth, two thousand thirty-seven unless a control period is imposed.

2. "Authority" or "Buffalo fiscal stability authority" or "BFSA" means the public benefit corporation created by this title.

3. "BFSA assistance" means: (a) the amount of debt service savings in a given city fiscal year generated from the proceeds of bonds, notes or other obligations made available to or for the benefit of the city or any covered organization as determined by the authority; or (b) the proceeds of any deficit financing authorized by the authority, or some combination thereof pursuant to the provisions of section thirty-eight hundred fifty-seven of this title. Such assistance shall be made available only upon a declaration of need by the city pursuant to section thirty-eight hundred sixty-one of this title and the approval of the BFSA board.

4. "Bonds, notes or other obligations" means bonds, notes and other evidences of indebtedness, issued or incurred by the authority.

5. "Chief fiscal officer" means the chief fiscal officer of the city as defined in section 2.00 of the local finance law.

6. "City" means the city of Buffalo.

7. "City charter" means the city government law of the city of Buffalo, as amended.

8. "City tax revenues" means the portion of the county's "net collections", as defined in section twelve hundred sixty-two of the tax law, payable to the city under the agreement among the county, the city and the cities of Lackawanna and Tonawanda entered into pursuant to the authority of subdivision (c) of section twelve hundred sixty-two of the tax law. In the event that the city imposes sales and compensating use taxes pursuant to the authority of section twelve hundred ten of the tax law, "city tax revenues" shall also include net collections from such city taxes.

9. "Comptroller" means the comptroller of the city.

10. "Control period" means that period of time from the effective date of this title, continuing until the authority determines that conditions have been met as provided in subdivision one of this section and the city qualifies for the onset of an advisory period. A control period may be reimposed as determined by the authority in accordance with section thirty-eight hundred fifty-eight of this title.

11. "Council" means the city council of the city of Buffalo.

12. "County" means the county of Erie.

13. "Covered organization" means the city school district, the joint schools construction board of the city, as described in chapter six hundred five of the laws of two thousand, 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, but excluding the authority and (a) any other governmental agency, public authority or public benefit corporation specifically exempted from the provisions of this title by order of the authority upon application of such agency, public authority, or corporation to the authority or on the authority's own motion 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 this title, or (b) any state public authority defined in section two hundred one of the civil service law, unless specifically named above; provided, however, that the authority may terminate any exemption granted by order of the authority pursuant to this subdivision upon a determination that the circumstances upon which such exemption was granted are no longer applicable.

14. "Director of the budget" means the director of the budget of the state.

15. "Financeable costs" or "costs" means costs to finance (a) amounts necessary to accomplish a 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 local finance law, including the costs of any preliminary studies, surveys, maps, plans, estimates and hearings, (d) amounts necessary to finance a portion of the operating costs of the city or any covered organization as provided in section thirty-eight hundred fifty-seven of this title, to the extent approved by the authority, or (e) incidental costs, including, but not limited to, legal fees, printing or engraving, publication of notices, taking of title, apportionment of costs, and capitalized interest, insurance premiums, costs related to items authorized in subdivisions seven through nine of section thirty-eight hundred fifty-four of this title or any underwriting or other costs incurred in connection with the financing thereof; provided however that, to the maximum extent practicable, all financeable costs shall not adversely affect the requirements of subdivision two of section thirty-eight hundred sixty-nine of this title.

16. "Financial plan" means the financial plan of the city and the covered organizations to be developed pursuant to section thirty-eight hundred fifty-seven of this title, as from time to time amended.

17. "Major operating funds" means the city general fund, the board of education general fund, the city enterprise funds, the board of education special project funds, together with any other funds of the city or a covered organization from time to time designated by the authority.

18. "Mayor" means the mayor of the city.

19."Presiding officer" means the presiding officer of the council elected pursuant to the rules of the council.

20. "Projected gap" means the excess, if any, of annual aggregate projected expenditures over annual aggregate projected revenues for the major operating funds in each year of a financial plan as determined by the city and certified by the authority. For purposes of determining the projected gap in each fiscal year, annual aggregate projected revenues shall not include the amount of BFSA assistance expected to be available for such fiscal year.

21. "Revenues" means revenues of the authority consisting of city tax revenues, state aid revenues, and all other aid, rents, fees, charges, 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.

22. "State" means the state of New York.

23. "State aid" means: 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.

24. "State aid revenues" means state aid paid by the state comptroller to the authority pursuant to this title.

25. "State comptroller" means the comptroller of the state.

§ 3852. Buffalo fiscal stability authority. 1. There is hereby created the Buffalo fiscal stability authority. The authority shall be a corporate governmental agency and instrumentality of the state constituting a public benefit corporation.

2. The authority shall conduct meetings as often as deemed necessary to accomplish its purposes, but not less than quarterly during a control period, and annually during an advisory period.

3. The authority shall continue until its control, advisory or other responsibilities, and its liabilities have been met or otherwise discharged, which in no event shall be later than June thirtieth, two thousand thirty-seven. Upon the termination of the authority, all of its property and assets shall pass to and be vested in the city.

§ 3853. Administration of the authority. 1. The authority shall be administered by nine directors, seven of which shall be appointed by the governor. Of the seven directors, one such director shall be a resident of the city of Buffalo; one such director shall be appointed following the recommendation of the state comptroller; and one such director shall be appointed on the joint recommendation of the temporary president of the senate and the speaker of the assembly. The mayor and the county executive shall serve as ex officio members. Every director, who is otherwise an elected official of the city or county, shall be entitled to designate a single representative to attend, in his or her place, meetings of the authority and to vote or otherwise act in his or her behalf. Such designees shall be residents of the city of Buffalo. Written notice of such designation shall be furnished prior to any participation by the single designee. Such single designee shall serve at the pleasure of the representative, and shall not be authorized to delegate any of his or her duties or functions to another person. Each director appointed by the governor shall be appointed for a term of four years, provided however, that four of the directors first appointed by the governor, including the director appointed following the recommendation of the state comptroller shall serve for a term ending June thirtieth, two thousand seven, and the remaining three directors first

appointed by the governor including the director appointed on the joint recommendation of the temporary president of the senate and the speaker of the assembly and shall serve for a term ending June thirtieth, two thousand nine. Each director shall hold office until his or her successor has been appointed and qualified. Thereafter, each director shall serve a term of four years, except that any director appointed to fill a vacancy shall serve only until the expiration of his or her predecessor's term.

2. The governor shall designate a chairperson and a vice-chairperson from among the directors. The chairperson shall preside over all meetings of the directors and shall have such other duties as the directors may prescribe. The vice-chairperson shall preside over all meetings of the directors in the absence of the chairperson and shall have such other duties as the directors may prescribe.

3. The directors of the authority shall serve without salary, but each director shall be reimbursed for actual and necessary expenses incurred in the performance of such director's official duties as a director of the authority.

4. Notwithstanding any inconsistent provision of any general, special or local law, ordinance, resolution or charter, no officer, member or employee of the state, any city, county, town or village, any governmental entity operating any public school or college, any school district or any other public agency or instrumentality which exercises governmental powers under the laws of the state, shall forfeit his or her office or employment by reason of his or her acceptance of appointment as a director, officer or employee of the authority, nor shall service as such director, officer or employee of the authority be deemed incompatible or in conflict with such office or employment.

5. Five directors shall constitute a quorum for the transaction of any business or the exercise of any power of the authority. No action shall be taken by the authority except pursuant to a favorable vote of at least five directors participating in a meeting at which such action is taken.

6. The authority shall appoint a treasurer and may appoint officers and agents as it may require and prescribe their duties.

7. At least annually, commencing no more than one year after the date on which authority bonds, notes or other obligations are first issued, the authority shall report to the council, comptroller, the director of the budget, and the state comptroller on the amount of financing and the cost savings for the city over the past year.

8. The authority shall cease to exist on June thirtieth, two thousand thirty-seven.

§ 3854. General powers of the authority. Except as otherwise limited by this title, the authority shall have the following powers in addition to those specially conferred elsewhere in this title, subject only to agreements with bondholders:

1. to sue and be sued;

2. to have a seal and alter the same at pleasure;

3. to make and alter by-laws for its organization and management and subject to agreements with its bondholders, to make and alter rules and regulations governing the exercise of its powers and fulfillment of its purposes under this title;

4. to make and execute contracts and all other instruments or agreements necessary or convenient to carry out any powers and functions expressly given in this title;

5. to commence any action to protect or enforce any right conferred upon it by any law, contract or other agreement;

6. to borrow money and issue bonds, notes or other obligations, or to refund the same, and to provide for the rights of the holders of its bonds, notes or other obligations;

7. as security for the payment of the principal of and interest on any bonds, notes or other obligations issued by it pursuant to this title and any agreements made in connection therewith and for its obligations under bond facilities, to pledge all or any part of its revenues or assets;

8. to procure insurance, letters of credit or other credit enhancement with respect to its bonds, notes or other obligations, or facilities for the payment of tenders of such bonds, notes or other obligations or facilities for the payment upon maturity of short-term notes not renewed;

9. to enter into interest rate exchange or similar arrangements with any person under such terms and conditions as the authority may determine, not inconsistent with the general laws of this state and other provisions of this title, including, without limitation, provisions as to default or early termination and indemnification by the authority or any other party thereto for loss of benefits as a result thereof; provided, however, that such exchanges or similar arrangements shall be limited to twenty-five percent of the amount authorized in subdivision one of section thirty-eight hundred sixty-two of this title to pay the financeable costs described in paragraph (a), (c), (d) or (e) of subdivision fifteen of section thirty-eight hundred fifty-one of this title;

10. to accept gifts, grants, loans or contributions of funds or financial or other aid in any form from the city, county, state or federal government or any agency or instrumentality thereof, or from any other source and to expend the proceeds for any of its corporate purposes in accordance with the provisions of this title;

11. subject to the provisions of any contract with bondholders, to invest any funds held in reserves or sinking funds, or any funds not required for immediate use or disbursement, at the discretion of the authority, in (a) obligations of the state or the United States government, (b) obligations the principal and interest of which are guaranteed by the state or the United States government, (c) 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, (d) 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, (e) 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, (f) any bonds or other obligations of any state or the United States of America or of any political subdivision thereof or any agency, instru-

mentality 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, (g) any repurchase agreement 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 (a), (b) or (e) of this subdivision, 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, and (h) 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 (a), (b) or (e) of this subdivision 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.

12. to appoint such officers and employees as it may require for the performance of its duties and to fix and determine their qualifications, duties, and compensation, and to retain or employ counsel, auditors and private financial consultants and other services on a contract basis or otherwise for rendering professional, business or technical services and advice; and, in taking such actions, the authority shall consider the financial impact on the city; and

13. to do any and all things necessary or convenient to carry out its purposes and exercise the powers expressly given and granted in this title; provided, however, such authority shall under no circumstances acquire, hold or transfer title to, lease, own beneficially or otherwise, manage, operate or otherwise exercise control over any real property, any improvement to real property or any interest therein other than a lease or sublease of office space deemed necessary or desirable by the authority.

§ 3855. Assistance to the authority; employees of the authority. 1. With the consent of any public corporation, the authority may use agents, employees and facilities thereof, paying to such public corporation its agreed proportion of the compensation or costs.

2. Officers and employees of state or city agencies may be transferred to the authority without examination and without loss of any civil service or retirement status or rights. Any officer or employee of the authority who heretofore acquired or shall hereafter acquire such position status by transfer and who at the time of such transfer was a member of the New York state and local employees' retirement system shall continue to be a member of such system as long as he or she continues in such service, and shall continue to have all the rights, privileges and obligations of membership in such system.

§ 3856. City fiscal year two thousand three--two thousand four budget modification and four-year financial plan. 1. Not later than September first, two thousand three, the city shall submit to the authority a financial plan which may reflect a declaration of need as provided for

in section thirty-eight hundred sixty-one. The plan shall cover the city's two thousand three--two thousand four fiscal year and the three subsequent fiscal years.

2. Not later than fifteen days after such submission, the authority shall approve or disapprove the financial plan.

3. In the event the authority shall disapprove such financial plan based on disapproval of certain actions or assumptions, the authority shall promptly thereafter notify the city of its reasons. Within fifteen days from the receipt of such notification the city shall modify the financial plan, and unless such financial plan modification is approved by the authority, the authority shall impose a financial plan of its own formulation as soon as practicable, as provided for in section thirty-eight hundred fifty-eight of this title.

§ 3857. City financial plans. 1. Commencing with the city's two thousand four--two thousand five fiscal year, the mayor shall prepare and submit to the authority a four-year financial plan, and the mayor's proposed city budget, not later than the date required for submission of such budget to the council pursuant to the city charter. Such financial plan shall, in addition to the requirements for financial plans set forth in subdivisions two and three of this section, contain actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan that annual aggregate operating expenses for such fiscal year shall not exceed annual aggregate operating revenues for such fiscal year. For purposes of determining operating revenues in the fiscal years ending June thirtieth, two thousand four through two thousand seven, such plan may assume receipt by the city of BFSA assistance in the following collective amounts for each respective fiscal year:

Amount	Fiscal Year Ending
2004 amount	2004
2005 amount	2005
2006 amount	2006
2007 amount	2007

As used in this subdivision:

"2004 amount" means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the city has taken recurring actions to close between thirty-five per centum and forty per centum of the projected gap.

"2005 amount" means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the city has taken recurring actions to close between forty-five per centum and fifty per centum of the projected gap.

"2006 amount" means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the city has taken recurring actions to close between sixty per centum and sixty-five per centum of the projected gap.

"2007 amount" means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the city has taken recurring actions to close between eighty per centum and eighty-five per centum of the projected gap.

2. Each financial plan and financial plan modification shall conform to the requirements of paragraph (a) of this subdivision and shall provide that the major operating funds of the city will be balanced in accordance with generally accepted accounting principles. The financial plan shall be developed and approved, and may from time to time be modified, in accordance with the following procedures:

(a) The mayor shall submit to the authority a certificate stating that the budget submitted to the authority is consistent with the financial plan submitted therewith and that operation within the budget is feasible.

(a-1) Prior to the approval or disapproval of the financial plan of the city by the authority, the authority shall request community, educational or other entity or entities to seek public input and comment relating to the city's and/or any covered organization's financial plan. Such community, educational or other entity or entities shall report to the authority on such public input and comment ten days after the city has submitted the financial plan to the authority.

(b) Not more than twenty days after submission of a financial plan or more than fifteen days after submission of a financial plan modification, the authority shall determine whether the financial plan or financial plan modification is complete and complies with the provisions of this section and section thirty-eight hundred fifty-six of this title and the other requirements of this title, and shall submit its recommendations with respect to the financial plan or financial plan modification in accordance with the provisions of this subdivision.

(c) Upon the approval by the city of a budget in accordance with the provisions of the city charter, the mayor shall submit such approved budget and financial plan to the authority accompanied by expenditure, revenue and cash flow projections on a quarterly basis and certify to the authority that such budget is consistent with the financial plan to be submitted to the authority.

(d) If the authority determines that the financial plan or financial plan modification provided pursuant to paragraph (c) or (f) of this subdivision or section thirty-eight hundred fifty-six of this title is complete and complies with the standards set forth in this subdivision, the authority shall make a certification to the city setting forth revenue estimates agreed to by the authority in accordance with such determination.

(e) The authority shall, in the event it disagrees with elements of the financial plan provided pursuant to paragraph (c) or (f) of this subdivision, or section thirty-eight hundred fifty-six of this title, provide notice thereof to the city, with copies to the director of the budget, the state comptroller, the chair of the assembly ways and means committee and the chair of the senate finance committee, if, in the judgment of the authority, such plan: (i) is incomplete; (ii) fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimations; (iii) fails to provide that 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 this title or other requirements of law.

(f) After the initial adoption of an approved financial plan, the revenue estimates certified by the authority and the financial plan shall be regularly reexamined by the authority in consultation with the city and the covered organizations and the mayor shall provide a modified financial plan in such detail and within such time periods as the authority may require. In the event of reductions in such revenue estimates, or in the event the city or a covered organization shall expend funds at a rate that would exceed the aggregate expenditure limitation for the city or covered organization prior to the expiration of the fiscal year, the mayor shall submit a financial plan modification to effect such adjustments in revenue estimates and reductions in total

expenditures as may be necessary to conform to such revised revenue estimates or aggregate expenditure limitations.

(g) If, within a time period specified by the authority, the city fails to make such modifications after reductions in revenue estimates, or to provide a modified plan in detail and within such time period required by the authority, the authority shall adopt a resolution so finding and shall, as soon as practicable thereafter, formulate and adopt a financial plan to be effective until the authority approves a financial plan submitted by the city. All budgets and operations of the city or a covered organization shall be in conformance and compliance with the financial plan then in effect.

(h) The city shall amend its budget or shall submit a financial plan modification for the approval of the authority such that the city's budget and the approved financial plan shall be consistent. In no event shall the city operate under a budget that is inconsistent with an approved financial plan.

3. The financial plan shall be in such form and shall contain such information for each year during which the financial plan is in effect as the authority may specify, and shall include the city and all the covered organizations, and shall, in such detail as the authority from time to time may prescribe, include statements of all estimated revenues and of all expenditures and cash flow projections of the city and each covered organization.

4. The financial plan shall include any information which the authority may request to satisfy itself that (a) projected employment levels, collective bargaining agreements and other actions relating to employee costs, capital construction and such other matters as the authority may specify are consistent with the provisions made for such obligations in the financial plan, (b) the city and the covered organizations are taking whatever action is necessary with respect to programs mandated by state and federal law to ensure that expenditures for such programs are limited to and covered by the expenditures stated in the financial plan, (c) adequate reserves are provided to maintain essential programs in the event revenues have been overestimated or expenditures underestimated for any period, and (d) the city has adequate cash resources to meet its obligations. In addition, except to the extent such reporting requirements may be modified pursuant to agreement between the authority and the city, for each fiscal year occurring during a control period, or while bonds, notes or other obligations issued pursuant to this title are outstanding, the mayor shall prepare a quarterly report of summarized budget data depicting overall trends, by major category within funds, of actual revenues and budget expenditures for the entire budget rather than individual line items, as well as updated quarterly cash flow projections of receipts and disbursements. Such reports shall compare revenue estimates and appropriations as set forth in such budget and in the quarterly revenue and expenditure projections submitted therewith, with the actual revenues and expenditures made to date. Such reports shall also compare actual receipts and disbursements with the estimates contained in the cash flow projections, together with variances and their explanation. All quarterly reports shall be accompanied by recommendations from the mayor to the council setting forth any remedial action necessary to resolve any unfavorable budget variance including the overestimation of revenues and the underestimation of appropriations. These reports shall be completed within thirty days after the end of each quarter and shall be submitted to the council, the authority, the director of the budget and the state comptroller. For each

fiscal year occurring during a control or advisory period or while bonds, notes or other obligations issued pursuant to this title are outstanding, the mayor shall submit a proposed budget or revision thereto to the authority concurrent with submission to the council, and shall submit the adopted budget to the authority immediately upon its adoption.

5. For each financial plan and financial plan modification to be prepared and submitted by the mayor to the authority pursuant to the provisions of this section, the covered organizations shall submit to the city such information with respect to their projected expenditures, revenues and cash flows for each of the years covered by such financial plan or modification as the mayor shall determine.

§ 3858. Control period. 1. A control period shall begin as of the effective date of this title and may be reimposed during an advisory period if the authority determines at any time 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 such occurrence: (a) the city shall have failed to adopt a balanced budget, financial plan or budget modification as required by sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, (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 this title, (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 thirty-eight hundred fifty-one of this title, or (e) the city shall have violated any provision of this title. A control period shall terminate when the authority has determined that the city qualifies for the onset of an advisory period as provided under subdivision one of section thirty-eight hundred fifty-one of this title. After onset of an advisory period, the authority shall annually consider paragraphs (a) through (e) of this subdivision and determine whether, in its judgment, any of the events described in such paragraphs have occurred and the authority shall publish each such determination. Any certification made by the chief fiscal officer hereunder shall be based on such officer's written determination which shall take into account a report and opinion of an independent expert in the marketing of municipal securities selected by the authority, and the opinion of such expert and any other information taken into account shall be made public when delivered to the authority. Notwithstanding any part of the foregoing to the contrary, in no event shall any control period continue beyond June thirtieth, two thousand thirty-seven.

2. In carrying out the purposes of this title during any control period, the authority:

(a) shall approve or disapprove the financial plan and the financial plan modifications of the city, as provided in sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, and shall formulate and adopt its own modifications to the financial

plan, as necessary; such modifications shall become effective upon their adoption by the authority;

(b) may set a maximum level of spending for any proposed budget of any covered organization;

(c) may impose a wage and/or hiring freeze: (i) During a control period, upon a finding by the authority that a wage and/or hiring freeze is essential to the adoption or maintenance of a city budget or a financial plan that is in compliance with this title, the authority shall be empowered to order that all increases in salary or wages of employees of the city and employees of covered organizations which will take effect after the date of the order pursuant to collective bargaining agreements, other analogous contracts or interest arbitration awards, now in existence or hereafter entered into, requiring such salary or wage increases as of any date thereafter are suspended. Such order may also provide that all increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan and step-ups or increments for employees of the city and employees of covered organizations which will take effect after the date of the order pursuant to collective bargaining agreements, other analogous contracts or interest arbitration awards requiring such increased payments as of any date thereafter are, in the same manner, suspended. For the purposes of computing the pension base of retirement allowances, any suspended salary or wage increases and any other suspended payments shall not be considered as part of compensation or final compensation or of annual salary earned or earnable.

(ii) Notwithstanding the provisions of subparagraph (i) of this paragraph, this subdivision shall not be applicable to employees of the city or employees of a covered organization subject to a collective bargaining agreement or an employee of the city or a covered organization not subject to a collective bargaining agreement where the collective bargaining representative or such unrepresented employee has agreed to a deferment of salary or wage increase, by an instrument in writing which has been certified by the authority as being an acceptable and appropriate contribution toward alleviating the fiscal crisis of the city. Any such agreement to a deferral of salary or wage increase may provide that for the purposes of computing the pension base of retirement allowances, any deferred salary or wage increase may be considered as part of compensation or final compensation or of annual salary earned or earnable;

(iii) Notwithstanding the provisions of subparagraphs (i) and (ii) of this paragraph, no retroactive pay adjustments of any kind shall accrue or be deemed to accrue during the period of wage freeze, and no such additional amounts shall be paid at the time a wage freeze is lifted, or at any time thereafter.

(d) shall periodically evaluate the suspension of salary or wage increases or suspensions of other increased payments or benefits, and may, if it finds that the fiscal crisis, in the sole judgment of the authority has abated, terminate such suspensions;

(e) shall review and approve or disapprove any collective bargaining agreement to be entered into by the city or any covered organization, or purporting to bind, the city or any covered organization. Prior to entering into any collective bargaining agreement, the city or any covered organization shall submit a copy of such collective bargaining agreement to the authority, accompanied by an analysis of the projected costs of such agreement and a certification that execution of the agreement will be in accordance with the financial plan. Such submission

shall be in such form and include such additional information as the authority may prescribe. The authority shall promptly review the terms of such collective bargaining agreement and the supporting information in order to determine compliance with the financial plan, and shall disapprove any collective bargaining agreement which, in its judgment, would be inconsistent with the financial plan. No collective bargaining agreement binding, or purporting to bind, the city or any covered organization after the effective date of this title shall be valid and binding upon the city or any covered organization unless first approved by resolution of the authority.

(f) shall act jointly with the city in selecting members of any interest arbitration panel. Notwithstanding any other evidence presented by the city, the covered organization or any recognized employee organization, the arbitration panel must, prior to issuing any final decision, provide the authority with the opportunity to present evidence regarding the fiscal condition of the city;

(g) shall take any action necessary in order to implement the financial plan should the city or any covered organization have failed to comply with any material action necessary to fulfill the plan, provided, however, the authority shall provide seven (7) days notice of its determination that the city or any covered organization has not complied prior to taking any such action.

(h) may review and approve or disapprove contracts or other obligations binding or purporting to bind the city or any covered organization;

(i) shall, with respect to any proposed borrowing by or on behalf of the city or any covered organization on or after July first, two thousand three, review the terms of and comment, within thirty days after notification by the city or covered organization of a proposed borrowing, on the prudence of each proposed issuance of bonds or notes to be issued by the city or covered organization and no such borrowing shall be made unless first reviewed, commented upon and approved by the authority. The authority shall comment within thirty days after notification by the city or covered organization of a proposed borrowing to the mayor, the comptroller, the council, the director of the budget and the state comptroller and indicate approval or disapproval of the proposed borrowing. Notwithstanding the foregoing, neither the city nor any covered organization shall be prohibited from issuing bonds or notes to pay outstanding bonds or notes; and, provided further, the first issuance of debt pursuant to chapter six hundred five of the laws of two thousand, as amended, shall be excluded from this requirement;

(j) may review the operation, management, efficiency and productivity of the city and any covered organizations as the authority may determine, and make reports thereon; examine the potential to enhance the revenue of the city or any covered organization; audit compliance with the financial plan in such areas as the authority may determine; recommend to the city and the covered organizations such measures relating to their operations, management, efficiency and productivity as the authority deems appropriate to reduce costs, enhance revenue, and improve services so as to advance the purposes of this title;

(k) may require the city to undertake certain actions to advance serious and in-depth exploration of a merger of services with the county, including identification and analysis of options; development of a detailed fiscal and programmatic plan; identification of city, county, and state impediments; and fostering of informed public debate;

(l) may review and approve or disapprove the terms of any proposed settlement of claims against the city or any covered organization in excess of fifty thousand dollars;

(m) may obtain from the city, the covered organizations, comptroller, and the state comptroller, as appropriate, all information required pursuant to this section, and such other financial statements and projections, budgetary data and information, and management reports and materials as the authority deems necessary or desirable to accomplish the purposes of this title; and inspect, copy and audit such books and records of the city and the covered organizations as the authority deems necessary or desirable to accomplish the purposes of this title;

(n) may perform such audits and reviews of the city and any agency thereof and any covered organizations as it deems necessary; and

(o) may issue, from time to time and to the extent it deems necessary or desirable in order to accomplish the purposes of this title, to the appropriate official of the city and each covered organization, such orders necessary to accomplish the purposes of this title, including, but not limited to, timely and satisfactory implementation of an approved financial plan. Any order so issued shall be binding upon the official to whom it was issued and failure to comply with such order shall subject the official to the penalties described in subdivision three of this section.

3. (a) During any control period (i) no officer or employee of the city or of any of the covered organizations shall make or authorize an obligation or other liability in excess of the amount available therefor under the financial plan as then in effect; (ii) no officer or employee of the city or of any of the covered organizations shall involve the city or any of the covered organizations in any contract or other obligation or liability for the payment of money for any purpose required to be approved by the authority unless such contract has been so approved and unless such contract or obligation or liability is in compliance with the approved financial plan as then in effect.

(b) No officer or employee of the city or any of the covered organizations shall take any action in violation of any valid order of the authority or shall fail or refuse to take any action required by any such order or shall prepare, present or certify any information (including any projections or estimates) or report to the authority or any of its agents that is false or misleading, or, upon learning that any such information is false or misleading, shall fail promptly to advise the authority or its agents thereof.

(c) In addition to any penalty or liability under any other law, any officer or employee of the city or any of the covered organizations who shall violate paragraph (a) or (b) of this subdivision shall be subject to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office by order of either the governor or the mayor; and any officer or employees of the city or any of the covered organizations who shall knowingly and willfully violate paragraph (a) or (b) of this subdivision shall, upon conviction, be guilty of a misdemeanor.

(d) In the case of a violation of paragraph (a) or (b) of this subdivision by an officer or employee of the city or of a covered organization, the mayor or the chief executive officer of such covered organization shall immediately report to the authority all pertinent facts together with a statement of the action taken thereon.

§ 3859. Advisory period. 1. During any advisory period the authority shall:

(a) obtain from the city, the covered organizations and the state comptroller, all information, financial statements and projections, budgetary data and information, and management reports and materials as the authority deems necessary or desirable to accomplish the purposes of this title; and inspect, copy and audit such books and records of the city and the covered organizations as the authority deems necessary or desirable to accomplish the purposes of this title;

(b) review the operation, management, efficiency and productivity of city operations and of any covered organization's operations as the authority may determine, and make reports and recommendations thereon; examine the potential to enhance the revenue of the city or any covered organization; audit compliance with the financial plan in such areas as the authority may determine; recommend to the city and the covered organizations such measures relating to their operations, management, efficiency and productivity as the authority deems appropriate to reduce costs, enhance revenue and improve services so as to advance the purposes of this title;

(c) comment on the provisions of the budget, the financial plan and the financial plan modifications of the city as the authority deems necessary or appropriate;

(d) review and comment on the terms of any proposed borrowing, including the prudence of each proposed issuance of bonds or notes to be issued by the city; and

(e) assess the impact of any collective bargaining agreement to be entered into by the city and such contracts, that, in the judgment of the authority, may have a significant impact on the city's long-term fiscal condition.

2. During any advisory period, the city shall promptly provide all information requested by the authority, review the comments, assessments, reports and recommendations of the authority and publicly respond thereto, addressing such matters as have been raised by the authority.

§ 3860. Additional provisions. 1. Notwithstanding any provision to the contrary in title six-A of article two of the local finance law, neither the city nor any covered organization shall file any petition authorized by such title six-A without the approval of the authority and the state comptroller. No such petition shall be filed as long as any bonds, notes or other obligations issued by the authority remain outstanding. Failure of the authority or the state comptroller to notify the city or a covered organization within thirty days (or such additional time, not exceeding thirty days, as the authority or state comptroller shall have notified the city or covered organization that it requires to complete its review) after submission to it of a petition shall be deemed to constitute authority or state comptroller approval thereof.

2. Nothing contained in this title shall limit the right of the city or any covered organization to comply with the provisions of any existing contract within or for the benefit of the holders of any bonds or notes of the city or such covered organization.

3. Nothing contained in this title shall be construed to limit the power of the city or a covered organization to determine, from time to time, within available funds for the city or for such covered organization, the purposes for which expenditures are to be made by the city or such covered organization and the amounts of such expenditures, consistent with the aggregate expenditures then permitted under the financial plan for the city or such covered organization.

4. The authority's fiscal year shall be July first through June thirtieth.

5. The authority shall adopt guidelines for procurement contracts in accordance with section twenty-eight hundred seventy-nine of this chapter.

§ 3861. Declaration of need for financing assistance to the city. 1. The city shall determine and declare whether it requests the authority to undertake a financing of costs. Any such request shall be made by and through the mayor after approval by the council. Any such financing shall be consistent with the adopted budget and financial plan of the city required under sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, as applicable.

2. Upon declaration by the city of such need, the mayor shall request that the authority provide financing in accordance with the provisions of this title.

3. Upon approval by the authority, in its discretion in accordance with the provisions of this title, of such financing request, the authority may enter into agreements with the city, and the city, acting by the mayor, approved by the council, may enter into agreements with the authority in accordance with the provisions of this title as to the financing of costs by the authority, the application of revenues to the authority to secure its bonds, notes or other obligations, and further assurances in respect of the authority's receipt of such revenues and the fiscal affairs of the city, including but not limited to the manner of preparation of budget reports and financial plans as provided for in sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, as applicable. The authority's revenues shall not be deemed funds of the city. Any such agreements with the city may be pledged by the authority to secure its bonds, notes or other obligations and may not be modified thereafter except as provided by the terms of the pledge.

4. Such agreements with the city shall (a) describe the particular financeable costs to be financed in whole or in part by the authority, (b) describe the plan for the financing of the costs, (c) set forth the method by which and by whom and the terms and conditions upon which money provided by the authority shall be disbursed to the city, (d) where appropriate, provide for the payment of such costs by the city under such contracts as shall be awarded by the city or for the city to make a capital contribution of such proceeds as city funds to another entity for the payment or reimbursement of such costs, and (e) require every contract entered into by the city, or another entity receiving funds from the city, for costs to be financed in whole or in part by the authority to be subject to the provisions of the city charter and other applicable laws governing contracts of the city or such entity, as the case may be.

5. At least annually, commencing no more than one year after the date on which authority bonds, notes or other obligations are first issued, the mayor shall report to the authority, the comptroller, the council, the state comptroller, the chairs of the senate finance committee and the assembly ways and means committee, and the director of the budget on the costs financed by the authority and the amount of such financing over the past year, which report shall describe, by reference to the specific items in the city's budget or financial plan, its compliance therewith.

§ 3862. Bonds, notes or other obligations of the authority. 1. The authority shall have the power and is hereby authorized from time to time to issue bonds, notes or other obligations in such principal amounts as it may determine to be necessary pursuant to section thirty-

eight hundred sixty-one of this title to pay any financeable costs and to fund reserves to secure such bonds, notes or other obligations, including incidental expenses in connection therewith; provided, however, the aggregate principal amounts of such bonds, notes or other obligations outstanding at any one time shall not exceed one hundred seventy-five million dollars, and such bonds shall be tax exempt to the maximum extent practicable, as provided by section thirty-eight hundred sixty-nine of this title. Bonds, notes or other obligations issued by the authority to (a) pay reasonable costs of issuance, as determined by the authority, (b) establish debt service reserve funds, or (c) refund or advance refund any outstanding bonds or notes of the city or the authority shall not count against the above limit on outstanding bonds, notes or other obligations of the authority, nor shall any accretion of principal of bonds that would constitute interest under the Internal Revenue Code of 1986, as amended, count against such limit.

2. The authority may issue bonds, notes or other obligations to refund bonds, notes or other obligations previously issued, but in no event shall the final maturity of any bonds, notes or other obligations of the authority be later than June thirtieth, two thousand thirty-seven. No bond of the authority shall mature more than thirty years from the date of its issue, or after June thirtieth, two thousand thirty-seven, whichever date is earlier.

3. Bonds, notes or other obligations of the authority may be issued, amortized, redeemed and refunded without regard to the provisions of the local finance law.

4. The directors may delegate to the chairperson or other director or officer of the authority the power to set the financial terms of bonds, notes or other obligations.

5. The authority in its sole discretion shall determine that the issuance of its bonds, notes or other obligations is appropriate. Bonds, notes or other obligations shall be authorized by resolution of the authority. Bonds shall bear interest at such fixed or variable rates and shall be in such denominations, be in such form, either coupon or registered, be sold at such public or private sale, be executed in such manner, be denominated in United States currency, be payable in such medium of payment, at such place and be subject to such terms of redemption as the authority may provide in such resolution. No bonds, notes or other obligations of the authority may be sold at private sale unless such sale and the terms thereof have been approved in writing by (a) the state comptroller where such sale is not to the state comptroller, or (b) the director of the budget, where such sale is to the state comptroller.

6. Any resolution or resolutions authorizing bonds, notes or other obligations or any issue of bonds, notes or other obligations may contain provisions which may be a part of the contract with the holders of the bonds, notes or other obligations thereby authorized as to: (a) pledging all or part of the authority's revenues, together with any other moneys, securities or contracts, to secure the payment of the bonds, notes or other obligations, subject to such agreements with bondholders as may then exist; (b) the setting aside of reserves and the creation of sinking funds and the regulation and disposition thereof; (c) limitations on the purposes to which the proceeds from the sale of bonds, notes or other obligations may be applied; (d) limitations on the issuance of additional bonds, notes or other obligations, the terms upon which additional bonds, notes or other obligations may be issued and secured and the refunding of bonds, notes or other obligations; (e) the

procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, including the proportion of bondholders which must consent thereto and the manner in which such consent may be given; (f) vesting in a trustee or trustees such properties, rights, powers and duties in trust as the authority may determine, which may include any or all of the rights, powers and duties of the trustee appointed by the bondholders pursuant to section thirty-eight hundred sixty-three of this title and limiting or abrogating the rights of the bondholders to appoint a trustee under such section or limiting the rights, duties and powers of such trustee; and (g) defining the acts or omissions of the authority to act which may constitute a default in the obligations and duties of the authority to the bondholders and providing for the rights and remedies of the bondholders in the event of such default, including as a matter of right the appointment of a receiver; provided, however, that such acts or omissions of the authority to act which may constitute a default and such rights and remedies shall not be inconsistent with the general laws of the state and other provisions of this title.

7. In addition to the powers conferred upon the authority in this section to secure its bonds, notes or other obligations, the authority shall have power in connection with the issuance of bonds, notes or other obligations to enter into such agreements for the benefit of the bondholders as the authority may deem necessary, convenient or desirable concerning the use or disposition of its revenues or other moneys, including the entrusting, pledging or creation of any other security interest in any such revenues, moneys and the doing of any act, including refraining from doing any act, which the authority would have the right to do in the absence of such agreements. The authority shall have power to enter into amendments of any such agreements within the powers granted to the authority by this title and to perform such agreements. The provisions of any such agreements may be made a part of the contract with the holders of bonds, notes or other obligations of the authority.

8. Notwithstanding any provision of the uniform commercial code to the contrary, any pledge of or other security interest in revenues, moneys, accounts, contract rights, general intangibles or other personal property made or created by the authority shall be valid, binding and perfected from the time when such pledge is made or other security interest attaches without any physical delivery of the collateral or further act, and the lien of any such pledge or other security interest shall be valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the authority irrespective of whether such parties have notice thereof. No instrument by which such a pledge or security interest is created nor any financing statement need be recorded or filed to be valid and binding.

9. Whether or not the bonds, notes or other obligations of the authority are of such form and character as to be negotiable instruments under the terms of the uniform commercial code, the bonds, notes or other obligations are hereby made negotiable instruments within the meaning of and for all the purposes of the uniform commercial code, subject only to the provisions of the bonds for registration.

10. Neither the directors of the authority nor any person executing bonds, notes or other obligations shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof. The bonds, notes or other obligations of the authority shall not be a debt of either the state or the city, and neither the state nor the city shall be liable thereon, nor shall they

be payable out of any funds other than those of the authority; and such bonds, notes or other obligations shall contain on the face thereof a statement to such effect.

11. The authority, subject to such agreements with bondholders as then may exist, shall have power to purchase bonds, notes or other obligations of the authority out of any moneys available therefor, which shall thereupon be canceled.

§ 3863. Remedies of bondholders. Subject to any resolution or resolutions adopted pursuant to paragraph (f) of subdivision six of section thirty-eight hundred sixty-two of this title:

1. In the event that the authority shall default in the payment of principal of or interest on any issue of bonds, notes or other obligations after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty days, or shall default in any agreement made with the holders of any issue of bonds, notes, or other obligations, the holders of at least twenty-five per centum in aggregate principal amount of the bonds, notes or other obligations of such issue then outstanding, by instrument or instruments filed in the office of the clerk of the county and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of such bonds for the purpose provided in this section.

2. Such trustee may, and upon written request of the holders of at least twenty-five per centum in principal amount of such bonds, notes or other obligations outstanding shall, in his or her or its own name: (a) by action or proceeding in accordance with the civil practice law and rules, enforce all rights of the bondholders and require the authority to carry out any other agreements with the holders of such bonds, notes or other obligations and to perform its duties under this title; (b) bring an action or proceeding upon such bonds, notes or other obligations; (c) by action or proceeding, require the authority to account as if it were the trustee of an express trust for the holder of such bonds, notes or other obligations; and (d) by action or proceeding, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds, notes or other obligations.

3. Such trustee shall, in addition to the provisions of subdivisions one and two of this section, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in this section or incident to the general representation of bondholders in the enforcement and protection of their rights.

4. The supreme court of the county shall have jurisdiction of any action or proceeding by the trustee on behalf of such bondholders.

§ 3864. Intercept of city tax revenues and state aid revenues. 1. The state comptroller, in accordance with section twelve hundred sixty-one of the tax law, shall pay at least monthly to the authority, for the period beginning upon the effective date of this title through June thirtieth, two thousand thirty-seven, the city tax revenues from the county's taxes imposed pursuant to the authority of section twelve hundred ten of the tax law. During such period, the county shall impose such taxes at a rate of no less than three percent. In addition, during such period, the state comptroller shall make such payments of city tax revenues to the authority pursuant to the then current agreement under subdivision (c) of section twelve hundred sixty-two of the tax law among the county and the cities in the county; provided however, in the event that such agreement shall have expired or been terminated during such period, notwithstanding any other provision of general, special or local

law to the contrary, the state comptroller shall make such payments pursuant to the provisions of paragraph two of subdivision (d) of section twelve hundred sixty-two of the tax law.

2. Commencing on the effective date of this title, and until June thirtieth, two thousand thirty-seven, the state comptroller shall pay state aid revenues to the authority.

3. The city shall have no right, title, or interest in the city tax revenues or state aid revenues paid to the authority pursuant to this section.

§ 3865. Resources of the authority. 1. Subject to the provisions of this title, the directors of the authority shall receive, accept, invest, administer, expend and disburse for its corporate purposes all money of the authority from whatever sources derived including (a) city tax revenues; (b) state aid revenues; (c) the proceeds of bonds, notes or other obligations; and (d) any other payments, gifts or appropriations to the authority from any other source.

2. Subject to the provisions of any contract with bondholders, (a) the money of the authority shall be paid to the authority and shall not be commingled with any other money, and (b) all money received by the authority which, together with other money of the authority available for the expenses of the authority, the payment of debt service and payments to reserve funds, exceeds the amount required for such purposes, as determined by the authority, shall be transferred to the city as frequently as practicable.

3. The money in any of the authority's accounts shall be paid out on checks signed by the treasurer of the authority, or by other lawful and appropriate means such as wire or electronic transfer, on requisitions of the chairperson of the authority or of such other officer as the directors shall authorize to make such requisition, or pursuant to a bond resolution or trust indenture.

4. All deposits of authority money shall be secured by obligations of the United States or of the state or of the city at a market value at least equal at all times to the amount of the deposit, and all banks and trust companies are authorized to give such security for such deposits. The authority shall have the power, notwithstanding the provisions of this section, to contract with the holders of any of its bonds, notes or other obligations as to the custody, collection, securing, investment and payment of any money of the authority or any money held in trust or otherwise for the payment of bonds, notes or other obligations or in any way to secure bonds, notes or other obligations, and to carry out any such contract notwithstanding that such contract may be inconsistent with the other provisions of this title. Money held in trust or otherwise for the payment of bonds, notes or other obligations or in any way to secure bonds, notes or other obligations, and deposits of such money, may be secured in the same manner as money of the authority, and all banks and trust companies are authorized to give such security for such deposits.

5. Revenues of the authority shall be applied in the following order of priority: first to pay debt service on the authority's bonds, notes, or other obligations; then to pay the authority's operating expenses not otherwise provided for; and then, subject to the authority's agreements with the city, to transfer the balance of revenues not required to meet contractual or other obligations of the authority to the city as frequently as practicable.

6. (a) Any such payment of state aid revenues to the authority shall not obligate the state to make available, nor entitle the city to receive, any additional state aid.

(b) Nothing contained in this title shall be construed to create a debt of the state within the meaning of any constitutional or statutory provisions. Any provision 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, and any such payment by the comptroller of state aid revenues is subject to annual appropriation of state aid by the state legislature.

(c) Nothing contained in this title shall be deemed to restrict the right of the state to amend, repeal, modify, or otherwise alter section fifty-four of the state finance law or any provision relating to state aid to municipalities. The authority shall include within any resolution, contract, or agreement with holders of its bonds, notes or other obligations a provision which states that no default occurs as a result of the state's exercising its right to amend, repeal, modify, or otherwise alter section fifty-four of the state finance law or any other provision relating to state aid to municipalities.

§ 3866. Agreement with the state. 1. The state does hereby pledge to and agree with the holders of any issue of bonds, notes or other obligations issued by the authority pursuant to this title and secured by such a pledge that the state will not limit, alter or impair the rights hereby vested in the authority to fulfill the terms of any agreements made with such holders pursuant to this title, or in any way impair the rights and remedies of such holders or the security for such bonds, notes or other obligations for so long as such bonds, notes or other obligations are outstanding and until all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged. The authority is authorized to include this pledge and agreement of the state in any agreement with the holders of such bonds, notes or other obligations. Nothing contained in this title shall be deemed to restrict the right of the state to amend, modify, repeal or otherwise alter: (a) section fifty-four of the state finance law or any other provision relating to state aid, or (b) statutes imposing or relating to taxes or fees, or appropriations relating thereto.

2. The authority shall not include within any resolution, contract or agreement with holders of the bonds, notes or other obligations issued under this title any provision which provides that a default occurs as a result of the state exercising its right to amend, repeal, modify or otherwise alter: (a) section fifty-four of the state finance law or any other provision relating to state aid or (b) such taxes, fees, or appropriations. Nothing in this title shall be deemed to obligate the state to make any payments or impose any taxes to satisfy the debt service obligations of the authority.

§ 3867. Agreement with the city. The city hereby covenants and agrees with the holders of bonds, notes or other obligations issued by the authority pursuant to this title, that the city will not take actions which limit, or in any way impair the rights and remedies of such holders or the security for such bonds, notes or other obligations while such bonds, notes or other obligations are outstanding.

§ 3868. Bonds, notes or other obligations legal for investment and deposit. The bonds, notes or other obligations of the authority are hereby made 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, notes or other obligations of the state, may properly and legally invest funds, including capital, in their control or belonging to them. The bonds, notes or other obligations are also hereby made securities which 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, notes or other obligations of the state is now or may hereafter be authorized.

§ 3869. Tax exemption. 1. It is hereby determined that the creation of the authority and the carrying out of its corporate purposes are in all respects for the benefit of the people of the state of New York and are public purposes. Accordingly, the authority shall be regarded as performing an essential governmental function in the exercise of the powers conferred upon it by this title. The authority shall not be required to pay any fees, taxes, special ad valorem levies or assessments of any kind, whether state or local, including, but not limited to, fees, taxes, special ad valorem levies or assessments on real property, franchise taxes, sales taxes or other taxes, upon income or with respect to any property owned by it or under its jurisdiction, control or supervision, or upon the uses thereof, or upon or with respect to its activities or operations in furtherance of the powers conferred upon it by this title, or upon or with respect to any fares, tolls, rentals, rates, charges, fees, revenues or other income received by the authority.

2. Any bonds, notes or other obligations issued pursuant to this title, and the income therefrom shall, to the maximum extent practicable, be exempt from taxation.

§ 3870. Actions against the authority. 1. Except in an action for wrongful death, no action or proceeding shall be prosecuted or maintained against the authority for personal injury or damage to real or personal property alleged to have been sustained by reason of the negligence or wrongful act of the authority or of any director, officer, agent or employee thereof, unless (a) it shall appear by and as an allegation in the complaint or moving papers that a notice of claim shall have been made and served upon the authority, within the time limit prescribed by and in compliance with section fifty-e of the general municipal law, (b) it shall appear by and as an allegation in the complaint or moving papers that at least thirty days have elapsed since the service of such notice and that adjustment or payment thereof has been neglected or refused, and (c) the action or proceeding shall be commenced within one year after the happening of the event upon which the claim is based. An action against the authority for wrongful death shall be commenced in accordance with the notice of claim and time limitation provisions of title eleven of article nine of this chapter.

2. Wherever a notice of claim is served upon the authority, it shall have the right to demand an examination of the claimant relative to the occurrence and extent of the injuries or damages for which claim is made, in accordance with the provisions of section fifty-h of the general municipal law.

3. The authority may require any person presenting for settlement an account or claim for any cause whatever against the authority to be sworn before a director, counsel or an attorney, officer or employee thereof designated for such purpose, concerning such account or claim and when so sworn, to answer orally as to any facts relative to such account or claim. The authority shall have power to settle or adjust any claims in favor of or against the authority.

4. The rate of interest to be paid by the authority upon any judgment for which it is liable, other than a judgment on bonds, notes or other obligations, shall not exceed the maximum rate of interest on judgments and accrued claims against municipal authorities as provided in the general municipal law. Interest on payments of principal or interest on any bonds, notes or other obligations in default shall accrue at the rate specified in the general municipal law until paid or otherwise satisfied.

5. The venue of every action, suit or special proceeding brought against the authority shall be the supreme court in the county.

6. Neither any director of the authority nor any officer, employee, or agent of the authority, while acting within the scope of his or her authority, shall be subject to any liability resulting from exercising or carrying out any of the powers given in this title.

7. Indemnification. (a) The state shall hold harmless and indemnify directors, officers and employees of the authority, all of whom shall be deemed officers and employees of the state for purposes of section seventeen of the public officers law, against any claim, demand, suit, or judgment arising by reason of any act or omission to act by such director, officer, or employee occurring in the discharge of his or her duties and within the scope of his or her service on behalf of the authority including any claim, demand, suit or judgment based on allegations that financial loss was sustained by any person in connection with the acquisition, disposition or holding of securities or other obligations. In the event of any such claim, demand, suit or judgment, a director, officer or employee of the authority shall be held harmless and indemnified, notwithstanding the limitations of subdivision one of section seventeen of the public officers law, unless such individual is found by a final judicial determination not to have acted, in good faith, for a purpose which he or she reasonably believed to be in the best interest of the authority or not to have had reasonable cause to believe that his or her conduct was lawful.

(b) In connection with any such claim, demand, suit, or judgment, any director, officer or employee of the authority shall be entitled to representation by private counsel of his or her choice in any civil judicial proceeding whenever the attorney general determines based upon his or her investigation and review of the facts and circumstances of the case that representation by the attorney general would be inappropriate. The attorney general shall notify the individual in writing of such determination that the individual is entitled to be represented by private counsel. The attorney general may require, as a condition to payment of the fees and expenses of such representative, that appropriate groups of such individuals be represented by the same counsel. If the individual or groups of individuals is entitled to representation by private counsel under the provisions of this section, the attorney general shall so certify to the state comptroller. Reasonable attorneys' fees and litigation expenses shall be paid by the state to such private counsel from time to time during the pendency of the civil action or proceeding, subject to certification that the individual is

entitled to representation under the terms and conditions of this section by the authority, upon the audit and warrant of the state comptroller. The provisions of this subdivision shall be in addition to and shall not supplant any indemnification or other benefits heretofore or hereafter conferred upon directors, officers, or employees of and representatives to the authority by section seventeen of the public officers law, by action of the authority or otherwise. The provisions of this subdivision shall inure only to directors, officers and employees of the authority, shall not enlarge or diminish the rights of any other party, and shall not impair, limit or modify the rights and obligations of any insurer under any policy of insurance.

§ 3871. Audits. 1. The accounts of the authority shall be subject to the audit of the comptroller and the state comptroller. In addition, the authority shall be subject to an annual financial audit performed by an independent certified accountant selected by the authority. Such audit report shall be submitted to the city, the presiding officer, the comptroller, 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.

2. For each fiscal year during the existence of the authority, and within one hundred twenty days after the close of the city's fiscal year, the city shall submit its audited financial statements to the authority.

§ 3872. Effect of inconsistent provisions. Insofar as the provisions of this title are inconsistent with the provisions of any other act, general or special, or of any charter, local law, ordinance or resolution of any municipality, the provisions of this title shall be controlling. Nothing contained in this section shall be held to supplement or otherwise expand the powers or duties of the authority otherwise set forth in this title.

§ 3873. Separability; construction. If any clause, sentence, paragraph, section, or part of this title shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section, or part thereof involved in the controversy in which such judgment shall have been rendered. The provisions of this title shall be liberally construed to assist the effectuation of the public purposes furthered hereby.

§ 3. Subdivision (a) of section 1261 of the tax law, as separately amended by chapter 84 and section 2 of part A of chapter 88 of the laws of 2000, is amended to read as follows:

(a) All taxes, penalties and interest imposed by cities, counties or school districts under the authority of section twelve hundred ten, twelve hundred eleven, twelve hundred twelve or twelve hundred twelve-A of this article, which are collected by the commissioner, shall be deposited daily with such responsible banks, banking houses or trust companies, as may be designated by the state comptroller, to the credit of the comptroller, in trust for the cities, counties or school districts imposing the tax or for the Nassau county interim finance authority or the Buffalo fiscal stability authority created by the public authorities law, to the extent that net collections from taxes imposed by Nassau county are payable to [~~such~~] the Nassau county interim finance authority or to the extent that net collections from taxes imposed by Erie county are payable to the Buffalo fiscal stability authority, or for any public benefit corporation to which the tax may be payable pursuant to law. Such deposits and deposits received pursuant to

subdivision (b) of section twelve hundred fifty-two of this article shall be kept in trust and separate and apart from all other monies in the possession of the comptroller. The comptroller shall require adequate security from all such depositories of such revenue collected by the commissioner, including the deposits received pursuant to subdivision (b) of section twelve hundred fifty-two of this article. Any amount payable to such [~~authority~~] **authorities** pursuant to the public authorities law shall, at the time it is otherwise payable to Nassau county **or Erie county, respectively,** as specified in this section, be paid instead to such **respective** authority. Any amount payable to a public benefit corporation pursuant to law shall, at the time it is otherwise payable to the taxing jurisdiction as specified in this section, be paid instead to such public benefit corporation.

§ 4. Subdivision (c) of section 1261 of the tax law, as amended by chapter 84 of the laws of 2000, is amended to read as follows:

(c) The comptroller, after reserving such refund fund and such costs shall, on or before the twelfth day of each month pay to the appropriate fiscal officers of the foregoing taxing jurisdictions the taxes, penalties and interest imposed by such jurisdictions under the authority of sections twelve hundred ten through twelve hundred twelve-A, collected by the commissioner pursuant to this article during the next preceding calendar month, provided, however, that the comptroller shall on or before the last day of June and December make a partial payment consisting of the collections made during and including the first twenty-five days of said months to said fiscal officers of the foregoing taxing jurisdictions. However, the taxes, penalties and interest from the additional one percent rate which the city of Yonkers is authorized to impose pursuant to section twelve hundred ten, after the comptroller has reserved such refund fund and such cost shall be paid to the special sales and compensating use tax fund for the city of Yonkers established by section ninety-two-f of the state finance law at the times set forth in the preceding sentence. However, the taxes, penalties and interest which the county of Nassau **or the county of Erie** is authorized to impose pursuant to section twelve hundred ten of this article, other than such taxes in the amounts described, respectively, in subdivisions one and two of section one thousand two hundred sixty-two-e of this article, during the period that such section authorizes Nassau county to establish special or local assistance programs thereunder, together with any penalties and interest related thereto, and after the comptroller has reserved such refund fund and such costs, shall, commencing on the next payment date after the effective date of this sentence and of each month thereafter, until such date as the Nassau county interim finance authority shall have no obligations outstanding, **or the Buffalo fiscal stability authority shall cease to exist,** be paid by the comptroller to the Nassau county interim finance authority to be applied by the Nassau county interim finance authority, **or to the Buffalo fiscal stability authority to be applied by the Buffalo fiscal stability authority, as the case may be,** in the following order of priority: first pursuant to the Nassau county interim finance authority's contracts with bondholders **or the Buffalo fiscal stability authority's contracts with bondholders, respectively,** then to pay the Nassau county interim finance authority's operating expenses not otherwise provided for **or the Buffalo fiscal stability authority's operating expenses not otherwise provided for, respectively,** and then pursuant to the Nassau county interim finance authority's agreements with the county **of Nassau**, which agreements shall require the Nassau county interim finance authority to transfer such

taxes, penalties and interest remaining after providing for contractual or other obligations of the Nassau county interim finance authority, and subject to any agreement between such authority and the county of Nassau, to the county of Nassau as frequently as practicable **or the Buffalo fiscal stability authority's agreements with the city of Buffalo, which agreements shall require the Buffalo fiscal stability authority to transfer such taxes, penalties and interest remaining after providing for contractual or other obligations of the Buffalo fiscal stability authority, and subject to any agreement between such authority and the city of Buffalo, to the city of Buffalo as frequently as practicable**. During the period that the comptroller is required to make payments to the Nassau county interim finance authority described in the previous sentence, the county **of Nassau** shall have no right, title or interest in or to such taxes, penalties and interest required to be paid to the Nassau county interim finance authority, except as provided in such authority's agreements with the county **of Nassau. During the period that the comptroller is required to make payments to the Buffalo fiscal stability authority described in the second previous sentence, the city of Buffalo shall have no right, title or interest in or to such taxes, penalties and interest required to be paid to the Buffalo fiscal stability authority, except as provided in such authority's agreements with the city of Buffalo**. The amount so payable shall be certified to the comptroller by the commissioner or the commissioner's delegate, who shall not be held liable for any inaccuracy in such certificate. Provided, however, any such certification may be based on such information as may be available to the commissioner at the time such certificate must be made under this section and may be estimated on the basis of percentages or other indices calculated from distributions for prior periods. Where the amount so paid over to any city, county, school district or the special sales and compensating use tax fund for the city of Yonkers in any such distribution or to such authority is more or less than the amount then due to such city, county, school district or such fund or to such authority, the amount of the overpayment or underpayment shall be certified to the comptroller by the commissioner or the commissioner's delegate, who shall not be held liable for any inaccuracy in such certificate. The amount of the overpayment or underpayment shall be so certified to the comptroller as soon after the discovery of the overpayment or underpayment as reasonably possible and subsequent payments and distributions by the comptroller to such city, county, school district or the special sales and compensating use tax fund for the city of Yonkers or to such authority shall be adjusted by subtracting the amount of any such overpayment from or by adding the amount of any such underpayment to such number of subsequent payments and distributions as the comptroller and the commissioner shall consider reasonable in view of the amount of the overpayment or underpayment and all other facts and circumstances.

§ 5. Subdivision (d) of section 1262 of the tax law, as amended by chapter 1190 of the laws of 1971, the opening paragraph as amended and the second undesignated paragraph as added by chapter 444 of the laws of 1996, and the closing paragraph as amended by chapter 678 of the laws of 1973, is amended to read as follows:

(d) (1) Where a county and a city therein both impose the same taxes described in sections twelve hundred two, twelve hundred three or twelve hundred ten, the county shall have power to impose or continue to impose such taxes on the area of the county outside such city up to the maximum rate authorized therefor. In such event, the portion of the net

collections received by the county by reason of its additional rate on such area, shall be allocated quarterly to the several cities and towns in such area on the basis of the ratio which the full valuation of real property in each city or town bears to the aggregate full valuation of real property in all of the cities and towns in such area provided, however, that, in such event, in Niagara county, such portion of net collections received by Niagara county shall be allocated quarterly to the several cities and towns in such area on the basis of the ratio which the population of each city or town bears to the aggregate population of all of the cities and towns in such area, such populations determined in accordance with the latest decennial federal census or special population census taken pursuant to section twenty of the general municipal law completed and published prior to the end of the quarter for which the allocation is made, which special census must include the entire area of the county. The amount allocated to each town shall be applied first to reduce county taxes levied upon real property in such town and any balance remaining shall be applied to reduce general town taxes levied upon real estate; provided, however, that any town or village other than any town or village within a county having a population of one million or more and containing not more than three towns, shall have power, in the manner provided in subdivision (c) of this section, to elect to receive a direct payment of the amounts which would be so applied to reduce county taxes and general town taxes levied upon real property in such town or village. Where any village has elected to be paid directly as provided in this subdivision, the amount to be paid to such village shall be determined by the ratio that the full valuation of real property in the village or portion thereof within the town in which such village is located bears to the full valuation of real property in the entire town. If a village wholly or partially within a town has so elected to be paid directly, but the town in which such village is located has not so elected, the amount allocated to the town in which such village is wholly or partially situated shall be applied to reduce county taxes and general town taxes in the area of the town outside such village or villages. If the amount allocated to a town exceeds the amount of the county taxes and general town taxes levied upon real property in the town, the excess shall be apportioned between the town and each village, if any, wholly or partially situated therein, and paid over or applied in the manner provided in subdivision (c) of this section. The amount allocated to each city in such area shall be similarly applied to reduce county taxes levied upon real property in such city, except that if any such city except any city within a single county having a population of one million or more and containing no more than three towns, shall so provide in the manner provided in subdivision (c) of this section, the amount which would be so applied to reduce county taxes levied upon real property in such city shall be paid directly to the city in lieu of such tax reduction. If the amount allocated to the city exceeds the amount of the county tax levied upon real property in the city, such excess shall be paid to the city.

Notwithstanding any provision of this section to the contrary, where a municipal assistance corporation has been created under article ten of the public authorities law for a city located in a county, any amount which such county allocates to such city under this subdivision shall be payable directly to such city and shall not be provided by reduction of the county tax levied upon real property in such city for so long as such municipal assistance corporation shall exist.

Any local law, ordinance or resolution enacted by a city, town or village pursuant to this subdivision shall only be effective for the calendar year or years subsequent [~~too~~] to its enactment and, further, shall only be effective if it is mailed by registered or certified mail to the chief fiscal officer of the county in which the city, [~~or~~] town or village is located before the first day of September preceding the calendar year for which the election is made by such local law, ordinance or resolution. Such local law, ordinance or resolution shall remain in effect for subsequent calendar years until rescinded by local law, ordinance or resolution, but the enactment shall rescind the election only if it is mailed, in the same manner already provided for in this subdivision, to the chief fiscal officer of the county in which the city, town or village is located before the first day of September preceding the calendar year for which the [~~recission~~] rescission to apply. The foregoing provisions of this paragraph notwithstanding, where a county imposes a sales and use tax to be effective on a date after the adoption of its budget but within the fiscal year for which such budget has been adopted, and the estimated revenues from such tax include net collections received by the county by reason of its additional rate on the area of the county outside a city imposing the same taxes, and such net collections have not been included in budget revenues for such fiscal year for allocation in reduction of taxes on real property as provided in this subdivision, a local law, ordinance or resolution enacted by a city, town or village pursuant to this subdivision shall be effective as of the effective date of such tax if mailed by registered or certified mail to the chief fiscal officer of the county in which the city, town or village is located within thirty days after the enactment by the county of the local law, ordinance or resolution imposing such tax.

(2) Notwithstanding any provision of general, special or local law to the contrary, if at any time from the effective date of the Buffalo fiscal stability authority act until June thirtieth, two thousand thirty-seven any city in the county of Erie imposes sales and compensating use taxes described in section twelve hundred ten of this article, then the county of Erie shall not be required to allocate under paragraph one of this subdivision, any net collections from its taxes imposed during such period; instead it shall continue to allocate net collections from its taxes to any city in the county which does not impose such taxes and to the area of the county outside the cities, in accordance with the terms of the most current agreement among such county and the cities in the county entered into pursuant to subdivision (c) of this section.

§ 6. Sections 3700, 3701 and 3702 of the public authorities law, as renumbered by chapter 5 of the laws of 1997, are renumbered sections 3900, 3901 and 3902.

§ 7. If any section, part or provision of this act shall be adjudged unconstitutional or invalid or ineffective by any court of this state, any party in interest shall have a direct appeal as of right to the court of appeals of the state of New York, and such appeal shall have preference over all other causes. Service upon the adverse party of a notice of appeal shall stay the effect of the judgment or order appealed from pending the hearing and determination of the appeal.

§ 8. Separability. If any clause, sentence, paragraph, section or part of this act be adjudged by any court of competent jurisdiction to be unconstitutional, invalid, or ineffective, such judgment shall not affect, impair or invalidate the remainder thereof but shall be confined in its operation to the clause, sentence, paragraph, section or part

thereof directly involved in the controversy in which such judgment shall have been rendered.

§ 9. This act shall take effect immediately.

The Legislature of the STATE OF NEW YORK ss:

Pursuant to the authority vested in us by section 70-b of the Public Officers Law, we hereby jointly certify that this slip copy of this session law was printed under our direction and, in accordance with such section, is entitled to be read into evidence.

JOSEPH L. BRUNO
Temporary President of the Senate

SHELDON SILVER
Speaker of the Assembly

STATE OF NEW YORK

7281--A

IN SENATE
CHAP 80 LAWS OF 2004

May 11, 2004

Introduced by Sen. VOLKER -- read twice and ordered printed, and when printed to be committed to the Committee on Corporations, Authorities and Commissions -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the public authorities law, the tax law and the local finance law, in relation to revenues of the Buffalo fiscal stability authority

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Subdivision 21 of section 3851 of the public authorities
2 law, as added by chapter 122 of the laws of 2003, is amended to read as
3 follows:
4 21. "Revenues" means revenues of the authority consisting of city tax
5 revenues, school district tax revenues, state aid revenues, and all
6 other aid, rents, fees, charges, gifts, payments and other income and
7 receipts paid or payable to the authority or a trustee for the account
8 of the authority, to the extent such amounts are pledged to bondholders.
9 § 2. Section 3851 of the public authorities law is amended by adding
10 three new subdivisions 26, 27 and 28 to read as follows:
11 26. "School district tax revenues" means the portion of the county's
12 "net collections," as defined in section twelve hundred sixty-two of the
13 tax law, payable to the city's dependent school district by the county
14 pursuant to the authority of subdivision (a) of section twelve hundred
15 sixty-two of the tax law.
16 27. "Cash flow borrowings" means:
17 (a) notes issued by the authority on behalf of the city, the city's
18 dependent school district or any other covered organization, the
19 proceeds of which are used to address temporary cash flow needs of the
20 city, the city's dependent school district or the applicable covered
21 organization; and
22 (b) bonds, notes and other obligations issued by the authority to
23 refund notes of the authority described in paragraph (a) of this subdi-
24 vision.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [ ] is old law to be omitted.

LBD18041-02-4

28. "Obligations of the city" means bonds, notes and other evidences of indebtedness issued or incurred by the city.

§ 3. Paragraph (a-1) of subdivision 2 of section 3857 of the public authorities law, as added by chapter 122 of the laws of 2003, is amended to read as follows:

(a-1) Prior to the approval or disapproval of the financial plan of the city by the authority, the authority shall request community, educational or other entity or entities to seek public input and comment relating to the city's and/or any covered organization's financial plan. Such community, educational or other entity or entities shall report to the authority on such public input and comment ten days after the city has submitted the financial plan to the authority. The authority shall evaluate any proposals submitted to the authority for cost savings and/or service delivery enhancement in the city, and shall periodically, at least twice a year, summarize in a public report the authority's findings with respect to such proposals that, in the opinion of the authority, merit further consideration based on their potential impact on the city's budget. The authority shall provide public notice of the dates on which it plans to make such public reports.

§ 4. Subdivisions 1, 3 and 4 of section 3861 of the public authorities law, as added by chapter 122 of the laws of 2003, are amended to read as follows:

1. The city shall determine and declare whether it requests the authority to undertake a financing of costs, including costs of the city's dependent school district or any other covered organization. Any such request shall be made by and through the mayor after approval by the council. Any such financing shall be consistent with the adopted budget and financial plan of the city required under sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, as applicable.

3. Upon approval by the authority, in its discretion in accordance with the provisions of this title, of such financing request, the authority may enter into agreements with the city, for itself or on behalf of the city's dependent school district or any other covered organization, as applicable, and the city, acting by the mayor, approved by the council, may enter into agreements with the authority in accordance with the provisions of this title as to the financing of costs by the authority, the application of revenues to the authority to secure its bonds, notes or other obligations, and further assurances in respect of the authority's receipt of such revenues and the fiscal affairs of the city, including but not limited to the manner of preparation of budget reports and financial plans as provided for in sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, as applicable. The authority's revenues shall not be deemed funds of the city. Any such agreements with the city may be pledged by the authority to secure its bonds, notes or other obligations and may not be modified thereafter except as provided by the terms of the pledge.

4. Such agreements with the city shall (a) describe the particular financeable costs to be financed in whole or in part by the authority, (b) describe the plan for the financing of the costs, (c) set forth the method by which and by whom and the terms and conditions upon which money provided by the authority shall be disbursed to the city for itself or on behalf of the city's dependent school district or other covered organization, as applicable, (d) where appropriate, provide for the payment of such costs by the city under such contracts as shall be awarded by the city or for the city to make a capital contribution of

such proceeds as city funds to another entity for the payment or reimbursement of such costs, and (e) require every contract entered into by the city, or another entity receiving funds from the city, for costs to be financed in whole or in part by the authority to be subject to the provisions of the city charter and other applicable laws governing contracts of the city or such entity, as the case may be.

§ 5. Subdivision 1 of section 3862 of the public authorities law, as added by chapter 122 of the laws of 2003, is amended to read as follows:

1. The authority shall have the power and is hereby authorized from time to time to issue bonds, notes or other obligations in such principal amounts as it may determine to be necessary pursuant to section thirty-eight hundred sixty-one of this title to pay any financeable costs and to fund reserves to secure such bonds, notes or other obligations, including incidental expenses in connection therewith; provided, however, the aggregate principal amounts of such bonds, notes or other obligations outstanding at any one time shall not exceed one hundred seventy-five million dollars, and such bonds shall be tax exempt to the maximum extent practicable, as provided by section thirty-eight hundred sixty-nine of this title. Bonds, notes or other obligations issued by the authority [to] (a) to pay reasonable costs of issuance, as determined by the authority, (b) to establish debt service reserve funds, [or] (c) to refund or advance refund any outstanding bonds or notes of the city or the authority, or (d) as cash flow borrowings shall not count against the above limit on outstanding bonds, notes or other obligations of the authority, nor shall any accretion of principal of bonds that would constitute interest under the Internal Revenue Code of 1986, as amended, count against such limit; provided, however, that the aggregate principal amount of cash flow borrowings outstanding at any one time shall not exceed one hundred forty-five million dollars.

§ 6. Section 3862 of the public authorities law is amended by adding a new subdivision 7-a to read as follows:

7-a. Whenever a series of bonds, notes or other obligations of the authority is issued pursuant to this section for purposes other than deficit financing authorized by section thirty-eight hundred fifty-seven of this title, the payment of the proceeds of such series of bonds, notes or other obligations to the city may be, at the request of the authority, evidenced by obligations of the city issued in accordance with applicable provisions of the state constitution and local finance law then in effect at the time any such obligations are issued, provided that the principal amount of the authority's bonds, notes or other obligations issued in connection with any such exchange shall not exceed the principal amount of such obligations of the city and accrued interest thereon at the stated rate to the date of such exchange, and provided further, however, that the principal payments on any such issue of city obligations shall in no event be scheduled to fall on a date later than the date on which falls a corresponding amount of scheduled principal payments on the series of bonds, notes or other obligations of the authority originally issued to provide such proceeds or issued to refund bonds, notes or other obligations issued to provide such proceeds.

§ 7. Section 3864 of the public authorities law, as added by chapter 122 of the laws of 2003, is amended to read as follows:

§ 3864. Intercept of city tax revenues, school district tax revenues and state aid revenues. 1. The state comptroller, in accordance with section twelve hundred sixty-one of the tax law, shall pay at least monthly to the authority, (a) for the period beginning upon the effective date of this title through June thirtieth, two thousand thirty-sev-

en, [the] city tax revenues [from the county's taxes imposed pursuant to the authority of section twelve hundred ten of the tax law. During such period] and, (b) for the period beginning July first, two thousand four, and ending June thirtieth, two thousand thirty-seven, during which the county sets aside net collections for educational purposes pursuant to the authority of subdivision (a) of section twelve hundred sixty-two of the tax law, school district tax revenues. During the period beginning on the effective date of this title through June thirtieth, two thousand thirty-seven, the county shall impose such taxes pursuant to the authority of subdivision (a) of section twelve hundred ten of the tax law at a rate of no less than three percent. In addition, during such [period] periods, respectively, the state comptroller shall [make such payments of] pay to the authority (i) city tax revenues [to the authority] pursuant to the then current agreement under subdivision (c) of section twelve hundred sixty-two of the tax law among the county and the cities in the county and (ii) school district tax revenues; provided however, in the event that such agreement among the county and such cities shall have expired or been terminated during such period, notwithstanding any other provision of general, special or local law to the contrary, the state comptroller shall make such payments of city tax revenues to the authority pursuant to the provisions of paragraph two of subdivision (d) of section twelve hundred sixty-two of the tax law.

2. Commencing on the effective date of this title, and until June thirtieth, two thousand thirty-seven, the state comptroller shall pay state aid revenues to the authority.

3. The city shall have no right, title, or interest in the city tax revenues or state aid revenues paid to the authority pursuant to this section; and the school district shall have no right, title, or interest in the school district tax revenues paid to the authority pursuant to this section.

§ 8. Subdivisions 1, 2 and 5 of section 3865 of the public authorities law, as added by chapter 122 of the laws of 2003, are amended to read as follows:

1. Subject to the provisions of this title, the directors of the authority shall receive, accept, invest, administer, expend and disburse for its corporate purposes all [money] moneys of the authority from whatever [sources] source derived including (a) [city tax] revenues[;] and (b) [state aid revenues; (c) the] proceeds of bonds, notes or other obligations[; and (d) any other payments, gifts or appropriations to the authority from any other source].

2. Subject to the provisions of any contract with bondholders, [(a) the money] revenues of the authority shall be paid to the authority and shall not be commingled with any other money[, and (b) all money received by the authority which, together with other money of the authority available for the expenses of the authority, the payment of debt service and payments to reserve funds, exceeds the amount required for such purposes, as determined by the authority, shall be transferred to the city as frequently as practicable].

5. Revenues of the authority shall be applied in the following order of priority: first to pay debt service or for set asides to pay debt service on the authority's bonds, notes, or other obligations[;] and to replenish any reserve funds securing such bonds, notes or other obligations of the authority, in accordance with the provision of any indenture or bond resolution of the authority; then to pay the authority's operating expenses not otherwise provided for; and then, subject to the authority's [agreements] agreement with the city, for itself or on

behalf of the city's dependent school district and any other covered organization, to transfer as frequently as practicable the balance of revenues not required to meet contractual or other obligations of the authority to the city or the city's dependent school district as [frequently as practicable] provided in subdivision seven of this section.

§ 9. Section 3865 of the public authorities law is amended by adding a new subdivision 7 to read as follows:

7. On a monthly basis, the authority shall prepare and provide to the city and the city's dependent school district a detailed separate accounting of all revenues received and payments and debt service set asides made, as attributable to the city and the city's dependent school district. Such accounting shall reflect (a) the amount of state aid revenues, city tax revenues and school district tax revenues received during such month, (b) the respective portion of debt service paid or set aside during such month by the authority for its notes, bonds and other obligations attributable to the city and the city's dependent school district; (c) the respective portion of reserve fund replenishment made or set aside during such month by the authority in connection with its notes, bonds and other obligations attributable to the city and the city's dependent school district; and (d) the respective portion of administrative expenses of the authority paid or set aside during such month by the authority attributable to the city and the city's dependent school district. As soon as practicable after each monthly payment or set aside, the authority shall make respective payments of the remaining monthly balance or revenues to the city and the city's dependent school district in accordance with such separate accounting. To the extent that such respective monthly payments of the remaining balance of revenues result in an overpayment or underpayment to the city or the city's dependent school district, the authority shall in the immediately subsequent month, after making debt service payments or debt service set asides, replenishing any reserve funds and paying the administrative expenses of the authority for such month, make an adjustment in favor of the city or the city's dependent school district, as the case may be, before determining the remaining amount of the balance of revenues for such subsequent month and paying such remaining monthly balance of revenues to the city and the city's dependent school district. Nothing in this title shall be deemed to restrict the authority of the state comptroller and the commissioner of taxation and finance to adjust for overpayments or underpayments pursuant to the tax law.

§ 10. Section 3866 of the public authorities law, as added by chapter 122 of the laws of 2003, is amended to read as follows:

§ 3866. Agreement with the state. 1. The state does hereby pledge to and agree with the holders of any issue of bonds, notes or other obligations issued by the authority pursuant to this title and secured by such a pledge that the state will not limit, alter or impair the rights hereby vested in the authority to fulfill the terms of any agreements made with such holders pursuant to this title, or in any way impair the rights and remedies of such holders or the security for such bonds, notes or other obligations [for so long as] until such bonds, notes or other obligations [are outstanding] together with the interest thereon and [until] all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged. The authority is authorized to include this pledge and agreement of the state in any agreement with the holders of such bonds, notes or other obligations. Nothing contained in this title shall be

deemed to restrict [the] any right of the state to amend, modify, repeal or otherwise alter: (a) section fifty-four of the state finance law or any other provision relating to state aid, or (b) statutes imposing or relating to taxes or fees, or appropriations relating thereto.

2. The authority shall not include within any resolution, contract or agreement with holders of the bonds, notes or other obligations issued under this title any provision which provides that a default occurs as a result of the state exercising its right to amend, repeal, modify or otherwise alter: (a) section fifty-four of the state finance law or any other provision relating to state aid or (b) [such] statutes imposing or relating to taxes, fees, or appropriations relating thereto. Nothing in this title shall be deemed to obligate the state to make any payments or impose any taxes to satisfy the debt service obligations of the authority.

§ 11. The public authorities law is amended by adding a new section 3866-a to read as follows:

§ 3866-a. Agreement with the county. 1. The county does hereby covenant and agree with the holders of any issue of bonds, notes or other obligations issued by the authority pursuant to this title and secured by such covenant and agreement that the county will not limit, alter or impair the rights hereby vested in the authority to fulfill the terms of any agreements made with such holders pursuant to this title, or in any way 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. The authority is authorized to include this covenant and agreement of the county in any agreement with the holders of such bonds, notes or other obligations. Nothing contained in this title shall be deemed to restrict any right of the county to amend, modify, repeal or otherwise alter any local laws, ordinances or resolutions imposing or relating to taxes or fees, or appropriations relating to such taxes or fees, or setting aside net collections for educational purposes pursuant to the authority of subdivision (a) of section twelve hundred sixty-two 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 section twelve hundred ten 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 subdivision (a) of section twelve hundred sixty-two 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 subdivision (a) of section twelve hundred ten of the tax law at the rate of no less than three percent.

2. The authority shall not include within any resolution, contract or agreement with holders of the bonds, notes or other obligations issued under this title any provision which provides that a default occurs as a result of the county exercising its right to amend, repeal, modify or otherwise alter such taxes, fees or appropriations or such net collections set aside for educational purposes. Nothing in this title shall be deemed to obligate the county to make any payments or impose

any taxes or set aside net collections for educational purposes pursuant to the authority of subdivision (a) of section twelve hundred sixty-two of the tax law; except that the county shall impose taxes pursuant to the authority of subdivision (a) of section twelve hundred ten of the tax law at the rate of no less than three percent.

§ 12. Section 3867 of the public authorities law, as added by chapter 122 of the laws of 2003, is amended to read as follows:

§ 3867. Agreement with the city. 1. The city hereby covenants and agrees with the holders of bonds, notes or other obligations issued by the authority pursuant to this title, that the city will not take actions which limit, alter or [in any way] impair the rights and remedies of such holders or the security for such bonds, notes or other obligations [while] until such bonds, notes or other obligations [are outstanding], 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. The authority is authorized to include this covenant and agreement of the city in any agreement with the holders of such bonds, notes or other obligations. Nothing contained in this title 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 taxes or fees, or appropriations relating thereto, including sales and compensating use taxes imposed pursuant to the authority of section twelve hundred ten 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 section twelve hundred ten 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 subdivision (a) of section twelve hundred sixty-two 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 covenants and 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 subdivision (c) of section twelve hundred sixty-two 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 thirtieth, two thousand thirty-seven, without the authority's prior approval, and (ii) if the city imposes sales and compensating use taxes, it shall do so pursuant to subdivision (a) of section twelve hundred ten of the tax law at the maximum rate authorized by such section.

2. The authority shall not include within any resolution, contract or agreement with holders of the bonds, notes or other obligations issued under this title any provision which provides that a default occurs as a result of the city exercising its right to amend, repeal, modify or otherwise alter such taxes, fees or appropriations. Nothing in this title shall be deemed to obligate the city 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 subdivision (a) of section twelve hundred ten of the tax law at the maximum rate authorized by such section.

§ 13. Subdivisions (a) and (c) of section 1261 of the tax law, as amended by chapter 122 of the laws of 2003, are amended to read as follows:

(a) All taxes, penalties and interest imposed by cities, counties or school districts under the authority of section twelve hundred ten, twelve hundred eleven, twelve hundred twelve or twelve hundred twelve-A of this article, which are collected by the commissioner, shall be deposited daily with such responsible banks, banking houses or trust companies, as may be designated by the state comptroller, to the credit of the comptroller, in trust for the cities, counties or school districts imposing the tax or for the Nassau county interim finance authority or the Buffalo fiscal stability authority created by the public authorities law, to the extent that net collections from taxes imposed by Nassau county are payable to the Nassau county interim finance authority or to the extent that net collections from taxes imposed by Erie county <u>or by the city of Buffalo</u> are payable to the Buffalo fiscal stability authority, or for any public benefit corporation to which the tax may be payable pursuant to law. Such deposits and deposits received pursuant to subdivision (b) of section twelve hundred fifty-two of this article shall be kept in trust and separate and apart from all other monies in the possession of the comptroller. The comptroller shall require adequate security from all such depositories of such revenue collected by the commissioner, including the deposits received pursuant to subdivision (b) of section twelve hundred fifty-two of this article. Any amount payable to such authorities pursuant to the public authorities law shall, at the time it is otherwise payable to Nassau county [or]<u>,</u> Erie county <u>or the city of Buffalo</u>, respectively, as specified in this section, be paid instead to such respective authority. Any amount payable to a public benefit corporation pursuant to law shall, at the time it is otherwise payable to the taxing jurisdiction as specified in this section, be paid instead to such public benefit corporation.

(c) The comptroller, after reserving such refund fund and such costs shall, on or before the twelfth day of each month pay to the appropriate fiscal officers of the foregoing taxing jurisdictions the taxes, penalties and interest imposed by such jurisdictions under the authority of sections twelve hundred ten through twelve hundred twelve-A, collected by the commissioner pursuant to this article during the next preceding calendar month, provided, however, that the comptroller shall on or before the last day of June and December make a partial payment consisting of the collections made during and including the first twenty-five days of said months to said fiscal officers of the foregoing taxing jurisdictions. However, the taxes, penalties and interest from the additional one percent rate which the city of Yonkers is authorized to impose pursuant to section twelve hundred ten, after the comptroller has reserved such refund fund and such cost shall be paid to the special sales and compensating use tax fund for the city of Yonkers established by section ninety-two-f of the state finance law at the times set forth in the preceding sentence. However, the taxes, penalties and interest which the county of Nassau [or]<u>,</u> the county of Erie<u>, to the extent the county of Erie is contractually or statutorily obligated to allocate and apply or pay net collections to the city of Buffalo and to the extent that such county has set aside net collections for educational purposes attributable to the Buffalo school district, or the city of Buffalo</u> is authorized to impose pursuant to section twelve hundred ten of this article, other than such taxes in the amounts described, respectively,

in subdivisions one and two of section one thousand two hundred sixty-two-e of this [article] part, during the period that such section authorizes Nassau county to establish special or local assistance programs thereunder, together with any penalties and interest related thereto, and after the comptroller has reserved such refund fund and such costs, shall, commencing on the next payment date after the effective date of this sentence and of each month thereafter, until such date as the Nassau county interim finance authority shall have no obligations outstanding, or the Buffalo fiscal stability authority shall cease to exist, be paid by the comptroller to the Nassau county interim finance authority to be applied by the Nassau county interim finance authority, or to the Buffalo fiscal stability authority to be applied by the Buffalo fiscal stability authority, as the case may be, in the following order of priority: first pursuant to the Nassau county interim finance authority's contracts with bondholders or the Buffalo fiscal stability authority's contracts with bondholders, respectively, then to pay the Nassau county interim finance authority's operating expenses not otherwise provided for or the Buffalo fiscal stability authority's operating expenses not otherwise provided for, respectively, and then pursuant to the Nassau county interim finance authority's agreements with the county of Nassau, which agreements shall require the Nassau county interim finance authority to transfer such taxes, penalties and interest remaining after providing for contractual or other obligations of the Nassau county interim finance authority, and subject to any agreement between such authority and the county of Nassau, to the county of Nassau as frequently as practicable or pursuant to the Buffalo fiscal stability authority's agreements with the city of Buffalo, which agreements shall require the Buffalo fiscal stability authority to transfer such taxes, penalties and interest remaining after providing for contractual or other obligations of the Buffalo fiscal stability authority, and subject to any agreement between such authority and the city of Buffalo, to the city of Buffalo or the city of Buffalo school district, as the case may be, as frequently as practicable. During the period that the comptroller is required to make payments to the Nassau county interim finance authority described in the previous sentence, the county of Nassau shall have no right, title or interest in or to such taxes, penalties and interest required to be paid to the Nassau county interim finance authority, except as provided in such authority's agreements with the county of Nassau. During the period that the comptroller is required to make payments to the Buffalo fiscal stability authority described in the second previous sentence, the city of Buffalo and such school district shall have no right, title or interest in or to such taxes, penalties and interest required to be paid to the Buffalo fiscal stability authority, except as provided in such authority's agreements with the city of Buffalo. The amount so payable shall be certified to the comptroller by the commissioner or the commissioner's delegate, who shall not be held liable for any inaccuracy in such certificate. Provided, however, any such certification may be based on such information as may be available to the commissioner at the time such certificate must be made under this section and may be estimated on the basis of percentages or other indices calculated from distributions for prior periods. Where the amount so paid over to any city, county, school district or the special sales and compensating use tax fund for the city of Yonkers in any such distribution or to such authority is more or less than the amount then due to such city, county, school district or such fund or to such authority, the amount of the overpayment or underpayment shall be certi-

fied to the comptroller by the commissioner or the commissioner's delegate, who shall not be held liable for any inaccuracy in such certificate. The amount of the overpayment or underpayment shall be so certified to the comptroller as soon after the discovery of the overpayment or underpayment as reasonably possible and subsequent payments and distributions by the comptroller to such city, county, school district or the special sales and compensating use tax fund for the city of Yonkers or to such authority shall be adjusted by subtracting the amount of any such overpayment from or by adding the amount of any such underpayment to such number of subsequent payments and distributions as the comptroller and the commissioner shall consider reasonable in view of the amount of the overpayment or underpayment and all other facts and circumstances.

§ 14. The opening paragraph of paragraph a and paragraph b of section 57.00 of the local finance law, the opening paragraph of paragraph a as amended by chapter 685 of the laws of 2003 and paragraph b as amended by chapter 528 of the laws of 2002, are amended to read as follows:

Bonds shall be sold only at public sale and in accordance with the procedure set forth in this section and sections 58.00 and 59.00 of this title, except as otherwise provided in this paragraph. Bonds may be sold at private sale to the United States government or any agency or instrumentality thereof, the state of New York municipal bond bank agency, to any sinking fund or pension fund of the municipality, school district or district corporation selling such bonds, or, in the case of sales by the city of New York prior to July first, two thousand four, also to the municipal assistance corporation for the city of New York or to any other purchaser with the consent of the mayor and the comptroller of such city and approval of the state comptroller, or, in the case of sales by the county of Nassau prior to December thirty-first, two thousand seven, also to the Nassau county interim finance authority with the approval of the state comptroller, <u>or, in the case of sales by the city of Buffalo prior to June thirtieth, two thousand thirty-seven, also to the Buffalo fiscal stability authority with the approval of the state comptroller,</u> or, in the case of bonds or other obligations of a municipality issued for the construction of any sewage treatment works, sewage collecting system, storm water collecting system, water management facility, air pollution control facility or solid waste disposal facility, also to the New York state environmental facilities corporation, or, in the case of bonds or other obligations of a school district or a city acting on behalf of a city school district in a city having a population in excess of one hundred twenty-five thousand but less than one million inhabitants according to the latest federal census, issued to finance or refinance the cost of school district capital facilities or school district capital equipment, as defined in section sixteen hundred seventy-six of the public authorities law, also to the dormitory authority of the state of New York. Bonds of a river improvement or drainage district established by or under the supervision of the department of environmental conservation may be sold at private sale to the State of New York as investments for any funds of the state which by law may be invested, provided, however, that the rate of interest on any such bonds so sold shall be approved by the water power and control commission and the state comptroller. Bonds may also be sold at private sale as provided in section 63.00 of this title. No bonds shall be sold on option or on a deferred payment plan, except that options to purchase, effective for a period not exceeding one year, may be given:

b. Bonds shall be sold without limitation as to rate of interest and for a sum not less than the par value of, and the accrued interest on, such obligations except as authorized by this chapter, and may also be sold by municipalities at private sale to the state of New York municipal bond bank agency and to the New York state environmental facilities corporation, and in addition by the city of New York to the municipal assistance corporation for the city of New York, and by the county of Nassau to the Nassau county interim finance authority, and by the city of Buffalo to the Buffalo fiscal stability authority, at such rate or rates of interest as may be agreed upon by and between the issuing municipality and either of such agency or corporation, as the case may be. When sold at public sale, the rate of interest shall be determined in the manner provided in section 59.00 of this title. However, the agency or corporation prescribing the terms, form and contents of such bonds, subject to the foregoing provisions of this paragraph, may fix a maximum rate of interest at which such bonds shall be sold.

§ 15. If any section, part or provision of this act shall be adjudged unconstitutional or invalid or ineffective by any court of this state, any party in interest shall have a direct appeal as of right to the court of appeals of the state of New York, and such appeal shall have preference over all other causes. Service upon the adverse party of a notice of appeal shall stay the effect of the judgment or order appealed from pending the hearing and determination of the appeal.

§ 16. Separability. If any clause, sentence, paragraph, section or part of this act be adjudged by any court of competent jurisdiction to be unconstitutional, invalid, or ineffective, such judgment shall not affect, impair or invalidate the remainder thereof but shall be confined in its operation to the clause, sentence, paragraph, section or part thereof directly involved in the controversy in which such judgment shall have been rendered.

§ 17. This act shall take effect immediately.

APPROVED

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