BUFFALO FISCAL STABILITY AUTHORITY

Annual Report of the Buffalo Fiscal Stability Authority
Fiscal Year Ended June 30, 2021

September 27, 2021

Buffalo Fiscal Stability Authority
Authority Directors and Staff as of June 30, 2021

Directors

R. Nils Olsen, Jr., Chair

Jeanette T. Jurasek, Interim Vice-Chair

Frederick G. Floss, Secretary

Andrew A. SanFilippo

Byron W. Brown (ex officio)

Mark C. Poloncarz (ex officio)

Vacant

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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 eighteenth such annual report. The focus of this report is the period from July 1, 2020 through June 30, 2021 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 2021-22 Budgets and 2022-2025 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, reviews 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 $459.7 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" or "NYS"), 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 45 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.

Coronavirus COVID-19 Financial Impact and Recovery

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19 ("COVID-19"), and a pandemic was declared by the World Health Organization in February 2020. On March 22, 2020, the Governor of the State of New York issued the "New York State on PAUSE" executive order which closed all non-essential business statewide. The NYS on PAUSE order was lifted for the County of Erie in four phases, with each phase allowing different industries to reopen and resume operations. Phase I began on May 19th, Phase II on June 2nd, Phase III on June 16th, and Phase IV on June 30th.

The financial impact to the State and to the City has been significant. The City reported a deficit for 2019-20 which was directly attributed to the financial impact from the pandemic, and a decline in revenues has continued through 2020-21 and into the current 2021-22 fiscal year. The federal government has responded by providing federal aid through various packages passed through Congress including the Coronavirus Aid, Relief, and Economic Security (the "CARES") Act approved in May 2020, the Coronavirus Response and Relief Supplemental Appropriations Act ("CRSAA") passed December 2020 and the American Recovery Program (the "ARPA") Act that was approved by Congress in March 2021, all of which have awarded federal aid to the City and/or covered organizations. The City was awarded ARPA funding in the amount of $331.4 million to address decreased and lost revenue and to make long-term capital investments in the City of Buffalo.

The City and Covered Organizations are currently in a recovery period after receiving the federal stimulus awards from the federal government. The City has projected to utilize $127.6 million out of the $331.4 million ARPA allocation, or 38.5% of the total, for replacing lost and reduced revenues over a four-year period. The District has budgeted to expend $289.6 million of federal stimulus funds over the next three fiscal years to supplant programs already in existence. The federal assistance represents a short-term reprieve as challenges still exist due to underlying systemic issues facing the City and District with respect to operationally balanced budgets. The City and District must take this opportunity to make targeted investments in the City, residents, and students to fully recover and move forward from the ongoing public health pandemic. There are uncertainties and risks related with the COVID-19 pandemic, as an increase in cases or emergence of more virulent strains could undo the progress that has been made and have a negative impact on the financial recovery.

Key underlying assumptions related to the financial impact from COVID-19 and the federal and State response have been reflected in the budgets and financial plans of each organization and are discussed in the individual reports on each organization included herein beginning on page 49. The final financial impact as it relates to the 2020-21 fiscal year for the City and Covered Organizations will be reported with the audited financial statements; the BFSA Act requires the City to submit audited financial statements within 120 days after the close of the fiscal year.

In Memoriam of Secretary George K. Arthur

Former New York State Governor Eliot Spitzer appointed Mr. George K. Arthur to the BFSA Board of Directors on August 9, 2007 noting his confidence in Mr. Arthur's abilities due to his work experience and leadership roles in the Buffalo community. Mr. Arthur was later reappointed in 2012 by Governor Andrew Cuomo and served five years beyond the term of his second appointment. Mr. Arthur was unanimously appointed the Board Secretary in November 2007.

Secretary Arthur's contributions to the BFSA were numerous, and he advocated strongly on behalf of the poor and disenfranchised, often challenging officials in education and housing to increase the visibility of issues effecting the minority community. Secretary Arthur served tirelessly in working to promote the mission of the BFSA to help restore long-term fiscal stability to the City of Buffalo and the Covered Organizations.

Secretary Arthur's contributions to the City of Buffalo and the region were not limited to his work on the BFSA Board and included his long-time service on the Buffalo Common Council including serving as Council President and his service and contributions made to various arts and cultural institutions including the Colored Musicians Club of Buffalo, the Pine Grill Jazz Reunion, and the Nash House Museum.

Secretary Arthur had the distinction of being the longest-serving director of the BFSA having served for fourteen consecutive years, working tirelessly towards the achievement of fiscal stability by the City of Buffalo, having been appointed to the BFSA during a control period and serving during the transition into an advisory period. During the term of Secretary Arthur's service on the BFSA Board of Directors, the BFSA is attributed to having saved the City of Buffalo more than $220 million.

Secretary Arthur served the BFSA dutifully through his passing on December 25, 2020, and his contributions to the community will endure and will have a positive effect on future generations.

The Buffalo Fiscal Stability Authority does hereby honor and appreciate Secretary George K. Arthur for his outstanding contributions to the Buffalo Fiscal Stability Authority, and to the betterment of the City of Buffalo, its citizens, and the Western New York Community.

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, 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 and shall submit its recommendations. In the event that the BFSA disagrees with elements of the financial plan, 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, 2021, there were three vacancies on the Board of Directors and as of the date of this report those vacancies remain. All but one of the Directors' terms have expired; however, such Directors with expired terms are continuing to serve until either reappointed or replaced.

At June 30, 2021, 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

- **Frederick G. Floss, Ph.D., Secretary**
  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

- **Andrew A. SanFilippo**
  Former Executive Deputy Comptroller for New York State and former City of Buffalo Comptroller

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

At June 30, 2021, 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

- **Claire A. Waldron, CPA (Comptroller)**
  Former Special Assistant for the City of Buffalo Comptroller and former Controller for Weinberg Campus

Summary of Accomplishments in 2020-21

The BFSA continued to provide fiscal oversight over the City and the Covered Organizations during 2020-21. The BFSA is operating under an advisory period and provides assistance largely through analyses and recommendations as opposed to direct actions.

The BFSA held ten board meetings during 2020-21, with three of them being special board meetings that were called for a specific item. 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 public discussions concerning specifically the District and the City. Additional information related to these discussions are summarized within this section.

This was the ninth 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 45.

Progress Towards Fiscal Stability and Future Challenges

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 both the City and Covered Organizations continue to face financial challenges. Both the City and District have made fiscal progress since the inception of the BFSA, and both organizations have faced immediate and near-term challenges regarding the impact from COVID-19. The federal government's response to the COVID-19 pandemic was to provide significant federal aid to the City, District, and the remaining covered organizations. The additional resources provide short-term relief as other revenues recover and return to pre-pandemic levels. Although the Western New York region and State have since reopened and business are operating, the progress of Buffalo could be further hindered if there is an increase in COVID cases or a new strand of the disease emerge which requires the re-closing of businesses or impacts revenue collections. The City did include $87.6 million in federal ARPA funds over the 2022-2025 Financial Plan, in addition to utilizing $40.0 million of said funds in 2020-21. In total the City has planned to utilize $127.6 million, or 38.5 percent, of the $331.4 million in ARPA funds provided to the City to replace lost revenues. Additionally, it is noted that the City is unable to rely on fund balance as this one-time resource was previously spent down. These challenges, among others, are discussed in detail within this report and are included in the individual reports within the section titled, "BFSA Reports on the 2021-22 Budgets and 2022-2025 Financial Plans of the City of Buffalo and the Covered Organizations" beginning on page 49.

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

The City's fund balance has increased since BFSA's inception, although the City has reported significant deficits over a three-year period spanning fiscal years ("FY's") 2015-16 through fiscal year 2017-18. A minor surplus was reported in fiscal year 2018-19 and a small deficit was reported for fiscal year 2019-20. The deficit for 2019-20 was $3.4 million and occurred after the City had issued a deficit note in the amount of $25.0 million to close out the 2019-20 fiscal year.

- 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 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, 2020, the most recent year audited financial results are available for, the City's total fund balance was $89.5 million, representing an increase of $53.5 million from 2003. Over that period of time, the City had settled all outstanding labor contracts while maintaining a relatively flat tax levy. Total unrestricted fund balance at June 30, 2020 was $50.8 million consisting of the emergency stabilization fund of $38.1 million and assigned fund balance of $12.7 million; however, unassigned fund balance was $0 and is an indicator of significant fiscal pressure.

- 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. For the year ended June 30, 2019 the City reported a surplus of $0.9 million, for a total fund balance of $92.9 million, and reported a deficit of $3.4 million for year-end June 30, 2020 for a total fund balance of $89.5 million. Unassigned fund balance of $0 was reported for the three-year period of 2018-2020.

- Due to the financial impact from COVID-19, the City's 2020-21 Adopted Budget included $65.1 million in uncertain federal assistance. The City established freeze accounts to manage expenditures over the course of the year as a method mitigate the potential financial disaster if the federal assistance was not received. To the City's benefit, both the federal government and State provided additional resources to the City in 2020-21 beyond what was included in the 2020-21 Adopted Budget. The federal assistance to the City totaled $331.4 million, of which $40.0 million is expected to be realized in 2020-21, and the State provided $19.7 million in New York State Aid and Incentive to Municipalities ("NYS AIM") that was withheld from the City in June 2020, as well as restored $32.3 million in FY 2020-21 AIM that was initially reduced by the State.

    - In response to the decrease in sales tax collections in 2019-20 and the reduction of $19.7 million in State AIM being withheld by the State, the City issued a deficit note in the amount of $25.0 million in June 2020. The City was able to repay the $25.0 million deficit note and corresponding $0.3 million in interest in June 2021, six months before it was due, due to the funding provided from the federal and state governments.

- In 2007, the City established an emergency stabilization fund called the 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, 2020, the balance of the Rainy Day Fund was $38.1 million. The City Common Council adopted a Fund Balance Policy in June 2021 that potentially expanded the minimum to be retained in fund balance, provided a broad outline how/what the fund balance can be used for and how it is to be replenished or brought up to the levels as identified in the Fund Balance policy.

- 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 of the Constitutional Tax Limit used and thereby increase the available tax margin. As included within the 2021-22 Adopted Budget, the City is utilizing 41.1 percent of the available

Constitutional Tax Limit and has a remaining tax levying margin of $149.8 million, representing an increase of $41.9 million when compared to the 2020-21 Constitutional Tax Limit of $107.9 million.

- The City's bond ratings have increased from Baa/BBB- to A1/A+/A from Moody's Investors Service, Standards and Poor's (S&P) Rating Services, and Fitch Ratings ("Fitch"), respectively. In September 2020, Fitch downgraded the City's rating to A with a negative outlook after decreasing the City's bond rating to A+ with a stable outlook in 2019 from AA- where it had been since 2016. In September 2021, Fitch updated the outlook for the City from negative to stable. Additional background related to the City's bond ratings is located in the "Providing a More Cost-Effective Financing Framework" on page 32.

- During 2020-21, the City was faced with significant challenges related to the ability to meet various estimates. The 2020-21 Adopted Budget was balanced with the inclusion of federal stimulus of $65.1 million and Tribal State Compact revenue (i.e., casino revenue) of $11.0 million which has not been paid to the City since fiscal year 2017 when the City received a partial advance payment from the State of $3.4 million. There were various other revenues impacted by the overall economy as affected by COVID-19 and uncertainty of the level of services that would be utilized to generate such revenues.

    - Several events occurred that were beneficial to the City. Federal relief funds were awarded to the City in the amount of $331.4 million, sales tax came in much stronger than expected, and the City was made whole on State AIM that was withheld in 2020 in addition to receiving full restoration of State AIM to the pre-pandemic level.

- Even with the additional resources received by the City, challenges remain. The infusion of resources provides a short-term benefit but does not address underlying systemic budgeting issues. The City needs to determine what the best investment of the federal ARPA funds will be in order to provide necessary resources to City residents. During this period of federal largess, the City should construct a plan to address the underlying systemic financial issues that have been facing the City and led to the expedited spend down of 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 totaled $266.0 million at June 30, 2020. In total, over the last six years (i.e., fiscal year end ("FYE") 2015 through 2020) the District reported a combined surplus of $75.0 million. The District has projected a FYE 2021 surplus of $64.6 million with a $114.7 million favorable budgetary variance as overall revenues were forecast to be unfavorable by $2.4 million, expenditures were forecast to be favorable by $67.0 million, and fund balance was not projected to be used. All District schools were closed for the remainder

of the 2019-20 academic year beginning on March 13, 2020 as a result of COVID-19. The District operated under remote instruction between September 2020 and February 2021, when a phased reopening of the schools begun. A significant amount of 2020-21 savings materialized from the associated reduction in school services including a forecasted $29.0 million in transportation expenditures. Total employee compensation was forecast to be favorable by $18.1 million while employee benefits were forecast to be favorable by $14.0 million. All other expenditures were forecast to be favorable by a combined $3.6 million. The pandemic has had a substantive impact on the District.

- The long outstanding labor contract with the Buffalo Teachers' Federation (BTF or teachers) was settled in 2016 and expired June 30, 2019. The labor contract with the Buffalo Council of Supervisors and Administrators (BCSA or administrators) was settled in 2017 and expired September 1, 2020.

- The District's total fund balance was $266.0 million at June 30, 2020. Unassigned fund balance totaled $85.1 million representing 9.1 percent of budgeted FYE 2019-20 appropriations. The remaining $180.9 million is comprised of non-spendable/restricted fund balance of $31.8 million and assigned fund balance of $149.1 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 ($50.0 million and $16.1 million, respectively), other postemployment benefits ($49.1 million), health insurance ($15.1 million), school equity ($5.0 million), encumbrances ($4.8 million), and prior years' claims ($9.0 million) which is set aside for labor negotiations.

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 2020-21, the BFSA monitored implementation of the 2021-2024 Financial Plan of the City and its non-exempt Covered Organizations. The 2021-2024 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. On November 18, 2020 the District's Adopted Budget was modified to redesignate $29.7 million in both General Fund revenues and expenditures to the Special Projects Fund. At December 31, 2020, this redesignation reverted back to the General Fund based on further New York State Education Department (NYSED) guidance.

At the March 25, 2021 Board meeting, the BFSA reviewed a $11.4 million financial plan modification that was submitted by BURA. The additional $11.4 million in resources was part of the CARES Act funding that Congress had allocated in May 2020, and the resources were included in all four-years of the 2021-2024 Financial Plan.

The BFSA reviewed a labor agreement between the District and Buffalo Educational Support Team ("BEST") at the June 8, 2021 board meeting. It was determined the new labor agreement would not require a budget modification in FY 2020-21, however the District was requested to submit a revised 2022-2025 Financial Plan that included the impact of the BEST labor agreement. Subsequent to the end of the 2020-21 fiscal year, the District submitted three additional labor agreements: the Buffalo Association of Substitute Administrators ("BASA"), the Transportation Aides of Buffalo ("TAB"), and Local 264 (representing blue-collar employees), for the Board's review at the August and September 2021 BFSA meetings. The District is required to submit a revised 2022-2025 Financial Plan by November 30, 2021, reflecting the impact of the four labor agreements. There were no other financial plan modifications submitted to BFSA during the year.

It is noted that New York State's finances have been deeply impacted by the COVID-19 pandemic and the resulting Coronavirus Recession. The negative financial impact at the State level impacted both the City and District in FY's 2019-20 and 2020-21. The restoration of NYS AIM and local assistance to prior year levels as well as the additional federal ARPA funding stabilized both the District's and City's budgets in the short-term FY 2020-21 and 2022-2025 Financial Plan. Systemic issues remain within the City's forecasts including the continuation of estimates for casino revenue with uncertainty as to when such revenues will be recognized, the inclusion of non-recurring revenue to support recurring expenditures, and the expiration of ARPA funds in three years. State aid represents 30.2 percent and 81.6 percent of the City and District's 2021-22 Adopted Budgets, respectively.

On April 30, 2021, the City submitted the 2022-2025 Financial Plan to the BFSA which included the financial plans of the City and Covered Organizations, as required. Subsequently, the City was required to submit supporting documentation and underlying assumptions for revenue estimates including the projected $32.0 million in marijuana tax revenue and $19.5 million for the sale of property along with any other modification deemed necessary. The City Common Council approved the budget on May 20, 2021 and the budget was adopted on June 7, 2021. On June 1, 2021, the Mayor submitted a revised 2022-2025 Financial Plan which took into account the final budget amendments made by Common Council as well as certain revenue modifications to fiscal years 2023-24 and 2024-25 to address revenue estimates that were revised pursuant to the findings of the BFSA.

On June 21, 2021, BFSA reviewed the 2021-22 adopted budget and the revised 2022-2035 financial and found the plan to be complete and compliant with the BFSA Act.

The District has been operationally balanced over the last several years with a cumulative operating surplus of $75.0 million from June 30, 2015 to June 30, 2020; FY 2016-17 reported a $20.6 M deficit as fund balance was utilized to settle a long-outstanding teachers labor agreement. A deficit is included in the FY 2021-22 Adopted Budget of $29.0 million deficit for timing differences related to transportation costs and related revenue. The timing difference exists between the incurrence of transportation expenditures and the lag for the reimbursement of such costs in the form of transportation aid, which is resulting in the shift of $29.0 million from FY 2020-21 operations to the FY 2021-22 budget. This is a result of timing and not an operational imbalance. The District's 2022–2025 Financial Plan includes $3,974.5 million in estimated revenues and $3,976.2 million in budgeted appropriations, for a four-year deficit of

$1.7 million; when the use of assigned fund balance is included the plan provides for a $27.3 million surplus.

The New York State (NYS) Division of the Budget estimated that the pandemic and recession decreased NYS revenues in excess of $10.0 billion. The U.S. Congress (Congress) has passed legislation to address the pandemic and to aid the economic recovery. The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA) totaled $1.4 trillion and allocated $88.6 million in additional funds for the District. Congress additionally passed the American Rescue Plan (ARP) Act of 2021 which totaled $1.9 trillion and included $12.6 billion in direct aid for NYS including an estimated $201.0 million for the District. The first $5.5 billion of the $12.6 billion is integrated within the New York State 2021-22 Enacted Budget (Enacted Budget), per federal guidelines. The remaining funds will be used in future budgets over the remaining four years that the funding is available. The Enacted Budget directs $13.0 billion of federal Elementary and Secondary School Emergency Relief (ESSER) and Governor's Emergency Education Relief (GEER) funds to public schools. This funding is available for use over multiple years and is intended to help schools safely reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the pandemic.

The NYS 2021-22 Enacted Budget and the related four-year financial plan provides substantial increases to Foundation Aid for the District. The year-to-year increase in Foundation Aid is $67.5 million, or 8.0%, with Foundation Aid totaling $747.2 million within the Enacted Budget. Furthermore, NYS has committed to eliminating the Pandemic Adjustment going forward; this adjustment reduced NYS Aid by $29.6 million in FY 2020-21 but was supplanted with federal aid. Additionally, NYS passed legislation expected to fully fund Foundation Aid by FY 2023-24; this provides an approximate 4.5% increase annually for FY 2022-23 and FY 2023-24. In total, the Financial Plan includes $122.7 million of incremental Foundation Aid to the District.

Several years ago, the FY 2018-2021 Financial Plan included a projected four-year deficit of $100.1 million. A budget gap closing plan (Gap Closing Plan) was developed to address the projected deficit. The Gap Closing Plan quantified various measures that the District identified to address these projected deficits, provided in-depth specificity for each of the individual deficit closing and cost savings initiatives and quantified the financial impact of such various initiatives. The additional funding being provided through the new CRRSA and ARP programs is considered “supplemental” funding and will help the District make strategic investments. The additional NYS Foundation Aid in FY 2021-22 as well as the anticipated 3-year “full funding phase-in” of Foundation Aid thru FY 2023-24 is a major contributor of how the District has projected surpluses in the three out-years of the financial plan. The NYS Foundation Aid increase in FY 2024-25 is not as significant as in prior years which is why the projected surplus narrows in the final year of the financial plan.

The Board of Education requires unassigned fund balance 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. The District has budgeted the appropriation of $29.0 million of fund balance in FY 2021-22. Projected unassigned fund balance will exceed the Board of Education’s 4% retainage policy by an estimated $65.6 million at June 30, 2025; this amount is projected without factoring in the use of fund balance to balance the outyears of the Financial Plan.

The BMHA's 2021-22 Adopted Budget estimates $51.3 million in total revenue and appropriates $49.6 million for total expenses. The Adopted Budget contains budgeted net income of $1.7 million prior to the payment of principal on outstanding debt. The three out-years of the Financial Plan include net income ranging between $2.4 million and $3.7 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 cash surplus of $8.8 million. The financial impact related to the Section 8 unit of the organization should be eliminated in evaluating the completeness of the plan as ultimately there is no financial impact from implementing the Section 8 voucher program. The revised four-year cumulative surplus after eliminating the Section 8 unit is $7.6 million with no change to the cash flow projection. All labor agreements are settled through June 30, 2023.

Individually, the budget for the Marine Drive Apartments is not balanced. A four-year deficit of $0.7 million is projected with a $1.1 million total cash outflow projected over the same period. Marine Drive reserves total $452,000 as of July 1, 2020 and are insufficient to cover the projected loss. BFSA recommended BMHA prepare a contingency plan to reduce costs where possible in the event actual losses create a need to implement a revised operating program.

The Central Office Cost Center (the "COCC") budget is balanced on an overall basis but depicts a cumulative $0.9 million deficit. COCC revenues are budgeted as flat in each fiscal year of the financial plan while expenses increase 3.8% over the financial plan based on increasing Administrative salaries and benefit compensation. COCC revenues will likely increase annually at a rate similar to COCC expenses. After removing the $0.4 million annual non-cash OPEB accrual, a $0.7 million cumulative inflow is budgeted. BFSA recommended that BMHA closely monitor the COCC's individual budget as significant fluctuations would require immediate action to address a budgetary shortfall.

All collective bargaining units and non-represented employees will be under contract for the first two years of the Financial Plan. The ratified labor agreements with Local 264 and with Local 409 are set to expire on June 30, 2023. The salary increases associated with these labor agreements appear to be presented accurately within the first two fiscal years of the Financial Plan. The 2% inflationary factor applied to employee salaries in the final two fiscal years of the Financial Plan reasonably estimates the impact that settling these labor agreements will have.

Revenues and expenses appear fairly stated within the Financial Plan on both an individual and consolidated basis. Revenues are predictable and are consistent with current fiscal year-end estimates. Net income is projected in each of the four years of the Financial Plan. BMHA has budgeted the HUD Operating Subsidy based on a 96% proration. The current proration rate is 97%. In the event the proration factor is lowered at the federal level, this revenue would decrease.

It is noted that BMHA's reserves totaled $5.1 million at June 30, 2020 and are projected to be approximately $5.3 million at June 30, 2021.

The Financial Plan for BURA projected $65.2 million in expenditures over the four years of the Financial Plan. The Financial Plan submitted to BFSA includes the $11.4 million in CARES Act funding and shows expenditures decreasing from 2021-22 ($21.3 million) to 2022-23 ($17.2 million), and in 2023-24 ($14.0 million) and decreasing further in 2024-25 ($12.7 million). The significant decrease over the Financial Plan is directly related to the spend down of the CARES Act funds. Outside of the CARES Act funds, revenues are projected to fluctuate in a corresponding manner, with the increase in out-year two funded with prior-year entitlement funds from the U.S. Department of Housing and Urban Development ("HUD"). The estimated decrease in grant revenues in year three and four of the Financial Plan is reflective of the decrease in outside grants that BURA has budgeted in FY 2022 and projected for FY 2023.

BURA is continuously looking for additional resources and expects a slight increase in HUD Entitlement funds in accordance with the population increase in Buffalo between the 2010 and 2020 Census count. 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 2021-22 Budgets and 2022-2025 Financial Plans of the City of Buffalo and the Covered Organizations."

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 2020-21, the BFSA monitored the 2021-2024 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, 2021 is expected to occur in or around December 2021 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. Additionally, as discussed in the previous section, BFSA reviewed all budget modifications and financial plan modifications that were made by the City and Covered Organizations during 2020-21.

Reports and Recommendations Issued by the BFSA during 2020-21

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 20, 2020, the BFSA held a special meeting to review and comment on the City's final 2021-2024 Financial Plan as submitted on June 30, 2020. The BFSA issued a thorough report on its analysis and findings and recommendations. The Board approved a resolution authorizing the Executive Director to submit to the Mayor and various State officials the conclusions reached pursuant to the review along with a request that BFSA receive special legislation authorizing the ability to issue bonds to finance operating deficits of the City of Buffalo for fiscal years 2020-21 and 2021-22 in a total amount not to exceed $121 million. The conclusions were as follows:

  In the BFSA's judgment, the Financial Plan does not comply with the standards set forth in BFSA Act §3857 in that it does not 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 (BFSA Act §3857. subd. 1); it does not provide that the major operating funds of the City will be balanced in accordance with generally accepted accounting principles (BFSA Act §3857, subd. 2); it fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimations (BFSA Act, subd. 2 (e)(ii); and it fails to provide that operations of the City will be conducted within such cash resources available (BFSA Act §3857, §3857, subd. 2 (e)(iii).

  In particular:

  - In the 2020-21 budget, the revenue estimate "Federal Revenue – Stimulus" in the amount of $65,082,589 is based on a bill passed by House of Representatives but not by the Senate. It is uncertain whether that bill or a similar bill providing federal assistance to the City in that, or some other substantial amount will be enacted.

  - The revenue estimate "Special State Aid GNYRCTY" in the amounts of $129,028,186 for 2020-21, $139,028,188 for 2021-22, $149,028,186 for 2022-23, and $161,285,233 for 2023-24 are based on the assumption that the State's reduction of approximately $8 billion in aid to localities in the State's current budget for the State's fiscal year (April 1, 2020 to March 31, 2021) will be phased out in the following three years. The State's own four-year plan provides that the $8 billion reduction will recur in each year of the Plan.

- The revenue estimate "Tribal Compact Agreement" in the amounts of $11,000,000 for 2020-21, $35,000,000 for 2021-22, $11,000,000 for 2022-23, and $11,055,000 for 2023-24, are based on the result of the arbitration ruling in December 2018 in favor of the State and since upheld by the U.S. District Court of Western New York in November 2019 and the expectation that payment will be made to the State by the Seneca Gaming Commission. There is no indication as to when such payments will recommence.

- The revenue estimate "Erie County Sales Tax GNRC", in the amount of $71,440,000 for 2020-21, $90,201,000 for 2021-22, $92,000,056 for 2022-23 and $93,845,120 for 2023-24, are based on the assumption that retail sales will have returned to pre-pandemic levels by June 30, 2021. The weight of forecasts by recognized economists indicates that full recovery of retail sales is not likely within that time.

- Various expenditure projections in fiscal year 2021-22 have been reduced in response to the maturity and repayment of a $25 million deficit note issued in June 2020; it is unclear if projected expenditures for fiscal year 2021-22 are reasonably stated and what, if any, impact would result to the provision of essential services.

Therefore, in order to avert a severe disruption of essential services that would result in a destructive long-term impact upon the economy and welfare of the City and its people, BFSA requested State legislation to authorize it to issue bonds to finance operating deficits of the City in fiscal years 2020-21 and 2021-22, in a total amount not to exceed $121 million. In the event deficit financing should be required beyond fiscal years 2021 and 2022, the BFSA would request additional authority at that time.

- At the November 23, 2020 board meeting, 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 an eleven-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.

- At the November 23, 2020 board meeting, the BFSA provided a written and verbal report providing an update on the City's 2021-2024 Financial Plan. The update revised the uncertain revenue projections to reflect events since the year started. Additionally, the cash position of the City was discussed as the City was projecting to hold a negative position beginning in December 2020 through May 2021. The methodology the City could implement to address the non-receipt of uncertain revenues and avoid the reporting of a year-end deficit was discussed, noting these methods would place substantial fiscal pressure on future years. Additionally, specific estimated revenues and budgeted appropriations requiring close monitoring were discussed.

The BFSA's findings from July remain appropriate. Recommendations were made that the City monitor financial operations closely and develop a revised financial plan as necessary and such plan should be developed with sufficient time to be able to react without incurring widespread reductions in services. The City did not submit a revised financial plan.

- On December 17, 2020, the BFSA provided a report on the City's 2020 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 $495.7 million resulting in a positive variance of $13.0 million as compared to the Adopted Budget amount of $508.7 million. Actual revenues, excluding the $25.0 million deficit note that was issued by the City, totaled $461.6 million, resulting in a negative budget variance of $47.1 million. Total revenues, including the deficit note, were $483.6 million which resulted in a negative budget variance of $25.1 million. The unfavorable revenue variance was directly related to the COVID-19 pandemic which impacted the City during the end of the third quarter and all of the fourth quarter. The State withheld $19.7 million in State AIM in June 2020 in response to the financial pressure the State was encountering.

  Total expenditures reported without encumbrances were $487.1 million. A year-end deficit of $3.4 million was reported for the year ended June 30, 2020 which correspondingly decreased fund balance to $89.5 million.

  The Solid Waste and Recycling Fund reported operating income of $3.3 million, and a reduction to the accumulated debt to the City's General Fund of $5.1 million. The total amount outstanding as reported at June 30, 2020 was $13.3 million; this amount is reported as restricted fund balance in the General Fund.

- On December 17, 2020, the BFSA reported on the City's first quarter operations. At the end of the first quarter, the City was projecting a year-end surplus of $0.8 million. As of September 30, 2020, revenues were projected to be under budget by $11.4 million and expenditures were projected to have a favorable variance of $12.2 million. The BFSA recommended that the City continue to closely monitor revenues and expenditures, including traffic fines, parking meter collections, the sale of capital assets and fire department overtime. It was also noted that the past due amount of $9.5 million in Tribal State Compact revenue was not included in the year-end estimate.

  The BFSA further recommended the City continue to monitor the financial impact from the COVID-19 pandemic and be prepared to implement an alternate spending plan in the event revenues are insufficient to support expenditures.

- On December 17, 2020, the BFSA provided a written and oral report on the City's 2021 Recommended Capital Budget and 2021-2025 Capital Improvement Plan. The 2021 Recommended Capital Budget contained 33 projects that cumulatively totaled $29.4 million. In total the Mayor's proposal provided for $29.4 million in new capital projects and the financing of $17.8 million of previously authorized but unissued projects. The proposed borrowing, separate and distinct from the Capital Budget, recommended total borrowing of $15.1 million of projects from the 2021 Recommended Capital Budget with the remaining balance of $14.3 million to be financed in the future. In addition to the new project borrowing, the Mayor's proposal included 21 projects that were previously authorized but unissued in the amount of $17.8 million; a total request of $32.9 million was made for the borrowing.

  The 2021 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 2021 was unnecessary and that the District has approximately $3.8 million available for projects from savings achieved through a previous refunding for the Joint School Construction Board debt. The 2021-2025 Capital Improvement Plan met the requirements of the BFSA that the City develop a full five-year capital improvement program.

  The BFSA has counseled the City in prior years and again recommended in conjunction with the review of the 2021 Capital Budget review that the City minimize long-term financing for ongoing general operating expenses (i.e., demolitions and tree trimming). The City included such functions in the 2021 Recommended Capital Budget notably building demolitions and tree trimmings/maintenance at a total of approximately $1.5 million, or 5.1 percent of the proposed capital budget. Over the five-year Capital Improvements Program, $5.0 million is provided for representing 3.8% of total planned projects. This uses limited bonding capacity; however, it is recognized that moving these projects into the general fund's operations would place fiscal pressure if funded on a pay-as-you-go basis.

- On March 25, 2021, 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 year-end favorable variance of $2.6 million, consisting of unfavorable revenue projections of $11.1 million and favorable expenditure projections of $13.7 million. Subsequent to the release of the second quarter report, significant revenue actions had occurred:
  - The City was awarded approximately $331 million in federal emergency aid/stimulus;
  - The State restored current year State AIM to pre-pandemic levels and authorized the release of the funds withheld from State AIM in June 2020, resulting in an estimated positive variance of $41.4 million for year-end;
  - Legal action occurred regarding the Tribal State Compact casino revenue in which the Second Circuit Federal Court of Appeals affirmed the judgement of the district court's decision that the contractual interpretation was reserved for the arbitration panel;
  - Favorable variance in sales tax projections of $11 million.

- At the March 25, 2021 board meeting, the BFSA provided a report summarizing the potential impact of the State Fiscal Year ("SFY") 2021-22 Executive Budget as it related to the City.

- At the March 25, 2021 board meeting, the BFSA reviewed and commented on the City's final capital budget and the related proposed capital borrowing. A pricing differential analysis had been conducted to evaluate the cost-savings if BFSA issued debt on behalf of the City; present value savings for the 2021 capital borrowing were estimated at $667,000. The BFSA inherently provides a more cost-effective financing framework, as the existence of the BFSA benefits the City beyond its ability to sell bonds at a lower cost due to the BFSA's higher credit rating.

  Additionally, the existence of BFSA has a positive impact on the City's bond rating and related market pricing as all credit agencies cite the credit-positiveness of BFSA's oversight and the City prices at a price-point that is better than what similar rated bonds price for in the market which is attributed to BFSA's continued existence and active oversight.

  The pricing differential analysis was submitted to Mayor Brown, the Buffalo Common Council, and the City Comptroller to make a determination whether or not to request BFSA to issue debt. This item was brought before the Common Council on March 16, 2021; no action was taken.

- At the March 2021 BFSA meeting, representatives from the City's Comptroller's office reviewed the City's 2020-21 cash flow and the forecasting process along with their cash flow projections. The discussion included what would trigger the City going to the market and issuing a short-term revenue anticipation note for cash flow purposes and the City's use of the District's cash from the joint account for cash flow needs.

  On April 12, 2021, the BFSA held a special meeting to review and comment on the City's proposed borrowing for the 2021 capital program. The Common Council approved the 2021 Capital Budget on December 18, 2020 for $47.2 million. The proposed borrowing consisted of three categories:
    1. Financing of the 2021 Capital Plan, pursuant to the annual limitation provided by the Comptroller's Office of $20.4 million for 2021;
    2. Carryover dollars available from 2020. The City did not sell a bond in 2020 due to the instability of the bond market that existed last year. Instead, the City downsized the sale of the bond anticipation note ("BAN") based on the immediate cash needs which provided borrowing capacity of $12.5 million carried over into 2021.
    3. Rollover of the remaining principal on the BAN that was sold in 2020 of $30.9 million.

  The following recommendations and other matters of importance were communicated in writing to City officials:

  It was noted that the City sold a refunding bond on March 2, 2021 for $10.9 million which from a timing standpoint is close to the timing of the proposed bond sale.

Structuring a sale that includes a refunding component would reduce the costs of issuance incurred by the City as certain costs are duplicated in separate bond issuances. The BFSA recommended the City conduct a financial comparative analysis in the future to determine the most cost-effective manner to sell bonds.

The anticipated receipt of $350 million by the City pursuant to the American Rescue Plan Act passed in March 2021 and guidance related to how these dollars can be used is expected around the time the first tranche of funds are released in mid-May. The City indicated it is restricted with timing of the sale of the bond to coincide with the maturity of the bond anticipation note in late April and has scheduled the pricing of the bond on April 15. The timing of the sale is such that the City will not know if any of the federal dollars could be used for projects that are being sold and therefore should consider delaying the sale of new capital projects that were not included in the bond anticipation note that is maturing until an assessment of the regulations governing the use of American Rescue Plan Act monies can be made.

The timing of submission of information to the BFSA to analyze, review and comment on this proposed borrowing was insufficient as there wasn't adequate time to conduct an appropriate and full review. We recognize that the deadlines for various components of the borrowing fall into a tight timeframe, but it is important a timely submission be made to BFSA in order to be able to conduct our review in accordance with the BFSA Act and be able to provide relevant recommendations for your consideration to assist in the process. We appreciate your assistance in providing timely information in the future to be able to conduct this review timely.

The estimated financial benefit from the sale of a bond by BFSA on behalf of the City and the City's determination to not request BFSA to sell the bonds in anticipation of requesting state legislation to early terminate BFSA. While the amount of the financial benefit varies between the BFSA's analysis and that of the City Comptroller, the savings were substantial in both analyses. The BFSA Board of Directors questioned the willingness of the Common Council to forgo significant savings based on a future event that may or may not happen. The Board continues to raise the issuance of debt on behalf of the City as a recommendation to leverage the advantageous bond rating that BFSA has in order to provide savings to the City of Buffalo.

- On May 19, 2021, the BFSA provided an oral and written report on the City's third quarter operations. The City has revised year-end projections to report balanced operations with a net change to fund balance of $0. Year-end revenues were projected to have a $30.5 million negative variance and expenditures were projected to be favorable by $19.5 million. The City planned to use up to $11.0 million in federal ARPA funding to close the year out balanced. The City had been awarded $331.4 million in ARPA funding and will be able to use the additional resources to address the loss of various revenues during FY 2020-21. The City's intends to pay off the deficit note early, before fiscal-year end.

- On May 19, 2021, the BFSA reported on the City's 2022-2025 Financial Plan and preliminary 2021-22 budget. The BFSA determined that the City's Financial Plan as submitted to the BFSA on April 30, 2021 was not compliant with the BFSA Act, as staff was unable to conclude that the projections of certain revenues over the 2022-2025 Financial Plan are reasonable and appropriate including marijuana tax revenue of $32.0 million and the sale of capital assets/property of $19.5 million.

  The Financial Plan relies on $127.2 million of nonrecurring, one-time revenues including federal rescue funds of $73.2 million to supplant lost revenues, casino revenue of $30.1 million, sale of capital assets/property of $19.5 million and the settlement of legal claims of $4.6 million.

  The reliance of nonrecurring, one-time revenues is indicative of an operational imbalance as such funding is not sustainable. Future revenues will need to be generated to replace such one-time sources or expenditures decreased.

  The Financial Plan will require close monitoring, including difficult to estimate revenues, as unfavorable budgetary results will result in a decrease to the unrestricted fund balance. The City is currently under recommended fund balance levels and should consider a fund balance replenishment program.

  The Board passed Resolution No. 21-04, "Declaration of Incomplete Financial Plan", which required the submission of supporting documentation for those identified unsupported revenues along with any modification to the financial plan.

- On June 21, 2021, the BFSA reviewed the City of Buffalo's 2021-22 Adopted Budget and 2022-2025 Financial Plan, as modified. The budget was approved by the Buffalo City Common Council on May 20, 2021 and adopted on June 7, 2021. The Mayor submitted the modified Financial Plan to the BFSA on June 18, 2021.

  Total estimated and projected revenue over the four-year financial plan were not modified, however revenue sources and amounts in fiscal years 2023-24 and 2024-25 related to adjustments to projections of the marijuana tax revenue were included. Overall, no change to total budgeted expenditures when compared to the proposed budget; however, there were $1.6 million in expenditures that were modified and re-allocated by the Common Council. The BFSA adopted Resolution No. 21-06, "Determination with Respect to the City of Buffalo 2022-2025 Four-Year Financial Plan", which found the plan to be 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 2021-22 Budgets and 2022-2025 Financial Plans of the City of Buffalo and the Covered Organizations".

Buffalo City School District

- At the December 17, 2020 board meeting, the BFSA reported on the District's FY 2019-20 Audited Financial Statements. The District's 2019-20 Adopted Budget included the use of $13.7 million in fund balance to balance the budget. The fiscal year closed with a surplus of $42.3 million for the year ended June 30, 2020. Actual revenues of $913.5 million were unfavorable compared to the budget by $3.9 million, while actual expenditures of $871.2 million were $59.9 million less than the adopted budget amount. Fund balance increased by $42.3 million to $266.0 million. Nonspendable/restricted increased $6.2 million, total assigned fund balance increased by $37.2 million, and unassigned decreased by $1.1 million.

- At the December 17, 2020 meeting, the BFSA provided a written and oral report on the District's first quarter operations. The District was projecting a fiscal year-end $15.0 million budgetary surplus and a year-end operating deficit of $35.0 million as of September 30, 2020. The District reopened to start the 2020-21 school year utilizing a 100 percent remote learning model, which required students to remain at home with teachers providing remote instruction in both synchronous and asynchronous formats. The District had planned to phase-in in person learning beginning in November, however returning to the classroom was delayed until February due to the uptick in area COVID-19 infections.

- At the March 25, 2021 board meeting, the BFSA provided a written and oral update on the District's 2020-2021 second quarter report, including significant events that would impact the 2021-2024 Financial Plan, including:

    - The District's phased school reopening plan;
    - The Governor's 2021-22 Executive Budget including District funding; and
    - Additional resources being provided to the District through the Coronavirus Response and Relief Supplemental Appropriations the American Rescue Plan Act.

  As of December 31, 2020, revenues were forecasted to be a negative variance of $2.5 million and expenditures were forecasted at a favorable variance of $52.9 million. The District projected a $50.4 million budgetary surplus and an operating surplus of $0.4 million at year-end.

- At the May 19, 2021 meeting, the BFSA provided a written and oral report of the District's third quarter operations. The District projected a fiscal year-end $64.6 million budgetary surplus and an overall $14.5 million surplus at March 31, 2021. Additionally, BFSA reported on the District's CRRSSA-ESSER II and ARP-ESSER III funding. The District has been appropriated $88.6 million in CRRSA-ESSER II and ARP-ESSER III funding. The funds will be received over a three-year period from the federal government via New York State. The District must first have a draft plan submitted to the New York State Department of Education by July 1, 2021.

On February 1, 2021, the District began a phased reopening, wherein a predetermined group of students, Phase I cohort, returned to in-person learning. On March 22, 2021, students in grades 3, 4, 9 and all high-needs students, Phase II cohort, returned to the classroom. On April 1, 2021, notification was made that all remaining opt-in high school students would return on April 26, 2021 and all remaining opt-in elementary students are scheduled to return on May 10, 2021.

On March 12, 2021 the District was a victim of a cyber-attack. The result was a loss of computer files and system inoperability. Additionally, Phase II cohort's return to in-person instruction was delayed by one week. The District incurred and will incur significant costs to restore system operability, investigate and install the necessary safeguards to minimize future exposures.

- On May 19, 2021, the BFSA reviewed the District's 2021-22 Proposed Budget and 2022-2025 Financial Plan. A deficit of $29.0 million is reflected in the 2021-22 proposed budget and the remaining years of the Financial Plan included surpluses in each year. The deficit is attributed to the timing of transportation costs and the States reimbursement of Transportation Aid. The District's use of fund balance appears to be sufficient to address the budgetary gap.

  The District has presented a balanced 2021-22 Proposed Budget and related 2022-2025 Financial Plan. The deficit in 2021-22 is attributed to timing and is not indicative of an operational imbalance. The proposed budget and Financial Plan does not include resources for the settlement of labor contracts, the District's estimate to bring all contracts current is $9.9 million annually in the General Fund.

  The New York State 2021-22 Enacted budget and related Financial Plan provides substantial increases to Foundation Aid for the District. In addition to the increase in New York State Aid, unprecedented levels of federal aid have been awarded to the District to address a multitude of issues resulting from the pandemic. Total federal CRRSA and ARPA dollars being addressed within the plan is approximately $289.6 million. These funds are accounted for within the CRRSA-ESSER II ARP-ESSER III funds.

  The BFSA passed Resolution No. 21-04 concluding that the District's 2022-2025 Financial Plan complied with the requirements of the BFSA Act.

- On June 8, 2021, a special meeting was held for the sole purpose to discuss District financial matters. Changes to the District's 2021-22 draft and Adopted Budget were reviewed. The District approved the 2021-22 Adopted Budget on May 19, 2021 which included a deficit of $29.0 million. A copy of the final report issued by the BFSA begins on page 83. The deficit was attributed to the timing between transportation costs and transportation aid received by the District. The remaining three years of the Financial Plan projected surpluses in each year for a cumulative total of $27.3 million. Additionally, the District is a recipient of additional funds outside of the normal budget process due to the COVID-19 pandemic including $29.0 million in ESSER Funds, $88.6 million in ESSER II funds, and $201.0 million in ESSER III funding. A separate spending plan is being developed for the federal stimulus funds and is required to be

submitted July 1, 2021; the spending was not reflected in the 2021-2025 Financial Plan as submitted to, and reviewed by, BFSA.

A discussion with the District officials was held to address questions raised by the BFSA. The BFSA requested that officials discuss the District's reopening plan and related costs, projections for programs above and beyond what is currently provided to address the achievement gap that has widened during the pandemic, the planned use of federal aid provided to the District pursuant to the federal aid stimulus package, and the status of labor contracts.

District representatives responded by outlining the five key strategic investments:

- Investments in technology including broadband, digital resources and IT security.
- Instructional materials focusing on improved access, equity, opportunity for quality science, language high school courses.
- Improve the rigor of the Pre-K to 12th grade curriculum and coursework.
- Student support services focusing on mental health and trauma.
- Strategic staffing to build out the capacity of the administrative staff, talent support, recruitment and retention of teachers.

The District responded that they have received requests from the community to provide additional programs with the use of the additional federal funds, including prenatal health and early parenting skills, more emphasis on early learning programs, to strengthen community partnerships and parental engagement, to improve middle school STEM engagement and improve collaboration with higher education institutions and improve career pathways after high school, and for additional capital and athletic improvements.

- On June 21, 2021, the BFSA reviewed a proposed labor agreement between the District and the Buffalo Educational Support Team ("BEST"). BEST represents teacher aids, teaching assistants and healthcare aids. The previous labor agreement between the District and BEST expired on June 30, 2012 and the proposed successor agreement will be effective between July 1, 2021 through June 30, 2025. The agreement provides updated wage schedules, signing bonus, longevity payments and other compensation adjustments based on the employees additional responsibilities, in-service training and employees working with students with special physical management needs. The agreement also addressed sick leave and health insurance contributions. The District estimates that the agreement will have a District wide net cost of $26.4 million, of which $22.1 million will impact the general fund over the Financial Plan. The BFSA required the submission of a modified financial plan to solidify the funding plan for the labor contract; including the incremental labor costs being reflected in the modified plan.

Buffalo Municipal Housing Authority ("BMHA")

- At the August 3, 2020 meeting, the BFSA reviewed the BMHA's proposed 2020 Capital Fund Financing Program in an amount not to exceed $15.0 million. The Capital Fund Financing Program allows public housing authorities to borrow the net present value of up to 33 percent of the future 20-year HUD Capital Fund Program allocations. The funds allow housing authorities to perform additional capital improvement work and is the first step in a comprehensive revitalization strategy for all BMHA developments. The BMHA proposal included five developments, LBJ Apartments, Frank A. Sedita Apartments, MSGR. Geary Apartments, Stuyvesant Apartments, and Frederick Douglas Towers at 515 Clinton Street, with an estimated $13.9 million in construction costs and $1.1 million in soft costs.

- On December 17, 2020, the BFSA provided a written and oral report on the BMHA's first quarter operations. As of September 30, 2020, revenues exceeded expenses by $400,000. Actual revenues were unfavorable by $400,000 and actual expenditures were favorable by $600,000 when compared to the Adopted Budget to date. Combined BMHA reserves totaled $5.1 million as of June 30, 2020. This included $867,925 in Central Office Cost Center reserves. The BFSA recommended that BMHA management continue to take the necessary steps as appropriate to manage the impact of the pandemic.

- On March 25, 2021, the BFSA provided a written and oral report on the BMHA's second quarter operations. As of December 31, 2020, revenues exceeded expenses by $1.9 million. BMHA reported fiscal year-to-date revenues of $24.1 million, representing 49.4 percent of budgeted revenues. BMHA reported fiscal year-to-date expenses of $22.2 million, representing 49.2 percent of budgeted revenues. BMHA reported fiscal year-to-date expenses of $22.2 million, representing 49.2 percent of budgeted expenses. OPEB was favorable by $0.6 million as compared to the budget-to-date amount, particularly within the AMP budget. The BFSA recommended that BMHA management continue to take the necessary steps to manage the impact of the pandemic. Subsequent to the release of the second quarter report, HUD awarded BMHA an additional $11.8 million in Capital Fund Program funding.

- On May 19, 2021, the BFSA reported on BMHA's 2021-22 Budget and 2022-2025 Financial Plan. The 2022-2025 Financial Plan projects a four-year cumulative surplus of $10.8 million and a four-year positive cash flow of $8.8 million. The financial impact related to the Section 8 unit of the organization should be eliminated in evaluating the completeness off the plan as ultimately there is no financial impact from implementing the Section 8 voucher program. The revised four-year cumulative surplus after eliminating the Section 8 unit is $7.6 million with no change to the cash flow projection. Individually, the budget for the Marine Drive Apartments is not balanced. A four-year deficit of $0.7 million is projected with a $1.1 million total cash outflow projected over the same period. Marine Drive reserves totaled $452,000 as of July 1, 2020 and are insufficient to cover the projected loss. BFSA recommended BMHA prepare a contingency plan to reduce costs where possible in the event actual losses create a need to implement a revised operating program. A copy of the final report issued by the BFSA begins on page 117.

- On May 19, 2021, the BFSA found the BMHA's 2022-2025 Financial Plan to be complete and compliant with the BFSA Act.

- On May 19, 2021, the BFSA Board received and filed a written report on the BMHA's third quarter operations. BMHA had budgeted a net loss of $0.2 million. As of March 31, 2021 revenues exceeded expenses by $2.0 million. The CARES Act provided an operating subsidy of $2.5 million to BMHA.

Buffalo Urban Renewal Agency ("BURA")

- On December 17, 2020, the BFSA provided a report on BURA's 2020 Audited Financial Statements and single audit findings, and reported on key revenues, expenditures, personnel service costs and internal control findings. At June 30, 2020, total fund balance was $6.9 million. All prior year findings have been resolved and current a year finding that included a material misstatement was addressed through journal entries. It was recommended the formalization of several written policies for BURA.

- On December 17, 2020, the BFSA provided a written and oral report on BURA's first quarter operations. At the end of the first quarter, BURA was not projecting any significant variance in expenditures or revenues. On a year-to-date basis revenues were a favorable $2.2 million compared to the budget; the favorable variance was attributed to the sale of BURA held real estate. Subsequent to the release of the first quarter report, the Buffalo Common Council approved an $11.4 million amendment to BURA's 2019-20 Annual Plan, allocating additional CDBG-CARES Act funding for the City.

- On March 25, 2021, the BFSA provided a written and oral report on BURA's second quarter operations. At the end of the second quarter, 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., the Local Initiatives Support Corporation, and the Enterprise New York's Cities for Responsible Investment and Strategic Enforcement (the RISE program).

- At the March 2021 BFSA meeting, the BFSA provided a summary update of BURA's 2021-2024 Financial Plan Modification, reflecting the increased allocation of $11.4 million in CARES Act funds from the Federal government. The funds were allocated by BURA over the four-years of the 2021-2024 Financial Plan, and the funds are required to be disbursed by January 6, 2027.

  BURA staff provided an additional overview of the CARES Act, discussing the targeted restorative approach taken by BURA after extensive analysis of the impact the pandemic has had on the City, focusing on:

  - Eviction prevention
  - Foreclosure prevention
  - Fair housing
  - Rental and owner housing rehabilitation
  - Microenterprise assistance.

- On May 19, 2020, the BFSA Board received and filed 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., the Local Initiatives Support Corporation, and Enterprise New York Cities RISE.
    - BURA was able to maintain operations during the pandemic as affordable housing is deemed essential.

- Additionally, on May 19, 2021, the BFSA received a written and oral report on BURA's 2022-2025 Financial Plan. The BFSA found the 2022-2025 Financial Plan to be complete and compliant with the BFSA Act. The Financial Plan reflected the additional $11.4 million in CARES-Act funding.

Workforce Summary and Trends

Workforce costs represent the single largest expenditure category for the City and its Covered Organizations. The City's 2020-21 employee salaries, pension, health insurance (for active and retired employees) and other benefits accounted for 85.0 percent of total budgeted General Fund appropriations. These costs represented 55.2 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 on June 30, 2019 including those with the crossing guards, the Police Benevolent Association and the blue-collar union. In addition, labor agreements with Operating Engineers and Building Inspectors Local 2651 expired on June 30, 2020. The City has current labor agreements with Firefighters Local 282, the white-collar union, Local 650, and Water Caulkers Local 264T.

The following summarizes the status of labor agreements with the District. The District settled contracts with the both the Substitute Teachers and the Transportation Aides in August 2021, and a settlement is pending with Local 264. A new collective bargaining unit was created to represent the substitute administrators; this contract was settled in August 2021. There are 4,916 full-time employees on a General Fund basis and 5,653 FTE's on an All Funds basis. These units are as follows:

1) Buffalo Teachers Federation – expired June 30, 2019
2) Operating Engineers – expired June 30, 2010
3) Local 264 – pending; to expire June 30, 2025
4) Substitute Teachers – expired June 30, 2021
5) School Administrators – expired September 1, 2020
6) Transportation Aides of Buffalo – settled August 2021; expires June 30, 2024
7) Professional, Clerical, Technical Employees – expiring June 30, 2022
8) BEST – settled June 2021; expires June 30, 2025
9) Substitute Administrators – new; expires June 30, 2023

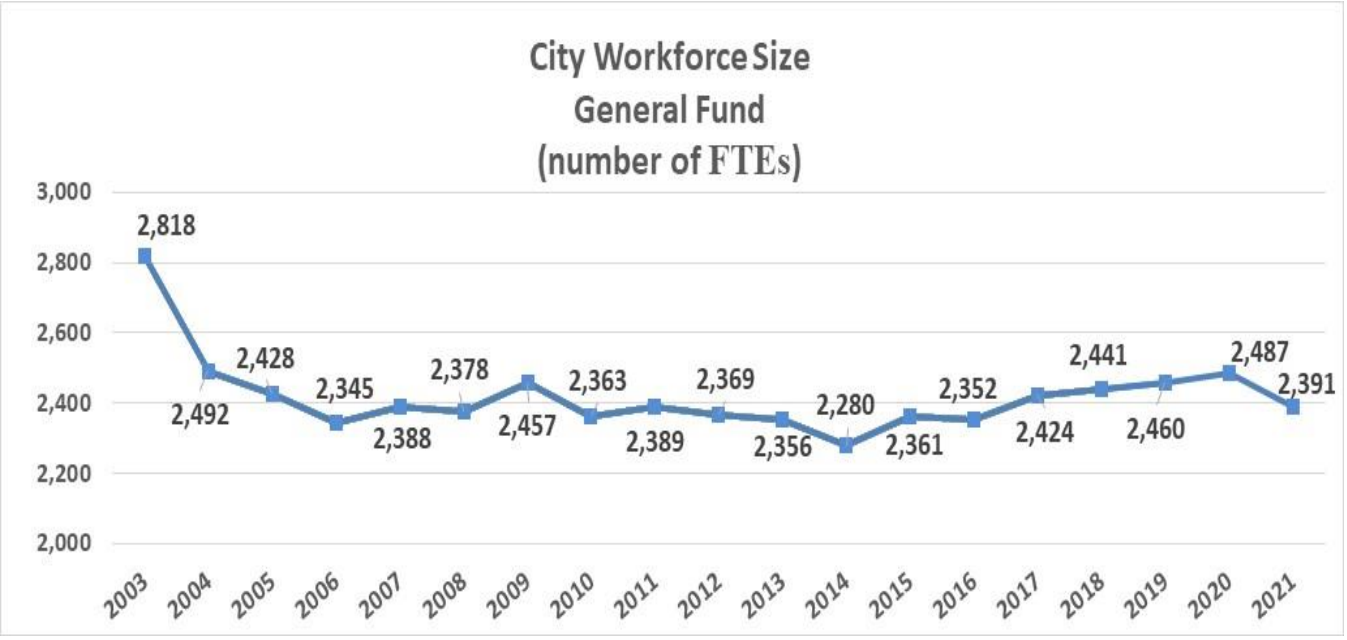
BURA last negotiated a Memorandum of Agreement ("MOA") with the Civil Service Employees Association, Local 1000, AFSCME, AFL-CIO, Local 815 during 2017-18. The MOA expired June 30, 2020. Exempt employees received comparable salary increases and receive comparable health insurance benefits as well. BURA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

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.

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 full valuation is dated July 1, 2019 as restated for GASB Statement No. 75. The City's most recent actuarial valuation totaled $1.2 billion, with total OPEB liability for governmental and business-type activities of $1.17 billion and $58.2 million, respectively, as reported for fiscal year-end June 30, 2020. As of the last actuarial valuation report dated June 30, 2020, the District had a total OPEB liability of $2.6 billion. This is an increase of $200.0 million when compared to the estimated total OPEB liability at June 30, 2019 of $2.4 billion. The BMHA's total OPEB liability was estimated at $101.6 million and was determined by an actuarial valuation as of June 30, 2020. BURA's total OPEB liability of $23.3 million was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

The City increased its budgeted workforce by 9 positions from FY 2020 to FY 2021. Actual filled positions at June 30, 2020 decreased by 69 FTEs to 2,391 as compared to 2,487 at fiscal year-end 2020. The decrease in actual employee levels on a year-to-year basis is attributed to the fact that the City maintained a hiring freeze through the first nine-months of the 2020-21 fiscal year. Departments only filled positions for public health and safety and revenue generating roles.

The following chart shows the City's actual number of filled positions from 2003 to 2021:



The City has reduced filled positions by 427 and reduced its workforce by 15.2 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.

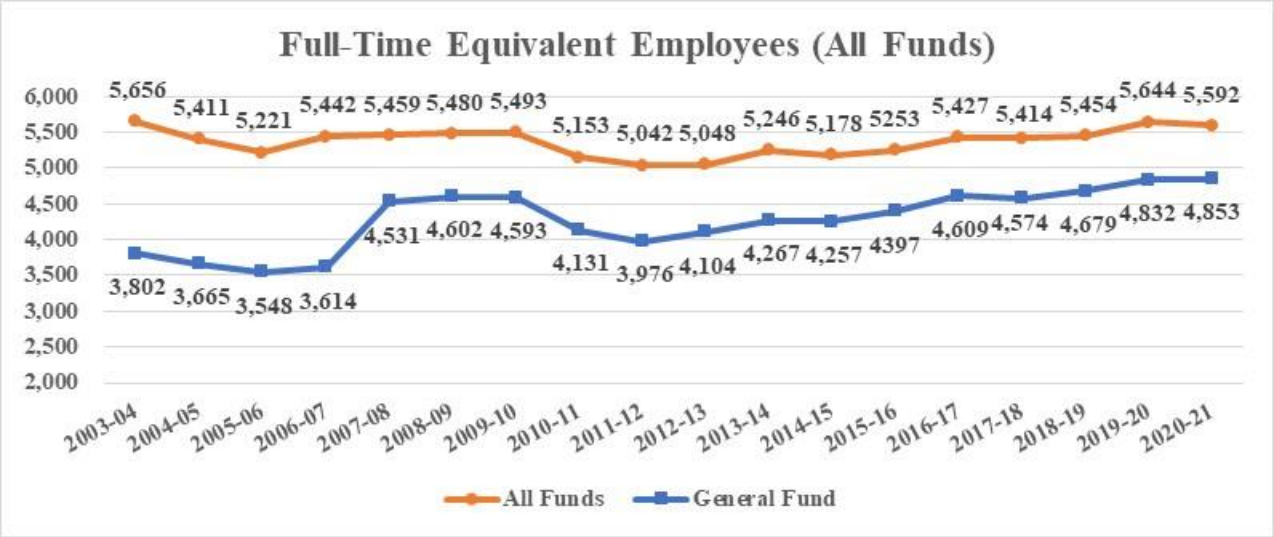
The District has included a staffing plan for 2021-22 which increases the number of General Fund budgeted FTEs on a net basis by 13, including: 31 additional teachers, 2 additional administrators, 3 white-collar employees, 1 additional blue-collar employee, and 24 fewer teacher aides/teaching assistants. Budgeted staffing at 4,916 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 81 teacher FTEs over the four-years of the Financial Plan. The Financial Plan assumes a flat population of the City publicly enrolled students with District students declining from 32,800 in FY 2021-22 to an estimated 31,700 by FY 2024-25. Charter school pupils are projected to increase 1,100 to 10,800 pupils by FY 2024-25. The overall number of public-school students is projected to be flat at 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.

The Financial Plan incorporates the reduction of 6.5 FTE teaching positions for every 100 students that leave the District. This 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 charter school enrollment growth projection assumes that existing charter schools will continue to expand seating capacity, without the increase of new charter schools being established in the City. There are currently twenty-one area charter schools. The impact of the closures of the Westminster Community Charter School and the Enterprise Charter Schools are factored into the projected enrollment. This assumption is included within each out-year of the Financial Plan. Before FY 2018-19, the District did not contemplate a reduction of teachers as part of the fiscal planning process. It was argued that the student population entering charter schools was too diffused across the District to allow for an adjustment in teaching positions.

On an All Funds Basis, the 2021-22 Adopted Budget includes a total of 5,653 FTEs, 61 FTEs greater than the FY 2020-21 Adopted Budget.

The following chart shows the District's actual number of filled positions from 2003 to 2021 for both the General Fund and on a District-wide basis:



The BMHA's 2021-22 Adopted Budget includes 159 positions of which 145 were filled at March 31, 2021. BMHA has reduced its workforce gradually in recent years: there were 236 filled positions in 2012. BMHA intends to fill all budgeted positions. BMHA has historically had a level of vacancy between 10-25% at any period during a fiscal year but has decreased the vacancy rate significantly in the 2020-21 fiscal year to 8.8 percent at March 31, 2021.

BURA had 44 positions budgeted, including 5 temporary positions that were added as part of the CARES Act financial plan modification. There were 41 filled at the conclusion of the 2020-21 fiscal year. BURA's workforce was reduced from 60 budgeted FTE's at FYE 2012 down to the current 44 positions budgeted in 2021-22, a decrease of 16 positions over eight years. Employment levels remain significantly below 2003-04 levels when BFSA was created. BURA has adopted a budget and financial plan that maintains 44 positions in each year of the Financial Plan, with 34 classified, with 5 of them identified as temporary, employees and 10 exempt

employees. BURA expects to reduce the workforce back down to 39 FTEs once the CARES-Act funding is fully expended. 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.

Projected workforce trends are discussed in the individual entity reports within the section titled "BFSA Reports on the 2021-22 Budgets and 2022-2025 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 September 2021. 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 received a bond rating downgrade in September 2020 from Fitch from A+ to A with a negative outlook; this follows a downgrade in 2019 Fitch where the City went to A+ from AA- with a stable outlook. In September 2021, Fitch revised the City's outlook from negative to stable and maintained the credit rating. Standards and Poor's Rating Services ("S&P") has maintained City's rating at A+ since 2013-14 to A+ from A, but revised the outlook downward from stable to negative in 2021 citing "uncertainty in the timing of revenue, namely federal aid and casino revenue." Moody's reaffirmed the City's rating of A1 with a stable outlook in February 2020 and noted the City benefits from the oversight via the BFSA. The rating outlook reflects the expectation that reserves will remain sound through 2021 and management will continue to manage the sizeable budget gaps.

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 eight years. The outlook was revised from a positive outlook to a stable outlook on the City's 2018 general obligation debt and maintains that current outlook. 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 ten 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 ten 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 Baa3 to Baa2, reflecting, "significant improvement to the city's financial reserve and liquidity positions reflecting augmentation of reserves in each of the last four years and a trend of structurally balanced operating performance...".

- S&P reaffirmed the City's A+ bond rating and revised the City's 2020 rating outlook from stable to negative. S&P last upgraded the City's rating from A to A+ in 2014. This rating represents a high investment grade with low risk. The revised outlook from stable to negative reflects (1) uncertainty in the timing of revenue included in the 2020-21 budget for state and federal aid, as well as uncertainty in the unpaid casino revenue, which could create budget gaps if revenue falls short of expectations; (2) even with the influx of one-shot revenue from the state or the federal government,

concerns around future revenue generation remain; and (3) the City's history of negative operating results in three of the last four years, resulting in a weakened reserve position.

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 in 2014, 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 downgraded the City's credit rating in September 2020 from A+ to A with a negative outlook; Fitch previously downgraded the City in 2019 from AA- to A+ with a stable outlook. The stated rating rationale included: (1) revenue growth is expected to be relatively flat based on historical and recent trends, and includes outstanding gaming revenue; (2) natural pace of expenditure growth to be well above revenues absent policy action, consistent with recent historical results and reflective of the City's flat revenue growth; (3) expenditure flexibility is limited due to elevated costs for debt, retiree benefits, and education funding requirements; (4) long-term liability burden is low; (4) the City's financial resilience has weakened with significant declines in available general fund reserves following operating deficits between 2016 and 2018. Fitch revised the outlook from negative to stable in September 2021.

  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 an AA- stable outlook in March of 2017, and then subsequently downgraded to A+ in September 2019.

The following table illustrates current 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 – S&P		A+ High Investment Grade / Low Risk	AA- Very High Investment Grade / Low Risk
City's Rating - Moody's & Fitch	A1 Upper Medium Grade / Low Risk		A High Investment 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 five steps higher for Fitch and three notches higher for Moody's based on current ratings. Due to the rating differences BFSA is able to obtain lower interest rates than the City. In addition, the existence of the BFSA is cited as a positive factor in each bond rating report.

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 $140,966 in investment earnings with the governmental funds for the year ended June 30, 2021 from funds held in various bond related accounts 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 2021 of approximately 0.05 percent. The BFSA earned $140,923 from the FDAs during the year ended June 30, 2021. The remaining amount of $43 was earned on the operating funds.

Review of 2021 Capital Budget and Related Capital Borrowing

The BFSA reviewed and reported on the City's 2021 Capital Budget of $29.4 million during the 2020-21 fiscal year. The total amount being financed is $63.8 million, and consists of $20.4 million for 2021, $12.5 million that was carried over from 2020 when the City sold a bond anticipation note (BAN), and the rollover of the remaining principal on the BAN that was sold in 2020 of $30.9 million. The City last sold a bond in 2018 and had intended to sell one in 2020, but due to the stock market crash in March 2020 and the volatility in the bond market, had determined to issue a BAN instead. It is noted that the City has not required a cash flow borrowing since 2006. Recommendations related to this review are provided earlier in the report under "Reports and Recommendations Issued by the BFSA during 2021-21, City of Buffalo, April 12, 2021".

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, 2021:

BFSA Debt Table at June 30, 2021

($ 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		$0	
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		$5,690	
Sales Tax and State Aid Secured Refunding Bonds (Series 2015A)	Dec-15	$14,170		$750	

Structural Reform and Savings Opportunities

Both the City and District were faced with a tremendous threat to each organization's fiscal stability due to the possible financial impact from COVID-19. Due to the unprecedent amount of federal assistance provided, both are financially secure in their short-term financial position. BURA and BMHA were more insulated from a similar threat due to federal funding that has been provided to each organization as well. The continued economic impact and the use of federal relief funding to address such negative impacts examined in detail in BFSA's analysis of the City's 2022-2025 Financial Plan which is included herein and begins on page 49.

The BFSA continues to raise the issuance of debt on behalf of the City as a recommendation to leverage the advantageous bond rating that BFSA has in order to provide savings to the City of Buffalo.

The District's FY 2020-21 Adopted Budget included year eight of a school-based budgeting process, which reflects the final sixty-nine individual school-based budgets. The Adopted Budget continues the full implementation of the Superintendent's Education Bargain, representing year six 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. The District has budgeted the appropriation of $29.0 million of fund balance in FY 2021-22. The $29.0 million deficit does not represent a structural imbalance but is the result of the one-time mismatch between transportation expenditures and NYS Transportation Aid. Lower transportation expenditures in FY 2020-21 will reduce NYS Transportation Aid in FY 2021-22 by approximately $24.4 million. The savings from lower transportation expenditures will be included in the fund balance on June 30, 2021. The Financial Plan utilizes $29.0 million in fund balance to close the FY 2021-22 budget gap.

The fiscal impact of these issues was examined in detail in BFSA's analysis of the District's 2022-2025 Financial Plan included herein on page 83.

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 2021-22," beginning on page 16.

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 2020-21. 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 2020-21 to reinforce its system of internal controls as listed below:

- At the July 20, 2020 special board meeting the BFSA board of directors amended the BFSA Bylaws, Article IV Section 3, "Other Committees of the BFSA Bylaws." The amendment to the bylaws provides that in the event a director abstains from voting, resulting in four or fewer directors present and able to vote, the Chair or presiding director may designate the remaining four or fewer board members as an ad-hoc committee to consider the item of business and recommend action at the next meeting of the full Board. The BFSA Bylaws, provides guidelines and procedures for the operations of BFSA, including formation of committee, board meetings and other general operations.

- The Board proposed a resolution that recognized the unprecedented nature of the COVID-19 pandemic and the uncertainty of its financial impact. The resolution stated the BFSA determination that the Financial Plan did not comply with the BFSA Act. The resolution requests that in order to avert a severe disruption of essential services, NYS authorize special legislation to issue bonds to finances the City's projected operating deficits for fiscal years 2021 and 2022, not to exceed $121.0 million. The resolution did not pass with a 4-1 vote.

- The Board proposed a second resolution that would allow BFSA to forward on the initial resolution, stating that said resolution was being forwarded without the required majority approval considering the extraordinary challenges the City is facing.

  "Resolved, that pursuant, to BFSA Act §3857, subd. 2(e), the Executive Director shall transmit copies of 1) the forgoing Resolution, with the notation that it failed because, the Mayor having abstained, it received four favorable votes and did not receive the five favorable votes required for BFSA to take action, 2) the City's adopted budget and financial plan, 3) the Mayor's letter of June 30, 2020, and 4) BFSA's staff report to the Mayor, the State Director of the Budget, the State Comptroller, the Chair of the Assembly Ways and Means Committee, and the Chair of the Senate Finance Committee."

  The resolution passed 5-0.

- In August 2020, the Board of the BFSA reviewed, affirmed or adopted the following policies and procedures of the BFSA:

  - 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 regarding 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 2019-20 fiscal year as well as any interest paid to vendors including the reason the payment was late.

Additional governance related BFSA actions included:

- In August 2020, 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 2020, the Audit, Finance and Budget Committee received a presentation on the BFSA's 2019-20 Independent Auditor's Report and received the BFSA Annual Report for fiscal year 2019-20, which the committee recommended for approval to the full board.

- In September 2020, 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 2020, the Audit, Finance and Budget Committee approved a one-year contract extension with Public Financial Management as Financial Advisors to the BFSA.

- In November 2020, the ad hoc committee approved a resolution to recommend approval at the next BFSA board meeting pertaining to the City's financial plan

which would require a modified financial plan be submitted to the BFSA by December 31, 2020.

- In November 2020, the Governance Committee met and tallied the results of the Board of Directors self-evaluation.

- In November 2020, the Governance Committee reviewed the draft Conflict of Interest Policy which the committee recommended for approval to the full board. Approval of the policy by the full board occurred.

- In November 2020, the BFSA Board approved the BFSA's 2019-20 Independent Auditor's Report and the BFSA Annual Report for fiscal year 2019-20.

- In December 2020, the Board tabled the previous resolution that was recommended by the ad hoc committee at the November meeting, requiring the City to submit a revised financial plan by December 31, 2020.
- In December 2020, the Board adopted a 2021 Public Meeting Calendar and publicly posted the scheduled meeting dates on the BFSA website.

- In December 2020, the BFSA approved the 2021-22 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 2020, the BFSA approved the 2021-22 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 2020, the BFSA Board of Directors received a copy of the BFSA's first quarter operation results for FY 2021.

- In December 2020, the Board approved a motion for the BFSA to consider the feasibility to have the BFSA issue bonds on behalf of the City in light of the City's downgraded bond rating.

- In March 2021, the Audit, Finance and Budget Committee reviewed the BFSA's 2021-22 Preliminary Budget and 2022-2025 Financial Plan and approved the posting of the budget for public review and comment.

- In March 2021, 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, 2021.
- In March 2021, the Internal Controls Officer met with the Audit, Finance and Budget Committee to report on the results of the internal audits in regard to:
    - Investment initialization and monitoring; and

- Revenue recognition, recording, and transfers.

- On March 25, 2021, the Board received a copy of the BFSA's second quarter operating results.

- On March 25, 2021, the BFSA adopted a resolution recognizing Secretary George K. Arthur and the contributions he made to the Board, and the City of Buffalo Community.

- At the March 2021 Board meeting, County Executive Poloncarz addressed the Board and provided an update on the U.S. American Rescue Plan of 2021 and its impact on Erie County and the City of Buffalo in an effort to address financial issues related to the COVID-19 pandemic.

- At the March 2021 Board meeting, the Board appointed Director Frederick G. Floss as Secretary of the Board.

- At the March 2021 Board meeting, the Board reconstituted the Governance Committee appointing Director SanFilippo to fill the vacancy on the committee.

- In March 2021, the BFSA Board received copies of the City's 2021 bond rating reports from Moody's Investor Services, Standard and Poor's Rating Services, and Fitch Ratings.

- On May 19, 2021, the Board approved Resolution 21-04, "Declaration of Incomplete Financial Plan." The Financial Plan was deemed incomplete due to unsupported revenue estimates included in the Financial Plan. The BFSA required such supporting documentation be submitted along with any modification to the financial plan, as necessary.

- In May 2021, the BFSA Board received the BFSA's third quarter operating results.

- On June 21, 2021, the Board approved Resolution No. 21-06, "Determination with Respect to the City of Buffalo 2022-2025 Four-Year Financial Plan" finding the modified 2022-2025 Four-Year Financial Plan complete and compliant with the BFSA Act.

- At the June 21, 2021 meeting the Board approved Resolution 21-07, "Adoption of the 2021-22 Buffalo Fiscal Stability Authority Budget and 2022-2025 Four Year Financial Plan."

Additional Reporting

As a Public Benefit Corporation, the BFSA is subject to additional State required reporting requirements. These are reports are filed with NYS that do not require review by the BFSA Board.

- Report on Requests by Data Subjects – On January 2, 2021, BFSA issued its 2020 Report on Requests by Data Subjects. Pursuant to New York State Public Officers Law §94(6), BFSA reported to the New York State Committee on Open Government.
    - Highlights: (2) Freedom of Information Act requests were received. Neither were denied in part or in whole.

- Executive Order #4, and #18 Green NY Reporting – On October 28, 2020, BFSA issued its Green NY Report to the New York State Department of Environmental Conservation, pursuant to New York State Executive Orders #4 and #18.
    - Highlights:
        - BFSA utilized single-stream recycling
        - Electronic communication was prioritized to disseminate information to directors, employees, and members of the public
        - E-waste was disposed of via proper channels
        - Telecommuting/teleconferencing was implemented at a 100% level on the onset of the NYS PAUSE Order. Carbon savings were estimated at a minimum of 10,000 lbs. $CO^{(2)(e)}$ for BFSA (March 15th -June 30th). The cost savings associated with suspending the parking/public transportation employee reimbursement was $1,000 (March 15th - June 30th).
        - 10 boxes of 100% recycled copier paper were purchased for a total of $360. No virgin pulp copier paper was purchased.
        - Pursuant to Executive Order #18, BFSA limited its water bottle purchasing. Two cases of bottled water were purchased in FY 2019-20 for board meetings in which no potable water was available.

- Executive Order #19 Reporting – BFSA submitted two surveys to the New York State Office for the Prevention of Domestic Violence, pursuant to New York State Executive Order #19.
    - Highlights - BFSA received confirmation that the Authority was in compliance with the executive order.

Financial Statements

BFSA received a clean, unqualified opinion on its 2020-21 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 27, 2021 meeting. The 2020-21 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 2020-21 fiscal year:

- In March 2021, the BFSA's Audit, Finance and Budget Committee authorized by resolution the posting of BFSA's proposed 2021-22 budget and 2022-2025 Financial Plan on the BFSA website; in addition the BFSA mailed the budget to nine of the Buffalo and Erie County Libraries to be posted for public comment. 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 June 2021, after the public review period had been completed, the BFSA adopted the 2021-22 budget and 2022-2025 Financial Plan. The adopted budget reflected changes as compared to the proposed budget that was released in March; those changes included revenue increases for State AIM, based on the New York State 2021-22 Enacted Budget.

Health Insurance Plans

In 2020-21, 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

The BFSA is currently operating as a month-to-month tenant with 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 previous lease expired September 30, 2020 and has not been renegotiated at this time; the previous terms are still in effect. The monthly amount is currently $3,662; the BFSA expended $43,940 for the fiscal year ended June 30, 2021.

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	$4.1 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
Distressed Provider Intercept Assistance due to BFSA Act	$1.0 million
Participation in JSCB Phase II Bond Pricing	$1.0 million
Deputy Superintendent's Separation Agreement	$0.2 million
Subtotal	**$314.9 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	**$459.7 million**

Cumulative Financial Impact of BFSA and the BFSA Act (Table 2)

Other Actions

Credit Related:

Downgrade City Credit Rating to A negative outlook Fitch (2021)
Downgrade City Credit Rating to A+ negative outlook S&P (2021)
Downgrade City Credit Rating to A+ stable outlook Fitch (2020)
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 Buffalo School District labor agreement with the Buffalo Educational Support Team ("BEST") (2021)

Reviewed a City of Buffalo labor agreement with the White Collar Union "Local 650" (2020)

Reviewed a Buffalo School District labor agreement for Cafeteria Cook Managers Local - 264 (2020)

Reviewed a Buffalo School District labor agreement with the Substitute United/Buffalo ("NYSUT") (2020)

Reviewed a City of Buffalo labor agreement with the Buffalo Professional Firefighters Association, Inc. "Local 282" (2019)

Reviewed a Buffalo School District labor agreement with the Transportation Aides of Buffalo ("TAB") (2019)

Reviewed two Buffalo Municipal Housing Authority labor agreements including Local 264 - Blue, White and Managerial employees and Local 17 - "Operationg Engineers" (2019)

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 2021-22 Budgets and 2022-2025 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 2022-2025 Financial Plan was submitted by the Mayor to BFSA on April 30, 2021 in accordance with the timing requirements of the BFSA Act. The BFSA declared the preliminary 2022-2025 Financial Plan to be incomplete due to the City's financial plan. The Mayor submitted a revised City financial plan to the BFSA on June 1, 2021 that included changes made by the Common Council and addressing the concerns raised by the BFSA in the out-years of the Financial Plan.

The revised City financial plan that was submitted on June 1, 2021 was reviewed at the June 21, 2021 Board meeting and BFSA determined that the Revised Plan and the budget adopted on June 7, 2021 are compliant with the BFSA Act.

The City Common Council approved the City budget on May 20, 2021, and the budget was adopted on June 7, 2021. The Mayor submitted the approved budget and final four-year financial plan to the BFSA on June 1, 2020. The BCSD's Board of Education adopted the proposed FY 2021-22 budget on May 19, 2021. The FY 2022-2025 Financial Plan was approved by the Board of Education on April 21, 2021 and was not modified. The BMHA's Board of Commissioners approved the proposed FY 2021-22 budget and FY 2022-2025 Financial Plan on April 15, 2021. The BURA Board of Directors approved both the annual budget and four-year financial plan on May 27, 2021.

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

Review and Analysis of the City of Buffalo's 2021-22 Adopted Budget and 2022-2025 Financial Plan

Overview

The 2021-22 Adopted Budget for the City of Buffalo (the "City") provides General Fund estimated revenues and budgeted appropriations of $534.6 million, representing an increase of $15.0 million, or 2.9 percent, over last year's adopted budget of $519.6 million. The City's fiscal year is from July 1 to June 30.

The 2022-2025 Financial Plan ("Financial Plan") contains budget actions related to the current ongoing COVID-19 pandemic. The pandemic had a negative impact on City revenue in 2019-20 and 2020-21. It is expected that economic recovery will occur, but the pandemic will continue to impact the City's ability to generate revenue and return to pre-pandemic levels. The City has been awarded $331.4 million through the federal American Rescue Plan ("ARP") Act of 2021 and it is expected that the City will utilize a portion of the funds to address any current year-end deficit as well as supplant revenues that have been negatively impacted by the pandemic over the first three years of the 2022-2025 Financial Plan. In response to the revenue shortfall in 2019-20 and the resulting projected deficit, the City issued an 18-month deficit note in June 2020 in the amount of $25.0 million, due to mature in December 2022. The Administration retired the deficit note early on June 30, 2021 by utilizing $25.3 million in resources that exceeded the original budget including the restoration of New York State Aid and Incentive for Municipalities ("NYS AIM") and sales tax. The negative impact on financial operations is expected to continue throughout the 2021-22 fiscal year as the economy rebounds and consumer confidence returns. The extent and timing of the full recovery is unknown and requires estimation for appropriate fiscal planning and monitoring for adjustments as needed. The guidelines for utilizing the ARP funding was released on May 10, 2021 and the City of Buffalo received the first ARP Act award on June 1, 2021 in the amount of $165.7 million.

This report provides a high-level overview of the components of the City's 2021-22 Adopted Budget and related 2022-2025 Financial Plan and provides additional detail on key changes and differences from the prior year.

2021-22 Adopted Budget Summary

The 2021-22 Adopted Budget ("Adopted Budget") totals $534.6 million. The following schedule provides historical context by providing revenues and expenditures for the fiscal year ended June 30, 2020, the 2020-21 adopted budget, the year-end projection for fiscal year 2020-21, and the adopted budget for fiscal year 2021-22.

	Fiscal Year Ended June 30, 2020 Actual	2020-21 Adopted Budget	2020-21 Year-End Estimate as of March 31, 2021	2021-22 Adopted Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Revenues:						
Revenue	$ 448.3	$ 505.3	$ 491.8	$ 525.4	$ 20.1	$ 33.6
Other Financing Sources:						
Transfers In	10.3	14.3	8.3	9.2	(5.1)	0.9
Other - Deficit Note	25.0	-	-	-	-	-
Total Other Financing Sources	35.3	14.3	8.3	9.2	(5.1)	0.9
Total Revenue & Other Financing Sources	$ 483.6	$ 519.6	$ 500.1	$ 534.6	$ 15.0	$ 34.5
Expenditures:						
Total Departmental Costs	$ 227.4	$ 237.6	$ 231.1	$ 243.9	$ 6.3	$ 12.8
Total General Charges	159.4	181.4	168.4	190.6	9.2	22.2
Other Financing Uses - Transfers Out	100.2	100.6	100.6	100.1	(0.5)	(0.5)
Total Expenditures & Other Financing Uses	$ 487.0	$ 519.6	$ 500.1	$ 534.6	$ 15.0	$ 34.5
Surplus / (Deficit)	$ (3.4)	$ -	$ -	$ -	-	-

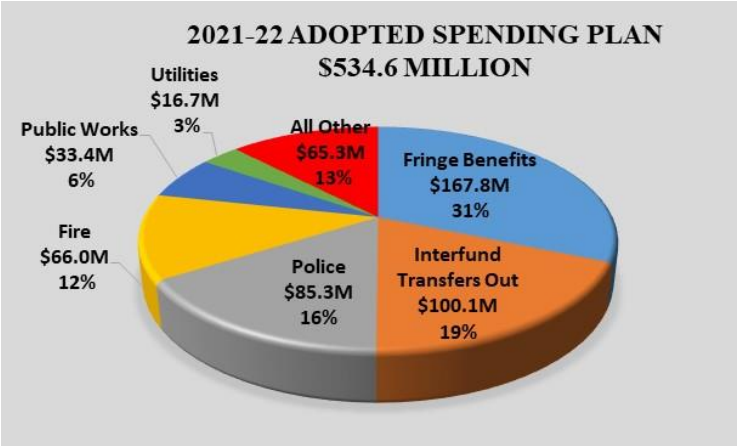
The Adopted Budget totals $534.6 million for both estimated revenues and budgeted appropriations, reflecting an increase of $15.0 million, or 2.9 percent, over the prior year budget. Estimated revenues and budgeted appropriations are $34.5 million, or 6.9 percent, over the current year-end projection of $500.1 million. The City reported a deficit of $3.4 million for fiscal year ended June 30, 2020; as previously noted, the City issued a deficit note in the amount of $25.0M in June 2020 to offset the pandemic-related revenue shortfalls. The City has projected a balanced budget with as much as $11.0 million of federal stimulus being used to close any deficit.

Total budgeted appropriations of $534.6 million includes other financing uses (i.e., transfers out) of $100.1 million. This balance consists of four 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 2021-22 on outstanding debt ($28.9 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 a decrease of $0.5 million and is attributed to a decrease in the transfer to the Debt Service Fund for principal and interest on debt in the amount of $0.5 million.

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 for 2021-22 is held flat at $147.9 million year-to-year, with the City retaining $77.1 million and the balance of $70.8 million being transferred to the District.

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 $434.5 million, compared to $419.0 million in fiscal year ("FY") 2021, and has increased approximately $15.5 million, or 3.7 percent, on a year-to-year basis.

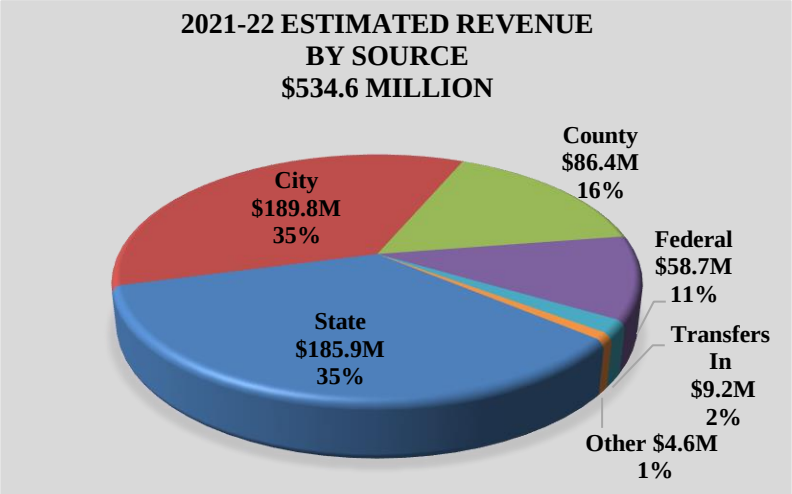
The following chart provides a summary of the budget with respect to categorizing the specific areas of spending:



The largest components of the budget are as follows: fringe benefits (31 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 (19 percent); police department (16 percent); and fire department (12 percent). These four areas combined constitute 78 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 13 percent of expenditures. On a year-to-year basis, the expenditure categories remain relatively stable with departmental costs increasing 2.7 percent and general charges increasing 5.1 percent, driven primarily by fringe benefits.

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

This chart illustrates the main sources of estimated revenue of $534.6 million by summarizing the various revenues according to the originating source. The two largest contributors of revenue to the City is the City itself and the State, each at 35 percent of total estimated revenue, at $189.8 million and $185.9 million, respectively. As a point of reference in the 2020-21 Adopted Budget, City revenue was estimated to be 39 percent of the total budget at $200.6 million and State revenue was budgeted at $160.1 million and represented 31 percent of total revenues. City revenue decreases by $10.8 million from last year's budget and includes taxes (including property taxes), fines, licenses and permits, sale of land/assets, and various other miscellaneous revenue categories. Revenue from the State is budgeted to provide $185.9 million to the City. This represents an increase of $25.7 million, or 16.1 percent from the prior year amount of $160.1 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, traffic violation fines, grants, and program specific funding.

The third largest revenue contributor is Erie County (the "County") at 16 percent, with the most significant revenue source being sales tax, providing for $86.4 million. Total County revenue is estimated to increase $14.6 million, or 20.2 percent, in the 2021-22 Adopted Budget as compared to the prior year amount of $71.9 million, which represents 14 percent of total budgeted revenues in 2020-21.

The fourth largest revenue category is federal revenue budgeted at $58.7 million, or 11 percent of total budgeted revenue, which is a decrease of $9.7 million when compared to FY 2020-21 budgeted amount of $68.4 million which reflected 13 percent of the total prior-year budget. This budget item represents federal stimulus funding.

Transfers in from the Enterprise Funds of $9.2 million, or 2.0 percent of total estimated revenues, includes transfers from the Water Fund ($8.0 million), the Parking Fund ($0.5 million) and the Solid Waste and Recycling Fund ($0.7 million). Transfers in are budgeted to decrease by $5.1 million, or 35.7 percent, over the prior year amount of $14.3 million, which represented 3 percent of total prior-year budgeted revenues.

Other revenue of $4.6 million represents 1 percent of total estimated revenue for fiscal year 2021-22 and represents service charges from other government entities. Other revenue was budgeted at $4.3 million in the prior year budget and also represented 1 percent of total prior-year budgeted revenues.

The next chart demonstrates the main categories of total estimated revenue of $534.6 million.

The largest categories are State AIM, the real property tax levy and the School Tax Relief ("STAR") program revenue, County sales tax and Federal stimulus. State AIM accounts for 30 percent of total estimated revenues, the City's real property tax levy and STAR revenue accounts for 28 percent, sales tax provided by the County accounts for 16 percent and Federal stimulus accounts for 9 percent of total estimated revenues. These four revenue sources compose 83 percent of the City's estimated revenues. Compared to last year, similar revenue sources constituted 79 percent of budgeted revenues, representing an increase of 4 percent when compared to those four revenues in the 2020-21 Adopted Budget. As compared to last year, State AIM as a percentage of total estimated revenue has increased 5 percent, sales tax has increased 2 percent, the property tax levy and STAR category has remained consistent and federal stimulus decreased by 3 percent. The All Other category has decreased 3 percent. The percentage of total budgeted revenues for the Transfers In

category has also decreased, representing 2% of total 2021-22 estimated revenue and 3% in the prior-year.

The Adopted Budget maintains the City's property tax levy, including STAR, at $147.9 million in 2021-22. The City's available property tax margin is $149.6 million, representing an increase from the prior year's available tax margin of $107.9 million of $41.7 million, or 27.9 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 3.8 percent of the tax levy, while 19.5 percent of the tax levy is assessed for the City's debt service. From an operational standpoint, the City utilizes 32.6 percent of the levy while the District uses 44.1 percent. The Adopted Budget utilizes 49.7 percent of the City's constitutional taxing capacity as compared to 57.8 percent utilized last year.

For the year ended June 30, 2020, the City reported a decrease in fund balance of $3.4 million. At June 30, 2020 the balance of the emergency stabilization fund (i.e., "Rainy Day Fund") was $38.1 million, assigned fund balance was $12.7 million and unassigned fund balance was $0. The City issued a deficit note in the amount of $25.0 million in June 2020 in response to an expected deficit for 2019-20 largely related to the financial impact from COVID-19. The deficit exceeded $25.0 million, and the City had to draw upon $3.4 million of the unrestricted fund balance of $50.8 million. A significant reason for the year-end deficit was attributed to the State's withholding of $19.7 million in State AIM payments in June 2020. Those funds were partially restored at 95 percent during the 2020-21 fiscal year, with the remaining 5 percent being restored as part of the State's 2021-22 Adopted Budget. It is noted that a formal Rainy Day Fund policy related to the use of, and subsequent replenishment of these funds, was adopted by the Common Council on June 8, 2021. The City Administration repaid the $25.0 million deficit note including $0.3 million in interest, on June 30, 2021.

Estimated Revenues

The Adopted Budget includes total estimated revenues and other financing sources of $534.6 million, representing an increase of $15.0 million, or 2.9 percent, over the 2020-21 budget. The following schedule summarizes revenue by category and includes actual revenue for the fiscal year ended June 30, 2020, the adopted 2020-21 budget, the year-end projection for fiscal year 2020-21 as of March 31, 2021, and the 2021-22 adopted budget along with year-to-year variances.

	Fiscal Year Ended June 30, 2020 Actual	2020-21 Adopted Budget	2020-21 Year-End Estimate as of March 31, 2021	2021-22 Adopted Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Revenues:						
Taxes	$ 157.4	$ 157.2	$ 156.3	$ 156.8	$ (0.4)	$ 0.5
Non-Property Taxes	12.6	11.6	11.6	12.2	0.6	0.6
Licenses and Permits	5.2	5.4	5.0	5.3	(0.1)	0.3
Intergovernmental	234.3	285.3	275.4	314.2	28.9	38.8
Service Charges	14.3	15.3	12.4	13.6	(1.7)	1.2
Fines	8.8	15.5	9.3	6.3	(9.2)	(3.0)
Interest	1.5	1.0	0.0	0.1	(0.9)	0.1
Miscellaneous	14.2	14.0	10.8	16.9	2.9	6.1
Total Revenues	**448.3**	**505.3**	**480.8**	**525.4**	**20.1**	**44.6**
Resources:						
Other Financing Sources	25.0	-	-	-	-	-
Transfers In	10.3	14.3	8.3	9.2	(5.1)	0.9
Total Other Resources	**35.3**	**14.3**	**8.3**	**9.2**	**(5.1)**	**0.9**
Total Revenue & Resources	**$ 483.6**	**$ 519.6**	**$ 489.1**	**$ 534.6**	**$ 15.0**	**$ 45.5**

Revenues, excluding transfers in, are budgeted to increase $20.1 million, or 4.0 percent, and transfers in are projected to decrease by $5.1 million, or 35.7 percent, for an increase of $15.0 million, or 2.9 percent, year-to-year. Total revenue in 2019-20 was $483.6 million consisting of $448.3 million of departmental revenue, $25.0 million from the issuance of a deficit note, and $10.3 million from transfers in. Significant fluctuations noted in the revenue categories, as demonstrated in the table above, are discussed in further detail below as part of the 2022-2025 Financial Plan discussion.

The following schedule is a summary by major revenue category of total projected revenue over the 2022-2025 Financial Plan. Total revenues over the Financial Plan are estimated to increase $13.45 million, or 2.5 percent, from $534.6 million to $548.0 million. Total projected revenue increases $1.6 (0.3 percent) in 2022-23 and increases $4.8 million (0.9 percent) and $7.0 million (1.3 percent) in 2023-24 and 2024-25, respectively.

	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection	2024-25 Projection	Four-Year Increase/(Decrease)	
REVENUES	Financial Plan				$	%
Taxes	$ 156,786,032	$ 159,632,373	$ 162,535,895	$ 165,797,488	$ 9,011,456	5.7%
Non Property Taxes	12,201,000	12,201,000	12,201,000	12,201,000	-	0.0%
Licenses and Permits	5,283,464	5,336,299	5,389,666	5,416,617	133,153	2.5%
Intergovernmental	314,246,991	304,985,773	304,631,703	278,169,210	(36,077,781)	-11.5%
Service Charges	13,597,035	14,860,743	15,242,800	15,876,565	2,279,530	16.8%
Fines	6,315,750	7,825,950	8,836,204	9,846,512	3,530,762	55.9%
Interest	100,000	500,000	1,000,000	1,000,000	900,000	900.0%
Miscellaneous	16,883,038	18,766,197	16,678,748	43,952,887	27,069,849	160.3%
Subtotal	**525,413,310**	**524,108,335**	**526,516,016**	**532,260,279**	**6,846,969**	**1.3%**
Transfers In	9,164,084	12,063,634	14,483,162	15,767,657	6,603,573	72.1%
TOTAL	**$ 534,577,394**	**$ 536,171,969**	**$ 540,999,178**	**$ 548,027,936**	**$ 13,450,542**	**2.5%**

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

Taxes – Taxes consist of the real property tax levy, mortgage tax, the School Tax Relief ("STAR") program, payment-in-lieu-of-taxes ("PILOTs") and interest and penalties. On a year-to-year basis taxes are decreasing by $0.4 million, or 0.3 percent, from $157.2 million in 2020-21 to $156.8 million in the 2021-22 Adopted Budget. Revenue for the Taxes category over the Financial Plan is estimated to increase $9.0 million, or 5.7 percent, from $156.8 million to $165.8 million. Taxes represent 29.3 percent of total revenues in fiscal year 2021-22 and increase to 30.3 percent by 2024-25.

	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection	2024-25 Projection	Four-Year Increase/(Decrease)	
Taxes		Financial Plan				$	%
Real Property Tax	$ 139,971,280	$ 142,329,536	$ 145,176,127	$ 148,079,649	$ 151,041,242	$ 8,711,706	6.1%
STAR	7,893,720	5,535,464	5,535,464	5,535,464	5,535,464	-	0.0%
Mortgage Tax	3,900,000	3,900,000	3,900,000	3,900,000	4,200,000	300,000	7.7%
PILOTs	3,223,897	2,818,532	2,818,532	2,818,532	2,818,532	-	0.0%
All Other Taxes	2,202,000	2,202,500	2,202,250	2,202,250	2,202,250	(250)	0.0%
Total Taxes	**157,190,897**	**156,786,032**	**159,632,373**	**162,535,895**	**165,797,488**	**9,011,456**	**5.7%**

The reduction of Taxes by $0.4 million, or 0.3 percent, between 2020-21 and 2021-22 is attributed to a decrease of $2.4 million in the STAR program and $0.4 million for PILOTs. The reduction of $2.8 million is offset by an increase of $2.4 million in real property tax revenue.

The City completed a full reassessment of City property values in fiscal year 2018 and the revised assessments were effective beginning with the 2020-21 budget. The maximum constitutional taxing power increased from $255.8 million in 2020-21 to $297.5 million, an increase of $41.7 million, or 16.3 percent while the available tax levying margin increased from $107.9 million to

$149.6 million. The City maintained the real property tax levy at $147.9 million year-to-year; this amount includes both the real property tax and the STAR program combined. The City is currently utilizing 49.7 percent of the total available taxing levy. The homestead rate has decreased slightly from $9.99 per $1,000 of assessed value in 2020-21 to $9.88 in the 2021-22 Adopted Budget. The non-homestead rate was $16.75 per $1,000 of assessed value in 2020-21 and is increased to $17.21 per $1,000 of assessed valuation.

Taxes increase from $156.8 million in 2021-22 to $165.8 million in 2024-25, an increase of $9.0 million, or 5.7 percent. The increase is attributed to an annual increase of real property taxes and the corresponding increase to the tax levy, which is budgeted to increase by $8.7 million over the Financial Plan. A 2 percent increase is annually projected in the tax levy.

The remaining tax revenues are held relatively flat over the Financial Plan and include the STAR program at $5.5 million annually, mortgage tax at $3.9 million in years 1-3 with an increase of $0.3 million to $4.2 million in FY 2024-25 and PILOTs at $2.8 million annually.

Intergovernmental – Intergovernmental revenue consists of New York State (the "State") Aid and Incentive for Municipalities ("AIM"), sales tax, Tribal State Compact ("TSC") revenues, or casino revenue and federal aid. This revenue category decreases annually over the course of the Financial Plan, decreasing by $9.3 million (2.9 percent) in 2022-23, decreasing by $0.4 million (0.1 percent) in 2023-24, and decreasing further by an additional $26.5 million (8.7%) in 2024-25. Intergovernmental revenues represent 58.8 percent of total revenue in fiscal year 2021-22 and decreases to 50.8 percent of the budget by fiscal year 2024-25.

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

	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection	2024-25 Projection	Four-Year Increase/(Decrease)	
Intergovernmental		**Financial Plan**				**$**	**%**
State AIM	$ 129,028,186	$ 161,285,233	$ 161,285,233	$161,285,233	$161,285,233	$ -	0.0%
Sales Tax	71,440,000	86,454,865	88,183,962	90,388,561	92,196,332	5,741,467	6.6%
TSC - Casino Revenue	11,000,000	11,000,000	26,055,000	30,000,000	15,000,000	4,000,000	36.4%
Federal Stimulus	65,082,569	50,430,000	22,733,110	14,400,000	-	(50,430,000)	-100.0%
Marijuana Tax	-	-	-	1,600,000	2,600,000	2,600,000	-
All Other	8,728,213	5,076,893	6,728,468	6,957,909	7,087,645	2,010,753	39.6%
Total Intergovernmental	**285,278,968**	**314,246,991**	**304,985,773**	**304,631,703**	**278,169,210**	**(36,077,780)**	**-11.5%**

The City budgeted $285.3 million in intergovernmental revenue in 2020-21 and budgeted an increase of $29.0 million, or 10.2 percent, to $314.2 million in 2021-22. Both State AIM and sales tax had been reduced to reflect the estimated financial impact from the COVID-19 pandemic in FY 2020-21; however, both sales tax and AIM have been received at higher amounts than what was budgeted for the current fiscal year. Sales tax collections were more robust then initially expected, exceeding budget by approximately $14.0 million, and State AIM was restored to $161.3 million, an increase of $32.3 million when compared to the $129.0 million that was budgeted. The

Financial Plan includes $50.4 million of federal stimulus in FY 2021-22, decreasing to $22.7 million in FY 2022-23, further reduced to $14.4 million in FY 2023-24, for a total of $87.6 million over the first three-years of the Financial Plan. The federal stimulus is partially to address revenue shortfalls due to the COVID-19 pandemic.

The City budgeted State AIM in the amount of $161.3 million in each year of the Financial Plan which is consistent with the State's budget and financial plan. In FY 2020-21 the City had reduced State AIM by $32.3 million to $129.0 million for potential reductions to State AIM. Subsequently, the State has restored the $32.3 million that was reduced in the 2020-21 fiscal year with the adoption of the State's 2021-22 Adopted Budget in April 2021, as well as restored the amount that was withheld in June 2020.

NYS AIM was reduced by the State in fiscal year 2012 and has been held flat at $161.3 million since then. The City did not receive the full appropriation of $161.3 million for fiscal year 2019-20 as the State withheld 20 percent, or $19.7 million, of the scheduled NYS AIM payment for June 2020, which has since been restored.

The TSC casino revenue is included in each year of the Financial Plan increasing from $11.0 million in year one to $26.1 million in year two, $30.0 million in year three and then reduced to $15.0 million in the fourth year of the Financial Plan. The City included the outstanding balance of casino revenue due to the City in years two and three of the Financial Plan, which is estimated at $30.1 million in total. The Seneca Gaming Corporation has not remitted casino revenue to the State since December 2016. The timing of receipt of these funds is unknown as the dispute between the State and the Seneca Gaming Corporation continues. It is noted that the current extension of the Compact is set to expire in 2023, so any revenue estimates beyond 2023 may be speculative, depending on negotiations between the Seneca Gaming Corporation and the State and if an agreement is reached to continue the current payment schedule.

Sales Tax is estimated to increase by $5.7 million, or 6.6 percent, increasing from $86.5 million to $92.9 million over the Financial Plan. The City had reduced estimated sales tax receipts to $71.4 million in FY 2020-21 as the economic impact of the COVID-19 Pandemic was unknown. Current year-end estimates for FY 2020-21 are projecting sales tax to be $85.4 million, a favorable variance of $14.0 million in the current fiscal year. Sales tax is budgeted at $86.5 million in the Adopted Budget, increasing 2.0 percent to $88.2 million in FY 2022-23, increasing 2.5 percent to $90.4 million in FY 2023-24, and increasing an additional 2.0 percent to $92.2 million in the fourth year of the Financial Plan.

A new intergovernmental revenue source included in the Financial Plan is the marijuana tax. The City included $1.6 and $2.6 million respectively in years 3 and 4 of the Financial Plan. This is a new revenue source. All other intergovernmental revenue is increasing from $5.1 million to $7.1 million, an increase of $2.0 million, or 39.6 percent.

Over the course of the Financial Plan intergovernmental revenue decreases from $314.2 million to $278.2 million, a decrease of $36.1 million or 11.5 percent.

Fines – The Fines category includes parking tags fines and penalties, traffic violations fines, court fines and several other fines. Over the Financial Plan, Fines increase $3.5 million, or 55.9 percent, from $6.3 million in 2021-22 to $9.8 million in 2024-25. Fines represent 1.2 to 1.8 percent of total revenues over the Financial Plan.

	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection	2024-25 Projection	Four-Year Increase/(Decrease)	
Fines		**Financial Plan**				**$**	**%**
Parking Tags Fines & Penalties	$ 7,900,000	$ 3,500,000	$ 5,000,000	$ 6,000,000	$ 7,000,000	$ 3,500,000	100.0%
Traffic Violations Fines	4,500,000	2,000,000	2,010,000	2,020,050	2,030,150	30,150	1.5%
School Zone Cameras	2,300,000	-	-	-	-	-	-
Court Fines	275,000	250,000	250,000	250,000	250,000	-	0.0%
All Other Fines	506,925	565,750	565,950	566,154	566,154	404	0.1%
Total Fines	**15,481,925**	**6,315,750**	**7,825,950**	**8,836,204**	**9,846,512**	**3,530,762**	**55.9%**

Fines represent approximately 1.2 percent of budgeted revenue in 2021-22 and are decreasing $9.2 million, or 59.2 percent, to $6.3 million from the 2020-21 budget amount of $15.5 million. The year-to-year decrease is attributed to the COVID-19 Pandemic and the expected decrease in the number of tickets being issued and fines being levied, and to the expected termination of the school zone camera program. Year-to-year significant reductions include $4.4 million in parking tag fines and penalties, $2.5 million in fines for traffic violations, and $2.3 million for school zone camera fines. The Administration did not include revenue estimates for school zone camera fines in the budget at this time; this program has been contested by Common Council with the program scheduled to end altogether by September 2021.

Over the Financial Plan, Fines are increasing from $6.3 million to $9.8 million, an increase of $3.5 million, or 55.9 percent. The increase is directly attributed to the assumption that parking tags fines and penalties will slowly recuperate from the impact of the pandemic, although such amounts are not estimated at pre-pandemic levels over this Financial Plan. All other fines are consistent over the Financial Plan.

Miscellaneous – Miscellaneous revenue includes grant reimbursements, sale of land, property and other capital assets, settlements of legal claims, and a myriad of other revenue sources. The Miscellaneous revenue category fluctuates annually over the Financial Plan and represents 3.2 percent of total budgeted revenues in 2021-22, 3.5 percent in 2022-23, 3.1 percent in 2023-24, and 8.0 percent in 2024-25.

	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection	2024-25 Projection	Four-Year Increase/(Decrease)	
Miscellaneous		Financial Plan				$	%
Grant Reimbursement	$ 4,510,595	$ 4,939,498	$ 3,939,498	$ 4,018,288	$ 4,698,616	$ (240,882)	-4.9%
Sale of Capital Assets	3,515,000	5,500,000	3,850,000	5,511,100	32,000,000	26,500,000	481.8%
Settlement of Legal Claims	300,000	350,000	4,557,000	375,000	382,500	32,500	9.3%
All Other Misc.	5,681,287	6,093,540	6,419,699	6,774,360	6,871,771	778,231	12.8%
Total Miscellaneous	**14,006,882**	**16,883,038**	**18,766,197**	**16,678,748**	**43,952,887**	**27,069,849**	**160.3%**

On a year-to-year basis estimated Miscellaneous revenues are increasing by $2.9 million or 20.5 percent. Significant revenues include grant reimbursements which are budgeted at $4.9 million in 2021-22, decreasing to $3.9 million in 2022-23, increasing to $4.0 million and $4.7 million in 2023-34 and 2024-25, respectively. Grants included over the Financial Plan include the Staffing for Adequate Fire & Emergency Response ("SAFER") grant that was awarded to the City. The initial SAFER grant was in the amount of $9.0 million over three-years. The City utilized $1.2 million in 2019-20, $3.0 million in fiscal year 2020-21, and budgeted $3.0 million in fiscal year 2021- 2022, with the balance of $1.8 million projected for 2023-2024. In addition to the SAFER grant, the City has received notice that it has been awarded an additional $1.0 million annually in fiscal years 2023 and 2024 for personal safety/protection equipment for the fire department. There is also approximately $1.0 million in grants included for the police department in each year of the Financial Plan, as well as $600,000 in Entitlement Funds. The grants included in the Financial Plan have been awarded to the City of Buffalo for the specified purposes.

The sale of capital assets over the Financial Plan is primarily driven by the City's In Rem tax foreclosure sales and are estimated to be $3.5 million annually. Sale of capital assets in 2021-22 is budgeted at $5.5 million and includes $3.5 million for In Rem tax foreclosure sales and an additional $2.0 million for the sale of two closed schools. The $3.9 million budgeted in 2022-23 includes $3.5 million of In Rem sales and $350,000 for the sale of other City-owned properties. In 2023-24 the City is estimating $5.5 million in sales of capital assets revenue including $3.5 million for In Rem sales and an additional $2.0 million for various City owned properties for development. Sale of Capital assets in 2024-25 are estimated to be $32.0 million and includes $3.5 million for In Rem sales, and the balance of $29.1 million attributed to the sale of a City owned parking ramps as well as several other City-owned properties.

In 2021-22 a total of $16.9 million is budgeted and is projected to increase by $1.9 million, or 11.1 percent, to $18.8 million in 2022-23. Significant fluctuations include a decrease in projected grant revenue of $1.0 offset by a one-time legal settlement attributed to the City being a party in class action litigation against various pharmaceutical companies in regard to the opioid crisis. In 2023-24, miscellaneous revenues decrease by $2.1 million, or 11.1 percent, to $16.7 million. Significant fluctuations include a projection of $2.0 million in additional one-time revenue for the sale of multiple properties, offset by a decrease in settlements from legal claims as the opioid settlement in the prior year is a one-time revenue source. In 2024-25, Miscellaneous revenue is projected to increase substantially to $44.0 million and represents 8.0 percent of total projected revenues. This is an increase of $27.3 million, or 163.5 percent, over the prior year. The City has projected for 2024-25 for the sale of two parking ramps and several additional properties for development purposes for $29.1 million. As demonstrated in recent years it is difficult to accurately predict

from a revenue timing perspective when a marketed property will be sold and closed on, and it is noted that the valuation provided for the parking ramps is the City's internal estimate and is at the higher end of the range.

All Other Remaining Revenue Categories – The following schedule includes the remaining revenue categories including non-property taxes, licenses and permits, service charges and earned interest. There are minimal variances in these revenue lines in the Financial Plan and in total those revenues comprise $31.2 to $34.5 million annually and comprise approximately 5.8-6.3 percent of total projected revenue over the course of the Financial Plan.

	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection	2024-25 Projection	Four-Year Increase/(Decrease)	
Remaining Revenues		Financial Plan				$	%
Service Charges	$ 15,243,848	$ 13,597,035	$ 14,860,743	$ 15,242,800	$ 15,876,565	$ 2,279,530	16.8%
Non-property Taxes	11,630,000	12,201,000	12,201,000	12,201,000	12,201,000	-	0.0%
Licenses & Permits	5,434,464	5,283,464	5,336,299	5,389,666	5,416,617	133,153	2.5%
Interest	1,000,000	100,000	500,000	1,000,000	1,000,000	900,000	900.0%
Total	**33,308,312**	**31,181,499**	**32,898,042**	**33,833,466**	**34,494,182**	**3,312,683**	**10.6%**

On a year-to-year basis Service Charges are decreasing from $15.2 million in 2020-21 to $13.6 million in 2021-22, a reduction of $1.6 million, or 10.8 percent. Of this amount, a decrease of $1.4 million is attributed to the parking meter fees. Over the Financial Plan the City has increased parking meter fees from $2.1 million in 2021-22 to $4.0 million in 2024-25; the assumption is that more people will be utilizing on street parking once again as the pandemic tapers down.

All other service fees are increasing by $0.3 million over the Financial Plan, due to built in cost escalators for various building permits and fees.

Non-property taxes represent 2.3 percent of total revenues and are increased by $0.6 million from $11.6 million in 2020-21, to $12.2 million. Non-property taxes are held flat at $12.2 million across the Financial Plan. This revenue stream is comprised of class I utility taxes of $8.5 million, cable franchise tax of $2.9 million and the foreign fire insurance tax of $0.8 million. These amounts are budgeted consistent to prior years and there is no variance in these revenues over the Financial Plan.

Licenses and permits are decreasing by $150,000, or 2.8 percent, from $5.4 million to $5.3 million, compared to the 2020-21 Adopted Budget. Permits represent 1.0 percent of total revenue across the Financial Plan. They are projected to increase $0.1 million, or 2.5 percent over the Financial Plan.

Earned Interest income is budgeted to decrease by $0.9 million from $1.0 million in 2020-21 to $0.1 million in 2021-22. Interest income is budgeted to increase to $0.5 million in 2022-23 and then to $1.0 million in the last two-years of the Financial Plan.

Operating Transfers In – Operating Transfers In include transfers from three of the City's enterprise funds including the water fund, parking enterprise fund and the solid waste and recycling fund. Operating Transfers In decrease $5.1 million from $14.3 million in 2020-21 to

$9.2 million in 2021-22 due to a decrease of $5.5 million from the parking fund, which is offset by an increase of $0.4 million from the water fund. The budgeted decrease in the parking fund transfer for 2021-22 is reflective of the decrease in parking revenue during the COVID pandemic as fewer people are not utilizing parking at the City-owned ramps. The City budgeted $6.0 million in 2020-21 and is now projecting $0 by year-end. It is expected to take a few years before utilization and revenues from the City parking ramps are back to pre-pandemic levels. Over the Financial Plan, Transfers In increase from $9.2 million in fiscal year 2021-22 to $15.8 million in 2024-25, an increase of $6.6 million, or 72.1 percent. Transfers from the water fund are estimated to increase by $1.1 million, or 13.6 percent, and transfers from the parking fund are estimated to increase $5.5 million from $0.5 million to $6.0 million. The increase of $5.5 million for the parking fund transfer is based on the assumption that utilization of parking ramps will return to pre-pandemic levels by the fourth year of the Financial Plan. The transfer from the solid waste fund is flat over the Financial Plan, increasing by $20,000, or 3 percent. Transfers In represent 1.7 to 2.9 percent of total revenue over the Financial Plan.

	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection	2024-25 Projection	Four-Year Increase/(Decrease)	
Transfers In		**Financial Plan**				**$**	**%**
Water Board	$ 7,610,482	$ 7,991,006	$ 8,390,556	$ 8,810,084	$ 9,074,387	$ 1,083,381	13.6%
Parking Fund	6,000,000	500,000	3,000,000	5,000,000	6,000,000	5,500,000	1100.0%
Solid Waste Fund	673,078	673,078	673,078	673,078	693,270	20,192	3.0%
Total Transfers In	**14,283,560**	**9,164,084**	**12,063,634**	**14,483,162**	**15,767,657**	**6,603,573**	**72.1%**

Summary of Uncertain Revenues and Non-Recurring Revenues

The following schedule summarizes uncertain revenues over the 2022-2025 Financial Plan. Total uncertain revenue over the four-year Financial Plan totals $119.0 million. Uncertain revenues include the TSC casino revenue payments that total $82.1 million over the four years of the plan; the timing of receipt is unclear as this matter continues to be litigated. Further complicating this manner is the recent letter from the U.S. Department of the Interior stating that it would review the terms of the agreement's extension. A total of $4.2 million in marijuana tax revenue has been projected impacting the last two years of the Financial Plan; this is a new revenue source with no history of collections at this time. Additionally, the City has included one-time revenues for the sale of City-owned properties and assets annually, totaling $32.8 million over the four years; the City has provided documentation for internal estimates to support the revenue projections and it is noted that the projections used for the Financial Plan are at the high end of the range. The non-receipt of these revenues, or the non-receipt at the level projected, will place pressure on the Financial Plan as there is no unassigned fund balance available at the beginning of the plan and limited unrestricted fund balance is available. Additionally, there is no provision in the Financial Plan to replenish reserves. As of June 30, 2020, $50.8 million in unrestricted fund balance was reported consisting of $38.1 million in the emergency stabilization fund (i.e., the Rainy Day Fund) and $12.7 million in assigned fund balance.

	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection	2024-25 Projection	Four-Year Total
Timing Related Uncertain Revenues		**Financial Plan**			
TSC - Casino Revenue	$ 11,000,000	$ 26,055,000	$ 30,000,000	$ 15,000,000	$ 93,055,000
Marijuana Tax	-	-	1,600,000	2,600,000	4,200,000
Sale of Capital Assets	2,000,000	350,000	2,011,100	28,400,000	36,261,100
Total	**$ 13,000,000**	**$ 26,405,000**	**$ 33,611,100**	**$ 46,000,000**	**$133,516,100**

The following schedule summarizes nonrecurring, one-time revenues included in the 2022-2025 Financial Plan. Such revenues total $154.9 million over the Financial Plan. The use of one-time revenues from the federal American Rescue Plan Act of $87.6 million is to support lost revenues and is consistent with its purpose and therefore reasonable. The use of the remaining nonrecurring revenue sources of $67.4 million represents a structural imbalance. It is recommended that that one-time revenue sources not be used to support recurring expenditures.

	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection	2024-25 Projection	Four-Year Total
One-time Revenues		**Financial Plan**			
Federal Rescue Funds	$ 50,430,000	$ 22,733,110	$ 14,400,000	$ -	$ 87,563,110
Sale of Capital Assets	2,000,000	350,000	2,011,100	28,400,000	32,761,100
Settlement of Legal Claims	-	4,557,000	-	-	4,557,000
TSC - Casino Revenue	-	15,055,000	15,000,000	-	30,055,000
Total	**$ 52,430,000**	**$ 42,695,110**	**$ 31,411,100**	**$ 28,400,000**	**$ 154,936,210**

Expenditures

The City's adopted budget totals $534.6 million in total General Fund expenditures. The following table identifies expenditures by department and various general charges that are budgeted centrally for the City, such as utilities and fringe benefits.

	Fiscal Year Ended June 30, 2020 Actual	2020-21 Adopted Budget	2020-21 Year-End Estimate as of March 31, 2021	2021-22 Adopted Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) Over Year-End Estimate
	($ in millions)					
Departments						
Common Council	$ 2.5	$ 2.8	$ 2.7	$ 3.1	$ 0.3	$ 0.4
City Clerk	2.7	2.8	2.5	4.2	1.4	1.7
Mayor & Executive	5.0	5.7	5.5	6.3	0.6	0.8
Audit & Control	2.8	3.9	3.4	4.0	0.1	0.6
Law	2.7	3.1	3.0	3.5	0.4	0.5
Assessment	2.3	2.5	2.3	2.6	0.1	0.3
MIS	4.6	5.8	5.7	6.3	0.5	0.6
Administration & Finance	8.1	12.4	9.4	10.3	(2.1)	0.9
Parking	2.9	3.4	3.1	3.2	(0.2)	0.1
Police	86.1	86.1	84.3	85.3	(0.8)	1.0
Fire	63.6	63.1	67.5	66.0	2.9	(1.5)
Human Resources	4.5	5.1	4.2	5.6	0.5	1.4
Public Works	29.4	30.7	28.0	33.4	2.7	5.4
Community Services	4.4	4.4	3.9	4.3	(0.1)	0.4
Permits & Inspections	5.8	5.8	5.6	5.8	-	0.2
TOTAL DEPARTMENTS	**227.4**	**237.6**	**231.1**	**243.9**	**6.3**	**12.8**
GENERAL CHARGES						
Grants In Aid	0.2	0.3	0.3	0.5	0.2	0.2
Utilities	14.0	16.6	15.6	16.7	0.1	1.1
Services	1.2	1.4	1.4	1.4	-	-
Other	8.1	2.7	2.2	4.2	1.5	2.0
Fringe Personal Services	5.6	6.0	7.4	6.1	0.1	(1.3)
Fringe Benefits:						
Active Employee Health Insurance	39.2	39.0	41.2	44.3	5.3	3.1
Retiree Health Insurance	31.9	45.7	34.6	40.9	(4.8)	6.3
FICA & Medicare Payroll Taxes	14.1	14.3	14.3	14.3	-	-
Employment Retirement System	8.0	10.3	8.8	11.3	1.0	2.5
Police & Fire Retirement System	29.3	31.8	31.2	37.0	5.2	5.8
All Other Fringe Benefits	7.7	13.1	11.3	13.8	0.7	2.5
Debt Service	0.1	0.2	0.1	0.1	(0.1)	-
Subtotal General Charges	**159.4**	**181.4**	**168.4**	**190.6**	**9.2**	**22.2**
Transfers Out - Education	70.8	70.8	70.8	70.8	-	-
Transfers Out - Other	29.4	29.8	29.8	29.3	(0.5)	(0.5)
Subtotal Transfers Out	**100.2**	**100.6**	**100.6**	**100.1**	(0.5)	**(0.5)**
TOTAL GENERAL CHARGES AND TRANSFERS OUT	**259.6**	**282.0**	**269.0**	**290.7**	**8.7**	**21.7**
TOTAL BUDGET	**$ 487.0**	**$ 519.6**	**$ 500.1**	**$ 534.6**	**$ 15.0**	**$ 34.5**

The 2021-22 Adopted Budget increases appropriations by $34.5 million when compared to the third quarter year-end estimate for 2020-21 of $500.1 million; departmental costs are increasing by $12.8 million, general charges are increasing $22.2 million and transfers out are decreasing $0.5 million.

On a budget-to-budget basis, the Adopted Budget amount of $534.6 million is an increase of $15.0 million compared to the 2020-21 adopted budget amount of $519.6 million. Departmental expenditures are budgeted to increase $6.3 million, or 2.7 percent; departmental increases are primarily attributed to personal service costs, service contracts and capital outlay. General charges are increasing $9.2 million, or 5.1 percent, and transfers out are decreasing $0.5 million, or 0.5 percent.

Departmental Costs

At the departmental level, total budgeted appropriations are $243.9 million, an increase of $6.3 million over last year's adopted budget of $237.6 million, representing an increase of 2.7 percent. Total actual departmental spending for 2019-20 was $227.4 million; the adopted 2021-22 budget amount of $243.9 million reflects an increase of $16.5 million, or 7.3 percent. Of the increase in departmental costs of $16.5 million, increases in personal service costs represents $9.3 million, or 56.4 percent, of the increase. Supplies are increasing $1.8 million, representing 10.9 percent, of the increase. Services are increasing $4.7 million, or 28.5 percent of the increase, and capital outlay is increasing $0.4 million, or 2.4 percent of the increase. All other expenditures are increasing by $0.3 million.

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. Currently there are three contracts that are settled through the end of 2021-22, including Local 282 (firefighters), Local 650 (white-collar), and Local 264T (pipe caulkers). The remaining five collective bargaining groups are all out contract at this time with two having expired on June 30, 2019 including the Police Benevolent Association (police officers) and Local 264 (blue-collar), and the contract with the Crossing Guards expired August 31, 2019. Two CBAs expired on June 30, 2020, including Local 2651 (building inspectors) and Local 17 (operating engineers).

The City has incorporated various management tools into the CBA's to improve efficiencies and to control expenditures. Some examples of these management tools have included 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. It is noted that the residency requirement for police officers lapsed when the CBA with the PBA expired on June 30, 2019; a sunset provision was negotiated that allowed for the residency requirement to lapse in absence of a new CBA. In addition, all contracts have moved beyond the previously typical five step salary schedule before an employee reaches the 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.

The police department on a year-to-year basis is decreasing by $0.8 million, or 0.9 percent, in 2021-22 for a total departmental cost of $85.3 million. The decrease in the police department is attributed to the increased number of patrol officers at lower steps compared to the positions that were included in the 2020-21 Adopted Budget. The City has experienced attrition in the police department and had over 70 vacancies in the department during 2020-21. The fire department is increasing by $2.9 million, or 4.6 percent, for a total departmental cost of $66.0 million; this increase is related to the negotiated 4.0 percent salary increase for Local 282 representing the firefighters. Police expenditures total 16.0 percent of the total budget of $534.6 million, and the fire department expenditures total 12.3 percent of total expenditures. On a combined basis both departments total $151.3 million, or 28.3 percent, of total budgeted expenditures for the City in 2021-22. The Police Benevolent Association, (the "PBA") has been out of contract since June 30, 2019. The firefighter's union, Local 282, is currently under contract through June 30, 2025.

Budgeted appropriations in the city clerk's office are increasing $1.4 million, or 50 percent and is attributed to an increase of funds for Common Council specific initiatives. Budgeted appropriations in the public works department are increasing by $2.7 million, or 9.1 percent, and is attributed to increased costs associated with contractual services of $1.5 million, personnel costs of $0.7 million, and capital outlay of $0.5 million. There are multiple service contracts that are increasing year-to-year including custodial service contracts and road/asphalt contracts. Administration and finance is decreasing by $2.1 million on a year-to-year basis, due to a budgeted $2.4 million decrease for the purchase of supplies. The decrease in supplies is directly related to the COVID pandemic and the amount of supplies budgeted for in the current fiscal year being reduced from $8.2 million to $5.8 million. The decrease in supplies is offset by increases in personnel costs of $0.3 million.

The remaining 10 departments are budgeted to increase by $2.2 million, or 0.9 percent. There are no other significant departmental variances noted.

General Charges

The City's general charges, excluding transfers out, are budgeted to increase $9.2 million, or 5.1 percent year-to-year. Fringe benefits are increasing by $7.4 million, or 4.8 percent, and all other general charges are increasing by $1.8 million, or 6.6 percent on a net basis. In regard to fringe benefits the largest cost escalator is the active employee health insurance, which is budgeted to increase $5.3 million, or 13.6 percent, in 2021-22. The year end-estimate for FY 2021 is $41.2 million, which is an unfavorable variance of $2.2 million when compared to the adopted budget amount of $39.0 million. The increase from the current year-end projection of $41.2 million to the Adopted Budget amount of $44.3 million is $3.1 million, or 7.5 percent. The City was conservative in the estimate for the Adopted Budget, as current year actual results have been trending higher than budgeted.

Retiree health insurance is projected to decrease $4.8 million, pension contributions for police and fire are projected to increase by $5.2 million and pension contributions to the employee retirement system are projected to increase $1.0 million. Employer payroll taxes and the salary adjustment line are held flat year-to-year at $14.3 million and $4.9 million respectively.

The remaining general charges are budgeted to increase by $1.8 million on a net basis. The Other General Charges category is increasing by $1.5 million and is attributed to anticipated prior-year legal settlements. Grants in aid are increasing from $0.3 million to $0.5 million, an increase of $0.2 million. Both duty-disability payments and utilities are being increased by $0.1 million, and debt service is budgeted to decrease by $0.1 million.

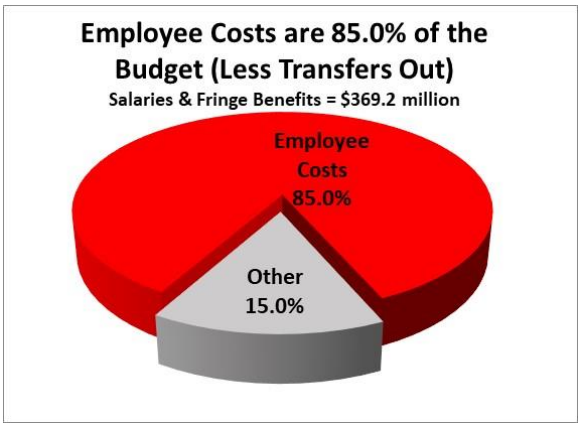
Transfers Out are budgeted to decrease by $0.5 million to $100.1 million, which is attributed to the decrease for the transfer to the capital debt service fund of $0.5 million. There are three components to Transfers Out including $28.8 million for capital debt service fund, $70.8 million for the transfer to the Buffalo City School District, and $0.4 million for the capital projects fund. Both the transfer to the District and capital projects fund are maintained at previous year levels.

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 85.0 percent of the City's General Fund budgeted appropriations exclusive of transfers. The City's historic employee-related costs average between 84-87% of total operational costs annually. The 2021-22 Adopted Budget includes $369.2 million in direct salary and fringe benefit costs, which are in total increasing by $12.6 million, or 3.5 percent, over the amount budgeted in 2020-21 of $356.6 million. The increase is reflective of several items leading to the overall net increase. As previously discussed, the budget for the fire department's personal service costs are increasing on a year-to-year basis by $2.9 million. Additionally, active employee health insurance is increasing $5.3 million and budgeted pension expenditures are increasing by $6.2 million due to increased pension rates and filling of budgeted positions in the fire and police departments. These increases are offset by decreases totaling $1.8 million 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 increased at 2.8 percent, or $5.6 million from the 2020-21 budget amount of $202.8 million, for a total of $208.4 million in the 2021-22 Adopted Budget. The City has included increases in the departments that have employees under contract. The increases average 2.0 percent annually, except for the fire department which increases by 4.0 percent annually based on contractually-based salary increases.

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 nine full-time equivalent positions ("FTEs") as compared to the 2021 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 $1.1 million (1.3 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 increase by $0.5 million, seasonal salary is budgeted to increase $0.3 million, court time is budgeted to decrease $1.3 million and overtime is reduced by $0.5 million in total.

The annual salary increases are reflective of patrol officers moving up the annual step schedule, as well as white-collar employees receiving their negotiated salary increase. Court time is budgeted to decrease by $1.3 million, and this attributed to less arrests being made and subsequently requiring the officer to attend court hearings. All other salary lines within the police department are decreasing by $109,600 on a net basis. The labor contract with police officers expired on June 30, 2019 and current negotiations are before a mediator.

The City has approximately fifty police recruits that began their academy training in January 2020 which was paused due to the COVID-19 pandemic. The recruits resumed their academy training in October and are expected to complete their training by the end of the fourth quarter of the current fiscal year. The City intends to begin the next police recruit class of 20 in August 2021 with a second class tentatively slated for January 2022, but the details of those classes have not been finalized at this time. The number of recruits would be dependent on the number of available slots through the Erie Community College academy program.

The City has budgeted $9.5 million for police department overtime for 2021-22. Overtime was budgeted at $10.0 million for the 2020-21 fiscal year and is projected to be consistent with the budget. Overtime was initially projecting to be over budget for 2020-21 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 fire department's budgeted personal service costs, including both firefighters and the civilian workforce, is budgeted at $63.9 million, which is increasing by $2.9 million. The fire department currently has twenty-seven vacant positions as of March 31, 2021; there are currently fifteen recruits enrolled at the State fire academy in Montour Falls and they are expected to complete their training and be assigned to their respective fire house in July. The City is currently planning on running at least one and possibly two fire academy classes of 20 recruits in 2021-22, dependent on current employee attrition.

Annual salaries are budgeted to increase by $2.2 million to $53.9 million and overtime is held flat at $4.9 million. Longevity pay is budgeted to increase $0.3 million and holiday pay is budgeted to increase $0.2 million. All other costs for the fire department are increasing on a net basis by $0.2 million.

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. Overtime was budgeted at $4.4 million for 2018-19 of which $8.2 million was expended, reflecting an overage of $3.8 million, or 186.4 percent, in firefighter overtime. Overtime was budgeted at $4.6 million in 2019-20, of which $7.3 million was expended, which is $2.8 over the budgeted amount (158.7 percent). As of March 31, 2021, overtime expenditures totaled $7.4 million, which exceeds the budget of $4.5 million by $2.9 million (164.4 percent). It was noted that approximately $1.7 million in additional overtime in 2020-21 was attributed to the COVID-19 pandemic, and it is expected that a portion of those costs will be covered with CARES Act funding. In addition, there was a spike in overtime during the second quarter due to resuming training of the fire academy recruits. Going forward the department should be able to complete new recruit training without bringing in so many additional firefighters for training purposes.

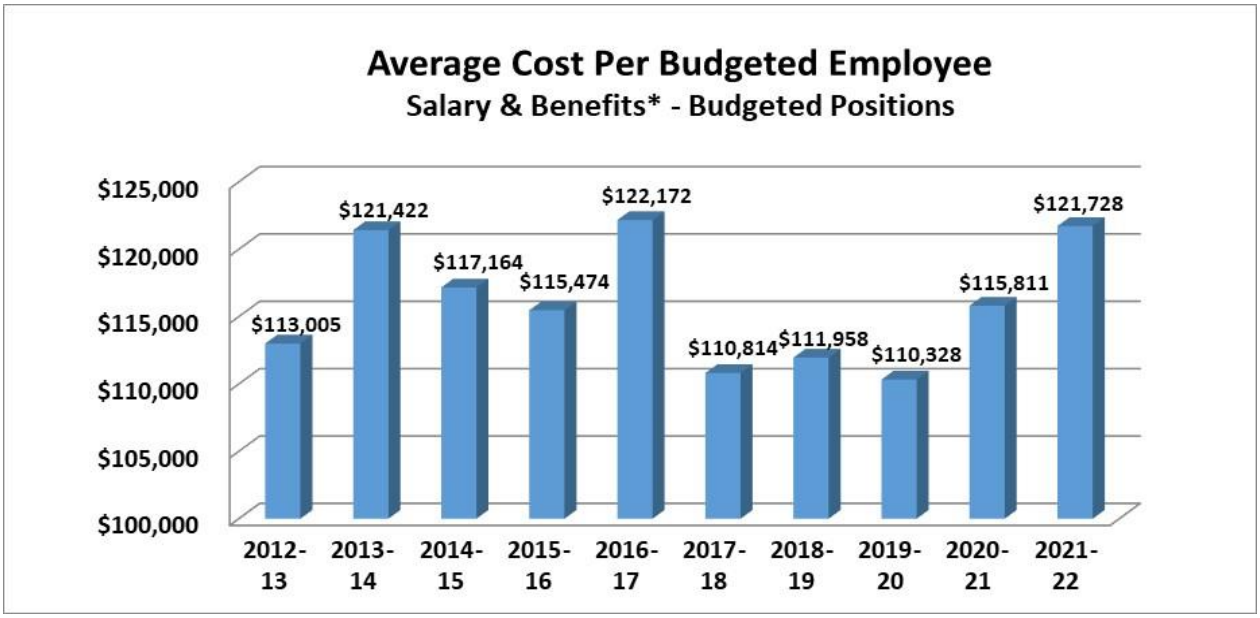
Similar to the police department, in prior years the City would use vacancy savings to cover overages in overtime; due to the increase in filled positions, vacancy savings will not be available to cover the budget gap in 2020-21.

From 2020-21 to 2021-22, the City has decreased budgeted overtime for police by $500,000 to $9.5 million and has held fire overtime flat at $4.9 million. Overtime continues to be an area of concern as it historically has been under-budgeted. The City did not achieve the estimated savings it had projected with the most recent Firefighters contract. It is recommended that the City closely monitor overtime and revise the Financial Plan if necessary

All other expenditures including services, supplies, capital outlay and travel comprise the remaining 15.0 percent of the budget, or $65.3 million.

The following chart provides the average cost for salary and benefits for active employees over the past ten years covering the period between FY 2013 and FY 2022. Employee costs for active employees have increased annually with total personnel service costs increasing by $40.5 million (24.1 percent) and fringe benefits for active employees increasing by $21.9 million (22.4 percent). Over the last ten years, personnel service costs have increased by $62.4 million as a result of the settlement of employee contracts over the past decade. Fringe benefit costs increases are largely a result of health insurance costs and to a lesser extent pension contributions and employer payroll taxes. In FY 2013, actual employee costs totaled $265.9 million; compared to the adopted 2021-22 budget amount of $328.3 million, this represents an increase of $62.4 million (23.6 percent) over the ten-year period. More specifically, employees' salaries and compensation have increased from $167.9 million to $208.4 million, or $40.5 million (24.1 percent) over this period, while

fringe benefits have increased from $98.0 million to $119.9 million or $21.9 million (22.4 percent). On a year-to-year basis, budgeted employee compensation is increasing by $5.6 million and fringe benefits are increasing by $11.4 million of which the largest increase is in active employee health insurance at $5.3 million. Additional increases include New York State Police and Fire Retirement System ("NYSPFRS") pension contributions of $5.1 million and New York State Employee Retirement System ("NYSERS") pension contributions of $1.0 million. All other fringe benefits are consistent year-to-year, with a net increase of $5,000. It is noted that the active employee increases are offset by a decrease for retiree health insurance of $4.8 million.



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

In 2012-13, the average actual cost per employee for salary and fringe benefits was $113,005. For the upcoming 2021-22 fiscal year, the average budgeted cost per City employee is $121,728, an increase of $8,723, or 7.7 percent as compared to 2012-13. The moderate employee cost increases over the last ten- year period is attributed to lower overall salaries resulting from turnover and the resulting lower salary structure 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 2021-22 is decreased by $4.8 million (10.5 percent) from the prior year; the total amount budgeted is $40.9 million. Health insurance for active employees is budgeted at $44.3 million in 2021-22, an increase of $5.3 million (13.6 percent) compared to the 2020-21 budget amount of $39.0 million. The budgeted decrease for retiree health insurance brings the amount more in-line with recent experience.

The chart below provides a ten-year schedule of health insurance costs, with actual amounts provided for 2013 to 2020 and budgeted amounts for 2021 and 2022. Health insurance is budgeted to increase by $18.8 million (28.3 percent) over the actual amounts incurred in 2012-13. The actual increase from 2013 to 2020 was $10.7 million, or 16.1 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.

Health Insurance										
	Actual								Budgeted	
FYE	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Active	$ 28.4	$ 28.6	$ 28.8	$ 29.7	$ 35.6	$ 36.7	$ 40.0	$ 38.5	$ 39.0	$ 44.3
Retiree	$ 38.0	$ 41.2	$ 42.1	$ 38.4	$ 33.0	$ 35.6	$ 36.6	$ 38.6	$ 45.7	$ 40.9
Total	**$ 66.4**	**$ 69.8**	**$ 70.9**	**$ 68.1**	**$ 68.6**	**$ 72.3**	**$ 76.6**	**$ 77.1**	**$ 84.7**	**$ 85.2**

Financial Plan

The following chart summarizes the Financial Plan:

	2021-22 Adopted Budget	**2022-23 Projection**	**2023-24 Projection**	**2024-25 Projection**	**Four-Year Increase/(Decrease)**	
Revenues:	**Financial Plan**				**$**	**%**
Revenue	$ 525,413,310	$ 524,108,335	$ 526,516,018	$ 532,260,279	$ 6,846,969	1.3%
Transfers In	9,164,084	12,063,634	14,483,162	15,767,657	6,603,573	72.1%
Total Revenues	**$ 534,577,394**	**$ 536,171,969**	**$ 540,999,180**	**$ 548,027,936**	**$ 13,450,542**	**2.5%**
Expenditures:						
Departmental Charges	$ 243,885,459	$ 243,775,424	$ 246,910,317	$ 250,548,111	$ 6,662,652	2.7%
General Charges	190,626,510	192,862,382	194,837,814	198,509,059	7,882,549	4.1%
Interfund Transfers Out	100,065,425	99,534,163	99,251,049	98,970,766	(1,094,659)	-1.1%
TOTAL Expenditures	**$ 534,577,394**	**$ 536,171,969**	**$ 540,999,180**	**$ 548,027,936**	**$ 13,450,542**	**2.5%**
Surplus / (Deficit)	**$ -**	**$ -**	**$ -**	**$ -**		

Expenditures over the 2022-2025 Financial Plan are budgeted to increase from $534.6 million to $548.0 million, an increase of $13.5 million or 2.5 percent. Departmental Costs are budgeted to increase $6.7 million, or 2.7 percent, General Charges are budgeted to increase $7.9 million, or 4.1 percent and Transfers Out are budgeted to decrease $1.1 million, or 1.1 percent. Negotiated salary increases for the unions under contract including Local 282 and Local 650 (white collar) are included in the respective departments. Resources for negotiating with the unions out-of-contract are carried in the salary adjustment line under General Charges and total approximately $10.8 million over the Financial Plan.

It is noted that the City was originally scheduled to repay the $25.0 million deficit note principal and corresponding interest of $0.5 million in fiscal year 2021-22. However, the expenditures were not included in the current Adopted Budget and Financial Plan as the Administration repaid the deficit note in FY 2020-21 utilizing federal rescue funds.

The following chart summarizes departmental costs, general charges and transfers out over the 2022-2025 Financial Plan. On an annual basis there are moderate increases in departmental expenditures and general charges in each year of the Financial Plan.

	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23	2023-24	2024-25	Increase/(Decrease) Four-Year	
			Projection				
Departments	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Common Council	2,813,325	3,054,363	2,969,649	3,020,940	3,020,940	(33,423)	-1.1%
City Clerk	2,837,427	4,233,213	2,907,586	2,932,437	2,933,586	(1,299,627)	-30.7%
Mayor & Executive	5,712,334	6,273,280	6,337,390	6,415,239	6,494,254	220,974	3.5%
Audit & Control	3,871,988	4,011,561	4,019,906	4,095,502	4,172,584	161,023	4.0%
Law	3,095,392	3,522,120	3,579,086	3,637,186	3,696,445	174,325	4.9%
Assessment	2,479,232	2,611,466	2,663,750	2,707,243	2,751,560	140,094	5.4%
MIS	5,839,137	6,256,361	6,329,593	6,414,109	6,499,930	243,569	3.9%
Administration & Finance	12,462,042	10,261,949	10,387,459	10,503,672	10,621,740	359,791	3.5%
Parking	3,402,455	3,175,947	3,208,609	3,241,910	3,275,864	99,917	3.1%
Police	86,053,364	85,310,225	86,170,707	86,939,059	87,693,824	2,383,599	2.8%
Fire	63,079,032	65,973,362	66,489,696	67,511,672	69,091,583	3,118,221	4.7%
Human Resources	5,119,010	5,644,509	5,701,607	5,759,551	5,818,355	173,846	3.1%
Public Works	30,653,472	33,440,973	32,734,351	33,290,135	33,867,071	426,098	1.3%
Community Services	4,373,384	4,317,635	4,377,595	4,438,530	4,500,457	182,822	4.2%
Permits & Inspections	5,792,340	5,798,495	5,898,439	6,003,132	6,109,918	311,423	5.4%
Total Departmental	**237,583,934**	**243,885,459**	**243,775,423**	**246,910,317**	**250,548,111**	**6,662,652**	**2.7%**
General Charges							
Grants In Aid	280,000	465,000	465,000	465,000	465,000	-	0.0%
Utilities	16,644,947	16,745,000	16,911,000	17,078,660	17,247,997	502,997	3.0%
Services	1,376,500	1,391,500	1,391,500	1,391,500	1,391,500	-	0.0%
Other	2,703,000	4,150,000	4,150,000	4,150,000	4,150,000	-	0.0%
Fringe Personal Services	6,000,000	6,100,000	6,161,000	6,222,610	6,284,836	184,836	3.0%
Fringe Benefits	154,194,003	161,687,010	163,695,882	165,442,044	168,881,726	7,194,716	4.4%
Debt Service	183,000	88,000	88,000	88,000	88,000	-	0.0%
Total General Charges	**181,381,450**	**190,626,510**	**192,862,382**	**194,837,814**	**198,509,059**	**7,882,549**	**4.1%**
Interfund Transfers Out	100,585,160	100,065,425	99,534,164	99,251,049	98,970,766	(1,094,659)	-1.1%
Total Budget	**519,550,544**	**534,577,394**	**536,171,969**	**540,999,180**	**548,027,936**	**13,450,542**	**2.5%**

Departmental costs increase from $243.9 million to $250.5 million, an increase of $6.7 million, or 2.7 percent over the Financial Plan. The most significant increases includes $3.1 million (4.7 percent) for the fire department, $2.4 million (2.8 percent) for the police department, $0.4 million for public works (1.1 percent), and $0.4 million (3.5 percent) for administration and finance. These increases are offset by a decrease of $1.3 million, or 30.7 percent, for the City Clerk department. The decrease reflects the one-time increase of $1.4 million in 2021-22 for council specific initiatives, that are not carried through the remaining years of the Financial Plan. The remaining 10 departments are increasing by $2.0 million, or 0.8 percent, over the Financial Plan.

General charges are increasing by $7.9 million, or 4.1 percent over the Financial Plan. Significant changes include an increase of $7.2 million (4.4 percent) in fringe benefits, $0.5 million (3.0 percent) for utilities, and an increase in budgeted injured-on-duty salary costs of $0.2 million, representing a 3.0 percent increase.

Fringe benefits are budgeted to increase from $161.7 million in 2021-22 to $168.9 million in 2024-25, an increase of $7.2 million, or 4.4 percent. Retiree health insurance is budgeted at $40.9 million in 2021-22 and is increased 2.5 percent over the three out-years of the Financial Plan, for a

total increase of $3.2 million, or 7.8 percent, to $44.1 million in 2024-25. Active employee health insurance is increased 6.0 percent in year two, 0.5 percent in year three and 4.5 percent in year four of the Financial Plan, increasing from $44.3 million to $49.3 million over the Financial Plan, a total increase of $5.0 million or 11.3 percent. Total health insurance for both retirees and active employees is budgeted to increase $8.1 million over the Financial Plan.

Included within fringe benefits are contributions to the New York State and Local Retirement Systems. Projected expenses to the NYS Employees Retirement System are increasing between 1.0 to 1.5 percent over the Financial Plan, from $11.3 million to $11.7 million, or $0.4 million. Contributions to the NYS Police and Fire Retirement System are increasing 1.0 to 2.0 percent annually, from $37.0 million to $38.0 million, a total increase of $1.0 million. The City uses a blended pension rate calculation based on the employees' pension tier, and as more employees retire they are replaced by new employees who are in tier 6 compared to employees that are predominately in tiers 2, 3, and 4. Increased costs to the pension system attributed to the impact of the COVID-19 pandemic will most likely materialize in fiscal years 2022-23 and 2023-24, based on how the rates are calculated by the New York State Comptroller.

Also included within fringe benefits is a salary adjustment line budgeted at $4.9 million in 2021-22 and decreasing to $1.4 million in 2024-25, representing a decrease of $3.6 million, or 71.9 percent, over the Financial Plan. This amount represents available funding for settling expired labor contracts.

Transfers Out are budgeted to decrease $1.1 million from $100.1 million in 2021-22 to $99.0 million in 2024-25 and is attributed to the decrease for the transfer to the debt service fund, which is projected to decrease by $1.1 million from $28.8 million to $27.7 million. Both the transfer to the District of $70.8 million and the transfer to the capital projects fund of $0.4 million are held flat across the Financial Plan.

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.

	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23	2023-24 Projection	2024-25	Increase/(Decrease) Four-Year	
Departmental Costs	$	$	$	$	$	$	%
Personal Services	196,762,743	201,415,082	203,900,644	206,657,587	209,901,550	8,486,468	4.2%
Utilities	211,996	202,996	214,853	217,137	219,449	16,453	8.1%
Travel	212,904	321,251	315,044	317,739	320,488	(763)	-0.2%
Supplies	12,487,196	10,713,747	10,532,184	10,713,644	10,908,836	195,089	1.8%
Services	25,964,227	28,299,831	26,597,546	26,785,896	26,976,249	(1,323,582)	-4.7%
Capital Outlay	1,944,868	2,932,552	2,215,152	2,218,314	2,221,539	(711,013)	-24.2%
Subtotal	**237,583,934**	**243,885,459**	**243,775,423**	**246,910,317**	**250,548,111**	**6,662,652**	**2.7%**

Personal services costs are increasing from $201.4 million to $209.9 million, an increase of $8.5 million, or 4.2 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. 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 decrease by $1.3 million, or 4.7 percent, 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 decrease is directly attributed to the one-year increase of $1.4 million in 2021-22 that was included in the City Clerk's service line for Common Council district initiatives. Capital outlay is reduced by $0.7 million or 24.2 percent over the Financial Plan. Remaining categories are projected to remain constant.

Staffing Levels

Budgeted positions are to be increased by 9 full time equivalents ("FTEs") compared to the prior budget; total positions are budgeted at 2,697 FTEs for 2021-22 compared to 2,688 FTEs for 2020-21. The Financial Plan maintains budgeted positions at 2,697 FTEs throughout the Financial Plan. Both the police and fire departments are maintained at the 2020-21 levels which are 798 sworn police personnel and 742 firefighters, with the remaining City workforce totaling 1,157 FTEs.

	2020-21 Adopted	**2021-22 Adopted**	**2022-23 Projected**	**2023-24 Projected**	**2024-25 Projected**
Police (uniform)	798	798	798	798	798
Fire (uniform)	742	742	742	742	742
Other	1,148	1,157	1,157	1,157	1,157
Citywide	2,688	2,697	2,697	2,697	2,697
Net Increase/(Decrease)	**-**	**9**	**0**	**0**	**0**

The following table shows budgeted staff changes within the various departments from the adopted 2020-21 budget to the adopted 2021-22 spending plan, there are no variances in the out-years of the staffing plan:

	2020-21 Adopted	2021-22 Adopted	Change	2020-21 3rd Quarter Filled	Variance to Proposed 2020-21 Budget
Animal Control & Shelter	15	15	0	12	(3)
Assessment & Taxation	34	32	(2)	29	(3)
Audit & Control	55	52	(3)	40	(12)
Budget & Urban Affairs	12	15	3	9	(6)
City Clerk	24	24	0	18	(6)
City Council	40	41	1	39	(2)
Community Services	30	29	(1)	25	(4)
Division of Buildings	65	65	0	54	(11)
Engineering	69	72	3	59	(13)
Fire (Non-Uniform)	48	48	0	39	(9)
Fire (Uniform)**	742	742	0	715	(27)
Forestry	6	6	0	5	(1)
Human Resources	20	21	1	16	(5)
Law	33	35	2	30	(5)
Mayor & Executive	86	88	2	64	(24)
MIS	29	34	5	21	(13)
Parking	42	36	(6)	35	(1)
Parks	32	32	0	27	(5)
Parks Admin.	4	4	0	3	(1)
Permits & Inspections	86	90	4	83	(7)
Police (Non-Uniform)	206	208	2	186	(22)
Police (Uniform)*	798	798	0	726	(72)
Public Works (Gen Office)	6	7	1	6	(1)
Purchase	27	25	(2)	21	(4)
Recreation	20	20	0	16	(4)
Sanitation & Streets	138	137	(1)	121	(16)
Telecommunications	5	5	0	5	0
Treasury & Collections	16	16	0	14	(2)
Total	**2,688**	**2,697**	**9**	**2,418**	**(279)**

* **Uniformed Police** positions are budgeted at 798 and are held flat compared to the 2020-21 budget; as of March 31, 2021, the City had filled 726 positions which is a decrease of 36 FTE's compared to the third quarter count of 762 FTE's at March 31, 2020. The City expects this number to decline further through the remainder of the current year due to retirements. The City has included an attrition rate of 20 sworn police officers due to retirement next fiscal year. There are currently 43 sworn police officers that are at least 55 years old and have 30 years of service and are eligible to retire, representing 5.9 percent of the current force. Taken together, it is therefore

improbable the City will staff 798 uniformed Police positions in 2021-22 with a more realistic expectation of 710 to 725 uniformed police officers on the force by the end of FY 2021-22.

** **Uniformed Fire** positions were budgeted at 742 in the 2020-21 fiscal year and are budgeted to remain flat in 2021-22. The number of firefighters at March 31, 2021 totaled 715, which is a decrease of 26 employees when compared to the 741 filled positions at March 31, 2020. The City is estimating twenty-five retirements during the 2021-22 fiscal year and does not anticipate hiring any new firefighter recruits during 2021-22. However, a firefighter class may be run in the spring 2022 depending on the number of firefighter retirements during the year. 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 685 to 710 uniformed firefighters depending on the final number of retirements and recruits. There are currently 61 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 8.5 percent of the current workforce. It is noted that there are currently 38 firefighters that are currently on long-term duty disability.

On a year-to-year basis, the total number of budgeted positions increased by nine FTEs, or 0.3 percent, over last year. There are moderate changes across most departments, including an increase of five (5) FTE's in the management and information systems department, four (4) FTE's in permits & inspections and public works, two (2) FTE's in each the mayor and executive department, law department, and the police department for civilian employees. One additional position has been budgeted in each the human resources department and City Council.

Departments with decreases in FTE's include six (6) positions in parking department, three (3) positions in audit and control, two (2) positions in assessment and taxation and purchase, and one position in the departments of community services and sanitation and streets. There are no staffing changes in the remaining three departments. All eliminated positions are currently vacant.

The following schedule provides a summary of the composition of the fire and police forces as of March 31, 2021, summarized by membership in pension tier and including the average age, average years of service, median age and median years of service by tier. In previous years Tier 2 would normally be the largest tier on a membership basis, however this year the largest tier is Tier 6. There are 614 FTE's in Tier 2 compared to 660 FTE's last year, which is a decrease of 46 employees. As a reference, 2015-16 had 1,005 FTEs in Tier 2, which is a decrease of 391 Tier 2 FTEs over the last five years. Tier 6 has a combined 724 FTEs compared to 723 FTEs a year ago, a net increase of 1 employee. 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	314	22.1	50.9	51.5	23.0	43.9%
Tier 3	2	11.6	38.1	11.6	38.1	0.3%
Tier 4	-	-	-	-	-	-
Tier 5	51	9.6	39.7	38.0	10.0	7.1%
Tier 6	348	4.3	34.2	33.7	4.6	48.7%
Total Count	**715**	**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	-	-	-	-	-	-
Tier 2	300	19.6	47.6	48.2	20.0	41.3%
Tier 3	-	-	-	-	-	-
Tier 4	-	-	-	-	-	-
Tier 5	50	8.5	36.4	36.0	9.2	6.9%
Tier 6	376	4.2	31.9	31.3	4.2	51.8%
Total Count	**726**	**13.4**	**41.2**	**41.7**	**13.4**	**100.0%**

Fund Balance

The City's adopted 2021-22 budget does not rely on fund balance. Based on the final 2020 results of operations, total unassigned fund balance of $0 was reported at June 30, 2020, assigned fund balance was $12.7 million and the Rainy Day Fund of $38.1 million remained intact, for a total $50.8 million of unrestricted fund balance. It is noted that even after the City borrowed the maximum amount allowed for deficit notes in June 2020 of $25.0 million to address the projected 2019-20 deficit there remained a $3.4 million deficit that was addressed through the use of assigned fund balance.

The City is no longer able to budget unassigned fund balance to fund budget gaps. Fund balance can only be replenished with surpluses. It is imperative the City remain structurally balanced as further draws on fund balance would significantly 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.

Prior to 2018-19, the Solid Waste and Recycling Fund incurred annual operating deficits. 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 $59.1 million as of June 30, 2020, which is a year-to-year reduction of $2.6 million compared to the previous deficit of $61.7 million. Of this amount, $13.3 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 would 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 Solid Waste and Recycling Fund reported surpluses in 2018-19 in the amount of $6.0 million and in 2019-20 in the amount of $3.3 million and was able to reduce the long-term receivable by a corresponding $6.2 million over this time period.

The Parking Fund was substantially impacted during 2020-21 due to the COVID-19 pandemic and was unable to make the budgeted $6.0 million transfer to the General Fund. It is expected to take 2 to 3 years for the parking ramps to return to the previous level of operations. The budgeted transfer for 2021-22 is significantly reduced to $0.5 million, which is a decrease of $5.5 million compared to 2020-21 amount of $6.0 million. Transfers from the Parking Fund are budgeted to increase gradually over the Financial Plan to $3.0 million in year two, $5.0 million in year three and $6.0 million in year four.

The Water Fund is budgeted to increase its transfer from $7.2 million to $7.6 million, an increase of $0.4 million in 2021-22. The transfer from the Water Fund is budgeted to increase in each year of the Financial Plan to $8.4 million in year 2, $8.8 million in year 3 and $9.0 million in year four.

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 2021-22 Adopted Budget regarding assumptions such as staff count including titles and steps and has discretely broken out payroll and fringe benefits but does not provide the details for subsequent projected years.

Budget and Four-Year Plan Summary

The 2021-22 Adopted Budget is balanced with the use of an estimated $50.4 million of federal stimulus funding and $11.0 million of casino revenue. The total amount of ARPA funds projected to be used by the City for revenue shortfalls over the Financial Plan is $87.6 million out of the $331.4 million of total available funds. The use of the ARPA funds appear to be within the calculated authorized amounts over the first three years of the financial plan based on guidance from the U.S. Treasury Department. The remittance by the Seneca Gaming Commission of casino payments continues to be delayed and it is unknown if and when such funds will be released to the State and subsequently to the City. The Seneca Gaming Commission stopped making payments to the State after its December 2016 payment. The dispute went before a three-member arbitration panel in December 2018, with a decision in favor of the State. The Seneca Gaming Corporation appealed the decision to the U.S. Department of Interior requesting the decision be vacated; the Department of Interior declined to review the case. In June 2019, the Seneca Gaming Corporation requested the U.S. District Court of Western New York to vacate the arbitration panel's decision and in November 2019, the U.S. District Court of Western New York upheld the decision that the Seneca Gaming Corporation wrongly withheld $255 million in casino payments to the State. In April 2021, the U.S. Department of the Interior issued a letter stating that it would review the current TSC extension, as that the initial review only covered the original compact and did not include the review of any extension terms. The total amount of casino revenue included over the Financial Plan is $82.1 million of which $30.1 million is estimated as the amount due from prior years. The current compact between the Seneca Gaming Commission and the State expires in 2023; the City's Financial Plan includes casino revenue past the expiration of the contract.

The inclusion of casino revenue in the Financial Plan represents a significant risk to the City's Financial Plan as the terms of any new agreement could vastly differ from the current agreement and the nonreceipt of such funds would presumably be drawn from limited reserves. The City's Financial Plan forecasts increasing recurring casino revenue. In years 2022, 2023, 2024 and 2025, casino revenue provides 2.0%, 4.9%, 5.5% and 2.7%, respectively, of total estimated/projected revenues.

The 2022-23 year of the Financial Plan is balanced with the use of $22.7 million of federal stimulus funding with an additional $14.4 million included in fiscal year 2023-24, noting the same factors exist as discussed above.

The Financial Plan contains $154.9 million of nonrecurring, one-time revenues. The Federal Rescue Funds are included at $87.6 million and are projected to be used to supplant the reduction in revenues due to the pandemic. The remaining amount of $67.3 million represents nonrecurring revenue used to support recurring expenditures; while permitted this is indicative of an operational imbalance as such funding is not sustainable. Future revenues will need to be generated to replace such one-time sources or expenditures decreased.

The Financial Plan will require close monitoring 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, 2020 was $50.8 million consisting of $38.1 million in the Emergency Stabilization Fund (i.e., Rainy Day Fund) and $12.7 million of assigned fund balance; there is no unassigned fund balance remaining. The Government Finance Officers Association (GFOA) recommends no less than two months of regular operating expenditures; two months of budgeted 2021-22 expenditures is equivalent to $89.1 million and if transfers are excluded two months is equivalent to $72.4 million. Therefore, the City is currently under recommended levels and should consider a fund balance replenishment program.

There are various revenues that will continue to require close monitoring due to the difficulty in estimating such revenue sources, especially in a post-pandemic environment. It is unknown how long the recovery will take and when revenues will return to pre-pandemic levels.

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.

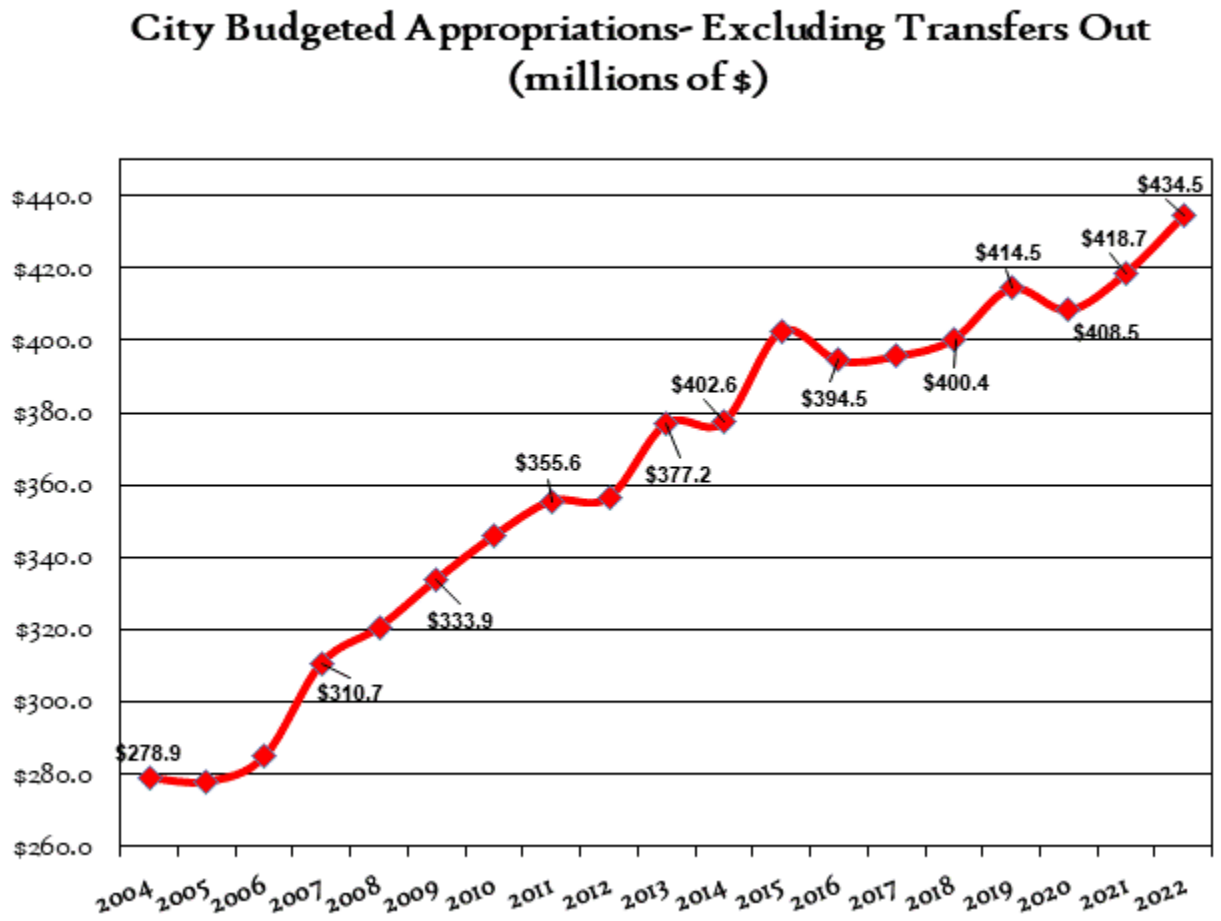
Other areas of significance as noted within the report are summarized below:

- 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.

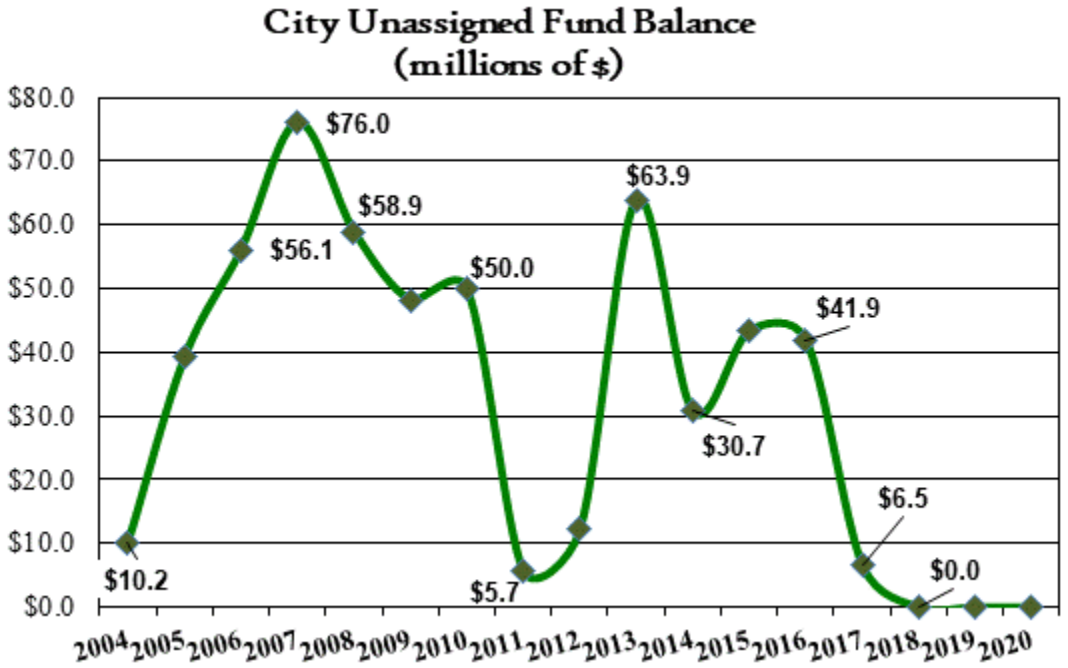
- The current fiscal year is the fourth year that the City did not include a subsidy to the Solid Waste and Recycling Fund in the Financial Plan. Based on the City's current year

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 $13.3 million at June 30, 2020, 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.

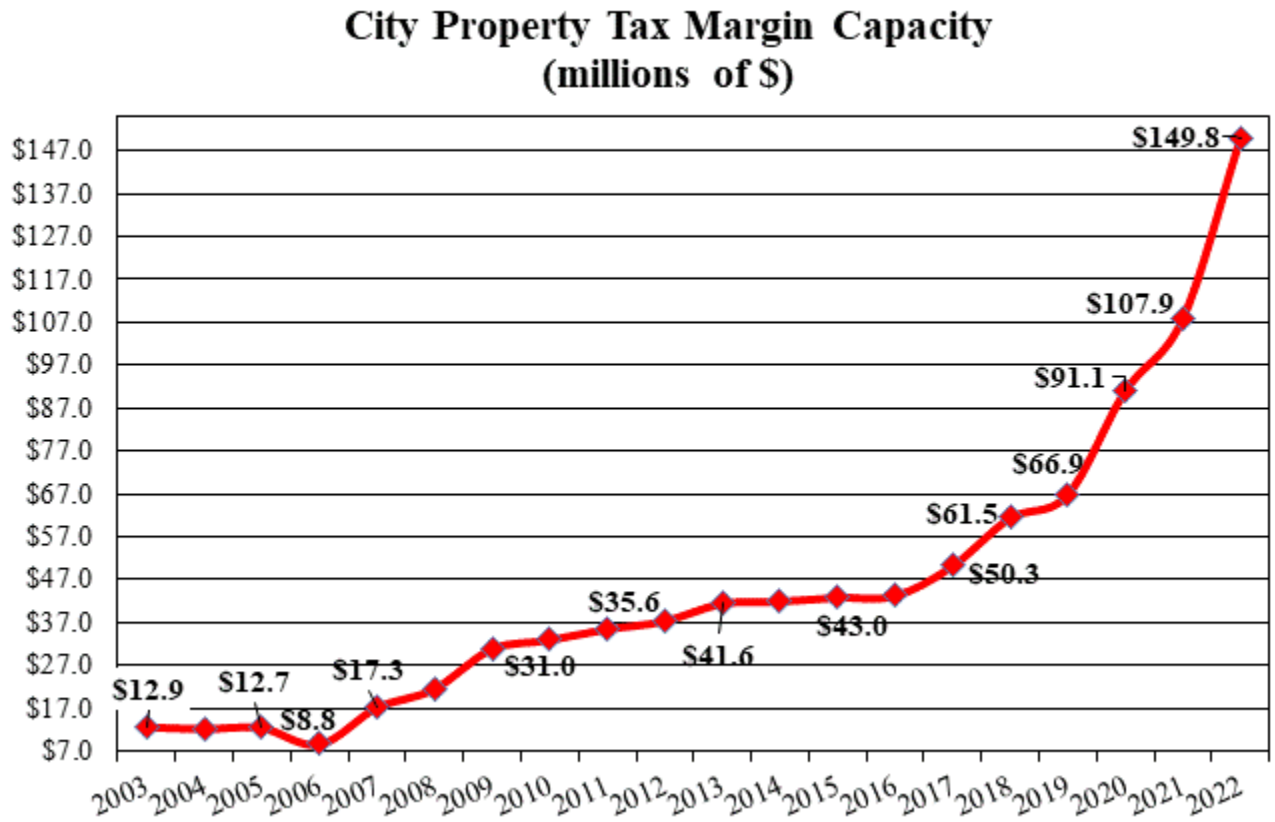
The following graphs and charts provide an overview of certain key statistics that the Buffalo Fiscal Stability Authority evaluates annually during its review of the City of Buffalo's operations. The explanations for fluctuations from year-to-year are available in the respective Annual Report for that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



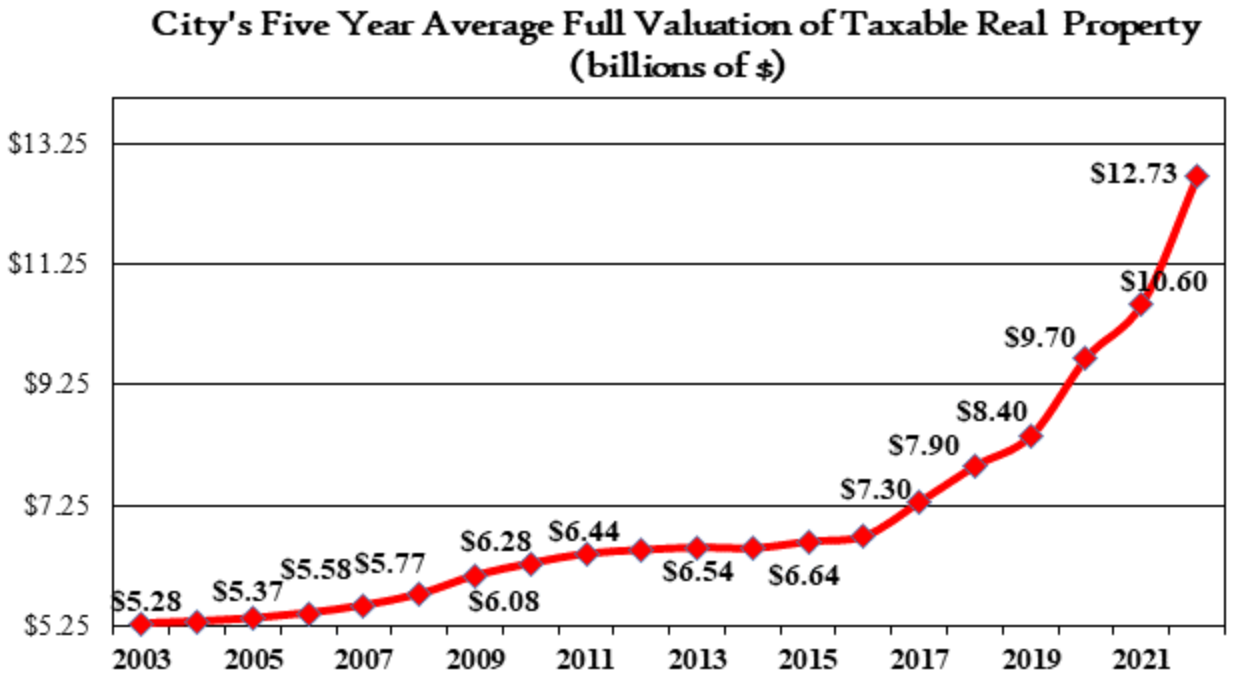
The chart above provides a historical overview of the City's budgeted expenditures since 2003-04, the year the BFSA was created. The budgeted appropriations represent operating expenditures only and exclude operating transfers out. Over the eighteen-year period, budgeted appropriations less operating transfers out have increased from $278.9 million for fiscal year 2004 to $434.5 million for fiscal year 2022, representing an increase of $155.6 million, or 55.8 percent. Appropriations increased from $418.7 million to $434.5 million on an annual basis constituting an increase of $15.8 million, or 3.8 percent. The increase in appropriations is reflective of an increase in both budgeted salaries, primarily for firefighters and Local 650 members who will be receiving their annual increase, and fringe benefits from FY 2021 to FY 2022. 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 $38.1 million as of June 30, 2020. 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, 2019, and 2020 Unassigned fund balance was $0, leaving no amount available to the City for budgeting or use.



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 2021-22 fiscal year provided a remaining property tax margin of $149.8 million, representing an increase of $139.9 million, or 1065.6 percent, over the last nineteen years.



The above graph depicts the City's Five Year Average Full Valuation of Taxable Real Property and Special Franchises over the last nineteen years. The total average assessed property value has increased from $7.3 billion in 2017 to $12.7 billion in 2022, representing an increase of approximately $5.4 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 $7.4 billion to the current year value of $12.7 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. The city-wide reassessment was completed in 2018 and the reassessed property values were utilized in the 2020-21 fiscal year as part of the tax levy calculation. City-wide property valuation has increased significantly and over the next four-years there will be an increase in the tax levying limitation as the calculation for the tax levy is based on a five-year average valuation.

INTRODUCTION

The Mayor of the City of Buffalo submitted the Buffalo City School District's fiscal year (FY) 2022-2025 Financial Plan (Financial Plan) to the Buffalo Fiscal Stability Authority (BFSA) on April 30, 2021. The Board of Education of the Buffalo City School District (BCSD or District) adopted the FY 2021-22 budget on May 19, 2021 (Adopted Budget). The Financial Plan was approved by the Board of Education on April 21, 2021 and was not subsequently modified.

The Adopted Budget includes a deficit of $29.0 million. Each Financial Plan out-year depicts a surplus. The overall estimated revenues and expenditures are consistently and reasonably depicted within the Financial Plan. The District is operationally balanced within each fiscal year with a minor combined $1.7 million four-year deficit.

The Adopted Budget reflects the final 69 individual school-based budgets. The school-based budgets are developed and finalized based on enrollment projections, school configuration (i.e., elementary school, the kindergarten through eighth grade school model, middle school, or high school) teacher-to-student ratios by grade configurations, special education student populations, English Language Learner (ELL) student population, and specialty school/program status. The Adopted Budget reflects those needs specifically identified by the school-based budgeting process.

New York State's finances have been deeply impacted by the COVID-19 Pandemic and the resulting Coronavirus Recession. The New York State (NYS) Division of the Budget estimated that the pandemic and recession decreased NYS revenues in excess of $10.0 billion. The U.S. Congress (Congress) has passed legislation to address the pandemic and to aid the economic recovery. The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA) totaled $1.4 trillion and allocated $88.6 million in additional funds for the District. Congress additionally passed the American Rescue Plan (ARP) Act of 2021 which totaled $1.9 trillion and included $12.6 billion in direct aid for NYS including an estimated $201.0 million for the District. The first $5.5 billion of the $12.6 billion is integrated within the New York State 2021-22 Enacted Budget (Enacted Budget), per federal guidelines. The remaining funds will be used in future budgets over the remaining four years that the funding is available. The Enacted Budget directs $13.0 billion of federal Elementary and Secondary School Emergency Relief (ESSER) and Governor's Emergency Education Relief (GEER) funds to public schools. This funding is available for use over multiple years and is intended to help schools safely reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the pandemic.

The following table provides an estimate of CRRSA–ESSER II and ARP-ESSER III grant funds awarded to the District. The spending plan will be reported as two distinct budgets, separate from the General Fund and the Special Projects Fund (Grants Fund). The budgets for these federal funds are required to be submitted to the New York State Education Department (NYSED) by July 1, 2021.

Federal Funds	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	4-Year Total
CRRSA–ESSER II	$35,430,481	$35,430,481	$17,715,240	-	$88,576,202
ARP-ESSER III	80,417,654	80,417,654	40,208,827	-	$201,044,135
Total	**$115,848,135**	**$115,848,135**	**$57,924,068**	**-**	**$289,620,337**

The Financial Plan includes a final update on a deficit closing and cost savings initiatives plan (Gap Closing Plan). The Gap Closing Plan included various areas to address the structural budget issues facing the District including efficiency measures, increasing revenues, as well as demonstrating potential methods that the District had available to close budgetary gaps if revenues were inadequate to address expenditures. The Gap Closing Plan was developed in connection with the FY 2018-2021 Financial Plan as per the BFSA's recommendation as a four-year cumulative deficit at that time was estimated at $116.1 million. The 2022-2025 Financial Plan contains those cost-savings and revenue enhancements as achieved by the District. The final Gap Closing Plan update is provided within Appendix A.

Subsequent Event

Subsequent to the adoption of the 2021-22 Budget and the related four-year Financial Plan, the District ratified a new collective bargaining agreement with the Buffalo Educational Support Team (BEST), representing teacher aides, teaching assistants and healthcare aides, on June 23, 2021. This successor agreement has an estimated FY 2022-25 $25.0 million prospective net cost. The Financial Plan is no longer consistent with the above changes for years 2022-23 to 2024-25; the BFSA Board of Directors required the submission of a modified financial plan to solidify the funding plan for this labor contract. A submission is expected prior to or on November 30, 2021.

FY 2021-22 FINANCIAL PLAN SUMMARY

The following chart provides a summary of the Financial Plan:

FY 2022-2025 Financial Plan Summary					
	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	4-Year Totals
	$ in Millions				
Revenues	$943.5	$996.7	$1,020.6	$1,013.7	$3,974.5
Expenditures	972.5	990.2	1,000.7	1,012.8	3,976.2
Surplus/(Deficit)	($29.0)	$6.5	$19.9	$0.9	($1.7)
Assigned Fund Balance	29.0	0.0	0.0	0.0	29.0
Unassigned Fund Balance	0.0	0.0	0.0	0.0	0.0
Total Fund Balance	29.0	0.0	0.0	0.0	29.0
Remaining Deficit	$0.0	$6.5	$19.9	$0.9	$27.3

The following key observations relate to the Financial Plan:

1. The Financial Plan General Fund revenues increase at a compound annual growth rate (CAGR) of 2.4% over the Financial Plan. General Fund expenditures increase at a CAGR of 1.4%. General Fund expenditures exceed General Fund revenues only within FY 2021-22.

2. The District has budgeted the appropriation of $29.0 million of fund balance in FY 2021-22. The $29.0 million deficit does not represent a structural imbalance but is largely the result of the one-time mismatch between transportation expenditures and NYS Transportation Aid. Lower transportation expenditures in FY 2020-21 will reduce NYS Transportation Aid in FY 2021-22 by approximately $24.4 million. The savings from lower transportation expenditures will be included in fund balance on June 30, 2021. The Financial Plan utilizes $29.0 million in fund balance to close the FY 2021-22 budget gap.

3. All collective bargaining units currently have labor agreements that either are expired or are scheduled to expire by June 30, 2022 with the exception of BEST which was settled in June 2021. These include the teachers, whose labor agreement expired June 30, 2019, and the administrators whose labor agreement expired September 1, 2020. The Local 409 agreement has been expired for a protracted period of time having been expired since June 30, 2010.

4. 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. These expenditures are projected to increase at rates that exceed most other expenditures; however, their rates of increase are not as high as experienced over the last decade.

FY 2021-22 ADOPTED BUDGET SUMMARY

The following are highlights of the Adopted Budget:

1. General Fund revenues are budgeted at $943.5 million, an increase of $38.8 million, or 4.3% over the FY 2020-21 Adopted Budget amount of $904.7 million. General Fund expenditures are budgeted at $972.5 million, an increase of $17.8 million, or 1.9% over the FY 2020-21 Adopted Budget amount of $954.7 million. The $29.0 million excess of expenditures over revenues represents the budgeted deficit and is closed through the appropriation of fund balance consisting of $29.0 million of Unassigned fund balance.
    - NYS Aid was increased substantially from FY 2020-21. FY 2020-21 estimated NYS Aid totals $747.2 million. Total FY 2021-22 NYS Aid is budgeted at $814.7 million, a $67.5 million or 9.0% increase. This includes $43.3 million in additional NYS Foundation Aid, an 8.0% increase. The SFY 2021-22 Enacted Budget pledges a “full funding” of NYS Foundation Aid phased-in over the next three fiscal years.

2. The Adopted Budget continues the full implementation of the Superintendent's Education Bargain, representing year six of the District's comprehensive educational program. The program has transitioned from its initial plan into phase two, referred to as the Superintendent's Education Bargain 2.0. The program has included a rigorous elementary education program, strong community schools, new innovative high schools, extended learning time, and additional services and supports for students and their families. The District lists the following as the Education Bargain's leading indicators of success:
    - 45 of 60 District schools now have good standing school accountability designations;
    - Four-year June cohort graduation rates are up from 48% in 2015 to 76% in 2020;
    - 48 of 60 schools are meeting annual performance targets (4 of 60 in 2015); and
    - All levels of Buffalo's civic leadership are collaborating effectively with the District to support the students (parents, elected officials, higher education, business, faith-based and advocacy groups, philanthropy, and labor organizations).

GENERAL FUND REVENUES

General Fund revenues total $943.5 million in the Adopted Budget. The total increase in revenues over the four years of the Financial Plan is $70.2 million, or 7.4%. The CAGR over this period is 2.4%.

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

FY 2022-2025 Financial Plan General Fund Revenues

General Fund Revenues	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 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	44.0	48.0	48.7	49.5	50.2	2.2	4.6%
Federal Medicaid Reimbursement	3.0	3.0	3.0	3.1	3.1	0.1	3.3%
Federal CARES Restoration	29.6	0.0	0.0	0.0	0.0	0.0	0.0%
New York State Building Aid	116.5	117.6	117.4	109.6	99.4	(18.2)	-15.5%
Miscellaneous	19.3	11.5	11.6	11.7	11.8	0.3	2.6%
Total General Fund Revenues	**$904.7**	**$943.5**	**$996.7**	**$1,020.6**	**$1,013.7**	**$70.2**	**7.4%**
Fund Balance	50.0	29.0	0.0	0.0	0.0	**(29.0)**	**-**
Total GF Revenue & Assigned Fund Balance	**$954.7**	**$972.5**	**$996.7**	**$1,020.6**	**$1,013.7**	**$41.2**	**4.2%**

General Fund revenues are budgeted at $38.8 million greater than the FY 2020-21 Adopted Budget. This constitutes a 4.3% increase over the prior fiscal year (PFY).

Real Property Taxes

The City forwards the District a portion of collected property tax revenues for general operations and annual debt payments. The City's contribution for FY 2021-22 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 71.2% of the District's total budgeted revenues for FY 2021-22. Total NYS Aid at $692.6 million represents a substantial increase of $71.1 million as compared to the FY 2020-21 Budget. The FY 2020-21 Adopted Budget included a $29.6 million NYS Pandemic Adjustment, offset with federal CARES Restoration of $29.6 million. The Pandemic Adjustment instituted in FY 2020-21 had been assumed to continue in the absence of additional federal funds. The NYS Enacted Budget eliminates the Pandemic Adjustment as unnecessary based on the CRRSA and ARP's passage.

NYS Aid is projected to grow to 80.0% of total budgeted revenue by FY 2024-25. NYS Aid has historically been the revenue with the highest annual rate of growth.

In FY 2020-21, NYS Aid declined as a percentage of total General Fund revenues for the first time since FY 2009-10. With the Pandemic Adjustment's elimination and the increase in total NYS school aid of $3.0 billion, the increase in FY 2021-22 is substantially higher than FY 2020-21 NYS aid.

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. NYS Foundation Aid is scheduled to increase substantially from $544.2 million in FY 2020-21 to $587.5 million in FY 2021-22, representing a $43.3 million, or 8.0%, increase. Foundation Aid is projected to increase by $55.1 million or 9.4% to $877.7 million in FY 2024-25 as the NYS Enacted Budget has pledged full funding of NYS Foundation Aid phased-in over the next three fiscal years. The substantial increase in NYS Foundation Aid from the prior year has placed the District on a stronger financial footing. The significant increases projected over the Financial Plan similarly benefit the District's finances.

NYS Aid includes Transportation Aid, an expense-based aid received by the District at a rate of approximately 87% of the prior year's 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. Transportation expenditures totaled $58.4 million in the FY 2020-21 Adopted Budget and were budgeted at a level that assumed a full year of in-person instruction. On March 31, 2021, the current fiscal year-end (CFYE) forecast was significantly lower at $29.2 million, a $29.0 million favorable budgetary variance. This sizable CFYE favorable forecast is based on the schools' current learning model with fully remote learning implemented at the school year's start and phased-in in-person learning that began on February 1, 2021 during the District's third quarter. As FY 2020-21 transportation expenditures are forecast to be substantially less than budgeted, the FY 2021-22 budgeted NYS Transportation Aid is much less than the historical average. Transportation Aid is projected to increase $24.3

million in FY 2022-23 based on budgeted FY 2021-22 transportation expenditures. The increase is essentially a one-year "catch-up." The incremental increase is carried through each Financial Plan out-year.

As noted earlier, the District is scheduled to receive a cumulative $289.6 million in CRRSA-ESSER II and ARP–ESSER III funds. These funds represent an additional substantial inflow of revenues that will be used to supplement, not supplant, programs and services. The funds will be received over three years at a yet-to-be-determined schedule. The funds will be received by NYS and dispensed to the District. The District will record the revenues and related expenditures within two yet-to-be created budgets, separate from the Special Projects Fund, as per NYS regulations and directives.

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 NYSED based on approved maximum cost allowances, amortization schedules for related debt, and reimbursement rates at approximately 94% for approved school building projects. The District conservatively projected Building Aid to decline at a similar rate as debt service but notes that actual Building Aid will likely be higher due to Building Aid earned on refinancing savings that fund aidable capital projects (i.e., the District intends to utilize refinancing savings to fund additional capital projects).

NYS Building Aid is budgeted at $117.6 million in FY 2021-22. It is decreased in each Financial Plan out-year to $99.4 million in FY 2024-25 based on anticipated debt service expenditures. Overall, funding at $117.6 million represents a $1.1 million increase over the PFY.

Erie County Sales Tax

The third-largest revenue source for the District is sales tax, which is budgeted at $48.0 million for FY 2021-22. Erie County Sales Tax is budgeted at 9.1% greater than the FY 2021-22 Adopted Budget based on the CFYE forecast of $48.5 million. Erie County Sales Tax is projected to grow $2.2 million, or 4.6%, to $50.2 million over the Financial Plan. As such, the Financial Plan projects this revenue will return to pre-recessionary levels by FY 2022-23; it is noted sales tax revenue in FYE 2019-20 totaled $48.5 million.

Budgeting sales tax receipts at this level is deemed reasonable given the extent of the current economic recovery. CFYE projected revenues exceed the FY 2021-22 budgeted amounts. The FY 2021-22 budgeted amount is reasonable as FY 2020-21 sales tax received significant boosts from federal direct payments to Americans.

Erie County Sales Tax is heavily influenced by the state of the national, regional, and local economy.

Miscellaneous Revenue
All Other Revenue combined totals $11.5 million in the Adopted Budget, or 12.1% of total General Fund revenues. These amounts decrease $0.3 million, or 2.6%, over the Financial Plan.

All Other Revenues include tuitions, interest, interfund revenues for indirect costs and miscellaneous items. The budgeted increases in the Adopted Budget are in alignment with actual historical increased reimbursements for health services and other tuition billings charged to other school districts. These revenues are projected to have a 1% growth rate over the PFY.

All Other Revenues are $7.8 million less than the FY 2020-21 Adopted Budget as the PFY included $6.0 million in revenue from prior overpayments to charter schools for recovery; this was a one-time revenue.

Federal Medicaid Reimbursement
The Federal Medicaid Reimbursement totals $3.0 million in the Adopted Budget, 0.3% of total budgeted revenues. This revenue is a reimbursement of Medicaid-eligible healthcare services funded and provided by the District. It is projected to increase annually by approximately 1.0% to $3.1 million in FY 2024-25.

GENERAL FUND EXPENDITURES

General Fund expenditures total $972.5 million in the Adopted Budget. Expenditures are projected to total $1,012.8 million in FY 2024-25, an increase $40.3 million, or 4.1%, over the Financial Plan. The CAGR over this period is 1.4%.

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 significantly over 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 2022-25 Financial Plan General Fund Expenditures

General Fund Expenditures	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Employee Compensation	$320.5	338.5	$339.9	$343.2	$346.7	$8.2	2.4%
Employee Benefits	193.3	196.9	203.2	211.1	219.2	22.3	11.3%
Debt Service	113.0	109.0	108.8	101.0	90.9	(18.1)	-16.6%
Charter School Payments	133.7	135.7	148.0	152.5	160.6	24.9	18.3%
Transportation	51.3	61.2	62.2	63.3	64.5	3.3	5.4%
All Other Expenditures	115.6	131.2	128.1	129.6	130.9	(0.3)	-0.2%
Total	**$927.4**	**$972.5**	**$990.2**	**$1,000.7**	**$1,012.8**	**$40.3**	**4.1%**

Employee Compensation

Employee Compensation is the District's largest expenditure category at 34.8% of total General Fund expenditures. Total General Fund expenditures for Employee Compensation is budgeted at $338.5 million in the Adopted Budget and increases $8.2 million, or 2.4%, to $346.7 million over 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 (Teachers)
- The Substitutes United of Buffalo (Substitute Teachers)
- The Buffalo Council of Supervisors and Administrators (BCSA or 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 are projected to change.

General Fund	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3
	($ in Millions)			
BTF	$244.3	$243.8	$245.8	$248.2
# of FTEs	3,318	3,279	3,256	3,237
Substitutes*	$8.5	$8.4	$8.4	$8.4
BSCA	$25.9	$26.7	$27.1	$27.5
# of FTEs	229	234	234	234
PCTEA	$20.2	$20.5	$20.9	$21.2
# of FTEs	380	380	380	380
BEST	$17.5	$18.1	$18.3	$18.5
# of FTEs	790	794	794	794
TAB*	$6.0	$6.1	$6.2	$6.3
Trades	$3.7	$4.0	$4.1	$4.2
# of FTEs	33	33	33	33
Local 264 (Blue Collar)	$2.5	$2.5	$2.6	$2.6
# of FTEs	65	65	65	65
Local 409 (Engineers)	$3.2	$3.1	$3.1	$3.1
# of FTEs	56	57	57	57
Exempt Employees	$4.7	$4.7	$4.7	$4.7
# of FTEs	36	36	36	36
Board Members**	$0.0	$0.0	$0.0	$0.0
# of FTEs	9	9	9	9
Total # of FTEs	4,916	4,887	4,864	4,845
Miscellaneous Items	$0.2	$0.2	$0.2	$0.2
Overtime	$1.8	$1.8	$1.8	$1.8
TOTAL EMPLOYEE COMPENSATON	$338.5	$339.9	$343.2	$346.7

*Substitute teachers are part-time employees. The District employed 324 substitute teachers as of 3.26.2021.

*The District's (9) board members receive a $15,000 annual stipend.

The District has included a staffing plan which increases the number of General Fund budgeted 2021-22 FTEs over the prior year by 13 including 31 additional teachers, 2 additional administrators, 3 white-collar employees, 1 additional blue-collar employee, and 24 fewer teacher aides/teaching assistants. Budgeted staffing at 4,916 FTEs represents the highest level of budgeted FTEs on a General Fund basis since BFSA's inception.

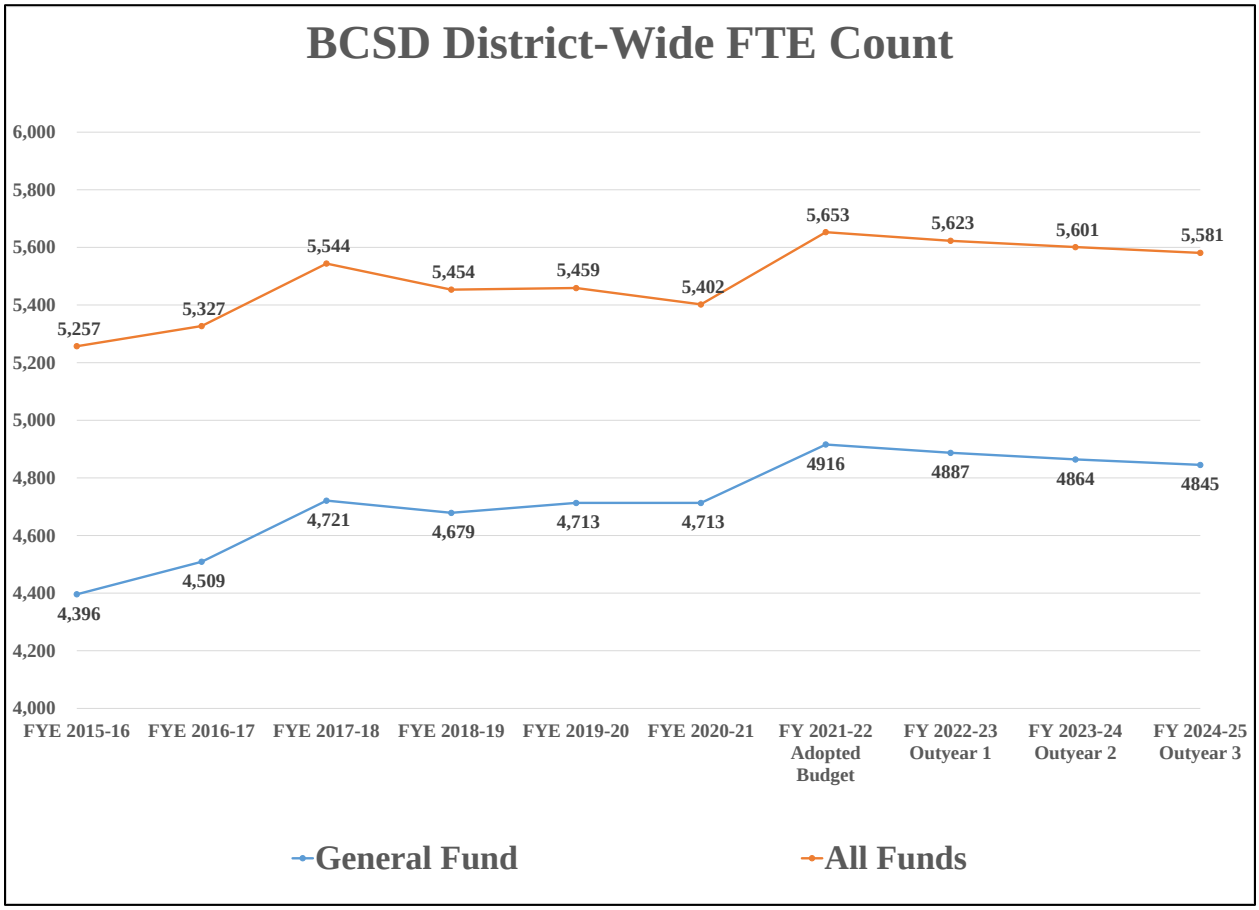
The District's staffing plan includes the reduction of 81 teacher FTEs over the remaining three out-years of the Financial Plan. The Financial Plan assumes a flat population of City publicly enrolled students with District students declining from 32,800 in FY 2021-22 to an estimated 31,700 by FY 2024-25. Charter school pupils are projected to increase 1,100 to 10,800 pupils by FY 2024-25. The overall number of public-school students is projected to be flat at 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.

The Financial Plan indicates that the District can reduce 6.5 FTE teaching positions for every 100 students that leave the District. This 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 charter school enrollment growth projection assumes that existing charter schools will continue to expand seating capacity but that no new charter schools will be established. There are currently twenty-one area charter schools. The impact of the Westminster Community Charter School and the Enterprise Charter Schools' closures are factored into the projected enrollment; this assumption is included within each out-year of the Financial Plan. It is demonstrative of the District's ability to reduce expenditures, not necessarily a planned action. Before FY 2018-19, the District did not contemplate a reduction of teachers as part of the fiscal planning process. 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 impact on the Financial Plan is a reduction of 81 positions over the Financial Plan at annual savings ranging from $1.5 million to $2.1 million, for a cumulative impact of $5.2 million over the Financial Plan.

On an All Funds Basis, the Adopted Budget includes a total of 5,653 FTEs, 61 FTEs greater than the FY 2020-21 Adopted Budget.

The following depicts overall staffing levels on a General Fund and All Funds basis for ten years, consisting of the last six years of actual positions and the current projections over the four-year Financial Plan.



BTF Compensation

The largest area of employee compensation is for teachers. It is the largest employee group for the District, representing 67.5% of the total 4,916 budgeted FTE positions in the General Fund. General Fund expenditures for teacher compensation are budgeted at $244.3 million in the Adopted Budget and increases to $248.2 million, an increase of $3.9 million, or 1.6%, 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 approximately 46% of teachers are eligible for an annual step increase. The current labor contract expired 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 4,916 budgeted FTEs, or 4.7% of the workforce. Budgeted positions are increased to 234 FTEs in FY 2022-23 and held at this level in each out-year of the Financial Plan.

General Fund expenditures for BCSA compensation are budgeted at $25.9 million in the Adopted Budget and increase by $1.6 million, or 6.2%, to $27.5 million by the fourth year of the Financial Plan. The annual increases of 1.5% in BCSA compensation are based on annual step increases, less natural attrition of the workforce, as approximately 48% of administrators are eligible for an annual step increase. The labor agreement expired on September 1, 2020. The Financial Plan projects an increase of five FTEs in year two, which is held flat over the remaining years.

PCTEA Compensation

PCTEA represents the white-collar employees of the District. Members of PCTEA represent 380 of the total 4,916 FTEs, or 7.7% of the workforce. Budgeted positions are held flat at 380 FTEs in each remaining year of the Financial Plan.

Personnel costs total $20.2 million in the Adopted Budget and increase $1.0 million, or 5.0%, to $21.2 million over the Financial Plan. PCTEA ratified a new labor agreement on August 21, 2019. The FY 2021-22 compensation increases are based on a contractual increase of 3% as the labor agreement expires on June 30, 2022. An increase of 1.5% is projected in salary increases based on annual step increases less natural attrition of the workforce is included for FYs 2022-23 through FY 2024-25.

BEST Compensation

BEST represents both Teachers' Aides (non-certified), Teaching Assistants (certified by NYS), and Healthcare Aides of the District. Members of BEST represent 790 of the total 4,916 FTEs, or 16.1% of the workforce. Budgeted positions are increased to 794 FTEs in year two and held at that level in each remaining year of the Financial Plan.

Personnel costs total $17.5 million in the Adopted Budget and increase $1.0 million, or 5.7%, to $18.5 million over the Financial Plan. The annual increases of 1.5% in BEST compensation is based on annual step increases, less natural attrition of the workforce. As noted, the previous labor agreement with BEST expired June 30, 2012. The Buffalo Board of Education has ratified the successor agreement; the District's Adopted Budget and Financial Plan have not been adjusted to reflect these new prospective costs.

Local 264 (Blue-Collar) Compensation

Local 264 represents the blue-collar employees of the District. The blue-collar employees represent 65 of the total 4,916 FTEs, or 1.3% of the workforce. Budgeted positions are held flat at 65 FTEs in each remaining 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 approximately 42% of employees are eligible for a step increase in FY 2021-22. The labor agreement expired on June 30, 2013.

S/UB, TAB, Trades, 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.

Substitutes United/Buffalo (substitute teachers) teachers are operating under a labor agreement that expires June 30, 2021. On March 26, 2021, the District employed 324 substitute teachers.

The bus aides are operating under a labor agreement that expires June 30, 2021. First Student, Inc., is contracted by the District to provide yellow bus service and runs approximately 642 bus routes daily in a traditional school year. On March 26, 2021, the District employed 195 bus aides.

Trades employees represent 33 of the total 4,916 FTEs, or 0.7% of the workforce. Budgeted positions are held flat at 33 FTEs in each year of the Financial Plan.

Engineers represent 56 of the total 4,916 FTEs, or 1.3% of the workforce. Budgeted positions are increased to 57 FTEs in year two and are held flat in each remaining out-year of the Financial Plan. Engineers are operating under a labor agreement that expired on June 30, 2010.

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 represent 36 of the 4,916 FTEs, or 0.7% of the workforce. The budgeted level of exempt employees is flat through the Financial Plan. Exempt employees received raises effective July 1, 2019. No raises have occurred since that time nor are projected to occur, with the noted exception of the District's Superintendent who is scheduled to receive a contractual raise following a directive from the Board of Education.

The nine Buffalo Board of Education members receive a $15,000 annual stipend. The combined expenditures for all other employee compensation categories are proposed at $26.1 million and increases $0.6 million, or 2.3%, 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 2.6% in TAB compensation in FY 2021-22 based on the terms of the current labor agreement for the first FY of the Financial Plan as well as annual step increases less natural attrition of the workforce in the final three years of the Financial Plan. The remaining compensation categories for substitute teachers, engineers and exempt employees are held relatively flat over the Financial Plan. The overall number of employees is budgeted at a consistent level in each year of the Financial Plan.

Miscellaneous Compensation and Overtime
Miscellaneous Compensation items include non-instructional sick leave replacement and grievance awards. These expenditures are held flat at $0.2 million in each Financial Plan FY.

Overtime includes compensation to hourly employees who work beyond the regular work week and is budgeted at $1.8 million annually in the Financial Plan.

The following chart provides a snapshot of the various employee groups with the average FY 2021-22 salaries, average total compensation including fringe benefits, and the date of contract expiration:

Average Employee Salary, Total Compensation and Contract Status FY 2021-22 Employee Summary (Adopted Budget)				
Employee Group	**FTEs**	**Average Salary**	**Average Total Compensation (Salary and Fringe Benefits**	**Contract Expiration Date**
	#	**$**	**$**	
BTF (Teachers)	3,318	73,629	99,689	6/30/2019
BCSA (Administrators)	229	113,100	146,092	9/1/2020
PCTEA (White-Collar)	380	53,158	79,090	6/30/2022
BEST	790	22,152	39,293	6/30/2012
Trades	33	112,121	152,986	Prevailing Wage
Local 264 (Blue-Collar)	65	38,462	60,763	6/30/2013
Local 409 (Engineers)	56	82,456	115,301	6/30/2010
Exempt	36	130,556	174,972	Current
Board Members	0	15,000	16,148	N/A

Unsettled Labor Contracts

The District is currently out-of-contract or will be out-of-contract by June 30, 2022 (barring a new settlement or new settlements) with most collective bargaining units including the seven of the eight units funded through the General Fund. There are 4,916 full-time employees on a General Fund basis and 5,653 FTEs on an All Funds basis. These units are as follows:

1) BTF – expired June 30, 2019
2) Engineers – expired June 30, 2010
3) Local 264 - expired June 30, 2013
4) Substitute Teachers – expiring June 30, 2021
5) BCSA - expired September 1, 2020
6) TAB - expiring June 30, 2021
7) PCTEA - expiring June 30, 2022

The labor agreement with BEST ratified on June 23, 2021 is effective July 1, 2021 through June 30, 2025. The labor agreement was ratified after the budget was adopted.

The District calculated a labor agreement settlement estimate for the costs to settle all outstanding labor contracts including BEST. The District estimates that the annual increase will be $9.9 million for salary and wage increases of 2.5% plus increases to fringe benefits including payroll taxes and pension. The impact was estimated at $11.2 million on an All Funds basis. BFSA has reviewed this contract settlement estimate and has determined that it is understated, particularly given the BEST labor agreement's FY 2021-22 $4.8 million net cost.

The District has quantified an estimated cost of outstanding labor contracts. These employee compensation and benefit increases are not accrued for within the Financial Plan, but rather listed separately. Assigned fund balance of $9.0 million is designated to settle prior years' claims – labor contracts.

Employee Benefits

Employee Benefits is the second-largest expenditure category at 20.2% 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 $196.9 million for Employee Benefits in the Adopted Budget. These expenditures increase by $22.3 million, or 11.3%, to $219.2 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 2020-21 Adopted Budget.

General Fund Expenditures	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
Employee Benefits			(In Millions)				
Civil Service Retirement	$5.7	$6.8	$6.9	$6.8	$6.7	($0.1)	-1.5%
Teachers Retirement	23.7	27.2	28.7	29.7	30.7	3.5	12.9%
Social Security	24.8	26.3	26.1	26.3	26.6	0.3	1.1%
Health Insurance (Active Employees)	64.7	62.3	63.8	66.7	69.8	7.5	12.0%
Health Insurance (Retired Employees)	57.1	56.1	59.4	63.3	67.0	10.9	19.4%
Termination Pay	3.8	4.3	4.4	4.4	4.5	0.2	4.7%
Other Benefits	13.5	13.9	13.9	13.9	13.9	0.0	0.0%
Total Employee Benefits	**$193.3**	**$196.9**	**$203.2**	**$211.1**	**$219.2**	**$22.3**	**11.3%**

New York State Pension

General Fund expenditures for NYSERS and NYSTRS are budgeted at a combined amount of $34.0 million in the Adopted Budget and increase by $3.4 million to a combined $37.4 million over the Financial Plan. NYSTRS expenditures are projected to increase $3.5 million or 12.9% over the Financial Plan based on the assumed increased contribution rate as well as increased employee compensation; NYSERS expenditures are projected to increase by $1.1 million in FY 2021-22 and gradually decrease by $0.1 million to $6.7 million by FY 2024-25 based on increased overall employee compensation and decreasing the employer contribution rates.

The NYSERS contribution rate is actuarially set by NYSERS and is projected to decrease and stabilize over the longer term to approximately 12.5%; however, given the current economic uncertainty, the NYS Office of the State Comptroller has projected the rate to remain above the long-term trend in the Financial Plan. The FY 2021-22 blended rate is 16.2%. The Financial Plan assumes employer contribution rate will decline to 15.25% in FY 2024-25.

The District's FY 2021-22 rate for NYSTRS is 9.8%. The District has assumed the NYSTRS employer contribution rate to increase to 10.5% by FY 2024-25 based on the NYS Office of the State Comptroller's long-term projection.

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 the employer contribution rates for NYSERS and NYSTRS payments.

Payroll Taxes

The District's employer portion for payroll taxes remains at 7.65% of budgeted Employee Compensation and Termination Pay over the four years of the Financial Plan. It is budgeted at $26.3 million in FY 2021-22 and increases $0.3 million, or 1.1%, to $26.6 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 $62.3 million in the Adopted Budget, which represents a $2.4 million, or 3.7%, decrease from the 2020-21 Adopted Budget. The District's health insurance c7osts for active employees is estimated based on consultation with the District's employee benefits consultant.

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.

Teachers, administrators, white-collar, blue-collar and exempt employees must contribute towards the cost of the health insurance premium. Teacher aides/teaching assistants will begin to contribute towards the health insurance premium's cost on July 1, 2021. These contributions offset expected expenditures by $5.0 million in FY 2021-22.

Retiree health insurance expenditures are also a major General Fund expenditure. Retiree health insurance is budgeted at $56.1 million in the Adopted Budget, a $1.0 million or 1.8% increase over the FY 2020-21 Adopted Budget. The increase in budgeted retiree healthcare expenditures is based on projections for actual retiree expenditures for FY 2021-22.

The expenditure increases $10.9 million, or 19.4%, to $67.0 million by the fourth year of the Financial Plan. The projected rate of increase for this expenditure exceeds the projected rate of increase for any other General Fund expenditure category. The Adopted Budget assumes 5,079 retirees will receive health insurance growing to 5,379 retiree participants by FY 2024-25. 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. 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 $2.1 million in FY 2021-22.

The growth of these expenditures has been curtailed in recent fiscal years and has been favorably impacted by several cost saving initiatives.

In late 2019, the District issued an RFP (Request For Proposal) for Medicare Advantage and is converting voluntary enrollments to Independent Health's offering, which is projected to save up to $0.9 million annually beginning in the current fiscal year. On April 30, 2021, there were approximately 5,079 retiree participants (6,494 members) with health insurance benefits. Effective at the start of the FY 2018-19 fiscal year, the District no longer budgeted based on premium-equivalent rates, but instead used actual claim costs by the various groups, including retirees. The cost of this plan is significantly less than most of the District's traditional plans for an average savings of $2,500 per member, as compared to an annual actuarial valuation. In January 2020, the District converted its Medicare Advantage offering to Independent Health, resulting in a projected savings of $0.9 million annually, which is included in the base cost.

Reductions in the cost of retiree health insurance have been one of the District's largest fiscal cost savings initiatives. Savings of over $20.0 million have been accruing annually. Significant savings have accrued from the conversion of nearly 1,500 retirees into Medicare Advantage, negotiating better drug rebates, converting to an Employer Group Waiver Program (EGWP) to increase federal subsidies on prescription drugs, and effectively eliminating the cosmetic surgery rider. Each initiative has saved the District millions annually. These savings are reflected within the Adopted Budget and Financial Plan.

Termination Pay and All Other Fringe Benefits

Termination Pay and All Other Fringe Benefits total a combined $18.2 million in the Adopted Budget. Termination Pay is projected to increase $0.2 million over the Financial Plan based on the actual number of employees eligible to retire, their estimated termination pay benefit, and the percentage expected to retire based on trend data. Termination Pay includes compensation to newly retired individuals or eligible terminated individuals for unused paid leave as well as payouts for early retirement incentives.

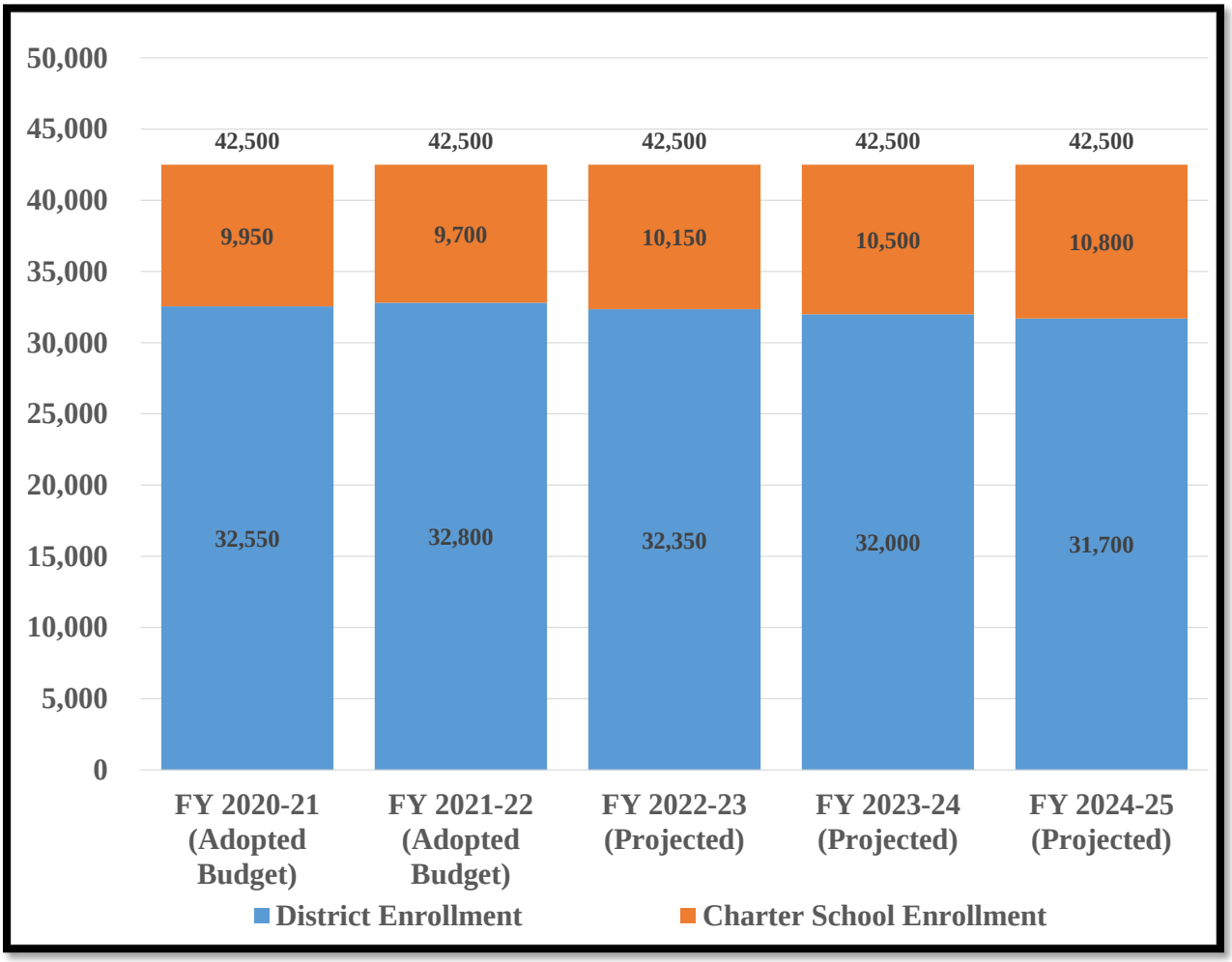
All Other Fringe Benefits include supplemental benefits, workers' compensation costs, unemployment, and other minor fringe benefit costs. The Adopted Budget includes $13.9 million in All Other Fringe Benefits including $2.0 million in unemployment expenditures. The three out-years are flat over the Financial Plan at $13.9 million.

Payments to Charter Schools

Payments to Charter Schools is the third-largest General Fund expenditure at 14.0% of total General Fund expenditure at $135.7 million.

Payments to Charter Schools includes 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 2021-22 budgeted tuition rate is $13,985 per pupil. This includes $13,310 in base tuition and $676 for special education. Payments to Charter Schools are budgeted at $135.7 million in the Adopted Budget and increases $24.9 million, or 18.3%, to $160.6 million over the Financial Plan. The increase is driven by an increase in estimated pupils from 9,700 to 10,700 and the base tuition rate.

The following chart depicts projected enrollment in Buffalo public schools, both District and charter, as represented within the Financial Plan.



The District is projecting a declining enrollment within District schools while projecting an increase of 1,100 (11.1%) 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 plans. Two new charter schools are planned to open in FY 2021-22 (the Buffalo Commons Charter School and the Primary Hall Preparatory Charter School) while both District-authorized charter schools are scheduled to be closed with the pupils transferring to both District or other charter schools. These closures have been appealed by the schools; the final outcome has not yet been determined. No additional charter schools are anticipated over the Financial Plan.

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 11.2% 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 $109.0 million in the Adopted Budget and decrease $18.1 million, or 16.6%, to $90.9 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 $117.6 million in FY 2021-22 and decreases to $99.4 million in FY 2024-25. Debt Service includes the scheduled principal and interest payments on borrowings for capital improvements including work associated with the Joint Schools Construction Board (JSCB) project. No new debt is anticipated at this time. However as refinancing savings are being depleted, capital borrowing may be required in future fiscal years.

Transportation
Transportation expenditures constitute 6.3% of the District's total Adopted Budget and is the sixth-largest General Fund expenditure category. Transportation expenditures total $61.2 million in the Adopted Budget and increase $3.3 million, or 5.4%, to $64.5 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.

The following table depicts the District's projected NYS Transportation Aid and Transportation expenditures.

	FY 2020-21 (3.31.2021 forecast)	**FY 2021-22 (Adopted Budget)**	**FY 2022-23 Out-year 1**	**FY 2023-24 Out-year 2**	**FY 2024-25 Out-year 3**
Transportation Expenditures	$29.2 M	$61.2 M	$62.2 M	$63.3 M	$64.5 M
NYS Transportation Aid	$33.3 M	$32.5 M	$56.8 M	$57.7 M	$58.7 M

The $29.0 million deficit projected in FY 2021-22 is largely the result of the one-time mismatch between Transportation expenditures and Transportation Aid. Lower transportation expenditures in FY 2020-21 reduce Transportation Aid in FY 2021-22 by approximately $24.4 million. The savings from lower transportation expenditures are included in fund balance at June 30,2021. The Financial Plan utilizes $29.0 million in Unassigned fund balance to close the budget gap.

Overall, the expenditure is projected to increase $9.8 million, or 19.1% over the FY 2020-21 Adopted Budget and an additional $3.4 million, or 5.6% over the Financial Plan. Transportation expenditures total $58.4 million in the FY 2020-21 Modified Budget. Transportation expenditures were budgeted at a level that assumed a full year of in-person instruction. On March 31, 2021, the CFYE forecast is significantly lower at $29.2 million, a $29.0 million favorable budgetary variance. This sizable CFYE favorable forecast is based on the schools' current learning model

with fully remote learning implemented at the school year's start and phased-in in-person learning that began on February 1, 2021 during the District's third quarter. The FY 2021-22 Adopted Budget assumes a traditional learning model with full in-person learning.

The anticipated expenditures are based on the service contract for yellow bus services First Student, Inc., which resulted in an approximately 15% increase in yellow bus costs, the service contract with the Niagara Frontier Transportation Authority (NFTA) which provides transit passes for pupils in grades 9 through 12, increased bussing services provided by the District due to additional charter schools pupils, 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 2019-20 that extends through the end of FY 2024-25. Additionally, the District has an expired contract with the NFTA (April 2020 expiration). The contract is being negotiated and may include additional costs. 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 13.5% of total budgeted General Fund expenditures and includes tuition, contracts, textbooks and supplies, repairs and maintenance and a contingency reserve.

The following chart depicts the All Other Expenditures as included within the Adopted Budget and Financial Plan.

General Fund Expenditures	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
All Other Expenditures			**(In Millions)**				
Utilities	$8.9	$8.8	$8.8	$9.0	$9.1	$0.3	3.4%
Tuition	33.5	35.0	36.0	36.4	36.7	1.7	4.9%
Contracts - Custodian	18.4	19.2	19.4	19.4	19.4	0.0	0.0%
Equipment	1.7	1.7	2.6	2.6	2.6	0.0	0.0%
Contracts - Misc. & Contingency	21.1	26.9	23.8	23.8	23.8	0.0	0.0%
Reserve for Contingency	0.1	7.5	2.0	2.5	3.0	(4.5)	-60.0%
Rental Contracts	11.1	12.0	12.2	12.4	12.6	0.6	5.0%
Repairs & Maintenance	3.7	3.4	3.4	3.5	3.5	0.1	2.9%
Textbooks	2.7	3.1	3.1	3.1	3.2	0.1	3.2%
Supplies and Misc. Related Items	7.8	7.2	10.3	10.4	10.5	3.3	45.8%
Software	3.6	3.9	4.0	4.0	4.0	0.1	2.6%
Interfund Transfers	3.0	2.5	2.5	2.5	2.5	0.0	0.0%
Total Other Expenditures	**$115.6**	**$131.2**	**$128.1**	**$129.6**	**$130.9**	**($0.3)**	**-0.2%**

All Other Expenditures are budgeted at $131.2 million and decrease $0.3 million, or 0.2%, to $130.9 million over the Financial Plan.

Utilities
Utilities expenditures total $8.8 million in the Adopted Budget, are projected at the same amount for 2022-23, and are projected to increase thereafter by $0.3 million, or 3.4%, to $9.1 million over the Financial Plan based on a 2.0% inflationary factor.

Reserve for Contingency
The Reserve for Contingency was established as a contingency to cover revenue reductions and/or expenditure increases that occur after a budget's adoption.

The Reserve for Contingency expenditure line includes $7.5 million in the Adopted Budget. This includes $1.5 million for a general contingency and a $6.0 million contingency related to transitioning students from the two District-authorized charter schools into District schools: Enterprise and Westminster. The Buffalo Board of Education did not renew the schools' charters for these two charter schools which were anticipated to close at the end of the 2020-21 school year, though the matter has been appealed.

The transitional contingency is budgeted solely within FY 2021-22. The general contingency is increased by $0.5 million annually to $3.0 million in FY 2024-25 for a cumulative $9.0 million in the Financial Plan.

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 $35.0 million in Tuition expenditures of which $32.4 million relates to Agency instruction. An additional $1.8 million is budgeted for foster and resident student tuition. The remaining $0.8 million is budgeted for Career and Technical Educational college credit.

The District has budgeted a 1.0% growth rate for this expenditure. It is projected to increase by $1.7 million, or 4.9% to $36.7 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 $79.9 million in the Adopted Budget. They are projected to increase by $2.2 million, or 2.8%, to $82.1 million over the Financial Plan.

Miscellaneous contracts are budgeted to increase by $5.8 million over the FY 2020-21 Adopted Budget to $26.9 million in FY 2021-22. Miscellaneous contracts are projected flat at $23.8 million over the Financial Plan's three out-years.

Rental contracts are budgeted to increase $0.9 million over the FY 2020-21 Adopted Budget based on projected FY 2019-20 actual rental contract expenditures and are projected to increase $0.6

million, or 5%, 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 increase $0.4 million over the FY 2020-21 Adopted Budget to $3.1 million and increase slightly by $0.1 million to $3.2 million over the Financial Plan's out-years. The budgeted increase over the PFY is conservatively estimated as the District adopted a five-year replacement cycle and cost saving initiatives to reduce procurement costs through more competitive bidding.

Supplies and miscellaneous expenditures are budgeted at $7.2 million in the Adopted Budget. The schools' reopening during a pandemic has necessitated additional supply purchases. The supplies and miscellaneous FY 2021-22 expenditure line was decreased from the Draft Budget to the Adopted Budget; the Financial Plan was not modified to reflect this adjustment. As such the FY 2021-22 Adopted Budget expenditures are significantly lower than the Financial Plan's three out-years. Supplies and miscellaneous expenditures increase $3.3 million, or 45.8%, over the Financial Plan based on a 1% inflationary factor in FY 2022-23 through FY 2024-25.

Miscellaneous General Fund expenditures include custodial contracts and are budgeted at $19.2 million in FY 2021-22. This amount increases $0.2 million in FY 2022-23 and is held flat over the Financial Plan's out-years. The District is unique in its custodial contracts in that the operating engineers receive lump sums of money based on the square footage 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 operating engineers, not of the District.

FUND BALANCE STATUS

The District's fund balance has grown substantially over the last several years. The Gap Closing Plan was initiated in the FY 2018-21 Financial Plan; the total fund balance grew from $182.6 million on June 30, 2017 to $266.0 million on June 30, 2020. Fund balance is anticipated to increase by $19.1 million in the CFY.

The following is a depiction of the District's projected fund balance.

Buffalo City School District Fund Balance	Projected at June 30, 2021	Projected at June 30, 2022	Projected at June 30, 2023	Projected at June 30, 2024	Projected at June 30, 2025
	$ in Millions				
Non-spendable	**$1.0**	**$1.0**	**$1.0**	**$1.0**	**$1.0**
Restricted	**$29.8**	**$29.8**	**$29.8**	**$29.8**	**$29.8**
Assigned					
Designated for New Year's Budget	29.0	0	0	0	0
Encumbrances	4.8	4.8	4.8	4.8	4.8
Designated for other capital needs/repairs	16.1	16.1	16.1	16.1	16.1
Designated for OPEB and other benefits	69.1	69.1	69.1	69.1	69.1
Designated for Health Insurance	15.1	15.1	15.1	15.1	15.1
Designated for Equity	5.0	5.0	5.0	5.0	5.0
Designated for PY claims (union contracts)	9.0	9.0	9.0	9.0	9.0

Other Postemployment Benefits (OPEB)

The District has significant accrued liabilities for post-retirement healthcare. NYS law does not currently authorize a governmental trust that entities could voluntarily contribute 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, 2020, the District had $49.1 million of fund balance assigned for OPEB. As of the last actuarial valuation report dated June 30, 2020, the total OPEB liability was $2.6 billion. This is an increase from the estimate of the total OPEB liability on June 30, 2019 of $2.4 billion.

The District has actively been examining and implementing additional cost-saving measures to address this long-term liability. The collective bargaining agreements with the BTF and with the BCSA provided terms that allowed for the growth in the long-term liability to decrease. The increase is based primarily on changes in assumptions and other inputs.

FOOD SERVICE FUND

The District provides breakfast, lunch, and afterschool dinner to all District students as well as five Buffalo 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 $44.0 million in the Adopted Budget, an increase of $1.8 million, or 4.2%, from the $42.8 million FY 2020-21 Adopted Budget. This increase is attributed to an increase of $0.7 million in Employee Compensation expenditures based on step increases, longevity payments and incentives, an increase of $0.2 million for employee benefits, and a $0.9 million increase in all the food supplies and commodities necessary to operate the various cafeterias and the Central Commissary. The FY 2021-22 Summer Food Service program is anticipated to be more heavily attended due to the absence of in-person learning for much of the current school year. Employee Compensation costs annually increase by $0.1 million and cumulatively by $0.6 million based on the growth in pay applicable to staff the Food Service Program.

The following summarizes the Food Service Program's collective bargaining units and the labor contracts' expiration dates:

1) Local 264: Food Service Workers/Cooks (part-time) – expires June 30, 2022
2) Local 264: Cook Managers (full-time) – expires June 30, 2022
3) Local 264 Summer Food Service (part-time) – expired September 2019

The District drew down fund balance assigned for capital improvements in FY 2016 through 2021 for a building improvement and expansion project. This capital work continues in FY 2021-22 as $3.5 million in fund balance assigned for capital improvements is appropriated for continued building improvements and expansion of the District's central commissary. An additional $2.7 million in fund balance usage is planned for FY 2021-22 for building improvements and related equipment purchases. Both are one-time items.

The Food Service Adopted Budget and Adopted Financial Plan are operationally balanced. A cumulative fund balance appropriation of $16.2 million is included for the capital improvement programs.

GRANTS FUNDS (SPECIAL PROJECTS, CRRSA-ESSER II, AND ARP-ESSER III)

The Special Projects Fund includes grants from a variety of sources, though most are from either the federal government or the NYS government. The Special Projects Fund Adopted Budget totals $103.5 million. This level of funding is assumed in each Financial Plan fiscal year.

Categorial grants are projected at a static level in each of the four years of the Financial Plan at $14.0 million. Categorical grants include the NYS Universal Pre-kindergarten grant and the NYS Priority Pre-kindergarten grants.

Total other grants are projected at a static level as well at $89.5 million. These include grant funding from NYS, federal agencies, and local grantors. Several grants are awarded on an annual basis such as the federal Title I, II and III and the federal IDEA 611 and 619. There are also NYS School Improvement Grants that can fluctuate as the number of eligible schools' changes. The Special Projects Fund is a self-balancing fund; the projection in the out-years is based on the 2021-22 Adopted Budget.

The District has determined that the CRRSA-ESSER II and the ARP-ESSER III funding will be accounted for within two yet-to-be created budgets, separate from the Special Projects Fund.

The ESSER fund draft budgets include a substantial $115.8 million in federal disaster relief funds. ESSER funding totals $289.6 million from FY 2021-22 through FY 2023-24. The projections for these three grant funds combined are as follows:

Combined Grants Funds	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	FY 2022-2025 Total
Special Projects Fund	**$ in Millions**				
New York State Aid	$45.9	$45.9	$45.9	$45.9	$183.6
Federal Aid	53.5	53.5	53.5	53.5	214.0
Foundation Funds	4.1	4.1	4.1	4.1	16.4
Total Special Project Funds	**$103.5**	**$103.5**	**$103.5**	**$103.5**	**$414.0**
	2021-22 Draft Budgets	**2022-23 Outyear 1**	**2023-24 Outyear 2**	**2024-25 Outyear 3**	**FY 2022-2025 Total**
Combined ESSER Funds	**$ in Millions**				
Federal Disaster Relief (CRRSA-ESSER II)	$35.4	$35.4	$17.8	$0.0	$88.6
Federal Disaster Relief (ARP-ESSER III)	80.4	80.4	40.2	0.0	201.0
Total Federal Disaster Relief Funds	**$115.8**	**$115.8**	**$58.0**	**$0.0**	**$289.6**
Total Combined Grant Funds	**$219.3**	**$219.3**	**$161.5**	**$103.5**	**$703.6**

The ESSER II and ESSER III draft budgets include a substantial $115.8 million in FY 2021-22 federal disaster relief funds. These funds are cumulatively $289.5 million to be received over three years. They are one-time revenues and are intended to supplement, not supplant regular operations.

The CRRSA Act of 2020 included $88.6 million (ESSER II) for the District. The funds are expected to be available through September 2024.

The ARP Act of 2021 includes an estimated $201.0 million (ESSER III) and is included in the SFY 2021-22 NYS Enacted Budget. The funds are expected to be available through September 2024. ESSER III includes a 20% set-aside for learning loss, a maintenance of equity component, and other restrictions.

There are several unknowns relative to the ESSER II and ESSER III funding including confirmation of the final amounts allocated to the District, the applicable NYS guidance, and the application process.

These funds are expected to be recorded in the ESSER II and ESSER III budgets and are not included as General Fund revenues or expenditures in the Financial Plan. The plans for these funds are being developed and will require significant community outreach. The funding allocation by year is not known at this point, but it is presented in the Financial Plan in the 2021-22 to 2023-24 years in a 40%/40%/20% split. The projected annual allocations will likely change when the final spending plan is developed and approved. The ESSER II and ESSER III funds have a wide range of allowable uses up to and including activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency – meaning the funding could be used to close budget deficits.

The funding is expected to support the return to school efforts (e.g., cleaning, personal protective equipment, ventilation, and facility enhancements), instruction programs and extended learning time, supports for students' social and emotional well-being, technology infrastructure and remote learning capabilities, and professional development for staff.

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 District has presented a balanced FY 2021-22 budget and related FY 2022-2025 Financial Plan. There is a timing difference between the incurrence of transportation expenditures and related transportation aid, which is resulting in the shift of $29.0 million from current year operations to the FY 2021-22 budget. This is a result of timing and not an operational imbalance. The Adopted Budget and the Financial Plan excludes any provision for the settlement of labor contracts; the estimate for such costs in the General Fund is $9.9 million annually. The District has indicated that it has set aside $9.0 million in fund balance specifically for contract negotiations. The funding of any excess costs would need to be addressed. It is noted that adequate reserves are projected over the financial plan to address such additional costs.

The final budget was adopted on May 19, 2021. It is not anticipated to be modified until July 1st with the recognition of carry-forward encumbrances.

The Financial Plan was developed using consistent underlying key assumptions as used in the development of the annual 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 may 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 850 over the Financial Plan which equates to a reduction of 71 positions. The budgetary impact on the Financial Plan is a cumulative reduction to employee compensation expenditures of $11.5 million.

The NYS 2021-22 Enacted Budget and the related four-year financial plan provides substantial increases to Foundation Aid for the District. The year-to-year increase in Foundation Aid is $67.5 million, or 8.0%, with Foundation Aid totaling $747.2 million within the Enacted Budget. Furthermore, NYS has committed to eliminating the Pandemic Adjustment going forward; this adjustment reduced NYS Aid by $29.6 million in FY 2020-21 but was supplanted with federal aid. Additionally, NYS passed legislation expected to fully fund Foundation Aid by FY 2023-24; this provides an approximate 4.5% increase annually for FY 2022-23 and FY 2023-24. In total, the Financial Plan includes $122.7 million of incremental Foundation Aid to the District.

In addition to State Aid, unprecedented levels of federal aid have been awarded to the District to address a multitude of issues resulting from the pandemic. The District's spending plan is required to be developed by July 1, 2021. The total amount of federal stimulus dollars being addressed within the plan is approximately $289.6 million. The CRRSA and ARP Federal Disaster Relief budgets are in draft format and are anticipated to be submitted to NYSED for approval by July 1, 2021 following community and board member feedback on funding usage as well as rules and regulations propagated by the New York State Education Department on proper fund accounting.

Subsequent to the adoption of the 2021-22 budget and related four-year financial plan, the District ratified a collective bargaining agreement with BEST on June 23, 2021. This successor agreement has an estimated FY 2022-25 $25.0 million prospective net cost. The Financial Plan as submitted to BFSA on April 30, 2021 is no longer consistent with the changes for years 2022-23 to 2024-25; the BFSA Board of Directors required the submission of a modified financial plan to solidify the

funding plan for this labor contract. A modified plan is expected to be submitted before or on November 30, 2021.

FINAL PROGRESS REPORT - DEFICIT CLOSING AND COST SAVINGS INITIATIVES

The FY 2018-2021 Financial Plan included a projected four-year deficit of $100.1 million. A budget gap closing plan (Gap Closing Plan) was developed to address the projected deficit. The Gap Closing Plan quantified various measures that the District identified to address these projected deficits, provided in-depth specificity for each of the individual deficit closing and cost savings initiatives and quantified the financial impact of such various initiatives.

The deficit closing and cost saving initiatives included potential actions separated into four categories including other revenue, fund balance items, savings to be achieved through efficiencies, and other cost reductions. 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.

Deficit Closing and Cost Savings Initiatives –Fund Balance Items

Annual financial plans from FY 2017-18 to FY 2020-21 included the ability to use additional fund balance. While the District had additional fund balance to close budget deficits annually since FY 2018, no additional fund balance was used. On June 30, 2021, General Fund fund balance totaled $285.0 million including $106.1 million in Unassigned fund balance. This included $67.2 million greater than the $38.9 million required to be maintained per the Board of Education's Unassigned fund balance retainage policy of 4% of General Fund budgeted expenditures.

Deficit Closing and Cost Savings Initiatives – Other Revenue

The Gap Plan included a revenue enhancement item as follows:

Revenue enhancement: An aid maximization program was initiated in FY 2015-16. The cumulative increase from this program is a projected $7,381,000 in FY 2021-22 from revenue increases due to several current initiatives including $3.5 million in federal Medicaid Reimbursements, as identified through the Kinney System. The $7,381,000, represents reoccurring gains through changes in standard procedures because of the aid maximization projects. These revenue increases were incorporated within the Adopted Budget and Financial Plan.

Deficit Closing and Cost Savings Initiatives – Savings to be Achieved through Efficiencies

The Financial Plan included seven (7) individual actions for cost reductions and savings to be achieved through greater efficiencies. These actions are summarized as follows:

Vacancies: The District had included potential additional budgetary savings of up to $2.0 million annually resulting from vacancies based on historical experience. The District annually has budgetary savings based on budgeted but unfilled FTE positions, particularly within the white-collar and blue-collar employee groups. This item did not represent an action but represents an area where the budgetary savings likely will occur. The District has historically had a 1.5-3.5% annual vacancy rate.

Employee healthcare: Reductions in the cost of retiree health insurance have been one of the District's largest fiscal cost savings initiatives. Savings of over $20 million have been accruing

annually. Significant savings have accrued from the conversion of 1,500 retirees into Medicare Advantage, negotiating better drug rebates, converting to an Employer Group Waiver Program (EGWP) to increase federal subsidies on prescription drugs, and effectively eliminating the cosmetic surgery rider. Each of these initiatives has saved the District millions annually. In late 2019, District issued an RFP for Medicare Advantage and is converting voluntary enrollments to Independent Health's offering, projected to save up to $0.9 million annually beginning in 2020.

Active employee healthcare savings here have largely been accomplished through collective bargaining for employee contributions and increased co-pays. The District's OPEB liability has been reduced from $2.9 billion on June 30, 2016 to $2.5 billion on June 30, 2020.

Reduce substitute teacher costs: The District included annual savings of $100,000 in substitute teacher expenditures 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 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. After implementing cost controls several years ago, substitute teacher costs have been in a range of $7.5 million to $7.9 million annually over the last four years, even after settling the substitute labor agreement in FY 2017-18 at an estimated $1.0 million annual cost. The successor labor agreement was anticipated to cost $0.3 million in FY 2019-20 and another $0.3 million in FY 2020-21. On March 31, 2021, substitute costs are anticipated to be $2.3 million under budget for FY 2020-21, since substitutes are working on a more limited basis, while cost controls implemented by the Department of Human Sources continued to save funds.

Negotiations/Analysis of Top 150 Vendors/Best Practices (formerly Best and Final Offers): The Gap Closing Plan included potential savings related to procurement of $500,000 in FY 2020-21, which increases annually by $200,000. 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.

In March of 2020, the District implemented an electronic bid/RFP process where bids/RFPs are submitted online to the District and evaluations are completed in the system. This is intended to improve the efficiency and accuracy of the evaluation process, to the benefit of the District.

The District implemented a new printing/copying contract anticipated to save the District $1.0 million annually, which has continued to yield savings.

The District is also undertaking a project to improve the Minority/Women-Owned Business Enterprises (MWBE) process which will bring more competition to District offerings.

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 in annual savings for a cumulative $0.3 million in savings from this continued initiative.
FY 2020-21 overtime costs have generally been reduced throughout the Covid-19 closures; however, several necessary repairs, improvements, and planning for a return to school have required overtime. Overtime is thoroughly vetted by Cabinet members.

Public carrier transportation: The District utilizes both private and public carriers for pupil transportation. The District has included potential annual savings of $2.0 million increasing annually by $0.3 million as the District is exploring the possibility of splitting bussing services into zones which could reduce yellow bus costs by a third. This efficiency was planned for FY 2020-21 but delayed due to the pandemic. It will be implemented in FY 2021-22; the anticipated savings are incorporated within the Financial Plan.

The District reported that the FY 2020-21 two-year contract with the Niagara Frontier Transportation Authority was 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 approved private carrier contract is with First Student, Inc. The current contract expires at CFYE. First Student successfully completed an RFP process and will continue as the District's private carrier through FY 2025.

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. Effective July 1, 2019, the District has a new third-party administrator for workers' compensation administrative services. An annual savings of $0.2 million is listed as a cost-savings initiative. Employees on workers compensation increased through March 2020, but has declined since then, due to the ability for employees to work-from-home. Staff on administrative leave continues to decline and are at approximately fifteen, from over four years ago. The District indicated that medical leave time has been managed well, with a downward trend since 2018.

Deficit Closing and Cost Savings Initiatives – Other Cost Reductions

The Gap Closing Plan included gap-closing measures to provide cost reductions in the event such actions are necessary and included more severe measures.

The Gap Closing Plan included a reduction of the general contingency account. The annual cost reduction would have been $1.5 million in the first year implemented. The general contingency account increases by $0.5 million annually. A cumulative amount of $9.0 million would have been reduced over a financial plan if this action had occurred.

An additionally listed cost reduction was the reduction or elimination of non-mandated programs. The estimated cost reduction from this action would have been $0.25 million annually and cumulatively $0.75 million over a financial plan.

The third cost reduction listed was the reduction of central office, instructional and support positions. ` District employment has been increased by 720 FTEs since FY 2014-15. The Gap Closing Plan included the potential reduction of 66.7% of this staff with staffing cuts totaling $38.75 million in each outyear of the Financial Plan; it is not disaggregated within the plan. ($38.75 million annually for a cumulative $116.25 million).

The Financial Plan projects annual budgetary surpluses beginning in FY 2022-23. These staffing cuts are not currently proposed and would be the last deficit closing and cost saving actions implemented.

Deficit Closing and Cost Savings Initiatives – Other Opportunities
In addition to the Gap Closing Plan, the District provided information related to other initiatives that were and/or are being pursued to provide additional revenues, cost savings and/or operational advantages. These items are summarized as follows.

Additional grants: New grants through national foundations continue to be pursued. During FY 2018-19, the Community Foundation of Greater Buffalo administered a $360,000 planning grant from the Ralph Wilson Foundation to determine needed improvements at eleven City of Buffalo parks and District athletic sites. This planning grant was fully implemented, accomplishing its goal of producing redesign plans. Architects worked collaboratively with staff members from the City of Buffalo, Buffalo Public Schools, and Community Foundation for Greater Buffalo to finalize renderings. The collaboration will now continue, transitioning to the project and funding implementation phase.

During FY 2018-19, the District received a three-year $1.0 million grant from the Kellogg Foundation that will support children's success in school through an innovative enrichment curriculum for all students in Pre-K through 4. The grant also provided for the expansion of exposure for students to the cultural arts and landmark history of Buffalo.

The District collaborated with Say Yes to Education Buffalo and is partnering with five local institutes of higher education to support best-in-class prekindergarten through higher education data systems. The District received $350,000 annually in FY 2019-20 and FY 2020-21 from the Gates Foundation to develop and implement a joint data system with local higher educational institutions.

Master Scheduler: The District did not hire a master scheduler. The intent of this position was to hire an individual who would 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 would also have been 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 but was not filled.

Special Education: The District continues to look at where efficiencies can be implemented in special educational services. Many services cannot be provided at this time due to the pandemic; cost containment and extensive departmental review of these expenditures continue.

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

Facility closure (#86): Former PS #86 was used for the Adult Education program in FY 2019-20. The facility will be vacated and will not be utilized within the 2021-22 school year. Annual savings of $0.2 million are reflected within the Adopted Budget and Financial Plan.

Facility closure (#187): Former PS #187 has nearly been vacated and will be closed with within the 2021-22 school year. Additionally, the District may close former PS#4, PS#8, PS#28, PS#18a, and PS#171. Some or all may be closed before the 2020-21 fiscal year. Annual savings of $0.3 million are reflected within the Adopted Budget and Financial Plan.

Nursing costs: The District received $1.2 million for nursing services in FY 2020-21 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 Adopted Budget includes the assumption that the $1.2 million grant will be awarded.

Introduction

The City of Buffalo (City) submitted the Buffalo Municipal Housing Authority's (BMHA's) fiscal year (FY) 2021-22 Consolidated Adopted Budget (Adopted Budget) and FY 2022-2025 Consolidated Financial Plan (Financial Plan) to the Buffalo Fiscal Stability Authority (BFSA) on April 30, 2021. The Adopted Budget and Financial Plan were approved by the BMHA's Board of Commissioners on April 15, 2021. The Financial Plan includes the individual budgets and financial plans for the combined twenty-two Asset Management Programs (AMPs), the Central Office Cost Center (COCC), the Marine Drive Apartments (Marine Drive), and the U.S. Housing and Urban Development (HUD) Housing Choice Voucher Program (Section 8). The Financial Plan includes the individual four-year financial plans and the consolidated financial plan.

Economic Factors Impacting BMHA's Adopted Budget and Financial Plan

BMHA's Adopted Budget and Financial Plan are heavily impacted by several economic factors as follows:

1) The Congressional approval of HUD funding levels.

2) Local, inflationary, recessionary recovery, and unemployment trends that affect resident incomes and the number of eligible recipients.

3) The Center for Disease Control and Prevention Department of Health and Human Services Order Temporary Halt in Residential Evictions to Prevent the Further Spread of Covid-19 (effective until June 30, 2021) and the New York State (NYS) Covid-19 Emergency Eviction and Foreclosure Act of 2020 (effective until August 31, 2021).

4) The U.S. Coronavirus Aid, Relief, and Economic Security Act's (CARES Act's) and the American Rescue Plan's (ARP's) impact on BMHA revenues.

Financial Plan Consolidated Summary

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

FY 2022-2025 Financial Plan Consolidated Summary

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	Totals
	$ in Millions					
Total Revenues	$48.8	$51.3	$52.5	$53.6	$54.8	$212.2
Total Expenses	47.0	49.6	50.1	50.6	51.1	$201.4
Net Operating Income (Loss) before Debt Service	1.8	1.7	2.4	3.0	3.7	$10.8
Debt Service - Principal Reduction	(1.8)	(1.9)	(1.9)	(1.9)	(1.9)	($7.6)
Net Income Reduced for Debt Service - Principal Reduction	3.6	(0.2)	0.5	1.1	1.8	$3.2
Cash Impact after Removal of the Non-cash OPEB Accrual)	$1.3	$1.2	$1.9	$2.5	$3.2	$8.8

Note: Total expenses include the annual accrual for Other Postemployment Benefits (OPEB), which represents a non-cash accrued expense of future benefits earned by active employees.

The Adopted Budget contains budgeted net income of $1.7 million prior to the payment of principal on outstanding debt. The three out-years of the Financial Plan include net income ranging between $2.4 million and $3.7 million before the payment of principal on debt. After reducing net income for the impact of principal debt payments and adding back in the $1.5 million non-cash accrual for OPEB, BMHA is projecting a cumulative, four-year surplus of $8.8 million. Revenues in total are budgeted to increase $2.5 million, or 5.1%, in FY 2021-22 as compared to the FY 2020-21 Adopted Budget.

Revenues are projected to increase $3.5 million from $51.3 million in FY 2021-22 to $54.8 million in FY 2024-25, representing a 6.8% increase over the Financial Plan.

Expenses in total are budgeted to increase $2.6 million, or 5.5%, in FY 2021-22 as compared to the FY 2020-21 Adopted Budget. Expenses are projected to increase $1.5 million from $49.6 million in FY 2021-22 to $51.1 million in FY 2024-25, representing a 3.0% increase over the Financial Plan. As revenues exceed expenses in each fiscal year of the Financial Plan, BMHA appears to be operationally balanced.

BMHA has applied a 2% annual increase in total salaries based on the contractual salary increases dictated by the current Memorandum of Agreements (MOAs) with Local 17 and Local 264 representing the managerial, white-collar, and blue-collar employees employed by the BMHA. The MOAs both expire on June 30, 2023. A 2% salary increase is assumed for both FY 2023-24 and FY 2024-25.

Consolidated Revenues

BMHA's revenues consist of five major subcategories:

1) the HUD Subsidy
2) Net Dwelling /Non-Dwelling Income
3) HUD Public Housing Authority (PHA) Grants – Vouchers
4) All Other Revenues
5) Transfers from Capital Grants

The following is a depiction of BMHA's Adopted Budget and Financial Plan revenues.

Consolidated FY 2022-25 Financial Plan Revenues

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
HUD Subsidy	$18.2	$20.1	$20.7	$21.3	$21.9	$1.8	9.0%
Net Dwelling/Non-Dwelling Income	15.0	$14.4	$14.7	$15.0	$15.4	1.0	6.9%
HUD PHA Grants - Vouchers	6.4	$6.8	$7.0	$7.2	$7.4	0.6	8.8%
All Other Revenues	6.7	$7.0	$7.1	$7.1	$7.1	0.1	1.4%
Transfers from Capital Grants	2.5	$3.0	$3.0	$3.0	$3.0	0.0	0.0%
Total Revenue	**$48.8**	**$51.3**	**$52.5**	**$53.6**	**$54.8**	**$3.5**	**6.8%**

HUD Subsidy

PHAs receive an operating subsidy from HUD to provide funding for operational and maintenance expenses of its 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 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 $20.1 million for FY 2021-22, a $1.9 million, or 10.4% increase, over the prior fiscal year's budget. The operating subsidy is anticipated to increase $1.8 million, or 9.0%, over the Financial Plan. The increase is forecasted based on BMHA's inflationary estimate of 2% and a proration of 96% from FY 2021-22 to FY 2024-25. The HUD subsidy is the BMHA's largest funding source at 39.2% of budgeted revenues. The HUD subsidy funds AMP operations. The projected proration rate of 96% of eligible expenses is based on the most recent interim proration funding cycle. An occupancy rate of 95% is anticipated (excludes A.D. Price Courts and Commodore Perry Homes). BMHA has estimated that it would receive approximately $268,000 in HUD subsidy per year for every 1% increase in occupancy.

The following depicts the HUD Subsidy by individual budget:

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
HUD Subsidy							
AMP	$18.2	$20.1	$20.7	$21.3	$21.9	$1.8	9.0%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Marine Drive	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total HUD Subsidy	$18.2	$20.1	$20.7	$21.3	$21.9	$1.8	9.0%

The budgeted increase in FY 2021-22 is reasonable given the current fiscal year-end (CFYE) estimate of $19.2 million as well as HUD's methodology in determining interim proration levels prior to a determination based on actual eligibility and an appropriation act. For March and April funding, the HUD considered estimate eligibility and the 2021 appropriation amount to provide for an interim proration level of 96%. The final 2021 proration will reflect the difference in the amount of the final approved PHA eligibility and the 2021 Appropriation Act.

Dwelling/Non-Dwelling Income

Dwelling income includes the rental payments that BMHA receives from AMP and Marine Drive tenants while non-dwelling income consists of rental income received for commercially rented space, principally for cellular towers.

The following depicts Net Dwelling/ Non-Dwelling Income by individual budget.

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Net Dwelling/Non-Dwelling Income							
AMP	$11.7	$11.4	$11.5	$11.8	$12.1	$0.7	6.1%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Marine Drive	3.3	3.0	3.2	3.2	3.3	0.3	10.0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total Net Dwelling/Non-Dwelling Income	$15.0	$14.4	$14.7	$15.0	$15.4	$1.0	6.9%

BMHA has budgeted $14.4 million in net dwelling/non-dwelling income, or 28.1% of total budgeted revenues. Net Dwelling/Non-Dwelling income is anticipated to increase $1.0 million, or 6.9%, over the Financial Plan based on an inflationary factor of 2.0% annually. 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.

The total tenant portion of the rental payment at the AMPs is no more than 30 percent of the monthly adjusted gross income, and 35 percent at the Marine Drive Apartments. If the AMP is a part of the Low-Income Housing Tax Credit (LIHTC) program, a flat rent may be charged which does not fluctuate with changes in household income and/or size but will increase or decrease with comparable nearby units in the private unassisted rental market. The LIHTC program allows the BMHA to leverage private equity to fund the renovations or revitalization of the properties and provides a source that allows for additional hard debt, debt for which there is a requirement for repayment and other credit terms to the property to achieve long term preservation.

The Coronavirus Recession significantly impacted household incomes. The monthly rents for many tenants were reduced as tenant household income was reduced. BMHA has been increasingly more reliant on dwelling income for general operations in recent years as rental income has increased both in amount and as a percentage of total revenues. Budgeted rental revenue of $14.4 million represents a $0.6 million reduction from FY 2020-21 budgeted levels. If the rental income is less-than-budgeted at the AMPs, BMHA plans to utilize the additional HUD Subsidy funds to address the shortfall. However, a budgetary gap at Marine Drive would need to be covered by available resources such as Marine Drive reserves or COCC funds. Marine Drive Replacement Reserves totaled $451,207 at June 30, 2020.

Voucher Grants

BMHA receives Housing Choice Vouchers and Project-Based Section 8 grants (Voucher Grants) from HUD. The revenues are recorded within the Section 8 Adopted Budget.

The following depicts the Voucher Grants by individual budget.

Consolidated FY 2022-25 Financial Plan Revenues							
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
HUD PHA Grants - Vouchers							
AMP	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	0.0%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Marine Drive	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Section 8	6.4	6.8	7.0	7.2	7.4	0.6	8.8%
Total HUD PHA Grants - Vouchers	$6.4	$6.8	$7.0	$7.2	$7.4	$0.6	8.8%

The FY 2021-22 Adopted Budget includes $6.8 million in Voucher Grants, or 13.3% of total budgeted revenues. These revenues are utilized solely by the Section 8 program. This projection is based on the HUD Housing Choice Voucher-approved funding. This revenue is projected to increase $0.6 million, or 8.8%, 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.

Transfers from Capital Grants

Transfers from Capital Grants represent funds used to reimburse BMHA for the administrative and programmatic work performed on capital grants and therefore may fund general operations. The revenues are recorded within the AMP Adopted Budget.

The following depicts the Transfers from Capital Grants by individual budget.

Consolidated FY 2022-25 Financial Plan Revenues							
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Transfers from Capital Grants							
AMP	$2.5	$3.0	$3.0	$3.0	$3.0	$0.0	0%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0%
Marine Drive	0.0	0.0	0.0	0.0	0.0	0.0	0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0%
Total Transfers from Capital Grants	$2.5	$3.0	$3.0	$3.0	$3.0	$0.0	0%

Transfers from Capital Grants consist of two components: one representing the capital grant program administration cost reimbursements and one for direct personnel costs. A PHA may use capital funds for operating fund purposes only if it is included in the five-year action plan that is approved by the PHA Board of Commissioners and HUD, subject to limitations. This revenue represents the transfer of grant funds for the reimbursement of expenses. Capital Funds identified in the 5-Year Action Plan to be transferred to operations are obligated once the funds have been budgeted and drawn down by the PHA. Once such transfer of funds occurs, the PHA must follow the requirements of 24 CFR Part 990 with respect to those funds. Unless otherwise provided in the annual HUD Appropriation Act, a PHA with 250 or more public housing units may use no more than 20% of its annual Capital Fund grant for eligible activities.

Transfers from Capital Grants are budgeted at $3.0 million in the Adopted Budget and in each fiscal year of the Financial Plan. These revenues constitute 5.8% of total FY 2021-22 revenues. Transfers from Capital Grants are projected to remain flat over the Financial Plan.

All Other 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. All Other Revenues are budgeted at $7.0 million in the Adopted Budget. These revenues constitute 13.6% of total FY 2021-22 revenues.

The following depicts All Other Revenues by individual budget.

Consolidated FY 2022-25 Financial Plan Revenues

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
All Other Revenues							
AMP	$0.9	$0.8	$0.8	$0.8	$0.8	$0.0	0.0%
COCC	4.7	5.1	5.1	5.1	5.1	0.0	0.0%
Marine Drive	0.1	0.2	0.2	0.2	0.2	0.0	0.0%
Section 8	1.0	0.9	1.0	1.0	1.0	0.1	11.1%
Total All Other Revenues	$6.7	$7.0	$7.1	$7.1	$7.1	$0.1	1.4%

All Other Revenues remain relatively static over the Financial Plan at $7.0 million in FY 2021-22 and $7.1 million in FY 2021-22 through FY 2024-25. Most of these revenues are projected to be static over the Financial Plan. A 3% inflationary growth in the HCV Administrative Fee has been assumed. This revenue is recorded solely within the Section 8 budget.

Consolidated Revenue Summary

BFSA has reviewed BMHA's revenue assumptions and determined that they appear stated fairly. Net Dwelling income constitutes 28.1% of total BMHA revenue. The Coronavirus Recession has significantly impacted this revenue source as tenants' incomes are reduced or lost. BMHA has budgeted Net Dwelling income at a level that is less than previous years and is not expected to return to FY 2020-21 levels until FY 2024-25.

The HUD Operating Subsidy appears to be reasonably estimated given the current fiscal year-end (CFYE) projected amount, the 2020-21 HUD Operating Fund allocation, and the increased appropriation from the CARES Act. Over the last five years, the proration factor has ranged between 82.35% and 97.6%.

Consolidated Expenses

BMHA's expenses consist of six major subcategories:

1) General Expenses
2) Maintenance
3) Administration
4) Utilities
5) Other Expenses
6) Protective/Resident Services Costs

The following is a depiction of BMHA's Consolidated Adopted Budget and Financial Plan expenses.

Consolidated FY 2022-25 Financial Plan Expenses

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
General Expenses	$13.0	$14.2	$14.3	$14.3	$14.3	$0.1	0.7%
Maintenance	11.0	12.1	12.3	12.4	12.5	0.4	3.3%
Administrative	9.4	9.5	9.6	9.7	9.8	0.3	3.2%
Utility	5.5	5.6	5.7	5.9	6.1	0.5	8.9%
Other Expenses	6.6	6.9	6.9	7.0	7.1	0.2	2.9%
Protective Services/ Resident Service Costs	1.5	1.3	1.3	1.3	1.3	0.0	0.0%
Total Expenses	**$47.0**	**$49.6**	**$50.1**	**$50.6**	**$51.1**	**$1.5**	**3.0%**

General Expenses

General Expenses include employee benefits, insurance, the annual accrual for OPEB retiree health insurance, actual retiree health insurance budgeted expenses, and other miscellaneous expenses.

The following is a depiction of General Expenses by individual budget.

Consolidated FY 2022-25 Financial Plan Expenses

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
General Expenses							
AMP	$10.0	$11.4	$11.5	$11.5	$11.5	$0.1	0.9%
COCC	2.1	2.1	2.1	2.1	2.1	0.0	0.0%
Marine Drive	0.9	0.7	0.7	0.7	0.7	0.0	0.0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total General Expenses	$13.0	$14.2	$14.3	$14.3	$14.3	$0.1	0.7%

BMHA has budgeted $14.2 million in General Expenses representing 28.6% of total FY 2021-22 expenses. The Financial Plan projects these expenses to increase by $0.1 million, or 0.7%, over the Financial Plan. BMHA has budgeted employee benefits at $4.5 million, increasing to $4.7 million over the Financial Plan based on a 1% inflationary factor. OPEB and the OPEB accrual are budgeted flat at $2.7 million and $1.5 million respectively. Retiree healthcare expenses are budgeted $0.2 million greater than the FY 2020-21 budgeted amount based on CFYE projections.

The various insurances (property, liability, workers' compensation, other) comprise 19.5% of total General Expenses. These expenses are budgeted to increase $0.1 million over the Financial Plan based on an assumed annual increase of 2%.

The Authority maintains an employer-defined-benefit healthcare plan providing for medical benefits to eligible retirees and spouses. Benefit provisions are based on individual contracts with the BMHA. Eligibility is based on covered employees who retire from the Authority over age 55 with five or more years of service. Retirees are eligible to continue the same coverage as immediately before retirement, for their lifetime. At June 30, 2020, BMHA accrued future OPEB benefits for 149 active employees. Actual retiree healthcare benefits were provided to 249 retirees or beneficiaries. The BMHA's total OPEB liability of $101,551,168 was measured as of June 30, 2020.

Maintenance

BMHA's Maintenance expenses include the maintenance employees' salaries and non-personnel expenses including materials and equipment to maintain BMHA-managed property including the AMPs, Central Office, and Marine Drive.

The following is a depiction of Maintenance Expenses by individual budget.

Consolidated FY 2022-25 Financial Plan Expenses

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Maintenance							
AMP	$9.5	$10.2	$10.4	$10.5	$10.6	$0.4	3.9%
COCC	0.2	0.3	0.3	0.3	0.3	0.0	0.0%
Marine Drive	1.3	1.6	1.6	1.6	1.6	0.0	0.0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total Maintenance	$11.0	$12.1	$12.3	$12.4	$12.5	$0.4	3.3%

BMHA has budgeted $12.1 million in Maintenance Expenses in FY 2021-22 representing 24.4% of total expenses. The Financial Plan projects these expenses to increase by $0.4 million, or 3.3%, 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 based on 2% annual salary increases with the current Memorandum of Agreement (MOA) and a $0.1 million increase in maintenance costs associated with the LIHTC program.

Administrative

BMHA's Administrative expenses include the administration employees' salaries as well as AMP management fees, telephone, internet, software, office equipment, employee travel, etc.

The following is a depiction of Administrative Expenses by individual budget.

Consolidated FY 2022-25 Financial Plan Expenses							
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Administration							
AMP	$5.6	$5.6	$5.6	$5.6	$5.7	$0.1	1.8%
COCC	2.5	2.6	2.7	2.8	2.8	0.2	7.7%
Marine Drive	0.5	0.5	0.5	0.5	0.5	0.0	0.0%
Section 8	0.8	0.8	0.8	0.8	0.8	0.0	0.0%
Total Administration	$9.4	$9.5	$9.6	$9.7	$9.8	$0.3	3.2%

BMHA has budgeted $9.5 million in Administrative Expenses in FY 2021-22, representing 19.2% of total expenses. The Financial Plan projects these expenses to increase by $0.3 million, or 3.2%, 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 based on 2% annual salary increases, increasing from $4.7 million in FY 2021-22 to $5.0 million in FY 2024-25. As the labor agreement expires on June 30, 2023, the 2% increases included for FY 2023-24 and FY 2024-25 are estimated increases.

Utilities

BMHA's Utilities expense includes water, sewer, electric and natural gas expenses for the AMPs, the COCC, and the Marine Drive Apartments, as well as the Utility employees' salaries.

The following is a depiction of Utility Expenses by individual budget.

Consolidated FY 2022-25 Financial Plan Expenses							
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Utility							
AMP	$4.9	$5.0	$5.1	$5.2	$5.4	$0.4	8.0%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Marine Drive	0.6	0.6	0.6	0.7	0.7	0.1	16.7%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total Utility	$5.5	$5.6	$5.7	$5.9	$6.1	$0.5	8.9%

BMHA has budgeted $5.6 million in Utility expenses in FY 2021-22, representing 11.3% of total expenses. Utilities are projected to increase 8.9% over the four years of the Financial Plan. Additionally, the utility employee cost is anticipated to increase 8.9% over the Financial Plan, based on the settled labor agreement. It is noted that the BMHA is reimbursed through the HUD Operating Subsidy for AMP utility expenses. However, there is a time lag associated with this reimbursement.

Protective Services/Resident Service Costs

BMHA's Protective Services expense includes the AMP, COCC, and Marine Drive Protective Service employees' salaries as well as contract costs. Resident Service expenses include employees' salaries, contract costs, AMP tenant stipends, and other miscellaneous costs.

The following is a depiction of Protective Services/Resident Service Costs by individual budget.

Consolidated FY 2022-25 Financial Plan Expenses							
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Protective Services/ Resident Service Costs							
AMP	$1.3	$1.0	$1.0	$1.0	$1.0	$0.0	0.0%
COCC	0.1	0.2	0.2	0.2	0.2	0.0	0.0%
Marine Drive	0.1	0.1	0.1	0.1	0.1	0.0	0.0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total Protective Services/ Resident Service Costs	$1.5	$1.3	$1.3	$1.3	$1.3	$0.0	0.0%

BMHA has budgeted $1.3 million for Protective and Resident Service Expense in FY 2021-22, representing 2.6% of total expenses. These expenses remain flat over the Financial Plan. Protective Services Expenses are largely contractually-based on an agreement with the City of Buffalo for an annual fee of $682,052 before services charged hourly and a 2% administrative fee. The remaining budget for this category consists of employee costs. Resident Service Expenses are budgeted at $0.7 million in FY 2021-22, consistent with the prior year.

Other Expenses

Other Expenses include non-operating items, the majority of which is the housing assistance payment (HAP), the payments a PHA makes on behalf of Section 8 participants.

The following is a depiction of Other Expenses by individual budget.

Consolidated FY 2022-25 Financial Plan Expenses							
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Other Expenses							
AMP	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	0.0%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Marine Drive	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Section 8	6.5	6.9	6.9	7.0	7.1	0.2	2.9%
Total Other Expenses	$6.6	$6.9	$6.9	$7.0	$7.1	$0.2	2.9%

The BMHA has budgeted $6.9 million for Other Expenses in FY 2021-22, representing 13.9% of Other Expenses. These expenses increase $0.2 million, or 2.9% over the Financial Plan based on projected PHA Grant Vouchers.

Consolidated Expense Summary

BFSA has reviewed BMHA's expense assumptions and determined that they appear fairly stated overall. Salaries and benefits appear to be reasonably estimated based on the current labor contracts. All collective bargaining units are scheduled to receive 2% annual salary increases in FY 2021-22 and 2022-23. The labor agreements expire on June 30, 2023. FY 2023-24 and FY 2024-25 include a 2% annual salary increase based on the assumption of a settled labor agreement in the Financial Plan's third and fourth out-year.

Personnel

Total employee salaries and benefits are budgeted at $13.8 million in FY 2021-22 and are projected to increase $0.6 million to $14.4 million over the Financial Plan. The increase in employee salaries and employee benefits is based on the contractual increases in employees' labor agreements in FY 2021-22 and FY 2022-23 and estimated increases in FY 2023-24 and FY 2024-25. 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 are also under contract until June 30, 2023.

Budgeted positions are held flat in each year of the Financial Plan. Total employee compensation increases $0.8 million from the $13.7 million included in the 2020-21 Adopted Budget to $14.4 million in FY 2021-22, a 5.1% increase.

The following is a depiction of the BMHA's four-year staffing plan.

BMHA STAFFING FY 2022-2025 FINANCIAL PLAN

Employee Group	2020-21 Adopted Budget	2020-21 (as of 3.31.2021)	2020-21 Vacancy Rate (as of 3.31.2021)	2021-22 Adopted Budget	FY 2022-2025 Outyears 1-3*
Executive	11	9	18.2%	9	9
MIS	3	3	0.0%	3	3
Finance	11	10	9.1%	11	11
Personnel	3	3	0.0%	4	4
Capital Improvements	13	14	-7.7%	14	14
Asset Management	118	106	10.2%	118	118
Total	159	145	8.8%	159	159

** The number of budgeted positions in FY 2021-22 are maintained flat over the FY 2022-2025 Financial Plan.*

The total number of budgeted positions is 159 FTEs. BMHA intends to fill all budgeted positions. BMHA has historically had a level of vacancy between 10-25% at any period during a fiscal year but has decreased the vacancy rate significantly in the current fiscal year to 8.8% at March 31, 2021.

AMP Financial Plan Summary

BMHA'S housing stock is grouped into 22 individual AMPs. Each AMP includes single or multiple housing facilities, depending on the number of habitable units within the facility. The individual AMP budgets cumulatively comprise the total AMP budget and financial plan.

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

Asset Management Program FY 2021-24 Financial Plan Summary

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	Totals
	$ in Millions					
Total Revenues	$33.3	$35.3	$36.0	$36.9	$37.8	$146.0
Total Expenses	31.4	33.2	33.6	33.8	34.2	$134.8
Net Operating Income (Loss) before Debt Service	1.9	2.1	2.4	3.1	3.6	$11.2
Debt Service - Principal Reduction	(1.5)	(1.7)	(1.7)	(1.7)	(1.7)	($6.8)
Net Income reduced for Debt Service - Principal Reduction	0.4	0.4	0.7	1.4	1.9	$4.4
Cash Impact after Removal of the Non-cash OPEB Accrual)	$1.1	$1.3	$1.6	$2.3	$2.8	$8.0

AMP revenues account for $35.3 million, or 68.8% of total FY 2021-22 estimated revenues. AMP expenses account for $33.2 million, or 66.9% of total FY 2021-22 budgeted expenses. The AMP budget is the largest component within the overall Adopted Budget.

The FY 2021-22 AMP Adopted Budget depicts $2.1 million in net operating income. The cash impact after $1.7 million of debt service payments and removing the non-cash $0.9 million OPEB accrual is a positive $1.3 million. BMHA has budgeted rental receipts at a level that reflects the impact of the Coronavirus Recession and the current recovery. Additional HUD Subsidy revenue will be received as per the increased appropriation from the CARES Act and lowered rental receipts.

COCC Financial Plan Summary

The Central Office Cost Center is the business unit within the BMHA. It operates as a property management company and earns income from fees and by overseeing other business activities.

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

COCC FY 2021-24 Financial Plan Summary

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	Totals
	$ in Millions					
Total Revenues	$4.8	$5.1	$5.1	$5.1	$5.1	$20.4
Total Expenses	4.9	5.2	5.3	5.4	5.4	21.3
Net Operating Income (Loss) before Debt Service	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.9)
Debt Service - Principal Reduction	0.0	0.0	0.0	0.0	0.0	0.0
Net Income reduced for Debt Service - Principal Reduction	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.9)
Cash Impact after Removal of the Non-cash OPEB Accrual)	$0.4	$0.3	$0.2	$0.1	$0.1	$0.7

COCC revenues account for $5.1 million, or 9.9% of total FY 2021-22 estimated revenues. COCC expenses account for $5.2, or 10.5% of total FY 2021-22 budgeted expenses.

The BMHA has budgeted a net operating loss of $0.1 million in FY 2021-22. A net loss is projected in each fiscal year for a cumulative four-year deficit of $0.9 million. The cash impact is $0.3 million in FY 2020-21 after removing the $0.5 million non-cash OPEB accrual. A cumulative four-year surplus of $0.7 million is budgeted after removing a cumulative $1.6 million OPEB accrual.

As noted, any shortfall in rental receipts at Marine Drive may constitute an additional expense for the COCC, if Marine Drive reserves were not available.

Marine Drive Financial Plan Summary

In February 2011, BMHA took over management of Marine Drive Apartments, a BMHA-owned apartment complex. BMHA received approval from the New York State Division of Housing and Community Renewal to implement a rental increase based on 35% of tenants' income (previously 30%). This increase was implemented in December 2019. Additionally, several tenants utilize section 8 vouchers, recorded as subsidy revenue within the Marine Drive adopted budget.

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

Marine Drive FY 2022-25 Financial Plan Summary

	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	$ Change from Year 1-4
	$ in Millions					
Total Revenues	$3.4	$3.2	$3.4	$3.4	$3.5	$13.5
Total Expenses	3.4	3.5	3.5	3.6	3.6	$14.2
Net Operating Income (Loss) before Debt Service	0.0	(0.3)	(0.1)	(0.2)	(0.1)	($0.7)
Debt Service - Principal Reduction	0.3	(0.2)	(0.2)	(0.2)	(0.2)	($0.8)
Net Income reduced for Debt Service - Principal Reduction	(0.3)	(0.5)	(0.3)	(0.4)	(0.3)	($1.5)
Cash Impact after Removal of the Non-cash OPEB Accrual)	($0.2)	($0.4)	($0.2)	($0.3)	($0.2)	($1.1)

Marine Drive revenues account for $3.2, or 6.2% of total FY 2021-22 estimated revenues. Marine Drive expenses account for $3.5 million, or 7.1% of total FY 2020-21 budgeted expenses.

The FY 2021-22 Marine Drive Adopted Budget includes a decrease of rental receipts of $0.3 million over the FY 2020-21 Marine Drive Adopted Budget. Net Dwelling Income is almost the entirety of Marine Drive operating revenue and has been impacted significantly by the Coronavirus Recession.

The FY 2021-22 cash impact is budgeted at ($0.4) million. The four-year cash impact is projected to be ($1.1 million). As each fiscal year in the Marine Drive Financial Plan includes a negative cash impact, a structural deficit is depicted within this plan. If there are losses incurred, such losses would be funded by available Marine Drive reserves, and potentially through COCC current year operations or through COCC reserves to the extent available.

Section 8 Financial Plan Summary

The following are the highlights of the Section 8 Adopted Budget and Financial Plan.

Section 8 FY 2021-24 Financial Plan Summary						
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Outyear 1	2023-24 Outyear 2	2024-25 Outyear 3	Totals
	$ in Millions					
Total Revenues	$7.4	$7.7	$8.0	$8.2	$8.4	$32.3
Total Expenses	7.3	7.7	7.7	7.8	7.9	$31.1
Net Operating Income (Loss) before Debt Service	0.1	0.0	0.3	0.4	0.5	$1.2
Debt Service - Principal Reduction	0.0	0.0	0.0	0.0	0.0	$0.0
Net Income reduced for Debt Service - Principal Reduction	0.1	0.0	0.0	0.0	0.0	$0.0
Cash Impact after Removal of the Non-cash OPEB Accrual)	$0.0	$0.0	$0.3	$0.4	$0.5	$1.2

The HUD Section 8 Voucher Program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Section 8 revenues account for $7.7 million, or 10.5% of total FY 2021-22 revenues. Section 8 expenses account for $7.7 million, or 15.5% of total FY 2021-22 expenses. As noted, the CARES Act has provided the Section 8 program with an additional $1.25 billion in overall funding. Any reported surplus or deficit is temporary in nature as the program self-balances.

Conclusions

The 2022-2025 Financial Plan projects a four-year cumulative surplus of $10.8 million and a four-year positive cash flow of $8.8 million. The financial impact related to the Section 8 unit of the organization should be eliminated in evaluating the completeness of the plan as ultimately there is no financial impact from implementing the Section 8 voucher program. The revised four-year cumulative surplus after eliminating the Section 8 unit is $7.6 million with no change to the cash flow projection.

Individually, the budget for the Marine Drive Apartments is not balanced. A four-year deficit of $0.7 million is projected with a $1.1 million total cash outflow projected over the same period. Marine Drive reserves total $452,000 as of July 1, 2020 and are insufficient to cover the projected loss. We recommend BMHA prepare a contingency plan to reduce costs where possible in the event actual losses create a need to implement a revised operating program.

The COCC budget is balanced on an overall basis but depicts a cumulative $0.9 million deficit. COCC revenues are budgeted as flat in each fiscal year of the financial plan while expenses increase 3.8% over the financial plan based on increasing Administrative salaries and benefit compensation. COCC revenues will likely increase annually at a rate similar to COCC expenses. After removing the $0.4 million annual non-cash OPEB accrual, a $0.7 million cumulative inflow is budgeted. We recommend that BMHA closely monitor the COCC's individual budget as significant fluctuations would require immediate action to address a budgetary shortfall.

All collective bargaining units and non-represented employees will be under contract for the first two years of the Financial Plan. The ratified labor agreements with Local 264 and with Local 409 are set to expire on June 30, 2023. The salary increases associated with these labor agreements appear to be presented accurately within the first two fiscal years of the Financial

Plan. The 2% inflationary factor applied to employee salaries in the final two fiscal years of the Financial Plan reasonably estimates the impact that settling these labor agreements will have.

Revenues and expenses appear fairly stated within the Financial Plan on both an individual and consolidated basis. Revenues are predictable and are consistent with current fiscal year-end estimates. Net income is projected in each of the four years of the Financial Plan.
BMHA has budgeted the HUD Operating Subsidy based on a 96% proration. The current proration rate is 97%. In the event the proration factor is lowered at the federal level, this revenue would decrease.

The following report is based on the 2021-22 Adopted Budget and 2022-2025 Financial Plan that was submitted to the BFSA on April 30, 2021 by the Buffalo Urban Renewal Agency ("BURA") and was subsequently adopted by the BURA Board of Directors on May 27, 2021.

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") funds, Housing Investment Partnership ("HOME") Program funds, Emergency Shelter Grants ("ESG") funds and Housing Opportunities for People with Aids ("HOPWA") funds. Approximately 50 percent of the CDBG funds and the entirety of the ESG and HOPWA grants are administered by the City of Buffalo. Collectively these four funding sources are commonly referred to as Entitlement Funds since they are an annual allocation to BURA from HUD.

In addition, the Coronavirus Aid, Relief, and Economic Security (the "CARES") Act was passed by Congress and signed into law on March 27, 2020 and allocated a total of $11,440,746 in Community Development Block Grant CARES Act ("CDBG-CV") and $88,742 in Emergency Shelter Grant CARES Act ("ESG-CV") funding. The funds are to be used for activities that prevent, prepare for, and respond to the coronavirus, or COVID-19, pandemic. These funds are included in the 2021-22 Adopted Budget and 2022-2025 Financial Plan. The funds are required to be disbursed by January 6, 2027. The ESG-CV funds are administered by the City and are not included in BURA's annual budget or financial plan.

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 $4.4 million, or 18.5 percent, since the 2010-11 fiscal year and is partially reflective of the 2010 census results. The 2020 census was conducted but has not yet been reported, and it is unknown at this time what the impact of these results will have on the future Entitlement Funds awards. The impact from the 2020 census on the City of Buffalo and BURA should be known with the 2022-23 Entitlement allocation.

The final notice of funding from HUD for the 2021-22 fiscal year was received by the City on May 13, 2021. The notice indicated the City is to receive an increase in CDBG, HOME and ESG entitlement funds and a decrease in HOPWA funds, for a net increase of $166,734 compared to the 2020-21 fiscal year. The adopted budget reflects these changes. BURA's assumption is that future allocations of CDBG and HOME funds will be increased by HUD. It is noted that the City of Buffalo has been awarded funds from two new federal programs, including a lead hazard remediation program and treasury grant to assist with rental assistance initiatives in response to the COVID-19 pandemic. BURA as a subrecipient of the City will be administering $1.9 million in funds for the lead hazard remediation program and $0.8 million for the treasury grant program.

The BURA Board of Directors reviewed and approved the budget as submitted at its May 27, 2021 meeting.

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, or the CDBG-CV funds since those funds are a one-time allocation in response to the COVID-19 pandemic.

	Amount of Grant Award		Increase/	
	2021-22	2020-21	(Decrease)	
	$	$	$	%
Grant:				
Community Development Block Grant	14,131,481	14,041,040	90,441	0.6%
HOME	3,388,479	3,342,266	46,213	1.4%
Emergency Shelter Grants*	855,971	819,189	36,782	4.5%
Housing Opportunities for Persons with Aids*	1,197,642	1,204,344	(6,702)	-0.6%
	19,573,573	19,406,839	166,734	0.9%

**Funds that are administered solely by the City.*

	Amount of Grant Award		Increase/	
	2020-21	2019-20	(Decrease)	
	$	$	$	%
Grant:				
Community Development Block Grant	14,041,040	13,706,335	334,705	2.4%
HOME	3,342,266	3,007,593	334,673	11.1%
Emergency Shelter Grants	819,189	1,160,583	(341,394)	-29.4%
Housing Opportunities for Persons with Aids	1,204,344	798,764	405,580	50.8%
	19,406,839	18,673,275	733,564	3.9%

	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%

As per the schedule above, HUD funding to the City and BURA will increase $166,734, or 0.9 percent, compared to last year's allocation. This allocation represents an increase of $0.8 million since 2018-19, or 4.1 percent. BURA had been faced with annual reductions in entitlement funding from 2011 to 2018. The increase in 2018-19 was the first significant increase to CDBG and HOME funding since that time period.

Beginning with the 2017-18 fiscal year, BURA halted administering the HOPWA and ESG programs as the City is be the primary administrator of those funds. HOPWA and ESG grants are funds provided to subrecipients for 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 $21.3 million for 2021-22; unused entitlement funds will carry forward to future years. This represents an increase of $4.1 million (23.6 percent) from the 2020-21 Modified Budget amount of $17.2 million.

	Modified Budget 2020-21	Adopted Budget 2021-22	Variance $	Variance %
Total Grant and Program Income	$ 17,233,248	$ 21,305,492	$ 4,072,244	23.6%
Total Program Costs	13,025,052	16,954,392	3,929,340	30.2%
Total Administrative & Planning Costs	4,208,196	4,351,100	142,904	3.4%
Total Expenditures	**$ 17,233,248**	**$ 21,305,492**	**$ 4,072,244**	**23.6%**

The following schedule provides a summary of the 2022–2025 Financial Plan which is developed based on the grant year (October 1 – September 30), beginning with Program Year 47 (2021-22); 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.

	2021-22	2022-23	2023-24	2024-25
Grant Revenues and Related Income				
Community Development Block Grant (CDBG)	$ 7,182,552	$ 7,342,157	$ 7,504,954	$ 7,504,954
CDBG Interest/Rental Income	200,000	200,000	200,000	200,000
HOME Investment Partnership Program	3,388,479	3,456,249	3,525,374	3,525,374
CDBG Program Income	800,000	800,000	800,000	800,000
HOME Program Income	120,000	120,000	120,000	120,000
Community Development Block Grant Cares Act (CDBG-CV)	6,576,298	3,576,299	1,288,149	-
Treasury Income	622,770	134,440	-	-
Lead Hazard Grant Income	1,019,477	741,438	92,680	-
Evans Fund	20,000	20,000	20,000	20,000
Cities RISE	530,000	330,000	-	-
Local Initiatives Support Corporation (LISC)	360,916	-	-	-
General Fund Revenues	485,000	485,000	485,000	485,000
Total Revenue	**$ 21,305,492**	**$ 17,205,583**	**$ 14,036,157**	**$ 12,655,328**
Expenditures				
CDBG CV Program Costs	$ 6,032,498	$ 3,128,623	$ 1,035,149	$ -
CDBG Emergency Loan Program Costs	3,500,000	3,570,000	3,641,400	3,641,400
HOME Program Costs	2,589,359	2,640,187	2,692,030	2,692,030
CDBG Program Delivery	1,495,000	1,524,900	1,555,398	1,555,398
Lead Hazard Program Costs	1,019,477	741,438	92,680	-
HOME Community Housing Development Organization	508,272	518,437	528,806	528,806
Treasury Program	442,770	124,440	-	-
Cities RISE	530,000	330,000	-	-
CDBG Crime Prevention	202,300	202,300	202,300	202,300
CDBG CV Program Delivery	193,800	197,676	153,000	-
Evans Fund Program Costs	20,000	20,000	20,000	20,000
Local Initiatives Support Corporation Program Costs	360,916	-	-	-
HOME Program Delivery	60,000	60,000	60,000	60,000
Total Program Costs	**$ 16,954,392**	**$ 13,058,001**	**$ 9,980,763**	**$ 8,699,934**
Administrative & Planning Costs				
CDBG Admin @20% cap (on total CDBG Award) including Program Income	$ 2,985,252	$ 3,044,957	$ 3,105,856	$ 3,105,856
CDBG CV Admin Costs	350,000	250,000	100,000	-
HOME Admin Costs @10% cap including Program Income	350,848	357,625	364,537	364,537
Treasury Admin	180,000	10,000	-	-
General Fund Costs	485,000	485,000	485,001	485,001
Subtotal Administrative & Planning Costs	**$ 4,351,100**	**$ 4,147,582**	**$ 4,055,394**	**$ 3,955,394**
Total Expenditures	**$ 21,305,492**	**$ 17,205,583**	**$ 14,036,157**	**$ 12,655,328**

Over the four years of the Financial Plan as presented, total grant revenues and expenditures are projected to decrease by $8.7 million, or 40.6 percent; this decrease is driven by the projected spend down of the $11.4 million of CARES-CV funding. BURA has decreased total estimated revenues in the first out-year by 19.2 percent, or $4.1 million, then decreases estimated revenues by 18.4 percent, or $3.2 million, in the second out-year, and a further decrease of 9.8 percent, or $1.4 million, in the third out-year of the Financial Plan. The estimated decrease in grant revenues over the Financial Plan is reflective of the decrease in CDBG-CV funds and non-Entitlement grants that BURA has budgeted for in FY 2022 and FY 2023.

In addition to the estimated reduction in non-Entitlement grants, BURA continues to spend down available funds from prior awards; this amount fluctuates annually. 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.

BURA included 2 percent increases in Entitlement Funds in years 2021-22 through 2023-24, with no increases for fiscal year 2024-25. 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 2021-22 for a total estimated revenue balance of $7.2 million. It comprises 33.9 percent of the adopted budget and increases to 59.0 percent of total estimated grant revenue in 2024-25. As previously noted, current year entitlement CDBG funding is decreasing by $38,500 (0.2 percent) in 2021-22 compared to the prior year and is estimated to increase by 2.2 percent in both 2022-23 and 2023-24 and is held flat in 2024-25. The projected increase of CDBG funds in the outyears is a combination of the estimated 2 percent annual increase in Entitlement Funds awarded by the federal government and the use of prior-year unspent allotments. The total estimated increase is $0.3 million over the Financial Plan, or 4.5 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 between $3.5 and $4.3 million at June 30, 2021.

- HOME Investment Partnership Program ("HOME") Program Funds – The annual award of this amount from HUD is estimated to increase by $46,213, or 1.4 percent, to $3.4 million in 2021-22. BURA has included both a current year allotment in addition to an amount for the use of prior-year unspent HOME funds. HOME funding is projected to be stable over the Financial Plan and total combined available funding is estimated at $3.4 million in 2021-22 and $3.5 million in the last two 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. The $3.4 million awarded for the upcoming year is $1.6 million, or 32 percent, less than what was provided in 2009-10. HOME funds are projected to increase over the Financial Plan by approximately $0.1 million, or 4.0 percent. The increase of HOME funds in the out-years is a combination of the estimated 2 percent annual increase of Entitlement Funds awarded by the federal government and the use of prior-year allotments. HOME funds represent 16.0 to 27.9 percent of total BURA

revenue over the course of the Financial Plan. Prior year amounts are estimated to be between $12.4 - $12.7 million at June 30, 2021.

- Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") Community Development Block Grant CARES Act ("CDBG-CV") – CDBG-CV funds represent a new one-time revenue source to BURA and are included in the first three years of the Financial Plan. A total of $11.4 million has been budgeted as follows: $6.6 million in 2021-22, $3.6 million in 2022-23, and $1.3 million in 2023-24. It comprises 30.9 percent of the adopted budget in 2021-22, decreasing to 20.8 percent in 2022-23 and 9.2 percent in 2023-24. CDBG-CV funding is provided to assist with preventing rent evictions and foreclosures, fair housing issues, renter and owner rehabilitation projects, and economic development through a microenterprise grant program.

  Administrative costs represent 6 percent, or $700,000, of the CDGB-CV funding over the three-year period. Administrative costs are budgeted at $350,000 in 2021-22, $250,000 in 2022-23, and $100,000 in 2023-24. The CDBG-CV funds are required to be fully disbursed by January 6, 2027.

- 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 $800,000 in 2021-22 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 $200,000, for a total of $1.0 million each year.

  HOME program income is budgeted at $120,000 in 2021-22 and is held flat at that amount over the three remaining years of the Financial Plan.

- Lead Hazard Grant Program – The City of Buffalo was awarded $2.0 million in federal funds for a lead hazard initiative. BURA as a subrecipient will receive $1.9 million of the grant to be administered through BURA for various programs addressing lead issues in the City of Buffalo. The grant is budgeted to be spent down over three years with $1.0 million budgeted in 2021-22, $0.7 million included in 2022-23, and $0.1 million in 2023-24.

- Treasury Grant Program – The City of Buffalo was awarded $7.6 million in federal funding to assist with rental assistance initiatives in response to the COVID-19 pandemic. BURA will be the subrecipient of the 10 percent administrative allocation of the grant totaling $0.8 million. Of that amount a total of $0.6 million is budgeted in 2021-22, with $0.2 million for administrative costs that year, and $134,440 is budgeted in 2022-23. The remaining 90 percent of the grant will be managed by New York State, with BURA's primary purpose to provide local advertising/marketing for the program to the City residents.

- Other revenues include General Fund revenues, the Evans Fund grant, the Enterprise New York's Cities for Responsible Investment and Strategic Enforcement ("Cities RISE") program and the Local Initiatives Support Corporation ("LISC") grant. General fund revenues represent property rentals, parking and other smaller revenues and are budgeted at approximately $0.5 million in 2021-22. The general fund and Evans fund revenues are projected to be held flat over the financial plan, while Cities RISE and LISC funds are budgeted based on remaining balances.

  The Cities RISE program grant funds are to be used to target development in neighborhoods through "Love Your Block" mini-grants, to provide funding for code enforcement officers, and to address abandoned properties. The Love Your Block mini-grants are to provide funding to block clubs and community-based organizations to assist in the improvement of their neighborhoods through creation of community gardens and playgrounds. The initial planning stages of this program began in 2019-20. The budget includes approximately $530,000 in 2021-22 and an additional $330,000 in 2022-23 with the grant expected to be fully expensed in outyear two.

  BURA was previously awarded a grant from the Local Initiatives Support Corporation ("LISC"), 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 with BURA receiving a second award in the amount of $472,150 in January 2020. BURA has planned to use the funds to continue 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. Additionally, the intent is to assist the City's Real Estate Division with tracking and marketing City-owned properties. The estimated balance of $360,000 is included in the 2021-22 budget with no allocations over the remaining three years of the Financial Plan.

  Portions of the Evans Fund grant were incorporated in a revolving fund. As borrowers pay back loans, the proceeds are reinvested in the program. The Financial Plan includes an estimated $20,000 in each year of the Financial Plan. 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.

- CDBG Interest/Rental Income – represents revenues earned by BURA through CDBG related investments and properties. Interest/rental income is budgeted at $200,000 over the four-years of the Financial Plan. The estimate may be high in 2021-22, as the economy is still rebounding from the COVID-19 Pandemic. Current year rental income at the end of the 3rd quarter was approximately $100,000 below budgeted amounts.

- 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 decreased by $6,700 and ESG funding was increased by $36,800 for a net increase of $30,100. This revenue represents pass-through dollars provided directly to subrecipients. I

The 2022-2025 Financial Plan is balanced over the four-years, and is being reduced by $8.7 million, or 40.6 percent, as the funding from the CARES Act expires. In total there is $15.0 million in one-time revenues that will be used over the Financial Plan with $9.1 million budgeted in 2021-22, $4.8 million budgeted in 2022-23, $1.4 million budgeted in 2023-14, and $20,000 budgeted in 2024-25. There are significant reductions that are occurring within the non-recuring revenue lines as expected. Historically BURA expenditures have been under budget at year-end when compared to the adopted budget.

BURA is able to roll grant funds not expended in the current year to future years. There likely will be additional proceeds available for future years, and 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 2020-21 budget will roll forward into the 2021-22 budget as the use of these funds have been planned.

Management at BURA is continuously attempting to identify potential new revenues. 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. The cap for the CDBG-CV funds is 20 percent, however the Administration has determined that only 6 percent of that amount will be used for administrative costs, with the balance being directed to outreach and the internet access project. The Treasury grant cap is 10 percent, but approximately $25,000 will be authorized for administrative costs, with the balance of the funds being dedicated to outreach and marketing for the program. 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 44 funded

positions with salaries and fringe benefits of approximately $3.9 million decreasing to $3.6 million over the course of the Financial Plan. This number of positions is held constant over the Financial Plan. The decrease in budgeted resources for salaries and fringe benefits is attributed to the spend down of the non-recurring revenues. Currently 37 of the 44 positions included in the 2021-22 Adopted Budget are filled.

From 2013-14 to 2016-17, BURA had 43 funded positions which were reduced to 39 positions in 2019-20 Adopted Budget. There was an increase of five temporary full time equivalents between the 2020-21 Adopted budget and the 2021-22 Adopted Budget. Staffing levels are maintained at 44 full time equivalents over the course of the Financial Plan. There are no projected savings from not filling vacancies as funds that are unused ultimately would be allocated to program delivery.

BURA's employees are covered by one collective bargaining unit, the Civil Service Employees Association, Local 815. The last negotiated labor agreement expired on 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-five budgeted classified employees and nine exempt employees within the 2022-2025 Financial Plan. The budget and financial plan as it is presented includes estimated increases the first three years of the Financial Plan with the final year held flat. BURA has identified resources to potentially fund increases associated with a new CBA.

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. 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.

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

CDBG, including CDBG program income, has been budgeted in the amount of $8.2 million as follows:

- $5.2 million allocated to CDBG program delivery
    - $3.5 million for emergency loan program
    - $1.5 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 $3.6 million as follows:

- $3.2 million is allocated for HOME program delivery and housing activities
  - $2.6 million for rehabilitation and new construction
  - $0.5 million for community housing development organizations
  - $0.1 million for HOME program delivery
- $0.4 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 6.0 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 32 properties valued at approximately $3.2 million which are held for redevelopment in accordance with grant regulations.

Conclusion:

BURA has submitted a balanced 2022-2025 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 continue to be monitored as any 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. In the event available funding 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

The 2022-2025 Financial Plan appropriately reflects the available CARES funding and required timing of the use of such funds. The Financial Plan provides adjustments annually to estimated revenues and related expenditures for expected changes to annual awards and expected use of prior year funding.

The impact to future awards from the results of the 2020 census is yet unknown and will be evaluated when such information becomes available.

The business activities of the organization have not been greatly impacted at this time as the services are deemed essential and construction has been continuing over the past year. The extenuating circumstances of the pandemic could impact the timetable and plans for projects as time progresses.

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

MAY 2 4 2004