BUFFALO FISCAL STABILITY AUTHORITY

Annual Report of the Buffalo Fiscal Stability Authority
Fiscal Year Ended June 30, 2022

September 21, 2022

Buffalo Fiscal Stability Authority
Authority Directors and Staff as of June 30, 2022

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

Vacant

Vacant

Staff

Jeanette M. Robe, CPA
Executive Director

Nikita M. Fortune, BA
Administrative Assistant

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

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

Claire A. Waldron, CPA
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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 nineteenth such annual report. The focus of this report is the period from July 1, 2020 through June 30, 2022 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 Joint Schools Construction Board is no longer operational as the program has been completed.

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 2022-23 Budgets and 2023-2026 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 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 $460.4 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 2021-22 fiscal year. Specific revenues are still below pre-pandemic levels; however, many revenues are beginning to return to pre-pandemic levels or even exceed those levels, such as sales tax. The federal government 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 continue to recover since receiving the federal stimulus awards from the federal government. The concern of another lockdown due to COVID and further negative financial impact has abated with the focus shifting to the economy and if the covered organizations can keep pace with the heating economy and inflation. The new headwinds they face include inflation which has reached a 40-year high nationally and the potential of a recession. The supply chain issue that was documented during COVID has only exacerbated the inflationary factor, with energy and food items leading the increase. These costs not only impact the City's operations but are also borne by the City employees and residents of Buffalo, placing additional strain on personal budgets. Employees have taken note of this and are expecting the Unions that represent them to negotiate cost of living increases that address the inflationary increases.

The City has revised its estimates and now projects to utilize $136.5 million out of the $331.4 million ARPA allocation, or 41.2 percent of the total, for replacing lost and reduced revenues over a six-year period; this amount was projected at $127.6 million at June 30, 2021. The City used $40.0 million in 2020-21 and has estimated to use $9.0 million in 2021-22, with the balance of $87.5 million included in the 2023-2026 Financial Plan. The District has budgeted to expend $289.6 million of federal stimulus funds over the next three fiscal years to supplement 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 for residents and students to fully recover and move forward from the ongoing public health pandemic. The uncertainties and risks related to the current economic situation, as inflation continues to impact the whole of the WNY community and the concern of a possible recession are that post-COVID recovery progress could be undone.

Key underlying assumptions related to the financial impact from the federal and State response to the COVID-19 pandemic 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 2021-22 fiscal year results of operations 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 Counsel James Magavern

On September 24, 2012, the BFSA Board of Directors unanimously voted to engage the law firm of Magavern Magavern Grimm LLP to provide legal services, noting specifically the ability of Mr. James L. Magavern, Esq., to meet the unique needs of the BFSA.

Mr. Magavern brought an extensive amount of legal expertise in various municipal areas, both financial and operational, having served in the past as counsel to the Comptroller of the State of New York, County Attorney, and Assistant Attorney General of the State of New York, among others.

Mr. Magavern's contributions to the City of Buffalo and the region were not limited to his work on the BFSA Board and his contributions to the community have been innumerable including serving as President of the Bar Association of Erie County, Chair of the Charter Revision Commission of the City of Buffalo, Vice-Chair of the Erie County Charter Revision Committee, Member of the New York State Commission on Government Integrity, Chair of the Buffalo State College President's Blue Ribbon Committee on Equity and Diversity, Chairman of the Buffalo Baseball Stadium Design Advisory Committee, Chair of the Panel to Revise the Code of Ethics of the City of Buffalo, among other roles as member, director and officer of other professional and civic organizations.

Mr. Magavern worked tirelessly to address the needs of the Buffalo Fiscal Stability Authority during the Covid-19 pandemic, assisting to ensure that the City of Buffalo continued to thrive for generations to come.

Mr. Magavern provided invaluable advice to the BFSA until his passing on March 7, 2022, and his contributions to the community will endure and will have a positive effect on future generations.

The Buffalo Fiscal Stability Authority passed a resolution to honor and appreciate Mr. James L. Magavern, Esq., 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; and

- 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; and

- 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; and

- 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, 2022, 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, 2022, 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, 2022, 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 2021-22

The BFSA continued to provide fiscal oversight over the City and the Covered Organizations during 2021-22. The BFSA is operating under an advisory period and provides assistance through analyses and recommendations as opposed to direct actions.

The BFSA held six board meetings during 2021-22. 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 the District and the City. Additional information related to these discussions are summarized within this section.

This was the tenth 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, and the subsequent recovery. The federal government's response to the COVID-19 pandemic provided significant federal aid to the City, District, and the remaining covered organizations. These additional resources will provide the City 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 businesses are operating, the progress of Buffalo could be further hindered as inflationary factors increase the cost of operations, which could be compounded by a recession. Both of these economic factors will impact the residents of Buffalo and the greater Western New York region in terms of how money is spent, which in turn will impact the City of Buffalo's revenue streams. The City included $87.5 million in federal ARPA funds over the 2023-2026 Financial Plan, in addition to utilizing $40.0 million of said funds in 2020-21 and an estimated $9.0 million in 2021-22. In total the City has estimated to utilize $136.5 million, as reflected in the current financial plan, or 41.2 percent, of the $331.4 million in awarded ARPA funds to replace lost revenues. The City's Recovery Plan, which provides categorical spending limits by program, currently allocates $100.0 million for revenue replacement dollars, creating a shortfall of $36.5 million. The City Administration has conveyed that the Recovery Plan will be modified; as of the date of this report, no modification has been submitted.

Additionally, it is noted that the City has limited fund balance available to balance operating deficits as this one-time resource was previously used; the balance as of July 1, 2021 was $8.2 million with final 2022 balances yet-to-be reported. These challenges, among others, are discussed in detail within the individual reports in the section titled, "BFSA Reports on the 2022-23 Budgets and 2023-2026 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 fluctuating operating results over the last five years. Significant deficits were reported over a three-year period spanning fiscal years ("FYs") 2015-16 through 2017-18. A minor surplus was reported in fiscal year 2018-19 and a small deficit was reported for fiscal year 2019-20. Significantly, 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 the end of fiscal year 2020-21 the City had a year-end surplus of $14.8 million, which was used to increase multiple fund balance categories including $8.2 million in unassigned fund balance.

- 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, 2021, the most recent year audited financial results are available for, the City's total fund balance was $104.3 million, representing an increase of $68.3 million from 2003. Over this period of time, the City was able to settle all outstanding labor contracts while maintaining a relatively flat tax levy and established a Rainy Day Fund equivalent to 30 days of operating expenditures. As of June 30, 2022, five of eight labor contracts are expired. Total unrestricted fund balance at June 30, 2021 was $65.7 million consisting of the emergency stabilization fund of $40.1 million, assigned fund balance of $16.8 million, and unassigned fund balance was $8.2 million. At June 30, 2021, unassigned fund balance represented 1.6 percent of actual expenditures for the year.

- 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 and total fund balance of $151.2 million at June 30, 2015. For the years ended June 30, 2016 through 2018, the City reported a combined deficit of $78.4 million, reducing fund balance to $92.0 million. For the years ended June 30, 2019 and 2020, the City reported a surplus of $0.9 million and a deficit of $3.4 million, respectively, and reported total fund balance of $89.5 million at June 30, 2020. The City reported a surplus of $14.8 million for year-end June 30, 2021 for a total fund balance of $104.3 million. Unassigned fund balance of $0 was reported for the three-year period of 2018-2020.

  The surplus reported in FY 2019-20 was achieved only through the use of deficit borrowing in the amount of $25.0 million. The surplus reported in FY 2020-21 was achieved through the inclusion of $40.0 million of federal stimulus ARPA funding. Both years would have reported deficits if not for these one-time revenue sources.

- The City has benefited from significant increases of sales tax collections with actual amounts in 2020-21 and 2021-22 exceeding budgeted amounts. It is unknown when the growth in sales tax will subside. Per the 2018 decision of the United States Supreme Court's in the case of South Dakota vs. Wayfair Inc., state governments are able to tax out of state business that make sales in their respective states. Effective June 1, 2019, marketplace providers are required to register with New York for sales tax purposes and collect and remit sales tax.

- 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, 2021, the balance of the Rainy Day Fund was $40.7 million.

- 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 2022-23 Adopted Budget, the City is utilizing 36.9 percent of the available Constitutional Tax Limit and has a remaining tax levying margin of $172.4 million, representing an increase of $22.6 million when compared to the 2021-22 Constitutional Tax Limit of $149.8 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. Most recently, S&P updated the outlook for the City from negative to stable in April 2022. Additional background related to the City's bond ratings is located in the "Providing a More Cost-Effective Financing Framework" on page 32.

- During 2021-22, the City has available federal ARPA dollars to use for lost revenues from COVID-19 with the amount estimated to be $9.0 million. Additionally, the City received a payment of the Tribal State Compact revenue due from the Seneca Gaming Commission in the amount of $34.8 million; payments had been outstanding and not received since December 2017. Furthermore, sales tax receipts are expected to exceed budget by $14.0 million. Several revenues impacted by the overall economy due to COVID-19 were still recovering this past year.

  Even with the additional resources received by the City, challenges remain. The City's ARPA funding will no longer be available after the current four-year financial plan. Additional revenues will need to be generated to replace the loss of the ARPA funds that are planned to be used for General Fund operations. The City has to commit the ARPA funds by December 31, 2024 and expend the funds by December 31, 2026.

- The District's fund balance totaled $33.5 million at June 30, 2003. 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 considerably over the last five fiscal years. At June 30, 2017, General Fund fund balance totaled $182.6 million including $70.0 million in Unassigned fund balance. At June 30, 2022, General Fund fund balance is estimated by District officials to total $319.0 million including $109.7 million in Unassigned fund balance. Unassigned fund balance is projected to exceed the Board of Education's 4% of General Fund expenditures retainage policy by $68.9 million. The Financial Plan includes the draw-down of available fund balance in each FY. Total fund balance is projected to total $228.7 million at June 30, 2026. Unassigned fund balance is projected to decrease considerably to $45.2 million at June 30, 2026. The District's need to appropriate fund balance is corelated with settled labor agreements.

- The Buffalo Teachers' Federation (Teachers or BTF) currently represents the only collective bargaining unit with an expired contract. This contract expired June 30, 2019.

  The District settled four (4) outstanding labor contracts after adopting the FY 2022-23 budget and FY 2023-2026 Financial Plan including:

  1. Professional, Clerical, and Technical Employees' Association (white-collar employees or PCTEA) – expires June 30, 2026
  2. Buffalo Council of Supervisors and Administrators (Administrators or BCSA - expires June 30, 2025
  3. AFSCME Local 264 (Cook Managers) – expires June 30, 2026
  4. Local 409 engineers (Engineers) - expires June 30, 2026 (settled and pending both BFSA and the District Board of Education review)

- The District is currently out-of-contract with its largest collective bargaining unit, being the Buffalo Teachers' Federation (BTF), which expired on June 30, 2019. The District's Financial Plan includes a contingency reserve to settle expired labor agreements; the cumulative four-year amount included within the Financial Plan is $131.4 million. There is a corresponding four-year cumulative deficit of $90.3 million. The District has recently settled several outstanding labor agreements and has funded the incremental costs through this budgeted contingency reserve. There is $92.0 million remaining in the contingency reserve available for negotiating with the teachers' union. An additional $9.0 million is also available in Assigned fund balance: Prior Years' Claims.

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 2021-22, the BFSA monitored implementation of the 2022-2025 Financial Plan of the City and its non-exempt Covered Organizations. The 2022-2025 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.

At the meeting held on December 21, 2021, the BFSA reviewed the District's modified Financial Plan and found it complete and compliant with the standards set forth in the BFSA Act. The modification was submitted pursuant to a BFSA finding that the financial plan was not balanced as it did not reflect labor cost increases for the settlement of various labor agreements including the Buffalo Educational Support Team ("BEST"), the Buffalo Association of Substitute Administrators ("BASA"), the Transportation Aides of Buffalo ("TAB"), Local 264 (representing blue-collar employees), Local 264 Food Service Workers (representing food service helpers and cooks), and the Substitutes United of Buffalo (representing the substitute teachers). The District was required to submit a revised 2022-2025 Financial Plan by November

30, 2021, reflecting the impact of the six labor agreements. There were no other financial plan modifications submitted to BFSA during the year.

The BFSA Board of Directors also reviewed a modified City of Buffalo financial plan on February 16, 2022, and determined it was complete and complied with the BFSA Act. The City's Financial Plan was modified at required by the BFSA as ARPA recovery funds utilized in the 2022-2025 Financial Plan were inconsistent with the ARPA Recovery Plan as approved by the Common Council. The decrease of $27.6 million in ARPA funds was offset by an increase to projected sales tax of $38.4 million to recognize additional revenues received by the City for sales tax, and the offset was to reduce the sale of capital assets by $10.0 million in year four of the financial plan.

Systemic issues remain within the City's forecasts including the continuation of estimates for casino revenue with uncertainty as to what the revenues will be once the current Tribal State Compact ("TSC") expires in December 2023. The City has included $38.5 million of TSC revenue over the last three years of the financial plan. It is unknown what a new contract between Seneca Gaming and NY State would mean to the City of Buffalo and if the current revenue sharing ratio would be maintained or potentially reduced or eliminated. The City has also included $35.7 million in ARPA funding over the last three years of the financial plan, which are non-recurring revenues supporting recurring expenditures. Inflation is hindering the economy at this time and it is unknown when it will stabilize and there is the real potential of a recession. Both of these economic factors combined with the use of one-time revenues places pressure on the City's operations going forward.

On May 2, 2022, the City submitted the 2023-2026 Financial Plan to the BFSA which included the financial plans of the City and Covered Organizations, as required. The City Common Council approved the budget on May 23, 2022, and the budget was adopted on the same day. On June 14, 2022, a subsequent budget modification was approved. The Mayor submitted the modified Financial Plan to the BFSA on June 17, 2022. The changes reflected a decrease in the property tax rate levy of $1.5 million in 2022-23 and a comparable amount over the remaining years of the financial plan with corresponding decreases to expenditures in each year.

On June 22, 2022, BFSA reviewed the 2022-23 Adopted Budget and the revised 2023-2026 Financial Plan and found it to be complete and compliant with the BFSA Act, contingent on the appropriate filing and subsequent approval of a revised City of Buffalo Recovery Plan. As previously noted, the City's 2023-2026 Financial Plan is inconsistent with the City's ARPA Recovery Plan by approximately $36.5 million.

The District has been operationally balanced over the last five years with a cumulative operating surplus of $130.1 million reported from June 30, 2017 to June 30, 2021. A deficit was reported only in FY 2016-17 of $20.6 million due to settlement of the long-outstanding teachers labor agreement. The District has budgeted the appropriation of $34.6 million of fund balance in FY 2022-23. The cumulative, four-year fund balance appropriation is $90.3 million. The budgetary deficits include $131.4 million budgeted for the settlement of labor contracts and other contingencies.

The District reported that gap closing measures will likely become necessary during the next four years as it has not systemically reduced the physical footprint of staffing of its schools to match the student population loss. This need will be more urgent if enrollment does not recover to near pre-pandemic levels as anticipated. The District also indicated there is a structural imbalance that is masked by unprecedented levels of federal and state aid. The Financial Plan recommends a study to assist in aligning staffing and facilities over the long-term to enrollment; the BFSA concurred with this recommendation.

The District is scheduled to receive an unprecedented amount of federal stimulus aid and NYS Aid (excluding NYS Building Aid), including a cumulative $228.4 million in CRRSA-ESSER II and ARPA-ESSER III funds in FY 2022-23 and FY 2023-24, and $726.9 million in NYS Aid. NUS Aid includes an estimated $620.4 million in FY 2022-23 Foundation Aid. Foundation Aid is projected to increase by $70.8 million to $691.2 million in FY 2025-26. The four-year cumulative increase in Foundation Aid in the Financial Plan is $312.0 million. The additional funding being provided through the new CRRSA and ARPA programs is considered "supplemental" funding and will help the District make strategic investments.

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 the 2023-2026 Financial Plan. The District has budgeted the appropriation of $34.6 million of fund balance in fiscal year 2022-23. At June 30, 2022, projected unassigned fund balance is projected to exceed the Board of Education's 4% of General Fund expenditures retainage policy by $68.9 million. The Financial Plan includes a deficit each year; total fund balance is projected to total $228.7 million at June 30, 2026 with Unassigned fund balance projected to decrease considerably to $45.2 million at June 30, 2026. The District's need to appropriate fund balance is corelated with settled labor agreements.

Revenues and expenses appear fairly stated overall within the Buffalo Municipal Housing Authority's 2023-2026 Financial Plan on both an individual and consolidated basis. The Financial Plan projects a four-year cumulative surplus of $14.2 million and a four-year positive cashflow of $12.6 million. The BMHA budgets separately for the Marine Drive Apartments, which is a separate unit from the federally subsidized properties. The Marine Drive Adopted Budget and Financial Plan projects a four-year deficit of $1.0 million and a $1.8 million cash outflow over the same period. Marine Drive does not have sufficient operating reserves available to address the budgetary deficits. BMHA has taken the initial steps to increase Marine Drive revenue by an estimated $1.25 million annually. These steps require approval from New York State. BFSA previously recommended that BMHA prepare a contingency plan to reduce costs where possible in the event actual losses create a need to implement a revised operating program. In the event New York State does not approve these items, a plan will need to be developed.

The 2023-2026 Financial Plan for BURA projected $81.3 million in expenditures over the four years of the Financial Plan. The Financial Plan includes $9.2 million of the $11.4 million in CARES Act funding awarded to BURA, as well as additional City resources including $20.3 million in City ARPA funds including $12.3 million for the City ARPA Affordable Housing Advancement Fund (ARPA AHAF), $6.0 million for HOME ARPA and $2.0 million for a health equity grant. These resources were originally awarded to the City of Buffalo as part of the ARPA Recovery Act and the City has designated BURA as the lead agency to administer the programs. Expenditures are decreasing from 2022-23 ($29.0 million) to 2023-24 ($19.6 million), in 2024-25 ($16.5 million) and decreasing further in 2025-26 ($16.2 million). The significant decrease over the Financial Plan is directly related to the spend down of the CARES Act funds and the $20.3 million in City ARPA funding. Outside of the CARES Act and ARPA funds, revenues are projected to fluctuate in a corresponding manner, with increases in the out-years 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 2023 and projected for FY 2024.

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 2022-23 Budgets and 2023-2026 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 2021-22, the BFSA monitored the 2022-2025 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, 2022 is expected to occur in or around December 2022 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 2021-22.

Reports and Recommendations Issued by the BFSA during 2021-22

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

- At the board meeting held on September 27, 2021, the BFSA reviewed the planned spending of the federal American Rescue Plan Act ("ARPA") funds as presented in the City's ARPA Recovery Plan ("Recovery Plan"). The Recovery Plan as submitted to the BFSA did not provide adequate resources for revenue replacement as included in the City's 2022-2025 Financial Plan; the shortfall was $19.7 million. The City representative indicated that the Recovery Plan will be amended to address the shortfall.

  The City Policy Director provided a report on the Recovery Plan to the BFSA Board of Directors. The City was awarded $331.4 million in ARPA funding to be delivered in two disbursements. The first half was received in 2021 and the second tranche was received on June 6, 2022; the funds must be committed by December 31, 2024, and completely spent down by December 31, 2026. It is noted that the funding is flexible, that the funds were meant to avoid the problems that occurred with the 2009 American Recovery and Reinvestment Act funding that left state and local governments without significant financial assistance and therefore slowed economic recovery, and proposed interventions are outcome-based as opposed to delivery-based. The approach of the funding is to focus on addressing economic issues of the City's low-to-moderate income residents, which in turn will aid in addressing the fiscal issues of the City. The City stated the revised four-year financial plan would be submitted in January 2022.

- On December 15, 2021, the BFSA provided a report on the City's 2021 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 General Fund actual budgetary expenditures, including encumbrances, totaled $528.5 million resulting in an unfavorable variance of $8.9 million as compared to the Adopted Budget amount of $519.6 million and an unfavorable variance of $2.2 million compared to the Final 2021-22 Budget. Actual revenues, excluding transfers from other funds, totaled $522.2 million, resulting in a positive budget variance of $17.0 million. Total revenues, including transfers in, were $532.5 million which resulted in a positive budget variance of $13.0 million.

  Total General Fund expenditures reported without encumbrances and including transfers out were $517.7 million. A year-end surplus of $14.8 million was reported for the year ended June 30, 2021 which correspondingly increased fund balance to $104.3 million.

  The Solid Waste and Recycling Fund reported operating income of $1.5 million, and a reduction to the accumulated debt to the City's General Fund of $0.9 million. The total amount outstanding as reported at June 30, 2021 was $12.4 million; this amount is reported as restricted fund balance in the General Fund.

- On December 15, 2021, 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 $8.0 million. As of September 30, 2021, revenues were projected to be favorable by $0.7 million and expenditures were projected to have a favorable variance of $7.8 million. The BFSA recommended that the City continue to closely monitor the financial impact from the COVID-19 pandemic and subsequent recovery. It was also noted that the amount of $11.0 million in Tribal State Compact revenue was included in the year-end estimate, and if that amount was not received the projected surplus of $8.0 million becomes a deficit of $3.0 million.

- On December 15, 2021, the BFSA provided a written and oral report on the City's 2022 Recommended Capital Budget and 2022-2026 Capital Improvement Plan. The 2022 Recommended Capital Budget contained 33 projects that cumulatively totaled $34.0 million. In total the Mayor's proposal provided for $28.3 million in new capital projects and the financing of $5.7 million of previously authorized but unissued projects. The proposed borrowing, separate and distinct from the Capital Budget, recommended total borrowing of $19.3 million of projects from the 2022 Recommended Capital Budget with the remaining balance of $9.0 million to be financed in the future. In addition to the new project borrowing, the Mayor's proposal included 11 projects that were previously authorized but unissued in the amount of $5.7 million; a total request of $25.0 million was made for the borrowing.

  The 2022 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 2022 was unnecessary and that the District has approximately $18.2 million available for projects from savings achieved through a previous refunding for the Joint School Construction Board debt. The 2022-2026 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 2022 Capital Budget 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 2022 Recommended Capital Budget, notably building demolitions and tree trimmings/maintenance, at a total of approximately $1.5 million, or 5.3 percent, of the proposed capital budget. Over the five-year Capital Improvements Program, $3.0 million is provided for representing 2.8% 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.

  The City was awarded substantial funding for infrastructure projects through ARPA. In recognition of the ongoing development of the spending and recovery plan, BFSA recommended the capital planning process be carefully conducted in consideration of the additional funding to identify areas where capacity could be enhanced to allow the City to further expand its capital investments.

- On February 16, 2022, the BFSA reviewed the City's Modified 2022–2025 Financial Plan. The modification decreased planned ARPA funding for revenue replacement by $27.6 million as well as decreased the sale of capital assets in the amount of $10.8 million for fiscal year 2024-25. The decreases were offset by increased sales tax of $38.4 million, bringing the current year and out-year sales tax in line with recent actual sales tax results. Total ARPA funding for revenue replacement was budgeted at $100.0 million and $40 million was utilized in fiscal year 2020-21. It is noted the City did not modify the ARPA Recovery Plan as previously communicated. BFSA found the City's Modified 2022-2025 Financial Plan to be complete and compliant.

- At the board meeting held on February 16, 2022, 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 2022 capital borrowing were estimated at $120,566 over the life of the bond. 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.

  The board discussed the market volatility and the potential for greater savings if spreads continued to increase. Additionally, the difference between PFM Financial Advisor LLC's (PFM) estimate for a City sale compared to Capital Market Advisors (CMA) pricing was discussed noting the different rating scales used. When the present value savings were calculated, the lower debt service cost provide by CMA was used; therefore, savings could be higher.

  The Board also discussed the positive financial impact the BFSA has had to the City and District resulting directly from BFSA actions and discussed the ongoing benefit of having a fiscal stability authority in place. The Board noted that the City has passed over substantive debt service savings by having BFSA issue debt on behalf of the City due to unwillingness to leverage BFSA's strong credit rating. BFSA continues to raise the sale of debt on behalf of the City as a recommendation.

- On February 16, 2022, 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 $9.6 million, consisting of favorable revenue projections of $1.1 million and favorable expenditure projections of $8.5 million.

- At the February 16, 2022 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 a ten-year period, highlighting significant trends. The presentation also provided a year-to-year summary of changes for the City of Buffalo and a comparison of property exemption rates and equalization rates with four other major cities in New York State.

- At the February 16, 2022, board meeting, the BFSA provided a report summarizing the potential impact of the State Fiscal Year ("SFY") 2022-23 Executive Budget as it related to the City.

- On May 18, 2022, the BFSA reported on the City's 2023-2026 Preliminary Financial Plan and proposed 2022-23 budget. There is an overall encompassing risk over the City's financial plan as it relates to external economic risk factors that could have a significant impact on the financial plan including high inflation and the resulting risk of a recession. A recession would have a negative financial impact on the City as certain revenues could be affected along with rising costs putting pressure on budgeted appropriations.

  The 2022-23 Proposed Budget was balanced with the use of an estimated $52.6 million in federal ARPA funds. The City has included $87.5 million in ARPA funds over the 2023-2026 Financial Plan, which exceeds the ARPA Recovery Plan as approved in August 2021 by $36.5 million. The City Administration has indicated the intent to file a revised ARPA Recovery Plan by June 30, 2022.

  In addition to the ARPA funding, the Financial Plan includes an additional $37.3 million of nonrecurring, one-time revenues including the sale of capital assets and property of $32.7 million and the settlement of legal claims of $4.6 million. Total nonrecurring, one time revenues total $124.8 million over the Financial Plan.

  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. Additionally, the City is currently under recommended fund balance levels.

- On May 18, 2022, the BFSA provided a written report on the City's third quarter operations. Year-end revenues were projected to have a $10.6 million favorable variance and expenditures were projected to be unfavorable by $3.3 million, for a total $7.3 million favorable surplus. Significant revenue variances included a favorable variance in sales tax of $18.5 million, a favorable variance for the Tribal State Compact revenue due to the City of $29.0 million, and a decreased planned use of ARPA recovery revenue of $41.6 million. The City planned to use up to $9.0 million in federal ARPA funding to close the year out balanced.

- On June 21, 2022, the BFSA reviewed a proposed labor agreement between the City and AFSCME Local 264 representing those employees who are in blue collar titles. The proposed Memorandum of Agreement ("MOA") replaces the previous agreement which expired June 30, 2019 and will be effective July 1, 2019 through June 30, 2025. The agreement includes annual salary increases, including salary upgrades for specific positions, increases to the funding of the flexible spending plan (i.e., 105(h) plan) provided to members, utilization of generic prescription drugs, increases to both longevity payments and to vacation leave. The increased costs were included in the 2023-2026 Financial Plan.

- On June 22, 2022, the BFSA reviewed the City of Buffalo's 2022-23 Adopted Budget and 2023-2026 Financial Plan, as modified. The budget was approved by the Buffalo City Common Council on May 23, 2022 and adopted on that day. On June 14, 2022, a subsequent budget modification was approved. The Mayor submitted the revised Financial Plan to the BFSA on June 17, 2022.

  Total estimated and projected revenue over the four-year financial plan was reduced by $1.5 million annually, or $6.1 million cumulatively, over the Financial Plan to reflect the final property tax levy. Expenditures were also reduced by $1.5 million annually to reflect the decrease in available resources. In addition, the Common Council rejected the proposed user fee increase for the Refuse Enterprise Fund. There were $0.8 million in expenditures that were modified and re-allocated by the Common Council. The BFSA adopted Resolution No. 22-07, "Determination with Respect to the City of Buffalo 2023-2026 Four-Year Financial Plan", which found the plan to be complete and compliant with the BFSA Act, contingent on the appropriate filing and subsequent approval of a revised City of Buffalo Recovery Plan.

  A copy of the BFSA's final report is included in the section titled "BFSA Reports on the 2022-23 Budgets and 2023-2026 Financial Plans of the City of Buffalo and the Covered Organizations."

Buffalo City School District

- On August 12, 2021, the BFSA reviewed a proposed labor agreement between the District and the Buffalo Association of Substitute Administrators ("BASA"). BASA represents those employees who are per diem substitute administrators. These individuals were previously represented by the Council of Supervisors and Administrators, whose contract expired on September 1, 2020. The previous MOA that covered the period of 9/20/17 through 9/1/20 did not include increases for Substitute Administrators. After ratification, the proposed successor agreement will be effective between July 1, 2021 through June 30, 2023. The agreement provides updated per diem compensation and an incentive bonus for employees who work at least fifty (50) days within a semester as a substitute administrator. The District estimates that the agreement will have a District-wide net cost of $932,740, of which $886,104 will impact the general fund over the Financial Plan.

- Additionally, on August 12, 2021, the BFSA reviewed a second proposed labor agreement between the District and the Transportation Aides of Buffalo ("TAB"). TAB represents those employees who work as aides on the District school buses. After ratification, the proposed successor agreement will be effective between July 1, 2021 through June 30, 2024. The agreement provides salary increases to the employees as well as a one-time incentive bonus for those employees who worked the entire 60 days of the 2021 summer school program. The District estimates that the agreement will have a District-wide net cost of $3.7 million, of which $3.4 million will impact the general fund over the Financial Plan.

- On August 12, 2021, the BFSA reviewed the Superintendent's request to extend the District's submission of a modified Financial Plan to November 30, 2021. The request to extend the submission was predicated on continued uncertainty regarding the status of Westminster Community Charter School and Enterprise Charter School, additional labor agreements, and the continued revisions to planned spending of the federal stimulus awards. The later date of November will provide the District sufficient time to address these outstanding items. The BFSA approved this request.

- On September 27, 2021, the BFSA reviewed a proposed labor agreement between the District and Local 264 AFL-CIO ("Blue-Collar") employees. Local 264 represents employees in the following titles including: mechanics, maintenance personnel, drivers, technicians, laborers and stock clerks. Prior to this agreement, members of Local 264 were operating under a contract that expired June 30, 2013 and the proposed agreement would be effective between July 1, 2013 through June 30, 2025. The agreement provides annual salary increases to the employees as well as a base salary increase of $500 for all employees and a one-time incentive bonus for all full-time Local 264 employees based on their number of years of service. Also, annual longevity payments would be increased. Health insurance for active employees was unaltered. New employees hired after the contract's ratification, prior to October 1, 2021, and retired after July 1, 2023 must contribute $200/year towards the Forever Blue Medicare Advantage Plan upon eligibility. Employees hired on or after October 1, 2021 will not be eligible for health insurance at retirement.

The District estimates that the agreement will have a District-wide net cost of $2.7 million over the Financial Plan, of which $2.6 million will impact the General Fund.

- In October 2021, the BFSA Board of Directors reviewed and approved a report on the Memorandum of Understanding between the District and the employees of Local 264, AFL-CIO (Food Service Workers) noting all costs of this contract impact only the Food Service Fund.

- At the board meeting held on December 15, 2021, the BFSA reported on the District's FY 2020-21 Audited Financial Statements. The District's 2020-21 Final Budget included the use of $53.7 million in fund balance to balance the budget. The fiscal year closed with a surplus of $46.7 million for the year ended June 30, 2021. Actual revenues of $916.9 million were favorable compared to the budget by $12.2 million, while actual expenditures of $870.2 million were $88.2 million less than the final budget amount. Fund balance increased by $46.7 million to $312.7 million.

- At the December 15, 2021 meeting, the BFSA provided a written and oral report on the District's first quarter operations. The District was projecting a fiscal year-end $20.0 million budgetary surplus and a year-end operating deficit of $0.9 million as of September 30, 2021. The District reopened to start the 2021-22 school year utilizing a full in person learning model.

- At the December 15, 2021 meeting, the BFSA received a report from the District's CFO on the District's ARPA/ESSER Plan.

- At the December 15, 2021 meeting, the BFSA reviewed the District's Modified 2022-2025 Financial Plan. The modified financial plan included budgetary transfers to address the additional costs associated with six labor agreements that were approved subsequent to the adoption of the District's 2021-22 budget, revised employee compensation and benefit expenditures to fund the out-year costs of the labor agreements, and revised revenue and expenditure projections based on more recent data. BFSA concluded that the District's Modified Financial Plan was balanced. The BFSA recommended that the impact on current and future years from the negotiation of labor and employment contracts be fully evaluated and considered during negotiations and the approval process should include a thorough review of this evaluation. Overall, after adding in $29.5 million in new labor costs to the financial plan and revising other revenue and expenditure projections, the total amount of fund balance needed to balance was reduced from $29.0 million to $20.8 million with newly projected deficits in years two and four of the plan.

- At the board meeting held on February 16, 2022, the BFSA reported on proposed compensation increases for District exempt employees. It was noted that the District did not provide the benchmarking datasets supporting the exempt employee increases that were requested at the December Board meeting. The increases impacted thirty-three exempt employees, with the increases for non-cabinet positions increasing between 10-40 percent, with an average increase of 12.1 percent. The proposed average increase of the seventeen cabinet members ranged 5.7 percent to 25 percent and averaged 17.8 percent.

Estimated costs for the exempt raises would be approximately $3.1 million over the 2022-2025 Financial Plan.

- At the board meeting held on February 16, 2022, the BFSA provided a written update on the District's 2021-2022 second quarter report, including significant events that would impact the 2022-2025 Financial Plan, including the District's 2022-23 NYS Aid, as proposed within the Governor's proposed budget.

- At the board meeting held on February 16, 2022, the BFSA provided presentation slides on the New York State Executive Budget.

- On May 18, 2022, the BFSA reviewed the District's 2022-23 Proposed Budget and 2023-2026 Financial Plan. New York State has provided significant increases in Foundation Aid, beginning with fiscal year 2022-23, and expected to continue through FY 2023-24.

  The District presented a balanced 2022-23 Proposed Budget and related 2023-2026 Financial Plan. The plan is balanced with the use of $90.3 million in fund balance, a non-recurring source of funding. The Proposed Budget included a deficit of $34.6 million. Each Financial Plan outyear depicts budgetary deficits ranging from $8.3 million to $30.8 million. The cumulative, four-year deficit is $90.3 million. Each Financial Plan fiscal year includes a contingency reserve to settle expired labor agreements. This set-aside ranges from $25.6 million to $45.3 million for a cumulative $131.4 million. These set-aside funds do not represent planned contract settlement expenditures but rather a reserve for the settlement costs. The proposed budget and Financial Plan does include estimated resources for the settlement of labor contracts, the District's estimate to bring all contracts current is $131.4 million over the Financial Plan.

  The New York State 2022-23 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 ARPA-ESSER III funds.

- At the May 18, 2022 meeting, the BFSA provided a written report of the District's third quarter operations. The District projected a fiscal year-end $33.3 million budgetary surplus and an overall $4.3 million surplus at March 31, 2021. Additionally, BFSA reported on the District's CRRSSA-ESSER II and ARPA-ESSER III funding. The Special Projects Fund was modified to include $124.7 million in CRRSA-ESSER II and ARPA-ESSER III funding. The District determined that accounting for these funds within the Special Projects Fund rather than separate budgets would be more appropriate, based on NYSED guidance. The Special Projects Fund was additionally modified to recognize $12.5 million in additional, miscellaneous grants

- On June 22, 2022, the BFSA reviewed the final adopted 2022-23 Budget and 2023-2026 District Financial Plan. The District presented a balanced 2022-23 Adopted Budget and 2023-2026 Financial Plan; however the plan included the use of $90.3 million in fund balance. After the proposed use of fund balance, $90.3 million, the District would have $250 million in fund balance remaining. The District included an estimate of $131.4 million to settle labor contracts. The Financial Plan also included gap closing measures, which will likely become necessary at some point over the course of the Financial Plan. The District assumes that enrollment will return to the pre-pandemic level, even though enrollment in the District decreased by 7.3 percent during the pandemic.

- On June 22, 2022, the BFSA passed Resolution No. 22-07 concluding that the District's 2023-2026 Financial Plan complied with the requirements of the BFSA Act.

Buffalo Municipal Housing Authority ("BMHA")

- On December 15, 2021, the BFSA provided a written report on the BMHA's first quarter operations. As of September 30, 2021, 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. The BFSA recommended that BMHA management continue to take the necessary steps as appropriate to manage the impact of the pandemic.

- On February 16, 2022, the BFSA provided a written and oral report on the BMHA's second quarter operations. As of December 31, 2021, revenues exceeded expenses by $2.6 million. BMHA reported fiscal year-to-date revenues of $26.8 million, representing 52.2 percent of budgeted revenues. BMHA reported fiscal year-to-date expenses of $23.4 million, representing 47.2 percent of budgeted expenditures. The BFSA recommended that BMHA management continue to take the necessary steps to manage the impact of the pandemic. It was noted that BFSA was unable to opine on the financial results of individual operating segments as BMHA did not provide year-to-date financial results broke out by individual budget. BFSA formally requested that future BMHA quarterly reports include budget-to-actual financial results on both a consolidated basis as well as by individual budget and that such quarterly reports include updated personnel counts.

- On May 18, 2022, the BFSA reported on BMHA's 2022-23 Budget and 2023-2026 Financial Plan. The 2023-2026 Financial Plan projects a four-year cumulative surplus of $10.8 million and a four-year positive cash flow of $7.7 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 $9.3 million with no change to the cash flow projection.

  Individually, the Marine Drive Adopted Budget and Financial Plan is not balanced. A four-year deficit of $4.1 million is projected with a $4.9 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 previously recommended that BMHA prepare a contingency plan to reduce costs where possible in the event actual losses create a need to implement a revised operating program. This recommendation was repeated, and more is considered more dire given the growth of the Marine Drive deficits. BMHA has taken two actions to address Marine Drive's budgetary shortfall. BMHA has applied to the New York State Homes and Community Renewal to increase Marine Drive's flat rents, potentially yielding an additional $250,000 in additional annual dwelling income, and also to allow project-based housing vouchers, potentially yielding an additional $0.8 million in additional, annual revenues. If these actions yield results as estimated by BMHA management, the new revenues would be sufficient to address the deficits as projected.

  The COCC Adopted Budget and Financial Plan is not balanced and depicts a cumulative $2.6 million deficit. After removing the $0.5 million annual non-cash OPEB accrual, a

($0.6) million cumulative outflow 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.

A copy of the final report issued by the BFSA begins on page 113.

- On May 18, 2022, the BFSA Board received and filed a written report on the BMHA's third quarter operations. As of March 31, 2022, total revenues were greater than the budget-to-date by $1.6 million; total expenses were unfavorable overall by $1.5 million and net income for the nine-month period was $1.4 million.

  BFSA was unable to opine on the financial results of individual operating segments as BMHA did not provide year-to-date financial results broken out by individual budget. BFSA repeated its formal request that future BMHA quarterly reports include budget-to-actual financial results on both a consolidated basis as well as by individual budget and that such quarterly reports include updated personnel counts.

- On June 22, 2022, the BFSA found the BMHA's 2023-2026 Financial Plan to be complete and compliant with the BFSA Act.

Buffalo Urban Renewal Agency ("BURA")

- On December 15, 2021, the BFSA provided a written 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 \$0.3 million compared to the budget; the favorable variance was attributed to the drawdown of prior year Community Development Block Grants ("CDBG"). Expenditures exceeded the budget by \$0.8 million, with significant expenditures occurring through the CDBG Emergency Loan fund.

- On February 16, 2022, the BFSA provided a written and oral report on a collective bargaining agreement between BURA and CSEA Local 1000 AFSCME, AFL-CIO, Local 815 ("Local 815"). The proposed memorandum of agreement ("MOA") covered the period of July 1, 2020 through June 30, 2022. The MOA provided 2 percent wage increases as well as increases to longevity payments and a one-time bonus based on years of service. Exempt employees of BURA received increases to the longevity payment and a one-time bonus based on time of service. Exempt employees did not receive a wage increase.

  BFSA recommended that BURA management consider negotiating a longer-term contract to provide predictability over the financial plan. BURA should also consider utilizing an outside labor negotiation team, as individuals involved in the negotiations benefit from the final settled contract. Also BFSA recommended and a single comprehensive document be created reflecting all MOA changes to date.

- On February 16, 2022, the BFSA provided a report on BURA's 2021 Audited Financial Statements and single audit findings, and reported on key revenues, expenditures, personnel service costs and internal control findings. At June 30, 2021, total fund balance was \$9.6 million. Total expenditures were \$50.8 million, with \$39.3 million attributed to Section 8 Housing and the balance of \$11.8 million being programmatic and operational costs. All prior year findings have been resolved and there were no current year findings. It was recommended the formalization of several written policies for BURA including formalized loan write-off procedures and financial accounting system capabilities.

- On February 16, 2022, 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). Additional resources were provided through the federal government including funds for CDBG-CV, a Lead Hazard Grant, and Emergency Rental Assistance Program ("ERAP").

- On May 18, 2022, the BFSA Board received an oral and written report on BURA's third quarter operations. BURA does not project a significant variance at year-end compared to budget with variances through the third quarter attributed to timing.

- Additionally on May 18, 2022, the BFSA received a written and oral report on BURA's 2023-2026 Financial Plan. BURA management indicated the plan would be revised after the final HUD allocation notice is received. BFSA recommended management continue to monitor the plan as decreases to revenue would place pressure on BURA. The Financial Plan accurately reflected the additional CARES-Act, ERAP and additional ARPA funding.

- On June 22, 2022, the BFSA found the BURA 2023-2026 Financial Plan to be complete and compliant with the BFSA Act.

Workforce Summary and Trends

Workforce costs represent the single largest expenditure category for the City and its Covered Organizations. The City's 2021-22 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 55.1 percent of total District budgeted 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, pension contributions, vacation and sick leave cash out and employer payroll taxes. Two labor agreements expired on June 30, 2019, including those with the crossing guards and the Police Benevolent Association. In addition, labor agreements with Operating Engineers and Building Inspectors Local 2651 expired on June 30, 2020. The City has current labor agreements with Local 282 (firefighters), Local 650 (white-collar), Local 264 (blue-collar), and Local 264T (water caulkers).

The following summarizes the status of labor agreements with the District. On May 13, 2022, the District settled a labor agreement with the Professional, Clerical, and Technical Employees' Association (PCTEA) representing the District's white-collar employees and the security officers. The Buffalo Board of Education ratified the agreement on June 22, 2022. On May 22, 2022, the District settled a labor agreement with the American Federation of State, County & Municipal Employees, Local 264, AFL-CIO Cook Managers (Cook Managers). The Buffalo Board of Education ratified the agreement on August 17, 2022. On June 15, 2022, the District settled a labor agreement with the Buffalo Council of Supervisors and Administrators (BCSA) representing the District's union administrators. The Buffalo Board of Education ratified the agreement on July 20, 2022. On August 12, 2022, the District settled a labor agreement with the International Union of Operating Engineers, Local 409 (Operating Engineers). The Buffalo Board of Education is expected to ratify the agreement on September 21, 2022.

There are 4,916 full-time employees on a General Fund basis and 5,653 FTE's on an All Funds basis. The bargaining units are as follows:

1) Buffalo Teachers Federation – expired June 30, 2019
2) Operating Engineers – expires June 30, 2026
3) Local 264 – expires June 30, 2025
4) Substitute Teachers – expires June 30, 2025
5) School Administrators – expires June 30, 2025
6) Transportation Aides of Buffalo – expires June 30, 2024
7) Professional, Clerical, Technical Employees – expires June 30, 2026
8) BEST – expires June 30, 2025
9) Substitute Administrators – 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 2021-22; BFSA reviewed the agreement at the February 2022 board meeting. The MOA covered the period of July 1, 2020 through June 30, 2022. Exempt employees received comparable salary increases and receive comparable health insurance benefits as well. Subsequent to the end of the fiscal year BURA management settled a new MOA with Local 815 that would cover the period of July 1, 2022 through June 30, 2026.

BMHA has settled all labor contracts with their employees with labor agreements set to expire on June 30, 2023.

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 $1.4 billion, with total OPEB liability for governmental and business-type activities of $1.31 billion and $67.8 million, respectively, as reported for fiscal year-end June 30, 2021.

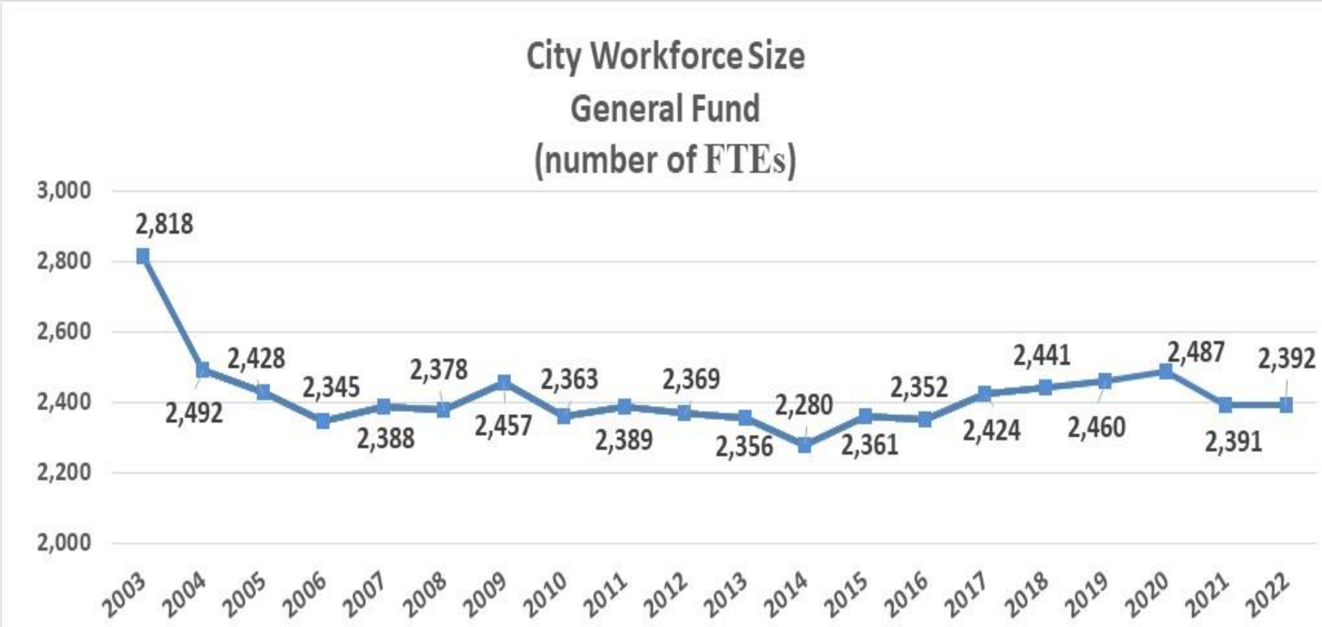
As of the last actuarial valuation report dated June 30, 2021, the District had a total OPEB liability of $2.5 billion. This is a decrease of $100.0 million when compared to the estimated total OPEB liability at June 30, 2020 of $2.5 billion.

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 $28.9 million was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

The City increased its budgeted workforce by 8 positions from FY 2021 to FY 2022. Actual filled positions at June 30, 2021 increased by 1 FTE to 2,392 as compared to 2,391 at fiscal year-end 2021. The City maintained a net plus 1 FTE year-to-year, even with the hiring of additional employees, retirements and other forms of termination.

The following chart shows the City's actual number of filled positions from 2003 to 2022:



The City has reduced filled positions by 426 and reduced its workforce by 15.1 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.

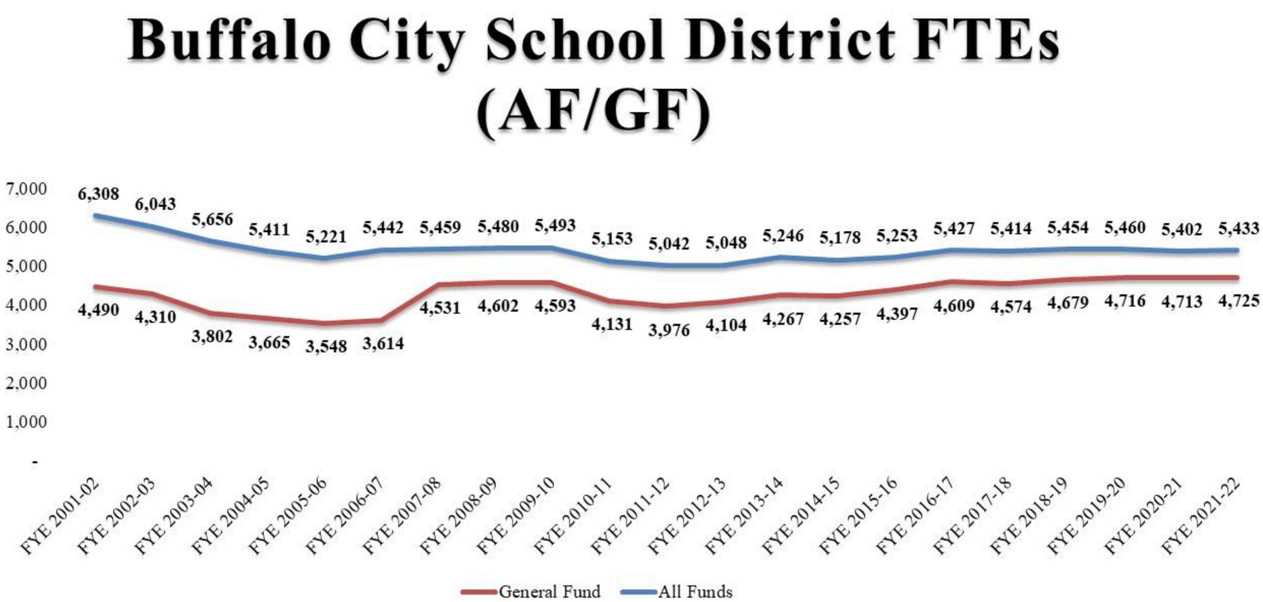
The District provided a staffing plan which decreases the number of budgeted positions in FY 2022-23 by 20 FTE positions on a General Fund basis. On an All Funds basis, 5,957 FTEs are budgeted. This is an increase of 304 budgeted FTEs overall. These additional positions are funded through federal stimulus funds. The total number of positions funded through grant funds is flat at 1,020 in FY 2022-23 and FY 2023-24 and is reduced to 694 in FY 2024-25 when federal stimulus funding is no longer available.

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 City publicly enrolled students with District students declining from 32,561 in FY 2022-23 to an estimated 31,319 by FY 2025-26. Charter school pupils are projected to increase 1,242 to 12,081 pupils by FY 2025-26. The overall number of public-school students is projected to be flat at 43,400 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. However, the current school year has seen a dramatic drop of 4,003 FTE or 12.3% over the 2021-22 school year. The Financial Plan assumes that the 2022-23 school year will see a sizeable increase of District-enrolled pupils to a projected 32,561. The Financial Plan's charter school enrollment growth projection assumes that eight of the current and planned (the Buffalo Commons Charter School) twenty-two charter schools will continue to expand seating capacity.

On an All Funds Basis, the 2022-23 Adopted Budget includes a total of 5,957 FTEs, 304 FTEs greater than the 2021-22 Adopted Budget.

The following chart shows the District's actual number of filled positions from 2003 to 2022 for both the General Fund and on a District-wide basis:



The BMHA's 2022-23 Adopted Budget includes 168 positions including nine newly budgeted positions including: five executives, one finance, one capital improvement, and two asset management positions. BMHA has reduced its workforce gradually in recent years: there were 236 filled positions in 2012. The 2022-23 Adopted Budget represents a 5.6% increase in staffing over the previous fiscal year. The BMHA intends to fill all budgeted positions. BMHA has historically had a level of vacancy between 10-25%. The vacancy rate was 12 percent at March 31, 2022.

BURA had 41 positions budgeted and there were 29 filled at the conclusion of the 2021-22 fiscal year. BURA's workforce was reduced from 60 budgeted FTE's at FYE 2012 down to the current 41 positions budgeted in 2022-23, a decrease of 19 positions over nine years. Employment levels remain significantly below 2003-04 levels when BFSA was created. BURA has adopted a budget and financial plan that includes 41 positions in fiscal year 2022-23 and is reduced to 40 positions in the three remaining years the Financial Plan, with 29 classified employees, with one position being reduced in the out-years, and 12 exempt employees. The significant decrease in BURA positions has been driven by several factors, including reductions in federal grant funding, the elimination of programs, and corresponding positions that were determined not to be an appropriate use of federal grant funds. The reduction of BURA positions was largely through the elimination of vacant positions and, to a lesser extent, through layoffs.

Projected workforce trends are discussed in the individual entity reports within the section titled "BFSA Reports on the 2022-23 Budgets and 2023-2026 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 July 2022. Moody's Investor Service ("Moody's") has rated BFSA at Aa1 with a stable outlook; this rating was last reaffirmed in June 2022. 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.

In April 2022, Fitch revised the City's outlook from negative to stable and maintained the credit rating of A. The City previously received a downgrade in September 2020 from Fitch from A+ to A with a negative outlook, which followed a downgrade in 2019 where the City went to A+ from AA- with a stable outlook. Standards and Poor's Rating Services ("S&P") has maintained City's rating at A+ since 2013-14 with a revised outlook to stable in 2021. Moody's reaffirmed the City's rating of A1 with a stable outlook in April 2022 and noted the City benefits from the oversight of the BFSA. The rating outlook reflects the overall satisfactory reserve and liquidity position and the expectation that the financial position has stabilized, improved local economy and expected continued tax base growth, that reserves will remain sound through 2022 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 nine years. The outlook was revised downward 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 with a stable outlook, as revised from a negative outlook in 2021. 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 negative to stable reflects (1) positive financial operations in fiscal year 2020-2021; (2) an anticipated surplus in fiscal year 2021-2022; and (3) the City's history of negative operating results in three of the last five 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 revised the City's outlook from negative to stable outlook while maintaining an A rating in September 2021. Fitch 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.

  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 $69,962 in investment earnings with the governmental funds for the year ended June 30, 2022 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 2022 of approximately 0.04 percent. The BFSA earned $69,925 from the FDAs during the year ended June 30, 2022. The remaining amount of $37 was earned on the operating funds.

Review of 2022 Capital Budget and Related Capital Borrowing

The BFSA reviewed and reported on the City's 2022 Capital Budget of $29.4 million during the 2021-22 fiscal year. The total amount financed was $25.0 million and consisted of $18.6 million for projects authorized in 2022 and $6.4 million that was authorized and unissued in prior years. Prior to last fiscal year 2021, 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 2021-22, City of Buffalo, February 16, 2022".

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, 2022:

BFSA Debt Table at June 30, 2022					
($ 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		$3,865	
Sales Tax and State Aid Secured Refunding Bonds (Series 2015A)	Dec-15	$14,170		$615	
Total		**$170,750**	**$234,000**	**$4,480**	**$0**

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 unprecedented amount of federal assistance provided, both are financially secure in their short-term financial position. However, the City needs to identify new revenues to replace the current federal assistance. The District will need to focus on settling with the BTF and assisting students to be at the academic level they should be at, if not for COVID.

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 2023-2026 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 has budgeted the appropriation of $34.6 million of fund balance in FY 2022-23. The cumulative, four-year fund balance appropriation is $90.3 million. The FY 2023-2026 Financial Plan is significantly different from past plans in that it includes estimated amounts for the settlement of expired labor contracts. The cumulative amount provided over the plan for this purpose is $131.4 million and contributes to the cumulative projected Financial Plan budget gap of $90.3 million. The District has sufficient fund balance to fund the projected deficits over the next four years. The District indicates that gap closing measures will likely become necessary during the next four years as it has not systematically reduced the physical footprint of staffing of its schools to match the student population loss.

The fiscal impact of these issues was examined in detail in BFSA's analysis of the District's 2023-2026 Financial Plan included herein on page 84.

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 15.

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 2021-22. 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 2021-22 to reinforce its system of internal controls as listed below:

- In August 2021, 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 Bylaws, which provides guidelines and procedures for the operations of BFSA, including formation of committees, board meetings, and other general operations;

    - 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 Conflicts of Interest Policy, 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 Conflicts of Interest Policy and will abide by it;

- 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 2021-22 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 2021, the BFSA Governance Committee approved the dissemination of the annual Board of Directors self-evaluation to each Director.

- In August 2021, the BFSA Board of Directors required the District submit a modified financial plan that includes the budgetary impacts of the collective bargaining agreements with both the Buffalo Association of Substitute Administrators and the Transportation Aides of Buffalo. The Board had previously required the submission of a modified financial plan to solidify the financial impact of the labor agreement between the District and Buffalo Educational Support Team which has been settled in June 2021. The Board also recommended that the District clarify and document the perfect attendance bonus and how much would be paid out per step for the Transportation Aides of Buffalo contract.

- In September 2021, the Governance Committee met and tallied the results of the Board of Directors self-evaluation and approved the submission of the results to the New York State Authorities Budget Office.

- In September 2021, the Audit, Finance and Budget Committee received a presentation on the BFSA's 2020-21 Independent Auditor's Report and received the BFSA Annual Report for fiscal year 2020-21, which the committee recommended for approval to the full board.

- In September 2021, 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 2021, the Audit, Finance and Budget Committee approved a one-year contract extension with Public Financial Management as Financial Advisors to the BFSA.

- In September 2021, the BFSA Board approved the BFSA's 2020-21 Independent Auditor's Report and the BFSA Annual Report for fiscal year 2020-21.

- In September 2021, the BFSA Board of Directors required that the District submit a modified financial plan that includes the budgetary impacts of the collective bargaining agreement with Local 264.

- In December 2021, the Board adopted a 2022 Public Meeting Calendar and publicly posted the scheduled meeting dates on the BFSA website.

- In December 2021, the BFSA approved the 2022-23 Minority and Women-Owned Business Enterprise Goal Plan. The goal includes an overall 30.3 percent participation goal with 15.15 percent participation equally by both Minority and Women Business Enterprises, an increase of 0.3 percent in total as compared to the prior year goals. The BFSA will continue to seek procurement opportunities with qualified MWBE's.

- In December 2021, the BFSA approved the 2022-23 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 2021, the BFSA Board of Directors received a copy of the BFSA's first quarter operation results for FY 2022.

- In December 2021, the BFSA Board stated the 2022-2025 Modified Financial Plan included costs associated with a labor contract, substitute teachers, that BFSA had not reviewed and determined that the contract would not be reviewed by the Board as the District had approved the contract at the Board of Education meeting on November 17th. It was stated "the approval of this contract without the opportunity to receive and consider BFSA's comments circumvents the intent of the State legislation requiring independent oversight of all labor contracts."

- In February 2022, the Audit, Finance and Budget Committee reviewed the BFSA's 2022-23 Preliminary Budget and 2023-2026 Financial Plan and approved the posting of the budget for public review and comment.

- In February 2022, 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, 2022.

- In February 2022, the Internal Controls Officer met with the Audit, Finance and Budget Committee to report on the results of the internal audits in regard to:
  - Expenditures, Authorization and Payment;
  - Accounts Payable, Recording and Processing; and
  - Petty Cash Policy.

- On February 16, 2022, the Board received a copy of the BFSA's second quarter operating results.

- In May 2022, the BFSA Board received the BFSA's third quarter operating results.

- In May 2022, the BFSA Board received a corrected BFSA 2022-23 Budget schedule that included corrected prior-year actuals.

- On May 18, 2022, the BFSA adopted a resolution recognizing James L. Magavern, Esq. and the contributions he made to the Board and to the City of Buffalo Community.

- On May 18, 2022, the BFSA adopted a resolution recognizing Commissioner Donna J. Estrich and the contributions she made to the Board and to the City of Buffalo Community.

- In June 2022, the BFSA Board received and discussed the final PFM bond pricing differential analysis. If the BFSA had issued debt on behalf of the City, the present value savings would have been $225,000.

- On June 22, 2022, the Board approved Resolution No. 22-07, "Determination with Respect to the City of Buffalo 2023-2026 Four-Year Financial Plan" finding the modified 2023-2026 Four-Year Financial Plan conditionally complete and compliant with the BFSA Act. The Boards approval is contingent on the appropriate filing and subsequent approval of a revised City of Buffalo Recovery Plan.

- At the June 22, 2022 meeting the Board approved Resolution 22-08, "Adoption of the 2022-23 Buffalo Fiscal Stability Authority Budget and 2023-2026 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 August 3, 2022, BFSA issued its FY 2021-22 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: (0) Freedom of Information Act requests were received.

- Executive Order #4, #18, & #166 Green NY Reporting – On August 3, 2021, BFSA issued its Green NY Report to the New York State Department of Environmental Conservation, pursuant to New York State Executive Orders #4, #18, and #166.
  - 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. During the 2021-22 fiscal year staff continued to work remotely to a limited extent. Carbon savings were estimated at a minimum of 10,000 lbs. $CO^{(2)(e)}$ for BFSA (July 1, 2021 through June 30, 2022). The cost savings associated with suspending the parking/public transportation employee reimbursement was $4,540 (July 1st - June 30th).
    - 12 boxes of 100% recycled copier paper were purchased for a total of $988. 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 2020-21 for $25 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.

- Per New York State Executive Law Article 15-A §310-317 – BFSA prepared an annual Minority-owned and Women-owned Business Enterprise ("MWBE") Goal Plan to submit to the New York State Empire State Development's ("ESD") Division of Minority and Women's Business Development and has provided quarterly updates to the ESD.
  - Quarter 1 Utilization report was filed on September 1, 2021; and
  - Quarter 2 Utilization report was filed on October 20, 2021; and
  - Quarter 3 Utilization report was filed on March 15, 2022; and
  - Quarter 4 Utilization report was filed on May 3, 2022.

- Per New York State Executive Law Article 17-B §369 H-K - BFSA prepared an annual Service-Disabled Veteran-Owned Business ("SDVOB") Goal Plan to submit to the New York State Office of General Services Division of Service-Disabled Veterans' Business Development and has provided quarterly updates to the Division.
    - Quarter 1 Utilization report was filed on September 1, 2021; and
    - Quarter 2 Utilization report was filed on October 29, 2021; and
    - Quarter 3 Utilization report was filed on March 15, 2022; and
    - Quarter 4 Utilization report was filed on May 3, 2022.

Financial Statements

BFSA received a clean, unqualified opinion on its 2021-22 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 21, 2022 meeting. The 2021-22 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 2021-22 fiscal year:

- In February 2022, the BFSA's Audit, Finance and Budget Committee authorized by resolution the posting of BFSA's proposed 2022-23 budget and 2023-2026 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 2022, after the public review period had been completed, the BFSA adopted the 2022-23 budget and 2023-2026 Financial Plan.

Health Insurance Plans

In 2021-22, BFSA offered the following employee benefit plan options through the New York State Health Insurance Program: Empire Plan, Independent Health, and Highmark 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 $44,133 for the fiscal year ended June 30, 2022.

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	$4.3 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	$1.6 million
Participation in JSCB Phase II Bond Pricing	$1.0 million
Deputy Superintendent's Separation Agreement	$0.2 million
Subtotal	**$315.6 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	**$460.4 million**

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

Other Actions

Credit Related:

Improved City Credit outlook to stable S&P (2022)
Improved City Credit outlook to stable Fitch (2022)
Downgrade City Credit rating to A negative outlook Fitch (2021)
Downgrade City Credit outlook to negative S&P (2021)
Downgrade City Credit rating to A+ stable 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 City of Buffalo labor agreement with the Blue Collar Union "Local 264" (2022)

Reviewed a Buffalo School District labor agreement with the Food Service Workers "Local 264" (2022)

Reviewed a BURA labor agreement with AFSCME Local 815 (2022)

Reviewed a Buffalo School District labor agreement with the Transportation Aides of Buffalo ("TAB") (2022)

Reviewed a Buffalo School District labor agreement with the Blue Collar Union "Local 264" (2022)

Reviewed a Buffalo School District labor agreement with the Buffalo Association of Substitute Administrators ("BASA") (2022)

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 - "Operating 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

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)

Cumulative Financial Impact of BFSA and the BFSA Act (Table 3 Continued)
Other Actions
Labor Related:
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 2022-23 Budgets and 2023-2026 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 2023-2026 Financial Plan was submitted by the Mayor to BFSA on May 2, 2022 in accordance with the timing requirements of the BFSA Act. The BFSA determined that the City's Financial Plan as submitted to the BFSA on May 2, 2022 was balanced and fiscally responsible. There is an overall encompassing risk over the City's financial plan as it relates to external economic risk factors that could have a significant impact on the financial plan including high inflation and the resulting risk of a recession. No formal actions on the budgets or financial plans were taken at that time.

The budget was approved by the Buffalo City Common Council on May 23, 2022 and adopted on that day. On June 14, 2022, a subsequent budget modification was approved. The Mayor submitted a revised Financial Plan to the BFSA on June 17, 2022. The BCSD's Board of Education approved the 2023-2026 Financial Plan on April 20, 2022 and adopted the proposed 2022-23 budget on May 18, 2022. The BMHA's Board of Commissioners approved the proposed FY 2021-22 budget and FY 2022-2025 Financial Plan on April 21, 2022. The BURA Board of Directors approved both the annual budget and four-year financial plan on May 28, 2022.

The revised City financial plan that was submitted on June 17, 2022 was reviewed at the June 22, 2022 Board meeting. The BFSA determined the entire comprehensive financial plan, including those of the Covered Organizations, was complete and compliant with the BFSA Act. This finding was contingent on the appropriate filing and subsequent approval of a revised City of Buffalo Recovery Plan.

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

Buffalo Fiscal Stability Authority
Review of the City of Buffalo's 2022-23 Adopted Budget and 2023-2026 Financial Plan

Overview

The 2022-23 Adopted Budget for the City of Buffalo (the "City") provides General Fund estimated revenues and budgeted appropriations of $566.7 million, representing an increase of $32.1 million, or 6.0 percent, over last year's adopted budget of $534.6 million. The City's fiscal year is from July 1 to June 30.

The 2023-2026 Financial Plan ("Financial Plan") contains budget actions related to the current ongoing COVID-19 pandemic and includes $87.5 million of the American Rescue Plan Act ("ARPA") of 2021 federal stimulus recovery funds to support lost revenues. The pandemic had a negative impact on City revenue in 2019-20, 2020-21 and to a lesser extent in 2021-22. The City has been awarded $331.4 million through ARPA and has included a significant portion of those funds to replace lost revenue attributed to the pandemic as permitted by the program guidelines. The City has planned an increase in the total amount of ARPA for revenue replacement from $100.0 million to $136.4 million. The City is expected to submit a modified ARPA plan by June 30, 2022, reflecting the reallocation of the federal funds. It is expected that economic recovery will occur with the majority of estimated revenues returning to pre-pandemic levels in the third and fourth year of the Financial Plan. The extent and timing of the full recovery is unknown and requires estimation and monitoring for appropriate fiscal planning.

This report provides a high-level overview of the components of the City's 2022-23 Adopted Budget and related 2023-2026 Financial Plan and provides additional detail on key changes and differences from the prior year.

2022-23 Adopted Budget Summary

The 2022-23 Adopted Budget ("Adopted Budget") totals $566.7 million. The following schedule provides historical context by providing revenues and expenditures for the fiscal year ended June 30, 2021, the 2021-22 adopted budget, the year-end projection for fiscal year 2021-22, and the adopted budget for fiscal year 2022-23.

($ in millions)	Fiscal Year Ended June 30, 2021 Actual	2021-22 Adopted Budget	2021-22 Year-End Estimate as of March 31, 2022	2022-23 Adopted Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
Revenues:						
Revenue	$ 521.7	$ 525.4	$ 535.5	$ 556.1	$ 30.7	$ 20.6
Other Financing Sources:						
Transfers In	10.3	9.2	9.7	10.6	1.4	0.9
Total Revenue & Resources	$ 532.0	$ 534.6	$ 545.2	$ 566.7	$ 32.1	$ 21.5
Expenditures:						
Total Departmental Costs	$ 224.3	$ 243.9	$ 244.2	$ 266.4	$ 22.5	$ 22.2
Total General Charges	192.3	190.6	189.8	194.4	3.8	4.6
Transfers Out	100.6	100.1	103.9	105.9	5.8	2.0
Total Expenditures	$ 517.2	$ 534.6	$ 537.9	$ 566.7	$ 32.1	$ 28.8
Surplus / (Deficit)	$ 14.8	$ -	$ 7.3	$ -	$ 0.0	$ (7.3)

The Adopted Budget totals $566.7 million for both estimated revenues and budgeted appropriations, reflecting an increase of $32.1 million, or 6.0 percent, over the prior year budget. Estimated revenues are $21.5 million, or 3.9 percent, over the current year-end projection of $545.2 million and budgeted appropriations are $28.8 million, or 5.4 percent, over the current year-end projection of $537.9 million. The City last reported a surplus of $14.8 million for fiscal year ended June 30, 2021.

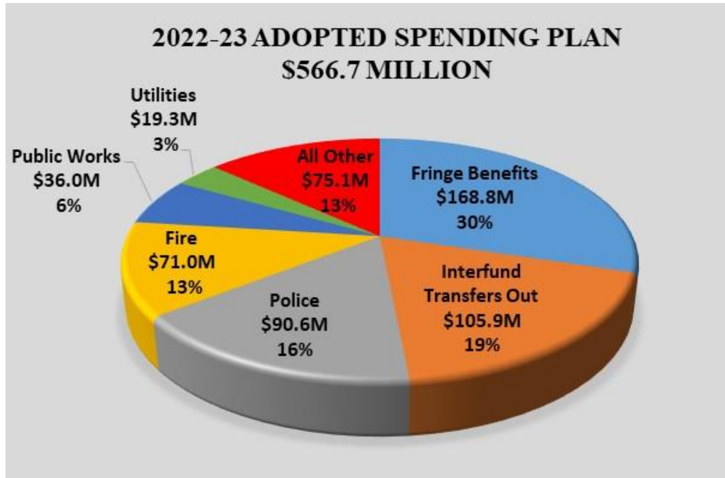
Total budgeted appropriations of $566.7 million includes other financing uses (i.e., transfers out) of $105.9 million. This balance consists of three separate transfers: the annual transfer to the Buffalo City School District (the "District") ($70.8 million), the transfer to the Debt Service Fund for the payment of principal and interest due in 2022-23 on outstanding debt ($34.7 million), and a transfer to the Capital Projects Fund ($0.4 million). Total budgeted appropriations for transfers out on a year-to-year basis represent an increase of $5.8 million and is attributed to the increase in the transfer to the Debt Service Fund for principal and interest on debt.

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 2022-23 is increasing $5.2 million, or 3.5 percent, year-to-year from $147.8 million to $153.0 million, with the City retaining $82.2 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 $460.8 million, compared to $434.5 million in fiscal year ("FY") 2022, and has increased approximately $26.3 million, or 6.1 percent, on a year-to-year basis.

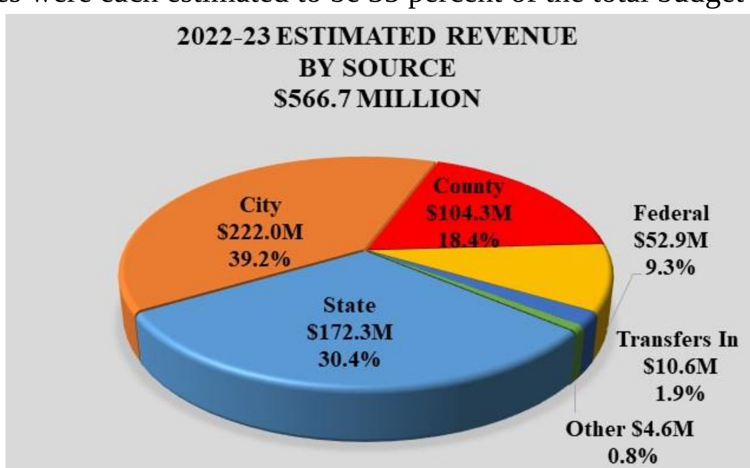
The following chart provides a summary of the budget with respect to categorizing the specific areas of spending:

The largest components of the budget are as follows: fringe benefits (30 percent), which includes health insurance for both active employees and retirees, pension contributions, employer payroll taxes, injured-on-duty payments, and other similar commitments; transfers out (19 percent); police department (16 percent); and fire department (13 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 as a percentage of total adopted spending are consistent.



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

The chart illustrates the main sources of estimated revenue of $566.7 million by summarizing the various revenues according to the originating source. The two largest contributors of revenue to the City is the City itself at 39.2 percent and the State at 30.4 percent of total estimated revenue, at $222.0 million and $172.3 million, respectively. As a point of reference, in the 2021-22 Adopted Budget City and State revenues were each estimated to be 35 percent of the total budget at $189.8 million and $185.9 million, respectively. City revenues increase by $32.1 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 $172.3 million to the City. This represents a decrease of $13.6 million, or 7.3 percent from the prior year amount of $185.9 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 18.4 percent, with the most significant revenue source being sales tax, providing for $104.3 million. Total County revenue is estimated to increase $17.8 million,



or 20.6 percent, in the 2022-23 Adopted Budget as compared to the prior year amount of $86.5 million, which was 16 percent of budgeted revenues in 2021-22.

The fourth largest revenue category is federal revenue budgeted at $52.9 million, or 9.3 percent of estimated revenue, a decrease of $5.8 million when compared to FY 2021-22 budgeted amount of $58.7 million, or 9.9 percent. This budget item represents federal stimulus funding. Transfers in from the Enterprise Funds of $10.6 million, or 1.9 percent of total estimated revenues, includes transfers from the Water Fund ($8.3 million), the Parking Fund ($1.6 million) and the Solid Waste and Recycling Fund ($0.7 million). Transfers in are budgeted to increase by $1.4 million, or 15.2 percent, over the prior year amount of $9.2 million, which represented 1.9 percent of estimated revenues.

Other revenue of $4.6 million represents 0.8 percent of total estimated revenue for fiscal year 2022-23 and represents service charges from other government entities. Other revenue was budgeted at $4.6 million in the prior year budget and represented 1.0 percent of estimated revenues.

The next chart demonstrates the main categories of total estimated revenue of $566.7 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 29 percent of total estimated revenues, the City's real property tax levy and STAR revenue accounts for 27 percent, sales tax provided by the County accounts for 18 percent and Federal stimulus accounts for 9 percent of total estimated revenues. These four revenue sources compose 83.0 percent of the City's estimated revenues. As compared to last year's budget, State AIM as a percentage of total estimated revenue has decreased 2.0 percent, sales tax has increased 2.0 percent, the property tax levy and STAR category has decreased 0.7 percent and federal stimulus is consistent. The all other category has remained consistent.

The adopted budget increases the City's property tax levy to $153.0 million in 2022-23, an increase of $5.2 million, or 3.5 percent. The City's available property tax margin is $172.4 million, representing an increase from the prior year's available tax margin of $149.6 million of $22.8 million, or 15.2 percent. Within the adopted budget, the City provides 46.3 percent of the tax levy to the District. The District's debt service is equivalent to 3.5 percent of the tax levy, while 22.6 percent of the tax levy is assessed for the City's debt service. From an operational standpoint, the City utilizes 31.1 percent of the levy while the District uses 42.7 percent of the tax levy for operations. The adopted budget utilizes 47.0 percent of the City's constitutional taxing capacity as compared to 49.7 percent utilized last year.

For the year ended June 30, 2021, the City reported an increase in fund balance of $14.8 million. At June 30, 2021 the balance of the emergency stabilization fund (i.e., "Rainy Day Fund") was $40.7 million, assigned fund balance was $16.8 million and unassigned fund balance was $8.2

million. A significant reason for the year-end surplus was attributed to the increase in sales tax and to a lesser extent the restoration of State AIM in 2021-22.

Estimated Revenues

The adopted budget includes total estimated revenues and other financing sources of $566.7 million, representing an increase of $32.1 million, or 6.0 percent, over the 2021-22 budget. The following schedule summarizes revenue by category and includes actual revenue for the fiscal year ended June 30, 2021, the adopted 2021-22 budget, the City Administration's year-end projection for fiscal year 2021-22 as of March 31, 2022, and the 2022-23 Adopted Budget along with year-to-year changes.

	Fiscal Year Ended June 30, 2021 Actual	2021-22 Adopted Budget	2021-22 Year-End Estimate as of March 31, 2022	2022-23 Adopted Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Revenues:						
Taxes	$ 156.6	$ 156.8	$ 160.3	$ 164.1	$ 7.3	$ 3.8
Non-Property Taxes	12.2	12.2	12.3	12.4	0.2	0.1
Licenses and Permits	4.6	5.3	4.7	4.7	(0.6)	-
Intergovernmental	323.7	314.2	324.9	335.5	21.3	10.6
Service Charges	12.4	13.6	13.1	15.1	1.5	2.0
Fines	8.5	6.3	7.0	8.2	1.9	1.2
Interest	-0.5	0.1	0.0	0.1	-	0.1
Miscellaneous	4.2	16.9	13.2	16.0	(0.9)	2.8
Total Revenues	**521.7**	**525.4**	**535.5**	**556.1**	**30.7**	**20.6**
Resources:						
Other Financing Sources	0.0	-	-	-	-	-
Transfers In	10.3	9.2	9.7	10.6	1.4	0.9
Total Other Resources	**10.3**	**9.2**	**9.7**	**10.6**	**1.4**	**0.9**
Total Revenue & Resources	**$ 532.0**	**$ 534.6**	**$ 545.2**	**$ 566.7**	**$ 32.1**	**$ 21.5**

Revenues, excluding transfers in, are budgeted to increase $30.7 million, or 5.8 percent, and transfers in are projected to increase by $1.4 million, or 15.2 percent, for an increase of $32.1 million, or 6.0 percent, year-to-year. Total revenue in 2020-21 was $532.0 million consisting of $521.7 million of departmental revenue 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 2023-2026 Financial Plan discussion.

The following schedule is a summary by major revenue category of total adopted and projected revenues over the 2023-2026 Financial Plan. Total revenues over the Financial Plan are estimated to increase $1.24 million, or 0.2 percent, from $566.7 million to $568.0 million. Total projected revenue decreases $6.8 million (1.2 percent) in 2023-24 and increases $2.8 million (0.5 percent) and $5.2 million (0.9 percent) in 2024-25 and 2025-26, respectively.

	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Four-Year Increase/(Decrease)	
REVENUES	**Financial Plan**				**$**	**%**
Taxes	$ 164,075,400	$ 167,235,956	$ 171,138,483	$ 177,771,436	$ 13,696,036	8.3%
Non Property Taxes	12,407,000	12,407,000	12,407,000	12,407,000	-	0.0%
Licenses and Permits	4,657,050	4,703,620	4,747,661	4,771,406	114,356	2.5%
Intergovernmental	335,547,390	316,355,957	304,666,349	310,059,108	(25,488,282)	-7.6%
Service Charges	15,102,049	16,473,178	16,947,209	17,589,496	2,487,447	16.5%
Fines	8,173,600	8,186,260	9,198,986	10,211,777	2,038,177	24.9%
Interest	100,000	500,000	1,000,000	1,000,000	900,000	900.0%
Miscellaneous	16,002,812	21,562,871	29,721,003	18,933,038	2,930,226	18.3%
Subtotal	**556,065,301**	**547,424,842**	**549,826,691**	**552,743,261**	**(3,322,040)**	**-0.6%**
Transfers In	10,663,634	12,483,162	12,923,666	15,221,376	4,557,742	42.7%
TOTAL	**$ 566,728,935**	**$ 559,908,004**	**$ 562,750,357**	**$ 567,964,637**	**$ 1,235,702**	**0.2%**

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

Taxes – Taxes consist of the real property tax levy, mortgage tax, the School Tax Relief ("STAR") program, payment-in-lieu-of-taxes ("PILOTs") and interest and penalties. On a year-to-year basis Taxes are increasing by $7.3 million, or 4.6 percent, from $156.8 million in 2021-22 to $164.1 million in the 2022-23 Adopted Budget. Revenue for the Taxes category over the Financial Plan is estimated to increase $13.7 million, or 8.3 percent, from $164.1 million to $177.8 million. Taxes represent 29.0 percent of total revenues in fiscal year 2022-23 and increase to 31.3 percent by 2025-26.

	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Four-Year Increase/(Decrease)	
Taxes		**Financial Plan**				**$**	**%**
Real Property Tax	$ 142,329,536	$ 147,040,275	$ 150,101,081	$ 154,003,608	$ 160,436,561	$13,396,286	9.1%
STAR	5,535,464	6,000,000	6,000,000	6,000,000	6,000,000	-	0.0%
Mortgage Tax	3,900,000	3,900,000	4,000,000	4,000,000	4,200,000	300,000	7.7%
PILOTs	2,818,532	5,132,625	5,132,625	5,132,625	5,132,625	-	0.0%
All Other Taxes	2,202,500	2,002,500	2,002,250	2,002,250	2,002,250	(250)	0.0%
Total Taxes	**156,786,032**	**164,075,400**	**167,235,956**	**171,138,483**	**177,771,436**	**13,696,036**	**8.3%**

The increase of Taxes by $7.3 million, or 4.6 percent, between 2021-22 and 2022-23 is attributed to an increase of $4.7 million in real property tax, an increase of $2.3 million for PILOTs, and $0.5 million in the STAR program. These increases are offset by a decrease of $200,000 in all other taxes.

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 $297.5 million in 2021-22 to $325.4 million, an increase of $27.9 million, or 9.4 percent, while the available tax levying margin increased from $149.6 million to $172.4 million. Prior to the adopted increase in 2022-23, the City maintained the real property tax levy at $147.9 million for the previous three years. The increase in 2022-23 is $5.2 million, or 4.6 percent, and this amount includes both the real property tax and the STAR program combined. The City is currently utilizing 47.0 percent of the total available taxing levy. The homestead rate has increased from $9.88 per $1,000 of assessed value in 2021-22 to $10.27 in the 2022-23 Adopted Budget. The non-homestead rate was $17.21 per $1,000 of assessed value in 2021-22 and is increased to $18.17 per $1,000 of assessed valuation.

Taxes increase from $164.1 million in 2022-23 to $177.8 million in 2025-26, an increase of $13.7 million, or 8.3 percent. The increase is attributed to an annual increase of real property taxes and the corresponding increase to the tax levy, which are budgeted to increase cumulatively by $13.4 million over the Financial Plan. There is a planned increase in the tax levy over the financial plan, increasing by 2.0 percent, 2.5 percent and 4.0 percent. It is noted that the City plans to complete a city-wide full reassessment and the new assessments will be in effect in 2025-26.

The remaining tax revenues are held relatively flat over the Financial Plan and include the STAR program at $6.0 million annually, mortgage tax at $3.9 million in year one, increasing $0.1 million to $4.0 million in years two and three and increasing by $0.2 million to $4.2 million in FY 2025-26 and PILOTs at $5.1 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 by $25.5 million, or 7.6 percent over the Financial Plan, decreasing by $19.2 million (5.7 percent) in 2023-24, decreasing further by $11.7 million (3.7 percent) in 2024-25, and increasing by $5.4 million (1.8 percent) in 2025-26. Intergovernmental revenues represent 59.2 percent of total revenue in fiscal year 2022-23 and decreases to 54.6 percent of the budget by fiscal year 2025-26.

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

	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Four-Year Increase/(Decrease)	
Intergovernmental		**Financial Plan**				**$**	**%**
State AIM	$ 161,285,233	$ 161,285,233	$ 164,510,938	$ 167,801,156	$ 171,157,180	$ 9,871,947	6.1%
Sales Tax	86,454,865	104,300,000	105,864,500	108,511,113	111,223,890	6,923,890	6.6%
TSC - Casino Revenue	11,000,000	11,000,000	11,000,000	12,500,000	15,000,000	4,000,000	36.4%
Federal Stimulus	50,430,000	51,841,195	27,301,807	6,345,068	2,038,423	(49,802,772)	-96.1%
Marijuana Tax	-	-	-	1,600,000	2,600,000	2,600,000	-
All Other	5,076,893	7,120,962	7,678,712	7,909,012	8,039,615	918,653	12.9%
Total Intergovernmental	**314,246,991**	**335,547,390**	**316,355,957**	**304,666,349**	**310,059,108**	**(25,488,282)**	**-7.6%**

The City budgeted $314.2 million in intergovernmental revenue in 2021-22 and budgeted an increase of $21.3 million, or 6.8 percent, to $335.5 million in 2022-23. State AIM is held flat at $161.3 million year-to-year and is estimated to increase by $9.9 million, or 6.1 percent over the Financial Plan. It is noted that New York State did not include an increase for State AIM in the outyears of the State's Financial Plan. NYS AIM was reduced by the State in fiscal year 2012 and has been held flat at $161.3 million since then. The cumulative increase of $9.9 million is deemed speculative.

Sales tax collections are budgeted to increase $17.8 million between 2021-22 and 2022-23 and then increase by $6.9 million, or 6.6 percent over the Financial Plan. Sales tax collections have been more robust then initially expected, as sales tax was originally budgeted at $86.5 million in 2021-22 and are currently projected to exceed the budget by approximately $17.0 million. Sales tax is budgeted at $104.3 million in the adopted budget, increasing 1.5 percent to $105.9 million in FY 2023-24, increasing 2.5 percent to $108.5 million in FY 2024-25, and increasing an additional 2.5 percent to $111.2 million in the fourth year of the Financial Plan. The projected increases appear reasonable at this time.

The Financial Plan includes $51.8 million of federal stimulus in FY 2022-23, decreasing to $27.3 million in FY 2023-24, $6.3 million in FY 2024-25 and $2.0 million in FY 2025-26. The City has to commit these funds by the end of 2024 and expend them by the end of 2026. The federal stimulus included in the budget is primarily to address revenue shortfalls due to the COVID-19 pandemic. The all other line includes approximately $750,000 in each year of the Financial Plan for housing investment costs; this amount is part of the federal ARPA allocation but is not part of the revenue replacement component. The City has demonstrated a reduced reliance on federal stimulus via revenue replacement to balance future budgets.

The TSC casino revenue is included in each year of the Financial Plan budgeted at $11.0 million in the first two years and increasing to $12.5 million in year three and $15.0 million in the fourth year of the Financial Plan. The City received the outstanding balance of casino revenue due to the City in the current fiscal year of approximately $35.0 million, which covered calendar years 2017 through 2021. The City expects to receive an additional payment for the period of January – June 2022 mid-year. It is noted that the current extension of the Compact is set to expire in December 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. The cumulative increase of $4.0 million in the last two years of the Financial Plan is deemed speculative.

Marijuana tax revenue is included in the last two years of the Financial Plan at $1.6 million and $2.6 million, respectively. This represents a new revenue source to the City.

All other intergovernmental revenue is increasing from $7.1 million to $8.0 million, an increase of $0.9 million, or 12.9 percent. Over the course of the Financial Plan the intergovernmental revenue category decreases from $335.5 million to $310.1 million, a decrease of $25.5 million or 7.6 percent. Excluding federal stimulus, remaining intergovernmental revenues increase by $17.7 million, or 6.2 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 $2.0 million, or 24.9 percent, from $8.2 million in 2022-23 to $10.2 million in 2025-26. Fines represent 1.4 to 1.8 percent of total revenues over the Financial Plan.

	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Four-Year Increase/(Decrease)	
Fines		**Financial Plan**				**$**	**%**
Parking Tags Fines & Penalties	$ 3,500,000	$ 5,000,000	$ 5,000,000	$ 6,000,000	$ 7,000,000	$ 2,000,000	40.0%
Traffic Violations Fines	2,000,000	2,500,000	2,512,500	2,525,063	2,537,688	37,688	1.5%
Court Fines	250,000	135,000	135,000	135,000	135,000	-	0.0%
All Other Fines	565,750	538,600	538,760	538,923	538,881	281	0.1%
Total Fines	**6,315,750**	**8,173,600**	**8,186,260**	**9,198,986**	**10,211,777**	**2,038,177**	**24.9%**

Fines represent 1.4 percent of budgeted revenue in 2022-23 and are increasing $1.9 million, or 29.4 percent, to $8.2 million from the 2021-22 budget amount of $6.3 million. The year-to-year increase is primarily attributed to the return of normal activities across the City of Buffalo and the greater WNY region in general as the COVID-19 Pandemic has tapered down.
Over the Financial Plan, Fines are increasing from $8.2 million to $10.2 million, an increase of $2.0 million, or 24.9 percent. The increase is directly attributed to the assumption that parking tags fines and penalties will return to pre-pandemic levels by the end of the 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 2.8 percent of total budgeted revenues in 2022-23, 3.9 percent in 2023-24, 5.3 percent in 2024-25, and 3.3 percent in 2025-26.

	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Four-Year Increase/(Decrease)	
Miscellaneous		**Financial Plan**				**$**	**%**
Grant Reimbursement	$ 4,939,498	$ 4,736,800	$ 4,503,900	$ 3,551,268	$ 4,199,545	$ (537,255)	-11.3%
Sale of Capital Assets	6,005,000	4,950,000	6,014,000	18,449,700	6,887,185	1,937,185	39.1%
Settlement of Legal Claims	350,000	350,000	4,557,000	875,000	892,500	542,500	155.0%
All Other Misc.	5,588,540	5,966,012	6,487,972	6,845,035	6,953,808	987,796	16.6%
Total Miscellaneous	**16,883,038**	**16,002,812**	**21,562,872**	**29,721,003**	**18,933,038**	**2,930,226**	**18.3%**

On a year-to-year basis estimated Miscellaneous revenues are decreasing by $0.9 million or 5.2 percent. Significant revenues include grant reimbursements which are budgeted at $4.7 million in 2022-23, decreasing to $4.5 million in 2023-24, decreasing to $3.6 million in 2024-25 and increasing to $4.2 million in 2025-26. The 2022-2023 budget includes $3.7 million for a fire department grant for the final year of the safe staffing and training grant. Additionally, the fire department is expected to receive $750,000 - $1.0 million annually for equipment and selected overtime costs.

The police department will be receiving approximately $1.5 million in each year of the Financial Plan for enhanced policing operations aligned with federal and state priorities targeting cybercrimes, guns, drugs, gangs and to provide mental health services/intervention. 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, with the City pausing the program until 2023-24. Sale of capital assets in 2022-23 is budgeted at $5.0 million for the sale of City-owned property. The $6.0 million budgeted in 2023-24 includes $3.5 million of In Rem sales and $2.5 million for the sale of other City-owned properties. Sale of capital assets in 2024-25 are estimated to be $18.5 million and includes $3.5 million for In Rem sales, and the balance of $15.0 million attributed to the sale of a City-owned parking ramp as well as several other City-owned properties. The sale of capital assets decreases to $6.9 million in 2025-26 and includes $3.5 million for In Rem sales and the balance of $2.5 million in other City assets.

Over the course of the Financial Plan Miscellaneous revenue fluctuates annually. In 2023-24, there is 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, increasing legal settlements by $4.3 million, and an increase of auction sales for vehicles and equipment in the amount of $1.0 million. In 2024-25, Miscellaneous revenue is projected to increase $8.2 million, or 37.8 percent, over the prior year. The City has projected for 2024-25 an increase of $12.5 million for the sale of a parking ramp and several additional properties for development purposes. 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. In 2025-26 miscellaneous revenues are projected to decrease by $10.8 million, or 36.3 percent.

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 $32.3 to $35.8 million annually and comprise approximately 5.7-6.3 percent of total projected revenue over the course of the Financial Plan.

	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Four-Year Increase/(Decrease)	
Remaining Revenues		**Financial Plan**				**$**	**%**
Service Charges	$ 13,597,035	$ 15,102,049	$ 16,473,178	$ 16,947,209	$ 17,589,496	$ 2,487,447	16.5%
Non-property Taxes	12,201,000	12,407,000	12,407,000	12,407,000	12,407,000	-	0.0%
Licenses & Permits	5,283,463	4,657,050	4,703,621	4,747,661	4,771,406	114,356	2.5%
Interest	100,000	100,000	500,000	1,000,000	1,000,000	900,000	900.0%
Total	**31,181,498**	**32,266,099**	**34,083,799**	**35,101,870**	**35,767,902**	**3,501,803**	**10.9%**

On a year-to-year basis Service Charges are increasing from $13.6 million in 2021-22 to $15.1 million in 2022-23, an increase of $1.5 million, or 11.1 percent. Of this amount, an increase of $0.9 million is attributed to parking meter fees. Over the Financial Plan the City has increased parking meter fees from $3.0 million in 2022-23 to $4.0 million in 2025-26; the assumption is that more people will be utilizing on street parking once again as the pandemic tapers down. There is also a new rescue service fee that is expected to begin in 2023-24 valued at $750,000 increasing to $1.0 million in the last two years of the Financial Plan.

All other service fees are increasing by $0.5 million over the Financial Plan, due to built in cost escalators for various building permits and fees.

Non-property taxes represent 2.2 percent of total revenues and are increased by $0.2 million from $12.2 million in 2021-22, to $12.4 million. Non-property taxes are held flat at $12.4 million across the Financial Plan. This revenue stream is comprised of class I utility taxes of $8.5 million, cable franchise tax of $3.0 million and the foreign fire insurance tax of $0.9 million. These amounts are budgeted consistent to prior years and there is no variance in these revenues over the Financial Plan.

Licenses and permits are decreasing by $0.6 million, or 11.9 percent, from $5.3 million to $4.7 million, compared to the 2021-22 Adopted Budget. Permits represent 0.8 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 be held flat at $0.1 million between 2021-22 and 2022-23. Interest income is budgeted to increase to $0.5 million in 2023-24 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 increase $1.5 million from $9.2 million in 2021-22 to $10.6 million in 2022-23 due to an increase of $1.1 million from the parking fund and an increase of $0.4 million from the water fund. In the prior year there was a budgeted decrease in the parking fund transfer for 2021-22 to be reflective of the decrease in parking revenues during the COVID pandemic. Due to the pandemic and shut down of the economy people were not utilizing parking at the City-owned ramps. The City budgeted $6.0 million in 2020-21 and only received $2.0 million. 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 $10.6 million in fiscal year 2022-23 to $15.2 million in 2025-26, an increase of $4.6 million, or 42.7 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 $3.4 million from $1.6 million to $5.0 million. The increase of $3.4 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 1.9 to 2.7 percent of total revenue over the Financial Plan.

	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Four-Year Increase/(Decrease)	
Transfers In		**Financial Plan**				**$**	**%**
Water Board	$ 7,991,006	$ 8,390,556	$ 8,810,084	$ 9,250,588	$ 9,528,106	$ 1,137,550	13.6%
Parking Fund	500,000	1,600,000	3,000,000	3,000,000	5,000,000	3,400,000	212.5%
Solid Waste Fund	673,078	673,078	673,078	673,078	693,270	20,192	3.0%
Total Transfers In	**9,164,084**	**10,663,634**	**12,483,162**	**12,923,666**	**15,221,376**	**4,557,742**	**42.7%**

Summary of Unsupported Revenues and Non-recurring Revenues

The following schedule summarizes unsupported revenues over the 2023-2026 Financial Plan.

	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Four-Year Total
Unsupported Revenues		**Financial Plan**			**$**
State AIM	$ -	$ 3,225,705	$ 3,290,219	$ 3,356,023	$ 9,871,947
Casino Revenue	-	-	1,500,000	2,500,000	4,000,000
Subtotal	-	3,225,705	4,790,219	5,856,023	13,871,947
ARPA Federal Stimulus					36,382,126
Total					**$ 50,254,073**

Total unsupported revenue over the four-year Financial Plan totals $50.3 million. Unsupported revenues include the increase of State AIM over the three outyears of the Financial Plan in the amount of $9.9 million. As previously stated, New York State has not included any increases in AIM to municipalities over the State's Financial Plan. TSC casino revenue payments includes $4.0 million over the last two years of the plan as the current compact extension expires in 2023. Any increases to the TSC casino revenue beyond 2022-23 is speculative as a new contract will require negotiation. There is also an additional $36.4 million in ARPA federal stimulus dollars included in the Financial Plan that is in excess of the City's current ARPA Recovery Plan. The City is expected to submit a revised ARPA Recovery Plan by June 30, 2022 to address this variance. The unsupported revenues for State AIM and casino revenue increases, totaling $13.9 million over the Financial Plan, is not considered material and therefore does not warrant a plan amendment.

Additionally, the City has included one-time revenues for the sale of City-owned properties and assets annually, totaling $32.7 million over the four years. The non-receipt of these revenues, or the non-receipt at the level projected, will place pressure on the Financial Plan as limited unassigned fund balance of $8.2 million is available. Additionally there is no provision in the Financial Plan to replenish reserves. At June 30, 2021, $65.7 million in unrestricted fund balance was reported which included $40.7 million in the emergency stabilization fund (i.e., the Rainy Day Fund), $16.8 million in assigned fund balance and $8.2 million in unassigned.
The following schedule summarizes nonrecurring, one-time revenues included in the 2023-2026 Financial Plan totaling $124.8 million. The use of one-time revenues from the federal stimulus funding to support lost revenues is consistent with its purpose and therefore reasonable. The use of the remaining nonrecurring revenue sources of $37.3 million represents a structural imbalance. It is recommended that that one-time revenue sources not be used to support recurring expenditures.

	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Four-Year Total
One-time Revenues		**Financial Plan**			**$**
ARPA Federal Funds	$ 51,841,195	$ 27,301,807	$ 6,345,068	$ 2,038,423	$ 87,526,493
Sale of Capital Assets	4,270,000	4,950,000	17,500,000	6,000,000	32,720,000
Settlement of Legal Claims	-	4,557,000	-	-	4,557,000
Total	**$ 56,111,195**	**$ 36,808,807**	**$ 23,845,068**	**$ 8,038,423**	**$ 124,803,493**
% of Total Estimated Revenue	9.9%	6.6%	4.2%	1.4%	

Expenditures

The City's adopted budget totals $566.7 million in total General Fund expenditures. The following table identifies expenditures (in the $ millions) by department and various general charges that are budgeted centrally for the City, such as utilities and fringe benefits.

	Fiscal Year Ended June 30, 2021 Actual	2021-2022 Adopted Budget	2021-2022 Year-End Estimate as of March 31, 2022	2022-23 Adopted Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Departments						
Common Council	$ 2.6	$ 3.1	$ 2.8	$ 3.3	$ 0.2	$ 0.5
City Clerk	2.4	4.2	4.0	3.9	(0.4)	(0.2)
Mayor & Executive	5.2	6.3	5.8	8.0	1.7	2.2
Audit & Control	3.0	4.0	3.8	4.2	0.2	0.4
Law	3.0	3.5	2.9	4.9	1.4	2.0
Assessment	2.0	2.6	2.4	3.7	1.1	1.3
MIS	5.7	6.3	5.7	7.1	0.8	1.4
Administration & Finance	7.8	10.3	10.1	12.9	2.6	2.8
Parking	2.8	3.2	2.9	3.8	0.6	0.9
Police	84.0	85.3	87.8	90.6	5.3	2.8
Fire	64.2	66.0	68.5	71.0	5.0	2.5
Human Resources	3.6	5.6	4.7	5.8	0.2	1.1
Public Works	28.4	33.4	33.0	36.0	2.6	3.0
Community Services	4.0	4.3	4.0	5.3	1.0	1.3
Permits & Inspections	5.6	5.8	5.8	6.0	0.2	0.2
TOTAL DEPARTMENTS	**224.3**	**243.9**	**244.2**	**266.4**	**22.5**	**22.2**
GENERAL CHARGES						
Grants In Aid	0.2	0.5	0.5	0.5	-	-
Utilities	15.0	16.7	16.6	19.3	2.6	2.7
Services	1.2	1.4	1.9	1.4	-	(0.5)
Other	8.2	4.2	6.7	4.5	0.3	(2.2)
Fringe Personal Services	6.8	7.0	7.0	7.1	0.1	0.1
Fringe Benefits:						
Active Employee Health Insurance	41.0	44.3	43.9	45.5	1.2	1.6
Retiree Health Insurance	31.9	40.9	40.0	42.3	1.4	2.3
FICA & Medicare Payroll Taxes	14.4	14.3	14.3	14.6	0.3	0.3
Employee Retirement System	8.3	11.2	8.5	8.2	(3.0)	(0.3)
Police & Fire Retirement System	31.3	37.0	37.0	35.0	(2.0)	(2.0)
All Other Fringe Benefits	8.6	13.0	13.3	15.9	2.9	2.6
Debt Service	25.4	0.1	0.1	0.1	-	-
Subtotal General Charges	**192.3**	**190.6**	**189.8**	**194.4**	**3.8**	**4.6**
Interfund Transfers Out - Education	70.8	70.8	70.8	70.8	-	-
Interfund Transfers Out - Other	29.8	29.3	33.1	35.1	5.8	2.0
Subtotal Transfers Out	**100.6**	**100.1**	**103.9**	**105.9**	**5.8**	**2.0**
TOTAL GENERAL CHARGES AND TRANSFERS OUT	**292.9**	**290.7**	**293.7**	**300.3**	**9.6**	**6.6**
TOTAL BUDGET	**$ 517.2**	**$ 534.6**	**$ 537.9**	**$ 566.7**	**$ 32.1**	**$ 28.8**

The 2022-23 Adopted Budget increases expenditures by $28.8 million when compared to the third quarter 2022 year-end estimate of $537.9 million. Departmental costs are increasing by $22.2 million, general charges are increasing $4.6 million, and transfers out are increasing $2.0 million.

The adopted budget amount of $566.7 million is an increase of $32.1 million compared to the 2021-22 Adopted Budget amount of $534.6 million. Departmental expenditures are budgeted to increase $22.5 million, or 9.2 percent; departmental increases are primarily attributed to personal service costs, fuel costs, planned purchase of software and capital outlay. General charges are increasing $3.8 million, or 2.0 percent, and transfers out are increasing $5.8 million, or 5.8 percent.

Departmental Costs
At the departmental level, total budgeted appropriations are $266.4 million, an increase of $22.5 million over last year's adopted budget of $243.9 million, representing an increase of 9.2 percent. Total actual departmental spending for 2020-21 was $224.3 million; the adopted 2022-23 budget amount of $266.4 million reflects an increase of $42.1 million, or 18.8 percent. Of the increase in departmental costs of $42.1 million, increases in personal service costs represents $23.8 million, or 56.4 percent, of the increase. Supplies are increasing $6.7 million, or 86.3 percent. Services are increasing $8.1 million, or 36.6 percent, and capital outlay is increasing $3.3 million, or 148.3 percent.

The budget reflects the additional labor costs associated with the various collective bargaining agreements ("CBAs") settled over the past several years. These increased costs associated with salary increases are offset with lower starting salaries for new employees. Currently there are two contracts that are settled through the end of 2022-23, including Local 282 (firefighters) and Local 650 (white-collar). The City recently completed negotiations with Local 264 (blue-collar) and has budgeted for the increased costs of the recently negotiated CBA in the 2023-24 Adopted Budget and Financial Plan. The remaining five collective bargaining groups are all out contract or will expire at the end of the current fiscal year. At this time, the Police Benevolent Association (police officers) is outstanding having expired on June 30, 2019. 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). Local 264T (pipe caulkers) expired on June 30, 2022.

The City has incorporated various management tools into the CBA's to improve efficiencies and to control expenditures. Some examples of these management tools include a residency requirement for all new police and fire personnel, elimination of health insurance in retirement for new hires, a 24-hour shift schedule for the fire department and requiring employee contributions for health insurance. 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 increasing by $5.3 million, or 6.2 percent, in 2022-23 for a total departmental cost of $90.6 million. The increase in the police department is attributed to several factors including an increase of $4.7 million for personnel service costs including increases for an addition of fourteen detective positions, valued at $1.1 million, and step progression for patrol officers for a combined increase of $1.4 million, and $2.2 million increase for overtime. In addition the City has increased capital outlay by $0.4 million for the purchase of additional police vehicles. The City has experienced attrition in the police department and had over 65 vacancies in the department during 2022-23.

The fire department is increasing by $5.0 million, or 7.6 percent, for a total departmental cost of $71.0 million; this increase is related to the negotiated 4.0 percent salary increase for Local 282 for approximately $2.1 million and increased overtime in the amount of $2.4 million. In addition to the personnel service costs both supplies and capital outlay for vehicles are budgeted to increase by $0.3 million and $0.2 million, respectively.

Police expenditures total 16.0 percent of the total budget of $566.7 million, and the fire department expenditures total 12.5 percent of total appropriations. On a combined basis both departments total $161.6 million, or 28.5 percent, of total budgeted expenditures for the City in 2022-23. As previously noted, the Police Benevolent Association (the "PBA") has been out of contract since June 30, 2019 and the firefighter's union, Local 282, is currently under contract through June 30, 2025.

Budgeted appropriations in the public works department are increasing by $2.6 million, or 7.8 percent, and is attributed to increased costs associated with capital outlay for the purchase of additional vehicles of $1.5 million, personnel costs of $0.9 million reflective of the negotiated salary increases with Local 264, increases for hourly employees attributed to the living wage ordinance increase, and increases in contractual services of $0.2 million.

Administration and Finance is increasing by $2.6 million on a year-to-year basis, due to a budgeted $2.3 million increase for the purchase of gasoline and other necessary vehicle lubricants. In addition to the increase for supplies, there are increases in personnel costs of $0.3 million.

The remaining 11 departments are budgeted to increase by $7.1 million, or 14.5 percent. Significant variances include an additional $3.8 million for personnel service costs including $1.0 million in the Law Department for additional attorneys, $0.8 million in the Mayor and Executive Department for additional managers for new initiatives, and $0.2 million for additional parking enforcement officers. All other departments have a net increase of $1.8 million for personnel costs associated with collective bargaining agreements and targeted hiring for several departments. There is an additional $1.2 million included for software and technical upgrades for the City's 311 system, $765,000 for neighborhood initiatives and $750,000 included for targeted land improvements. All other departmental costs are increasing by $0.4 million on a net basis. There are no other significant departmental variances noted.

General Charges

The City's general charges, excluding transfers out, are budgeted to increase $3.8 million, or 2.0 percent year-to-year. Fringe benefits are increasing by $0.8 million, or 0.5 percent, and all other general charges are increasing by $3.0 million, or 10.0 percent on a net basis.

In regard to fringe benefits the largest cost escalator is retiree health insurance, which is budgeted to increase by $1.4 million to $42.3, or 3.4 percent, in FY 2022-23. The year-end estimate for FY 2022 is $40.0 million, which is favorable by $0.9 million when compared to the adopted budget amount of $40.9 million. The increase from the current year-end projection of $40.0 million to the adopted budget amount of $42.3 million is $2.3 million, or 5.7 percent.

Active employee health insurance is budgeted to increase $1.2 million, or 2.7 percent, in 2022-23. The year end-estimate for FY 2022 is $43.9 million, which is a favorable variance of $0.4 million when compared to the adopted budget amount of $44.3 million. The increase from the current year-end projection of $43.9 million to the adopted budget amount of $45.5 million is $1.6 million, or 3.6 percent. The detailed breakout of the cost increases for both the medical and pharmaceutical components were not provided to the BFSA.

Pension contributions to the employee retirement system are projected to decrease $3.0 million and pension contributions for police and fire are projected to decrease by $2.0 million. The decrease in pension contributions to both pension systems is attributed to the increase of Tier 6 employees as opposed to those in earlier pension tiers. Employees that were Tier 1-4 were a higher cost for the City, as the individual employees would contribute at a lower rate and for a shorter period as compared to Tier 6 employees who have to contribute throughout their career. The cost burden is shared between the employer and employee for the term of the employee's career, as opposed to a Tier 4 employee who no longer contributes towards their pension costs after ten-years of service. In addition, the amount of overtime that can be included for pension costs is capped, as opposed to the previous calculation that allowed all overtime to be included in the pension calculation. Employer payroll taxes are increasing by $0.3 million to $14.6 million and the salary adjustment line is increased by $2.8 million to $7.7 million.

The remaining general charges are budgeted to increase by $3.0 million on a net basis. Utilities are increasing by $2.6 million from $16.7 million to $19.3 million, or 15.6 percent, in 2022-23 to reflect the current inflationary cost increases in natural gas and electricity. The Other General Charges category is increasing by $0.3 million and is attributed to anticipated prior-year legal settlements. Grants in aid are held flat at $0.5 million year-to-year. Duty-disability payments are being increased by $0.1 million and debt service is held flat at $0.1 million.

Transfers Out are budgeted to increase by $5.8 million, for a total of $105.9 million, which is attributed to the increase for the transfer to the capital debt service fund of $5.8 million. There are three components to Transfers Out including $34.7 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

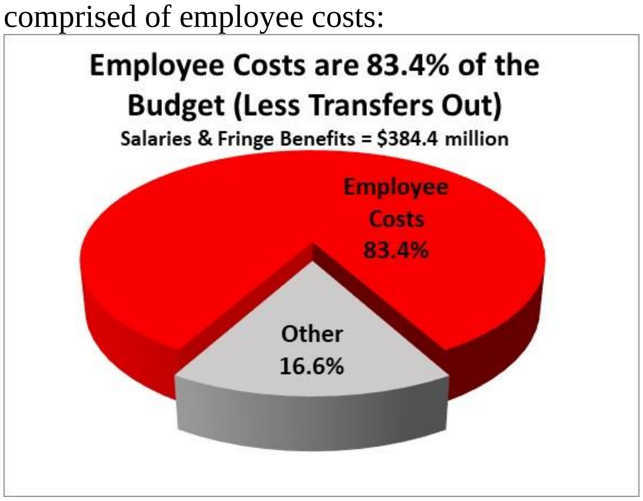
The vast majority of expenditures in the City budget are employee-related costs. Direct employee salaries and wages, coupled with fringe benefits such as health insurance, dental insurance, life insurance and pension, represent 83.4 percent of the City's General Fund budgeted appropriations exclusive of transfers. The City's historic employee-related costs average between 83-87% of total operational costs annually. The 2022-23 Adopted budget includes $384.4 million in direct salary and fringe benefit costs, which are in total is increasing by $15.2 million, or 4.1 percent, over the amount budgeted in 2021-22 of $369.2 million. The increase is reflective of several items leading to the overall net increase. The increase in employee compensation is directly related to personal service costs which are increasing $15.3 million, or 7.4 percent.

Personal services, which includes salaries and wages and injured-on-duty salary payments, are increased at 7.3 percent, or $15.3 million from the 2021-22 budget amount of $208.4 million, for a total of $223.7 million in the 2022-23 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.

As previously discussed, the budget for the fire departments personal service costs are increasing on a year-to-year basis by $4.3 million, reflecting an increase of $2.0 million for salary and step increases and $2.4 million for overtime increases. The police department personal service costs are increasing on a year-to-year basis by $4.7 million, or 5.8 percent. These increases include the addition of fourteen detective positions and salary step increases for approximately $2.5 million and $2.2 million for overtime increases. The remaining thirteen departments are increasing by a total of $5.2 million for personal service costs, reflecting the previously mentioned salary increases and addition of employees in several departments. Total personal services costs totaling $15.2 million can be broken down as follows: salary increases of $9.6 million; overtime increases of $4.6 million and injured-on-duty salary payments increasing by $1.0 million.

Fringe benefits are increasing by $0.7 million, from $160.8 million in 2021-22 to $161.5 million in 2022-23. The salary adjustment line for unsettled labor contracts is increasing by $2.8 million, or 57.1 percent, from $4.9 million to $7.7 million in 2022-23, followed by retiree health insurance increasing by $1.4 million, or 3.4 percent, from $40.9 million to $42.3 million, active employee health insurance is increasing by $1.2 million, or 2.7 percent, from $44.3 million to $45.5 million, and FICA and Medicare insurance increase by $0.3 million, or 2.5 percent. These increases are offset by decreases to pension contributions, with the New York State Employee Retirement System ("NYSERS") pension contributions being reduced by $3.0 million, from $11.2 million to $8.2 million, followed New York State Police and Fire Retirement System ("NYSPFRS") pension contributions being reduced by $2.0 million, or 5.4 percent. All other fringe benefits are $0 on a net basis.

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 in budgetary expenditures for increased positions of approximately $2.8 million. The cost increase is not as significant as expected, as these positions will be filled at a lower salary step.

Personal service ("PS") costs for the police department are budgeted for $4.7 million (5.8 percent) more 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. 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 $0.5 million, based on actual court time the past two-years. All other salary lines within the police department are decreasing by $76,300 on a net basis. The labor contract with police officers expired on June 30, 2019, the mediator has instructed the two parties to settle on the first two expired years of the collective bargaining agreement and the proposal was recently submitted to the Police Benevolent Association.

The City intends to begin the next police recruit class of 25 in January 2023 with a second class tentatively slated for August 2023, 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 $11.7 million for police department overtime for 2022-23. Overtime was budgeted at $9.5 million for the 2021-22 fiscal year and is projected to exceed the budget by $4 - $5.0 million, for an approximate year-end total of $13 - $14.0 million. 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 $68.3 million, which is increasing by $4.3 million, or 6.8 percent. The fire department currently has twenty-five vacant positions as of March 31, 2022; there are currently fifty-one 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 2022-23, dependent on current employee attrition.

Annual salaries are budgeted to increase by $2.0 million to $55.9 million and overtime is increased by $2.4 million to $7.3 million. All other costs for the fire department are decreasing on a net basis by $92,700.

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 firehouse 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 86.4 percent, in firefighter overtime. Overtime was budgeted at $4.6 million in 2019-20, of which $7.3 million was expended, which is $2.7 over the budgeted amount (58.7 percent). Overtime was budgeted at $4.5 million for 2020-21 of which $8.7 million was expended, reflecting an overage of $4.2 million, or 93.3 percent, in overtime costs. As of March 31, 2022, overtime expenditures totaled $7.2 million, which exceeds the budget of $4.9 million by $2.3 million (46.9 percent).

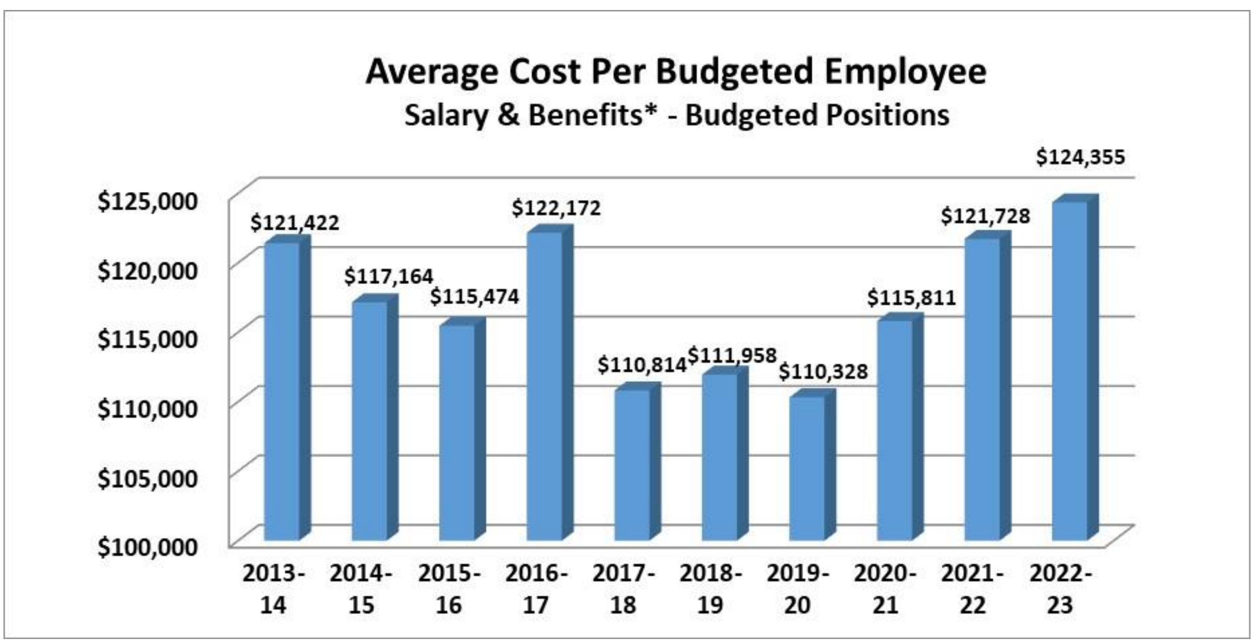
Similar to the police department, in prior years the City would use vacancy savings to cover overages in overtime; due to the increase in filled positions, vacancy savings will not be available to cover the budget gap in 2021-22.

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, and continue to utilize the management tools provided to the City administration under the terms of the current collective bargaining agreement. It is noted that the City has begun to address the budgetary issues related to overtime by increasing overtime in both departments.

All other expenditures including services, supplies, capital outlay and travel comprise the remaining 19.9 percent of the budget, or $76.4 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 2014 and FY 2023. Employee costs for active employees have increased annually with total personnel service costs increasing by $44.7 million (25.0 percent) and fringe benefits for active employees increasing by $15.7 million (10.9 percent). Personnel service costs have increased as a result of the settlement of employee contracts over the past decade. Fringe benefit costs increases are largely a result of health insurance costs and to a lesser extent pension contributions and employer payroll taxes. In FY 2014, actual employee costs totaled $281.7 million; compared to the adopted 2022-23 budget of $342.1 million, this represents an increase of $60.4 million (21.4 percent) over the ten-year period. More specifically, employees' salaries and compensation have increased from $179.0 million to $223.7 million, or $44.7 million (25.0 percent) over this period, while fringe benefits have increased from $143.9 million to $160.7 million or $16.8 million (11.7 percent).

On a year-to-year basis, budgeted employee compensation is increasing by $15.3 million and fringe benefits are decreasing by $0.1 million on a net basis. The largest increase is an increase to the salary adjustment line of $2.8 million, followed by increases to retiree health insurance of $1.4 million, active employee health insurance of $1.2 million, and FICA & Medicare increase of $0.4 million. These increases are offset by decreases for NYSPFRS pension contributions of $3.1 million, NYSERS pension contributions of $2.0 million, and a decrease in Workers' Compensation of $0.8 million. All other fringe benefits are consistent year-to-year.



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

In 2013-14, the average actual cost per employee for salary and fringe benefits was $121,422. For the upcoming 2022-23 fiscal year, the average budgeted cost per City employee is $124,355, an increase of $2,932, or 2.4 percent as compared to 2013-14. 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 2022-23 is increased by $1.4 million (3.4 percent) from the prior year; the total amount budgeted is $42.3 million. Health insurance for active employees is budgeted at $45.5 million in 2022-23, an increase of $1.2 million (2.7 percent) compared to the 2021-22 budget amount of $44.3 million. The budgeted decrease brings the amount more in-line with recent experience.

The following chart provides a ten-year schedule of health insurance costs, with actual amounts provided for 2014 to 2021 and budgeted amounts for 2022 and 2023. Health insurance is budgeted to increase by $18.0 million (25.8 percent) over the actual amounts incurred in 2013-14. The actual increase from 2014 to 2021 was $3.1 million, or 4.4 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	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Active	$ 28.6	$ 28.8	$ 29.7	$ 35.6	$ 36.7	$ 40.0	$ 38.5	$ 41.0	$ 44.3	$ 45.5
Retiree	$ 41.2	$ 42.1	$ 38.4	$ 33.0	$ 35.6	$ 36.6	$ 38.6	$ 31.9	$ 40.9	$ 42.3
Total	**$ 69.8**	**$ 70.9**	**$ 68.1**	**$ 68.6**	**$ 72.3**	**$ 76.6**	**$ 77.1**	**$ 72.9**	**$ 85.2**	**$ 87.8**

Financial Plan

The following chart summarizes the Financial Plan:

	2022-23 Adopted Budget	**2023-24 Projection**	**2024-25 Projection**	**2025-26 Projection**	**Four-Year Increase/(Decrease)**	
Revenues:	**Financial Plan**				**$**	**%**
Revenue	**$556,065,301**	**$547,424,842**	**$549,826,690**	**$552,743,261**	$ (3,322,040)	-0.6%
Transfers In	10,663,634	12,483,162	12,923,666	15,221,376	4,557,742	42.7%
Total Revenues	**$566,728,935**	**$559,908,004**	**$562,750,356**	**$567,964,637**	**$ 1,235,702**	**0.2%**
Expenditures						
Departmental Charges	$266,393,160	$ 259,257,179	$ 261,357,631	$ 265,186,895	$ (1,206,265)	-0.5%
General Charges	194,477,324	195,381,566	196,463,931	198,186,008	3,708,684	1.9%
Interfund Transfers Out	105,858,451	105,269,259	104,928,794	104,591,734	(1,266,717)	-1.2%
TOTAL Expenditures	**$566,728,935**	**$559,908,004**	**$562,750,356**	**$567,964,637**	**$ 1,235,702**	**0.2%**
Surplus / (Deficit)	**$ -**	**$ -**	**$ -**	**$ -**		

Expenditures over the 2023-2026 Financial Plan are budgeted to increase from $566.7 million to $568.0 million, an increase of $1.2 million or 0.2 percent. Departmental Costs are budgeted to decrease $1.2 million, or 0.5 percent, General Charges are budgeted to increase $3.7 million, or 1.9 percent and Transfers Out are budgeted to decrease $1.3 million, or 1.2 percent. Negotiated salary increases for the unions under contract including Local 282 and Local 650 (white collar) are included in the respective departments, as well are the resources for Local 264 (blue collar) as the contract has recently been settled. Resources for negotiating with the unions out of contract are carried in the salary adjustment line under General Charges and total approximately $29.5 million over the Financial Plan.

The following chart summarizes departmental costs, general charges and transfers out over the 2023-2026 Financial Plan. On an annual basis there are moderate increases in departmental expenditures and general charges in each year of the Financial Plan.

	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24	2024-25 Projection	2025-26	Increase/(Decrease) Four-Year	
Departments	$	$	$	$	$	$	%
Common Council	3,054,363	3,292,397	3,347,324	3,403,350	3,460,496	168,099	5.1%
City Clerk	4,233,213	3,905,053	3,169,044	3,198,607	3,228,751	(676,302)	-17.3%
Mayor & Executive	6,273,280	7,963,589	7,231,227	7,318,454	7,406,986	(556,603)	-7.0%
Audit & Control	4,011,561	4,174,976	4,228,985	4,307,985	4,388,539	213,563	5.1%
Law	3,522,120	4,906,497	4,983,016	4,961,061	4,940,664	34,167	0.7%
Assessment	2,611,466	3,719,630	3,796,173	2,698,326	2,744,605	(975,025)	-26.2%
MIS	6,256,361	7,113,901	5,321,710	5,397,020	5,473,553	(1,640,348)	-23.1%
Administration & Finance	10,261,949	12,886,964	11,851,255	11,982,433	12,115,640	(771,324)	-6.0%
Parking	3,175,947	3,816,679	3,716,603	3,755,949	3,796,067	(20,612)	-0.5%
Police	85,310,225	90,567,780	91,063,635	91,880,658	92,684,582	2,116,802	2.3%
Fire	65,973,362	70,985,100	69,972,938	71,058,073	72,704,935	1,719,835	2.4%
Human Resources	5,644,509	5,854,238	5,654,721	5,717,900	5,782,039	(72,198)	-1.2%
Public Works	33,440,973	35,973,708	33,517,675	34,088,291	34,680,366	(1,293,342)	-3.6%
Community Services	4,317,635	5,278,938	5,357,251	5,436,892	5,517,888	238,950	4.5%
Permits & Inspections	5,798,495	5,953,710	6,045,622	6,152,632	6,261,783	308,073	5.2%
Total Departmental	**243,885,459**	**266,393,160**	**259,257,179**	**261,357,631**	**265,186,895**	**(1,206,265)**	**-0.5%**
General Charges							
Grants In Aid	465,000	465,000	465,000	465,000	465,000	-	0.0%
Utilities	16,745,000	19,255,215	18,201,258	18,367,765	18,549,892	(705,323)	-3.7%
Services	1,391,500	1,391,500	1,391,500	1,391,500	1,391,500	-	0.0%
Other	4,150,000	4,450,000	4,250,000	3,650,000	3,150,000	(1,300,000)	-29.2%
Fringe Personal Services	6,975,000	8,120,500	8,211,510	8,303,626	8,396,864	276,364	3.4%
Fringe Benefits							
Health Insurance Active	44,323,922	45,483,521	46,165,774	46,858,260	47,561,134	2,077,613	4.6%
Health Insurance Retiree	40,936,000	42,322,480	42,957,317	43,601,677	44,691,719	2,369,239	5.6%
FICA & Medicare	14,250,000	14,600,000	14,892,000	14,892,000	15,189,840	589,840	4.0%
NYSERS	11,273,000	8,200,000	8,282,000	8,406,230	8,490,292	290,292	3.5%
NYSPFRS	36,967,800	35,000,000	35,350,000	35,703,500	36,060,535	1,060,535	3.0%
Salary Adjustment	4,935,222	7,729,000	7,729,000	7,311,795	6,681,645	(1,047,355)	-13.6%
All Other Fringe Benefits	8,126,066	7,372,108	7,398,209	7,424,580	7,469,586	97,478	1.3%
Debt Service	88,000	88,000	88,000	88,000	88,000	-	0.0%
Total General Charges	**190,626,510**	**194,477,324**	**195,381,568**	**196,463,933**	**198,186,007**	**3,708,683**	**1.9%**
Interfund Transfers Out	100,065,425	105,858,451	105,269,259	104,928,794	104,591,734	(1,266,717)	-1.2%
Total Budget	**534,577,394**	**566,728,935**	**559,908,005**	**562,750,357**	**567,964,637**	**1,235,702**	**0.2%**

Departmental costs decrease from $266.4 million to $265.2 million, a decrease of $1.2 million, or 0.5 percent over the Financial Plan. The most significant increases includes $2.1 million (2.3 percent) for the police department, $1.7 million (2.4 percent) for the fire department, and $0.3 million (5.2 percent) for permits and inspections. The remaining 12 departments are decreasing by $5.4 million, or 2.0 percent, over the Financial Plan. The decrease in departmental expenditures over the Financial Plan is driven by significant costs increases in 2022-23 for fuel, computer software and other supplies that will be decreasing over the out-years as the City expects that the one-time costs taper off and inflationary increases are abated. The departmental decrease between fiscal years 2022-23 and 2023-24 is due to a decrease of $2.8 million in capital outlay for vehicles that will be purchased in 2022-23, a decrease of $2.7 million in supplies includes a decrease of $1.5 million for gasoline and $1.2 million for software and technology upgrades, and a decrease of $2.9 million under services includes a decrease of $1.5 million for services being provided to assessment and taxation and $0.8 million for neighborhood initiatives for the council districts included in the City Clerks budget line.

General charges are increasing by $3.7 million, or 1.9 percent over the Financial Plan. Significant changes include an increase of $5.4 million (3.4 percent) in fringe benefits, a decrease of $0.7 million (3.7 percent) for utilities and $1.3 million (29.2 percent) for other costs, and an increase in budgeted injured-on-duty salary costs of $0.3 million, representing a 3.4 percent increase. It is noted that the out-years of the Financial Plan reduce utility costs, as the City's energy consultant projects the current increases for electricity are temporary and that the electricity costs will decrease after 2022-23.

Fringe benefits are budgeted to increase from $162.8 million in 2022-23 to $166.1 million in 2025-26, an increase of $5.4 million, or 3.4 percent. Retiree health insurance is budgeted at $42.3 million in 2022-23 and is increased 1.5 percent in years two and three and is increased 2.5 percent in year four, for a total increase of $2.4 million, or 5.6 percent, to $44.7 million in 2025-26. Active employee health insurance is increased 1.5 percent in each year of the Financial Plan, increasing from $45.5 million to $47.6 million over the Financial Plan, a total increase of $2.1 million or 4.6 percent. Total health insurance for both retirees and active employees is budgeted to increase $4.5 million over the Financial Plan.

Included within fringe benefits are contributions to the New York State and Local Retirement System which are increasing between 1 to 1.5 percent annually over the Financial Plan, increasing from $8.2 million to $8.5 million, or by $0.3 million. Contributions to the police and fire retirement system are increasing 1 percent annually, from $35.0 million to $36.1 million, a total increase of $1.1 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 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 $7.7 million in 2022-23 and decreasing to $6.7 million in 2025-26, representing a decrease of $1.0 million, or 13.6 percent, over the Financial Plan.

Transfers Out are budgeted to decrease $1.3 million from $105.9 million in 2022-23 to $104.6 million in 2025-26. The reduction of $1.3 million is attributed to the decrease for the transfer to the debt service fund, which is projected to decrease by $1.3 million from $34.6 million to $33.3 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.

	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection	2025-26 Projection	Increase/(Decrease) Four-Year	
Departmental Costs	$	$	$	$	$	$	%
Personal Services	201,415,082	215,595,803	216,865,047	219,824,252	223,353,045	7,757,242	3.6%
Utilities	202,996	202,276	214,119	216,388	218,685	16,409	8.1%
Travel	321,251	324,857	317,140	319,774	322,460	(2,397)	-0.7%
Supplies	10,713,747	14,547,376	11,825,143	12,014,375	12,217,379	(2,329,997)	-16.0%
Services	28,299,831	30,170,696	27,234,178	26,176,190	26,263,472	(3,907,224)	-13.0%
Capital Outlay	2,932,552	5,552,152	2,801,552	2,806,652	2,811,854	(2,740,298)	-49.4%
Subtotal	**243,885,459**	**266,393,160**	**259,257,179**	**261,357,631**	**265,186,895**	**(1,206,265)**	**-0.5%**

Personal services costs are increasing from $215.6 million to $223.4 million, an increase of $7.8 million, or 3.6 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 capital outlay are projected to decrease $2.7 million, or 49.4 percent, and expenditures for services are projected to decrease by $3.9 million, or 13.0 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. Expenditures for supplies are decreased by $2.3 million, or 16.0 percent, over the Financial Plan, decreasing from $14.5 million to $12.2 million. Departmental utilities, and travel are each held relatively flat over the Financial Plan with minor changes reflected.

Staffing Levels

Budgeted positions are to be increased by 54 full time equivalents ("FTEs") compared to the prior budget; total positions are budgeted at 2,751 FTEs for 2022-23 compared to 2,697 FTEs for 2021-22. The Financial Plan maintains budgeted positions at 2,751 FTEs throughout the Financial Plan. The police department is increased by fourteen positions for the addition of fourteen detective positions for a total of 812 sworn police personnel and the fire department is maintained at the 2021-22 levels which are 742 firefighters, with the remaining City workforce totaling 1,197 FTEs.

	2021-22 Adopted	2022-23 Adopted	2023-24 Projected	2024-25 Projected	2025-26 Projected
Police (uniform)	798	812	812	812	812
Fire (uniform)	742	742	742	742	742
Other	1,157	1,197	1,197	1,197	1,197
Citywide	2,697	2,751	2,751	2,751	2,751
Net Increase/(Decrease)	**-**	**54**	**0**	**0**	**0**

The following table shows budgeted staff changes within the various departments from the adopted 2021-22 budget to the adopted 2022-23 spending plan, there are no variances in the out-years of the staffing plan:

	2021-22 Adopted	2022-23 Adopted	Change	2021-22 3rd Quarter Filled	Variance to 2022-23 Proposed Budget
Animal Control & Shelter	15	15	0	12	(3)
Assessment & Taxation	32	33	1	27	(6)
Audit & Control	52	52	0	44	(8)
Budget & Urban Affairs	15	16	1	9	(7)
City Clerk	24	27	3	21	(6)
City Council	41	41	0	36	(5)
Community Services	29	47	18	23	(24)
Division of Buildings	65	67	2	57	(10)
Engineering	72	72	0	58	(14)
Fire (Non-Uniform)	48	46	(2)	37	(9)
Fire (Uniform)**	742	742	0	717	(25)
Forestry	6	6	0	5	(1)
Human Resources	21	25	4	19	(6)
Law	35	49	14	24	(25)
Mayor & Executive	88	96	8	69	(27)
MIS	34	33	(1)	26	(7)
Parking	36	44	8	29	(15)
Parks	32	32	0	29	(3)
Parks Admin.	4	4	0	4	0
Permits & Inspections	90	91	1	83	(8)
Police (Non-Uniform)	208	208	0	166	(42)
Police (Uniform)*	798	812	14	732	(80)
Public Works (Gen Office)	7	6	(1)	5	(1)
Purchase	25	27	2	21	(6)
Recreation	20	2	(18)	18	16
Sanitation & Streets	137	136	(1)	121	(15)
Telecommunications	5	4	(1)	5	1
Treasury & Collections	16	18	2	13	(5)
Total	**2,697**	**2,751**	**54**	**2,410**	**(341)**

* **Uniformed Police** positions are budgeted at 812 and are increasing by 14 positions when compared to the 2021-22 budget; as of March 31, 2022, the City had filled 732 positions which is an increase of 6 FTE's compared to the third quarter count of 726 FTE's at March 31, 2021. 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 twenty sworn police officers due to retirement next fiscal year. There are currently 17 sworn police officers that are at least 55 years old and have 30 years of service and are eligible to retire, representing 2.3 percent of the current force. Taken together, it is therefore improbable the City will staff 814 uniformed Police positions in 2022-23 with a more realistic expectation of 715 to 730 uniformed police officers on the force by the end of FY 2022-23.

** **Uniformed Fire** positions were budgeted at 742 in the 2021-22 fiscal year and are budgeted to remain flat in 2022-23. The number of firefighters at March 31, 2022 totaled 717, that is an increase of 2 employees when compared to the 715 filled positions at March 31, 2021. The City is estimating fifteen retirements during the 2022-23 fiscal year and anticipates hiring 15-30 new firefighter recruits during 2022-23. The firefighter recruit class will most likely be run in the spring of 2023 based on the results of the upcoming firefighter examination and how long it takes Human Resources to work through the applicants including physicals and other pre-employment screenings. The City expanded the number of budgeted positions in the 2018-19 budget to accommodate the hiring of larger recruit classes to offset retirements; the City uses the increased count to assist in hiring larger recruit classes but does not intend to maintain permanent positions at that level. It is most likely the City will have approximately 690 to 715 uniformed firefighters depending on the final number of retirements and recruits. There are currently 27 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 3.8 percent of the current workforce. It is noted that there are currently 22 firefighters, or 3.1 percent, of the current workforce that are currently on long-term duty disability.

On a year-to-year basis, the total number of budgeted positions increased by fifty four FTEs, or 2.0 percent over last year. There are moderate changes across most departments, including an increase of fourteen (14) FTE's in both the police and law departments, an increase of nine (8) FTE's in the parking department and in the mayor and executive department, four (4) FTE's in human resources department, three (3) FTE's in the City Clerks office, two (2) FTE's in each the division of buildings, purchase and treasury and collections. One additional position has been budgeted in each the budget and urban affairs, assessment and taxation, and permits and inspections.

Departments with decreases in FTE's include one (1) position each in management and information systems, telecommunications, and sanitation and streets; and (2) positions in fire civilian employees. There is an increase of eighteen (18) FTE's in community services which are offset by a corresponding eighteen (18) positions in recreation. The changes between community services and recreation nets to zero and are reflecting the reallocation of positions to better reflect the responsibilities of those employees. There are no staffing changes in the remaining 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, 2022, 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 537 FTE's in Tier 2 compared to 614 FTE's last year, which is a decrease of 77 employees. As a reference, 2015-16 had 1,005 FTEs in Tier 2, which is a decrease of 478 Tier 2 FTEs over the last six years. Tier 6 has a combined 812 FTEs compared to 724 FTEs a year ago, a net increase of 68 employees. 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	272	22.2	51.0	51.8	24.0	37.9%
Tier 3	1	12.6	38.6	38.6	12.6	0.1%
Tier 4	-	-	-	-	-	-
Tier 5	48	10.6	40.4	38.7	11.0	6.7%
Tier 6	396	4.6	34.8	34.3	4.2	55.2%
Total Count	**717**	**11.7**	**41.3**	**39.2**	**6.9**	**100.0%**

Police	# FTE's	Average Years of Service	Average Age	Median Age	Median Years of Service	Tier as Percent
Tier 1	-	-	-	-	-	-
Tier 2	265	19.7	47.7	47.9	20.7	36.5%
Tier 3	-	-	-	-	-	-
Tier 4	-	-	-	-	-	-
Tier 5	51	9.5	37.3	37.0	10.2	7.0%
Tier 6	416	4.7	32.6	32.0	4.7	57.3%
Total Count	**732**	**10.5**	**38.4**	**36.3**	**8.1**	**100.8%**

<u>Fund Balance</u>
The City's adopted 2022-23 budget does not rely on fund balance. Based on the final 2021 results of operations, total unassigned fund balance of $8.2 was reported at June 30, 2021, assigned fund balance was $16.8 million and the Rainy Day Fund of $40.7 million remained intact, for a total $65.7 million of unrestricted fund balance. On a year-to-year basis that is an increase of $14.9 million in total unrestricted fund balance, reflecting an increase of $8.2 million in unassigned fund balance, $4.1 million increase in assigned fund balance and an increase of $2.6 million for the Rainy Day Fund.

Fund balance can only be replenished with surpluses. It is imperative the City remain structurally balanced as any future draws on fund balance would weaken the City's financial position.

<u>Enterprise Funds</u>
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. The cumulative deficit in the fund is $58.3 million at June 30, 2021, which is a year-to-year reduction of $0.8 million compared to the previous deficit of $59.1 million. Of this amount, $12.4 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. The General Fund is required to fund 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, 2019-20, and 2020-21 of $6.0 million, $3.3 million and of $1.5 million, respectively, and was able to reduce the long-term receivable by a corresponding $6.0 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 was significantly reduced to $0.5 million, which is a decrease of $5.5 million compared to 2020-21 amount of $6.0 million; the current year-end projection is $1.0

million. Transfers from the Parking Fund are budgeted to increase gradually over the Financial Plan including $1.6 million in 2022-23, increasing to $3.0 million in years two and three and $5.0 million in year four.

The Water Fund is budgeted to increase its transfer from 8.0 million to $8.4 million, an increase of $0.4 million in 2022-23. The transfer from the Water Fund is budgeted to increase in each year of the Financial Plan to $8.8 million in year two, $9.3 million in year three and $9.5 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 detail for the 2022-23 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

There are external economic risks facing the City with respect to extraordinarily high inflationary increases and the resulting risk of a recession. It has been reported that the economy contracted by 1.4 percent in the first quarter of 2022. A recession would likely have a negative financial impact on the City as certain revenue estimates could be affected along with rising costs putting pressure on budgeted appropriations. During the period of economic expansion from July 2009 through the start of the pandemic in March 2020, the City elected to maintain the real property tax levy and spend down fund balance to spur growth within the City. The Financial Plan includes increases to the real property tax levy ranging between 2.0% and 4.5% annually, providing a cumulative increase in real property taxes of $18.6 million over the next four years. The 2022-23 Adopted Budget increase is 3.5% which would provide the City with $5.2 million in additional revenue. This increase appears reasonable and financially responsible in light of the economic uncertainties facing the City.

The 2022-23 Adopted Budget is balanced with the use of an estimated $51.8 million of federal stimulus funding. The cumulative amount of federal stimulus for revenue replacement projected over the 2023-2026 Financial plan is $87.5 million; there is a reduced reliance on these federal stimulus dollars over each year of the Financial Plan with a minor balance reflected in the final year of the plan of $2.0 million.

The City Administration is in the process of modifying the current ARPA Recovery Plan to reflect changes to allocations of funds. Significantly, the Financial Plan includes $37.1 million of federal stimulus in excess of the current ARPA Recovery Plan to be addressed through the modified plan, due by June 30, 2022.

The previous dispute between the Seneca Gaming Commission and the State has been settled with the City receiving $34.8 million in April 2022. The City expects to receive an additional payment of $5.5 million by June 30, 2022. The current casino revenue sharing agreement expires December 2023. The terms of a new gaming compact are unknown at this time and the inclusion of additional growth in TSC casino revenue in the two out-years is deemed speculative. There is a risk to the Financial Plan that terms of the new agreement could vastly differ from the current agreement, resulting in a reduction to revenue. Additionally prolonged negotiations could result in another delay in the receipt of funds. The City’s Financial Plan forecasts $49.5

million of casino revenue of which $4.0 million is deemed speculative. In years 2025 and 2026, casino revenue provides 2.2 percent and 2.6 percent, respectively, of total projected revenues.

The projected increases in State AIM of $9.9 million are also deemed speculative. Total speculative revenue over the Financial Plan is $13.9 million; this is deemed immaterial and a modified financial plan is not required.

Excluding ARPA federal stimulus, the Financial Plan contains $37.3 million of nonrecurring, one-time revenues used to support recurring expenditures. While permitted, this is indicative of a structural imbalance as such funding is not sustainable. Future revenues will need to be generated to replace such one-time sources or expenditures decreased.

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 and the uncertainty as to how long the recovery will take and when revenues will return to pre-pandemic levels. These revenue lines include parking meter fees and the mortgage default fee, which are classified as Service Fees. Under the Fines category, parking tags, fines and fees, and traffic violation fines should be closely monitored. It is also noted that sales tax collections are at record levels and it is unknown if collections will remain as strong as projected.

The City has increased overtime in the adopted budget by $4.7 million. Based on recent history, overtime may continue to be underestimated for 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.

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, 2021 was $65.7 million consisting of $40.7 million in the Emergency Stabilization Fund (i.e., Rainy Day Fund), $16.8 million of assigned fund balance and $8.2 million in unassigned fund balance. The Government Finance Officers Association (GFOA) recommends no less than two months of regular operating expenditures; two months of budgeted 2022-23 operating expenditures is equivalent to $76.8 million. Therefore, the City is currently under recommended levels and should consider a fund balance replenishment program.

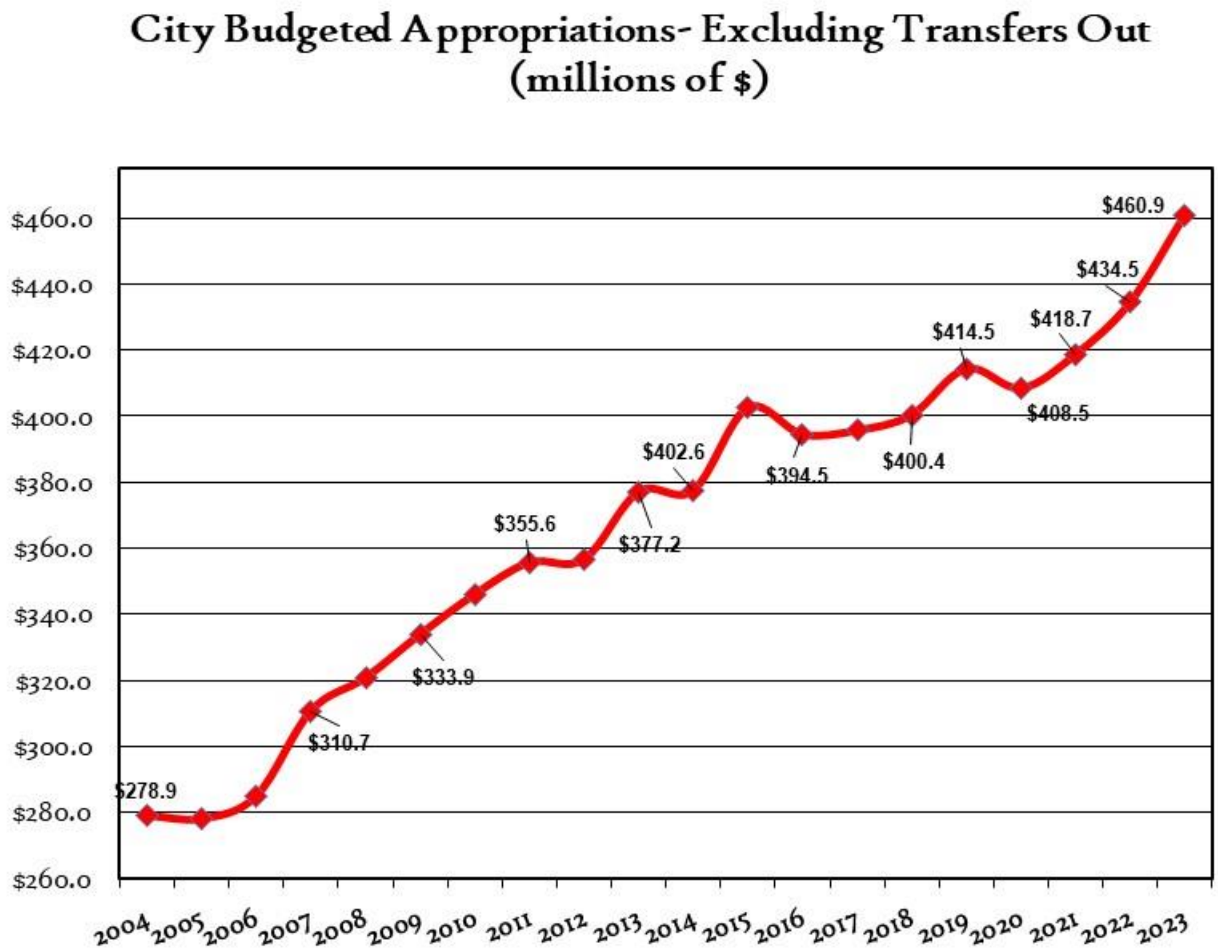
Other areas of significance as noted within the report are summarized below:

- 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.

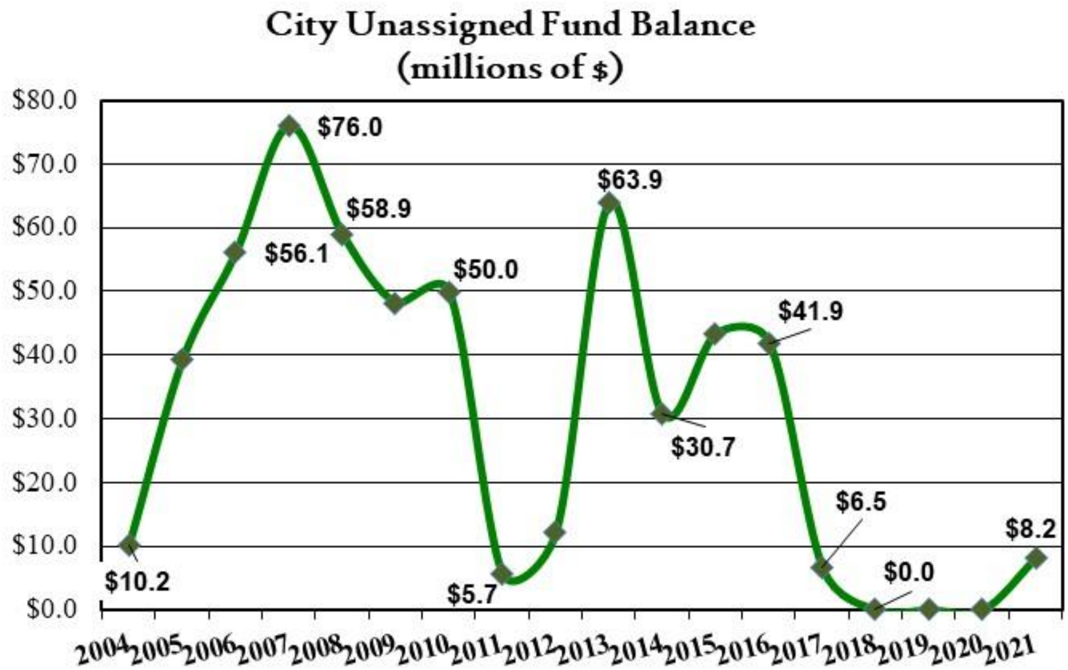
- There is no provision for increasing the fund balance included in the Financial Plan. The Rainy Day Fund is maintained over the Financial Plan.

- The City no longer subsidizes the Solid Waste and Recycling Fund. Based on the City's current year projections, the increase in 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 $12.4 million at June 30, 2021, 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.

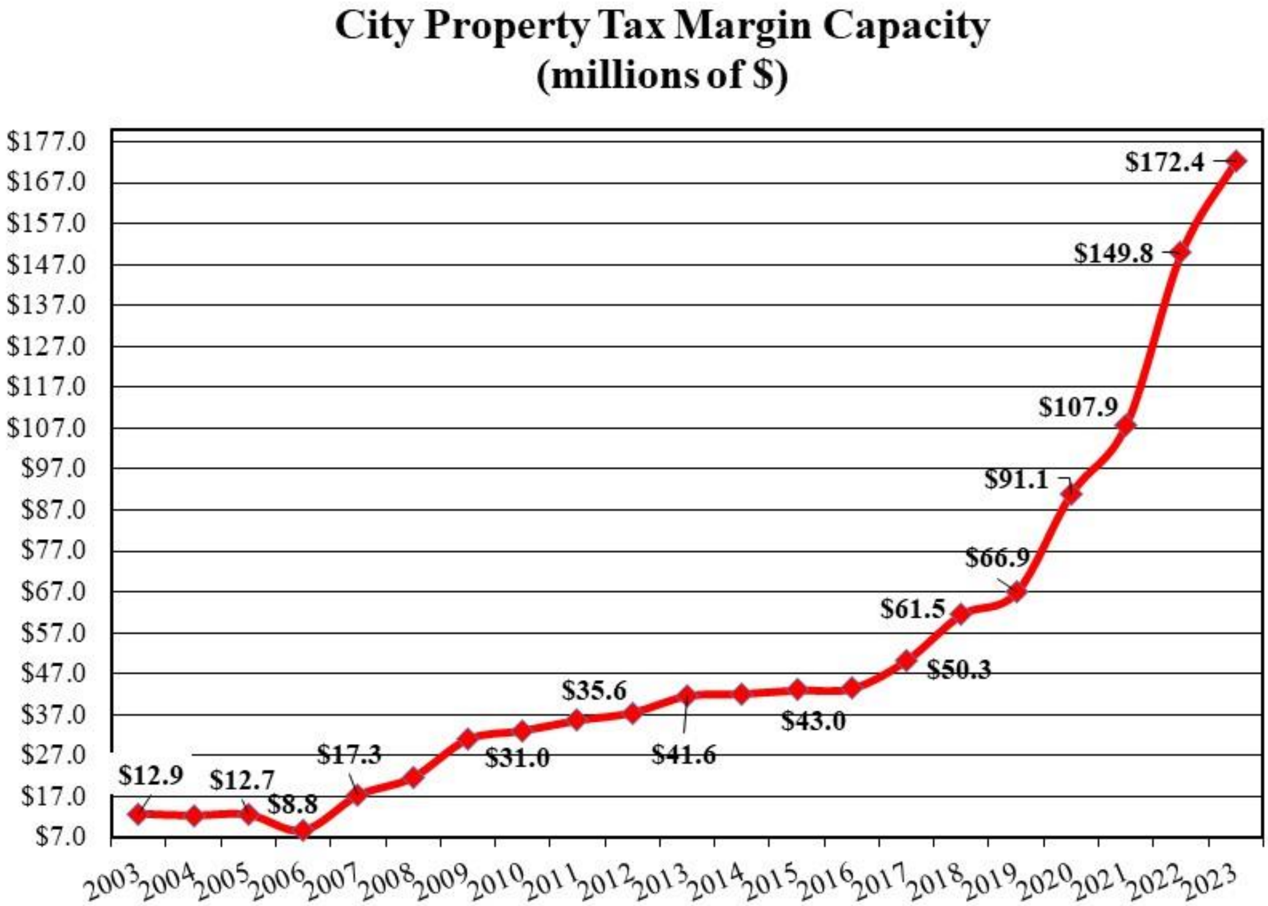
The following graphs and charts provide an overview of certain key statistics that the Buffalo Fiscal Stability Authority evaluates annually during its review of the City of Buffalo's operations. The explanations for fluctuations from year-to-year are available in the respective Annual Report for that 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 nineteen-year period, budgeted appropriations less operating transfers out have increased from $278.9 million for fiscal year 2004 to $460.9 million for fiscal year 2023, representing an increase of $182.0 million, or 65.3 percent. Adjusted for inflation expenditures of $278.9 would be approximately $437.3 million in 2022, a cumulative increase of 56.8 percent. Appropriations increased from $434.5 million to $460.9 million on an annual basis constituting an increase of $26.4 million, or 6.1 percent. The increase in appropriations is reflective of an increase in budgeted salaries, primarily for firefighters and blue-collar members and fringe benefits. Appropriations were increased in the 2022-23 Adopted Budget for energy costs including fuel for vehicles and electricity/heating fuel for City-owned assets. 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.

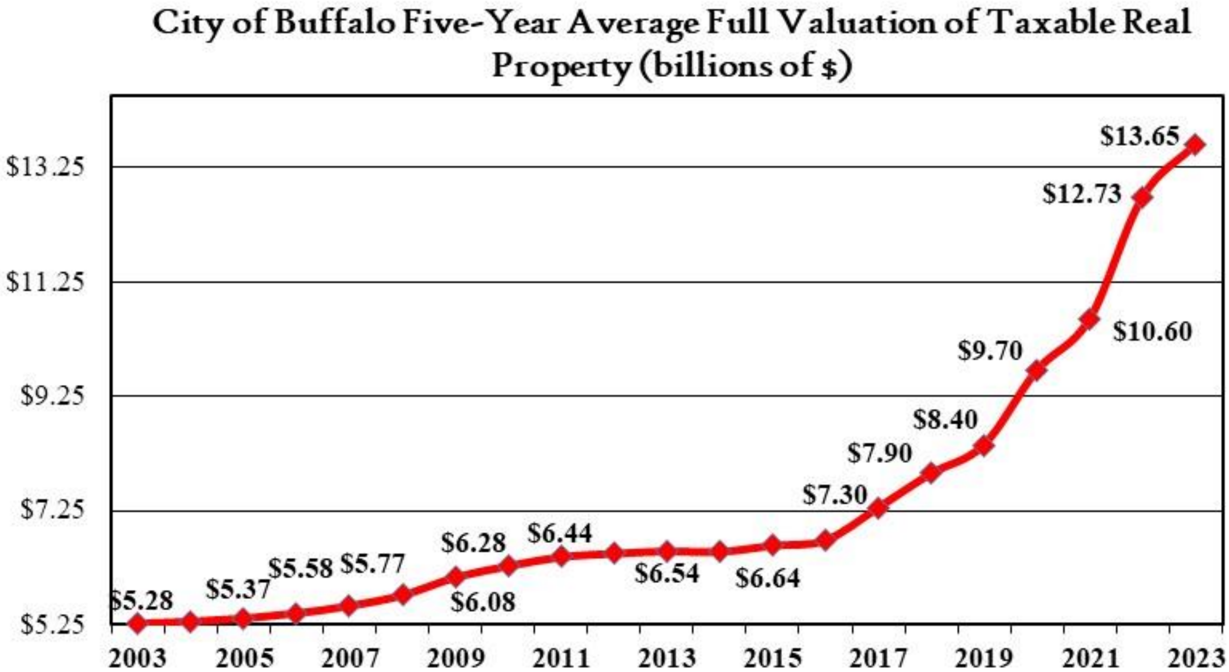


The chart above demonstrates the historical balance of Unreserved, Undesignated/Unassigned fund balance at June 30 for each fiscal year reported. Effective June 30, 2008, the City allocated $30.2 million from its Unreserved, Undesignated fund balance into a "Rainy Day" Fund which has been maintained since 2008 and has since increased to $40.7 million as of June 30, 2021. 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. At June 30, 2018, 2019, and 2020 Unassigned fund balance was $0; at June 30, 2021 Unassigned fund balance was $8.2 million.



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 2022-23 fiscal year provided a remaining property tax margin of $172.4 million, representing an increase of $159.6 million, or 1241.7 percent, over the last twenty years.

The City completed a City-wide reassessment in 2018 and the updated assessment values were included in the 2020 average full valuation calculation. The average full valuation calculation is a five-year rolling average of the City's full assessed property value. The impact of the reassessment is significant and increases the City's maximum constitutional taxing power, which increases the available tax levying margin. The increase of the City property tax margin capacity between fiscal year 2021, $107.9 million, and fiscal year 2023, $172.4 million, is attributed to the reassessment and is valued at $64.5 million, or 59.8 percent. Over that same period the maximum constitutional taxing power increased from $255.8 million to $325.5 million, an increase of $69.7 million, or 27.2 percent. It is noted that the Real Property Tax Levy increased from $147.9 million in 2021 to $153.0 million in 2023, and increase of $5.1 million, or 3.4 percent.



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 $7.9 billion in 2018 to $13.7 billion in 2023, representing an increase of approximately $5.8 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 $8.4 billion to the current year value of $13.7 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 Interim Superintendent's fiscal year (FY) 2022-23 Draft Budget (Draft Budget) and the Buffalo City School District's FY 2023-26 Adopted Financial Plan (Financial Plan) was submitted to the Buffalo Fiscal Stability Authority (BFSA) by the Mayor of the City of Buffalo (City) on May 2, 2022. The Buffalo City School District (District) Board of Education reviewed and approved the Financial Plan on April 20, 2022. The final FY 2022-23 budget (Adopted Budget) was approved on May 18, 2022.

The Adopted Budget includes a deficit of $34.6 million. Each Financial Plan outyear depicts budgetary deficits ranging from $8.3 million to $30.8 million. The cumulative, four-year deficit is $90.3 million.

The Adopted Budget reflects the final school-based budgets of 66 individual schools and is not dissimilar from the Draft Budget on an overall level. It includes minor expenditure and staffing adjustments. There were no modifications made to the out-years of the Financial Plan.

Each Financial Plan fiscal year includes a contingency reserve to settle expired labor agreements. This set-aside ranges from $25.6 million to $45.3 million for a cumulative $131.4 million. These set-aside funds do not represent planned contract settlement expenditures but rather a reserve for the settlement costs.

Estimated revenues and expenditures are consistently and reasonably depicted within the Financial Plan overall. The District is operationally balanced within each fiscal year as projected revenues exceed planned expenditures.

The following chart provides a summary of the Financial Plan.

FY 2023-2026 Financial Plan Summary	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	4-Year Totals
	$ in Millions				
Revenues	$985.5	$1,034.4	$1,040.5	$1,042.4	$4,102.8
Expenditures	1,020.1	1,042.7	1,057.1	1,073.2	4,193.1
Surplus/(Deficit)	($34.6)	($8.3)	($16.6)	($30.8)	($90.3)
Assigned Fund Balance	0.0	0.0	0.0	0.0	0.0
Unassigned Fund Balance	34.6	8.3	16.6	30.8	90.3
Total Fund Balance	34.6	8.3	16.6	30.8	90.3
Remaining Deficit	$0.0	$0.0	$0.0	$0.0	$0.0
Fund Balance as % of Total GF Appropriations	3.4%	0.8%	1.6%	2.9%	2.2%

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

1. The Financial Plan General Fund revenues increase at a compound annual growth rate (CAGR) of 1.9% over the Financial Plan. General Fund expenditures increase at a CAGR of 1.7%. General Fund expenditures exceed General Fund revenues in each Financial Plan fiscal year.
    a. Excluding FY 2022-23, the projected deficit expands in each FY of the Financial Plan from $8.3 million to $30.8 million. General Fund revenues increase at a 0.39% CAGR from FY 2023-24 to FY 2025-26. General Fund expenditures increase at a greater CAGR of 1.45% over this period. The use of appropriated fund balance increases over this period as well to close the widening budgetary deficits.

2. The District has budgeted the appropriation of $34.6 million of fund balance in FY 2022-23. The cumulative, four-year fund balance appropriation is $90.3 million. The 2023-2026 Financial Plan is significantly different from past plans in that it includes estimated amounts for the settlement of expired labor contracts. The cumulative amount provided over the plan for this purpose is $131.4 million and contributes to the cumulative projected Financial Plan budget gap of $90.3 million. The District has sufficient fund balance to fund the projected deficits over the next four years.

3. All collective bargaining units have labor agreements that either are expired or are scheduled to expire during the next four fiscal years. These include the following:

<u>Expired</u>

- Buffalo Teachers' Federation (Teachers or BTF) - expired June 30, 2019
- Buffalo Council of Supervisors and Administrators (Administrators or BCSA - expired September 1, 2020
- Local 409 engineers (Engineers) - expired June 30, 2010

<u>Expiring</u>

- Professional, Clerical, and Technical Employees' Association (white-collar employees or PCTEA) – expires June 30, 2022
    - Note: On June 22, 2022, the Buffalo Board of Education ratified a successor collective bargaining agreement (Successor CBA) between the District and PCTEA. The Successor CBA is effective July 1, 2022 through June 30, 2026. This occurred after the Adopted Budget was ratified; this report notes this event but is not amended to depict the impact of the newly ratified labor agreement.
- Buffalo Association of Substitute Administrators (Substitute Administrators or BASA) – expires June 30, 2023
- Transportation Aides of Buffalo (Bus Aides or TAB) – expires June 30, 2024
- Buffalo Educational Support Team (Teacher's Aides and Teaching Assistants or BEST) – expires June 30, 2025
- Substitutes United of Buffalo (Substitute Teachers or SUB) – expires June 30, 2025
- Local 264 (blue-collar) – expires June 30, 2025

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. While these expenditures are projected to increase at rates that exceed most other expenditures, their rates of increase are not as high as experienced over the last decade.

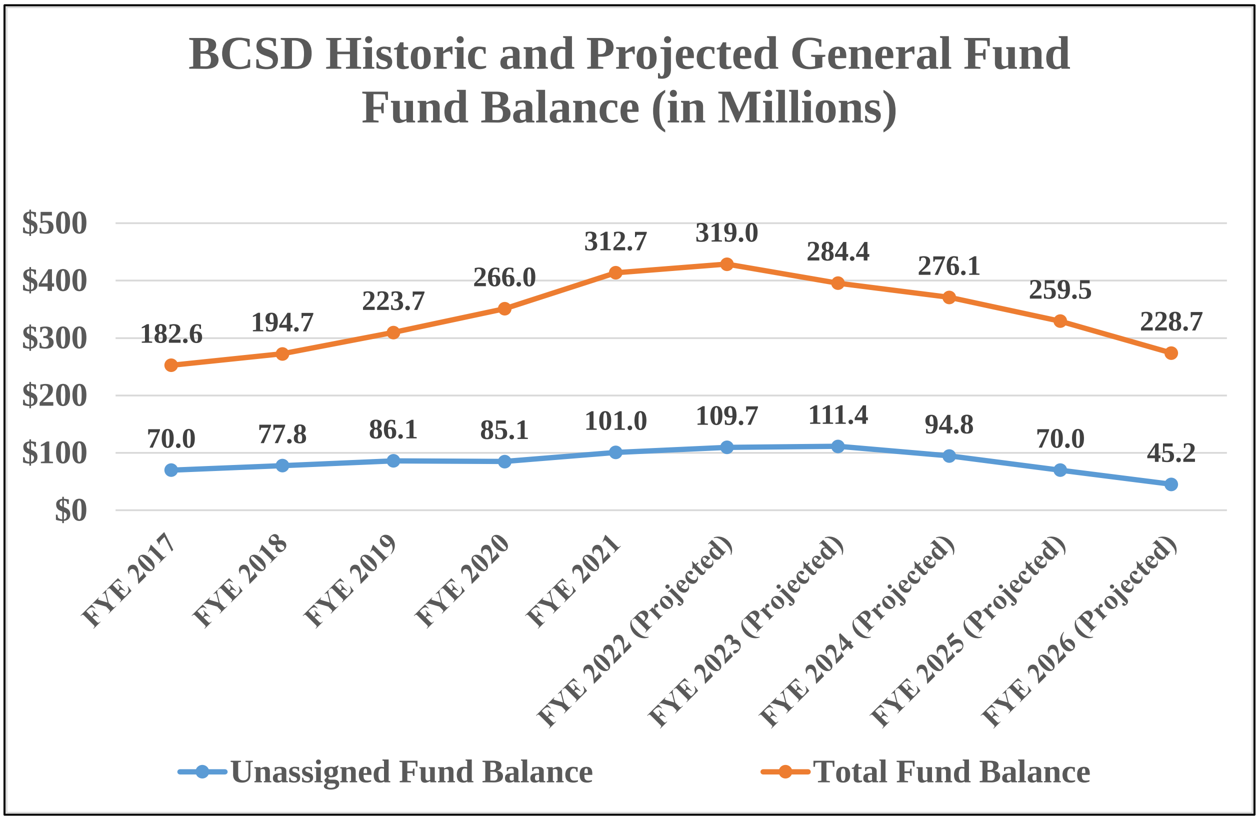
5. City resident public pupil enrollment has declined significantly over the last two school years. This decline has occurred solely within District schools who have seen a decline from 33,290 in FY 2019-20 to the current FY 2021-22 pupil count of 30,540. While District enrollment has decreased over the last two school years, pupil charter enrollment has continued to increase over this period from 9,213 to the current school year amount of 10,085. The Financial Plan assumes that District enrollment will largely recover to pre-pandemic levels in FY 2022-23 to 32,561 but decline to 31,319 by FY 2025-26. Aggregate charter school Buffalo resident pupil enrollment is projected to continue increasing to 12,081 by FY 2025-26.

6. Gap Closing Measures/Structural Imbalance: The District indicates that gap closing measures will likely become necessary during the next four years as it has not systematically reduced the physical footprint of staffing of its schools to match the student population loss. This need will be more urgent if enrollment does not recover to near pre-pandemic levels as anticipated. The District indicates that there is a resulting structural imbalance that is currently masked by unprecedented levels of federal and state aid. To address this structural imbalance, the Financial Plan has recommended that the District prepare a study to assist in aligning staffing and facilities over the long-term to enrollment.

AVAILABLE AND PROJECTED FUND BALANCE

The District's fund balance position has improved considerably over the last five fiscal years. At June 30, 2017, General Fund fund balance totaled $182.6 million including $70.0 million in Unassigned fund balance. At June 30, 2022, General Fund fund balance is anticipated to total $319.0 million including $109.7 million in Unassigned fund balance. Unassigned fund balance is projected to exceed the Board of Education's 4% of General Fund expenditures retainage policy by $68.9 million. The Financial Plan includes the draw-down of available fund balance in each FY. Total fund balance is projected to total $228.7 million at June 30, 2026. Unassigned fund balance is projected to decrease considerably to $45.2 million at June 30, 2026. Unassigned fund balance at this level would be equal to the minimum 4% retainage. The District's need to appropriate fund balance is correlated with the settlement of expired labor agreements.

The following depicts the District's historical and projected total General Fund fund balance from June 30, 2017 to June 30, 2026.



FY 2022-23 ADOPTED BUDGET SUMMARY

General Fund revenues are budgeted at $985.5 million, an increase of $42.0 million, or 4.5% over the FY 2021-22 Adopted Budget amount of $943.5 million. General Fund expenditures are budgeted at $1,020.1 million, an increase of $47.6 million, or 4.9% over the FY 2021-22 Adopted Budget amount of $972.5 million. The $34.6 million excess of expenditures over revenues represents the budgeted deficit and is closed through the appropriation of Unassigned fund balance.

GENERAL FUND REVENUES

General Fund revenues total $985.5 million in the Adopted Budget. The total increase in revenues over the four years of the Financial Plan is $56.9 million, or 5.8%. The CAGR over this period is 1.9%.

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

FY 2023-2026 Financial Plan General Fund Revenues and Use of Fund Balance

General Fund Revenues	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 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	48.0	48.7	49.5	50.2	50.9	2.2	4.5%
Federal Medicaid Reimbursement	3.0	3.0	3.0	3.1	3.1	0.1	3.3%
New York State Aid (less Building Aid)	692.6	726.9	781.6	799.8	815.8	88.9	12.2%
New York State Building Aid	117.6	116.8	112.0	105.0	90.0	(26.8)	-22.9%
Miscellaneous	11.5	19.3	17.5	11.6	11.8	(7.5)	-38.9%
Total General Fund Revenues	**$943.5**	**$985.5**	**$1,034.4**	**$1,040.5**	**$1,042.4**	**$56.9**	**5.8%**
Fund Balance	29.0	34.6	8.3	16.6	30.8	-	-
Total GF Revenue & Assigned Fund Balance	**$972.5**	**$1,020.1**	**$1,042.7**	**$1,057.1**	**$1,073.2**	**$53.1**	**5.2%**

General Fund revenues are budgeted at $42.0 million greater than the FY 2021-22 Adopted Budget. This constitutes a 4.5% increase over the prior fiscal year (PFY). The overall increase is driven by a substantial $34.3 million increase (5%) in New York State (NYS) Aid less NYS Building Aid.

Real Property Taxes
FY 2022-23 % of total General Fund Revenues: 7.2%
FY 2025-26 % of total General Fund Revenues: 6.8%

The City forwards a portion of collected property tax revenues to the District for general operations and annual debt payments. The City's contribution for FY 2022-23 remains at $70.8 million. It is carried throughout the Financial Plan. The City's contribution increased $0.5 million in FY 2017-18 and has been since maintained. 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 (less NYS Building Aid)
FY 2022-23 % of total General Fund Revenues: 73.8%
FY 2025-26 % of total General Fund Revenues: 78.3%

The District receives revenues for its General Fund from several sources, most significantly through NYS Aid. The District is one of the "Big Four" NYS school districts which include the Buffalo City School District, the Rochester City School District, the Syracuse City School District, and the Yonkers City School District. These school districts are financially dependent on their respective city governments as they have no independent authority to levy taxes or issue bonds. The District is heavily dependent on NYS Aid which comprises 85.6% of the District's total budgeted revenues for FY 2022-23.

All NYS Aid including Building Aid totals $843.7 million and represents an increase of $30.5 million in NYS Aid as compared to the FY 2021-22 Budget. This $30.5 million increase is almost exclusively comprised of NYS Foundation Aid, funds which are available for the general operations of the District. Foundation Aid is increasing by $32.9 million, or 5.6%. The FY 2022-23 increase represents year two of three of NYS's pledge to fully-fund NYS Foundation Aid, as established by NYS following the 2006 Campaign for Fiscal Equity court decision. The $30.5 million FY 2022-23 increase is comprised as follows:

- Foundation Aid: $32.9 million
- Building Aid: ($0.8 million)
- Net of all Formula Aids: ($0.5 million)
- Charter School Transitional/Supplemental Tuition Reimbursement Aid: $1.9 million
- Miscellaneous: ($3.0 million)

NYS Aid (less NYS Building Aid) totals $726.9 million in FY 2022-23 and is projected to grow to $815.8 million in FY 2025-26, an $88.9 million, or 12.2% increase. NYS Aid (less NYS Building Aid) is an umbrella term utilized to combine a variety of different formula and expense-based aids, most significantly Foundation Aid. It is estimated to be $620.4 million in FY 2022-23 out of the total budgeted NYS Aid (less NYS Building Aid) of $726.9 million, or 85.3%. Foundation Aid is projected to increase by $70.8 million to $691.2 million in FY 2025-26.

NYS Transportation Aid is a reimbursement for prior fiscal year Transportation expenditures. The District's reimbursement is 87% of eligible reimbursements. These expenditures have been atypically lower in FY 2019-20 through FY 2021-22 due to the pandemic's disruption on transportation services. FY 2022-23 NYS Transportation Aid is budgeted at $38.1 million and increases $10.3 million, or 27.0%, over the Financial Plan based on the assumption of a standard level of transportation services.

The Financial Plan assumes that FY 2022-23 District enrollment will total 32,561 and decrease annually to 31,319 pupils by FY 2025-26. Enrollment at 32,561 assumes an increase over the current year of enrollment 30,540 pupils. The projected enrollment assumes that enrollment will nearly recover to pre-pandemic levels. NYS Aid is based on pupil counts and prior year expenditures. If District enrollment does not recover as anticipated, outyear NYS Aid (less Building Aid) will be negatively impacted.

New York State Building Aid
FY 2022-23 % of total General Fund Revenues: 11.9%
FY 2025-26 % of total General Fund Revenues: 8.6%

NYS Building Aid is shown separately to delineate it from funds available for general operations. NYS Building Aid is a reimbursement from NYS for capital projects and is directly correlated to the District's General Fund Debt Service payments. NYS reimburses the District in the form of Building Aid at reimbursement rates set by the New York State Education Department (NYSED) based on approved Maximum Cost Allowances, amortization schedules for related debt and reimbursement rates at approximately 94% for approved school building projects. The District has projected Building Aid to decline at a somewhat lower rate than debt service; actual Building Aid will likely be higher due to Building Aid earned on aidable capital projects whose bonds have subsequently been refinanced.

NYS Building Aid is budgeted at $116.8 million in FY 2022-23. It is decreased in each Financial Plan outyear to $90.0 million in FY 2025-26 based on anticipated debt service expenditures. Funding at $116.8 million represents a $0.8 million decrease over the PFY.

Erie County Sales Tax
FY 2022-23 % of total General Fund Revenues: 4.9%
FY 2025-26 % of total General Fund Revenues: 4.9%

The third largest revenue source for the District is sales tax, budgeted at $48.7 million for FY 2022-23. Erie County Sales Tax is budgeted at 1.5% greater than the FY 2021-22 Adopted Budget based the current fiscal year-end (CFYE) forecast of $51.6 million. Erie County Sales Tax is projected to grow $2.2 million, or 4.5%, to $50.9 million over the Financial Plan.

The District has budgeted sales tax revenues in all four Financial Plan years at a lower level than the District's CFYE forecast. BFSA's internal forecast further exceeds the District's CFYE forecast at $56.5 million. The District's budgeted amount assumes that the current level of sales tax revenue receipts may not be sustainable and would contract from the CFYE forecast. However, given the current inflationary rate on taxable goods as well as BFSA's internal CFYE forecast of $58.5 million, the District's Erie County Sales Tax revenues appear to be underestimated within the Financial Plan.

The District's local funding structure is different from the other Big 4 NYS school districts. The District receives a total of 7.2% of its funding from the City property tax levy. The District additionally receives a sizable portion of the 3% base sales tax levied by Erie County. Of the other three Big 4 NYS school districts, only the Syracuse City School District receives any portion of county sales taxes receipts, budgeted at $725,000 for FY 2022-23.

The Big 4 school districts receive a percentage of their host municipalities' property tax levy as follows:

- Buffalo City School District (BCSD): Percent of tax levy = 49.7%
  - FY 2022-23 budgeted sales tax receipts: $48.7 million
- Syracuse City School District (SCSD): Percent of tax levy = 62.5%
  - FY 2022-23 budgeted sales tax receipts: $725,000
- Rochester City School District (RCSD): Percent of tax levy = 63.0%
  - FY 2022-23 budgeted sales tax receipts: $0
- Yonkers City School District (YCSD): Percent of tax levy = 49.8%
  - FY 2022-23 budgeted sales tax receipts: $0

All Other Revenue (Miscellaneous)
FY 2022-23 % of total General Fund Revenues: 2.0%
FY 2025-26 % of total General Fund Revenues: 1.1%

All Other Revenue (Miscellaneous) combined totals $19.3 million in the Adopted Budget, or 2.0% of total General Fund revenues. These amounts decrease $7.5 million, or 38.9%, 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 to have a 1% growth rate from the PFY.

FY 2022-23 and FY 2023-24 include both CRRSA-ESSER II (Coronavirus Response and Relief Supplemental Appropriations Act of 2020 – Elementary and Secondary School Emergency Relief funds) and ARPA-ESSER III (American Rescue Plan Act - Elementary and Secondary School Emergency Relief funds) federal stimulus funds from indirect cost expenditures that are recorded as revenues within the General Fund. These funds total an estimated $16.0 million over a two-year period. An additional $4.0 million is estimated to be received in the current fiscal year (CFY). These funds are one-time federal stimulus funds. The funds are not available in the last two outyears of the Financial Plan.

Federal Medicaid Reimbursement
FY 2022-23 % of total General Fund Revenues: 0.3%
FY 2025-26 % of total General Fund Revenues: 0.3%

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 moderately annually by approximately 1.0% to $3.1 million in FY 2025-26.

GENERAL FUND EXPENDITURES

General Fund expenditures total $1,020.1 million in the Adopted Budget. Expenditures are projected to total $1,073.2 million in FY 2025-26, an increase of $53.1 million, or 5.2%, over the course of the Financial Plan. The CAGR over this period is 1.7%.

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. Debt Service payments decrease significantly over the Financial Plan.

General Fund expenditures are examined here in seven discrete subcategories:

- Employee Compensation
- Employee Benefits
- Debt Service
- Charter School Payments
- Transportation
- Reserve for Contingency
- All Other Expenditures

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

FY 2023-2026 Financial Plan General Fund Expenditures

General Fund Expenditures	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
(In Millions)							
Employee Compensation	$338.5	$343.1	$345.9	$349.3	$352.9	$9.8	2.9%
Employee Benefits	196.9	196.2	201.7	207.9	213.8	17.6	9.0%
Debt Service	109.0	108.7	101.0	90.7	76.3	(32.4)	-29.8%
Charter School Payments	135.7	154.6	165.9	176.2	185.4	30.8	19.9%
Transportation	61.2	53.8	55.2	56.9	58.6	4.8	8.9%
Reserve for Contingency	7.5	30.1	29.6	42.3	51.3	21.2	70.4%
All Other Expenditures	123.7	133.6	143.4	133.8	134.9	1.3	1.0%
Total	**$972.5**	**$1,020.1**	**$1,042.7**	**$1,057.1**	**$1,073.2**	**$53.1**	**5.2%**

EMPLOYEE COMPENSATION

FY 2022-23 % of total General Fund Expenditures: 33.6%
FY 2025-26 % of total General Fund Expenditures: 32.9%

Employee Compensation is the District's largest expenditure. Total General Fund expenditures for Employee Compensation are budgeted at $343.1 million in the Adopted Budget and increase $9.8 million, or 2.9%, to $352.9 million over the Financial Plan. This amount excludes budgeted appropriations for settling expired labor contracts; (see "RESERVE FOR CONTINGENCY").

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

- The Buffalo Teachers' Federation
- The Substitutes United of Buffalo
- The Buffalo Association of Substitute Administrators
- The Buffalo Council of Supervisors and Administrators
- The Professional, Clerical, and Technical Employees' Association
- The Buffalo Educational Support Team
- The Transportation Aides of Buffalo
- Skilled Trades (Trades)
- Local 264 members
- Local 409
- 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 provided to depict how budgeted full-time equivalent (FTEs) General Fund positions have changed.

General Fund	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3
	($ in Millions)				
BTF	$244.3	$242.5	$243.9	$245.8	$248.2
# of FTEs	**3,318**	**3,266**	**3,251**	**3,226**	**3,206**
Teacher Substitutes*	$8.0	$8.2	$7.9	$7.9	$7.9
Administrator Substitutes*	$0.2	$0.2	$0.2	$0.2	$0.2
BSCA	$25.9	$25.4	$26.9	$27.4	$27.8
# of FTEs	**229**	**223**	**233**	**233**	**233**
PCTEA	$20.2	$21.0	$21.1	$21.5	$21.7
# of FTEs	**380**	**389**	**386**	**386**	**386**
BEST	$17.5	$20.8	$20.4	$20.8	$21.1
# of FTEs	**790**	**806**	**781**	**781**	**781**
TAB*	$6.0	$7.8	$8.3	$8.4	$8.5
Trades	$3.9	$3.7	$3.8	$3.9	$4.0
# of FTEs	**33**	**33**	**33**	**33**	**33**
Local 264 (Blue Collar)	$2.5	$2.9	$3.0	$3.0	$3.1
# of FTEs	**65**	**65**	**65**	**65**	**65**
Local 409 (Engineers)	$3.1	$3.3	$3.1	$3.1	$3.1
# of FTEs	**56**	**56**	**56**	**56**	**56**
Exempt Employees	$4.7	$4.9	$4.9	$4.9	$4.9
# of FTEs	**36**	**38**	**37**	**37**	**37**
Board Members**	$0.0	$0.0	$0.0	$0.0	$0.0
Total # of FTEs	**4,907**	**4,876**	**4,842**	**4,817**	**4,797**
Miscellaneous Items	$0.0	$0.2	$0.2	$0.2	$0.2
Overtime	$1.8	$2.2	$2.0	$2.0	$2.0
TOTAL EMPLOYEE COMPENSATON	**$338.5**	**$343.1**	**$345.9**	**$349.3**	**$352.9**

* Substitute Teachers and Substitute Administrators are part-time employees. The District employed 456 Substitute Teachers and 20 Substitute Administrators as of 3.25.2022.

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

The following table provides a snapshot of the FY 2022-23 budgeted positions changes.

Employee Group	2022-23 Adopted Budget Change
BTF	(52)
BCSA	(6)
PCTEA	9
BEST	16
Exempts	2
Net Change	**(31)**

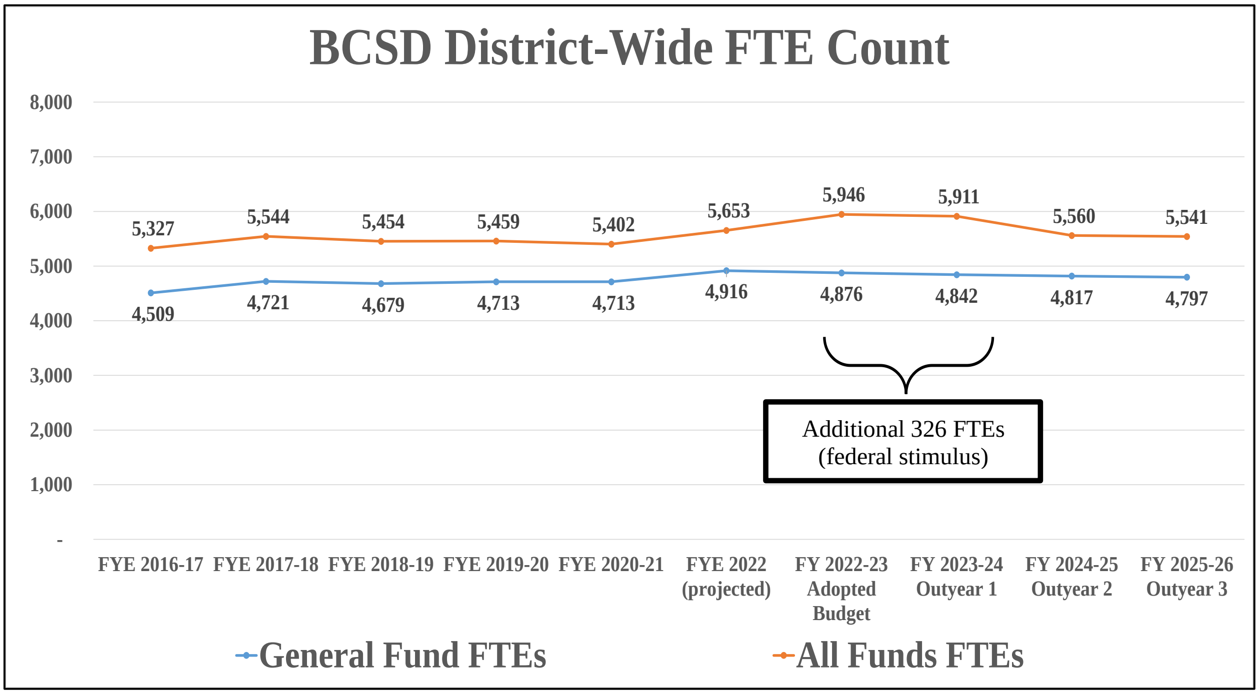
The District's staffing plan includes the reduction of 60 teacher FTEs over the four-years of the Financial Plan. The Financial Plan assumes a flat population of City publicly enrolled students with District students declining from 32,561 in FY 2022-23 to an estimated 31,319 by FY 2025-26. Charter school pupils are projected to increase 1,242 to 12,081 pupils by FY 2025-26. The overall number of public-school students is projected to be flat at 43,400 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 was relatively flat while charter school enrollment grew. However, the 2020-21 school year saw a dramatic drop of pupils. The decrease continued into the 2021-22 school year. In total, the District has seen a 2,750 FTE or 8.3% decline over the 2019-20 school year. The Financial Plan assumes that the 2022-23 school year will see a sizeable increase of District-enrolled pupils to a projected 32,561. The Financial Plan's charter school enrollment growth projection assumes that eight of the current and planned (the Buffalo Commons Charter School) twenty-two charter schools will continue to expand seating capacity.

The assumption that the District can reduce budgeted Teacher positions commensurate to the declining pupil population is included within each outyear of the Financial Plan. Prior to 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 Financial Plan notes that District enrollment has been declining on an annual basis and notes that the District has not systematically reduced the physical footprint or staffing of the schools to match the pupil population loss. The Financial Plan recommends that the District should prepare a study to assist in aligning staffing and facilities over the long-term. The need for this study will be more pronounced if enrollment does not recover as anticipated within FY 2022-23.

On an All Funds Basis, the Adopted Budget includes a total of 5,946 FTEs, 50 FTEs greater than the FY 2021-22 Adopted Budget.

The following depicts overall staffing levels on a General Fund and All Funds basis for a ten-year period, consisting of the last five years of actual positions, FYE 2022 as projected, and the current projections over the four-year Financial Plan. The total number positions funded through grant funds is flat at 1,020 in FY 2022-23 and FY 2023-24 and is reduced by 326 FTEs in FY 2024-25 when federal stimulus funding is no longer available.



BTF Compensation
Number of FY 2022-23 budgeted General Fund employees: 3,266 FTEs
Percentage of FY 2022-23 General Fund FTEs: 67.0%
Contract expiration date: June 30, 2019
Average FY 2022-23 compensation: $74,250
Eligible for step increase (as of 5/8/21): 45.9%

The largest area of employee compensation is for Teachers. Budgeted positions are 3,266 FTES in FY 2022-23 and decrease by 60 FTEs over the Financial Plan.

General Fund expenditures for teacher compensation are budgeted at $242.5 million in the Adopted Budget and increase to $248.2 million, an increase of $5.7 million, or 2.4%, through the fourth year of the Financial Plan. A 1.5% salary increase is assumed in the Financial Plan based on annual step increases as approximately 46% of Teachers are eligible for an annual step increase. Budgeted expenditures for teacher compensation have been adjusted downward in each outyear of the Financial Plan to reflect the adjusted number of teacher positions budgeted based on declining student enrollment as well as some natural attrition of the workforce. An additional $3.0 million in Teacher compensation has been reduced in each fiscal year as an acknowledgement that some level of vacancy will likely occur within the school year.

BCSA Compensation
Number of FY 2022-23 budgeted General Fund employees: 223 FTEs
Percentage of FY 2022-23 General Fund FTEs: 4.6%
Contract expiration date: September 1, 2020
Average FY 2022-23 compensation: $113,901
Eligible for step increase (as of 5/8/21): 56.8%

The BCSA represents the District's unionized administrators. Budgeted positions are held flat at 233 in each year of the Financial Plan.

General Fund expenditures for BCSA compensation are budgeted at $25.4 million in the Adopted Budget and increase by $2.4 million, or 9.4%, to $27.8 million by the fourth year of the Financial Plan. The FY 2022-23 through FY 2025-26 annual 1.5% compensation increase is based on steps less workforce attrition.

PCTEA Compensation
Number of FY 2022-23 budgeted General Fund employees: 389 FTEs
Percentage of FY 2022-23 General Fund FTEs: 8.0%
Contract expiration date: June 30, 2022
Average FY 2022-23 compensation: $53,985
Eligible for step increase (as of 5/8/21): 36.5%

PCTEA represents the white-collar employees of the District. The Adopted Budget includes 389 FTEs. Each remaining year of the Financial Plan includes 386 FTEs.

PCTEA employee compensation expenditures total $21.0 million in the Adopted Budget and increase $0.7 million, or 3.3%, to $21.7 million over the Financial Plan. PCTEA's labor agreement expires on June 30, 2022. An increase of 1.5% is projected in salary increases based solely on annual step increases less workforce attrition is included for FYs 2022-23 through FY 2025-26.

As noted earlier, the District and PCTEA settled a new labor agreement after the Adopted Budget's ratification. This analysis does not include the impact of this newly approved agreement. The labor agreement is effective through June 30, 2026.

BEST Compensation
Number of FY 2022-23 budgeted General Fund employees: 806 FTEs
Percentage of FY 2022-23 General Fund FTEs: 16.5%
Contract expiration date: June 30, 2025
Average FY 2022-23 compensation: $25,806
Eligible for step increase (as of 5/8/21): 36.4%

BEST represents the District's Teachers' Aides (non-certified) and Teaching Assistants (NYS-certified). Budgeted positions are reduced to 781 FTEs in FY 2023-24 and held at this level in each remaining out-year of the Financial Plan.

Personnel costs total $20.8 million in the Adopted Budget and increase $0.3 million, or 1.4%, to $21.1 million over the Financial Plan. Annual increases in BEST compensation through FY

2024-25 are based on contractual increases, less a reduction of 25 FTEs in FY 2023-24. The 1.4% compensation increase in FY 2025-26 is based on steps less workforce attrition. The Financial Plan's out-years are adjusted to reflect 25 FTEs fewer beginning in FY 2023-24.

Local 264 Blue-Collar Compensation
Number of FY 2022-23 budgeted General Fund employees: 65 FTEs
Percentage of FY 2022-23 General Fund FTEs: 1.3%
Contract expiration date: June 30, 2025
Average FY 2022-23 compensation: $44,615
Eligible for step increase (as of 5/8/21): 54.9%

Local 264 represents the blue-collar employees of the District. Budgeted positions are held flat at 65 FTEs in each remaining year of the Financial Plan.

Personnel costs total $2.9 million in the Adopted Budget and increase $0.2 million, or 6.9%, to $3.1 million over the four years of the Financial Plan. The annual increases of 2.75%, 3.0%, and 2.75% is based on contractual increases from FY 2022-23 through FY 2024-25. The FY 2025-26 compensation increase of 1.5% is based on steps less workforce attrition.

All Other Employee Compensation

All other employee compensation expenditures include salary and wages for Substitute Teachers, Substitute Administrators, Bus Aides, Trades, Operating Engineers, and Exempt employees. The combined expenditures for All Other Employee compensation categories are proposed at $28.1 million and increase $0.7 million, or 2.5%, over the Financial Plan. The overall number of employees is budgeted at a consistent level in each year of the Financial Plan.

SUB Compensation
CFY number of part-time employees: 456 (3/25/2022)
Contract expiration date: June 30, 2025
Average FY 2022-23 compensation: $19,800 - $26,820
Eligible for step increase (as of 5/8/21): N/A - Per diem hourly wages

SUB represents the District's Substitute Teachers. The Substitute Teachers receive annual increases of 2.92% and 2.84% in FY 2022-23 and FY 2023-24 based on contractual increases. The FY 2024-25 and FY 2025-26 compensation increases of 1.5% are based on steps less workforce attrition. Overall compensation is decreased by $0.1 million in FY 2023-24 and held flat in the remaining two out-years based on an assumed reduction in the total level of workhours.

BASA Compensation
CFY number of part-time employees: 20 (3/25/2022)
Contract expiration date: June 30, 2025
Average FY 2022-23 compensation: $220/day per diem
Eligible for step increase (as of 5/8/21): N/A

BASA represents the District's Substitute Administrators. BASA compensation is held flat at $0.2 million in each FY of the Financial Plan.

TAB Compensation
CFY number of part-time employees: 208 (3/25/2022)
Contract expiration date: June 30, 2024
Average FY 2022-23 compensation: $15.75/hour - $17.85/hour
Eligible for step increase (as of 5/8/21): N/A – Per diem hourly rates

TAB represents the District's Bus Aides. FY 2022-23 and FY 2023-24 assumes total employee compensation increases of 30% and 6.4% respectively. The increases are based on the terms of a successor agreement settled after the prior fiscal year's budget was adopted. The FY 2024-25 and FY 2025-26 compensation increase of 1.2% is based on steps less workforce attrition.

Trades Compensation
Number of FY 2022-23 budgeted General Fund employees: 33 FTEs
Percentage of FY 2022-23 General Fund FTEs: 0.7%
Contract expiration date: N/A – Subject to local Prevailing Wage laws
Average FY 2022-23 compensation: $112,121
Eligible for step increase (as of 5/8/21): N/A – Subject to local Prevailing Wage laws

Trades represent the District's skilled trades workers. Budgeted positions are held flat at 33 FTEs in each Financial Plan FY. The annual increases are based on local Prevailing Wage laws.

Engineers Compensation
Number of FY 2022-23 budgeted General Fund employees: 56 FTEs
Percentage of FY 2022-23 General Fund FTEs: 1.1%
Contract expiration date: June 30, 2010
Average FY 2022-23 compensation: $58,929
Eligible for step increase (as of 5/8/21): 28.9%

Local 409 represents the District's Operating Engineers. Budgeted positions are held flat in each year of the Financial Plan. Employee Compensation is flat in each year of the Financial Plan as all employees are currently at or near the highest salary step.

Local 409's labor agreement has been expired for a protracted period. It is currently the longest outstanding District labor agreement.

Exempt Compensation
Number of FY 2022-23 budgeted General Fund employees: 38 FTEs
Percentage of FY 2022-23 General Fund FTEs: 0.8%
Contract expiration date: various
Average FY 2022-23 compensation: $128,947
Eligible for step increase: N/A

Exempt employees are workers who are not represented by any collective bargaining unit and are contracted individually, typically for 24- or 36-month terms. The budgeted level of Exempt employees is essentially flat through the Financial Plan.

Exempt employees received raises effective July 1, 2019. No raises have occurred since that time. A Board of Education proposal to increase Exempt employee compensation is currently tabled.

Board of Education Members

The nine Buffalo Board of Education members receive a $15,000 annual stipend.

Miscellaneous Compensation and Overtime

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

Overtime includes compensation to hourly employees who work beyond the regular work week and is budgeted at $2.2 million in FY 2022-23 and flat in the three outyears at $2.0 million.

EMPLOYEE BENEFITS
FY 2022-23 % of total General Fund Expenditures: 19.2%
FY 2025-26 % of total General Fund Expenditures: 19.8%

Employee Benefits is the second largest expenditure category at 19.2% 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 $196.2 million for Employee Benefits in the Adopted Budget. These expenditures increase by $17.6 million, or 9.0%, to $213.8 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 Adopted Budget.

General Fund Expenditures	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
Employee Benefits	(In Millions)						
Civil Service Retirement	$6.8	$5.1	$5.2	$5.5	$5.7	$0.6	11.8%
Teachers Retirement	27.2	28.8	29.9	30.4	30.9	2.1	7.3%
Social Security	26.3	26.8	26.5	26.8	27.0	0.2	0.7%
Health Insurance (Active Employees)	62.3	62.3	63.1	65.3	67.5	5.2	8.3%
Health Insurance (Retired Employees)	56.1	54.8	58.6	61.4	64.2	9.4	17.2%
Termination Pay	4.3	4.3	4.3	4.4	4.4	0.1	2.3%
Other Benefits	13.9	14.1	14.1	14.1	14.1	0.0	0.0%
Total Employee Benefits	**$196.9**	**$196.2**	**$201.7**	**$207.9**	**$213.8**	**$17.6**	**9.0%**

New York State Pension Systems
New York State Employees' Retirement System FY 2022-23 rate: 11.6% (blended)
New York State Employees' Retirement System FY 2025-26 rate: 12.5% (blended)
New York State Teachers' Retirement System FY 2022-23 rate: 10.29%
New York State Teachers' Retirement System FY 2025-26 rate: 10.5%

General Fund expenditures for the NYSERS and the NYSTRS are budgeted at a combined amount of $33.9 million in the Adopted Budget and increase by $2.7 million to a combined $36.6 million over the course of the Financial Plan. NYSTRS expenditures are projected to increase $2.1 million or 7.3% over the Financial Plan based on the assumed increased contribution rate as well as increased employee compensation; NYSERS expenditures are projected to increase by $0.6 million or 11.8% over the Financial Plan to $5.7 million by FY 2025-26 based on increased overall employee compensation and increasing employer contribution rates.

The NYSERS rate is actuarially set by NYSERS. The FY 2022-23 blended rate is 11.6%. The Financial Plan assumes employer contribution rates stabilize at 12.5% in FY 2025-26.

The District's FY 2022-23 rate for NYSTRS is 10.29%. The District has assumed the NYSTRS employer contribution rate to increase to 10.5% by FY 2025-26 based on NYSTRS's 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
Calendar Year 2022 Social Security Rate – 6.2% ($0-$147,000)
Calendar Year 2022 Medicare Rate – 1.45% (no limit)

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 $26.8 million in FY 2022-23 and increases $0.2 million, or 0.7%, to $27.0 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.

<u>Active/Retiree Health Insurance</u>
FY 2022-23 Rate (Active/Single – estimated): $8,728
FY 2022-23 Rate (Active/Family – estimated): $22,472
FY 2022-23 Rate (HMO/Retiree/Single – estimated): $12,045
FY 2022-23 Rate (HMO/Retiree/Family – estimated): $28,688
FY 2022-23 Rate (Medicare Advantage/Retiree/Single/In-network – estimated): $6,207
FY 2022-23 Rate (Medicare Advantage /Retiree/Family – estimated): $7,035

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, equal to the 2021-22 Adopted Budget.

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 are required to contribute towards the cost of the health insurance premium. These contributions offset expected expenditures by $5.8 million in FY 2022-23.

Retiree health insurance expenditures are also a major General Fund expenditure. Retiree health insurance is budgeted at $54.8 million in the Adopted Budget, a $1.3 million or 2.3% decrease over the FY 2021-22 Adopted Budget. The decrease in budgeted retiree healthcare expenditures is based on the projected FY 2021-22 actual retiree expenditures. However, the growth of these expenditures has been curtailed in recent fiscal years and has been favorably impacted by several cost saving initiatives.

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. This is compared to an actuarial valuation annually for reasonableness. 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.

The expenditure increases $9.4 million, or 17.2%, to $64.2 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 Employee Benefit category. 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 $2.3 million in FY 2022-23.

The District began to contact qualified retirees receiving retiree health benefits in 2015 to offer an incentive to forego the costlier traditional plan for a Forever Blue Medicare Advantage Plan. The cost of this plan is significantly less than most of the District's traditional plans for an average savings of $2,500 per member. The number of enrollees currently enrolled in the Forever Blue Medicare Advantage Plan is approximately 1,628. An additional 100 enrollees are assumed annually. The option to enroll in the Forever Blue Medicare Advantage Plan has allowed the District to curb the rate of growth in retiree health insurance expenditures.

The Adopted Budget assumes 6,524 retirees will receive health insurance growing to 6,824 retiree participants by FY 2025-26. The projections are deemed reasonable as the District projects the number of new retirees conservatively; actual new retirees tend to be somewhat less than projected.

Termination Pay and All Other Fringe Benefits

Termination Pay and All Other Fringe Benefits total a combined $18.4 million in the Adopted Budget. Termination Pay is projected to increase $0.1 million over the Financial Plan based on the actual number of employees eligible to retire, their estimated termination pay benefit, and the percentage expected to retire based on trend date. Termination Pay includes compensation to newly retired individuals or eligible terminated individuals for unused paid leave was well as payouts for early retirement incentives.

All Other Fringe Benefits include supplemental benefits, workers' compensation costs, unemployment, and other minor fringe benefit costs. The Adopted Budget includes $14.1 million in All Other Fringe Benefits including $1.5 million in unemployment expenditures. The three outyears are essentially flat over the Financial Plan at $14.1 million.

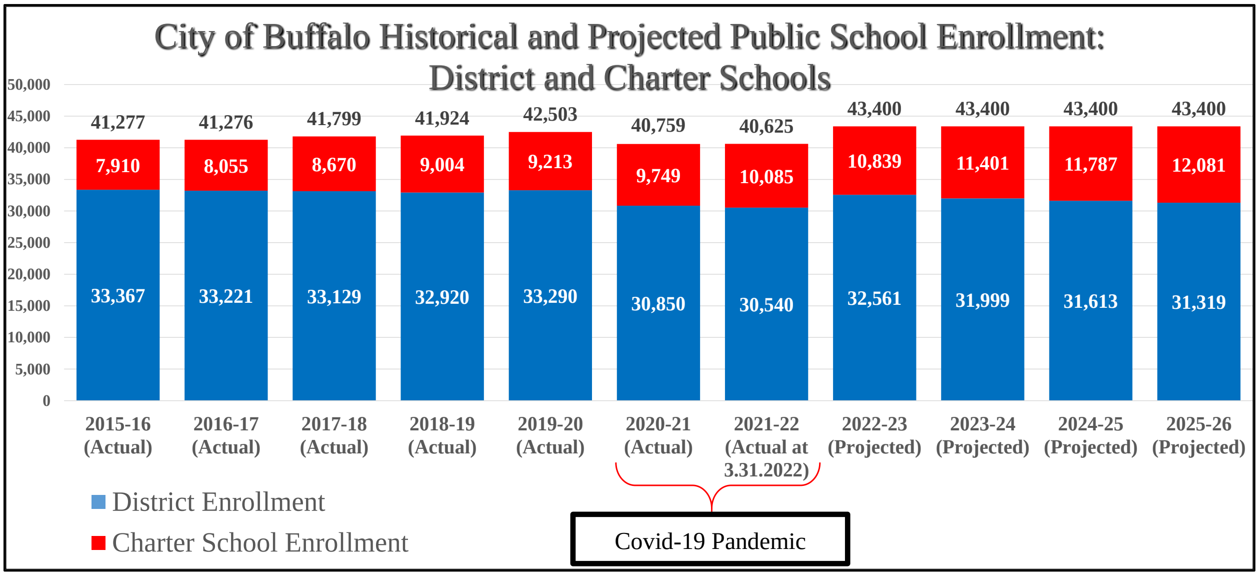
PAYMENTS TO CHARTER SCHOOLS

FY 2022-23 % of total General Fund Expenditures: 15.2%
FY 2025-26 % of total General Fund Expenditures: 17.3%

Payments to Charter Schools is the third largest General Fund expenditure at $154.6 million.

Payments to Charter Schools include the funds the District forwards to the twenty-two area charter schools (includes two out-of-District charter schools) based on the number of Buffalo resident pupils enrolled in charter schools at a rate established by NYS. The FY 2022-23 budgeted tuition rate is $14,267 per pupil. This includes $13,417 in base tuition and $850 for special education. Payments to Charter Schools are budgeted at $154.6 million in the Adopted Budget and increases $30.8 million, or 19.9%, to $185.4 million over the course of the Financial Plan. The increase is driven by an increase in estimated pupils from 10,839 to 12,081 and the base tuition rate.

The following depicts City resident pupil public school enrollment for a ten-year period, consisting of the last six years of actual enrollment and the current projections over the four-year Financial Plan. Note: District enrollment decreased significantly in the two pandemic-impacted school years. Aggregate City resident charter school enrollment grew over this same period.



The District is projecting that Buffalo Public School District pupil counts will increase to 32,561 in FY 2022-23, an increase of 2,021 pupils. The assumption is that enrollment will recover nearing the pre-pandemic level. District enrollment is projected to decrease by 1,242 pupils over the Financial Plan.

A 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. One new school will open in FY 2022-23 as well.

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. These services include speech, physical and occupational therapy, vision, and hearing.

DEBT SERVICE

FY 2022-23 % of total General Fund Expenditures: 10.7%
FY 2025-26 % of total General Fund Expenditures: 7.1%

Debt Service payments are the fifth largest expenditure category. Debt Service includes the annual principal and interest payments that the District pays on its outstanding bonds. Debt Service expenditures are budgeted at $108.7 million in the Adopted Budget and decrease $32.4 million, or 29.8%, to $76.3 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 $116.8 million in FY 2022-23 and decreases to $90.0 million in FY 2025-26. 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.

TRANSPORTATION
FY 2022-23 % of total General Fund Expenditures: 5.3%
FY 2025-26 % of total General Fund Expenditures: 5.5%

Transportation expenditures is the sixth largest General Fund expenditure category. Transportation expenditures total $53.8 million in the Adopted Budget and increase $4.8 million, or 8.9%, to $58.6 million over the four years of the Financial Plan. The Adopted Budget decreases Transportation expenditures by $7.4 million, or 12.1%, over the FY 2021-22 Adopted Budget based on the current level of transportation services offered by the District. FYE 2021-22 Transportation expenditures are forecast to be significantly less than budget at $45.4 million.

Transportation aid is 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.

The following table depicts the BCSD's projected NYS Transportation Aid and Transportation expenditures:

	FY 2021-22 (3.31.2022 forecast)	FY 2022-23 (Adopted Budget)	FY 2023-24 Outyear 1	FY 2024-25 Outyear 2	FY 2025-26 Outyear 3
Transportation Expenditures	$45.1 M	$53.8 M	$55.2 M	$56.9 M	$58.6 M
NYS Transportation Aid	25.9 M	38.1 M	45.6 M	47.0 M	48.4 M

The District utilizes both private and public carriers for pupil transportation.

The District approved a private carrier transportation contract with Students First in FY 2019-20 that extends through the end of FY 2024-25. The anticipated expenditures are based on the service contract which resulted in an approximately 15% increase in yellow bus costs in year one and 1.8% annually thereafter. The Financial Plan assumes 460 bus runs in FY 2022-23 fully staffed with District-employed Bus Aides.

Additionally, the District has a contract with the Niagara Frontier Transportation Authority (NFTA) (June 30, 2025, expiration). This contract increases by 3% annually. The service contract with the NFTA provides transit passes for pupils in grades 9 through 12. The Financial Plan includes 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.

RESERVE FOR CONTINGENCY
FY 2022-23 % of total General Fund Expenditures: 3.0%
FY 2025-26 % of total General Fund Expenditures: 4.8%

The Reserve for Contingency expenditure is not a specific expenditure and was established as a contingency to cover revenue reductions and/or expenditure increases which may occur after a budget's adoption.

The Reserve for Contingency expenditure totals $30.1 million in the Adopted Budget and increases to $51.3 million by FY 2025-26.

The following depicts the three contingency areas within the overall Reserve for Contingency.

Reserve for Contingency	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Unsettled labor contracts	$26.2 M	$25.6 M	$34.3 M	$45.3 M	**$131.4 M**
Return of ELT programming from federal stimulus funds	-	-	6.0 M	6.0 M	**$12.0 M**
General/Unspecified	3.9 M	4.0 M	2.0 M	-	**$9.9 M**
Reserve for Contingency - Total	**$30.1 M**	**$29.6 M**	**$42.3**	**$51.3 M**	**$153.3 M**
Percent of Total General Fund Expenditures	**3.0%**	**2.8%**	**4.0%**	**4.8%**	

<u>Reserve for Contingency - Unsettled Labor Contracts</u>
The Adopted Budget includes $26.2 million to potentially fund unsettled labor agreements. The cumulative amount included within the Financial Plan is $131.4 million. The inclusion of estimated amounts for the settlement of labor contracts within the Financial Plan is a change from past practice; fiscal year 2022-23 is the first year an amount has been provided for in a budget. The District continues to assign fund balance for labor contracts; $3.0 million is estimated to be assigned at June 30, 2022 and is held flat at this level over the Financial Plan. This estimated expenditure is primarily the cause of budget deficits as projected over the Financial Plan.

The District is currently out-of-contract or will be out-of-contract by July 1, 2022 (barring a new settlement or new settlements) with four out of the nine collective bargaining units (CBUs) funded through the General Fund. This includes 3,962 full-time employees on a General Fund basis and 4,826 FTEs on an All Funds basis. All five current collective bargaining agreements are scheduled to expire at varying points over the Financial Plan.

The Reserve for Contingency – Unsettled Labor Contracts is a set-aside that could fund newly settled labor agreements. If contracts are not settled, or if they are settled for amounts less than is included within this reserve, the District will not require as large an appropriation of fund balance to fund operations. The final contract settlement costs and timing could differ materially from these estimates. Transfers from the contingency to various accounts in the Financial Plan will occur after contracts are settled.

Reserve for Contingency - Return of English Language Training (ELT) Programming from Federal Stimulus Funds

The Adopted Budget does not include a reserve for ELT programming. The District plans an expansion of summer school and ELT programming in FY 2022-23. This programming is funded with federal stimulus funding in FY 2022-23 and FY 2023-24. The Reserve for Contingency - Return of ELT Programming from Federal Stimulus Funds is a $6.0 million annual reserve contingency beginning in FY 2024-25 to continue funding these expanded programs with General Fund funds.

Reserve for Contingency - Unspecified

The Adopted Budget includes $3.9 million in Reserve for Contingency – Unspecified. The Financial Plan additionally includes $4.0 million in FY 2023-24 and $2.0 million in FY 2024-25. No amount is reserved in FY 2025-26. The cumulative amount included within the Financial Plan is $9.9 million.

The Reserve for Contingency – Unspecified is a reserve for miscellaneous, unspecified expenditures that may arise within a fiscal year.

ALL OTHER EXPENDITURES

FY 2022-23 % of total General Fund Expenditures: 13.0%
FY 2025-26 % of total General Fund Expenditures: 12.6%

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 includes tuition, contracts, textbooks and supplies, and repairs and maintenance.

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

General Fund Expenditures	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
All Other Expenditures							
Utilities	$8.8	$12.4	$12.5	$12.6	$12.8	0.4	3.2%
Tuition	35.0	34.7	35.0	35.3	35.7	1.0	2.9%
Contracts - Custodian	19.2	19.4	19.4	19.4	19.4	0.0	0.0%
Equipment	1.7	1.7	1.5	1.5	1.5	(0.2)	-11.8%
Contracts - Misc.	26.9	29.6	29.6	29.6	29.6	0.0	0.0%
Rental Contracts	12.0	12.3	12.5	12.6	12.9	0.6	4.9%
Repairs & Maintenance	3.4	3.8	3.9	3.9	4.0	0.2	5.3%
Textbooks	3.1	3.9	4.0	4.0	4.0	0.1	2.6%
Supplies and Misc. Related Items	7.2	7.7	6.7	6.7	6.8	(0.9)	-11.7%
Software	3.9	5.0	5.0	5.1	5.1	0.1	2.0%
Interfund Transfers	2.5	3.1	13.3	3.1	3.1	0.0	0.0%
Total Other Expenditures	**$123.7**	**$133.6**	**$143.4**	**$133.8**	**$134.9**	**$1.3**	**1.0%**

All Other Expenditures are budgeted at $133.6 million and increase $1.3 million, or 1.0%, to $134.9 million over the Financial Plan.

Utilities
FY 2022-23 % of General Fund All Other Expenditures – 9.3%
FY 2025-26 % of General Fund All Other Expenditures – 9.5%

Utilities expenditures total $12.4 million in the Adopted Budget and is projected to increase by $0.4 million, or 3.2%, to $12.8 million over the Financial Plan based on a 1.0% inflationary factor. The FY 2022-23 budgeted Utility expenditure was increased by $3.6 million, or 41%, to reflect the current inflationary impact on energy commodities.

Tuition
FY 2022-23 % of General Fund All Other Expenditures – 26.0%
FY 2025-26 % of General Fund All Other Expenditures – 26.5%

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 students attending classes at Erie Community College, Buffalo State College, and DaVinci High School students at D'Youville College. The Adopted Budget includes $34.7 million in Tuition expenditures of which $32.1 million, or 92.5%, relate 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 $1.0 million, or 2.9% to $35.7 million over the Financial Plan based on the projected enrollment in these programs and the tuition rates established by NYS.

Miscellaneous
FY 2022-23 % of General Fund All Other Expenditures – 64.7%
FY 2025-26 % of General Fund All Other Expenditures – 64.0%

Miscellaneous General Fund expenditures include contracts, equipment, software, repairs and maintenance, textbooks, supplies, and interfund transfers. These expenditures total $85.6 million in the Adopted Budget. They are projected to decrease by $0.1 million, or 0.1%, to $86.4 million over the Financial Plan.

Miscellaneous contracts are budgeted to increase by $2.7 million over the FY 2021-22 Adopted Budget to $29.6 million in FY 2022-23 and are projected flat over the Financial Plan.

Rental contracts are budgeted to increase $0.3 million over the FY 2021-22 Adopted Budget to $12.3 million based on projected actual rental contract expenditures and are projected to increase $0.6 million, or 4.9%, over the Financial Plan based on a 1.5% increase annually stipulated and/or assumed contractual increases for these contracts.

Equipment expenditures are budgeted at $1.7 million, equal to the FY 2021-22 Adopted Budget amount and at $1.5 million in each Financial Plan outyear.

Software expenditures include instructional and business system software. Software expenditures are budgeted to increase $1.1 million over the FY 2021-22 Adopted Budget at $5.0 million and are projected to increase $0.1 million, or 2%, over the Financial Plan based on a 1.0% inflationary factor

Repairs & Maintenance expenditures are budgeted to increase $0.4 million over the FY 2021-22 Adopted Budget based at $3.8 million. These expenditures increase by $0.2 million, or 5.3% over the Financial Plan based on a 1.5% inflationary factor.

Textbook expenditures are budgeted to increase $0.8 million over the FY 2021-22 Adopted Budget, increase slightly by $0.1 million to $4.0 million in year two and held flat thereafter. The budgeted minor increase over the prior fiscal year 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 $7.7 million in the Adopted Budget. The Supplies and Miscellaneous Expenditures decrease $0.9 million, or 11.7%, over the Financial Plan.

It is noted that the Supplies and Miscellaneous expenditure lines were increased $1.1 million over the Draft Budget. The current decrease of 11.7% over the Financial Plan is not likely to occur; the Financial Plan has not been updated to reflect Adopted Budget adjustments.

Miscellaneous General Fund expenditures includes custodial contracts and is budgeted at $19.4 million in FY 2022-23. This amount is flat over all four years of the Financial Plan. The BCSD 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. As such, the custodial union negotiates directly with the Operating Engineers, not the District.

Interfund Transfers are the transfers from the General Fund to other funds to support the summer handicapped program, JROTC, special projects, capital projects and Emerson food service operations. These expenditures are flat at $3.1 million in FY 2022-23, FY 2024-25, and FY 2025-26. Interfund Transfers total $13.3 million in FY 2023-24 which includes an additional $10.2 million NYS Building Aid surplus transfer to the Capital Fund. These funds are repaid to the District via NYS Building Aid over the next 15 years.

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 into to fund these long-term liabilities. The District provides OPEB benefits on a “pay-as-you-go” basis and may only assign fund balance for future OPEB costs. Such a designation is not binding as assigned fund balance may be reallocated by District management.

As of June 30, 2021, the District had $69.1 million of fund balance assigned for OPEB. As of the last actuarial valuation report dated June 30, 2021, the total OPEB liability was $2.5 billion. This is a decrease from the estimate of the total OPEB liability at June 30, 2020, of $2.6 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 year-to-year decrease is based primarily on changes of 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 $42.2 million in the Adopted Budget. Total Food Service Fund Expenditures increase to $45.3 million by FY 2025-25.

The following depicts the Food Service Fund Financial Plan.

FY 2023-2026 Financial Plan Summary

Food Service Fund	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	4-Year Totals
	$ in Millions				
Revenues	$38.6	$39.1	$39.9	$40.7	$158.3
Expenditures	42.2	43.8	44.6	45.3	175.9
Surplus/(Deficit)	($3.6)	($4.7)	($4.7)	($4.6)	($17.6)
Assigned Fund Balance	3.6	4.7	4.7	4.6	17.6
Unassigned Fund Balance	0.0	0.0	0.0	0.0	0.0
Total Fund Balance	$3.6	$4.7	$4.7	$4.6	$17.6
Remaining Deficit	$0.0	$0.0	$0.0	$0.0	$0.0

The District drew down fund balance assigned for capital improvements in FY 2015-16 through FY 2021-22 for a building improvement and expansion project. An additional $2.7 million in fund balance usage is planned for FY 2022-23 for building improvements and related equipment purchases at the Central Commissary. Both are one-time items. The remaining cumulative $14.9 million in appropriated fund balance will be used to balance the budget and avoid any reduction in service.

Food Service fund balance will be drawn down closer to the statutory maximum. To maintain the nonprofit status required for the food service account, the fund balance (net cash resources) must not exceed three month's average expenditures at any time. The District's planned drawdown of Food Service fund balance is a planned action to reduce available fund balance closer to this threshold.

SPECIAL PROJECTS FUND

The Special Projects Fund includes grants from a variety of sources, though most are from the federal government or NYS. The Special Projects Fund Adopted Budget totals $232.8 million. This is comprised of the following.

Combined Grants Funds	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	FY 2023-2026 Total
Special Projects Fund			**$ in Millions**		
Federal Disaster Relief	$133.5	$94.9	$0.0	$0.0	$228.4
Categorical Grants	14.0	14.0	14.0	14.0	56.0
Total Other Grants	99.3	99.3	99.3	99.3	397.2
Total Special Project Funds	**$232.8**	**$194.2**	**$113.3**	**$113.3**	**$625.6**

The Adopted Budget includes a substantial $133.5 million in federal disaster relief funds. The U.S. Congress (Congress) previously passed legislation to address the Covid-19 Pandemic and to aid the economic recovery. The CRRSA of 2021 totaled $1.4 trillion and allocated $88.8 million in additional funds for the BCSD. Congress additionally passed the ARPA of 2021 which totaled $1.9 trillion and included $12.6 billion in direct aid for NYS including $200.4 million for the BCSD. This funding is available for use over multiple years and was 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 COVID-19 Pandemic. They are one-time revenues and are intended to supplement, not supplant, regular operations.

The following table provides the CRRSA – ESSER II and ARPA - ESSER III grant funds and projected expenditures. The $88.8 million in CRRSA – ESSER II funds were included within NYS's aid run in FY 2021-22. These grant funds are available through September 2023. The $201.0 million in ARPA – ESSER III grant funds will be received in FY 2022-23 through the NYS FY 2022-23 aid run. These grant funds are available through September 2024.

The following depicts the FY 2021-22 through FY 2023-24 combined projected federal stimulus expenditures.

Combined Projected Expenditures	Total ($)	Total (%)
Expanded Instructional Initiatives	$160,921,287	55.6%
Student Support: Social/Emotional	34,635,830	12.0
Covid/Operations/ Facility	32,485,891	11.2
Information Technology	26,706,134	9.2
Indirect	25,807,316	8.9
Community	9,000,000	3.1
Total	**$289,556,458**	**100%**

Categorial grants are projected at a static level in each of the four years of the Financial Plan at $14.0 million and 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 $99.3 million. These include grant funding from NYS, federal agencies, and local grantors. There are several grants that are given 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 2022-23 Adopted Budget.

No deficits are projected in any of the years of the Financial Plan. The fund is 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 2022-23 budget and FY 2023-2026 Financial Plan; however, the plan is balanced with the use of $90.3 million in fund balance, a non-recurring source of funding. The FY 2023-2026 Financial Plan is significantly different from past plans in that it includes estimated amounts for the settlement of expired labor contracts. The cumulative amount provided over the plan for this purpose is $131.4 million and contributes to the cumulative projected Financial Plan budget gap of $90.3 million. The District has sufficient fund balance to fund the projected deficits over the next four years. At the conclusion of the last year of the Financial Plan, fund balance is projected to be at the minimum level required by the District's fund balance policy. Fund balance is allocated solely for recurring expenditures and is indicative of a structural imbalance.

A significant risk exists in a key underlying assumption to this Financial Plan as it relates to enrollment. The District has provided a budget based on enrollment nearly returning to pre-pandemic levels; if enrollment figures are lower, revenues to the District would be impacted. A recommendation within the District's Financial Plan is to "prepare a study to assist in aligning staffing and facilities over the long-term to student counts" and also states that "gap closing measures, which will likely become necessary at some point during this Plan will need to focus on the structure of our schools, both in terms of the number of schools, the number of students at those schools, and how they are funded." These needs become more urgent if enrollment does not recover to pre-pandemic levels as anticipated. BFSA agrees with this recommendation. Furthermore, we recommend the District consider conducting an independent demographic study to understand changes and trends within the City of Buffalo's population to be able to better forecast pupil enrollment.

NYS has provided significant increases in Foundation Aid, beginning with the 2021-22 fiscal year and continuing through FY 2023-24. The increase in Foundation Aid for the year ending June 30, 2022 is projected at $41.2 million, and furthermore is budgeted to increase by $35.0 million in FY 2022-23 and $44.0 million in FY 2023-24. The cumulative four-year increase to Foundation Aid over the Financial Plan is $172.1 million. There is a significant offset to this increase in NYS Building Aid which decreases by a cumulative $43.3 million over the Financial Plan.

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. There is no federal aid reflected in the General Fund excepting $8.0 million in federal stimulus funds from indirect cost expenditures that are recorded as revenues within the General Fund. These funds total an estimated $16.0 million over FY 2022-23 and FY 2023-24. All other federal aid is reported in the Special Revenue Fund. The total amount of federal stimulus awarded to the District was $289.6 million. The District has included $228.4 million in funding and appropriations over the next two years. The CRRSA – ESSER II funding is available through September 2021. The ARPA - ESSER III funding is available through September 2024. The Financial Plan includes the elimination of 326 positions in FY 2024-25 after federal stimulus is no longer available. Beginning in FY 2024-25, the costs to continue ELT and expanded Summer School programs as funded initially by federal aid is brought into General Fund; total amount in years 3 and 4 are cumulative at $12.0 million.

The Financial Plan was developed using consistent underlying key assumptions, adjusted for known changes, with the exception of budgeted teaching positions. The Plan assumes that teaching positions will be reduced at a rate of 6.5 teachers for each 100 students that leave District schools for charter schools. This equates to a reduction of 81 teachers over the Financial Plan with a cumulative financial impact of $9.0 million in reduced spending.

Introduction

The City of Buffalo (City) submitted Buffalo Municipal Housing Authority's fiscal year (FY) 2022-23 Consolidated Adopted Budget (Adopted Budget) and FY 2023-2026 Consolidated Financial Plan (Financial Plan) to the Buffalo Fiscal Stability Authority (BFSA) on May 2, 2022. The Adopted Budget and Financial Plan were approved by the Buffalo Municipal Housing Authority's Board of Commissioners on April 21, 2022. 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).

Economic Factors Impacting the Buffalo Municipal Housing Authority (BMHA) 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.

Financial Plan Consolidated Summary

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

FY 2023-2026 Financial Plan Consolidated Summary

Description	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	Totals
	$ in Millions					
Total Revenues	$51.2	$54.9	$56.1	$57.3	$58.5	$226.8
Total Expenses	49.2	52.5	52.9	53.4	53.8	212.6
Net Operating Income (Loss) before Debt Service	2.0	$2.4	$3.2	$3.9	$4.7	$14.2
Debt Service - Principal Reduction	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)
Net Income Reduced for Debt Service - Principal Reduction	0.1	0.4	1.2	1.9	2.7	6.2
Cash Impact after Removal of the Non-cash OPEB Accrual	$1.5	$2.0	$2.8	$3.5	$4.3	$12.6

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

The Adopted Budget contains budgeted net income of $2.4 million prior to the payment of principal on outstanding debt. The three out-years of the Financial Plan include net income ranging between $3.2 million and $4.7 million before the payment of principal on debt. After reducing net income for the impact of principal debt payments and adding back in the $1.6 million non-cash accrual for Other Post-Employment Benefits (OPEB), BMHA is projecting a cumulative, four-year surplus of $12.6 million.

Revenues in total are budgeted to increase $3.7 million, or 7.2%, in FY 2022-23 as compared to the FY 2021-22 Adopted Budget and are comprised of the following increases:

- HUD Subsidy: $1.3 million (6.5%)
- Net Dwelling/Non-Dwelling Income: $0.2 million (1.4%)
- HUD PHA Grants – Vouchers: $0.4 million (6.2%)
- All Other Revenues: $1.0 million (14.1%)
- Transfers from Capital Grants: $0.8 million (26.7%)

Revenues are projected to increase $3.6 million from $54.9 million in FY 2022-23 to $58.5 million in FY 2025-26, representing a 6.6% increase over the Financial Plan.

Expenses in total are budgeted to increase $3.3 million, or 6.7%, in FY 2022-23 as compared to the FY 2021-22 Adopted Budget and are comprised of the following increases:

- General Expenses: $0.4 million (2.8%)
- Maintenance Expenses: $0.2 million (1.7%)
- Administrative Expenses: $1.0 million (10.4%)
- Utility Expenses: $0.4 million (7.1%)
- Other Expenses: $0.9 million (13.8%)
- Personnel Services/Resident Service Costs: $0.4 million (33.3%)

Expenses are projected to increase $1.3 million from $52.5 million in FY 2022-23 to $53.8 million in FY 2025-26, representing a 2.5% increase over the Financial Plan. As revenues exceed expenses in each fiscal year of the Financial Plan, BMHA appears to be operationally balanced on a consolidated basis.

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 FYs 2024 through 2026.

Individual Financial Plan Summary

The AMP Financial Plan includes $37.6 million in FY 2022-23 revenues and $34.5 million in FY 2022-23 expenses. Each fiscal year includes net income increasing from $3.1 million in FY 2022-23 to $4.8 million in FY 2025-26. Cumulative net income is $15.8 million. The four-year cumulative cash impact after debt service principal payment and removal of the non-cash OPEB accrual is $13.0 million.

The AMP Adopted Budget and Financial Plan are operationally balanced within each fiscal year of the plan. Operating reserves are projected to increase from $7.2 million at June 30, 2023 to $14.6 million at June 30, 2026.

The Marine Drive Financial Plan includes $3.4 million in FY 2022-23 revenues and $3.7 million in FY 2022-23 expenses. The Marine Drive Financial Plan includes a negative cashflow in all four Financial Plan years totaling ($0.5) million in FY 2022-23 and a cumulative ($1.8) million.

The Marine Drive Financial Plan is not balanced as presented.

The COCC Financial Plan includes $6.2 million in FY 2022-23 revenues and $6.6 million in FY 2022-23 expenses. After removing the non-cash OPEB accrual, the COCC FY 2022-23 Adopted Budget has a positive, $0.1 million cashflow. However, FY2024-25 and FY 2025-26 include negative cashflows ranging of ($0.1) million. The cumulative, four-year cash impact is ($0.1) million.

The COCC Financial Plan is not balanced overall as presented, though the ($0.1) million cumulative cash impact is not significant relative to the COCC Financial Plan's size.

The Section 8 Financial Plan includes $7.7 million in FY 2022-23 revenues and expenses. Section 8 revenues increase to $8.4 million by FY 2025-26. Section 8 expenses are held flat at $7.7 million in all four year of the Section 8 Financial Plan.

The Section 8 program operates as a pass-through of HUD PHA Grants – Vouchers as Housing Assistance Payments. Section 8's three outyears of the Financial Plan underestimate expenses.

<u>Consolidated Revenues</u>

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 2023-2026 Financial Plan Revenues

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
HUD Subsidy	$18.2	$20.1	$21.4	$22.1	$22.7	$23.4	$2.0	9.3%
Net Dwelling/Non-Dwelling Income	15.0	14.6	14.8	15.0	15.4	15.7	0.9	6.1%
HUD PHA Grants - Vouchers	6.4	6.4	6.8	7.0	7.2	7.4	0.6	8.8%
All Other Revenues	6.7	7.1	8.1	8.2	8.2	8.2	0.1	1.2%
Transfers from Capital Grants	2.5	3.0	3.8	3.8	3.8	3.8	0.0	0.0%
Total Revenue	**$48.8**	**$51.2**	**$54.9**	**$56.1**	**$57.3**	**$58.5**	**$3.6**	**6.6%**

<u>HUD Subsidy</u>

Percent of Total Consolidated FY 2022-23 Revenues – 39.0%

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 2022 appropriation totals $56.5 billion, an overall increase of $6.8 billion from the prior fiscal year. The total HUD operating subsidy totals $8.64 billion, an $834 million increase over FY 2021. This includes $3.4 billion to meet the full annual capital accrual need to improve the quality and safety of public housing. While these funds related to capital improvements, they are disseminated to PHAs through the operating subsidy.

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 $21.4 million for FY 2022-23, a $1.3 million, or 6.5% increase, over the prior fiscal year's budget. The operating subsidy is anticipated to increase $2.0 million, or 9.3%, over the Financial Plan. The increase is forecasted based on BMHA's inflationary estimate of 3% and a proration of 100% from FY 2022-23 to FY 2025-26.

The HUD subsidy funds AMP operations. The projected proration rate of 100% of eligible expenses is based on the most recent interim proration funding cycle. BMHA has previously estimated that it would receive approximately $268,000 in HUD subsidy per year for every 1% increase in occupancy.

BMHA will receive an additional $1.2 million in HUD subsidy in FY 2022-23. These additional revenues are included within each Financial Plan fiscal year. The additional HUD subsidy is from a program intended to elevate the reserves of certain PHAs. The $1.2 million of additional subsidy is carried throughout the Financial Plan but eligibility terminates when reserves are equal to four months of AMP expenses.

The following depicts the HUD Subsidy by individual budget.

Consolidated FY 2023-2026 Financial Plan Revenues								
Description	**2020-21 Adopted Budget**	**2021-22 Adopted Budget**	**2022-23 Adopted Budget**	**2023-24 Outyear 1**	**2024-25 Outyear 2**	**2025-26 Outyear 3**	**$ Change from Year 1-4**	**% Change from Year 1-4**
	$ in Millions							
HUD Subsidy								
AMP	$18.2	$20.1	$21.4	$22.1	$22.7	$23.4	$2.0	9.3%
COCC	0.0	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	0.0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total HUD Subsidy	**$18.2**	**$20.1**	**$21.4**	**$22.1**	**$22.7**	**$23.4**	**$2.0**	**9.3%**

The budgeted increase in FY 2022-23 is reasonable given the current fiscal year-end (CFYE) estimate of $20.1 million as well as HUD's methodology in determining interim proration levels prior to a determination based on actual eligibility. For March and April funding, HUD considered estimate eligibility and the 2022 appropriation amount to provide for an interim proration level of 95%.

The operating subsidy from HUD is projected to grow at a rate that exceeds the rate of growth for all other revenues.

Dwelling/Non-Dwelling Income

Percent of Total Consolidated FY 2022-23 Revenues – 27.0%

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.

Consolidated FY 2023-2026 Financial Plan Revenues

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
Net Dwelling/Non-Dwelling Income								
AMP	$11.7	$11.4	$11.6	$11.8	$12.1	$12.3	$0.7	6.0%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Marine Drive	3.3	3.2	3.2	3.2	3.3	3.4	0.2	6.2%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total Net Dwelling/Non-Dwelling Income	**$15.0**	**$14.6**	**$14.8**	**$15.0**	**$15.4**	**$15.7**	**$0.9**	**6.1%**

BMHA has budgeted $14.8 million in net dwelling/non-dwelling income. Net Dwelling/Non-Dwelling income is anticipated to increase $0.9 million, or 6.1%, over the Financial Plan based on an inflationary factor of 2.0% annually. Of the $14.8 million in dwelling/non-dwelling income, $14.5 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. The average family income is $15,000. Marine Drive residents pay a flat rent based on unit size and the number of bedrooms within the apartment. If the AMP is a part of the Low-Income Housing Tax Credit (LIHTC) program, a flat rent may also 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 2020 Coronavirus Recession significantly impacted household incomes. The monthly rents for many tenants were reduced as tenant household income was reduced. Tenant accounts receivable (TAR) grew to $4.4 million, over 40% of annual tenant rents. 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. Marine Drive budgets are particularly dependent on rental income as the facility does not receive an operating subsidy. 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, 2021.

Voucher Grants
Percent of Total Consolidated FY 2022-23 Revenues – 12.4%

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 2023-2026 Financial Plan Revenues								
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 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	0.0%
COCC	0.0	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	0.0%
Section 8	6.2	6.4	6.8	7.0	7.2	7.4	0.6	8.8%
Total HUD PHA Grants - Vouchers	**$6.2**	**$6.4**	**$6.8**	**$7.0**	**$7.2**	**$7.4**	**$0.6**	**8.8%**

The FY 2022-23 Adopted Budget includes $6.8 million in Voucher Grants. 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 a negligible 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.

Transfers from Capital Grants
Percent of Total Consolidated FY 2022-23 Revenues – 6.9%

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 2023-2026 Financial Plan Revenues								
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
Transfers from Capital Grants								
AMP	$2.5	$3.0	$3.8	$3.8	$3.8	$3.8	$0.0	0%
COCC	0.0	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	0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0%
Total Transfers from Capital Grants	**$2.5**	**$3.0**	**$3.8**	**$3.8**	**$3.8**	**$3.8**	**$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 five-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 $3.8 million in the Adopted Budget and in each fiscal year of the Financial Plan.

All Other Revenues
Percent of Total Consolidated FY 2022-23 Revenues – 14.7%

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 $8.1 million in the Adopted Budget.

The following depicts All Other Revenues by individual budget.

Consolidated FY 2023-2026 Financial Plan Revenues								
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 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	$0.8	$0.0	0.0%
COCC	4.7	5.1	6.2	6.2	6.2	6.2	0.0	0.0%
Marine Drive	0.1	0.2	0.2	0.2	0.2	0.2	0.0	0.0%
Section 8	1.0	1.0	0.9	1.0	1.0	1.0	0.1	11.1%
Total All Other Revenues	**$6.7**	**$7.1**	**$8.1**	**$8.2**	**$8.2**	**$8.2**	**$0.1**	**1.2%**

All Other Revenues remain relatively static over the Financial Plan at $8.1 million in FY 2022-23 and $8.2 million in FY 2023-24 through FY 2025-26. 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.

<u>Consolidated Revenue Summary</u>

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. TARs grew exponentially over the Covid-19 Pandemic from $0.5 million in March 2020 to $4.4 million by March 2022. 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 2023-24.

The HUD Operating Subsidy appears to be reasonably estimated given the current fiscal year-end (CFYE) projected amount of $21.4 million and the 2022 HUD Operating Fund allocation. Over the last five years, the proration factor has ranged between 82.35% and 97.6%.

<u>Consolidated Expenses</u>

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 2023-2026 Financial Plan Expenses								
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
General Expenses	$13.0	$14.1	$14.5	$14.6	$14.7	$14.8	$0.3	2.1%
Maintenance	11.0	12.1	12.3	12.4	12.5	12.7	0.4	3.3%
Administrative	9.4	9.6	10.6	10.7	10.9	10.9	0.3	2.8%
Utility	5.5	5.6	6.0	6.2	6.3	6.4	0.4	6.7%
Other Expenses	6.6	6.9	7.4	7.4	7.4	7.4	0.0	0.0%
Protective Services/ Resident Service Costs	1.5	1.2	1.6	1.6	1.6	1.6	0.0	0.0%
Total Expenses	**$47.0**	**$49.5**	**$52.5**	**$52.9**	**$53.4**	**$53.8**	**$1.3**	**0.0%**

General Expenses
Percent of Total Consolidated FY 2022-23 Expenses – 27.8%

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

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

Consolidated FY 2023-2026 Financial Plan Expenses								
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
General Expenses								
AMP	$10.0	$11.4	$10.5	$10.5	$10.6	$10.7	$0.2	1.9%
COCC	2.1	2.1	2.9	3.0	3.0	3.0	0.1	3.4%
Marine Drive	0.9	0.7	1.1	1.1	1.1	1.1	0.0	0.0%
Section 8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total General Expenses	**$13.1**	**$14.2**	**$14.5**	**$14.6**	**$14.7**	**$14.8**	**$0.3**	**2.1%**

BMHA has budgeted $14.5 million in General Expenses. The Financial Plan projects these expenses to increase by $0.3 million, or 2.1%, over the Financial Plan. BMHA has budgeted employee benefits at $5.1 million in each fiscal year. No inflationary factor was applied. 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 19.2% 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 moved to a less costly Medicare Advantage plan at age 65. Qualifying retirees are moved to a less costly HMO Medicaid plan with BMHA reimbursing 100% of the plan's costs. Retirees are eligible to continue the same coverage as immediately before retirement, for their lifetime. At June 30, 2021, 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
Percent of Total Consolidated FY 2022-23 Expenses – 23.4%

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 2023-2026 Financial Plan Expenses

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
Maintenance								
AMP	$9.5	$10.2	$10.7	$10.8	$10.9	$11.0	$0.3	2.8%
COCC	0.2	0.3	0.3	0.3	0.3	0.3	0.0	0.0%
Marine Drive	1.3	1.6	1.3	1.3	1.4	1.4	0.1	0.0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total Maintenance	**$11.0**	**$12.1**	**$12.3**	**$12.4**	**$12.6**	**$12.7**	**$0.4**	**3.3%**

BMHA has budgeted $12.3 million in Maintenance Expenses in FY 2022-23. 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 2% increases included for FY 2023-24 through FY 2025-26 as estimated increases. A $0.1 million increase in maintenance costs is associated with the LIHTC program.

Administration
Percent of Total Consolidated FY 2022-23 Expenses – 20.2%

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 2023-2026 Financial Plan Expenses								
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
Administration								
AMP	$5.6	$5.6	$6.0	$6.0	$6.2	$6.2	$0.2	3.3%
COCC	2.5	2.7	3.3	3.4	3.4	3.4	0.1	3.0%
Marine Drive	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.0%
Section 8	0.6	0.8	0.8	0.8	0.8	0.8	0.0	0.0%
Total Administration	**$9.2**	**$9.6**	**$10.6**	**$10.7**	**$10.9**	**$10.9**	**$0.3**	**2.8%**

BMHA has budgeted $10.6 million in Administrative Expenses in FY 2022-23. The Financial Plan projects these expenses to increase by $0.3 million, or 2.8%, 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 $5.3 million in FY 2022-23 to $5.6 million in FY 2025-26. As the labor agreement expires on June 30, 2023, the 2% increases included for FY 2023-24 through FY 2025-26 are estimated increases.

Utilities
Percent of Total Consolidated FY 2022-23 Expenses – 11.5%

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 2023-2026 Financial Plan Expenses								
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
Utility								
AMP	$4.9	$5.0	$5.3	$5.5	$5.6	$5.7	$0.4	7.5%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Marine Drive	0.6	0.6	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	0.0%
Total Utility	**$5.5**	**$5.6**	**$6.0**	**$6.2**	**$6.3**	**$6.4**	**$0.4**	**6.7%**

BMHA has budgeted $6.0 million in Utility expenses in FY 2022-23. Actual Utility expenses were $5.9 million at March 31, 2022, $1.7 million in excess of the budget-to-date amount of $4.2 million and 107% of the full FY 2021-22 budgeted amount. Utilities are projected to increase 6.7% over the four years of the Financial Plan based on a 5% inflation projection. Additionally, the utility employee cost is anticipated to increase 8.9% over the Financial Plan, based on the settled labor agreement. As the labor agreement expires on June 30, 2023, the 2% increases included for FY 2023-24 through FY 2025-26 are estimated increases. 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
Percent of Total Consolidated Expenses – 3.0%

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 2023-2026 Financial Plan Expenses

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
Protective Services/ Resident Service Costs								
AMP	$1.3	$1.0	$1.4	$1.4	$1.4	$1.4	$0.0	0.0%
COCC	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0%
Marine Drive	0.1	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	0.0%
Total Protective Services/ Resident Service Costs	**$1.5**	**$1.2**	**$1.6**	**$1.6**	**$1.6**	**$1.6**	**$0.0**	**0.0%**

BMHA has budgeted $1.6 million for Protective and Resident Service Expense in FY 2022-23. 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 $512,133 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 $0.9 million in FY 2022-23, consistent with the prior year.

Other Expenses
Percent of Total Consolidated Expenses – 14.1%

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 2023-2026 Financial Plan Expenses

Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
Other Expenses								
AMP	$0.1	$0.0	$0.5	$0.5	$0.5	$0.5	$0.0	0.0%
COCC	0.0	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	0.0%
Section 8	6.2	6.5	6.9	6.9	6.9	6.9	0.0	0.0%
Total Other Expenses	**$6.3**	**$6.5**	**$7.4**	**$7.4**	**$7.4**	**$7.4**	**$0.0**	**0.0%**

The BMHA has budgeted $7.4 million for Other Expenses in FY 2022-23. These expenses are held flat over the Financial Plan. This includes the HAP expenses at $6.7 million in each fiscal year of the Financial Plan. As noted, the HUD PHA Grant – Vouchers increases annually by $0.2 million. The HAP expense will increase at an amount correlated with the revenue receipt. Total Other Expenses are therefore underestimated in all three Financial Plan outyears.

Consolidated Expense Summary
BFSA has reviewed BMHA's expense assumptions and determined that they appear fairly stated overall. Total FY 2021-22 expenses are projected at $51.5 million, equal to the FY 2022-23 Adopted Budget. Salaries appear to be reasonable and potentially somewhat overstated based on the current labor contracts and the budgeted staffing levels. Total Employee Compensation and Benefits increase 13% from FY 2021-22 to FY 2022-23. This includes an 8% increase in the average employee salary and 4.8% in average employee compensation. While Employee Benefits for active employees are flat over the Financial Plan, the FY 2022-23 amount appears overstated. The outyear projections appear reasonable.

OPEB for retirees was increased by 8.9% from FY 2021-22 to FY 2022-23. The OPEB Normal non-cash accrual was increased by 10.6% over from budget-to-budget. Combined OPEB expenses are significantly under budget in the CFY by $1.0 million or 52%. The FY 2022-23 Adopted Budget includes budgeted OPEB expenses that appear overstated. While no inflationary factor was applied to the OPEB liability, the budgeted amounts appear reasonable if not overstated in the Financial Plan, particularly in FY 2022-23. The overall OPEB liability has decreased in based on plan experience and the transition of retirees in to lower cost Medicare Advantage and HMO Medicaid plans.

All collective bargaining units are scheduled to receive 2% annual salary increases in FY 2022-23. The labor agreements expire on June 30, 2023. FY 2023-24 through FY 2025-26 include a 2% annual salary increase based on the assumption of a settled labor agreement.

Personnel
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 $13.9 million included in the 2021-22 Adopted Budget to $15.8 million in FY 2022-23, a 13.7% increase.

Total employee salaries and benefits are budgeted at $15.8 million in FY 2022-23 and are projected to increase $0.6 million to $16.4 million over the Financial Plan. The increase in employee salaries and employee benefits is based on an increased number of budgeted positions and the contractual increases in employees' labor agreements in FY 2022-23 and estimated increases in FY 2023-24 through FY 2025-26.

The Adopted Budget includes nine newly budgeted positions including: five executives (Assistant Executive Director, Communications, Marketing Manager, Paralegal and Management Analyst), one finance, one capital improvement, and 2 asset management positions.

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

BMHA STAFFING FY 2023-2026 FINANCIAL PLAN			
Employee Group	**2021-22 Adopted Budget**	**2022-23 Adopted Budget**	**FY 2023-2026 Outyears 1-3***
Executive	**9**	**14**	**14**
MIS	**3**	**3**	**3**
Finance	**11**	**12**	**12**
Personnel	**4**	**4**	**4**
Capital Improvements	**14**	**15**	**15**
Asset Management	**118**	**120**	**120**
Total	**159**	**168**	**168**

** The number of budgeted positions in FY 2022-23 are maintained flat over the FY 2023-2026 Financial Plan.*

The total number of budgeted positions is 168 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.

AMP Financial Plan

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 2023-2026 Financial Plan Summary							
\	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	Totals
	$ in Millions						
Total Revenues	$33.3	$35.3	$37.6	$38.5	$39.4	$40.3	**$155.8**
Total Expenses	31.4	33.2	34.5	34.8	35.2	35.5	**140.0**
Net Operating Income (Loss) before Debt Service	**1.9**	**2.1**	**3.1**	**3.7**	**4.2**	**4.8**	**15.8**
Debt Service - Principal Reduction	**(1.5)**	**(1.7)**	**(1.7)**	**(1.7)**	**(1.7)**	**(1.7)**	**(6.8)**
Net Income reduced for Debt Service - Principal Reduction	0.4	0.4	1.4	2.0	2.5	3.1	**9.0**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**$1.1**	**$1.3**	**$2.4**	**$3.0**	**$3.5**	**$4.1**	**$13.0**

AMP revenues account for $37.6 million, or 68.5% of total FY 2022-23 estimated revenues. AMP expenses account for $34.5 million, or 62.8% of total FY 2022-23 budgeted expenses. The AMP budget is the largest component within the overall Adopted Budget.
The FY 2022-23 AMP Adopted Budget depicts $3.1 million in net operating income. The cash impact after $1.7 million of debt service payments and removing the non-cash $1.0 million OPEB accrual is a positive $2.4 million. The cumulative four-year operating income is $15.8 million. The net cash impact after paying the principal paid on debt and removing the non-cash OPEB accrual is a cumulative $13.0 million. AMP operating reserves are projected to increase from $7.2 million at June 30, 2023 to $14.6 million at June 30, 2026.

Central Office Cost Center Financial Plan

The COCC 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.

Central Office Cost Center (COCC) FY 2023 -2026 Financial Plan Summary							
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	Totals
	$ in Millions						
Total Revenues	$4.8	$5.1	$6.2	$6.2	$6.2	$6.2	**$24.8**
Total Expenses	4.9	5.2	6.6	6.7	6.8	6.8	**26.9**
Net Operating Income (Loss) before Debt Service	**(0.1)**	**(0.1)**	**(0.4)**	**(0.5)**	**(0.6)**	**(0.6)**	**(2.1)**
Debt Service - Principal Reduction	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Net Income reduced for Debt Service - Principal Reduction	(0.1)	(0.1)	(0.4)	(0.5)	(0.6)	(0.6)	**(2.1)**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**$0.4**	**$0.3**	**$0.1**	**$0.0**	**($0.1)**	**($0.1)**	**($0.1)**

COCC revenues account for $6.2 million, or 11.3% of total FY 2022-23 estimated revenues. COCC expenses account for $6.6, or 12.6% of total FY 2022-23 budgeted expenses.

The BMHA has budgeted a net operating loss of $0.4 million in FY 2022-23. A net loss is projected in each fiscal year for a cumulative four-year deficit of $2.1 million. The cash impact is $0.1 million in FY 2021-22 after removing the $0.5 million non-cash OPEB accrual. A cumulative four-year deficit of $0.1 million is budgeted after removing a cumulative $2.0 million OPEB accrual.

The Adopted Financial Plan is not balanced overall; the cumulative, four-year deficit of $0.1 million is not significant when compared to the overall budget.

The COCC had $1.1 million in operating reserves at June 30, 2021. These reserves would be available to close any outyear deficit as depicted within the COCC Financial Plan. Additionally, the COCC budget may be able to receive an estimated $0.4 million in Asset Management Fee revenues beginning in FY 2023-24. These COCC revenues would represent a corresponding AMP budget expense.

Marine Drive Financial Plan

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 in December 2019.

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

Marine Drive FY 2023-2026 Financial Plan Summary							
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	Totals
	$ in Millions						
Total Revenues	$3.4	$3.4	3.4	3.4	3.5	3.6	**$13.9**
Total Expenses	3.4	3.5	3.7	3.7	3.7	3.8	**14.9**
Net Operating Income (Loss) before Debt Service	**0.0**	**(0.1)**	**(0.3)**	**(0.3)**	**(0.2)**	**(0.2)**	**(1.0)**
Debt Service - Principal Reduction	**(0.2)**	**(0.2)**	**(0.3)**	**(0.3)**	**(0.3)**	**(0.3)**	**(1.2)**
Net Income reduced for Debt Service - Principal Reduction	**(0.3)**	**(0.3)**	**(0.6)**	**(0.6)**	**(0.5)**	**(0.5)**	**(2.2)**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**($0.2)**	**($0.2)**	**(0.5)**	**(0.5)**	**(0.4)**	**(0.4)**	**($1.8)**

Marine Drive revenues account for $3.4, or 6.2% of total FY 2022-23 estimated revenues. Marine Drive expenses account for $3.7 million, or 7.0% of total FY 2022-23 budgeted expenses.

The FY 2022-23 Marine Drive Adopted Budget includes an increase of rental receipts of $0.2 million over the FY 2021-22 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 2022-23 cash impact is budgeted at ($0.5) million. The four-year cash impact is projected to be ($1.8 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 potentially funded through COCC current year operations or through COCC reserves to the extent available as Marine Drive does not have any operating reserves.

BMHA has taken two actions to address Marine Drive’s budgetary shortfall. BMHA has applied to the New York State Homes and Community Renewal to 1) increase Marine Drive’s flat rents, potentially yielding an additional $250,000 in additional annual dwelling income, and 2) allow project-based housing vouchers, potentially yielding an additional $0.8 million in additional, annual revenues. If these actions yield results as estimated by BMHA management, the new revenues would be sufficient to address the deficits as projected.

Section 8 Financial Plan

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

Section 8 FY 2023-2026 Financial Plan Summary							
Description	2020-21 Adopted Budget	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	Totals
	$ in Millions						
Total Revenues	$7.4	$7.7	$7.7	$8.0	$8.2	$8.4	$40.0
Total Expenses	7.3	7.7	7.7	7.7	7.7	7.7	38.5
Net Operating Income (Loss) before Debt Service	0.1	0.0	0.0	0.3	0.5	0.7	1.5
Debt Service - Principal Reduction	0.0	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	0.3	0.5	0.7	1.5
Cash Impact after Removal of the Non-cash OPEB Accrual)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0

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 14.0% of total FY 2022-23 revenues. Section 8 expenses account for $7.7 million, or 14.7% of total FY 2022-23 expenses.

The Section 8 Financial Plan is balanced as budgeted revenues either meet or exceed budgeted expenses in each fiscal year. HUD PHA Grants total $6.9 million in FY 2022-23, 88.3% of total Section 8 revenues. These revenues increase by $0.6 million, or 8.8% to $7.4 million in FY 2025-26. Housing Assistance Payments (HAPs) are flat in each fiscal year at $6.7 million. Since the HAPs are the voucher disbursements of the PHA Grants, these amounts should increase annually at a rate correlated with PHA Grants received. As such, the Section 8 Financial Plan understates its expenses within the three outyears by a cumulative $1.5 million. Any reported surplus or deficit is temporary in nature as the program self-balances.

The following depicts the BMHA's Consolidated Financial Plan with Section 8 expenses adjusted to Section 8 revenues.

FY 2023-2026 Financial Plan Consolidated Summary (w/ Section 8 Adjustments)						
Description	2021-22 Adopted Budget	2022-23 Adopted Budget	2023-24 Outyear 1	2024-25 Outyear 2	2025-26 Outyear 3	Totals
	$ in Millions					
Total Revenues	$51.2	$54.9	$56.1	$57.3	$58.5	$226.8
Total Expenses	49.2	52.5	53.2	53.9	54.5	214.1
Net Operating Income (Loss) before Debt Service	2.0	2.4	2.9	3.4	4.0	12.7
Debt Service - Principal Reduction	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)
Net Income Reduced for Debt Service - Principal Reduction	0.1	0.4	0.9	1.4	2.0	4.7
Cash Impact after Removal of the Non-cash OPEB Accrual	$1.5	$2.0	$2.5	$3.0	$3.6	$11.1

Conclusions

Revenues and expenses appear fairly stated overall within the 2023-2026 Financial Plan on both an individual and consolidated basis. The Financial Plan projects a four-year cumulative surplus of $14.2 million and a four-year positive cashflow of $12.6 million. The fiscal 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 fiscal impact from implementing the Section 8 voucher program. The revised four-year cumulative surplus after eliminating the Section 8 unit is $12.7 million and a four-year positive cashflow of $11.1 million.

The Marine Drive Adopted Budget and Financial Plan is not balanced. A four-year deficit of $1.0 million is projected with a $1.8 million total cash outflow projected over the same period. Marine Drive does not have sufficient operating reserves available to address budgetary deficits. BMHA has taken the initial steps to increase Marine Drive revenue receipts by an estimated $1.25 million annually. These steps require approval from New York State. BFSA previously recommended that BMHA prepare a contingency plan to reduce costs where possible in the event actual losses create a need to implement a revised operating program. In the event New York State does not approve these items, a plan will need to be developed.

The Section 8 Adopted Budget and Financial Plan are balanced. FY 2022-23 Revenues are equal to FY 2022-23 Expenses. The Financial Plan's three outyears depict increasing revenues but flat expenses. The Section 8 Financial Plan understates expenses within the three outyears are the budget is a passthrough of federal Housing Choice Vouchers as Housing Assistance Payments. This underestimate does not impact BMHA's overall financial position. As noted above, the fiscal impact related to this unit should be eliminated.

All collective bargaining units and non-represented employees will be under contract for the first year 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 fiscal year of the Financial Plan. The 2% inflationary factor applied to employee salaries in the final three fiscal years of the Financial Plan reasonably estimates the impact that settling these labor agreements will have.

Net income is projected in each of the four years of the Financial Plan. BMHA has budgeted the HUD Operating Subsidy based on a 100% proration. The current proration rate is 95%. There is a risk to the plan that revenues are decreased in the event the actual proration is less than 100%. Additionally, revenues could potentially be overstated by the additional $1.2 million operating subsidy provided to BMHA annually until four months of operating reserves are available; this could impact the last two years of the Financial Plan. BMHA will adjust future plans as necessary and BFSA considers this a mitigated risk as the intent of the program itself is to assist PHAs to achieve a minimum level of financial stability.

The following report is based on the 2022-23 Adopted Budget and 2023-2026 Financial Plan. The proposed 2022-23 Budget and 2023-2026 Financial Plan was originally submitted to the BFSA by the Buffalo Urban Renewal Agency ("BURA") on May 2, 2022. The BURA Board of Directors reviewed and approved the 2022-23 Adopted Budget at the May 26, 2022 BURA Board meeting. There were no changes to the budget or the 2023-2026 Financial Plan at that time, as BURA was still awaiting the annual award letter from the U.S. Department of Housing and Urban Development ("HUD").

Grant revenues administered by BURA on behalf of the City of Buffalo (the "City") 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 was conservative in the original estimate and included modest year-to-year increases. The City did not receive the annual allocation letter from HUD which identifies the total amount of funding awarded to the City and used to determine the portion to be provided to BURA May 27th, 2022 after the 2022-23 budget was adopted. It is noted that BURA planned on modifying the 2023-2026 Financial Plan to reflect the HUD allotments and the modified 2022-23 budget and 2023-2026 Financial Plan was approved at the August 4, 2022 BURA board meeting.

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. Approximately $8.2 million of the original allocation of funds are included in the 2022-23 Adopted Budget and 2023-2026 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.

In addition to the CDBG-CV funds, BURA will be administering additional American Rescue Act Plan ("ARPA") resources on behalf of the City. These additional programs include the City ARPA Affordable Housing Advancement Fund ("ARPA AFHA"), HOME ARPA funds and the Health Equity Grant. On a combined basis these three programs provide an additional $20.3 million of City ARPA funds to BURA for targeted program investments. These allocations are one-time resources and will not be available once they are disbursed. Program details will be discussed in further detail later in this report.

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 2020 census determined the City population was 278,349, an increase of 17,039, or 6.5 percent, over the 2010 census number of 261,310. The impact of the recent 2020 census on the HUD allocation is unknown at this time, as the allocation letter has not been received. Historically the reduction in population had a negative impact on the amount of funding provided by HUD since the results of the census were released.

It is assumed that there will be an increase in the allocation, however the extent of the estimated increase is unknown. BURA has determined to keep the allocation relatively flat year-to-year until the letter is received. Total entitlement funds have decreased between 2010-11 and 2021-22 by $4.4 million, or 18.5 percent, since the 2010-11 fiscal year and is partially reflective of the 2010 census results. The impact from the 2020 census on the City and BURA should be known with the 2022-23 Entitlement allocation.

BURA's assumptions include a total increase of $112,500 in Entitlement Funds on a year-to-year basis. The assumptions include an increase of $68,500, or 0.5 percent, for CDBG funds, an increase of $44,000, or 5.1 percent, in ESG funds and both HOME and HOPWA are estimated to be consistent with the prior year. It is noted that due to the influx of additional resources and the ability to draw on unspent prior year allocations, BURA has sufficient resources to deliver the services that are core to BURA's mission.

It is noted that the City of Buffalo has been awarded funds from two temporary federal programs that were first included in the 2021-22 budget; these programs consist of a lead hazard remediation program and treasury grant known as the Emergency Rental Assistance Program (ERAP) to provide rental assistance in response to the COVID-19 pandemic. BURA as a subrecipient of the City will be administering $1.7 million in funds for the lead hazard remediation program, which is included in the first three-years of the adopted Financial Plan, and $1.2 million for the ERAP program in fiscal year 2022-23.

In addition, BURA will be administering three new programs on behalf of the City with resources for the programs allocated from the City's ARPA funding. These new programs are temporary and will need to be obligated by December 31, 2024 and spent down by December 31,

2026. The new programs are City ARPA AHAF, the Healthy Equity Grant and HOME ARPA funds. As the administrative arm of this portion of the City's ARPA fund, BURA is tasked with making strategic investments in the health and wellbeing of City residents. The purpose of these programs will focus on providing additional affordable housing and providing investments in public health and access to those services to underserved communities.

The BURA Budget Committee reviewed the budget at its May 26, 2022 meeting, and the Board of Directors approved the proposed budget that same day. BURA management expects to submit a revised budget and financial plan to the BURA Board of Directors and the Buffalo Fiscal Stability Authority (the "BFSA") once the final allocation letter is received by the City.

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/ (Decrease)**	
	2022-23**	**2021-22**		
	$	**$**	**$**	**%**
Grant:				
Community Development Block Grant	14,200,000	14,131,481	68,519	0.5%
HOME	3,388,479	3,388,479	0	0.0%
Emergency Shelter Grants*	900,000	855,971	44,029	5.1%
Housing Opportunities for Persons with Aids*	1,197,642	1,197,642	0	0.0%
	19,686,121	19,573,573	112,548	0.6%

**Funds that are administered solely by the City.*
***2023 are currently an estimate, as the City has not received the annual allocation letter from HUD as of May 12, 2022.*

	Amount of Grant Award		**Increase/ (Decrease)**	
	2021-22	**2020-21**		
	$	**$**	**$**	**%**
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%

	Amount of Grant Award		**Increase/ (Decrease)**	
	2020-21	**2019-20**		
	$	**$**	**$**	**%**
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%

As per the schedule above, HUD funding to the City and BURA is estimated to increase $112,550, or 0.6 percent, compared to last year's allocation. This allocation represents an increase of $1.0 million since 2019-20, or 5.1 percent.

The City is the primary administrator of the HOPWA and ESG programs. HOPWA and ESG grants are funds provided to subrecipients for programs at their facilities. Examples of several subrecipients include Jericho Road, Salvation Army and the City Mission.

BURA has budgeted total revenues and expenditures of $29.0 million for 2022-23; unused entitlement funds will carry forward to future years. This represents an increase of $7.7 million (36.2 percent) from the 2021-22 Adopted Budget amount of $21.3 million.

	Adopted Budget 2021-22	Adopted Budget 2022-23	Variance $	Variance %
Total Grant and Program Income	$ 21,305,492	$ 29,010,460	$ 7,704,968	36.2%
Total Program Costs	16,954,392	24,886,460	7,932,068	46.8%
Total Administrative & Planning Costs	4,351,100	4,124,000	(227,100)	-5.2%
Total Expenditures	**$ 21,305,492**	**$ 29,010,460**	**$ 7,704,968**	**36.2%**

The following schedule provides a summary of the 2023–2026 Financial Plan which is developed based on the grant year (October 1 – September 30), beginning with Program Year 48 (2022-23); 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.

	2022-23	2023-24	2024-25	2025-26
Grant Revenues and Related Income				
Community Development Block Grant (CDBG)	$ 6,902,300	$ 7,056,300	$ 7,213,380	$ 7,213,380
CDBG Interest/Rental Income	200,000	200,000	200,000	200,000
HOME Investment Partnership Program	3,300,000	3,366,000	3,433,320	3,433,320
CDBG Program Income	800,000	800,000	800,000	800,000
HOME Program Income	250,000	250,000	250,000	250,000
Community Development Block Grant Cares Act (CDBG-CV)	8,000,000	170,000	-	-
Emergency Rental Assistance Program (ERAP)	1,200,000	-	-	-
Lead Hazard Grant Income	700,000	700,000	300,000	-
Evans Fund	15,000	15,000	15,000	15,000
Cities Rise	374,160	355,840	-	-
City American Rescue Plan Act Affordable Housing Advancement Fund (ARPA AHAF)	5,825,000	4,000,000	1,237,500	1,237,500
Healthy Equity Grant	375,000	600,000	525,000	500,000
HOME American Rescue Plan Act (HOME ARPA)	500,000	1,500,000	2,000,000	2,000,000
General Fund Revenues	569,000	544,000	544,000	544,000
Total Revenue	**$ 29,010,460**	**$ 19,557,140**	**$ 16,518,200**	**$ 16,193,200**
Expenditures				
CDBG CV Program Costs	$ 6,000,000	$ 100,000	$ -	$ -
City ARP AHAF Program Costs	5,575,000	3,745,000	977,400	977,400
CDBG Emergency Loan Program Costs	3,700,000	3,774,000	3,849,480	3,849,480
HOME Program Costs	3,040,000	3,099,400	3,159,988	3,159,988
CDBG Program Delivery	1,800,000	1,836,000	1,872,720	1,872,720
CDBG CV Program Delivery	1,600,000	50,000	-	-
Emergency Rental Assistance Program (ERAP)	1,100,000	-	-	-
Lead Hazard Program Costs	700,000	700,000	300,000	-
Health Equity Program Costs	375,000	600,000	525,000	500,000
Cities Rise	374,160	355,840	-	-
HOME ARPA Program Costs	250,000	1,245,000	1,739,900	1,739,900
CDBG Crime Prevention	202,300	202,300	202,300	202,300
HOME Community Housing Development Organization	100,000	100,000	100,000	100,000
HOME Program Delivery Costs	55,000	55,000	55,000	55,000
Evans Fund Program Costs	15,000	15,000	15,000	15,000
Total Program Costs	**$ 24,886,460**	**$ 15,877,540**	**$ 12,796,788**	**$ 12,471,788**
Administrative & Planning Costs				
CDBG Admin @20% cap (on total CDBG Award) including Program Income	$ 2,200,000	$ 2,244,000	$ 2,288,880	$ 2,288,880
CDBG CV Admin Costs	400,000	20,000	-	-
HOME Admin Costs @10% cap including Program Income	355,000	361,600	368,332	368,332
Emergency Rental Assistance Program Admin (ERAP)	100,000	-	-	-
HOME ARPA Admin	250,000	255,000	260,100	260,100
City ARPA AHAF Admin	250,000	255,000	260,100	260,100
General Fund Costs	569,000	544,000	544,000	544,000
Subtotal Administrative & Planning Costs	**$ 4,124,000**	**$ 3,679,600**	**$ 3,721,412**	**$ 3,721,412**
Total Expenditures	**$ 29,010,460**	**$ 19,557,140**	**$ 16,518,200**	**$ 16,193,200**

Over the four years of the Financial Plan as presented, total grant revenues and expenditures are projected to decrease by $12.8 million, or 44.2 percent; this decrease is driven by the projected spend down of the multiple non-recurring resources provided to BURA, including $8.2 million of CARES-CV funding, $4.6 million of ARPA AHAF funds, $1.7 million for the Lead Hazard Grant and $1.2 million in ERAP funds. BURA has decreased total estimated revenues in the first out-year by 32.6 percent, or $9.5 million, then decreases estimated revenues by 15.5 percent, or $3.0 million, in the second out-year, and a further decrease of 2.0 percent, or $325,000, in the final out-year of the Financial Plan. The estimated decrease in grant revenues over the Financial Plan is reflective of the decrease in CDBG-CV and ARPA funds as well as other non-Entitlement grants that BURA has budgeted for over the first three-years of the financial plan.

In addition to the projected 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 2023-24 and 2024-25, with no increases for fiscal year 2025-26. 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 2022-23 for a total estimated revenue balance of $6.9 million, which is a decrease of $0.3 million compared to the budget amount of $7.2 million in the current year. The reduction is conservative, as BURA awaits the receipt of the HUD allocation letter. The $6.9 million comprises 23.8 percent of the adopted budget and increases to 44.5 percent of total estimated grant revenue in 2025-26. As previously noted, current year entitlement CDBG funding is decreasing by $0.3 million (4.2 percent) in 2022-23 compared to the prior year and is estimated to increase by 2.2 percent in both 2023-24 and 2024-25 and is held flat in 2025-26. 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 $4.5 and $5.5 million at June 30, 2022.

- HOME Investment Partnership Program ("HOME") Program Funds – The annual award of this amount from HUD is estimated to decrease by $88,479, or 2.6 percent, to $3.3 million in 2022-23. 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 the three out-years of the Financial Plan.

  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 11.4 to 21.2 percent of total BURA revenue over the course of the

Financial Plan. Prior year amounts are estimated to be between $2.4 - $2.7 million at June 30, 2022.

- 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 two years of the Financial Plan. A total of $8.2 million has been budgeted as follows: $8.0 million in 2022-23 and $0.2 million in 2023-24. It comprises 27.6 percent of the adopted budget in 2022-23 and decreasing to 0.9 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 5.1 percent, or $420,000, of the CDGB-CV funding over the two-year period. Administrative costs are budgeted at $400,000 in 2022-23 and $20,000 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 2022-23 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 $250,000 in 2022-23 and is held flat at that amount over the three remaining years of the Financial Plan.

- American Rescue Plan ACT Affordable Housing Advancement Fund ("ARPA AHAF") – AHAF funds represent an allocation of the City's ARPA funds that the City has directed BURA to administer on its behalf. A total of $12.3 million has been included over the Financial Plan including $5.8 million in 2022-23, decreasing to $4.0 million in 2023-24 and reduced to $1.2 million in the final two-years of the Financial Plan. The $5.8 million comprises 20.1 percent of the adopted budget and decreases to 7.6 percent of total estimated grant revenue in 2025-26.

The ARPA AHAF funds are allocated for affordable housing trust which will be used to leverage other government and private sources for the construction of 1) new affordable permanent housing for low-moderate income families and persons with disabilities, 2) improvements to existing housing, 3) transitional housing units for displaced residents and their families, and 4) support for a housing stability program and service providers assisting residents who may be impacted when the eviction moratorium ends. The funds must be obligated by December 31, 2024 and spent by December 31, 2026.

- Health Equity Fund – These funds represent an allocation of the City's ARPA funds that the City has directed BURA to administer on its behalf. A total of $2.0 million has been included over the Financial Plan including $375,000 in 2022-23, increasing to $600,000 in 2023-24 and reduced to $525,000 and $500,000 in the final two-years of the Financial Plan. The $375,000 comprises 1.3 percent of the adopted budget and increases to 3.1 percent of total estimated grant revenue in 2025-26.

  The Health Equity funds are a portion of a larger allocation of $10.0 million of ARPA funds being administered by the City to establish a community health clinic on the East Side. The clinic will focus on providing accessible healthcare, wellness and health education programming for residents of the East side. These funds must be obligated by December 31, 2024 and spent by December 31, 2026.

- American Rescue Plan Act HOME ("ARPA HOME") – ARPA HOME funds represent an allocation of the City's ARPA funds that the City has directed BURA to administer on its behalf. A total of $6.0 million has been included over the Financial Plan including $0.5 million in 2022-23, increasing to $1.5 million in 2023-24 and increased to $2.0 million in the final two-years of the Financial Plan. The $0.5 million comprises 1.7 percent of the adopted budget and increases to 12.4 percent of total estimated grant revenue in 2025-26.

  The ARPA HOME funds can be used for four eligible activities including 1) production or preservation of affordable housing, 2) tenant based rental assistance, 3) supportive services, homeless prevention services and housing counseling, and 4) purchase and development of non-congregate shelter. The funds must also be obligated by December 31, 2024 and spent by December 31, 2026.

- 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 received $1.9 million of the grant to be administered through BURA for various programs addressing lead issues in the City of Buffalo, with $1.7 million budgeted in the Financial Plan. The grant is budgeted to be spent down over three years with $0.7 million budgeted in 2022-23 and 2023-24 and $0.3 million included in 2024-25.

- Emergency Rental Assistance Program ("ERAP") – 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 as the subrecipient has $1.2 million remaining and has included that full amount in 2022-23.

- Other revenues include General Fund revenues, the Evans Fund grant and the Enterprise New York's Cities for Responsible Investment and Strategic Enforcement ("Cities RISE") program. General fund revenues represent property rentals, parking and other smaller revenues and are budgeted at approximately $0.6 million in 2022-23. The general fund and Evans fund revenues are projected to be held relatively flat over the financial plan, while Cities RISE is 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 $374,200 in 2022-23 and an additional $355,800 in 2023-24 with the grant expected to be fully expensed in the second year.

  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 $15,000 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 2022-23, as the economy is still rebounding from the COVID-19 Pandemic. Current year rental income at the end of the 3rd quarter was approximately $82,000 below budgeted amounts.

The 2023-2026 Financial Plan is balanced over the four-years, and is being reduced by $12.8 million, or 44.2 percent, as the funding from the CARES Act, ERAP, Lead Hazard Grant and ARPA funds expire. In total there is $31.4 million in one-time revenues that will be used over the Financial Plan with $16.6 million budgeted in 2022-23, $7.0 million budgeted in 2023-24, $4.1 million budgeted in 2024-15, and $3.7 million budgeted in 2025-26. There are significant reductions that are occurring within the non-recuring revenue lines as expected. Historically BURA has 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, however it is noted that most of the aforementioned one-time funds must be spent by December 31, 2026. 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 2021-22 budget will roll forward into the 2022-23 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 ERAP grant cap is 10 percent, but approximately $100,000 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 41 funded positions with salaries and fringe benefits of approximately $4.1 million decreasing to $3.7 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 34 of the 41 positions included in the 2022-23 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 is a decrease of three temporary full time equivalents between the 2021-22 Adopted Budget and the 2022-23 Adopted Budget. Staffing levels are maintained at 41 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, a contract was settled this past year that brought the union current through June 30, 2022 when the labor agreement is set to expire.

BURA management has historically provided the same collective bargaining agreement ("CBA") provisions to exempt employees, including health insurance benefits, however that was not the case with the most recent contract. Exempt employees received one-time bonuses based on years of services as well as the enhanced longevity payments that the unionized employees received. There are thirty-two budgeted classified employees and nine exempt employees within the 2023-2026 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, however future compensation increases will be dependent on the amount of entitlement funds provided by HUD.

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 $7.9 million as follows:

- $5.7 million allocated to CDBG program delivery
    - $3.7 million for emergency loan program
    - $1.8 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
- $2.2 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
    - $3.0 million for rehabilitation and new construction
    - $0.1 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 2.0 percent over the Financial Plan for health insurance costs. The modest increase is based on historic actual, as health insurance costs have actually decreased for BURA over the past two years based on decreased utilization.

- 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 34 properties valued at approximately $3.2 million which are held for redevelopment in accordance with grant regulations.

Conclusion:

BURA has submitted a balanced 2023-2026 Financial Plan, with the intention of revising and modifying the Financial Plan once the final HUD allocation letter is received. 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 2023-2026 Financial Plan appropriately reflects the available CARES funding, ERAP and Additional ARPA funds from the City 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. Significantly, ARPA related funding must be obligated by December 31, 2024 and spent by December 31, 2026; carryover is not permitted by the final regulations governing the federal stimulus awards.

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

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 <u>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</u>. 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 <u>of Nassau</u> 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 <u>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</u>. 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) <u>(1)</u> 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

OFFICIAL COPY

STATE OF NEW YORK

7281--A

IN SENATE

CHAP 86 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:

Section 1. Subdivision 21 of section 3851 of the public authorities law, as added by chapter 122 of the laws of 2003, is amended to read as follows:

21. "Revenues" means revenues of the authority consisting of city tax revenues, *school district tax revenues,* state aid revenues, and all other aid, rents, fees, charges, *gifts,* payments and other income and receipts paid or payable to the authority or a trustee for the account of the authority*,* to the extent such amounts are pledged to bondholders.

§ 2. Section 3851 of the public authorities law is amended by adding three new subdivisions 26, 27 and 28 to read as follows:

26. "School district 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's dependent school district by the county pursuant to the authority of subdivision (a) of section twelve hundred sixty-two of the tax law.

27. "Cash flow borrowings" means:

(a) notes issued by the authority on behalf of the city, the city's dependent school district or any other covered organization, the proceeds of which are used to address temporary cash flow needs of the city, the city's dependent school district or the applicable covered organization; and

(b) bonds, notes and other obligations issued by the authority to refund notes of the authority described in paragraph (a) of this subdivision.

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-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] 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 or by the city of Buffalo 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], Erie county or the city of Buffalo, 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], the county of Erie, 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 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] <u>part</u>, 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 <u>pursuant to</u> 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 <u>or the city of Buffalo school district, as the case may be,</u> 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 <u>and such school district</u> 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.

§ 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, 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, 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 24 2004

Geo E. Pataki

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED

JUN 01 2004

MISCELLANEOUS
& STATE RECORDS

BUFFALO FISCAL STABILITY AUTHORITY
ANNUAL INVESTMENT REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

Requirements

Section 2925.6 of the New York State Public Authorities Law requires public authorities to "annually prepare and approve an investment report which shall include the investment guidelines…, amendments to such guidelines since the last investment report, an explanation of the investment guidelines and amendments, the results of the annual independent audit, the investment income record of the corporation and a list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the corporation since the last investment report."

Investment Guidelines

The Investment Guidelines of the Buffalo Fiscal Stability Authority ("BFSA" or "Authority") reflect the principles and precepts of investment safety and control contained in the BFSA Act Article 3854(11), as well as the New York State Office of the State Comptroller's Public Authorities Regulation Part 201.3, *Accounting, Reporting, and Supervision Requirements for Public Authorities – Investment Guidelines for Public Authorities.* The BFSA's Investment Guidelines set forth the BFSA's policies and objectives regarding the investment of BFSA funds in accordance with the BFSA statute and the bond indenture executed by BFSA and its trustee for debt issuances, the Bank of New York-Mellon (Trustee).

The investment objectives of the Authority are set in the guidelines as follows:

"The Authority's investment activities shall have as their first and foremost objective the safeguarding of the principal amount of the Investment Funds. Additional considerations regarding the Authority's investment activities shall be liquidity of investments, realization of a reasonable return on investments and diversification of investments."

The Investment Guidelines were last approved by the BFSA Board of Directors on August 12, 2021 via Resolution No. 21-12, with no modifications made. There are no changes anticipated to be made to these guidelines during 2022 and approval is expected to occur at the September 21, 2022 board meeting.

Investment Activity

The Authority's cash and investments at June 30, 2022 consisted of the following:

	Cost	Fair Value
Cash	$18,048	$18,048
Money Market	$329,088	$329,088
BNY Cash Reserve	$215,642	$215,642
US Treasury Notes/Bonds	$1,310,061	$1,326,337
Federal Home Loan Bank Discount Notes	$170,705	$172,410
Federal National Mortgage Association	$314,741	$326,709
US Cash Management Bill	$170,683	$171,675
US Treasury Bill	$138,928	$142,748
Total Cash and Investments at June 30, 2022	$2,667,896	$2,702,657

All investments mature no later than September 30, 2022.

The BFSA recorded total investment earnings of $69,962 for the year ended June 30, 2022, consisting of investment earnings on bond funds and the BFSA's operating funds. Additional information on the sources of the investments of the BFSA is below. Actual investment earnings, according to source, are as follows:

Bond funds, held by Trustee	$ 69,925
Operating Funds	37
Total Investment Earnings for the year ending June 30, 2022	$ 69,962

During the year ended June 30, 2022, the BFSA had two principal types of investment accounts: 1) accounts held by the Bank of New York Mellon as trustee under the BFSA's bond indentures, which contained debt service set-asides; and 2) BFSA operating funds accounts. Deposits of the operating funds are held at KeyBank in BFSA-owned money market accounts.

The BFSA trust indenture requires the Authority to retain out of the first payment of sales taxes each month an amount equal to 1/6 of the next interest payment and 1/12 of the next principal payment. The full amount of the next payment must be fully funded two months in advance of the maturity. These set asides are deposited into each bond account upon receipt of the funds (usually by the 6th or 7th of each month) and invested in A1/P1 commercial paper or U.S. Government and Agency obligations until the 15th of the same month. After a bidding process, the Authority entered into various Forward Delivery Agreements for delivery of securities against the cash set-asides. These agreements are structured to yield investment earnings within the parameters of the yield restrictions imposed by the federal government's requirements for tax-exempt bonds. To avoid potential yield issues in accordance with the tax-exempt status of the bonds, certain set asides are invested in 0% state and local governments series securities – U.S. Treasury (SLGS). All securities, mature before or on the next required payment date, so the longest maturity possible (although not common) is approximately 13 months. All transactions take place within the trustee accounts.

All bank deposits of Authority funds are required to be fully collateralized. Bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Additional collateral is obtained to collateralize the remaining balances and is held by a custodian in the Authority's name. Such collateral consists of U.S. Government and Agency obligations. Investments were fully collateralized at June 30, 2022.

GASB Statement No. 72

Effective June 30, 2015, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which required the Authority to measure investments at fair value. At June 30, 2022, the balance of investments was increased by $34,760 to value the investments at fair value.

Fees

No investment fees or commissions were paid in connection with the investment portfolio during the fiscal year.

BFSA pays the Trustee an annual fee of $2,450 for each bond transaction covering all trustee services, including the operational aspects of the investments in each bond account. The trustee also charges a $250 dissemination fee and a $1,650 custodial fee each year. Total expenses for the year ended June 30, 2022 for trustee fees were $6,356.

The cost of the operating funds bank accounts is currently covered through compensating balances.

Independent Audit

Please see separate documents for a copy of the independent auditors' report.