BUFFALO FISCAL STABILITY AUTHORITY

Annual Report of the Buffalo Fiscal Stability Authority
Fiscal Year Ended June 30, 2023

October 5, 2023

Buffalo Fiscal Stability Authority
Authority Directors and Staff as of June 30, 2023

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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 twentieth such annual report. The focus of this report is the period from July 1, 2022 through June 30, 2023 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 2023-24 Budgets and 2024-2027 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 40 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. The U.S. national emergency was officially declared over on May 11, 2023.

The financial impact to the State and to the City from COVID-19 has been significant. A deficit was reported by the City for 2019-20 which was directly attributed to the financial impact from the pandemic and required deficit borrowing; revenues have not fully returned to pre-pandemic levels. Additionally, there are some revenues that may never fully recover as the national trend for employees to work remotely continues. Revenues declined in 2020-21 and into the 2021-22 fiscal year, stabilizing in 2022-23. While certain revenues have not recovered, other areas such as sales tax and interest revenue, have increased significantly.

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. Global and national economic concerns are now the focus, as inflation continues to exceed normal levels. In response, the Federal Reserve has increased interest rates nine times from 0.25 percent to a target range of 5.25 - 5.5 percent between March 2022 and July 2023, citing persistent inflation. The current rate is at a 22-year high. The increased federal rate has increased the cost of doing business for banks, and institutions that are dependent on lines of credit. The housing market has slowed compared to prior years as mortgage rates have increased. After years of low mortgage rates between 3.0 – 4.75 percent, mortgage rates have surpassed 7.0 percent this year and are expected to stay at or above 7.0 percent for the near future. The increased costs of mortgages has already had an impact on the sale of property, and is expected to continue to be an obstacle for consumers interested in purchasing a home.

The incremental increase to the federal funds rate is an attempt to slow inflation down to pre-pandemic levels and result in a "soft landing" recession. New unemployment claims have continued to decrease month-to-month, and unemployment is at historic lows. The Federal Reserve has signaled that they might be done increasing rates for the time being, but they did not explain how they will know they have reached that point. The current rate is expected to be maintained at least into 2024. Inflation has cooled over the past few months, but the increased 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.

Businesses post-pandemic are still dealing with a hybrid workforce, with a combination of remote work and in office work. Businesses are evaluating their need for city office space as a hybrid work structure appears to be the new normal. This is a concern that there will be a downturn in commercial real estate leasing in the City, as other municipalities are facing this trend. The downturn on commercial leasing could potentially lead to lower property tax collections, as property owners would likely challenge the assessments. In addition to commercial real estate slowdown, the lack of workers in the City impacts ancillary business. With less workers commuting to the City on a daily basis, there is a decrease in parking fees, parking and traffic violations, etc… while businesses that rely on commuting workers are impacted. Individually these potential revenue reductions could be addressed, however on a combined basis there is a concern that City revenue projections may not materialize at the forecasted rate, placing additional strain on the City's budget.

The City has revised its estimates and now projects to utilize $150.0 million out of the $331.4 million ARPA allocation, or 45.3 percent of the total, for replacing lost and reduced revenues over a five-year period; this amount was projected at $136.5 million at June 30, 2022. The City used $40.0 million in 2020-21, $15.4 million in 2021-22, and has estimated to use $46.8 million in 2022-23, with the balance of $50.0 million included in the 2024-2027 Financial Plan. The District was awarded $89.2 million in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) Elementary and Secondary School Emergency Relief funding (ESSER 2). The funds must be fully expended by October 31, 2023. The District was awarded an additional $200.4 million in American Rescue Plan Act (ARPA) ESSER 3 funding. The funds must be fully expended by October 31, 2024. The purpose of funds is to address diverse needs arising from and exacerbated by the COVID-19 pandemic, or to emerge stronger post-pandemic, including responding to students' social, emotional, mental health, and academic needs and continuing to provide educational services as schools respond and recover from the pandemic. As of June 30, 2023, 98.65% or $87,960.521 of CRRSA-ESSER 2 funds were expended; 64.65% or $129,551,476 of ARPA-ESSER III funds were expended. The District intends to utilize all ESSER funding before the respective deadlines. It must identify alternative funding for the approximately $94.0 million in programmatic and employee costs if it intends to continue all activities funded by these federal grants.

In addition to the recovery from the COVID-19 pandemic, the City was impacted significantly by two severe winter storms in November and December of 2022. The financial impact of the storms is estimated to be between $15-17 million, and it is unknown when a reimbursement from the Federal Emergency Management Agency ("FEMA") will be received. Historically, FEMA reimburses declared disaster areas 75 percent of costs and New York State would provide for the remaining 25 percent of costs. The timing of when and how much of the reimbursement funds are unknown at this time, and the City did not include the funds in the 2024-2027 Financial Plan.

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 44. The 2022-23 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.

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 of the financial plans with the BFSA Act; 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, 2023, there were three vacancies on the Board of Directors and as of the date of this report those vacancies remain. All Directors' terms have expired; however, such Directors with expired terms are continuing to serve until either reappointed or replaced.

At June 30, 2023, 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, 2023, 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 2022-23

The BFSA continued to provide fiscal oversight over the City and the Covered Organizations during 2022-23. The BFSA is operating under an advisory period and provides assistance through analyses and recommendations as opposed to direct actions.

The BFSA held seven board meetings during 2022-23. In addition, the BFSA held three Audit, Finance and Budget Committee meetings and two 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 eleventh 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 40.

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 and the District have since made substantial progress towards fiscal stability, although both the City and Covered Organizations continue to face financial challenges as inflation continues to exceed the federal target and there is an ongoing risk of a recession. These economic factors, combined with the use of one-time revenues, places pressure on the City's operations going forward.

Most recently, the City, District and the remaining Covered Organizations faced challenges from the impact of COVID-19. The federal government's response to the coronavirus pandemic provided significant federal aid to the City, District, and the remaining Covered Organizations. These recovery dollars have provided the City general fund revenue and short-term relief as financial recovery continues. The District was provided with an additional $289.6 million in federal stimulus funds from FY 2021-22 through 2023-24 to help schools safely reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs.

The City recently revised and approved the ARPA spending plan on July 27, 2023, to increase the amount allocated as General Fund revenue and decrease both programmatic spending and infrastructure development as originally intended. The City has included $50.0 million in federal ARPA revenue recovery funds over the 2024-2027 Financial Plan. In total, through June 30, 2023, the City has estimated to utilize a total of $98.6 million of ARPA funding as General Fund revenue. This, combined with the additional $50.0 million over the next two years, is demonstrative of lost revenues due to the pandemic. The last year the City may use ARPA funding for revenue replacement is 2024-25.

Additionally, it is noted that the City has limited fund balance available to balance operating deficits as this one-time resource was previously utilized during the period of economic expansion to maintain property tax rates while either maintaining or expanding services. Total unassigned fund balance was $24.0 million at June 30, 2022, representing 4.2 percent of 2022-23 budgeted expenditures. The final 2022-23 balance has not yet been released.

These challenges, among others, are discussed in detail within the individual reports in the section titled, "BFSA Reports on the 2023-24 Budgets and 2024-2027 Financial Plans of the City of Buffalo and the Covered Organizations" beginning on page 44.

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 many years. Prior to the pandemic (2020), from 2015-16 through 2018-19, a cumulative total amount of $58.2 million deficit was reported. Significantly, in the year of the pandemic, a deficit for 2019-20 was reported of $3.4 million after the issuance of a $25.0 million deficit note to close out the fiscal year. More recently, the City has reported surpluses of $14.8 million for 2020-21 and $20.8 million for 2021-22.

  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, 2022, representing the most recent year-end audited financial results which are available, the City's total fund balance was $125.1 million, representing an increase of $89.1 million from 2003. Over this period of time, the City restructured labor contract, maintained a relatively flat tax levy, and established a Rainy Day Fund equivalent to 30 days of operating expenditures.

As of June 30, 2023, four of eight labor contracts are expired. At June 30, 2022, total unrestricted fund balance of $82.7 million consisted of the emergency stabilization fund (i.e., Rainy Day Fund) of $41.2 million, assigned fund balance of $17.5 million, and unassigned fund balance of $24.0 million. At June 30, 2022, unassigned fund balance represented 4.2 percent of 2022-23 budgeted appropriations.

- 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, 2022, the balance of the Rainy Day Fund was $41.2 million.

- The financial challenges facing the City have been evident within the reported results of operations. A surplus was reported for fiscal year (FY) 2019-20 only after the inclusion of revenue of $25.0 million for a deficit borrowing. The surplus reported in FY 2020-21 was achieved through the inclusion of $40.0 million of federal stimulus ARPA funding. Similar to fiscal year 2020-21, the surplus reported for FY 2021-22 included $15.4 million of ARPA funding and the receipt of $39.1 million of casino revenue, which included payments retroactive to (January 2017). Excluding these transactions, deficits would have been reported.

- The City has benefited from significant increases of sales tax collections with actual amounts over the last three years (2020-21 through 2022-23) exceeding budgeted amounts. While this growth is certainly impacted by inflation, a significant change in New York State (State) Law went into effect on June 1, 2019, in which the State now taxes out-of-state business that sell within the State. These marketplace providers are required to register with New York for sales tax purposes and collect and remit sales tax.

- 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 2023-24 Adopted Budget, the City is utilizing 45.1 percent of the available Constitutional Tax Limit and has a remaining tax levying margin of $193.7 million, representing an increase of $21.3 million when compared to the 2022-23 Constitutional Tax Limit of $172.4 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. Moody's reaffirmed the City's credit rating of A1 stable in April 2023 and subsequently to the end of the fiscal year Fitch upgraded the City from A to A+ with a stable outlook in August 2023. Additional background related to the City's bond ratings is located in the "Providing a More Cost-Effective Financing Framework" on page 27.

- During 2022-23, the City has available federal ARPA dollars to use for lost revenues from COVID-19 with the amount estimated to be $49.0 million and is expecting to report significant interest revenue of an estimated $13.0 million for the year ended June 30, 2023, compared to the budgeted amount of $100,000. Furthermore, sales tax receipts are expected to exceed budget by $4.0 million. Several revenues impacted by the overall economy due to COVID-19 were still recovering this past year.

  The challenge the City is facing related to recovery funding for revenue replacement. These dollars are no longer available after 2024-25. 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. All ARPA awarded funding must be committed by December 31, 2024, and expended by December 31, 2026. A commitment of revenue replacement dollars occurs annually with the budget approval process and therefore cannot be allocated within a budget beyond the 2024-25 fiscal year.

- The District has likewise made substantial progress towards fiscal stability. Substantive fiscal challenges exist in the near future. On June 30, 2003, Fund balance totaled $33.5 million. Unreserved, undesignated fund balance totaled $4.6 million, representing 1.1% of actual FY 2002-03 expenditures. The BFSA reported that this was symptomatic of the financial crisis. The District's first four-year financial plan (FY 2005-2008 Financial Plan) projected a cumulative $171.0 million deficit, necessitating gap-closing measures totaling $18.1 million in FY 2004-05 alone.

- On June 30, 2022, the District reported total fund balance of $324.6 million and an unassigned fund balance of $105.1 million, representing 31.6% of 2022-23 budgeted appropriations. At June 30, 2023, the General Fund fund balance was projected by the District to total $321.0 million including $123.5 million in Unassigned fund balance. The Unassigned fund balance is projected to exceed the Board of Education's 4% of General Fund expenditures retainage policy by $79.4 million.

- The District has received unprecedented funding increases from both New York State ("NYS") and the federal government:
  - NYS provided significant increases in Foundation Aid beginning with the 2021-22 fiscal year and continuing through FY 2023-24.
  - NYS Foundation Aid received in FY 2023-24 represents the final year to fully-fund NYS Foundation Aid at the statutory level, is budgeted at $688.8 million in FY 2023-24, and is projected to increase to $743.5 million in FY 2026-27. The total increase in NYS Foundation Aid funds over the Financial Plan is $173.5 million.

  - Federal Stimulus was awarded to the District to address a multitude of issues resulting from the pandemic. The total amount of federal stimulus awarded to the District was $289.6 million. The District has included $91.4 million in funding in FY 2023-24.

- Future challenges facing the District include the expiring one-time federal stimulus Funds. The CRRSA – ESSER II funding expires in September 2023. 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; the total amount in the three out-years are cumulative at $18.0 million.

- The District is faced with substantive budgetary gaps and fiscal challenges going forward. The Financial Plan includes a significant draw-down of available fund balance in each FY. Total fund balance over the Financial Plan decreases to $175.5 million on June 30, 2027, a decrease of 45.3% from fiscal year-end (FYE) 2023. The Unassigned fund balance is projected to significantly decrease to $45.8 million on June 30, 2027. The Unassigned fund balance at this level would be equal to the Board of Education's minimum 4% retainage. A budgetary gap exists in all four Financial Plan fiscal years.

- All District labor agreements are current through June 30, 2025. Five labor agreements are scheduled to expire on June 30, 2025, including those with the Substitutes United of Buffalo representing substitute teachers, the Buffalo Administrative Substitutes Association representing substitute administrators, Buffalo Educational Support Team representing teacher aides and assistants, Transportation Aides of Buffalo representing transportation aids, and Local 264 representing blue-collar employees. All individual exempt contracts except for the District Superintendent expire June 30, 2025. These five unions account for approximately 20% of all employees.

  The teachers' contract expires June 30, 2026, and the contract with the Buffalo Council of Supervisors and Administrators representing administrators, expires on June 30, 2025. AFSCME Local 264 representing food service employees expires June 30, 2027.

- BURA's net income is projected in each of the four years of the Financial Plan. BMHA has budgeted the HUD Operating Subsidy based on a 104% 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 104%. Additionally, Congressional funding levels are uncertain. 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 three years of the Financial Plan. BMHA affirmed that future plans would be amended as need. On August 17, 2023, BMHA revised the HUD Operating Subsidy to 98% of proration. BFSA considered/considers this a mitigated risk as the intent of the program is to assist PHAs achieve a minimum level of financial stability.

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 containing the City of Buffalo's plan along with those of the Covered Organizations.

The Mayor submitted the 2024-2027 Financial Plan on May 1, 2023. This plan was reviewed by the BFSA on May 17, 2023, and on June 5, 2023 the BFSA declared the plan to be incomplete and required the Mayor to submit supporting documentation and/or reasonable underlying assumptions for revenue estimates including State AIM increases, cannabis tax revenue, and the incremental increase in casino revenue as included in the Mayor's proposed 2023-24 budget and related 2024-2027 financial plan, a revised and approved City of Buffalo Recovery Plan that provides adequate resources for federal stimulus for revenue loss as included in the Mayor's proposed 2023-24 budget and related 2024-2027 financial plan, and the District's 2024-2027 financial plan upon completion. On July 7, 2023, a final financial plan was submitted. On July 26, 2023, the BFSA determined the City's 2023-24 adopted budget was unbalanced by $30.6 million as of July 1, 2023, as a revised City of Buffalo Recovery Plan has not yet been approved and noted the Mayor had submitted a revised City of Buffalo Recovery Plan to the City of Buffalo Common Council on July 17, 2023, which upon approval would address the combined shortfall of $50.0 million in available federal recovery funding within the General Fund as included in years 2023-24 and 2024-25. The BFSA also found that the City of Buffalo 2024-2027 financial plan included speculative revenue of $21.9 million in State AIM and $8.0 million in casino revenue, and that adequate support to ascertain the reasonableness of the cannabis tax revenue estimates totaling $32.1 million had not been provided, for total speculative and unsupported revenue in the City of Buffalo's financial plan totaling $62.6 million.

The City's forecast for casino revenue assumes favorable terms for the City will be negotiated within the new agreement between the State and the Seneca Gaming Commission; the current Tribal State Compact ("TSC") expires in December 2023. The City included $52.0 million of TSC revenue over the 2024-2027 financial plan. It is unknown what the revenue impact to the City of Buffalo will be pursuant to final contract terms.

The BFSA provided the following recommendations on the 2024-2027 Financial Plan: (i) to eliminate State AIM increases over the Financial Plan; (ii) to eliminate casino revenue increases over the Financial Plan; (iii) reduce cannabis tax revenues in the last two years of the Financial Plan while closely monitoring receipts in the current fiscal year to assist in future projections; and (iv) make adjustments/decreases to staff levels and delivery of services to offset the decrease in projected revenue which would allow for careful consideration and the development of a contingency plan before a crisis needs to be addressed. Accepting BFSA's recommendations to modify the 2024-2027 Financial Plan and eliminate State AIM increases, casino revenue increases, and revise cannabis tax estimates downward would result in a more prudent forecast with respect to revenues included in the Financial Plan. Additionally, the BFSA recommended the Mayor consider the use of fund balance and/or property tax increases in excess of the State tax cap to address any shortfalls over the 2024-2027 financial plan.

Due to the mitigating risk factors including availability of fund balance and excess available taxing capacity, the 2024-2027 Financial Plan was conditionally approved upon approval by Common Council of the revised City of Buffalo Recovery Plan. Such revised Recovery Plan was approved by Common Council on July 27, 2023, and provided adequate resources to balance the adopted 2023-24 budget and final 2024-2027 Financial Plan.

In addition to the approval of the 2024-2027 Financial Plan, during 2022-23 the BFSA monitored implementation of the 2023-2026 Financial Plan of the City and its non-exempt Covered Organizations. The 2023-2026 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. During the year, one financial plan modification was submitted for BURA which was reviewed at the BFSA meeting held on September 21, 2022, and found to be compliant with the standards set forth in the BFSA Act. This modification was submitted to recognize an increase in HUD entitlement dollars and corresponding expenditures in the amount of $2.1 million. There were no other financial plan modifications submitted to BFSA during the year.

The District has budgeted the appropriation of $37.7 million of fund balance in FY 2023-24 and has projected a total four-year fund balance appropriation of $145.5 million. The budget deficits result from $291.2 million of projected increased expenditures for recently settled labor agreements, estimated future costs for the settlement of expiring labor contracts in 2025-26 and 2026-27, and other contingencies. Fund balance is projected to be maintained at a level consistent with the District's fund balance policy at the conclusion of the four-year period. District leadership will be required to address the structural imbalance in future years in the event actual operating results require the use of fund balance.

The Buffalo Municipal Housing Authority's 2024-2027 Financial Plan projects a four-year cumulative surplus of $17.0 million and a four-year positive cashflow of $15.4 million.

The 2024-2027 Financial Plan for BURA projected $63.9 million in expenditures over the four years of the Financial Plan. The Financial Plan includes the remaining $2.3 million of the $11.4 million in CARES Act funding awarded to BURA, as well as additional City resources including $11.0 million in City ARPA funds consisting of $4.8 million for the City ARPA Affordable Housing Advancement Fund (ARPA AHAF),and $6.2 million for HOME ARPA. 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 these programs. Expenditures are decreasing from 2023-24 ($16.9 million) to 2024-25 ($15.0 million), and increasing in the final two-years of the Financial Plan ($16.0 million) in 2025-26 and 2026-27. The decrease over the Financial Plan is directly related to the spend down of the CARES Act funds and the $11.0 million in City ARPA funding, which is included in each year of the plan. The BURA Board of Directors adopted the 2023-24 budget on July 11, 2023.

The BFSA's individual reports on the budget and related financial plans of the City and Covered Organizations, which contain the detailed results of the financial review of such plans, are included within this report in the section titled, "BFSA Reports on the 2023-24 Budgets and 2024-2027 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. Additionally, continual monitoring of revenue estimates against actual receipts and spending is necessary to ensure there are adequate resources to provide services as budgeted.

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 2022-23, the BFSA monitored the 2023-2026 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 evaluating affordability by determining the impact on the four-year 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, 2023, is expected to occur in or around December 2023 after the City Comptroller releases the audited financial statements.

The BFSA reviewed projections contained in the quarterly reports of the City and its Covered Organizations to evaluate if revenues had been overestimated and/or expenditures/expenses had been underestimated to determine if a budget modification was needed. Only BURA submitted a budget and financial plan modification in 2022-23, for review. The BURA modification reflected the increased cost and available resources for a settled labor contract.

In addition to monitoring of the City's operations, a significant amount of time is spent in monitoring the national, state and local economy to identify areas of possible growth (e.g., sales tax due to changes in State law) or trends that could be indicative of challenges to the fiscal health of the City.

Reports and Recommendations Issued by the BFSA during 2022-23

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 received from the City or Covered Organization as applicable.

City of Buffalo

- On December 6, 2022, the BFSA reported on the City's 2023 Recommended Capital Budget and 2023-2027 Capital Improvement Plan. The 2023 Recommended Capital Budget contained 46 projects that cumulatively totaled $32.3 million. In total the Mayor's proposal provided for $29.3 million in new capital projects and the financing of $3.0 million of previously authorized but unissued projects. The proposed borrowing, separate and distinct from the Capital Budget, recommended total borrowing of $23.0 million of projects from the 2023 Recommended Capital Budget with the remaining balance of $6.3 million to be financed in the future. In addition to the new project borrowing, the Mayor's proposal included 4 projects that were previously authorized but unissued; a total request of $26.0 million was made for the borrowing. The 2023 Capital Budget included only City capital projects and did not include an amount for the District as approximately $23.5 million was available for projects from savings achieved through a previous refunding of Joint School Construction Board debt. The 2023-2027 Capital Improvement Plan met the requirements of the BFSA that the City develop a full five-year capital improvement program.

The BFSA recommended the City address and appropriately plan for those projects that have been approved but have not been included in any planned future borrowing; approximately $18.4 million in projects do not have identified funding sources. BFSA continued to advice the City to begin a process to eliminate ongoing general expenses from the capital borrowing, i.e., tree planning/trimming and demolitions. BFSA reported a concern that the City will not be able to meet the obligations of the spenddown requirements of the federal stimulus ARPA funds and recommended the City establish strategic benchmarks and regularly review the status of projects against those benchmarks to determine if the project can be completed before the deadline, or if the project requires modification. Additionally, BFSA continued to recommend the City strongly consider leveraging the BFSA's higher credit rating to issue debt on behalf of the City.

Written responses to our recommendations were requested; no response was received.

- On December 6, 2022, the BFSA reported on an arbitration award issued on behalf of the Police Benevolent Association (the "PBA"). The PBA had been out of contract since June 30, 2019. The arbitration award included two years of retroactive increases including 3 percent on July 1, 2019, and 3.25 percent on July 1, 2020. The total cost of the arbitration award through the end of the 2023-2026 Financial Plan was estimated at $42.1 million. The City utilized a combination of prior-year accruals and additional resources to fund the retroactive and current year costs. Resources to fund the arbitration increases in the outyears have yet-to-be identified.

- Also on December 6, 2022, the BFSA reported on the City's 2022 audited financial statements which included an analysis on revenues, expenditures, and other year-end operational metrics, as well as historical trends and analyses. The General Fund actual budgetary expenditures totaled $539.1 million, resulting in a favorable budget variance favorable variance of $7.8 million compared to the final 2022-23 Budget. Actual revenues totaled $548.1 million, resulting in a positive budget variance of $9.2 million. A year-end surplus in the General Fund of $20.8 million was reported . Total fund balance increased to $113.4 million.

  The Solid Waste and Recycling Fund reported an operating loss of $0.2 million, and an increase to the accumulated amount due to the City's General Fund of $3.3 million. The total amount outstanding at June 30, 2022 was $15.7 million; this amount is reported as restricted fund balance in the General Fund.

- On December 6, 2022, 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 $5.1 million consisting of favorable revenues of $3.3 million and expenditures of $1.8 million. BFSA reported that the City is not projecting any budgetary difficulties for 2022-23.

  Also on December 6, 2022, the BFSA Board of Directors adopted Resolution No. 22-29, "Declaration that City of Buffalo 2023-2026 Financial Plan is Incomplete," following a brief discussion on ARPA funds allocated for General Fund revenue as compared to those included in the 2023-2026 Financial Plan. It was found that the City's revenue estimates for federal stimulus funding for revenue replacement was inconsistent with the approved City of Buffalo Recovery Plan, resulting in a revenue shortfall of $38.5 million. The BFSA required the Mayor to submit a revised Buffalo Recovery Plan, or other planned actions, to balance the plan no later than January 16, 2023

  At the board meeting held on March 8, 2023, the BFSA reviewed and commented on the City's final capital budget and the related proposed capital borrowing. The BFSA Board of Directors discussed the positive financial impact the BFSA has had to the City and District resulting directly from BFSA's existence and the ongoing benefit of having this public authority in place. Those recommendations made in December were reiterated.

- On March 8, 2023, the BFSA reported on the City's second quarter operations. At the end of the second quarter, the City was projecting a year-end favorable variance of $0.3 million, consisting of favorable revenue projections of $2.2 million and unfavorable expenditure projections of $1.9 million. It was noted that two significant winter storms in November and December contributed to the increase in expenditures and that the current year-end estimates do not include any potential Federal Emergency Management Agency ("FEMA") reimbursements due to the two winter storms. A discussion was held concerning ARPA funds as allocated for revenue replacement.

- At the meeting held on March 8, 2023, the BFSA reported on the potential impact of the State Fiscal Year ("SFY") 2023-24 Executive Budget as it related to the City. It was noted that State AIM is projected to remain flat for the next four years, while all other expenses are increasing.

- Also at the meeting held March 8, 2023, the BFSA reported on the City's property tax exemptions. The scope of the report focused on the changes in property tax assessments and exemptions for the City of Buffalo over an eleven-year period, highlighting significant trends. The presentation also provided a year-to-year summary of changes for the City of Buffalo and a comparison of property exemption rates and equalization rates with four other major cities in New York State. A concern was raised about the effect of increased vacancies of commercial property and the effect on the value of downtown properties.

- On May 17, 2023, the BFSA reported on the City's 2024-2027 Preliminary Financial Plan and proposed 2023-24 budget. A copy of this report is included in the section entitled "BFSA Reports on the 2022-23 Budgets and 2023-2026 Financial Plans of the City of Buffalo and the Covered Organizations". As previously discussed, the BFSA held a special meeting on June 5, 2023, and approved a resolution declaring the 2024-2027 Financial Plan to be incomplete.

- Also on May 17, 2023, the BFSA reported on the City's third quarter operations. Year-end revenues were projected to have a $5.5 million favorable variance and expenditures were projected to be unfavorable by $5.4 million, for a total $0.1 million favorable surplus. It is noted that at year-end a final reconciliation for project expenditures funded through ARPA will be completed, providing an additional estimated $7.6 million in revenue for the general fund. The estimated year-end surplus, including ARPA funding, is $7.7 million. Not included as a revenue at this time was the expected reimbursement from FEMA for two significant snowstorms that impacted the City. Estimated expenditures were $12.0 to $15.0 million.

- On June 5, 2023, the BFSA reported on a collective bargaining agreement between the City and the Crossing Guards. The financial impact of the contract was minimal.

- On June 21, 2023, the BFSA reviewed a pricing differential analysis as conducted to evaluate the savings if BFSA issued debt on behalf of the City; present value savings for the 2023 capital borrowing were estimated between $150,000 to $200,000 over the life of the bond depending on the structure of the bond sale. The BFSA Board of Directors discussed the market volatility and the potential for greater savings if spreads continued to increase.

- Also on June 21, 2023, the BFSA reviewed the City of Buffalo's 2023-24 Adopted Budget. The budget was approved and adopted on May 22, 2023. A final 2024-2027 Financial Plan had not yet been submitted to the BFSA for review. The BFSA approved Resolution No. 23-03, again declaring the financial plan to be incomplete. A copy of this report is included in the section entitled "BFSA Reports on the 2023-24 Budgets and 2024-2027 Financial Plans of the City of Buffalo and the Covered Organizations". As previously discussed, the BFSA Board of Directors conditionally approved the 2024-2027 Financial Plan on July 26, 2023. Included in Resolution No. 23-20 are specific recommendations on the Financial Plan; refer to page xx for details. A copy of BFSA's report on this final review is included in the section titled "BFSA Reports on the 2023-24 Budgets and 2024-2027 Financial Plans of the City of Buffalo and the Covered Organizations".

Buffalo City School District

- On July 19, 2022, at a special board meeting, the BFSA reviewed a proposed labor agreement between the District and the Buffalo Council of Supervisors and Administrators ("BCSA") representing the District's unionized administrators. The previous agreement covered the period September 20, 2017 through September 1, 2020. The new agreement is effective from September 2, 2020 through June 30, 2025. BFSA estimated that the agreement will cost the District $29.1 million over the next four years, of which $21.2 million will impact the General Fund. The BFSA recommended that the 2023-2026 Financial Plan be revised to reflect the new labor costs associated with both the BCSA and PCTEA labor contracts, and make the revised Financial Plan publicly available. In addition, the BFSA recommended that signing bonuses be consistently negotiated among unions, and that BCSA members health insurance contributions are at least the same percentage as that of other unions.

- On September 21, 2022, BFSA reviewed and reporting on a proposed labor agreement between the District and the American Federation of State, County & Municipal Employees, Local 264, AFL-CIO (Cook Managers). The agreement covers a four-year period between July 1, 2022, to June 30, 2026. The previous agreement expired June 30, 2022. The District estimated that approval of the Successor Agreement would have a 2022-23 net cost of approximately $116,000 and a cumulative FY 2023 through FY 2026 net cost of approximately $742,000. No financial plan modification was required.

- On September 21, 2022, the BFSA Board of Directors received and filed a memorandum examining the District's exempt employee salary adjustments and/or raises. The Board of Education approved salary adjustments for seven Exempt employees. A raise proposal was approved to provide twenty-one current exempt employees with 7% raises for 2022-23. The salary adjustments are implemented prior to the raise increases. The approved raise proposal included one-time bonuses for certain employees based on service years and ranged from $1,000 to $3,000 per eligible employee. The 2022-23 net cost was estimated at $320,735. The four-year net cost was estimated at $1,463,452. BFSA compared the raise proposal's cabinet-level proposed salaries to area public school district cabinet-level positions. The salaries were the highest of the districts examined.

- On September 21, 2022, the BFSA reviewed and reported on a proposed labor agreement between the District and Local 409 AFL-CIO ("Operating Engineers") employees. Operating Engineers are responsible for school building maintenance and currently employ custodial engineers to maintain the facilities. Prior to this agreement, members of Local 409 were operating under a contract that expired June 30, 2010, and the proposed agreement would be effective between July 1, 2010, through June 30, 2026, a sixteen-year period. It is noted the District utilizes an indirect custodial system, and that operating engineers directly employ custodial engineers to perform certain duties. The operating engineers receive a lump payment based on the square footage of the building they maintain, and other cost escalators as established by the labor contract. Terms of the new agreement limit the number of properties an operating engineer can oversee, as well as establish a custodial engineer contract transition committee to discuss the implementation of the new system, as well as other management enhancements for the District. The proposed collective bargaining agreement was estimated to have an estimated FY 2022-23 net cost of $4,282,925 in the General Fund and $4,639,734 District-wide. The cumulative net cost is estimated at $21,344,902 in the General Fund and $22,143,820 District-wide. The BFSA repeated a previous recommendation for the District to revise the 2023-2026 Financial Plan to reflect the new labor costs associated with the recently settled labor agreements and post the revised financial plan to the District's website in order to provide full transparency of expected future cots and the related budgetary impact to interested parties.

- At the board meeting held on December 6, 2022, the BFSA reported on the District's 2021-22 audited financial statements. The District's 2021-22 final budget included the appropriation of $34.6 million in fund balance to balance the budget. The year closed with a surplus of $11.9 million. Actual revenues of $939.5 million were unfavorable compared to the budget by $4.0 million, while actual expenditures of $927.6 million were $50.5 million less than the final budget amount. Fund balance increased by $11.9 million to $324.6 million.

- Also at the meeting held on December 6, 2022, the BFSA reported on the District's first quarter operations. The District was projecting a fiscal year-end $34.6 million budgetary deficit and a year-end operating deficit of $32.6 million as of September 30, 2022. It was noted the District settled four labor agreements between June 2022 and September 2022, including PCTEA (white-collar employees/security officers), BCSA (administrators), Cook Managers, and Operating Engineers for a current year cost increase of $9.3 million in the general fund and $0.1 million in the food service fund.

- At the board meeting held on March 8, 2023, the BFSA reported on the District's 2022-2023 second quarter report, including significant events that would impact the 2023-2026 Financial Plan such as the District's projected NYS aid as proposed within the Governor's executive budget. BFSA additionally provided an update on the District's CRRSA-ESSER II and ARPA-ESSER III budgets and spending-to-date. It was recommended that the District's 2024-2027 Financial Plan be developed utilizing reasonable student enrollment numbers as the 2023-2026 Financial Plan was predicated on enrollment numbers that were overstated. The reduction in enrollment impacts not only the financial plan, but also the planned provision of educational services.

- On May 17, 2023, the BFSA received and filed a BFSA report on the settled labor agreement with the District and the Buffalo Teachers Federation. The District's Board of Education ratified the contract prior to submission to the BFSA for review. The labor agreement was subsequently submitted to the BFSA for review after ratification along with a cost/benefit analysis. BFSA performed an independent cost/benefit analysis and presented its findings to District administrators. The review conducted by BFSA staff resulted in a revised cost analysis submission from the District. The revised cost of the contract from September 1, 2022 through June 30, 2026 was estimated at $247.5 million. The District had not submitted a four-year financial plan to the Mayor on May 1, 2023 and was in the process of preparing its budget and four-year financial plan, which was anticipated to include the new revised calculated costs.

- Also on May 17, 2023, the BFSA reported on the District's third quarter operations. The District projected a fiscal year-end $3.6 million deficit at March 31, 2023, representing a favorable budgetary variance of $31.0 million. Overall, revenues were projected to be favorable by $6.0 million and expenditures were projected to be favorable by $25.0 million. BFSA projected revenues to be $13.6 million greater than and projected expenditures to be $19.2 million less than budget, resulting in a BFSA projected deficit of $1.8 million.

Additionally, BFSA reported on the District's CRRSSA-ESSER II and ARPA-ESSER III funding, district student enrollment, as well as reporting on the labor shortages faced by the District in key areas. BFSA recommended that budget transfers be completed to reflect the additional costs associated with the BTF contract and that the 2024-2027 Financial Plan will need to include these new expenditures.

- On June 21, 2023, the BFSA reviewed the District's 2023-24 Adopted Budget and draft 2024-2027 Financial Plan; the Board of Education approved the Financial Plan at its meeting held later the same day. The District presented a balanced 2023-24 Adopted Budget that balanced with the use of $37.7 million in fund balance, a non-recurring source of funding. A copy of BFSA's report on this review is included in the section titled "BFSA Reports on the 2023-24 Budgets and 2024-2027 Financial Plans of the City of Buffalo and the Covered Organizations". On July 26, 2023, the BFSA approved Resolution No. 23-20 concluding that the District's 2024-2027 Financial Plan complied with the requirements of the BFSA Act.

Buffalo Municipal Housing Authority ("BMHA")

- On September 21, 2022, the Executive Director Gillian Brown and Deputy Executive Director Modesto Candelario of the BMHA met with BFSA Board of Directors and provided information concerning the proposed Marine Drive rent increase, status of the voucher program, and the BMHA capital plan.

- On December 6, 2022, the BFSA provided a written report on the BMHA's first quarter operations. As of September 30, 2022, revenues exceeded expenses by $1.4 million. Actual revenues were favorable by $200,000 and actual expenditures were favorable by $500,000 when compared to the Adopted Budget-to-date projected net income of $0.7 million.

- On March 8, 2023, the BFSA reported on the BMHA's second quarter operations. As of December 31, 2022, revenues exceeded expenses by $2.0 million.

- On May 17, 2023, the BFSA Board reported on the BMHA's third quarter operations. As of March 31, 2023, total revenues were greater than the budget-to-date by $1.2 million; total expenses were unfavorable overall by $1.9 million and net income for the nine-month period was $0.7 million.

- Also on May 17, 2023, the BFSA reported on BMHA's 2023-24 Adopted Budget and 2024-2027 Financial Plan. The 2024-2027 Financial Plan projects a four-year cumulative surplus of $17.0 million and a four-year positive cash flow of $15.4 million. A copy of BFSA's report on this review is included in the section titled "BFSA Reports on the 2023-24 Budgets and 2024-2027 Financial Plans of the City of Buffalo and the Covered Organizations". On July 26, 2023, the BFSA approved Resolution No. 23-20 concluding that the BMHA's 2024-2027 Financial Plan complied with the requirements of the BFSA Act.

Buffalo Urban Renewal Agency ("BURA")

- On September 21, 2022, the BFSA reported 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, 2022 through June 30, 2026. The MOA provided 2 percent wage increases as of July 1, 2022, and annual 3 percent increases on July 1, 2023, 2024, and 2025. Additionally it provided for a one-time bonus based on years of service. Future increases for salary bonuses will be based on performance evaluations. The first year cost was estimated at $337,000 and the total four-year estimated cost of the contract, including increased compensation for exempt employees, is $1.5 million. A financial plan modification was reviewed to recognize an increase in U.S. Department of Housing and Urban Development ("HUD") entitlement dollars. The modification increased estimated revenue and projected expenditures by $2.1 million.

  The BFSA issued several recommendations based on the review of this item. The BFSA Directors recommended that BURA strongly consider implementing a formal appeal process to the performance review process as that has not been provide for within the contract. BFSA recommended that BURA management utilizing an outside labor negotiation team, as individuals involved in the negotiations benefit from the final settled contract. BFSA recommended that Medicare B be required to be made the primary insurance for eligible retirees. Additionally, BFSA reissued a recommendation for the labor agreement to include appropriate health insurance contribution language for active employees hired prior to July 1, 2000, as the current labor agreement is silent on those employees and what their contribution rate is. The BFSA recommended a comprehensive labor agreement document be created in order for management and employees to fully understand current contractual terms. Finally, in order for BFSA's recommendation(s) on its review of a labor agreement to be fully considered by the BURA Board of Directors, all future contracts should be submitted to BFSA prior to consideration by BURA's Board of Directors.

- On December 6, 2022, the BFSA provided a report on BURA's 2022 audited financial statements and single audit findings, and reported on key revenues, expenditures, personnel service costs and internal control findings. At June 30, 2022, total fund balance was $9.7 million. Total expenditures were $54.7 million, with $39.2 million attributed to Section 8 Housing and the balance of $15.5 million being programmatic and operational costs. All prior year findings have been resolved. Current year findings include a restatement for other postemployment benefits resulting from a significant reporting error. It was further recommended by BURA's auditors that there be a formalization of several written policies including loan write-off procedures and financial accounting system access.

- On December 6, 2022, 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 unfavorable by $2.3 million compared to the budget; the unfavorable variance was attributed to the drawdown of prior year of federal funds which are made on a reimbursement basis. Expenditures were lower than budget by $2.8 million, and was due to the delay in the disbursement of program funds. Contractors are required to file reimbursement requests with BURA; and those requests may be captured in subsequent quarters. It was noted that 28 out of 41 positions were filled, creating a vacancy rate of 13 percent.

- On March 8, 2023, the BFSA reported 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.

- On May 17, 2023, the BFSA reported 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. Variances are timing related and were driven by the delayed drawdown of CARES Act funding and ARPA funding for programs.

  Additionally on May 17, 2023, the BFSA received a written and oral report on BURA's 2024-2027 Financial Plan. BURA management indicated that the final HUD allocation notice was received. The Financial Plan accurately reflected the additional CARES Act funding, additional ARPA funding, and a lead hazard grant. BFSA recommended management continue to monitor the plan as decreases to revenue would place pressure on BURA. A copy of BFSA's report on this review is included in the section titled "BFSA Reports on the 2023-24 Budgets and 2024-2027 Financial Plans of the City of Buffalo and the Covered Organizations". On July 26, 2023, the BFSA approved Resolution No. 23-20 concluding that BURA's 2024-2027 Financial Plan complied with the requirements of 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 2022-23 employee salaries and benefits accounted for 83.4 percent of total budgeted General Fund appropriations. These costs represented 52.9 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 payments, and employer payroll taxes.

There are 3,036 full-time employees/equivalents ("FTEs") included in the City's 2023-24 Adopted Budget, including 2,747 FTEs in the general fund and 289 FTEs in the three enterprise funds. The following are the current labor groups representing City employees and the status of the respective collective bargaining agreement.

1) Police Benevolent Association (PBA) – contract expired June 30, 2019; arbitration award through June 30, 2021
2) Buffalo Professional Firefighters Association (Local 282) – expires June 30, 2025
3) American Federation of State, County and Municipal Employees, AFL-CIO, Local 650 (white collar) – expires June 30, 2024
4) American Federation of State, County and Municipal Employees, AFL-CIO, Local 264 (blue collar) – expires June 30, 2025
5) Crossing Guards – expires August 31, 2024

6) American Federation of State, County and Municipal Employees, AFL-CIO, Local 2651 (building inspectors) – expired June 30, 2020
7) American Federation of State, County and Municipal Employees, AFL-CIO, Local 264T (water caulkers) – expired June 30, 2022
8) International Union of Operating Engineers, Local 17-17s (operating engineers) – expired June 30, 2020.

The following summarizes the status of labor agreements with the District. There are 4,941 full-time employees on a General Fund basis and 6,012 FTE's on an All Funds basis. All collective bargaining units have active labor agreements in FY 2023-24. All agreements are scheduled to expire during the next four fiscal years.

1) Buffalo Teachers Federation (teachers or BTF) - expires June 30, 2026
2) Buffalo Council of Supervisors and Administrators (administrators or BCSA) - expires June 30, 2025
3) Buffalo Association of Substitute Administrators (substitute administrators or BASA) – expires June 30, 2025
4) Professional, Clerical, and Technical Employees' Association (white-collar employees or PCTEA) – expires June 30, 2026
5) Transportation Aides of Buffalo (bus aides or TAB) – expires June 30, 2024
6) Buffalo Educational Support Team (teacher's aides and teaching assistants or BEST) – expires June 30, 2025
7) Substitutes United of Buffalo (substitute teachers or SUB) – expires June 30, 2025
8) Local 264 (blue-collar) – expires June 30, 2025
9) Local 409 engineers (engineers) – expires June 30, 2026

BURA last negotiated a Memorandum of Agreement ("MOA") with the Civil Service Employees Association, Local 1000, AFSCME, AFL-CIO, Local 815 during 2022-23; this contract expires June 30, 2026.

BMHA has recently settled all labor contracts, with labor agreements expiring June 30, 2028. BMHA approved the agreements on August 17, 2023. Common Council approved the labor agreements at its meeting held on September 5, 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, 2021. The City's most recent actuarial valuation totaled $1.3 billion, with total OPEB liability for governmental and business-type activities of $1.25 billion and $63.7 million, respectively, as reported for fiscal year-end June 30, 2022.

As of June 30, 2022, the District had $70.0 million of fund balance assigned for OPEB. As of the last actuarial valuation report dated June 30, 2022, the total OPEB liability was $1.7 billion. This is a decrease of $1.8 billion from the estimate of the total OPEB liability on June 30, 2021, of $2.5 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

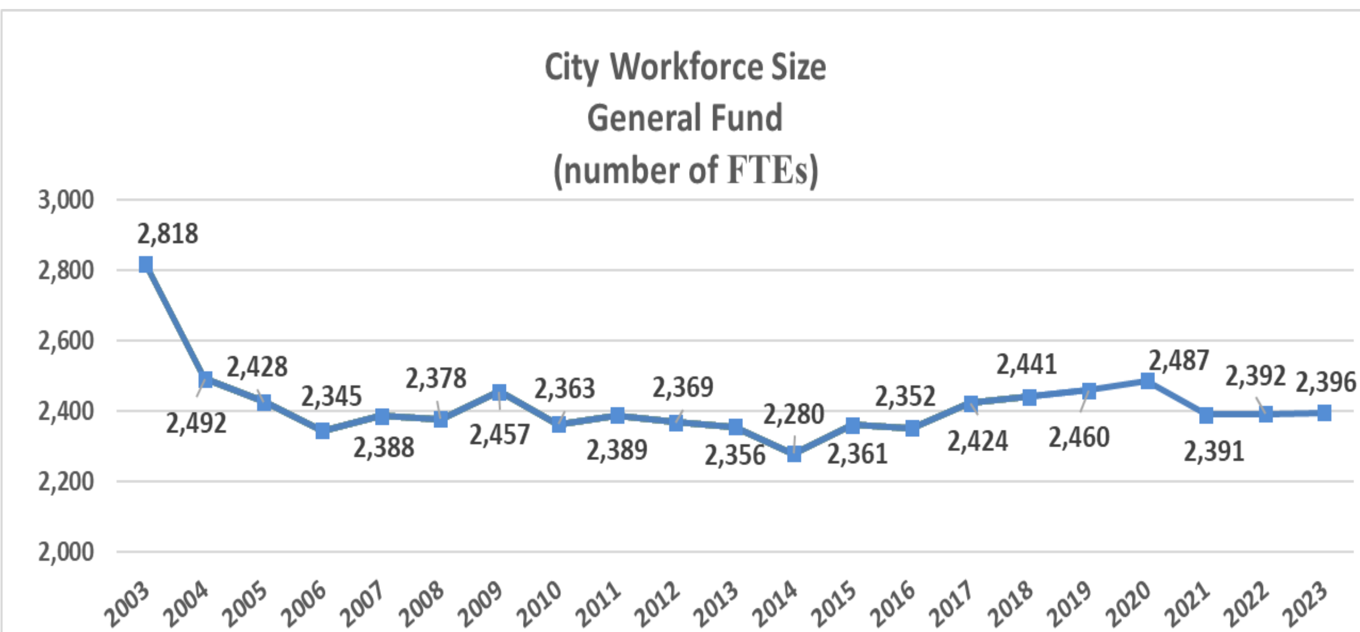
BCSA provided terms that allowed for the growth in the long-term liability to decrease. The year-to-year decrease is based primarily on changes in assumptions and other inputs.

BMHA maintains an employer-defined-benefit healthcare plan providing medical benefits to eligible retirees and spouses. Benefit provisions are based on individual contracts with the BMHA. Employees hired after September 13, 2018, are not covered and are not eligible for BMHA-funded health insurance upon retirement. Eligibility is determined based on hire date, minimum age of 55, and five or more years of service. Qualifying retirees are moved to a less costly HMO Medicaid plan, with BMHA reimbursing 100% of the plan's costs. Qualifying retirees are eligible to continue the same coverage as received immediately before retirement for their lifetime. On June 30, 2022, BMHA accrued future OPEB benefits for 137 active employees. Actual retiree healthcare benefits were provided to 342 retirees or beneficiaries. The BMHA's total OPEB liability of $80.7 million was measured as of June 30, 2022.

BURA's total OPEB liability of $8.8 million was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date. It was noted that the OPEB liability as of June 30, 2021, was overstated by $19.2 million. The overstatement was attributed to utilizing incorrect assumptions and data of who would be eligible to receive retiree health insurance coverage in retirement and the amount of their contributions.

The City decreased its budgeted workforce by 54 positions from FY 2022 to FY 2023. Actual filled positions at June 30, 2023, increased by 4 FTEs to 2,396 as compared to 2,392 at fiscal year-end 2022. The City maintained a net plus 6 FTEs year-to-year, even with the hiring of additional employees, retirements and other forms of termination.

The City has reduced filled positions by 422 and reduced its workforce by 15.0 percent since BFSA's inception. The following chart shows the City's actual number of filled positions from 2003 to 2023:



The District's 2023-24 staffing plan includes an overall increase of 62 FTEs as compared to the PFY Adopted Budget. The following employee groups have an increase in budgeted positions:

- BEST: 24 FTEs
- BCSA: 14 FTEs
- PCTEA: 52.5 FTEs
- Exempts: 10 FTEs

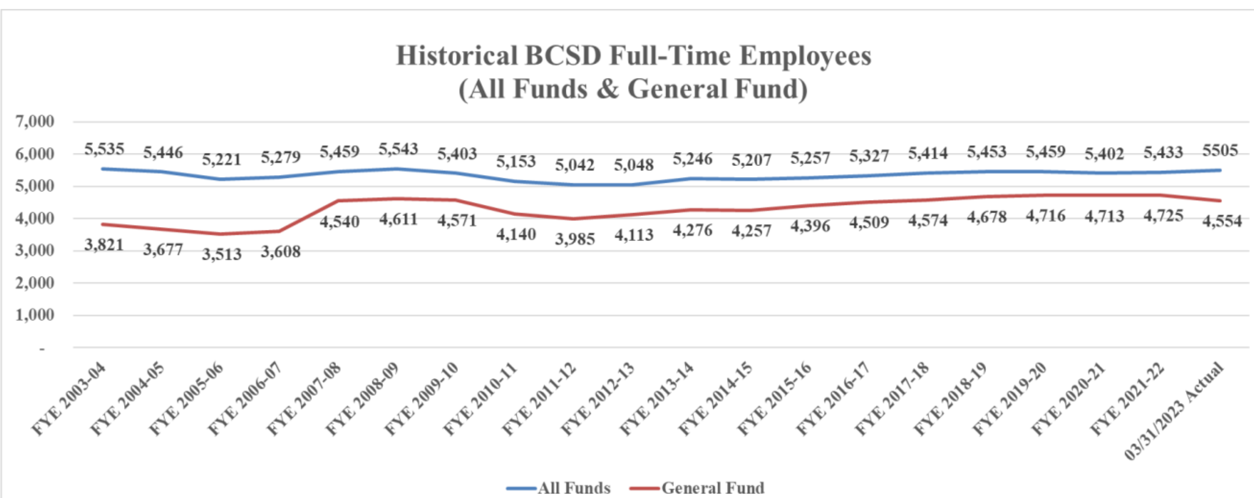
Teacher positions are reduced by 38.5 FTEs as compared to the 2022-23 Adopted Budget.

On an All Funds Basis, the Adopted Budget includes a total of 6,012 FTEs, 55 FTEs greater than the FY 2022-23 Adopted Budget. Budgeted positions decrease substantially beginning in FY 2024-25, particularly positions currently funded via federal rescue funds.

Grant funded positions total 1,020 in FY 2023-24 and are reduced by 326 FTEs beginning in FY 2024-25 to 694.

The District's staffing plan included the reduction of 60 teacher positions over the four years of the 2024-2027 Financial Plan. The Financial Plan assumes a flat population of City publicly enrolled students with District students declining from 31,513 in FY 2023-24 to an estimated 30,613 by FY 2026-27. Charter school pupils are projected to increase by 900 to 12,000 pupils by FY 2026-27. The overall number of public-school students is projected to be flat at 42,613 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 following chart shows the District's actual number of filled positions from 2003 to 2023 for both the General Fund and on a District-wide basis:



The BMHA's 2023-24 Adopted Budget includes 159 positions. BMHA has historically had a level of vacancy between 10-25% at any period during a fiscal year. The vacancy rate was 13.6% on March 31, 2023. Budgeted positions are held flat in each year of the Financial Plan. Total employee salaries and benefits are budgeted at $15.8 million in FY 2023-24 and are projected to increase by $0.7 million to $16.5 million over the Financial Plan. The increase in employee salaries and employee benefits is based on estimated increases in FY 2023-24 through FY 2026-27.

BURA had 41 positions budgeted and there were 28 filled at the conclusion of the 2022-23 fiscal year. BURA's workforce was reduced from 60 budgeted FTE's at FYE 2012 down to the current 42 positions budgeted in 2023-24, a decrease of 18 positions over ten years. Employment levels remain significantly below 2003-04 levels when BFSA was created. BURA has adopted a budget and financial plan that includes 42 positions across all four years of the Financial Plan, with 32 classified employees, and 10 exempt employees. The significant decrease in BURA positions has been driven by several factors, including reductions in federal grant funding, the elimination of programs, and corresponding positions that were determined not to be an appropriate use of federal grant funds. The reduction of BURA positions was largely through the elimination of vacant positions and, to a lesser extent, through layoffs.

Projected workforce trends are discussed in the individual entity reports within the section titled "BFSA Reports on the 2023-24 Budgets and 2024-2027 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 2023, Moody's reaffirmed the City's rating of A1 with a stable outlook 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 2023 and management will continue to manage the sizeable budget gaps and address the expired collective bargaining contracts.

In April 2022, Fitch revised the City's outlook from negative to stable and maintained the credit rating of A. The City was downgraded in September 2020 by Fitch from A+ to A with a negative outlook, which further 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.

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 ten 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 eleven 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 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 April 2022. 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 four steps higher for Fitch and three notches higher for Moody's based on fiscal year 2022-23 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 $80,068 in investment earnings with the governmental funds for the year ended June 30, 2023 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 $71,992 from the FDAs during the year ended June 30, 2023. The remaining amount of $8,076 was earned on the operating funds.

Review of 2023 Capital Budget and Related Capital Borrowing

The BFSA reviewed and reported on the City's 2023 Capital Budget of $32.3 million during the 2022-23 fiscal year. The total amount financed was $26.0 million and consisted of $22.8 million for projects authorized in 2023 and $3.2 million that was authorized and unissued in prior years. Recommendations related to this review are provided earlier in this under the section titled "Reports and Recommendations Issued by the BFSA during 2022-23, City of Buffalo, March 8, 2023".

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, 2023:

BFSA Debt Table at June 30, 2023					
($ 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		$1,970	
Sales Tax and State Aid Secured Refunding Bonds (Series 2015A)	Dec-15	$14,170		$470	
Total		**$170,750**	**$234,000**	**$2,440**	**$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 while the District will need to identify funding to continue to employ 255 of teachers that were hired with federal stimulus dollars.

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 is examined in detail in BFSA's analyses of the 2024-2027 Financial Plans beginning on page 44.

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 2022-23," beginning on page 14.

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 2022-23. 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 2022-23 to reinforce its system of internal controls as listed below:

- In September 2022, 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 2022-23 fiscal year as well as any interest paid to vendors including the reason the payment was late.

Additional governance related BFSA actions included:

- In September 2022, the BFSA Governance Committee approved the dissemination of the annual Board of Directors self-evaluation to each Director.

- In September 2022, the Audit, Finance and Budget Committee received a presentation on the BFSA's 2021-22 Independent Auditor's Report and received the BFSA Annual Report for fiscal year 2021-22, which the committee recommended for approval to the full board.

- In September 2022, the Audit, Finance and Budget Committee received the BFSA's Annual Investment Report as part of the BFSA Annual Report, which provides an annual summary on the investments held by the BFSA, investment earnings and fees paid to financial institutions.

- In September 2022, the Audit, Finance and Budget Committee approved a one-year contract extension with Public Financial Management as Financial Advisors to the BFSA.

- In September 2022, the BFSA approved the 2021-22 Independent Auditor's Report and the Annual Report for fiscal year 2021-22.

- In September 2022, the BFSA Board approved Resolution No. 22-24, "Honoring Geoffrey Pritchard, CPA", for his tremendous contributions as the former Chief Financial Officer for the Buffalo School District.

- In December 2022, 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 December 2022, the Board adopted a 2023 Public Meeting Calendar and publicly posted the scheduled meeting dates on the BFSA website.

- In December 2022, the BFSA approved the 2023-24 Minority and Women-Owned Business Enterprise Goal Plan. The goal includes an overall 30.4 percent participation goal with 15.2 percent participation equally by both Minority and Women Business Enterprises, an increase of 0.1 percent in total as compared to the prior year goals. The BFSA will continue to seek procurement opportunities with qualified MWBE's. It was noted that the BFSA ended 2021-22 State Fiscal Year ("SFY") with MWBE participation of 33.9 percent.

- In December 2022, the BFSA approved the 2023-24 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. It was noted that the BFSA ended 2021-22 SFY with SDVOB participation of 17.2 percent.

- In December 2022, the BFSA Board of Directors received a copy of the BFSA's first quarter operation results for FY 2023.

- In December 2022, the BFSA Board of Directors adopted Resolution No. 22-29, "Declaration that City of Buffalo 2023-2026 Financial Plan is Incomplete". It was noted that the City's revenue estimates for federal stimulus funding for revenue replacement was inconsistent with the approved City of Buffalo Recovery Plan, resulting in a shortfall of an estimated $38.5 million. The BFSA required that the City submit a revised Buffalo Recovery Plan that includes an additional $38.5 million of federal stimulus funds for revenue replacement, reflective of the total amount included in the 2023-2026 Financial Plan. The submission is required no later than January 20, 2023. The BFSA later accepted a later submission date; this item ultimately was resolved in July 2023 with the approval of a revised City Recovery Plan.

- In December 2022, the BFSA Board of Directors requested Executive Director Robe to poll the BFSA Directors for their interest in working on an Education subcommittee to review issues on learning deficits, enrollment and staffing.

- In March 2023, the Audit, Finance, and Budget Committee reviewed the BFSA's 2023-24 Preliminary Budget and 2024-2027 Financial Plan and approved the posting of the budget for public review and comment.

- In March 2023, 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, 2023.

- In March 2023, the Internal Controls Officer met with the Audit, Finance and Budget Committee to report on the results of the internal audits in regard to:
  - Payroll and Processing; and
  - Hiring, training and employee evaluations.

- On March 8, 2023, the Board requested an update on the City's revisions on the 2023-2026 Financial Plan and the $38.5 million discrepancy between the financial plan and the ARPA plan. Commissioner Dowell responded that the City is in the process of adjusting budgets of the approved ARPA programs in addition to adjusting revenues and expenditures in the four-year plan. An amendment to the APRA spending plan will be drafted.

- On March 8, 2023, the Board received a copy of the BFSA's second quarter operating results.

- In May 2023, the BFSA Board received the BFSA's third quarter operating results.

- At the June 5, 2023, BFSA Board meeting, the Director's requested Executive Director Robe to schedule an executive session for the meeting scheduled on June 21, 2023, to receive legal counsel concerning the timing of receiving and reviewing collective bargaining agreements from covered entities.

- On June 21, 2023, the Board approved Resolution No. 23-03, "Declaration of Incomplete Financial Plan" finding the proposed 2024-2027 Four-Year Financial Plan incomplete and non-compliant with the BFSA Act. The BFSA requested additional supporting material as identified in Resolution No. 23-02 and a complete financial plan including the District's 2024-2027 Financial Plan to be submitted by the Mayor to the BFSA by June 30, 2023.

- At the meeting held June 21, 2023, the Board approved Resolution 23-04, "Adoption of the 2023-24 Buffalo Fiscal Stability Authority Budget and 2024-2027 Four Year Financial Plan."

- Also at the meeting held June 21, 2023, an executive session of the Board was held to receive legal advice from counsel.

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.

- <u>Report on Requests by Data Subjects</u> – On August 21, 2023, BFSA issued its FY 2022-23 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 #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 July 13, 2022; and
    - Quarter 2 Utilization report was filed on October 14, 2022; and
    - Quarter 3 Utilization report was filed on January 15, 2023; and
    - Quarter 4 Utilization report was filed on May 2, 2023.

- 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 July 29, 2022; and
    - Quarter 2 Utilization report was filed on October 28, 2022; and
    - Quarter 3 Utilization report was filed on January 27, 2023; and
    - Quarter 4 Utilization report was filed on April 12, 2023.

Financial Statements

BFSA received a clean, unqualified opinion on its 2022-23 Audited Financial Statements from its independent outside auditor, Lumsden & McCormick LLP. That audit report was reviewed, accepted and approved by the Board on October 5, 2023. The 2022-23 audited financial statements and reports 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 2022-23 fiscal year:

- In March 2023, the BFSA's Audit, Finance and Budget Committee authorized by resolution the posting of BFSA's proposed 2023-24 budget and 2024-2027 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 2023, after the public review period had been completed, the BFSA adopted the 2023-24 budget and 2024-2027 Financial Plan.

Health Insurance Plans

In 2022-23, 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 a tenant of the Ellicott Development Company for its offices in the Ellicott Square Building located at 295 Main Street, Suite 800, New York, 14203. The BFSA completed the move to the new space in December 2022. Prior to this, the BFSA was 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. The BFSA expended $31,471 for the fiscal year ended June 30, 2023.

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 rating at A+ stable from Fitch (2024)
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 Arbitration Award with the Police Benevolent Association (2023)

Reviewed a City of Buffalo labor agreement with the Crossing Guards (2023)

Reviewed a BURA labor agreement with AFSCME Local 815 (2023)

Reviewed a Buffalo School District labor agreement with the Buffalo Council of Supervisors and Administrators ("BCSA") (2023)

Reviewed a Buffalo School District labor agreement for Cafeteria Cook Managers Local - 264 (2023)

Reviewed salary adjustments for exempt employees with the Buffalo School District (2023)

Reviewed a Buffalo School District labor agreement for Operating Engineers Local - 409 (2023)

Reviewed a Buffalo School District labor agreement with the Buffalo Educational Support Team ("BEST") (2023)

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)

Cumulative Financial Impact of BFSA and the BFSA Act (Table 3 Continued)
Other Actions
Labor Related:
Reviewed two City of Buffalo labor issues including an Arbitration Award with the PBA (2013) and a CBA with the Water Caulkers Local 264T (2014)
Reviewed a District labor agreement including a retirement incentive for Cafeteria Cook Managers Local - 264 (2014)
Reviewed three District labor agreements including a retirement incentive for Cafeteria Managers (2012), a CBA for Blue Collar employees (2012), and a MOU with the BTF (2013)
Reviewed two City of Buffalo labor agreements including a CBA with the Crossing Guards (2012) and the Buffalo Firefighters - Local 282 (2013)
Reviewed a CBA between BMHA and Local 17 - Operating Engineers (2013)
Approved a new wage and benefit package with City's Local 17 - Operating Engineers (2012)
Implemented new wage and benefit package with BURA's employees (2011)
Disapproved a new wage and benefit package with BMHA's Local 17 - Operating Engineers (2011)
Implemented new wage and benefit package with BMHA's Exempt Non-Represented employees (2010)
Implemented new labor contract with the District's Summer Food Service Workers (2012, 2010 and 2008)
Implemented new labor contract with the Districts Substitutes United/Buffalo - NYSUT (2009)
Implemented new labor contract with BMHA's Blue, White and Managerial class employees, Local 264 (2009)
Implemented new labor contract with the City's Building Inspectors (2009)
Implemented new labor contract with Transportation Aides of Buffalo and the District (2009)
Implemented new labor contract with the City's Blue-Collar workers (2009)
Implemented new labor contract with cooks and food service workers and the District (2008)
Implemented new labor contract with the Buffalo Educational Support Team and the District (2008)
Implemented new labor agreement with the City's White-Collar workers (2008)
Implemented new labor contract with Buffalo Crossing Guards, Inc. (2008)

BFSA Reports on the 2023-24 Budgets and 2024-2027 Financial Plans of the City of Buffalo and the Covered Organizations

Introduction

This section includes the individual BFSA reports issued in connection with the review of the proposed 2023-24 budgets, preliminary 2024-2027 financial plans, and the final adopted budgets and revised four-year financial plans as applicable.

The Financial Plan is a comprehensive document and is required to contain the individual plans of the City of Buffalo and its nonexempt covered organizations including the Buffalo City School District, the Buffalo Urban Renewal Agency, and the Buffalo Municipal Housing Authority.

The review of the City of Buffalo's proposed budget and related four-year financial plan was conducted on May 17 and is included within this section. The BFSA's subsequent review and reporting on the adopted budget and the final four-year financial plan are also included. All three reports should be read to fully understand the final projections made by the City of Buffalo and the BFSA's recommendations.

Buffalo Fiscal Stability Authority
Review of the City of Buffalo's 2023-24 Proposed Budget and 2024-2027 Financial Plan

Overview

The 2023-24 Proposed Budget for the City of Buffalo (the "City") provides General Fund estimated revenues and budgeted appropriations of $582.0 million, representing an increase of $15.3 million, or 2.7 percent, over last year's adopted budget of $566.7 million. The City's fiscal year is from July 1 to June 30.

The 2024-2027 Financial Plan ("Financial Plan") continues to contain budget actions related to the COVID-19 pandemic and includes $50.0 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 2022-23. The City was 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 Administration has planned an increase in the total amount of ARPA for revenue replacement from $100.0 million to $147.8 million. The City Administration is expected to submit a modified City of Buffalo Recovery Plan ("ARPA Recovery Plan") to the City of Buffalo Common Council (the "Common Council") reflecting the reallocation of the federal ARPA funds. It is expected that the Common Council will review the modified ARPA Recovery Plan and approve it by May 31, 2023. It is anticipated that economic recovery will occur, with the majority of estimated revenues returning to pre-pandemic levels in the third and fourth years 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 2023-24 Proposed Budget and related 2024-2027 Financial Plan. It provides additional detail on key changes and differences from the prior year.

2023-24 Proposed Budget Summary

The 2023-24 Proposed Budget ("Proposed Budget") totals $582.0 million. The following schedule provides historical context by providing revenues and expenditures for the fiscal year ending June 30, 2022, the 2022-23 Adopted Budget, the City Administration's year-end projection for 2022-23, and the proposed budget for fiscal year 2023-24.

	Fiscal Year Ended June 30, 2022 Actual	2022-23 Adopted Budget	2022-23 Year-End Estimate as of March 31, 2023	2023-24 Proposed Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Revenues:						
Revenue	$ 536.5	$ 556.0	$ 561.5	$ 570.8	$ 14.8	$ 9.3
Other Financing Sources:						
Transfers In	11.6	10.7	10.7	11.2	0.5	0.5
Total Revenue & Resources	$ 548.1	$ 566.7	$ 572.2	$ 582.0	$ 15.3	$ 9.8
Expenditures:						
Total Departmental Costs	$ 253.9	$ 266.4	$ 270.1	$ 276.3	$ 9.9	$ 6.2
Total General Charges	169.1	194.4	187.6	207.3	12.9	19.7
Transfers Out	104.4	105.9	114.4	98.4	(7.5)	(16.0)
Total Expenditures	$ 527.4	$ 566.7	$ 572.1	$ 582.0	$ 15.3	$ 9.9
Surplus / (Deficit)	$ 20.7	$ -	$ 0.1	$ -	$ (0.0)	$ (0.1)

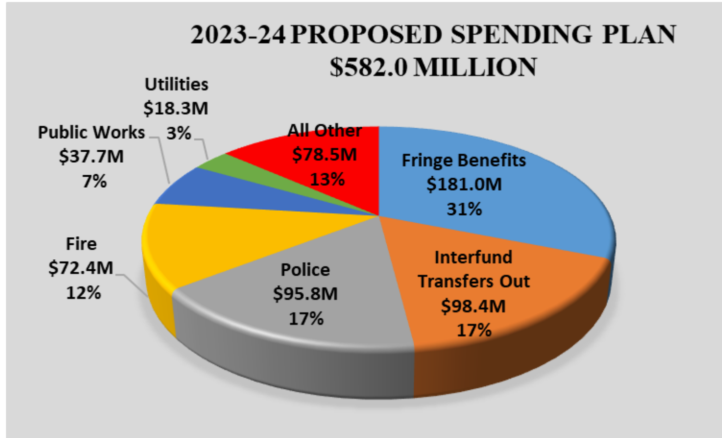
The Proposed Budget of $582.0 million reflects an increase of $15.3 million, or 2.7 percent, over the prior year's budget. Estimated revenues are $9.8 million, or 1.7 percent, over the current year-end projection of $572.2 million, and budgeted appropriations are $9.9 million, or 1.7 percent, over the current year-end forecast of $572.1 million. The City reported a surplus of $20.7 million for the fiscal year ended June 30, 2022.

Total budgeted appropriations of $582.0 million include other financing uses (i.e., transfers out) of $98.4 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 2023-24 on outstanding debt ($27.2 million), and a transfer to the Capital Projects Fund ($0.4 million). Total budgeted appropriations for transfers out on a year-to-year basis represent a decrease of $7.5 million and is attributed to the reduction of the transfer to the Debt Service Fund for principal and interest on debt in the amount of $7.5 million.

The most significant transfer out is to the District 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 fund operations partially. The City’s tax levy for 2023-24 is increasing $11.9 million, or 7.8 percent, year-to-year from $153.0 million to $164.9 million, with the City retaining $94.1 million and the balance of $70.8 million being transferred to the District.

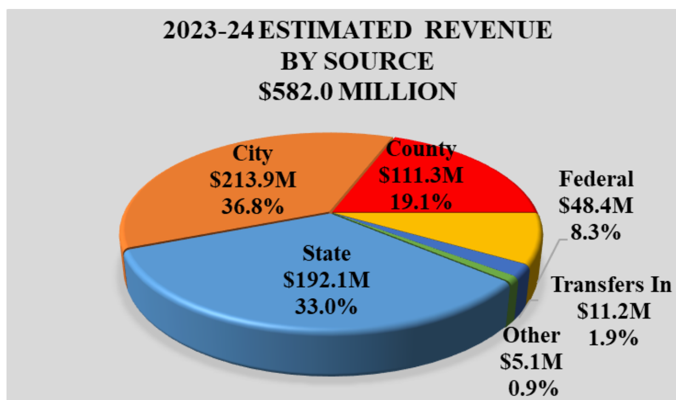
The remaining operating budget, excluding transfers, provides a clearer picture of the amounts budgeted by the City for the general operations of the City and the provision of City-wide services. This remaining amount is $483.6 million, compared to $460.8 million in fiscal year (“FY”) 2023, and has increased approximately $22.8 million, or 4.9 percent, on a year-to-year basis.

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



The largest components of the budget are as follows: fringe benefits (31 percent), which includes health insurance for both active employees and retirees, pension contributions, employer payroll taxes, injured-on-duty payments, and other similar commitments; transfers out (17 percent); police department (17 percent); and the fire department (12 percent). These four areas combined constitute 77 percent of the total budget. Public works comprises an additional 7 percent of total budgeted appropriations, and utilities represent another 3 percent. All remaining departments and general charges comprise the remaining 13 percent of expenditures. The expenditure categories as a percentage of total adopted spending are consistent on a year-to-year basis with fluctuations of one to two percentage points.

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



This chart illustrates the primary sources of estimated revenue of $582.0 million by summarizing the various revenues according to the originating source. The two largest contributors of revenue to the City are the City itself, at 36.8 percent, and the State, at 33.0 percent, of total estimated revenue of $213.9 million and $192.1 million, respectively. As a point of reference, in the 2022-23 Adopted Budget, City sources represented 39.2 percent of total estimated revenues at $222.0 million and State sources represented 30.4 percent at $172.3 million. City sources decrease by $8.0 million from last year's budget. City sources include tax revenue, including property taxes, fines, licenses, permits, sale of property, and other miscellaneous revenue items. Revenue from the State is budgeted to provide $192.1 million to the City, representing an increase of $19.8 million, or 11.5 percent, from the prior year's amount of $172.3 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, cannabis tax, and program specific funding. The third largest revenue source is Erie County (the "County") at 19.1 percent, with the most significant revenue source being sales tax, providing for $111.3 million. Total County revenue is estimated to increase $7.0 million, or 6.8 percent, in the 2023-24 Proposed Budget as compared to the prior year's amount of $104.3 million, which was 18.4 percent of budgeted revenues in 2022-23.

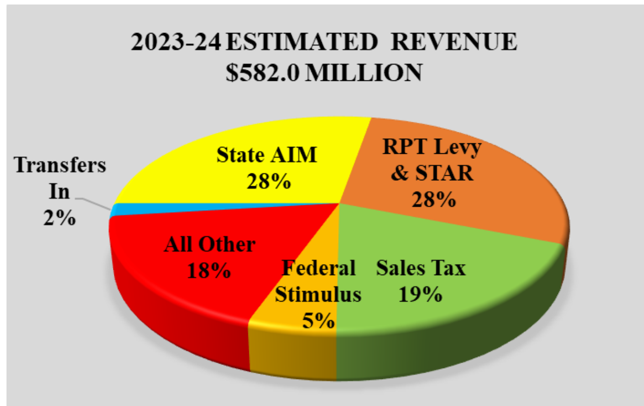
The fourth largest revenue category is federal sources budgeted at $48.4 million, or 8.3 percent of estimated revenue. This is a decrease of $4.5 million compared to FY 2022-23 budgeted amount of $52.9 million, or a reduction of 8.5 percent. This budget item primarily represents federal ARPA revenue replacement funds.

Transfers in from the Enterprise Funds of $11.2 million, or 1.9 percent of total estimated revenues, include transfers from the Water Fund ($8.8 million), the Parking Fund ($1.7 million), and the Solid Waste and Recycling Fund ($0.7 million). Transfers in are budgeted to increase by $0.5 million, or 5.0 percent, over the prior year's amount of $10.7 million, which also represented 1.9 percent of prior-year estimated revenues.

Other revenue sources of $5.1 million represents 0.9 percent of the total estimated revenue for the fiscal year 2023-24 and represents service charges from other government entities. In the prior year's budget, other revenue sources was budgeted at $4.6 million and represented 0.8 percent of estimated revenues.

The following chart demonstrates the main categories of total estimated revenue of $582.0 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 and the City's real property tax levy, including STAR revenue, account for 28 percent of total estimated revenues each, sales tax provided by the County accounts for 19 percent, and Federal stimulus accounts for 5 percent of total estimated revenues. These four revenue sources compose 80 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 by 1.0 percent, sales tax has increased by 1.0 percent, the property tax levy and STAR category have increased by 1.0 percent, federal stimulus decreased by 4.0 percent, and all other category has increased by 3.0 percent.



The proposed budget increases the City's property tax levy to $158.9 million in 2023-24 from $153.0 million in 2022-23, an increase of $5.9 million, or 3.8 percent. The City's available property tax margin is $193.7 million, representing an increase from the prior year's available tax margin of $172.4 million of $21.3 million, or 12.4 percent. Within the proposed budget, the City provides 44.6 percent of the tax levy to the District. The District's debt service is equivalent to 2.7 percent of the tax levy, while 17.1 percent is assessed for the City's debt service. From an operational standpoint, the City utilizes 38.3 percent of the levy, while the District uses 41.8 percent of the tax levy for operations. The proposed budget utilizes 45.1 percent of the City's constitutional taxing capacity compared to 47.0 percent utilized last year.

For the year ended June 30, 2022, the City reported an increase in fund balance of $20.8 million. On June 30, 2022, the balance of the emergency stabilization fund (i.e., "Rainy Day Fund") was $41.2 million, assigned fund balance was $17.5 million, and unassigned fund balance was $24.0 million.

Estimated Revenues

The proposed budget includes total estimated revenues and other financing sources of $582.0 million, representing an increase of $15.3 million, or 2.7 percent, over the 2022-23 budget. The following schedule summarizes revenue by category and includes actual revenue for the fiscal year ended June 30, 2022, the adopted 2022-23 budget, the City Administration's year-end projection for fiscal year 2022-23 as of March 31, 2023, and the 2023-24 Proposed Budget along with year-to-year changes.

	Fiscal Year Ended June 30, 2022 Actual	2022-23* Adopted Budget	2022-23 Year-End Estimate as of March 31, 2023	2023-24* Proposed Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Revenues:						
Taxes	$ 160.5	$ 164.1	$ 164.2	$ 176.3	$ 12.2	$ 12.1
Non-Property Taxes	14.4	12.4	12.4	12.4	-	-
Licenses and Permits	5.0	4.6	4.5	5.4	0.8	0.9
Intergovernmental	329.3	335.5	338.0	330.9	(4.6)	(7.1)
Service Charges	11.7	15.1	13.9	14.4	(0.7)	0.5
Fines	8.3	8.2	7.6	10.4	2.2	2.8
Interest	0.3	0.1	8.4	5.0	4.9	(3.4)
Miscellaneous	7.0	16.0	12.5	16.0	-	3.5
Total Revenues	**536.5**	**556.0**	**561.5**	**570.8**	**14.8**	**9.3**
Resources:						
Other Financing Sources	0.0	-	-	-	-	-
Transfers In	11.6	10.7	10.7	11.2	0.5	0.5
Total Other Resources	**11.6**	**10.7**	**10.7**	**11.2**	**0.5**	**0.5**
Total Revenue & Resources	**$ 548.1**	**$ 566.7**	**$ 572.2**	**$ 582.0**	**$ 15.3**	**$ 9.8**

*Minor variances are noted due to rounding.

Revenues, excluding transfers in, are budgeted to increase $14.8 million over the prior year budget, or 2.7 percent, and transfers in are projected to increase by $0.5 million, or 4.7 percent, for a total increase of $15.3 million, or 2.7 percent, year-to-year. Total revenue in 2021-22 was $548.1 million consisting of $536.5 million of departmental revenue and $11.6 million from transfers. Significant fluctuations noted in the revenue categories, as demonstrated in the table above, are discussed in further detail below as part of the 2024-2027 Financial Plan discussion.

Total revenues over the Financial Plan are estimated to increase $22.6 million, or 3.9 percent, from $582.0 million to $604.6 million. Total projected revenue increases by $3.8 million (0.6 percent) in 2024-25, $5.1 million (0.9 percent) in 2025-26 and $13.8 million (2.3 percent) in 2026-27. The following schedule summarizes the major revenue categories of total proposed and projected revenues over the 2024-2027 Financial Plan.

REVENUES	2023-24 Proposed Budget	2024-25 Projection	2025-26 Projection	2026-27 Projection	Four-Year Increase/(Decrease) $	%
	Financial Plan					
Taxes	$ 176,302,115	$ 173,369,995	$ 176,499,355	$ 179,991,302	$ 3,689,187	2.1%
Non Property Taxes	12,350,000	12,350,000	12,350,000	12,350,000	-	0.0%
Licenses and Permits	5,392,060	5,445,981	5,496,904	5,534,569	142,509	2.6%
Intergovernmental	330,897,530	335,524,337	338,991,563	348,373,509	17,475,979	5.3%
Service Charges	14,375,013	14,568,468	14,720,616	14,863,912	488,899	3.4%
Fines	10,421,425	10,964,045	11,757,092	11,800,571	1,379,146	13.2%
Interest	5,000,000	3,250,000	1,750,000	250,000	(4,750,000)	-95.0%
Miscellaneous	16,062,645	18,119,880	14,948,423	15,104,297	(958,348)	-6.0%
Subtotal	**570,800,788**	**573,592,706**	**576,513,953**	**588,268,160**	**17,467,372**	**3.1%**
Transfers In	11,194,162	12,173,667	14,303,504	16,318,935	5,124,773	45.8%
TOTAL	**$ 581,994,950**	**$ 585,766,373**	**$ 590,817,457**	**$ 604,587,095**	**$ 22,592,145**	**3.9%**

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 $12.2 million over the prior year budget, or 7.5 percent, from $164.1 million in 2022-23 to $176.3 million in the 2023-24 Proposed Budget. Revenue for the Taxes category over the Financial Plan is estimated to increase by $3.7 million, or 2.1 percent, from $176.3 million to $180.0 million. Taxes represent 30.3 percent of total estimated revenues in the fiscal year 2023-24 and decrease to 29.8 percent by 2026-27.

	2022-23 Adopted Budget	2023-24 Proposed Budget	2024-25 Projection	2025-26 Projection	2026-27 Projection	Four-Year Increase/(Decrease)	
Taxes		**Financial Plan**				**$**	**%**
Real Property Tax Levy	$ 147,040,275	$ 153,400,000	$ 156,468,000	$ 159,597,360	$ 162,789,307	$ 9,389,307	6.1%
Prior Year Arrears RPT	-	6,000,000	-	-	-	(6,000,000)	-100.0%
STAR	6,000,000	5,500,000	5,500,000	5,500,000	5,500,000	-	0.0%
Mortgage Tax	3,900,000	3,900,000	3,900,000	3,900,000	4,200,000	300,000	7.7%
PILOTs	5,132,625	5,350,915	5,350,915	5,350,915	5,350,915	-	0.0%
All Other Taxes	2,002,500	2,151,200	2,151,080	2,151,080	2,151,080	(120)	0.0%
Total Taxes	**164,075,400**	**176,302,115**	**173,369,995**	**176,499,355**	**179,991,302**	**3,689,187**	**2.1%**

The increase of Taxes by $12.2 million, or 7.5 percent, between 2022-23 and 2023-24 is attributed to an increase of $12.4 million in real property tax, an increase of $0.2 million for PILOTs, and a decrease of $0.5 million in the STAR program. All other taxes are increasing by $148,700 on a net basis. In regard to the real property tax, there is a one-time amount of $6.0 million included in 2023-24. This amount reflects prior-year arrears that will be settled by utilizing $6.0 million of ARPA program funds.

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 $325.4 million in 2022-23 to $352.6 million, an increase of $27.2 million, or 8.3 percent, while the available tax levying margin increased from $172.4 million to $193.7 million. The proposed real property tax levy increases in 2023-24 by $5.9 million, or 3.8 percent. The City is currently utilizing 45.0 percent of the total available taxing levy. The homestead rate has increased from $10.27 per $1,000 of assessed value in 2022-23 to $10.73 in the 2023-24 Proposed Budget. The non-homestead rate was $18.17 per $1,000 of assessed value in 2022-23 and is increased to $18.72 per $1,000 of assessed valuation.

It is noted that an additional $6.0 million was included in the property tax levy that will be funded with ARPA program dollars for individuals in arrears on their property taxes. Disregarding the one-time $6.0 million impact on real property taxes, the actual tax levy increases by $5.9 million, 3.9 percent, year-to-year, from $153.0 million to $158.9 million.

The Taxes revenue category increases from $176.3 million in 2023-24 to $180.0 million in 2026-27, an increase of $3.7 million, or 2.1 percent. The increase is attributed to an annual increase in the real property tax levy, which is budgeted to increase cumulatively by $9.4 million over the Financial Plan. The projected annual increase in the three outyears of the Financial Plan is 2.0 percent. It is noted that the City plans to complete a city-wide full reassessment to be effective July 1, 2025.

The remaining tax revenues are held relatively flat over the Financial Plan. Mortgage tax should be monitored for reasonableness due to the disruption in housing sales resulting from increased mortgage rates.

Intergovernmental – Intergovernmental revenue consists of New York State ("State") Aid and Incentive for Municipalities ("AIM"), sales tax, Tribal State Compact ("TSC") revenues, or casino revenue, cannabis tax, and federal aid. Total Intergovernmental revenue is budgeted to decrease $4.6 million (1.4 percent) in 2023-24, and projected to increase $4.6 million (1.4 percent) in 2024-25, $3.5 million (1.0 percent) in 2025-26, and $9.4 million (2.8 percent) in 2026-27. This revenue category increases in total by $17.5 million, or 5.3 percent, over the Financial Plan. Intergovernmental revenues represent 56.9 percent of total revenue in fiscal year 2023-24 and increase to 57.6 percent of the budget by fiscal year 2026-27.

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

	2022-23 Adopted Budget	2023-24 Proposed Budget	2024-25 Projection	2025-26 Projection	2026-27 Projection	Four-Year Increase/(Decrease)	
Intergovernmental		**Financial Plan**				**$**	**%**
State AIM	$ 161,285,233	$ 161,285,233	$ 169,349,495	$ 177,816,969	$ 183,151,478	$ 21,866,245	13.6%
Sales Tax	104,300,000	111,335,000	115,788,400	121,143,713	123,566,587	12,231,587	11.0%
TSC - Casino Revenue	11,000,000	11,000,000	11,000,000	15,000,000	15,000,000	4,000,000	36.4%
Revenue Replacement - ARPA	51,841,195	30,585,235	19,414,765	-	-	(30,585,235)	-100.0%
Cannabis Tax	-	8,064,262	10,744,857	15,500,000	16,818,421	8,754,159	-
All Other	7,120,962	8,627,800	9,226,820	9,530,881	9,837,023	1,209,223	14.0%
Total Intergovernmental	**335,547,390**	**330,897,530**	**335,524,337**	**338,991,563**	**348,373,509**	**17,475,979**	**5.3%**

The City budgeted $335.5 million in intergovernmental revenue in 2022-23 and budgeted a decrease of $4.6 million, or 1.4 percent, to $330.9 million in 2023-24. State AIM is held flat at $161.3 million year-to-year and is estimated to increase by $21.9 million, or 13.6 percent over the Financial Plan. New York State did not include an increase for State AIM in the out years of the State's Financial Plan. The State reduced NYS AIM in fiscal year 2012 and has been held flat at $161.3 million since then. The cumulative increase of $21.9 million is deemed speculative.

Sales tax collections have been more robust than initially expected, as sales tax was originally budgeted at $104.3 million and is projected to exceed the budget by approximately $3.9 million. Sales tax collections are budgeted to increase by $7.0 million (6.7 percent) over the 2022-23 budget, and increases $12.2 million, or 11.0 percent, over the Financial Plan. Sales tax is budgeted at $111.3 million in the Proposed Budget, increasing 4.0 percent to $115.8 million in FY 2024-25, 4.6 percent to $121.1 million in FY 2025-26, and 2.0 percent to $123.6 million in the fourth year of the Financial Plan. The projected increases appear reasonable at this time.

The Financial Plan includes $30.6 million of federal ARPA revenue replacement funds in FY 2023-24, decreasing to $19.4 million in FY 2024-25, for a total $50.0 million over the Financial Plan. The increased use of ARPA funds for revenue replacement is inconsistent with the current ARPA Recovery Plan, as the original plan included $100.0 million for revenue replacement. A total of $51.0 million has been disbursed to date, with an additional $51.8 million included in the current year budget total $102.8 million, before the inclusion of the $50.0 million in the 2024-2027 Financial Plan. The City Administration has indicated that it will submit an amended ARPA Recovery Plan that will increase total revenue replacement funds between $47.8 - $50.0 million. It is noted that the Administration does not believe the full $51.8 million will be used in the current year, with a year-end estimate of $46.8 million at the end of the third quarter. The City is required to commit ARPA funds by the end of 2024 and expend them by the end of 2026. However, current guidance on the use of ARPA federal stimulus for revenue replacement indicates that this revenue must be drawn down and reported by December 31, 2024, as there is no mechanism to commit the funds beyond December 31, 2024 (i.e., budget authorization is an annual process and there is no means to enter into a revenue commitment beyond one year). Therefore, the City has appropriately not budgeted any revenue replacement federal stimulus beyond the 2024-25 fiscal year.

The federal stimulus included in the budget is to address revenue shortfalls due to the COVID-19 pandemic.

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 $15.0 million in years three and four of the Financial Plan. The current contract expires December 9, 2023, and terms of a new contract are currently unknown nor is there information available regarding the status of negotiations. The cumulative increase of $8.0 million in the last two years of the Financial Plan is deemed speculative. This revenue should be monitored as it's difficult to predict collections.

Marijuana tax revenue is a new revenue included in each year of the Financial Plan, increasing from $8.1 million in 2023-24 to $16.8 million in 2026-27. This tax represents a new revenue source for the City, and there is no historical collection rate to determine the reasonability of the estimate. NYS has legalized the sale of marijuana at state-licensed dispensaries; however, out of the 22 conditional licenses approved for the Western NY region, only four have received final approvals and are in the process of setting up a dispensary. The location of those dispensaries is unknown, and the City will only receive sales tax from authorized dispensaries located within the City.

All other intergovernmental revenue is increasing from $7.1 million as budgeted in the prior year to $8.6 million, an increase of $1.5 million, or 21.2 percent.

Over the course of the Financial Plan, Intergovernmental revenue increases from $330.9 million to $348.4 million, an increase of $17.5 million or 5.3 percent. Excluding federal ARPA revenue replacement funds, the remaining intergovernmental revenues increase by $48.1 million, or 16.0 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 $1.4 million, or 13.2 percent, from $10.4 million in 2023-24 to $11.8 million in 2026-27. Fines represent 1.8 to 2.0 percent of total revenues over the Financial Plan.

	2022-23 Adopted Budget	2023-24 Proposed Budget	2024-25 Projection	2025-26 Projection	2026-27 Projection	Four-Year Increase/(Decrease)	
Fines		**Financial Plan**				**$**	**%**
Parking Tags Fines & Penalties	$ 5,000,000	$ 5,500,000	$ 6,000,000	$ 6,750,000	$ 6,750,000	$ 1,250,000	22.7%
Traffic Violations Fines	2,500,000	4,250,000	4,292,500	4,335,425	4,378,779	128,779	3.0%
Court Fines	135,000	135,000	135,000	135,000	135,000	-	0.0%
All Other Fines	538,600	536,425	536,545	536,667	536,792	367	0.1%
Total Fines	**8,173,600**	**10,421,425**	**10,964,045**	**11,757,092**	**11,800,571**	**1,379,146**	**13.2%**

Fines represent approximately 1.4 percent of budgeted revenue in 2022-23 and are increasing $2.2 million, or 27.5 percent, to $10.4 million from the 2022-23 budget amount of $8.2 million in 2023-24. The year-to-year increase is attributed to the implementation of school bus arm cameras and enforcement of traffic violations.

Over the Financial Plan, Fines are increasing from $10.4 million to $11.8 million, an increase of $1.4 million, or 13.2 percent. The increase is directly attributed to implementing the school bus arm cameras and 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, the sale of land, property, and other capital assets, settlements of legal claims, and a myriad of other revenue sources. The Miscellaneous revenue category is relatively flat over the Financial Plan and represents 2.8 percent of total budgeted revenues in 2023-24, 3.1 percent in 2024-25, and 2.5 percent in the last two years of the Financial Plan.

	2022-23 Adopted Budget	2023-24 Proposed Budget	2024-25 Projection	2025-26 Projection	2026-27 Projection	Four-Year Increase/(Decrease)	
Miscellaneous		**Financial Plan**				**$**	**%**
Grant Reimbursement	$ 4,736,800	$ 5,948,110	$ 6,126,553	$ 7,451,097	$ 7,525,607	$ 1,577,497	26.5%
Sale of Capital Assets	4,950,000	4,519,000	5,819,055	895,678	930,461	(3,588,539)	-79.4%
Settlement of Legal Claims	350,000	250,000	255,000	375,000	382,500	132,500	53.0%
All Other Misc.	5,966,012	5,345,535	5,919,272	6,226,648	6,265,729	920,194	17.2%
Total Miscellaneous	**16,002,812**	**16,062,645**	**18,119,880**	**14,948,423**	**15,104,297**	**(958,348)**	**-6.0%**

Year-to-year, estimated Miscellaneous revenues are flat between 2022-23 and 2023-24. Significant revenues include grant reimbursements which are budgeted at $5.9 million in 2023-24, increasing to $6.1 million in 2024-25, and increasing to $7.5 million in 2025-26 and 2026-27. The grant details have not been provided at this time, however it is expected the bulk of the grants will be for fire and police services, specifically targeting training, equipment, and selected overtime costs.

The sale of capital assets over the Financial Plan is primarily driven by the City's sale of City-owned properties. The in-rem tax foreclosure sales are not included in the Financial Plan as the City paused the program this past year. Some properties will still be sold through in rem, but those properties are separate from the in rem tax foreclosure auctions previously held. The sale of capital assets in 2023-24 is budgeted at $4.5 million, increasing to $5.8 million in 2024-25, and decreasing to $0.9 million in the final two years of the Financial Plan. As demonstrated in recent years, it is difficult to accurately predict when a marketed property will be sold and closed from a revenue timing perspective.

Over the course of the Financial Plan, Miscellaneous revenue fluctuates between 2.5 percent to 3.1 percent of total budgeted or projected revenue. Miscellaneous revenue increased by $2.1 million or 12.8% in 2024-25, decreases $3.2 million or 17.5% in 2025-26, and is held flat in 2026-27.

All Other Remaining Revenue Categories – The following schedule includes the remaining revenue categories, including service charges, non-property taxes, licenses and permits, and earned interest. Those revenues comprise $33.0 to $37.1 million annually and comprise approximately 5.5 – 6.4 percent annually of total revenue throughout the Financial Plan. Outside of the increase in interest income, there are minimal variances in these revenue lines in the Financial Plan.

	2022-23 Adopted Budget	2023-24 Proposed Budget	2024-25 Projection	2025-26 Projection	2026-27 Projection	Four-Year Increase/(Decrease)	
Remaining Revenues		**Financial Plan**				**$**	**%**
Service Charges	$ 15,102,049	$ 14,375,013	$ 14,568,468	$ 14,720,616	$ 14,863,912	$ 488,899	3.4%
Non-property Taxes	12,407,000	12,350,000	12,350,000	12,350,000	12,350,000	-	0.0%
Licenses & Permits	4,657,050	5,392,060	5,445,981	5,496,904	5,534,569	142,509	2.6%
Interest	100,000	5,000,000	3,250,000	1,750,000	250,000	(4,750,000)	-95.0%
Total	**32,266,099**	**37,117,073**	**35,614,449**	**34,317,520**	**32,998,481**	**(4,118,592)**	**-11.1%**

On a year-to-year basis, service charges are decreasing from $15.1 million in 2022-23 to $14.4 million in 2023-24, a decrease of $0.7 million, or 4.8 percent. Over the Financial Plan, the City has increased parking meter fees from $2.9 million in 2023-24 to $3.2 million in 2026-27; the assumption is that more people will be utilizing on street parking post-pandemic.

All service fees are increasing by $0.5 million, 3.4 percent, over the Financial Plan, due to built in cost escalators for various building permits and fees.

Non-property taxes represent 2.1 percent of total 2023-24 estimated revenues and 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 foreign fire insurance tax of $0.9 million. These amounts are budgeted consistent with prior years, and these revenues have no variance over the Financial Plan.

Licenses and permits are increasing by $0.7 million, or 15.8 percent, from $4.7 million to $5.4 million, compared to the 2022-23 Adopted Budget. Licenses and permits represent 0.9 percent of total revenue across the Financial Plan. These revenues are projected to increase $0.1 million, or 2.6 percent, over the Financial Plan.

Earned interest income is budgeted to increase by $4.9 million between 2022-23 and 2023-24. It is noted that the current year-end estimate is $8.3 million, which is $8.2 million higher than the budget amount of $0.1 million. The significant increase in interest income is attributed to the ARPA recovery plan funds held by the City and the increased interest rates; neither was initially budgeted for. Interest income decreases over the Financial Plan from $5.0 million in 2023-24 to $3.3 million in 2024-25, to $1.8 million in 2025-26, and to $250,000 in 2026-27. The decrease in interest reflects the City spending down the ARPA funds.

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 increased $0.5 million from $10.7 million in 2022-23 to $11.2 million in 2023-24 due to an increase of $0.4 million from the water fund and an increase of $0.1 million from the parking fund. In the prior year, there was a budgeted decrease in the parking fund transfer for 2021-22 to reflect the decrease in parking revenues during the COVID pandemic. The City budgeted $6.0 million in 2020-21 and only received $2.0 million. Due to the pandemic and shutdown of the economy, people were not utilizing parking at the City-owned ramps. It is expected to take a few years before utilization and revenues from the City parking ramps return to pre-pandemic levels.

Over the Financial Plan, Transfers In increase from $11.2 million in fiscal year 2023-24 to $16.3 million in 2026-27, an increase of $5.1 million, or 45.8 percent. Transfers from the water fund are estimated to increase by $1.2 million, or 13.6 percent, transfers from the parking fund are estimated to increase $3.8 million from $1.7 million to $5.5 million, and transfers from the solid waste fund are estimated to increase $0.1 million, or 21.0 percent. The increase of $3.8 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. Transfers In represent 1.9 to 2.7 percent of total revenue over the Financial Plan.

	2022-23 Adopted Budget	2023-24 Proposed Budget	2024-25 Projection	2025-26 Projection	2026-27 Projection	Four-Year Increase/(Decrease)	
Transfers In		**Financial Plan**				**$**	**%**
Water Board	$ 8,390,556	$ 8,810,084	$ 9,250,588	$ 9,713,118	$ 10,004,511	$ 1,194,427	13.6%
Parking Fund	1,600,000	1,711,000	2,250,000	3,850,000	5,500,000	3,789,000	221.4%
Solid Waste Fund	673,078	673,078	673,078	740,386	814,424	141,346	21.0%
Total Transfers In	**10,663,634**	**11,194,162**	**12,173,666**	**14,303,504**	**16,318,935**	**5,124,773**	**45.8%**

Summary of Unsupported Revenues and Nonrecurring Revenues

The following schedule summarizes unsupported revenues over the 2024-2027 Financial Plan.

	2023-24 Proposed Budget	2024-25 Projection	2025-26 Projection	2026-27 Projection	Four-Year Total
Unsupported Revenues		**Financial Plan**			**$**
State AIM	$ -	$ 8,064,262	$ 8,467,474	$ 5,334,509	$ 21,866,245
Cannabis Tax	8,064,262	10,744,857	15,500,000	16,818,421	51,127,540
Casino Revenue	-	-	4,000,000	4,000,000	8,000,000
Subtotal	8,064,262	18,809,119	27,967,474	26,152,930	80,993,785
ARPA Federal Stimulus					50,000,000
Total					**$ 130,993,785**

Total unsupported revenue over the four-year Financial Plan totals $131.0 million. Unsupported revenues include the increase of State AIM over the three years of the Financial Plan in the amount of $21.9 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 include an increase of $4.0 million in the last two years of the plan, compared to the current budget amount of $11.0 million. The current compact extension expires in December 2023, and it is still being determined what a new compact would look like and when it will be finalized. Any increases to the TSC casino revenue beyond 2023-24 are speculative, as a new contract will require negotiation. The City included $51.1 million in cannabis tax revenue over the Financial Plan. Even with the legalization of cannabis in NYS, licensed recreational stores have not begun operations in WNY at this time. As of May 1, 2023, 22 conditional licenses have been approved in WNY, with 4 receiving full approval from NYS to open a cannabis retailing store. Storefront locations have yet to be determined regarding those four approved licenses.

There is also an additional $50.0 million in ARPA federal revenue replacement 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 to address this variance.

The following schedule summarizes nonrecurring, one-time revenues in the 2024-2027 Financial Plan totaling $68.2 million. Using one-time revenues from the federal stimulus funding to support lost revenues and assist homeowners with property tax arrears is consistent with its purpose and, therefore, reasonable.

	2023-24 Proposed Budget	2024-25 Projection	2025-26 Projection	2026-27 Projection	Four-Year Total
One-time Revenues		**Financial Plan**			**$**
ARPA Federal Funds	$ 30,585,235	$ 19,414,765	$ -	$ -	$ 50,000,000
ARPA - PY Property Tax Arrears	6,000,000	-	-	-	6,000,000
Sale of Capital Assets	3,888,000	5,156,505	200,000	200,000	9,444,505
Sale of In Rem Property	631,000	662,550	695,678	730,461	2,719,689
Total	**$ 41,104,235**	**$ 25,233,820**	**$ 895,678**	**$ 930,461**	**$ 68,164,194**
% of Total Estimated Revenue	7.1%	4.3%	0.2%	0.2%	

The non-receipt of these revenues, or the non-receipt at the projected level, will pressure the Financial Plan as a limited unassigned fund balance of $20.4 million is available. On June 30, 2022, $82.7 million in unrestricted fund balance was reported, which included $41.2 million in the emergency stabilization fund (i.e., the Rainy Day Fund), $17.5 million in assigned fund balance, and $24.0 million in unassigned.

Expenditures

The City's proposed budget totals $582.0 million in total General Fund expenditures. The following table identifies expenditures (in the $ millions) by department and various general charges budgeted centrally for the City, such as utilities and fringe benefits.

	Fiscal Year Ended June 30, 2022 Actual	2022-23 Adopted Budget	2022-23 Year-End Estimate as of March 31, 2023	2023-24 Proposed Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Departments						
Common Council	$ 2.8	$ 3.3	$ 3.0	$ 3.4	$ 0.1	$ 0.4
City Clerk	3.6	3.9	3.6	4.1	0.2	0.5
Mayor & Executive	5.5	8.0	7.4	8.8	0.8	1.4
Audit & Control	2.8	4.2	3.5	4.2	-	0.7
Law	3.4	4.9	4.1	5.3	0.4	1.2
Assessment	1.9	3.7	3.4	3.7	-	0.3
MIS	5.2	7.1	5.3	6.5	(0.6)	1.2
Administration & Finance	9.2	12.9	12.2	12.8	(0.1)	0.6
Parking	3.1	3.8	3.4	4.2	0.4	0.8
Police	99.9	90.6	96.8	95.8	5.2	(1.0)
Fire	68.4	71.0	70.0	72.4	1.4	2.4
Human Resources	4.5	5.7	5.0	6.1	0.4	1.1
Public Works	34.3	36.0	41.9	37.7	1.7	(4.2)
Community Services	3.8	5.3	5.0	4.8	(0.5)	(0.2)
Permits & Inspections	5.5	6.0	5.5	6.5	0.5	1.0
TOTAL DEPARTMENTS	**253.9**	**266.4**	**270.1**	**276.3**	**9.9**	**6.2**
GENERAL CHARGES						
Grants In Aid	0.2	0.5	0.3	0.4	(0.1)	0.1
Utilities	18.2	19.3	18.5	18.3	(1.0)	(0.2)
Services	1.3	1.4	1.4	1.4	-	-
Other	3.5	4.5	5.3	6.1	1.6	0.8
Fringe Personal Services	7.0	8.1	8.1	8.8	0.7	0.7
Fringe Benefits:						
Active Employee Health Insurance	40.2	45.5	43.7	47.8	2.3	4.1
Retiree Health Insurance	35.7	42.3	35.7	44.4	2.1	8.7
FICA & Medicare Payroll Taxes	15.8	14.6	15.1	15.0	0.4	(0.1)
Employee Retirement System	8.1	8.2	8.2	10.0	1.8	1.8
Police & Fire Retirement System	35.0	35.0	35.0	39.0	4.0	4.0
All Other Fringe Benefits	4.0	14.9	16.2	16.0	1.1	(0.2)
Debt Service	0.1	0.1	0.1	0.1	-	-
Subtotal General Charges	**169.1**	**194.4**	**187.6**	**207.3**	**12.9**	**19.7**
Interfund Transfers Out - Education	70.8	70.8	70.8	70.8	-	-
Interfund Transfers Out - Other	33.6	35.1	43.6	27.6	(7.5)	(16.0)
Subtotal Transfers Out	**104.4**	**105.9**	**114.4**	**98.4**	**(7.5)**	**(16.0)**
TOTAL GENERAL CHARGES AND TRANSFERS OUT	**273.5**	**300.3**	**302.0**	**305.7**	**5.4**	**3.7**
TOTAL BUDGET	**$ 527.4**	**$ 566.7**	**$ 572.1**	**$ 582.0**	**$ 15.3**	**$ 9.9**

The Proposed Budget of $582.0 million is an increase of $15.3 million compared to the 2022-23 Adopted Budget amount of $566.7 million. Departmental expenditures are budgeted to increase by $9.9 million, or 3.7 percent; departmental increases are primarily attributed to personal service costs, fuel costs, planned purchase of software, and capital outlay. General charges are increasing by $12.9 million, or 6.6 percent, and transfers out are decreasing by $7.5 million, or 7.1 percent.

The 2023-24 Proposed Budget increases expenditures by $9.9 million compared to the third quarter 2023 year-end estimate of $572.1 million. Departmental costs are increasing by $6.2 million, general charges are increasing by $19.7 million, and transfers out are decreasing by $16.0 million.

Departmental Costs

At the departmental level, total proposed budgeted appropriations are $276.3 million, an increase of $9.9 million over last year's adopted budget of $266.4 million, representing an increase of 3.7 percent. Total actual departmental spending for 2021-22 was $253.9 million; the Proposed Budget amount reflects an increase of $22.4 million, or 8.8 percent. Of this increase in departmental costset, of $22.4 million, increases in personal service costs represent $14.4 million, or 64.0 percent of the total increase. Supplies are increasing by $4.2 million, or 18.9 percent. Services are increasing by $4.1 million, or 18.1 percent, and capital outlay is decreasing by $0.4 million, or 1.7 percent. Utilities and travel are increasing $0.1 million on a combined basis.

The budget reflects the additional labor costs associated with the various collective bargaining agreements ("CBAs") settled over the past several years. Lower starting salaries for new employees offset the costs associated with salary increases. Currently, three contracts are settled through the end of 2023-24, including Local 282 (firefighters), Local 264 (blue-collar), and Local 650 (white-collar). The City recently completed negotiations with the Crossing Guards Association and has budgeted for the increased costs of the recently negotiated CBA in the 2023-24 Proposed Budget and Financial Plan. The remaining four collective bargaining groups are all out of contract. Currently, the Police Benevolent Association (police officers) is outstanding, having expired on June 30, 2019; an arbitration award in July 2022 provided for two years of retroactive salary increases and brought the PBA contract up through June 30, 2021. 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 previously negotiated CBAs to improve efficiencies and control expenditures. Some examples of these management tools include a residency requirement for all new 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 the absence of a new CBA, and the arbitration award did not include an extension of the residency requirement. 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 on an extended schedule that requires at least seven years of service before an employee reaches the top step, resulting in lower initial salaries for new hires.

The police department is increasing by $5.2 million, or 5.7 percent, over prior year's budget for a total budgeted departmental cost of $95.8 million. The increase in the police department budget is attributed to several factors, including an increase of $6.1 million for personnel service costs which includes increases for annual salary and step progression for patrol officers of $5.4 million reflective of the July 2022 arbitration award. Holiday and court time are budgeted to increase by $200,000 each, and seasonal employees' salaries and crossing guards are budgeted to increase by $100,000. In addition, the City has decreased capital outlay by $0.9 million and has increased supplies and services by $200,000 each. The City has experienced attrition in the police department and had over 58 vacancies during 2022-23.

The fire department is increasing by $1.4 million, or 2.0 percent, over the prior-year budget for a total departmental cost of $72.4 million; this increase is related to the negotiated 4.0 percent salary increase for Local 282 for approximately $1.7 million and increased overtime of $0.2 million, all other personal service costs are decreasing by $0.7 million on a net basis. In addition to the personnel service costs, supplies, and services are budgeted to increase by $0.1 million each.

Police expenditures total 16.5 percent of the total budget of $582.0 million, and the fire department expenditures total 12.4 percent of total appropriations. Combined, both departments total $168.2 million, or 28.9 percent, of total budgeted expenditures for the City in 2023-24. As previously noted, the Police Benevolent Association (the "PBA") arbitration award brought them current through June 30, 2021, and the firefighter's union, Local 282, is under contract through June 30, 2025.

Budgeted appropriations in the public works department are increasing by $1.7 million, or 4.7 percent, and is attributed to increased costs associated with salaries of $0.8 million reflective of the negotiated salary increases with Local 264, $0.6 million in increases for hourly employees attributed to the living wage ordinance increase, and $0.5 million for overtime. Contractual services are increasing by $1.2 million, specifically for plowing/snow removal services, and capital outlay is decreasing by $1.6 million.

The Mayor and Executive department is increasing by $0.8 million on a year-to-year basis due to an increase of $0.7 million in salaries for both salary increases and the addition of seven positions in the department. All other departmental expenditures are increasing by $0.1 million on a net basis.

The remaining 11 departments are budgeted to increase by $0.8 million, or 0.3 percent. Significant variances include an additional $1.3 million for salaries including $0.5 million in Permits & Inspections for additional inspectors, $0.4 million in the Parking Department, and $0.3 million in Management and Information Systems. All other personal service costs are increasing by $0.1 million on a net basis. The increased costs are associated with collective bargaining agreements and targeted hiring for several departments. Supplies are decreasing by $1.2 million year-to-year, primarily attributed to a reduction of $1.1 million for the purchase of software and technical upgrades for the City's 311 system in the prior fiscal year. Services are increasing by $0.5 million year-to-year, and all other departmental costs are increasing by $0.2 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 by $12.9 million, or 6.6 percent over the prior year budget. This increase is attributed to the budgeted increase in fringe benefits of $11.7 million, or 7.3 percent. All other general charges are increasing by $1.2 million, or 0.6 percent, on a net basis.

Regarding fringe benefits, the largest cost escalator is contributions to the police and fire retirement system, which is budgeted to increase by $4.0 million to $39.0 million, or 11.4 percent, in FY 2023-24. The year-end estimate for FY 2023 is $35.0 million, the same amount budgeted. Pension contributions to the employee retirement system are projected to increase by $1.8 million. The increase in both pension systems reflects the increased contribution rates year-to-year. Employer payroll taxes are increasing by $0.4 million to $15.0 million, and the salary adjustment line is increasing by $0.8 million to $8.5 million.

Active employee health insurance is budgeted to increase by $2.3 million to $47.8 million, or 5.1 percent. The year-end estimate for FY 2023 is $43.7 million, which is favorable by $1.8 million compared to the adopted budget of $45.5 million. Retiree health insurance is budgeted to increase by $2.1 million to $44.4 million, or 5.0 percent, in FY 2023-24. The increase from the current year-end projection of $35.7

million to the proposed budget of $44.4 million is $8.7 million, or 24.4 percent. The City used a blended rate of 4 percent increase for both the medical and pharmaceutical components for health insurance, the rate increase appears reasonable. All other fringe benefits are increasing by $1.1 million on a net basis.

The remaining general charges are budgeted to increase by $1.2 million on a net basis. The Other General Charges category is increasing by $1.6 million and is attributed to an increase in the budget for legal settlements. Duty-disability payments and annual salary allocations are being increased by $0.7 million on a combined basis. Utilities are decreasing by $1.0 million from $19.3 million to $18.3 million, or 5.2 percent, in 2023-24. Grants in aid are decreasing $0.1 million to $0.4 million year-to-year, and debt service is held flat at $0.1 million.

Transfers Out are budgeted to decrease by $7.5 million, for a total of $98.4 million, which is attributed to the decrease in the transfer to the capital debt service fund of $7.5 million. There are three components to Transfers Out, including $27.2 million for the 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. The transfer to the District and capital projects fund are maintained at previous year levels.

Employee-Related Costs

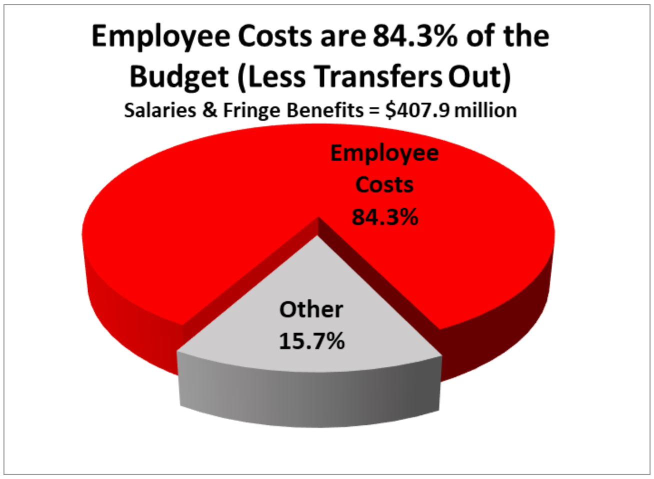
The vast majority of expenditures in the City budget are employee-related costs. Direct employee salaries and wages and fringe benefits such as health insurance, dental insurance, life insurance, and pension represent 84.3 percent of the City's General Fund budgeted appropriations, exclusive of transfers. The City's historic employee-related costs average between 83-87% of total operational costs annually. The 2023-24 Proposed budget includes $407.9 million in direct salary and fringe benefit costs, which are, in total, increasing by $23.5 million, or 6.1 percent, over the amount budgeted in 2022-23 of $384.4 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 by $12.0 million, or 5.4 percent.

Personal services, which includes salaries and wages and injured-on-duty salary payments, are increased at 5.4 percent, or $12.0 million, from the 2022-23 budget amount of $223.7 million, for a total of $235.7 million in the 2023-24 Proposed 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 and police departments. The fire department increases by 4.0 percent annually based on contractual salary increases, and is offset by projected attrition through employee retirements or leaving City service; the total increase year-to-year is 1.8 percent. The budget for the fire department's personal service costs is increasing year-to-year by $1.2 million, reflecting an increase of $1.7 million for salary and step increases and $0.2 million for overtime increases. All other personnel costs in the fire department are decreasing by $0.7 million on a net basis. As previously discussed, the police department's personal service costs are increasing on a year-to-year basis by $6.1 million, or 7.1 percent, and are associated with the 2023 arbitration award; there is no budgeted increase for overtime.

The remaining thirteen departments are increasing by a total of $4.7 million for personal service costs, reflecting the previously mentioned salary increases per employee contracts. Total personal services costs totaling $12.0 million can be broken down as follows: salary increases of $10.1 million, overtime increases of $0.7 million, and injured-on-duty salary payments increasing by $0.5 million. All other personal service costs are increasing by $0.7 million on a net basis.

Fringe benefits are increasing by $11.4 million, from $160.7 million in 2023-24 to $172.1 million in 2023-24. These increases are attributed to pension contributions, with New York State Police and Fire Retirement System ("NYSPFRS") pension contributions being increased by $4.0 million, or 11.4 percent, to $39.0 million, and with the New York State Employee Retirement System ("NYSERS") pension contributions being increased by $1.8 million, from $8.2 million to $10.0 million. Active employee health insurance is increasing by $2.3 million, or 5.1 percent, from $45.5 million to $47.8 million, and retiree health insurance is increasing by $2.1 million, or 5.0 percent, from $42.3 million to $44.4 million. The salary adjustment line for unsettled labor contracts is increasing by $0.8 million, or 9.7 percent, from $7.7 million to $8.5 million in 2023-24, and FICA and Medicare insurance increase by $0.4 million, or 2.7 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:



Personal service ("PS") costs for the police department are budgeted for $6.1 million (7.1 percent) more than the prior year; it is noted these costs are primarily for the uniformed officers reflective of step increases and the impact of the 2022 arbitration award, but also include the civilians that work within the department. The annual salary increase reflects patrol officers moving up the annual step schedule and white-collar employees receiving the negotiated salary increase, for a total of $5.4 million. Court time is budgeted to increase by $0.2 million based on actual court time over the past two years. All other salary lines within the police department are increasing by $0.5 million on a net basis. The labor contract with police officers expired on June 30, 2019. However, the 2022 arbitration award provided increases for two years, bringing the contract up through June 30, 2021. There is no increase in budgeted overtime.

The City is planning on hiring approximately 30 police recruits in fiscal year 2023-24; the details of those hiring and subsequent training have not been finalized. The number of recruits would depend 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 2023-24. Overtime was also budgeted at $11.7 million for the 2022-23 fiscal year and is projected to exceed the budget by $3.7 - $4.0 million for an approximate year-end total of $13.4 - $13.7 million. Overtime has historically been under budgeted and has been funded largely through departmental vacancies and fund balance.

The fire department has 83 vacant positions as of March 31, 2023. The City plans on running at least one, possibly two, fire academy classes of 30-35 recruits in 2023-24, dependent on current employee attrition. The fire department's budgeted personal service costs, including firefighters and the civilian workforce, is $69.5 million, which is increasing by $1.2 million, or 1.8 percent. Annual salaries are budgeted to increase by $1.7 million to $57.6 million, overtime is increased by $0.2 million to $7.5 million, and holiday pay is reduced by $0.4 million. All other costs for the fire department are decreasing on a net basis by $0.3.

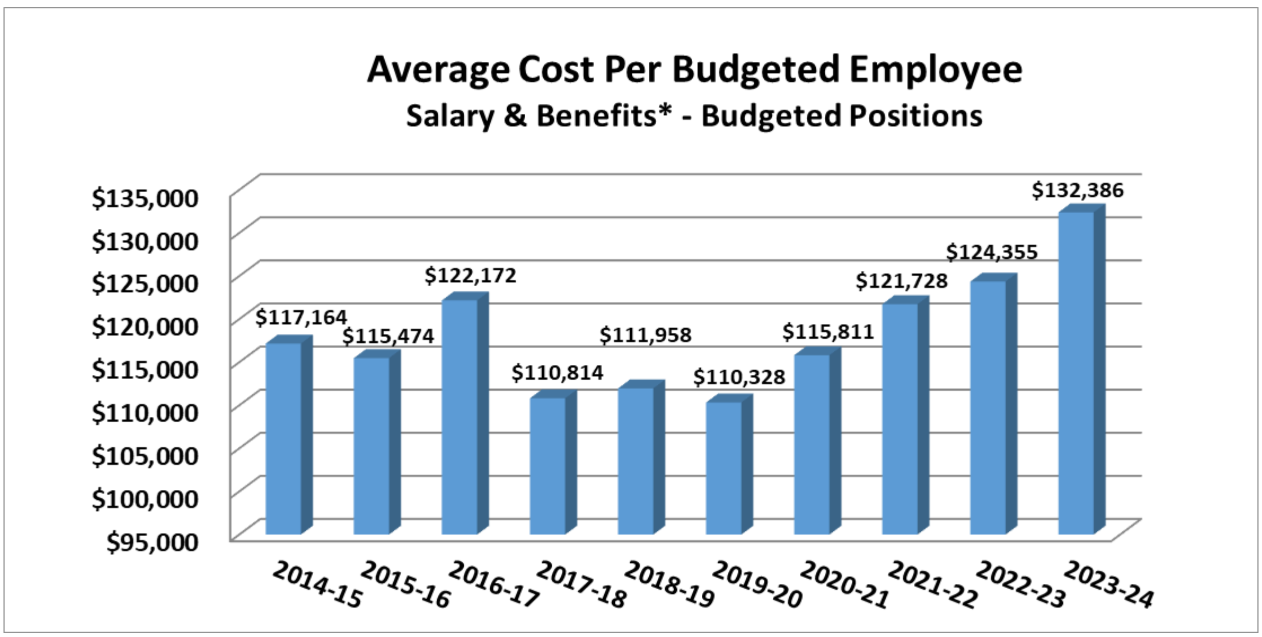
Historically, policies for controlling overtime and sick leave use have proven insufficient in reducing related expenditures. Under the most recent labor agreement with the firefighter's union, firefighters moved to a 24-hour shift schedule, agreed to an enhanced home confinement policy, and agreed to a maximum number of firefighters that can be granted paid time-off per shift. In addition, the City can still close a firehouse and reassign 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 $2.8 over the budgeted amount (60.8 percent). Overtime was budgeted at $4.5 million for 2020-21, of which $8.7 million was expended, reflecting an overage of $3.2 million, or 71.1 percent, in overtime costs. Overtime was budgeted at $4.9 million for 2021-22, of which $9.5 million was expended, reflecting an overage of $4.6 million, or 93.9 percent, in overtime costs. As of March 31, 2023, overtime expenditures totaled $8.4 million, which exceeds the budget of $6.5 million by $2.1 million (32.3 percent).

Similar to the police department, in prior years, the City would use vacancy savings to cover overages in overtime.

The City did not achieve the projected estimated savings with the most recent firefighters' contract. Overtime continues to be an area of concern as it historically has been under-budgeted. 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.

All other expenditures, including services, supplies, capital outlay, and travel, comprise the remaining 15.7 percent of the budget, excluding transfers, or $75.7 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 2015 and FY 2024. Employee costs for active employees have increased annually, with total personnel service costs increasing by $51.5 million (28.0 percent) and fringe benefits for active employees increasing by $33.4 million (24.5 percent) over the ten year period. Personnel service costs have increased due to the settlements of employee contracts over the past decade. Fringe benefit cost increases are largely a result of health insurance costs and, to a lesser extent, pension contributions and employer payroll taxes. In FY 2015, actual employee costs totaled $278.5 million; compared to the proposed 2023-24 budget of $363.4 million, this represents an increase of $84.9 million (30.5 percent) over the ten-year period. More specifically, employees' salaries and compensation have increased from $184.2 million to $235.7 million, or $51.5 million (28.0 percent), while fringe benefits have increased from $136.4 million to $172.1 million or $35.7 million (26.2 percent).



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

In 2014-15, the average actual cost per employee for salary and fringe benefits was $117,164. For the upcoming 2023-24 fiscal year, the average budgeted cost per City employee is $132,386, an increase of $15,222, or 13.0 percent, compared to 2014-15. The employee cost increases over the last ten-year period are attributed to negotiated salary increases for Local 282 (firefighters), Local 264 (blue-collar), and Local 650 (white-collar and by extent City exempt employees), and the recent arbitration award for the

PBA. In addition, there are increased costs in pension contributions and health insurance costs. 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 2023-24 is increased by $2.1 million (5.0 percent) from the prior year; the total amount budgeted is $44.4 million. Health insurance for active employees is budgeted at $47.8 million in 2023-24, an increase of $2.3 million (5.1 percent) compared to the 2022-23 budget of $45.5 million. The budgeted increase brings the amount more in-line with recent experience and estimated growth.

The following chart provides a ten-year schedule of health insurance costs, with actual amounts provided for 2015 to 2022 and budget amounts for 2023 and 2024. Health insurance is budgeted to increase by $21.3 million (30 percent) over the actual amounts incurred in 2014-15. The actual increase from 2015 to 2022 was $5.0 million, or 7.1 percent. It is noted the City became self-insured for health insurance on January 1, 2016, and self-insured for prescription drug coverage on September 1, 2011. The City has purchased a stop-loss insurance policy to mitigate the exposure to the City for unpredictable and high cost claims.

Health Insurance										
	Actual								Budgeted	
FYE	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Active	$ 28.8	$ 29.7	$ 35.6	$ 36.7	$ 40.0	$ 38.5	$ 41.0	$ 40.2	$ 45.5	$ 47.8
Retiree	$ 42.1	$ 38.4	$ 33.0	$ 35.6	$ 36.6	$ 38.6	$ 31.9	$ 35.7	$ 42.3	$ 44.4
Total	**$ 70.9**	**$ 68.1**	**$ 68.6**	**$ 72.3**	**$ 76.6**	**$ 77.1**	**$ 72.9**	**$ 75.9**	**$ 87.8**	**$ 92.2**

Financial Plan

The following chart summarizes the Financial Plan:

	2023-24 Proposed Budget	**2024-25 Projection**	**2025-26 Projection**	**2026-27 Projection**	**Four-Year Increase/(Decrease)**	
Revenues:	**Financial Plan**				**$**	**%**
Revenue	$ 570,800,788	$ 573,592,706	$ 576,513,953	$ 588,268,160	$ 17,467,372	3.1%
Transfers In	11,194,162	12,173,667	14,303,504	16,318,935	5,124,773	45.8%
Total Revenues	**$ 581,994,950**	**$ 585,766,373**	**$ 590,817,457**	**$ 604,587,095**	**$ 22,592,145**	**3.9%**
Expenditures						
Departmental Charges	$ 276,316,005	$ 279,456,109	$ 284,503,321	$ 288,841,510	$ 12,525,505	4.5%
General Charges	207,288,355	208,191,352	209,764,186	211,939,524	4,651,169	2.2%
Interfund Transfers Out	98,390,590	98,118,912	96,549,950	103,806,061	5,415,471	5.5%
TOTAL Expenditures	**$ 581,994,950**	**$ 585,766,373**	**$ 590,817,457**	**$ 604,587,095**	**$ 22,592,145**	**3.9%**
Surplus / (Deficit)	**$ -**	**$ -**	**$ -**	**$ -**		

Over the 2024-2027 Financial Plan, expenditures are projected to increase from $582.0 million to $604.6 million, an increase of $22.6 million or 3.9 percent. Departmental Costs are budgeted to increase by $12.5 million, or 4.5 percent; General Charges to increase by $4.7 million, or 2.2 percent; and Transfers Out to increase by $5.4 million, or 5.5 percent. Negotiated salary increases for the unions under contract, including Local 264 (blue collar), Local 282, and Local 650 (white collar), are included in the respective departments, and the resources for the Crossing Guards Association 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 $25.4 million over the Financial Plan.

The following chart summarizes departmental costs, general charges, and transfers out over the 2024-2027 Financial Plan. On an annual basis, there are moderate increases in departmental expenditures and general charges in each year of the Financial Plan.

	2022-23 Adopted Budget	2023-24 Proposed Budget	2024-25	2025-26 Projection	2026-27	Increase/(Decrease) Four-Year	
Departments	$	$	$	$	$	$	%
Common Council	3,292,397	3,430,468	3,488,135	3,546,955	3,546,955	116,487	3.4%
City Clerk	3,905,053	4,105,017	4,134,635	4,164,836	4,165,859	60,842	1.5%
Mayor & Executive	7,963,589	8,786,941	8,635,164	8,734,856	8,836,041	49,100	0.6%
Audit & Control	4,174,976	4,166,019	4,241,028	4,319,431	4,399,373	233,354	5.6%
Law	4,906,497	5,251,968	5,325,982	5,401,471	5,478,464	226,496	4.3%
Assessment	3,719,630	3,697,097	3,772,310	3,839,204	3,907,405	210,308	5.7%
MIS	7,113,901	6,516,390	6,607,125	6,699,314	6,792,983	276,593	4.2%
Administration & Finance	12,886,964	12,814,114	12,946,962	13,081,976	13,219,012	404,898	3.2%
Parking	3,816,679	4,225,446	4,268,598	4,312,598	4,357,465	132,019	3.1%
Police	90,567,780	95,776,706	97,953,815	100,284,971	101,933,177	6,156,471	6.4%
Fire	70,985,100	72,412,142	73,494,706	74,802,056	76,134,679	3,722,537	5.1%
Human Resources	5,854,238	6,104,289	6,167,136	6,230,915	6,295,641	191,352	3.1%
Public Works	35,973,708	37,686,063	36,887,056	37,357,524	37,849,777	163,714	0.4%
Community Services	5,278,938	4,820,616	4,895,933	4,972,593	5,050,621	230,005	4.8%
Permits & Inspections	5,953,710	6,522,729	6,637,524	6,754,621	6,874,058	351,329	5.4%
Total Departmental	**266,393,160**	**276,316,005**	**279,456,109**	**284,503,321**	**288,841,510**	**12,525,505**	**4.5%**
General Charges							
Grants In Aid	465,000	400,000	400,000	400,000	400,000	-	0.0%
Utilities	19,255,215	18,307,367	18,488,891	18,672,230	18,857,402	550,035	3.0%
Services	1,391,500	1,441,500	1,441,500	1,441,500	1,441,500	-	0.0%
Other	4,450,000	6,085,000	6,085,000	6,085,000	6,085,000	-	0.0%
Fringe Personal Services	8,120,500	8,842,600	8,943,026	9,044,696	9,147,628	305,028	3.4%
Fringe Benefits							
Health Insurance Active	45,483,521	47,757,697	48,951,639	49,441,156	49,935,567	2,177,870	4.6%
Health Insurance Retiree	42,322,480	44,438,604	45,549,569	46,005,065	46,465,115	2,026,511	4.6%
FICA & Medicare	14,600,000	15,000,000	15,300,000	15,606,000	15,918,120	918,120	6.1%
NYSERS	8,200,000	10,000,000	10,100,000	10,251,500	10,354,015	354,015	3.5%
NYSPFRS	35,000,000	39,000,000	39,390,000	39,783,900	40,181,739	1,181,739	3.0%
Salary Adjustment	7,729,000	8,480,000	5,980,000	5,445,000	5,520,250	(2,959,750)	-34.9%
All Other Fringe Benefits	7,372,108	7,447,587	7,473,727	7,500,139	7,545,188	97,601	1.3%
Debt Service	88,000	88,000	88,000	88,000	88,000	-	0.0%
Total General Charges	**194,477,324**	**207,288,355**	**208,191,352**	**209,764,186**	**211,939,524**	**4,651,169**	**2.2%**
Interfund Transfers Out	105,858,451	98,390,590	98,118,912	96,549,950	103,806,062	5,415,472	5.5%
Total Budget	**566,728,935**	**581,994,950**	**585,766,373**	**590,817,457**	**604,587,096**	**22,592,146**	**3.9%**

Departmental costs increase from $276.3 million to $288.8 million, an increase of $12.5 million, or 4.5 percent over the Financial Plan. The most significant increases include $6.2 million (6.4 percent) for the police department, $3.7 million (5.1 percent) for the fire department, and $0.4 million for both administration and finance and permits and inspections. Over the Financial Plan, the remaining 11 departments are increasing by $1.8 million, or 2.1 percent. The increase in departmental expenditures over the Financial Plan is driven by contractual salary increases and the inclusion of 2.0 percent estimated salary increases for bargaining units that will have contracts expire over the financial plan, with personal service costs increasing by $13.6 million over the Financial Plan. All other expenditures are projected to decrease by $1.1 million, including a decrease of $0.7 million in capital outlay and $0.3 million in services. All other departmental costs are decreasing by $0.1 million on a net basis.

General charges are increasing by $4.7 million, or 2.2 percent, over the Financial Plan. Significant changes include an increase of $3.8 million (2.2 percent) in fringe benefits, $0.6 million (3.0 percent) for utilities, and an increase in budgeted injured-on-duty salary costs of $0.3 million, representing a 3.4 percent increase. Grants in aid, services, and the other general charges categories are held flat over the Financial Plan.

Fringe benefits are budgeted to increase from $172.1 million in 2023-24 to $175.9 million in 2026-27, an increase of $3.8 million, or 2.2 percent. Active employee health insurance increased by 2.5 percent in year two and 1 percent in years three and four, increasing from $47.8 million to $49.9 million over the Financial Plan, a total increase of $2.2 million or 4.6 percent. Retiree health insurance is budgeted at $44.4 million in 2023-24 and is increased by 2.5 percent in year two and 1.0 percent in years three and four, for a total increase of $2.0 million, or 4.6 percent, to $46.5 million in 2026-27. Total health insurance for retirees and active employees combined is projected to increase $4.2 million over the Financial Plan.

Included within fringe benefits are contributions to the New York State Employee Retirement System (NYSERS). The contribution to NYSERS is increasing annually between 1.0 to 1.5 percent over the Financial Plan, from $10.0 million to $10.4 million, or by $0.4 million. Contributions to the New York State Police and Fire Retirement System (NYSPFRS) are increasing 1.0 percent annually, from $39.0 million to $40.2 million, a total increase of $1.2 million. The City uses a blended pension rate calculation based on the employees' pension tier. 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 have impacted fiscal year 2023-24 and will most likely impact 2024-25 as well, based on how the New York State Comptroller calculates the rates.

Also included within fringe benefits is a salary adjustment line budgeted at $8.5 million in 2023-24 and decreasing to $5.5 million in 2026-27, representing a decrease of $3.0 million, or 34.9 percent, over the Financial Plan. The Administration budgeted for the decrease of the salary adjustment line to reflect the settlement of contracts. As more represented groups settle contracts, the cost will be known and carried at the departmental level, as opposed to the salary adjustment line.

Transfers Out are budgeted to increase $5.4 million from $98.4 million in 2023-24 to $103.8 million in 2026-27. The increase of $5.4 million is attributed to the increase in the transfer to the debt service fund, which is projected to increase by $5.4 million from $27.2 million to $32.6 million. 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.

	2022-23 Adopted Budget	2023-24 Proposed Budget	2024-25	2025-26	2026-27	Increase/(Decrease) Four-Year	
			Projection				
Departmental Costs	$	$	$	$	$	$	%
Personal Services	215,595,803	226,912,288	231,701,404	236,438,376	240,462,767	13,550,479	6.0%
Utilities	202,276	197,276	209,019	211,186	213,379	16,103	8.2%
Travel	324,857	372,264	373,344	374,445	375,569	3,305	0.9%
Supplies	14,547,376	13,924,383	13,616,124	13,699,398	13,783,537	(140,847)	-1.0%
Services	30,170,696	32,311,296	31,620,619	31,838,197	32,058,298	(252,998)	-0.8%
Capital Outlay	5,552,152	2,598,499	1,935,599	1,941,719	1,947,961	(650,538)	-25.0%
Subtotal	**266,393,160**	**276,316,005**	**279,456,109**	**284,503,321**	**288,841,510**	**12,525,505**	**4.5%**

Personal services costs are increasing from $226.9 million to $240.5 million, an increase of $13.6 million, or 6.0 percent. As previously noted, this increase is attributed to negotiated employee salary steps, compensation increases, and 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 by $0.7 million, or 25.0 percent, and expenditures for services are projected to decrease by $0.3 million, or 0.8 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 decreased by $0.1 million, or 1.0 percent, over the Financial Plan, decreasing from $13.9 million to $13.8 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 decreased by six full-time equivalents ("FTEs") compared to the prior budget; total positions are budgeted at 2,745 FTEs for 2023-24 compared to 2,751 FTEs for 2022-23. The reduction of 6 positions were all vacant positions. The Financial Plan maintains budgeted positions at 2,745 FTEs throughout the Financial Plan. The police department includes 812 sworn police personnel, the fire department includes 742 firefighters, and the remaining City workforce totals 1,191 FTEs.

	2022-23 Adopted	**2023-24 Proposed Budget**	**2024-25 Projected**	**2025-26 Projected**	**2026-27 Projected**
Police (uniform)	812	812	812	812	812
Fire (uniform)	743	742	742	742	742
Other	1,196	1,191	1,191	1,191	1,191
Citywide	2,751	2,745	2,745	2,745	2,745
Net Increase/(Decrease)	**54**	**(6)**	**0**	**0**	**0**

The following table shows budgeted staff changes within the various departments from the adopted 2022-23 budget to the proposed 2023-24 spending plan; there are no variances in the out-years of the staffing plan:

	2022-23 Adopted	2023-24 Proposed	Change	2022-23 3rd Quarter Filled	Variance to 2023-24 Proposed Budget
Animal Control & Shelter	15	16	1	15	(1)
Assessment & Taxation	33	33	0	25	(8)
Audit & Control	52	49	(3)	39	(10)
Budget & Urban Affairs	16	13	(3)	12	(1)
City Clerk	27	26	(1)	23	(3)
City Council	41	41	0	39	(2)
Community Services	47	49	2	43	(6)
Division of Buildings	67	66	(1)	52	(14)
Engineering	72	61	(11)	64	3
Fire (Non-Uniform)	45	48	3	38	(10)
Fire (Uniform)**	743	742	(1)	660	(82)
Forestry	6	7	1	4	(3)
Human Resources	25	23	(2)	18	(5)
Law	49	41	(8)	26	(15)
Mayor & Executive	95	102	7	76	(26)
MIS	33	33	0	27	(6)
Parking	44	41	(3)	26	(15)
Parks	32	33	1	27	(6)
Parks Admin.	4	5	1	3	(2)
Permits & Inspections	91	95	4	82	(13)
Police (Non-Uniform)	208	208	0	170	(38)
Police (Uniform)*	812	812	0	754	(58)
Public Works (Gen Office)	6	17	11	3	(14)
Purchase	27	28	1	22	(6)
Recreation	2	1	(1)	1	0
Sanitation & Streets	136	135	(1)	123	(12)
Telecommunications	5	5	0	5	0
Treasury & Collections	18	15	(3)	11	(4)
Total	**2,751**	**2,745**	**(6)**	**2,388**	**(357)**

* **Uniformed Police** positions were budgeted at 812 in the 2022-23 fiscal year and are budgeted to remain flat in 2023-24. As of March 31, 2023, the City had filled 754 positions, an increase of 22 FTE's compared to the third quarter count of 732 FTE's on March 31, 2022. The City expects this number to decline through the remainder of the current year due to retirements. The City has included an assumed attrition rate of twenty sworn police officers due to retirement and other reasons for leaving service in the next fiscal year. There are currently 17 sworn police officers at least 55 years old, have 30 years of service, and are eligible to retire, representing 2.3 percent of the current force. It is, therefore, improbable that the City will staff 812 uniformed Police positions in 2023-24 with a more realistic expectation of 775 to 790 uniformed police officers on the force by the end of FY 2023-24.

** **Uniformed Fire** positions were budgeted at 743 in the 2022-23 fiscal year and are budgeted to be reduced by one position in 2023-24. At March 31, 2023, the number of firefighters totaled 660, a decrease of 57 employees compared to the 717 filled positions on March 31, 2022. The City estimates twenty-five retirements during the 2023-24 fiscal year and anticipates hiring 50 new firefighter recruits during 2023-24. The City is expected to run a class of 25-30 in the fall and the spring based on available spots at the New York State Fire Academy in Montour Falls, NY. The City expanded the number of budgeted positions in the 2018-19 budget to accommodate the hiring of larger recruit classes to offset retirements and to assist in hiring larger recruit classes but is not intended to be maintained as permanent positions at that level. It is most likely the City will have approximately 670-690 uniformed firefighters depending on the final number of retirements and recruits. There are currently 26 firefighters at least 55 years old, have at least 30 years of service, and are currently eligible to retire, which is approximately 3.9 percent of the current workforce. It is noted that 14 firefighters, or 2.1 percent, of the current workforce are currently on long-term duty disability.

On a year-to-year basis, the total number of budgeted positions decreased by a net six FTEs, or 0.2 percent. There are moderate changes across most departments; it is noted that public works as an entire department is adding two (2) FTE's while also shifting eleven (11) FTE's from multiple divisions to the public works general office. There is an increase of seven (7) FTE's in the mayor and executive departments, four (4) FTE's in permits and inspections, and three (3) FTE's in the fire department for non-uniform employees. Two (2) FTE's are added to Community Services, and one additional position has been budgeted in purchasing.

Departments with decreases in FTE's include eight (8) FTE's in the law department, a decrease of three (3) FTE's in each audit and control, budget and urban affairs, parking, and treasury collections, two (2) FTE's in human resources, and one (1) position each in city clerk, uniformed fire personnel, and recreation. All eliminated positions are currently vacant. There are no staffing changes in the remaining departments.

The following schedule summarizes the composition of the fire and police forces as of March 31, 2023, 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 have been the largest tier on a membership basis. However, beginning with fiscal year 2020-21, the largest tier is Tier 6. There are 477 FTE's in Tier 2 compared to 537 FTE's last year, a decrease of 60 employees. As a reference, 2015-16 had 1,005 FTEs in Tier 2, a decrease of 528 Tier 2 FTEs over the last seven years. Tier 6 has a combined 837 FTEs compared to 812 FTEs a year ago, a net increase of 25 employees. On average, most protective service employees retire after 25 to 30 years.

Fire	# FTE's	Average Years of Service	Average Age	Median Age	Median Years of Service	Tier as Percent
Tier 1	-	-	-	-	-	-
Tier 2	233	22.5	51.0	52.0	25.0	35.3%
Tier 3	1	13.6	39.6	39.6	13.6	0.2%
Tier 4	-	-	-	-	-	-
Tier 5	48	11.6	41.4	39.7	12.0	7.3%
Tier 6	378	5.7	35.9	35.3	5.3	57.3%
Total Count	**660**	**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	244	20.2	48.2	48.2	19.7	32.4%
Tier 3	-	-	-	-	-	-
Tier 4	-	-	-	-	-	-
Tier 5	51	10.7	38.4	37.6	11.2	6.8%
Tier 6	459	5.1	33.1	32.8	5.2	60.9%
Total Count	**754**	**10.5**	**38.4**	**36.3**	**8.1**	**100.0%**

Fund Balance

The City's proposed 2023-24 budget does not rely on fund balance. Based on the final 2022 results of operations, a total unassigned fund balance of $24.0 million was reported on June 30, 2022, the assigned fund balance was $17.5 million, and the Rainy Day Fund of $41.2 million remained intact, for a total of $82.7 million of unrestricted fund balance. On a year-to-year basis, that is an increase of $17.0 million in total unrestricted fund balance, reflecting an increase of $15.8 million in unassigned fund balance, $0.7 million increase in assigned fund balance, and an increase of $0.5 million for the Rainy Day Fund.

Enterprise Funds

In addition to the general fund revenues and expenditures 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: the Parking Fund, Solid Waste and Recycling Fund, and the Water Fund.

Before 2018-19 and again in 2021-22, the Solid Waste and Recycling Fund incurred annual operating deficits. The cumulative deficit in the fund is $59.1 million at June 30, 2022, which is a year-to-year increase of $0.8 million compared to the previous deficit of $58.3 million. Of this amount, $15.7 million represents a long-term loan from the General Fund and is reported as nonspendable fund balance within the General Fund. The Administration last increased refuse fees on July 1, 2019, 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 Solid Waste and Recycling Fund reported surpluses in 2018-19, 2019-20, and 2020-21 of $6.0 million, $3.3 million, and $1.5 million, respectively, and reduced the long-term receivable by a corresponding $6.0 million over this period. The Administration proposed a fee hike for 2022-23 that the Common Council rejected, and another operating deficit is expected at year-end. The proposed budget includes an increase to the user fee for homeowners and businesses that would go into effect on July 1, 2023. The proposed increase would allow the refuse fund to be self-sustaining in fiscal year 2023-24.

The Parking Fund was substantially impacted during 2020-21 due to the COVID-19 pandemic and could not make the budgeted $6.0 million transfer to the General Fund. The budgeted transfer for 2021-22 was significantly reduced to $0.5 million; the actual transfer was $2.9 million which was favorable by $2.4 million. For 2022-23, the City is projecting the transfer to equal the budgeted $1.6 million. Transfers from the Parking Fund are budgeted to increase gradually over the Financial Plan, reflective of the City's assumption of continued recovery from the pandemic and employees returning to the office. The transfers are budgeted at $1.7 million in 2023-24, $2.3 million in year two, $3.9 million in year three, and $5.5 million in year four.

The Water Fund is budgeted to increase its transfer from $8.4 million to $8.8 million, an increase of $0.4 million in 2023-24. The transfer from the Water Fund is budgeted to increase each year of the Financial Plan to $9.3 million in year two, $9.7 million in year three, and $10.0 million in year four. The total increase is $1.2 million over the Financial Plan.

The City has included details for the 2023-24 Proposed Budget regarding assumptions such as staff count, titles, and steps. It has discretely broken out payroll and fringe benefits but does not provide the details for subsequent projected years. 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.

Budget and Four-Year Plan Summary

There are numerous external economic risks facing the City that could impact operations. While this list is not comprehensive, it does highlight key concerns facing the national economy. The City's 2024-2027 Financial Plan overall was constructed with an underlying key assumption that existing economic conditions remain constant. Recent economic statistics indicate that the U.S. inflationary rate is at 4.93 percent, compared to 8.26 percent a year ago. The U.S. Index of Consumer Sentiment indicates consumers have a pessimistic outlook on the economy. To counteract the rapid inflation encountered recently, the Federal Reserve increased interest rates a number of times with the current effective federal funds rate at 5.08 percent. Inflation appears to be slowing, and the Federal Reserve has implied that it may be done increasing rates. As a result of the increase in the interest rate, mortgage rates have increased substantially and has subsequently impacted the housing market. The increase in rates is also a contributing factor to the failure of three U.S. banks in March 2023; bank failures continue to be a concern both domestically and internationally. The work-from-home response to the pandemic continues to impact businesses with more people working flexible schedules; this could impact the commercial real estate business as leases expire and could impact those assessed valuations. There is the risk of a recession, which could have a significant impact on the City's Financial Plan. On a positive note, State tax collections continue to increase with an overall 7 percent growth in the 2023 first quarter on a calendar-year basis, with sales tax in Erie County reported to have increased 5.8 percent for this same time period.

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 1.9 percent and 3.8 percent annually, providing a cumulative increase in real property taxes of $15.2 million over the next four years. The 2023-24 Proposed Budget increase is 3.8 percent, excluding the $6.0 million budgeted for arrears, which would provide the City with $5.9 million in additional revenue. This increase appears reasonable and financially responsible in light of the economic uncertainties facing the City.

The 2023-24 Proposed Budget is balanced with the use of an estimated $30.6 million of ARPA revenue replacement funds and an additional $6.0 million of ARPA to address prior-year arrears. The cumulative amount of federal stimulus for revenue replacement projected over the 2024-2027 Financial plan is $50.0 million; there is $19.4 million budgeted in 2024-25 and $0 in the two remaining out-years. The pressures on the Financial Plan are apparent as ARPA revenue replacement dollars are not available beyond 2024-25. The City has addressed this revenue decrease by increasing revenue estimates for State AIM ($21.9 million), forecasting $51.1 million in Cannabis Tax revenue, and forecasting $8.0 of incremental increases to casino revenue. BFSA staff have requested support and details for the aforementioned revenue estimates. Additionally, the City Administration has been requested to provide details to support revenue estimates for budgeted and projected grant revenue and sale of assets. Details from the City to support these revenue estimates are required in order to opine as to the reasonableness of the Proposed Budget and the related four-year Financial Plan.

The Financial Plan is inconsistent with the current ARPA Recovery Plan. The City Administration intends to submit a modified plan to Common Council which is expected to address this revenue estimate shortfall. The Proposed 2023-24 Budget is out of balance by $30.6 million for ARPA revenue replacement funds, and the Financial Plan in total is overstated by $50.0 million for APRA funding.

Areas of our analysis over the Preliminary Budget and Financial Plan to highlight:

- The Financial Plan contains $18.1 million of nonrecurring, one-time revenues used to support recurring expenditures, excluding ARPA revenue replacement funds. This indicates 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.

- Various revenues and expenditures 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, parking tags, fines and fees, and traffic violation fines. Mortgage tax should be monitored due to the impact on the housing market from increased mortgage rates.

- Sales tax continues to increase and the estimates within the Proposed Budget and Financial Plan are reasonable. Sales tax is budgeted at $111.3 million in 2023-24 and is projected to increase by 11.0 percent over the three outyears of the Financial Plan, providing $12.2 million in additional revenue.

- The City has increased overtime in the proposed budget by $0.7 million. Based on recent history, overtime likely continues to be underestimated within 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 Government Finance Officers Association (GFOA) recommends no less than two months of regular operating expenditures. This is equivalent to $80.6 million, excluding transfers out. The fund balance as reported at June 30, 2022 is at recommended levels, with total unrestricted fund balance reported of $82.7 million. Unrestricted fund balance consists of $41.2 million in the Emergency Stabilization Fund (i.e., Rainy Day Fund), $17.5 million of assigned fund balance and $24.0 million in unassigned fund balance. It is noted that while the Financial Plan has no provision for increasing the fund balance, the Rainy Day Fund is maintained over the plan.

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

- The City returned to subsidizing the Solid Waste and Recycling Fund in 2021-22 and is expected to increase its long-term loan to this enterprise fund in 2022-23. Based on the City's current year projections, the proposed rate increase will be adequate to fund the operations of this enterprise fund. The General Fund is responsible for any cash deficit if there are insufficient resources to support operations.

The amount due from the Solid Waste and Recycling Fund to the General Fund was $15.7 million on June 30, 2022, which is reported as a restriction to the 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 receivables. Such payments will reduce General Fund restricted fund balance and increase the unrestricted fund balance.

The following summarizes modifications made to the 2023-24 City of Buffalo Proposed Budget and related 2024-2027 Financial Plan pursuant to the subsequent adoption of the budget. Various revisions were made to expenditures, and to the revenue estimate for the cannabis excise tax. City officials have indicated that the revisions to the budget will only impact 2023-24 and are not carried into the out-years of the 2024-2027 Financial Plan. We have not received a final 2024-2027 Financial Plan to be able to verify this.

The Mayor submitted the Proposed 2023-24 budget and related four-year financial plan to the Buffalo Fiscal Stability Authority (the "BFSA") on May 1, 2023, as required by the BFSA Act. In accordance with the City Charter, the Mayor also submitted these items to City of Buffalo Common Council ("Common Council" or "Council"). Common Council approved the budget on May 22, 2023 with modifications. The Council changes included a decrease of $5.0 million for the cannabis excise tax and a corresponding decrease to expenditures, in addition to certain reallocations of budgeted appropriations. The City's Adopted 2023-24 Budget provides for General Fund expenditures and revenues of $577.0 million, representing an increase of approximately $10.3 million, or 1.8 percent, over last year's adopted budget of $566.7 million.

The categorical changes from modifications made by Common Council are shown below:

	2023-24			
	Proposed Budget	**Adopted Budget**	**$**	**%**
Personal Services	$ 226,912,288	$ 223,767,986	$ (3,144,302)	-1.4%
Utilities	197,276	197,276	-	0.0%
Travel	372,264	149,452	(222,812)	-59.9%
Supplies	13,924,383	13,077,258	(847,125)	-6.1%
Services	32,311,296	33,301,296	990,000	3.1%
Capital Outlay	2,598,499	2,598,499	-	0.0%
Departmental Total	**$ 276,316,005**	**$ 273,091,766**	**$ (3,224,239)**	**-1.2%**
Grant in Aid	$ 400,000	$ 400,000	$ -	0.0%
Utilities	18,307,367	18,307,367	-	0.0%
Services	1,441,500	1,441,500	-	0.0%
Other	6,085,000	6,085,000	-	0.0%
Personal Service	8,842,600	8,842,600	-	0.0%
Salary Adjustment	8,480,000	8,480,000	-	0.0%
Fringe Benefits	163,643,888	161,868,127	(1,775,761)	-1.1%
Debt Service	88,000	88,000	-	0.0%
Interfund Transfers Out	98,390,590	98,390,590	-	0.0%
General Charges Total	**$ 305,678,945**	**$ 303,903,184**	**$ (1,775,761)**	**-0.6%**
Total	**$ 581,994,950**	**$ 576,994,950**	**$ (5,000,000)**	**-0.9%**

The final approved modifications to both departmental costs and general charges result in a total net decrease of $5.0 million, which is equivalent to the decrease in the revenue estimate for the cannabis excise tax and consists of the following:

- Departmental Personal Service Costs – Personal service costs are reduced by $3.1 million consisting of a $2.0 million reduction for police department overtime and $1.5 million in fire department overtime. Overtime for police and fire are now budgeted at $9.7 million and $6.0 million, respectively. BFSA recommends against a reduction in overtime as this area has historically been underbudgeted and should be budgeted at a realistic level.

  Additionally, various positions were added to the Adopted Budget consisting of: a Director of Infrastructure & Quality Insurance - $100,319, Chief Payroll Auditor - $95,749, Internal Audit Administrator - $84,033, and an Associate Auditor - $56,017. In addition multiple title changes and salary changes occurred for a net increase of $19,580.
- Departmental Services – Department Services increase by $990,000 for a $1.1 million for a contract with Axon Technology for the police department which is offset by a decrease of $110,000 for the reduction of outside vendors conducting background checks and programs in the Mayor’s office.
- Departmental Supplies – Supplies have been reduced by approximately $847,000, consisting of a decrease of $300,000 for gasoline and lubricants, a $300,000 decrease in postage, a reduction of approximately $220,000 for non-capital furniture and equipment, and approximately $27,000 for office supplies.
- Departmental Travel – Travel has been reduced by approximately $223,000, consisting of a reduction in registration and membership fees of approximately $115,000, meals and lodging of $41,000, transportation of $35,000, and periodicals of $32,000.
- Fringe Benefits – Health insurance has been reduced by $1.8 million, consisting of approximately $932,000 for retiree health insurance and $843,000 for active employee health insurance. The adjusted budgeted amounts are deemed adequate due to conservative budgeting practices.

On June 5, 2023, the BFSA adopted Resolution No. 23-02, “Declaration of an Incomplete Financial Plan”. This resolution required the following:

“RESOLVED that the Mayor is required to submit supporting documentation and/or reasonable underlying assumptions for revenue estimates including State AIM increases, cannabis tax revenue, and the incremental increase in casino revenue as included in the Mayor’s proposed 2023-24 budget and related 2024-2027 financial plan; and

RESOLVED that the Mayor shall submit a revised and approved City of Buffalo Recovery Plan that provides adequate resources for federal stimulus for revenue loss as included in the Mayor’s proposed 2023-24 budget and related 2024-2027 financial plan; and RESOLVED that the Mayor shall submit any other modifications deemed necessary for revenues that cannot be supported; and

RESOLVED that the Mayor shall submit the District's 2024-2027 financial plan upon completion; and

RESOLVED that the Mayor submit these items no later than June 12, 2023."

As of June 16, 2023, the BFSA has not receive a submission and is unable to determine the reasonableness of the revenue estimates included over the four-years of the 2024-2027 Financial Plan for cannabis excise tax/marijuana tax of $46.1 million, $21.9 million of increases to State Aid and Incentives to Municipalities, and $8.0 million in additional casino revenue.

Additionally, BFSA has not received a revised and approved City of Buffalo Recovery Plan to address the shortfall for available federal stimulus funds for General Fund revenue loss as included in the 2023-24 Adopted Budget and 2024-2027 Financial Plan. The shortfall is $50.0 million consisting of $30.6 million in 2023-24 and $19.4 million in 2024-25. At this time, without an approved Recovery Plan to address this shortfall, the City's Adopted Budget will not be balanced by $30.6 million on July 1, 2023. The City estimates that it will have approximately $90.4 million in unrestricted fund balance at June 30, 2023, based on the City's third quarter projections made for the year-end.

The District's Financial Plan has been unable to be submitted as the Board of Education has not yet acted on this item. It is anticipated to be approved at the meeting to be held on June 21, 2023.

The final City of Buffalo (City) 2024-2027 financial plan (Financial Plan) was submitted to the Buffalo Fiscal Stability Authority (BFSA) on July 7, 2023. This submission was made pursuant to the adoption of the 2023-24 City budget.

Various modifications were made to the Mayor's 2023-24 proposed budget including a reduction to the revenue estimate for the cannabis excise tax of $5.0 million which was offset by various expenditure changes. The revisions to the budget are carried into the outyears of the 2024-2027 Financial Plan.

The City's adopted 2023-24 budget provides for General Fund expenditures and revenues of $577.0 million, representing an increase of approximately $10.3 million, or 1.8 percent, over last year's adopted budget of $566.7 million. The modifications were carried forward across the remaining three years of the Financial Plan as follows:

Final 2024-2027 Financial Plan Compared to Preliminary Financial Plan

Revenues	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**Total**
Proposed/Projected	$ 582.0	$ 585.8	$ 590.8	$ 604.5	$ 2,363.1
Adopted/Final Projection	$ 577.0	$ 580.9	$ 586.3	$ 600.5	$ 2,344.7
Change	**$ (5.0)**	**$ (4.9)**	**$ (4.5)**	**$ (4.0)**	**$ (18.4)**
Expenditures					**Total**
Proposed/Projected	$ 582.0	$ 585.8	$ 590.8	$ 604.5	$ 2,363.1
Adopted/Final Projection	$ 577.0	$ 580.9	$ 586.3	$ 600.5	$ 2,344.7
Change	**$ (5.0)**	**$ (4.9)**	**$ (4.5)**	**$ (4.0)**	**$ (18.4)**
Deficit/Surplus	$ -	$ -	$ -	$ -	$ -

As noted above, the 2023-24 adopted budget included a decrease of $5.0 million in estimated cannabis tax revenue from the proposed budget. The Administration also reduced the cannabis excise tax revenue estimates in the remaining three years of the Financial Plan with corresponding reductions to expenditures. A balanced Financial Plan is maintained. Revenue reductions total $18.4 million and range from $5.0 million in 2023-24 to $4.0 million in 2026-27. The reduction in cannabis excise tax revenues is the result of questions received as to the financial significance of the revenue estimate and as it is a new revenue source, actual sales are unknown and difficult to predict. The reduction was made to be more conservative in the estimate.

The following schedule summarizes the revisions to cannabis excise tax revenue estimates and projections over the Financial Plan:

Cannabis Tax	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**Total**
Proposed/Preliminary	$ 8,064,262	$ 10,744,857	$ 15,500,000	$ 16,818,421	$ 51,127,540
Adopted/Final	3,064,262	5,852,673	11,025,883	12,772,897	32,715,716
Change	**$ (5,000,000)**	**$ (4,892,184)**	**$ (4,474,117)**	**$ (4,045,524)**	**$ (18,411,825)**

Consistent with the reduction in estimated revenue, expenditures were reduced by a total of $18.4 million and result in a balanced Financial Plan. The categorical changes from the modifications made by Common Council during the budget adoption process are shown below:

Expenditures	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**Total**
Proposed/Preliminary Budget	$ 582.0	$ 585.8	$ 590.8	$ 604.5	$ 2,363.1
Personal Services	(3.1)	(1.2)	(1.2)	(1.2)	(6.7)
Fringe Benefits	(1.8)	(3.6)	(3.2)	(2.8)	(11.4)
Supplies	(0.9)	(0.9)	(0.9)	(0.9)	(3.6)
Travel	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
Services	1.0	1.0	1.0	1.0	4.0
Adopted Budget/Final Projection	577.0	580.9	586.3	600.5	2,344.7
Change	**$ (5.0)**	**$ (4.9)**	**$ (4.5)**	**$ (4.0)**	**$ (18.4)**

The final approved modifications to departmental costs and general charges resulted in a total net decrease in budgeted appropriations of $5.0 million in 2023-24, equivalent to the decrease in the revenue estimate for the cannabis excise tax. Expenditures are reduced each year of the Financial Plan at the same amount as the reduction of the cannabis excise tax. These changes are carried forward and are explained below.

Personal Services – Personal service costs are reduced by $3.1 million in 2023-24, consisting of a $2.0 million reduction for police department overtime and $1.5 million in fire department overtime. Overtime for the police and fire departments in the adopted budget is $9.7 million and $6.0 million, respectively. BFSA previously recommended against a reduction in overtime as this area has historically been under-budgeted and should be budgeted at a realistic level. Projected overtime expenditures over the three outyears of the Financial Plan were reduced by $1.5 to $1.7 million annually as compared to the preliminary 2024-2027 financial plan.

The decrease in the amount of the reduction in the outyears compared to the 2023-24 adopted budget is in order to not include as significant a reduction as what was made to the adopted budget. The offsetting change is a reduction to projected employee benefits, as discussed below.

Additionally, various positions were added to the 2023-24 adopted budget and multiple title and salary adjustment were made resulting in a net increase of $370,000 to personal service costs which are carried forward across the Financial Plan.

Fringe Benefits – Health insurance has been reduced by $1.8 million in 2023-24, consisting of approximately $940,000 for retirees and $851,000 for active employees. The adjusted budgeted amounts are deemed adequate due to conservative budgeting practices. Reductions to projected health insurance expenditures increase over the three outyears and are to balance the Financial Plan; such reductions range from $2.8 million to $3.6 million.

Supplies – Budgeted appropriations for supplies were reduced by approximately $879,000 in the 2023-24 adopted budget. The projected expenditure for supplies is reduced commensurately over the Financial Plan.

Travel – Travel was reduced by approximately $186,100 in the 2023-24 adopted budget, with the reduction being carried forward over the remaining three outyears of the Financial Plan.

Services – Departmental Services have increased approximately $1.0 million in the 2023-24 adopted budget, consisting of a $1.1 million contract with Axon Technology for the police department and offset by a reduction to outside vendors conducting background checks and programs. The net increase in Departmental Services is held constant over the Financial Plan.

Review of Revenue Estimates

Pursuant to the BFSA's review of the City's 2024-2027 financial plan, the BFSA passed Resolution No. 23-03 on June 21, 2023, requiring the submission of the following:

- supporting documentation and/or reasonable underlying assumptions for revenue estimates including State AIM increases, cannabis tax revenue, and the incremental increase in casino revenue as included in the 2023-23 adopted budget and related 2024-2027 financial plan; and

- a revised and approved City of Buffalo Recovery Plan that provides adequate resources for federal stimulus for revenue loss as included in the 2023-24 adopted budget and related 2024-2027 financial plan; and

- the District's 2024-2027 financial plan upon completion.

The BFSA received a letter from the Administration dated June 28, 2023, providing the position taken to support the revenue estimates as identified above. The amounts of those uncertain revenue estimates included in the final 2024-2027 Financial Plan are cannabis excise tax/marijuana tax of $32.7 million, $21.9 million of increases to State Aid and Incentives to Municipalities (AIM), and $8.0 million in additional casino revenue. On July 7, 2023, a final financial plan was submitted to BFSA which contained the District's 2024-2027 financial plan.

Cannabis Excise Tax:

The cannabis excise tax was reduced by $18.4 million to $32.7 million over the Financial Plan. As this is a new revenue source with no historical data to project collections, in addition to the slow rollout of legal cannabis shops within the boundaries of the City, the projections remain high especially in the final two years of the Financial Plan. For every $1.0 million in City cannabis tax revenue, a total of $33.3 million in cannabis sales within the City of Buffalo boundary will be required to be sold.

It is our recommendation that cannabis tax be included in an amount that is reasonable as compared to what has been included in the current State financial plan. Currently, the City has budgeted between 33.3% to 40.5% of the State's projections for the state-wide amount to be transmitted to local host communities (cities, towns and villages), which is excessive.

The following chart shows the projections as included in the Financial Plan for cannabis excise tax and the amount of sales that would be required to achieve the revenue estimates:

Financial Plan	**2023-24**	**2024-25**	**2025-26**	**2026-27**
Cannabis Tax Projection	$ 3,064,262	$ 5,852,673	$ 11,025,883	$ 12,772,897
Amount of gross cannabis sales to achieve estimate	**$ 102,142,067**	**$ 195,089,114**	**$ 367,529,433**	**$ 425,763,242**

State AIM:

The Administration has included increases to State AIM in the three outyears of the Financial Plan totaling a cumulative $21.9 million. The City stated the intent to "[work] with Governor Kathy Hochul's administration as well as our regional delegation of state legislators to increase the City of Buffalo's allotment of State AIM…payments. This is imperative as the City has received the same net State AIM payment of $161.3 million annually since FY 2012."

While we agree with the urgency to receive increases in State AIM, particularly with the inflation rate being high the last two years, we believe the City's Financial Plan should be consistent with the State's financial plan. The City has consistently projected State AIM increases in the last several plans; however, as noted above, there has been no increase since 2012. Any increases are deemed speculative and should not be included to support recurring operating expenditures.

State AIM is projected to increase by 5 percent in fiscal years 2024-25 and 2025-26 and 3.0 percent in 2026-27. It is recommended that the Administration adjust the out-year amounts to the current year amount of $161.3 million until the State includes an increase to State AIM within the State's financial plan.

Casino Revenue:

The current Tribal State Compact (TSC) expires December 8, 2023. Currently, there is no new gaming agreement between the Seneca Nation and the State. Increases in revenue projections are therefore deemed speculative. There are indicators that the recurring amount of casino revenue as budgeted and projected may be overstated; we recommend the City monitor this revenue source closely.

The NYS Legislature did not vote on a proposed agreement this past June 2023. The proposed gaming compact included a decrease in the amount of revenue sharing for the host communities. The timing of a new compact and the final revenue-sharing percentage for the host communities is unknown. The increase of $8.0 million in the last two outyears is deemed speculative.

Federal Stimulus and Recovery Plan:

The Mayor submitted a revised City of Buffalo Recovery Plan to the City of Buffalo Common Council on July 17, 2023, which upon approval would address the shortfall in federal stimulus dollars within the General Fund as included in years 2023-24 and 2024-25. It is expected to be voted on by the Common Council on July 25, 2023. The shortfall is $50.0 million consisting of $30.6 million in 2023-24 and $19.4 million in 2024-25. At this time, without an approved Recovery Plan to address this shortfall, the City's Adopted Budget is not balanced by $30.6 million on July 1, 2023.

<u>Conclusion:</u>

As per the discussion above, State AIM and casino revenue in the total cumulative amount of $29.9 million is deemed speculative. The City has an additional cumulative $32.7 million in cannabis tax revenue that is not supported. The following chart summarizes these items:

	Fiscal Year Ending June 30,				
	2024	**2025**	**2026**	**2027**	**Total**
	$	**$**	**$**	**$**	**$**
<u>Speculative revenue:</u>					
State AIM	-	8,064,262	8,467,474	5,334,509	21,866,245
Casino revenue	-	-	4,000,000	4,000,000	8,000,000
Total speculative revenue estimates	-	8,064,262	12,467,474	9,334,509	29,866,245
<u>Unsupported revenue:</u>					
Cannabis tax	3,064,262	5,852,673	11,025,883	12,772,897	32,715,715
Total speculative and unsupported revenue estimates	3,064,262	13,916,935	23,493,357	22,107,406	62,581,960
Total budgeted/projected revenues	576,994,950	580,874,189	586,343,340	600,541,572	2,344,754,051
Speculative/unsupported revenue as a percentage of total revenues	0.5%	2.4%	4.0%	3.7%	2.7%

The Financial Plan is deemed to be out of balance between $29.9 million to $62.6 million. While cannabis tax revenue is a known new revenue stream and will be received, it's not clear to what extent actual collections will be. Taking this fact into consideration, in the event speculative and unsupported revenues are not received to the extent projected over the Financial Plan, the shortfall would be able to be funded through fund balance and/or property tax increases in excess of the State tax cap as excess capacity is available.

In order for appropriate and responsible financial planning, the BFSA makes the following recommendations:

— The Mayor should eliminate State AIM increases over the Financial Plan.

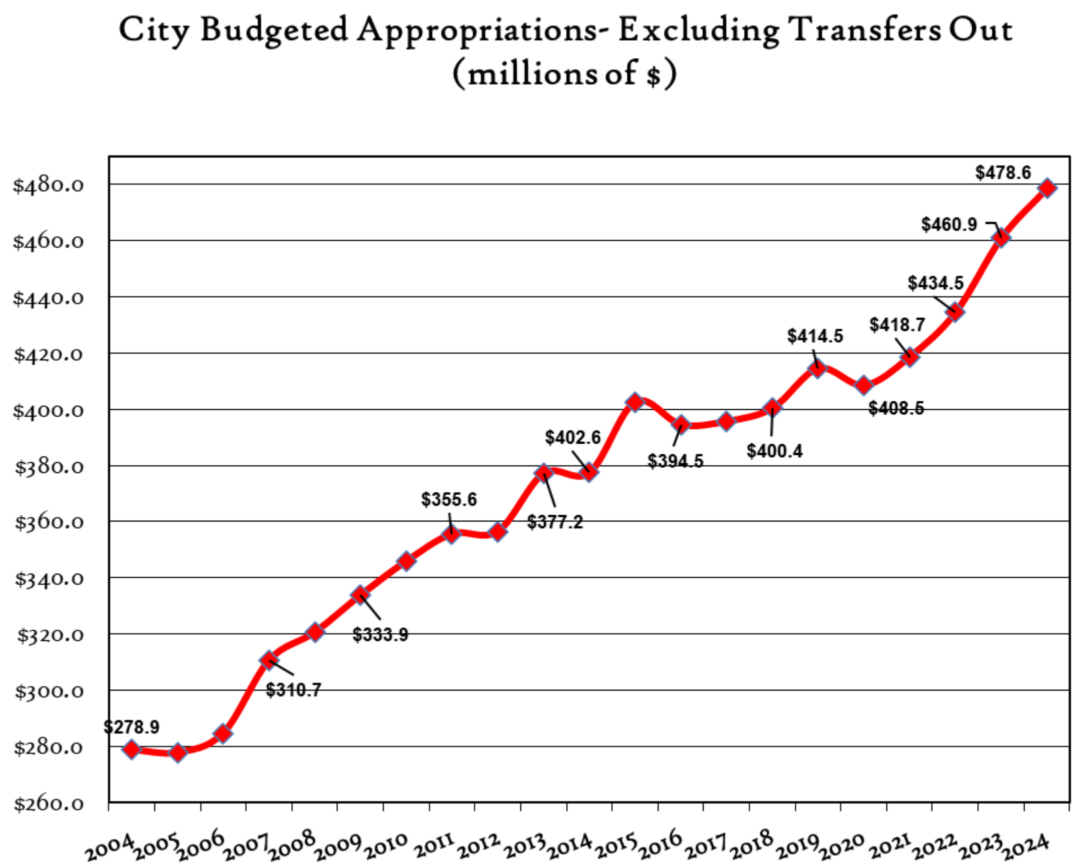
— The Mayor should eliminate casino revenue increases over the Financial Plan.

— The Mayor should further reduce cannabis tax revenues in the last two years of the Financial Plan while closely monitoring receipts in the current fiscal year to assist in future projections.

— Adjustments/decreases to staff levels and delivery of services should be developed to offset the decrease in projected revenue. This allows for careful consideration and the development of a contingency plan before a crisis needs to be addressed.

After consideration of the aforementioned mitigating risk factors, the BFSA conditionally approves the final Financial Plan upon approval by Common Council of the revised City of Buffalo Recovery Plan.

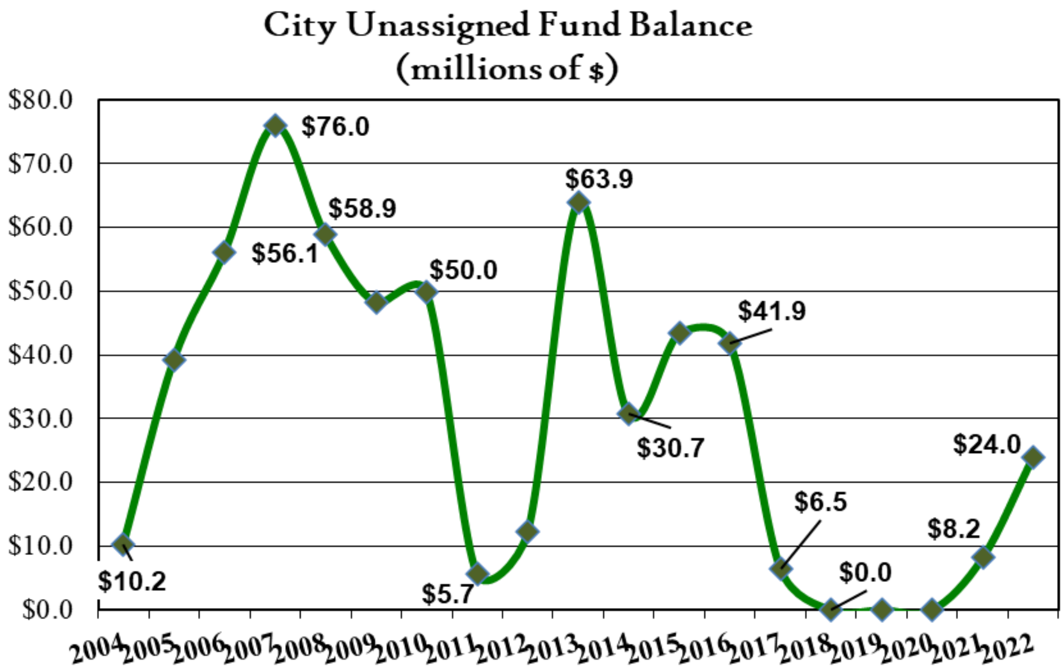
The following graphs and charts provide an overview of certain key statistics that the Buffalo Fiscal Stability Authority evaluates annually during its review of the City of Buffalo's operations. The explanations for fluctuations from year-to-year are available in the respective Annual Report for that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



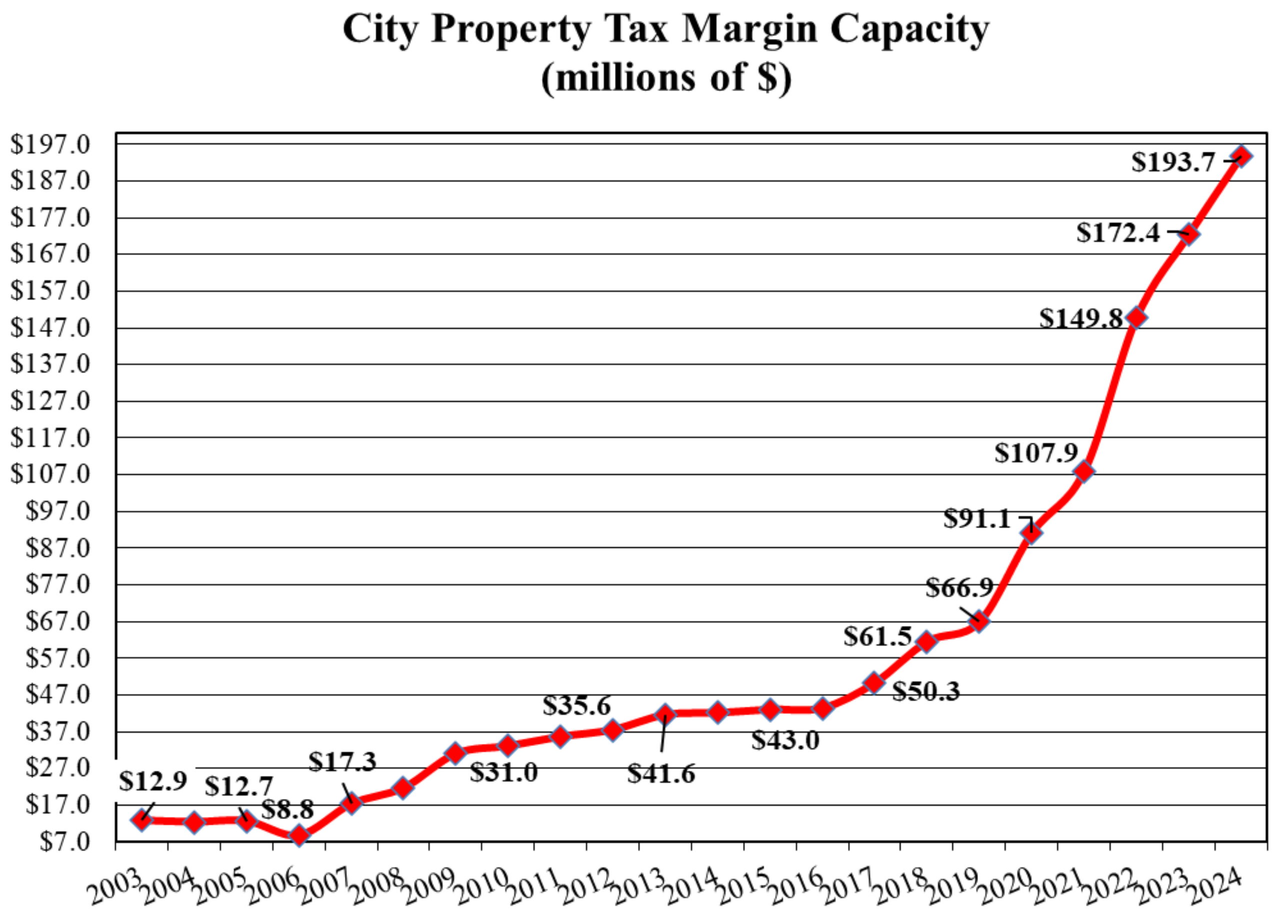
The chart above provides a historical overview of the City's budgeted appropriations since 2003-04, the year the BFSA was created. The budgeted appropriations represent operating expenditures only and exclude operating transfers out. Over the twenty-year period, budgeted appropriations less operating transfers out have increased from $278.9 million for fiscal year 2004 to $478.6 million for fiscal year 2024, representing an increase of $199.7 million, or 71.6 percent. Adjusted for inflation, the 2003-04 expenditures of $278.9 would be approximately equivalent to $463.4 million in 2023.

Appropriations increased from $460.9 million in the prior year to $478.6 million for 2023-24, constituting an increase of $17.7 million, or 3.8 percent. The increase in appropriations is reflective of an increase in budgeted salaries, primarily for firefighters, white-collar employees, blue-collar employees, and exempt employees in addition to the arbitration award for PBA.

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 year before; health insurance expenditures have increased between 3.0 to 6.5 percent annually since this transition.

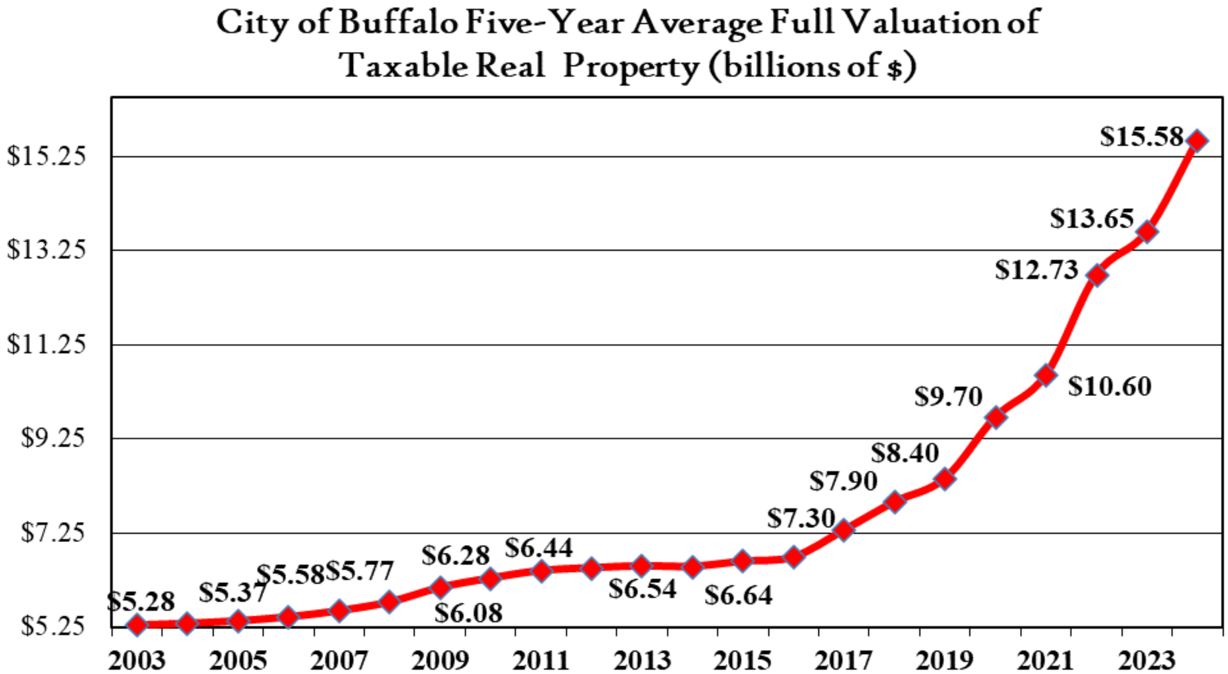


The chart above demonstrates the historical balance of Unreserved, Undesignated/Unassigned fund balance at June 30 for each fiscal year reported. Effective June 30, 2008, the City allocated $30.2 million from its Unreserved, Undesignated fund balance into a "Rainy Day" Fund which has been maintained since 2008 and has since increased to $41.2 million as of June 30, 2022. 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 and increased to $24.0 million at June 30, 2022.



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 2023-24 fiscal year provided a remaining property tax margin of $193.7 million, representing an increase of $180.8 million, or 1,401.6 percent, over the last twenty-one 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 2024, $193.7 million, is primarily attributed to the reassessment and is valued at $85.5 million, or 79.5 percent. Over that same period the maximum constitutional taxing power increased from $255.8 million to $352.6 million, an increase of $96.8 million, or 37.8 percent. It is noted that the Real Property Tax Levy increased from $153.0 million in 2022 to $158.9 million in 2024, and increase of $5.9 million, or 3.8 percent.



The above graph depicts the City's Five-Year Average Full Valuation of Taxable Real Property and Special Franchises over the last twenty years. The total average assessed property value has increased from $8.4 billion in 2019 to $15.6 billion in 2024, representing an increase of approximately $7.2 billion over the last five years. As a point of reference, the total average full valuation of taxable real property value was $5.3 billion for fiscal year 2003, which has increased by nearly $12.4 billion to the current year value of $15.6 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 Superintendent's fiscal year (FY) 2023-24 Draft Budget (Adopted Budget) was adopted by the Buffalo City School District (District) Board of Education on May 24, 2023. The Board of Education reviewed the FY 2024-2027 Draft Financial Plan (Financial Plan) on June 7, 2023 and is anticipated to consider this item on June 21, 2023. A final report on the analysis of the final financial plan will occur after the District has formally submitted the final 2024-2027 Financial Plan to the BFSA.

The following analysis focuses on the General Fund and compares the 2023-24 Adopted Budget to the 2022-23 Adopted Budget. A high-level summary of the Special Projects Fund (Grants Fund) is also provided. The District's actual financial results as of March 31, 2023 (i.e.: the end of the FY 2023 third quarter) are included to provide additional context.

The following chart provides a summary of the Adopted Budget.

General Fund Summary	2022-23 Adopted Budget	2022-23 Projection at 3.31.23	2023-24 Adopted Budget	Budget-to-Budget Increase ($)	Budget-to-Budget Increase (%)
	$ in Millions				
Revenues	$985.5	$991.5	$1,065.0	$79.5	8.1%
Expenditures	1,020.1	995.1	1,102.7	82.6	8.1%
Surplus/(Deficit)	($34.6)	($3.6)	($37.7)		
Total Fund Balance	34.6	3.6	37.7		
Remaining Deficit	$0.0	$0.0	$0.0		
Fund Balance as % of Total GF Appropriations	3.4%	0.4%	3.4%		

The following key observations have been made.

1. The 2023-24 Adopted Budget includes a deficit of $37.7 million. This deficit is closed via the appropriation of fund balance.

2. The Adopted Budget includes a $63.6 million contingency reserve. This includes:
    - $40.5 million: contingency related to recently settled labor contracts (amounts are not reflected in the salary section)
    - $19.1 million: contingency in the event the recently ratified Buffalo Teachers' Federation (BTF) labor agreement retroactive payments and bonuses cannot be grant-funded as anticipated
    - $4.0 million: unspecified/general contingency

3. Estimated revenues and expenditures are consistently and reasonably depicted within the Adopted Budget. Both General Fund revenues and expenditures increased by 8.1% as compared to the PFY Adopted Budget.

4. A structural deficit exists as planned expenditures exceed projected revenues. The District has budgeted the appropriation of $37.7 million of fund balance in FY 2023-24.

5. All collective bargaining units will have active labor agreements in FY 2023-24 except for the Buffalo Association of Substitute Administrators (Substitute Administrators or BASA – expires June 30, 2023), barring a settlement. These include the following:
   10) BTF - expires June 30, 2026
   11) Buffalo Council of Supervisors and Administrators (administrators or BCSA - expires June 30, 2025
   12) Professional, Clerical, and Technical Employees' Association (white-collar employees or PCTEA) – expires June 30, 2026
   13) Transportation Aides of Buffalo (bus aides or TAB) – expires June 30, 2024
   14) Buffalo Educational Support Team (teacher's aides and teaching assistants or BEST) – expires June 30, 2025
   15) Substitutes United of Buffalo (substitute teachers or SUB) – expires June 30, 2025
   16) Local 264 (blue-collar) – expires June 30, 2025
   17) Local 409 engineers (engineers) - expires June 30, 2026

FY 2023-24 ADOPTED BUDGET SUMMARY

General Fund revenues are budgeted at $1,065.0 million, an increase of $79.5 million, or 8.1% over the prior year 2022-23 Adopted Budget (PFY Adopted Budget) amount of $985.5 million. General Fund expenditures are budgeted at $1,102.7 million, an increase of $82.6 million, or 8.1% over the PFY Adopted Budget amount of $1,020.1 million. The $37.7 million excess of expenditures over revenues represents the budgeted deficit and is closed through the appropriation of the Assigned and Unassigned fund balance.

GENERAL FUND REVENUES

The following chart summarizes the General Fund estimated revenue and potential fund balance usage in the Adopted Budget as compared to the PFY Adopted Budget. The District's FYE 2023 projection is additionally included to provide additional context.

FY 2023-24 Adopted Budget Revenues & Use of Fund Balance	2022-23 Adopted Budget	2022-23 Projection at 3.31.23	2023-24 Adopted Budget	Budget-to-Budget Change ($)	Budget-to-Budget Change (%)
	(In Millions)				
Real Property Tax	$70.8	$70.8	$70.8	$0.0	0.0%
Erie County Sales Tax	48.7	51.7	53.2	4.5	9.2%
Federal Medicaid Reimbursement	3.0	3.0	3.0	0.0	0.0%
New York State Aid (less Building Aid)	726.9	729.9	808.0	81.1	11.2%
New York State Building Aid	116.8	116.8	110.9	(5.9)	-5.1%
Miscellaneous	19.3	19.3	19.1	(0.2)	-1.0%
Total General Fund Revenues	**$985.5**	**$991.5**	**$1,065.0**	**$79.5**	**8.1%**
Fund Balance	34.6	3.6	37.7	3.1	9.0%
Total GF Revenue & Assigned Fund Balance	**$1,020.1**	**$995.1**	**$1,102.7**	**$82.6**	**8.1%**

The overall increase in estimated General Fund revenue of $79.5 million is driven by a substantial $68.6 million increase (11.1%) in New York State (NYS) Aid less Building Aid.

Real Property Taxes
FY 2023-24 % of total General Fund Revenues: 6.6%

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 2023-24 remains at $70.8 million. The City's contribution increased by $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 Building Aid)
FY 2023-24 % of total General Fund Revenues: 75.9%

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 86.3% of the District's total budgeted revenues for FY 2023-24.

All NYS Aid including Building Aid totals $918.9 million and represents an increase of $75.2 million in NYS Aid as compared to the PFY Adopted Budget. This increase is largely comprised of NYS Foundation Aid, which are funds available for general operations. Foundation Aid is increasing by $68.6 million, or 11.1%. The FY 2023-24 increase represents the final year of a three-year NYS pledge to fully fund NYS Foundation Aid, as established by NYS following the 2006 Campaign for Fiscal Equity court decision. The inflationary factor in the formula additionally contributed to the increase, based on the current inflationary conditions.

The $75.2 million FY 2023-24 increase as compared to the FY 2022-23 Adopted Budget is comprised as follows:

18) Foundation Aid: $68.6 million
19) Building Aid: $(5.9 million)
20) NYS Transportation Aid: $13.4 million
21) Net of Services & Other Formula-Based Aids: $(0.9) million

NYS Aid (less Building Aid) totals $808.0 million in FY 2023-24. NYS Aid (less Building Aid) is an umbrella term utilized to combine a variety of different formula and expense-based aids, most significantly NYS Foundation Aid. It is estimated to be $688.8 million in FY 2023-24, or 85.2% of total NYS Aid (less Building Aid)

NYS Transportation Aid is a reimbursement for PFY transportation expenditures. The District's reimbursement is 87% of eligible reimbursements. These expenditures have been atypically lower in FY 2019-20 through FY 2022-23 due to the pandemic's disruption of transportation services. FY 2023-24 NYS Transportation Aid is budgeted at $51.5 million, an increase of $13.4 million over the 2022-23 Adopted Budget.

New York State Building Aid
FY 2023-24 % of total General Fund Revenues: 10.4%

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 NYS Building Aid to decline at a somewhat lower rate than debt service; actual Building Aid may be higher due to Building Aid earned on aidable capital projects whose bonds have subsequently been refinanced.

NYS Building Aid is budgeted at $110.9 million in FY 2023-24. Funding at $110.9 million represents a $5.9 million, or 5.1%, decrease over the 2022-23 Adopted Budget.

Erie County Sales Tax
FY 2023-24 % of total General Fund Revenues: 5.0%

The fourth largest revenue source for the District is sales tax, budgeted at $53.2 million for FY 2023-24. Erie County Sales Tax is budgeted at $4.5 million, or 9.2% greater than the 2022-23 Adopted Budget.
BFSA's fiscal year-end (FYE) 2022-23 internal forecast of $59.3 million exceeds the District's FY 2023-24 budgeted amount of $53.2 million. Given the current inflationary rate on taxable goods as well as BFSA's internal forecast for the current fiscal year, the District's 2023-24 Erie County Sales Tax revenues appear to be underestimated.

The District's local funding structure differs from the other Big 4 NYS school districts. 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 tax receipts, budgeted at $725,000 for FY 2023-24.

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 = 44.4%
    - FY 2023-24 budgeted sales tax receipts: $53.2 million
- Syracuse City School District (SCSD): Percent of tax levy = 56.0%
    - FY 2023-24 budgeted sales tax receipts: $725,000
- Rochester City School District (RCSD): Percent of tax levy = 68.9%
    - FY 2023-24 budgeted sales tax receipts: $0
- Yonkers City School District (YCSD): Percent of tax levy = 65.0%
    - FY 2023-24 budgeted sales tax receipts: $0

All Other Revenue (Miscellaneous)
FY 2023-24 % of total General Fund Revenues: 1.8%

All Other Revenues include tuition, interest, interfund revenues for indirect costs, and miscellaneous items. All Other Revenue (Miscellaneous) combined totals $19.1 million in the Adopted Budget, a $0.2 million, or 1.0% decrease over the 2022-23 Adopted Budget.

FY 2023-24 includes 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 $8.0 million in FY 2023-24.

The net of all other unclassified revenues is $0.2 million lower than the 2022-23 Adopted Budget, based on the FYE 2023 projection. All other miscellaneous revenues (e.g.: reimbursements for health services and other tuition billings charged to other school districts) are equal to the 2022-23 Adopted Budget.

Federal Medicaid Reimbursement
FY 2023-24 % of total General Fund Revenues: 0.3%

The Federal Medicaid Reimbursement totals $3.0 million in the Adopted Budget, equal to the 2022-23 Adopted Budget. This revenue is a reimbursement of Medicaid-eligible healthcare services funded and provided by the District.

GENERAL FUND EXPENDITURES

General Fund expenditures total $1,102.7 million in the Adopted Budget. This represents a $82.6 million, or 8.1% increase as compared to the PFY Adopted Budget.

General Fund expenditures are examined here in seven discrete subcategories in the following order:

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

The following chart summarizes General Fund expenditures by these seven subcategories as projected in the Adopted Budget and as compared to the PFY Adopted Budget. The District's FYE 2023 projection is additionally included to provide additional context.

FY 2023-24 Adopted Budget Expenditures	2022-23 Adopted Budget	2022-23 Projection at 3.31.23	2023-24 Adopted Budget	Budget-to-Budget Change ($)	Budget-to-Budget Change (%)
	(In Millions)				
Employee Compensation	$343.1	$331.4	$362.8	$19.7	5.7%
Employee Benefits	196.2	194.3	204.5	8.3	4.2%
Debt Service	108.7	108.7	101.0	(7.7)	-7.1%
Charter School Payments	154.6	149.6	158.9	4.3	2.8%
Transportation	53.8	48.8	61.4	7.6	14.1%
Reserve for Contingency	30.1	8.4	63.6	33.5	111.3%
All Other Expenditures	133.6	153.9	150.5	16.9	12.6%
Total	**$1,020.1**	**$995.1**	**$1,102.7**	**$82.6**	**8.1%**

EMPLOYEE COMPENSATION
FY 2023-24 % 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 $362.8 million, a $19.7 million, or a 5.7% increase as compared to the PFY Adopted Budget.

Employee Compensation includes the salary and wages of 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 table provides a snapshot of the FY 2023-24 budgeted positions as compared to the PFY Adopted Budget. Part-time employee data is included as estimated by BFSA.

BCSD Employee Count Comparison										
		All Funds				General Fund				
Employee Group	FT/PT	2022-23 Adopted Budget	Actual at 3.31.2023	2023-24 Adopted Budget	2023-24 Adopted Budget compared to 2022-23 Adopted Budget (#)	2022-23 Adopted Budget	Actual at 3.31.2023	2023-24 Adopted Budget	2023-24 Adopted Budget compared to 2022-23 Adopted Budget (#)	Contract Status
BTF (Teachers)	FT	3,972.0	3,619.0	3,931.0	(41.0)	3,266.0	3,067.0	3,227.5	(38.5)	Current thru 6/30/2026
	PT	112.0	100.0	112.0	0.0	106.0	100.0	106.0	0.0	
BEST (Teacher Aides/Teaching Assistants)	FT	945.0	930.0	981.0	36.0	806.0	765.0	830.0	24.0	Current thru 6/30/2025
	PT	1.0	8.0	1.0	0.0	0.0	0.0	0.0	0.0	
BCSA: Administrators	FT	278.0	277.0	276.0	(2.0)	223.0	212.0	237.1	14.1	Current thru 6/30/2025
PCTEA: White-Collar	FT	519.0	465.0	570.0	51.0	383.0	339.0	435.5	52.5	Current thru 6/30/2026
Local 264 Blue-Collar	FT	68.0	56.0	68.0	0.0	65.0	54.0	65.0	0.0	Current thru 6/30/2025
Food Service Workers & Cooks	PT	449.0	469.0	449.0	0.0	0.0	0.0	0.0	0.0	Current thru 6/30/2023
Cook Managers	FT	29.0	29.0	29.0	0.0	0.0	0.0	0.0	0.0	Current thru 6/30/2022
SU/B: Substitutes	PT	354.0	493.0	354.0	0.0	336.0	467.0	336.0	0.0	Current thru 6/30/2025
TAB:Bus Aides	PT	370.0	261.0	370.0	0.0	352.0	248.0	352.0	0.0	Current thru 6/30/2024
Trades	FT	42.0	42.0	42.0	0.0	33.0	33.0	33.0	0.0	Prevailing Wage
Local 409: Operating Engineers	FT	57.0	36.0	57.0	0.0	56.0	36.0	56.0	0.0	Current thru 6/30/2026
BASA: Substitute Administrators	PT	20.0	20.0	20.0	0.0	19.0	20.0	19.0	0.0	Current thru 6/30/2023
Exempts	FT	38.0	42.0	49.0	11.0	38.0	39.0	48.0	10.0	All contracts current
Board Members	FT	9.0	9.0	9.0	0.0	9.0	9.0	9.0	0.0	N/A (elected positions)
Total Full-Time Employees		5,957.0	5,505.0	6,012.0	55.0	4,879.0	4,554.0	4,941.2	62.2	
Total Part-Time Employees		1,306.0	1,351.0	1,306.0	0.0	1,240.0	835.0	813.0	0.0	
Total Employees		7,263.0	6,856.0	7,318.0	55.0	5,736.0	5,389.0	5,754.2	62.2	
General Fund part-time budgeted and actual positions are estimated.										

The District's staffing plan includes an overall increase of 62 FTEs as compared to the PFY Adopted Budget. The following employee groups have an increase in budgeted positions:

- BEST: 24 FTEs
- BCSA: 14 FTEs
- PCTEA: 52.5 FTEs
- Exempts: 10 FTEs

Teacher positions are reduced by 38.5 FTEs as compared to the 2022-23 Adopted Budget.

The following depicts Employee Compensation in the Adopted Budget. A comparison to the PFY Adopted Budget is included. The FYE 2023 projection is provided for historical context.

FY 2023-2024 Adopted Budget Expenditures	2022-23 Adopted Budget	2022-23 Projection at 3.31.23	2023-24 Adopted Budget	Budget-to-Budget Change ($)	Budget-to-Budget Change (%)
Employee Compensation	(In Millions)				
BTF (Teachers)	$242.5	$231.5	$242.8	$0.3	0.1%
Teacher Substitutes	8.2	8.2	8.3	0.1	1.2%
Administrator Substitutes	0.2	0.2	0.2	0.0	0.0%
BCSA (Administrators)	25.4	27.4	32.1	6.7	26.4%
PCTEA (White Collar)	21.0	20.4	24.9	3.9	18.6%
BEST (Aides & Assistants)	20.8	20.9	25.3	4.5	21.6%
TAB (Bus Aides)	7.8	4.8	8.3	0.5	6.4%
Trades	3.7	3.7	4.1	0.4	10.8%
Local 264 (Blue Collar)	2.9	2.8	3.0	0.1	3.4%
Local 409 (Engineers)	3.3	3.3	4.1	0.8	24.2%
Exempt	4.9	5.4	6.4	1.5	30.6%
Miscellaneous (Includes Board Member Stipends)	0.2	0.1	0.2	0.0	0.0%
Overtime	2.2	2.7	3.1	0.9	40.9%
Total Employee Compensation	**$343.1**	**$331.4**	**$362.8**	**$19.7**	**5.7%**

The following highlights several employee compensation areas of significance.

BTF Compensation

The largest area of employee compensation is for teachers. General fund budgeted positions are 3,227.5 FTES in FY 2023-24, a decrease of 38.5 FTEs as compared to the PFY Adopted Budget.

BTF employee compensation has been increased slightly overall by $0.3 million, or 0.1% as compared to the PFY Adopted Budget. The budgeted amount is consistent with the total number of budgeted positions but not necessarily with the 2023-24 level of employee compensation level. The BTF recently settled a new labor agreement; the Adopted Budget includes a reserve for contingency of $40.5 million in contingency related to recently settled labor contracts including the BTF labor agreement, and $19.1 million in a contingency in the event the BTF labor agreement retroactive payments and bonuses cannot be grant funded. The 2023-24 Modified Budget may increase various employee compensation expenditure lines via budgetary transfers, particularly the BTF employee compensation expenditure line. The amount budgeted for BTF employee compensation as well as the amounts included within the reserve for contingencies appears adequate to fully fund the budgeted number of BTF employees.

Employee Compensation (excluding BTF Compensation)

All other employee compensation (excluding BTF Compensation) totals $120.0 million in the Adopted Budget, a $19.4 million, or 19.3% increase over the PFY Adopted Budget.

All collective bargaining units funded through the General Fund have settled labor agreements in FY 2023-24 (except for BASA, barring a new settlement). All other collective bargaining units' compensation appears to be adequate based on the number of budgeted positions and BFSA's estimated average compensation, if not somewhat overestimated. For example, BCSA employee compensation was increased by $6.7 million, or 26.4%, to $31.2 million. The Adopted Budget includes 237.1 BCSA FTEs. BFSA has calculated an average BCSA compensation of $102,245; total compensation for 237.1 FTEs at an average salary of $102,245 totals $24.5 million. As such, the budgeted $31.2 million appears to be more than sufficient to fully fund this employee group.

EMPLOYEE BENEFITS

FY 2023-24 % of total General Fund Expenditures: 18.5%

Employee Benefits is the second largest General Fund expenditure category 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 $204.5 million for Employee Benefits in the Adopted Budget, an $8.3 million, or 4.2%, increase as compared to the PFY Adopted Budget.

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 depicts Employee Benefits in the Adopted Budget. A comparison to the PFY Adopted Budget is included. The FYE 2023 projection is provided for historical context.

FY 2023-2024 Adopted Budget Expenditures	**2022-23 Adopted Budget**	**2022-23 Projection at 3.31.23**	**2023-24 Adopted Budget**	**Budget-to-Budget Change ($)**	**Budget-to-Budget Change (%)**
Employee Benefits	**(In Millions)**				
Civil Service Retirement	$5.1	$5.1	$5.3	$0.2	3.9%
Teachers Retirement	28.8	29.2	30.0	1.2	4.2%
Social Security	26.8	26.2	27.9	1.1	4.1%
Health Insurance (Active Employees)	62.3	60.3	64.8	2.5	4.0%
Health Insurance (Retired Employees)	54.8	54.8	57.0	2.2	4.0%
Termination Pay	4.3	4.3	4.5	0.2	4.7%
Other Benefits	14.1	14.4	15.0	0.9	6.4%
Total Employee Benefits	**$196.2**	**$194.3**	**$204.5**	**$8.3**	**4.2%**

As noted, certain employee compensation expenditures, particularly the BTF employee compensation expenditure lines, may be adjusted as needed in the Modified Budget via transfers from the various reserve for contingency expenditure lines. Likewise, various employee benefit expenditures may be adjusted via transfers from the various reserve for contingency expenditure lines.

The following highlights several employee compensation areas of significance.

<u>New York State Pension Systems</u>
General Fund expenditures for the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' System (NYSTRS) are budgeted at a combined amount of $35.3 million in the Adopted Budget, a $1.4 million, or 4.1%, combined increase over the PFY Adopted Budget. The 2023 NYSERS blended employer contribution rate is 11.98%; the 2023 NYSTRS employer contribution rate is 9.76%. The rate is actuarially set by NYSERS.

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.

The combined $35.3 million in NYS pension payments appears slightly under-budgeted given the budgeted total employee compensation.

<u>Payroll Tax</u>
The District's employer portion for payroll taxes remains at 7.65% of budgeted Employee Compensation and termination pay. It is budgeted at $27.9 million in the Adopted Budget, a $1.1 million, or 4.1% increase over the PFY Adopted Budget. This increase is consistent with the static tax rates as well as the modest increase in budgeted employee compensation costs, excluding the raises and the respective payroll tax increase for salary increases for teachers which are budgeted within contingencies.

<u>Active/Retiree Health Insurance</u>

Health insurance for active employees is one of several major General Fund expenditures for the District and is budgeted at $64.8 million in the Adopted Budget, a $2.5 million, or 4% increase over the PFY Adopted Budget.

The District previously converted to a traditional model of self-insurance 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.

District employees are required to contribute towards the cost of the health insurance premium. These contributions offset expected expenditures by $6.0 million in FY 2023-24.

The following are the average FY 2023-24 active employee premium-equivalent health insurance rates:

- FY 2023-24 rate (active/single – estimated): $8,728
- FY 2023-24 rate (active/family – estimated): $22,472

<u>Retiree Health Insurance</u>

Retiree health insurance expenditures are also a major General Fund expenditure. Retiree health insurance is budgeted at $57.0 million in the Adopted Budget, a $2.2 million or 4.0% increase over the PFY Adopted Budget. The increase in budgeted retiree healthcare expenditures is based on the projected FY 2022-23 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 following are the average FY 2023-24 retiree premium-equivalent health insurance rates:

- FY 2023-24 rate (HMO/retiree/single – estimated): $12,045
- FY 2023-24 rate (HMO/retiree/family – estimated): $28,688
- FY 2023-24 rate (Medicare Advantage/retiree/single/in-network – estimated): $6,207
- FY 2023-24 rate (Medicare Advantage/retiree/family/in-network – estimated): $7,035

The District contacts qualified retirees receiving retiree health benefits 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 1,753. 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 6,624 retirees will receive health insurance. 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 $19.5 million in the Adopted Budget, an increase of $1.1 million, or 6.0% over the PFY Adopted Budget. Termination Pay is $4.5 million in the Adopted Budget and is projected based on the actual number of employees eligible to retire, their estimated termination pay benefit, and the percentage expected to retire based on the trend date. Termination Pay includes compensation to newly retired individuals or eligible terminated individuals for unused paid leave as well as payouts for early retirement incentives.

All Other Fringe Benefits include supplemental benefits, workers' compensation costs, unemployment, and other minor fringe benefit costs. The Adopted Budget includes $15.0 million in All Other Fringe Benefits including $1.5 million in unemployment expenditures.

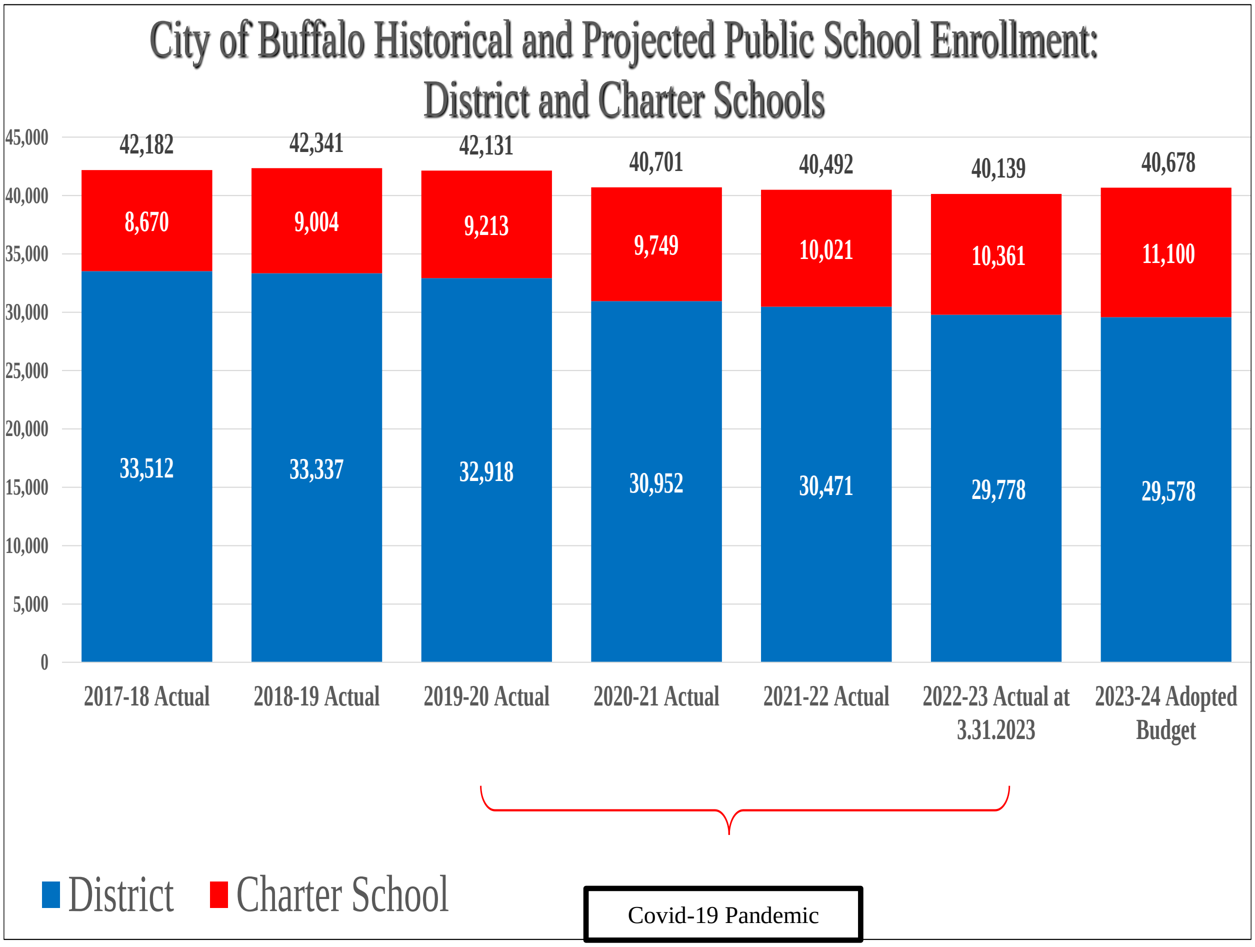
PAYMENTS TO CHARTER SCHOOLS

FY 2023-24 % of total General Fund Expenditures: 14.4%

Payments to Charter Schools are the third largest General Fund expenditure at $158.9 million, a $4.3 million, or 2.8% increase over the PFY Adopted Budget. The increase is driven by an increase in estimated pupils from 10,361 to 11,100 and the FY 2023-24 base tuition rate.

Payments to Charter Schools include the funds the District forwards to the twenty-one area charter schools (including 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 2023-24 budgeted tuition rate is $14,317 per pupil. This includes $13,417 in base tuition and $900 for special education.

The following depicts City resident pupil public school enrollment for seven years, consisting of the last six years of actual enrollment and the current projection for the 2023-24 school year. 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 decrease to 29,578 in FY 2023-24, a decrease of 200 pupils, as compared to the actual count on March 31, 2023. The District projects an increase of 739 Buffalo resident pupils enrolled in area charter schools, as compared to the actual count on March 31, 2023. Total Buffalo resident pupils enrolled in public schools is projected to increase by 738 pupils.

An 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. 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.

TRANSPORTATION
FY 2023-24 % of total General Fund Expenditures: 5.6%

Transportation expenditures are the seventh largest General Fund expenditure category. Transportation expenditures total $61.4 million in the Adopted Budget, an increase of $7.6 million, or 14.1% over the PFY Adopted Budget based on the anticipated level of transportation services offered by the District.

The District and the BTF recently settled a successor agreement. The prior labor agreement stipulated that the hours of service for teachers shall not exceed seven hours and fifteen minutes. The successor agreement allows for bell time adjustments beginning in the 2023-24 school year. The District plans to change the starting and ending times at schools to accommodate savings on bus routes and improve the transportation of students. School bussing has been significantly impacted in the last two school years by a bus driver shortage; school start/end times will change from a two-tiered system into a three-tied system to help alleviate these issues.

The District indicated that it will be saving approximately $4.0 million in FY 2023-24 from this action. FY 2024-25 New York State Transportation Aid reimburses the District for its prior fiscal year transportation-related expenditures and would be reduced by approximately $3,480,000.

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 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 2023-24 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 Adopted Budget maintains increased bussing services provided by the District due to additional charter school pupils, increased school activities such as extended learning time, and evening access to school facilities.

RESERVE FOR CONTINGENCY
FY 2023-24 % of total General Fund Expenditures: 5.8%

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

The Reserve for Contingency expenditure totals $63.6 million in the Adopted Budget, a substantial increase of $33.5 million, or 111.3% over the PFY Adopted Budget.

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

Reserve for Contingency	**FY 2022-23**
Settled labor contracts	$40.5 M
BTF labor agreement retroactive payments and bonuses (if grant funding is not available)	19.1 M
General/Unspecified	4.0 M
Reserve for Contingency - Total	**$63.6 M**
Percent of Total General Fund Expenditures	**5.8%**

Reserve for Contingency - Settled Labor Contracts
The Adopted Budget includes a reserve contingency of $40.5 million to fund recently settled labor agreements, particularly the BTF labor agreement. The District settled four labor agreements funded through the General Fund in the PFY. BFSA estimated the net FY 2023-24 General Fund cost of these labor agreements at $53.0 million, including $44.2 million for the BTF labor agreement. The Reserve for Contingency–Settled Labor Contracts is a set aside that may fund these newly settled labor agreements. Transfers from this contingency to various employee compensation and benefit expenditure lines will occur in FY 2023-24 as needed.

Reserve for Contingency – Retroactive BTF Payments and Bonuses
The Adopted Budget includes a reserve contingency of $19.1 million to fund the retroactive payments and bonuses included in the BTF labor agreement. The District anticipates these payments will be grant-funded via CRRSA-ESSER II (Coronavirus Response and Relief Supplemental Appropriations Act – Elementary and Secondary School Emergency Relief II funds). Some of the expenditures may be funded via American Rescue Plan Act – ESSER III funds (ARPA-ESSER III) if needed. The Adopted Budget includes the reserve contingency in the instance that CRRSA-ESSER II and ARPA–ESSER III funding is not approved in the amount required for these new expenditures.

Reserve for Contingency - Unspecified
The Adopted Budget includes $4.0 million in Reserve for Contingency – Unspecified. The Reserve for Contingency – Unspecified is a reserve for miscellaneous, unspecified expenditures that may arise within a fiscal year.

ALL OTHER EXPENDITURES
FY 2023-24 of total General Fund Expenditures: 13.6%

All Other Expenditures is the seventh largest expenditure subcategory. It is a composite category that includes all General Fund expenditures other than those described above. It includes tuition, contracts, textbooks and supplies, repairs and maintenance, and a contingency reserve.
The following chart depicts the All Other Expenditures as included within the Adopted Budget and Financial Plan.

FY 2023-2024 Adopted Budget Expenditures	2022-23 Adopted Budget	2022-23 Projection at 3.31.23	2023-24 Adopted Budget	Budget-to-Budget Change ($)	Budget-to-Budget Change (%)
All Other Expenditures	(In Millions)				
Utilities	$12.4	$13.4	$12.8	$0.4	3.2%
Tuition	34.7	33.7	34.9	0.2	0.6%
Contracts - Custodian	19.4	22.8	22.8	3.4	17.5%
Equipment	1.7	2.7	2.1	0.4	23.5%
Contracts - Misc. & Contingency	29.6	25.3	36.0	6.4	21.6%
Rental Contracts	12.3	12.0	12.7	0.4	3.3%
Repairs & Maintenance	3.8	4.0	5.2	1.4	36.8%
Textbooks	3.9	4.0	4.2	0.3	7.7%
Supplies and Misc. Related Items	7.7	9.1	10.2	2.5	32.5%
Software	5.0	4.8	5.9	0.9	18.0%
Interfund Transfers	3.1	22.1	3.7	0.6	19%
Total Other Expenditures	**$133.6**	**$153.9**	**$150.5**	**$16.9**	**12.6%**

All Other Expenditures are budgeted at $150.5 million, an increase of $16.9 million, or 12.6%, over the PFY Adopted Budget.

Utilities
Utilities expenditures total $12.8 million in the Adopted Budget, a $0.4 million or 3.2% increase over the PFY Adopted Budget. The increase reflects the current inflationary impact on energy commodities. It may be slightly underbudgeted as the CFY is projecting to be $0.6 million greater than that which was included within the Adopted Budget.

Tuition

The District's tuition expenditure includes the costs for outside instruction including payments to agencies to educate children with special needs, payments to other school districts to educate foster children who are Buffalo resident pupils, and college tuition for Middle Early College and DaVinci High School students attending classes at Erie Community College, Buffalo State College, and D'Youville College. The Adopted Budget includes $34.9 million in Tuition expenditures of which $32.1 million, or 92.0%, relate to Agency instruction. An additional $1.8 million is budgeted for foster and resident student tuition. The remaining $1.0 million is budgeted for Career and Technical Educational college credit.

The Adopted Budget reflects the projected enrollment in these programs and the tuition rates established by NYS.

Miscellaneous

Miscellaneous General Fund expenditures include contracts, equipment, software, repairs and maintenance, textbooks, supplies, and interfund transfers. These expenditures totaled $85.2 million in the Adopted Budget. They are projected to increase by $16.3 million, or 18.8%, as compared to the PFY Adopted Budget.

Miscellaneous contracts are budgeted to increase by $6.4 million, or 21.6%, over the PFY Adopted Budget. The District has historically overbudgeted this expenditure. As such, the budgeted increase may exceed 2023-24 actual expenditures.

Rental contracts are budgeted to increase by $0.4 million over the PFY Adopted Budget to $12.7 million based on projected actual rental contract expenditures based on a 1.5% increase annually stipulated and/or assumed contractual increases for these contracts.

Equipment expenditures are budgeted to increase by $0.4 million over PFY Adopted Budget at $2.1 million based on the planned 2023-24 purchasing.

Software expenditures include instructional and business system software. Software expenditures are budgeted to increase $0.9 million over the PFY Adopted Budget at $5.9 million based on the planned 2023-24 purchasing.

Repairs & Maintenance expenditures are budgeted to increase $1.4 million over the PFY Adopted Budget of $3.8 million based on a 1.5% inflationary factor. The amount budgeted is 36.8% greater than the PFY Adopted Budget and may therefore be more than actual Repairs & Maintenance expenditures.

Textbook expenditures are budgeted to increase by $0.3 million over the PFY Adopted Budget. The budgeted minor increase over the PFY is conservatively estimated as the District adopted a five-year replacement cycle and cost-saving initiatives to reduce procurement costs through more competitive bidding.

Supplies and Miscellaneous Expenditures are budgeted to increase by $2.5 million over the PFY Adopted Budget based on a 1% inflationary factor.
Miscellaneous General Fund expenditures include custodial contracts and are budgeted at $22.8 million in the Adopted Budget. 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. These contractual amounts were increased in the recently settled collective bargaining agreement.

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 $3.7 million in the Adopted Budget.

DEBT SERVICE

FY 2023-24 % of total General Fund Expenditures: 9.2%

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 $101.0 million in the Adopted Budget, a $7.7 million, or a 7.1% decrease over the PFY Adopted Budget. 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. 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.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

As of June 30, 2022, the District had $70.0 million of fund balance assigned for OPEB. As of the last actuarial valuation report dated June 30, 2022, the total OPEB liability was $1.7 billion. This is a decrease from the estimate of the total OPEB liability on June 30, 2021, of $2.5 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 in assumptions and other inputs.

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 $208.2 million. This includes $91.4 million in federal stimulus funds (net of remaining ESSER III funds.) The ARPA-ESSER III grant end date is September 30, 2024.

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 student's 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.

CRRSA – ESSER II funds were depleted in full in the CFY. The remaining ARPA - ESSER III funds total $91.4 million and will be appropriated in the CFY.

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 total $14.0 million in the Adopted Budget, equal to the PFY Adopted Budget. These include the NYS Universal Pre-kindergarten grant and the NYS Priority Pre-kindergarten grants.

Total other grants are projected at $99.3 million in the Adopted Budget, equal to the PFY Adopted Budget. These include grant funding from NYS, federal agencies, and local grantors. Several grants 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 fund is self-sufficient; if anticipated grant applications are either rejected, reduced, or require resubmission, mandated expenditures are funded via the General Fund.

SUMMARY AND CONCLUSIONS

The District has presented a balanced FY 2023-24 Adopted Budget; however, the plan is balanced with the use of $37.7 million in fund balance, a non-recurring source of funding. As planned General Fund expenditures exceed projected General Fund revenues, a structural deficit exists.

NYS has provided significant increases in Foundation Aid at $688.8 million, an increase of $68.6 million. The increase reflects the final year of the NYS Governor and Legislature's commitment to fully fund Foundation Aid. The amount further increased based on the current level of inflation, as per NYS statute.

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 except a minor amount for indirect costs. All 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 $91.4 million in funding and appropriations over the next FY.

INTRODUCTION

The Buffalo City School District (District) Board of Education adopted the fiscal year (FY) 2023-24 draft budget (Adopted Budget) on May 24, 2023. The FY 2024-2027 draft Financial Plan (Draft Financial Plan) has not yet been approved, nor formally submitted, to the Buffalo Fiscal Stability Authority. It is scheduled to be considered by the Board of Education on June 21, 2023. We anticipate the Board of Education to adopt the Draft Financial Plan in substantially its current form. This report supplements the analysis conducted on the Adopted Budget and should be read in conjunction with that report, titled "Buffalo City School District's 2023-24 Adopted Budget Analysis". A more detailed and comprehensive analysis will be produced after the Draft Financial Plan's completion and formal submission.

The Adopted Budget includes a deficit of $37.7 million. Each Financial Plan out-year depicts budgetary deficits ranging from $29.4 million to $40.1 million. The cumulative, four-year budget deficit is $145.5 million.

Each Financial Plan fiscal year includes a contingency reserve to fund recently settled labor agreements and/or to settle expiring labor agreements. This set-aside increases from $40.5 million to $74.0 million for a cumulative $248.1 million. An additional $19.1 million is included in FY 2023-24 to potentially fund retroactive payments and bonuses related to the recently settled teacher labor agreement in the event the District is not permitted to make these payments from federal stimulus funds. These amounts do not represent planned contract settlement expenditures but rather a reserve to fund future labor agreements.

The Adopted Budget will be modified as needed to adjust various employee compensation and benefit expenditure lines via budget transfers from this reserve contingency.

Additional contingency reserves are included for the return of English Language Training (ELT) programming to the General Fund from the Special Projects Fund ($6.0 million annually beginning in FY 2024-25) and a general/unspecified contingency of $4.0 million in FY 2023-24 and $2.0 million in FY 2024-25.

The cumulative, four-year total contingency reserve is $291.2 million.

Estimated revenues and expenditures are consistently and reasonably depicted within the Financial Plan overall. The Draft Financial Plan depicts a structural deficit as planned expenditures exceed projected revenues in each fiscal year. A cumulative $145.5 million in fund balance is appropriated to address these deficits.

The following chart provides a summary of the Financial Plan.

FY 2024-2027 Financial Plan Summary	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	4-Year Totals
	$ in Millions				
Revenues	$1,065.0	$1,086.6	$1,093.0	$1,106.0	$4,350.6
Expenditures	1,102.7	1,116.0	1,133.0	1,144.4	$4,496.1
Surplus/(Deficit)	**($37.7)**	**($29.4)**	**($40.0)**	**($38.4)**	**($145.5)**
Restricted Fund Balance	$1.0	$1.0	$1.0	$1.0	$4.0
Assigned Fund Balance	24.2	4.3	6.9	28.4	63.8
Unassigned Fund Balance	12.5	24.1	32.2	8.9	77.7
Total Fund Balance	37.7	29.4	40.1	38.3	145.5
Remaining Deficit	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Fund Balance as % of Total GF Appropriations	**3.4%**	**2.6%**	**3.5%**	**3.3%**	**3.2%**

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 1.27% over the Financial Plan. General Fund expenditures increase at a CAGR of 1.24%. General Fund expenditures exceed General Fund revenues in each Financial Plan fiscal year.

    a. A deficit is present in all four years. It fluctuates between a low of $29.6 million in FY 2024-25 and a high of $40.0 million in FY 2025-26.

2. The District has budgeted the appropriation of $37.7 million of fund balance in FY 2023-24. The cumulative, four-year fund balance appropriation is $145.5 million. The District has sufficient fund balance to fund the projected deficits over the next four years.

3. All collective bargaining units have active labor agreements in FY 2023-24 except for the following:

- Buffalo Association of Substitute Administrators (Substitute Administrators or BASA) – expires June 30, 2023

All collective bargaining units' labor agreements are scheduled to expire during the next four fiscal years. These include the following:

Buffalo Teachers' Federation (Teachers or BTF) - expired June 30, 2026
Buffalo Council of Supervisors and Administrators (administrators or BCSA - expires June 30, 2025
Professional, Clerical, and Technical Employees' Association (white-collar employees or PCTEA) – expires June 30, 2026

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
Local 409 engineers (engineers) - expired June 30, 2026

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.

   a. The New York State Employee Retirement System expenditure increases at a very high rate of 45.3% over the Draft Financial Plan. This is misleading as the amount currently budgeted within the base year is likely to be increased via budgetary transfers to an amount closer to the amounts in the out-years.

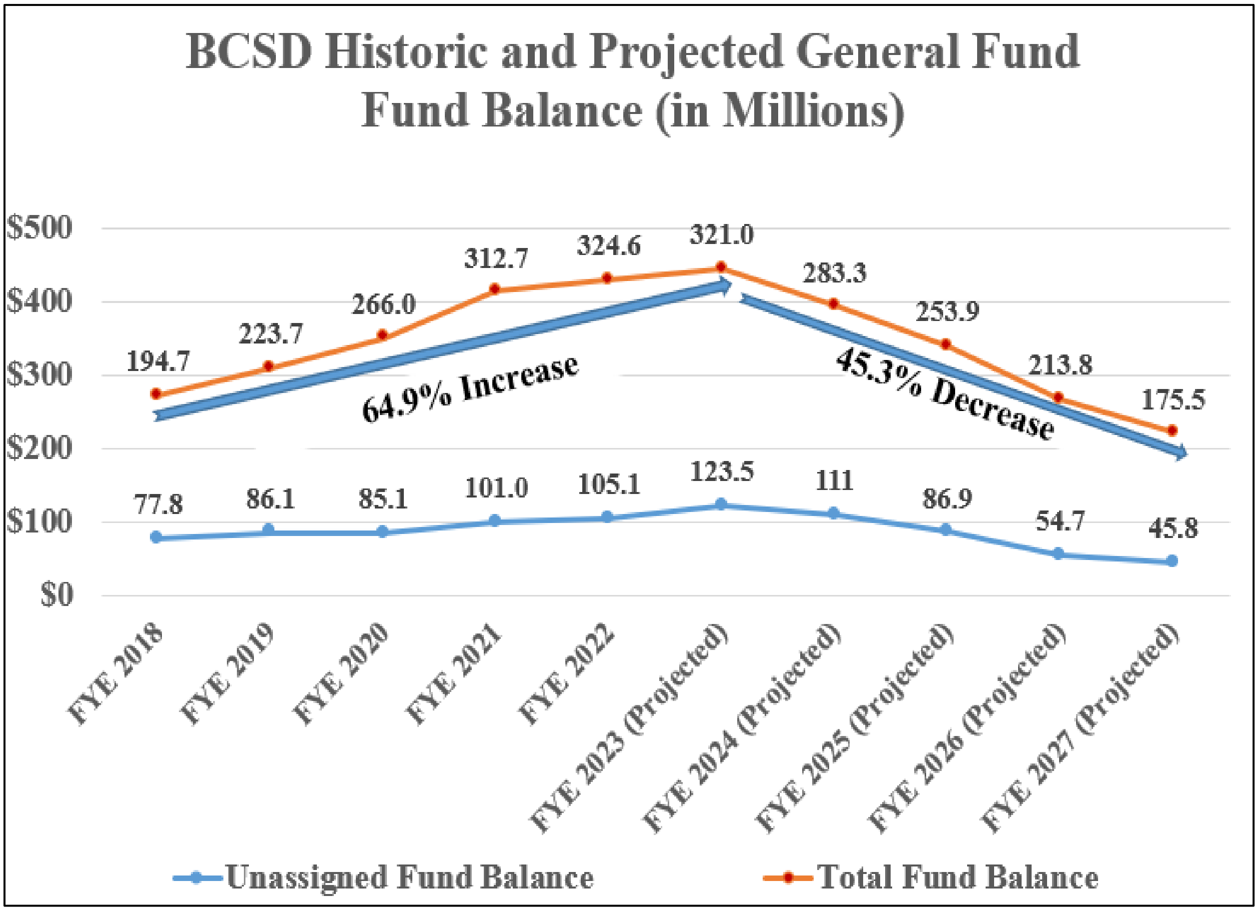
5. City resident public pupil enrollment has declined significantly over the last five school years. This decline has occurred solely within District schools which have seen a decline of 3,759 pupils from 33,337 in FY 2018-19 to the current FY 2023-24 estimated pupil count of 29,578. While District enrollment has decreased over the last four school years, pupil charter enrollment has continued to increase over this period from 9,004 to the current FY 2023-24 estimated pupil count of 11,100. The Financial Plan projects enrollment to decrease by 200 to 29,578 in FY 2023-24 then drop by 200 pupils annually.

AVAILABLE AND PROJECTED FUND BALANCE

The District's fund balance position has improved considerably over the last six fiscal years. On June 30, 2017, the General Fund fund balance totaled $182.6 million and included $70.0 million in Unassigned fund balance. On June 30, 2023, General Fund fund balance was projected by the District to total $321.0 million and include $123.5 million in Unassigned fund balance. The Unassigned fund balance is projected to exceed the Board of Education's 4% of General Fund expenditures retainage policy by $79.4 million.

The Financial Plan includes a significant draw-down of available fund balance in each FY. Total fund balance over the Financial Plan decreases to $175.5 million on June 30, 2027, a decrease of 45.3% from fiscal year-end (FYE) 2023. The Unassigned fund balance is projected to significantly decrease to $45.8 million on June 30, 2027. The Unassigned fund balance at this level would be equal to the Board of Education's minimum 4% retainage. The District's need to appropriate fund balance is correlated with the recently settled labor agreements and the expiration of federal rescue funds; the rate of increase between General Fund revenues and expenditures is not significantly dissimilar but the baseline total amount for expenditures exceeds revenues. A budgetary gap exists in all four Financial Plan fiscal years.

The following depicts the District's historical and projected total General Fund fund balance from June 30, 2018, to June 30, 2027.



FY 2024-2027 DRAFT FINANCIAL PLAN SUMMARY

The following analysis focuses on the four-year financial plan. A separate report provides a thorough analysis of the 2023-23 Adopted Budget.

GENERAL FUND REVENUES

General Fund revenues totaled $1,065.0 million in the Adopted Budget. The total increase in revenues over the four years of the Financial Plan is $41.0 million, or 3.8%. The CAGR over this period is 1.27%.

The following chart summarizes General Fund revenue and fund balance usage as projected in the Financial Plan.

FY 2024-2027 Financial Plan General Fund Revenues and Use of Fund Balance								
General Fund Revenues	2022-23 Adopted Budget	2022-23 Projection at 3.31.23	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 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	$70.8	$0.0	0.0%
Erie County Sales Tax	48.7	51.7	53.2	54.0	54.8	55.6	2.4	4.5%
Federal Medicaid Reimbursement	3.0	3.0	3.0	3.0	3.0	3.0	0.0	0.0%
New York State Aid (less Building Aid)	726.9	729.9	808.0	840.4	860.9	882.9	74.9	9.3%
New York State Building Aid	116.8	116.8	110.9	105.0	90.0	80.0	(30.9)	-27.9%
Miscellaneous	19.3	19.3	19.1	13.4	13.5	13.7	(5.4)	-28.3%
Total General Fund Revenues	$985.5	$991.5	$1,065.0	$1,086.6	$1,093.0	$1,106.0	$41.0	3.8%
Fund Balance	29.0	3.6	37.7	29.4	40.1	38.3	0.6	1.6%
Total GF Revenue & Assigned Fund Balance	$1,014.5	$995.1	$1,102.7	$1,116.0	$1,133.1	$1,144.3	$41.6	3.8%

General Fund revenues are budgeted at $79.5 million greater than the FY 2022-23 Adopted Budget. This constitutes an 8.1% increase. The overall increase is driven by a substantial $81.1 million increase (11.2%) in New York State (NYS) Aid less Building Aid.

Real Property Taxes
FY 2023-24 % of total General Fund Revenues: 6.6%
FY 2024-27 % of total General Fund Revenues: 6.4%

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 2023-24 remains at $70.8 million. It is carried throughout the Financial Plan. The City's contribution increased by $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 Building Aid)
FY 2023-24 % of total General Fund Revenues: 75.9%
FY 2024-27 % of total General Fund Revenues: 79.8%

All NYS Aid, including Building Aid, totals $918.9 million and represents an increase in 2023-24 of $75.2 million in NYS Aid as compared to the FY 2022-23 Adopted Budget. This increase is almost exclusively comprised of NYS Foundation Aid, funds that are available for general operations. Foundation Aid is increasing by $68.4 million, or 11.0%. The FY 2023-24 increase represents year three 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.

NYS Aid (less Building Aid) totals $808.0 million in FY 2023-24. NYS Aid (less 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 $688.8 million in FY 2023-24 and is projected to increase $74.9 million, or 9.3%, over the Draft Financial Plan.

NYS Foundation Aid is projected to increase by $54.7 million over the Draft Financial Plan, a 7.9% increase. The projected rate of increase is based on two assumptions: total public school enrollment remains constant with declining District enrollment and increasing Buffalo pupil enrollment in area charter schools, and a 3% inflationary rate of increase.

NYS Transportation Aid is a reimbursement for prior fiscal year (PFY) Transportation expenditures. The District's reimbursement is approximately 87% of eligible reimbursements. FY 2023-24 NYS Transportation Aid is budgeted at $51.5 million and increases $14.2 million, or 27.6%, over the Draft Financial Plan, based on the assumption of a standard level of transportation services.

The Financial Plan assumes that FY 2023-24 District enrollment will total 31,513 and decrease by 300 pupils annually to 30,613 pupils by FY 2026-27. Enrollment at 31,513 assumes an increase over the current year's enrollment of 29,778 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, out-year NYS Aid (less Building Aid) will be negatively impacted. The District will receive approximately $14,337 for every full-time equivalent (FTE) Buffalo resident pupil enrolled in District and area charter schools. The per pupil aid is anticipated to increase by 3% annually based on an inflationary estimate to $15,066 in FY 2023-24.

New York State Building Aid
FY 2023-24 % of total General Fund Revenues: 10.4%
FY 2024-27 % of total General Fund Revenues: 7.2%

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 Building Aid is budgeted at $110.9 million in FY 2023-24. It is decreased in each Financial Plan out-year to $80.0 million in FY 2026-27 based on scheduled debt service expenditures. Funding at $110.9 million represents a $5.9 million decrease over the FY 2022-23 Adopted Budget.

Erie County Sales Tax
FY 2023-24 % of total General Fund Revenues: 5.0%
FY 2024-27 % of total General Fund Revenues: 5.0%

The third largest revenue source for the District is sales tax, budgeted at $53.2 million for FY 2023-24. Erie County Sales Tax is projected to grow $2.4 million, or 4.5%, to $55.6 million over the Financial Plan.

The District has budgeted sales tax revenues in all four Financial Plan years at a higher level than the District's current fiscal year-end (CFYE) forecast. BFSA's internal forecast further exceeds the District's $51.7 million CFYE forecast at $59.3 million. Given the current inflationary rate on taxable goods as well as BFSA's internal CFYE forecast of $59.3 million, the District's Erie County Sales Tax revenues appear to be underestimated within each FY of the Financial Plan.

The District's local funding structure differs from the other Big 4 NYS school districts. The District receives a total of 6.6% 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 tax receipts, budgeted at $725,000 for FY 2023-24.

All Other Revenue (Miscellaneous)
FY 2023-24 % of total General Fund Revenues: 1.8%
FY 2024-27 % of total General Fund Revenues: 1.2%

All Other Revenue (Miscellaneous) combined totals $19.1 million in the Adopted Budget. These amounts decrease $5.4 million, or 28.3%, over the Financial Plan. FY 2024-25 includes a significant drop of $5.7 million to $13.4 million. All Other Revenue (Miscellaneous) combined gradually increases to $13.7 million in FY 2026-27.

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 in the Draft Financial Plan.
FY 2023-24 includes 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 $4.0 million in FY 2023-24 and are one-time federal stimulus funds. The funds are not available in the three out-years of the Draft Financial Plan.

Federal Medicaid Reimbursement
FY 2023-24 % of total General Fund Revenues: 0.3%
FY 2024-27 % 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 remain static at $3.0 over the Draft Financial Plan.

GENERAL FUND EXPENDITURES
General Fund expenditures totaled $1,102.7 million in the Adopted Budget. Expenditures are projected to total $1,144.4 million in FY 2026-27, an increase of $41.7 million, or 3.8%, over the course of the Financial Plan. The CAGR over this period is 1.24%.

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.

A high-level examination of these seven discrete subcategories is provided wherein.

- 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 2024-2027 Financial Plan General Fund Expenditures								
General Fund Expenditures	2022-23 Adopted Budget	2022-23 Projection at 3.31.23	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
(In Millions)								
Employee Compensation	$343.1	$331.4	$362.8	$364.1	$364.7	$368.5	$5.7	1.6%
Employee Benefits	196.2	194.3	204.4	210.4	216.3	223.1	18.7	9.1%
Debt Service	108.7	108.7	101.0	90.7	76.2	64.4	(36.6)	-36.2%
Charter School Payments	154.6	149.6	158.9	167.8	176.9	186.2	27.3	17.2%
Transportation	53.8	48.8	61.4	63.3	65.2	67.1	5.7	9.3%
Reserve for Contingency	30.1	8.4	63.6	67.6	80.0	80.0	16.4	25.8%
All Other Expenditures	133.6	153.9	150.6	152.1	153.7	155.1	4.5	3.0%
Total	**$1,020.1**	**$995.1**	**$1,102.7**	**$1,116.0**	**$1,133.0**	**$1,144.4**	**$41.7**	**3.8%**

EMPLOYEE COMPENSATION
FY 2023-24 % of total General Fund Revenues: 32.9%
FY 2024-27 % of total General Fund Revenues: 32.2%

Employee Compensation is the District's largest expenditure. Total General Fund expenditures for Employee Compensation is budgeted at $362.8 million in the Adopted Budget and increases $5.7 million, or 1.6%, to $368.5 million over the Financial Plan. This amount excludes a portion of the recently settled labor contracts/ future labor contract settlements costs. These amounts are included within the reserve contingency.

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

General Fund	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3
	($ in Millions)				
BTF	$242.5	$243.9	$242.5	$240.9	$243.2
# of FTEs	**3,266**	**3,247**	**3,226**	**3,206**	**3,187**
Teacher Substitutes*	$8.2	$8.1	$8.1	$8.1	$8.0
Administrator Substitutes*	$0.2	$0.2	$0.2	$0.2	$0.2
BSCA	$25.4	$31.5	$32.0	$32.5	$33.0
# of FTEs	**223**	**231**	**231**	**231**	**231**
PCTEA	$21.0	$24.9	$25.9	$26.7	$27.1
# of FTEs	**383**	**437**	**437**	**437**	**437**
BEST	$20.8	$25.0	$25.6	$26.0	$26.4
# of FTEs	**806**	**817**	**817**	**817**	**817**
TAB*	$7.8	$8.3	$8.4	$8.5	$8.6
Trades	$3.7	$4.1	$4.2	$4.4	$4.5
# of FTEs	**33**	**33**	**33**	**33**	**33**
Local 264 (Blue Collar)	$2.9	$3.0	$3.1	$3.2	$3.2
# of FTEs	**65**	**65**	**65**	**65**	**65**
Local 409 (Engineers)	$3.3	$4.1	$4.2	$4.3	$4.4
# of FTEs	**56**	**56**	**56**	**56**	**56**
Exempt Employees	$4.9	$6.4	$6.6	$6.6	$6.6
# of FTEs	**38**	**48**	**48**	**48**	**48**
Board Members**	$0.1	$0.1	$0.1	$0.1	$0.1
# of FTEs	**9**	**9**	**9**	**9**	**9**
Total # of FTEs	**4,879**	**4,943**	**4,922**	**4,902**	**4,883**
Miscellaneous Items	$0.1	$0.1	$0.1	$0.1	$0.1
Overtime	$2.2	$3.1	$3.1	$3.1	$3.1
TOTAL EMPLOYEE COMPENSATON	**$343.1**	**$362.8**	**$364.1**	**$364.7**	**$368.5**

* Substitute Teachers and Substitute Administrators are part-time employees. The District employed 467 Substitute Teachers and 20 Substitute Administrators as of 3.25.2022.

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

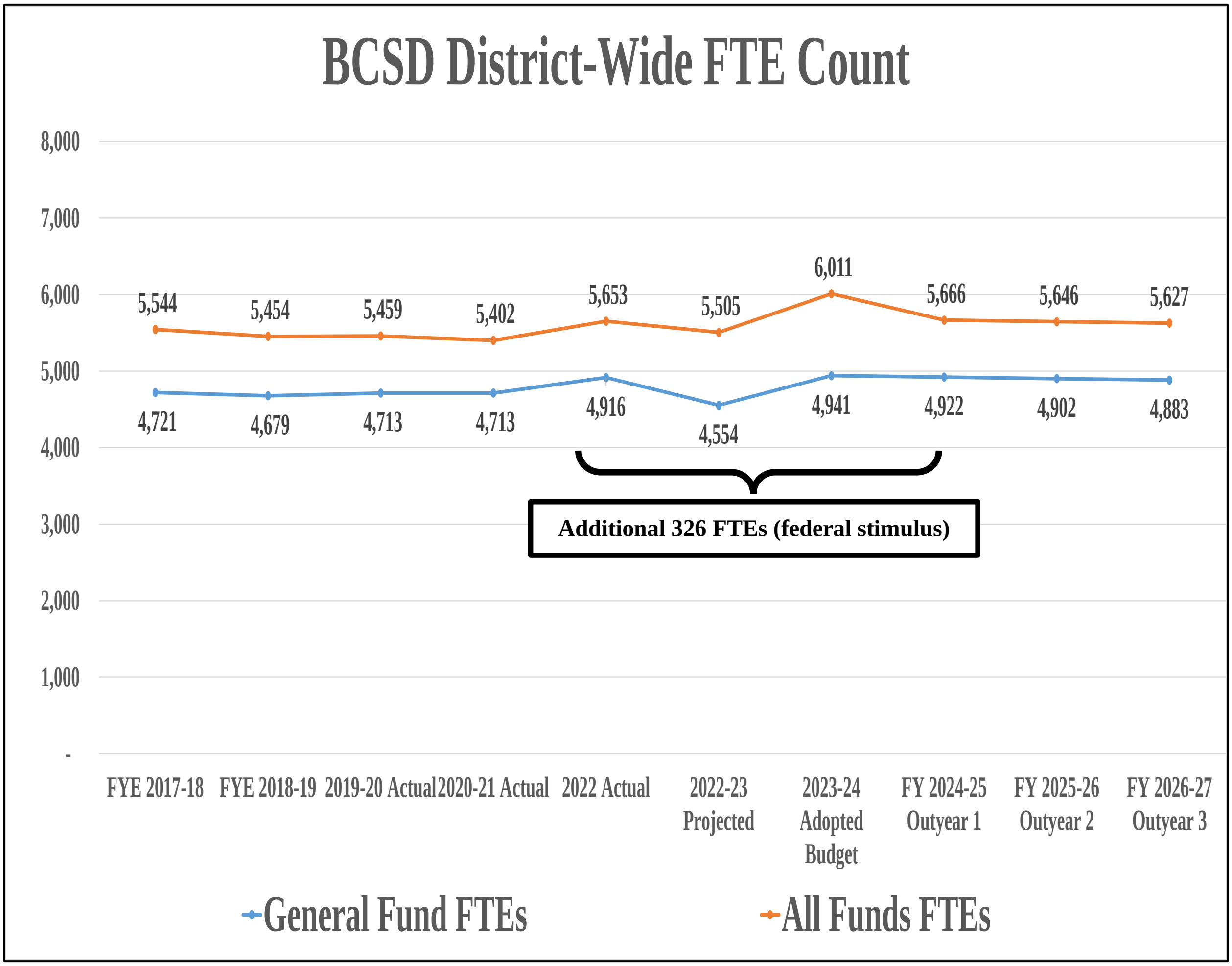
The District's staffing plan includes the reduction of 60 teacher positions over the four years of the Financial Plan. The Financial Plan assumes a flat population of City publicly enrolled students with District students declining from 31,513 in FY 2023-24 to an estimated 30,613 by FY 2026-27. Charter school pupils are projected to increase by 900 to 12,000 pupils by FY 2026-27. The overall number of public-school students is projected to be flat at 42,613 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.

On an All Funds Basis, the Adopted Budget includes a total of 6,012 FTEs, 55 FTEs greater than the FY 2022-23 Adopted Budget. Budgeted positions decrease substantially beginning in FY 2024-25, particularly positions currently funded via federal rescue funds.

Grant-funded positions total 1,020 in FY 2023-24 and are reduced by 326 FTEs beginning in FY 2024-25 to 694 as follows:

Employee Group	2023-24 Budgeted FTEs	2025-2027 Budgeted FTEs	Net Change (#)
BTF	685	430	(255)
BCSA	45	30	(15)
BEST	160	148	(12)
PCTEA	116	85	(31)
All Other Employee Groups	14	1	(13)
Total	**1,020**	**694**	**(326)**

The following depicts overall staffing levels on a General Fund and All Funds basis for ten years, consisting of the last five years of actual positions, FYE 2023 as projected, and the current projections over the four-year Financial Plan.



The following are several Employee Compensation areas of note.

BTF Compensation
The largest area of employee compensation is for teachers. Budgeted positions are 3,227.5 FTEs in FY 2023-24, a decrease of 38.5 FTEs as compared to the PFY Adopted Budget.

BTF employee compensation has been increased slightly overall by $0.3 million, or 0.1% as compared to the PFY Adopted Budget. The budgeted amount is consistent with the total number of budgeted positions but not with the 2023-24 level of employee compensation level. BTF employee compensation decreases by $(0.7 million), or 0.3% to $243.2 over the Financial Plan. This is also not representative of the total estimated compensation expenditure.

The BTF recently settled a labor agreement; the Adopted Budget includes a reserve for contingency of $40.5 million in contingency related to recently settled labor contracts including the BTF labor agreement, and an additional $19.1 million in a contingency in the event the BTF labor agreement retroactive payments and bonuses cannot be grant funded. The cumulative amount included within the Draft Financial Plan is $267.2 million to fund the BTF labor agreement and additional agreements; all labor agreements are scheduled to expire at varying points over the next four years.

BFSA estimated that the BTF labor agreement would have a net FY 2022-23 through FY 2025-26 cost of $247.5 million (All Funds) and $200.4 million (General Fund). BFSA estimates the impact on the Draft Financial Plan at $255.3 million (All Funds) and $241.4 million (General Fund). The labor agreement expires June 30, 2026. BFSA's FY 2026-27 estimate does not include an estimated amount for a successor labor agreement.

Employee Compensation (excluding BTF Compensation)
All other employee compensation (excluding BTF compensation) totals $118.9 million in the Adopted Budget, an $18.3 million, or 18.2% increase over the PFY Adopted Budget. The increase is a function of the additional three labor agreements settled after the PFY Adopted Budget was ratified, excluding the BTF contract as discussed above, as well as the increase in total non-BTF budgeted positions. All other employee compensation (excluding BTF compensation) increases by $6.4 million, or 5.4% over the Draft Financial Plan.

As with BTF employee compensation, transfers from the reserve contingency for settled/to settle labor agreements will occur as needed.

EMPLOYEE BENEFITS
FY 2023-24 % of total General Fund Expenditures: 18.5%
FY 2026-27 % of total General Fund Expenditures: 19.5%

Employee Benefits is the second largest expenditure category 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 $204.4 million for Employee Benefits in the Adopted Budget. These expenditures increase by $18.7 million, or 9.1%, to $223.1 million over the Financial Plan.

The following chart summarizes General Fund employee benefit expenditures in the Financial Plan as compared to the Adopted Budget.

General Fund Expenditures	2022-23 Adopted Budget	2022-23 Projection at 3.31.23	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
Employee Benefits	(In Millions)							
Civil Service Retirement	$5.1	$5.1	$5.3	$7.4	$7.6	$7.7	$2.4	45.3%
Teachers Retirement	28.8	29.2	30.0	29.5	30.1	31.2	1.2	4.0%
Social Security	26.8	26.2	27.8	27.9	27.9	28.2	0.4	1.4%
Health Insurance (Active Employees)	62.3	60.3	64.8	67.0	69.3	71.7	6.9	10.6%
Health Insurance (Retired Employees)	54.8	54.8	57.0	59.6	62.3	65.2	8.2	14.4%
Termination Pay	4.3	4.3	4.5	4.5	4.6	4.6	0.1	2.2%
Other Benefits	14.1	14.4	15.0	14.5	14.5	14.5	(0.5)	-3.3%
Total Employee Benefits	$196.2	$194.3	$204.4	$210.4	$216.3	$223.1	$18.7	9.1%

The following are several Employee Benefit areas of note.

<u>New York State Pension Systems</u>

General Fund expenditures for the NYSERS and the NYSTRS are budgeted at a combined amount of $35.3 million in the Adopted Budget and increase by $3.6 million, or 10.2% to a combined $36.6 million over the course of the Financial Plan. NYSTRS expenditures are projected to increase $3.6 million or 10.2% over the Financial Plan based on the assumed increased contribution rate as well as increased employee compensation.
The rate of increase may be misleading; the NYSERS expenditure will likely be greater than that which is included currently in the Adopted Budget.

The NYSERS rate is actuarially set by NYSERS. 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 increases in the employer contribution rates for NYSERS and NYSTRS payments.

The following depicts the employer contribution rates assumed within the Draft Financial Plan.

NYS Pension System	FY 2023-24	FY 2026-27
NYSERS (blended)	11.6%	12.5%
NYSTRS	10.29%	10.5%

Active/Retiree Health Insurance
Health insurance for active employees is one of several major General Fund expenditures for the District and is budgeted at $64.8 million in the Adopted Budget, which represents a $2.5 million, or 4%, decrease from the 2022-23 Adopted Budget.

Covered District employees are required to contribute towards the cost of the health insurance premium. These contributions offset expected expenditures by $6.0 million in FY 2023-24. The contribution offset is assumed to increase to $6.6 million in FY 2026-27.

Retiree health insurance expenditures are also a major General Fund expenditure. Retiree health insurance is budgeted at $57.0 million in the Adopted Budget, a $2.2 million or 4.0% increase over the FY 2022-23 Adopted Budget. The increase in budgeted retiree healthcare expenditures is based on the projected FY 2022-23 actual retiree expenditures.

The expenditure increases by $8.2 million, or 14.4%, to $65.2 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 Benefits category, except the current NYSERS rate of increase. 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 $2.4 million in FY 2023-24.

The District contacts qualified retirees receiving retiree health benefits 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 1,853. 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.

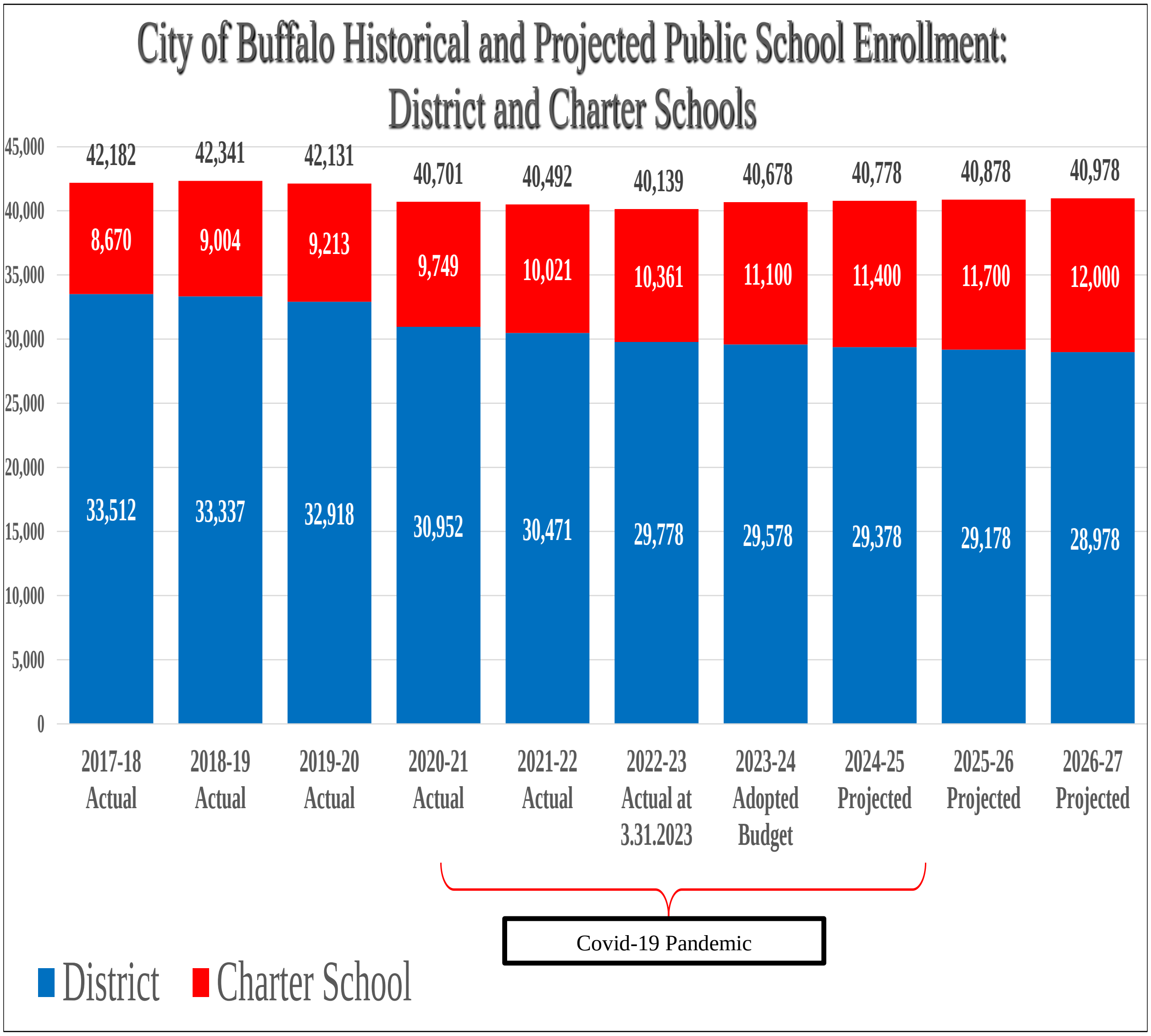
The Adopted Budget assumes 6,624 retirees will receive health insurance growing to 6,924 retiree participants by FY 2026-27. The projections are deemed reasonable as the District projects the number of new retirees conservatively; actual new retirees tend to be somewhat less than projected.

PAYMENTS TO CHARTER SCHOOLS

FY 2023-24 % of total General Fund Expenditures: 14.4%
FY 2026-27 % of total General Fund Expenditures: 16.3%

Payments to Charter Schools is the third largest General Fund and includes the funds the District forwards to the twenty-one area charter schools (including 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 2024-25 budgeted tuition rate is $14,317 per pupil. This includes $13,417 in base tuition and $900 for special education. Payments to Charter Schools are budgeted at $158.9 million in the Adopted Budget and increase $27.3 million, or 17.2%, to $186.2 million over the course of the Financial Plan. The increase is driven by an increase in estimated pupils from 11,100 to 12,000 and the increasing tuition rate.
The following depicts City resident pupil public school enrollment for ten years, 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 decrease to 29,578 in FY 2023-24, a decrease of 200 pupils. District enrollment is projected to decrease by 600 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.

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.

TRANSPORTATION

FY 2023-24 % of total General Fund Expenditures: 5.6%
FY 2026-27 % of total General Fund Expenditures: 5.9%

Transportation expenditures are the sixth largest General Fund expenditure category. Transportation expenditures total $61.4 million in the Adopted Budget and increase $5.7 million, or 9.3%, to $67.1 million over the four years of the Financial Plan. The Adopted Budget increases Transportation expenditures substantially by $7.6 million, or 14.1%, over the PFY Adopted Budget projection based on the level of transportation services planned by the District. FYE 2022-23 Transportation expenditures are forecast to be significantly less than budget at $48.8 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:

	2022-23 (3.31.2023 forecast)	2023-24 (Adopted Budget)	2024-25 Out-year 1	2025-26 Out-year 2	2026-27 Out-year 3
Transportation Expenditures	$48.8M	$61.4M	$63.3M	$65.2M	$67.1M
NYS Transportation Aid	42.1M	51.5M	53.1M	54.7M	56.4M

Note: 2023-24 NYS Transportation Aid is based on the NYSED projection. It exceeds the District's CFYE projection. The actual aid level may be lower in 2023-24.

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.

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 nine through twelve.

RESERVE FOR CONTINGENCY
FY 2023-24 % of total General Fund Expenditures: 5.8%
FY 2026-27 % of total General Fund Expenditures:7.0%

The Reserve for Contingency expenditure totals $63.6 million in the Adopted Budget and increases to $80.0 million by FY 2026-27. The four-year, cumulative amount in Reserve for Contingency is $291.2 million.

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

Reserve for Contingency	2023-24	2024-25	2025-26	2026-27	Total
Recently settled /future unsettled labor agreements	$40.5M	$59.6M	$74.0M	$74.0M	**$248.1M**
BTF retroactive payments/bonus (if grant funding is not permitted)	19.1M	-	-	-	**19.1M**
Return of ELT programming from federal stimulus funds	-	6.0M	6.0M	6.0M	**18.0M**
General/Unspecified	4.0M	2.0M	-	-	**6.0M**
Reserve for Contingency - Total	**$63.6M**	**$67.6M**	**$80.0M**	**$80.0M**	**$291.2**
Percent of Total General Fund Expenditures	**5.8%**	**6.1%**	**7.1%**	**7.0%**	

Reserve for Contingency - Unsettled Labor Contracts/Future Unsettled Labor Agreements
The Adopted Budget includes $40.5 million to provide funding for recently settled labor agreements, the most significant being the recent contract with the BTF. The cumulative amount included within the Financial Plan is $248.1 million and includes amounts for those already settled labor agreements as well as a provision for the future settlement of labor contracts, as all contracts will expire over the Financial Plan. The District continues to assign fund balance for labor contracts; $3.0 million is estimated to be assigned on June 30, 2023 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.

Reserve for Contingency - BTF retroactive payments/bonus
The Adopted Budget includes a reserve contingency of $19.1 million to potentially fund the retroactive payments/ one-time bonuses associated with the recently settled BTF labor agreement in the event federal stimulus funds may not be used for such purpose. This reserve appears solely within FY 2023-24. The District indicated that approval had been received from the New York State Education Department to utilize federal rescue funds for these expenditures.

Reserve for Contingency - English Language Training (ELT) Programming
Beginning in 2024-25, the District has included a budgeted amount for ELT programming which is currently funded through federal stimulus; such funds are no longer available after 2023-24. The District expanded summer school and ELT programming in FY 2022-23. 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. The cumulative amount included within the Financial Plan is $18.0 million.

Reserve for Contingency - Unspecified
The Reserve for Contingency – Unspecified is budgeted at $4.0 million in 2023-24 and projected at $2.0 million in 2024-25. No amount is reserved in FY 2025-26 or 2026-27. The cumulative amount included within the Financial Plan is $6.0 million.

ALL OTHER EXPENDITURES

FY 2023-24 % of total General Fund Expenditures: 13.7%
FY 2026-27 % of total General Fund Expenditures: 13.6%

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, repairs and maintenance, and a contingency reserve.

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

General Fund Expenditures	2022-23 Adopted Budget	2022-23 Projection at 3.31.23	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
All Other Expenditures								
Utilities	$12.4	$13.4	$12.8	$12.9	$13.0	$13.2	$0.4	3.1%
Tuition	34.7	33.7	34.9	35.0	35.4	35.7	0.8	2.3%
Contracts - Custodian	19.4	22.8	22.8	23.6	24.2	24.6	1.8	7.9%
Equipment	1.7	2.7	2.1	2.1	2.1	2.1	0.0	0.0%
Contracts - Misc. & Contingency	29.6	25.3	36.0	36.0	36.0	36.0	0.0	0.0%
Rental Contracts	12.3	12.0	12.7	13.0	13.1	13.4	0.7	5.5%
Repairs & Maintenance	3.8	4.0	5.2	5.3	5.4	5.5	0.3	5.8%
Textbooks	3.9	4.0	4.2	4.2	4.3	4.3	0.1	2.4%
Supplies and Misc. Related Items	7.7	9.1	10.2	10.3	10.4	10.5	0.3	2.9%
Software	5.0	4.8	6.0	6.0	6.1	6.1	0.1	1.7%
Interfund Transfers	3.1	22.1	3.7	3.7	3.7	3.7	0.0	0.0%
Total Other Expenditures	**$133.6**	**$153.9**	**$150.6**	**$152.1**	**$153.7**	**$155.1**	**$4.5**	**3.0%**

All Other Expenditures increase $4.5 million, or 3.0%, to $155.1 million over the Financial Plan. The Adopted Budget is consistent with the CFY projections. The Draft Financial plan applies annual inflationary rates of 0% through 3% to individual budget lines within the overall category.

DEBT SERVICE
FY 2023-24 % of total General Fund Expenditures: 9.2%
FY 2026-27 % of total General Fund Expenditures: 5.6%

Debt Service expenditures are budgeted at $101.0 million in the Adopted Budget and decrease $36.6 million, or 36.2%, to $64.4 million over Financial Plan. The annual amount of Debt Service expenditures is directly correlated to the annual amount of NYS Building Aid received. NYS Building Aid is budgeted at $110.9 million in FY 2023-24 and decreases to $80.0 million in FY 2026-27.

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 $208.2 million. This is comprised of the following.

Special Projects Fund	2023-24	2024-25 through 2026-27	Total
Federal Rescue Funds	$91.4M	-	**$91.4M**
Categorical Grants	14.0M	42.0M	**$56.0M**
Other Federal/NYS/Foundation Grants	$102.8M	$308.4M	**$411.2**
Total	**$208.2M**	**350.4M**	**$558.6M**

Federal rescue funds (ARPA-ESSER III) total $91.4 million in FY 2023-24. This is the final fiscal year that these funds are available.

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 $102.8 million. These include grant funding from NYS, federal agencies, and local grantors. Several grants are given on an annual basis such as the federal Title I, II, and III and the federal IDEA 611 and 619. 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.

SUMMARY AND RECOMMENDATIONS

The District's 2024-2027 Financial Plan includes an operational deficit of $145.5 million. This deficit can be funded through fund balance. Fund balance is projected to be maintained at a level consistent with the District's fund balance policy after the four years. The financial impact of the recent settlement of the labor agreement with the Buffalo Teachers Federation is the main contributing factor to the four-year projected deficit. District leadership will be required to address the structural imbalance in future years in the event actual operating results require the use of fund balance.

The FY 2024-2027 Financial Plan includes amounts for the future settlement of labor agreements, all of which are expiring at some point over the Financial Plan. The Financial Plan includes a combined amount for both the recent settlement of the labor contract with the BTF and future labor negotiations; the increase in costs for the recently settled labor contracts is not reflected in the line items where the costs will ultimately be reported. The cumulative amount provided over the plan for these purposes is $248.1 million and is attributed to the cumulative projected budget gap of $145.5 million. BFSA estimates that approximately $241.4 million of the reserve contingency will be required to address the increased compensation and employee benefits associated with the new BTF labor contract under the existing staffing plan.

A risk exists to a key underlying assumption in this Financial Plan as it relates to enrolment. If enrollment figures are lower than projected, revenues to the District would be impacted. The Financial Plan repeats a recommendation made in the prior year to "prepare a study to assist in aligning staffing and facilities over the long term to student counts." BFSA agrees with this recommendation and continues to advise that this need becomes more urgent if declines further. The District's projections on enrollment in the prior year were overstated; the Financial Plan estimate assumes a decrease of 200 students each year. 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. Foundation Aid received in FY 2023-24 represents the final year to fully fund NYS Foundation Aid at the statutory level. The increase was greater than anticipated based on the inflationary factor used in the formula. NYS Foundation Aid is budgeted at $688.8 million in FY 2023-24 and is projected to increase to $743.5 million in FY 2026-27. The total increase in NYS Foundation Aid funds over the Financial Plan is $173.5 million.

In addition to State Aid, unprecedented levels of federal aid were previously awarded to the District to address a multitude of issues resulting from the pandemic. There is no federal aid reflected in the General Fund except $8.0 million in federal stimulus funds from indirect cost expenditures that are reported as revenues within the General Fund. 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 $91.4 million in funding in FY 2023-24. The CRRSA – ESSER II funding expires in September 2023 and is anticipated to be fully used towards certain costs associated with the recent BTF labor contract. 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 are brought into the General Fund; the total amount in the three out-years are cumulative at $18.0 million.

Introduction

The City of Buffalo (City) submitted Buffalo Municipal Housing Authority's fiscal year (FY) 2023-24 Consolidated Adopted Budget (Adopted Budget) and FY 2024-2027 Consolidated Financial Plan (Financial Plan) to the Buffalo Fiscal Stability Authority (BFSA) on May 1, 2023. 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) and an Adopted Budget and Financial Plan. The Adopted Budget and Financial Plan were approved by the Buffalo Municipal Housing Authority's Board of Commissioners on April 20, 2023.

The individual budgets and financial plans of the operating segments do not cross-foot to the Adopted Budget and Financial Plan. BMHA has been requested to submit a revised plan to address the errors. BFSA's analysis herein summates the four budgets and financial plans. The following depicts the mathematical discrepancies between the BMHA's combined four budgets and financial plans and BMHA's consolidated Adopted Budget and Financial Plan. The consolidated Financial Plan includes $118,601 fewer FY 2023-24 expenses and $225,107 greater expenses in FY 2025-26 and FY 2026-27.

Expenses				
BMHA's Individual Plans	**FYE 2024**	**FYE 2025**	**FYE 2026**	**FYE 2027**
AMP	**$37,338,872**	**$37,635,297**	**$37,828,281**	**$38,257,123**
COCC	**6,666,593**	**6,745,473**	**6,825,956**	**6,908,074**
Marine Drive	**3,733,070**	**3,771,902**	**3,824,004**	**3,877,477**
Section 8	**8,402,059**	**8,402,507**	**8,402,966**	**8,403,433**
Total	**$56,140,594**	**$56,555,179**	**$56,881,207**	**$57,446,107**
BMHA's Consolidated Plan	**$56,021,993**	**$56,555,179**	**$57,106,314**	**$57,671,214**
Difference	**$118,601**	**$0**	**($225,107)**	**($225,107)**

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. Congressional approval of the U.S. Department of Housing and Urban Development (HUD) funding levels
2. Local, inflationary, recessionary, and unemployment trends that affect resident incomes and the number of eligible recipients
3. Uncertainty regarding the impact of COVID-19 on operational and financial performance and the impact on HUD funding, tenants, employees, and vendors

Financial Plan Consolidated Summary

The following are the highlights of the Adopted Budget and Financial Plan (summation of the four individual adopted budgets and adopted financial plans).

FY 2024-2027 Financial Plan Consolidated Summary						
Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	Totals
	$ in Millions					
Total Revenues	$54.9	$58.8	$60.2	$61.6	$63.2	$243.8
Total Expenses	52.4	56.1	56.5	56.8	57.4	226.8
Net Operating Income (Loss) before Debt Service	2.5	2.7	3.7	4.8	5.8	17.0
Debt Service - Principal Reduction	(2.0)	(2.1)	(2.1)	(2.1)	(2.1)	(8.4)
Net Income Reduced for Debt Service - Principal Reduction	0.5	0.6	1.6	2.7	3.7	8.6
Cash Impact after Removal of the Non-cash OPEB Accrual	$2.0	$2.3	$3.3	$4.4	$5.4	$15.4

Note: Total expenses include the $1.7 million annual accrual for Other Postemployment Benefits (OPEB), representing the non-cash accrued expense of future benefits earned by active employees.

The Adopted Budget contains a budgeted net income of $2.7 million prior to the payment of principal on outstanding debt. The three out-years of the Financial Plan include net income ranging between $3.7 million and $5.8 million before the payment of principal on debt. After reducing net income for the impact of principal debt payments and adding back the $1.7 million non-cash accrual for OPEB, BMHA is projecting a cumulative, four-year positive cash impact of $15.4 million.

Revenues in total are budgeted to increase by $3.9 million, or 7.1%, in FY 2023-24 as compared to the FY 2022-23 Adopted Budget and are comprised of the following:

- HUD Subsidy: $3.8 million (17.8%)
- Net Dwelling/Non-Dwelling Income: $0.3 million (2.0%)
- HUD PHA Grants – Vouchers: $0.1 million (1.5%)
- All Other Revenues: $(0.3) million (-3.7%)
- Transfers from Capital Grants: $0.0 million (0.0%)

Revenues are projected to increase $4.4 million from $58.8 million in FY 2023-24 to $63.2 million in FY 2026-27, representing a 7.5% increase over the Financial Plan.

Expenses in total are budgeted to increase by $3.7 million, or 7.1%, in FY 2023-24 as compared to the FY 2022-23 Adopted Budget and are comprised of the following:

- General Expenses: $0.6 million (4.1%)
- Maintenance Expenses: $0.2 million (1.6%)
- Administrative Expenses: $0.9 million (8.5%)
- Utility Expenses: $1.9 million (31.7%)
- Other Expenses: $0.2 million (2.7%)
- Personnel Services/Resident Service Costs: $(0.1) million (-6.3%)

Expenses are projected to increase $1.3 million from $56.1 million in FY 2023-24 to $57.4 million in FY 2026-27, representing a 2.3% increase over the Financial Plan. As revenues exceed expenses in each fiscal year of the Financial Plan, BMHA is operationally balanced on a consolidated basis.

BMHA has applied a 9.6% increase in total salaries in FY 2023-24 based on the assumption that expiring labor agreements will be settled. A 2.0% salary increase is assumed for FYs 2025 through 2027. The increases are consistent with 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.

Individual Financial Plan Summaries

The AMP Financial Plan includes $40.6 million in FY 2023-24 revenues and $37.3 million in FY 2023-24 expenses. Each fiscal year projects net income increasing from $3.3 million in FY 2023-24 to $5.4 million in FY 2026-27. Cumulative net income is $17.5 million. The four-year cumulative cash impact after debt service principal payment and removal of the non-cash OPEB accrual is $14.3 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 on June 30, 2023, to $15.4 million on June 30, 2027.

The COCC Financial Plan includes $6.1 million in FY 2023-24 revenues and $6.7 million in FY 2023-24 expenses. After removing the $0.6 million non-cash OPEB accrual, the COCC FY 2023-24 Adopted Budget has $0 in cash flow. Additionally, FY 2024-25 has projected $0 in cash flow. However, FY 2025-26 and FY 2026-27 include negative cashflows ranging between $0.1 million to $0.2 million. The cumulative, four-year projected cash impact is $(0.3) million.

The COCC Financial Plan is not balanced overall as presented, though the $(0.3) million cumulative cash impact is not significant relative to the COCC Financial Plan’s size. Additionally, certain revenues received from the Section 8 Financial Plan were not budgeted; the revenues in the three out-years are likely underestimated.

The Marine Drive Financial Plan includes $3.7 million in FY 2023-24 revenues and expenses. The Marine Drive Financial Plan projects a negative cash flow in FY 2023-24 and FY 2024-25 totaling $0.3 million. FY 2025-26 and 2026-27 depict positive cash flow of $0.4 million. The cumulative, four-year cash flow is $0.1 million; budgeted revenues begin to exceed budgeted expenses in FY 2024-25, the first Financial Plan out-year.

The Section 8 Financial Plan includes $8.4 million in FY 2023-24 revenues and expenses. Section 8 revenues increase to $9.1 million by FY 2026-27, including annual PHA Grant revenue increases between $0.2 million and $0.3 million. Section 8 expenses are held flat at $8.4 million in all four years of the Section 8 Financial Plan.

The Section 8 program operates as a pass-through of HUD PHA Grants – Vouchers as Housing Assistance Payments. The three out-years of the Section 8 programs reflect revenue increases but not a corresponding expense, thus underestimating expenses.

Consolidated Revenues

BMHA's revenues consist of five major subcategories:

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

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

Consolidated FY 2024-2027 Financial Plan Revenues

Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
HUD Subsidy	$21.4	$25.2	$26.0	$26.8	$27.6	$2.4	9.5%
Net Dwelling/Non-Dwelling Income	14.8	15.1	15.5	15.9	16.4	1.3	8.6%
HUD PHA Grants - Vouchers	6.8	6.9	7.1	7.3	7.5	0.6	8.7%
All Other Revenues	8.1	7.8	7.8	7.8	7.9	0.1	1.3%
Transfers from Capital Grants	3.8	3.8	3.8	3.8	3.8	0.0	0.0%
Total Revenue	**$54.9**	**$58.8**	**$60.2**	**$61.6**	**$63.2**	**$4.4**	**7.5%**

HUD Subsidy

Percent of Total Consolidated FY 2023-24 Revenues – 42.8%

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 2023 appropriation totaled $72.2 billion, an overall increase of $6.4 billion from the prior fiscal year (PFY). The President's 2024 request is $73.3 billion. The total HUD FY 2023 operating subsidy totals $8.52 billion; the President's 2024 operating subsidy request is $8.9 billion, a $380.0 million, or 4.5%, increase which includes $3.4 billion to meet the full annual capital investment need to improve the quality and safety of public housing. While these funds relate 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, utility expenses, other formula expenses, and formula income (i.e.: 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 operating subsidy is budgeted at $25.2 million for FY 2023-24, a $3.8 million, or 17.8% increase, over the PFY's budget. The operating subsidy is anticipated to increase by $2.4 million, or 9.5%, over the Financial Plan. The increase is forecasted based on the CFY forecast of $22.1 million, BMHA's inflationary estimate of 3%, and a proration of 104% from FY 2023-24 to FY 2026-27.

BMHA notes that the exact FY 2023-24 HUD subsidy has not been calculated by HUD and is an estimate.

The HUD subsidy funds AMP operations. The projected proration rate of 104% 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.

BFSA has requested that BMHA provide calculations for reduced prorations. The current proration is 95%. As such, this revenue may be overestimated within each Adopted Financial Plan fiscal year. BMHA has not responded to BFSA's request.

BMHA will receive an additional $1.2 million in HUD subsidy in FY 2023-24. 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 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 2024-27 Financial Plan Revenues							
Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
HUD Subsidy							
AMP	$21.4	$25.2	$26.0	$26.8	$27.6	$2.4	9.5%
COCC	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Marine Drive	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Section 8	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Total HUD Subsidy	**$21.4**	**$25.2**	**$26.0**	**$26.8**	**$27.6**	**$2.4**	**9.5%**

The budgeted increase in FY 2023-24 is reasonable given the current fiscal year-end (CFYE) estimate of $22.1 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 2023 appropriation amount to provide 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.

Net Dwelling/Non-Dwelling Income

Percent of Total Consolidated FY 2023-24 Revenues – 25.7%

Net 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 2024-27 Financial Plan Revenues							
Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Net Dwelling/Non-Dwelling Income							
AMP	$11.6	$11.5	$11.7	$11.9	$12.2	$0.7	6.1%
COCC	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Marine Drive	3.2	3.6	3.8	4.0	4.2	0.6	16.7%
Section 8	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Total Net Dwelling/Non-Dwelling Income	**$14.8**	**$15.1**	**$15.5**	**$15.9**	**$16.4**	**$1.3**	**8.6%**

BMHA has budgeted $15.1 million in Net Dwelling/Non-Dwelling Income. Net Dwelling/Non-Dwelling Income is anticipated to increase $1.3 million, or 8.6%, over the Financial Plan based on an inflationary factor of 1.0% annually. Of the $15.1 million in Net Dwelling/Non-Dwelling Income, $14.8 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 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, defined as debt for which there is a requirement for repayment, and other credit terms to the property to achieve long-term preservation.

BMHA notes that non-payment of rental receipts continues to have an impact on its ability to provide required services and has taken the following steps to address this issue:

- BMHA is working through the City of Buffalo Housing Court to obtain legally binding payment agreements to minimize the eviction impact. Evictions are now being processed if needed.
- The City of Buffalo (City) has earmarked $2.0 million in American Rescue Plan Act (ARPA) funds to help BMHA residents with rental obligations. The funds are targeted toward families that had difficulties paying rent during the COVID-19 pandemic.

The 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. 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 on June 30, 2021; the last date such information is available.

BFSA has requested the Marine Drive Replacement Reserve level on June 30, 2022. BMHA management did not respond to this request.

Voucher Grants

Percent of Total Consolidated FY 2023-24 Revenues – 11.7%

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 2024-27 Financial Plan Revenues

Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 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	N/A	N/A
COCC	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Marine Drive	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Section 8	6.8	6.9	7.1	7.3	7.5	0.6	8.7%
Total HUD PHA Grants - Vouchers	**$6.8**	**$6.9**	**$7.1**	**$7.3**	**$7.5**	**$0.6**	**8.7%**

The FY 2023-24 Adopted Budget includes $6.9 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 8.7%, throughout 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 2023-24 Revenues – 6.5%

Transfers from Capital Grants represent funds used to reimburse BMHA for the administrative and programmatic work performed on capital grants and 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 2024-27 Financial Plan Revenues

Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Transfers from Capital Grants							
AMP	$3.8	$3.8	$3.8	$3.8	$3.8	$0.0	0%
COCC	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Marine Drive	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Section 8	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Total Transfers from Capital Grants	**$3.8**	**$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 a transfer of funds occurs, the PHA must follow the requirements of 24 CFR Part 990 concerning 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 are consistently projected in each fiscal year of the Financial Plan. BMHA anticipates receiving the same amount of Capital Fund Program (CFP) grants and Capital Financing Fund Program (CFFP) funds as received in the CFY.

All Other Revenues

Percent of Total Consolidated FY 2023-24 Revenues – 13.3%

All Other Revenues include interest income, fees for services, administrative fees for development, administrative fee reimbursement associated with the HUD Section 8 Housing Voucher Program, and other miscellaneous income. All Other Revenues are budgeted at $7.8 million in the Adopted Budget.

The following depicts All Other Revenues by individual budget.

Consolidated FY 2024-27 Financial Plan Revenues							
Description	**2022-23 Adopted Budget**	**2023-24 Adopted Budget**	**2024-25 Outyear 1**	**2025-26 Outyear 2**	**2026-27 Outyear 3**	**$ Change from Year 1-4**	**% Change from Year 1-4**
	$ in Millions						
All Other Revenues							
AMP	$0.8	$0.1	$0.1	$0.1	$0.1	$0.0	0.0%
COCC	6.2	6.1	6.1	6.1	6.1	0.0	0.0%
Marine Drive	0.2	0.1	0.1	0.1	0.1	0.0	0.0%
Section 8	0.9	1.5	1.5	1.5	1.6	0.1	6.7%
Total All Other Revenues	**$8.1**	**$7.8**	**$7.8**	**$7.8**	**$7.9**	**$0.1**	**1.3%**

All Other Revenues remain relatively static over the Financial Plan at $7.8 million in FY 2023-24 through FY 2025-26 and $7.9 million in FY 2026-27. Most of these revenues are projected to be static over the Financial Plan. A 3% inflationary growth in the HCV Administrative Fee has been assumed. This revenue is recorded solely within the Section 8 budget.

Consolidated Revenue Summary

BFSA has reviewed BMHA's revenue assumptions and determined that they appear fairly stated. Net Dwelling/Non-Dwelling Income constitutes 25.7% of total BMHA revenue. BMHA has budgeted Net Dwelling/Non-Dwelling Income at a conservative level that is greater than previous years but $0.8 million less than the CFY projection of $15.9 million. As such, actual Net Dwelling/Non-Dwelling Income may be greater than what is projected within each Financial Plan fiscal year.

The HUD Operating Subsidy appears to be reasonably estimated given the CFYE projected amount of $22.1 million, the 2023 HUD Operating Fund allocation, and the Executive Budget's 2024 requested HUD Operating Fund allocation. BMHA notes that the funding level is not certain given the current state of Congressional discourse; the assumed 104% proration factor may be overly optimistic. Over the last several years, the proration factor has ranged between 82.35% and 97.6%.

Consolidated Expenses

BMHA's expenses consist of six major subcategories:

1) General Expenses
2) Maintenance
3) Administration
4) Utility
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 2024-2027 Financial Plan Expenses							
Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
General Expenses	$14.5	$15.1	$15.1	$15.1	$15.2	$0.1	0.7%
Maintenance	12.3	12.5	12.7	12.8	12.9	0.4	3.2%
Administrative	10.6	11.5	11.5	11.6	11.8	0.3	2.6%
Utility	6.0	7.9	8.1	8.2	8.4	0.5	6.3%
Other Expenses	7.4	7.6	7.6	7.6	7.6	0.0	0.0%
Protective Services/ Resident Service Costs	1.6	1.5	1.5	1.5	1.5	0.0	0.0%
Total Expenses	**$52.4**	**$56.1**	**$56.5**	**$56.8**	**$57.4**	**$1.3**	**2.3%**

General Expenses

Percent of Total Consolidated FY 2023-24 Expenses – 26.9%

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 2024-2027 Financial Plan Expenses							
Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
General Expenses							
AMP	$10.5	$11.6	$11.6	$11.7	$11.7	$0.1	0.9%
COCC	2.9	2.6	2.6	2.6	2.6	0.0	0.0%
Marine Drive	1.1	0.9	0.9	0.9	0.9	0.0	0.0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total General Expenses	**$14.5**	**$15.1**	**$15.1**	**$15.2**	**$15.2**	**$0.1**	**0.7%**

BMHA has budgeted $15.1 million in General Expenses. The Financial Plan projects these expenses to increase by $0.1 million, or 0.7%, over the Financial Plan. BMHA has budgeted employee benefits at $4.9 million in each fiscal year. No inflationary factor was applied. OPEB and the OPEB accrual are budgeted flat at $3.8 million and $1.7 million, respectively. Retiree healthcare expenses are budgeted $0.9 million greater than the FY 2022-23 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 by $0.1 million over the Financial Plan based on an assumed annual increase of 2%.

BMHA maintains an employer-defined-benefit healthcare plan providing medical benefits to eligible retirees and spouses. Benefit provisions are based on individual contracts with the BMHA. Employees hired after September 13, 2018, are not covered and are not eligible for BMHA-funded health insurance upon retirement. Eligibility is determined based on hire date, minimum age of 55, and five or more years of service. Qualifying retirees are moved to a less costly HMO Medicaid plan, with BMHA reimbursing 100% of the plan's costs. Qualifying retirees are eligible to continue the same coverage as received immediately before retirement for their lifetime. On June 30, 2022, BMHA accrued future OPEB benefits for 137 active employees. Actual retiree healthcare benefits were provided to 342 retirees or beneficiaries. The BMHA's total OPEB liability of $80,731,446 was measured as of June 30, 2022.

Maintenance
Percent of Total Consolidated FY 2023-24 Expenses – 22.3%

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 2024-2027 Financial Plan Expenses

Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Maintenance							
AMP	$10.7	$11.0	$11.1	$11.2	$11.3	$0.3	2.7%
COCC	0.3	0.2	0.2	0.2	0.2	0.0	0.0%
Marine Drive	1.3	1.3	1.4	1.4	1.4	0.1	7.7%
Section 8	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Total Maintenance	**$12.3**	**$12.5**	**$12.7**	**$12.8**	**$12.9**	**$0.4**	**3.2%**

BMHA has budgeted $12.5 million in Maintenance Expenses in FY 2023-24. The Financial Plan projects these expenses to increase by $0.4 million, or 3.2%, over the Financial Plan. While most Maintenance Expenses are projected to remain static, BMHA is projecting an increase of $0.1 million annually in maintenance employee compensation based on estimated annual salary increases for FY 2023-24 through FY 2026-27.

Administration
Percent of Total Consolidated FY 2023-24 Expenses – 20.5%

BMHA's Administration 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 Administration expenses by individual budget.

Consolidated FY 2024-2027 Financial Plan Expenses

Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Administration							
AMP	$6.0	$6.3	$6.3	$6.3	$6.4	$0.1	1.6%
COCC	3.3	3.7	3.7	3.8	3.9	0.2	5.4%
Marine Drive	0.5	0.5	0.5	0.5	0.5	0.0	0.0%
Section 8	0.8	1.0	1.0	1.0	1.0	0.0	0.0%
Total Administration	**$10.6**	**$11.5**	**$11.5**	**$11.6**	**$11.8**	**$0.3**	**2.6%**

BMHA has budgeted $11.5 million in Administration expenses in FY 2023-24. The Financial Plan projects these expenses to increase by $0.3 million, or 2.6%, over the Financial Plan. While most Administration expenses are projected to remain relatively static, BMHA is projecting a $0.4 million increase in administrative employee costs based on estimated annual salary increases, increasing from $5.8 million in FY 2023-24 to $6.2 million in FY 2026-27. As the labor agreement expires on June 30, 2023, the 2% increases included for FY 2023-24 through FY 2026-27 are estimated increases.

Utility
Percent of Total Consolidated FY 2023-24 Expenses – 14.1%

BMHA's Utility expenses include 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 2024-2027 Financial Plan Expenses							
Description	**2022-23 Adopted Budget**	**2023-24 Adopted Budget**	**2024-25 Outyear 1**	**2025-26 Outyear 2**	**2026-27 Outyear 3**	**$ Change from Year 1-4**	**% Change from Year 1-4**
	$ in Millions						
Utility							
AMP	$5.3	$7.0	$7.2	$7.3	$7.5	$0.5	7.1%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Marine Drive	0.7	0.9	0.9	0.9	0.9	0.0	0.0%
Section 8	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total Utility	**$6.0**	**$7.9**	**$8.1**	**$8.2**	**$8.4**	**$0.5**	**6.3%**

BMHA has budgeted $7.9 million in Utility expenses in FY 2023-24. Actual Utility expenses were $6.2 million as of March 31, 2023, $1.7 million over the budget-to-date amount of $4.5 million and 103.3% of the full FY 2022-23 budgeted amount. Utilities are projected to increase by 6.3% over the four years of the Financial Plan based on a 3% inflation projection. The labor agreement expires on June 30, 2023; a 2% increase in Utility employee compensation expenses is included for FY 2023-24 through FY 2026-27.

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 – 2.7%

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 depicts Protective Services/Resident Service Costs by individual budget.

Consolidated FY 2024-2027 Financial Plan Expenses							
Description	**2022-23 Adopted Budget**	**2023-24 Adopted Budget**	**2024-25 Outyear 1**	**2025-26 Outyear 2**	**2026-27 Outyear 3**	**$ Change from Year 1-4**	**% Change from Year 1-4**
	$ in Millions						
Protective Services/ Resident Service Costs							
AMP	$1.4	$1.2	$1.2	$1.2	$1.2	$0.0	0.0%
COCC	0.1	0.2	0.2	0.2	0.2	0.0	0.0%
Marine Drive	0.1	0.1	0.1	0.1	0.1	0.0	0.0%
Section 8	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Total Protective Services/ Resident Service Costs	**$1.6**	**$1.5**	**$1.5**	**$1.5**	**$1.5**	**$0.0**	**0.0%**

BMHA has budgeted $1.5 million for Protective Services/Resident Service Costs in FY 2023-24. These expenses remain flat over the Financial Plan. Protective services expenses are largely contractually based on an agreement with the City for an annual fee of $0.5 million before services are charged hourly and a 2% administrative fee. Resident Service Expenses are budgeted at $0.8 million in FY 2023-24. The remaining budget for this category consists of employee costs.

Other Expenses
Percent of Total Consolidated Expenses – 13.5%

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

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

Consolidated FY 2024-2027 Financial Plan Expenses							
Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Other Expenses							
AMP	$0.5	$0.2	$0.2	$0.2	$0.2	$0.0	0.0%
COCC	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Marine Drive	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Section 8	6.9	7.4	7.4	7.4	7.4	0.0	0.0%
Total Other Expenses	**$7.4**	**$7.6**	**$7.6**	**$7.6**	**$7.6**	**$0.0**	**0.0%**

The BMHA has budgeted $7.6 million for Other Expenses in FY 2023-24 and holds these expenses flat over the Financial Plan. This amount includes the HAP expenses at $7.1 million in each fiscal year of the Financial Plan. As noted, the HUD PHA Grant – Vouchers increase 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 out-years.

Consolidated Expense Summary
BFSA has reviewed BMHA's expense assumptions and determined that they appear fairly stated overall. As noted, the Adopted Budget and Financial Plan do not foot with the four individual budgets and financial plans' summations. BFSA's analysis utilized the revenues and expenses provided for each segment.

Total FY 2023-24 expenses are budgeted at $56.1 million, $1.7 million greater than the CFY projection. Salaries appear reasonable and potentially overstated based on employee compensation estimates and the budgeted staffing levels. While employee benefits for active employees are flat over the Financial Plan, the FY 2023-24 amount appears overstated. The out-year projections appear reasonable.

Healthcare payments for retirees increased substantially by 28.1% from FY 2022-23 to FY 2023-24. The OPEB non-cash accrual was increased by 4.3% over the prior year's budget. Combined OPEB expenses are over budget in the CFY by $0.4 million or 18.2%. The FY 2023-24 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 2023-24. The overall OPEB liability has decreased based on plan experience, the transition of current retirees into lower-cost Medicare Advantage and

HMO Medicaid plans, and the elimination of retiree health insurance for employees hired after September 13, 2018.

All collective bargaining units have labor agreements that expire on June 30, 2023. Fiscal years 2023-24 through FY 2026-27 include a 2% annual salary increase based on the assumption of a labor agreement.

<u>Personnel</u>

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 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 salaries and benefits are budgeted at $15.8 million in FY 2023-24 and are projected to increase by $0.7 million to $16.5 million over the Financial Plan. The increase in employee salaries and employee benefits is based on estimated increases in FY 2023-24 through FY 2026-27.

The FY 2022-23 Adopted Budget included nine newly budgeted positions, including five executives (Assistant Executive Director, Communications, Marketing Manager, Paralegal, and Management Analyst), one finance, one capital improvement, and two asset management positions. The FY 2023-24 Adopted Budget removes each of these positions.

The total number of budgeted positions is 159 FTEs. BMHA intends to fill all budgeted positions. BMHA has historically had a level of vacancy between 10-25% at any period during a fiscal year. The vacancy rate was 13.6% on March 31, 2023.

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

BMHA STAFFING FY 2024-2027 FINANCIAL PLAN			
Employee Group	**2022-23 Adopted Budget**	**2023-24 Adopted Budget**	**FY 2024-2027 Outyears 1-3***
Executive	14	9	9
MIS	3	3	3
Finance	12	11	11
Personnel	4	4	4
Capital Improvements	15	14	14
Asset Management	120	118	118
Total	**168**	**159**	**159**
** The number of budgeted positions in FY 2023-24 are maintained flat over the FY 2024-2027 Financial Plan.*			

<u>AMP Financial Plan</u>

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 2024-27 Financial Plan Summary						
\	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	Totals
	$ in Millions					
Total Revenues	$37.6	$40.6	$41.6	$42.6	$43.7	**$168.5**
Total Expenses	34.5	37.3	37.6	37.8	38.3	**151.0**
Net Operating Income (Loss) before Debt Service	**3.1**	**3.3**	**4.0**	**4.8**	**5.4**	**17.5**
Debt Service - Principal Reduction	**(1.7)**	**(1.8)**	**(1.8)**	**(1.8)**	**(1.8)**	(7.2)
Net Income reduced for Debt Service - Principal Reduction	1.4	1.5	2.2	3.0	3.6	**10.3**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**$2.4**	**$2.5**	**$3.2**	**$4.0**	**$4.6**	**$14.3**

AMP revenues account for $40.6 million, or 69.0% of total FY 2023-24 estimated revenues. AMP expenses account for $37.3 million, or 66.5% of total FY 2023-24 budgeted expenses. The AMP budget is the largest component within the overall Adopted Budget.

The FY 2023-24 AMP Adopted Budget depicts $3.3 million in net operating income. The cash impact after $1.8 million of debt service payments and removing the non-cash $1.0 million OPEB accrual is a positive $2.5 million. The cumulative four-year operating income is $17.5 million. The net cash impact after paying the principal on debt and removing the non-cash OPEB accrual is a cumulative $14.3 million. AMP operating reserves are projected to increase from June 30, 2023, through June 30, 2027; BMHA has not quantified this increase.

The AMP Financial Plan includes HUD Operating Subsidy revenues of $25.2 million in the FY 2023-24 Adopted Budget. This revenue increases $2.4 million over the AMP Financial Plan to $27.6 million in FY 2026-27. The assumption is based on 104% proration and a 95% occupancy rate. BMHA projects these funding levels but notes that they are estimates. BFSA has requested that BMHA provide revenue estimates assuming lower proration levels including the current 95% level. BMHA has not provided this data. BMHA has previously estimated that approximately $0.2 million in HUD Operating Subsidy would be reduced for each 100 basis point reduction in proration.

Central Office Cost Center Financial Plan

The COCC is the business unit within the BMHA. It operates as a property management company, earning income from fees and overseeing other business activities.

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

Central Office Cost Center (COCC) FY 2024-27 Financial Plan Summary

Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	Totals
	$ in Millions					
Total Revenues	$6.2	$6.1	$6.1	$6.1	$6.1	**$24.4**
Total Expenses	6.6	6.7	6.7	6.8	6.9	**27.1**
Net Operating Income (Loss) before Debt Service	**(0.4)**	**(0.6)**	**(0.6)**	**(0.7)**	**(0.8)**	**(2.7)**
Debt Service - Principal Reduction	0.0	0.0	0.0	0.0	0.0	**0.0**
Net Income reduced for Debt Service - Principal Reduction	(0.4)	**(0.6)**	**(0.6)**	**(0.7)**	**(0.8)**	**(2.7)**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**$0.1**	**$0.0**	**$0.0**	**($0.1)**	**($0.2)**	**($0.3)**

COCC revenues account for $6.1 million, or 10.4% of total FY 2023-24 estimated revenues. COCC expenses account for $6.7, or 11.9% of total FY 2023-24 budgeted expenses.

The BMHA has budgeted a net operating loss of $0.6 million in FY 2023-24. A net loss is projected in each fiscal year for a cumulative four-year deficit of $2.7 million. The cash impact is $0 in FY 2023-24 after removing the $0.6 million non-cash OPEB accrual. A cumulative four-year deficit of $0.3 million is budgeted after removing a cumulative $2.4 million OPEB accrual.

The COCC Financial Plan is not balanced overall; the cumulative, four-year deficit of $0.3 million, is insignificant when compared to the overall budget. Additionally, certain Section 8-related revenues may not be fully represented within the two out-years depicting deficits.

The COCC had $1.1 million in operating reserves on June 30, 2022. These reserves would be available to close any out-year deficit as depicted within the COCC Financial Plan. Additionally, the COCC segment may 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

BMHA manages the Marine Drive Apartments, a BMHA-owned apartment complex. BMHA has submitted a request to the New York State Division of Housing and Community Renewal to implement a rent increase; the status of the request is unknown.

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

Marine Drive FY 2024-2027 Financial Plan Summary

Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	Totals
	$ in Millions					
Total Revenues	$3.4	$3.7	$3.9	$4.1	$4.3	**$16.0**
Total Expenses	3.7	3.7	3.8	3.8	3.8	**15.1**
Net Operating Income (Loss) before Debt Service	**(0.3)**	**0.0**	**0.1**	**0.3**	**0.5**	**0.9**
Debt Service - Principal Reduction	**(0.3)**	**(0.3)**	**(0.3)**	**(0.3)**	**(0.3)**	**(1.2)**
Net Income reduced for Debt Service - Principal Reduction	**(0.6)**	**(0.3)**	**(0.2)**	**0.0**	**0.2**	**(0.3)**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**($0.5)**	**($0.2)**	**($0.1)**	**$0.1**	**$0.3**	**$0.1**

Marine Drive revenues account for $3.7, or 6.3% of total FY 2023-24 estimated revenues. Marine Drive expenses account for $3.7 million, or 6.6% of total FY 2023-24 budgeted expenses.

The FY 2023-24 Marine Drive Adopted Budget includes an increase of rental receipts of $0.4 million over the FY 2022-23 Marine Drive Adopted Budget. Net dwelling income is almost the entirety of Marine Drive’s operating revenue.

The FY 2023-24 cash impact is budgeted at ($0.2) million. The four-year cash impact is projected to be $0.1 million. The first two FYs in the Marine Drive Financial Plan include negative cash impacts; a structural deficit is depicted within these FYs. This structural deficit is absent within the final two FYs as revenues are projected to exceed expenses.

If losses are incurred, such losses would be funded through COCC current-year operations or COCC reserves to the extent available, as Marine Drive does not have any operating reserves.

BMHA took two actions to address Marine Drive’s budgetary shortfall. BMHA applied to the New York State Homes and Community Renewal to 1) increase Marine Drive’s flat rents, yielding an additional $250,000 in additional annual dwelling income, and 2) allow project-based housing vouchers, yielding an additional $0.8 million in additional, annual revenues. These revenue increases are not reflected in the Marine Drive Financial Plan.

Section 8 Financial Plan

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

Section 8 FY 2024-27 Financial Plan Summary						
Description	2022-23 Adopted Budget	2023-24 Adopted Budget	2024-25 Outyear 1	2025-26 Outyear 2	2026-27 Outyear 3	Totals
	$ in Millions					
Total Revenues	$7.7	$8.4	$8.6	$8.8	$9.1	**$34.9**
Total Expenses	7.7	8.4	8.4	8.4	8.4	**33.6**
Net Operating Income (Loss) before Debt Service	0.0	0.0	0.2	0.4	0.7	**1.3**
Debt Service - Principal Reduction	0.0	0.0	0.0	0.0	0.0	**0.0**
Net Income reduced for Debt Service - Principal Reduction	0.0	0.0	0.2	0.4	0.7	**1.3**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**$0.0**	**$0.0**	**$0.2**	**$0.4**	**$0.7**	**$1.3**

The HUD Section 8 Voucher Program is the federal government's major program for assisting low-income families, older adults, and the disabled to afford decent, safe, and sanitary housing in the private market. Section 8 revenues account for $8.4 million, or 14.3% of total FY 2023-24 revenues. Section 8 expenses account for $8.4 million, or 15.0% of total FY 2023-24 expenses.

The Section 8 Financial Plan is balanced as budgeted revenues meet or exceed budgeted expenses in each fiscal year. HUD PHA Grants total $6.9 million in FY 2023-24, 82.1% of total Section 8 revenues. These revenues increase by $0.6 million, or 8.7%, to $7.5 million in FY 2026-27. HAPs are flat in each fiscal year at $7.4 million. Since the HAPs are the voucher disbursements of the PHA Grants, these amounts should increase annually at a rate correlated with the PHA Grants received. As such, the Section 8 Financial Plan understates its expenses within the three out-years by a cumulative $1.3 million. Any reported surplus or deficit is temporary in nature as the program self-balances.

Summary and Conclusions

The Adopted Budget and Adopted Financial Plan do not cross-foot with the summation of the four individual budgets and financial plans. BMHA was notified of these discrepancies and has been requested to submit a revised plan. As such, BFSA's analysis is based on the summation of the individual budgets and financial plans and not the submitted consolidated budget and financial plan.

The Financial Plan projects a four-year cumulative surplus of $17.0 million and a four-year positive cash flow of $15.4 million. The fiscal impact related to the Section 8 unit of the organization should be eliminated in evaluating the plan's completeness 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 $15.7 million) and a four-year positive cashflow of $14.1 million is projected.

The Marine Drive Adopted Budget and Financial Plan is not balanced in FY 2023-24 and FY 2024-25. A four-year surplus of $0.9 million is projected with a $0.1 million total cash outflow projected over the same period as total revenues are projected to exceed total expenses in FY 2025-26. 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. Additionally, the City of Buffalo has promised rental assistance to BMHA residents impacted by the COVID-19 pandemic.

The Section 8 Adopted Budget and Financial Plan are balanced as BMHA is a pass-through entity. The Financial Plan's three out-years depict increasing revenues but flat expenses. The Section 8 Financial Plan understates expenses within the three out-years 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 have expiring contracts. The ratified labor agreements with Local 264 and Local 409 expire on June 30, 2023. The 2% inflationary factor applied to employee salaries in the Financial Plan appears to reasonably estimate 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 104% 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 104%. Additionally, Congressional funding levels are uncertain. 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 three years of the Financial Plan. BMHA will adjust plans as necessary, and BFSA considers this a mitigated risk as the intent of the program is to assist PHAs in achieving a minimum level of financial stability.

The following report is based on the 2023-24 Adopted Budget and 2024-2027 Financial Plan. The proposed 2023-24 Budget and 2024-2027 Financial Plan was submitted to the BFSA by the Buffalo Urban Renewal Agency ("BURA") on May 1, 2023. The BURA Board of Directors reviewed and approved the 2023-24 Proposed Budget at the July 11, 2023, BURA Board meeting.

Recurring grant revenues administered by BURA on behalf of the City of Buffalo (the "City") are primarily based on funding received from federal allocations through HUD. Congress approves funding; a formula determines how 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 yet to be 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.

BURA's financial plan addresses the current year allocations as well as the planned use 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. These four funding sources are collectively referred to as Entitlement Funds since they are an annual allocation to BURA from HUD. Approximately 50 percent of the CDBG funds and the entirety of the ESG and HOPWA grants are administered by the City of Buffalo.

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 $2.3 million of the original allocation of funds are included in the 2023-24 Adopted Budget and 2024-2027 Financial Plan. The funds are required to be disbursed by January 6, 2027. The City administers the ESG-CV funds, which 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. The initial allocation to BURA was an additional $20.3 million of City ARPA funds to BURA for targeted program investments in the 2023-2026 Financial Plan. BURA has reduced that amount to $11.0 million in the 2024-2027 Financial Plan as the City is in the process of amending the ARPA financial plan, and BURA has not been notified of the revised amounts of funds or the timing of the release of the funds to BURA. These allocations are one-time resources and will not be available once 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 the 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 administrative cost limitations as per grant requirements, and all three positions are currently filled.

Population is a significant factor used within the allocation formulas in determining the amount of grant funding. The 2020 census reported the City population was 278,349, an increase of 17,039, or 6.5 percent, over the 2010 census of 261,310.

Total entitlement funds have decreased between 2010-11 and 2022-23 by $4.7 million, or 19.7 percent, since the 2010-11 fiscal year. The initial reduction in entitlement funds was attributed to the decrease in the City population reflective of the 2010 census results. The expected increase in HUD allocation from the 2020 census on the City and BURA did not materialize, however the reduction of entitlement funds is not as high as it would have been without the population growth.

Entitlement Funds on a year-to-year basis are to decrease by $179,340. The decreases include a decrease of $178,800, or 1.3 percent, for CDBG funds, a decrease of $75,445, or 2.0 percent, in HOME funds, a decrease of $16,100, or 1.4 percent, in ESG funds, and an increase of $90,985, or 9.9 percent, in HOPWA funds. Due to the influx of additional resources and the ability to draw on unspent prior-year allocations, BURA has sufficient resources to deliver the core services to BURA's mission.

It is noted that the City of Buffalo has been awarded funds from a temporary federal program for the remediation of lead water pipes leading into homes. Fiscal year 2023-24 is the program's final year, and BURA has included $1.6 million of the original $1.7 million in funds for the lead hazard remediation program in 2023-24. There has been a lack of participation and a delay in the program's implementation, which has delayed the disbursement of these funds over the previous fiscal year.

In addition, BURA will be administering two programs on behalf of the City with resources for the programs allocated from the City's ARPA funding. These two programs are temporary, and funds must be obligated by December 31, 2024, and disbursed by December 31, 2026. The new programs are City ARPA Affordable Housing Advance Fund ("AHAF") 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 well-being of City residents. The purpose of these programs will focus on providing additional affordable housing and investments in underserved communities.

The BURA Budget Committee was scheduled to review the budget at its meeting on May 25, 2023, and the Board of Directors would have had the opportunity to approve the proposed budget that same day. Due to quorum issues the BURA Board of Directors did not take up the 2023-24 budget and 2024 – 2027 Financial Plan until July 11, 2023. 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 City releases the amended APRA plan, if a modification is deemed necessary.

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)**	
	2023-24	**2022-23**		
	$	**$**	**$**	**%**
Grant:				
Community Development Block Grant	13,154,000	13,332,794	(178,794)	-1.3%
HOME	3,738,814	3,814,259	(75,445)	-2.0%
Emergency Shelter Grants*	1,171,812	1,187,898	(16,086)	-1.4%
Housing Opportunities for Persons with Aids*	1,013,830	922,845	90,985	9.9%
	19,078,456	19,257,796	(179,340)	-0.9%

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

	Amount of Grant Award		**Increase/ (Decrease)**	
	2022-23	**2021-22**		
	$	**$**	**$**	**%**
Grant:				
Community Development Block Grant	13,332,794	14,131,481	(798,687)	-5.7%
HOME	3,814,259	3,388,479	425,780	12.6%
Emergency Shelter Grants	1,187,898	855,971	331,927	38.8%
Housing Opportunities for Persons with Aids	922,845	1,197,642	(274,797)	-22.9%
	19,257,796	19,573,573	(315,777)	-1.6%

	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%

As per the schedule above, HUD funding to the City and BURA is estimated to decrease by $179,340, or 0.9 percent, compared to last year's allocation. This allocation represents a decrease of $328,385 since 2020-21 or 1.7 percent.

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. The City is the primary administrator of the HOPWA and ESG programs.

BURA has budgeted total revenues and expenditures of $16.9 million for 2023-24; unused entitlement funds will carry forward to future years. This represents a decrease of $12.1 million (41.7 percent) from the 2022-23 Modified Budget amount of $29.0 million. The reduction in resources is primarily related to the allocation of ARPA resources from the City. BURA management has yet to be provided with the final allocation of ARPA resources and has determined to conservatively budget the additional resources until the City administration makes a final allocation.

	Modified Budget 2022-23	**Adopted Budget 2023-24**	**Variance $**	**Variance %**
Total Grant and Program Income	$ 29,101,460	$ 16,898,663	$ (12,202,797)	-41.9%
Total Program Costs	24,886,460	12,291,982	(12,594,478)	-50.6%
Total Administrative & Planning Costs	4,124,000	4,606,681	482,681	11.7%
Total Expenditures	**$ 29,010,460**	**$ 16,898,663**	**$ (12,111,797)**	**-41.7%**

The following schedule summarizes the 2024–2027 Financial Plan, which is developed based on the grant year (October 1 – September 30), beginning with Program Year 49 (2023-24); BURA operates on a July 1 – June 30 fiscal year. It is noted that BURA includes 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 the City manages.

	2023-24	2024-25	2025-26	2026-27
Grant Revenues and Related Income				
Community Development Block Grant (CDBG)	$ 5,838,100	$ 6,626,524	$ 6,950,561	$ 6,950,561
CDBG Interest/Rental Income	200,000	200,000	200,000	200,000
HOME Investment Partnership Program	3,303,099	3,369,161	3,436,544	3,436,544
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)	2,339,394	-	-	-
Lead Hazard Grant Income	1,563,070	-	-	-
Evans Fund	15,000	15,000	15,000	15,000
Cities Rise	250,000	395,829	-	-
City American Rescue Plan Act Affordable Housing Advancement Fund (ARPA AHAF)	800,000	1,000,000	1,500,000	1,500,000
HOME American Rescue Plan Act (HOME ARPA)	700,000	1,500,000	2,000,000	2,000,000
General Fund Revenues	840,000	840,000	840,000	840,000
Total Revenue	**$ 16,898,663**	**$ 14,996,514**	**$ 15,992,105**	**$ 15,992,105**
Expenditures				
CDBG CV Program Costs	$ 1,689,394	$ -	$ -	$ -
City ARP AHAF Program Costs	500,000	650,000	1,150,000	1,150,000
CDBG Emergency Loan Program Costs	2,300,000	2,369,000	2,416,380	2,416,380
HOME Program Costs	2,612,218	3,102,245	3,162,890	3,162,890
CDBG Program Delivery	1,855,000	2,500,000	2,700,000	2,700,000
CDBG CV Program Delivery	350,000	-	-	-
Lead Hazard Program Costs	1,563,070	-	-	-
Cities Rise	250,000	395,829	-	-
HOME ARPA Program Costs	400,000	1,150,000	1,650,000	1,650,000
CDBG Crime Prevention	202,300	202,300	202,300	202,300
HOME Community Housing Development Organization	500,000	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	**$ 12,291,982**	**$ 10,539,374**	**$ 11,451,570**	**$ 11,451,570**
Administrative & Planning Costs				
CDBG Admin @20% cap (on total CDBG Award) including Program Income	$ 2,480,800	$ 2,555,224	$ 2,631,881	$ 2,631,881
CDBG CV Admin Costs	300,000	-	-	-
HOME Admin Costs @10% cap including Program Income	385,881	361,916	368,654	368,654
HOME ARPA Admin	300,000	350,000	350,000	350,000
City ARPA AHAF Admin	300,000	350,000	350,000	350,000
General Fund Costs	840,000	840,000	840,000	840,000
Subtotal Administrative & Planning Costs	**$ 4,606,681**	**$ 4,457,140**	**$ 4,540,535**	**$ 4,540,535**
Total Expenditures	**$ 16,898,663**	**$ 14,996,514**	**$ 15,992,105**	**$ 15,992,105**

Over the four years of the Financial Plan, as presented, total grant revenues and expenditures are projected to decrease by $0.9 million, or 5.4 percent; this decrease is driven by the projected spending of the multiple non-recurring resources provided to BURA, including $6.2 million in HOME ARPA funding, $4.8 million of ARPA AHAF funds, $2.3 million of CARES-CV funding, and $1.6 million for the Lead Hazard Grant. BURA has decreased total estimated revenues in the first out-year by 11.3 percent, or $1.9 million, then increased estimated revenues by 6.6 percent, or $1.0 million, in the second out-year, and maintains that amount in the final out-year of the Financial Plan. The estimated decrease in grant revenues over the Financial Plan reflects the decrease in CDBG-CV and ARPA funds and other non-Entitlement grants that BURA has budgeted for over the 2024-2027 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 new allocations of Entitlement Funds in years 2024-25 and 2025-26, with no increases for the fiscal year 2026-27, as well as including a portion of unspent prior-year resources in each year. 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 2023-24 for a total estimated revenue balance of $5.8 million, which is a decrease of $1.1 million compared to the budget amount of $6.9 million in the prior year. The $5.8 million comprises 34.8 percent of the adopted budget, increasing to 43.5 percent of the total estimated grant revenue in 2026-27. As previously noted, CDBG funding is decreasing by $1.1 million (15.4 percent) in 2023-24 compared to the prior year and is estimated to increase by 13.5 percent in 2024-25, increase by 4.9 percent in 2025-26 and is held flat in 2026-27. The projected increase of CDBG funds in the out years combines 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 $1.1 million over the Financial Plan or 19.1 percent. This will impact the program delivery within the City of Buffalo as additional funding will be available for various programs and 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 grant awards. Prior year amounts are estimated to be between $4.6 and $5.4 million at June 30, 2023.

- HOME Investment Partnership Program ("HOME") Program Funds – The annual award of this amount from HUD is estimated to decrease by $0.5 million, or 13.4 percent, to $3.3 million in 2023-24. 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. BURA has included both a current year allotment and an amount for the use of prior-year unspent HOME funds.

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 19.5 to 22.5 percent of total BURA revenue over the course of the Financial Plan. Prior year amounts are estimated to be between $2.2 - $2.5 million at June 30, 2023.

- Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") Community Development Block Grant CARES Act ("CDBG-CV") – CDBG-CV funds

represent a one-time revenue source to BURA and is included in the first year of the Financial Plan. The original award to BURA was $11.4 million, and BURA included $2.3 million in 2023-24. Any unspent funds from the current year will be rolled forward to be utilized in future years, similar to the HUD entitlement grants. CDBG-CV comprises 13.8 percent of the proposed budget in 2023-24. CDBG-CV funding is provided to prevent rent evictions and foreclosures, fair housing issues, renter and owner rehabilitation projects, and economic development through a microenterprise grant program.

Administrative costs represent 12.8 percent, or $300,000, of the CDGB-CV funding 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 and other transactions, including the sale of real estate.

CDBG program income is budgeted at $800,000 in 2023-24 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 2023-24 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. A total of $4.8 million has been included over the Financial Plan, including $0.8 million in 2023-24, increasing to $1.0 million in 2024-25, and increased to $1.5 million in the final two years of the Financial Plan. The $0.8 million comprises 4.7 percent of the proposed budget and increases to 9.4 percent of the total estimated grant revenue in 2026-27.

The ARPA AHAF funds are allocated for a 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.

- 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 $6.2 million has been included over the Financial Plan, including $0.7 million in 2023-24, increasing to $1.5 million in 2024-25, and increased to $2.0 million in the final two years of the Financial Plan.

The $0.7 million comprises 4.1 percent of the proposed budget and increases to 12.5 percent of the total estimated grant revenue in 2026-27.

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 shelters. The funds must also be obligated by December 31, 2024, and spent by December 31, 2026.

- U.S. Department of Housing and Urban Development American American Rescue Plan Act HOME ("HUD ARPA HOME") – HUD APRA HOME funds allocated through HUD have recently been made available to the City and BURA. These funds are different than the ARPA HOME funds allocated through the City to BURA, as those funds were released and monitored by the Treasury Department. The new allocation of HUD ARPA HOME funds is through HUD and has an obligation date of September 30, 2028, and must be disbursed by September 30, 2030. The funds are to be used for supportive services ($1.2 million), acquisition and development of non-congregate shelters ($3.7 million), development of affordable rental housing ($5.5 million), and an administrative and planning component ($1.8 million). It has not been determined if the funds will be released to BURA or managed by the City at this time, and the funds are not currently budgeted in the 2024-2027 Financial Plan.

- Lead Hazard Grant Program – The City of Buffalo was awarded $2.0 million in federal funds for a lead hazard initiative. BURA, as a subrecipient, originally received $1.9 million of the grant to be administered through BURA for various programs addressing lead issues in the City of Buffalo, with the balance of $1.6 million budgeted in 2023-24. The grant was initially budgeted to be spent down over three years; however, due to delays in the program and limited community participation, the remaining balance is now budgeted for 2023-24, with a deadline of April 6, 2024, to commit the funds.

- General fund revenues represent property rentals, parking, and other smaller revenues and are budgeted at approximately $0.8 million in 2023-24. 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. The general fund and Evans fund revenues are projected to be relatively flat over the financial plan, while Cities RISE is budgeted based on remaining balances.

The Cities RISE program grant funds are to target development in neighborhoods through "Love Your Block" mini-grants, provide funding for code enforcement officers, and address abandoned properties. The Love Your Block mini-grants are to provide funding to block clubs and community-based organizations to assist in improving their neighborhoods by creating community gardens and playgrounds. The initial planning stages of this program began in 2019-20. The budget includes approximately $250,000 in 2023-24 and an additional $395,830 in 2024-25, with the grant expected to be fully expensed in the second year.

Portions of the Evans Fund grant were incorporated into a revolving fund. As borrowers pay back loans, the proceeds are reinvested in the program. The Financial Plan includes an estimated $15,000 each year of the Financial Plan. Evans Bank had committed the funds for various programs, including weatherization assistance, homebuyer education workshops, and a down-payment closing cost assistance program.

The 2024-2027 Financial Plan is balanced over the four years, and is being reduced by $0.9 million, or 5.4 percent, as the funding from the CARES Act, Lead Hazard Grant, Cities RISE, and ARPA funds expire. In total, $15.6 million in one-time revenues will be used over the Financial Plan, with $5.7 million budgeted in 2023-24, $2.9 million budgeted in 2024-25, $3.5 million budgeted in both 2025-26 and 2026-27. Significant reductions are occurring within the non-recurring revenue lines, as expected. Historically BURA has been under budget at year-end compared to the adopted budget.

BURA can 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 2022-23 budget will roll forward into the 2023-24 budget as the use of these funds has 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.

Expenditures include 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. 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 42 funded positions with salaries and fringe benefits of approximately $4.6 million, decreasing to $4.5 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, 31 of the 42 positions included in the 2023-24 Adopted Budget are filled.

From 2013-14 to 2016-17, BURA had 43 funded positions reduced to 39 positions in the 2019-20 and 2020-21 Adopted Budgets. There were 44 funded positions in the the 2021-22 Adopted Budget and the 2022-23 Adopted Budget decreased to 41 full-time equivalents. There is an increase of one position between 2022-23 and 2023-24, and staffing levels are maintained at 42 full-time equivalents over the course of the Financial Plan. (It is noted the financial plan lists 43 positions; BURA management has indicated the number to be taken to the BURA Board of Directors is 42). There are no projected savings from not filling vacancies as unused funds 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, 2026, 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. There are thirty-two budgeted classified employees and ten exempt employees within the 2024-2027 Financial Plan. As presented, the budget and financial plan include an estimated 3.0 percent increase in the first three years of the Financial Plan, with the final year held flat. In addition, bonuses are included in the Financial Plan, which is determined by the years of service and the employee's performance evaluation. BURA has identified resources to fund increases associated with the CBA. However, future compensation increases will depend on the amount of entitlement funds HUD provides.

The current financial plan provided by BURA has demonstrated 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 in the City Comptroller's Office Department of Audit and Control 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 regard to staying within the administrative cost cap restrictions.

CDBG, including CDBG program income, has been budgeted in the amount of $6.8 million as follows:

- $4.3 million allocated to CDBG program delivery
    - $2.3 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
- $2.5 million for administrative costs

HOME has been budgeted in the amount of $3.6 million as follows:

- $3.2 million is allocated for HOME program delivery and housing activities
    - $2.6 million for rehabilitation and new construction
    - $0.5 million for community housing development organizations
    - $0.1 million for HOME program delivery
- $0.4 million for administrative costs

Other notable items include:

- BURA has included an annual increase of 3.0 percent over the Financial Plan for health insurance costs. The modest increase is based on historic actuals, as health insurance costs had actually decreased for BURA over the previous three years based on decreased utilization. BURA does not participate in the City of Buffalo's self-funding of health insurance and continues maintaining coverage through Blue Cross Blue Shield.

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

Conclusion:
BURA has submitted a balanced 2024-2027 Financial Plan intending to revise and modify the Financial Plan once the amended ARPA plan is received from the City, and if an amendment is warranted. BURA and City personnel will monitor the grant funding level on an ongoing basis. BFSA recommends monitoring the Budget and Financial Plan 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 2024-2027 Financial Plan appropriately reflects the available CARES funding and Additional ARPA funds from the City and the required timing for using such funds. The Financial Plan adjusts annually to estimated revenues and related expenditures for expected changes to annual awards and the use of prior-year funding. Significantly, ARPA-related funding must be obligated by December 31, 2024, and spent by December 31, 2026; carryover beyond December 31, 2026, is not permitted by the final regulations governing the federal stimulus awards.

Additionally, HUD awarded additional HOME ARPA funds to the City in the amount of $12.3 million. It is still being determined which entity will manage the funds for disbursement. It is expected that BURA will be named the subrecipient of the funds and will complete a budget modification at a later date, reflecting the increase in HOME ARPA funding and corresponding program costs. HUD HOME ARPA-related funding must be obligated by September 30, 2028, and spent by September 30, 2030; carryover beyond this date is not permitted by the final regulations governing the federal stimulus awards.

The timeliness of expending the ARPA funds is a serious concern, especially in light of BURA waiting on an amended ARPA rescue plan from the City. The total amount allocated to BURA is in flux and will likely increase compared to the current Financial Plan. Without knowing how much funding BURA will be responsible for disbursing, BURA is restricted from issuing Requests For Proposals for projects to begin the process for expending these funds.

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

Section 3850. Short title.
3850-a. Legislative declaration of need for state intervention.
3851. Definitions.
3852. Buffalo fiscal stability authority.
3853. Administration of the authority.
3854. General powers of the authority.
3855. Assistance to the authority; employees of the authority.
3856. City fiscal year two thousand three--two thousand four budget modification and four-year financial plan.
3857. City financial plans.
3858. Control period.
3859. Advisory period.
3860. Additional provisions.
3861. Declaration of need for financing assistance to the city.
3862. Bonds, notes or other obligations of the authority.
3863. Remedies of bondholders.
3864. Intercept of city tax revenues and state aid revenues.
3865. Resources of the authority.
3866. Agreement with the state.
3867. Agreement with the city.
3868. Bonds, notes or other obligations legal for investment and deposit.
3869. Tax exemption.
3870. Actions against the authority.
3871. Audits.
3872. Effect of inconsistent provisions.
3873. Separability; construction.

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

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

§ 3851. Definitions. For the purposes of this title, unless the context otherwise requires: 1. "Advisory period" means that period no earlier than July first, two thousand six, after which the authority has determined that (a) for each of the three immediately preceding city fiscal years, the city has adopted and adhered to budgets covering all expenditures, other than capital items, the results of which did not show a deficit, without the use of any authority assistance, as provided for under section thirty-eight hundred fifty-seven of this title, when reported in accordance with generally accepted accounting principles and (b) the comptroller and the state comptroller jointly certify that securities were sold by the city during the immediately preceding city fiscal year in the general public market and that there is a substantial likelihood that such securities can be sold by the city in the general public market from such date through the end of the next succeeding city fiscal year in amounts that will satisfy substantially all of the capital and cash flow requirements of the city during that period in accordance with the financial plan then in existence. The joint certification made by the comptroller and the state comptroller shall be based on their separate written determinations which may take into account a report and opinion of an independent expert in the marketing of securities selected by the authority as well as other information available to the comptrollers. Once begun, an advisory period shall continue through June thirtieth, two thousand thirty-seven unless a control period is imposed.

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

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

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

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

6. "City" means the city of Buffalo.

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

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

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

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

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

12. "County" means the county of Erie.

13. "Covered organization" means the city school district, the joint schools construction board of the city, as described in chapter six hundred five of the laws of two thousand, as amended, and the Buffalo municipal housing authority and any governmental agency, public authority or public benefit corporation which receives or may receive moneys directly, indirectly or contingently from the city, but excluding the authority and (a) any other governmental agency, public authority or public benefit corporation specifically exempted from the provisions of this title by order of the authority upon application of such agency, public authority, or corporation to the authority or on the authority's own motion upon a finding by the authority that such exemption does not materially affect the ability of the city to adopt and maintain a budget pursuant to the provisions of this title, or (b) any state public authority defined in section two hundred one of the civil service law, unless specifically named above; provided, however, that the authority may terminate any exemption granted by order of the authority pursuant to this subdivision upon a determination that the circumstances upon which such exemption was granted are no longer applicable.

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

15. "Financeable costs" or "costs" means costs to finance (a) amounts necessary to accomplish a refunding, repayment or restructuring of a portion of the city's outstanding indebtedness or that of any covered organization, (b) cash flow needs of the city or any covered organization, (c) any object or purpose of the city or any covered organization, for which a period of probable usefulness is prescribed in section 11.00 of the local finance law, including the costs of any preliminary studies, surveys, maps, plans, estimates and hearings, (d) amounts necessary to finance a portion of the operating costs of the city or any covered organization as provided in section thirty-eight hundred fifty-seven of this title, to the extent approved by the authority, or (e) incidental costs, including, but not limited to, legal fees, printing or engraving, publication of notices, taking of title, apportionment of costs, and capitalized interest, insurance premiums, costs related to items authorized in subdivisions seven through nine of section thirty-eight hundred fifty-four of this title or any underwriting or other costs incurred in connection with the financing thereof; provided however that, to the maximum extent practicable, all financeable costs shall not adversely affect the requirements of subdivision two of section thirty-eight hundred sixty-nine of this title.

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

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

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

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

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

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

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

23. "State aid" means: all general purpose local government aid; emergency financial assistance to certain cities; emergency financial assistance to eligible municipalities; supplemental municipal aid; and any successor type of aid and any new aid appropriated by the state as local government assistance for the benefit of the city.

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

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

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

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

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

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

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

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

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

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

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

7. At least annually, commencing no more than one year after the date on which authority bonds, notes or other obligations are first issued, the authority shall report to the council, comptroller, the director of the budget, and the state comptroller on the amount of financing and the cost savings for the city over the past year.

8. The authority shall cease to exist on June thirtieth, two thousand thirty-seven.

§ 3854. General powers of the authority. Except as otherwise limited by this title, the authority shall have the following powers in addition to those specially conferred elsewhere in this title, subject only to agreements with bondholders:

1. to sue and be sued;

2. to have a seal and alter the same at pleasure;

3. to make and alter by-laws for its organization and management and subject to agreements with its bondholders, to make and alter rules and regulations governing the exercise of its powers and fulfillment of its purposes under this title;

4. to make and execute contracts and all other instruments or agreements necessary or convenient to carry out any powers and functions expressly given in this title;

5. to commence any action to protect or enforce any right conferred upon it by any law, contract or other agreement;

6. to borrow money and issue bonds, notes or other obligations, or to refund the same, and to provide for the rights of the holders of its bonds, notes or other obligations;

7. as security for the payment of the principal of and interest on any bonds, notes or other obligations issued by it pursuant to this title and any agreements made in connection therewith and for its obligations under bond facilities, to pledge all or any part of its revenues or assets;

8. to procure insurance, letters of credit or other credit enhancement with respect to its bonds, notes or other obligations, or facilities for the payment of tenders of such bonds, notes or other obligations or facilities for the payment upon maturity of short-term notes not renewed;

9. to enter into interest rate exchange or similar arrangements with any person under such terms and conditions as the authority may determine, not inconsistent with the general laws of this state and other provisions of this title, including, without limitation, provisions as to default or early termination and indemnification by the authority or any other party thereto for loss of benefits as a result thereof; provided, however, that such exchanges or similar arrangements shall be limited to twenty-five percent of the amount authorized in subdivision one of section thirty-eight hundred sixty-two of this title to pay the financeable costs described in paragraph (a), (c), (d) or (e) of subdivision fifteen of section thirty-eight hundred fifty-one of this title;

10. to accept gifts, grants, loans or contributions of funds or financial or other aid in any form from the city, county, state or federal government or any agency or instrumentality thereof, or from any other source and to expend the proceeds for any of its corporate purposes in accordance with the provisions of this title;

11. subject to the provisions of any contract with bondholders, to invest any funds held in reserves or sinking funds, or any funds not required for immediate use or disbursement, at the discretion of the authority, in (a) obligations of the state or the United States government, (b) obligations the principal and interest of which are guaranteed by the state or the United States government, (c) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any of the fifty largest banks in the United States which bank, at the time of investment, has an outstanding unsecured, uninsured and unguaranteed debt issue ranked by two nationally recognized independent rating agencies at a rating category that is no lower than the then current rating of the authority's bonds, notes or other obligations, (d) commercial paper of any bank or corporation created under the laws of either the United States or any state of the United States which commercial paper, at the time of the investment, has received the highest rating of two nationally recognized independent rating agencies, (e) bonds, debentures, or other evidences of indebtedness, issued or guaranteed at the time of the investment by the federal national mortgage association, federal home loan mortgage corporation, student loan marketing association, federal farm credit system, or any other United States government sponsored agency, provided that at the time of the investment such agency receives, or its obligations receive, any of the three highest rating categories of two nationally recognized independent rating agencies, (f) any bonds or other obligations of any state or the United States of America or of any political subdivision thereof or any agency, instru-

mentality or local governmental unit of any such state or political subdivision which bonds or other obligations, at the time of the investment have received any of the three highest ratings of two nationally recognized independent rating agencies, (g) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in paragraph (a), (b) or (e) of this subdivision, which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of the state or any national banking association domiciled in the state, as custodian, and (h) reverse repurchase agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in paragraph (a), (b) or (e) of this subdivision which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of the state or any national banking association domiciled in the state, as custodian.

12. to appoint such officers and employees as it may require for the performance of its duties and to fix and determine their qualifications, duties, and compensation, and to retain or employ counsel, auditors and private financial consultants and other services on a contract basis or otherwise for rendering professional, business or technical services and advice; and, in taking such actions, the authority shall consider the financial impact on the city; and

13. to do any and all things necessary or convenient to carry out its purposes and exercise the powers expressly given and granted in this title; provided, however, such authority shall under no circumstances acquire, hold or transfer title to, lease, own beneficially or otherwise, manage, operate or otherwise exercise control over any real property, any improvement to real property or any interest therein other than a lease or sublease of office space deemed necessary or desirable by the authority.

§ 3855. Assistance to the authority; employees of the authority. 1. With the consent of any public corporation, the authority may use agents, employees and facilities thereof, paying to such public corporation its agreed proportion of the compensation or costs.

2. Officers and employees of state or city agencies may be transferred to the authority without examination and without loss of any civil service or retirement status or rights. Any officer or employee of the authority who heretofore acquired or shall hereafter acquire such position status by transfer and who at the time of such transfer was a member of the New York state and local employees' retirement system shall continue to be a member of such system as long as he or she continues in such service, and shall continue to have all the rights, privileges and obligations of membership in such system.

§ 3856. City fiscal year two thousand three--two thousand four budget modification and four-year financial plan. 1. Not later than September first, two thousand three, the city shall submit to the authority a financial plan which may reflect a declaration of need as provided for in section thirty-eight hundred sixty-one. The plan shall cover the city's two thousand three--two thousand four fiscal year and the three subsequent fiscal years.

2. Not later than fifteen days after such submission, the authority shall approve or disapprove the financial plan.

3. In the event the authority shall disapprove such financial plan based on disapproval of certain actions or assumptions, the authority shall promptly thereafter notify the city of its reasons. Within fifteen days from the receipt of such notification the city shall modify the financial plan, and unless such financial plan modification is approved by the authority, the authority shall impose a financial plan of its own formulation as soon as practicable, as provided for in section thirty-eight hundred fifty-eight of this title.

§ 3857. City financial plans. 1. Commencing with the city's two thousand four--two thousand five fiscal year, the mayor shall prepare and submit to the authority a four-year financial plan, and the mayor's proposed city budget, not later than the date required for submission of such budget to the council pursuant to the city charter. Such financial plan shall, in addition to the requirements for financial plans set forth in subdivisions two and three of this section, contain actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan that annual aggregate operating expenses for such fiscal year shall not exceed annual aggregate operating revenues for such fiscal year. For purposes of determining operating revenues in the fiscal years ending June thirtieth, two thousand four through two thousand seven, such plan may assume receipt by the city of BFSA assistance in the following collective amounts for each respective fiscal year:

Amount	Fiscal Year Ending
2004 amount	2004
2005 amount	2005
2006 amount	2006
2007 amount	2007

As used in this subdivision:

"2004 amount" means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the city has taken recurring actions to close between thirty-five per centum and forty per centum of the projected gap.

"2005 amount" means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the city has taken recurring actions to close between forty-five per centum and fifty per centum of the projected gap.

"2006 amount" means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the city has taken recurring actions to close between sixty per centum and sixty-five per centum of the projected gap.

"2007 amount" means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the city has taken recurring actions to close between eighty per centum and eighty-five per centum of the projected gap.

2. Each financial plan and financial plan modification shall conform to the requirements of paragraph (a) of this subdivision and shall provide that the major operating funds of the city will be balanced in accordance with generally accepted accounting principles. The financial plan shall be developed and approved, and may from time to time be modified, in accordance with the following procedures:

(a) The mayor shall submit to the authority a certificate stating that the budget submitted to the authority is consistent with the financial plan submitted therewith and that operation within the budget is feasible.

(a-1) Prior to the approval or disapproval of the financial plan of the city by the authority, the authority shall request community, educational or other entity or entities to seek public input and comment relating to the city's and/or any covered organization's financial plan. Such community, educational or other entity or entities shall report to the authority on such public input and comment ten days after the city has submitted the financial plan to the authority.

(b) Not more than twenty days after submission of a financial plan or more than fifteen days after submission of a financial plan modification, the authority shall determine whether the financial plan or financial plan modification is complete and complies with the provisions of this section and section thirty-eight hundred fifty-six of this title and the other requirements of this title, and shall submit its recommendations with respect to the financial plan or financial plan modification in accordance with the provisions of this subdivision.

(c) Upon the approval by the city of a budget in accordance with the provisions of the city charter, the mayor shall submit such approved budget and financial plan to the authority accompanied by expenditure, revenue and cash flow projections on a quarterly basis and certify to the authority that such budget is consistent with the financial plan to be submitted to the authority.

(d) If the authority determines that the financial plan or financial plan modification provided pursuant to paragraph (c) or (f) of this subdivision or section thirty-eight hundred fifty-six of this title is complete and complies with the standards set forth in this subdivision, the authority shall make a certification to the city setting forth revenue estimates agreed to by the authority in accordance with such determination.

(e) The authority shall, in the event it disagrees with elements of the financial plan provided pursuant to paragraph (c) or (f) of this subdivision, or section thirty-eight hundred fifty-six of this title, provide notice thereof to the city, with copies to the director of the budget, the state comptroller, the chair of the assembly ways and means committee and the chair of the senate finance committee, if, in the judgment of the authority, such plan: (i) is incomplete; (ii) fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimations; (iii) fails to provide that operations of the city and the covered organizations will be conducted within the cash resources available; or (iv) fails to comply with the provisions of this title or other requirements of law.

(f) After the initial adoption of an approved financial plan, the revenue estimates certified by the authority and the financial plan shall be regularly reexamined by the authority in consultation with the city and the covered organizations and the mayor shall provide a modified financial plan in such detail and within such time periods as the authority may require. In the event of reductions in such revenue estimates, or in the event the city or a covered organization shall expend funds at a rate that would exceed the aggregate expenditure limitation for the city or covered organization prior to the expiration of the fiscal year, the mayor shall submit a financial plan modification to effect such adjustments in revenue estimates and reductions in total expenditures as may be necessary to conform to such revised revenue estimates or aggregate expenditure limitations.

(g) If, within a time period specified by the authority, the city fails to make such modifications after reductions in revenue estimates, or to provide a modified plan in detail and within such time period required by the authority, the authority shall adopt a resolution so finding and shall, as soon as practicable thereafter, formulate and adopt a financial plan to be effective until the authority approves a financial plan submitted by the city. All budgets and operations of the city or a covered organization shall be in conformance and compliance with the financial plan then in effect.

(h) The city shall amend its budget or shall submit a financial plan modification for the approval of the authority such that the city's budget and the approved financial plan shall be consistent. In no event shall the city operate under a budget that is inconsistent with an approved financial plan.

3. The financial plan shall be in such form and shall contain such information for each year during which the financial plan is in effect as the authority may specify, and shall include the city and all the covered organizations, and shall, in such detail as the authority from time to time may prescribe, include statements of all estimated revenues and of all expenditures and cash flow projections of the city and each covered organization.

4. The financial plan shall include any information which the authority may request to satisfy itself that (a) projected employment levels, collective bargaining agreements and other actions relating to employee costs, capital construction and such other matters as the authority may specify are consistent with the provisions made for such obligations in the financial plan, (b) the city and the covered organizations are taking whatever action is necessary with respect to programs mandated by state and federal law to ensure that expenditures for such programs are limited to and covered by the expenditures stated in the financial plan, (c) adequate reserves are provided to maintain essential programs in the event revenues have been overestimated or expenditures underestimated for any period, and (d) the city has adequate cash resources to meet its obligations. In addition, except to the extent such reporting requirements may be modified pursuant to agreement between the authority and the city, for each fiscal year occurring during a control period, or while bonds, notes or other obligations issued pursuant to this title are outstanding, the mayor shall prepare a quarterly report of summarized budget data depicting overall trends, by major category within funds, of actual revenues and budget expenditures for the entire budget rather than individual line items, as well as updated quarterly cash flow projections of receipts and disbursements. Such reports shall compare revenue estimates and appropriations as set forth in such budget and in the quarterly revenue and expenditure projections submitted therewith, with the actual revenues and expenditures made to date. Such reports shall also compare actual receipts and disbursements with the estimates contained in the cash flow projections, together with variances and their explanation. All quarterly reports shall be accompanied by recommendations from the mayor to the council setting forth any remedial action necessary to resolve any unfavorable budget variance including the overestimation of revenues and the underestimation of appropriations. These reports shall be completed within thirty days after the end of each quarter and shall be submitted to the council, the authority, the director of the budget and the state comptroller. For each

fiscal year occurring during a control or advisory period or while bonds, notes or other obligations issued pursuant to this title are outstanding, the mayor shall submit a proposed budget or revision thereto to the authority concurrent with submission to the council, and shall submit the adopted budget to the authority immediately upon its adoption.

5. For each financial plan and financial plan modification to be prepared and submitted by the mayor to the authority pursuant to the provisions of this section, the covered organizations shall submit to the city such information with respect to their projected expenditures, revenues and cash flows for each of the years covered by such financial plan or modification as the mayor shall determine.

§ 3858. Control period. 1. A control period shall begin as of the effective date of this title and may be reimposed during an advisory period if the authority determines at any time that a fiscal crisis is imminent or that any of the following events has occurred or that there is a substantial likelihood and imminence of such occurrence: (a) the city shall have failed to adopt a balanced budget, financial plan or budget modification as required by sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, (b) the city shall have failed to pay the principal of or interest on any of its bonds or notes when due, (c) the city shall have incurred an operating deficit of one percent or more in the aggregate results of operations of any major fund of the city or a covered organization during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles, subject to the provisions of this title, (d) the chief fiscal officer's certification at any time, at the request of the authority or on the chief fiscal officer's initiative, which certification shall be made from time to time as promptly as circumstances warrant and reported to the authority, that on the basis of facts existing at such time such officer could not make the certification described in subdivision one of section thirty-eight hundred fifty-one of this title, or (e) the city shall have violated any provision of this title. A control period shall terminate when the authority has determined that the city qualifies for the onset of an advisory period as provided under subdivision one of section thirty-eight hundred fifty-one of this title. After onset of an advisory period, the authority shall annually consider paragraphs (a) through (e) of this subdivision and determine whether, in its judgment, any of the events described in such paragraphs have occurred and the authority shall publish each such determination. Any certification made by the chief fiscal officer hereunder shall be based on such officer's written determination which shall take into account a report and opinion of an independent expert in the marketing of municipal securities selected by the authority, and the opinion of such expert and any other information taken into account shall be made public when delivered to the authority. Notwithstanding any part of the foregoing to the contrary, in no event shall any control period continue beyond June thirtieth, two thousand thirty-seven.

2. In carrying out the purposes of this title during any control period, the authority:

(a) shall approve or disapprove the financial plan and the financial plan modifications of the city, as provided in sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, and shall formulate and adopt its own modifications to the financial plan, as necessary; such modifications shall become effective upon their adoption by the authority;

(b) may set a maximum level of spending for any proposed budget of any covered organization;

(c) may impose a wage and/or hiring freeze: (i) During a control period, upon a finding by the authority that a wage and/or hiring freeze is essential to the adoption or maintenance of a city budget or a financial plan that is in compliance with this title, the authority shall be empowered to order that all increases in salary or wages of employees of the city and employees of covered organizations which will take effect after the date of the order pursuant to collective bargaining agreements, other analogous contracts or interest arbitration awards, now in existence or hereafter entered into, requiring such salary or wage increases as of any date thereafter are suspended. Such order may also provide that all increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan and step-ups or increments for employees of the city and employees of covered organizations which will take effect after the date of the order pursuant to collective bargaining agreements, other analogous contracts or interest arbitration awards requiring such increased payments as of any date thereafter are, in the same manner, suspended. For the purposes of computing the pension base of retirement allowances, any suspended salary or wage increases and any other suspended payments shall not be considered as part of compensation or final compensation or of annual salary earned or earnable.

(ii) Notwithstanding the provisions of subparagraph (i) of this paragraph, this subdivision shall not be applicable to employees of the city or employees of a covered organization subject to a collective bargaining agreement or an employee of the city or a covered organization not subject to a collective bargaining agreement where the collective bargaining representative or such unrepresented employee has agreed to a deferment of salary or wage increase, by an instrument in writing which has been certified by the authority as being an acceptable and appropriate contribution toward alleviating the fiscal crisis of the city. Any such agreement to a deferral of salary or wage increase may provide that for the purposes of computing the pension base of retirement allowances, any deferred salary or wage increase may be considered as part of compensation or final compensation or of annual salary earned or earnable;

(iii) Notwithstanding the provisions of subparagraphs (i) and (ii) of this paragraph, no retroactive pay adjustments of any kind shall accrue or be deemed to accrue during the period of wage freeze, and no such additional amounts shall be paid at the time a wage freeze is lifted, or at any time thereafter.

(d) shall periodically evaluate the suspension of salary or wage increases or suspensions of other increased payments or benefits, and may, if it finds that the fiscal crisis, in the sole judgment of the authority has abated, terminate such suspensions;

(e) shall review and approve or disapprove any collective bargaining agreement to be entered into by the city or any covered organization, or purporting to bind, the city or any covered organization. Prior to entering into any collective bargaining agreement, the city or any covered organization shall submit a copy of such collective bargaining agreement to the authority, accompanied by an analysis of the projected costs of such agreement and a certification that execution of the agreement will be in accordance with the financial plan. Such submission shall be in such form and include such additional information as the authority may prescribe. The authority shall promptly review the terms of such collective bargaining agreement and the supporting information in order to determine compliance with the financial plan, and shall disapprove any collective bargaining agreement which, in its judgment, would be inconsistent with the financial plan. No collective bargaining agreement binding, or purporting to bind, the city or any covered organization after the effective date of this title shall be valid and binding upon the city or any covered organization unless first approved by resolution of the authority.

(f) shall act jointly with the city in selecting members of any interest arbitration panel. Notwithstanding any other evidence presented by the city, the covered organization or any recognized employee organization, the arbitration panel must, prior to issuing any final decision, provide the authority with the opportunity to present evidence regarding the fiscal condition of the city;

(g) shall take any action necessary in order to implement the financial plan should the city or any covered organization have failed to comply with any material action necessary to fulfill the plan, provided, however, the authority shall provide seven (7) days notice of its determination that the city or any covered organization has not complied prior to taking any such action.

(h) may review and approve or disapprove contracts or other obligations binding or purporting to bind the city or any covered organization;

(i) shall, with respect to any proposed borrowing by or on behalf of the city or any covered organization on or after July first, two thousand three, review the terms of and comment, within thirty days after notification by the city or covered organization of a proposed borrowing, on the prudence of each proposed issuance of bonds or notes to be issued by the city or covered organization and no such borrowing shall be made unless first reviewed, commented upon and approved by the authority. The authority shall comment within thirty days after notification by the city or covered organization of a proposed borrowing to the mayor, the comptroller, the council, the director of the budget and the state comptroller and indicate approval or disapproval of the proposed borrowing. Notwithstanding the foregoing, neither the city nor any covered organization shall be prohibited from issuing bonds or notes to pay outstanding bonds or notes; and, provided further, the first issuance of debt pursuant to chapter six hundred five of the laws of two thousand, as amended, shall be excluded from this requirement;

(j) may review the operation, management, efficiency and productivity of the city and any covered organizations as the authority may determine, and make reports thereon; examine the potential to enhance the revenue of the city or any covered organization; audit compliance with the financial plan in such areas as the authority may determine; recommend to the city and the covered organizations such measures relating to their operations, management, efficiency and productivity as the authority deems appropriate to reduce costs, enhance revenue, and improve services so as to advance the purposes of this title;

(k) may require the city to undertake certain actions to advance serious and in-depth exploration of a merger of services with the county, including identification and analysis of options; development of a detailed fiscal and programmatic plan; identification of city, county, and state impediments; and fostering of informed public debate;

(l) may review and approve or disapprove the terms of any proposed settlement of claims against the city or any covered organization in excess of fifty thousand dollars;

(m) may obtain from the city, the covered organizations, comptroller, and the state comptroller, as appropriate, all information required pursuant to this section, and such other financial statements and projections, budgetary data and information, and management reports and materials as the authority deems necessary or desirable to accomplish the purposes of this title; and inspect, copy and audit such books and records of the city and the covered organizations as the authority deems necessary or desirable to accomplish the purposes of this title;

(n) may perform such audits and reviews of the city and any agency thereof and any covered organizations as it deems necessary; and

(o) may issue, from time to time and to the extent it deems necessary or desirable in order to accomplish the purposes of this title, to the appropriate official of the city and each covered organization, such orders necessary to accomplish the purposes of this title, including, but not limited to, timely and satisfactory implementation of an approved financial plan. Any order so issued shall be binding upon the official to whom it was issued and failure to comply with such order shall subject the official to the penalties described in subdivision three of this section.

3. (a) During any control period (i) no officer or employee of the city or of any of the covered organizations shall make or authorize an obligation or other liability in excess of the amount available therefor under the financial plan as then in effect; (ii) no officer or employee of the city or of any of the covered organizations shall involve the city or any of the covered organizations in any contract or other obligation or liability for the payment of money for any purpose required to be approved by the authority unless such contract has been so approved and unless such contract or obligation or liability is in compliance with the approved financial plan as then in effect.

(b) No officer or employee of the city or any of the covered organizations shall take any action in violation of any valid order of the authority or shall fail or refuse to take any action required by any such order or shall prepare, present or certify any information (including any projections or estimates) or report to the authority or any of its agents that is false or misleading, or, upon learning that any such information is false or misleading, shall fail promptly to advise the authority or its agents thereof.

(c) In addition to any penalty or liability under any other law, any officer or employee of the city or any of the covered organizations who shall violate paragraph (a) or (b) of this subdivision shall be subject to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office by order of either the governor or the mayor; and any officer or employees of the city or any of the covered organizations who shall knowingly and willfully violate paragraph (a) or (b) of this subdivision shall, upon conviction, be guilty of a misdemeanor.

(d) In the case of a violation of paragraph (a) or (b) of this subdivision by an officer or employee of the city or of a covered organization, the mayor or the chief executive officer of such covered organization shall immediately report to the authority all pertinent facts together with a statement of the action taken thereon.

§ 3859. Advisory period. 1. During any advisory period the authority shall:

(a) obtain from the city, the covered organizations and the state comptroller, all information, financial statements and projections, budgetary data and information, and management reports and materials as the authority deems necessary or desirable to accomplish the purposes of this title; and inspect, copy and audit such books and records of the city and the covered organizations as the authority deems necessary or desirable to accomplish the purposes of this title;

(b) review the operation, management, efficiency and productivity of city operations and of any covered organization's operations as the authority may determine, and make reports and recommendations thereon; examine the potential to enhance the revenue of the city or any covered organization; audit compliance with the financial plan in such areas as the authority may determine; recommend to the city and the covered organizations such measures relating to their operations, management, efficiency and productivity as the authority deems appropriate to reduce costs, enhance revenue and improve services so as to advance the purposes of this title;

(c) comment on the provisions of the budget, the financial plan and the financial plan modifications of the city as the authority deems necessary or appropriate;

(d) review and comment on the terms of any proposed borrowing, including the prudence of each proposed issuance of bonds or notes to be issued by the city; and

(e) assess the impact of any collective bargaining agreement to be entered into by the city and such contracts, that, in the judgment of the authority, may have a significant impact on the city's long-term fiscal condition.

2. During any advisory period, the city shall promptly provide all information requested by the authority, review the comments, assessments, reports and recommendations of the authority and publicly respond thereto, addressing such matters as have been raised by the authority.

§ 3860. Additional provisions. 1. Notwithstanding any provision to the contrary in title six-A of article two of the local finance law, neither the city nor any covered organization shall file any petition authorized by such title six-A without the approval of the authority and the state comptroller. No such petition shall be filed as long as any bonds, notes or other obligations issued by the authority remain outstanding. Failure of the authority or the state comptroller to notify the city or a covered organization within thirty days (or such additional time, not exceeding thirty days, as the authority or state comptroller shall have notified the city or covered organization that it requires to complete its review) after submission to it of a petition shall be deemed to constitute authority or state comptroller approval thereof.

2. Nothing contained in this title shall limit the right of the city or any covered organization to comply with the provisions of any existing contract within or for the benefit of the holders of any bonds or notes of the city or such covered organization.

3. Nothing contained in this title shall be construed to limit the power of the city or a covered organization to determine, from time to time, within available funds for the city or for such covered organization, the purposes for which expenditures are to be made by the city or such covered organization and the amounts of such expenditures, consistent with the aggregate expenditures then permitted under the financial plan for the city or such covered organization.

4. The authority's fiscal year shall be July first through June thirtieth.

5. The authority shall adopt guidelines for procurement contracts in accordance with section twenty-eight hundred seventy-nine of this chapter.

§ 3861. Declaration of need for financing assistance to the city. 1. The city shall determine and declare whether it requests the authority to undertake a financing of costs. Any such request shall be made by and through the mayor after approval by the council. Any such financing shall be consistent with the adopted budget and financial plan of the city required under sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, as applicable.

2. Upon declaration by the city of such need, the mayor shall request that the authority provide financing in accordance with the provisions of this title.

3. Upon approval by the authority, in its discretion in accordance with the provisions of this title, of such financing request, the authority may enter into agreements with the city, and the city, acting by the mayor, approved by the council, may enter into agreements with the authority in accordance with the provisions of this title as to the financing of costs by the authority, the application of revenues to the authority to secure its bonds, notes or other obligations, and further assurances in respect of the authority's receipt of such revenues and the fiscal affairs of the city, including but not limited to the manner of preparation of budget reports and financial plans as provided for in sections thirty-eight hundred fifty-six and thirty-eight hundred fifty-seven of this title, as applicable. The authority's revenues shall not be deemed funds of the city. Any such agreements with the city may be pledged by the authority to secure its bonds, notes or other obligations and may not be modified thereafter except as provided by the terms of the pledge.

4. Such agreements with the city shall (a) describe the particular financeable costs to be financed in whole or in part by the authority, (b) describe the plan for the financing of the costs, (c) set forth the method by which and by whom and the terms and conditions upon which money provided by the authority shall be disbursed to the city, (d) where appropriate, provide for the payment of such costs by the city under such contracts as shall be awarded by the city or for the city to make a capital contribution of such proceeds as city funds to another entity for the payment or reimbursement of such costs, and (e) require every contract entered into by the city, or another entity receiving funds from the city, for costs to be financed in whole or in part by the authority to be subject to the provisions of the city charter and other applicable laws governing contracts of the city or such entity, as the case may be.

5. At least annually, commencing no more than one year after the date on which authority bonds, notes or other obligations are first issued, the mayor shall report to the authority, the comptroller, the council, the state comptroller, the chairs of the senate finance committee and the assembly ways and means committee, and the director of the budget on the costs financed by the authority and the amount of such financing over the past year, which report shall describe, by reference to the specific items in the city's budget or financial plan, its compliance therewith.

§ 3862. Bonds, notes or other obligations of the authority. 1. The authority shall have the power and is hereby authorized from time to time to issue bonds, notes or other obligations in such principal amounts as it may determine to be necessary pursuant to section thirty-eight hundred sixty-one of this title to pay any financeable costs and to fund reserves to secure such bonds, notes or other obligations, including incidental expenses in connection therewith; provided, however, the aggregate principal amounts of such bonds, notes or other obligations outstanding at any one time shall not exceed one hundred seventy-five million dollars, and such bonds shall be tax exempt to the maximum extent practicable, as provided by section thirty-eight hundred sixty-nine of this title. Bonds, notes or other obligations issued by the authority to (a) pay reasonable costs of issuance, as determined by the authority, (b) establish debt service reserve funds, or (c) refund or advance refund any outstanding bonds or notes of the city or the authority shall not count against the above limit on outstanding bonds, notes or other obligations of the authority, nor shall any accretion of principal of bonds that would constitute interest under the Internal Revenue Code of 1986, as amended, count against such limit.

2. The authority may issue bonds, notes or other obligations to refund bonds, notes or other obligations previously issued, but in no event shall the final maturity of any bonds, notes or other obligations of the authority be later than June thirtieth, two thousand thirty-seven. No bond of the authority shall mature more than thirty years from the date of its issue, or after June thirtieth, two thousand thirty-seven, whichever date is earlier.

3. Bonds, notes or other obligations of the authority may be issued, amortized, redeemed and refunded without regard to the provisions of the local finance law.

4. The directors may delegate to the chairperson or other director or officer of the authority the power to set the financial terms of bonds, notes or other obligations.

5. The authority in its sole discretion shall determine that the issuance of its bonds, notes or other obligations is appropriate. Bonds, notes or other obligations shall be authorized by resolution of the authority. Bonds shall bear interest at such fixed or variable rates and shall be in such denominations, be in such form, either coupon or registered, be sold at such public or private sale, be executed in such manner, be denominated in United States currency, be payable in such medium of payment, at such place and be subject to such terms of redemption as the authority may provide in such resolution. No bonds, notes or other obligations of the authority may be sold at private sale unless such sale and the terms thereof have been approved in writing by (a) the state comptroller where such sale is not to the state comptroller, or (b) the director of the budget, where such sale is to the state comptroller.

6. Any resolution or resolutions authorizing bonds, notes or other obligations or any issue of bonds, notes or other obligations may contain provisions which may be a part of the contract with the holders of the bonds, notes or other obligations thereby authorized as to: (a) pledging all or part of the authority's revenues, together with any other moneys, securities or contracts, to secure the payment of the bonds, notes or other obligations, subject to such agreements with bondholders as may then exist; (b) the setting aside of reserves and the creation of sinking funds and the regulation and disposition thereof; (c) limitations on the purposes to which the proceeds from the sale of bonds, notes or other obligations may be applied; (d) limitations on the issuance of additional bonds, notes or other obligations, the terms upon which additional bonds, notes or other obligations may be issued and secured and the refunding of bonds, notes or other obligations; (e) the

procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, including the proportion of bondholders which must consent thereto and the manner in which such consent may be given; (f) vesting in a trustee or trustees such properties, rights, powers and duties in trust as the authority may determine, which may include any or all of the rights, powers and duties of the trustee appointed by the bondholders pursuant to section thirty-eight hundred sixty-three of this title and limiting or abrogating the rights of the bondholders to appoint a trustee under such section or limiting the rights, duties and powers of such trustee; and (g) defining the acts or omissions of the authority to act which may constitute a default in the obligations and duties of the authority to the bondholders and providing for the rights and remedies of the bondholders in the event of such default, including as a matter of right the appointment of a receiver; provided, however, that such acts or omissions of the authority to act which may constitute a default and such rights and remedies shall not be inconsistent with the general laws of the state and other provisions of this title.

7. In addition to the powers conferred upon the authority in this section to secure its bonds, notes or other obligations, the authority shall have power in connection with the issuance of bonds, notes or other obligations to enter into such agreements for the benefit of the bondholders as the authority may deem necessary, convenient or desirable concerning the use or disposition of its revenues or other moneys, including the entrusting, pledging or creation of any other security interest in any such revenues, moneys and the doing of any act, including refraining from doing any act, which the authority would have the right to do in the absence of such agreements. The authority shall have power to enter into amendments of any such agreements within the powers granted to the authority by this title and to perform such agreements. The provisions of any such agreements may be made a part of the contract with the holders of bonds, notes or other obligations of the authority.

8. Notwithstanding any provision of the uniform commercial code to the contrary, any pledge of or other security interest in revenues, moneys, accounts, contract rights, general intangibles or other personal property made or created by the authority shall be valid, binding and perfected from the time when such pledge is made or other security interest attaches without any physical delivery of the collateral or further act, and the lien of any such pledge or other security interest shall be valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the authority irrespective of whether such parties have notice thereof. No instrument by which such a pledge or security interest is created nor any financing statement need be recorded or filed to be valid and binding.

9. Whether or not the bonds, notes or other obligations of the authority are of such form and character as to be negotiable instruments under the terms of the uniform commercial code, the bonds, notes or other obligations are hereby made negotiable instruments within the meaning of and for all the purposes of the uniform commercial code, subject only to the provisions of the bonds for registration.

10. Neither the directors of the authority nor any person executing bonds, notes or other obligations shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof. The bonds, notes or other obligations of the authority shall not be a debt of either the state or the city, and neither the state nor the city shall be liable thereon, nor shall they

be payable out of any funds other than those of the authority; and such bonds, notes or other obligations shall contain on the face thereof a statement to such effect.

11. The authority, subject to such agreements with bondholders as then may exist, shall have power to purchase bonds, notes or other obligations of the authority out of any moneys available therefor, which shall thereupon be canceled.

§ 3863. Remedies of bondholders. Subject to any resolution or resolutions adopted pursuant to paragraph (f) of subdivision six of section thirty-eight hundred sixty-two of this title:

1. In the event that the authority shall default in the payment of principal of or interest on any issue of bonds, notes or other obligations after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty days, or shall default in any agreement made with the holders of any issue of bonds, notes, or other obligations, the holders of at least twenty-five per centum in aggregate principal amount of the bonds, notes or other obligations of such issue then outstanding, by instrument or instruments filed in the office of the clerk of the county and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of such bonds for the purpose provided in this section.

2. Such trustee may, and upon written request of the holders of at least twenty-five per centum in principal amount of such bonds, notes or other obligations outstanding shall, in his or her or its own name: (a) by action or proceeding in accordance with the civil practice law and rules, enforce all rights of the bondholders and require the authority to carry out any other agreements with the holders of such bonds, notes or other obligations and to perform its duties under this title; (b) bring an action or proceeding upon such bonds, notes or other obligations; (c) by action or proceeding, require the authority to account as if it were the trustee of an express trust for the holder of such bonds, notes or other obligations; and (d) by action or proceeding, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds, notes or other obligations.

3. Such trustee shall, in addition to the provisions of subdivisions one and two of this section, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in this section or incident to the general representation of bondholders in the enforcement and protection of their rights.

4. The supreme court of the county shall have jurisdiction of any action or proceeding by the trustee on behalf of such bondholders.

§ 3864. Intercept of city tax revenues and state aid revenues. 1. The state comptroller, in accordance with section twelve hundred sixty-one of the tax law, shall pay at least monthly to the authority, for the period beginning upon the effective date of this title through June thirtieth, two thousand thirty-seven, the city tax revenues from the county's taxes imposed pursuant to the authority of section twelve hundred ten of the tax law. During such period, the county shall impose such taxes at a rate of no less than three percent. In addition, during such period, the state comptroller shall make such payments of city tax revenues to the authority pursuant to the then current agreement under subdivision (c) of section twelve hundred sixty-two of the tax law among the county and the cities in the county; provided however, in the event that such agreement shall have expired or been terminated during such period, notwithstanding any other provision of general, special or local law to the contrary, the state comptroller shall make such payments pursuant to the provisions of paragraph two of subdivision (d) of section twelve hundred sixty-two of the tax law.

2. Commencing on the effective date of this title, and until June thirtieth, two thousand thirty-seven, the state comptroller shall pay state aid revenues to the authority.

3. The city shall have no right, title, or interest in the city tax revenues or state aid revenues paid to the authority pursuant to this section.

§ 3865. Resources of the authority. 1. Subject to the provisions of this title, the directors of the authority shall receive, accept, invest, administer, expend and disburse for its corporate purposes all money of the authority from whatever sources derived including (a) city tax revenues; (b) state aid revenues; (c) the proceeds of bonds, notes or other obligations; and (d) any other payments, gifts or appropriations to the authority from any other source.

2. Subject to the provisions of any contract with bondholders, (a) the money of the authority shall be paid to the authority and shall not be commingled with any other money, and (b) all money received by the authority which, together with other money of the authority available for the expenses of the authority, the payment of debt service and payments to reserve funds, exceeds the amount required for such purposes, as determined by the authority, shall be transferred to the city as frequently as practicable.

3. The money in any of the authority's accounts shall be paid out on checks signed by the treasurer of the authority, or by other lawful and appropriate means such as wire or electronic transfer, on requisitions of the chairperson of the authority or of such other officer as the directors shall authorize to make such requisition, or pursuant to a bond resolution or trust indenture.

4. All deposits of authority money shall be secured by obligations of the United States or of the state or of the city at a market value at least equal at all times to the amount of the deposit, and all banks and trust companies are authorized to give such security for such deposits. The authority shall have the power, notwithstanding the provisions of this section, to contract with the holders of any of its bonds, notes or other obligations as to the custody, collection, securing, investment and payment of any money of the authority or any money held in trust or otherwise for the payment of bonds, notes or other obligations or in any way to secure bonds, notes or other obligations, and to carry out any such contract notwithstanding that such contract may be inconsistent with the other provisions of this title. Money held in trust or otherwise for the payment of bonds, notes or other obligations or in any way to secure bonds, notes or other obligations, and deposits of such money, may be secured in the same manner as money of the authority, and all banks and trust companies are authorized to give such security for such deposits.

5. Revenues of the authority shall be applied in the following order of priority: first to pay debt service on the authority's bonds, notes, or other obligations; then to pay the authority's operating expenses not otherwise provided for; and then, subject to the authority's agreements with the city, to transfer the balance of revenues not required to meet contractual or other obligations of the authority to the city as frequently as practicable.

6. (a) Any such payment of state aid revenues to the authority shall not obligate the state to make available, nor entitle the city to receive, any additional state aid.

(b) Nothing contained in this title shall be construed to create a debt of the state within the meaning of any constitutional or statutory provisions. Any provision with respect to state aid or state aid revenues shall be deemed executory only to the extent of moneys available, and no liability shall be incurred by the state beyond the moneys available for that purpose, and any such payment by the comptroller of state aid revenues is subject to annual appropriation of state aid by the state legislature.

(c) Nothing contained in this title shall be deemed to restrict the right of the state to amend, repeal, modify, or otherwise alter section fifty-four of the state finance law or any provision relating to state aid to municipalities. The authority shall include within any resolution, contract, or agreement with holders of its bonds, notes or other obligations a provision which states that no default occurs as a result of the state's exercising its right to amend, repeal, modify, or otherwise alter section fifty-four of the state finance law or any other provision relating to state aid to municipalities.

§ 3866. Agreement with the state. 1. The state does hereby pledge to and agree with the holders of any issue of bonds, notes or other obligations issued by the authority pursuant to this title and secured by such a pledge that the state will not limit, alter or impair the rights hereby vested in the authority to fulfill the terms of any agreements made with such holders pursuant to this title, or in any way impair the rights and remedies of such holders or the security for such bonds, notes or other obligations for so long as such bonds, notes or other obligations are outstanding and until all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged. The authority is authorized to include this pledge and agreement of the state in any agreement with the holders of such bonds, notes or other obligations. Nothing contained in this title shall be deemed to restrict the right of the state to amend, modify, repeal or otherwise alter: (a) section fifty-four of the state finance law or any other provision relating to state aid, or (b) statutes imposing or relating to taxes or fees, or appropriations relating thereto.

2. The authority shall not include within any resolution, contract or agreement with holders of the bonds, notes or other obligations issued under this title any provision which provides that a default occurs as a result of the state exercising its right to amend, repeal, modify or otherwise alter: (a) section fifty-four of the state finance law or any other provision relating to state aid or (b) such taxes, fees, or appropriations. Nothing in this title shall be deemed to obligate the state to make any payments or impose any taxes to satisfy the debt service obligations of the authority.

§ 3867. Agreement with the city. The city hereby covenants and agrees with the holders of bonds, notes or other obligations issued by the authority pursuant to this title, that the city will not take actions which limit, or in any way impair the rights and remedies of such holders or the security for such bonds, notes or other obligations while such bonds, notes or other obligations are outstanding.

§ 3868. Bonds, notes or other obligations legal for investment and deposit. The bonds, notes or other obligations of the authority are hereby made securities in which all public officers and bodies of the state and all public corporations, municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, conservators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds, notes or other obligations of the state, may properly and legally invest funds, including capital, in their control or belonging to them. The bonds, notes or other obligations are also hereby made securities which may be deposited with and may be received by all public officers and bodies of the state and all municipalities and public corporations for any purpose for which the deposit of bonds, notes or other obligations of the state is now or may hereafter be authorized.

§ 3869. Tax exemption. 1. It is hereby determined that the creation of the authority and the carrying out of its corporate purposes are in all respects for the benefit of the people of the state of New York and are public purposes. Accordingly, the authority shall be regarded as performing an essential governmental function in the exercise of the powers conferred upon it by this title. The authority shall not be required to pay any fees, taxes, special ad valorem levies or assessments of any kind, whether state or local, including, but not limited to, fees, taxes, special ad valorem levies or assessments on real property, franchise taxes, sales taxes or other taxes, upon income or with respect to any property owned by it or under its jurisdiction, control or supervision, or upon the uses thereof, or upon or with respect to its activities or operations in furtherance of the powers conferred upon it by this title, or upon or with respect to any fares, tolls, rentals, rates, charges, fees, revenues or other income received by the authority.

2. Any bonds, notes or other obligations issued pursuant to this title, and the income therefrom shall, to the maximum extent practicable, be exempt from taxation.

§ 3870. Actions against the authority. 1. Except in an action for wrongful death, no action or proceeding shall be prosecuted or maintained against the authority for personal injury or damage to real or personal property alleged to have been sustained by reason of the negligence or wrongful act of the authority or of any director, officer, agent or employee thereof, unless (a) it shall appear by and as an allegation in the complaint or moving papers that a notice of claim shall have been made and served upon the authority, within the time limit prescribed by and in compliance with section fifty-e of the general municipal law, (b) it shall appear by and as an allegation in the complaint or moving papers that at least thirty days have elapsed since the service of such notice and that adjustment or payment thereof has been neglected or refused, and (c) the action or proceeding shall be commenced within one year after the happening of the event upon which the claim is based. An action against the authority for wrongful death shall be commenced in accordance with the notice of claim and time limitation provisions of title eleven of article nine of this chapter.

2. Wherever a notice of claim is served upon the authority, it shall have the right to demand an examination of the claimant relative to the occurrence and extent of the injuries or damages for which claim is made, in accordance with the provisions of section fifty-h of the general municipal law.

3. The authority may require any person presenting for settlement an account or claim for any cause whatever against the authority to be sworn before a director, counsel or an attorney, officer or employee thereof designated for such purpose, concerning such account or claim and when so sworn, to answer orally as to any facts relative to such account or claim. The authority shall have power to settle or adjust any claims in favor of or against the authority.

4. The rate of interest to be paid by the authority upon any judgment for which it is liable, other than a judgment on bonds, notes or other obligations, shall not exceed the maximum rate of interest on judgments and accrued claims against municipal authorities as provided in the general municipal law. Interest on payments of principal or interest on any bonds, notes or other obligations in default shall accrue at the rate specified in the general municipal law until paid or otherwise satisfied.

5. The venue of every action, suit or special proceeding brought against the authority shall be the supreme court in the county.

6. Neither any director of the authority nor any officer, employee, or agent of the authority, while acting within the scope of his or her authority, shall be subject to any liability resulting from exercising or carrying out any of the powers given in this title.

7. Indemnification. (a) The state shall hold harmless and indemnify directors, officers and employees of the authority, all of whom shall be deemed officers and employees of the state for purposes of section seventeen of the public officers law, against any claim, demand, suit, or judgment arising by reason of any act or omission to act by such director, officer, or employee occurring in the discharge of his or her duties and within the scope of his or her service on behalf of the authority including any claim, demand, suit or judgment based on allegations that financial loss was sustained by any person in connection with the acquisition, disposition or holding of securities or other obligations. In the event of any such claim, demand, suit or judgment, a director, officer or employee of the authority shall be held harmless and indemnified, notwithstanding the limitations of subdivision one of section seventeen of the public officers law, unless such individual is found by a final judicial determination not to have acted, in good faith, for a purpose which he or she reasonably believed to be in the best interest of the authority or not to have had reasonable cause to believe that his or her conduct was lawful.

(b) In connection with any such claim, demand, suit, or judgment, any director, officer or employee of the authority shall be entitled to representation by private counsel of his or her choice in any civil judicial proceeding whenever the attorney general determines based upon his or her investigation and review of the facts and circumstances of the case that representation by the attorney general would be inappropriate. The attorney general shall notify the individual in writing of such determination that the individual is entitled to be represented by private counsel. The attorney general may require, as a condition to payment of the fees and expenses of such representative, that appropriate groups of such individuals be represented by the same counsel. If the individual or groups of individuals is entitled to representation by private counsel under the provisions of this section, the attorney general shall so certify to the state comptroller. Reasonable attorneys' fees and litigation expenses shall be paid by the state to such private counsel from time to time during the pendency of the civil action or proceeding, subject to certification that the individual is entitled to representation under the terms and conditions of this section by the authority, upon the audit and warrant of the state comptroller. The provisions of this subdivision shall be in addition to and shall not supplant any indemnification or other benefits heretofore or hereafter conferred upon directors, officers, or employees of and representatives to the authority by section seventeen of the public officers law, by action of the authority or otherwise. The provisions of this subdivision shall inure only to directors, officers and employees of the authority, shall not enlarge or diminish the rights of any other party, and shall not impair, limit or modify the rights and obligations of any insurer under any policy of insurance.

§ 3871. Audits. 1. The accounts of the authority shall be subject to the audit of the comptroller and the state comptroller. In addition, the authority shall be subject to an annual financial audit performed by an independent certified accountant selected by the authority. Such audit report shall be submitted to the city, the presiding officer, the comptroller, the governor, the state comptroller, the chair and ranking minority member of the senate finance committee and the chair and ranking minority member of the assembly ways and means committee.

2. For each fiscal year during the existence of the authority, and within one hundred twenty days after the close of the city's fiscal year, the city shall submit its audited financial statements to the authority.

§ 3872. Effect of inconsistent provisions. Insofar as the provisions of this title are inconsistent with the provisions of any other act, general or special, or of any charter, local law, ordinance or resolution of any municipality, the provisions of this title shall be controlling. Nothing contained in this section shall be held to supplement or otherwise expand the powers or duties of the authority otherwise set forth in this title.

§ 3873. Separability; construction. If any clause, sentence, paragraph, section, or part of this title shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section, or part thereof involved in the controversy in which such judgment shall have been rendered. The provisions of this title shall be liberally construed to assist the effectuation of the public purposes furthered hereby.

§ 3. Subdivision (a) of section 1261 of the tax law, as separately amended by chapter 84 and section 2 of part A of chapter 88 of the laws of 2000, is amended to read as follows:

(a) All taxes, penalties and interest imposed by cities, counties or school districts under the authority of section twelve hundred ten, twelve hundred eleven, twelve hundred twelve or twelve hundred twelve-A of this article, which are collected by the commissioner, shall be deposited daily with such responsible banks, banking houses or trust companies, as may be designated by the state comptroller, to the credit of the comptroller, in trust for the cities, counties or school districts imposing the tax or for the Nassau county interim finance authority or the Buffalo fiscal stability authority created by the public authorities law, to the extent that net collections from taxes imposed by Nassau county are payable to [~~such~~] the Nassau county interim finance authority or to the extent that net collections from taxes imposed by Erie county are payable to the Buffalo fiscal stability authority, or for any public benefit corporation to which the tax may be payable pursuant to law. Such deposits and deposits received pursuant to subdivision (b) of section twelve hundred fifty-two of this article shall be kept in trust and separate and apart from all other monies in the possession of the comptroller. The comptroller shall require adequate security from all such depositories of such revenue collected by the commissioner, including the deposits received pursuant to subdivision (b) of section twelve hundred fifty-two of this article. Any amount payable to such [~~authority~~] authorities pursuant to the public authorities law shall, at the time it is otherwise payable to Nassau county or Erie county, respectively, as specified in this section, be paid instead to such respective authority. Any amount payable to a public benefit corporation pursuant to law shall, at the time it is otherwise payable to the taxing jurisdiction as specified in this section, be paid instead to such public benefit corporation.

§ 4. Subdivision (c) of section 1261 of the tax law, as amended by chapter 84 of the laws of 2000, is amended to read as follows:

(c) The comptroller, after reserving such refund fund and such costs shall, on or before the twelfth day of each month pay to the appropriate fiscal officers of the foregoing taxing jurisdictions the taxes, penalties and interest imposed by such jurisdictions under the authority of sections twelve hundred ten through twelve hundred twelve-A, collected by the commissioner pursuant to this article during the next preceding calendar month, provided, however, that the comptroller shall on or before the last day of June and December make a partial payment consisting of the collections made during and including the first twenty-five days of said months to said fiscal officers of the foregoing taxing jurisdictions. However, the taxes, penalties and interest from the additional one percent rate which the city of Yonkers is authorized to impose pursuant to section twelve hundred ten, after the comptroller has reserved such refund fund and such cost shall be paid to the special sales and compensating use tax fund for the city of Yonkers established by section ninety-two-f of the state finance law at the times set forth in the preceding sentence. However, the taxes, penalties and interest which the county of Nassau or the county of Erie is authorized to impose pursuant to section twelve hundred ten of this article, other than such taxes in the amounts described, respectively, in subdivisions one and two of section one thousand two hundred sixty-two-e of this article, during the period that such section authorizes Nassau county to establish special or local assistance programs thereunder, together with any penalties and interest related thereto, and after the comptroller has reserved such refund fund and such costs, shall, commencing on the next payment date after the effective date of this sentence and of each month thereafter, until such date as the Nassau county interim finance authority shall have no obligations outstanding, or the Buffalo fiscal stability authority shall cease to exist, be paid by the comptroller to the Nassau county interim finance authority to be applied by the Nassau county interim finance authority, or to the Buffalo fiscal stability authority to be applied by the Buffalo fiscal stability authority, as the case may be, in the following order of priority: first pursuant to the Nassau county interim finance authority's contracts with bondholders or the Buffalo fiscal stability authority's contracts with bondholders, respectively, then to pay the Nassau county interim finance authority's operating expenses not otherwise provided for or the Buffalo fiscal stability authority's operating expenses not otherwise provided for, respectively, and then pursuant to the Nassau county interim finance authority's agreements with the county of Nassau, which agreements shall require the Nassau county interim finance authority to transfer such taxes, penalties and interest remaining after providing for contractual or other obligations of the Nassau county interim finance authority, and subject to any agreement between such authority and the county of Nassau, to the county of Nassau as frequently as practicable or the Buffalo fiscal stability authority's agreements with the city of Buffalo, which agreements shall require the Buffalo fiscal stability authority to transfer such taxes, penalties and interest remaining after providing for contractual or other obligations of the Buffalo fiscal stability authority, and subject to any agreement between such authority and the city of Buffalo, to the city of Buffalo as frequently as practicable. During the period that the comptroller is required to make payments to the Nassau county interim finance authority described in the previous sentence, the county of Nassau shall have no right, title or interest in or to such taxes, penalties and interest required to be paid to the Nassau county interim finance authority, except as provided in such authority's agreements with the county of Nassau. During the period that the comptroller is required to make payments to the Buffalo fiscal stability authority described in the second previous sentence, the city of Buffalo shall have no right, title or interest in or to such taxes, penalties and interest required to be paid to the Buffalo fiscal stability authority, except as provided in such authority's agreements with the city of Buffalo. The amount so payable shall be certified to the comptroller by the commissioner or the commissioner's delegate, who shall not be held liable for any inaccuracy in such certificate. Provided, however, any such certification may be based on such information as may be available to the commissioner at the time such certificate must be made under this section and may be estimated on the basis of percentages or other indices calculated from distributions for prior periods. Where the amount so paid over to any city, county, school district or the special sales and compensating use tax fund for the city of Yonkers in any such distribution or to such authority is more or less than the amount then due to such city, county, school district or such fund or to such authority, the amount of the overpayment or underpayment shall be certified to the comptroller by the commissioner or the commissioner's delegate, who shall not be held liable for any inaccuracy in such certificate. The amount of the overpayment or underpayment shall be so certified to the comptroller as soon after the discovery of the overpayment or underpayment as reasonably possible and subsequent payments and distributions by the comptroller to such city, county, school district or the special sales and compensating use tax fund for the city of Yonkers or to such authority shall be adjusted by subtracting the amount of any such overpayment from or by adding the amount of any such underpayment to such number of subsequent payments and distributions as the comptroller and the commissioner shall consider reasonable in view of the amount of the overpayment or underpayment and all other facts and circumstances.

§ 5. Subdivision (d) of section 1262 of the tax law, as amended by chapter 1190 of the laws of 1971, the opening paragraph as amended and the second undesignated paragraph as added by chapter 444 of the laws of 1996, and the closing paragraph as amended by chapter 678 of the laws of 1973, is amended to read as follows:

(d) (1) Where a county and a city therein both impose the same taxes described in sections twelve hundred two, twelve hundred three or twelve hundred ten, the county shall have power to impose or continue to impose such taxes on the area of the county outside such city up to the maximum rate authorized therefor. In such event, the portion of the net collections received by the county by reason of its additional rate on such area, shall be allocated quarterly to the several cities and towns in such area on the basis of the ratio which the full valuation of real property in each city or town bears to the aggregate full valuation of real property in all of the cities and towns in such area provided, however, that, in such event, in Niagara county, such portion of net collections received by Niagara county shall be allocated quarterly to the several cities and towns in such area on the basis of the ratio which the population of each city or town bears to the aggregate population of all of the cities and towns in such area, such populations determined in accordance with the latest decennial federal census or special population census taken pursuant to section twenty of the general municipal law completed and published prior to the end of the quarter for which the allocation is made, which special census must include the entire area of the county. The amount allocated to each town shall be applied first to reduce county taxes levied upon real property in such town and any balance remaining shall be applied to reduce general town taxes levied upon real estate; provided, however, that any town or village other than any town or village within a county having a population of one million or more and containing not more than three towns, shall have power, in the manner provided in subdivision (c) of this section, to elect to receive a direct payment of the amounts which would be so applied to reduce county taxes and general town taxes levied upon real property in such town or village. Where any village has elected to be paid directly as provided in this subdivision, the amount to be paid to such village shall be determined by the ratio that the full valuation of real property in the village or portion thereof within the town in which such village is located bears to the full valuation of real property in the entire town. If a village wholly or partially within a town has so elected to be paid directly, but the town in which such village is located has not so elected, the amount allocated to the town in which such village is wholly or partially situated shall be applied to reduce county taxes and general town taxes in the area of the town outside such village or villages. If the amount allocated to a town exceeds the amount of the county taxes and general town taxes levied upon real property in the town, the excess shall be apportioned between the town and each village, if any, wholly or partially situated therein, and paid over or applied in the manner provided in subdivision (c) of this section. The amount allocated to each city in such area shall be similarly applied to reduce county taxes levied upon real property in such city, except that if any such city except any city within a single county having a population of one million or more and containing no more than three towns, shall so provide in the manner provided in subdivision (c) of this section, the amount which would be so applied to reduce county taxes levied upon real property in such city shall be paid directly to the city in lieu of such tax reduction. If the amount allocated to the city exceeds the amount of the county tax levied upon real property in the city, such excess shall be paid to the city.

Notwithstanding any provision of this section to the contrary, where a municipal assistance corporation has been created under article ten of the public authorities law for a city located in a county, any amount which such county allocates to such city under this subdivision shall be payable directly to such city and shall not be provided by reduction of the county tax levied upon real property in such city for so long as such municipal assistance corporation shall exist.

Any local law, ordinance or resolution enacted by a city, town or village pursuant to this subdivision shall only be effective for the calendar year or years subsequent [~~too~~] to its enactment and, further, shall only be effective if it is mailed by registered or certified mail to the chief fiscal officer of the county in which the city, [~~or~~] town or village is located before the first day of September preceding the calendar year for which the election is made by such local law, ordinance or resolution. Such local law, ordinance or resolution shall remain in effect for subsequent calendar years until rescinded by local law, ordinance or resolution, but the enactment shall rescind the election only if it is mailed, in the same manner already provided for in this subdivision, to the chief fiscal officer of the county in which the city, town or village is located before the first day of September preceding the calendar year for which the [~~recission~~] rescission to apply. The foregoing provisions of this paragraph notwithstanding, where a county imposes a sales and use tax to be effective on a date after the adoption of its budget but within the fiscal year for which such budget has been adopted, and the estimated revenues from such tax include net collections received by the county by reason of its additional rate on the area of the county outside a city imposing the same taxes, and such net collections have not been included in budget revenues for such fiscal year for allocation in reduction of taxes on real property as provided in this subdivision, a local law, ordinance or resolution enacted by a city, town or village pursuant to this subdivision shall be effective as of the effective date of such tax if mailed by registered or certified mail to the chief fiscal officer of the county in which the city, town or village is located within thirty days after the enactment by the county of the local law, ordinance or resolution imposing such tax.

(2) Notwithstanding any provision of general, special or local law to the contrary, if at any time from the effective date of the Buffalo fiscal stability authority act until June thirtieth, two thousand thirty-seven any city in the county of Erie imposes sales and compensating use taxes described in section twelve hundred ten of this article, then the county of Erie shall not be required to allocate under paragraph one of this subdivision, any net collections from its taxes imposed during such period; instead it shall continue to allocate net collections from its taxes to any city in the county which does not impose such taxes and to the area of the county outside the cities, in accordance with the terms of the most current agreement among such county and the cities in the county entered into pursuant to subdivision (c) of this section.

§ 6. Sections 3700, 3701 and 3702 of the public authorities law, as renumbered by chapter 5 of the laws of 1997, are renumbered sections 3900, 3901 and 3902.

§ 7. If any section, part or provision of this act shall be adjudged unconstitutional or invalid or ineffective by any court of this state, any party in interest shall have a direct appeal as of right to the court of appeals of the state of New York, and such appeal shall have preference over all other causes. Service upon the adverse party of a notice of appeal shall stay the effect of the judgment or order appealed from pending the hearing and determination of the appeal.

§ 8. Separability. If any clause, sentence, paragraph, section or part of this act be adjudged by any court of competent jurisdiction to be unconstitutional, invalid, or ineffective, such judgment shall not affect, impair or invalidate the remainder thereof but shall be confined in its operation to the clause, sentence, paragraph, section or part thereof directly involved in the controversy in which such judgment shall have been rendered.

§ 9. This act shall take effect immediately.

The Legislature of the STATE OF NEW YORK ss:

Pursuant to the authority vested in us by section 70-b of the Public Officers Law, we hereby jointly certify that this slip copy of this session law was printed under our direction and, in accordance with such section, is entitled to be read into evidence.

JOSEPH L. BRUNO
Temporary President of the Senate

SHELDON SILVER
Speaker of the Assembly

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.

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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

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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.

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§ 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,

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in subdivisions one and two of section one thousand two hundred sixty-two-e of this [article] part, during the period that such section authorizes Nassau county to establish special or local assistance programs thereunder, together with any penalties and interest related thereto, and after the comptroller has reserved such refund fund and such costs, shall, commencing on the next payment date after the effective date of this sentence and of each month thereafter, until such date as the Nassau county interim finance authority shall have no obligations outstanding, or the Buffalo fiscal stability authority shall cease to exist, be paid by the comptroller to the Nassau county interim finance authority to be applied by the Nassau county interim finance authority, or to the Buffalo fiscal stability authority to be applied by the Buffalo fiscal stability authority, as the case may be, in the following order of priority: first pursuant to the Nassau county interim finance authority's contracts with bondholders or the Buffalo fiscal stability authority's contracts with bondholders, respectively, then to pay the Nassau county interim finance authority's operating expenses not otherwise provided for or the Buffalo fiscal stability authority's operating expenses not otherwise provided for, respectively, and then pursuant to the Nassau county interim finance authority's agreements with the county of Nassau, which agreements shall require the Nassau county interim finance authority to transfer such taxes, penalties and interest remaining after providing for contractual or other obligations of the Nassau county interim finance authority, and subject to any agreement between such authority and the county of Nassau, to the county of Nassau as frequently as practicable or pursuant to the Buffalo fiscal stability authority's agreements with the city of Buffalo, which agreements shall require the Buffalo fiscal stability authority to transfer such taxes, penalties and interest remaining after providing for contractual or other obligations of the Buffalo fiscal stability authority, and subject to any agreement between such authority and the city of Buffalo, to the city of Buffalo or the city of Buffalo school district, as the case may be, as frequently as practicable. During the period that the comptroller is required to make payments to the Nassau county interim finance authority described in the previous sentence, the county of Nassau shall have no right, title or interest in or to such taxes, penalties and interest required to be paid to the Nassau county interim finance authority, except as provided in such authority's agreements with the county of Nassau. During the period that the comptroller is required to make payments to the Buffalo fiscal stability authority described in the second previous sentence, the city of Buffalo and such school district shall have no right, title or interest in or to such taxes, penalties and interest required to be paid to the Buffalo fiscal stability authority, except as provided in such authority's agreements with the city of Buffalo. The amount so payable shall be certified to the comptroller by the commissioner or the commissioner's delegate, who shall not be held liable for any inaccuracy in such certificate. Provided, however, any such certification may be based on such information as may be available to the commissioner at the time such certificate must be made under this section and may be estimated on the basis of percentages or other indices calculated from distributions for prior periods. Where the amount so paid over to any city, county, school district or the special sales and compensating use tax fund for the city of Yonkers in any such distribution or to such authority is more or less than the amount then due to such city, county, school district or such fund or to such authority, the amount of the overpayment or underpayment shall be certi-

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fied to the comptroller by the commissioner or the commissioner's delegate, who shall not be held liable for any inaccuracy in such certificate. The amount of the overpayment or underpayment shall be so certified to the comptroller as soon after the discovery of the overpayment or underpayment as reasonably possible and subsequent payments and distributions by the comptroller to such city, county, school district or the special sales and compensating use tax fund for the city of Yonkers or to such authority shall be adjusted by subtracting the amount of any such overpayment from or by adding the amount of any such underpayment to such number of subsequent payments and distributions as the comptroller and the commissioner shall consider reasonable in view of the amount of the overpayment or underpayment and all other facts and circumstances.

§ 14. The opening paragraph of paragraph a and paragraph b of section 57.00 of the local finance law, the opening paragraph of paragraph a as amended by chapter 685 of the laws of 2003 and paragraph b as amended by chapter 528 of the laws of 2002, are amended to read as follows:

Bonds shall be sold only at public sale and in accordance with the procedure set forth in this section and sections 58.00 and 59.00 of this title, except as otherwise provided in this paragraph. Bonds may be sold at private sale to the United States government or any agency or instrumentality thereof, the state of New York municipal bond bank agency, to any sinking fund or pension fund of the municipality, school district or district corporation selling such bonds, or, in the case of sales by the city of New York prior to July first, two thousand four, also to the municipal assistance corporation for the city of New York or to any other purchaser with the consent of the mayor and the comptroller of such city and approval of the state comptroller, or, in the case of sales by the county of Nassau prior to December thirty-first, two thousand seven, also to the Nassau county interim finance authority with the approval of the state comptroller, 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, <u>and by the city of Buffalo to the Buffalo fiscal stability authority,</u> 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

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BUFFALO FISCAL STABILITY AUTHORITY
ANNUAL INVESTMENT REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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 July 26, 2023, via Resolution No. 23-10, with no modifications made.

Investment Activity

The Authority's cash and investments at June 30, 2023 consisted of the following:

	Cost	Fair Value
Cash	$18,529	$18,529
Money Market	$244,756	$244,756
BNY Cash Reserve	$222,636	$222,636
US Treasury Note/Bond	$6,510	$6,546
Federal Home Loan Bank Discount Notes	$655,268	$659,913
Federal Home Loan Mortgage Corp.	$671,294	$690,060
Federal Home Loan Bank	$162,744	$163,639
Fannie Mae Discount Notes	$163,774	$166,624
US Treasury Bill	$484,304	$490,412
Total Cash and Investments at June 30, 2023	$2,629,815	$2,663,115

All investments mature no later than September 1, 2023.

The BFSA recorded total investment earnings of $78,608 for the year ended June 30, 2023, 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	$ 78,119
Operating Funds	489
Total Investment Earnings for the year ending June 30, 2023	$ 78,608

During the year ended June 30, 2023, 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 6^{th} or 7^{th} of each month) and invested in A1/P1 commercial paper or U.S. Government and Agency obligations until the 15^{th} 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, 2023.

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, 2023, the balance of investments was increased by $33,300 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, 2023 for trustee fees were $6,512.

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.