

Buffalo Fiscal Stability Authority
Summary of the City of Buffalo's 2024-25 Third Quarter Report
June 16, 2025

COVID – 19 Recovery:

It has been five-years since the COVID-19 Pandemic was first determined to be a public health crisis in New York State. The federal government responded via the American Rescue Plan Act (“ARPA”), which provided state, county and local governments an infusion of funds to address lost revenue attributed to the pandemic, to provide additional safety-net programs, and to make strategic capital investments. The City of Buffalo was awarded \$331.4 million in ARPA funds. The City obligated all funds by the December 31, 2024 deadline and is in the process of disbursing said funds by the December 31, 2026 deadline. The availability and use of ARPA funds for revenue recovery allowed the City to maintain City staffing and programming at pre-covid levels; however, this is the final fiscal year that revenue replacement funds are available to the City. The City relied on ARPA funds to maintain a balanced 2024-25 budget.

There are continuing external factors outside the control of the City that are a risk to the City’s finances, including policy changes and potential funding freezes from the federal government, inflation, and the risk of an economic slowdown. The impact of the policy changes at the federal level, including the reduction of federal employees, has not been determined as the process is in flux and there are currently legal challenges to the reductions. Inflation has cooled but remains a concern. The federal funds interest rate was reduced in both September and November 2024 for a federal funds rate of 4.25-4.5 percent. The national economy has indicators that it continues to be operating in a strong position; however, inflation continues to be a concern as consumer prices rose substantially over the past few years. More specifically there has been a significant decrease in travelers from Canada to Western New York over the past year.

General Fund Overview:

At the end of the first quarter, the City Administration was projecting a year-end deficit of \$17.7 million. In December, the Administration increased ARPA general fund revenue replacement to \$37.0 million, an increase of \$17.2 million. The Administration has taken actions including the implementation of both a hiring freeze and spending freeze on non-mission critical supplies and services. These actions have allowed the City Administration to close the gap and led to a forecasted year-end surplus of \$1.3 million as of the end of the second quarter. The third quarter forecast is an unfavorable year-end deficit of \$1.6 million:

Projected year-end revenues	\$ 636,992,376
Projected year-end expenditures	<u>638,553,679</u>
Total projected deficit	<u><u>\$ (1,561,303)</u></u>

At the end of the third quarter, the City is projecting a year-end budget surplus of \$2.1 million and is the result of a favorable budget variance in revenues, transfers in and other resources of approximately \$23.5 million and an unfavorable variance in expenditures of approximately \$21.4 million:

City of Buffalo	
2024-25 3rd Quarter Summary	
Projected Budget Variances - General Fund	
Revenues and resources - projected favorable budget variance	\$ 23,476,800
Expenditures - projected unfavorable budget variance	(21,395,637)
Total - projected favorable budget variance	\$ 2,081,163

The City’s 2024-25 Adopted Budget included estimated revenues, including the use of fund balance, and budgeted appropriations of \$617.2 million. The 2024-25 Adopted Budget was balanced with \$40.7 million in one-time revenues or other sources, including \$19.8 million of ARPA revenue replacement funds, \$6.0 million in ARPA program funds for prior year property tax arrears, and \$14.9 million in unrestricted/unassigned fund balance.

The following chart summarizes the City’s current year-end projections compared to the 2024-25 Adopted Budget at the end of the City's third quarter.

City of Buffalo				
2024-25 3rd Quarter Summary				
Projected Budget Variances - General Fund				
	<u>Adopted</u>	<u>2nd Quarter</u>	<u>Variance Between</u>	
	<u>Budget</u>	<u>Year-End</u>	<u>Adopted Budget and</u>	
	<u>\$</u>	<u>Projection</u>	<u>Year-End Projection</u>	
			<u>Favorable /</u>	
			<u>(Unfavorable)</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>%</u>
Revenues and Fund Balance	617,158,042	640,634,842	23,476,800	3.8%
Expenditures	(617,158,042)	(638,553,679)	(21,395,637)	-3.5%
Projected surplus	-	2,081,163	2,081,163	0.3%

Revenues:

Following is a line-item summary of the 2024-25 Adopted Budget and current year-end projections as reported in the City’s third quarter report.

City of Buffalo 2024-25 Third Quarter Report Summary of Revenues				
<u>Revenue Source</u>	<u>Adopted Budget</u>	<u>3rd Quarter Year-End Projection</u>	<u>Variance Between Adopted Budget and Year-End Projection Favorable / (Unfavorable)</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>%</u>
<i>Intergovernmental</i>	331,499,962	371,394,373	39,894,411	12.0%
<i>Taxes</i>	186,167,560	182,636,796	(3,530,764)	-1.9%
<i>Service Charges</i>	17,121,883	14,135,270	(2,986,613)	-17.4%
<i>Non-Property Taxes</i>	13,600,000	13,111,146	(488,854)	-3.6%
<i>Fines</i>	12,920,450	9,882,873	(3,037,577)	-23.5%
<i>Miscellaneous</i>	12,854,278	16,411,970	3,557,692	27.7%
<i>Licenses and Permits</i>	5,373,150	5,118,990	(254,160)	-4.7%
<i>Interest</i>	10,148,927	11,744,370	1,595,443	15.7%
Total Departmental	589,686,210	624,435,788	34,749,578	5.9%
<i>Transfers In</i>	12,556,588	12,556,588	-	-
<i>Use of Fund Balance ⁽¹⁾</i>	14,915,244	3,642,466	(11,272,778)	-75.6%
Total Resources and Transfers In	27,471,832	16,199,054	(11,272,778)	-41.0%
Total Revenues, Resources and Transfers In	617,158,042	640,634,842	23,476,800	3.8%
(1) Per generally accepted accounting principles (GAAP) the use of fund balance is not recognized as a revenue, but a deficit to be closed utilizing fund balance. The City did include the planned use of fund balance in the 2024-25 Adopted Budget, subsequently those funds are no longer available. Per audited June 30, 2024 results, \$3,642,466 is available.				

As shown above, a budgetary surplus for total revenues and other resources, including the year-end reconciliation of ARPA program funds, of \$23.5 million is projected. At the end of the third quarter, the City Administration is projecting unfavorable variances in five of the eight revenue categories for a combined negative variance of \$10.3 million. This negative variance is offset by a favorable variance of \$45.0 million in the three remaining revenue categories, for a net favorable variance of \$34.7 million for departmental revenue. Under other resources and transfers in, there is an unfavorable variance in the use of fund balance category; this is due to unfavorable year-end financial results for the year ended June 30, 2024. The final amount available for the 2024-25 fiscal year to balance the budget is \$3.6 million bringing the revised variance to \$(11.3) million.

Notable variations to the Adopted Budget are as follows:

- Intergovernmental revenue is the single largest revenue category, with a year-end estimate of \$371.4 million for the current fiscal year, compared to a budgeted amount of \$331.5 million, representing a favorable variance of \$39.9 million, or 12.0 percent. Included within this revenue category is New York State (“State”) Aid and Incentive for Municipalities (“AIM”) at \$166.3 million, sales tax in the amount of \$114.1 million, Federal American Rescue Plan Act (“ARPA”) funds in the amount of \$59.3 million, and Tribal-State Compact (“TSC”) revenue in the amount of \$11.0 million. All other intergovernmental sources total \$20.6 million.

	2023-24	2023-24	2024-25	2024-25	Year-End Variance		Year-to-Year	
	Adopted	Year-End	Adopted	Year-End	Favorable / (Unfavorable)		Increase/(Decrease)	
	Budget	Actuals*	Budget	Projection	\$	%	\$	%
Intergovernmental								
State AIM	\$ 161,285,233	\$ 161,020,623	\$ 166,285,233	\$ 166,285,233	\$ -	-	\$ 5,264,610	-
Sales Tax	111,335,000	111,512,602	113,487,500	114,135,375	647,875	-	2,622,773	2.4%
TSC - Casino Revenue	11,000,000	6,805,254	11,000,000	11,000,000	-	-	4,194,746	61.6%
ARPA Funds**	30,585,235	30,585,235	25,771,429	39,509,099	13,737,670	-	8,923,864	29.2%
ARPA Program Funds	-	43,669,279	-	19,821,273	19,821,273	-	(23,848,006)	-54.6%
All Other	11,692,062	9,534,609	14,955,800	20,643,393	5,687,593	38.0%	11,108,784	116.5%
Total Intergovernmental	\$ 325,897,530	\$ 363,127,602	\$ 331,499,962	\$ 371,394,373	\$ 39,894,411	12.0%	\$ 8,266,771	2.3%
*Audited								
**Includes \$2.5M for RPT arrears program.								

The favorable variance of \$39.9 million is mainly attributed to ARPA funds which are projected to be favorable by \$33.5 million. Of that amount, \$17.2 million is attributed to the increase in revenue replacement. A total of \$19.8 million is for unbudgeted ARPA program dollars which are offset by an equal unbudgeted amount for the transfers out of such ARPA program dollars with no effect on the overall operating results as revenues are equal to expenditures. Additionally, there is an expected reduction in ARPA funding towards property arrears abatement of \$3.5 million.

ARPA Funds is projected at \$39.5 million and consists of \$37.0 million of revenue replacement and \$2.5 million for a prior-year property tax arrears program that was postponed last year. The City budgeted federal ARPA funding in the amount of \$19.7 million in fiscal year 2024-25 for revenue replacement, which has subsequently been increased to \$37.0 million. These funds represent a portion of the \$331.4 million the federal government funded as part of the COVID-19 pandemic relief package.

The City has an approved recovery plan that utilizes the federal ARPA funds as part of the annual operating budget with 2024-25 representing the last year unrestricted general fund dollars can be recognized as revenue. In addition the recovery plan provides for ARPA spending over the required five years to provide investments in other programs to assist city residents, along with capital investment and the provision of services.

Included in the All Other category is Medicare Part D, budgeted at \$10.6 million and there is a favorable projected year-end variance of \$6.3 million at this time, for a total of \$16.9 million.

The TSC revenue, or casino revenue, is related to the operation of the Seneca Buffalo Creek gaming facility. In October 2024, the State advanced the City of Buffalo \$5.5 million for the expected future receipts from a to-be negotiated Tribal-State Compact. The gaming compact expired on December 9, 2023; both parties agreed to a short-term extension until March 31, 2024. The terms of the original compact currently remain in effect, except that payments under the agreement are held in escrow until a new compact is negotiated. The timing of an agreement and terms for revenue sharing are unknown, but there have been indications that revenue sharing will be reduced. The City has included \$11.0 million in the current budget and the City's projection is consistent with the budget. Subsequent to the end of the third quarter the City received a second advancement of the TSC casino revenue from NYS in June 2025, for a total of \$10.5 million received to date.

There is lower-than-budgeted expected revenue for cannabis tax which is forecasted at \$0.3 million; \$1.2 million was budgeted. Actual receipts for the quarter ended March 31, 2025 was \$162,600; actual 2023-24 cannabis tax revenue was approximately \$96,000.

Sales tax is currently forecasted to be consistent with the budget with an estimated year-end favorable variance of \$0.6 million. The accelerated growth seen in the previous years has begun to slow and plateau.

There is no expected budget variance in State AIM. It is noted that the State had maintained the annual AIM revenue allocation at the same amount of \$161.3 million dating back to 2012. The NYS budget provides an additional \$5.0 million in temporary AIM in fiscal years 2024-25 and 2025-26, for a total of \$166.3 million in State AIM.

- Taxes as estimated by the City of Buffalo Administration ("Administration") are unfavorable by \$3.5 million at fiscal year-end. The variance is directly related to the occupancy tax as included in the adopted budget. The imposition of an occupancy tax requires State legislative action and was included in the New York State 2025-26 Enacted budget. The City will have the authority to implement the proposed occupancy/hotel tax beginning in 2025-26, once required local legislative actions are taken.
- Service charges are projected to be under budget by \$3.0 million, or 17.4 percent. There are multiple service charges projected to be less than initially estimated based on actual revenue collected during the first nine months of the year. The most significant variance is with the parking meter fees, as the adopted budget included an increase to those fees and the Common Council subsequently did not approve the fee increases. The unfavorable variance is \$3.0 million for parking meter fees and \$20,000 net basis for all remaining service fees.
- Fines are projected to be under budget by \$3.0 million, or 23.5 percent, at year-end. Inspection fines for non-licensed cannabis sales are estimated to be \$2.0 million under budget, parking tag fines and penalties are estimated to be \$0.6 million under budget, and traffic violations fines are estimated to be \$0.4 million under budget. All other fines are estimated to have a net negative variance of \$57,840 at year-end.

- Miscellaneous revenue is projected to be favorable to budget by \$3.6 million for a total of \$16.4 million. The positive variance is attributed to the sale of the Mohawk Ramp in the amount of \$3.2 million, a favorable cash refund from the prior-year in the amount of \$0.7 million, and is offset by a negative net variance of \$0.3 million for all other miscellaneous revenue.
- Interest revenue is projected to exceed the adopted budget by \$1.6 million, or 15.7%.
- No other significant revenue fluctuations were noted.

American Rescue Plan Act Summary as of March 31, 2025:

The following schedule summarizes total expenditures and obligations of ARPA funds as of March 31, 2025. The City has a spending plan for the ARPA funds and has submitted this plan, along with the required annual and quarterly updates, to the U.S. Treasury Department. The ARPA funds were required to be fully obligated by December 31, 2024, and must be disbursed by December 31, 2026. The funds have been fully obligated and approximately \$70.9 million, 21.4 percent, of the funds remain to be disbursed by December 31, 2026.

American Rescue Plan Act Funds
(\$ in Millions)

Total Award	\$331.4
Total amount obligated as of 12/31/24	331.4
Total amount expended as of 3/31/25	260.5
Total amount remaining to be expended by 12/31/26	\$70.9

Fiscal Year-End (FYE) 2023-24 Actual Revenues Compared to FYE 2024-25 Projected Revenues

The following analysis is based on audited FYE 2023-24 year-end actuals. Actual General Fund revenues, excluding transfers in and other financing sources, were \$593.8 million for the year ended June 30, 2024. General Fund year-end revenues projected by the City Administration for FYE 2024-25 as of the end of the third quarter are \$624.4 million. The City Administration did account for the recognition of ARPA project funds in the General Fund to pay for those ARPA project expenditures that have been reported through the end of the third quarter.

Intergovernmental revenue is estimated to increase \$8.3 million year-to-year. There are several revenue sources impacting intergovernmental revenue including ARPA funding, State AIM, Tribal-State Compact, and sales tax. There are three components of ARPA funding: unrestricted revenue replacement, a tax arrears program for which the revenue will remain within the General Fund, and program funding which is essentially pass-through dollars.

ARPA funds for revenue replacement are estimated to increase by \$6.4 million from \$30.6 million in 2023-24 to an estimated \$37.0 million in the current year. The property tax arrears program is estimated to provide \$2.5 million in the current fiscal year which has not been received previously. The remaining ARPA program funds are estimated to decrease by \$23.8 million; these are essentially pass-through dollars and match expenditures. Sales tax is estimated to increase by \$2.6 million (2.4 percent) year-to-year. Also within the Intergovernmental revenue category is a year-to-year increase in State AIM of \$5.3 million for additional temporary state aid which was received in the first quarter. There is a projected increase in Medicare Part D revenue of \$11.0 million. The City has also projected an increase in casino revenue of \$4.2 million which is due to expected State prepayments for the year which were not received last year.

Taxes are projected to increase by \$15.6 million, or 9.3 percent, on a year-to-year basis. The increase is attributed to an increase in real property tax of \$15.4 million. There is also an estimated increase of \$0.3 million for the mortgage tax and \$0.1 million for payments-in-lieu-of-taxes. These increases are offset by decreases in the STAR program in the amount of \$0.2 million.

Miscellaneous revenue is estimated to increase by \$13.3 million, or 425.5 percent. Of this, \$3.9 million to grant reimbursement for the fire department, \$3.1 million is for the sale of capital assets, there is a \$2.4 million increase for miscellaneous revenues, \$1.5 million is for grant reimbursement for the police department, \$1.0 million is for court facility aid, and there is a \$1.4 million net increase for all other miscellaneous revenues.

Fines are projected to increase by \$2.9 million, or 40.9 percent, on a year-to-year basis. The increase is attributed to \$2.0 million for the school bus arm cameras and \$1.0 million for parking tags and fines, with and all other fines decreasing by \$0.1 million on a net basis.

Service charges are projected to increase by \$1.5 million, or 11.8 percent, on a year-to-year basis. The increase is attributed to an increase of \$1.2 million for rental registration fees and \$0.5 million for services provided by the police department. These increases are offset by a net decrease of \$0.2 million in all other service charges.

Interest income is projected to decrease \$9.1 million and is related to a decrease in funds available for investment and decreased interest rates.

The remaining variances in operating categories are not significant.

It is noted that Other Financing Sources are projected to decrease by \$39.5 million on a year-to-year basis. Bond proceeds of \$43.1 million were recognized in 2023-24 for a legal settlement. Transfers In are projected to decrease by \$1.1 million, attributed to a decrease of \$1.4 million from the parking enterprise funds and \$0.2 million from the refuse fund, offset by an increase of \$0.4 million from the water enterprise fund.

Expenditures:

The following chart summarizes the variances in expenditures between the adopted budget and the year-end projections as of the third quarter:

City of Buffalo				
2024-25 Third Quarter Report				
Summary of Expenditures				
<u>Departments</u>	<u>Adopted</u>	<u>3rd Quarter</u>	<u>Variance Between</u>	
	<u>Budget</u>	<u>Year-End</u>	<u>Adopted Budget and</u>	
		<u>Projection</u>	<u>Year-End Projection</u>	
			<u>Favorable /</u>	
	<u>\$</u>	<u>\$</u>	<u>(Unfavorable)</u>	<u>%</u>
<i>Police</i>	109,169,773	112,900,852	(3,731,079)	-3.4%
<i>Fire</i>	72,747,784	77,534,991	(4,787,207)	-6.6%
<i>Public Works</i>	41,107,037	40,041,857	1,065,180	2.6%
<i>Administration & Finance</i>	12,202,862	9,485,396	2,717,466	22.3%
<i>Permits & Inspections</i>	7,493,444	6,804,658	688,786	9.2%
<i>Human Resources</i>	6,210,275	4,731,114	1,479,161	23.8%
<i>Management Information Systems</i>	7,058,890	6,164,389	894,501	12.7%
<i>Community Services</i>	5,636,714	5,143,618	493,096	8.7%
<i>Law</i>	5,430,635	4,781,380	649,255	12.0%
<i>Assessment</i>	3,633,854	3,415,851	218,003	6.0%
<i>Mayor & Executive</i>	9,121,044	7,444,023	1,677,021	18.4%
<i>Audit & Control</i>	4,517,649	3,523,614	994,035	22.0%
<i>Parking</i>	4,329,526	3,256,606	1,072,920	24.8%
<i>City Clerk</i>	4,270,700	3,780,261	490,439	11.5%
<i>Common Council</i>	3,612,814	3,250,238	362,576	10.0%
Total Departmental	296,543,001	292,258,848	4,284,153	1.4%
<u>General Charges</u>				
<i>Fringe Benefits</i>	178,372,602	178,776,148	(403,546)	-0.2%
<i>Other</i>	5,473,669	12,072,263	(6,598,594)	-120.6%
<i>Personal Services</i>	9,524,975	9,200,706	324,269	3.4%
<i>Capital Outlay</i>	-	-	-	0.0%
<i>Grants In Aid</i>	400,000	513,500	(113,500)	-28.4%
<i>Debt Service</i>	88,000	88,000	-	0.0%
<i>Services</i>	1,391,000	1,321,000	70,000	5.0%
<i>Utilities</i>	18,155,000	17,367,531	787,469	4.3%
Total General Charges	213,405,246	219,339,148	(5,933,902)	-2.8%
Total General Fund	509,948,247	511,597,996	(1,649,749)	-0.3%
Transfers Out	107,209,795	126,955,683	(19,745,888)	-18.4%
Total General Fund w/ Transfers	617,158,042	638,553,679	(21,395,637)	-3.5%

At the end of the third quarter, the City is projecting an unfavorable budgetary variance of \$21.4 million consisting of a favorable variance of \$4.3 million in departmental expenditures, an unfavorable variance of \$5.9 million for general charges, and an unfavorable variance of \$19.7 million in transfers out. The unfavorable variance in transfers out is directly related to the transfer of ARPA program funds to the special revenue fund; this item was not budgeted.

The fire department has an unfavorable year-end variance projection of \$4.8 million compared to the adopted budget which is related to personal service costs. The unfavorable personal service variance is attributed to an unfavorable variance of \$5.9 million in overtime, \$4.3 million for duty-disability salary and offset by vacancies in the amount of \$6.1 million. All other department expenditures are estimated to be unfavorable by \$0.6 million. There are 48 firefighter vacancies in the fire department. There are approximately 21 firefighters out on injured-on-duty that are non-deployable; these individuals represent a filled budgeted position, but as the individuals cannot work, other firefighters must fill the shifts which impacts overtime costs. Overtime for the fire department is \$10.8 million as of March 31, 2025, and is up \$653,875, 6.5 percent, compared to the prior-year third quarter of \$10.1 million. Total fire department overtime expenditures for FY 2024 totaled \$12.8 million; the current year-end projection for overtime ranges between \$13.0 million and \$13.8 million. Compared to the 2024-25 Adopted Budget amount of \$7.0 million, this would result in an overage of \$6.0 to \$6.8 million in the current fiscal year.

The police department is projecting an unfavorable variance of \$3.7 million compared to the adopted budget. Personal services are estimated to be unfavorable to budget by \$3.9 million and is primarily due to overtime, which is estimated to be over budget by \$6.6 million and is offset by vacancies with projected vacancy savings of \$7.5 million. Duty-disability payments are estimated to be unfavorable by \$3.6 million and court time is estimated to be unfavorable at \$1.4 million at the departmental level. All other departmental expenditures are projected to be favorable by \$0.4 million on a net basis. There are 48 vacancies in the police department at the end of the third quarter, not including a new police recruit class of 21 trainees that began their academy training at the end of July 2024 and began their field training in February 2025. The City assumes that attrition will continue to increase the number of vacancies and that even with the current police officer recruit class of 21, they will be unable to change the current trend. Overtime in the police department for sworn personnel for the current year is on track to exceed the budget for the year as of the end of the third quarter. As of March 31, 2025, overtime for the sworn personnel in the police department totaled \$12.8 million, an increase of \$2.0 million compared to the \$10.8 million reported for the same period in the prior year. The current year-end projection for overtime is between \$15.4 to \$16.0 million, which is \$6.1 to \$6.7 million over the adopted budget amount of \$9.3 million. Total overtime for FY 2024 was \$14.8 million which exceeded the budget of \$7.7 million by \$7.1 million. The City of Buffalo and the Police Benevolent Association (“PBA”) settled a labor contract in January 2024, which expires June 30, 2025.

Public Works has a favorable year-end variance projection of \$1.1 million compared to the adopted budget. The variance is related to personnel savings of \$2.0 million and \$0.5 million for outside contract services. The savings are offset by unfavorable variances in capital outlay in the amount of \$0.9 million and supplies in the amount of \$0.5 million.

The remaining twelve departments are projected to be under budget at year-end with a combined favorable variance of \$11.7 million, or 4.0 percent. These budgetary savings are attributed to lower than projected staffing (i.e., vacancies) of \$6.6 million, lower than expected supply purchases of approximately \$2.6 million, and a favorable variance in service contracts of approximately \$2.3 million.

Both the fire and police departments provide critical public health and safety functions and have minimum manning requirements. The police department, including sworn officers and civilians, currently has 91.2 percent of positions filled with 90 vacancies, an 8.8 percent vacancy rate. The current recruit class of 21 FTEs has completed academy training and began field training in February 2025. Excluding this count, the police department effectively has 111 vacancies, or a rate of 10.9 percent, as of the third quarter.

The fire department, including firefighters and civilian employees, is currently at 92.9 percent staffing with 56 vacancies, a 7.1 percent vacancy rate.

Both departments have employees eligible for retirement or who could be eligible within the year. Currently 24 individuals, or 3.5 percent of the filled positions in the fire department, will be eligible for retirement by June 30, 2025. In the police department, 20 police officers, or 2.6 percent of the filled sworn positions, are eligible to retire by June 30, 2025.

A new hire for a police officer or firefighter is counted towards the City's total full-time equivalent ("FTE") staffing levels. Still, there is a lag between the time they are officially hired and serving in the role due to required training. The training for a police officer includes five months of academy training followed by an additional sixteen weeks of field training for nine months from a police officer's date of hire to be able to work independently. The fire academy lasts eighteen weeks, and successful graduates are assigned to a fire company upon completion.

Staffing levels will be discussed in further detail later in this report.

General Charges, excluding transfers out, are projected to be unfavorable when compared to the 2024-25 Adopted Budget by \$5.9 million, or 2.8 percent. There is an unfavorable variance of \$6.6 million in the Other category for prior-year judgments and claims for prior-year legal settlements and court decisions that were settled during the 2024-25 fiscal year.. Fringe benefits are projected to be unfavorable by of \$0.4 million. These unfavorable variances are offset by \$1.1 million in favorable variances, including a \$0.8 million favorable variance in utilities and a \$0.3 million favorable variance in personal services.

The fringe benefits unfavorable variance totals \$0.4 million and consists of an unfavorable variance of \$4.2 million in active employee health insurance, an unfavorable variance of \$1.2 million for employer payroll taxes, and an unfavorable variance of \$0.5 million for retiree health insurance. The unfavorable variance in fringe benefits is offset with favorable variances of \$2.7 million for pension payments, as there is a \$1.6 million favorable variance for police fire retirement system ("PFRS") contributions and a \$1.1 million favorable variance for employee retirement system contributions ("ERS"). Additionally, there is a favorable variance of \$1.5 million for the salary adjustment line, \$0.6 million for dental insurance, \$0.4 million for workers' compensation, and \$0.3 million for unused sick leave payout. All other fringe benefits are projected to be unfavorable by \$23,000 on a net basis.

The City's projection for actual fringe benefits expenditures is likely understated as it does not reflect the vacancies projected for the remainder of the year.

Transfers out are estimated to be over budget by \$19.7 million at year-end. This negative variance is directly related to ARPA program funds, as these funds were not included in the 2024-25 Adopted Budget. The funds are included in the ARPA revenue year-end projection, as previously noted, and are offset by this increase in transfers out. The remaining three components of transfers out are projected to be consistent with the adopted budget levels and consist of transfers to 1) the Buffalo School District - \$70.8 million, 2) Capital Debt payments - \$36.0 million, and 3) Capital Projects - \$0.4 million.

FYE 2023-24 Actual Expenditures Compared to Current Fiscal Year-End (CFYE) 2024-25 Projected Expenditures

The following analysis includes the use of audited actuals for the prior year.

Actual General Fund expenditures were \$682.2 million for the year ended June 30, 2024. Projected General Fund expenditures for 2024-25 are \$638.6 million, representing a decrease of \$43.6 million, or 6.4 percent.

Departmental costs are estimated to be \$292.3 million at year-end, a decrease of \$3.2 million, or 1.1 percent over the 2023-24 amount of \$295.5 million. General charges, including transfers out, are projected to decrease by \$40.4 million, or 10.4 percent, from \$386.7 million in the prior year, 2023-24, to \$346.3 million projected for the current year. The decrease year-to-year is driven by the reduction of \$45.0 million for an extraordinary expenditure incurred in 2023-24 for a legal settlement paid from bond funds. The remaining difference is attributed to an overall decrease in ARPA program funds transferred out (offset by ARPA program revenue).

Actual 2024-25 expenditures may be less than projected at the third quarter's end. Personnel costs comprise approximately 85 percent of the City's operating budget and depending on the City's management of its workforce and filling of positions, actual costs associated with employees may be lower than currently projected when including salary and benefits. The following analysis is based on year-end filled positions for the fiscal year 2023-24 compared to 2024-25 year-end estimates based on budgeted amounts through the third-quarter.. The City has implemented a hiring freeze and are only filling mission critical positions, and it is unknown how many positions will be filled over the remaining three-months of the fiscal year based on the City's staffing needs. Personal service increases include salaries for firefighters, building inspectors, blue-collar employees and operating engineers in the amount of 3.0 percent, and a 4.0 percent increase for members of the Police Benevolent Association. The white-collar CBA expired on June 30, 2024; two percent increases for white-collar and exempt employees were budgeted. The year-to-year increase is comprised of the following:

Departmental Costs are decreasing by \$3.2 million, or 1.1 percent:

- Employee compensation, excluding duty disability payments, is increasing by \$4.3 million, or 1.8 percent. The increase in personnel costs is attributed to the following departmental changes:
 - Police Department \$1.9 million
 - Public Works \$0.5 million
 - Fire Department \$0.3 million
 - Law Department \$0.3 million
 - Permits and Inspections \$0.3 million
 - Audit and Control Department \$0.2 million
 - Common Council \$0.1 million
 - All other departments increased by \$0.7 million on a net basis.
- Services are decreasing by \$3.9 million, or 10.0 percent; the decrease is attributed to a decrease of \$4.1 million in public works primarily for outside contractor services for snow removal, the police department is decreasing by \$1.4 million for other contractual services and vehicle rentals, and all other services are increasing by \$1.6 million on a net basis.
- Supplies are decreasing by \$0.7 million, or 5.8 percent. There is a decrease of \$0.8 million in management and information services due to upgrades made to the 311 System in the prior fiscal year, a decrease of \$0.2 million for police equipment, and a net increase of \$0.3 million for all other supplies.
- Capital outlay is decreasing by \$3.1 million, or 47.2 percent, with the decrease attributed to \$2.6 million for fire department vehicles, a decrease of \$0.9 million for public works vehicles, and a decrease of \$0.2 million for police vehicles. The decreases are offset by an increase of \$0.2 million for land improvements in the mayor and executive department. All other capital outlay is decreasing by \$0.4 million on a net basis.
- All other departmental costs are increasing by \$62,200 on a net basis.

General Charges, including transfers out, are currently projected to decrease \$40.4 million, or 10.4 percent:

- Employee benefits are increasing by \$13.5 million, or 7.7 percent, on a year-to-year basis and includes duty disability salary and funds estimated for contract negotiations and include:
 - An increase of \$6.3 million for active employee health insurance and \$2.4 million for retiree health insurance.
 - An increase of \$2.8 million for contributions for police and fire pension payments.
 - An increase of \$2.4 million for the employee retirement system.
 - All other fringe benefits are decreasing by \$0.4 million on a net basis.
- Other General Charges are decreasing by \$36.0 million for a legal settlement as discussed above.
- No other significant changes noted.

Interfund transfers are decreasing by \$17.8 million, or 12.3 percent; the ARPA program funds drive this variance and will change by year-end.

Audited actual 2023-24 expenditures, excluding transfers out, totaled \$537.4 million and comprised 112.3 percent of total budgeted expenditures of \$478.6 million. For the year ending June 30, 2025, the City is projecting total year-end expenditures of \$511.6 million, excluding transfers out, representing 100.3 percent of the adopted budget of \$509.9 million.

Currently, six out of eight City unions are under contract through 2025 and 2026. Both the White Collar Union (Local 650) and the Crossing guards expired at fiscal year-end 2024. The Police Benevolent Association (“PBA”), Local 282 (“Firefighters”), and Local 264 (“Blue Collar”) contracts all expire on June 30, 2025.

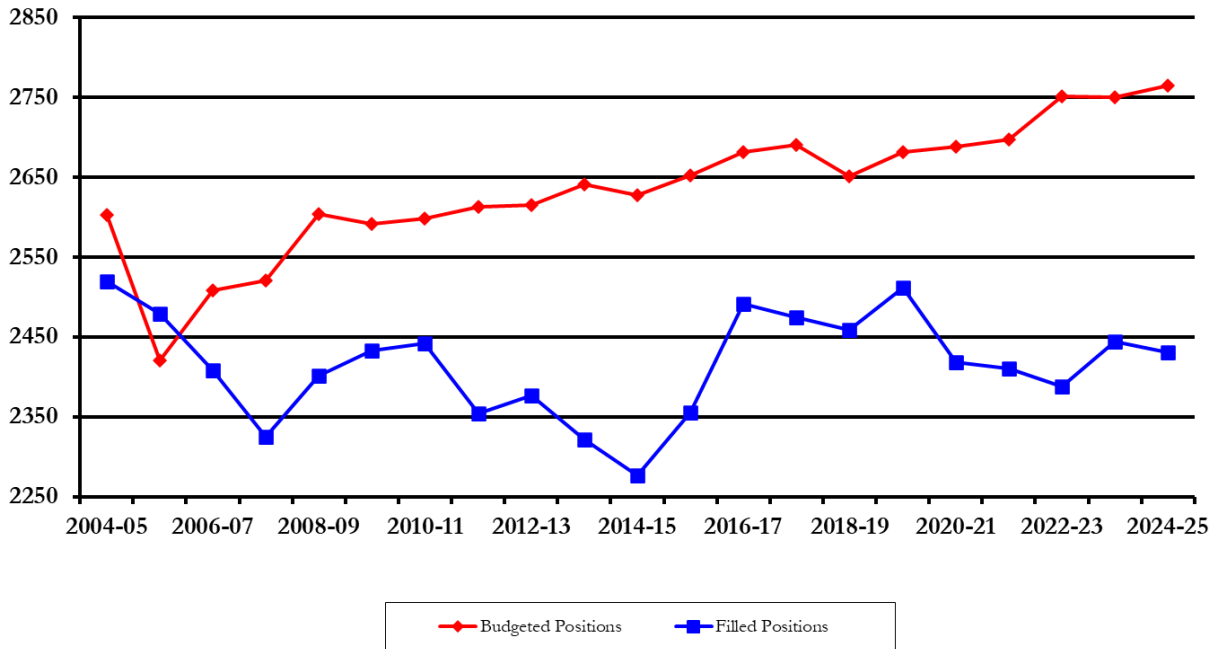
Union	Number of Employees⁽²⁾	Present Agreement Expires
PBA (Police Officers)	764	6/30/2025
Local 282 (Firefighters)	695	6/30/2025
Local 264 (Blue Collar)	350	6/30/2025
Local 650 (White Collar)	391	6/30/2024
Local 2651 (Building Inspectors)	56	6/30/2026
Local 17 (Operating Engineers)	15	6/30/2026
Local 264T (Pipe Caulkers)	22	6/30/2026
CGA (Crossing Guards) ⁽¹⁾	116	8/31/2024

(1) Seasonal employees, laid off in the summer.
(2) Full time equivalent count as of March 31, 2025.

Personnel

The following chart compares budgeted positions to actual filled positions on an annual basis from 2005 to 2025:

City of Buffalo Personnel
(Budget vs. 3rd Quarter Actual)
At March 31, 2025



The City increased budgeted positions by 15 FTEs from 2,750 in 2023-24 to 2,765 in 2024-25. As of March 31, 2025, 2,431 positions have been filled, resulting in 334 vacant positions, or a vacancy rate of 12.1 percent. Over ten years, the budgeted number of FTE's has increased by 137 (5.2 percent) from 2,628 to 2,765. Concerning filled positions, there is an increase of 154 FTEs over the last ten years from 2,277 in FY 2015 to 2,431 on March 31, 2025.

Compared to last year's third quarter, there is a decrease of 13 filled positions from 2,444 to 2,431 or 0.5 percent. The decrease of 13 filled positions is driven an increase of 16 firefighters and 5 positions in permits and inspections, which are offset with decreases of 9 FTEs in both community services and for civilian employees in the police department, and 5 sworn police officers. The remaining 11 departments had a net decrease of 11 FTE's.

The police department currently has 812 FTE sworn officers budgeted; as of March 31, 2025, 764 positions were filled, leaving 48 vacancies, or a 5.9 percent vacancy rate. As previously discussed, the vacancies do not include the current class of 21 police recruits who are currently participating in field training. The recruits began their field training in February 2025, which would place the recruits in the field under the supervision of a senior patrol officer. Total non-deployable officers and vacancies total 69 FTEs, or 8.5 percent, as of March 31, 2025. Non-sworn police department personnel are budgeted at 208 FTE's, with 166 filled, creating a vacancy of 42 positions, or 20.2 percent. Approximately 90 out of the 334 current vacancies, or 26.9 percent of vacancies, are in the police department.

The fire department has 743 FTE uniformed officers budgeted, and currently, 695 of those positions are filled. As of March 31, 2025, there were 48 uniformed vacancies in the fire department, as well as approximately 21 employees on long-term injured-on-duty disability, for an effective vacancy of 69 FTE's or 9.3 percent of the department's firefighters. There are 8 non-uniform vacancies in the fire department for 56 out of 334 city-wide vacancies, or 16.8 percent of total City vacancies.

On a year-to-year basis, the City has increased the number of filled firefighter positions from 679 FTEs on March 31, 2024, to 695 FTEs on March 31, 2025, an increase of 16 FTE's, or 2.4 percent, on an annual basis. Sworn police FTE's have decreased over the same period from 769 FTEs to 764 FTE's, a net decrease of 5 FTE's or 0.7 percent.

Summary

BFSA originally identified \$22.2 million in potentially overestimated revenue in the 2024-25 budget. During the second quarter, the City reallocated \$17.2 million of APRA funding to revenue replacement, which largely addressed those revenues that have since been determined to be overestimated and will not be realized in 2024-25. In June 2025, the City received an advance in the amount of \$5.0 million from the State for casino revenue. These two actions address the potentially overestimated revenue as originally identified.

Any negative variances that have not been projected could have a significant impact on the City's operations as there is no available fund balance to provide a cushion against an unfavorable outcome.