



**BUFFALO FISCAL
STABILITY AUTHORITY**

**BOARD OF DIRECTORS
Governance Committee
Audit, Finance & Budget Committee
Board Meeting**

September 22, 2025



BUFFALO FISCAL STABILITY AUTHORITY

Monday, September 22, 2025
 Governance Committee ~ 12:00 PM
 Audit, Finance & Budget Committee ~ 12:30 PM
 Board Meeting ~ 1:00 PM
 295 Main St., 7th Floor Conference Room
 Buffalo, NY 14203

Governance Committee ~ 12:00 PM		
TAB 1	–	Roll Call of Committee Members
	–	Approval of August 12, 2025 Meeting Minutes [RESOLUTION]
	–	Executive Session
Audit, Finance & Budget Committee ~ 12:30 PM		
TAB 2	–	Roll Call of Committee Members
	–	Approval of the September 23, 2024 and March 10, 2025 Meeting Minutes [RESOLUTION]
	–	Draft of BFSA’s FY 2025 Audited Financial Statements
	–	– Presentation by Lumsden & McCormick, LLP
	–	2024-25 BFSA Annual Report
	–	2025-26 Annual Contract with Public Financial Management [RESOLUTION]
Board Meeting ~ 12:00 PM		
TAB 3	Opening Remarks	
	–	Roll Call of Directors
	–	Approval of August 12, 2025 Meeting Minutes [RESOLUTION]
TAB 4	BFSA Business	
	–	BFSA FY 2025 Independent Audit & Annual Report [RESOLUTION]
	City of Buffalo	
	–	Discussion on status of ARPA funded programs and related disbursement of funds
	–	Discussion on status of the proposed Parking Authority
Privilege of the Floor		
Additional Documents		
Upcoming Event	Date	Location
Governance Committee ~ 12:00 PM	Wednesday, December 3, 2025	Ellicott Square Building 295 Main St. 7 th Floor Conference Room Buffalo, NY 14203
Board Meeting ~ 1:00 PM		



BUFFALO FISCAL STABILITY AUTHORITY

TAB #1

BUFFALO FISCAL STABILITY AUTHORITY
Governance Committee Meeting Minutes
August 12, 2025

The Buffalo Fiscal Stability Authority (BFSA) Board of Directors held a Governance Committee (Committee) meeting on August 12, 2025. The meeting was called to order at 12:50 PM and complied with the New York State Open Meetings Law.

Committee Members Present

Chair Pro Tempore Frederick G. Floss
Director Andrew A. SanFilippo

Additional Directors Present

Director Timothy R. Hogues
Director Thomas F. Keenan
Mayor Christopher P. Scanlon (proxy)
County Executive Mark C. Poloncarz (proxy)

Staff Present

Executive Director Jeanette M. Robe
Comptroller Claire A. Waldron
Principal Analyst/Media Contact Bryce E. Link
Senior Analyst II/ Manager of Technology Nathan D. Miller

Opening Remarks

Committee Chair Pro Tempore Floss welcomed everyone to the meeting, thanked everyone in attendance, and reviewed the meeting's agenda. Committee Chair Pro Tempore Floss called the roll. A quorum was present, and the meeting commenced.

Approval of Minutes

Committee Chair Pro Tempore Floss introduced Governance Committee Resolution No. 25-01, "Approving Minutes and Resolution from December 11, 2024," and asked for a motion to approve.

Motion to approve by Director SanFilippo
Second by Committee Chair Pro Tempore Floss
The motion passed with a vote of 2 to 0.

BFSA Policies, Procedures, and Reports Review

Committee Chair Pro Tem Floss advanced the agenda to review various BFSA policies, procedures, and reports, presented by Executive Director Jeanette Robe.

Executive Director Robe noted she would review only those policies which had changed, noting in previous years staff had spent a substantial amount of time to ensure such policies complied with New York State requirements.

The following policy changes were discussed:

- The recommendation to adopt a new records disposition schedule, as recommended by New York State Archives.
- A revised Code of Ethics to update the threshold for policymakers to file an annual disclosure form.
- Revisions were made to the Use of Discretionary Funds Policy for consistency with Internal Revenue Service (IRS) guidelines for travel and meal reimbursement.
- Revisions were made to the Conflicts of Interest Policy for consistency with the agency renamed the New York State Commission on Ethics and Lobbying in Government (COELIG)
- No other changes had been made to the remaining policies and guidelines provided to this Committee

Principal Analyst Link reviewed the proposed records disposition schedule. The March 2025 Internal Controls report recommended that BFSFA update its records disposition from the MI-1 records retention schedule to the LGS-1 schedule, as recommended by New York State Archives, a part of the Office of Cultural Education, an office of the New York State Education Department.

Comptroller Waldren reviewed the Prompt Payment Report and the Report on Procurement Contracts. Both reports are required annually and are submitted to the New York State Office of the Comptroller.

Director SanFilippo had the following questions regarding BFSFA's investments.

Q1. How much does BFSFA have invested?

A1. Comptroller Waldron stated that BFSFA has \$60,000 in a money market account that accumulates interest earnings. An additional two hundred thousand dollars previously invested within the money market account were reinvested in treasury bills to receive a better return on investment.

Q2. Does BFSFA have funds invested with repurchase agreements?

A2. Comptroller Waldren stated that there was a small amount invested in a forward delivery agreement with the debt that is held and is paying off the debt. There are guaranteed amounts carved out from incoming sales tax receipts that are reinvested within the debt account. There is approximately \$300,000 left that will pay off debt on September 1st.

Q3. Who is BFSFA's custodial bank?

A3. Comptroller Waldron indicated that the Bank of New York was BFSFA's custodial bank.

Director SanFilippo stated that he was concerned about the securitization of the buy/sell transaction within the repurchase agreement and made the following comments. BFSFA has a master repurchase agreement that outlines the terms and conditions to determine whether BFSFA has ownership of the securities pledged against the repurchase agreement. Usually, an entity gets a purchase and sale agreement (PSA), or a master repurchase agreement (RPA), depending on the circumstances which backs up the investment. Even though it is guaranteed, I'm more concerned about ownership of the securities if something inexplicable happens where suddenly Bank of New York, or whoever the investment is with, says those are their documents to sell, not BFSFA's. There are cases that go back to the 1980s where it's a buy/sell transaction. It's not a

loan that's guaranteed. In other words, we're not loaning them money with a guaranteed return on investment. We need to know whether those securities are guaranteed, although they pledged ownership of those securities is for the BFSA. If something happens, we have the legal right to sell them on the open market.

Committee Chair Floss made the following statements. It is important for the community to understand what we're talking about. We're “into the weeds” a little bit, which is okay. People should realize how the BFSA works is that we intercept sales tax receipts that we then invest and then give it to the City of Buffalo at a later date to meet their obligations. We're doing our due diligence to be able to get as much interest we can to protect the City of Buffalo. What we're talking about is how exactly do we do that and how do we make sure that we're protecting our assets in the best way possible and particularly under the worst-case scenario, which is what Director SanFilippo is talking about. If the country has another great depression or recession what's going to happen if we see banks have problems where we've invested our money? How can we best guarantee that those funds go back to the City of Buffalo? BFSA is doing its due diligence here and I know that the Executive Director and the staff are working on all of this. It's an interesting and important question. Everyone needs to realize that this is just a discussion of how we make sure we get the best return on investments as we get money from sales tax and then at a different time turn it over to the City, and that the funds are protected.

Staff will respond directly to Director SanFilippo with update.

Committee Chair Floss asked if any Director had additional questions. Hearing none, he requested a motion to forward the various BFSA policies, procedures, and reports to the full Board with recommendations for approval as follows:

- Bylaws
- Code of Ethics
- Mission Statement
- Investment Guidelines
- Property Disposal Guidelines
- Records Disposition
- Use of Discretionary Funds Policy
- Whistleblower Policy
- Lobbying Policy
- Procurement Guidelines
- Annual Procurement Report
- Prompt Payment Policy
- Annual Prompt Payment Policy Report
- The Conflicts of Interest Policy

Motion by Director SanFilippo.
Second by Committee Chair Pro Tempore Floss.

The motion passed with a vote of 2 to 0 to forward all the various BFSA policies, procedures, and reports to the full Board with a recommendation for approval.

Annual Board Self-Evaluation

Committee Chair Pro Tempore Floss advanced the agenda to review the format of the annual Board of Directors self-evaluation and recommend its submission to each Director for completion, noting a copy of the policy guidance has been provided under Tab 1 of the board book. The format is consistent with what BFSAs has used over the last several years and is in the format provided by the New York State Authorities Budget Office. The results will be compiled and discussed at the next Governance Committee meeting before the annual summary is filed with the New York State Authorities Budget Office.

Motion by Director SanFilippo.

Second by Committee Chair Pro Tempore Floss.

The motion passed with a vote of 2 to 0.

Adjournment

Hearing no new business, Committee Chair Pro Tempore Floss asked for a motion to adjourn. Director SanFilippo made the motion and the Committee adjourned by consensus at 1:08 PM.

**BUFFALO FISCAL STABILITY AUTHORITY
GOVERNANCE COMMITTEE RESOLUTION NO. 25-xx
APPROVING MINUTES AND RESOLUTION FROM AUGUST 12, 2025**

BE IT RESOLVED that the Buffalo Fiscal Stability Authority's Governance Committee approves the minutes of its meeting on August 12, 2025.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority's Governance Committee ratifies and affirms Resolution No. 25-01 that was approved on said date.

This resolution shall take effect immediately.

Approved September 22, 2025

Frederick G. Floss,
Committee Chair



**BUFFALO FISCAL
STABILITY AUTHORITY**

TAB #2

BUFFALO FISCAL STABILITY AUTHORITY
Audit, Finance and Budget Committee Meeting Minutes
September 23, 2024

The following are the minutes from the meeting of the Audit, Finance and Budget Committee (the “Committee”) of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Monday, September 23, 2024. The Board met in compliance with New York State Open Meeting Law, as amended. The meeting was called to order at 12:54 PM.

Committee Members Present

Committee Chair Pro Tempore Frederick G. Floss
Interim Vice-Chair Jeanette T. Jurasek

Additional Members Present

Mayor Byron W. Brown (proxy)
County Executive Mark C. Poloncarz

Staff Present

Executive Director Jeanette M. Robe
Senior Analyst II/Manager of Technology Nathan D. Miller
Administrative Assistant Nikita M. Fortune
Comptroller Claire A. Waldron

Additionally Present

Elizabeth S. Krause, CPA, Principal, Lumsden & McCormick LLP

Opening Remarks

Committee Chair Pro Tempore Floss opened the meeting, welcomed the attendees, and reviewed the agenda.

Roll Call

Committee Chair Pro Tempore Floss called a roll of the members. Finding a quorum present, the meeting commenced.

Approval of Minutes

Committee Chair Pro Tempore Floss introduced AFB Resolution No. 24-05, “Approval of June 17, 2024 Meeting Minutes and Resolution,” and requested a motion to approve.

Interim Vice-Chair Jurasek motioned to approve AFB Resolution No. 23-05.

Committee Chair Pro Tempore Floss seconded the motion.

The Committee voted 2-0 to approve AFB Resolution No. 24-05.

BFSA's 2024 Audited Financial Statements

Committee Chair Pro Tempore Floss noted the receipt of BFSA's independent audit for the fiscal year ended June 30, 2024, and stated the draft financial statements had been provided in the Board books for review. Elizabeth S. Krause, Principal, from Lumsden & McCormick LLP, was given the floor to present the audit findings.

Principal Krause stated no difficulties were encountered with the audit and provided a high-level summary of the financial statements.

Assets totaled \$19,002,000; a review of asset categories commenced.

Deferred outflows of resources totaling \$187,000 were discussed, mainly relating to the New York State Employee Retirement System.

Liabilities totaled \$19,878,000; a review of liability categories commenced.

- Due to the City of Buffalo - sales tax - \$17,852,000
- Bonds and related premiums - \$538,000
- Total other postemployment benefits ("OPEB") liability - \$1,488,000

Net position of (\$842,000) and categories therein, were discussed.

Total General Revenues were \$332,571,000

- State Tax - \$171,278,000
- Sales Aid - \$161,285,000
- Interest/Other Income - \$8,000

Total Expenses were \$332,836,000

- Distributions
 - City of Buffalo - \$273,015,000
 - City of Buffalo School District - \$58,999,000
- General and Administrative - \$944,000
- Interest Expense – (\$122,000)

Total Governmental Funds Excess Revenues over Expenditures (\$265,000).

City of Buffalo Finance Commissioner Delano D. Dowell, Sr. entered the meeting as proxy for Mayor Byron W. Brown at 1:00 PM.

Hearing no questions or comments, Committee Chair Pro Tempore Floss thanked Principal Krause for the presentation. He requested a motion to accept the audit findings and to send the audit report to the full Board with a recommendation for approval.

Interim Vice-Chair Jurasek made the requested motion.
Committee Chair Pro Tempore Floss seconded the motion.

The Committee voted 2-0 to accept the audit findings and to send the audit report to the full Board with a recommendation for approval.

BFSA Annual Report

Committee Chair Pro Tempore Floss advanced the agenda to the review of the BFSA Annual Report and to delegate authority to the Executive Director, Chair Pro Tempore, Interim Vice-Chair, and Comptroller to make any necessary changes for its accurate completion.

Executive Director Robe gave an overview of the components of the BFSA Annual Report noting it is required to be filed ninety days after fiscal year, June 30, 2024, and summarizes the accomplishments thereof. The Annual Report will be filed along with the audited financial statements after full Board approval. The report is filed with the Office of the New York State Comptroller and other New York State officials as required by New York State Public Authorities Law and is provided to other interested parties who are not required to receive a copy. The following overview of the Annual Report was provided:

- The cumulative fiscal impact of the BFSA since inception was reviewed indicating the total impact of BFSA's actions has been \$460.4M since 2003 with \$240.4M of the savings occurring during the wage freeze implemented between 2004 and 2007.
- Honorable mention was given to retired BFSA Chair R. Nils Olsen, Jr., who served as Chair from December 2009 through November 2023.

The following summary of accomplishments was provided for 2023-24:

- 8 Board meetings were held
- 3 Audit, Finance and Budget Committee meetings
- 3 Governance Committee meetings
- 12th year of BFSA operating in an advisory period
- 16 reports were issued regarding the City of Buffalo ("City")
- 9 reports issued on the Buffalo City School District ("District" "BCSD")
- 7 reports issued on Buffalo Municipal Housing Authority ("BMHA")
- 5 reports issued on Buffalo Urban Renewal Agency ("BURA")

Chair Pro Tempore Floss thanked Executive Director Robe for the work on the Annual Report.

Hearing no questions on the Annual Report, Committee Chair Pro Tempore Floss asked for a motion to accept the BFSA Annual Report as submitted and to delegate authority to the Executive Director, Chair Pro Tempore, Interim Vice-Chair and Comptroller to make any necessary changes for its accurate completion.

Interim Vice-Chair Jurasek made the requested motion.

Committee Chair Pro Tempore Floss seconded the motion.

The Committee voted 2-0 to send the BFSA 2024 Annual Report to the full Board with a recommendation for approval.

Public Financial Management (“PFM”) Financial Advisors

Committee Chair Pro Tempore Floss introduced AFB Resolution No. 24-06: “Approve Engagement of Public Financial Management as Financial Advisors.”

PFM served as the financial advisor for the BFSAs’ period of issuing debt on behalf of the City and retains the historical knowledge related to these complex transactions. The engagement period would be from October 1, 2024, through September 30, 2025, and would extend the terms and rates as last year.

Interim Vice-Chair Jurasek made a motion to approve AFB Resolution No. 24-06.

Committee Chair Pro Tempore Floss seconded the motion.

The Committee voted 2-0 to approve AFB Resolution No. 24-06.

Adjournment

Committee Chair Pro Tempore Floss asked if there was additional business to be considered by the Committee and hearing none asked for a motion to adjourn.

The Committee adjourned by consensus.

The Committee adjourned 1:13 P.M.

BUFFALO FISCAL STABILITY AUTHORITY
Audit, Finance and Budget Committee Meeting Minutes
March 10, 2025

The following are the minutes from the meeting of the Audit, Finance and Budget Committee (“AFB Committee”) of the Buffalo Fiscal Stability Authority (“BFSA”) held on Monday, March 10, 2025. The AFB Committee met in compliance with New York State Open Meeting Laws, as amended. The meeting was called to order at 12:34 PM.

Committee Members Present

Committee Chair Pro Tempore Frederick G. Floss

Committee Members Excused

Interim Vice-Chair Jeanette T. Jurasek

Additional Members Present

Director Andrew A. SanFilippo

Staff Present

Executive Director Jeanette M. Robe

Administrative Assistant Nikita M. Fortune

Principal Analyst/Media Liaison Bryce E. Link

Senior Analyst II/Manager of Technology Nathan D. Miller

Comptroller Claire A. Waldron, CPA

Opening Remarks

Committee Chair Pro Tempore Floss welcomed the attendees to the meeting and called the roll of members. A quorum was not present, a committee of the whole meeting commenced.

BFSA 2025-26 Preliminary Budget and 2026-2029 Financial Plan

Committee Chair Pro Tempore Floss introduced the BFSA’s fiscal year 2025-26 Preliminary Budget and FY 2026-2029 Financial Plan for review and to authorize its posting for public comment. The document will be posted on the BFSA website and provided to all City libraries for public posting and comment. Any public comments will be forwarded to the AFB Committee. Committee Chair Pro Tempore Floss deferred to Executive Director Jeanette Robe for comments. Executive Director Robe thanked BFSA Comptroller Claire Waldron for her work on the budget. The draft budget is fiscally responsible and carefully constructed with a focus on keeping costs for operating the organization as low as possible. Staff related expenses constitute the majority of the budget at 80%. Some costs and expenses are outside of BFSA control such as pension costs, which are budgeted to increase 18.7% over the prior year based on projections provided by the Office of the State Comptroller. The second highest increase is health insurance which is budgeted to increase by 12.1%. The increases were offset with a decrease in professional fees for arbitrage analyses as result of paying off BFSA debt. The BFSA continues to benefit from the physical office move made in December 2022, as the rent is less than the previous space. In addition, the BFSA benefits from the available building technology, keeping BFSA meeting costs down. Overall, the operating budget increases 3.5%, or \$33,000 as compared to last year’s budget.

Committee Chair Pro Tempore Floss stated the importance of BFSA leading the way in being financially responsible and feels the presented budget does that. All comments should be sent to the Executive Director and circulated under an updated budget as necessary. The approval of the final budget is scheduled for June.

Approval of BFSA Audit Engagement

Committee Chair Pro Tempore Floss announced the next item of business: approval of Lumsden & McCormick, LLP, as auditors for the BFSA for the current fiscal year ending June 30, 2025. Committee Chair Pro Tempore Floss noted Lumsden & McCormick have provided excellent service over the past several years and noted the proposed audit fee increase of \$800. This item will be voted on when a quorum is present.

Review of the BFSA 2025 Internal Controls Review

Committee Chair Pro Tempore Floss advanced the agenda to the BFSA 2024-25 internal controls review. The annual reporting for the 2025 internal controls review is performed by the appointed Internal Controls Officer, as per the statutory requirement. Principal Analyst Bryce Link serves in this capacity. Committee Chair Pro Tempore Floss gave the floor to Principal Analyst Link to report his findings.

Principal Analyst Link stated the two areas tested were document retention and storage and the budget preparation and approval process. No material findings were found regarding document retention and storage in accordance with the MI-1 records maintenance schedule. In August 2014, in consultation with counsel, the recommendation was to use the MI-1 schedule plus one year for records retention. As of January 1, 2020, the MI-1 schedule was replaced with a new New York State schedule, LGS-1. BFSA has not violated the document retention policy as BFSA has a policy in place and has not disposed of any records. By adopting the LGS-1 schedule, the BFSA can begin disposing records that have met the minimum time retention period.

Over twelve sets of differing types of documents were reviewed. It was determined that staff took the appropriate steps to maintain records. It was determined that the potential to conduct fraud is possible but unlikely due to several back-ups and formats that the records are maintained in. It was recommended the BFSA adopt the LGS-1 schedule, use a records disposition form, and appoint a new records management officer. The resolutions authorizing the adoption of the records retention policy and appointment of the records management officer, as well as the disposition schedule will be provided to the Governance Committee to be considered at the next Governance Committee meeting in July 2025. Following approval, the BFSA can begin disposing of documents that exceed the retention period.

To promote transparency, the BFSA posts the BFSA resolutions authorizing the records management officer and the adoption of the records retention policy, the BFSA annual reports, audits, budgets and financial plans, operating procedural documents, meeting minutes, and videos. It is recommended that BFSA staff revisit the subject matter list to determine if it is up to date.

Hearing no comments or questions Principal Analyst Link advanced to the next area of testing, budget preparation and approval. There were no material findings. The 2024-25 BFSAs budget and quarterly reports were reviewed with the assistance of the BFSAs Comptroller Waldron. Revenues and expenditures were reviewed. Budgets for Erie County, City of Buffalo and the State of New York were reviewed to compare economic forecasting.

Reporting requirements:

- Approval from the Board to post the budget and financial plan in March, 90 days prior to the end of the current fiscal year
- After public posting, the review and comment period begins and the review and vote will take place at the June 2025 Audit Finance and Budget Committee meeting
- The budget is then posted in Public Assistance Reporting Information System (“PARIS”) within 7 days of the next fiscal year

Director SanFilippo entered the meeting at 12:46 PM.

The opportunity to commit fraud is low due to the segregation of duties and multiple levels of review and any significant deviation from the public sources of the budget would draw additional scrutiny. The only concern is timing of the approval of the budget and submitting the budget in PARIS within the seven-day window due to a rescheduled Board meeting or a PARIS system outage; it was noted that has not been an issue to date. There were no material findings as all required documents are posted online.

Committee Pro Chair Floss reiterated that there were no findings reported for either of the test areas. Principal Analyst Link noted that the MS-1 and LGS-1 retention schedules were used for compliance.

Hearing no additional questions or comments, Committee Chair Pro Tempore Floss adjourned the meeting at 12:49 PM.

**BUFFALO FISCAL STABILITY AUTHORITY
AUDIT, FINANCE & BUDGET COMMITTEE RESOLUTION NO. 25-01
APPROVING MINUTES FROM SEPTEMBER 23, 2024 AND MARCH 10, 2025
AND RESOLUTIONS FROM SEPTEMBER 23, 2024**

BE IT RESOLVED that the Buffalo Fiscal Stability Authority's Audit, Finance and Budget Committee approves the minutes of its meetings on September 23, 2024, and March 10, 2025; and

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority's Audit, Finance and Budget Committee ratifies and affirms AFB Resolution Nos. 24-05 and 24-06, which were approved on September 23, 2024.

This resolution shall take effect immediately.

Approved September 22, 2025

Frederick G. Floss,
Committee Chair

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

FINANCIAL STATEMENTS

JUNE 30, 2025

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

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June 30, 2025

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo Fiscal Stability Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

GAAP requires that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of General and Administrative Expenditures – General Fund is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

September 22, 2025

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Management's Discussion and Analysis (unaudited)

June 30, 2025

Introduction

The Buffalo Fiscal Stability Authority (the "BFSA" or the "Authority") is a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation created by the BFSA Act (the Act) – Chapter 122 of the Laws of 2003, as amended, signed by the Governor on July 3, 2003. BFSA has a broad range of financial control and oversight powers over the City of Buffalo (the City) and its non-exempted Covered Organizations including the Buffalo Public School District (the School District), the Buffalo Municipal Housing Authority, the Buffalo Urban Renewal Agency, the Joint Schools Construction Board, and other covered organizations as defined by the Act. The Act provides for the Authority to be in existence until its oversight, control, or other responsibilities and its liabilities (including the payment in full of Authority bonds and notes) have been met or discharged, which in no event shall be later than June 30, 2037. The Act provides the Authority 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." During a control period the Authority possesses significantly expanded powers, including the power to impose a wage and/or hiring freeze. During an advisory period, the BFSA operates with a reduced set of financial oversight powers and responsibilities. The BFSA transitioned from a control period to an advisory period on July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. A control period may be reimposed in the event of the occurrence of certain events as outlined within the Act.

The Act empowered BFSA in the earlier years of its existence to finance a declining percentage of the yearly deficits of the City and Covered Organizations which are part of an approved budget and four-year financial plan. There was no deficit financing required for the fiscal year 2006-2007, the last year BFSA had this power. In its capacity to issue bonds and notes on behalf of the City, the Authority has funded deficits, capital projects, and certain working capital needs of the City and has issued bonds to refund City debt. Revenues to pay Authority debt service and to fund Authority operations are provided by the City's State aid, and the City's and School District's share of Erie County sales tax, on which the Authority has a first lien. BFSA became entitled to the City's share of Erie County sales tax revenues and State aid on July 3, 2003, the effective date of the Act. BFSA became entitled to the School District's share of Erie County sales tax revenues on July 1, 2004, as provided in Chapter 86 of the Laws of 2004, which amended the Act. Pursuant to the Act, the City and the School District have no right, title, or interest in these revenues until transferred to the City and the School District by the Authority. The Authority has no independent operating income or taxing power.

Overview of the Financial Statements

The annual financial statements of the Authority consist of the following components: management's discussion and analysis (this section), financial statements, and notes to financial statements.

Management's discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2025, 2024, and 2023. The overview, which covers the most important financial events of the period, should be read in conjunction with the Authority's financial statements, including the notes to the financial statements.

Government-wide financial statements of the Authority are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The government-wide financial statements use the economic resources measurement focus and accrual basis of accounting. These statements are presented to display information about the reporting entity as a whole. The Statement of Net Position presents information on all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. The Statement of Activities presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of the related cash flows.

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Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Government fund financial statements are the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances*. Under the modified accrual basis, revenue is recognized when it becomes both measurable and available to finance expenditures in the current fiscal period.

In addition to these two types of statements, the financial statements include a reconciliation between the government-wide and governmental fund financial statements. Accompanying notes to the financial statements are an integral part of the financial statements.

Financial Highlights and Overall Analysis

The most critical factors in the Authority's financial position are its revenues derived from the City's sales tax revenue (since July 1, 2003), the School District's share of Erie County sales tax revenues (beginning July 1, 2004), and the City's State aid, which together provided over 99 percent of the Authority's revenue from 2023 to 2025. The Act granted the Authority a first lien and perfected security interest in net collections from sales and use taxes authorized by the State and imposed by Erie County (the County). Sales taxes are imposed by the County, collected by the State, and remitted to the Authority, usually several times each month. After provision for Authority debt service deposits and operating expenses, the remaining funds are remitted immediately to the City or the School District. The State legislation also provided that all State aid appropriated as local government assistance for the benefit of the City is payable to the Authority to use for debt service requirements and operating expenses, with the remaining funds to be remitted to the City.

The amount of BFSAs sales tax revenues to be collected depends upon various factors, including the economic conditions within the County, which has experienced numerous cycles of growth and recession. In addition, in the past the State has enacted amendments to the Tax Law to exempt specific goods and services from the imposition of sales tax. The Act requires the County to impose the local sales tax at a rate of no less than 3.0 percent for the period ending June 30, 2037. Pursuant to State statutory authority, Erie County currently imposes sales tax at the rate of 4.75 percent. New York State has reauthorized the additional 1.0 percent sales tax rate, above the general State authorization, in Erie County every year since January 1978, but is under no obligation to continue to do so. The additional 1.0 percent sales tax currently expires on November 30, 2027, absent future reauthorization. The County is required to allocate to the cities and towns within the County the first \$12.5 million of any net collections from the additional 1.0 percent of sales and compensating use taxes authorized by Section 1210(i)(4) of the State Tax Law as long as the County maintains the 1.0 percent sales tax. This allocation resulted in additional City tax revenues delivered to BFSAs of approximately \$5.7 million annually in 2025, 2024, and 2023; the School District does not share in this additional sales tax revenue.

Sales tax revenues for the years ended June 30, 2025, 2024, and 2023 were \$176,032,411, \$171,277,718, and \$172,308,454, respectively. The decrease from 2023 to 2024 was \$1,030,736, or 0.6%, while the increase from 2024 to 2025 was \$4,754,693, or 2.8%. The negative impact of the coronavirus pandemic continues to retreat in many areas of everyday life, including our economy, as evidenced by strong increases in sales tax revenue over the period of 2024 and 2025, although we saw a slow down during 2023 to 2024 due to inflation and the potential looming recession. The Authority also received State aid for the years ended June 30, 2025, 2024, and 2023 in the amounts of \$166,285,233, \$161,285,233, and \$161,585,233, respectively. The year 2025 included an additional \$5,000,000 in Temporary Municipal Assistance while the year 2023 included an additional \$300,000 for Miscellaneous Financial Assistance. Investment income, which accounts for the remaining Authority revenue, totaled \$89,857, \$8,110, and \$35,857 for the years ended June 30, 2025, 2024, and 2023, respectively, which primarily is derived from interest on the City's general obligation bonds described below, as well as investments of operating funds. As principal is repaid on the outstanding long-term debt, the amount of interest earnings decreases.

The other significant element in the Authority's financial position is its long-term debt. From 2004 through 2007, the Authority issued a total of \$109,515,000 in long-term bonds (Series 2004A, 2005A, 2006A, and 2007A) to provide for deficit financing as well as to finance the City's cost of various City and School District capital projects. The City, in return, issued a series of its own general obligation long-term bonds, privately placed with the Authority, evidencing the obligations of the City for the 2005A, 2006A, and 2007A bonds. On July 7, 2005, the Authority refunded \$47,015,000 of City serial bonds by issuing \$46,705,000 in 14-year bonds (the 2005B series) and \$360,000 in 2-year taxable bonds (the 2005C Series). The City issued its own 13.5-year premium bonds privately placed with the Authority in the amount of \$48,157,000. On December 21, 2015, the Authority refunded \$7,200,000 of outstanding Series 2005A and \$12,160,000 of outstanding 2006A bonds by issuing \$14,170,000 in Series 2015A revenue bonds. The Authority has not subsequently issued debt.

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The statement of net position shows total net position of (\$551,715) at June 30, 2025, compared to \$(841,508) at June 30, 2024, and \$(576,360) at June 30, 2023. The change in net position of \$289,793 from 2024 to 2025 as well as the change in net position of \$(265,148) from 2023 to 2024 are due to a combination of the timing of sales tax and state aid receipts and distributions to the City and District, the satisfaction of debt obligations, and to the reporting of other postemployment benefits expense, which is a non-cash transaction. The Authority made principal payments on outstanding bonds payable of \$155,000 in 2025. There was an increase in total liabilities of \$390,258 from 2024 to 2025 due to an increase in sales tax revenue due to the City of \$871,712 which was slightly offset by debt payments of \$308,637 as well as a decrease in the OPEB liability of \$201,402. There was a decrease in total liabilities of \$2,488,936 from 2023 to 2024 largely due to a decrease in sales tax revenue due to the City of \$228,343 as well as a decrease in debt payments due of \$2,292,049. Total assets increased \$628,805 from 2024 to 2025 largely due to an increase of \$835,906 due from New York State as a result of an increase in sales tax receivable as well as an increase of \$118,352 in cash and investments which was slightly offset by a decrease in outstanding notes receivable, inclusive of premiums, of \$324,097. Total assets decreased \$2,589,318 from 2023 to 2024 as the Authority received principal payments from the City on outstanding notes receivable, inclusive of premiums, of \$346,025, there was a decrease in cash and investments of \$2,011,008 as investments were used to meet debt obligations, as well as a decrease in the amount due from New York State as a result of a decrease in sales tax receivable.

Cash and investments totaled \$770,459, \$652,107, and \$2,663,115 at June 30, 2025, 2024, and 2023, respectively. These amounts include funds for the future repayment of debt in the amount of \$435,708, \$340,260, and \$2,400,408 at June 30, 2025, 2024, and 2023, respectively.

Operating expenses reported in the governmental fund financial statements totaled \$776,809, \$743,882, and \$731,518 for the years ended June 30, 2025, 2024, and 2023. Total operating expenses increased \$32,927 or 4.4% from 2024 to 2025 and increased \$12,364 or 1.7% from 2023 to 2024. The changes year to year are minor and fluctuations are discussed below.

Staff expenses for the years ended June 30, 2025 and 2024 were as follows:

	2025	2024	Increase / (Decrease)	Percentage Change
Wages	\$ 462,751	\$ 453,094	\$ 9,657	2.1%
Other staff-related expenses	8,665	7,331	1,334	18.2%
Total direct staff expenses	471,416	460,425	10,991	2.4%
Staff benefits:				
ERS contributions	70,421	60,073	10,348	17.2%
Payroll taxes and unemployment	33,306	32,901	405	1.2%
Health insurance (net of employee contributions)	122,355	112,458	9,897	8.8%
Total staff benefits	226,082	205,432	20,650	10.1%
Total staff expenses	\$ 697,498	\$ 665,857	\$ 31,641	4.8%

Wages increased \$9,657 or 2.1% from 2024 to 2025. This is largely due to employee wage increases. Other staff-related expenses increased \$1,334 or 18.2% due to an increase in professional development-related expenses.

ERS contributions increased by \$10,348 or 17.2% from 2024 to 2025. The increase is a result of an increase in the required contribution rate set by the State.

Health insurance expense increased \$9,897 or 8.8% from 2024 to 2025 due to an increase in the monthly premiums.

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Staff expenses for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023	Increase / (Decrease)	Percentage Change
Wages	\$ 453,094	\$ 422,184	\$ 30,910	7.3%
Other staff-related expenses	7,331	7,677	(346)	(4.5%)
Total direct staff expenses	460,425	429,861	30,564	7.1%
Staff benefits:				
ERS contributions	60,073	51,258	8,815	17.2%
Payroll taxes	32,901	31,306	1,595	5.1%
Health insurance (net of employee contributions)	112,458	103,055	9,403	9.1%
Total staff benefits	205,432	185,619	19,813	10.7%
Total staff expenses	\$ 665,857	\$ 615,480	\$ 50,377	8.2%

Wages increased \$30,910 or 7.3% from 2023 to 2024. This is largely due to employee wage increases. Other staff-related expenses decreased \$346 or 4.5% due to a decrease in professional development-related expenses.

ERS contributions increased by \$8,815 or 17.2% from 2023 to 2024. The increase is a result of an increase in the required contribution rate set by the State.

Health insurance expense increased \$9,403 or 9.1% from 2023 to 2024 due to an increase in the monthly premiums.

The next largest category of expenses was for professional fees. The following charts indicated the amount expended for professional fees for the years ended June 30, 2025, 2024, and 2023.

	2025	2024	Increase / (Decrease)	Percentage Change
Legal fees	\$ 6,090	\$ 2,530	\$ 3,560	140.7%
Other professional fees	25,505	25,715	(210)	(0.8%)
Total professional fees	\$ 31,595	\$ 28,245	\$ 3,350	11.9%

	2024	2023	Increase / (Decrease)	Percentage Change
Legal fees	\$ 2,530	\$ 5,920	\$ (3,390)	(57.3%)
Other professional fees	25,715	63,356	(37,641)	(59.4%)
Total professional fees	\$ 28,245	\$ 69,276	\$ (41,031)	(59.2%)

Total professional fees increased \$3,350 or 11.9% from 2024 to 2025 due to an increase in legal fees.

Total professional fees decreased \$41,031 or 59.2% from 2023 to 2024 due to prior year expenses not needed in the current year from leasing of new office space and associated costs, including expenses for moving and certain improvements.

Directors of the Authority do not receive any compensation for their services but are reimbursed for any Authority-related expenses.

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Meeting expenses are incurred in connection with holding public board and committee meetings throughout the year. Meeting expenses for the years ended June 30, 2025, 2024, and 2023 are as follows:

	2025	2024	Increase / (Decrease)	Percentage Change
Facilities expenses – Public Board Meetings	\$ 2,041	\$ 1,873	\$ 168	9.0%

	2024	2023	Increase / (Decrease)	Percentage Change
Facilities expenses – Public Board Meetings	\$ 1,873	\$ 3,089	\$ (1,216)	(39.4%)

Meeting expenses increased from 2024 to 2025 by \$168 or 9.0%. This change is deemed immaterial.

Meeting expenses decreased from 2023 to 2024 by \$1,216 or 39.4%. This change is due to a decrease in expenses for meetings held virtually.

Other expenses include various items necessary for the running of the Authority's offices, and are as follows for the fiscal years ended June 30, 2025, 2024, and 2023:

	2025	2024	Increase/ (Decrease)	Percentage Change
Office services including postage and delivery	\$ 3,342	\$ 4,484	\$ (1,142)	(25.5%)
Rent	35,974	35,627	347	1.0%
Telephone and data processing	4,369	4,954	(585)	(11.8%)
Office supplies	1,683	2,000	(317)	(15.9%)
Equipment	307	842	(535)	(63.5%)
Total other expenditures	\$ 45,675	\$ 47,907	\$ (2,232)	(4.7%)

	2024	2023	Increase / (Decrease)	Percentage Change
Office services including postage and delivery	\$ 4,484	\$ 4,538	\$ (54)	(1.2%)
Rent	35,627	31,471	4,156	13.2%
Telephone and data processing	4,954	4,417	537	12.2%
Office supplies	2,000	1,661	339	20.4%
Equipment	842	1,586	(744)	(46.9%)
Total other expenditures	\$ 47,907	\$ 43,673	\$ 4,234	9.7%

During 2025 office services including postage and delivery decreased by \$1,142, or 25.5%, due to a decrease in subscription expenses.

During 2024 rent increased slightly due to the first full year in the new leased space and a small increase in annual rent. There was also a decrease in equipment purchases.

Debt Service Fund

The Authority did not enter into any new debt transactions during the fiscal years ended June 30, 2025, June 30, 2024, and June 30, 2023.

Contacting the Authority's Financial Management

This financial report is designed to provide taxpayers, investors, and creditors with a general overview of the Authority's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeanette M. Robe, Executive Director, Buffalo Fiscal Stability Authority, 295 Main Street, Ellicott Square Building – Suite 800, Buffalo, New York 14203.

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Statement of Net Position

June 30,	2025	2024
Assets		
Cash and cash equivalents	\$ 320,666	\$ 291,426
Investments	449,793	360,681
Notes receivable - City of Buffalo due within one year	-	324,097
Due from other governments	18,843,254	18,007,348
Other assets	17,517	18,873
Total assets	19,631,230	19,002,425
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	116,249	186,937
Liabilities		
Accounts payable	2,818	2,978
Accrued liabilities	63,562	59,424
Due to the City of Buffalo - sales tax	18,723,254	17,851,542
Long-term liabilities		
Due within one year:		
Bonds	165,000	155,000
Due beyond one year:		
Bonds and related premiums	64,020	382,657
Net pension liability	263,980	239,373
Total OPEB liability	985,190	1,186,592
Total liabilities	20,267,824	19,877,566
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	31,370	153,304
Net Position		
Restricted	618,402	520,373
Unrestricted	(1,170,117)	(1,361,881)
Total net position (deficit)	\$ (551,715)	\$ (841,508)

See accompanying notes.

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Statement of Activities

For the years ended June 30,	2025	2024
Expenses		
General and administrative	\$ 548,768	\$ 944,147
Distributions		
City of Buffalo - general operations	281,442,478	273,014,590
City of Buffalo School District	60,270,556	58,999,554
Interest expense	(144,094)	(122,082)
Total expenses	342,117,708	332,836,209
General revenues		
State aid	166,285,233	161,285,233
Sales tax	176,032,411	171,277,718
Interest and other income	89,857	8,110
Total general revenues	342,407,501	332,571,061
Change in net position	289,793	(265,148)
Net position (deficit) - beginning	(841,508)	(576,360)
Net position (deficit) - ending	\$ (551,715)	\$ (841,508)

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Balance Sheet - Governmental Funds

June 30, 2025

(With summarized comparative totals as of June 30, 2024)

	General	Debt Service	Total Governmental Funds	
			2025	2024
Assets				
Cash and cash equivalents	\$ 136,243	\$ 184,423	\$ 320,666	\$ 291,426
Investments	198,508	251,285	449,793	360,681
Due from other governments, net	18,843,254	-	18,843,254	18,331,445
Due from other funds, net	-	185,446	185,446	185,446
Other assets	17,517	-	17,517	18,873
Total assets	\$ 19,195,522	\$ 621,154	\$ 19,816,676	\$ 19,187,871
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,818	\$ -	\$ 2,818	\$ 2,978
Accrued liabilities	60,810	2,752	63,562	59,424
Due to the City of Buffalo - sales tax	18,723,254	-	18,723,254	17,851,542
Due to other funds, net	185,446	-	185,446	185,446
Total liabilities	18,972,328	2,752	18,975,080	18,099,390
Fund Balances				
Nonspendable:				
Prepaid expenses	17,517	-	17,517	18,873
Restricted:				
Debt service	-	618,402	618,402	851,401
Unassigned	205,677	-	205,677	218,207
Total fund balances	223,194	618,402	841,596	1,088,481
Total liabilities and fund balances	\$ 19,195,522	\$ 621,154	\$ 19,816,676	\$ 19,187,871

See accompanying notes.

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2025

Total fund balances - governmental funds \$ 841,596

Amounts reported for governmental activities in the statement of net position are different because:

The Authority's proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized on the government-wide financial statements and include:

Deferred outflows of resources related to pensions	116,249	
Net pension liability	(263,980)	
Deferred inflows of resources related to pensions	<u>(31,370)</u>	(179,101)

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Bonds and related premiums	(229,020)	
Total OPEB liability	<u>(985,190)</u>	<u>(1,214,210)</u>

Net position (deficit) - governmental activities \$ (551,715)

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2025
(With summarized comparative totals for June 30, 2024)

	General	Debt Service	Total Governmental Funds	
			2025	2024
Revenues				
State aid	\$ 166,285,233	\$ -	\$ 166,285,233	\$ 161,285,233
Sales tax	176,032,411	-	176,032,411	171,277,718
Interest and other income	9,389	80,468	89,857	8,110
Total revenues	342,327,033	80,468	342,407,501	332,571,061
Expenditures				
General and administrative	776,809	-	776,809	743,882
Distributions				
City of Buffalo - general operations	281,437,885	4,593	281,442,478	273,014,590
City of Buffalo School District	60,270,556	-	60,270,556	58,999,554
Debt service				
Principal	-	155,000	155,000	2,120,000
Interest	-	9,543	9,543	49,967
Total expenditures	342,485,250	169,136	342,654,386	334,927,993
Excess revenues (expenditures)	(158,217)	(88,668)	(246,885)	(2,356,932)
Other financing sources (uses)				
Operating transfers, net	144,331	(144,331)	-	-
Net change in fund balances	(13,886)	(232,999)	(246,885)	(2,356,932)
Fund balances - beginning	237,080	851,401	1,088,481	3,445,413
Fund balances - ending	\$ 223,194	\$ 618,402	\$ 841,596	\$ 1,088,481

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the year ended June 30, 2025

Total net change in fund balances - governmental funds \$ (246,885)

Amounts reported for governmental activities in the statement of activities are different because:

Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:

2025 contribution	70,421	
2025 accrued contribution	18,056	
2024 accrued contribution	(17,605)	
2025 pension expense	<u>(44,233)</u>	26,639

OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. 201,402

Payments of long-term liabilities are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position. 155,000

In the statement of activities, bond premiums are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. 153,637

Change in net position - governmental activities \$ 289,793

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Buffalo Fiscal Stability Authority (the Authority) is a corporate governmental agency and instrumentality of the State of New York (the State) constituting a public benefit corporation created by the Buffalo Fiscal Stability Authority Act (the Act), Chapter 122 of the Laws of 2003, as amended from time to time. Although legally separate from and independent of the City of Buffalo (the City), the Authority is a component unit of the City for financial reporting purposes and, accordingly, is included in the City's financial statements. The Act provides for the existence of the Authority through June 30, 2037.

The Authority is governed by nine directors, with seven appointed by the Governor. One of the seven must be a resident of the City. One director is appointed following the recommendation of the State Comptroller; one director is 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 of Erie County, New York serve as ex-officio members. The Governor also designates the chairperson and vice-chairperson from among the directors.

The Authority has power under the Act to monitor and oversee the finances of the City and "covered organizations" – Board of Education, City of Buffalo, New York, the City's school district (the District); the Joint Schools Construction Board; Buffalo Urban Renewal Agency; Buffalo Municipal Housing Authority; and any governmental agency, public authority, or public benefit corporation which receives or may receive money directly, indirectly, or contingently from the City. The Authority is empowered to issue bonds and notes for various City purposes, defined in the Act as "financeable costs." The Act authorizes the issuance of bonds, notes, or other obligations in amounts necessary to pay any financeable costs and to fund reserves to secure such bonds. The aggregate principal amounts of such bonds, notes, or other obligations outstanding at any one time excluding refunding bonds of the City or the Authority cannot exceed \$175,000,000. The Authority may also issue bonds, notes, or other obligations to pay the cost of issuance of such borrowings, to establish debt service reserves, or to refund or advance refund any outstanding notes of the City. The Authority may issue cash flow borrowings which do not count toward the above limit, but are limited to \$145,000,000 of aggregate principal amounts outstanding at any one time.

The Act provides the Authority 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. The Act defined and established a control period to be in effect as of the date of the Act and continue until specific conditions were met regarding the stability of the City's finances. In May 2012, the Authority determined such conditions had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. A control period may be reimposed if the Authority determines at any time that a fiscal crisis is imminent or that any of the certain events, as outlined in the Act, have occurred or are likely to occur.

The Act provides broad monitoring responsibility over the City's finances during a control period, including the requirements for the City to provide annually a four-year financial plan to be approved by the Authority. The Act also allows the Authority to establish a maximum level of spending; impose a wage or hiring freeze; review and approve or disapprove any contracts, settlements, debt issuances, or collective bargaining agreements entered into by the City or covered organization; and may require the City to explore certain actions regarding merger of services with the County of Erie. Under an advisory period, the Authority's monitoring responsibilities continue to exist; however, the Authority is not required to approve the various items as noted above, but will publicly comment on such items.

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The Authority receives all sales tax revenues designated for the City and the District, and State aid to be paid to the City. State aid includes all general purpose local government aid, emergency financial assistance to certain cities, emergency financial assistance to eligible municipalities, supplemental municipal aid, and any successor or new aid appropriated by the State as local government assistance for the benefit of the City. The Authority is also entitled to receive all other aid, rents, fees, charges, payments, and other income to the extent such amounts are pledged to bondholders of the City.

The Authority maintains amounts it deems necessary for its operations and debt service requirements with the excess transferred to the City as frequently as practicable. On occasion, the Authority has been directed by the State to retain certain State aid amounts for the City's future use.

Basis of Presentation

Government-Wide Financial Statements: The statement of net position and the statement of activities display financial activities of the overall Authority. These statements are required to distinguish between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Authority does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Given the specific nature of the Authority's purpose, its only function is displayed as monitoring of City finances.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

The Authority reports the following major funds:

- *General fund.* This is the Authority's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Debt service fund.* This fund is used to account for resources that are restricted, committed, or assigned to expenditure for principal and interest payments on long-term debt obligations of governmental activities on behalf of the City. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority receives value directly without giving equal value in exchange, include State aid and sales taxes. Revenue is recognized in the fiscal year for which taxes and State aid are earned or designated. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end, with the exception of amounts determined by statute as State general purpose aid. By law, although designated for the current fiscal year, the amount is typically paid by the State in December. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent that they have matured. Capital asset additions are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources.

Interest expense is recognized on the accrual basis in the government-wide financial statements. In the governmental fund financial statements, interest expenditures are recognized when funds are deposited in the debt service fund.

The Authority receives sales tax revenue several times each month and receives interest earnings from time to time as investments mature. Funds for debt service are required to be set aside from revenues on a monthly basis. The Authority also withholds, as necessary, amounts which in its judgment are required for operations and operating reserves. Residual sales tax revenue and investment earnings are then transferred to the City.

No revenues are generated from operating activities of the Authority; therefore, all revenues are defined by the Authority as non-operating revenues. Revenues are received in the general and debt service funds. Expenditures of the Authority that arise in the course of providing the Authority's oversight and debt issuance services, such as payroll and administrative expenses, are considered operating expenses, and are accounted for in the general fund. Expenditures related to debt issuance are considered non-operating expenses, and are accounted for in the debt service fund.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

Cash and investment management is governed by State laws in accordance with the Act, the State's Comptroller's guidelines for Public Authorities, and as established in the Authority's written policies. Cash must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Authority's banking policies permit the Executive Director to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, obligations of the State or its localities, and commercial paper of any bank or corporation provided it has the highest rating of two independent rating agencies.

Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. At June 30, 2025, the Authority's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's trust department in the Authority's name.

Bond Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental fund financial statements when issued. In the government-wide financial statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

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Pension

The Authority participates in the New York State and Local Employees' Retirement System (ERS) as mandated by State law. ERS recognizes benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide financial statements, the Authority recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position (Note 6) on the same basis as reported by the defined benefit pension plan.

Other Postemployment Benefits (OPEB)

On the government-wide financial statements, the total OPEB liability, deferred outflows of resources, if any, and OPEB expense for the Authority's defined benefit healthcare plan (Note 7) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Equity Classifications

Government-Wide Financial Statements

Net position may consist of the following components:

- *Net investment in capital assets* – consists of capital assets, if any, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by related liabilities and deferred inflows of resources. Restrictions are imposed by external organizations such as federal or state laws or by the terms of the Authority's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and, therefore, are available for general use by the Authority.

Governmental Fund Financial Statements

The Authority considers restricted resources to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available.

Nonspendable fund balances represent resources that cannot be spent because they are not expected to be converted to cash.

Restricted fund balances result from reserves created primarily by enabling legislation to preserve resources for future expenditures as required by budgetary regulations or bond instruments. Earnings on invested resources are required to be added to the reserves. Fund balance restrictions consist of a debt service reserve, which is used to accumulate resources for a sinking fund in connection with the requirements of the related bond agreements.

Interfund Balances

The operations of the Authority at times include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. Permanent transfers of funds include resources for required debt service payments or funding of operations.

In the government-wide financial statements, eliminations have been made for all interfund receivables and payables between the funds.

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2. Transactions with and on Behalf of the City

The Act and other legal documents of the Authority establish various financial relationships between the Authority, the City, and the District. The resulting financial transactions between the Authority, the City, and the District include the receipt and use of revenues as well as Authority debt issuances to fund financeable costs of the City.

The receipt and remittance of revenues in 2025 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$176,032,411 were recorded, of which \$114,826,059 was or will be paid to the City and \$60,270,556 was designated for the District. The balance was retained for Authority operations and to provide for a debt service sinking fund.
- State aid of \$166,285,233 was received during 2025 and distributed to the City.
- Distributions paid or accrued to the City in 2025 totaled \$281,442,478, which includes \$114,826,059 of sales tax receipts, \$166,603,814 of State aid and other revenue, and interest receipts of \$12,605.

3. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and treasury bills with original maturities of three months or less. Investments consist primarily of government obligations stated at fair value on a recurring basis as determined by quoted prices in active markets.

The Authority's cash and investments at June 30, 2025 consist of the following:

	Cost	Fair Value
Cash	\$ 208,194	\$ 208,194
Money market	112,472	112,472
U.S. Treasury Bills	348,489	349,967
Freddie Mac Discount Notes	13,344	99,826
	<u>\$ 682,499</u>	<u>\$ 770,459</u>

The risk and type of investments presented above generally indicate activity and positions held throughout the year. Maturities are generally short term with certificates of deposits issued with 30-day maturities and commercial paper, if any, due within 45 days of purchase.

4. Due from Other Governments

Due from Other Governments:	
New York State	
May and June sales tax receipts	\$ 18,843,254

5. Long-Term Liabilities

	July 1, 2024	Increases	Decreases	June 30, 2025	Amount Due in One Year
Series 2015A refunding bond maturing September 2025 with interest ranging from 3.0% to 5.0% over the life of the bond. Secured by future sales tax and state aid revenues.	\$ 320,000	\$ -	\$ 155,000	\$ 165,000	\$ 165,000
2015A bond premiums	217,657	-	153,637	64,020	-
	<u>\$ 537,657</u>	<u>\$ -</u>	<u>\$ 308,637</u>	<u>\$ 229,020</u>	<u>\$ 165,000</u>

The remaining principal balance of \$165,000 and \$4,125 in interest will be repaid in 2026.

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6. Pension Plan

Plan Description

The Authority participates in ERS, which is a cost-sharing, multiple employer, public employee retirement system. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: ERS provides retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Authority to the pension accumulation fund. For 2025, these rates ranged from 11.3% – 17.8%.

A liability to ERS of \$18,056 is accrued based on the Authority's legally required contribution for employee services rendered from April 1 through June 30, 2025.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the Authority reported a liability of \$263,980 for its proportionate share of the net pension position.

The total pension liability at the March 31, 2025 measurement date was determined by an actuarial valuation as of April 1, 2024, with update procedures applied to roll forward the total pension liability to March 31, 2025. The Authority's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At March 31, 2025, the Authority's proportion was 0.0015396%, a decrease of 0.0000861 from its proportion measured as of March 31, 2024.

For the year ended June 30, 2025, the Authority recognized pension expense of \$44,233. At June 30, 2025, the Authority reported deferred outflows and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,522	\$ (3,091)
Changes of assumptions	11,071	-
Net difference between projected and actual earnings on pension plan investments	20,711	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	889	(28,279)
Authority contributions subsequent to the measurement date	18,056	-
	<u>\$ 116,249</u>	<u>\$ (31,370)</u>

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Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Years ending June 30,		
2026	\$	35,175
2027		59,830
2028		(28,202)
2029		20
	\$	<u>66,823</u>

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2024 valuation, with update procedures used to roll forward the total pension liability to March 31, 2025, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation – 2.9%

Salary increases – 4.3%

Cost of living adjustments – 1.5% annually

Investment rate of return – 5.9% compounded annually, net of investment expense, including inflation

Mortality - Society of Actuaries' Scale MP-2021

Discount rate – 5.9%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and ERS's target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	25%	3.5%
Global and international equities	14%	6.6%
Private equities	15%	7.3%
Real estate equities	12%	5.0%
Domestic fixed income securities	22%	2.0%
Short-term	1%	0.3%
Other	11%	5.3%-5.6%
	<u>100%</u>	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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The following presents the Authority's proportionate share of its net pension position calculated using the discount rate of 5.9% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
Authority's proportionate share of the ERS net pension asset (liability)	\$ (762,991)	\$ (263,980)	\$ 153,530

7. OPEB

Plan Description

The Authority maintains a single-employer defined benefit healthcare plan (the Plan) providing for lifetime cost sharing of medical premiums to eligible retirees and spouses. Eligibility is based on covered employees who retire from the Authority, are over age 55, have a minimum of five years of service, and have satisfied requirements for retiring as a member of a retirement system. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2025, employees covered by the Plan include:

Active employees	4
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
	<u>4</u>

Total OPEB Liability

The Authority's total OPEB liability of \$985,190 was measured as of June 30, 2025 and was determined using the alternative measurement method, available to plans with fewer than 100 employees, as of June 30, 2025.

The total OPEB liability using the alternative measurement method as of June 30, 2025 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rates – Initial rate of 5.8%, with an ultimate rate of 4.1% after ten years

Salary increases – 2.0%

Mortality – Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years

Discount rate – 4.5% based on the 20-Year tax-exempt municipal bond yield for bonds with an average rating of AA or higher as of the measurement date

Turnover – 50% based on historical experience

Changes to Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2024	\$ (1,186,592)
Changes for the year:	
Service cost	(112,210)
Interest	(46,757)
Changes of benefit terms	-
Differences between expected and actual experience	163,540
Changes of assumptions or other inputs	196,829
Benefit payments	-
Net changes	<u>201,402</u>
Balance at June 30, 2025	<u>\$ (985,190)</u>

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The following presents the sensitivity of the Authority's total OPEB liability to changes in the discount rate, including what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	1.0% Decrease (3.5%)	Discount Rate (4.5%)	1.0% Increase (5.5%)
Total OPEB liability	\$ (1,206,568)	\$ (985,190)	\$ (809,432)

The following presents the sensitivity of the Authority's total OPEB liability to changes in the healthcare cost trend rates, including what the Authority's total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates:

	1.0% Decrease (4.8% to 3.1%)	Healthcare Cost Trend Rate (5.8% to 4.1%)	1.0% Increase (6.8% to 5.1%)
Total OPEB liability	\$ (778,161)	\$ (985,190)	\$ (1,252,019)

For the year ended June 30, 2025, the Authority recognized OPEB income of \$201,402.

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System

As of the measurement date of March 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net pension position	0.0015396%	0.0016257%	0.0017500%	0.0017454%	0.0017040%	0.0017601%	0.0018207%	0.0018707%	0.0019883%	0.0018893%
Authority's proportionate share of the net pension asset (liability)	\$ (263,980)	\$ (239,373)	\$ (375,278)	\$ 142,680	\$ (1,696)	\$ (466,096)	\$ (129,004)	\$ (60,374)	\$ (186,826)	\$ (303,242)
Authority's covered payroll	\$ 428,187	\$ 410,432	\$ 403,866	\$ 384,523	\$ 398,106	\$ 375,073	\$ 366,813	\$ 368,236	\$ 386,979	\$ 354,794
Authority's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(61.65%)	(58.32%)	(92.92%)	37.11%	(0.43%)	(124.27%)	(35.17%)	(16.40%)	(48.28%)	(85.47%)
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%

The following is a summary of changes of assumptions:

Inflation	2.9%	2.9%	2.9%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary increases	4.3%	4.4%	4.4%	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%
Cost of living adjustments	1.5%	1.5%	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%
Investment rate of return	5.9%	5.9%	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%
Discount rate	5.9%	5.9%	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%
Society of Actuaries' mortality scale	MP-2021	MP-2021	MP-2021	MP-2020	MP-2020	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information (Unaudited)
Schedule of Contributions
New York State and Local Employees' Retirement System

For the years ended June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 70,421	\$ 56,624	\$ 48,492	\$ 63,939	\$ 59,480	\$ 56,308	\$ 54,897	\$ 55,466	\$ 58,035	\$ 67,365
Contribution in relation to the contractually required contribution	(70,421)	(56,624)	(48,492)	(63,939)	(59,480)	(56,308)	(54,897)	(55,466)	(58,035)	(67,365)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 428,187	\$ 410,432	\$ 403,866	\$ 384,523	\$ 398,106	\$ 375,073	\$ 366,813	\$ 368,236	\$ 386,979	\$ 354,794
Contributions as a percentage of covered payroll	16.45%	13.80%	12.01%	16.63%	14.94%	15.01%	14.97%	15.06%	15.00%	18.99%

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

**Required Supplementary Information (Unaudited)
Schedule of Changes in the Authority's
Total OPEB Liability and Related Ratios**

For the years ended June 30,	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ (1,186,592)	\$ (1,015,188)	\$ (1,017,350)	\$ (1,281,732)	\$ (1,074,255)	\$ (1,513,486)	\$ (1,283,543)	\$ (1,120,850)
Changes for the year:								
Service cost	(112,210)	(112,210)	(112,210)	(112,210)	(112,210)	(112,210)	(118,694)	(162,693)
Interest	(46,757)	(40,586)	(37,739)	(30,109)	(26,221)	(56,899)	(54,267)	-
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	163,540	(18,608)	91,126	75,420	(52,956)	900,335	58,182	-
Changes of assumptions or other inputs	196,829	-	60,985	331,281	(16,090)	(291,995)	(115,164)	-
Benefit payments	-	-	-	-	-	-	-	-
Net change in total OPEB liability	201,402	(171,404)	2,162	264,382	(207,477)	439,231	(229,943)	(162,693)
Total OPEB liability - ending	\$ (985,190)	\$ (1,186,592)	\$ (1,015,188)	\$ (1,017,350)	\$ (1,281,732)	\$ (1,074,255)	\$ (1,513,486)	\$ (1,283,543)
Covered-employee payroll	\$ 462,751	\$ 453,094	\$ 422,184	\$ 407,760	\$ 407,136	\$ 413,309	\$ 384,296	\$ 375,724
Total OPEB liability as a percentage of covered-employee payroll	212.9%	261.9%	240.5%	249.5%	314.8%	259.9%	393.8%	341.6%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Differences between expected and actual experience include changes in healthcare trend rates and adjustments to expected turnover. Prior to 2020, the Authority used the experience of the Federal Employees Retirement System, as allowed under GASB Statement No. 75. Beginning in 2020, turnover was adjusted to 50% to more accurately reflect turnover rates at the Authority.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	5.8% - 4.1%	4.7% - 4.2%	4.7% - 4.2%	4.9% - 4.3%	4.9% - 4.3%	4.6% - 4.7%	4.6% - 4.7%	4.6% - 4.7%
Salary increases	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	4.0%	4.0%
Discount rate	4.5%	3.6%	3.6%	3.34%	2.16%	2.21%	3.5%	3.87%
Mortality table	Pub-2010	Pub-2010	Pub-2010	Pub-2010	Pub-2010	RP2000	RP2000	RP2000

Data prior to 2018 is unavailable.

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BUFFALO FISCAL STABILITY AUTHORITY
(A Component Unit of the City of Buffalo, New York)

Supplementary Information Schedule of General and Administrative Expenditures - General Fund

For the years ended June 30,	2025	2024
Board functions		
Public meeting expenses	\$ 2,041	\$ 1,873
Staff expenses		
Wages	462,751	453,094
Professional development	2,129	1,286
Parking	5,269	4,800
Payroll processing fees	1,267	1,245
	<u>471,416</u>	<u>460,425</u>
Central services		
Postage, printing, and dues	2,299	2,959
Rent	35,974	35,627
Telephone and data processing	4,369	4,954
Insurance	1,043	1,525
Office supplies	1,683	2,000
Equipment	307	842
	<u>45,675</u>	<u>47,907</u>
Administrative		
Professional fees and consultants	25,505	25,715
Legal fees	6,090	2,530
	<u>31,595</u>	<u>28,245</u>
Employee benefits		
New York State and Local Employees' Retirement System contributions	70,421	60,073
Social security and medicare taxes and unemployment	33,306	32,901
Medical insurance net of employee contributions	122,355	112,458
	<u>226,082</u>	<u>205,432</u>
Total general and administrative expenditures - general fund	\$ 776,809	\$ 743,882

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Buffalo Fiscal Stability Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 22, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DRAFT

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 22, 2025

DRAFT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Buffalo Fiscal Stability Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as of June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and we have issued our report thereon dated September 22, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended June 30, 2025. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

September 22, 2025

DRAFT

MANAGEMENT LETTER

September 22, 2025

The Audit, Finance and Budget Committee,
Board of Directors, and Management
Buffalo Fiscal Stability Authority

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chances of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

ACCOUNTING STANDARDS UPDATES

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for the Authority's year ending June 30, 2026. This statement attempts to improve key components of the financial reporting model by limiting management's discussion and analysis to five specific topics, requiring separate presentation of unusual or infrequent items, and requiring that budgetary comparisons be presented as required supplementary information.

DRAFT

GASB Statement No. 104, *Disclosures of Certain Capital Assets*, is effective for the Authority's year ending June 30, 2026. This statement requires that lease assets, intangible right-to-use assets, and subscription assets be separately disclosed by major class of underlying asset in the capital assets note disclosures.

This communication is intended solely for the information and use of the Authority's management; Audit, Finance and Budget Committee; and Board of Directors. It is not intended to be, and should not be, used by anyone other than these specified parties.

DRAFT

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 22, 2025

The Audit, Finance and Budget Committee and
Board of Directors
Buffalo Fiscal Stability Authority

We have audited the financial statements of the governmental activities and each major fund of Buffalo Fiscal Stability Authority (the Authority), a component unit of the City of Buffalo, New York, for the year ended June 30, 2025, and have issued our report thereon dated September 22, 2025. Professional standards require that we advise you of the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 27, 2025, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding upcoming accounting pronouncements and other matters noted during the audit, if any, in a separate letter to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in the engagement letter.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

DRAFT

Qualitative Aspects of the Authority's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Audit Risk Items

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive and significant accounting estimates affecting the financial statements and our audit are:

- Timing of the recognition of sales tax revenue and payments accrued to the City of Buffalo
- Accrual of interest income and expense and bond premium amortization
- Accrual of other postemployment benefits (OPEB) and net pension position, and their related disclosures

Management's estimates of the above are based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the estimates above and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly important because of their significance to financial statement users. The most important disclosures affecting the financial statements are reflected in Note 4 – Due from Other Governments, Note 5 – Long-Term Liabilities, Note 6 – Pension Plan, and Note 7 – OPEB. These disclosures present the existing receivables from the City's mirror bonds and the existing long-term obligations of the Authority on behalf of the City of Buffalo, including the actuarially determined net pension position for the New York State and Local Employees' Retirement System and the actuarial accrued liability for the Authority's OPEB. We evaluated all disclosures in relation to the financial statements as a whole and determined that they are reasonable.

Significant Difficulties Encountered During the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances, or disclosures, and the financial statements as a whole. We discovered no misstatements during our audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as whole.

DRAFT

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditors' Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditors' report. There were no modifications to the audit opinions.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated consistent with the financial statement audit report date.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and other required supplementary information (RSI) regarding the New York State Employers' Retirement System pension plan and OPEB. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements of the Authority that is not RSI, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with GAAP and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit, Finance, and Budget Committee; Board of Directors; and management of the Authority. It is not intended to be, and should not be, used by anyone other than these specified parties.



BUFFALO FISCAL STABILITY AUTHORITY

Annual Report of the Buffalo Fiscal Stability Authority
Fiscal Year Ended June 30, 2025

September 22, 2025

**Buffalo Fiscal Stability Authority
Authority Directors and Staff as of June 30, 2025**

Directors

Vacant, Chair

Jeanette T. Jurasek, Interim Vice-Chair *

Frederick G. Floss, Secretary

Timothy R. Hogues

Andrew A. SanFilippo

Mayor Christopher P. Scanlon (ex officio)

County Executive Mark C. Poloncarz (ex officio)

Vacant

Vacant

Vacant

* Resigned in June 2025

Staff

Jeanette M. Robe, CPA
Executive Director

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

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

Claire A. Waldron, CPA
Comptroller

Contact

Ellicott Square Building
295 Main Street, Suite 800
Buffalo, New York 14203
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Web: <https://bfsa.ny.gov>

Annual Report of the Buffalo Fiscal Stability Authority

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INTRODUCTION

This annual report summarizes the actions, accomplishments, and progress of the Buffalo Fiscal Stability Authority (BFSA) since its inception in 2003. The focus is the period from July 1, 2024, through June 30, 2025, and complements the information reported in prior annual reports. Since 2003, the City of Buffalo (City) and its non-exempt Covered Organizations, including the Buffalo City School District (BCSD or District), the Buffalo Urban Renewal Agency (BURA), and the Buffalo Municipal Housing Authority (BMHA) (collectively the Covered Organizations), have operated under the requirements of the Buffalo Fiscal Stability Authority Act. The Joint Schools Construction Board was originally scoped in as a Covered Organization but is no longer active as the construction 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 2025-26 Budgets and 2026-2029 Financial Plans of the City of Buffalo and the Covered Organizations," information related to forecasts and projections over the next four fiscal years, as made by management of the City and Covered Organizations, is discussed. BFSA examined and reported on the reasonableness of these projections and 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 on the City of Buffalo and its Covered Organizations has totaled \$460.6 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 (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 to 3 beginning on page 41 of this report.

National Economic Outlook and Financial Impact Post Coronavirus Pandemic

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 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 on the State and on the City from COVID-19 has been significant. Revenues were negatively impacted for several years during the pandemic and have shifted in recent years in response to transformations in the overall global, national, and local economies. The economic expansion the region was experiencing before the pandemic was also significantly impacted and the economy, specifically labor, has been significantly altered. National unemployment is 4.2 percent in July 2025 compared to 3.6 percent in February 2020. Western New York (WNY) employment has been slower to recover and has not seen the employment gains that have been the national trend. WNY is faced with a shrinking labor force; the seasonally adjusted labor force remains nearly 2.0 percent below its pre-pandemic peak and the

region is contending with an aging workforce. The unemployment rate in February 2020 was 4.9 percent compared to 4.0 percent in July 2025. However, both the number of individuals looking for jobs as well as filled positions decreased over that five-year period. The labor force contracted by 10,874 individuals and filled positions decreased by 5,475 during this time. While the unemployment rate is lower than it was pre-pandemic, the composition of the labor market has changed with less individuals participating in the labor market.

In January 2025, President Trump was inaugurated and has instituted changes in priorities that have resulted in financial uncertainty at the local level. The priorities of the current administration have focused on reducing the size of the federal government, trade (i.e. tariff policies), immigration, tax cuts and deregulation. Partnerships and resources that were provided by the federal government have been eliminated or threatened to be eliminated. It is unknown what the full impact of the changes in priorities will have on Buffalo and the greater Western New York region, but it is expected to have a negative impact. It is noted that the cross-border travel and tourism in WNY has seen significant declines during the first six months of 2025, with cross-border traffic decreasing on a monthly basis between 19.7 percent to 25.6 percent compared to the prior year.

Potential federal aid cuts represent a substantial threat to the District. Federal aid constitutes a critical portion of the District's education funding, including programs serving low-income students and those with special needs. These funds are recorded primarily within the Grants Fund; the loss of grant funding would place further strain on the General Fund if such services were maintained. Federal grant cuts would represent an additional cost to the District's General Fund. New York State Aid may be impacted by federal aid cuts. If federal cuts occur, New York State would need to reallocate local funding to fill gaps, potentially leading to cuts in programs or services.

The U.S. Department of Treasury's final rule on the American Rescue Plan Act (ARPA) provided that all funding was to be obligated by December 31, 2024, and is to be disbursed by December 31, 2026. The City was awarded \$331.4 million in ARPA funding. The City obligated all the funds by December 31, 2024, and is in the process of disbursing remaining funds. As of June 30, 2025, the remaining balance to be disbursed by December 31, 2026, is \$42.6 million. ARPA funding has been permitted, within certain parameters, to be used for revenue replacement which is unrestricted funding to replace the revenue lost due to the impact of the pandemic. The City allocated a cumulative total of \$167.2 million, or roughly 50.5 percent of the total allotment, for revenue replacement. This provided the City \$130.6 million of unrestricted general fund revenue for the years ended June 30, 2021 through June 30, 2024. The 2024-25 budget was the final year that the ARPA funds could be used for unrestricted purposes under the current guidelines including revenue replacement; the City utilized \$37.0 million of ARPA for unrestricted general fund revenue.

The District was also a recipient of a significant amount of federal recovery funds and has disbursed the funds fully. The purpose of the funding was to address diverse needs that arose from the COVID-19 pandemic, and/or to emerge stronger post-pandemic, including responding to the social, emotional, mental health and academic needs of students while continuing to provide educational services as schools responded and recovered from the pandemic. The District did make a determination to continue certain programs that had been funded with federal recovery funds and reflected these costs in the 2024-25 budget. The intent was to begin

unwinding these programs as well as make other reductions in fiscal year 2025-26, but those plans have been delayed. Even with the influx of additional State aid, the District is faced with a deficit of \$78.8 million in 2025-26 that is funded through the use of fund balance. BFSA's reports on the District's budget and financial plan is included in the section entitled "BFSA Reports on the 2025-26 Budget and 2026-2029 Financial Plans of the City of Buffalo and the Covered Organizations".

The national economy has struggled with high inflation beginning with a surge in mid-2021. In response to extraordinarily high inflation, the Federal Reserve raised interest rates many times from a starting rate of essentially zero in March 2022 to a rate of 5.25 percent to 5.50 percent in July 2023. Beginning in September 2024 the Federal Reserve lowered interest rates by 50 basis points to a range of 4.75 percent to 5.0 percent, followed by an additional reduction of 25 basis points in November 2024 (interest rate range of 4.5 percent to 4.75 percent) and the last reduction of 25 basis points in December 2024 for a current interest rate range of 4.25 percent to 4.5 percent where it has remained since.

The most recent inflation figures for July 2025 indicate the consumer price index (CPI) rose 2.9 percent annualized, while core CPI (excluding food and energy) increased 3.1 percent over the year. Jerome Powell, chair of the Federal Reserve, signaled in August 2025 that a possible interest rate cut could occur at the next Federal Reserve Board meeting in September, saying "that risks to the job market were rising but also noting inflation remained a threat and that a decision wasn't set in stone."

Known risks that could result in a financial impact from federal actions are not reflected in the budgets and financial plans of each organization; such risks are discussed in the individual reports on each organization included herein beginning on page 50. The final 2024-25 fiscal year results of operations for the City and Covered Organizations have not yet been reported; the BFSA Act requires the City to submit audited financial statements within 120 days after the close of the fiscal year.

In Memoriam of Vice-Chair Jeanette T. Jurasek, Ph.D.

Vice-Chair Jeanette T. Jurasek retired from BFSA service effective June 16, 2025, and passed away on July 4, 2025. Vice-Chair Jurasek was appointed by former Governor Cuomo to the BFSA Board of Directors on February 23, 2012, was reappointed in 2014, and was unanimously voted by the Board as Vice-Chair in 2015. Dr. Jurasek's collegial spirit, insight and leadership were pivotal to fostering an effective, collaborative, and impactful Board of Directors over the last fourteen years. She had a remarkable career in higher education, including serving as President of Medaille College from 2007 to 2015, serving in several capacities at Antioch College including Executive Vice President, Interim President, and Dean of Faculty from 2003 to 2007, and holding various academic positions at Augustana College and Earlham College.

During her tenure, Vice-Chair Jurasek saw the adoption of thirteen financial plans, each of which advanced the BFSA's mission to support the long-term fiscal stability of the City of Buffalo and its covered organizations.

Vice-Chair Jurasek was unfaltering in her leadership during the enormous upheaval to the public sector resulting from the coronavirus pandemic and spent countless hours overseeing the

precarious financial position facing the City and covered organizations, providing guidance and advice to assist in managing the crisis to the extent possible. Her collegial spirit and leadership led to an extremely effective Board over her fourteen years as a member of the Board of Directors.

Vice-Chair Jurasek worked tirelessly to promote the mission of the BFSA to help restore long-term fiscal stability to the City of Buffalo and the Buffalo City School District, advocating strongly for the students and residents of the City of Buffalo. Vice-Chair Jurasek's contributions to the BFSA and the City of Buffalo, the Buffalo City School District, the Buffalo Municipal Housing Authority, the Buffalo Urban Renewal Agency, and the broader Western New York community will have a lasting and meaningful impact for generations to come.

The Buffalo Fiscal Stability Authority passed a resolution on June 16, 2025, to honor and appreciate Dr. Jeanette T. Jurasek for her outstanding contributions and extraordinary service to the Buffalo Fiscal Stability Authority, to the betterment of the City of Buffalo, its citizens, and the Western New York Community.

In Honor of Ex Officio Mayor Byron W. Brown
--

Byron W. Brown's resignation as the Mayor of Buffalo was effective October 15, 2024, which effectively ended his tenure as a Director of the BFSA. Mayor Byron William Brown II was elected the 62nd Mayor of Buffalo and took office on January 1, 2006, and concurrently served as an ex officio Director of the Buffalo Fiscal Stability Authority. During his tenure, Mayor Brown submitted nineteen annual budgets and four-year financial plans, taking significant steps towards restoring fiscal stability to the City and its covered organizations.

Mayor Brown oversaw the City of Buffalo during tumultuous financial times, and through the strategic actions of his administration, the City emerged on a stable financial path, allowing the Buffalo Fiscal Stability Authority to exit a control period and transition into an advisory period on July 1, 2012. Mayor Brown effectively led the City through the significant economic challenges faced by the public sector due to the coronavirus pandemic and decisively managed the allocation of unprecedented federal funding under the American Rescue Plan Act.

Mayor Brown has been unwavering in his efforts to promote the City of Buffalo and improve the quality of life for all its residents focusing on driving economic development, establishing the Northland Workforce Development Center, and countless initiatives to strengthen the community. Mayor Brown has also been tireless in his efforts to advance the mission of the Buffalo Fiscal Stability Authority to restore long-term fiscal stability to the City of Buffalo and its covered organizations.

Mayor Brown's innumerable contributions to the City of Buffalo will endure for generations. The Buffalo Fiscal Stability Authority passed a resolution on December 11, 2024, in honor and appreciation to the Honorable Byron W. Brown for his outstanding contributions to the Buffalo Fiscal Stability Authority, the City of Buffalo and its residents, and the Western New York community.

Background

In May 2003, the State declared a state of fiscal crisis with respect to the City following the New York State Comptroller's report on the City of Buffalo's financial condition and a subsequent determination by the State Legislature (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 (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 it 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 BFSFA determined that all provisions of the BFSFA 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 BFSFA Act, the BFSFA began its existence during a control period, meaning that the BFSFA commenced operations with its maximum authorized complement of financial control and oversight powers. During a control period, BFSFA 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 BFSFA 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 BFSFA 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 BFSFA 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 BFSFA Act; (d) the chief fiscal officer’s certification at any time, at the request of the BFSFA 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 BFSFA, 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 BFSFA Act; or (e) the City shall have violated any provision of the BFSFA Act. The BFSFA must also make a determination as to whether or not the financial plan is complete and compliant with the BFSFA Act and shall submit its recommendations. In the event that the BFSFA disagrees with

elements of the financial plan, the BFSFA shall provide notice to the City and various State officials as required by the BFSFA Act.

Mission Statement

The BFSFA’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 “BFSFA”) to provide financial oversight over the budgets, financial plans and capital plans of the City of Buffalo and its covered organizations. BFSFA 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.”

BFSFA Governance and Administration

The BFSFA 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 New York State Senate President Pro Tempore and the New York State Speaker of the Assembly. The Mayor of the City and the County Executive serve as ex officio directors with voting rights. The Governor designates the Chairperson and Vice-Chairperson from among the directors. Five directors constitute a quorum. As of June 30, 2025, there were four vacancies on the Board of Directors and as of the date of this report three vacancies remain. Mr. Thomas F. Keenan was appointed to the Board of Directors on July 15, 2025. Directors whose terms have expired continue to serve until either reappointed or replaced.

At June 30, 2025, the following individuals served on BFSFA’s Board of Directors:

- **Jeanette T. Jurasek, Ph.D., Interim Vice-Chair***
Former President of Medaille College
*Resigned June 16, 2025

- **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

- **Timothy R. Hogues**
Commissioner of New York State Department of Civil Service and former Erie County Legislator

- **Andrew A. SanFilippo**
Former Executive Deputy Comptroller for New York State and former City of Buffalo Comptroller
- **Christopher P. Scanlon (ex officio)**
Mayor, City of Buffalo
- **Mark C. Poloncarz (ex officio)**
County Executive, Erie County

BFSA maintains two standing committees. As of June 30, 2025, the committees and membership are as follows. The first of these is the Audit, Finance and Budget Committee, chaired by Secretary Floss with Interim Vice-Chair Jurasek constituting the remaining member. The second committee is the Governance Committee and is chaired by Interim Vice-Chair Jurasek with Director SanFilippo constituting the remaining member. On August 12, 2025, both standing committees were reconstituted. The Audit, Finance and Budget committee is chaired by Secretary Floss and includes Directors Keenan and SanFilippo as members. The Governance committee is chaired by Secretary Floss and includes Directors Hogues and Keenan as members.

At June 30, 2025, 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
- **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 2024-25
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The BFSA continues to provide fiscal oversight under an advisory period. The BFSA held five board meetings during 2024-25. 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.

The BFSA has operated under an advisory period for thirteen years; 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 since BFSA began operations. A summary of the cumulative impact of such BFSA actions is included on page 41.

Progress Towards Fiscal Stability and both Current 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 percent 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. Since then, the City's has successfully lowered its use of the real property tax margin to 41.6 percent of the total available amount and bond ratings have increased to upper medium investment grade to high investment grade.

Both the City of Buffalo and the Buffalo City School District face financial challenges. The City of Buffalo has adopted a 2025-26 budget with \$42.9 million in uncertain revenue which will be closely monitored. The Buffalo City School District has adopted a budget that includes a deficit of \$78.8 million which is closed through fund balance appropriation. Both entities are encountering fiscal pressure from the expiration of federal stimulus funding and are facing the difficult decisions of managing a workforce within a limited budget. Most major labor agreements have expired or will expire by the second outyear of the 2026-2029 Financial Plan, which places additional stress on both entities and requires each organization to identify resources to be able to negotiate new labor agreements. The City has responded with an increase to the real property tax levy of \$13.7 million, or 8.3 percent, whereas the District has responded with the planned use of fund balance to address the current year deficit. The District did not include the previously planned right-sizing initiatives within the 2025-26 Adopted Budget. These actions included closing two schools, reducing staff by an additional 250 FTEs, and other right-sizing actions. The District has stated that these actions are deferred until 2026-27.

The City has no unassigned 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 \$0 at June 30, 2024. The emergency stabilization fund totaled \$50.7 million. The final 2024-25 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 2025-26 Budgets and 2026-2029 Financial Plans of the City of Buffalo and the Covered Organizations" beginning on page 50.

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

- The City's fund balance increased since BFSA's inception, although the City has reported fluctuating operating results for many years. Prior to the pandemic, from 2015-16 through 2018-19, a cumulative total deficit of \$58.2 million was reported. In the first 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. Beginning with 2021, the City was able to use ARPA funding to replace lost revenues in the General Fund and reported a cumulative surplus of \$60.0 million for fiscal years 2020-21 through 2022-23. The City reported a deficit of \$31.7 million for 2023-24, which utilized the remaining available unassigned fund balance.

At July 1, 2003, the City's total fund balance was \$36.0 million and unreserved, undesignated fund balance was \$8.3 million, which represented 3.0 percent of actual fiscal year 2002-03 expenditures. The legislative findings that led to BFSA's creation indicated that this was a significant threat to the City and was symptomatic of a financial crisis. At June 30, 2024, representing the most recent year-end audited financial results which are available, the City's total fund balance was \$117.8 million, representing an increase of \$81.8 million from 2003. Over this period of time, the City restructured labor contracts, maintained a relatively flat tax levy, and established a Rainy Day Fund equivalent to a minimum of thirty days of operating expenditures. The use of fund balance in the amount of \$3.6 million was included in 2024-25; significantly, there is no unassigned fund balance available to be used in the 2025-26 budget. Total unassigned fund balance decreased \$14.9 million compared to June 30, 2023. The financial pressure is palpable at this time as there are no unassigned funds available to mitigate unfavorable year-end results for 2024-25.

At June 30, 2024, total unrestricted fund balance, consisting of the emergency stabilization fund, assigned fund balance, and unassigned fund balance, was \$63.0 million, a decrease of \$37.9 million year-to-year. The emergency stabilization fund, or Rainy Day Fund, was established in 2007 and represents fund balance set aside for unanticipated revenue shortfalls or unexpected expenditures, thus providing the City a safety net. The establishment and maintenance of this fund is an indicator of the City's stronger financial position since the BFSA was created. The Rainy Day Fund was \$50.7 million at June 30, 2024, and represents 8.2 percent of 2025-26 budgeted appropriations.

- The City's 2026-2029 four-year financial plan is indicative of fiscal stressors and was constructed with an underlying key assumption that existing economic conditions remain constant. There is substantial uncertainty how actions at the federal level could affect the City. Furthermore, federal actions could impact New York State which could, in turn, have a trickle-down impact to the City. The revenue replacement funds from federal recovery funds are no longer available to the City, which presents significant challenges to 2025-26 and beyond.

The 2025-26 Adopted Budget includes \$29.9 million in new/untested revenues that will take time to establish and collect. Included is the sale of municipal parking ramps to a yet-to-be created public parking authority which is budgeted to provide \$26.5 million in revenue and the implementation of a new hotel/motel occupancy tax in the amount of \$3.4 million. There is a timing risk associated with these funds. The City has included in its gap-closing plan the sale of a deficit note for up to \$30.0 million which mitigates this risk for 2025-26. In addition, the budget has potentially overestimated/uncertain revenues of \$13.0 million included. Over the remaining three outyears of the financial plan, another \$63.0 million has been identified as uncertain and potentially overestimated

revenues. The sale of the parking ramps and hotel tax are estimated to generate an additional \$27.3 million over the three out-years of the financial plan.

In addition to these areas of concern over the financial plan, labor costs are a significant concern. Five of the City's eight labor contracts are expired as of June 30, 2025, with the remaining three expiring June 30, 2026. Both fire and police labor contracts expired on June 30, 2025. The adopted budget includes approximately \$16.5 million in attrition savings, which is reflective of including 300 positions that are not budgeted for. These "savings" are included in each year of the financial plan.

- The financial challenges facing the City have been furthermore evident within the reported results of operations. The cumulative \$60.0 million surplus reported for years ended June 30, 2021, 2022 and 2023, were supported through the ability to use \$100.0 million of federal stimulus funding as unrestricted revenue. The City reported a deficit in the amount of \$31.7 million as of June 30, 2024, and has reported no unassigned fund balance. The City has utilized a total of \$167.2 million of federal stimulus funding as unrestricted revenue from fiscal year 2021 through fiscal year 2025. Those resources are no longer available and will need to be replaced by other revenues to maintain current service levels.
- On June 1, 2019, a significant change in New York State Law for sales tax went into effect in which the State began to tax out-of-state businesses that sell within New York State, subject to certain limitations. The City has benefitted substantially from significant sales tax increases since this law went into effect. Since 2018-19 and through 2024-25, sales tax revenues increased 31.3 percent, equivalent to \$27.6 million. The inflation factor (CPI) for this time period was 25.9 percent. Sales tax has increased compared to the prior year with fiscal year 2024-25 reporting an increase of \$3.5 million, or 3.1 percent compared to the prior year.
- In 2002-03, the City had utilized 91.1 percent of the City's available constitutional tax limit, equivalent to a remaining tax levying margin of \$12.9 million. This amount was 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 2025-26 Adopted Budget, the City is utilizing 41.6 percent of the constitutional tax limit and has a remaining tax levying margin of \$259.1 million.
- Since BFSA's inception, the City's bond ratings have increased from Baa/BBB-/unrated to A1/A+/A+ from Moody's Investors Service, Standards and Poor's (S&P) Rating Services, and Fitch Ratings ("Fitch"), respectively. Moody's last reaffirmed the City's credit rating of A1 stable in March 2024. Both Fitch and S&P recently reaffirmed the ratings but downgraded the outlook for the City from stable to negative. Additional background related to the City's bond ratings is located in the "Providing a More Cost-Effective Financing Framework" on page 27.

- The District has likewise made progress towards fiscal stability but is also facing significant fiscal challenges. On June 30, 2003, fund balance totaled \$33.5 million. Unreserved, undesignated fund balance totaled \$4.6 million, representing 1.0 percent of actual 2002-03 expenditures. The BFSA reported that this was symptomatic of the financial crisis. On June 30, 2024, the District reported total fund balance of \$424.1 million and unassigned fund balance was \$177.4 million, representing 15.2 percent of 2024-25 budgeted appropriations. Unassigned fund balance is projected to exceed the Board of Education's 4 percent of General Fund expenditures retainage policy by \$130.8 million as of June 30, 2024.
- The District's adopted 2025-26 budget includes a deficit of \$78.8 million, fully funded by fund balance. A structural deficit exists as budgeted appropriations exceed estimated revenues. Total estimated General Fund revenues are 93.4 percent of budgeted General Fund appropriations. In 2024-25, the District began realigning staffing levels with the existing student population.

District enrollment declined by 3,419 pupils (10.4%) from FYE 2019 to FYE 2024. Total District full-time equivalent (FTE) staffing inversely increased by 361 FTEs (6.6%) over this period. In response, the District reduced total staff counts (central office and schools) by eliminating vacancies, not filling positions that became vacant through retirements, eliminating 36 teachers on special assignment positions, extending a Superintendent-imposed hiring freeze (for non-essential staff), and several layoffs. The District currently employs 262 fewer FTE employees (4.5%) than at FYE 2024 including 323 (8.2%) teachers.

- The District did not include the previously planned year two right-sizing initiatives within the 2025-26 Adopted Budget. These actions included closing two schools, reducing staff by an additional 250 FTEs, and other right-sizing actions. The District has stated that these actions are deferred until 2026-27 and are incorporated in the 2026-2029 Financial Plan. These right-sizing initiatives are essential to the District's fiscal stability as the District's \$78.8 million 2025-26 budgeted deficit is substantially greater than the \$36.4 million deficit depicted for 2025-26 in the 2025-2028 Adopted Financial Plan. Additionally, all collective bargaining units funded through the General Fund have labor agreements that expire either June 30, 2025 or 2026 (except for the part-time bus aides).

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 in accordance with the timing as provided by the City Charter each year; the financial plan must contain the City of Buffalo's proposed budget, four-year financial plan, and the four-year plan of each individual Covered Organization. It is noted that the submission date of the budget was moved from May 1st to April 8th by the Common Council during 2024-25.

The Mayor submitted the 2026-2029 Financial Plan on April 8, 2025, which was reviewed by the BFSA Board of Directors on April 28, 2025. This submission did not include the financial plan for the District. This plan was found to be incomplete and required the following: 1) a gap closing plan to address a potential budgetary revenue shortfall of \$40,900,000 as contained in the proposed 2025-26 City budget, 2) the submission of a financial gap closing plan from the Executive Director of the Buffalo Municipal Housing Authority addressing the projected four-year losses in the Central Office Cost Center and Marine Drive Apartments, and 3) the submission of the District's 2025-26 budget and 2026-2029 financial plan. All items were requested no later than May 28, 2025.

On June 16, 2025, the BFSA Board of Directors reviewed the and accepted the submissions by the City Mayor and Executive Director of the Buffalo Municipal Housing Authority. However, the financial plan was again declared incomplete due to the failure of the District Superintendent to submit a financial plan. The BFSA Board of required the District Superintendent to submit the financial plan to the Mayor and the BFSA no later than July 1, 2025.

The Interim Superintendent submitted the four-year financial plan of the District on July 17, 2025, which was subsequently reviewed by BFSA on August 12, 2025. The BFSA found the combined financial plan to be consistent with the BFSA Act, but noted areas of significant concern and recommendations as contained in the BFSA reports conducted on the reviews of the individual financial plans dated April 28, 2025, June 16, 2025, and August 12, 2025.

In addition to the consideration of the 2026-2029 Financial Plan, during 2024-25 the BFSA monitored implementation of the 2025-2028 Financial Plan of the City and its non-exempt Covered Organizations.

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 2025-26 Budgets and 2026-2029 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 2024-25, the BFSA monitored the 2025-2028 Financial Plans of the City and its Covered Organizations. Monitoring is 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, 2025, is expected to occur in or around December 2025 after the City Comptroller releases the audited financial statements.

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 or trends that could be indicative of challenges to the fiscal health of the City.

Reports and Recommendations Issued by the BFSA during 2024-25

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 September 23, 2024, the BFSA issued a final report on the review of the City of Buffalo's 2025-2028 Financial Plan. The BFSA found that the financial plan failed to address potential delays in the receipt of cannabis tax and casino revenue in the three outyears of the plan. As a result, the BFSA required enhanced reporting be provided at specific times during 2024-25 to provide: 1) additional information as to the status and projections of certain revenues including cannabis revenue, casino revenue, parking meter fees, and traffic violation fees, 2) an update in regard to the status of FEMA reimbursement from prior storms; and 3) a review and analysis comparing overtime expenses to the projected savings from vacancies for the police and fire departments. In addition, the BFSA requested the Mayor submit by November 1, 2024: 1) details behind the proposed gap elimination plan including an itemized list of capital outlay proposed to be frozen, plans to recommence purchasing, costs associated with delaying or forgoing such capital outlay acquisitions, and an analysis of such actions on the impact of the provision of services, 2) an itemized list of non-essential contracts to be eliminated and/or consolidated, including an analysis of the impact on the provision of services; and 3) a prioritized list of the proposed hiring freeze by positions not to be filled and the impact on the provision of services. The BFSA did not receive the required submissions.
- On September 23, 2024, the BFSA received a report from the City's Commissioner of Administration, Finance, Policy and Urban Affairs concerning the ARPA Recovery Plan. The Commissioner stated the City received \$331.0 million in ARPA funds from the federal government and as of September 12, 2024, the City has obligated \$278.0 million, or 84.0 percent of the funds. The City has disbursed 69.0 percent or \$228.4 million, with a remaining balance of \$54.0 million that is not obligated. The Commissioner reported that the City will meet the U.S. Department of Treasury guidelines to encumber all \$331.0 million by December 31, 2024, and is poised to disburse all funding by December 31, 2026.

- On December 11, 2024, the BFSA reported on the City's 2024 audited financial statements which included an analysis on revenues, expenditures, other year-end operational metrics including historical trends and analyses. The General Fund actual budgetary expenditures totaled \$690.8 million, resulting in an unfavorable budget variance of \$51.7 million compared to the final 2024-25 budget. Actual revenues totaled \$650.6 million, resulting in a positive budget variance of \$30.5 million. A year-end General Fund deficit of \$31.7 million was reported. Total fund balance decreased to \$117.8 million.

The Solid Waste and Recycling Fund reported an operating loss of \$3.3 million, and an increase to the accumulated amount due to the City's General Fund of \$2.9 million. The total amount outstanding at June 30, 2024 was \$23.4 million; this amount is reported as restricted fund balance in the General Fund.

- Also on December 11, 2024, the BFSA reported on the City's first quarter operations. At the end of the first quarter, the City was projecting a year-end budget deficit of \$17.7 million consisting mainly of a shortfall in available fund balance of \$14.9 million and unfavorable expenditures of \$3.0 million, offset by a net favorable revenue budget variance. The BFSA furthermore determined the 2024-25 budget to be out of balance by \$17.5 million and required a budget modification be submitted no later than January 31, 2025. The BFSA identified an additional \$10,000,000 of potentially overestimated revenue and recommended the 2024-25 budget be amended to address this potential shortfall.
- An update on the ARPA award was also provided on December 11, 2024. It was reported that as of December 2, 2024, \$291.5 million had been obligated and \$235.5 million had been disbursed.
- On December 11, 2024, the BFSA reviewed and reported on the City's final 2025 Capital Budget and 2025-2029 Capital Improvement Plan. The 2025 Capital Budget totaled \$110.0 million and consisted of three distinct components including a \$27.2 million capital budget for the City of Buffalo, a \$55.5 million capital request from the Buffalo City School District, and a request for a \$26.8 million bond anticipation note for City projects that are largely reimbursable by state and/or federal funds. The capital budget and improvement program exclude the use of ARPA funds. The proposed borrowing, separate and distinct from the Capital Budget, recommended total borrowing of \$28.0 million for City projects consisting of \$26.8 million of projects from the 2025 Capital Budget and \$1.2 million of previously authorized but unissued projects, with the remaining balance of \$0.4 million to be financed in the future. In addition to City projects, the District projects and the City bond anticipation note were requested to be sold. The 2025-2029 Capital Improvement Plan met the requirements of the BFSA that the City develop a full five-year capital improvement program.

The City's 2025 Capital Budget component contained 38 City projects that cumulatively totaled \$27.2 million. The District's request consisted of 27 projects that totaled \$55.5 million. Per the District, the proposed projects were eligible for up to 97 percent reimbursement from New York State and the District would cover all costs associated with the bonding. The third component of the City's 2025 Capital Budget included the

request for \$27.0 million for a bond anticipation note, from which the proceeds would allow the City to leverage approximately \$200 million in federal and state funds for capital work. The bond anticipation note proceeds would be reimbursed by either the federal/state governments with the City's cost being the cost of issuance and interest.

The BFSA recommended the City develop a funding plan that establishes when projects that have been authorized but have not yet been funded should proceed. Approximately \$14.9 million in projects do not have identified funding sources. BFSA continued to advise the City to begin a process to eliminate ongoing general expenses from the capital borrowing, i.e., tree planning/trimming and demolitions. The BFSA recommended that the District develop a five-year capital plan.

- On March 10, 2025, the BFSA reported on the City's revised 2024-25 forecasted year-end revenue. The City had addressed the current year budget gap of \$17.5 million through the reallocation of unobligated ARPA funding to general fund revenue replacement. The BFSA determined this action satisfied the requirement for a modified financial plan. In addition, the City adjusted year-end projections in other revenues downward by \$5.3 million reflecting the expected shortfall in those revenues.
- Also on March 10, 2025, 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 \$1.3 million, consisting of favorable revenue projections of \$13.9 million and unfavorable expenditure projections of \$12.6 million. ARPA funds as allocated for revenue replacement were discussed; total obligated ARPA funds as of December 31, 2024 was \$331.4 million and \$250.3 million had been disbursed. A total of \$167.2 million has been obligated and disbursed for revenue replacement, 50.5 percent of the total award. No budget difficulties were projected by City management for the remainder of the 2024-25 fiscal year.
- At the meeting held on March 10, 2025, the BFSA reported on the potential impact of the State Fiscal Year ("SFY") 2025-26 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. There is a temporary increase in State AIM of \$5.0 million, with FY 2025-26 being year two of the increase. There was a discussion regarding potential federal reductions at the State level and the impact that those reductions could have on Buffalo. It was recommended that discussions should occur to prepare for the impact to Western New York if the cuts were to materialize.
- On April 28, 2025, the BFSA reported on the City's proposed 2025-26 budget and 2026-2029 Preliminary Financial Plan. A copy of this report is included in the section entitled "BFSA Reports on the 2025-26 Budgets and 2026-2029 Financial Plans of the City of Buffalo and the Covered Organizations". As previously discussed, the BFSA approved Resolution No. 25-02 declaring the 2026-2029 Financial Plan to be incomplete and required the City to submit a gap closing plan to address the \$40.9 million potential gap in the 2025-26 budget.
- On June 16, 2025, the BFSA reported on and accepted the gap closing plan as submitted by the Mayor.

- Also on June 16, 2025, the BFSA provided a written report on the City’s third quarter operations. Year-end revenues and use of fund balance were projected to have a \$23.5 million favorable variance, and expenditures were projected to be unfavorable by \$21.4 million, for a total \$2.1 million favorable budget surplus. A year-end deficit of \$1.6 million was projected. There are no budget difficulties projected for the remainder of the year. As of March 31, 2025, \$331.4 million in ARPA funding has been obligated and \$260.5 million has been disbursed.
- On August 12, 2025, the BFSA conducted its final review of the collective 2026-2029 Financial Plan, containing the City of Buffalo and the Covered Organizations, and found that the financial plan to be consistent with the BFSA Act, but contains areas of significant concern as noted in our previous reports. A copy of this report is included in the section entitled “BFSA Reports on the 2025-26 Budgets and 2026-2029 Financial Plans of the City of Buffalo and the Covered Organizations”.
- The BFSA held a special meeting on September 10, 2025, to review and report on the prudence of the proposed 2025 bond anticipation note sale scheduled for September 18, 2025. In connection with this review, the BFSA recommended the following: future capital financing (i.e. bond sales) should occur before construction season to most effectively use the dollars available and to meet the requirement to spend down 85% of bond proceeds within the first three (3) years; the District complete a five-year capital improvement program to accompany its annual capital plan and submit it to the appropriate parties; and the amount of authorized and unissued projects and budgeted but unauthorized projects of \$96.2 million is substantial and should be taken into consideration during development of the recommended 2026 capital budget and 2027-2030 capital improvement program. A representative from the District indicated agreement with the recommendation for a long-term capital plan for the District.

Buffalo City School District

- On September 23, 2024, the BFSA reviewed the District’s 2025-2028 Financial Plan as submitted on July 12, 2024. The District’s 2025-2028 Financial Plan provided a cumulative four-year deficit of \$199.6 million and is fully funded during these next four years through fund balance, a nonrecurring funding source. The importance of the District to achieve an operationally balanced budget was stressed, as the growth in projected expenditures continued to outpace revenues with a widening budget gap projected in the final year (year four) of the plan. In response to these challenges, the District has importantly begun to adjust its teaching model to match the decline in student population. The Financial Plan includes a significant reduction in positions in the first two years of the plan. Furthermore, in response to the decline in student population, the Financial Plan was developed with cost reductions annually resulting from the closure of two schools in 2025-26. The total financial impact from the reduction in funded positions and the closure of two schools is \$96.0 million over the four years.

A significant shortfall in the Financial Plan was cited in that it did not provide for the settlement of labor contracts beyond the expiration date. All labor contracts covered by the General Fund are set to expire by June 30, 2026, except for the Transportation Aides of Buffalo (TAB), which was reviewed after the Financial Plan’s analysis and has an

expiration date of June 30, 2027. The labor contract with the Buffalo Teachers Federation expires June 30, 2026.

The BFSA had estimated an additional \$22.4 million to \$33.5 million of funding is required for labor contract settlements ranging at 2% to 3% annually with the majority of costs impacting fiscal years 2026-27 and 2027-28.

The BFSA recommended the Financial Plan be modified to include estimates for the settlement of labor contracts to be able to develop a comprehensive plan to address the structural issues the District is facing, and that future Financial Plans include all forecasted labor costs to clearly understand the deficits facing the District. The BFSA expressed support to the District in making the difficult decisions to reduce headcount in these next two years and to plan the closure of underutilized buildings.

- Also on September 23, 2024, the BFSA reviewed a collective bargaining agreement between the Buffalo City School District and Transportation Aides of Buffalo. The labor agreement covered the period of July 1, 2024, through June 30, 2027, and covers part-time bus aides. The impact over the 2025-2028 Financial Plan is estimated at \$3.1 million in the General Fund and \$3.3 million All Funds. The net cost (less NYS Transportation Aid) was \$2.1 million General Fund and \$2.3 million All Funds.
- On December 11, 2024, the BFSA reported on the District's 2023-24 audited financial statements. The District's 2023-24 final budget included the appropriation of \$41.5 million in fund balance to balance the budget. The year closed with a surplus of \$48.6 million and a budgetary surplus of \$90.1 million. Actual revenues of \$1,071.5 million were favorable compared to the budget by \$6.7 million, while actual expenditures of \$1,022.9 million were \$83.4 million less than the final budget amount. Fund balance increased by \$48.6 million to \$424.1 million.
- Also, at the meeting held on December 11, 2024, the BFSA reported on the District's first quarter operations. The District is projecting a fiscal year-end \$83.4 million deficit, which is consistent with the budget. The District is not forecasting any CFYE variances. BFSA concurs with this forecast based on the currently available data but noted that Erie County Sales Tax receipts and total New York State Aid (less Building Aid) may have favorable variances.
- On March 10, 2025, the BFSA reported on the District's 2024-2025 second quarter report. The 2024-25 Adopted Budget was approved with an \$83.4 million deficit, closed by a budgeted fund balance appropriation. As of the end of the second quarter, the District's forecasted year-end deficit decreased by \$10.0 million to \$73.4 million. BFSA's analysis projected a \$48.2 million operating deficit, assuming no unforeseen new revenues and/or expenditures. The 2024-25 Adopted Budget represents year one of two focused on reducing total staff counts and "rightsizing" the District. BFSA has no concerns related to the District's projections for year-end.

An update of the capital budget request was included in the second-quarter report. The District originally requested \$55.5 million in capital borrowing through the City. New York State would reimburse approximately 97.4 percent of all aidable capital

expenditures through NYS Building Aid and there was no cost to the City. The requested bond sale was reduced to \$42.2 million due to timing issues.

- Also, at the meeting held on March 10, 2025, the BFSA reported on the potential impact of the State Fiscal Year 2025-26 Executive Budget as it related to the District. NYS School Aid was proposed to increase from \$35.7 billion to \$37.4 billion, representing an increase of \$1.7 billion, or 4.8 percent. NYS Foundation Aid was proposed to increase by \$1.46 billion (5.9 percent) statewide. The Executive Budget also proposed updating the Foundation Aid formula.
- On April 28, 2025, the BFSA found the 2026-2029 Financial Plan incomplete and required the Superintendent of the District submit a 2025-26 budget and related four-year financial plan no later than May 28, 2025.
- On June 16, 2025, the BFSA reviewed the District's 2025-26 Adopted Budget as approved by the Board of Education on May 28, 2025. The 2026-2029 Financial Plan had not yet been submitted and was expected to be submitted no later than July 1, 2025, with Board of Education approval to occur afterward. The Adopted Budget included:
 - o A year-to-year General Fund estimated revenue increase of \$25.4 million (2.3%)
 - o A year-to-year General Fund budgeted appropriations increase of \$20.8 million (1.8%)
 - o A deficit of \$78.8 million and a fund balance appropriation of \$78.8 million to eliminate the deficit (6.6% of expenditures)
 - o A year-to-year net decrease of General Fund budgeted positions (-26 FTEs) and a year-to-year net increase in All Funds positions (+17 FTEs)

The BFSA again found the 2026-2029 Financial Plan to be incomplete due to the failure of the Superintendent to submit a District four-year financial plan and required this be submitted no later than July 1, 2025.

- On June 16, 2025, the BFSA provided a written report on the District's third-quarter operations. The District projected a fiscal year-end \$54.8 million deficit at March 31, 2025, representing a favorable budgetary variance of \$28.6 million. Overall, revenues were projected favorable to budget by \$4.6 million and expenditures were projected to be favorable by \$24.0 million. It was noted that 2024-25 will mark the first operating deficit since fiscal year 2017, and since then, the total fund balance had increased by \$241.5 million.
- On August 12, 2025, the BFSA reviewed the District's 2026-2029 Financial Plan as submitted on July 17, 2025. The District's 2026-2029 Financial Plan provides a cumulative four-year deficit of \$158.0 million and is fully funded during these next four years through fund balance, a nonrecurring funding source. The importance of the District to achieve an operationally balanced budget was stressed, as the growth in projected expenditures continues to outpace revenues with annual deficits ranging from \$23.3 million - \$78.8 million. The deficits decrease in the outyears one and two as the rate of increase in revenues exceeds the rate of increase in expenditures. The Financial Plan includes a cost-reduction plan largely focused on aligning total staffing and the number of open buildings with a decline in pupil enrollment. In 2026-27, the District

plans to close two yet-to-be-named schools. Additionally, 100 FTEs are eliminated from the General Fund, with an additional 50 FTEs eliminated in both 2027-28 and 2028-29. The total financial impact from the reduction in teacher positions and the closure of two schools is approximately \$46.2million over the four years.

It was estimated that the Financial Plan includes approximately \$20.0 million to \$27.0 million for both annual step increases and contract increases/potential contract settlements. All General Fund funded labor contracts are expired by June 30, 2026 (except TAB- expiration FYE 2027); the labor contract with the Buffalo Teachers Federation expires June 30, 2026. The BFSA has estimated that an additional \$65.0 million to \$98.3 million of funding is required for labor contract settlements, ranging from 2 percent to 3 percent annually with the majority of costs impacting fiscal years 2026-27 and 2027-28.

The BFSA estimates approximately \$154.6 million in potential financial risks across the Financial Plan including loss of the federal Medicaid reimbursement, potential labor agreements costs, health care costs and charter school payments. It is recommended that the District develop a gap closing plan to address the identified financial risks. The Financial Plan does include the reduction of positions in the 2026-27, 2027-28, and 2028-29 as well as the closure of two schools in 2026-27. A copy of this report is included in the section entitled “BFSA Reports on the 2025-26 Budgets and 2026-2029 Financial Plans of the City of Buffalo and the Covered Organizations”.

Buffalo Municipal Housing Authority (“BMHA”)

- On December 11, 2024, the BFSA provided a report on the review of the BMHA’s first quarter operations. As of September 30, 2024, revenues exceeded expenses by \$2.0 million. Actual revenues were favorable by \$200,000 and actual expenditures were favorable by \$1.3 million as compared to budget. Net operating income was \$2.0 million. Marine Drive’s Adopted Budget included \$0.2 million in net operating loss. As of September 30, 2024, an operating loss was reported of \$0.1 million. This quarter loss was higher than anticipated.
- On March 10, 2025, the BFSA reported on the BMHA’s second quarter operations. As of December 31, 2024, total revenues were \$0.8 million greater than the budget to date and total expenditures were \$0.5 million less than budget to date. Revenues exceeded expenses by \$2.2 million as of December 31, 2024.
- On April 28, 2025, the BFSA reported on BMHA’s 2025-26 Adopted Budget and 2026-2029 Financial Plan. The 2026-2029 Financial Plan includes net operating income before debt service of \$8.6M and the cash impact after removal of the non-cash accrual for other postemployment benefits is projected to be positive by \$4.2M (all on a consolidated basis). Under the Central Office Cost Center, the BMHA has budgeted 2025-26 net operating income of \$0.2 million and a net loss is projected in each subsequent fiscal year for a four-year cumulative loss of \$1.3 million. Under the Marine Drive Apartments, a structural deficit is forecasted within all fiscal years with the 2025-26 net operating loss budgeted at \$0.5M and the four-year cumulative net operating loss projected to be \$1.7 million. BMHA plans to continue Central Office Cost Center cashflow assistance and is

owed over \$2.8 million as of June 30, 2025. The BFSA declared the 2026-2029 Financial Plan to be incomplete and required the Executive Director of the BMHA submit a financial gap closing plan to address projected losses as contained in the financial plan. A copy of BFSA's report on this review is included in the section titled "BFSA Reports on the 2025-26 Budgets and 2026-2029 Financial Plans of the City of Buffalo and the Covered Organizations".

- On June 16, 2025, the BFSA reviewed and accepted the four-year gap closing plan as submitted by the Executive Director of the Buffalo Municipal Housing Authority.
- On June 16, 2025, the BFSA provided a written report on the BMHA's third quarter operations. As of March 31, 2025, total revenues were greater than the budget-to-date by \$0.5 million; total expenses were favorable overall by \$0.9 million and net income for the nine-month period was \$3.0 million.
- On August 12, 2025, the BFSA reported that it found the combined financial plan to be consistent with the BFSA Act. This finding included the individual financial plan of the Buffalo Municipal Housing Authority.

Buffalo Urban Renewal Agency ("BURA")

- On December 11, 2024, the BFSA provided a report on BURA's 2024 audited financial statements and single audit findings, and reported on key revenues, expenditures, personnel service costs and internal control findings. It was recommended by BURA's auditors that there be a formalization of written policies including loan write-off procedures. It was further recommended that BURA follow established policies and documentation for formalized loan write-off procedures, interfund loans, and financial accounting system capabilities.
- On December 11, 2024, the BFSA reported 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 \$0.5 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 \$0.5 million which 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 33 out of 40 positions were filled, creating a vacancy rate of 17.5 percent.

The BFSA requested a written report to be submitted concurrently with BURA's second quarter report due on January 31, 2025, which discusses the plan for meeting the spending deadline of the lead hazard grant. The report should include key target dates to understand if the funds will be expended by July 2025.

- On March 10, 2025, the BFSA received a report from the Senior Director of BURA in regard to an update on implementation of the lead hazard grant program. She explained that BURA had received approval to remove some of the restrictions on the grant and was able to open it up City-wide as opposed to limited census tracts. She expects to

complete the remediation of 90 units within the additional year extension that BURA received.

- On March 10, 2025, the BFSA provided a written report on BURA’s second quarter operations. At the end of the second quarter, BURA was not projecting any significant variance in either revenues or expenditures. Budget to actual revenues were under budget by approximately \$1.9 million and expenditures were under budget by \$1.8 million. Both variances were due to timing, as funding is not drawn down until it has been expensed. BFSA noted that the capacity of BURA to address the organization’s needs, along with the additional pressures of timing requirements for the use of pandemic-related federal funds is a concern.
- On April 28, 2025, the BFSA reported on BURA’s 2025-26 Proposed Budget and 2026-2029 Financial Plan. BURA did not receive a second extension on the lead hazard grant program as they had expected, and the current grant would expire in July 2025. 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 2025-26 Budgets and 2026-2029 Financial Plans of the City of and the Covered Organizations”. A final determination was made on August 12, 2025, that BURA’s financial plan was compliant with the BFSA Act.
- On June 16, 2025, the BFSA received a report on the update on the lead hazard remediation grant. BURA did not receive the second one-year grant extension that was expected and was trying to remediate as many units as possible prior to the current deadline. BURA currently had 30 projects under contract and were attempting to get another 12-15 units under contract prior to July 1st.
- Also on June 16, 2025, the BFSA provided a written report on BURA’s third quarter operations. BURA does not project a significant variance at year-end compared to budget with variances through the third quarter attributed to timing. Budget to actual revenues were under budget by approximately \$3.4 million, \$8.7 million compared to \$12.2 million, and expenditures were underbudget by approximately \$3.4 million, \$12.0 million compared to \$8.6 million.
- On August 12, 2025, the BFSA reported that it found the combined financial plan to be consistent with the BFSA Act. This finding included the individual financial plan of the Buffalo Urban Renewal Agency.

Workforce Summary and Trends

Workforce costs represent the single largest expenditure category for the City and its Covered Organizations. Salaries and benefits account for 85.9 percent of total budgeted General Fund appropriations and 56.9 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 3,064 full-time employees/equivalents (“FTEs”) included in the City’s 2025-26 Adopted Budget, including 2,764 FTEs in the general fund and 300 FTEs in the three enterprise funds. The following are the current labor groups representing City employees and the status of the respective collective bargaining agreements.

- 1) Police Benevolent Association (PBA) – expired June 30, 2025
- 2) Buffalo Professional Firefighters Association (Local 282) – expired June 30, 2025
- 3) American Federation of State, County and Municipal Employees, AFL-CIO, Local 650 (white collar) – expired June 30, 2024
- 4) American Federation of State, County and Municipal Employees, AFL-CIO, Local 264 (blue collar) – expired June 30, 2025
- 5) Crossing Guards – expired August 31, 2024
- 6) American Federation of State, County and Municipal Employees, AFL-CIO, Local 2651 (building inspectors) – expires June 30, 2026
- 7) American Federation of State, County and Municipal Employees, AFL-CIO, Local 264T (water caulkers) – expires June 30, 2026
- 8) International Union of Operating Engineers, Local 17-17s (operating engineers) – expires June 30, 2026

The following summarizes the status of labor agreements with the District. There are 5,081 full-time employees on a General Fund basis and 5,841 FTEs on an All Funds basis. In the General Fund there are only four collective bargaining units that have active labor agreements in FY 2025-26 and in the grants/food service fund all three are active labor agreements at this time. All agreements are expired or scheduled to expire by June 30, 2027.

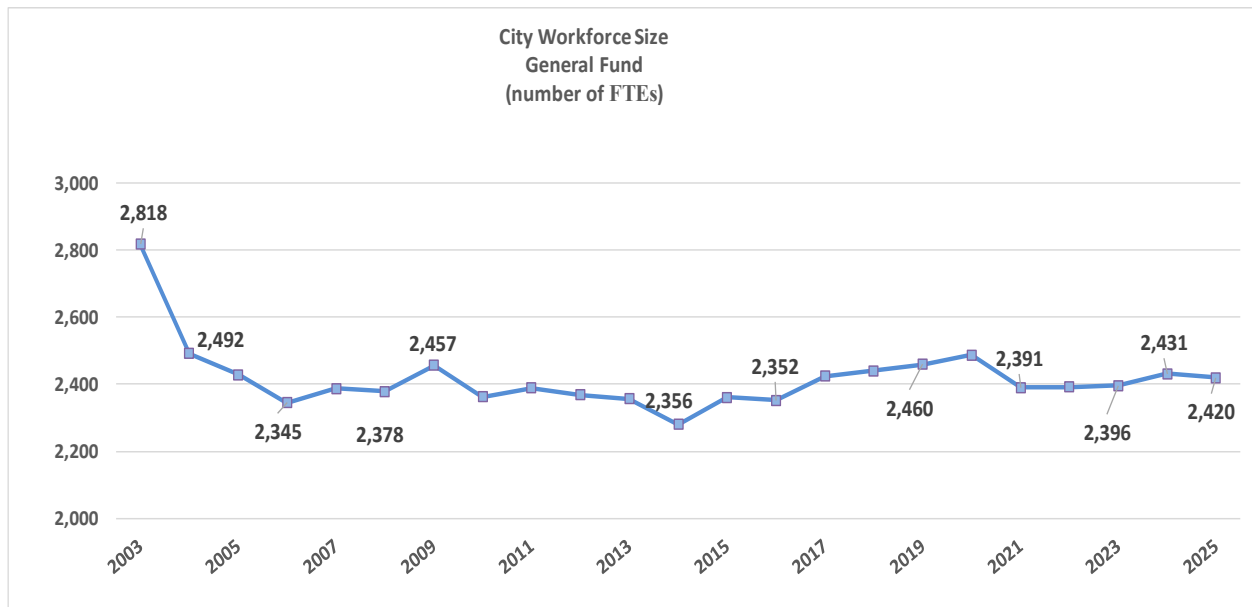
- 1) Buffalo Teachers Federation (teachers or BTF) - expires June 30, 2026
- 2) Buffalo Council of Supervisors and Administrators (administrators or BCSA) - expired June 30, 2025
- 3) Buffalo Association of Substitute Administrators (substitute administrators or BASA) – expired June 30, 2025
- 4) Professional, 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, 2027
- 6) Buffalo Educational Support Team (teacher’s aides and teaching assistants or BEST) – expired June 30, 2025
- 7) Substitutes United of Buffalo (substitute teachers or SUB) – expired June 30, 2025
- 8) Local 264 (blue-collar) – expired June 30, 2025
- 9) Local 409 engineers (engineers) – expires June 30, 2026
- 10) Local 264 (cook-managers) – expires June 30, 2026
- 11) Local 264 (food service workers) – expires June 30, 2027
- 12) Local 264 (summer food service workers) – expires summer of 2027

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. The 2026-2029 Financial Plan includes 40 FTEs annually. There are 24 budgeted positions covered by the union and 16 exempt employees. BURA management has historically provided the same collective bargaining agreement provisions to exempt employees, including health insurance benefits.

BMHA settled all labor contracts on August 17, 2023, with labor agreements expiring June 30, 2028. The Buffalo Common Council approved the labor agreements at its meeting held on September 5, 2023.

The City decreased the budgeted workforce in the General Fund by one position from 2,765 FTEs in FY 2025 to 2,764 FTEs in FY 2026. It is noted that the Administration intends to maintain approximately 300 vacancies in 2025-26, and those vacancies are carried across the Financial Plan. The positions remain in the budget but are unfunded and total \$16.5 million. Actual filled positions were 2,420 at June 30, 2025, decreasing from 2,431 at June 30, 2024, representing a decrease of eleven positions or a 0.5 percent decrease.

The City has reduced filled positions by 398 and reduced its workforce by 14.1 percent since BFSAs inception. The following chart shows the City’s actual number of filled positions from FYE 2003 to FYE 2025:



The District’s General Fund staffing plan includes a decrease of 18 FTEs as compared to the prior year budget, including 79 teachers. Non-BTF positions were increased by 61 FTEs.

The District’s All Funds staffing plan includes an increase of 26 FTEs as compared to the prior year budget, as follows:

- Teachers – (22)
- Net of all other – 48

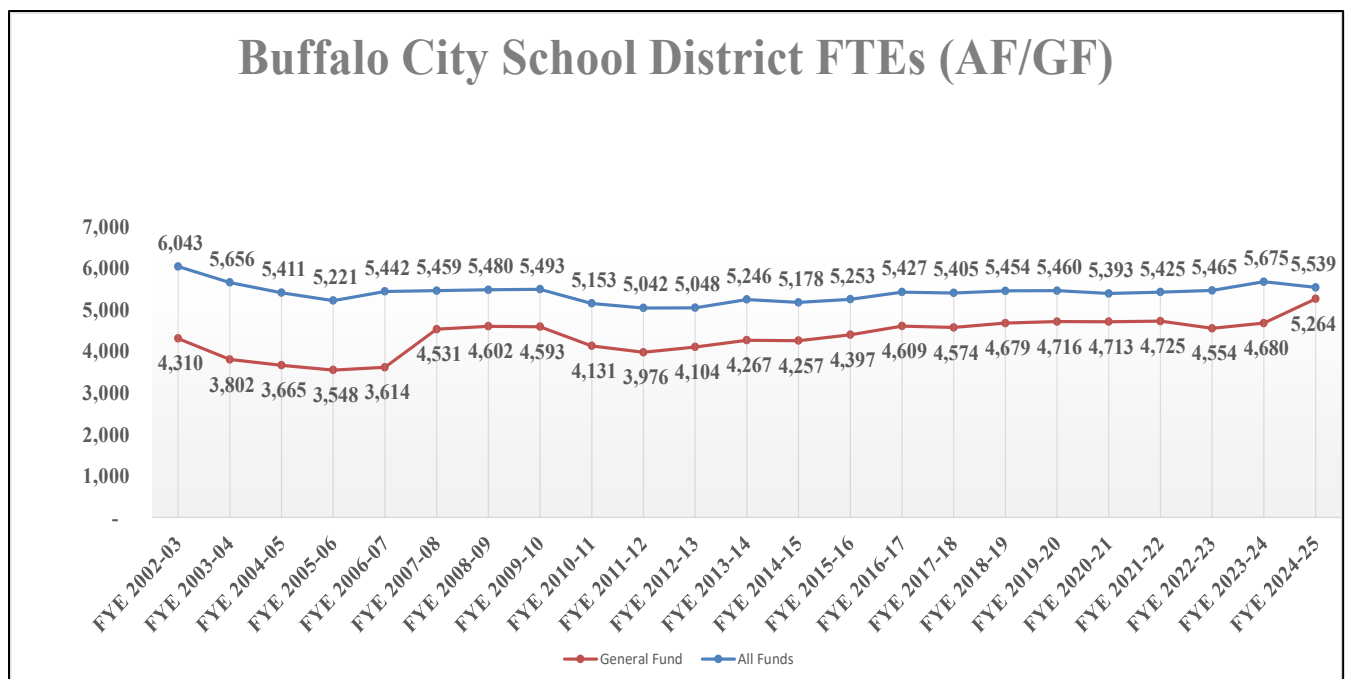
On an All Funds Basis, the Adopted Budget includes a total of 5,841 FTEs, an increase of 26 FTEs compared to the 2024-25 Adopted Budget.

The District-wide 2025-26 staffing plan increases by 26 FTEs. Budgeted positions decrease substantially beginning in 2026-27 by 100 FTEs as the District closes two yet-to-be-named schools.

The District’s staffing plan includes reducing 150 teacher positions in the General Fund over the four years of the Financial Plan. All other FTE positions are reduced by 50 FTEs in 2026-27 then maintained at a cumulative 1,750 FTEs (General Fund) over the last two outyears. Further reductions in non-teaching positions could occur when the school closings occur but have not been included in these estimates.

The Financial Plan assumes a flat population of City publicly enrolled students, with District-enrolled students estimated at 29,681 in all four years of the Financial Plan. Charter school pupils are projected at 11,000 in all four years. The overall number of public school students is projected to be flat at 40,681 in each year of the Financial Plan.

The following chart shows the District’s actual number of filled positions from 2002 to 2025 for both the General Fund and on a District-wide basis:



The BMHA’s 2025-26 Adopted Budget includes 151 positions. BMHA has historically had a 10-25% vacancy level during any fiscal year. The vacancy rate was 17.1 percent on June 30, 2025. Budgeted positions are held flat in each year of the Financial Plan. Total employee salaries and benefits are budgeted at \$15.0 million in 2025-26 and are projected to increase by \$0.9 million to \$15.9 million over the Financial Plan.

BURA had forty positions budgeted and thirty-two filled at the conclusion of the 2024-25 fiscal year. BURA’s workforce was reduced from sixty budgeted FTEs at FYE 2012 to the current forty positions budgeted in 2025-26, a decrease of twenty positions over thirteen years. Employment levels remain significantly below 2003-04 levels when BFSA was created, and the budgeted level has been between forty and forty-five FTEs recently. 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 determined to be an

inappropriate 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 2025-26 Budgets and 2026-2029 Financial Plans of the City of Buffalo and the Covered Organizations.”

The City’s other postemployment benefit (OPEB) liability was first required to be reported under generally accepted accounting principles (GAAP) for FYE 2008. It requires an actuarial reevaluation every two years. The City’s most recent actuarial valuation totaled \$1,169.3 million (\$1.17 billion) with total OPEB liability for governmental and business-type activities of \$1,114.1 million (\$1.11 billion) and \$55.2 million, respectively, as reported for fiscal year-end June 30, 2024.

As of June 30, 2024, the District’s total OPEB liability was \$1,830.6 million (\$1.83 billion), which is an increase of \$0.3 billion from the prior year. As of June 30, 2024, the District had \$70.1 million of fund balance assigned for OPEB.

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 change is based primarily on changes in assumptions and other data 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 May 28, 2019, 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, 2024, BMHA accrued future OPEB benefits for 139 active employees, 48 of whom were eligible to retire. Actual retiree healthcare benefits were provided to 221 retirees or beneficiaries. The BMHA’s total OPEB liability as June 30, 2024, was reported at \$60.3 million and was measured at FYE 2024.

BURA’s most recent OPEB actuarial valuation was reported at \$6.5 million at June 30, 2024, compared to \$8.3 million at June 30, 2023. There has been a decrease in BURA’s OPEB liability since it reached a high of \$28.7 million at June 30, 2011. Various factors have contributed to the overall decrease in OPEB liability, including a decrease in active and retired employees covered by BURA, increased required employee contributions for retiree healthcare, and changes in the discount rate.

Providing a More Cost-Effective Financing Framework

Background and Bond Ratings

The BFSA issued debt from 2004 through 2007 on 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. The BFSAs permitted the City to begin to borrow on its own behalf beginning in 2008.

The BFSAs credit rating from Fitch Ratings (Fitch) is currently AAA with a stable outlook. This rating has been held since January 2015 and was last reaffirmed in February 2025. Moody's Investor Service (Moody's) has rated BFSAs at Aa1 since January 2015; the underlying rating was last affirmed in September 2024 with a revised outlook from stable to "no outlook" resulting from an overall industry change. 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 represent a better credit rating than the City. All City State aid, including both the City and District's portions of the local sales tax, is legally BFSAs revenues as per the BFSAs Act. The first call on revenues is to pay debt service. This intercept and first call provision allows BFSAs to maintain a credit rating superior to the City's.

Moody's last reaffirmed the City's rating in March 2024 of A1 with a stable outlook and noted the City benefits from the oversight of the BFSAs. 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 fiscal 2024, and management will continue to manage the sizeable budget gaps and address the expired collective bargaining contracts.

Standard and Poor's Rating Services (S&P) has reaffirmed the City's rating at A+ in September 2025 with a downward revision to the outlook from stable to negative. The outlook revision reflects "[S&P's] view of the city's financial pressure as well as reduced financial flexibility following a large drawdown in reserves in fiscal 2024." S&P furthermore indicates a credit downgrade could occur if the City is unable to balance operations in the future. The framework provided by the BFSAs Act is discussed specifically as a strength to the credit rating due to the operational and budgetary oversight provided by the BFSAs.

In August 2025, Fitch reaffirmed the City's credit rating of A+, also with a downward revision to the credit outlook from stable to negative. Fitch noted that Buffalo's rating reflects its sound level of reserves, and moderate long-term liability burden offset by mixed economic and demographic indicators. The negative outlook reflects the weakening of reserves as of fiscal year end 2024 that triggered a reduction in Fitch's financial resilience assessment. The outlook downgrade reflects Fitch's expectation that there is a potential for future budget pressure with a reliance on one-time measures, including asset sales, which could further weaken reserve levels.

The City has made significant strides in improving its bond ratings since 2003. BFSAs financial oversight over the City has been consistently included as a key rationale 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 a negative outlook from S&P, and from Baa with a negative outlook from Moody's, since BFSAs 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 Moody's and S&P rating agencies is stable and Fitch has issued a negative outlook.

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

- Moody's affirmed the City's A1 rating, as it had similarly done in the previous eleven 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 the elimination of the need for seasonal, cash flow borrowing in the last fourteen 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's 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 on September 8, 2025, with a revision to the outlook from stable to negative. Prior to this, S&P last revised the City's outlook from a negative outlook to stable in 2021. S&P last upgraded the City's underlying from A to A+ in 2014. This rating represents a high investment grade with low risk. The rationale 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.

Before 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's 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.”

- On August 1, 2025, Fitch Ratings downgraded the City’s outlook from stable to negative while maintaining a credit rating of A+. In August 2024, Fitch affirmed the City’s rating of A+ with a stable outlook for the City. Fitch upgraded the City’s bond rating from A to A+ on August 8, 2023, citing improved financial management and a stable outlook for the city. 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 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	<u>Aaa</u> Highest Investment Grade / Minimal Risk	<u>AAA</u> Highest Investment Grade / Minimal Risk	<u>AAA</u> Highest Investment Grade / Minimal Risk
BFSA's Rating	<u>Aa1</u> High Investment Grade / Very Low Risk	<u>AA+</u> Very High Investment Grade	<u>AA+</u> Very High Investment Grade
City's Rating - S&P		<u>A+</u> High Investment Grade / Low Risk	<u>AA-</u> Very High Investment Grade / Low Risk
City's Rating - Moody's & Fitch	<u>A1</u> Upper Medium Grade / Low Risk		<u>A+</u> High Investment Grade / Low Risk
	<u>Baa</u> Moderate Risk	<u>BBB</u> Moderate Risk	<u>BBB</u> Moderate Risk
	<u>Ba</u> Speculative / Substantial Risk	<u>BB</u> Speculative	<u>BB</u> Speculative

The BFSA's bond ratings are four steps higher for Fitch and three notches higher for Moody's based on current ratings. Due to the rating differences, BFSA can 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 \$103,231 in investment earnings with the governmental funds for the year ended June 30, 2025, from funds held in various bond-related accounts and from funds in its own operating accounts. Over the life of the bonds, the FDA's provide the BFSA a guaranteed rate of return between 4.48 percent and 5.13 percent, which far exceeded the rate of return the City

earned during this period. The BFSA earned \$93,916 from the FDAs during the year ended June 30, 2025. The remaining amount of \$9,315 was earned on the operating funds.

Review of 2025 Capital Budget and Related Capital Borrowing

The BFSA reviewed and reported on the City's 2025 Capital Budget of \$110.0 million during the 2024-25 fiscal year. Unlike in previous years, the City's Capital Budget also included District projects. Since 2012, the District has been able to utilize \$133.8 million in refinancing savings from the Joint Schools Construction Board (JSCB) debt to finance its capital needs. The 2025 Capital Budget consisted of three components including: 1) City of Buffalo capital budget of \$27.2 million; 2) the Buffalo City School District annual capital budget of \$55.5 million; and 3) a request to issue \$26.8 million in short-term bond anticipation notes (BAN) for projects receiving state and/or federal funding.

A BAN sale is scheduled to occur on September 18, 2025, to finance certain projects. A disagreement has occurred between the City Comptroller, the Mayor, and Common Council that has resulted in the filing of a lawsuit to compel certain actions by the City Comptroller for financing of additional projects. The outcome of this lawsuit is expected to be determined in late September. Recommendations related to this review are provided earlier in this under the section titled "Reports and Recommendations Issued by the BFSA during 2024-25, City of Buffalo, December 11, 2024 and September 10, 2025".

BFSA Debt Issuances and Refundings

The following table contains a listing of all BFSA debt transactions since the BFSA was created, and amounts outstanding at June 30, 2025:

BFSA Debt Table at June 30, 2025					
(\$ 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		\$0	
Sales Tax and State Aid Secured Refunding Bonds (Series 2015A)	Dec-15	\$14,170		\$165	
Total		\$170,750	\$234,000	\$165	\$0

Structural Reform and Savings Opportunities

Both the City and District are facing a structural imbalance. The City of Buffalo was able to delay the structural issues with the financial impact from unrestricted federal recovery dollars; however, these funds are no longer available after 2024-25. To address the elimination of ARPA funds from the General Fund budget, the City has included two new revenue sources in the 2026-2029 Financial Plan. One is a nonrecurring revenue for the sale of the City’s parking ramps to a

yet-to-be created public authority. This transaction has been projected to provide \$42.2 million in revenue over the financial plan. This transaction will reduce the annual allocation of parking revenue received by the City's general fund from what has been received in recent years. The second new revenue is the imposition of a City hotel tax; the occupancy tax is forecasted to provide \$14.9 million over the financial plan. As previously discussed, the BFSA identified areas over potential overestimation for revenues in the financial plan. To address the concern for the 2024-25 year, the BFSA required the submission of a gap closing plan which was accepted by BFSA. The financial plan will be closely monitored by BFSA.

The District's 2026-2029 Financial Plan includes a cumulative four-year deficit of \$158.0 million, which is fully funded through fund balance, a nonrecurring funding source. The District estimated that \$188.4 million in Unrestricted fund balance will remain at the conclusion of the Financial Plan. The District currently has a structural deficit and needs to achieve an operationally balanced budget, as projected available unassigned fund balance is insufficient to cover budgetary shortfalls beyond the four-year plan. The BFSA identified risks with the spending plan, quantified at \$154.6 million.

The District did not include the previously planned year two right-sizing initiatives within the 2025-26 adopted budget. These actions were deferred until 2026-27 and are incorporated within the 2026-2029 Financial Plan. These actions include closing two schools, removing 100 budgeted FTE positions in 2026-27, and removing an additional 50 budgeted FTE positions in both 2027-28 and 2028-29. These right-sizing initiatives are essential to the District's fiscal stability. The structural deficit is a trend and continues from FY 2024-25. Structural deficits will continue unless the Buffalo Board of Education takes responsive actions to address the systemic causes.

BURA and BMHA were more insulated from a similar threat due to federal funding that has been provided to each organization. It is an unknown risk if either of those Covered Organizations will see a reduction in their allotment of federal funds in the future.

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 2026-2029 Financial Plans beginning on page 50.

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. One collective bargaining agreement was reviewed by the BFSA during 2024-25. Such reports and related recommendations have been discussed in the section, "Reports and Recommendations Issued by the BFSA during 2024-25," beginning on page 14.

Additional BFSA Operational Information

Legal Matters

There are no outstanding legal matters involving the Buffalo Fiscal Stability Authority.

Annual Internal Controls Review/Governance

The purpose of the internal control structure is to ensure that BFSFA has a system of accountability for and oversight of its operations and to assist BFSFA in achieving its goals and objectives with minimal risk to the organization's operations. BFSFA's Principal Analyst served as the BFSFA's Internal Controls Officer for 2024-25. 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 BFSFA 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 BFSFA'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.

BFSFA 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. BFSFA 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.

BFSFA took a series of steps in 2024-25 to reinforce its system of internal controls as listed below:

- In September 2024, the Board of the BFSFA reviewed, affirmed or adopted the following policies and procedures of the BFSFA:
 - The BFSFA 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 BFSFA Code of Ethics and will abide by it. The Code of Ethics states the BFSFA's position on conflicts of interest, personal integrity, honesty, ethical conduct, and public trust;
 - The BFSFA Bylaws, which provide guidelines and procedures for the operations of BFSFA, including formation of committees, board meetings, and other general operations;
 - The BFSFA Mission Statement, which identifies BFSFA's mission;
 - The BFSFA Investment Guidelines, which establish a set of basic procedures to meet investment objectives and other specific criteria;

- The Property Disposal Guidelines detailing the BFSA’s operative policy on the disposal of personal property;
- The Use of Discretionary Funds Policy, which delineates the proper use of the BFSA’s discretionary funds, addressing what constitutes a proper discretionary expenditure related to the mission of the BFSA;
- The Whistleblower Policy, which provides guidelines and a process for whistleblowers to report illegal or unethical practices by the BFSA, staff members or Directors;
- The Lobbying Contact Policy, which provides a procedure for documenting contact between lobbyist and Directors or staff. The appointment of the Lobbying Contact Officer provides a contact person to oversee the implementation of the Lobbying Contact Policy;
- The Procurement Guidelines, which provides guidelines regarding the use, awarding, monitoring, and reporting of procurement contracts during the course of BFSA business;
- The Procurement Report, which provides a summary of all procurement contracts that BFSA was engaged with in excess of \$5,000;
- The Prompt Payment Policy, which provides guidelines and timing requirements concerning the payment of vendors for goods and/or services;
- The Prompt Payment Report, which provides a listing of new contracts entered into during the 2024-25 fiscal year as well as any interest paid to vendors including the reason the payment was late; and
- 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.

Additional governance related BFSA actions included:

- In September 2024, the BFSA Governance Committee approved the dissemination of the annual Board of Directors self-evaluation to each Director.
- In September 2024, the Audit, Finance and Budget Committee received a presentation on the BFSA’s 2023-24 Independent Auditor’s Report and received the BFSA Annual Report for fiscal year 2023-24, which the committee recommended for approval to the full board.

- In September 2024, the BFSA approved the 2023-24 Independent Auditor’s Report and the Annual Report for fiscal year 2023-24.
- In December 2024, 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 2024, the BFSA approved the 2025-26 Minority and Women-Owned Business Enterprise Goal Plan. The goal includes an overall 30.6 percent participation goal with 15.3 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 SFY 2023-24 with MWBE participation of 32.14 percent.
- In December 2024, the BFSA approved the 2025-26 Service-Disabled Veteran-Owned Business Enterprise (SDVOB) Goal Plan. The goal includes an overall 6.0 percent participation goal. The BFSA will continue to seek procurement opportunities with qualified SDVOB’s. It was noted that the BFSA ended SFY 2023-24 with SDVOB participation of 6.7 percent.
- In December 2024, the BFSA Board of Directors reviewed and approved the list of items to be provided to the BFSA by the City and covered organizations. The communication was updated due to the change in timing of the City’s budget and financial plan from May 1st to April 8th.
- In December 2024, the BFSA Board of Directors received a report of the BFSA’s first quarter operation results for FY 2025.
- In March 2025, the Audit, Finance, and Budget Committee reviewed the BFSA’s 2025-26 Preliminary Budget and 2026-2029 Financial Plan and approved the posting of the budget for public review and comment.
- In March 2025, the Internal Controls Officer met with the Audit, Finance and Budget Committee to report on the results of the internal audits in regard to:
 - Document Retention and Storage; and
 - Budget Preparation and Approval Process.
- On March 10, 2025, the BFSA Board received a report of the BFSA’s second quarter operating results.
- On March 10, 2025, the BFSA Board held an executive session to review City of Buffalo legal matters with the Buffalo Corporation Counsel Cavette Chambers.
- On June 16, 2025, the BFSA Board approved Resolution No. 25-04, “Honoring Vice-Chair Jeanette T. Jurasek, Ph.D.”, for her tremendous contributions as the former Vice-Chair of the Buffalo Fiscal Stability Authority.

- In June 2025, the BFSA Board received the BFSA’s third quarter operating results.

Additional Reporting

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

- Report on Requests by Data Subjects – On August 19, 2024, BFSA issued its FY 2023-24 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.
- Executive Order #22 Reporting – On June 26, 2024, the BFSA submitted its Waste Diversion plan template to the GreenNY Council Leadership, pursuant to New York State Executive Order #22.
 - The BFSA submitted the GreenNY Reporting Form to the GreenNY Council Leadership on January 2, 2025. It is noted that BFSA led all small agencies/authorities in the Get There Green! Initiative with 100 percent employee participation and received an award.
- 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 filed quarterly utilization reports to NYSESD throughout 2024-25.
- 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 filed quarterly utilization reports throughout 2024-25.

Financial Statements

BFSA received a clean, unqualified opinion on its 2024-25 Audited Financial Statements from its independent outside auditor, Lumsden & McCormick LLP. That audit report was reviewed, accepted and approved by the Board on September 22, 2025. The 2024-25 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 2024-25 fiscal year:

- In March 2025, the BFSA's Audit, Finance and Budget Committee reviewed the BFSA's proposed 2025-26 budget and 2026-2029 Financial Plan. This document was posted to the BFSA website and additionally submitted to nine Buffalo and Erie County Libraries located with the City of Buffalo for posting and to request 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 2025, after the public review period had been completed, the BFSA adopted the 2025-26 budget and 2026-2029 Financial Plan.

Health Insurance Plans

In 2024-25, 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 expended \$36,942 for the fiscal year ended June 30, 2025.

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	\$4.4 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	\$315.8 million
City and Covered Organization Financial Plan Actions	
<i>Fiscal Year 2003-04</i>	
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
<i>Fiscal Year 2004-05</i>	
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
<i>Fiscal Year 2005-06</i>	
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
<i>Fiscal Year 2006-07</i>	
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	\$460.6 million

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

Other Actions

Credit Related:

Downgrade City Credit outlook to A+ negative outlook Fitch (2025)
Improved City Credit rating at A+ stable from Fitch (2023)
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 Buffalo School District labor agreement with the Transportation Aides of Buffalo ("TAB") (2025)
Reviewed a labor agreement between the City of Buffalo and AFSCME, AFL-CIO Local 2561 (Building Inspectors) (2024)
Reviewed a labor agreement between the City of Buffalo and the International Union of Operating Engineers (2024)
Reviewed a labor agreement between the City of Buffalo and Local 264T (Water Caulkers) (2024)
Reviewed a labor agreement between the City of Buffalo and the Police Benevolent Association (2024)
Reviewed a labor agreement between the Buffalo Municipal Housing Authority and AFSCME Local 264 (2024)
Reviewed a labor agreement between the Buffalo Municipal Housing Authority and the International Union of Operating Engineers Local 17-S (2024)
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)

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

Other Actions

Labor Related:

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)

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 2025-26 Budgets and 2026-2029 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 2025-26 budgets, preliminary 2026-2029 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.

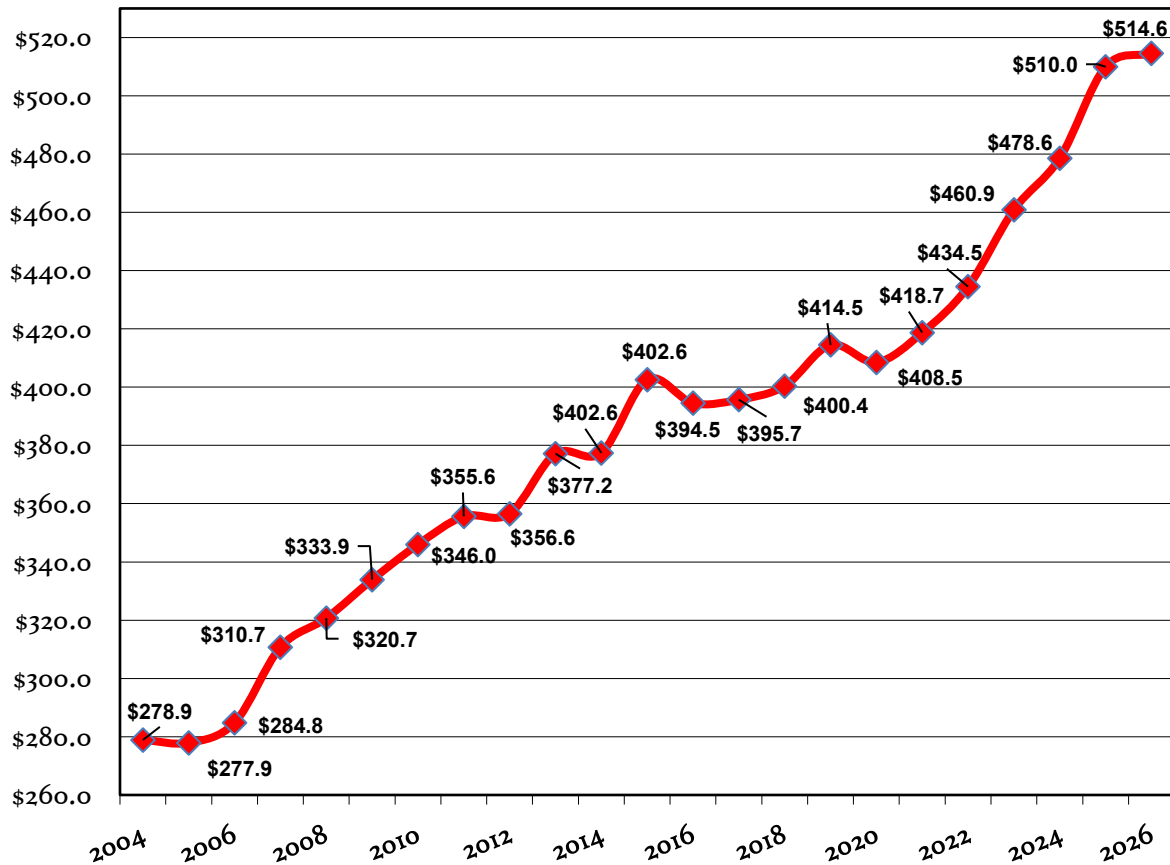
The review of the City of Buffalo's proposed budget and related four-year financial plan was conducted on April 28, 2025, and is included within this section. The BFSA's subsequent reviews and reports on the adopted budget and the final four-year financial plan are also included. All reports should be read to fully understand the final projections made by the City of Buffalo and the BFSA's recommendations.

The review of the District's budget was conducted on June 16, 2025, and the review of the financial plan was conducted on August 12, 2025. Both reports should be read in conjunction to fully understand the content of the review.

Both BURA's 2026-2029 financial plan and BMHA's 2026-2029 financial plan was reviewed on April 28, 2025. A review of BMHA's gap closing plan was reviewed on June 16, 2025, no subsequent reviews or reports were necessary on these items.

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.

City Budgeted Appropriations- Excluding Transfers Out (millions of \$)

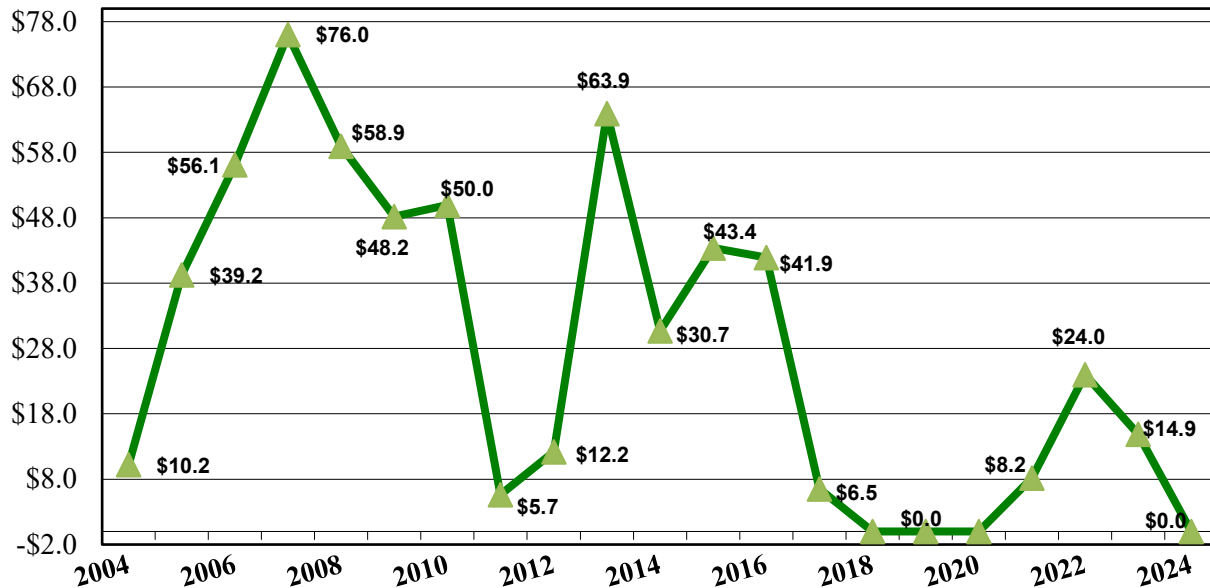


The chart above provides a historical overview of the City’s budgeted appropriations since 2003-04, the year the BFSFA was created. The budgeted appropriations represent operating expenditures only and exclude operating transfers out. Over the twenty-one year period, budgeted appropriations less operating transfers out have increased from \$278.9 million for fiscal year 2004 to \$514.6 million for fiscal year 2026, representing an increase of \$235.7 million, or 84.5 percent. Adjusted for inflation, the 2003-04 expenditures of \$278.9 would be approximately equivalent to \$489.9 million in 2025-26.

Budgeted appropriations increased from \$510.0 million in the prior year to \$514.6 million for 2025-26, constituting an increase of \$4.6 million, or 0.9 percent. The slight increase in appropriations is reflective of an increase in fringe benefits, specifically health insurance, pension contributions and to a lesser extent employer payroll taxes. The increases are offset as the City is recognizing \$16.5 million of savings from vacancies upfront by reducing the total budget; these vacancies are held over all four years of the financial plan which totals \$66.0 million of total four-year reductions to personal costs. The City has identified the departments and positions that will remain unfilled.

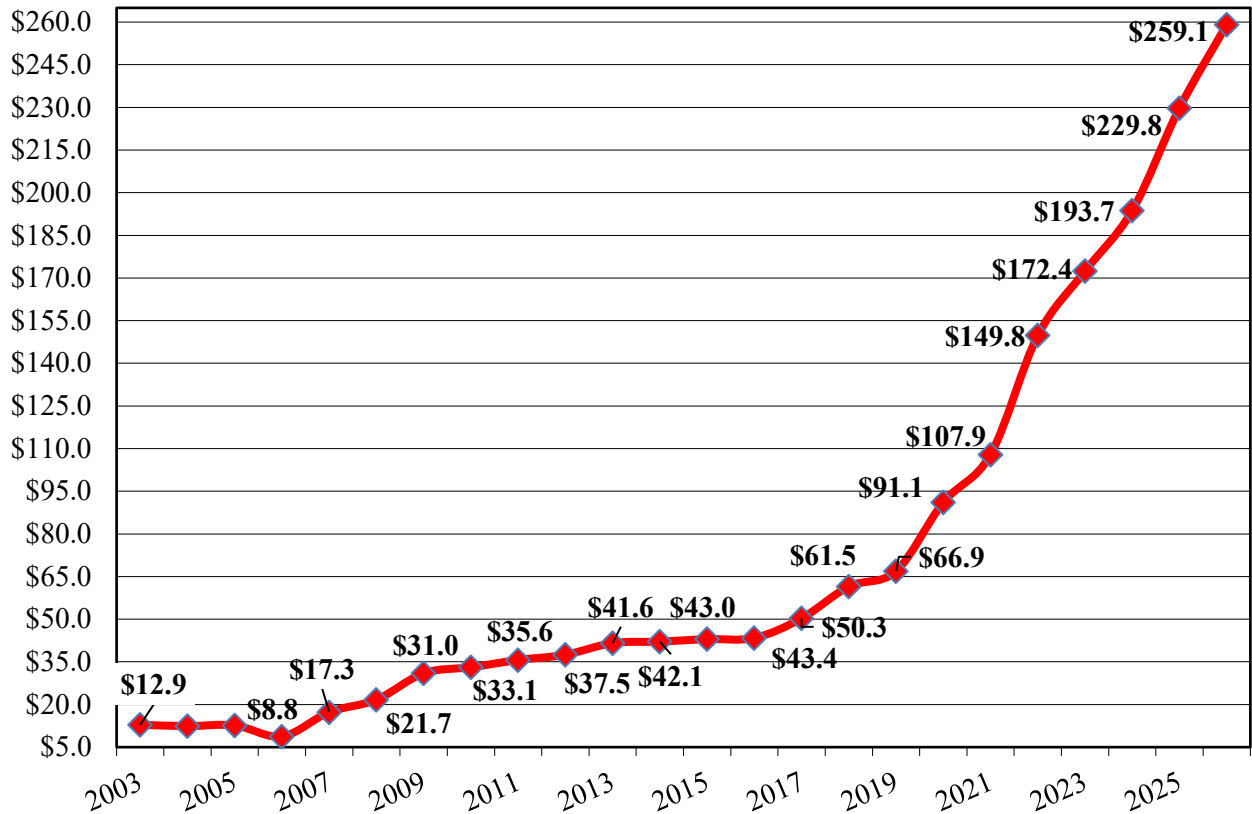
The most significant cost drivers since FY 2008 have been pension costs, health insurance and salaries. Beginning in January 2016, the City moved to a self-insured health insurance program which held budgeted health insurance costs flat compared to the year before; health insurance expenditures have increased between 3.0 to 7.5 percent annually since this transition.

**City Unassigned Fund Balance
(millions of \$)**



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 \$50.7 million as of June 30, 2024. 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. Unassigned fund balance was \$0 at June 30, 2018, 2019, and 2020. Unassigned fund balance then increased to \$8.2 million at June 30, 2021, and then increased further to \$24.0 million at June 30, 2022 before decreasing to \$14.9 million at June 30, 2023 and \$0.0 million as of June 30, 2024.

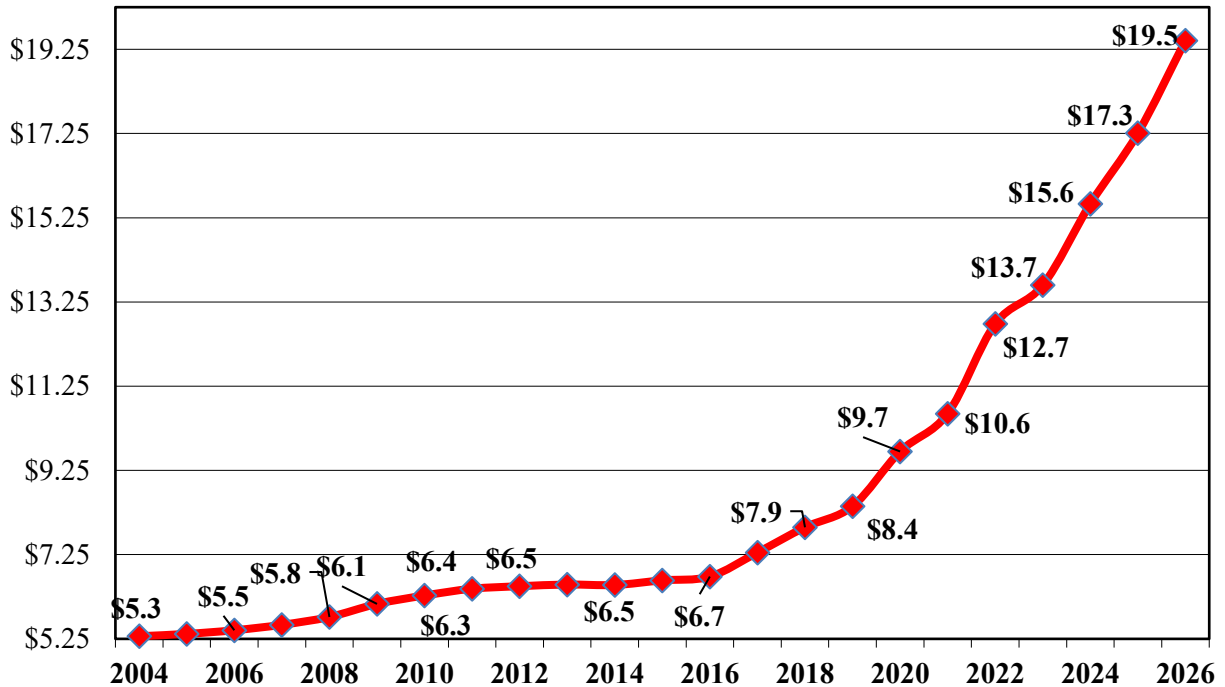
City Property Tax Margin Capacity (millions of \$)



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 2025-26 fiscal year provided a remaining property tax margin of \$259.1 million, representing an increase of \$246.7 million over this time period.

The City completed a City-wide reassessment in 2024 which took effect on July 1, 2025, and is reflected in the 2025 average full valuation calculation. Prior to this reassessment, the City last completed a City-wide reassessment in 2018. The new assessed values were included in the average full valuation calculation in 2020. 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 2022, \$149.8 million, and fiscal year 2026, \$259.1 million, is primarily attributed to the reassessment; this increase is \$109.3 million, or 73.0 percent. Over that same period the maximum constitutional taxing power increased from \$297.7 million to \$443.5 million, an increase of \$145.8 million, or 49.0 percent.

City of Buffalo Five-Year Average Full Valuation of Taxable Real Property (billions of \$)



The above graph depicts the City’s Five-Year Average Full Valuation of Taxable Real Property and Special Franchises over the last twenty-one years. The total average assessed property value has increased from \$10.6 billion in 2021 to \$19.5 billion in 2026, representing an increase of approximately \$8.9 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 approximately \$14.2 billion to the current year value of \$19.5 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 2024, and the reassessed property values were utilized in the 2025-26 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.

Buffalo Fiscal Stability Authority

Review and Analysis of the City of Buffalo's 2025-26 Proposed Budget and 2026-2029 Financial Plan
April 28, 2025

Overview

The 2025-26 Proposed Budget for the City of Buffalo (the “City”) provides General Fund estimated revenues of \$622.1 million and corresponding budgeted appropriations of \$622.1 million. Estimated revenues increase over the prior year budget of \$602.2 million by \$19.9 million, or 3.3 percent. The increase in budgeted appropriations over the prior year adopted budget of \$617.2 million is \$4.9 million, or 0.8 percent. Assigned fund balance in the amount of \$3.6 million was appropriated for use in 2024-25. There is no fund balance appropriated in the 2025-26 Proposed Budget as there was no unassigned fund balance at June 30, 2024. The City’s fiscal year is from July 1 to June 30.

There are multiple factors leading to economic uncertainty at this time. The national economy has indicators that it was operating in a strong position this past winter into the spring; however, inflation continues to be a concern as consumer prices rose substantially over the past few years. The most recent annual CPI is 2.4 percent (March 2025) which is lower than the 3.48 percent in May of 2024. Inflation continues to exceed the Federal Reserve’s target of 2.0 percent. The federal funds interest rate was last reduced in November 2024 for a current federal funds rate of 4.25 to 4.5 percent. Federal policy and the implementation of, or threats of, tariffs have had a significant impact on the stock market recently with a loss of 15 to 17 percent in the market. Correspondingly, the imposition of tariffs will increase costs to consumers at least in the short-term. Coupling the tariffs with inflation that is above the Federal Reserve’s target of 2 percent will limit the consumers spending ability. In addition, Western New York is more reliant on commerce, trade and travelers from Canada for economic growth via sales tax. There has been a substantial reduction in the number of Canadians traveling to Western New York for shopping, tourism and travel. It is unknown when the decrease in cross-border traffic will be realized, however the decrease in the number of travelers is significant with a year-to-year decrease of 14.5 percent from February 2024 to February 2025.

The reduction of federal employees and the impact of the workforce reduction as well as the freezing or elimination of federal funds to New York State and local governments has not been fully realized. A reduction in the federal workforce would impact individuals and families and their ability to participate in the economy. Compounding the economic concerns is the likely reduction of federal funds at all levels of government which are unknown; a reduction to New York State’s federal funds could trigger a trickle-down effect that could negatively impact the City of Buffalo among other municipalities. These issues are not isolated to the Western New York area.

The 2025-26 Proposed Budget was constructed without these volatile factors in mind and any additional stress or demands on the City and the services provided would be detrimental to the Financial Plan. The budget and corresponding Financial Plan are predicated on a minimalist process. In that the budget is dependent on maintaining approximately 300 vacancies, that there are no planned salary increases for the unions out of contract, and that the Administration will be able to control overtime spending. There is no unassigned fund balance that could be utilized to balance the budget if a mid-year modification is necessary.

The recovery from the COVID-19 pandemic has subsided with the resources as provided to local governments to help maintain and stabilize revenues no longer available. 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 2026-2029 Financial Plan (“Financial Plan”) does not include funds from the American Rescue Plan Act (“ARPA”) for revenue replacement as this specific use of funds has expired. The pandemic negatively impacted City revenues beginning in 2019-20 with recovery occurring since then. The City utilized \$167.2 million of the total award of \$331.4 million, or 50.5 percent, for revenue replacement through December 31, 2024. During this period the City did not adjust by identifying new revenue sources, including increasing property taxes, or reducing expenditures. Prior to the pandemic the City relied on nonrecurring revenues to fund operations and to balance the budget. Actions were not taken to address the systemic issue that increased expenditures outpaced revenue growth. The City of Buffalo is operating in a “new norm” period, which includes hybrid and remote work. Revenues that are dependent on consumption or volume will most likely not return to the pre-pandemic levels in the near future, and the City will need to investigate alternative or new revenues or reduce expenditures.

This report provides a high-level overview of the components of the City’s 2025-26 Proposed Budget and related 2026-2029 Financial Plan. It provides additional detail on key changes and differences from the prior year.

2025-26 Proposed Budget Summary

The 2025-26 Proposed Budget (“Proposed Budget”) totals \$622.1 million. The following schedule provides historical context by providing revenues and expenditures for the fiscal year ending June 30, 2024, the 2024-25 Adopted Budget, the City Administration’s year-end projection for 2024-25 as of December 31, 2024 (the most recent quarterly report), and the proposed budget for fiscal year 2025-26.

	Fiscal Year Ended 6/30/2024 Actual	2024-25 Adopted Budget	2024-25 Year-End Estimate as of 12/31/2024	2025-26 Proposed Budget	Increase/(Decrease) Budget-to- Budget	Increase/(Decrease) over Year-End Estimate
(\$ in millions)						
Revenues:						
Revenue	\$ 593.7	\$ 589.7	\$ 614.9	\$ 607.1	\$ 17.4	\$ (7.8)
Other Financing Sources:						
Other Financing Sources	43.1	-	-	-	-	-
Transfers In	13.7	12.6	12.6	15.0	2.4	2.4
Total Revenue and Other Financing Sources	\$ 650.5	\$ 602.3	\$ 627.5	\$ 622.1	\$ 19.8	\$ (5.4)
Expenditures:						
Departmental Costs	\$ 295.5	\$ 296.5	\$ 289.5	\$ 286.9	\$ (9.6)	\$ (2.6)
General Charges	241.9	213.5	211.5	227.7	14.2	16.2
Other Financing Uses:						
Transfers Out	144.8	107.2	128.8	107.5	0.3	(21.3)
Total Expenditures and Other Financing Uses	\$ 682.2	\$ 617.2	\$ 629.8	\$ 622.1	\$ 4.9	\$ (7.7)
Surplus / (Deficit)	\$ (31.7)	\$ (14.9)	\$ (2.3)	\$ -	\$ 14.9	\$ 2.3

Excluding ARPA program funds of approximately \$21.0 million recognized as a revenue and a corresponding transfer out, estimated revenues are increasing compared with the City’s year-end projection, as adjusted at \$593.9 million. The 2025-26 estimates revenue of \$607.1 million for an increase of \$13.2 million as compared to the projected year-end total for 2024-25. Budgeted appropriations, as adjusted for ARPA program funds, are estimated to be \$608.8 million at year-end and are increasing \$13.3 million in the 2025-26 Proposed Budget. The City reported a deficit of \$31.7 million for the fiscal year ended June 30, 2024, and has projected a deficit of \$2.3 million for 2024-25.

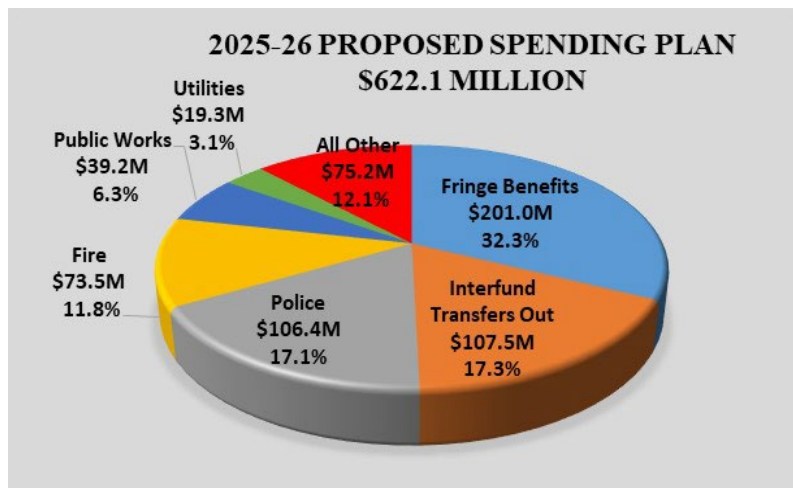
Total budgeted appropriations of \$622.1 million include other financing uses (i.e., transfers out) of \$107.5 million. This balance consists of three separate transfers: the annual transfer to the Buffalo City School District (the “District”) (\$70.8 million), the transfer to the Debt Service Fund for the payment of principal and interest due in 2025-26 on outstanding debt (\$36.3 million), and a transfer to the Capital Projects Fund (\$0.4 million). Total budgeted appropriations for transfers out on a year-to-year basis represent an increase of \$0.3 million and is attributed to the increase of the transfer to the Debt Service Fund for principal and interest on debt in a corresponding amount.

The largest 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 partially fund operations. The City’s tax levy for 2025-26 is proposed to increase by \$13.7 million, or 8.0 percent, year-to-year from \$170.8 million to \$184.5 million, with the City retaining \$113.7 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 \$514.6 million, compared to \$510.0 million budgeted in fiscal year (“FY”) 2024-25, and has increased \$4.6 million, or 0.9 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:

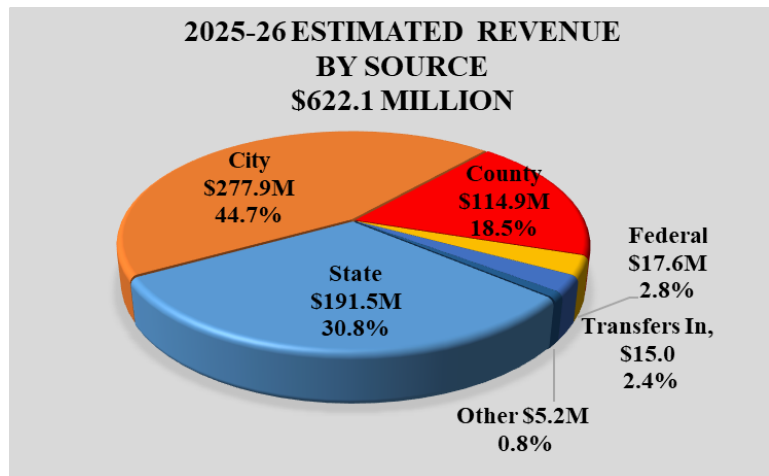
The largest components of the budget are as follows: fringe benefits (32.3 percent), which includes health insurance for both active employees and retirees, pension contributions, employer payroll taxes, injured-on-duty payments, and other similar commitments; transfers out (17.3 percent); police department (17.1 percent); and the fire department (11.8 percent). These four areas combined constitute 78.5 percent of the total budget. Public works



comprises an additional 6.3 percent of total budgeted appropriations, and utilities represent another 3.1 percent. All remaining departments and general charges comprise the remaining 12.1 percent of expenditures. Fringe benefits now comprises 32.3 percent of all General Fund spending; in 2024-25, fringe benefits consisted of 30.0 percent. Fringe benefits are a significant reason for the cost increase year-to-year, increasing by \$13.1 million, or 1.9 percent compared to the 2024-25 Adopted Budget amount of \$188.0 million. The offset is within the All Other category which has decreased from a categorical total of 13.2 percent of total budgeted 2024-25 spending. Remaining categories are consistent with the prior year with respect to spending as a percentage of the total budget.

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 \$622.1 million by summarizing the various revenues according to the originating source. The three largest contributors of revenue to the City are the City itself at 44.7 percent, the State at 30.8 percent, and the County at 18.5 percent for total estimated revenue of \$277.9 million, \$191.5, and \$114.9 million, respectively. Those three revenue sources total \$584.3 million and represent 93.9 percent of total revenues. As a point of reference,



within the 2024-25 Adopted Budget City sources represented 38.5 percent of total estimated revenues at \$237.4 million, State sources represented 31.4 percent at \$193.8 million, and County sources total \$113.5 million, or 18.4 percent. Those three revenue sources total \$544.7 million and represent 88.3 percent of total revenues. This represents a year-to-year increase of \$39.6 million, or 5.6 percent of total revenues. City sources, which include property taxes, fines, licenses, permits, sale of property, and other miscellaneous revenue items, increased by \$40.5 million from last year's budget. Revenue from the State is budgeted to provide \$191.5 million to the City, representing a decrease of \$2.3 million, or 1.2 percent, from the prior year's amount of \$193.8 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 18.5 percent, with the most significant revenue source being sales tax, providing for \$114.9 million. Total County revenue is estimated to increase \$1.5 million, or 1.3 percent, in the 2025-26 Proposed Budget as compared to the prior year's amount of \$113.5 million, which was 18.4 percent of budgeted revenues in 2024-25.

Federal sources have decreased substantially from last year's budget as ARPA is no longer an available resource for General Fund revenue replacement. Total federal sources is estimated at \$17.6 million, or 2.8 percent of total estimated revenue, which is a decrease of \$22.8 million compared to the FY 2024-25 budgeted amount of \$40.4 million, or a reduction of 56.4 percent. This budget item in recent years primarily represented federal ARPA revenue replacement funds. In December 2024, the City approved an increase in the amount of ARPA funds to be used for revenue replacement from \$19.6 million as originally planned to \$36.8 million, for a total estimated federal amount of \$60.0 million in 2024-25. That is a year-to-year decrease of \$42.4 million, or 70.7 percent.

There is no use of fund balance included in the 2025-26 Proposed Budget. Assigned fund balance in the amount of \$3.6 million was used in the current year 2024-25 budget; however, the adopted budget had included the use of up to \$14.9 million. The City reported a deficit of \$31.7 million for the year ended June 30, 2024, which reduced available fund balance to \$3.6 million. The City compensated for this shortfall by allocating additional ARPA funds to the general fund in December 2024.

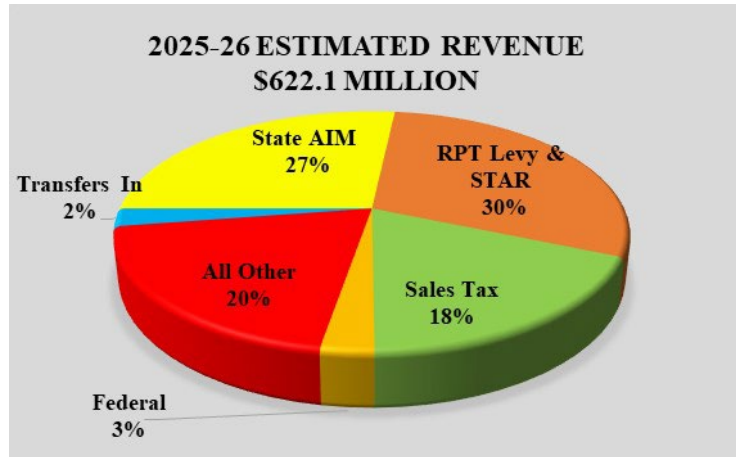
Transfers in from the Enterprise Funds of \$15.0 million, or 2.1 percent of total estimated revenues, include transfers from the Water Fund (\$9.7 million), the Parking Fund (\$4.6 million), and the Solid Waste and Recycling Fund (\$0.7 million). Transfers in are budgeted to increase by \$2.4 million, or 19.3

percent, over the prior year's amount of \$12.6 million, which represented 2.0 percent of prior-year estimated revenues.

Other revenue sources of \$5.2 million represents 0.8 percent of the total estimated revenue for the fiscal year 2025-26 and represents service charges from other government entities. In the prior year's budget, other revenue sources were budgeted at \$4.5 million and represented 0.7 percent of estimated revenues.

The following chart demonstrates the main categories of total estimated revenue totaling \$622.1 million.

The largest categories are State AIM, the real property tax levy and the School Tax Relief (“STAR”) program revenue, and County sales tax. The City’s real property tax levy, including STAR revenue, account for 30 percent of total estimated revenues, State AIM accounts for 27 percent, and sales tax accounts for 18 percent of total estimated revenues. These three revenue sources compose 75 percent of the City’s estimated revenues. As compared to last year’s budget, the most significant shift is the tax levy and STAR category which has increased by 2



percentage points due to the proposed 8% levy increase. Both State AIM and sales tax as a percentage of total estimated revenue has remained consistent. Federal sources have decreased by 1.0 percent point as ARPA funding is no longer available for revenue replacement. The offset of these larger changes has impacted the All Other category which has increased by 1.5 percentage points. Fund balance is not represented in the graph above as there is no allocation in the proposed budget; this funding source represented 2 percent of total estimated revenues and sources last year.

The proposed budget increases the City’s property tax levy to \$184.5 million in 2025-26 from \$170.8 million in 2024-25, an increase of \$13.7 million, or 8.0 percent. The City’s available property tax margin is \$254.6 million, representing an increase from the prior year’s available tax margin of \$232.8 million of \$21.8 million, or 9.3 percent. Within the proposed budget, the City provides 38.4 percent of the tax levy to the District. The District’s debt service is equivalent to 1.0 percent of the tax levy, while 19.4 percent is assessed for the City's debt service. From an operational standpoint, the City utilizes 42.2 percent of the levy, while the District uses 37.4 percent of the tax levy for operations. The proposed budget utilizes 42.0 percent of the City's constitutional taxing capacity compared to 42.3 percent utilized last year.

For the year ended June 30, 2024, the City reported a decrease in fund balance of \$31.6 million. On June 30, 2024, the balance of the emergency stabilization fund (i.e., “Rainy Day Fund”) was \$50.7 million, assigned fund balance was \$12.3 million, and there was no unassigned fund balance available.

Financial Plan

The following chart summarizes the Financial Plan:

	2025-26 Proposed Budget	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Increase/(Decrease)	
Revenues:	Financial Plan				\$	%
Revenue	\$ 607,088,837	\$ 608,444,582	\$ 610,271,188	\$ 615,285,889	\$ 8,197,052	1.4%
Transfers In	14,985,578	13,801,078	14,412,287	14,828,981	(156,597)	-1.0%
Total Revenues	\$ 622,074,415	\$ 622,245,660	\$ 624,683,475	\$ 630,114,870	\$ 8,040,455	1.3%
Expenditures						
Departmental Charges	\$ 286,940,697	\$ 289,081,150	\$ 294,341,336	\$ 298,830,903	\$ 11,890,206	4.1%
General Charges	227,662,325	227,516,596	229,169,496	232,806,814	5,144,489	2.3%
Interfund Transfers Out	107,471,393	105,647,914	101,172,643	98,477,153	(8,994,240)	-8.4%
TOTAL Expenditures	\$ 622,074,415	\$ 622,245,660	\$ 624,683,475	\$ 630,114,870	\$ 8,040,455	1.3%
Surplus / (Deficit)	\$ -	\$ -	\$ -	\$ -	-	-
Annual Change	\$ -	\$ 171,245	\$ 2,437,815	\$ 5,431,395	\$ 8,040,455	1.3%
	-	0.0%	0.4%	0.9%		

Over the 2026-2029 Financial Plan, expenditures are projected to increase from \$622.1 million to \$630.1 million, an increase of \$8.0 million or 1.3 percent. Departmental Costs are budgeted to increase by \$11.9 million, or 4.1 percent; General Charges to increase by \$5.1 million, or 2.3 percent; and Transfers Out to decrease by \$9.0 million, or 8.4 percent.

Estimated Revenues

The proposed budget includes total estimated revenues and other financing sources totaling \$622.1 million, representing an increase of \$4.9 million, or 0.8 percent, over the 2024-25 budget. The following schedule summarizes revenue by category and includes actual revenue for the fiscal year ended June 30, 2024, the adopted 2024-25 budget, the City Administration’s year-end projection for fiscal year 2024-25 as of March 31, 2025, and the 2025-26 Proposed Budget along with year-to-year changes.

	Fiscal Year Ended		2024-25		Increase/(Decrease) Budget-to-Budget	Increase/(Decrease) over Year-End Estimate
	6/30/2024* Actual	2024-25* Adopted Budget	Year-End Estimate as of 12/31/2024	2025-26* Proposed Budget		
	(\$ in millions)					
Revenues:						
Taxes	\$ 167.0	\$ 186.2	\$ 181.9	\$ 201.1	\$ 14.9	\$ 19.2
Non-Property Taxes	13.4	13.6	13.6	13.6	0.0	0.0
Licenses and Permits	6.5	5.4	5.0	8.1	2.7	3.1
Intergovernmental	363.1	331.5	363.6	309.9	(21.6)	(53.7)
Service Charges	12.6	17.1	14.5	16.5	(0.6)	2.0
Fines	7.0	12.9	10.4	10.6	(2.3)	0.2
Interest	20.9	10.1	10.2	9.8	(0.3)	(0.4)
Miscellaneous	3.3	12.9	15.7	37.5	24.6	21.8
Total Revenues	593.8	589.7	614.9	607.1	17.4	(7.8)
Resources:						
Other Financing Sources	43.1	0.0	0.0	0.0	0.0	0.0
Fund Balance	31.6	14.9	3.6	0.0	(14.9)	(3.6)
Transfers In	13.6	12.6	12.6	15.0	2.4	2.4
Total Other Resources	88.3	27.5	16.2	15.0	(12.5)	(1.2)
Total Revenue & Resources	\$ 682.1	\$ 617.2	\$ 631.1	\$ 622.1	\$ 4.9	\$ (9.0)

*Minor variances are noted due to rounding.

Revenues, excluding other financing sources and the use of fund balance, are budgeted to increase \$17.4 million over the prior year budget, or 3.0 percent. Other resources are projected to decrease \$12.5

million, or 45.5 percent, and consist of transfers in which are projected to increase \$2.4 million, or 19 percent, and the use of fund balance which is decreasing by \$14.9 million. Total revenue in 2023-24 was \$650.5 million consisting of \$593.8 million of departmental revenue and \$56.7 million from other sources, which included the issuance of a bond in the amount of \$43.1 million for a legal settlement. There is a variance of \$9.0 million between the 2nd quarter year end projection compared to the 2025-26 Proposed Budget. Revenues would be decreasing by \$7.8 million on a net basis with the most significant reduction being in intergovernmental revenues, reflecting the reduction in ARPA revenue replacement funds and ARPA programming funds for a total reduction of \$53.7 million. That reduction is offset by increases under taxes in the amount of \$19.2 million which reflects the increased real property tax and the inclusion of the 3 percent occupancy tax. Miscellaneous revenue is increasing compared to the year-end estimate by \$21.8 million, which is the net of several actions, the most significant one being the inclusion of the sale of the parking ramps to a newly established parking authority in the amount of \$26.5 million. Significant fluctuations noted in the revenue categories, as demonstrated in the table above, are discussed in further detail below as part of the 2026-2029 Financial Plan discussion.

Total revenues and transfers in over the 2026-2029 Financial Plan are estimated to increase \$8.0 million, or 1.3 percent, from \$622.1 million to \$630.1 million. Total projected revenue increases by \$0.2 million (0.03 percent) in 2026-27, \$2.4 million (0.4 percent) in 2027-28 and \$5.4 million (0.9 percent) in 2028-29. The following schedule summarizes the major revenue categories of total proposed and projected revenues over the 2026-2029 Financial Plan.

	2025-26 Proposed Budget	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Increase/(Decrease)	
REVENUES	Financial Plan				\$	%
Taxes	\$ 201,098,400	\$ 210,734,165	\$ 217,018,401	\$ 221,201,767	\$ 20,103,367	10.0%
Non Property Taxes	13,600,000	13,600,000	13,600,000	13,600,000	-	0.0%
Licenses and Permits	8,129,020	8,454,181	8,791,724	8,967,243	838,223	10.3%
Intergovernmental	309,886,033	323,043,833	322,052,840	325,478,161	15,592,128	5.0%
Service Charges	16,514,567	17,094,604	17,311,101	17,427,993	913,426	5.5%
Fines	10,620,400	11,641,500	12,662,812	12,739,338	2,118,938	20.0%
Interest	9,750,000	3,250,000	750,000	250,000	(9,500,000)	-97.4%
Miscellaneous	37,490,417	20,626,299	18,084,310	15,621,387	(21,869,030)	-58.3%
Subtotal	607,088,837	608,444,582	610,271,188	615,285,889	8,197,052	1.4%
Transfers In	14,985,578	13,801,078	14,412,286	14,828,981	(156,597)	-1.0%
TOTAL	\$ 622,074,415	\$ 622,245,660	\$ 624,683,474	\$ 630,114,870	\$ 8,040,455	1.3%
Annual Change	-	\$ 171,245	\$ 2,437,814	\$ 5,431,396	\$ 8,040,455	1.3%
	-	0.0%	0.4%	0.9%		

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

Taxes – The Taxes category consists of the real property tax levy, mortgage tax, the School Tax Relief ("STAR") program, payment-in-lieu-of-taxes ("PILOTs"), occupancy tax and interest and penalties. On a year-to-year basis, Taxes are increasing by \$14.9 million over the prior year budget, or 8.0 percent, from \$186.2 million in 2024-25 to \$201.1 million in the 2025-26 Proposed Budget. Revenue for the Taxes category over the Financial Plan is estimated to increase by \$20.1 million, or 10.0 percent, from \$201.1 million to \$221.2 million. Taxes represent 32.3 percent of total estimated revenues in the fiscal year 2025-26 and increase to 35.1 percent by 2028-29.

	2024-25 Adopted Budget	2025-26 Proposed Budget	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Increase/(Decrease)	
Taxes	Financial Plan					\$	%
Real Property Tax Levy	\$ 165,702,500	\$ 179,382,900	\$ 188,352,045	\$ 194,002,606	\$ 197,882,658	\$ 18,499,758	10.3%
STAR	5,115,000	5,100,000	5,075,000	5,050,000	5,025,000	(75,000)	-1.5%
Mortgage Tax	4,000,000	3,900,000	4,095,000	4,299,750	4,428,743	528,743	13.6%
PILOTs	4,770,060	6,115,500	6,340,120	6,573,725	6,695,199	579,699	9.5%
Occupancy Tax	4,230,000	3,400,000	3,672,000	3,892,320	3,970,167	570,167	16.8%
All Other Taxes	2,350,000	3,200,000	3,200,000	3,200,000	3,200,000	-	0.0%
Total Taxes	186,167,560	201,098,400	210,734,165	217,018,401	221,201,767	20,103,367	10.0%
Annual Variance	\$ -	\$ 14,930,840	\$ 9,635,765	\$ 6,284,236	\$ 4,183,366	\$ 35,034,207	18.8%
	-	8.0%	4.8%	3.0%	1.9%		

The increase of Taxes by \$14.9 million between 2024-25 and 2025-26 is mainly attributed to an increase in the proposed property tax levy of \$13.7 million, or 8.3 percent. Additionally, there is an increase of \$1.3 million for PILOTs. Remaining fluctuations are minor with a budgeted decrease of \$0.8 million for the occupancy tax and all other taxes are increasing by \$0.9 million on a net basis.

Occupancy tax was proposed in the prior year budget but ultimately State legislation was not passed allowing for the collection of this tax. It currently is again proposed and will require approval from the State Legislature and the Governor in order to implement. The current proposal is for a three percent bed tax, which is a reduction from the proposed five percent bed tax made last year. It is currently unknown if this legislation will pass and as a result, is considered speculative at this time.

The City completed a full reassessment of City property values in fiscal year 2024 which will be effective beginning with the 2025-26 budget. The maximum constitutional taxing power increased from \$403.7 million in 2024-25 to \$439.1 million for 2025-26, an increase of \$35.4 million, or 8.8 percent, while the available tax levying margin increased from \$232.8 million to \$254.6 million. The proposed real property tax levy of \$184.5 million for 2025-26 in an increase of \$13.7 million over last year, or 8.0 percent. The City is proposing to use 42.0 percent of the total available taxing levy. The reassessment caused a reduction in the tax rates; the homestead rate has decreased from \$11.18 per \$1,000 of assessed value in 2024-25 to \$6.52 per \$1,000 and the non-homestead rate has decreased to \$13.08 per \$1,000 as compared to \$21.04 per \$1,000 of assessed value in 2024-25.

The Taxes revenue category increases from \$201.1 million in 2025-26 to \$221.2 million in 2028-29, an increase of \$20.1 million, or 10.0 percent. The increase is attributed to an annual increase in the real property tax levy, which is budgeted to increase cumulatively by \$18.5 million over the Financial Plan. The projected annual increase in the three outyears of the Financial Plan is 5.0 percent in the first year followed by 3.0 percent in out-year two and 2.0 percent for the final out-year. The remaining tax revenues, including mortgage tax, PILOTs, and occupancy tax, are held relatively flat over the Financial Plan and each increase between \$0.5 - \$0.6 million over the Financial Plan.

Intergovernmental – The Intergovernmental revenue category consists of New York State Aid and Incentive for Municipalities (“State AIM”), sales tax, Tribal State Compact (“TSC”) revenue or casino revenue, cannabis tax, Medicare Part D and federal aid. Total Intergovernmental revenue is budgeted to decrease \$21.6 million (6.5 percent) in 2025-26, projected to increase \$13.2 million (4.2 percent) in 2026-27, projected to decrease \$1.0 million (0.3 percent) in 2027-28, and projected to increase \$3.4 million (1.1 percent) in 2028-29. This revenue category increases in total by \$15.6 million, or 5.0 percent, over the Financial Plan. Intergovernmental revenues represent 49.8 percent of total estimated revenue in fiscal year 2025-26 and increases to 51.7 percent of the budget by fiscal year 2028-29.

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

	2024-25 Adopted Budget	2025-26 Proposed Budget	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Increase/(Decrease)	
Intergovernmental	Financial Plan					\$	%
State AIM	\$ 166,285,233	\$ 166,285,233	\$ 166,285,233	\$ 162,898,085	\$ 164,527,066	\$ (1,758,167)	-1.1%
Sales Tax	113,487,500	114,945,000	119,492,800	121,285,942	122,498,801	7,553,801	6.6%
TSC - Casino Revenue	11,000,000	11,000,000	11,000,000	8,000,000	8,000,000	(3,000,000)	-27.3%
Revenue Replacement - ARPA	25,771,429	-	-	-	-	-	#DIV/0!
Cannabis Tax	1,200,000	300,000	585,000	877,500	1,009,125	709,125	236.4%
Medicare Part D	10,550,000	14,250,000	22,075,000	25,185,513	25,437,368	11,187,368	78.5%
All Other	3,205,800	3,105,800	3,605,800	3,805,800	4,005,801	900,001	29.0%
Total Intergovernmental	331,499,962	309,886,033	323,043,833	322,052,840	325,478,161	15,592,128	5.0%
Annual Variance	\$ -	\$ (21,613,929)	\$ 13,157,800	\$ (990,993)	\$ 3,425,321	\$ (6,021,801)	-1.8%
	-	-6.5%	4.2%	-0.3%	1.1%		

The City budgeted \$331.5 million in intergovernmental revenue in 2024-25 and budgeted a decrease of \$21.6 million, or 6.5 percent, to \$309.9 million in 2025-26.

The most significant year-to-year change is the \$25.8 million decrease in ARPA revenue replacement. All funding available through ARPA for revenue replacement is not available after December 31, 2024. It is expected that ARPA program funds will be recognized in the General Fund for specific projects during 2025-26 and 2026-27 but will have no impact general operations as revenues will equally offset program expenditures. All remaining ARPA program funds are required to be disbursed by December 31, 2026. In the 2024-25 adopted budget, the City included a one-time amount of \$6.0 million of ARPA funding for a program to assist homeowners in arrears on tax payments.

State AIM is held flat at \$166.3M in 2025-26, reflecting a temporary increase from the State of \$5.0 million for two years, ending in 2025-26. The Financial Plan includes a \$5.0 million temporary State AIM increase in 2026-27, and then reduces AIM to \$162.9 million and \$164.5 million in the last two outyears, for a decrease of \$1.8 million, or 1.1 percent, over the Financial Plan. New York State did include an additional \$5.0 million in temporary AIM beyond fiscal year 2025-26; furthermore, the State does not provide for any State AIM increases in the three out years of the State's Financial Plan. Before the temporary increase in State AIM, the State's budgeted AIM has been held flat at \$161.3 million since 2012. The cumulative increase of \$9.9 million in the three out years of the financial plan is deemed speculative as the State has not included any increases in the Financial Plan beyond 2025-26 and also due to the history of holding this annual amount static.

Sales tax collections are budgeted to increase by \$1.5 million (1.3 percent) over the 2024-25 budget, and increases \$7.6 million, or 6.6 percent, over the Financial Plan. Sales tax is budgeted at \$114.9 million in the proposed budget, increasing 4.0 percent to \$119.5 million in FY 2026-27, 1.5 percent to \$121.3 million in FY 2027-28, and 1.0 percent to \$122.5 million in the fourth year of the Financial Plan. The projection for 2026-27 at 4 percent may be high as the average annual growth over the past three years is 2.2 percent. An assumed rate of increase between 2 to 3 percent would be more appropriate. A 2.0 percent annual growth factor would revise the total cumulative four-year estimated increase to \$5.3 million resulting in a difference over the Financial Plan of \$2.3 million in projected revenue. We recommend sales tax be closely monitored as there are many unknowns with the international and national economies.

The TSC casino revenue is included in each year of the Financial Plan at \$11.0 million in 2025-26 and 2026-27 and then reduced to \$8.0 million in the final two years of the Financial Plan. The previous contract expired December 9, 2023, and terms of a new contract are currently unknown nor is there information available regarding the status of negotiations. Currently NYS and Seneca Gaming are

operating under the expired contract and placing the local share of revenue in escrow until a new contract is negotiated. A historical average for TSC revenue is difficult to calculate due to the cessation of payments over the past ten years, offset by a single large payment that included prior year amounts. The calculated annual average of this revenue received over this period is approximately \$7.8 million. The estimated and projected revenue of \$11.0 million in the first two years of the Financial Plan could be an overestimation. NYS did advance the City \$5.6 million in TSC revenues in October 2024. It is unknown if NYS will provide any further advances in 2024-25 or going forward. It is also unclear when recurring payments will recommence, as payments are on hold until a new agreement is made.

Cannabis tax revenue is included in each year of the Financial Plan. This tax was first collected in 2023-24. The program is still in the process of ramping up and including new state-licensed dispensaries in the City of Buffalo. Cannabis tax revenue is increasing from \$0.3 million in 2025-26 to \$1.0 million in 2028-29.

Medicare Part D is a revenue that has seen significant increases recently. Medicare Part D is a rebate program to the City for prescription drugs purchased by employees. As more expensive drugs are utilized by the workforce, the rebates have been increasing for the City. This is offset by a corresponding increase to the health insurance costs for pharmaceuticals. Medicare Part D is budgeted at \$14.3 million in 2025-26 an increase of \$3.7 million, or 35.1 percent, over the budgeted amount of \$10.6 million in 2024-25. Medicare Part D is projected to increase \$11.2 million, or 78.5 percent, to \$25.4 million in 2028-29. This revenue should be monitored due to the significant projected growth rate that is included in the Financial Plan.

All other intergovernmental revenue is increasing from \$3.1 million as budgeted in 2025-26 to \$4.0 million, an increase of \$0.9 million, or 29.0 percent, in 2028-29.

Over the course of the Financial Plan, Intergovernmental revenue increases from \$309.9 million to \$325.5 million, an increase of \$15.6 million or 5.0 percent.

Fines – The Fines category includes parking tags fines and penalties, traffic violations fines, court fines, and several other fines. Fines are reduced by \$2.3 million (17.8 percent) in 2025-26 as compared to the prior year budget to provide a more reasonable estimate based on recent collection history. Fines increase over the Financial Plan by \$2.1 million, or 20.0 percent, from \$10.6 million in 2025-26 to \$12.7 million in 2028-29. Fines represent 1.7 to 2.0 percent of total revenues over the Financial Plan. Fines is another area that should be closely monitored as both parking tags fines and penalties and traffic violations fines continue to be below budgeted amounts. On a combined basis those fines are projected to be unfavorable to budget by \$1.5 to \$2.0 million in the current fiscal year. The City proposes to increase fines and provide enhanced enforcement which will result in additional revenue in those two categories.

	2024-25 Adopted Budget	2025-26 Proposed Budget	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Increase/(Decrease)	
Fines			Financial Plan			\$	%
Parking Tags Fines & Penalties	\$ 5,750,000	\$ 5,500,000	\$ 6,000,000	\$ 6,750,000	\$ 6,750,000	\$ 1,250,000	22.7%
Traffic Violations Fines	2,250,000	2,000,000	2,500,000	2,750,000	2,805,000	805,000	40.3%
Bus Arm Cameras	2,000,000	2,100,000	2,121,000	2,142,210	2,163,632	63,632	-
Court Fines	220,000	230,000	230,000	230,000	230,000	-	0.0%
All Other Fines	2,700,450	790,400	790,500	790,602	790,706	306	0.0%
Total Fines	12,920,450	10,620,400	11,641,500	12,662,812	12,739,338	2,118,938	20.0%
Annual Variance	\$ -	\$ (2,300,050)	\$ 1,021,100	\$ 1,021,312	\$ 76,526	\$ (181,112)	-1.4%
	-	-17.8%	9.6%	8.8%	0.6%		

The increase over the Financial Plan is attributed to a planned increase of penalties for parking tags fines and penalties. Traffic violation fines are projected to increase due to enhanced traffic enforcement. 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 decreases incrementally over the plan; it represents 6.0 percent of total budgeted revenues in 2025-26, 3.3 percent in 2026-27, and then 2.9 and 2.4 percent respectively in the last two years of the Financial Plan.

	2024-25 Adopted Budget	2025-26 Proposed Budget	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Increase/(Decrease)	
Miscellaneous			Financial Plan			\$	%
Grant Reimbursement	\$ 5,408,110	\$ 2,886,214	\$ 2,972,800	\$ 7,850,000	\$ 7,928,500	\$ 5,042,286	174.7%
Sale of Capital Assets	2,802,650	29,637,400	12,464,487	4,761,424	2,134,662	(27,502,738)	-92.8%
Sale of In Rem Property	600,000	600,000	750,000	787,500	826,875	226,875	37.8%
Settlement of Legal Claims	250,000	180,000	183,600	375,000	382,500	202,500	112.5%
All Other Misc.	3,793,518	4,186,803	4,255,412	4,310,386	4,348,851	162,048	3.9%
Total Miscellaneous	12,854,278	37,490,417	20,626,299	18,084,310	15,621,388	(21,869,029)	-58.3%
Annual Variance	\$ -	\$ 24,636,139	\$ (16,864,118)	\$ (2,541,989)	\$ (2,462,922)	\$ 2,767,110	21.5%
	-	191.7%	-45.0%	-12.3%	-13.6%		

Year-to-year estimated Miscellaneous revenues are increasing by \$24.6 million, or 191.7 percent between 2024-25 and 2025-26. The most significant increase is within the sale of capital assets and includes a proposed sale of the City-owned parking ramps to a municipal parking authority. The current estimate of the sale is \$42.2 million with proceeds of \$26.5 million in 2025-26, \$11.0 million in 2026-27, \$3.3 million in 2027-28, and \$1.4 million in 2028-29. The creation of a municipal parking authority requires State authorized legislation. It is unknown if such legislation will be passed.

Other significant revenues include grant reimbursements which are budgeted at \$2.9 million in 2025-26 and 2026-27 and increasing to \$7.9 million in 2027-28 and 2028-29. 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.

In 2025-26, Miscellaneous revenue is equal to 6.0 percent of total estimated revenue; this decreased to 2.5 percent over the course of the Financial Plan. Miscellaneous revenue decreases by \$16.9 million (45 percent) in 2026-27, decreases \$2.5 million (12.3 percent) in 2027-28, and further decreases \$2.5 million (13.6 percent) in 2028-29.

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 \$40.2 to \$48.0 million annually and comprise approximately 6.4 to 7.7 percent annually of total revenue throughout the Financial Plan.

	2024-25 Adopted Budget	2025-26 Proposed Budget	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Increase/(Decrease)	
Remaining Revenues			Financial Plan			\$	%
Service Charges	\$ 17,121,883	\$ 16,514,567	\$ 17,094,604	\$ 17,311,101	\$ 17,427,993	\$ 913,426	5.5%
Non-property Taxes	13,600,000	13,600,000	13,600,000	13,600,000	13,600,000	-	0.0%
Licenses & Permits	5,373,150	8,129,020	8,454,181	8,791,724	8,967,243	838,223	10.3%
Interest	10,148,927	9,750,000	3,250,000	750,000	250,000	(9,500,000)	-97.4%
Total	46,243,960	47,993,587	42,398,785	40,452,825	40,245,236	(7,748,351)	-16.1%
Annual Variance	\$ -	\$ 1,749,627	\$ (5,594,802)	\$ (1,945,960)	\$ (207,589)	\$ (5,998,724)	-13.0%
	-	3.8%	-11.7%	-4.6%	-0.5%		

On a year-to-year basis, budgeted service charges are decreasing from \$17.1 million in 2024-25 to \$16.5 million in 2025-26, a decrease of \$0.6 million, or 3.5 percent. Over the Financial Plan, the City has increased parking meter fees from \$4.0 million in 2025-26 to \$4.5 million in 2028-29; the assumption is that more people will be utilizing on street parking and there will be increases to the current fee structure. Parking meter fees have been lower than expected over the last several years. Current year-end estimates are \$1.6 million, which is \$3.3 million below the budgeted amount of \$4.9 million. Any projected increases are speculative at this time as it's unknown when or if more traffic will be seen downtown where these fees are earned.

Non-property taxes represent 2.2 percent of total 2025-26 estimated revenues and are held flat at \$13.6 million across the Financial Plan. This revenue stream is comprised of class I utility taxes of \$9.8 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 \$2.8 million, or 51.3 percent, from \$5.4 million in 2024-25 to \$8.1 million in 2025-26. These revenues are projected to increase \$0.8 million, or 10.3 percent, over the Financial Plan. The significant increase year-to-year is attributed to updated fees for various licenses and permits throughout the City, including market group licenses, parking lot licenses, secondhand dealer licenses, building permits, and collection agency licenses. The proposed fee increases for these licenses were approved in April 2025 by Common Council. Licenses and permits represent 1.4 percent of total revenue across the Financial Plan.

Earned interest income is budgeted to decrease by \$0.4 million between 2024-25 and 2025-26. It is noted that the current year-end estimate is \$10.2 million, which is in line with the budgeted amount of \$10.1 million. Interest income decreases over the Financial Plan from \$9.8 million in 2025-26 to \$3.3 million in 2026-27, to \$750,000 in 2027-28, and to \$250,000 in 2028-29. The decrease in interest income reflects the City spending down the remaining ARPA funds and less cash-on-hand to invest.

Operating Transfers In and Other Sources – 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 \$2.4 million from \$12.6 million in 2024-25 to \$15.0 million in 2025-26 due to an increase of \$0.5 million from the water fund, an increase of \$1.8 million from the parking fund, and an increase of \$0.2 million from the solid waste fund. The amount transferred from the parking enterprise fund would be impacted by the potential sale of the City's parking ramps. The Administration estimated a transfer of \$4.6 million from the parking enterprise fund in 2025-26 and has included a \$2.8 million annual transfer in the over the three outyears of the Financial Plan. As the parking authority has yet to be established and the terms of operations not yet developed, it is uncertain how much can be reasonably predicted.

Over the Financial Plan, Transfers In decrease from \$15.0 million in fiscal year 2025-26 to \$14.8 million in 2028-29, a decrease of \$0.2 million, or 1.0 percent. Transfers from the water fund are estimated to increase by \$2.1 million, or 21.1 percent, transfers from the parking fund (or parking authority) are estimated to decrease \$2.4 million from \$4.6 million to \$2.2 million, and transfers from the solid waste fund are estimated to increase \$141,000, or 21.0 percent. Transfers In represent 2.2 to 2.4 percent of total revenue over the Financial Plan.

Use of Fund Balance – The Administration has not included the use of fund balance in the 2026-2029 Financial Plan, there is no unassigned fund balance available at this time.

	2024-25 Adopted Budget	2025-26 Proposed Budget	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Increase/(Decrease)	
Transfers In & Other Sources			Financial Plan			\$	%
Water Board	\$ 9,250,588	\$ 9,712,500	\$ 10,878,000	\$ 11,421,900	\$ 11,764,557	\$ 2,052,057	21.1%
Parking Fund	2,806,000	4,600,000	2,250,000	2,250,000	2,250,000	(2,350,000)	-51.1%
Solid Waste Fund	500,000	673,078	673,078	740,386	814,424	141,346	21.0%
Total Transfers In	12,556,588	14,985,578	13,801,078	14,412,286	14,828,981	(156,597)	-1.0%
Other Sources							
Fund Balance	14,915,244	-	-	-	-	-	-
Total Other Sources	14,915,244	-	-	-	-	-	-
Annual Variance - excluding Fund Balance	\$ -	\$ 2,428,990	\$ (1,184,500)	\$ 611,208	\$ 416,695	\$ 2,272,393	18.1%
	-	19.3%	-7.9%	4.4%	2.9%		

Summary of Uncertain Revenues and Nonrecurring Revenues

The following schedule summarizes potentially overestimated revenues over the 2026-2029 Financial Plan as previously discussed:

	Proposed Budget 2025-26	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Total
Revenue Requiring State Legislation:					
Sale of Parking Ramps	\$ 26,500,000	\$ 11,000,000	\$ 3,300,000	\$ 1,400,000	\$ 42,200,000
Occupancy Tax	3,400,000	3,672,000	3,892,320	3,970,166	14,934,486
Total Revenues Requiring State Action	\$ 29,900,000	\$ 14,672,000	\$ 7,192,320	\$ 5,370,166	\$ 57,134,486
Uncertain/Overestimated Revenues:					
Casino Revenue	11,000,000	11,000,000	8,000,000	8,000,000	38,000,000
State AIM Increases	-	5,000,000	1,612,852	3,241,833	9,854,685
Parking Transfer	-	2,250,000	2,250,000	2,250,000	6,750,000
Parking Meter Fees	2,000,000	2,330,973	2,460,902	2,505,511	9,297,386
Traffic Violation Fines	-	500,000	750,000	805,000	2,055,000
Total Uncertain/Overestimated Revenues	\$ 13,000,000	\$ 21,080,973	\$ 15,073,754	\$ 16,802,344	\$ 65,957,071
Total Uncertain and State Action Revenues	\$ 42,900,000	\$ 35,752,973	\$ 22,266,074	\$ 22,172,510	\$ 123,091,557

Total revenues over the Financial Plan that require State legislation total \$57.1 million over the four years of the Financial plan. It is unknown if the legislation allowing for the creation of a municipal parking authority and the occupancy tax will be passed. Total other uncertain and/or potentially overestimated revenues are \$66.0 million over the Financial Plan. The timing of the recommencement of casino payments is unknown and outside of the control of the City of Buffalo. Additionally, this revenue estimate could be overestimated as it is based on the existing terms of the expired contract; it is reasonable to assume a new contract will be less favorable. The remaining items identified as potentially overstated are discussed previously in this report.

In previous years, the City had fund balance and reserves to cover shortfalls in revenue estimates. There are no available reserves to offset shortfalls this next budget year or over the financial plan. Additionally, there is no replenishment of reserves provided for over the Financial Plan. On June 30, 2024, \$63.0 million in unrestricted fund balance was reported which included \$50.7 million in the emergency stabilization fund (i.e., the Rainy Day Fund), \$12.3 million in assigned fund balance, and \$0.0 in unassigned fund balance.

The non-receipt of these revenues, or the non-receipt at the projected level, will pressure the Financial Plan as there is no unassigned fund balance available as a resource in 2025-26.

Expenditures

The City’s proposed budget includes \$622.1 million in total General Fund expenditures. The following table identifies expenditures by department and various general charges budgeted centrally for the City, such as utilities and fringe benefits.

	Fiscal Year Ended		2024-25		2025-26		Increase/(Decrease)	
	6/30/2024	2024-25	Year-End Estimate	Proposed	Increase/(Decrease)	Increase/(Decrease)	over	
	Actual*	Adopted Budget	as of 12/31/24	Budget*	Budget-to-Budget	Budget-to-Budget	Year-End Estimate	
	(\$ in millions)							
Departments								
Common Council	\$ 3.2	\$ 3.6	\$ 3.4	\$ 3.6	\$ 0.0	\$ 0.2		
City Clerk	4.1	4.3	3.9	4.2	(0.1)	0.3		
Mayor & Executive	6.9	9.1	7.7	8.2	(0.9)	0.5		
Audit & Control	3.2	4.5	3.7	4.3	(0.2)	0.6		
Law	4.1	5.4	4.6	5.3	(0.1)	0.7		
Assessment	3.0	3.6	3.4	3.1	(0.5)	(0.3)		
MIS	6.1	7.1	6.6	6.9	(0.2)	0.3		
Administration & Finance	9.6	12.2	9.7	10.6	(1.6)	0.9		
Parking	3.2	4.3	3.6	3.6	(0.7)	0.0		
Police	112.8	109.2	110.8	106.5	(2.7)	(4.3)		
Fire	79.8	72.7	76.1	73.6	0.9	(2.5)		
Human Resources	4.8	6.2	5.0	5.6	(0.6)	0.6		
Public Works	44.1	41.2	38.9	39.2	(2.0)	0.3		
Community Services	4.4	5.6	5.2	5.1	(0.5)	(0.1)		
Permits & Inspections	6.2	7.5	6.8	7.1	(0.4)	0.3		
TOTAL DEPARTMENTS	295.5	296.5	289.4	286.9	(9.6)	(2.5)		
GENERAL CHARGES								
Grants In Aid	0.3	0.4	0.4	0.4	0.0	0.0		
Utilities	17.9	18.2	16.1	19.3	1.1	3.2		
Services	1.3	1.4	1.3	1.3	(0.1)	0.0		
Other	48.0	5.5	10.9	5.6	0.1	(5.3)		
Fringe Personal Services	8.4	8.3	9.1	8.3	0.0	(0.8)		
Fringe Benefits:								
Active Employee Health Insurance	47.2	49.3	50.1	52.1	2.8	2.0		
Retiree Health Insurance	44.3	46.2	44.5	49.2	3.0	4.7		
FICA & Medicare Payroll Taxes	17.1	16.0	17.2	18.1	2.1	0.9		
Employee Retirement System	7.9	11.4	10.3	12.1	0.7	1.8		
Police & Fire Retirement System	42.4	46.9	45.3	49.2	2.3	3.9		
All Other Fringe Benefits	7.0	9.8	6.3	12.0	2.2	5.7		
Debt Service	0.1	0.1	0.1	0.1	0.0	0.0		
Subtotal General Charges	241.9	213.5	211.6	227.7	14.2	16.1		
Interfund Transfers Out - Education	70.8	70.8	70.8	70.8	0.0	0.0		
Interfund Transfers Out - Other	74.0	36.4	58.0	36.7	0.3	(21.3)		
Subtotal Transfers Out	144.8	107.2	128.8	107.5	0.3	(21.3)		
TOTAL GENERAL CHARGES AND TRANSFERS OUT	386.7	320.7	340.4	335.2	14.5	(5.2)		
TOTAL BUDGET	\$ 682.2	\$ 617.2	\$ 629.8	\$ 622.1	\$ 4.9	\$ (7.7)		

*Minor variances due to rounding.

The Proposed Budget of \$622.1 million is an increase of \$4.9 million compared to the 2024-25 Adopted Budget amount of \$617.2 million. Departmental expenditures are budgeted to decrease by \$9.6 million, or 3.2 percent. General charges are increasing by \$14.2 million, or 6.7 percent. Transfers out are increasing by \$0.3 million, or 0.3 percent.

The 2025-26 Proposed Budget is \$7.7 million less than the current year-end projection of \$629.8 million. Departmental costs are less by \$2.5 million, general charges are significantly higher by \$16.1 million and transfers out are less by \$21.3 million. The departmental decreases are attributed to several factors including no budgeted salary increases for unions with expired labor contracts, the recognition and subsequent budget reduction for 300 vacancies across all departments, and reductions to multiple budget lines for supplies, services and capital outlay. These reductions are maintained across the four-years of the Financial Plan. The increase to general charges is related to increases in fringe benefits, specifically increased contributions to both the New York State Police and Fire Retirement System (PFRS) and the New York State Employee Retirement System (ERS), increases for health insurance, and increases in employer payroll taxes. The decrease in transfers out is due to the accounting of ARPA program funds which aren't annually budgeted; ARPA program revenue will equal the expenditures with no operational impact.

Departmental Costs

At the departmental level, total proposed budgeted appropriations are \$286.9 million, a decrease of \$9.6 million over last year's adopted budget of \$296.5 million, representing a decrease of 3.2 percent. Total actual departmental spending for 2023-24 was \$295.5 million with the Proposed Budget amount reflecting a decrease of \$8.6 million, or 2.9 percent. The decrease in departmental costs of \$9.6 million from the prior year budget reflects reduced personal service costs of \$2.2 million, or 22.8 percent of the total decrease, services are decreasing by \$4.1 million, or 42.3 percent, supplies are decreasing by \$1.8 million, or 19.1 percent, capital outlay is decreasing by \$1.3 million, or 13.2 percent, and utilities and travel are decreasing \$250,000 on a combined basis. There are significant reductions throughout all the departments when compared to 2024-25 budget. Reductions include freezing approximately 300 positions in the 2025-26 budget to achieve personal service savings. The savings from vacancies are recognized as part of the budget and not as a positive variance at year-end. There are limited resources available for negotiating new labor contracts and for managing overtime if it exceeds the budget, while also providing resources for new initiatives or programs for City residents.

The budget reflects the additional labor costs associated with the three current collective bargaining agreements ("CBAs") under contract and step increases for eligible employees. Both Local 650 (white collar) and Crossing Guards expired on June 30, 2024, and three significant unions expire on June 30, 2025, including police, fire and blue collar. The City has provided an amount of \$3.8 million in 2025-26 for collective bargaining; there are limited resources available in the remaining three years of the Financial Plan. Step progression for employees has been appropriately reflected. The labor agreements between the City and union organization are as follows:

<u>Union</u>	<u>Number of Employees ⁽²⁾</u>	<u>Present Agreement Expire</u>
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 during the summer		
2) Full-time equivalent count as of March 31, 2025		

The City 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 is only valid through June 30, 2025, when the provision sunsets. This sunset provision was negotiated previously and allows for the residency requirement to lapse in the absence of a new CBA. In addition, all contracts 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 decreasing by \$2.7 million, or 2.5 percent, over prior year's budget for a total budgeted departmental cost of \$106.5 million. It is noted that the City has budgeted and will maintain approximately 60 vacancies in the budget for patrol officers to reduce year-to-year departmental costs. These vacancies are maintained over the Financial Plan. The decrease in the police department budget is attributed to several factors. Personal service costs decrease \$2.2 million due to the recognition of vacancies. In addition to maintaining vacancies, there are no salary increases included at this time, outside of step progression for employees. It is noted that the police department has historically utilized vacancy savings to offset overages in overtime. By effectively freezing approximately 60 positions in the budget, the Administration will not have those resources to fund any potential overtime overages. The reduction of \$2.2 million in personal services consists of a decrease for annual salary in the amount of \$4.6 million, an increase in overtime of \$1.7 million, an increase in longevity of \$0.2 million, and court time is increasing \$0.8 million. All other personnel costs are decreasing \$0.3 million on a net basis. In addition, the City has decreased services by \$0.2 million, utilities by \$0.2 million and supplies by \$0.1 million. These reductions are maintained over the Financial Plan. The City has experienced attrition in the police department and had over 45 vacancies at the end of the third quarter during 2024-25.

The fire department is increasing by \$0.9 million, or 1.1 percent, over the prior-year budget for a total departmental cost of \$73.6 million. Similar to the police department, the budget for the fire department is reliant on maintaining approximately 60 vacancies throughout the Financial Plan, as well as maintaining reductions to supplies, services and capital outlay. It is noted that the fire department has historically utilized vacancy savings to offset overages in overtime. By effectively freezing approximately 60 positions in the budget, the Administration will not have those resources to fund any potential overtime overages. The \$1.5 million increase for personnel service costs which includes increases for step progression for both civilian and Local 282 employees for \$0.6 million, overtime of \$1.1 million, and all other personal service costs are decreasing by \$0.2 million on a net basis. In addition to the personnel service costs, supplies are budgeted to decrease \$0.6 million and capital outlay is decreasing \$0.1 million. Travel, utilities and services combined increase \$55,000.

Police expenditures total 17.0 percent of the total budget of \$622.1 million, and the fire department expenditures total 12.0 percent of total appropriations. Combined, both departments total \$180.0 million, or 29 percent, of total budgeted expenditures for the City in 2025-26. As previously noted, the labor agreements for the Police Benevolent Association and the firefighter's union, Local 282, expire on June 30, 2025.

Budgeted appropriations in the public works department are decreasing by \$2.0 million, or 4.6 percent, and is attributed to increased costs associated with salaries of \$0.2 million, \$0.1 million in increases for hourly employees attributed to the living wage ordinance increase, and \$0.1 million for overtime. The Administration is utilizing vacancy control to reduce the budget from the prior year. There are no budgeted salary increases for blue collar employees outside of step increases across the Financial Plan. Overtime will be an area of concern, similar to the police and fire departments, as vacancies were previously used to offset overtime overages. Any vacancy savings would be minimal or non-existent based on the vacancy controls included in the Proposed Budget. Contractual services are decreasing by \$1.8 million, specifically for outside consultants and for road repairs which will be bonded for instead, capital outlay is decreasing by \$0.4 million for vehicles, and supplies are increasing \$0.1 million.

The Administration and Finance department is decreasing by \$1.6 million, or 12.8 percent, year-to-year. Significant decreases include a reduction of \$1.2 million for supplies, or 15.9 percent, and a decrease of \$0.2 million for personal service costs. Services, capital outlay and travel are decreasing by \$141,000 on a net basis. The reduction of \$1.2 million in supplies represents a decrease in fuel and auto supplies. It is noted that the reduction for supplies, services and capital outlay are maintained across the Financial Plan. The Administration and Finance department is responsible for central purchasing. It is unknown if the City will be able to maintain the purchasing of supplies at a flat level, due to outside economic forces.

The Mayor and Executive department is decreasing by \$0.9 million on a year-to-year basis due to a reduction in capital outlay in the amount of \$0.4 million, or 53.1 percent, a decrease in service contracts in the amount of \$0.3 million, or 28.8 percent, and a reduction in personal services in the amount of \$0.2 million, or 2.5 percent. The majority of the reduction of \$0.7 million is split between the reduction in capital outlay, \$0.4 million that was previously included for land acquisition, and service contracts, \$0.3 million payment to The Exchange Beverly Grey Center. Those reductions represent actions budgeted for in 2024-25 that will not be carried forward, including investment in and stabilization of properties for resale. The reduction in personal services is due to the reduction to the budget for planned vacant positions and is maintained across the Financial Plan.

The remaining 10 departments are budgeted to decrease by \$3.3 million, or 1.1 percent and is due to the planned vacancies as well as reductions in services, supplies, and capital outlay. Significant variances include a reduction in personal service costs in the amount of \$1.2 million for reductions in budgeted salaries for multiple departments including \$0.4 million in Permits and Inspections, \$0.3 million in both the Parking Department and Human Resources, and \$0.2 million in Audit and Control. The reduction in annual salaries also reflects changes in budgeted position titles, as well as new employees starting at a lower step compared to the top step they achieve after multiple years of service. Services are decreasing by an additional \$1.8 million year-to-year and are associated with a decrease of \$0.7 million in the Assessment Department, which reflects the conclusion of the citywide reassessment that was recently completed. Additionally, there is a reduction of \$0.4 million in Community Services for community event costs and a reduction of \$0.3 million in both the Parking Department, reduction in towing contracts, and Human Resources for the reduced costs associated with onboarding fire recruits. All other departmental costs are decreasing by \$0.3 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 \$14.2 million, or 6.7 percent over the prior year budget. This increase is attributed to the budgeted increase in fringe benefits of \$13.1 million, or 7.3 percent. All other general charges are increasing by \$1.1 million, or 0.5 percent, on a net basis.

The largest increase under fringe benefits is for health insurance with the largest cost escalator in retiree health insurance, which is budgeted to increase \$3.0 million, or 6.5 percent, to \$49.2 million in 2025-26. The increase from the current year-end projection of \$45.4 million to the proposed budget of \$49.2 million is \$3.8 million, or 8.4 percent. Active employee health insurance is budgeted to increase by \$2.8 million to \$52.1 million, or 4.0 percent. The year-end estimate for 2024-25 is \$50.1 million which exceeds the adopted budget of \$49.3 million by \$0.8 million. The City used a blended rate for the medical and pharmaceutical components for health insurance with a rate of increase for retirees of 6.5 percent and 5.8 percent for active employees.

The second most significant cost escalator are mandated contributions to the NYS police and fire retirement system, which is budgeted to increase \$2.3 million to \$49.2 million, or 4.9 percent, in 2025-26. The year-end estimate for 2024-25 is \$45.3 million, \$1.6 million less than the budgeted amount of \$46.9 million. Pension contributions to the employee retirement system are projected to increase by \$0.7 million. The increase in both pension systems reflects the increased contribution rates year-to-year. Employer payroll taxes are increasing by \$2.1 million to \$18.1 million, and the salary adjustment line is increasing by \$2.3 million to \$3.8 million. The budgeted increase for employer payroll taxes is attributed to the fact that they are underbudgeted in the current year by approximately \$1.2 million as well as increases for contractual salary increases. All other fringe benefits are decreasing by \$0.1 million on a net basis.

Remaining general charges are budgeted to increase by \$1.1 million on a net basis with utilities increasing by \$1.1 million from \$18.2 million to \$19.3 million, or 6.0 percent, in 2025-26. Duty-disability payments and annual salary allocations are budgeted at \$8.3 million, grants in aid is budgeted at \$0.4 million, and debt service is budgeted at \$0.1 million.

Transfers Out are budgeted to increase by \$0.3 million for a total of \$107.5 million with the increase in the transfer to the capital debt service fund. Transfers Out include \$36.3 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 both the District and the capital projects fund are maintained at previous year levels. It is noted that the recent increase to capital debt service fund of approximately \$8.0 million between 2023-24 and 2024-25 is related to a recent legal settlement that was bonded to fund the settlement. There is \$36.3 million budgeted for debt of which \$28.0 million is for capital projects and \$8.3 million for the legal settlement.

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 85.9 percent of the City's General Fund budgeted appropriations, exclusive of transfers. The City's historic employee-related costs average between 83 to 87% of total operational costs annually. The 2025-26 Proposed Budget includes \$441.9 million in direct salary and fringe benefit costs which are in total increasing by \$10.9 million, or 2.5 percent, over the amount budgeted in 2024-25 of \$431.0 million. The increase in employee-related costs is due to fringe benefit costs which are increasing by \$13.0 million, or 7.3 percent.

Personal services, which includes salaries and wages and injured-on-duty salary payments, are decreased at 0.8 percent, or \$2.1 million, from the 2024-25 budget amount of \$252.7 million, for a total of \$250.6 million in the 2025-26 Proposed Budget. The Administration is able to reduce personal service costs year-to-year by maintaining approximately 300 vacancies in the budget. They have effectively created a hiring freeze, in that the positions continue to be included in the overall employee count. There are two unions out of contract as of June 30, 2024, and three additional unions with contracts set to expire at June 30, 2025. No resources are included to fund these expired contracts, outside of step progression at the department level and approximately \$3.5 million in the salary adjustment line. The four-year Financial Plan is predicated on this approach and maintains the estimated salary savings from the vacancies in each year. The salary adjustment line is actually reduced over the Financial Plan from \$3.8 million to \$0.8 million.

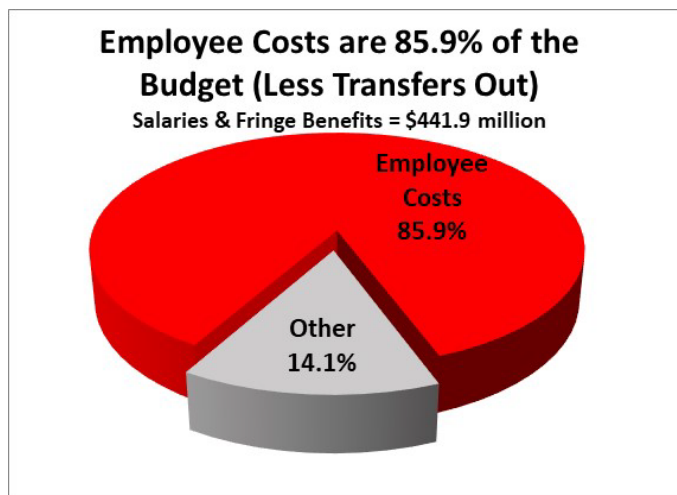
The wage increases average 1.0 percent annually, except for the building inspectors and operating engineers who both receive increases of 3.0 percent as part of their collective bargaining agreement. The majority of the fire department employees are represented by Local 282 and the collective bargaining agreement expires June 30, 2025. Per the proposed budget only 1 to 1.5 percent increases are in consideration at this time. Total personal service costs for the fire department are increasing \$1.5 million, or 2.1 percent to \$70.8 million. Those increased costs include \$0.6 million for step progression and \$1.1 million for overtime, all other personal service costs are reduced by \$0.2 million on a net basis.

The police department's personal service costs are decreasing on a year-to-year basis by \$2.2 million, or 2.1 percent. Sworn members of the police department are represented by the Police Benevolent Association ("PBA") and the current contract is set to expire on June 30, 2025. The Administration included 1 to 1.5 percent increases in the proposed budget for negotiation purposes. Annual salaries are decreasing \$4.6 million, overtime is increasing \$1.7 million, court time is increasing \$0.8 million, and longevity is increasing \$0.2 million. All other personal service costs for the police department are decreasing \$0.3 million on a net basis.

The remaining thirteen departments are decreasing by a total of \$2.9 million, or 1.2 percent, for personal service costs, reflecting the previously mentioned salary increases per employee contracts including step increases and the use of vacancies to control personal service costs. Significant departmental decreases include a decrease of \$0.4 million for permits and inspections, primarily for a reduction of \$0.4 million in annual salary costs, and decreases of \$0.3 million in both the parking department and human resources with the reductions associated with lower annual salaries. The remaining ten departments contribute a net \$1.9 million decrease year-to-year and are attributed to lower annual salaries. The significant decrease in annual salaries is reflective of the City maintaining approximately 300 vacancies to generate savings and to a lesser extent replacing employees at a top step, with a new employee at step 1. It is noted that injured-on-duty salary payments are held flat year-to-year at \$8.3 million.

Fringe benefits are increasing by \$13.1 million from \$178.3 million in 2024-25 to \$191.4 million in 2025-26 and are discussed above. The overall increase is due to health insurance increases, pension contributions increasing, employer payroll taxes, and an increase in the salary adjustment line for unsettled labor contracts of \$3.8 million (from \$1.5 million to \$3.8 million in 2025-26). All other fringe benefits are increasing \$1.1 million on a net basis.

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



It is noted that the collective bargaining agreement with Local 650 (White Collar) expired June 30, 2024, the Crossing Guards expired on August 31, 2024, and the collective bargaining agreements with PBA, Local 282 and Local 264 (Blue Collar) expire June 30, 2025. The budgeted costs reflect step progression for those individuals not at the top step, and approximately 300 vacancies to maintain current personal service levels. All other expenditures, including services, supplies, capital outlay, and travel, comprise the remaining 14.1 percent of the budget, excluding transfers, or \$72.7 million.

The police department has 90 vacancies as of March 31, 2025, between sworn personnel (48) and civilians (42). The City is planning on hiring approximately 15 police recruits in fiscal year 2025-26, as well as maintaining approximately 60 vacancies; the details of hiring and subsequent training has not been finalized. The number of recruits would depend on the number of available slots through the Erie Community College academy program. Overtime for sworn officers was budgeted at \$7.5 million for 2021-22 of which \$12.9 million was expended reflecting an average of \$5.4 million, or 71.4 percent, in overtime costs. Overtime was budgeted at \$9.7 million for 2022-23 of which \$12.9 million was expended reflecting an average of \$3.2 million, or 33.3 percent, in overtime costs. Overtime was budgeted at \$7.7 million for 2023-24 of which \$14.5 million was expended reflecting an average of \$6.8 million or 88.1 percent, in overtime costs. As of March 31, 2025, overtime expenditures totaled \$11.9 million, which exceeds the budget of \$9.3 million by \$2.6 million (28.5 percent) and is projected to exceed the budget by \$4.7 to \$6.2 million for an approximate year-end total of \$14.0 to \$15.5 million. The City has budgeted \$12.9 million for total police department overtime, including civilians and sworn officers, for 2025-26, an increase of \$1.7 million over the 2024-25 budget amount of \$11.2 million. Overtime has historically been under budgeted and has been funded largely through departmental vacancies and fund balance. The City will not have adequate resources to fund overtime in 2015-16 based on the current attrition savings built in the proposed budget.

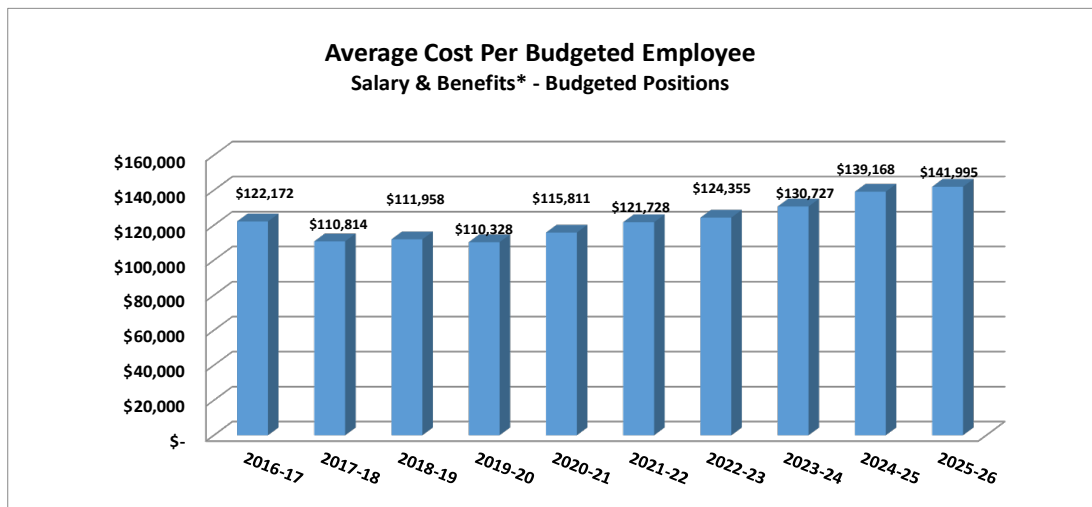
The fire department has 56 vacant positions as of March 31, 2025, between firefighters (48) and civilian positions (8). The City does not plan on including a fire recruit class in 2025-26. The fire department's budgeted personal service costs, including firefighters and the civilian workforce, is \$70.8 million, which is increasing by \$1.5 million, or 2.1 percent. Annual salaries are budgeted to increase by \$0.6 million to \$58.5 million and overtime is increased by \$1.1 million to \$8.0 million. All other PS costs for the fire department are decreasing on a net basis by \$0.1 million.

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 close a firehouse and reassign those firefighters to other firehouses if call-ins are excessive. The fire department consistently exceeds budget in overtime. Overtime was budgeted at \$4.9 million for 2021-22 of which \$9.5 million was expended reflecting an average of \$4.6 million, or 93.9 percent, in overtime costs. Overtime was budgeted at \$6.5 million for 2022-23 of which \$10.3 million was expended reflecting an average of \$3.8 million, or 57.9 percent, in overtime costs. Overtime was budgeted at \$5.5 million for 2023-24 of which

\$12.2 million was expended reflecting an average of \$6.7 million or 122 percent, in overtime costs. As of March 31, 2025, overtime expenditures totaled \$10.6 million, which exceeds the budget of \$7.0 million by \$3.7 million (52.9 percent). Overtime for 2025-26 is budgeted at \$8.0 million.

In previous years vacancies were used towards funding overages in overtime; however, vacancy savings have increased within the proposed budget and have reduced the total amount of departmental personal services. The Administration included over \$7.5 million in vacancy savings in the police department and \$5.5 million in vacancy savings in the fire department.

The following chart provides the average cost for salary and benefits for active employees over the past ten years, covering the period between FY 2017 and FY 2026. Employee costs for active employees have increased annually, with total personnel service costs increasing by \$40.1 million (20.0 percent) and fringe benefits for active employees increasing by \$54.7 million (42.0 percent) over the ten-year period. Personnel service costs have increased because of wage increases pursuant to employee contracts over the past decade. Fringe benefit cost increases are due largely to health insurance costs, pension contributions, and to a lesser extent employer payroll taxes. In FY 2017, actual employee costs totaled \$298.1 million; compared to the proposed 2025-26 budget amount of \$392.9 million, this represents an increase of \$94.8 million (31.8 percent) over the ten-year period. More specifically, employees' salaries and compensation have increased from \$200.9 million to \$241.0 million, or \$40.1 million (20.0 percent), while fringe benefits, including retiree health insurance, have increased from \$130.2 million to \$201.1 million or \$70.9 million (54.5 percent).



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

In 2016-17, the average actual cost per employee for salary and fringe benefits was \$122,172. For the upcoming 2025-26 fiscal year, the average budgeted cost per City employee is \$141,995, an increase of \$19,823 per budgeted employee, or 16.2 percent, compared to 2016-17. The employee cost increases over the last ten-year period are attributed to negotiated salary increases for all City employees. 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 budgeted active employee.

The amount budgeted for health insurance for retirees is \$49.2 million for 2025-26 and is increased by \$3.0 million (6.5 percent) from the prior year budget of \$46.2 million. Health insurance for active employees is budgeted at \$52.1 million in 2025-26, an increase of \$2.8 million (5.7 percent) compared to the 2024-25 budget of \$49.3 million. The budgeted increase brings the amount more consistent with

recent experience and estimated growth but may not adequately address the increase in high-cost pharmaceutical drugs which the City has seen a significant increase in use of the past two-years.

The following chart provides a ten-year schedule of health insurance costs with actual amounts provided for 2017 to 2024 and budget amounts for 2025 and 2026. Health insurance is budgeted to increase by \$32.7 million (48.0 percent) over the actual amounts incurred in 2016-17. The actual increase from 2017 to 2024 was \$22.9 million, or 33.4 percent. It is noted the City became self-insured for health insurance on January 1, 2016, and self-insured for prescription drug coverage on September 1, 2011. The City has purchased a stop-loss insurance policy to mitigate the exposure to the City for unpredictable and high-cost claims.

Health Insurance										
FYE	Actual								Budgeted	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Active	\$ 35.6	\$ 36.7	\$ 40.0	\$ 38.5	\$ 41.0	\$ 40.2	\$ 48.0	\$ 47.2	\$ 49.3	\$ 52.1
Retiree	\$ 33.0	\$ 35.6	\$ 36.6	\$ 38.6	\$ 31.9	\$ 35.7	\$ 33.7	\$ 44.3	\$ 46.2	\$ 49.2
Total	\$ 68.6	\$ 72.3	\$ 76.6	\$ 77.1	\$ 72.9	\$ 75.9	\$ 81.7	\$ 91.5	\$ 95.5	\$ 101.3

Financial Plan

Negotiated salary increases for the unions under contract, including Local 2651, Local 17, and Local 264T, are included in the 2025-26 budget; they expire on June 30, 2026. It is noted that PBA, Local 282 and Local 264 all expire June 30, 2025, and that Local 650 and Crossing Guards have been out of contract since June 30, 2024, and August 31, 2024, respectively. Resources for negotiating with the unions out of contract are carried in the salary adjustment line under General Charges. The salary adjustment line is funded across the Financial Plan going from \$3.8 million in the first year down to \$0.8 million in the final year, for a total of \$6.5 million. There appears to be inadequate resources budgeted for settlement of new contracts.

The following chart summarizes departmental costs, general charges, and transfers out over the 2026-2029 Financial Plan. On an annual basis, there are moderate increases in departmental expenditures and general charges in each year of the Financial Plan.

	2024-25 <u>Adopted</u> <u>Budget</u>	2025-26 <u>Proposed</u> <u>Budget</u>	2026-27	2027-28	2028-29	<u>Increase/(Decrease)</u> <u>Four-Year</u>	
	\$	\$	\$	\$	\$	\$	%
Departmental Costs							
Personal Services	243,137,956	240,953,419	243,418,505	248,381,622	252,570,773	11,617,354	4.8%
Utilities	183,300	17,220	27,139	27,464	27,797	10,577	61.4%
Travel	367,749	274,403	275,526	276,920	278,342	3,939	1.4%
Supplies	13,160,131	11,325,435	11,246,967	11,324,890	11,403,714	78,279	0.7%
Services	36,970,433	32,911,475	32,913,763	33,127,110	33,342,785	431,310	1.3%
Capital Outlay	2,721,432	1,458,745	1,199,250	1,203,330	1,207,492	(251,253)	-17.2%
Subtotal	296,541,001	286,940,697	289,081,150	294,341,336	298,830,903	11,890,206	4.1%
GENERAL CHARGES							
Grant in Aid	400,000	400,000	400,000	400,000	400,000	-	0.0%
Utilities	18,155,000	19,260,000	19,450,950	19,643,810	19,838,598	578,598	3.0%
Services	1,391,000	1,316,000	1,338,500	1,361,450	1,384,859	68,859	5.2%
Other	5,473,669	5,610,000	4,110,000	3,860,000	3,860,000	(1,750,000)	-31.2%
Personal Service	8,324,975	8,325,000	8,408,250	8,492,333	8,577,256	252,256	3.0%
Fringe Benefits							
Health Insurance Active	49,280,776	52,133,738	53,437,081	53,971,452	54,511,167	2,377,429	4.6%
Health Insurance Retiree	46,196,326	49,199,087	50,429,064	50,933,355	51,442,688	2,243,601	4.6%
FICA & Medicare	16,000,000	18,125,000	18,487,500	18,857,250	19,234,395	1,109,395	6.1%
NYSERS	11,400,000	12,075,000	12,195,750	12,378,686	13,072,016	997,016	8.3%
NYSPPRS	46,850,000	49,200,000	49,692,000	50,188,920	51,260,352	2,060,352	4.2%
Salary Adjustment	1,500,000	3,750,000	1,250,000	715,000	790,250	(2,959,750)	-78.9%
All Other Fringe Benefits	8,345,500	8,180,500	8,229,501	8,279,240	8,347,233	166,733	2.0%
Debt Service	88,000	88,000	88,000	88,000	88,000	-	0.0%
Interfund Transfers Out	107,209,795	107,471,393	105,647,914	101,172,643	98,477,153	(8,994,240)	-8.4%
General Charges Total	320,615,041	335,133,718	333,164,510	330,342,139	331,283,967	(3,849,751)	-1.1%
TOTAL BUDGET	617,156,042	622,074,415	622,245,660	624,683,475	630,114,870	8,040,455	1.3%
Annual Change		4,918,373	171,245	2,437,815	5,431,395	8,040,455	1.3%
		0.8%	0.0%	0.4%	0.9%		

Departmental costs increase from \$286.9 million to \$298.3 million, an increase of \$11.9 million, or 4.1 percent, over the Financial Plan. The most significant increases include \$5.5 million (5.2 percent) for the police department, \$3.2 million (4.4 percent) for the fire department, and \$1.0 million (2.6 percent) for public works. Over the Financial Plan, the remaining 12 departments are increasing by \$2.2 million, or 0.7 percent. The increase in departmental expenditures over the Financial Plan is driven by contractual step increases and does not include any wage increases for settled contracts; as previously discussed all union contracts will expired by June 30, 2026. Total personal service costs are increasing by \$11.6 million over the Financial Plan. Utilities, travel and supplies are held flat over the plan; services increase modestly by \$0.4 million and is offset by a decrease in capital outlay of \$0.3 million.

General charges excluding transfers out are increasing by \$5.1 million, or 2.3 percent, over the Financial Plan. There is an increase of \$6.0 million (3.3 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 3.0 percent increase. General Charges - Other is reduced by \$1.8 million (31.2 percent) and services are held flat over the plan with a minor increase of \$0.1 million (5.2 percent). Grants in aid and debt service are held flat over the Financial Plan.

Fringe benefits are budgeted to increase from \$192.7 million in 2025-26 to \$198.7 million in 2028-29, an increase of \$6.0 million, or 3.3 percent. Active employee health insurance increase by 2.5 percent in year two and 1 percent in years three and four, increasing from \$52.1 million to \$54.5 million over the

Financial Plan, a total increase of \$2.4 million or 4.6 percent. Retiree health insurance is budgeted at \$49.2 million in 2025-26 and is increased by 2.5 percent in year two and 1.0 percent in years three and four for a total increase of \$2.2 million, or 4.6 percent, to \$51.4 million in 2028-29. Total health insurance for retirees and active employees combined is projected to increase \$4.6 million over the Financial Plan.

Included within fringe benefits are contributions to the New York State Employee Retirement System (NYSERS). The projected contribution to NYSERS is increasing annually between 1.0 to 5.6 percent over the Financial Plan, from a total of \$12.1 million to \$13.1 million, or by \$1.0 million. Contributions to the New York State Police and Fire Retirement System (NYSPFRS) are increasing between 1.0 to 2.0 percent annually, from \$49.2 million to \$51.3 million, a total increase of \$2.1 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.

Also included within fringe benefits is a salary adjustment line budgeted at \$3.8 million in 2025-26 and projected at \$1.3 million in 2026-27, \$0.7 in 2027-28, and \$0.8 million in 2026-27. Overall, it decreases by \$3.0 million, or 78.9 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 decrease \$9.0 million from \$107.5 million in 2025-26 to \$98.5 million in 2028-29. The decrease of \$9.0 million is attributed to the decrease in the transfer to the debt service fund, which is projected to decrease by \$9.0 million from \$36.2 million to \$27.3 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.

	2024-25 <u>Adopted</u> <u>Budget</u>	2025-26 <u>Proposed</u> <u>Budget</u>	2026-27	2027-28 <u>Projection</u>	2028-29	<u>Increase/(Decrease)</u> <u>Four-Year</u>	
Departmental Costs	\$	\$	\$	\$	\$	\$	%
Personal Services	243,137,956	240,953,419	243,418,505	248,381,622	252,570,773	11,617,354	4.8%
Utilities	183,300	17,220	27,139	27,464	27,797	10,577	61.4%
Travel	367,749	274,403	275,526	276,920	278,342	3,939	1.4%
Supplies	13,160,131	11,325,435	11,246,967	11,324,890	11,403,714	78,279	0.7%
Services	36,970,433	32,911,475	32,913,763	33,127,110	33,342,785	431,310	1.3%
Capital Outlay	2,721,432	1,458,745	1,199,250	1,203,330	1,207,492	(251,253)	-17.2%
Subtotal	296,541,001	286,940,697	289,081,150	294,341,336	298,830,903	11,890,206	4.1%
Year-to-Year Change	\$	(9,600,304)	2,140,453	5,260,186	4,489,567	11,890,206	4.1%
	%	-3.2%	0.7%	1.8%	1.5%		

Personal services costs are increasing from \$241.0 million to \$252.6 million, an increase of \$11.6 million, or 4.8 percent. As previously noted, this increase is attributed to negotiated employee salary steps 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, which decreases annually.

Expenditures for capital outlay are projected to decrease by \$0.3 million, or 17.2 percent, and expenditures for services are projected to increase by \$0.4 million, or 1.3 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 increased by \$0.1 million, or 0.7 percent, over the Financial Plan, increasing from \$11.3 million to \$11.4 million. Departmental utilities and travel are each held relatively flat over the Financial Plan, with minor changes reflected.

Staffing Levels

Budgeted positions are to be increased by two full-time equivalents ("FTEs") compared to the prior budget; total positions are budgeted at 2,767 FTEs for 2025-26 compared to 2,765 FTEs for 2024-25. The Financial Plan maintains budgeted positions at 2,767 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 1,213 FTEs. It is noted that the Administration intends to maintain approximately 300 vacancies in 2025-26, and those vacancies are carried across the Financial Plan.

	2024-25 Adopted	2025-26 Proposed Budget	2026-27 Projected	2027-28 Projected	2028-29 Projected
Police (uniform)	812	812	812	812	812
Fire (uniform)	743	742	742	742	742
Other	1,210	1,213	1,213	1,213	1,213
Citywide	2,765	2,767	2,767	2,767	2,767
Net Increase/(Decrease)	15	2	0	0	0

The following table shows budgeted staff changes within the various departments from the Adopted 2024-25 Budget to the proposed 2025-26 spending plan; there are no variances in the out-years of the staffing plan:

	2024-25 Adopted	2025-26 Proposed	Change	2024-25 3rd Quarter Filled	Variance to 2025-26 Proposed Budget
Animal Control & Shelter	15	16	1	12	(4)
Assessment & Taxation	33	32	(1)	27	(5)
Audit & Control	53	52	(1)	35	(17)
Budget & Urban Affairs	15	14	(1)	9	(5)
City Clerk	27	27	0	22	(5)
City Council	41	40	(1)	35	(5)
Community Services	49	51	2	34	(17)
Division of Buildings	61	62	1	51	(11)
Engineering	70	71	1	59	(12)
Fire (Non-Uniform)	46	47	1	38	(9)
Fire (Uniform)**	743	742	(1)	695	(47)
Forestry	7	7	0	6	(1)
Human Resources	25	25	0	19	(6)
Law	38	40	2	26	(14)
Mayor & Executive	106	109	3	87	(22)
MIS	32	36	4	26	(10)
Parking	41	41	0	30	(11)
Parks	33	33	0	23	(10)
Parks Admin.	6	6	0	4	(2)
Permits & Inspections	100	99	(1)	86	(13)
Police (Non-Uniform)	208	205	(3)	166	(39)
Police (Uniform)*	812	812	0	764	(48)
Public Works (Gen Office)	18	18	0	15	(3)
Purchase	26	26	0	22	(4)
Recreation	1	1	0	2	1
Sanitation & Streets	137	133	(4)	120	(13)
Telecommunications	5	5	0	5	0
Treasury & Collections	17	17	0	13	(4)
Total	2,765	2,767	2	2,431	(336)

* **Uniformed Police** positions were budgeted at 812 in the 2024-25 fiscal year and are budgeted to remain flat in 2025-26. As of March 31, 2025, the City had filled 764 positions, a decrease of 5 FTE's compared to the third quarter count of 769 FTEs on March 31, 2024. The City expects this number to decline through the remainder of the current year due to retirements. The proposed budget includes a total vacancy count of approximately 64 FTEs, which is higher by 16 FTEs compared to the 48 current vacancies as of the third quarter. Maintaining the vacancies is essential to maintain a balanced budget. The City expects an additional twenty police officers to retire or leave service during 2025-26, beyond the 64 positions necessary for vacancy control, and is planning on a single 15 person police recruit class in 2025-26. There are currently twenty sworn police officers at least 55 years old, have 30 years of service, and are eligible to retire, representing 2.6 percent of the current force. It is, therefore, improbable that the

City will staff 812 uniformed Police positions in 2025-26 with a more realistic expectation of 735 to 750 uniformed police officers on the force by the end of FY 2025-26.

**** Uniformed Fire** positions were budgeted at 743 in the 2024-25 fiscal year and are budgeted to be reduced by one position in 2025-26. This position will be included in the fire department under non-uniform employees. At March 31, 2025, the number of firefighters totaled 695, an increase of 16 employees compared to the 679 filled positions on March 31, 2024. The City estimates approximately twenty retirements during the 2025-26 fiscal year and does not anticipate hiring any new firefighter recruits during 2025-26. However, it is noted that the Administration included approximately 60 vacancies as attrition savings in the proposed budget, which is an increase of thirteen vacancies compared to the current 47 vacant positions as of March 31, 2025. 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 650-665 uniformed firefighters depending on the final number of retirements and recruits. There are currently 24 firefighters at least 55 years old with at least 30 years of service who are currently eligible to retire, which is approximately 3.5 percent of the current workforce. It is noted that 21 firefighters, or 3.0 percent, of the current workforce are currently on long-term duty disability.

On a year-to-year basis, the total number of budgeted positions increased by a net two FTEs, or 0.1 percent. There are moderate changes across most departments; there is an increase of four (4) FTEs in the management and information systems department, an increase of three (3) FTEs in the mayor and executive department, two (2) FTEs are added to each the law and community services departments, and one (1) additional position has been budgeted in fire non-uniform.

Departments with decreases in FTE's include three (3) FTEs in civilian employees in the police department, and one (1) FTE position each in city clerk, audit and control, assessment, administration and finance, public works, fire department for a uniformed position, and permits and inspection. All eliminated positions are currently vacant. There are no staffing changes in the remaining departments. As was previously discussed, the Administration is planning on maintaining current vacancies throughout the 2025-26 budget and included approximately 300 vacancies for attrition savings for a total of \$16.5 million in budget reductions to personal services. Currently there are 334 city-wide vacancies.

The following schedule summarizes the composition of the fire and police forces as of March 31, 2025, 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 404 FTEs in Tier 2 compared to 446 FTE's last year, a decrease of 42 employees. As a reference, 2015-16 had 1,005 FTEs in Tier 2, a decrease of 601 Tier 2 FTEs over the last nine years. Tier 6 has a combined 953 FTEs compared to 901 FTEs a year ago, a net increase of 52 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	190	23.5	51.8	52.7	25.1	27.30%
Tier 3	1.0	15.6	41.6	41.6	15.6	0.0
Tier 4	-	-	-	-	-	-
Tier 5	49	13.7	43.3	41.7	14.0	7.1%
Tier 6	455	13.1	36.7	36.1	6.6	65.5%
Total Count	695	16.0	41.3	40.0	9.9	100.0%

Police	#FTE's	Average Years of Service	Average Age	Median Age	Median Years of Service	Tier as Percent
Tier 1	-	-	-	-	-	-
Tier 2	214	21.3	49.3	48.5	17.2	28.0%
Tier 3	-	-	-	-	-	-
Tier 4	-	-	-	-	-	-
Tier 5	52	12.5	40.3	39.9	13.2	6.8%
Tier 6	498	6.6	34.4	34.0	6.7	65.2%
Total Count	764	11.1	39.0	37.6	8.4	100.0%

Fund Balance

The final 2024 results of operations reported a total unassigned fund balance of \$0 on June 30, 2024, assigned fund balance of \$12.3 million, and the Rainy Day Fund of \$50.7 million, for a total of \$63.0 million of unrestricted fund balance. A deficit of \$38.1 million was reported for the year ended June 30, 2024. There are no available reserves or fund balance available to the City to balance the operating budget and as a result, no use of fund balance is included in the Proposed Budget or the Financial Plan.

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. There is currently legislation in the legislative branch of NYS that would allow the City to sell the current parking ramps maintained in the Parking Fund to a newly created municipal parking authority. The City estimates the sale of the ramps would be between \$40 million to \$55 million and would provide a corresponding revenue to the General Fund. The City Administration has stated that a revenue sharing component would be negotiated into the contract.

Over the last three years, the Parking Fund has transferred excess proceeds to the General Fund in the amounts of \$2.8 million in 2021-22, \$2.9 million in 2022-23, and \$4.2 million in 2023-24. The 2026-2029 Financial Plan includes a transfer of \$4.6 million in 2025-26 and then annual transfers of \$2.3 million from the yet-to-be established Parking Authority. This is very early in the process with State legislation pending; it's unknown if this projected revenue is reasonable. The City provided a proposed operating budget of \$5.8 million for 2025-26 which assumes operations cease near the end of the fiscal year. The Parking Fund was substantially impacted during the COVID-19 pandemic and has been slowly recovering. The current year-end estimate for the transfer is equal to the budgeted amount of \$2.8 million. Historically transfers from the Parking Fund were projected 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. In 2025-26 \$4.6 million is budgeted as a transfer from the Parking Enterprise fund, prior to the transfer of the assets to a Buffalo Parking Authority.

Prior to 2018-19, the Solid Waste and Recycling Fund (or Refuse Fund) incurred annual operating deficits and was borrowing cash from the General Fund. Rates were increased in 2018-19 which temporarily reversed this trend for three years; however, beginning with 2021-22 the Refuse Fund recommenced borrowing from the City's General Fund. The cumulative deficit in the fund was \$62.4 million at June 30, 2024, which increased by \$2.0 million compared to the previous year. Of this amount, \$23.4 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, 2024, on all trash totes to generate additional revenue for the fund to be self-sustaining. The proposed budget does not include an increase to the user fee for homeowners and businesses, but as presented is balanced in the amount of \$32.7 million. It is noted that there are no contractual salary increases included for employees that provide services through the Refuse Fund, as most of the employees are represented by Local 264, who's CBA will expire June 30, 2025. The Administration estimates that fees will generate \$31.7 million in revenues, with the largest fee being the residential fee in the amount of \$28.3 million. The balance of \$1.0 million in revenues is generated through Medicare Part D reimbursements in the amount of \$0.8 million and grants \$0.2 million. Refuse collections is estimated to be \$23.4 million and includes salaries, contractual services, and other operating costs. Fringe benefits are approximately \$8.6 million and transfers out are \$0.7 million.

The Water Enterprise Fund as presented is balanced with revenues and expenditures totaling \$69.3 million. The Water Enterprise Fund is budgeted to increase its transfer from \$9.3 million to \$9.7 million,

an increase of \$0.4 million in 2025-26. The transfer from the Water Fund is budgeted to increase each year of the Financial Plan to \$10.9 million in year two, \$11.4 million in year three, and \$11.8 million in year four. The total increase is \$2.1 million over the Financial Plan. The largest revenue source is the sale of water and is budgeted at \$57.2 million, followed by \$3.9 million from the operations and management reserve, and \$3.6 million for maintaining vacancies. The remaining revenues total \$4.6 million and include interest earned, late charges and other revenues. The expenditures that total \$69.3 million include \$31.7 million for operational expenses/payments, \$20.9 million for debt service on revenue bonds, \$9.7 million as a transfer to the City's General Fund, and \$7.0 million for exempt items.

The City has included details for the 2025-26 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.

Summary

The City's 2025-26 Proposed Budget and 2026-2029 Financial Plan overall was constructed with an underlying key assumption that existing economic conditions remain constant. There is substantial uncertainty how actions at the federal level could affect the City. Furthermore, federal actions could impact New York State which could, in turn, have a trickle-down impact to the City. This general overall risk is being monitored by the City. On July 1, 2024, the City had \$50.7 million in the emergency stabilization fund, or rainy day fund, to provide a cushion against financial risks outside of the control of the City. This rainy day fund remains intact over the financial plan. Outside of the rainy day fund, the City has no remaining available fund balance to offset risks in the Financial Plan. There is no replenishment of fund balance included over this financial plan.

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 while additionally using nonrecurring revenues to fund recurring operations. The City is facing significant financial pressure predicated on these past practices of over-reliance on nonrecurring revenues and resources. The majority of City revenue is generated by three sources including State aid, sales tax and real property taxes which are projected to provide between 74% and 78% of total annual general fund revenue over the Financial Plan. Of these three sources, the only area that the City can effectuate is the real property tax levy. The Financial Plan includes proposed increases of 8% in 2025-26, 5% in 2026-27, 3% in 2027-28 and 2% in 2028-29, which provides a cumulative increase of \$32.1 million over the Financial Plan.

The 2025-26 budget is balanced with \$29.9 million of revenue that is dependent on New York State legislative action. The BFSAs will require the City to develop and submit a gap closing plan to address this potential revenue shortfall in the event such legislation is not passed. The budget gap plan is due to the BFSAs no later than May 28, 2025.

It is unknown when contractual casino revenue payments will recommence under the terms of a negotiated contract. In the interim, the State has advanced a portion of the City's casino revenue. It is unclear if such advances will continue in the future. The City's 2025-26 budget includes \$11.0 million in casino revenue with \$11.0 million projected for 2026-27 and \$8.0 million in 2027-28 and 2028-29.

Parking meter fees are potentially overestimated in 2025-26 by \$2.0 million and an additional \$7.3 million over the remaining three outyears, for a total potential overestimate of \$9.3 million. The increase is dependent on Common Council agreeing to proposed increases in parking rates. The most recent

proposal, which would have gone into effect in 2024-25, was not agreed to by Common Council resulting in budgetary shortfall in this revenue. With respect to fines and fees, Common Council has recently approved increases to certain fines and fees that support revenue estimates included in this budget.

State aid is overstated in 2026-27 by \$5,000,000; the State agreed to provide additional state aid in the amount of \$5,000,000 for two years only. This provision does not extend into next year. Estimated increases in years 2027-28 and 2028-29 are inconsistent with the State's financial plan; these increases total \$4.9 million.

In the event New York State does not pass legislation allowing for the creation of a parking authority and the assessment and collection of a bed tax, a revised financial plan will be required. In the event such legislation is passed, a financial analysis to support the revenue estimates in the financial plan shall be developed and submitted to the Buffalo Fiscal Stability Authority.

With respect to expenditures, there are multiple areas of concern. First, the City is recognizing \$16.5 million of savings from vacancies upfront by reducing the total budget; these vacancies are held over all four years of the financial plan which totals \$66.0 million of total four-year reductions to personal costs. The City has identified the departments and positions that will remain unfilled. Additionally, budgetary savings is expected for attrition and for lower salaried employees replacing those with higher salaries. Overtime has exceeded budget by \$12.4 million on average over the last three years for police officers and firefighters. This risk to the Financial Plan is compounded by the expiration of all labor agreements, including police and fire before the start of the new fiscal year. Wage increases have not been provided for in the Financial Plan.

Health insurance in total has increased on average 7.5% over in the past 3 years. The budget increases 4.8% in 2025-26, and thereafter health insurance increases by 2.5%, 1.0% and 1.0% in 2026-27, 2027-28, and 2028-29. Health insurance is likely underestimated over the Financial Plan.

Within the Proposed Budget, supplies are reduced by \$1.8 million (13.9%), services are reduced by \$4.1 million (11.0%) and capital outlay by \$1.3 million (46.4%). The Financial Plan does not include the restoration of spending levels to current year 2024-25 levels. It may be unreasonable to maintain this level of budgetary reductions over the four-year period.

Other items of significance include the following:

- The Government Finance Officers Association (GFOA) recommends no less than two months of regular operating expenditures, or \$85.8 million based on the Proposed Budget. As of the most current fiscal year end reporting date of June 30, 2024, total unrestricted fund balance was \$63.0 million. Unrestricted fund balance consists of \$50.7 million in the emergency stabilization fund, \$12.3 million of assigned fund balance and \$0 in unassigned fund balance.
- 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 2024-25. Based on the City's current year projections, the rate increase may have not been 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 \$23.4 million on June 30, 2024, 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.

CITY OF BUFFALO

Buffalo Fiscal Stability Authority's Analysis of the 2025-26 Adopted Budget and the City of Buffalo's 2025-26 Gap Closing Plan
June 16, 2025

The following summarizes modifications made to the 2025-26 City of Buffalo (“City”) Proposed Budget pursuant to the subsequent adoption of the budget. Various revisions were made to budgeted appropriations in the General Fund. City budget officials have indicated that the revisions to the budget will impact all four years of the 2026-2029 Financial Plan. The Buffalo Fiscal Stability Authority (“BFSA”) has not yet received the revised 2026-2029 Financial Plan. In addition, the BFSA received the City’s 2025-26 gap closing plan on May 28, 2025, that addresses uncertain revenues identified by the BFSA and how the City will address the potential budget gap as identified by the BFSA.

The Mayor submitted the proposed 2025-26 budget and related four-year financial plan to the BFSA on April 8, 2025. The BFSA reviewed and commented on the proposed budget and financial plan on April 28, 2025. The City of Buffalo Common Council (Common Council or Council) approved the budget on May 27, 2025, as amended. The Council’s changes impacted only the City’s General Fund.

The modifications approved by the Council only impact expenditures as there were no changes to revenues. The modifications do not change total appropriations as compared to the proposed budget of \$622.1 million. There are multiple line-item changes with both increases and reductions totaling \$1.3 million; within categories there is a net increase/decrease of \$1.1 million. The modifications have a net impact of \$0 in regard to total appropriations.

The City’s 2025-26 Adopted Budget (“Adopted Budget”) provides for General Fund revenues and budgeted appropriations of \$622.1 million, representing an increase of \$19.8 million and \$4.9 million, or 3.3 and 0.8 percent, respectively, over last year’s adopted budget of \$602.3 million and \$617.2 million for revenues and appropriations. The use of fund balance in the amount of \$3.6 million was included in 2024-25; there is no unrestricted fund balance available to be used in the 2025-26 budget.

The categorical changes of modifications to budgeted appropriations made by Common Council are shown below on a net basis:

General Fund	2025-26		Net	
	Proposed Budget	Adopted Budget	Increase/(Decrease)	
Departmental Costs	\$	\$	\$	%
Personal Services	\$ 240,953,419	\$ 239,878,966	\$ (1,074,453)	-0.4%
Utilities	17,220	17,220	-	0.0%
Travel	274,403	274,403	-	0.0%
Supplies	11,325,435	11,325,935	500	0.0%
Services	32,911,475	32,914,975	3,500	0.0%
Capital Outlay	1,458,745	1,458,745	-	0.0%
Departmental Subtotal	286,940,697	285,870,244	(1,070,453)	-0.4%
GENERAL CHARGES				
Grant in Aid	400,000	400,000	-	0.0%
Utilities	19,260,000	19,260,000	-	0.0%
Services	1,316,000	1,316,000	-	0.0%
Other	5,610,000	5,680,453	70,453	1.3%
Personal Service	9,575,000	9,575,000	-	0.0%
Fringe Benefits	187,663,325	188,663,325	1,000,000	0.5%
Salary Adjustment	3,750,000	3,750,000	-	0.0%
Debt Service	88,000	88,000	-	0.0%
Interfund Transfers Out	107,471,393	107,471,393	-	0.0%
General Charges Subtotal	335,133,718	336,204,171	1,070,453	0.3%
TOTAL BUDGET	\$ 622,074,415	\$ 622,074,415	\$ -	0.0%

The final approved modifications to both departmental costs and general charges result in a total net impact of \$0:

- Departmental Personal Service Costs – Personal service costs are reduced by \$1.1 million reflecting the net elimination of two positions and the modification to budgeted salaries for multiple positions. Three positions are eliminated including Director of Open Data, a vocational counselor, and an investigator. There is the addition of a position for a Director of Data Management and the funding of a junior collection officer position that was included in the proposed budget but was not funded as part of attrition savings. The amount of these staffing changes totals a net reduction of \$74,453. These position changes are now reflected in the FTE count of 2,765.
 - In addition, overtime for the fire department was reduced by \$800,000 and overtime was reduced by \$200,000 for the police department.
- Services are increased by \$3,500 for an outside vendor contract and supplies are increased \$500 for additional diesel fuel.
- The Other category is increased by \$70,453 for payments towards prior-year legal claims.
- Fringe benefits are increased by \$1.0 million to establish a freeze account, with the intention of the freeze account to be used to increase the City’s fund balance.

Summary of Uncertain Revenues

The BFSA reviewed the Mayor’s 2025-26 Proposed Budget and 2026-2029 Financial Plan on April 28, 2025. Pursuant to that review, various revenue estimates were identified as uncertain. Those uncertain revenues either required state legislation to be passed at the time the Proposed Budget was reviewed, were potentially overestimated based on recent actual collections, timing of collection is unknown, or a combination of these factors resulted in the uncertainty classification. The following chart summarizes the uncertain revenues as identified over the 2026-2029 Financial Plan:

	Adopted Budget 2025-26	2026-27 Projection	2027-28 Projection	2028-29 Projection	Four-Year Total
Revenue Requiring State Legislation:	Potentially Overestimated in Financial Plan				
Sale of Parking Ramps	\$ 26,500,000	\$ 11,000,000	\$ 3,300,000	\$ 1,400,000	\$ 42,200,000
Occupancy Tax	3,400,000	3,672,000	3,892,320	3,970,166	14,934,486
Total Revenues Requiring State Action	\$ 29,900,000	\$ 14,672,000	\$ 7,192,320	\$ 5,370,166	57,134,486
Uncertain/Overestimated Revenues:					
Casino Revenue	11,000,000	11,000,000	8,000,000	8,000,000	38,000,000
State AIM Increases	-	5,000,000	1,612,852	3,241,833	9,854,685
Parking Transfer	-	2,250,000	2,250,000	2,250,000	6,750,000
Parking Meter Fees	2,000,000	2,330,973	2,460,902	2,505,511	9,297,386
Traffic Violation Fines	-	500,000	750,000	805,000	2,055,000
Total Uncertain/Overestimated Revenues	\$ 13,000,000	\$ 21,080,973	\$ 15,073,754	\$ 16,802,344	\$ 65,957,071
Total Uncertain and State Action Revenues	\$ 42,900,000	\$ 35,752,973	\$ 22,266,074	\$ 22,172,510	\$ 123,091,557

Uncertain revenue over the proposed four-year Financial Plan totaled \$123.1 million, of which \$57.1 million was dependent on state legislation being enacted. The legislation for the City of Buffalo to create a municipal parking authority as well as to assess an occupancy tax was passed on May 9, 2025, as part of the New York State 2025-26 Enacted Budget. Even with the legislation, the City may run into a timing issue with the creation of the parking authority and sale of the City parking ramps to the new municipal parking authority.

Additionally, \$66.0 million of potential timing issues impacting revenue recognition were identified:

- Tribal State Compact (“TSC”) casino revenue may be overestimated by as much as \$38.0 million over the Financial Plan, based on recent actual receipts. There are two concerns with the TSC casino revenue estimates as presented in the Financial Plan. The first concern is that a new compact has yet to be negotiated between New York State and Seneca Gaming. Revenue recognition could be delayed if a new agreement is not reached as casino tax receipts are being held in escrow until such time there is an executed agreement. The second concern is in regards to what is budgeted by the City compared to what they would receive under a new gaming compact. Further complicating the ability to project this revenue is that the terms of the future contract could, and most likely will, be less favorable to the City of Buffalo. Casino revenue receipts are included annually at \$11.0 million in the first two-years of the Financial Plan and are reduced to \$8.0 million in the final two-years. Recent receipts indicate a reasonable annual amount of \$7.0 million to \$7.5 million, resulting in a potential revenue

shortfall of \$3.5 million to \$4.0 million in the first two years of the plan. Revenue estimates are potentially overstated between \$3.0 million to \$11.0 million annually based on these factors.

- State AIM increases over the three years of the Financial Plan is included in the cumulative amount of \$9.9 million; the estimated increase by the City is not included in the New York State Financial Plan and we are unable to predict the likelihood of this projected increase.
- Parking meter fees are potentially overestimated by \$9.3 million over the Financial Plan, based on past collections.
- Transfers from the parking enterprise fund and the municipal parking authority may be overestimated by \$6.8 million. The parking authority has yet to be created, and it is unknown what funds would be available to transfer to the City at this time.
- Traffic violation fines are estimated to be overestimated by \$2.1 million over the Financial Plan; this estimate is based on past collections.

Review of Gap Closing Plan:

As summarized and discussed above, the 2025-26 Adopted Budget includes \$42.9 million of uncertain revenue. There is \$29.9 million in estimated revenues that could be delayed due the timing of implementation of the parking authority and occupancy tax collections. Additionally, it is unknown if Common Council will approve creation of the municipal parking authority.

A gap closing plan was submitted by the City Administration on May 28, 2025, addressing the potential revenue shortfall. A significant portion of the potential budget gap was related to the creation of the municipal parking authority (\$26.5 million) and the implementation of the occupancy tax (\$3.4 million), for a total of \$29.9 million. Both items have been approved legislatively and the City may move forward with implementation. However, the timing of implementation and subsequent receipt of said revenue is a serious concern, and it is unknown if those revenues will be recognized in the 2025-26 fiscal year.

The Administration's gap closing plan consists of two primary actions. The first one is the issuance of a short-term deficiency note in the amount of \$30.0 million. The second is the reduction of expenditures in the amount of \$10.9 million. In regard to reduction of expenditures, there are proposed reductions at both the departmental and general service levels. The Administration would reduce all departments, excluding fire and police departments, by an additional 5 percent to reduce approximately \$9.0 million in expenditures. A reduction of 2.5% would occur in the police department, and a reduction of 1.2% in the fire department. These reductions are in addition to the attrition savings (budgeted but unfunded positions) that are included in the 2025-26 Adopted Budget. The departmental reductions would most likely be personnel reductions, but a more detailed plan is not available at this time. Actual position reductions would be dependent on City operations and needs at the time of potential mid-year reductions. Under General Charges the Administration is proposing \$2.0 million in reductions including a decrease of \$200,000 in the grants in aid line and \$1.75 million from the salary adjustment line. By reducing the salary adjustment line the City is reducing the set aside for collective bargaining leaving \$2.0 million in the budget for this purpose, which is ineffective for negotiating with the five collective bargaining units that would be out of contract post 6/30/2025.

2025-26 Gap Plan	
Revenue Actions:	
<i>Short-term Deficiency Note</i>	\$ 30,000,000
Expenditure Actions:	
<i>Departmental Cuts</i>	\$ (8,950,000)
<i>General Charges</i>	\$ (1,950,000)
Total Expenditure Actions	\$ (10,900,000)
Total Gap Plan:	\$ 40,900,000

The following schedule identifies the potential reductions the City would implement if the Gap closing plan was to be utilized in 2025-26:

City of Buffalo Potential Gap Closing Measures - Departmental Expenses					
Department	2025-2026		Reduction		
	Proposed Budget	Mid-Year Gap Closing	\$	%	
Common Council	\$ 3,637,275	\$ 3,455,411	\$ (181,864)	-5.0%	
City Clerk	4,225,410	4,014,140	(211,270)	-5.0%	
Mayor & Executive	8,233,543	7,821,866	(411,677)	-5.0%	
Audit & Control	4,330,820	4,114,279	(216,541)	-5.0%	
Law	5,342,513	5,075,387	(267,126)	-5.0%	
Assessment	3,031,265	2,879,702	(151,563)	-5.0%	
MIS	6,919,604	6,573,624	(345,980)	-5.0%	
Administration & Finance	10,634,848	10,103,106	(531,742)	-5.0%	
Parking	3,638,029	3,456,128	(181,901)	-5.0%	
Police	106,445,731	103,744,790	(2,700,941)	-2.5%	
Fire	73,532,608	72,631,667	(900,941)	-1.2%	
Human Resources	5,602,021	5,321,920	(280,101)	-5.0%	
Public Works	39,194,849	37,235,107	(1,959,742)	-5.0%	
Community Services	5,095,309	4,840,544	(254,765)	-5.0%	
Permits & Inspections	7,076,872	6,723,026	(353,846)	-5.0%	
Department Subtotal	\$ 286,940,697	\$ 277,990,697	\$ (8,950,000)	-3.1%	
Grants in aid	\$ 400,000	\$ 200,000	\$ (200,000)	-50.0%	
Misc. Utilities	19,260,000	19,260,000	-	0.0%	
Misc. Services	1,316,000	1,316,000	-	0.0%	
Misc. Other	5,610,000	5,610,000	-	0.0%	
Fringe Personal Services	8,325,000	8,325,000	-	0.0%	
Fringe Benefits	192,663,325	190,913,325	(1,750,000)	-0.9%	
Debt Service	88,000	88,000	-	0.0%	
Interfund Transfers Out	107,471,393	107,471,393	-	0.0%	
General Charges Subtotal	\$ 335,133,718	\$ 333,183,718	\$ (1,950,000)	-0.6%	
Total	\$ 622,074,415	\$ 611,174,415	\$ (10,900,000)	-1.8%	

At the departmental level, the Administration would reduce most departments by 5.0 percent, outside of police and fire departments, to achieve a reduction of \$9.0 million. Based on the average salaries as budgeted for 2025-26, this is equal to approximately 97 positions on a full

year basis. However, if the cuts are made mid-year as presented by the Administration that would be equivalent to 195 positions to be cut. These reductions in positions would be in addition to the previous number of held vacancies of approximately 300 FTEs for attrition savings. Under general charges, the potential reductions total \$2.0 million. There would be a reduction of \$0.2 million for grants in aid and a reduction of \$1.75 million from the salary adjustment line, which is the contingency line used for negotiating labor contracts.

Unrestricted fund balance was \$63.0 million at June 30, 2024, and the Rainy Day fund was \$50.7 million. The Rainy Day fund remains intact within the budget gap closing plan. We stress the importance of attaining structural balance and not relying on one-time funding sources. Additionally, fund balance replenishment will need to be addressed in future budgets if such balances fall below the minimums as established in the fund balance policy. The Government Finance Officers Association (“GFOA”) recommends no less than two months of regular operating expenditures, or \$85.8 million, based on the Adopted Budget.

Conclusion: The gap plan provides actions to address a budget gap for those uncertain revenues identified by the BFSA. It is further recommended the City prioritize identifying additional revenues or potential cuts in the outyears of the Financial Plan to address the uncertain revenues. Additionally, we recommend a departmental-level plan be developed to identify specific position reductions and/or other cost reductions by department.

The deficit note, if needed, would be repaid presumably with proceeds from the ramp borrowing. In the event Common Council does not approve this transaction or a bond sale fails, this likely would require a substantial tax increase to repay in the subsequent fiscal year.

Additionally, the 2026-2029 Financial Plan will require updating for the modifications made to the budget by Common Council as subsequently adopted. The Mayor shall certify that the budget is consistent with the revised Financial Plan as submitted, and that operation within the 2025-26 budget is feasible.

BUFFALO FISCAL STABILITY AUTHORITY

*Analysis of the Buffalo City School District's 2025-26 Adopted Budget
June 16, 2025*

INTRODUCTION

The Buffalo City School District's Board of Education approved the Superintendent's fiscal year (FY) 2025-26 proposed budget on May 28, 2025. The 2025-26 adopted budget (Adopted Budget) was submitted to the Buffalo Fiscal Stability Authority (BFSA) on May 21, 2025, after the April 8th statutory requirement.

The Buffalo City School District (District or BCSD) has not yet submitted a 2026-2029 Financial Plan (Financial Plan) as required by the BFSA Act. The financial plan was required to be submitted to BFSA no later than May 28, 2025.

KEY FINDINGS

BFSA has the following key findings.

1. The Adopted Budget includes a substantial deficit of \$78.8 million which is closed through fund balance appropriation (6.6% of total General Fund appropriations). It includes \$1,107.7 million in estimated General Fund revenues, a \$25.4 million (2.3%) increase over the District's prior fiscal year adopted budget (PFY Adopted Budget).
2. The New York State Legislature revised the New York State Foundation Aid formula. The revised Foundation Aid formula replaces the poverty measure from census data with a new Small Area Income and Poverty Estimates (SAIPE) metric. It also substituted school lunch eligibility with a broader category of "economically disadvantaged" students.
 - a. The New York State final budget includes a total Foundation Aid appropriation of \$26.5 billion, \$35.0 million lower than the Governor's 2026 Executive Budget proposal. The Big 4 City School Districts all saw significant allocation adjustments due to the formula update and the reduced final 2026 appropriations as follows:
 - Buffalo City School District: \$(5.4) million (-0.6%)
 - As compared to the District's 2025-26 estimated NYS Aid based on the Executive Budget
 - Rochester City School District: \$(4.2) million (-0.7%)
 - Syracuse City School District: \$9.4 million (2.3%)
 - Yonkers City School District: \$12.2 million (4.1%)
3. The Adopted Budget includes \$1,186.5 million in total budgeted appropriations, a \$20.8 million (1.8%) increase over the District's PFY Adopted Budget.
 - a. The Adopted Budget includes \$1.9 million in a Reserve Contingency. This amount is a set aside for unbudgeted expenditures including funding newly settled collective bargaining agreements. Five collective bargaining units funded through the District's General Fund have labor agreements that expire on June 30, 2025.
4. A structural deficit exists as budgeted appropriations exceed estimated revenues. Total estimated General Fund revenues are 93.4% of budgeted General Fund appropriations.

5. In 2024-25, the District began realigning staffing levels with the existing student population. District enrollment declined by 3,419 pupils (10.4%) from FYE 2019 to FYE 2024. Total District full-time equivalent (FTE) staffing inversely increased by 361 FTEs (6.6%) over this period.
 - a. In the current fiscal year (CFY), the District reduced total staff counts (central office and schools) by eliminating vacancies, not filling positions that became vacant through retirements, eliminating 36 Teacher on Special Assignment (TOSA) positions, extending a Superintendent-imposed hiring freeze (for non-essential staff), and several layoffs. The District currently employs 262 fewer FTE employees (4.5%) than at FYE 2024 including 323 (8.2%) teachers.
 - b. The District did not include the previously planned year two right-sizing initiatives within the Adopted Budget. These actions included closing two schools, reducing staff by an additional 250 FTEs, and other right-sizing actions. The District has stated that these actions are deferred until 2026-27 and will be incorporated in the forthcoming 2026-2029 Financial Plan. These right-sizing initiatives are essential to the District's fiscal stability as:
 - The District's \$78.8 million 2025-26 budgeted deficit is substantially greater than the \$36.4 million deficit depicted for 2025-26 in the 2025-2028 Adopted Financial Plan, despite \$6.7 million in greater than previously estimated revenues; and
 - The CFY will include a substantial operating deficit and commensurate drawdown of fund balance; and
 - All collective bargaining units funded through the General Fund have labor agreements that expire either June 30, 2025 or 2026 (excepting the part-time bus aides). Based on the 2025-26 staffing level and school portfolio, 3% increases in these contract costs would cumulatively increase the District's General Fund four-year expenditures by an estimated \$105.7 million. The net cost in 2025-26 is estimated at \$1.4 million.
6. The Adopted Budget does not address the impact of potential federal education cuts. Federal aid constitutes a critical portion of the District's education funding, including programs serving low-income students and those with special needs. These funds are recorded primarily within the Special Projects Fund (Grants Fund); the loss of grant funding would place further strain on the General Fund if the services are maintained.
 - a. Recently proposed federal actions are poised to significantly affect schools. The current congressional budget bills propose to reduce the rates of increase in federal outlays, including educational funding. Public schools rely on federal funds for programs like the Every Student Succeeds Act (ESSA) and Individuals with Disabilities Education Act (IDEA). Title I funding, which supports schools such as Buffalo with high concentrations of low-income students, is particularly at risk. Cuts or elimination of these funds would disproportionately affect vulnerable populations, including students with disabilities and those living in poverty. Loss of federal funds could force reductions in special education, career and technical education, and support for English Language Learners.

- b. New York State may need to divert local resources to cover shortfalls, putting additional pressure on already strained budgets, and potentially leading to cuts in other programs or services. Cuts would undermine efforts to provide equitable education, as schools serving the highest-need populations are the most dependent on federal aid.
- c. The federal funding identified as most at risk for potential cuts are:
- Title I: Support for schools with high concentrations of low-income students. Cuts could force reductions in academic interventions, after-school programs, and basic classroom resources for high-poverty schools.
 - Individuals with Disabilities Education Act: Funding for special education services. Cuts would likely reduce specialized instruction, therapies, and support staff for these students.
 - Support for English Language Learners (ELLs): Provides schools with language instruction and support for ELLs. Reductions would limit access to bilingual education and targeted interventions.
 - Career and Technical Education (CTE): Support for CTE programs that prepare students for workforce entry. Cuts could diminish course offerings and hands-on training opportunities.
 - School Nutrition and Health Programs: The termination of temporary pandemic relief grants has already resulted in losses for locally sourced school meals and other health-related services. Further federal cuts would additionally impact school districts.

2025-26 ADOPTED BUDGET SUMMARY

General Fund revenues are estimated at \$1,107.7 million, an increase of \$25.4 million (2.3%) over the District’s PFY Adopted Budget. General Fund expenditures are appropriated at \$1,186.5 million, an increase of \$20.8 million (1.8%) over the District’s PFY Adopted Budget. The \$78.8 million excess of budgeted appropriations over estimated revenues represents the structural deficit and is closed through fund balance appropriation.

The following schedule compares the Adopted Budget with the District’s PFY Adopted Budget. The current fiscal year-end (CFYE) projections are included to provide additional context.

General Fund Summary	2024-25 Adopted Budget	2024-25 District Forecast at 3.31.25	2025-26 Adopted Budget	Budget-to-Budget Change (\$)	Budget-to-Budget Change (%)	Adopted Budget compared to FYE 2025 Forecast (\$)	Adopted Budget compared to FYE 2025 Forecast (%)
	\$ in Millions						
Revenues	\$1,082.3	\$1,086.9	\$1,107.7	\$25.4	2.3%	\$20.8	1.9%
Expenditures	1,165.7	1,141.7	1,186.5	20.8	1.8%	44.8	3.8%
	(\$83.4)	(\$54.8)	(\$78.8)	\$4.6	0.6%		
Total Fund Balance	83.4	54.8	78.8				
Remaining Deficit	\$0.0	\$0.0	\$0.0				
Fund Balance as % of Total GF Appropriations	7.2%	4.8%	6.6%				

The structural deficit is a trend and a continuation from the 2024-25 fiscal year. Structural deficits will continue unless the Buffalo Board of Education takes responsive actions to address the systemic causes.

In the 2024-25 Adopted Budget and 2025-2028 Adopted Financial Plan, the District implemented a two-year phase-out of 331 FTE positions to address the structural deficit. The Superintendent's goal was to “right-size” staff with current enrollment. District enrollment had steadily declined by 4,667 pupils (13.7%) since FYE 2016, inversely to budgeted positions which had steadily increased by 418 FTEs (7.9%) since FYE 2016.

Year two of the right-sizing initiative included closing two public schools and reducing budgeted teacher positions by 250 FTEs. BFSAs estimated the cost reduction at \$30.3M beginning in 2025-26. The District has deferred these actions until 2026-27; the planned right-sizing actions are anticipated to be detailed within the forthcoming 2026-2029 Financial Plan.

The Adopted Budget adds seventeen full-time equivalent (FTE) positions across All Funds. The General Fund decreases by a net of twenty-six FTE General Fund budgeted positions as compared to the 2024-25 Adopted Budget as follows.

BCSD Employee Count Comparison									
Employee Group	All Funds				General Fund				Contract Status
	2024-25 Adopted Budget	Actual at 3.31.2025	2025-26 Adopted Budget	2024-25 Adopted Budget compared to PFY Adopted Budget (#)	2024-25 Adopted Budget	Actual at 3.31.2025	2025-26 Adopted Budget	2024-25 Adopted Budget compared to PFY Adopted Budget (#)	
BTF (Teachers)	3,737	3,608	3,709	(28)	3,360	3,200	3,274	(86)	Current thru 6/30/2026
BEST (Teacher Aides/Teaching Assistants)	966	955	1,004	38	791	811	841	50	Current thru 6/30/2025
BCSA: Administrators	298	290	298	0	254	254	258	4	Current thru 6/30/2025
PCTEA: White-Collar	570	491	577	7	484	423	490	6	Current thru 6/30/2026
Local 264: Blue-Collar	67	51	64	(3)	61	51	60	(1)	Current thru 6/30/2025
Local 264: Cook Managers	27	31	29	2	0	0	0	0	Current thru 6/30/2026
Trades	41	41	42	1	41	41	42	1	Prevailing Wage
Local 409: Operating Engineers	57	39	57	0	56	39	56	0	Current thru 6/30/2026
Exempts	43	38	43	0	43	38	43	0	All contracts current
Board Members	9	9	9	0	9	9	9	0	N/A (elected positions)
Total Full-Time Employees	5,815	5,553	5,832	17	5,099	4,866	5,073	(26)	

GENERAL FUND REVENUES

General Fund revenues are estimated at \$1,107.7 million in the Adopted Budget. The following chart summarizes General Fund revenue and fund balance usage in the Adopted Budget as compared to the PFY Adopted Budget. The District’s CFYE forecast is included to provide additional context.

2025-26 Adopted Budget Revenues & Use of Fund Balance	2024-25 Adopted Budget	2024-25 District Forecast at 3.31.25	2025-26 Adopted Budget	Budget-to-Budget Change (\$)	Budget-to-Budget Change (%)	Adopted Budget compared to FYE 2025 Forecast (\$)	Adopted Budget compared to FYE 2025 Forecast (%)
	(In Millions)						Percent
<i>Real Property Tax</i>	\$70.8	\$70.8	\$70.8	\$0.0	0.0%	\$0.0	0.0%
<i>Erie County Sales Tax</i>	56.0	57.8	58.5	2.5	4.5%	0.7	1.2%
<i>Federal Medicaid Reimbursement</i>	4.0	5.5	5.0	1.0	25.0%	(0.5)	-9.1%
<i>New York State Aid (less Building Aid)</i>	837.2	837.2	869.2	32.0	3.8%	32.0	3.8%
<i>New York State Building Aid</i>	102.0	102.0	89.3	(12.7)	-12.5%	(12.7)	-12.5%
<i>Miscellaneous</i>	12.3	13.6	14.9	2.6	21.1%	1.3	9.6%
Total General Fund Revenues	\$1,082.3	\$1,086.9	\$1,107.7	\$25.4	2.3%	\$20.8	1.9%
<i>Fund Balance</i>	83.5	54.8	78.8				
Total GF Revenue & Assigned Fund Balance	\$1,165.8	\$1,141.7	\$1,186.5				

The increase in General Fund revenue is driven by a \$32.0 million increase (3.8%) in NYS Aid less Building Aid, which is offset by a \$12.7 million (12.5%) decline in NYS Building Aid.

Real Property Taxes
 2025-26 % of total General Fund Revenues: 6.4%
 5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)
 \$0M and 0%

The City of Buffalo (City) forwards a portion of collected property tax revenue to the District for general operations and annual debt payments. The City’s contribution for 2025-26 remains at \$70.8 million, maintained since 2007-08. The City may provide whatever contribution it deems necessary, but the level of effort must be maintained once the contribution for general operations has increased unless there is a decrease in the total taxable assessed property value.

Total New York State Aid
 2025-26 % of total General Fund Revenues: 86.5%
 5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)
 \$201.2M or 27.3%

The District’s largest revenue source is NYS Aid. The District is one of the Big 4 City School Districts, including the Buffalo City School District, the Rochester City School District, the Syracuse City School District, and the Yonkers City School District. These 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 86.5% of the District’s total estimated 2025-26 revenues.

All NYS Aid, including Building Aid, totals \$958.5 million in the Adopted Budget and represents an increase of \$19.3 million (2.1%), as compared to the PFY Adopted Budget. This increase is primarily comprised as follows:

- 13) Foundation Aid: \$35.5 million
- 14) Building Aid: \$(12.7) million
- 15) Net of Services & Other Formula-Based Aids: \$(3.5) million

New York State Aid (less Building Aid)

2025-26 % of total General Fund Revenues: 77.0%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$217.4M or 35.1%

NYS Aid (less Building Aid) totals \$869.2 million in 2025-26, a \$32.0 million (3.8%) increase over the District’s PFY Adopted Budget.

New York Aid (less Building Aid) is an umbrella term that combines various formula and expense-based aids, most significantly Foundation Aid.

NYS Foundation Aid totals \$744.2 million in 2025-26, an increase of \$35.5 million (5.0%) over the District’s PFY Adopted Budget. This funding amount represents \$15.7 million less than had been included within the New York State 2026 Executive Budget. The reduction is based on an initial \$12.1 million overestimation within the aid run, a revised Foundation Aid formula, and a reduction in total New York State appropriations, as compared to the 2026 Executive Budget proposal (net of \$3.6 million).

NYS Transportation Aid is a reimbursement for PFY Transportation expenditures. The District’s reimbursement is 87% of eligible reimbursements. The 2025-26 NYS Transportation Aid is budgeted at \$60.1 million, an increase of \$2.2 million (4.2%) over the District’s PFY Adopted Budget.

All other NYS aid totals a combined \$64.9 million, a decrease of \$(5.7 million (8.9%)).

New York State Building Aid

2025-26 % of total General Fund Revenues: 8.1%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$(16.2M) or -13.7%

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 through 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.

NYS Building Aid is budgeted at \$89.3 million in 2025-26, a \$12.7 million (-12.5%) decrease over the PFY Adopted Budget

Erie County Sales Tax

2025-26 % of total General Fund Revenues: 5.3%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$3.4 million or 6.3%

The District's fourth-largest revenue source is sales tax, budgeted at \$58.5 million for 2025-26, \$2.5 million (4.5%) greater than the District's PFY Adopted Budget.

BFSA has forecasted sales tax revenue for FYE 2025 of \$61.0 million, exceeding the District's 2024-25 forecast. Given the current inflation rate on taxable goods and BFSA's CFYE projection, the District's estimated 2025-26 sales tax revenue appears underestimated.

The District's local funding structure differs from the other Big 4 City School Districts. The District receives 6.4% 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 City School Districts, only the Syracuse City School District receives any portion of county sales tax receipts directly, budgeted at \$1.0 million for 2025-26. Conversely, these three school districts all receive a greater percentage of their city's total property tax levy.

The 2024-25 and 2025-26 per pupil local contribution is as follows.

Big 4 Big City District	2024-25 Enrollment	2025-26 Enrollment
BCSD	29,647	29,681
<i>Local Revenue (Per Pupil)</i>	\$4,277	\$4,356
RCSD	19,300	18,426
<i>Local Revenue (Per Pupil)</i>	\$6,171	\$6,464
SCSD	19,426	19,153
<i>Local Revenue (Per Pupil)</i>	\$3,372	\$3,420
YCSD	23,589	24,035
<i>Local Revenue (Per Pupil)</i>	\$12,654	\$12,223

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

2024-25 & 2025-26 Big 4 School Districts Property Tax and Sales Tax		
General Fund Revenues	2024-25 Adopted Budget	2025-26 Proposed or Adopted Budget
	\$ in Millions	
Buffalo City School District		
<i>City Contribution</i>	\$70.8	\$70.8
<i>Sales Tax Receipts</i>	56.0	58.5
Combined Real Property Tax/Sales Tax	\$126.8	\$129.3
Combined Real Property Tax/Sales Tax (% of total revenues)	11.7%	11.7%
Rochester City School District		
<i>City Contribution</i>	\$119.1	\$119.1
<i>Sales Tax Receipts</i>	0.0	0.0
Combined Real Property Tax/Sales Tax	\$119.1	\$119.1
Combined Real Property Tax/Sales Tax (% of total revenues)	13.1%	12.4%
Syracuse City School District		
<i>City Contribution</i>	\$64.6	\$64.9
<i>Sales Tax Receipts</i>	\$0.9	\$1.0
Combined Real Property Tax/Sales Tax	\$65.5	\$65.5
Combined Real Property Tax/Sales Tax (% of total revenues)	12.6%	11.2%
Yonkers City School District		
<i>City Contribution</i>	\$298.5	\$293.8
<i>Sales Tax Receipts</i>	0.0	0.0
Combined Real Property Tax/Sales Tax	\$298.5	\$293.8
Combined Real Property Tax/Sales Tax (% of total revenues)	39.6%	39.0%

All Other Revenue (Miscellaneous)

2025-26 % of total General Fund Revenues: 1.3%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$(13.6)M or -10.6%

All Other Revenues include tuition, interest, interfund revenues for indirect costs, and miscellaneous items. The combined total of all other Revenues (Miscellaneous) was \$14.9 million in the Adopted Budget, a \$2.6 million (21.1%) increase over the District's PFY Adopted Budget.

Federal Medicaid Reimbursement

2025-26 % of total General Fund Revenues: 0.5%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$(24.6M) or -81.7%

*FYE 2021 included a significant level of one-time federal funds

The Federal Medicaid Reimbursement totals \$5.0 million in the Adopted Budget, \$1.0 million (25%) greater than the PFY Adopted Budget. This revenue is a reimbursement of Medicaid-eligible healthcare services funded and provided by the District. The year-over-year increase is a function of timing; the District forecasts a historically high CFYE level of federal Medicaid Reimbursement.

There is a concern that future Medicaid reimbursements will be negatively impacted by future federal appropriations. The currently approved U.S. House of Representatives spending bill includes a planned reduction in the rate of increase in certain federal outlays, as compared to out-year projections. This may include eliminating the federal Medicaid reimbursement to New York State school districts for individuals determined ineligible for such benefits at the federal level.

GENERAL FUND EXPENDITURES

General Fund budgeted appropriations total \$1,186.5 million in the Adopted Budget, a \$20.8 million (1.8%) increase from the District’s PFY Adopted Budget.

General Fund expenditures are examined here in six discrete subcategories:

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

The following chart summarizes General Fund expenditures by these six subcategories as compared to the PFY Adopted Budget. The District’s CFYE forecast are included to provide additional context.

2025-26 Adopted Budget Expenditures	2024-25 Adopted Budget	2024-25 District Forecast at 3.31.25	2025-26 Adopted Budget	Budget-to-Budget Change (\$)	Budget-to-Budget Change (%)	Adopted Budget compared to FYE 2025 Forecast (\$)	Adopted Budget compared to FYE 2025 Forecast (%)
	(In Millions)						
<i>Employee Compensation</i>	\$427.0	\$415.1	\$431.8	\$4.8	1.1%	\$16.7	4.0%
<i>Employee Benefits</i>	232.3	227.1	244.0	11.7	5.0%	16.9	7.4%
<i>Debt Service</i>	91.7	91.7	78.4	(13.3)	-14.5%	(13.3)	-14.5%
<i>Charter School Payments</i>	170.4	170.4	180.6	10.2	6.0%	10.2	6.0%
<i>Transportation</i>	63.0	61.0	72.4	9.4	14.9%	11.4	18.7%
<i>All Other Expenditures</i>	181.3	176.4	179.3	20.8	1.8%	2.9	1.6%
Total	\$1,165.7	\$1,141.7	\$1,186.5	\$20.8	1.8%	\$44.8	3.8%

EMPLOYEE COMPENSATION

2025-26 % of total General Fund expenditures: 36.4%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$105.7M or 34.2%

Employee Compensation is the District’s largest expenditure and includes salaries and wages for District employees. Total General Fund Employee Compensation expenditures are budgeted at \$431.8 million, a \$4.8 million (1.1%) increase as compared to the District’s PFY Adopted Budget.

The following depicts Employee Compensation in the Adopted Budget, as compared to the District’s PFY Adopted Budget. The District’s CFYE forecast are provided for additional context.

2025-26 Adopted Budget Expenditures	2024-25 Adopted Budget	2024-25 District Forecasted at 3.31.25	2025-26 Adopted Budget	Budget-to-Budget Change (\$)	Budget-to-Budget Change (%)	Adopted Budget compared to FYE 2025 Forecast (\$)	Adopted Budget compared to FYE 2025 Forecast (%)
Employee Compensation	(In Millions)						
<i>BTF (Teachers)</i>	\$293.3	\$290.6	\$299.7	\$6.4	2.2%	\$9.1	3.1%
<i>Teacher Substitutes</i>	8.9	7.9	7.4	(1.5)	-16.9%	(0.5)	-6.3%
<i>Administrator Substitutes</i>	1.0	1.0	1.0	0.0	0.0%	0.0	0.0%
<i>BCSA (Administrators)</i>	37.7	34.5	38.4	0.7	1.9%	3.9	11.3%
<i>PCTEA (White Collar)</i>	29.4	26.3	30.4	1.0	3.4%	4.1	15.6%
<i>BEST (Aides & Assistants)</i>	26.4	25.4	26.4	0.0	0.0%	1.0	3.9%
<i>TAB (Bus Aides)</i>	7.3	6.3	5.9	(1.4)	-19.2%	(0.4)	-6.3%
<i>Trades</i>	4.8	4.7	5.2	0.4	8.3%	0.5	10.6%
<i>Local 264 (Blue Collar)</i>	2.8	3.0	2.8	0.0	0.0%	(0.2)	-6.7%
<i>Local 409 (Engineers)</i>	4.2	4.2	4.8	0.6	14.3%	0.6	14.3%
<i>Exempt</i>	6.0	6.0	6.0	0.0	0.0%	0.0	0.0%
<i>Miscellaneous (Includes Board Member Stipends)</i>	0.3	0.3	0.3	0.0	0.0%	0.0	0.0%
<i>Overtime</i>	4.9	4.9	3.5	(1.4)	-28.6%	(1.4)	-28.6%
Total Employee Compensation	\$427.0	\$415.1	\$431.8	\$4.8	1.1%	\$16.7	4.0%

The District’s General Fund staffing plan includes a net decrease of 26 FTEs as compared to the PFY Adopted Budget as follows.

- Teachers (-86)
- Teacher Aides/Teaching Assistants (+50)
- Net of all other (+10)

The following highlights several employee compensation areas of significance.

BTF Compensation (64.5% of total full-time employees)

The largest area of employee compensation is for teachers. Budgeted positions are 3,274 FTEs in 2025-26, a decrease of 86 FTEs as compared to the 2024-25 Adopted Budget.

Seventy BTF positions have been removed during the 2024-25 school year. The decrease is sixteen FTE positions as compared to the most recent staffing plan as follows.

- Regular Instruction: +15 FTEs
- Guidance Services: -12 FTEs
- Social Worker Services: -9 FTEs
- Net of all other: -10 FTEs

BTF employee compensation has increased by \$6.4 million (2.2%) compared to the District's PFY Adopted Budget. The budgeted amount is consistent with the total number of budgeted positions and the estimated 2025-26 average compensation of \$92,312 (including a 3% contractual increase).

Note: The BTF labor agreement expires at FYE 2026.

All Other Employee Compensation (combined 35.5% of total full-time employees)

Employee Compensation for all other collective bargaining units appears to be adequate based on the number of budgeted positions and BFSA's estimated average compensation, if not slightly overestimated. For example, BCSA employee compensation increased \$0.7 million (1.9%) to \$38.4 million for 258 BCSA FTEs. BFSA has calculated an average BCSA compensation of \$120,398; total compensation for 258 FTEs at an average salary of \$120,398 totals \$30.6 million. The budgeted amount appears to be more than sufficient to fully fund this employee group.

The Adopted Budget includes an overtime appropriation at \$3.5 million. This represents a \$1.4 million (-28.6%) reduction from the PFY Adopted Budget and is a function of the District's cost-containment initiatives.

The following employee groups have labor contracts that expire FYE 2025.

1. Buffalo Association of Substitute Administrators (Substitute Administrators or BASA – expires June 30, 2025),
2. Buffalo Council of Supervisors and Administrators (Administrators or BCSA - expires June 30, 2025
3. Buffalo Educational Support Team (Teacher's Aides and Teaching Assistants or BEST) – expires June 30, 2025
4. Substitutes United of Buffalo (Substitute Teachers or SUB) – expires June 30, 2025
5. Local 264 (Blue-collar employees) – expires June 30, 2025

Any contract settlement will increase FY 2025-26 Employee Compensation and Benefits. BFSA has estimated that increasing compensation and benefits for these five groups by 3% would increase 2025-26 expenditures by \$1.4 million. The \$1.9 million Reserve Contingency would be sufficient to fully fund this level of increase.

The following employee groups have labor contracts current through 2025-26. These labor contracts all expire June 30, 2026.

1. Buffalo Teachers’ Federation (Teachers or BTF) – expires June 30, 2026
2. Professional, Clerical, and Technical Employees’ Association (White-Collar employees or PCTEA) – expires June 30, 2026
3. Local 409 engineers (Engineers) - expires June 30, 2026

EMPLOYEE BENEFITS

2025-26 % of total General Fund expenditures: 20.6%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$49.3M or 27.7%

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 \$244.0 million for Employee Benefits in the Adopted Budget, a \$11.7 million (5%) increase as compared to the District’s 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, as compared to the District’s 2024-25 Adopted Budget. The District’s CFYE forecast is provided for additional context.

2025-26 Adopted Budget Expenditures	2024-25 Adopted Budget	2024-25 District Forecasted at 3.31.25	2025-26 Adopted Budget	Budget-to-Budget Change (\$)	Budget-to-Budget Change (%)	Adopted Budget compared to FYE 2025 Forecast (\$)	Adopted Budget compared to FYE 2025 Forecast (%)
Employee Benefits	(In Millions)						
<i>Civil Service Retirement</i>	\$5.3	\$5.3	\$5.3	\$0.0	0.0%	\$0.0	0.0%
<i>Teachers Retirement</i>	33.4	33.4	37.1	3.7	11.1%	3.7	11.1%
<i>Social Security</i>	30.6	30.6	33.6	3.0	9.8%	3.0	9.8%
<i>Health Insurance (Active Employees)</i>	88.6	79.5	85.5	-3.1	-3.5%	6.0	7.5%
<i>Health Insurance (Retired Employees)</i>	55.2	57.1	61.0	5.8	10.5%	3.9	6.8%
<i>Termination Pay</i>	4.5	4.5	4.5	0.0	0.0%	0.0	0.0%
<i>Other Benefits</i>	14.7	16.7	17.0	2.3	15.6%	0.3	1.8%
Total Employee Benefits	\$232.3	\$227.1	\$244.0	\$11.7	5.0%	\$16.9	7.4%

The following highlights several employee compensation areas of significance.

New York State Pension Systems

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 \$42.4 million in the Adopted Budget, a \$3.7 million (9.6%) combined increase as compared to the District’s PFY Adopted Budget. The 2026 NYSERS blended employer contribution rate increases from 12.5% to 15.8%; the 2025 NYSTRS employer contribution rate increases from

11.1% to 12%. Pension contribution rates are actuarially determined by the New York State retirement systems.

The District's payment to the retirement systems is a function of the contribution rates applied to actual annual salaries and wages. The overall increase in total pension payments is due to both the increase in compensation as well as increased employer contribution rates (ERCs) for NYSERS and NYSTRS.

The combined NYS pension payments are reasonable given the budgeted total employee compensation and increased ECRs. BFA's estimated pension costs are slightly lower than the District's budgeted appropriation.

Payroll Tax

The District's employer portion for payroll taxes remains at 7.65% of budgeted Employee Compensation and Termination Pay. It is budgeted at \$33.6 million in the Adopted Budget, \$3.0 million (9.8%) greater than the District's PFY Adopted Budget. The budgeted amount is consistent with the static tax rates and the increase in employee compensation costs.

Active Health Insurance

Health insurance for active employees is one of several major General Fund expenditures for the District. It is budgeted at \$85.5 million in the Adopted Budget, a \$(3.1) million (3.5%) decrease over the District's PFY Adopted Budget.

The District is self-insured; forecasted health insurance costs are based on total gross allowable health insurance-related costs billed to the District through its third-party administrator.

All employees are required to pay either a flat amount (e.g.: teacher aides/teaching assistants contribute \$300 (S)/\$600 (F)), an established percentage of their base annual salary (e.g.: blue-collar employees hired before July 11, 2012 pay 1.25% of their base salary), or a percent of the annual cost (e.g.: blue-collar employees hired on or after July 11, 2012 pay 20% of the total insurance cost). These contributions offset expected expenditures by \$6.1 million in 2025-26.

The following are the average 2025-26 active employee premium-equivalent health insurance rates:

- 2025-26 rate (active/single – estimated): \$9,862 (\$700 or 7.6%)
- 2025-26 rate (active/family – estimated): \$25,412 (\$1,706 or 6.7%)

Retiree Health Insurance

Retiree health insurance expenditures are also a major General Fund expenditure. Retiree health insurance is budgeted at \$61.0 million in the Adopted Budget, a \$5.8 million (10.5%) increase over the District's PFY Adopted Budget. The increase in budgeted retiree healthcare expenditures is based on the current number of retirees receiving health insurance and estimated average 2025-26 retiree premium-equivalent health insurance rates:

- 2025-26 rate (active/single – estimated): \$12,262
- 2025-26 rate (active/family – estimated): \$29,192

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 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 the Forever Blue Medicare Advantage Plan to the Independent Health Medicare Advantage Plan, resulting in a forecasted savings of \$1.1 million annually, which is included in the base cost.

The District contacts qualified retirees receiving retiree health benefits to offer an incentive to forego the costlier traditional plan for a Medicare Advantage Plan. The cost of this plan is significantly less than most of the District's traditional plans. The option to enroll in the Medicare Advantage plans has allowed the District to curb the rate of growth in retiree health insurance expenditures.

The Adopted Budget assumes 1,532 single and 3,108 family coverages in 2025-26. The projections are deemed reasonable as the District projects the number of new retirees conservatively; actual new retirees tend to be somewhat less than forecasted.

Termination Pay and All Other Fringe Benefits

Termination Pay and All Other Fringe Benefits total a combined \$21.5 million in the Adopted Budget, an increase of \$2.3 million (12.0%) over the District's PFY Adopted Budget. Termination Pay is \$4.5 million in the Adopted Budget and is forecasted based on the actual number of employees eligible to retire, the estimated termination pay benefit, and the percentage expected to retire based on the trend data. Termination Pay includes compensation to newly retired individuals or eligible terminated individuals for unused paid leave as well as payouts for early retirement incentives.

All Other Fringe Benefits include supplemental benefits, workers' compensation costs, unemployment, and other minor fringe benefit costs. The Adopted Budget includes \$17.0 million in All Other Fringe Benefits including \$1.7 million in unemployment expenditures.

PAYMENTS TO CHARTER SCHOOLS

2025-26 % of total General Fund expenditures: 15.2%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$35.2M or 26%

Payments to Charter Schools is the third largest General Fund expenditure at \$180.6 million, a \$10.2 million (6.0%) increase over the PFY Adopted Budget. The increase is driven by enrollment growth (net 126 FTE pupils or 2.1%) and a substantial increase in the base tuition rate (\$1,526/pupil or 10.4%).

The following formula demonstrates the budgeted amount.

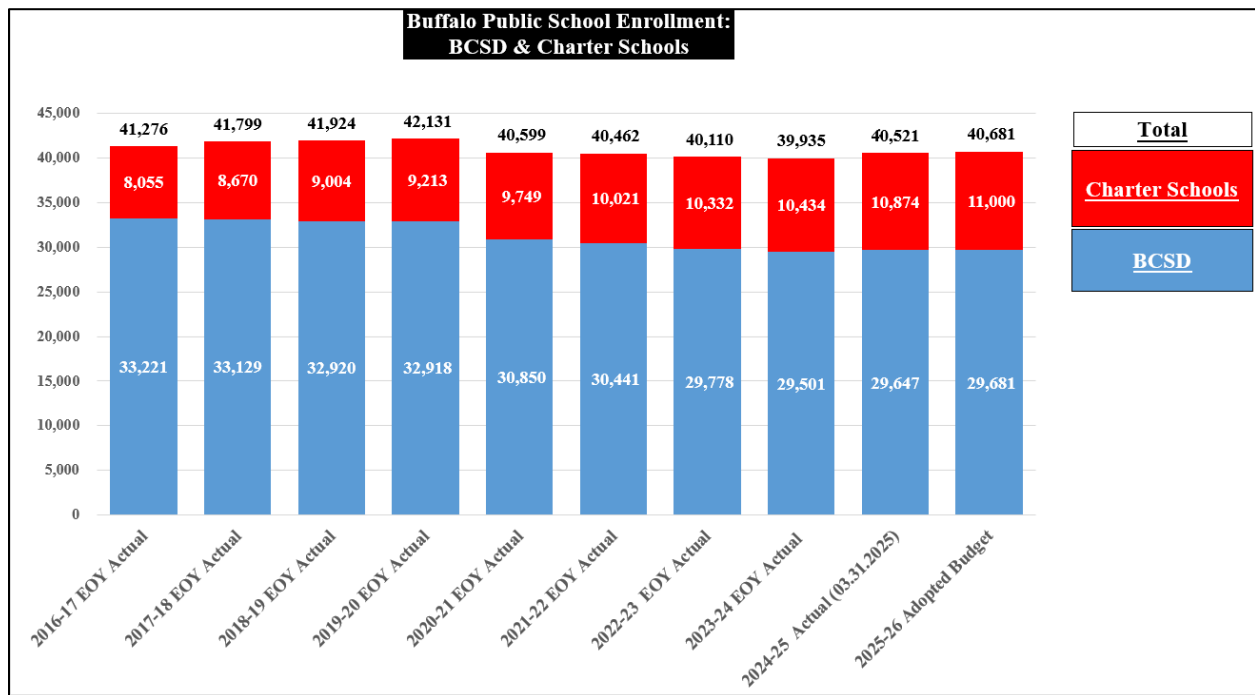
$(\text{Population} \times \text{Base Tuition}) + (\text{SPED population} \times \text{effective SPED rates}) = \text{Charter School Tuition Payment.}$

The Adopted Budget includes \$3.1 million for a charter school Special Education (SPED) tuition rate. The District now believes this expenditure is underbudgeted by \$10 million to \$15.0 million; the actual amount cannot be estimated until the New York State Education Department

finalizes 2025-26 SPED rates. The District will need to address the additional Charter School expenditures via budgetary transfers, if possible, and/or by modifying the budget to increase overall appropriations if transfers are not sufficient to address these unbudgeted expenditures.

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 following depicts City resident pupil public school enrollment for a ten-year period, consisting of the last nine years of actual enrollment and the current projection for the 2025-26 school year. It is noted that District enrollment decreased significantly in the last 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 have stabilized with a minor increase of 34 pupils to 29,681 in 2025-26, as compared to the actual count on March 31, 2025. The District projects an increase of 126 (1.2%) Buffalo resident pupils enrolled in area charter schools, as compared to the actual count on March 31, 2025. The 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.

The total number of Buffalo resident pupils enrolled in area public schools is relatively flat since a sizable drop off from FYE 2020 of 1,430 total public-school pupils (3.4%). The District's enrollment is relatively flat; enrollment growth primarily appears within area charter schools.

The following table shows the percentages of total Buffalo resident pupils enrolled in District schools and area charter schools.

Buffalo Resident Pupils in Public Schools: District & Charter	2016-17 EOY Actual	2017-18 EOY Actual	2018-19 EOY Actual	2019-20 EOY Actual	2020-21 EOY Actual	2021-22 EOY Actual	2022-23 EOY Actual	2023-24 EOY Actual	2024-25 Actual (03.31.2025)	2025-26 Adopted Budget
<i>Buffalo Resident Pupils: District</i>	80.5%	79.3%	78.5%	78.1%	76.0%	75.2%	74.2%	73.9%	73.2%	73.0%
<i>Buffalo Resident Pupils: Charter Schools</i>	19.5%	20.7%	21.5%	21.9%	24.0%	24.8%	25.8%	26.1%	26.8%	27.0%
Total Buffalo Resident Public School Pupils	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

TRANSPORTATION

2025-26 % of total General Fund expenditures: 6.1%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$35M or 134.6%

Note: The District provided very limited bussing in FY 2020-21 due to its response to the Covid-19 Pandemic.

Transportation expenditures are the sixth largest General Fund expenditure category. Transportation expenditures total \$72.4 million in the Adopted Budget, a substantial \$9.4 million (14.9%) increase over the PFY Adopted Budget. The increase is based on the anticipated level of transportation services offered by the District and a new bussing contract with First Student, Inc.

The District instituted bell time adjustments in the 2023-24 school year. The District changed the starting and ending times at schools to accommodate savings on bus routes and improve the transportation of students. School bussing had been impacted significantly in 2021-22 and 2022-23 by a bus driver shortage; school start/end times changed from a two-tiered system into a three-tiered system to alleviate transportation issues.

NYS 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.

DEBT SERVICE

2025-26 % of total General Fund expenditures: 6.6%

5-Year Change: (FYE 2020 Actual – FYE 2024 Forecasted)

\$(13.9) M or -12.1%

Debt Service payments are the fifth largest expenditure category. Debt Service includes the annual principal and interest payments that the District pays on its outstanding bonds. Debt Service expenditures are budgeted at \$78.4 million in the Adopted Budget, a \$13.3 million (14.5%) decrease over the District's 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.

ALL OTHER EXPENDITURES

2025-26 % of total General Fund expenditures: 15.1%

5-Year Change: (FYE 2021 Actual – FYE 2025 Forecasted)

\$64.2M or 57.2%

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.

A reserve contingency is included within All Other Expenditures. 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. These expenditures may include the 2025-26 net costs to settle expiring labor agreements. BFSA has previously examined this expenditure line separately from All Other Expenditures due to its size.

The following chart depicts the All Other Expenditures as included within the Adopted Budget as compared to the PFY Adopted Budget. The District's CFYE forecast is additionally included as a reference.

2025-26 Adopted Budget Expenditures	2024-25 Adopted Budget	2024-25 District Forecasted at 3.31.25	2025-26 Adopted Budget	Budget-to-Budget Change (\$)	Budget-to-Budget Change (%)	Adopted Budget compared to FYE 2025 Forecast (\$)	Adopted Budget compared to FYE 2025 Forecast (%)
All Other Expenditures	(In Millions)						
<i>Utilities</i>	\$12.5	\$12.5	\$10.6	(\$1.9)	-15.2%	(\$1.9)	-15.2%
<i>Tuition</i>	35.1	35.1	34.6	(0.5)	-1.4%	(0.5)	-1.4%
<i>Contracts - Custodian</i>	21.4	21.4	25.7	4.3	20.1%	4.3	20.1%
<i>Equipment</i>	9.8	8.8	10.2	0.4	4.1%	1.4	15.9%
<i>Contracts - Misc. & Contingency</i>	50.7	49.6	48.7	(2.0)	-3.9%	(0.9)	-1.8%
<i>Rental Contracts</i>	9.6	9.6	10.2	0.6	6.2%	0.6	6.2%
<i>Repairs & Maintenance</i>	8.9	9.0	4.6	(4.3)	-48.3%	(4.4)	-48.9%
<i>Textbooks</i>	5.5	5.5	5.7	0.2	3.6%	0.2	3.6%
<i>Supplies and Misc. Related Items</i>	16.2	15.2	11.2	(5.0)	-30.9%	(4.0)	-26.3%
<i>Reserve for Contingency</i>	0.1	0.5	1.9	1.8	1800.0%	1.4	280.0%
<i>Software</i>	6.6	6.6	6.5	(0.1)	-1.5%	(0.1)	-1.5%
<i>Interfund Transfers</i>	4.9	2.6	9.4	4.5	91.8%	6.8	261.5%
Total Other Expenditures	\$181.3	\$176.4	\$179.3	(\$2.0)	-1.1%	\$2.9	1.6%

All Other Expenditures are budgeted at \$179.3 million, a decrease of \$2.0 million (1.1%) over the District's PFY Adopted Budget.

The 2024-25 Adopted Budget included sizable increases in items previously funded via federal American Rescue Plan Act funds during the 23-24 year, including Summer and After School programming (\$7.1 million) and IT-related infrastructure and the provision of student devices (\$11 million). The 2025-26 Adopted Budget maintains these programs and supplies; appropriated 2025-26 levels are based on the CFYE forecast with adjustments based on needs and anticipated cost increases.

Utilities

Utilities expenditures total \$10.6 million in the Adopted Budget, a \$1.9 million (15.2%) decrease over the PFY Adopted Budget. The decrease may not be appropriate. While combined energy commodities have an annualized 3.7% deflationary factor (April 2025 CPI-U), the District's

Utilities include electricity and piped gas service, both have had inflationary factors (3.6% and 15.7% annualized). The overall variance would not be sizable as compared to the Adopted Budget's totality.

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 \$34.6 million in Tuition expenditures, of which \$31.8 million, or 91.9%, 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 (CTE) college credit.

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

Contracts

All service, performance, and rental contracts funded through the General Fund total \$84.6 million in the Adopted Budget, a \$4.0 million (5%) increase as compared to the PFY Adopted Budget. These include Contracts – Custodian, Contracts – Miscellaneous & Contingency, and Rental Contracts.

Contracts – Custodian is budgeted at \$25.7 million in the Adopted Budget, a \$4.3 million (20.1%) increase as compared to the PFY Adopted Budget. The increase somewhat exceeds the contractual rate of increase and may be over budgeted.

The District is unique in its custodial contracts in that the Operating Engineers receive lump sums of money based on the square footage of the building they maintain, and other factors as established by the collective bargaining agreement to perform school custodial duties. These duties are carried out in part by custodians who are employees of the Operating Engineers, not of the District. As such, the custodial union negotiates directly with the Operating Engineers, not the District. These contractual amounts were increased in the most recently settled collective bargaining agreement.

Contracts – Miscellaneous are budgeted to decrease by \$2.0 million (4.0%) over the PFY Adopted Budget. The decrease is based on actual 2025-26 contractual needs. These include programs and services previously funded via federal stimulus funds and continued through general funds (e.g., IT contractual services (\$3.7 million) and staffing development services (\$2.2 million).

Rental contracts are budgeted to increase \$0.6 million (6.2%) over the PFY Adopted Budget based on forecasted actual rental contract expenditures and a 1.5% increase annually stipulated and/or assumed contractual increases for these contracts.

The following table summarizes these three contract expenditures within the Adopted Budget.

2025-26 Adopted Budget Expenditures	2024-25 Adopted Budget	2024-25 District Forecast at 3.31.25	2025-26 Adopted Budget	Budget-to-Budget Change (\$)	Budget-to-Budget Change (%)
Contracts	(In Millions)				
<i>Contracts - Custodian</i>	\$21.4	\$21.4	\$25.7	\$4.3	20.1%
<i>Contracts - Misc. & Contingency</i>	50.7	49.6	48.7	(2.0)	-4.0%
<i>Rental Contracts</i>	9.6	9.6	10.2	0.6	6.2%
Total Contracts	\$81.7	\$80.6	\$84.6	\$4.0	5.0%

Miscellaneous

Miscellaneous General Fund expenditures include equipment, software, repairs and maintenance, textbooks, supplies, a reserve contingency, and interfund transfers. These expenditures total \$43.8 million in the Adopted Budget, a decrease of \$8.2 million (15.8%) as compared to the PFY Adopted Budget.

Equipment expenditures are budgeted to increase by \$0.4 million (4.1%) over the PFY Adopted Budget based on the planned 2025-26 purchasing.

Software expenditure includes instructional and business system software. Software expenditures are budgeted to decrease \$0.1 million (1.5%) over the PFY Adopted Budget based on the planned 2025-26 purchasing.

Repairs & Maintenance expenditures are budgeted to decrease by \$4.3 million (-48.3%) as compared to the PFY Adopted Budget. The 2025-26 budgeted amount is consistent with the historical average for these expenditures; 2024-25 included a higher level of repair and maintenance related to plant services.

Textbook expenditures are budgeted to increase \$0.2 million (3.6%) over the PFY Adopted Budget based on the total number of students receiving textbooks (District, charter school, and parochial), the District's five-year replacement cycle and cost-saving initiatives to reduce procurement costs through more competitive bidding.

Supplies and Miscellaneous Expenditures are budgeted to decrease by \$5.0 million (30.9%) as compared to the PFY Adopted Budget, based on the anticipated 2025-26 need for these items. Most significantly, this includes a \$3.7 million (96.%) reduction in WozED, a K-12 STEM program.

The Reserve for Contingency is budgeted at \$1.9 million, \$1.1 million (36.7%) less than the PFY Adopted Budget. This expenditure line is a source for budgetary transfers including settling labor agreements.

Interfund Transfers are transfers from the General Fund to other funds to support the summer handicapped program, JROTC, special projects, the debt service fund, capital projects, and food service operations. These expenditures are increased substantially by \$4.5 million (91.8%) as

compared to the PFY Adopted Budget. The 2025-26 budgeted amount is in line with historically budgeted amounts.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

As of June 30, 2024, the District had \$70.1 million of fund balance assigned for OPEB. As of the last actuarial valuation report dated June 30, 2024, the total OPEB liability was \$1.83 billion. This is an increase from the estimate of the total OPEB liability on June 30, 2023, of \$0.3 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.

FOOD SERVICE FUND

The District provides breakfast, lunch, and after-school dinner to all District students as well as to five Buffalo charter schools, three non-public schools, and an out-of-District charter school.

The Emerson School of Hospitality and Buffalo School of Culinary Arts and Hospitality Management provide students with an academic program while focusing on career preparation in the food service and hospitality industries. While these schools’ budgets are separate from the Food Service Program, federal dollars flow through the Food Service Program for the Child Nutrition Program, as administrators of the program.

The Summer Food Service program provides meal service to children during the summer months. It provides breakfast, lunch, and snacks to summer school students and organizations.

The Food Service Fund totals \$49.5 million in the Adopted Budget and is largely federally funded. The following depicts the Food Service Fund Financial Plan.

The Food Service 2024-25 Adopted Budget is as follows.

Food Service Fund	2024-25 Adopted Budget	2024-25 CFYE Forecast	2025-26 Adopted Budget	Variance
\$ in Millions				
<i>Revenues</i>	\$45.0	\$43.9	\$43.0	\$(0.9)
<i>Expenditures</i>	49.5	50.5	47.7	2.8
Surplus/(Deficit)	\$(4.5)	\$(6.6)	\$(4.7)	\$1.9
Appropriated Fund Balance	\$4.5	\$6.6	\$4.7	
Deficit/Surplus				

The 2025-26 Food Service Adopted Budget includes a \$1.8 million reduction in federal food service aid, as compared to the 2024-25 Adopted Budget. The reduction is based on the U.S. Agriculture Department decision to end two pandemic-era programs that provided more than \$1.0 billion for schools and food banks to purchase food from local farmers and producers.

The District drew down fund balance assigned for capital improvements from 2015-16 through 2024-25 for a building improvement and expansion project.

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

Central Commissary Update

The District intends to present a lease for a new Central Commissary to the Buffalo Board of Education on July 16, 2025. The lease will continue until after the construction is completed in the 2025-26 year. The estimated \$2.0 million in additional lease costs are projected to cause sizable deficits in the Food Service Fund, funded with available fund balance. Total Food Service fund balance was \$38.1 million at June 30, 2024.

The District believes the new commissary facility lease will address two issues: first, the provision of a safe facility which offers a greater variety of healthier foods using the cook/chill method, and second provides a plan to utilize excess fund balance held by the Food Service Fund. It is assumed all construction costs and incidentals will be paid for by the contractor/developer and reimbursed through lease payments with the Food Service Fund. The details of this program are currently being deliberated and considered.

SPECIAL PROJECTS FUND

The Special Projects Fund includes grants from federal, state, and local foundations. The Special Projects Fund Adopted Budget totals \$139.4 million and funds 704 FTEs.

Combined Grants Funds	2024-25 Adopted Budget	2024-25 Adopted Budget (FTEs)	2025-26 Adopted Budget	2025-26 Adopted Budget (FTEs)	Change (S)	Change (FTE #)
Special Projects Fund						
<i>Federal Grants</i>	\$64.5	369.0	\$67.1	384.0	\$2.6	15.0
<i>NYS Grants</i>	63.7	277.0	67.8	304.0	4.1	27.0
<i>Foundation Grants</i>	4.0	14.0	4.5	16.0	0.5	2.0
Total Special Project Funds	\$132.2	660.0	\$139.4	704.0	\$7.2	44.0

The District estimates an increase in federal aid of \$2.6 million (4.0%). This includes the following:

Ongoing federal funding

- Title I-IV funds: \$8.8 million
 - based on federally mandated formula aid

Expiring federal funding

- Buffalo Farm Share: \$(2.0) million
- Afghan Refugee School Impact: \$(4.2) million

As noted, the Adopted Budget does not address the potential for federal aid cuts based on the current federal budget bills. The Adopted Budget estimated \$67.1 million in cumulative federal aid. A reduction in this funding would hurt the District's ability to provide programs and services.

The District receives additional NYS aid in the form of categorical grants, New York State Education Department (NYSED) funds, and other NYS sources. These grants are budgeted at \$67.8 million in 2025-26, an increase of \$4.1 million (6.4%)

The District receives additional grants from local foundations. These grants are budgeted at \$4.5 million in 2025-26, a \$0.5 million (12.5%) increase as compared to the District's 2024-25 Adopted Budget. This amount will increase over 2025-26 as the District is awarded new grants.

The fund is self-sufficient; if anticipated grant applications are either rejected, reduced, or require resubmission, mandated expenditures are funded via the General Fund.

CONCLUSIONS

The District has presented a balanced 2025-26 Adopted Budget. Importantly, the budget is balanced with the use of \$78.8 million in fund balance, a non-recurring source of funding. As General Fund budgeted appropriations exceed estimated revenues, a structural deficit exists.

General Fund revenues are reasonably estimated within the Adopted Budget. The rate of increase is 2.3% as compared to the PFY Adopted Budget. There is a threat to the federal Medicaid reimbursement as current congressional budget bills seek to limit Medicaid eligibility. These changes could potentially reduce the District's reimbursement.

General Fund expenditures are reasonably appropriated within the Adopted Budget. The rate of increase is 1.8% as compared to the PFY Adopted Budget. The District will realize an operating deficit in the CFYE. As estimated revenues are less than appropriations, this structural deficit widens and requires gap-closing actions, including the appropriation of one-time fund balance and structural alignments.

The 2025-26 Adopted Budget shifted from the plan as presented last year with respect to right-sizing the District. This initiative reduced schools and staffing to be consistent with the decline in enrollment. This is particularly important given that all collective bargaining units have contracts that either expire on June 30, 2025, or June 30, 2026. The BFSAs will analyze the actions detailed within the forthcoming 2026-2029 Financial Plan.

The District should consider the impacts that changes at the federal level will have on out-year funding. Current congressional funding bills seek to curtail the rates of increase in federal education spending. These changes would put greater pressure on the District to continue these programs and services. Potentially, the State of New York could limit funding increases as well in response to federal actions.

BUFFALO FISCAL STABILITY AUTHORITY

Analysis of the Buffalo City School District's 2026-2029 Financial Plan

INTRODUCTION

The Buffalo City School District (District) submitted the 2026-2029 Financial Plan (Financial Plan) to the Buffalo Fiscal Stability Authority (BFSA) on July 17, 2025. The 2025-26 Adopted Budget (Adopted Budget) was submitted to the BFSA on May 21, 2025, and approved by the Board of Education on May 28, 2025. BFSA reported separately on the Adopted Budget on June 16, 2025; that report titled “Analysis of the Buffalo City School District’s Adopted Budget” should be read in conjunction with this report for a complete analysis.

Both the Adopted Budget and Financial Plan were submitted after the April 8th statutory requirement. The Financial Plan was submitted after the deadline of May 28, 2025, as extended via BFSA Board Resolution No. 25-02, “Declaration of Incomplete Financial Plan.”

OVERVIEW

The Financial Plan depicts a structural deficit, as projected expenditures exceed forecasted revenues in each fiscal year. The Adopted Budget includes a deficit of \$78.8 million, and each outyear thereafter depicts a budgetary deficit ranging between \$24.1 million to \$31.8 million. The deficits decrease in each outyear as the rate of increase in revenues exceeds the rate of increase in expenditures. The cumulative four-year budget deficit is \$158.0 million, funded through the available fund balance.

The Financial Plan includes a cost-reduction plan largely focused on aligning total staffing and the number of open buildings with a declined pupil enrollment. In 2026-27, the District plans to close two yet-to-be-named schools. Additionally, 100 full-time equivalent employees (FTEs) are eliminated from the General Fund, with an additional 50 FTEs eliminated in both 2027-28 and 2028-29. The District intends to eliminate budgeted positions as employees retire, although layoffs may be necessary if needed.

District enrollment declined by 3,271 pupils (9.9%) over the last five years (fiscal year-end (FYE) 2020 to FYE 2025). Total District FTE staffing inversely increased by 142 FTEs (2.6%) overall over this period, demonstrating an economically unsustainable model. In 2024-25, there was a 266 FTE (4.6%) reduction in recognition of the need to reduce staffing.

The following is a high-level summary of the Financial Plan:

General Fund	2024-25 Adopted Budget	2024-25 District Forecast at 3.31.25	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	\$ Change from Year 1-4	% Change from Year 1-4
	\$ in Millions							
Revenues	\$1,082.3	\$1,095.1	\$1,107.7	\$1,154.6	\$1,168.6	\$1,182.3	\$74.6	6.7%
Expenditures	1,165.7	1,141.7	1,186.5	1,186.4	1,191.9	1,206.4	19.9	1.7%
Deficit	(\$83.4)	(\$46.6)	(\$78.8)	(\$31.8)	(\$23.3)	(\$24.1)	\$54.7	5.1%
Total Fund Balance	83.4	46.6	78.8	31.8	23.3	24.1		
Remaining Deficit	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		
Fund Balance as % of Total GF Appropriations	7.2%	4.1%	6.6%	2.7%	2.0%	2.0%		

KEY FINDINGS

The following key observations have been made.

7. General Fund revenues increase at a 2.2% average annual growth rate (AAGR) over the Financial Plan. Total General Fund revenues increase in each fiscal year.
8. General Fund expenditures are projected to decrease slightly by \$0.1 million from 2025-26 to 2026-27, then increase at an AAGR of 0.6% (i.e., a rate less than the AAGR in revenues). General Fund expenditures exceed General Fund revenues in each Financial Plan fiscal year.
 - a. Budgeted General Fund Employee Benefits decrease significantly from 2025-26 to 2026-27 by \$17.7 million (7.2%), driven by a \$12.2 million (20%) reduction in retiree health insurance expenditures. The reduction in retiree health insurance is due to an adjustment to more realistic levels based on actual retiree health insurance of \$52.0 million (unaudited) for the year ended June 30, 2025, and District projections for a significant decrease in total gross allowable health insurance-related expenditures billed through its third-party administrator. The District is including the impact from cost-containment strategies, including targeting the top three claim categories. The reduction in 2026-27, and the rates of increase in 2027-28 and 2028-29, were determined through discussions with the District's health insurance consultant. Additionally, most retirees are enrolling in the lower cost Independent Health Medicare Advantage Plan, with an annual \$2,000 savings per retiree.

The projected decrease in retiree health insurance expenditures represents both an opportunity and a threat. If projected savings materialize, the District will save a considerable amount of funds that can be redirected towards other areas of need. If they do not materialize, the District could see an additional cumulative \$42.6 million in retiree health insurance expenditures (assuming 2025-26 budgeted amount increases by 3.4% annually, per the Financial Plan assumption), resulting in an increase to outyear deficits.

- b. The Adopted Budget includes \$3.1 million for a charter school Special Education (SPED) tuition rate. The District now believes this expenditure is underbudgeted by \$10.0 million to \$15.0 million; the actual amount cannot be estimated until the New York State Education Department finalizes 2025-26 SPED rates. The District will need to address the additional Charter School expenditures via budgetary transfers, if possible, and/or by modifying the budget to increase overall appropriations if transfers are not sufficient to address these unbudgeted expenditures.

The Financial Plan assumes the 2025-26 base tuition rate will remain unchanged in 2026-27 through 2028-29, based on the assumption that the District's annual operating expenses (AOE) will be essentially flat. The AOE is based upon actual expenditure data. The District is in the beginning stages of a downsizing that will result in lower future expenditures. The Charter School Tuition expenditure is flat in all three Financial Plan outyears as enrollment is projected at a static level. The assumption of flat Charter School Tuition expenditures at \$197.5 million in all three outyears represents both an opportunity and a threat to the Financial Plan. If

expenditures are held flat, the District will have a considerable amount of additional resources that may be allocated to other areas of need. If expenditures increase beyond what is assumed in the Financial Plan, the District may need to redirect resources to meet these additional expenditures or increase outyear deficits.

The Charter School Base Tuition rate is based on the host District's approved operating expenses over the last three fiscal years. Assuming the District has an expense growth of 3%, the Financial Plan may underestimate Charter School Tuition Payments by a cumulative \$49.4 million, which includes the \$10.0 million to \$15.0 million estimated in 2025-26 for special education expenditures.

- c. The Special Projects Fund (Grants Fund) is self-balancing and is typically not expected to require substantial transfers from the General Fund. The District is concerned with both short- and long-term cuts to federal funding. The concern is a potential \$8.0 million annual cut (impacting 39 FTEs) beginning in 2026-27. If that were to occur, the General Fund would make up the funding lost to the Grants Fund.
 - d. There is a concern that future Medicaid reimbursements will be negatively impacted by future federal appropriations. The 2025 United States budget reconciliation law includes a planned reduction in the rate of increase in certain federal outlays, as compared to outyear projections. This may include eliminating the federal Medicaid reimbursement to New York State (NYS) school districts for individuals determined ineligible for such benefits at the federal level. If the Medicaid reimbursements were cut, the District would receive \$5.0 to \$5.3 million less annually, or \$20.6 million less over the Financial Plan.
 - e. In the 2024-25 Adopted Budget, the District continued \$45.0 million of programs previously funded by federal stimulus funds. These programs included summer and after-school programming (\$7.1 million), information technology infrastructure, the provision of student devices (\$11.0 million), and 158 full-time equivalent employees (FTEs). These programs are phased out over the Financial Plan. The District intends to curb these expenditures by reducing programs and services in the outyears and annually reducing a significant level of budgeted positions. These changes are included within the Financial Plan and are a part of the District's downsizing initiatives.
9. The District has budgeted the appropriation of \$78.8 million of fund balance in 2025-26. The cumulative projected four-year fund balance appropriation is \$158.0 million. The District currently has sufficient fund balance to fund the projected deficits over the next four years, provided that the noted risks to the Financial Plan do not materialize.

The District estimates the total fiscal year-end (FYE) 2025 Unrestricted fund balance at \$342.5 million, consisting of \$230.1 million in Assigned fund balance and \$112.4 million in Unassigned fund balance. It is projected to total \$188.4 million at FYE 2029, with Unassigned fund balance projected at \$56.1 million. The balance of Unassigned fund balance is estimated to exceed the Buffalo Board of Education's 4% minimum retainage policy by \$7.8 million. The current four-year plan relies heavily on one-time fund balance to cover deficits without sufficient structural changes to address budget gaps beyond 2028-29.

10. All collective bargaining agreements are either expired or are scheduled to expire this year (excepting the bus aides). BFSA estimates that the District has included a cumulative \$20.0 million to \$27.0 million for annual step and contract agreements. BFSA conservatively estimates that settling labor agreements will increase General Fund employee compensation and benefits by a cumulative four-year cost of \$65.0 million for 2% annual contractual increases to \$98.3 million for 3% annual contractual increases. Contract settlements would either need to be less than the \$20.0 million to \$27.0 million included within the Financial Plan or would require additional funding.

These collective bargaining units include the following.

Expired June 30, 2025

- Buffalo Association of Substitute Administrators (Substitute Administrators or BASA)
- Buffalo Council of Supervisors and Administrators (Administrators or BCSA)
- Buffalo Educational Support Team (Teacher's Aides and Teaching Assistants or BEST)
- Local 264 (Blue-collar)
- Substitutes United of Buffalo (Substitute Teachers or SUB)

Expires June 30, 2026

- Buffalo Teachers' Federation (Teachers or BTF)
- Local 409 engineers (Engineers)
- Professional, Clerical, and Technical Employees' Association (White-collar or PCTEA)

11. The General Fund has provided approximately \$40.0 million in transfers to the Capital Fund over the past three fiscal years. A large amount of this funding was used for projects not subject to NYS reimbursement.

During the 2024-25 fiscal year, the District implemented Phase 1 of a Capital Improvement Plan (CIP). The final project list included twenty-one health and safety-related projects with a total project cost of \$37.0 million. Each project qualifies for NYS Building Aid. The funding for these projects is anticipated to be funded by a \$22.0 million bond offering through the City of Buffalo (City) and \$15.0 million in General Fund transfers (\$11.0 million occurred in 2024-25). The City Comptroller has not determined at this time which projects will be included in a 2025 bond sale. Increases in Debt Service and NYS Building Aid for these projects are included in the Financial Plan.

The District is currently developing Phase 2 of the CIP which include the Buffalo State/DaVinci project. Except for the DaVinci project, the intent is for Phase 2 to be fully bond-financed and not rely on transfers from the General Fund; the sale of bonds is dependent on approvals by the City of Buffalo. Approximately \$24.0 million of the \$44.0 million DaVinci project is aidable. A \$25.0 million set aside and assignment for potential transfers required by the DaVinci project is included in the fund balance projection.

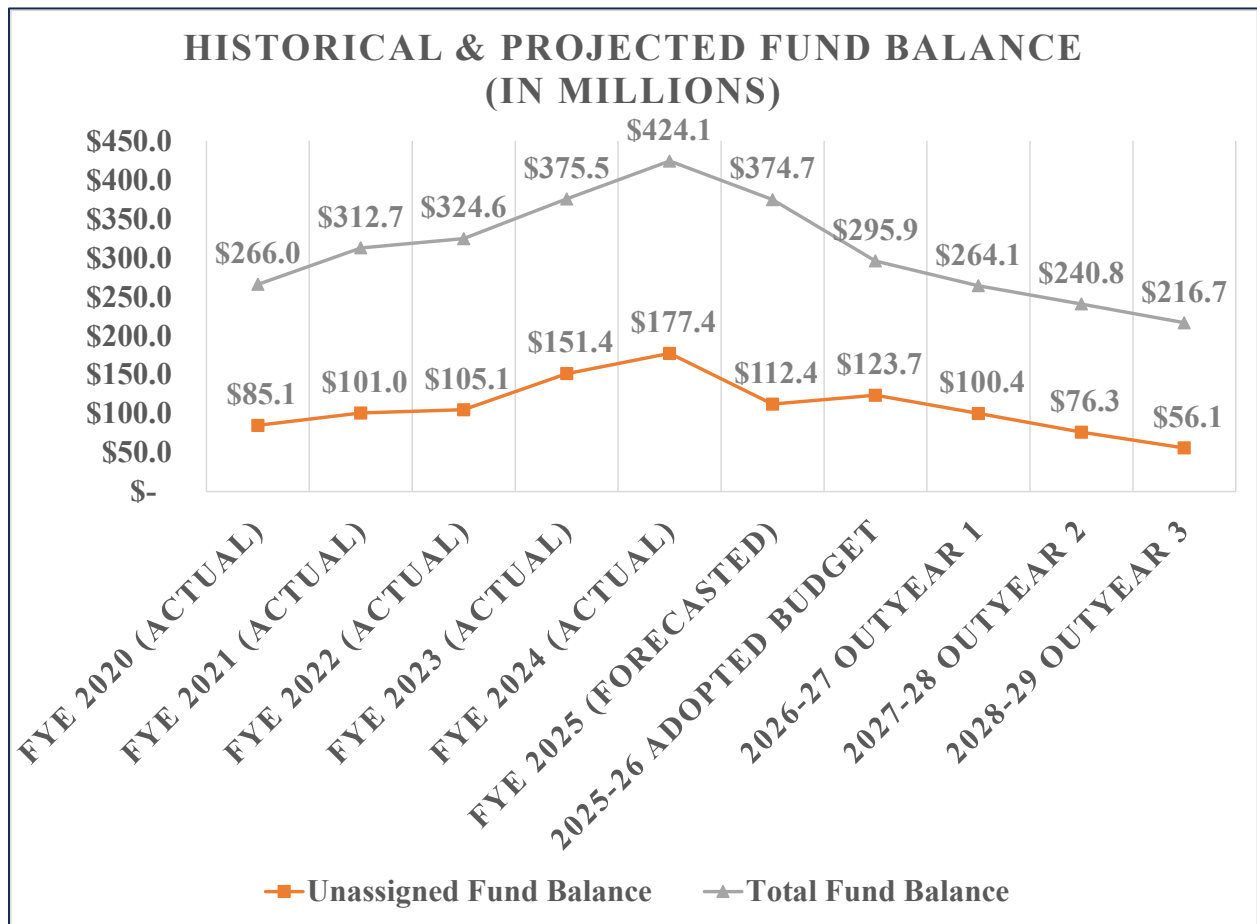
12. The Financial Plan assumes a fully executed lease for a new Central Commissary in early 2025-2026. Lease payments will begin after construction is completed in the 2026-27 year. The additional lease costs will create sizable deficits in the Food Service Fund that will be funded using Food Service Fund fund balance for approximately eight years. During years nine through fifteen, the General Fund will fund approximately \$23.0 million in deficits through budget appropriations. During year sixteen and thereafter, the lease payments decrease to a minimal annual level of approximately \$100,000.
13. Several of the District's main cost drivers have reduced rates of increase over the Financial Plan, including BTF compensation, health insurance for active employees, and health insurance for retirees. Charter School Tuition Payments are projected to be flat in all three outyears. This report discusses the analysis of these main cost drivers.

AVAILABLE AND PROJECTED FUND BALANCE

The District's fund balance position improved considerably and increased annually since FYE 2017, which reported a deficit of \$20.6 million, through FYE 2024. As of June 30, 2017, the General Fund's fund balance totaled \$182.6 million, including \$70.0 million in Unassigned fund balance. As of June 30, 2024, the total General Fund fund balance was \$424.1 million, including \$177.4 million in Unassigned fund balance. Total Unrestricted fund balance (Assigned and Unassigned fund balance) was \$391.9 million.

Total fund balance was forecasted to be reduced by \$49.4 million to \$374.4 million by FYE 2025. The Financial Plan includes a substantial \$158.0 million drawdown of fund balance. Fund balance is projected to total \$216.7 million at June 30, 2029, with \$188.4 million in Unrestricted fund balance of which \$56.1 million is projected in Unassigned fund balance.

The following depicts the District’s historical and projected General Fund fund balance from June 30, 2020, to June 30, 2029.



2026-2029 FINANCIAL PLAN SUMMARY

The following analysis was conducted on the 2026-2029 four-year financial plan.

GENERAL FUND REVENUES

General Fund revenues total \$1,107.7 million in the Adopted Budget. The total revenue increase over the four years of the Financial Plan is \$74.6 million(6.7%). The AAGR over this period is 2.2%. General Fund revenues increase in each fiscal year. The following chart summarizes General Fund revenue and fund balance usage as projected in the Financial Plan.

2026-2029 Financial Plan Revenues & Use of Fund Balance	2024-25 Adopted Budget	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	\$ Change from Year 1-4	% Change from Year 1-4
	(In Millions)						
<i>Real Property Tax</i>	\$70.8	\$70.8	\$70.8	\$70.8	\$70.8	\$0.0	0.0%
<i>Erie County Sales Tax</i>	56.0	58.5	60.3	61.5	62.7	4.2	7.2%
<i>Federal Medicaid Reimbursement</i>	4.0	5.0	5.1	5.2	5.3	0.3	6.0%
<i>New York State Aid (less Building Aid)</i>	837.2	869.2	902.8	927.4	952.7	83.5	9.6%
<i>New York State Building Aid</i>	102.0	89.3	99.3	85.9	71.5	(17.8)	-19.9%
<i>Miscellaneous</i>	12.3	14.9	16.3	17.8	19.3	4.4	29.5%
Total General Fund Revenues	\$1,082.3	\$1,107.7	\$1,154.6	\$1,168.6	\$1,182.3	\$74.6	6.7%
<i>Fund Balance</i>	83.5	78.8	31.8	23.3	24.1		
Total GF Revenue & Assigned Fund Balance	\$1,165.8	\$1,186.5	\$1,186.4	\$1,191.9	\$1,206.4		

General Fund revenues are budgeted at \$25.4 million (2.3%) greater than the 2024-25 Adopted Budget. The overall increase is driven by a \$32.0 million (3.8%) increase in NYS Aid offset by a \$12.7 million (12.5%) decrease in NYS Building Aid.

Real Property Taxes

2025-26 % of total General Fund Revenues: 6.4%

2028-29 % of total General Fund Revenues: 6.0%

The City annually forwards a portion of collected property tax revenues to the District for general operations and annual debt payments. The City's contribution for 2025-26 remains at \$70.8 million and is carried forward throughout the Financial Plan. The City's contribution was last increased in 2017-18 by \$0.5 million and has since been maintained; before 2017-18, the City's contribution was \$70.3 million from 2008-09 through 2017-18. The City may provide whatever contribution it deems necessary; 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.

Total New York State Aid

2025-26 % of total General Fund Revenues: 86.5%

2028-29 % of total General Fund Revenues: 86.6%

The District's largest revenue source is NYS Aid. The District is one of the Big 4 City School Districts, including the Rochester City School District, the Syracuse City School District, and the Yonkers City School District. These 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 86.5% of the District’s total estimated 2025-26 revenues.

NYS Aid is projected to increase by a net \$65.7 million (6.9%) over the Financial Plan based on 1) a 3% inflationary rate, 2) declining Building Aid, and 3) a static total Buffalo resident pupil enrollment in all area public schools.

Potential NYS Aid Cuts

There is a concern that NYS Aid may be impacted by potential federal aid cuts. Federal aid constitutes a critical portion of the District’s education funding, including programs serving low-income students and those with special needs. These funds are recorded primarily within the Special Projects Fund (Grants Fund); the loss of grant funding would place further strain on the General Fund if the services are maintained.

New York State may need to divert local resources to cover shortfalls, putting additional pressure on already strained budgets. Cuts would undermine efforts to provide equitable education, as schools serving the highest-need populations are the most dependent on federal aid.

Federal grant funding has been confirmed for 2025-26. The federal grant funding identified as most at risk for potential cuts in the Financial Plan’s outyears are:

- Title I: Support for schools with high concentrations of low-income students. Cuts could force reductions in academic interventions, after-school programs, and basic classroom resources for high-poverty schools.
- Individuals with Disabilities Education Act: Funding for special education services. Cuts would likely reduce specialized instruction, therapies, and support staff for these students.
- Support for English Language Learners (ELLs): Provides schools with language instruction and support for ELLs. Reductions would limit access to bilingual education and targeted interventions.
- Career and Technical Education (CTE): Support for CTE programs that prepare students for workforce entry. Cuts could diminish course offerings and hands-on training opportunities.
- School Nutrition and Health Programs: The termination of temporary pandemic relief grants has already resulted in losses for locally sourced school meals and other health-related services. Further federal cuts would additionally impact school districts.

If federal cuts occur, New York State would need to reallocate local funds to fill gaps, potentially leading to cuts in other programs or services.

New York State Aid (excluding Building Aid)
2025-26 % of total General Fund Revenues: 78.5%
2028-29 % of total General Fund Revenues: 80.6%

Foundation Aid is increasing by \$35.5 million (5.0%) over the PFY Adopted Budget and is projected to increase by \$72.8 million (9.8%) over the Financial Plan. The District conducted an internal revenue audit and is projecting an annual \$6.0 million increase in Foundation Aid related to English Language Learner (ELL) count submissions. This additional revenue is anticipated in each year over the Financial Plan; however, the amount was not included in 2025-26 as the audit results occurred subsequent to the adoption of the budget.

Transportation Aid is a reimbursement for prior fiscal year (PFY) transportation expenditures. The District's reimbursement averages 87% of eligible costs. The 2025-26 Transportation Aid is budgeted at \$55.1 million and increases \$7.4 million (13.5%) over the Financial Plan, based on the assumption of a standard level of transportation services.

All other combined NYS aids decrease by a cumulative \$5.7 million (8.1%) compared to the PFY Adopted Budget and increase by \$3.3 million (3.2%) over the Financial Plan.

The Financial Plan estimates 2025-26 District enrollment at 29,681 and projects this level to remain static through 2028-29. The enrollment projection is based on an estimated increase of 34 (0.1%) pupils over the 2024-25 final enrollment of 29,647.

NYS Aid is based on pupil counts and prior-year expenditures. For example, the District will receive approximately \$15,458 in Foundation Aid for every full-time equivalent (FTE) Buffalo resident pupil enrolled in District and area charter schools. Based on an inflationary estimate, this per-pupil aid is anticipated to increase by 3% annually to \$16,891 in 2028-29.

New York State Building Aid

2025-26 % of total General Fund Revenues: 8.1%

2028-29 % of total General Fund Revenues: 6.0%

Building Aid is shown separately to delineate it from funds available for general operations. Building Aid is a reimbursement from NYS for capital projects and is directly correlated to the District's General Fund Debt Service payments. NYS reimburses at 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 97.1% for approved school building projects.

NYS Building Aid is budgeted at \$89.3 million in 2025-26, a \$12.9 million (12.5%) decrease over the PFY Adopted Budget. It decreases in each Financial Plan outyear to \$71.5 million in 2028-29 (\$17.8 million or 19.9%) based on scheduled debt service expenditures.

Erie County Sales Tax

2025-26 % of total General Fund Revenues: 5.3%

2028-29 % of total General Fund Revenues: 5.3%

The District's fourth-largest revenue source is sales tax, budgeted at \$58.5 million for 2025-26, \$2.5 million (4.5%) greater than the District's PFY Adopted Budget.

Erie County Sales Tax is projected to grow \$4.2 million (7.2%) to \$62.7 million over the Financial Plan. The District has conservatively budgeted annual increases between 2-3% based on its assumption that the annual increases realized over the last several years are unsustainable.

The District is overly conservative in its sales tax revenue estimates and projections. Given the current inflationary rate (Personal Consumption Expenditures June 2025 report: 2.6%) on taxable goods and BFSA's internal prior fiscal year-end (PFYE) forecast of \$60.0 million, the District's Erie County Sales Tax revenues appear underestimated by \$9.2 million to \$15.5 million

cumulatively within the Financial Plan. This projection is based on 1) actual FYE 2025 sales tax receipts and, 2) an assumed annual 2-3% inflationary increase.

All Other Revenue (Miscellaneous)

2025-26 % of total General Fund Revenues: 1.3%

2028-29 % of total General Fund Revenues: 1.6%

All Other Revenues include tuition, interest, interfund revenues for indirect costs, and miscellaneous items. The combined total of all other Revenues (Miscellaneous) was \$14.9 million in the Adopted Budget, a \$2.6 million (21.1%) increase over the District’s PFY Adopted Budget. The budgeted increases in the Adopted Budget align with actual historical increases in reimbursements for health services and other tuition billings charged to other school Districts. These revenues are projected to increase by \$4.4 million (29.5%) over the Financial Plan.

Federal Medicaid Reimbursement

2025-26 % of total General Fund Revenues: 0.5%

2028-29 % of total General Fund Revenues: 0.4%

The Federal Medicaid Reimbursement totals \$5.0 million in the Adopted Budget, \$1.0 million (25%) greater than the PFY Adopted Budget. These amounts increase by \$0.3 million (6.0%) over the Financial Plan.

This revenue is a reimbursement of Medicaid-eligible healthcare services funded and provided by the District. The year-over-year increase is a function of timing; the District forecasts a historically high CFYE level of federal Medicaid Reimbursement.

There is a concern that future Medicaid reimbursements will be negatively impacted by future federal appropriations. The 2025 United States budget reconciliation law includes a planned reduction in the rate of increase in certain federal outlays, as compared to outyear projections. This may include eliminating the federal Medicaid reimbursement to NYS school districts for individuals determined ineligible for such benefits at the federal level. Such a cut would reduce the District’s revenues by \$5.0 million to \$5.3 million annually, or a cumulative \$20.6 million over the Financial Plan.

GENERAL FUND EXPENDITURES

General Fund budgeted appropriations total \$1,186.5 million in the Adopted Budget, a \$20.8 million (1.8%) increase from the District's PFY Adopted Budget. General Fund expenditures are projected to decrease by \$0.1 million from 2025-26 to 2026-27, then increase by \$20.0 million cumulatively (1.7%) from FYE 2027 through FYE 2029, or an AAGR of 0.8%. Expenditures are projected to total \$1,206.4 million in 2028-29.

General Fund expenditures are examined here in six discrete subcategories:

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

The Financial Plan includes minor increases or decreases in most General Fund expenditure categories from 2025-26 to 2026-27, driven mainly by projected slight increases in Employee Compensation (\$1.0 million or 0.2%), a significant decrease in related Employee Benefits (\$17.7 million or 7.3%) related to the additional reduction in budgeted FTEs (100 FTEs), offset somewhat by contractual increases. Additionally, expenditures are reduced based on the assumption that two yet-to-be-determined schools will be closed.

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.

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

2026-2029 Financial Plan Expenditures	2024-25 Adopted Budget	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	\$ Change from Year 1-4	% Change from Year 1-4
<i>Employee Compensation</i>	\$427.0	\$431.3	\$432.3	\$437.6	\$442.4	\$11.1	2.6%
<i>Employee Benefits</i>	232.3	244.0	226.3	232.3	238.5	(5.5)	-2.3%
<i>Debt Service</i>	91.7	78.4	80.4	70.4	69.2	(9.2)	-11.7%
<i>Charter School Payments</i>	170.4	180.7	197.5	197.5	197.5	16.8	9.3%
<i>Transportation</i>	63.0	72.5	75.5	78.5	81.6	9.1	12.6%
<i>All Other Expenditures</i>	181.3	179.6	174.4	175.6	177.2	(2.4)	-1.3%
Total	\$1,165.7	\$1,186.5	\$1,186.4	\$1,191.9	\$1,206.4	\$19.9	1.7%

EMPLOYEE COMPENSATION

2025-26 % of total General Fund expenditures: 36.4%

2028-29 % of total General Fund Expenditures: 36.7%

Employee Compensation is the District's largest expenditure and includes employees' salaries and wages. Total General Fund Employee Compensation expenditures are budgeted at \$431.3 million, a \$4.3 million (1.0%) increase as compared to the District's PFY Adopted Budget.

Total projected Employee Compensation is \$432.3 million in 2026-27, \$1.0 million (0.2%) greater than the Adopted Budget. The slight increase is based on a net decrease of 100 FTEs, offset by salary steps and 2.5% to 4% assumed contractual increase for several employee groups with expired/expiring collective bargaining agreements.

The following depicts the Financial Plan's General Fund staffing plan by teachers and all other FTEs.

Proposed Financial Plan	2024-25 Adopted Budget	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	4-Year Change	4-Year Change
		Budgeted # of FTEs				(#)	(%)
General Fund							
<i>BTF</i>	3,360	3,281	3,231	3,181	3,131	(150)	-4.6%
<i>All Other Employees</i>	1,739	1,800	1,750	1,750	1,750	(50)	-2.8%
Total Financial Plan	5,099	5,081	4,981	4,931	4,881	(200)	-3.9%

The following depicts the Financial Plan's All Funds staffing plan by teachers and all other FTEs.

Proposed Financial Plan	2024-25 Adopted Budget	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	4-Year Change	4-Year Change
		Budgeted # of FTEs				(#)	(%)
All Funds							
<i>BTF</i>	3,737	3,715	3,717	3,667	3,617	(98)	-2.6%
<i>All Other Employees</i>	2,079	2,126	2,024	2,074	2,024	(102)	-4.8%
Total Financial Plan	5,815	5,841	5,741	5,691	5,641	(200)	-3.4%

The following chart details General Fund Employee Compensation expenditures in the Adopted Budget and the three outyears of the Financial Plan. The budgeted and projected Employee Compensation amounts are based on the number of budgeted staff each fiscal year and the labor agreements' contractual salary increases. Five labor agreements have expired; all remaining contracts expire by FYE 2026.

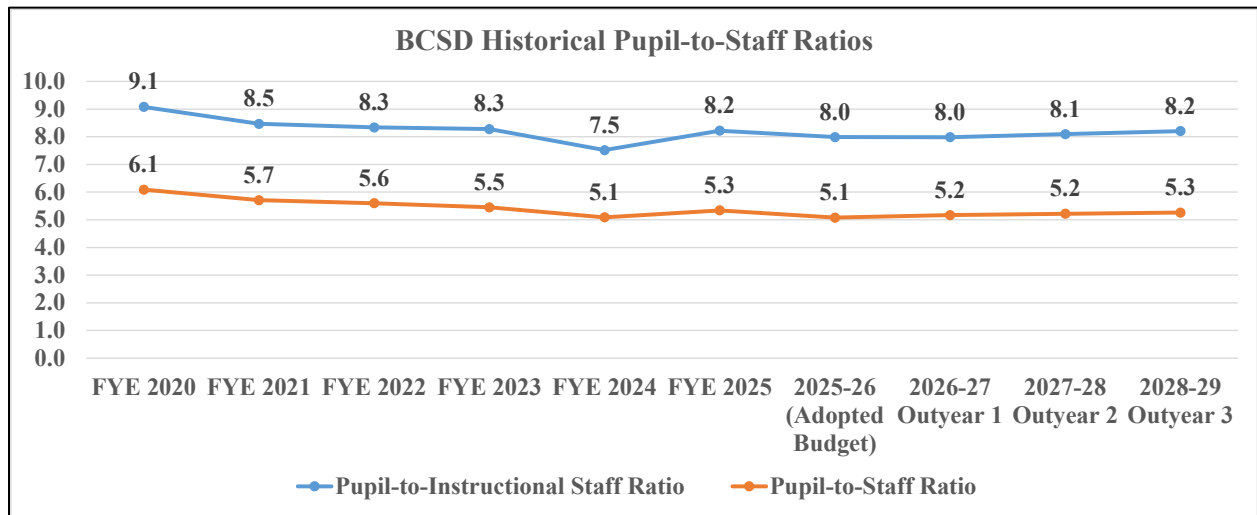
2026-2029 Financial Plan Expenditures	2024-25 Adopted Budget	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	\$ Change from Year 1-4	% Change from Year 1-4
Employee Compensation	(In Millions)						
<i>BTF (Teachers)</i>	\$293.3	\$300.4	\$301.7	\$303.0	\$304.2	\$3.8	1.3%
<i>Teacher Substitutes</i>	9.7	8.2	8.2	8.3	8.3	\$0.1	1.2%
<i>Administrator Substitutes</i>	0.2	0.2	0.2	0.2	0.2	\$0.0	0.0%
<i>BCSA (Administrators)</i>	37.7	37.3	36.7	37.5	38.1	\$0.8	2.1%
<i>PCTEA (White Collar)</i>	29.4	30.4	31.0	32.3	33.5	\$3.1	10.2%
<i>BEST (Aides & Assistants)</i>	26.4	26.4	27.1	28.3	29.4	\$3.0	11.4%
<i>TAB (Bus Aides)</i>	7.3	5.9	6.0	6.1	6.2	\$0.3	5.1%
<i>Trades</i>	4.8	5.2	4.8	5.0	5.1	(\$0.1)	-1.9%
<i>Local 264 (Blue Collar)</i>	2.8	2.8	2.6	2.7	2.8	\$0.0	0.0%
<i>Local 409 (Engineers)</i>	4.2	4.8	4.7	4.8	5.0	\$0.2	4.2%
<i>Exempt</i>	6.0	5.9	5.5	5.6	5.8	(\$0.1)	-1.7%
<i>Miscellaneous (Includes Board Member Stipends)</i>	0.3	0.3	0.3	0.3	0.3	\$0.0	0.0%
<i>Overtime</i>	4.9	3.5	3.5	3.5	3.5	\$0.0	0.0%
Total Employee Compensation	\$427.0	\$431.3	\$432.3	\$437.6	\$442.4	\$11.1	2.6%

The District's General Fund staffing plan includes reducing 79 teacher FTEs in 2025-26, and an additional 150 teacher FTEs over the three outyears of the Financial Plan, with 50 FTEs removed annually. All other FTE positions are increased by 61 FTEs in 2025-26, then reduced by 50 FTEs in 2026-27 and held static at 1,750 FTEs in all three outyears.

The District's All Funds staffing plan includes a reduction of 100 FTEs in 2026-27. These positions are almost exclusively non-teacher. An additional 50 FTEs are removed in the final two outyears. Overall, 2028-29 includes 98 fewer teacher positions and 102 fewer non-teacher positions for a total 5,641 FTEs.

The Financial Plan assumes a flat population of City publicly enrolled students, with District-enrolled students estimated at 29,681 and all Buffalo resident pupils enrolled in public charter school at 11,000 annually. Total Buffalo resident pupils enrolled in public schools is estimated at 40,681 in all Financial Plan years.

The following depicts student-to-teacher and student-to-all-employee ratios (All Funds) for ten years, consisting of the last six years of actual positions and the current projections over the four-year Financial Plan. The trend of fewer students to employees begins to reverse in 2024-25 and continues throughout the Financial Plan as the District’s right-sizing initiatives continue. Average classroom sizes are anticipated to increase slightly, but well within the BTF labor agreement’s parameters.



The following are several Employee Compensation areas of note.

BTF Compensation (64.6% of total General Fund FTEs)

The largest area of employee compensation is for teachers. General Fund budgeted positions are 3,281 FTEs in 2025-26, a decrease of 79 FTEs (2.3%) as compared to the 2024-25 Adopted Budget.

BTF employee compensation has increased by \$7.1 million (2.4%) compared to the District’s PFY Adopted Budget. The budgeted amount is consistent with the total number of budgeted positions and the estimated 2025-26 average compensation of \$92,312 (including a 3% contractual increase).

The BTF labor agreement expires at FYE 2026. The Financial Plan includes a net increase of \$3.8 million (1.3%) over the Financial Plan. The slight increase is based on the following:

- Annual decreases of 50 FTEs in each outyear
- 2% annual increases in salary based on steps, less workforce attrition

Positions will be removed as teachers retire. Teachers On Special Assignment (TOSA) positions will be reduced; TOSA teachers will be offered employment in classroom instruction or other teaching areas.

The District estimated \$46.2 million in cumulative BTF Compensation savings as follows:

2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	Four-Year Cumulative Cost- Avoidance
\$4.3M	\$4.3M	\$4.3M	\$4.3M	
	4.7M	4.7M	4.7M	
		4.9M	4.9M	
			5.1M	
\$4.3M	\$9.0M	\$13.9M	\$19.0M	\$46.2M

Other Employee Compensation (excluding BTF Compensation)

All other employee compensation totals \$130.9 million in the Adopted Budget, a slight \$2.8 million (2.1%) decrease from the PFY Adopted Budget. The decrease is despite a net increase of 61 non-teacher FTEs overall. The Adopted Budget includes a net increase of 50 BEST employees. These employees have significantly lower average annual compensation (Teaching Assistants: \$35,309 and Teacher Aides: \$27,673) than higher compensation budgeted positions removed.

All other employee compensation (excluding BTF compensation) increases by a cumulative \$7.3 million (5.6%) over the Financial Plan. There is a one-time, fifty (50) FTE reduction of budgeted employees in 2026-27. This reduction is projected based on two schools closing. The reduction is carried forward in the final two Financial Plan outyears.

Funded/Unfunded Labor Costs

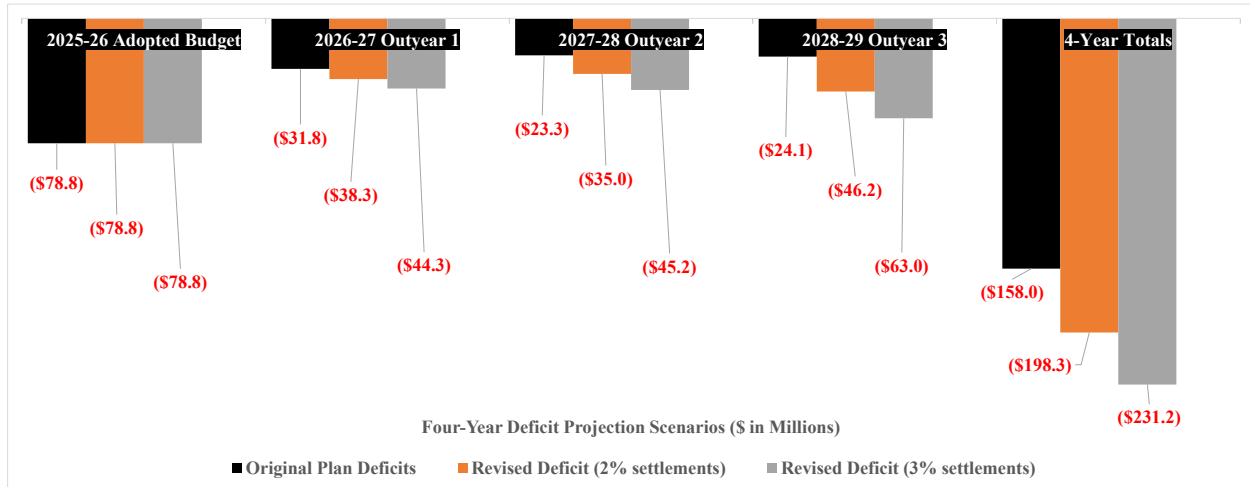
The Financial Plan includes estimated contract settlement costs. Certain employee groups have compensation increases based on both salary step increases and contractual increases as follows.

2026-2029 Financial Plan Expenditures	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3
Employee Compensation	Estimated Contractual/Salary Step Increases (%)			
<i>BTF (Teachers)</i>	3.0%	2.0%	2.0%	2.0%
<i>Teacher Substitutes</i>	3.0%	3.0%	3.0%	3.0%
<i>Administrator Substitutes</i>	3.0%	3.0%	3.0%	3.0%
<i>BCSA (Administrators)</i>	2.0%	2.0%	2.0%	2.0%
<i>PCTEA (White Collar)</i>	3.0%	4.0%	4.0%	4.0%
<i>BEST (Aides & Assistants)</i>	4.0%	4.0%	4.0%	4.0%
<i>TAB (Bus Aides)</i>	1.25%	1.25%	1.25%	1.25%
<i>Trades</i>	Prevailing Wages (estimated 3%)			
<i>Local 264 (Blue Collar)</i>	3.0%	3.0%	3.0%	3.0%
<i>Local 409 (Engineers)</i>	4.0%	4.0%	3.0%	3.0%
<i>Exempt</i>	2.5%	2.5%	2.5%	2.5%
*Actual labor agreement increases highlighted.				

BFSAs estimates that the District has included \$20 million to \$27.0 million within the Financial Plan to address these assumed annual compensation increases. BFSAs conservatively estimates

that settling labor agreements will increase General Fund employee compensation and benefits by \$65.0 million for 2% annual contractual increases to \$98.3 million for 3% annual contractual increases.

The following depicts the Financial Plan’s projected cumulative deficits and the revised cumulative deficits with potential 2% and 3% contact settlement for all eligible collective bargaining units.



Note: The deficit scenarios listed above do not include the additional cumulative four-year \$124.1 million noted as potentially at risk.

EMPLOYEE BENEFITS
 2025-26 % of total General Fund expenditures: 20.6%
 2028-29 % of total General Fund Expenditures: 19.8%

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 \$244.0 million for Employee Benefits in the Adopted Budget, a \$11.7 million (5.0%) increase as compared to the District’s PFY Adopted Budget.

These expenditures decrease by \$17.7 million (7.3%) in 2026-27 based on the planned reduction of FTEs, which reduces cost estimates for active employee healthcare benefits and other employee benefits. Additionally, health insurance for retirees is significantly reduced by \$12.2 million (20.0%). Overall, these expenditures decrease by \$5.5 million (2.3%) to \$238.5 million over the Financial Plan.

The Financial Plan is based on a key assumption that the position reductions will not be made through layoffs but rather attrition. There are no additional estimated expenditures built into the plan for additional termination pay and/or workers’ compensation associated with layoffs.

Employee Benefits include payments for:

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

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

2026-2029 Financial Plan Expenditures	2024-25 Adopted Budget	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	\$ Change from Year 1-4	% Change from Year 1-4
Employee Benefits	(In Millions)						
<i>Civil Service Retirement</i>	\$5.3	\$5.3	\$8.3	\$8.6	\$9.0	\$3.7	69.8%
<i>Teachers Retirement</i>	33.4	37.1	35.0	35.3	35.5	(1.6)	-4.3%
<i>Social Security</i>	30.6	33.6	33.1	33.5	33.9	0.3	0.9%
<i>Health Insurance (Active Employees)</i>	88.6	85.5	82.0	84.8	87.7	2.2	2.6%
<i>Health Insurance (Retired Employees)</i>	55.2	61.0	48.8	51.0	53.3	(7.7)	-12.6%
<i>Termination Pay</i>	4.5	4.5	4.5	4.6	4.6	0.1	2.2%
<i>Other Benefits</i>	14.7	17.0	14.6	14.5	14.5	(2.5)	-14.7%
Total Employee Benefits	\$232.3	\$244.0	\$226.3	\$232.3	\$238.5	(5.5)	-2.3%

The following are several Employee Benefit areas of note.

New York State Pension Systems

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 \$42.4 million in the Adopted Budget, a \$3.7 million (9.6%) combined increase as compared to the District's PFY Adopted Budget. Pension expenditures increase by \$2.1 million (5.0%) to a combined \$44.5 million over the Financial Plan.

The 2026 NYSERS blended employer contribution rate increases to 16.5%; the 2026 NYSTRS employer contribution rate increases to 9.59%. Pension contribution rates are actuarially determined by the NYS retirement systems. The District's payment to the retirement systems is a function of the contribution rates applied to actual annual salaries and wages. The overall increase in total pension payments is due to both the increase in compensation as well as increased employer contribution rates (ECRs) for NYSERS and NYSTRS.

The Adopted Budget includes \$5.3 million in NYSERS. NYSERS expenditures are projected to increase by \$3.7 million (69.8%) over the Financial Plan, including a significant \$3.0 million (56.6%) increase in 2026-27 (2025-26 is underbudgeted). All three outyears assume a blended Employer Contribution Rate (ECR) of 15.2%, less than the 2025-26 16.5% blended rate. The outyear ECRs are potentially overestimated in the Financial Plan. BFSAs estimates the 2025-26 NYSERS blended ECR at 13.22%; BFSAs estimates the blended NYSTRS ECR at 12.85% in all three outyears.

NYSTRS expenditures are projected to decrease by \$1.6 million (4.3%) over the Financial Plan based on the assumed ECR, the reduced number of teacher positions as budgeted, and increased

total employee compensation for all employees enrolled within this pension system (BTF, BCSA, BASA, and BEST (Teaching Assistants)).

Note: The 2025-26 expenditure appears somewhat overstated. The combined NYSERS and NYSTRS 2025-26 budgeted amounts are reasonably estimated.

Payroll Tax

The District’s employer portion for payroll taxes remains at 7.65% of budgeted Employee Compensation and Termination Pay. It is budgeted at \$33.6 million in the Adopted Budget, \$3.0 million (9.8%) greater than the District’s PFY Adopted Budget. Payroll Tax expenditures increase by \$0.3 million (0.9%) over the Financial Plan. The budgeted amounts are consistent with the static tax rates and the employee compensation costs.

Active Health Insurance

Health insurance for active employees is one of several major General Fund expenditures for the District. It is budgeted at \$85.5 million in the Adopted Budget, a \$3.1 million (3.5%) decrease over the District’s PFY Adopted Budget. Health insurance for active employees is projected to decrease \$3.5 million (4.1%) in 2026-27 based on the reduced staffing level. Overall, health insurance for active employees is projected to be \$2.2 million (2.6%) greater in 2028-29 than in 2025-26. Annual health insurance expenditures per employee are anticipated to increase; a reduction in budgeted staff largely offsets this increase. Both active and retiree health insurance have assumed annual cost premium-equivalent increases of 3.4% annually.

The District is self-insured; forecasted health insurance costs are based on total gross allowable health insurance-related costs billed to the District through its third-party administrator. All employees are required to pay either a flat amount (e.g.: teacher aides/teaching assistants contribute \$300 (S)/\$600 (F)), an established percentage of their base annual salary (e.g.: blue-collar employees hired before July 11, 2012 pay 1.25% of their base salary), or a percent of the annual cost (e.g.: blue-collar employees hired on or after July 11, 2012 pay 20% of the total insurance cost). These contributions offset expected expenditures by \$6.0 million in 2025-26.

The following depicts employee health insurance contributions for new employees. Employees hired at earlier dates have varying contribution levels.

Employee Health Insurance Contributions (Newest Employees)	
<i>Teachers</i>	July 1, 2025: \$950 (S)/ \$2,050 (F) annually
<i>Teacher Substitutes</i>	100% of the cost of the premium
<i>Administrator Substitutes</i>	Employees are retired teachers and contribute an amount based on when they retired
<i>Administrators</i>	Hired after 9/20/2027: 16% of premium (capped at 6/30/2025 rate)
<i>White Collar and Security Guards</i>	Hired on or after 11/8/2011: 20% of the premium
<i>Aides & Assistants</i>	July 1, 2025: \$300 (S)/ \$600 (F) annually
<i>TAB (Bus Aides)</i>	Employees pay 100% of the cost of the premium
<i>Local 264 (Blue Collar)</i>	Hired on or after 2/1/2011: 20% of the premium
<i>Local 409 (Engineers)</i>	Hired on or after 2/1/2007: 15% of the premium
<i>Exempt</i>	20% of premium (S/F)

The following are the average 2025-26 active employee premium-equivalent health insurance rates:

- 2025-26 rate (single – estimated): \$9,862 (\$700 or 7.6%)
- 2025-26 rate (family – estimated): \$25,412 (\$1,706 or 6.7%)

Retiree Health Insurance

Retiree health insurance expenditures are also a major General Fund expenditure. Retiree health insurance is budgeted at \$61.0 million in the Adopted Budget, a \$5.8 million (10.5%) increase over the District's PFY Adopted Budget. The District now believes that the 2025-26 budgeted amount is overstated, as actual FYE 2025 expenditures were significantly lower than budgeted at \$52.0M (unaudited).

The increase in budgeted retiree healthcare expenditures is based on the current number of retirees receiving health insurance and estimated average 2025-26 retiree premium-equivalent health insurance rates:

- 2025-26 rate (single – estimated): \$12,262
- 2025-26 rate (family – estimated): \$29,192

Retiree health insurance expenditures are projected to decrease substantially in 2026-27 by \$12.2 million (20.0%), then increase annually by \$2.2 million (4.5%) in 2027-28 and \$2.2 million (4.3%) in 2028-29 to \$53.3 million. These outyear projections were made after the 2025-26 budget was adopted and include the actual FYE 2025 amount spent on retiree health insurance.

The District projects a significant decrease in 2026-27 based on reduced total gross allowable health insurance-related expenditures billed to the District through its third-party administrator. The reduction in the 2026-27 year is projected based upon cost-containment strategies, including targeting the top three claim categories, as determined after consulting the District's insurance consultant. The rates of increase in 2027-28 and 2028-29 were likewise determined through discussions with the District's insurance consultant.

As previously noted, the assumed decrease in retiree health insurance expenditures represents both an opportunity and a threat to the Financial Plan. If projected savings do not materialize, the District could see an additional cumulative \$42.6 million in retiree health insurance expenditures (assumes 2025-26 budgeted amount increases by 3.4% annually, per the Financial Plan assumption).

Termination Pay and All Other Fringe Benefits

Termination Pay and All Other Fringe Benefits total a combined \$21.5 million in the Adopted Budget, an increase of \$2.3 million (12.0%) over the District's PFY Adopted Budget.

Termination Pay is \$4.5 million in the Adopted Budget and is forecasted based on the actual number of employees eligible to retire, the estimated termination pay benefit, and the percentage expected to retire based on the trend data. Termination Pay includes compensation to newly retired individuals or eligible terminated individuals for unused paid leave as well as payouts for early retirement incentives. Termination Pay expenditures are projected to increase by \$0.1 million (2.2%) to \$4.6 million over the Financial Plan.

All Other Fringe Benefits include supplemental benefits, workers' compensation costs, unemployment, and other minor fringe benefit costs. The Adopted Budget includes \$17.0 million in All Other Fringe Benefits including \$1.7 million in unemployment expenditures. All Other Fringe Benefits are projected to decrease by \$2.5 million (14.7%) to \$14.5 million over the Financial Plan.

PAYMENTS TO CHARTER SCHOOLS

2025-26 % of total General Fund expenditures: 15.2%

2028-29 % of total General Fund Expenditures: 16.4 %

Payments to Charter Schools is the third largest General Fund expenditure at \$180.7 million, a \$10.3 million (6.0%) increase over the PFY Adopted Budget. The increase is driven by enrollment growth (net 126 FTE pupils or 2.1%) and a substantial increase in the base tuition rate (\$1,526/pupil or 10.4%).

The Adopted Budget includes \$3.1 million for a charter school Special Education (SPED) tuition rate. The District now believes this expenditure is underbudgeted by \$10.0 million to \$15.0 million; the actual amount cannot be estimated until the New York State Education Department finalizes 2025-26 SPED rates. The District will need to address the additional Charter School expenditures via budgetary transfers, if possible, and/or by modifying the budget to increase overall appropriations if transfers are not sufficient to address these unbudgeted expenditures.

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.

Charter School Tuition Payments increase cumulatively by \$16.8 million (9.3%) to \$197.5 million in 2026-27 and are held flat at this level in all three Financial Plan outyears.

The Financial Plan assumes the 2025-26 base tuition rate in 2026-27 through 2028-29. The Charter School Tuition expenditure is flat on all three Financial Plan outyears as the District's AOE is projected to be essentially flat based on the District's downsizing initiatives, and enrollment is projected at a static level. The assumed static level in all three outyears represents a risk to the Financial Plan as projections could be too low. Assuming an approved operating expense growth of 3% in the base tuition rate, the Financial Plan may underestimate Charter School Tuition Payments by a cumulative \$49.4 million, including \$10.0 million to \$15.0 million in 2025-26.

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.

The total number of Buffalo resident pupils enrolled in area public schools has been relatively flat since a sizable drop off from FYE 2020 of 1,430 total public-school pupils (3.4%). The District's enrollment is relatively flat; enrollment growth primarily appears within area charter schools.

The following table shows the percentages of total Buffalo resident pupils enrolled in District schools and area charter schools.

Buffalo Resident Public School Pupils	2019-20 EOY Actual	2020-21 EOY Actual	2021-22 EOY Actual	2022-23 EOY Actual	2023-24 Actual	2024-25 Actual (03.31.2025)	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3
<i>Buffalo Resident Pupils: District</i>	78.1%	76.0%	75.2%	74.2%	73.9%	73.2%	73.0%	73.0%	73.0%	73.0%
<i>Buffalo Resident Pupils: Charter Schools</i>	21.9%	24.0%	24.8%	25.8%	26.1%	26.8%	27.0%	27.0%	27.0%	27.0%
<i>Total Buffalo Resident Public School Pupils</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

DEBT SERVICE

2025-26 % of total General Fund expenditures: 6.6%

2028-29 % of total General Fund Expenditures: 5.7%

Debt Service payments are the fifth largest expenditure category and include the annual principal and interest payments that the District pays on its outstanding bonds. Debt Service expenditures are budgeted at \$78.4 million in the Adopted Budget, a \$13.3 million (14.5%) decrease over the District’s PFY Adopted Budget.

Debt Service expenditures decrease by \$9.2 million (11.7%) to \$69.2 million over the Financial Plan. The annual amount of Debt Service expenditures is directly correlated to the annual amount of NYS Building Aid received, although NYS uses an assumed debt service amortization schedule in calculating the annual NYS Building Aid. 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.

NYS Building Aid is budgeted at \$89.3 million in 2025-26 and decreases to \$71.5 million in 2028-29.

The District estimates approximately \$22.0 million in new debt will be issued in 2025. This debt will fund the health and safety renovations of approximately \$37.0 million in aidable projects. NYS will reimburse 97.4% of the aidable costs in Building Aid.

TRANSPORTATION

2025-26 % of total General Fund expenditures: 6.1%

2028-29 % of total General Fund Expenditures: 6.8%

Transportation expenditures are the sixth largest General Fund expenditure category. Transportation expenditures total \$72.5 million in the Adopted Budget, a substantial \$9.5 million (15.1%) increase over the PFY Adopted Budget. The increase is based on the anticipated level of transportation services offered by the District and the new busing contract with First Student, Inc.

The District utilizes both private and public carriers for pupil transportation. A new five-year contract with First Student, Inc. was finalized in early 2025. It is effective through 2029-30. The contract includes significant cost increases based on escalating market costs that occurred over the five years since the last contract was let and includes a fully valued performance bond that was not previously included.

The current Niagara Frontier Transit Authority (NFTA) contract runs through August 2026. Fiscal year 2025-26 includes a 2.5% increase. Additional costs may result from increasing rider passes. These expenditures are included within the Adopted Budget.

Transportation expenditures increase \$9.1 million (12.6%) over the Financial Plan.

NYS 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.

ALL OTHER EXPENDITURES
 2025-26 % of total General Fund expenditures: 15.1%
 2028-29 % of total General Fund Expenditures: 14.7%

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.

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

2026-2029 Financial Plan Expenditures	2024-25 Adopted Budget	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	\$ Change from Year 1-4	% Change from Year 1-4
All Other Expenditures	(In Millions)						
<i>Utilities</i>	\$12.5	\$10.6	\$10.7	\$10.8	\$10.9	\$0.3	2.8%
<i>Tuition</i>	35.1	34.6	35.0	35.4	35.7	1.1	3.2%
<i>Contracts - Custodian</i>	21.4	25.7	26.2	26.3	26.8	1.1	4.3%
<i>Equipment</i>	9.8	10.3	10.3	10.3	10.3	0.0	0.0%
<i>Contracts - Misc. & Contingency</i>	50.7	49.6	47.6	47.6	47.9	(1.7)	-3.4%
<i>Rental Contracts</i>	9.6	10.2	10.4	10.6	10.8	0.6	5.9%
<i>Repairs & Maintenance</i>	8.9	4.8	4.9	5.0	5.1	0.3	6.3%
<i>Textbooks</i>	5.5	5.7	5.7	5.8	5.8	0.1	1.8%
<i>Supplies and Misc. Related Items</i>	16.2	11.1	11.2	11.3	11.4	0.3	2.7%
<i>Reserve for Contingency</i>	0.1	1.2	0.0	0.0	0.0	(1.2)	-100.0%
<i>Software</i>	6.6	6.4	6.5	6.6	6.6	0.2	3.1%
<i>Interfund Transfers</i>	4.9	9.4	5.9	5.9	5.9	(3.5)	-37.2%
Total Other Expenditures	\$181.3	\$179.6	\$174.4	\$175.6	\$177.2	(\$2.4)	-1.3%

All Other Expenditures are budgeted at \$179.6 million, a decrease of \$1.7 million (0.9%) over the District’s PFY Adopted Budget.

All Other Expenditures increase \$2.4 million (1.3%) to \$177.2 million over the Financial Plan. The Adopted Budget is consistent with the FYE 2025 actual amounts (unaudited), including items funded in both the General Fund and the Special Projects Fund. The Financial Plan applies annual inflationary rates of 0% through 3% to individual budget lines within the overall category. FY 2026-27 includes a \$2.0 million reduction in all school-related supplies, maintenance, and overhead as two schools are scheduled to close, as per the Superintendent’s

right-sizing initiative. The cost-avoidance is included within all three outyears. Further reductions may occur when the planning for school closing/consolidations is completed.

Potential Risks to the Financial Plan: The following quantifies the potential threats to the Financial Plan as discussed above.

Potential Risks to Financial Plan	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	4-Year Total
Revenue Category					
Federal Medicaid Reimbursement	\$5.0	\$5.1	\$5.2	\$5.3	\$20.6
Total Revenue at Risk	\$5.0	\$5.1	\$5.2	\$5.3	\$20.6
Expenditure Category					
Charter School Tuition Payments	\$15.0	\$5.4	\$10.8	\$16.5	\$47.7
General Fund Support for Services Previously Funded by Federal Grants	0.0	8.0	8.0	8.0	24.0
Health Insurance (Retiree)	0.0	14.3	14.2	14.1	42.6
2% increase in all Labor Contracts (less amount built-in for steps/settlements)	0.0	6.5	11.7	22.1	40.3
Total Potential Additional Expenditures	\$15.0	\$34.1	\$44.8	\$60.7	\$154.6
Total Revenue at Risk/ Potential Additional Expenditures	\$20.0	\$39.2	\$50.0	\$66.0	\$175.2

FOOD SERVICE FUND

The District provides breakfast, lunch, and after-school dinner to all District students as well as to five Buffalo charter schools, three non-public schools, and an out-of-District charter school.

The Emerson School of Hospitality and Buffalo School of Culinary Arts and Hospitality Management provide students with an academic program while focusing on career preparation in the food service and hospitality industries. While these schools' budgets are separate from the Food Service Program, federal dollars flow through the Food Service Program for the Child Nutrition Program, as administered by the program's administrators.

The federally funded Summer Food Service program provides meal service to children during the summer months. It includes breakfast, lunch, and snacks to summer school students and organizations.

The Food Service Fund totals \$44.0 million in the Adopted Budget. Food Service Fund expenditures increase to \$49.3 million by 2028-29.

The following depicts the Food Service Fund Financial Plan.

2026-2029 Financial Plan Summary					
Food Service Fund	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	Total
	\$ in Millions				
Revenues	\$41.4	\$42.6	\$44.7	\$45.9	\$174.6
Expenditures	44.0	47.0	47.9	49.3	\$188.2
Surplus/(Deficit)	(\$2.6)	(\$4.4)	(\$3.2)	(\$3.4)	(\$13.6)
Total Fund Balance	\$2.6	\$4.4	\$3.2	\$3.4	\$13.6
Remaining Deficit	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Federal aid constitutes a critical portion of the District’s Food Service program. There is a threat that spending cuts at the federal level could impact food service grant funding. The loss of grant funding would place further strain on the District.

Central Commissary Update

The Financial Plan assumes a fully executed lease for a new Central Commissary in early 2025-26. The lease will continue until after the construction is completed in the 2025-26 year. The estimated \$2.0 million in additional lease costs are projected to cause sizable deficits in the Food Service Fund, funded with available fund balance. Total Food Service fund balance was \$33.5 million at June 30, 2025 (unaudited).

The District believes the new commissary facility lease will address two issues: first, the provision of a safe facility which offers a greater variety of healthier foods using the cook/chill method and second provides a plan to utilize excess fund balance held by the Food Service Fund. It is assumed all construction costs and incidentals will be paid for by the contractor/developer and reimbursed through lease payments with the Food Service Fund. The details of this program are currently being deliberated and considered.

SPECIAL PROJECTS FUND

The Special Projects Fund includes grants from federal, state, and local foundations. The Special Projects Fund Adopted Budget totals \$139.4 million and funds 704 FTEs. The cumulative four-year amount is \$557.6 million. This is comprised of the following.

Special Projects Fund	2024-25 Adopted Budget	2025-26 Adopted Budget	Outyears 1-3	2026-2029 Total
	\$ in Millions			
Federal Grants	\$64.5	\$67.1	\$67.1	\$268.4
New York State Grants	63.7	67.8	67.8	271.2
Foundation Grants	4.0	4.5	4.5	18.0
Total	\$132.2	\$139.4	\$139.4	\$557.6

The Adopted Budget includes a \$2.6 million (4.0%) increase in federal grants. Federal grants are projected at a static level in each of the four years of the Financial Plan.

Ongoing federal funding

- Title I-IV funds: \$8.8 million, based on federally mandated formula aid

Expired federal funding

- Buffalo Farm Share: \$(2.0) million
- Afghan Refugee School Impact: \$(4.2) million

The Financial Plan notes a concern about a potential \$8.0 million cut to federal grants in 2025-26 and potentially larger amounts in subsequent years. If that were to occur, a revision to the Adopted Budget and the Financial Plan will be necessary. The Adopted Budget estimated \$67.1 million in cumulative federal aid. A reduction in this funding would hurt the District’s ability to provide programs and services.

The District receives additional NYS aid in the form of categorical grants, NYSED funds, and other NYS sources. These grants are budgeted at \$67.8 million in 2025-26, an increase of \$4.1 million (6.4%) as compared to the District's 2024-25 Adopted Budget and are projected at a static level in each of the four years of the Financial Plan.

The District receives additional grants from local foundations. These grants are budgeted at \$4.5 million in 2025-26, a \$0.5 million (12.5%) increase as compared to the District's 2024-25 Adopted Budget. This amount is assumed in all four financial plan fiscal years. The budget will be modified over the year as the District is awarded new grants.

The fund is self-sufficient. If anticipated grant applications are either rejected, reduced, or require resubmission, such mandated expenditures are funded via the General Fund.

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

No deficits are projected in any of the years of the Financial Plan.

SUMMARY

The District's 2026-2029 Financial Plan includes a cumulative four-year deficit of \$158.0 million which is fully funded through fund balance, a nonrecurring funding source. The District estimated that \$188.4 million in unrestricted fund balance will remain at the conclusion of the Financial Plan. Significantly, unassigned fund balance available for future budgets is projected to be \$7.8 million at June 30, 2029. The importance for the District to achieve an operationally balanced budget is stressed as this amount is insufficient to cover budgetary shortfalls beyond this four-year plan.

There are risks associated with the spending plan that have been quantified at \$154.6 million. The amounts included in the financial plan for collective bargaining may be insufficient to reach an agreement and, in the event additional funds are needed, offsetting cost reductions will be necessary. The plan relies on the ability to manage healthcare costs which, if unsuccessful, would add to the deficit. There is a risk that federal funding could be reduced for mandated services which would then require funding within the General Fund. Additionally, the Financial Plan includes no growth in Charter School Tuition Payments from 2026-27 through 2028-29. Charter School base tuition payments are based on the District's actual approved operating expenses. These expenses are curbed within the Financial Plan and are the basis for the District's flat expenditure projection. There is a threat to the Financial Plan if actual expenditures increase beyond what is anticipated.

Potential federal aid cuts represent a substantial threat to the District. NYS Aid may be impacted by federal aid cuts. Federal aid constitutes a critical portion of the District's education funding, including programs serving low-income students and those with special needs. These funds are recorded primarily within the Grants Fund; the loss of grant funding would place further strain on the General Fund if such services were maintained. If federal cuts occur, New York State would need to reallocate local funds to fill gaps, potentially leading to cuts in programs or services. Additionally, there is a threat to the Financial Plan that the District may receive an annual \$8.0 million reduction in federal grant funding. If these cuts materialize, the General

Fund would continue to fund these programs and services. Federal grant cuts would represent an additional cost to the District's General Fund.

The District continues to adjust its staffing model to match the decline in student population. The Financial Plan includes a significant reduction in General Fund positions with a cumulative reduction of 150 teachers and 50 other employees; additionally, there is the assumption two schools will be closed in 2026-27. These are key underlying assumptions in developing the Financial Plan that are dependent on actions taken by District officials and the Board of Education.

We recommend the District develop a gap closing plan to address the financial risks as identified by the Buffalo Fiscal Stability Authority.

BUFFALO FISCAL STABILITY AUTHORITY

Analysis of the Buffalo Municipal Housing Authority's 2025-26 Adopted Budget & 2026-2029 Financial Plan

Introduction

The Buffalo Municipal Housing Authority (BMHA) submitted its fiscal year (FY) 2025-26 Consolidated Adopted Budget (Adopted Budget) and FY 2026-2029 Consolidated Financial Plan (Financial Plan) to the Buffalo Fiscal Stability Authority (BFSA) on April 1, 2025. The City of Buffalo (City) formally submitted the final Adopted Budget and Financial Plan on April 8, 2025. The Financial Plan includes the individual budgets and financial plans for the combined twenty-two Asset Management Projects (AMPs), the Central Office Cost Center (COCC), the Marine Drive Apartments (Marine Drive), and the U.S. Department of Housing and Urban Development (HUD) Housing Choice Voucher Program (Section 8).

Key Observations

1. The Adopted Budget does not increase budgeted revenues overall. A budgeted proportionate decrease in the federal operating subsidy offsets increases in non-operating subsidy revenues.
2. The Adopted Budget decreases consolidated expenses. The budget-to-budget decrease is \$0.9 million (1.6%) overall.
3. Consolidated revenues are projected to increase by \$2.5 million (4.3%) over the Financial Plan. Net Dwelling/Non-Dwelling Income is projected to grow at the fastest rate (2% average annual increase).
4. Consolidated expenses are projected to increase by \$0.7 million (1.2%) over the Financial Plan. Administrative expenses are projected to grow at the fastest rate (1.5% average annual increase).
5. The AMP Adopted Budget reduces 2025-26 revenues and expenses from the budgeted 2024-25 levels. The revenue reduction is driven by the assumption that public housing authorities (PHAs) will receive a 96% operating subsidy proration. Additionally, the Commodore Perry operating subsidy previously recorded within the AMP budget is now received by the newly created Perry Homes 1 Housing Development Fund Company, Inc. The non-profit was created pursuant to Private Housing Law Article XI.

The expense reduction is based on several factors, including six fewer budgeted employees and a lower other postemployment benefit (OPEB) accrual.

6. The Marine Drive Adopted Budget maintains 2025-26 revenues at the 2024-25 budgeted amount but increases expenses by \$0.3 million (7.7%). The Marine Drive Adopted Budget and Financial Plan are not balanced. There are projected net operating losses in all four financial plan fiscal years totaling \$1.7 million.
 - a. The Marine Drive Financial Plan does not appear to include additional rental revenue in 2027-28 and 2028-29. Residents will begin to move into the newly built Marine Drive towers beginning in late 2027. The new Marine Drive Apartment Complex will increase the number of rental units from the current 616 to 686 upon completion (target 2029).

7. The COCC Adopted Budget is balanced with a \$0.2 million operating income. The COCC Financial Plan is not balanced in all three out-years, with net operating losses ranging from \$0.4 million in 2026-27, growing to \$0.6 million by 2028-29. The cumulative net loss is \$1.3 million, with a cumulative \$(0.8) million cash impact.

BMHA has opted to exclude a \$0.5 million Capital Fund Financing Program (CFFP) administrative fee in these three out-years. This revenue and several additional unlisted management/administrative fees are likely to be received. When including the annual CFFP Administrative Fee, the COCC Financial Plan is operationally balanced with a minor \$(0.1) million cash impact in 2028-29.

8. The Section 8 Adopted Budget substantially increases both 2025-26 revenues and expenses. BMHA projects significant increases in Section 8 Voucher Grant dollars based on the current funding level and the expectation that the program will see significant funding increases.

The Section 8 Financial Plan increases the Housing Choice Voucher (HCV) revenue in all three out-years of the plan but maintains the Housing Assistance Payment (HAP) at 2025-26 levels. The Section 8 fund is a pass-through for these payments and, therefore, underestimates this expense in all three out-years. This underestimate does not impact BMHA operations overall.

9. The Service Cost (i.e., the annual OPEB accrual) decreases significantly from 2024-25 to 2025-26 from \$1.6 million to \$1.0 million. The decrease is based on BMHA's latest Governmental Accounting Standards Board actuarial valuation. A \$1.0 million accrual is forecasted in all four years of the Financial Plan.

Economic Factors Impacting the 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, and unemployment trends that affect resident incomes and the number of eligible recipients.

Financial Plan Consolidated Summary

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

2026-2029 Consolidated Financial Plan								
Description	2024-25 Adopted Budget	\$ Change	% Change	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	Totals
	\$ in Millions							
Total Revenues	\$58.5	\$0.0	0.0%	\$58.5	\$58.9	\$60.0	\$61.0	\$238.4
Total Expenses	58.0	(0.9)	-1.6%	57.1	57.3	57.6	57.8	229.8
Net Operating Income before Debt Service	\$0.5	\$0.9	180.0%	\$1.4	\$1.6	\$2.4	\$3.2	\$8.6
Debt Service - Principal Reduction	(2.1)	0.0	0.0%	(2.1)	(2.1)	(2.1)	(2.1)	(8.4)
Net Income Reduced for Debt Service - Principal Reduction	(1.6)	0.9	-56.3%	(0.7)	(0.5)	0.3	1.1	0.2
Cash Impact after Removal of the Non-cash OPEB Accrual	\$0.1	\$0.2	200.0%	\$0.3	\$0.5	\$1.3	\$2.1	\$4.2

Note: Total expenses include a \$1.0 million annual accrual for OPEB, representing the non-cash accrued expense of future benefits earned by active employees.

The Adopted Budget contains a net income of \$1.4 million (i.e., before the outstanding debt principal payment). The three out-years of the Financial Plan include net income ranging from \$1.6 million to \$3.2 million. BMHA is projecting a cumulative, four-year positive cash impact of \$4.2 million after reducing net income for the impact of principal debt payments and adding back the annual \$1.0 million non-cash OPEB accrual.

Revenues in total are budgeted to be equal to 2025-26 budgeted levels comprised of the following:

- HUD Subsidy: \$(4.1) million (-16.5%)
- Net Dwelling/Non-Dwelling Income: \$0.6 million (3.8%)
- HUD Public Housing Authority (PHA) Grants – Vouchers: \$1.9 million (27.5%)
- All Other Revenues: \$1.4 million (17.5%)
- Transfers from Capital Grants: \$0.2 million (6.5%)

Revenues are projected to increase \$2.5 million (4.3%) from \$58.5 million in 2025-26 to \$61.0 million in 2028-29.

Expenses in total are budgeted to decrease by \$0.9 million (1.6%) in 2025-26 as compared to the 2025-26 Adopted Budget and are comprised of the following:

- General Expenses: \$(1.2) million (-8.2%)
- Maintenance Expenses: \$(0.4) million (-2.9%)
- Administrative Expenses: \$1.6 million (14.3%)
- Utility Expenses: \$(0.9) million (-12.9%)
- Other Expenses: \$0.6 million (6.8%)
- Personnel Services/Resident Service Costs: \$(0.6) million (-26.1%)

Expenses are projected to increase \$0.7 million from \$57.1 million in 2025-26 to \$57.8 million in 2028-29, representing a 1.2% 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. Both the COCC Financial Plan and Marine Drive financial plans are not operationally balanced (examined in the COCC Financial Plan and Marine Drive Financial Plan sections).

BMHA has budgeted a 4.2% decrease in total salaries and a 6.5% decrease in total employee benefits in 2025-26 (examined in the Personnel section). The combined budget-to-budget decrease is \$0.8 million (5.1%). The salary decrease is based on eliminating a net six full-time equivalent positions. The employee benefit expense reduction is based on CFY actual benefit costs plus an inflationary increase.

A 3.0% salary increase is included for FYs 2026 through 2029. The increases are consistent with the 3.0% annual contractual salary increases dictated by the current Memoranda of Agreement with Local 17 and Local 264 representing the managerial, white-collar, and blue-collar employees employed by the BMHA. The labor agreements expire on June 30, 2028. The Consolidated Financial Plan assumes an additional 3% increase in 2028-29 based on the terms of the current labor agreements.

AMP Financial Plan

BMHA’s housing stock is grouped into 22 individual AMPs. Each AMP includes single or multiple housing facilities. Smaller facilities are grouped together (e.g., AMP 33 contains three facilities with a combined 124 habitable units). Large facilities may be the entirety of the AMP (e.g., Jasper Parish contains 191 habitable units and comprises the entirety of AMP 12). The individual AMP budgets cumulatively comprise the total AMP Adopted Budget and Financial Plan.

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

Asset Management Projects 2026-29 Financial Plan Summary								
Description	2024-25	\$	%	2025-26	2026-27	2027-28	2028-29	Totals
	Adopted Budget	Change	Change	Adopted Budget	Outyear 1	Outyear 2	Outyear 3	
\$ in Millions								
Total Revenues	\$40.3	(\$2.8)	-6.9%	\$37.5	\$38.2	\$38.9	\$39.6	\$154.2
Total Expenses	38.2	(2.4)	-6.3%	35.8	35.9	36.1	36.2	144.0
Net Operating Income (Loss) before Debt Service	\$2.1	(\$0.4)	-19.0%	\$1.7	\$2.3	\$2.8	\$3.4	\$10.2
Debt Service - Principal Reduction	(1.8)	0.0	0.0%	(1.8)	(1.8)	(1.8)	(1.8)	(7.2)
Net Income reduced for Debt Service - Principal Reduction	0.3	(0.4)	-133.3%	(0.1)	0.5	1.0	1.6	3.0
Cash Impact after Removal of the Non-cash OPEB Accrual	\$1.3	(\$0.5)	-38.5%	\$0.8	\$1.4	\$1.9	\$2.5	\$6.6

AMP revenues account for \$37.5 million (64.1%) of total 2025-26 estimated revenues. AMP expenses account for \$35.8 million (62.7%) of total 2025-26 budgeted expenses. The AMP budget is the largest component within the overall Adopted Budget and Financial Plan.

The 2025-26 AMP Adopted Budget depicts \$1.7 million in net operating income. The cash impact after adding the \$1.8 million debt service principal payment and removing the non-cash \$0.9 million OPEB accrual is a positive \$0.8 million. The cumulative four-year operating income is \$10.2 million. The net cash impact after adding the debt service principal payment and removing the non-cash OPEB accrual is a cumulative \$6.6 million. AMP operating reserves are projected to increase from June 30, 2025, through June 30, 2029.

The AMP Financial Plan includes HUD Operating Subsidy revenues of \$20.7 million in the 2025-26 Adopted Budget. This budgeted level of operating subsidy is a substantial \$4.1 million (16.5%) decrease from 2024-25 budgeted levels. The budgeted amount is based on the expectation of a lower 96% operating subsidy proration level, a 95% AMP occupancy rate, lower

2023-24 and 2024-25 utility expenses, and the removal of the Commodore Perry Apartments from AMP 21.

This revenue increases \$1.3 million over the AMP Financial Plan to \$22.0 million (6.3%) in 2028-29. The 2025-26 assumptions are carried forward in all four Financial Plan fiscal years.

The US Congress is currently finalizing a federal budget that seeks to curtail future outlays. BMHA has reviewed the issue and does not anticipate a reduction in HUD funding.

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.

COCC revenues account for \$6.6 million (11.3%) of the total 2025-26 estimated revenues. COCC expenses account for \$6.4 million (11.2%) of the total 2025-26 budgeted expenses.

Central Office Cost Center 2026-29 Financial Plan Summary							
Description	2024-25 Adopted Budget	\$ Change	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	Totals
	\$ in Millions						
Total Revenues	\$6.1	\$0.5	\$6.6	\$6.1	\$6.1	\$6.1	\$24.9
Total Expenses	6.2	0.2	6.4	6.5	6.6	6.7	26.2
Net Operating Loss before Debt Service	(\$0.1)	\$0.3	\$0.2	(\$0.4)	(\$0.5)	(\$0.6)	(\$1.3)
Debt Service - Principal Reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income reduced for Debt Service - Principal Reduction	(0.1)	0.3	0.2	(0.4)	(0.5)	(0.6)	(1.3)
Cash Impact after Removal of the Non-cash OPEB Accrual)	\$0.5	\$0.9	\$0.2	(\$0.4)	(\$0.5)	(\$0.6)	(\$1.3)

The COCC Adopted Budget is balanced. The BMHA has budgeted a net operating income of \$0.2 million in 2025-26. The cash impact is \$0.2 million in 2025-26; a small OPEB accrual is included, which does not substantively impact the overall budget.

The COCC Financial Plan is not balanced as approved. The Adopted Budget includes a \$0.5 million annual CFFP administrative fee revenue. These revenues are likely to be received by BMHA in all four fiscal years; BMHA has opted to include them solely in 2025-26. The COCC Financial Plan is balanced when including this revenue in all three out-years, though a \$0.1 million operating loss would exist in 2028-29.

The COCC had \$2.4 million (unaudited) in operating reserves on June 30, 2024. Operating reserves are the accumulation of surpluses without restrictions that are liquid and available for use at the discretion of the BMHA. These reserves would be available to close any out-year deficit as depicted within the COCC Financial Plan. The COCC fund continues to provide cashflow assistance to the Marine Drive fund and is currently owed approximately \$2.8 million.

Marine Drive Financial Plan

BMHA manages the Marine Drive Apartments, a BMHA-owned apartment complex. The following are the highlights of the Marine Drive Adopted Budget and Financial Plan.

Marine Drive 2026-29 Financial Plan Summary								
Description	2023-24 Modified Budget	\$ Change	% Change	2024-25 Adopted Budget	2025-26 Outyear 1	2026-27 Outyear 2	2027-28 Outyear 3	Totals
	\$ in Millions							
Total Revenues	\$3.7	\$0.0	0.0%	\$3.7	\$3.7	\$3.8	\$3.9	\$15.1
Total Expenses	3.9	0.3	7.7%	4.2	4.2	4.2	4.2	16.8
Net Operating Income before Debt Service	(\$0.2)	(\$0.3)	150.0%	(\$0.5)	(\$0.5)	(\$0.4)	(\$0.3)	(\$1.7)
Debt Service - Principal Reduction	(0.3)	0.0	0.0%	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
Net Income reduced for Debt Service - Principal Reduction	(0.5)	(0.3)	60.0%	(0.8)	(0.8)	(0.7)	(0.6)	(2.9)
Cash Impact after Removal of the Non-cash OPEB Accrual	(\$0.4)	(\$0.2)	50.0%	(\$0.7)	(\$0.7)	(\$0.6)	(\$0.5)	(\$2.5)

Marine Drive revenues account for \$3.7 million (6.3%) of the total 2025-26 estimated revenues, and Marine Drive expenses account for \$4.2 million (7.4%) of the total 2025-26 budgeted expenses.

The 2025-26 Marine Drive Adopted Budget maintains rental receipts at \$3.7 million. Net dwelling income is almost the entirety of Marine Drive's operating revenue.

A cumulative budgeted net operating loss of \$1.7 million has been projected over the financial plan. On a cash basis, the 2025-26 cash impact is budgeted at \$(0.7) million. The four-year cash impact is projected to be \$(2.5) million.

The Marine Drive Adopted Budget and Financial Plan are not balanced; a structural deficit is depicted within each Financial Plan fiscal year. This structural deficit has existed for several years. Fiscal year 2023-24 concluded with a \$0.8 million net loss; a \$0.2 million net loss was budgeted for 2024-25. This CFY net loss will likely be met or exceeded based on mid-year actual financial results.

Section 8 Financial Plan

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

Section 8 2026-29 Financial Plan Summary								
Description	2024-25 Adopted Budget	\$ Change	% Change	2025-26 Adopted Budget	2026-27 Outyear 1	2027-28 Outyear 2	2028-29 Outyear 3	Totals
	\$ in Millions							
Total Revenues	\$8.4	\$2.3	27.4%	\$10.7	\$10.9	\$11.2	\$11.4	\$44.2
Total Expenses	9.7	1.0	10.3%	10.7	10.7	10.7	10.7	42.8
Net Operating Income before Debt Service	(\$1.3)	\$1.3	-100.0%	\$0.0	\$0.2	\$0.5	\$0.7	\$1.4
Debt Service - Principal Reduction	0.0	0.0	0.0%	0.0	0.0	0.0	0.0	0.0
Net Income reduced for Debt Service - Principal Reduction	(1.3)	1.3	-100.0%	0.0	0.2	0.5	0.7	1.4
Cash Impact after Removal of the Non-cash OPEB Accrual	(\$1.2)	\$1.4	-116.7%	\$0.0	\$0.2	\$0.5	\$0.7	\$1.4

The HUD Section 8 Voucher Program is one of the federal government's major programs for assisting low-income families, older adults, and the disabled to afford decent, safe, and sanitary housing in both certain public and private housing. Section 8 revenues account for \$10.7 million (18.3%) of total 2025-26 revenues. Section 8 expenses account for \$10.7 million (18.7%) of total 2025-26 expenses.

The Section 8 Financial Plan is balanced as budgeted revenues meet or exceed budgeted expenses in each fiscal year. HUD PHA Grants total \$8.8 million in 2025-26, 82.2% of total Section 8 revenues. These revenues increase by \$0.6 million (6.8%) to \$9.4 million in 2028-29.

Housing Authority Payments (HAPs) are flat in each fiscal year at \$9.1 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. The Section 8 Financial Plan understates its expenses in the out-years 2027-28 and 2028-29 by a cumulative \$0.4 million. Any reported surplus or deficit is temporary as the program self-balances.

Consolidated Revenues

BMHA’s revenues consist of five major subcategories:

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

The following depicts BMHA’s Adopted Budget and Financial Plan revenues.

Consolidated 2026-29 Financial Plan Revenues									
Description	2024-25	\$	%	2025-26	2026-27	2027-28	2028-29	\$ Change	% Change
	Adopted Budget	Change	Change	Adopted Budget	Outyear 1	Outyear 2	Outyear 3	from Year 1-4	from Year 1-4
\$ in Millions									
HUD Subsidy									
AMP	\$24.8	(\$4.1)	-16.5%	\$20.7	\$21.1	\$21.6	\$22.0	\$1.3	6.3%
COCC									
Marine Drive									
Section 8									
Total HUD Subsidy	\$24.8	(\$4.1)	-16.5%	\$20.7	\$21.1	\$21.6	\$22.0	\$1.3	6.3%
Net Dwelling/Non-Dwelling Income									
AMP	\$12.1	\$0.7	5.8%	\$12.8	\$13.1	\$13.3	\$13.6	\$0.8	6.2%
COCC									
Marine Drive	3.6	(0.1)	-2.8%	3.5	3.6	3.7	3.7	0.2	5.7%
Section 8									
Total Net Dwelling/Non-Dwelling Income	\$15.7	\$0.6	3.8%	\$16.3	\$16.7	\$17.0	\$17.3	\$1.0	6.1%
HUD PHA Grants - Vouchers									
AMP									
COCC									
Marine Drive									
Section 8	\$6.9	\$1.9	27.5%	\$8.8	\$9.0	\$9.2	\$9.4	\$0.6	6.8%
Total HUD PHA Grants - Vouchers	\$6.9	\$1.9	27.5%	\$8.8	\$9.0	\$9.2	\$9.4	\$0.6	6.8%
All Other Revenues									
AMP	\$0.3	\$0.4	133.3%	\$0.7	\$0.7	\$0.7	\$0.7	\$0.0	0.0%
COCC	6.1	0.5	8.2%	6.6	6.1	6.1	6.1	(0.5)	-8.2%
Marine Drive	0.1	0.1	100.0%	0.2	0.1	0.1	0.2	0.0	0.0%
Section 8	1.5	0.4	26.7%	1.9	1.9	2.0	2.0	0.1	0.0%
Total All Other Revenues	\$8.0	\$1.4	17.5%	\$9.4	\$8.8	\$8.9	\$9.0	(\$0.4)	-4.8%
Transfers from Capital Grants									
AMP	\$3.1	\$0.2	6.5%	\$3.3	\$3.3	\$3.3	\$3.3	\$0.0	0.0%
COCC									
Marine Drive									
Section 8									
Total Transfers from Capital Grants	\$3.1	\$0.2	6.5%	\$3.3	\$3.3	\$3.3	\$3.3	\$0.0	0.0%
Total Revenue	\$58.5	\$0.0	0.0%	\$58.5	\$58.9	\$60.0	\$61.0	\$2.5	4.3%

HUD Subsidy

Percent of Total Consolidated 2025-26 Revenues – 35.4%

PHAs receive an operating subsidy from HUD to fund the operational and maintenance expenses of their public housing dwellings, per Section 9 of the U.S. Housing Act of 1937, as amended.

HUD’s Operating Fund determines the amount of operating subsidy 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 \$20.7 million for 2025-26, a \$4.1 million (16.5%) decrease over the prior fiscal year’s (PFY’s) adopted budget. The operating subsidy is anticipated to increase by \$1.3 million (6.3%) over the Financial Plan.

BMHA has a year-over-year decrease in eligible expenses subject to the operating subsidy of \$2.9 million as compared to the CFY. The change in eligible expenses is primarily due to lower Project Expense Level (PEL) and Utility Expense Level (UEL) related prior year expenses. Additionally, the operating subsidy previously recorded within the AMP budget has been transferred to the newly created Perry Homes 1 Housing Development Fund Company, Inc. The operating subsidy proration is projected at 96%. In calendar year 2025, the proration was finalized at 96%.

The following table summarizes BMHA’s 2025-26 operating subsidy calculation.

Category	2024-25 Operating Subsidy	2025-26 Operating Subsidy
Project Expense Level (PEL)	\$23.4 M	\$23.2 M
Utility Expense Level (UEL)	8.5 M	6.2 M
Add Ons/Transition	6.6 M	6.5 M
Total Formula Income	\$38.5 M	\$35.9 M
<i>Less Resident Rent Receipts</i>	-14.1 M	-14.5 M
Total Eligible Amount Eligible for Subsidy	\$24.4 M	\$21.5 M
Total Operating Subsidy (after varying proration amounts)	\$24.8 M	\$20.7 M
<i>Note: Dollar amounts are rounded.</i>		

The out-year increases are projected based on the calendar year 96% proration and 2% inflationary increases in the operating fund components.

BMHA estimates receiving an additional \$0.6 million in HUD subsidy in 2025-26. 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. Eligibility terminates when reserves are equal to four months of AMP expenses (approximately \$9.0 million in 2025-26). BMHA had \$8.6 million in reserves on June 30, 2024, or approximately 2.7 months of expenses. Reserves are expected to increase in the CFY based on AMP’s mid-year financial results.

Net Dwelling/Non-Dwelling Income

Percent of Total Consolidated 2025-26 Revenues – 27.9%

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.

BMHA has budgeted \$16.3 million in Net Dwelling/Non-Dwelling Income. Dwelling/Non-Dwelling Income is anticipated to increase by \$1.0 million (6.1%) over the Financial Plan based on an inflationary factor of 2.0% annually. Of the \$16.3 million in Net Dwelling/Non-Dwelling Income, \$15.9 million is budgeted for dwelling income, while the remaining \$0.4 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, or less than one-third of the City of Buffalo's median family income. Marine Drive residents pay a flat rate 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.

The BMHA has become increasingly reliant on dwelling income for general operations, 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 COCC operating reserves. Marine Drive does not currently have operating reserve funds.

Voucher Grants

Percent of Total Consolidated 2025-26 Revenues – 15.0%

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

The 2025-26 Adopted Budget includes \$8.8 million in Voucher Grants. These revenues are utilized solely by the Section 8 program. This projection is based on the HUD Housing Choice Voucher-approved funding. This revenue is projected to increase by \$0.6 million (6.8%) throughout the Financial Plan based on a 2.3% 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 2025-26 Revenues – 5.6%

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.

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. BMHA submitted the 2025-2029 Agency Action Plan to HUD in March 2025. HUD approval is anticipated in July 2025.

Transfers from Capital Grants represent 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 with respect to those funds. Unless otherwise provided in the annual HUD appropriation act, a PHA with 250 or more public housing units may use no more than 20% of its annual Capital Fund grant for eligible activities.

Transfers from Capital Grants are budgeted at \$3.3 million in the Adopted Budget and are consistently flat in each fiscal year of the Financial Plan. BMHA anticipates receiving the same amount of Capital Fund Program (CFP) grants as received in the CFY. The \$0.2 million increase from the 2024-25 Adopted Budget is based on the actual revenues projected in 2024-25.

All Other Revenues

Percent of Total Consolidated 2025-26 Revenues – 16.1%

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 \$9.4 million in the Adopted Budget. The COCC Adopted Budget records 70.2% of these various revenues.

All Other Revenues are held essentially static in all out-years with minor variances. The Financial Plan includes a \$0.5 million CFFP Administration Fee in 2025-26 solely; All Other Revenues are reduced overall in the three out-years when excluding this revenue. As noted, it is likely to be received; BMHA excluded it to conservatively estimate these revenues.

Consolidated Revenue Summary

BFSA has reviewed BMHA's revenue assumptions and determined that they appear fairly stated. The HUD Operating Subsidy was decreased based on a lower 96% proration, lower subsidy eligibility (i.e. the prior year actual expenses eligible for reimbursement), and the removal of

Commodore Perry from the AMP operating segment. The \$0.6 million in additional operating subsidy the BMHA has received to build reserves is included within the Financial Plan's out-years; reserves are expected to continue to grow to a healthy level.

Net Dwelling/Non-Dwelling Income is estimated to be \$0.6 million (3.8%) greater in 2025-26 based on increased rents and rental collections. The Financial Plan conservatively estimates annual growth with these revenues.

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 2026-29 Financial Plan Expenses										
Description	2024-25	\$ Change	% Change	2025-26	2026-27	2027-28	2028-29	\$ Change from Year 1-4	% Change from Year 1-4	
	Adopted Budget			Adopted Budget	Outyear 1	Outyear 2	Outyear 3			
\$ in Millions										
General Expenses										
AMP	\$11.3	(\$0.9)	-8.0%	\$10.4	\$10.3	\$10.3	\$10.2	(\$0.2)	-1.9%	
COCC	2.4	(0.3)	-12.5%	2.1	2.1	2.1	2.1	0.0	0.0%	
Marine Drive	0.9	0.0	0.0%	0.9	0.9	0.9	0.9	0.0	0.0%	
Section 8	0.1	0.0	0.0%	0.1	0.1	0.1	0.1	0.0	0.0%	
Total General Expenses	\$14.7	(\$1.2)	-8.2%	\$13.5	\$13.4	\$13.4	\$13.3	(\$0.2)	-1.5%	
Maintenance										
AMP	\$12.3	(\$0.4)	-3.3%	\$11.9	\$12.0	\$12.1	\$12.2	\$0.3	2.5%	
COCC	0.1	0.0	0.0%	0.1	0.1	0.1	0.1	0.0	0.0%	
Marine Drive	1.6	0.0	0.0%	1.6	1.6	1.6	1.6	0.0	0.0%	
Section 8										
Total Maintenance	\$14.0	(\$0.4)	-2.9%	\$13.6	\$13.7	\$13.8	\$13.9	\$0.3	2.2%	
Administration										
AMP	\$6.1	\$0.8	13.1%	\$6.9	\$7.0	\$7.1	\$7.2	\$0.3	4.3%	
COCC	3.5	0.5	14.3%	4.0	4.1	4.2	4.3	0.3	7.5%	
Marine Drive	0.5	0.1	20.0%	0.6	0.6	0.6	0.6	0.0	0.0%	
Section 8	1.1	0.2	18.2%	1.3	1.3	1.3	1.3	0.0	0.0%	
Total Administration	\$11.2	\$1.6	14.3%	\$12.8	\$13.0	\$13.2	\$13.4	\$0.6	4.7%	
Utility										
AMP	\$6.2	(\$1.0)	-16.1%	\$5.2	\$5.2	\$5.2	\$5.2	\$0.0	0.0%	
COCC	0.0	0.0	0.0%	0.0	0.0	0.0	0.0	0.0	0.0%	
Marine Drive	0.8	0.1	12.5%	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	0.0	0.0%	
Total Utility	\$7.0	(\$0.9)	-12.9%	\$6.1	\$6.1	\$6.1	\$6.1	\$0.0	0.0%	
Other Expenses										
AMP	\$0.3	(\$0.2)	-66.7%	\$0.1	\$0.1	\$0.1	\$0.1	\$0.0	0.0%	
COCC	0.0	0.0	0.0%	0.0	0.0	0.0	0.0	0.0	0.0%	
Marine Drive	0.0	0.0	0.0%	0.0	0.0	0.0	0.0	0.0	0.0%	
Section 8	8.5	0.8	9.4%	9.3	9.3	9.3	9.3	0.0	0.0%	
Total Other Expenses	\$8.8	\$0.6	6.8%	\$9.4	\$9.4	\$9.4	\$9.4	\$0.0	0.0%	
Protective Services/ Resident Service Costs										
AMP	\$2.0	(\$0.7)	-35.0%	\$1.3	\$1.3	\$1.3	\$1.3	\$0.0	0.0%	
COCC	0.2	0.0	0.0%	0.2	0.2	0.2	0.2	0.0	0.0%	
Marine Drive	0.1	0.1	100.0%	0.2	0.2	0.2	0.2	0.0	0.0%	
Section 8										
Total Protective Services/ Resident Service Costs	\$2.3	(\$0.6)	-26.1%	\$1.7	\$1.7	\$1.7	\$1.7	\$0.0	0.0%	
Total Expenses	\$58.0	(\$0.9)	-1.6%	\$57.1	\$57.3	\$57.6	\$57.8	\$0.7	1.2%	

General Expenses

Percent of Total Consolidated 2025-26 Expenses – 23.6%

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

BMHA has budgeted \$13.5 million in General Expenses, a \$1.2 million (8.2%) reduction from the CFY. The Financial Plan projects these expenses to decline annually over the Financial Plan by \$0.2 million (1.5%).

BMHA has budgeted employee benefits at \$4.8 million in each fiscal year. No inflationary factor was applied. The 2025-26 and 2026-2029 budgeted amounts appear reasonable given the CFY actual employee benefits and the reduction in budgeted positions beginning in 2025-26.

Retiree healthcare expenses are budgeted flat at \$3.0 million and are budgeted to decline \$0.2 million consistently over the Financial Plan to \$2.8 million by 2028-29. The 2025-26 budgeted amount appears reasonable given the CFY actual retiree healthcare payments. The out-year budgeted amounts appear reasonably estimated when factoring in a declining number of total retirees receiving the benefit offset somewhat with annual healthcare expense increases.

The various insurances (property, liability, workers' compensation, other) comprise 23.3% based on an assumed annual increase of 2% of total General Expenses. These expenses are budgeted flat over the Financial Plan. No inflationary factor was applied; they are potentially underbudgeted.

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 May 28, 2019, are not eligible for BMHA-funded health insurance upon retirement. Eligibility is determined based on the hire date, a 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 they received immediately before retirement for their lifetime. On June 30, 2024, BMHA accrued future OPEB benefits for 139 active employees, 48 of whom were eligible to retire. Actual retiree healthcare benefits were provided to 221 retirees or beneficiaries. The BMHA's total OPEB liability of \$60,259,857 was measured as of June 30, 2024.

Maintenance

Percent of Total Consolidated 2025-26 Expenses – 23.8%

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.

BMHA has budgeted \$13.6 million in Maintenance Expenses in 2025-26, a \$1.2 million (8.2%) reduction from the PFY Adopted Budget. The budgeted decrease is reasonable as BMHA has reduced planned maintenance employee positions by six. The Financial Plan projects these expenses to increase by \$0.3 million, or 2.2%, over the Financial Plan. While most Maintenance

Expenses are projected to remain static, BMHA is projecting an increase of \$0.1 - \$0.2 million annually in maintenance employee compensation. The labor agreement expires on June 30, 2028. The 3% annual increases in Maintenance salaries in the Financial Plan are consistent with the current labor agreement and the assumption that salaries will increase at the same rate in 2028-29 (i.e., after the labor agreement expires).

Administration

Percent of Total Consolidated 2025-26 Expenses – 22.4%

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

BMHA has budgeted \$12.8 million in Administration expenses for 2025-26. The Financial Plan projects these expenses to increase by \$0.6 million (4.7%) over the plan. While most Administration expenses are projected to remain relatively static, BMHA is projecting a \$0.6 million increase in administrative employee costs based on annual contractual salary increases, increasing from \$6.1 million in 2025-26 to \$6.7 million in 2028-29. The labor agreement expires on June 30, 2028. The 3% annual increases in Administrative salaries in the Financial Plan are consistent with the current labor agreement and the assumption that a similar increase will occur in 2028-29.

Utility

Percent of Total Consolidated 2025-26 Expenses – 10.7%

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

BMHA has budgeted \$6.1 million in Utility expenses in 2025-26, a \$0.9 million (12.9%) reduction from the CFY Adopted Budget. The reduced budgeted amount is based on the CFY actual Utility expenses, which were \$2.8 million at mid-year, or 40% of the total budgeted amount. Utilities are projected flat in the Financial Plan. Given actual Utility expenses as of December 31, 2024, these expenses appear reasonably estimated on a consolidated basis; Utility expenses may be underestimated within the Marine Drive budget based on mid-year actual Utility expenses.

The labor agreement expires on June 30, 2028; a 3% increase in Utility employee compensation expenses is included for 2025-26 through 2027-28, consistent with the labor agreement's terms. An additional 3% increase is assumed in 2028-29 after the current agreement expires.

BMHA is reimbursed through the HUD Operating Subsidy for AMP Utility expenses. There is a time lag associated with this reimbursement.

Protective Services/Resident Service Costs

Percent of Total Consolidated 2025-26 Expenses – 3.0%

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

BMHA has budgeted \$1.7 million for Protective Services/Resident Service Costs in 2025-26. Protective services expenses are budgeted at \$1.2 million, a \$0.5 million decrease over the CFY. The decrease is based on the transfer of certain protective service activities to the maintenance expense line, not a reduction in planned services.

These expenses remain flat over the Financial Plan. It is 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 \$0.5 million in 2025-26. The remaining budget for this category consists of employee costs.

Other Expenses

Percent of Total Consolidated 2025-26 Expenses – 16.5%

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 BMHA has budgeted \$9.4 million for Other Expenses in 2025-26 and holds these expenses flat over the Financial Plan. This amount includes the HAP expenses at \$9.3 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 appear somewhat underestimated in 2027-28 and 2028-29. BMHA's operations would not be materially as the PHA Voucher Grants pass through to recipients in the form of Voucher Grants.

Consolidated Expense Summary

BFSA has reviewed BMHA's expense assumptions and determined that they appear fairly stated overall. Several expense areas are budgeted to decrease as compared to the CFY Adopted Budget. These decreases are reasonable and are largely driven by a reduction of six budgeted positions. Other decreases are based on CFY actual expenses and are deemed reasonable as well.

Personnel

The employee groups represented by Local 264 (managerial, white-collar, and blue-collar) are all under contract until June 30, 2028. 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, 2028.

Budgeted positions are held flat in each year of the Financial Plan. Total employee salaries and benefits are budgeted at \$15.0 million in 2025-26 and are projected to increase to \$15.9 million (6.3%) over the Financial Plan.

Employee Compensation is budgeted to increase by \$0.9 million (9.3%) over the Financial Plan. Employee Benefits are budgeted flat; no inflationary increase was included. These expenses appear to be under-budgeted based on the current labor agreements' contractual increases.

The 2025-26 Adopted Budget removes a net of six budgeted positions as follows:

- Executive (+1)
- Capital Improvements (-1)
- Asset Management (-6)

The total number of budgeted positions is 151. 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 17.2% on March 31, 2025.

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

BMHA STAFFING 2026-2029 FINANCIAL PLAN					
Employee Group	2024-25 Adopted Budget	2024-25 (3.31.25)	2024-25 Vacancy Rate (3.31.2025)	2025-26 Adopted Budget	2026-2029 Outyears 1-3
<i>Executive</i>	14	14	0.0%	15	15
<i>MIS</i>	4	3	25.0%	4	4
<i>Finance</i>	12	9	25.0%	12	12
<i>Personnel</i>	4	3	25.0%	4	4
<i>Capital Improvements</i>	7	4	42.9%	6	6
<i>Asset Management</i>	116	97	16.4%	110	110
Total	157	130	17.2%	151	151
* The number of budgeted positions in 2025-26 are maintained flat over the Financial Plan.					

Summary

The Financial Plan projects a four-year cumulative surplus of \$8.6 million and a four-year positive cashflow of \$4.2 million. Both the Asset Management Projects and Section 8 operating segments of BMHA are individually balanced both in the 2025-26 budget and over the Financial Plan. Both the Central Office Cost Center and Marine Drive Apartments are projecting deficits. Cash borrowings cannot be made from either the AMPs or Section 8 to assist cash flow shortfalls in either COCC or Marine Drive.

Marine Drive’s budget and financial plan do not yet reflect the intended rebuild of that site. As financial plans are developed for the rebuild, we anticipate the changes to be reflected in future financial plans.

Under the existing structure at Marine Drive, a four-year deficit of \$1.7 million is projected with a net cash outflow of \$2.5 million. Marine Drive Apartments does not have cash balances or reserves to use; currently, Marine Drive has a \$2.8 million cash loan from the COCC. Terms of repayment have not yet been developed. Under the existing Financial Plan, it does not appear that COCC will have sufficient reserves to fund the deficits projected for both COCC and Marine Drive.

BMHA is monitoring congressional projected outlays and the potential impact on revenues received from HUD. BMHA does not anticipate funding cuts based on current appropriation proposals.

Buffalo Urban Renewal Agency

Financial Analysis of the 2026-2029 Financial Plan

April 28, 2025

Overview:

The 2026-2029 Financial Plan of the Buffalo Urban Renewal Agency (BURA) was submitted to the Buffalo Fiscal Stability Authority (BFSA) on April 8, 2025. The proposed 2025-26 budget is contained within the financial plan. The BURA Board of Directors has not yet reviewed and approved the 2025-26 budget; it is tentatively scheduled for consideration on May 22, 2025.

Recurring entitlement grant revenues administered by BURA on behalf of the City of Buffalo (City) are primarily based on funding received from federal allocations from the U.S. Department of Housing and Urban Development (HUD). Congress approves the level of funding; formulas are used to determine the amount to be distributed to local communities. Population is a key factor in the allocation formulas used to determine the distribution of HUD funding to local municipalities. There was a reduction in entitlement funds after the 2010 census that was partially attributed to the decrease in the City population, as compared to the 2000 census. 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. The expected increase in HUD allocation from the 2020 census to the City did not materialize; however, the population growth assisted in stabilizing these revenue streams from a decade ago. Total entitlement funds awarded for 2025-26 are unknown at this time, as the City has yet to receive the annual notification from HUD. The award notification from HUD is normally received in late April or early May historically. It is noted that the 2024-25 award was consistent with the 2014-15 entitlement funds (i.e., compared to ten years ago).

BURA's management may draw down previously awarded funding that has yet-to-be expended from prior year grant awards for program, administrative, and overhead costs incurred in the current year. The timing of the receipt of grant dollars and revenue recognition depends on when the expenditures are incurred. As entitlement grants are not limited to one year, it's more reasonable and appropriate to review grant expenditures over the life of the award rather than fiscal years.

The Office of the City Comptroller's Department of Audit and Control is responsible for several functions related to program implementation of Community Development Block Grant (CDBG) funds, including the review of submissions from subrecipients for the drawdown of grant funds, 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 a subrecipient agreement with the City of Buffalo in accordance with the HUD directive, which is renewed annually after the HUD entitlement award is provided to the City of Buffalo. In order to meet these responsibilities, three (3) staff positions are maintained in the Office of the City Comptroller's Department of Audit and Control and are funded through CDBG grant dollars. These positions are subject to administrative cost limitations under the grant agreements.

In addition to the entitlement grants, BURA has received federal stimulus funding through the City of Buffalo:

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law on March 27, 2020. Through the CARES Act, a total of \$11,440,746 in CDBG CARES Act (CDBG-CV) funding and \$88,742 in Emergency Shelter Grant CARES Act funding was provided to the City of Buffalo. BURA is the subrecipient of a CDBG-CV award only; the Emergency Shelter Grant was retained by the City. The CDBG-CV funds are to be used for activities that prevent, prepare for, and respond to, the coronavirus pandemic. The funds are required to be disbursed by January 6, 2027.
- The City of Buffalo entered into a subrecipient agreement with BURA to implement certain programs funded by the American Rescue Plan Act (ARPA). These additional programs include the Affordable Housing Advancement Fund (ARPA AFHA) through the Treasury Department. Subawards are subject to a disbursement deadline of December 31, 2026. The City awarded \$1.5 million to BURA in a prior year. Additional funds have been awarded through HUD for the Housing Opportunities Made Equal (HOME) ARPA programs. These funds have an obligation date of September 30, 2028, and must be disbursed by September 30, 2030. The City has awarded \$12.4 million to BURA.

As the subrecipient, 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.

BURA is also the recipient of two grants through the NYS Homes and Community Renewal Division:

- Vacant Rental Program (VRP) is a grant program funded by the State of New York and administered by the Housing Trust Fund Corporation's (HTFC) Office of Community Renewal (OCR), to support repairs and rehabilitation of vacant rental units and other vacant spaces to increase the supply of critically needed apartments for low- and moderate-income renters outside of New York City. The program aims to help owners of rental properties bring vacant units and spaces in small-scale properties back into productive use to create safe, quality, and affordable long-term rental units.
- The Plus One ADU Program is an initiative to create and improve Accessory Dwelling Units (ADUs) across the state. The Plus One ADU Program provides grants to units of local government and not-for-profit organizations that are committed to crafting community-specific programs for generating safe, quality ADUs. By working with units of local government and community development partners, Plus One ADU will provide a full-service program to support low- and middle-income single-family homeowner occupants who wish to build a new ADU on their property or improve an existing ADUs that needs to be brought into compliance with local and state code requirements. Depending on the property and what the locality permits, ADU's may be small, stand-alone (detached) units on single-family lots, basement apartments, garage conversions, or other permitted units.

The 2025-26 entitlement award is currently an estimate as the award notice has not been received by the City at this time. In addition, the BURA budget includes all HUD provided entitlement funds, including funds that were previously administered by the City, including a portion of the Community Development Block Grant (CDBG), Emergency Shelter Grants (ESG) and Housing Opportunities for Persons with AIDS (HOPWA). BURA will be administering all entitlement funds provided by HUD for the City. In prior years, the City would maintain approximately 50 percent of the CDBG award and BURA as the subrecipient would receive the balance to administer. Beginning in 2025-26 the full allotment of the CDBG will be provided to BURA as a subrecipient of the City. The following is a three-year comparison of total HUD funding by major grants as awarded to the City and BURA; the grant allocation is reflective of that year's award and excludes both prior year awards and federal stimulus funds as these awards are non-recurring.

	Amount of Award		Increase (Decrease)	
	2025-26 ⁽¹⁾	2024-25	\$	%
Grant:	\$	\$		
Community Development Block Grant (CDBG)	11,670,858	13,202,268	(1,531,410)	-11.6%
HOME Investment Partnership Program (HOME)	4,295,000	3,221,431	1,073,569	33.3%
Emergency Shelter Grants *	875,000	1,158,098	(283,098)	-24.4%
Housing Opportunities for Persons with AIDS (HOPWA)*	625,000	1,022,025	(397,025)	-38.8%
Total	<u>17,465,858</u>	<u>18,603,822</u>	<u>(1,137,964)</u>	<u>-6.1%</u>
	Amount of Award		Increase (Decrease)	
	2024-25	2023-24	\$	%
Grant:	\$	\$		
Community Development Block Grant (CDBG)	13,202,268	13,154,000	48,268	0.4%
HOME Investment Partnership Program (HOME)	3,221,431	3,738,814	(517,383)	-13.8%
Emergency Shelter Grants *	1,158,098	1,171,812	(13,714)	-1.2%
Housing Opportunities for Persons with AIDS (HOPWA)*	1,022,025	1,013,830	8,195	0.8%
Total	<u>18,603,822</u>	<u>19,078,456</u>	<u>(474,634)</u>	<u>-2.5%</u>
	Amount of Award		Increase (Decrease)	
	2023-24	2022-23	\$	%
Grant:	\$	\$		
Community Development Block Grant (CDBG)	13,154,000	13,332,794	(178,794)	-1.3%
HOME Investment Partnership Program (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 (HOPWA)*	1,013,830	922,845	90,985	9.9%
Total	<u>19,078,456</u>	<u>19,257,796</u>	<u>(179,340)</u>	<u>-0.9%</u>
(1) 2025-26 award amounts are currently estimates.				
* Funds were previously administered solely by the City. Beginning in 2025-26, BURA will administer the funds.				

The annual award of entitlement funds is estimated to decrease on a year-to-year basis by \$1.1 million, or 6.1 percent. Estimated decreases include a reduction in CDBG grant funding of \$1.5 million, or 11.6 percent, a reduction in HOPWA funding of \$397,025, or 38.8 percent, and a reduction in ESG funding of \$283,098, or 24.4 percent. These reductions are offset by an increase in HOME funds in the amount of \$1.1 million, or 33.3 percent.

Summary of Estimated Revenues:

On a year-to-year basis, total estimated 2025-26 revenues increase \$10.9 million, or 62.7 percent. The increase is attributed primarily to the increase in the annual allotment of entitlement funds received by BURA from the City; instead of a portion of the funds being allocated to BURA and the other portion being administered by the City, the full amount of CDBG, ESG and HOPWA will now be administered by BURA. The year-to-year increase for entitlement funds is \$6.0 million on an annual basis. There are also two new New York State funded programs that BURA is receiving revenue from in the amount of \$2.3 million. HOME ARPA program funds increase by \$1.9 million and City ARPA Affordable Housing Advance Fund (AHAF) increases \$1.2 million. All other revenues decrease \$0.5 million on a net basis. The following schedule summarizes the 2025-26 budget as presented within the financial plan, as compared to the prior year adopted budget:

	Adopted Budget <u>2024-25</u>	Proposed Budget <u>2025-26</u>	Variance	
			\$	%
Total Grant and Program Income	\$ 17,378,240	\$ 28,282,510	\$ 10,904,270	62.7%
Total Program Costs	13,098,715	24,117,858	11,019,143	84.1%
Total Administrative & Planning Costs	4,279,525	4,164,652	(114,873)	-2.7%
Total Expenditures	\$ 17,378,240	\$ 28,282,510	\$ 10,904,270	62.7%

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, with the intent to disburse all program year funds before the expiration of the grant. As the prior year allotments are reduced, new entitlement funds become the primary cash resource for BURA.

2025-2028 Financial Plan:

The following schedule summarizes the 2025-2029 Financial Plan. Entitlement awards are based on the grant year of October 1 through September 30.

	2025-2026	2026-2027	2027-2028	2028-29
Grant Revenues and Related Income				
Community Development Block Grant (CDBG)	\$ 11,670,858	\$ 13,260,845	\$ 13,476,271	\$ 13,476,271
HOME Investments Partnership Program	4,295,000	4,380,900	4,468,518	4,468,518
HOME - ARPA	2,936,000	3,987,560	3,852,219	1,424,221
City - ARPA Affordable Housing Advance Fund (AHAF)	1,530,000	283,900	137,917	137,917
Vacant Rental Property (VRP)	1,410,000	983,600	2,500	2,500
CDBG CV (CARES)	1,355,000	-	-	-
Lead Hazard Grant Income	1,044,000	-	-	-
Accessory Dwelling Unit (ADU)	900,000	565,000	2,500	2,500
Emergency Solutions Grant (ESG)	875,000	1,181,500	1,183,945	1,183,945
General Fund Revenues	765,652	788,622	812,280	812,280
HOPWA	625,000	835,750	846,823	858,227
CDBG Program Income	600,000	600,000	600,000	600,000
Cities Rise	120,000	380,000	-	-
HOME Program Income	100,000	100,000	100,000	100,000
CDBG Interest/Rental Income	50,000	50,000	50,000	50,000
Evans Fund	6,000	6,000	6,000	6,000
Total Grant Revenues and Related Income	\$ 28,282,510	\$ 27,403,677	\$ 25,538,973	\$ 23,122,379
Grant Expenditures				
HOME Project Costs	\$ 3,920,000	\$ 3,993,150	\$ 4,067,636	\$ 4,067,636
CDBG DPW	3,225,000	4,300,000	4,300,000	4,300,000
HOME - ARPA Program Costs	2,604,000	3,645,600	3,500,000	1,072,002
CDBG ER Loan Program Costs	2,500,000	2,575,000	2,652,250	2,652,250
CDBG Program Delivery	2,097,572	2,160,499	2,225,314	2,225,314
City ARP AHAF Projects	1,400,000	150,000	-	-
VRP Project Costs	1,290,000	860,000	-	-
CDBG Public Services	1,275,000	1,700,000	1,700,000	1,700,000
CDBG CV Program Costs	1,000,000	-	-	-
Lead Hazard Program Costs	1,000,000	-	-	-
ADU Project Costs	840,000	560,000	-	-
ESG	825,000	1,100,000	1,100,000	1,100,000
HOPWA	600,000	800,000	800,000	800,000
CDBG Clearance	412,500	550,000	550,000	550,000
CDBG Special Project Costs	406,663	150,000	150,000	150,000
CDBG CV Program Delivery	315,000	-	-	-
Cities Rise	120,000	380,000	-	-
CDBG Crime Prevention	104,123	106,346	108,637	108,637
City ARP AHAF Program Delivery	65,000	66,950	68,959	68,959
HOME CHDO	50,000	50,000	50,000	50,000
HOME - ARPA Project Delivery	32,000	32,960	33,949	33,949
HOME Project Delivery	30,000	30,900	31,825	31,825
Evans Fund Program Costs	6,000	6,000	6,000	6,000
Total Grant Expenditures	\$ 24,117,858	\$ 23,217,405	\$ 21,344,570	\$ 18,916,572
Administrative and Planning Costs				
CDBG Administration @20% cap (on total CDBG Award less City Portion) including Program Income	\$ 2,300,000	\$ 2,369,000	\$ 2,440,070	\$ 2,440,070
General Fund Costs	765,652	788,622	812,280	812,280
HOME Administration Costs @10% cap including Program Income	395,000	406,850	419,056	419,056
HOME - ARPA Administrative	300,000	309,000	318,270	318,270
VRP Admin	120,000	123,600	2,500	2,500
City ARPA - AHAF Administrative	65,000	66,950	68,959	68,959
ADU Admin	60,000	5,000	2,500	2,500
ESG Admin	50,000	81,500	83,945	83,945
Lead Hazard Administration	44,000	-	-	-
CDBG CV (CARES) Administration	40,000	-	-	-
HOPWA Admin	25,000	35,750	46,823	58,227
Total Administrative and Planning Costs	\$ 4,164,652	\$ 4,186,272	\$ 4,194,403	\$ 4,205,807
Total Grant Expenditures and Administrative and Planning Costs	\$ 28,282,510	\$ 27,403,677	\$ 25,538,973	\$ 23,122,379

BURA has budgeted 2025-26 total revenues and expenditures of \$28.3 million. Total grant revenues and expenditures are projected to decrease by \$5.2 million (18.2 percent) over the financial plan, attributed to decreases in HOME ARPA funds in the amount of \$1.5 million, reductions in the Vacant Rental Program (VRP), CDBG CV Cares funding, and City ARPA AHAF funds in the amount of \$1.4 million each, and the use of remaining lead hazard grant funding of \$1.0 million. These decreases are offset by an increase of \$1.8 million for CDBG funds and all other revenues are increasing by \$0.3 million on a net basis. Total revenues and expenditures decrease 3 percent in 2026-27 for approximately \$900,000. There is a further decrease of \$1.9 million, or 6.8 percent, in 2027-28 and a decrease of \$2.4 million, or 10.5 percent, in the final year of the plan. The decreases over the financial plan are reflective of the spend down of temporary or one-time revenues, entitlement funds, and grants received by BURA.

Estimated 2025-26 Revenues, Planned Grant Allocations, and Forecasted Amounts:

Community Development Block Grant (CDBG) \$12,320,858: Total projected revenue for CDBG of \$12.3 million includes prior year allotments, Program Year 51 funding, rental income and program income. Of this amount, 20% is eligible for administrative and overhead expenses. BURA has budgeted \$2.3 million of CDBG dollars for administrative and overhead expenses with the remaining balance of \$10.0 million for program delivery including crime prevention, stabilization and remediation, community center improvements, and housing activities. A balance of \$3.2 million is allocated for department of public works programs, including parks and pools, streets and sidewalks improvements, and community center improvements. A balance of \$2.5 million is allocated to the emergency loan program, weatherization, and a program to assist with downpayment and closing costs. The remaining \$4.3 million is for program delivery including Belmont, CPI contracts, housing rehabilitation, crime prevention, demolitions, and public facilities and infrastructure work.

CDBG funds consistently represent the most significant revenue source to BURA. Total CDBG funds in the 2025-26 budget comprises 43.6 percent of the total budget, increasing to 50.8 percent of the budget in year two, 55.3 percent and 61.1 percent in years three and four. CDBG revenue is projected to increase 13.6% in outyear two, 1.6 percent in outyear three and flat in the final year of the plan. The total cumulative amount of the increase is \$1.8 million.

HOME Investment Partnership Program (“HOME”) Program Funds \$4,395,000: Total projected revenue for HOME includes the annual allotment and estimated program revenue totaling \$4.4 million. Of this amount, 10% is limited to administrative costs. BURA has included \$395,000 for administrative costs in 2025-26. The remaining \$4.0 million in 2025-26 is for project delivery and housing activities, including \$3.9 million for rehabilitations for owners, new construction, \$50,000 for a community housing development organization (CHDO), and \$30,000 in program delivery costs.

The annual amount of this award from HUD is estimated to increase 2.0 percent in years two and three (\$85,900) and (\$87,618) in 2026-27 and 2027-28, respectively. The amount is held at year three levels in the final year of the plan. HOME funds represent a significant amount of the budget and range from 15.5 percent to 19.8 percent of total annual estimated revenue.

U.S. Department of Housing and Urban Development American Rescue Plan Act HOME (“HUD ARPA HOME”) \$2,936,000 – HUD ARPA HOME funds have been made available to the City and BURA has entered into a subrecipient agreement with the City and will administer the funds on the behalf of the City. These funds are different than the ARPA funds allocated from the City to BURA; those funds were released and monitored by the Treasury Department. The allocation of HUD ARPA HOME funds has an obligation date of September 30, 2028, and must be disbursed by September 30, 2030.

A total of \$12.2 million has been included over the Financial Plan, including \$2,936,000 in 2025-26, \$3,987,560 in 2026-27, \$3,852,219 in 2027-28, and \$1,424,221 in the final year of the financial plan. The ARPA HOME funds can be used towards four eligible activities including 1) the production or preservation of affordable housing, 2) tenant-based rental assistance, 3) supportive services, homeless prevention services, and housing counseling, and 4) the purchase and development of non-congregate shelters.

Of the balance of \$2,936,000 of HUD ARPA HOME budgeted, \$2,636,000 is for programs and project costs and \$300,000 is for administrative costs. HUD ARPA HOME funds represent 10.4 percent of the budget in 2025-26, 14.6 percent in year two, 15.1 percent in year three and 6.2 percent in the final year of the financial plan.

American Rescue Plan Act Affordable Housing Advancement Fund (ARPA AHAF) \$1,530,000: The City of Buffalo was awarded ARPA funding in 2021 and subsequently entered into a subrecipient agreement with BURA. The City’s revised ARPA Recovery Plan reduced the allocation to BURA to \$1.5 million. The funds awarded to BURA and covered by the subrecipient agreement are obligated by the City; the subaward does not have a dual obligation timing requirement. BURA must meet the disbursement deadline of December 31, 2026; unspent amounts will be recouped by the U.S. Department of Treasury.

The ARPA AHAF funds are allocated for an 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; and 3) transitional housing units for displaced residents and their families. Funding will also support a housing stability program and service providers assisting residents who were impacted when the eviction moratorium ended. The funds must be disbursed by December 31, 2026.

BURA has budgeted \$1,530,000 of ARPA AHAF consisting of \$150,000 for the program expenses (8 Days of Hope contract expiring in fiscal year 2026), \$130,000 for administrative costs and monitoring costs and the balance of \$1,250,000 is for awarded projects. ARPA AHAF funds represent 5.4 percent of the budget in 2025-26, 1.0 percent in year two, 0.5 percent in year three and 0.6 percent in the final year of the financial plan.

The four previously discussed revenues sources including CDBG, HOME, HUD ARPA HOME, and ARPA AHAF, comprise approximately 75.0 percent of the budget in 2025-26, which increases to 88.0 percent of the budget in the final year of the financial plan. All remaining revenues to be discussed comprise 5.0 percent or less of the budget annually.

Vacant Rental Program - VRP \$1,410,000: BURA was awarded VRP grant funding through the NYS Homes and Community Renewal Program that is administered by the Housing Trust Fund Corporation. It is a two-year grant program and the total award to BURA was \$2.4 million; of this, the amount budgeted for 2025-26 is \$1.4 million of which \$120,000 is allocated to administrative expenditures and the balance of \$1.3 million is allocated to program costs.

VRP funding will be utilized to support housing rehab efforts to homeowners who own a vacant property in need of repair that must then be rented to a low-to-moderate income individual or family.

CDBG – CV \$1,355,000: The City was awarded CARES funding and entered into a subrecipient agreement with BURA to implement the programs funded with this federal stimulus. The total award to BURA was \$11.4 million; of this, the amount budgeted for 2025-26 is \$1.4 million of which \$40,000 is allocated to administrative cost reimbursement and the balance of \$1.3 million is allocated to program costs. These funds must be disbursed by January 6, 2027. A total of \$9.9 million was expended as of December 31, 2024. BURA management expects CARES funds to be disbursed by end of 2025-26, which will meet the disbursement requirement.

CARES provides programming funds to assist with the prevention of evictions and foreclosures, fair housing practices, renter and owner rehabilitation projects, and economic development through a microenterprise grant program.

Lead Hazard Grant \$1,044,000: This grant was originally awarded in the amount of \$2.0 million to the City of Buffalo by HUD. BURA is a subrecipient and was awarded \$1.9 million. The grant was scheduled to expire on July 3, 2024; an extension was granted to July 3, 2025. BURA has requested another one-year extension for the grant and the budget reflects the assumption that the extension will be granted. The grant terms were modified to allow BURA to use the funds citywide for lead waterline replacement, as opposed to the limited census tracts that were provided in the original grant terms. All remaining terms of the grant are unchanged. BURA has included the remaining balance in the 2025-26 budget. Of the \$1.0 million included, \$40,000 is for administrative costs, and the balance of \$1.0 million is for program costs.

Accessory Dwelling Unit - ADU \$900,000: BURA was awarded ADU grant funding through NYS Homes and Community Renewal. It is a two-year grant program and the total award to BURA was \$1.5 million. Of the \$1.5 million award, \$900,000 is budgeted for 2025-26 and includes \$60,000 for administrative expenditures with the balance of \$840,000 allocated to program costs. ADU funding will be utilized to support low-to-moderate income single-family homeowner occupants who wish to build a new ADU on their property or improve an existing ADU.

Non-Federal Budget \$891,652: BURA has budgeted the use of restricted grant dollars in the amount of \$6,000 from the ongoing Evans Grant Housing Opportunity Fund and \$120,000 from the Enterprise New York's Cities for Responsible Investment and Strategic Enforcement Cities Rise ("Cities RISE") program.

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 \$6,000 each year of the Financial Plan. Evans Bank had previously committed funds for various programs including weatherization assistance, homebuyer education workshops, and a down-payment and closing cost assistance program.

The Cities RISE program grant funds are to target neighborhood development through "Love Your Block" mini-grants, provide funding for code enforcement officers, and address abandoned properties. The Love Your Block mini-grants provide funding to block clubs and community-based organizations to assist in improving their neighborhoods by creating community gardens and playgrounds. The budget includes approximately \$120,000 in 2025-26 and a final amount of \$380,000 in 2026-27, at which point the grant will be fully expensed.

Unrestricted general fund revenues are generated from administrative revenue from Section 8 services, rental revenue, and sales of property. They are budgeted at \$756,652 and are fully allocated for administrative and overhead costs. General fund revenues are increasing in out-year 2 of the plan to \$788,622 and increased to \$812,280 in the final two-years of the plan.

Emergency Shelter Grants – ESG \$875,000: ESG funds are entitlement funds that were previously administered by the City but will be administered by BURA as a subrecipient similar to how CDBG and HOME funds are administered. The amount budgeted for 2025-26 is \$875,000 of which \$50,000 is allocated to administrative expenditures and the balance of \$825,000 is allocated to program costs. ESG funding will be utilized for activities to support shelter and outreach activities for those individuals and families who fall into a HUD defined category of homelessness.

Housing Opportunities for Persons With Aids – HOPWA \$625,000: HOPWA funds are entitlement funds that were previously administered by the City but will be administered by BURA as a subrecipient similar to how CDBG and HOME funds are administered. The amount budgeted for 2025-26 is \$625,000 of which \$25,000 is allocated to administrative expenditures and the balance of \$600,000 is allocated to program costs. HOPWA funding will be utilized for activities that will assist individuals who have been diagnosed with HIV/AIDS to regain stability through permanent housing and support services.

Appropriations and Projected Expenditures:

Overhead costs, including insurances, supplies, maintenance of BURA-owned properties, legal costs, consulting, and other miscellaneous items, are budgeted at \$761,675 in 2025-26. This cost category is held relatively flat over the three outyears of the financial plan.

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 maximum 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 maximum 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. Administrative costs and overhead costs are reimbursable under ARPA, and the maximum is 10 percent of the Lead Hazard Grant. The administrative cap for ESG is 7.5 percent and the cap for

HOPWA is 7.0 percent. BURA has demonstrated sufficient resources for the payment of these costs, including allocating the general fund revenues annually towards these costs.

If BURA does not use grant resources up to the maximum amount for administrative and overhead expenses, the remaining resources may be utilized for program costs. The maximum percentages are based on the total grant award, not the amount expended in a particular fiscal year.

The Financial Plan includes 40 funded positions with salaries and fringe benefits of approximately \$4.6 million, increasing by approximately 3 percent annually to \$4.7 million in outyear 2, \$4.9 million in outyear 3, and \$5.0 million in outyear 4. This number of positions is held constant over the financial plan at 40 and currently there are eleven vacancies. BURA is increasingly challenged in managing its personnel costs, subject to the maximum allowable cost percentages discussed previously.

BURA's employees are covered by one collective bargaining unit, the Civil Service Employees Association, Local 815; the contract expires on June 30, 2026. There are 24 budgeted positions covered by the union.

BURA management has historically provided the same collective bargaining agreement (CBA) provisions to exempt employees, including health insurance benefits. There are 16 exempt employees within the 2026-2029 Financial Plan.

BURA has included all employee benefits at a flat 57% of salary costs, which is estimated to cover health insurance cost increases. BURA does not participate in the City of Buffalo's self-funding of health insurance and continues maintaining coverage through Highmark Blue Cross/Blue Shield.

The current financial plan provided by BURA has demonstrated adequate resources available to pay for projected salary and related fringe benefit increases.

Other Notable Items:

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 27 properties valued at approximately \$4.6 million which are held for redevelopment in accordance with grant regulations. The operating budget excludes the sale of property as the budget balances with grant expenditures and revenues sufficiently addressing the costs of operations; funds from the sale of property can be used for other purposes and revenue recognition is not dependent on when expenditures are recognized.

Conclusion:

The 2026-2029 Financial Plan is balanced over the four years. It is conservatively budgeted with reasonable underlying assumptions.

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 2026-2029 Financial Plan appears to appropriately reflect 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 AHAF related funding must be spent by December 31, 2026.

Appendix A: Buffalo Fiscal Stability Authorizing Statute

The BFSA authorizing statute was not included in the September 22, 2025 Directors Board Book, but can be accessed via the web at: <https://bfsa.ny.gov/laws-and-bylaws>

**APPENDIX B:
BUFFALO FISCAL STABILITY AUTHORITY
ANNUAL INVESTMENT REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025**

Requirements

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

Investment Guidelines

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

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

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

The Investment Guidelines were last approved by the BFSA Board of Directors on August 12, 2025, via Resolution No. 25-13, with no modifications made.

Investment Activity

The Authority's cash and investments at June 30, 2025 consisted of the following:

	Cost	Fair Value
Cash	\$23,772	\$23,772
Money Market	\$112,472	\$112,472
BNY Cash Reserve	\$184,422	\$184,422
U.S. Treasury Bills	\$348,489	\$351,688
Federal Home Loan Discount Note	<u>\$13,344</u>	<u>\$99,826</u>
Total Cash and Investments at June 30, 2025	<u>\$682,499</u>	<u>\$772,180</u>

All investments mature no later than August 28, 2025.

The BFSA recorded total investment earnings of \$103,231 for the year ended June 30, 2025, 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	\$ 93,916
Operating Funds	<u>9,315</u>
Total Investment Earnings for the year ended June 30, 2025	<u>\$ 103,231</u>

During the year ended June 30, 2025, 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 and treasury bills.

The BFSA trust indenture requires the Authority to retain out of the first payment of sales taxes each month an amount equal to 1/6 of the next interest payment and 1/12 of the next principal payment. The full amount of the next payment must be fully funded two months in advance of the maturity. These set asides are deposited into each bond account upon receipt of the funds (usually by the 6th or 7th of each month) and invested in A1/P1 commercial paper or U.S. Government and Agency obligations until the 15th of the same month. After a bidding process, the Authority entered into various Forward Delivery Agreements for delivery of securities against the cash set-asides. These agreements are structured to yield investment earnings within the parameters of the yield restrictions imposed by the federal government's requirements for tax-exempt bonds. 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, 2025.

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, 2025, the balance of investments was increased by \$89,680 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 our 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, 2025 for trustee fees were \$4,100.

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.



September 15, 2025

pfm

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Ms. Jeanette Robe
Executive Director
Buffalo Fiscal Stability Authority
Ellicott Square Building
295 Main Street, Suite 800
Buffalo, NY 14203

Dear Ms. Robe:

Thank you very much for the opportunity to serve as financial advisor to the Buffalo Fiscal Stability Authority ("BFSA"). PFM Financial Advisors LLC ("PFMFA") has greatly enjoyed working with you over the past several years.

PFMFA offers to renew the terms of the 2004 Financial Advisor Agreement ("the 2004 Agreement") for a period of one year, from October 1, 2025, to September 30, 2026. PFMFA will provide the Financial Advisory – Debt Transaction Services set forth in Section 2 and Strategic Consulting Services set forth in Section 3 of the 2004 Agreement on the same terms, conditions and prices in the 2004 Agreement. We will use the billing rates provided for 2006 in the 2004 Agreement.

Again, thank you for the opportunity to once again serve as your financial advisor.

Sincerely,

Steve Hass
Managing Director
PFM Financial Advisors LLC

Accepted by:

Jeanette Robe
Executive Director

**BUFFALO FISCAL STABILITY AUTHORITY
AUDIT, FINANCE AND BUDGET COMMITTEE
RESOLUTION NO. 25-XX
APPROVE ENGAGEMENT OF PFM FINANCIAL ADVISORS LLC
AS FINANCIAL ADVISOR**

WHEREAS, the Buffalo Fiscal Stability Authority (“BFSA”) was formed by Chapter 122 of the Laws of 2003, as amended (the “BFSA Act”), 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.”; and

WHEREAS, BFSA previously contracted with PFM Financial Advisors LLC (“PFMFA”) as BFSA’s financial advisors pursuant to a request for proposals after determination that the firm was the most capable of carrying out the required duties; and

WHEREAS, PFMFA has submitted a letter to BFSA to continue to serve as the BFSA’s financial advisors for a period of one year, from October 1, 2025 to September 30, 2026, on the condition that PFMFA agree to maintain the same terms as are provided for in the previous year; and

WHEREAS, PFMFA has served as financial advisors for the BFSA for its debt issuances and continues to provide assistance based on this historical knowledge as well as advise on current matters.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority does hereby engage PFM Financial Advisors LLC as the BFSA’s financial advisors for a period of one year, from October 1, 2025 to September 30, 2026. Such services shall be undertaken for such amounts and on such terms as agreed upon by the Secretary or Executive Director.

This resolution shall take effect immediately.

Approved September 22, 2025

Frederick G. Floss,
Committee Chair



**BUFFALO FISCAL
STABILITY AUTHORITY**

TAB #3

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
Tuesday, August 12, 2025

The Buffalo Fiscal Stability Authority (BFSA) Board of Directors held a public meeting on August 12, 2025. The meeting was called to order at 1:18 PM and complied with the New York State Open Meetings Law.

Board Members Present

Secretary Frederick G. Floss (Chair Pro Tempore)
Director Andrew A. SanFilippo
Director Timothy R. Hogues
Director Thomas F. Keenan
County Executive Mark C. Poloncarz (proxy Cornell)
Mayor Chris P. Scanlon (proxy Nosworthy)

Board Members Excused

Staff Present

Executive Director Jeanette M. Robe
Principal Analyst/Media Liaison Bryce E. Link
Senior Analyst II/Manager of Technology Nathan D. Miller
Comptroller Claire A. Waldron

Additionally Present

James Barnes, Chief Financial Officer, Buffalo City School District
Maria Chudy, Senior Program Manager, Buffalo Urban Renewal Agency
Scott Billman, Senior Director of Administration, Buffalo Urban Renewal Agency
Carol Burns, Executive Assistant, City of Buffalo Comptroller's Office
Nikita M. Fortune, former BFSA Administrative Assistant

Opening Remarks

Chair Pro Tempore Floss welcomed all participants, reviewed the agenda, and asked for a roll call.

Roll Call of the Directors

BFSA Executive Director Robe called the roll. A quorum was declared, and the meeting commenced.

City of Buffalo Commissioner of Administration, Finance, Policy and Urban Affairs, Raymour Nosworthy, represented City of Buffalo (City) Mayor Scanlon per Subdivision 1 of §3853 of the BFSA Act.

Erie County Budget Director Mark Cornell represented Erie County Executive Poloncarz per Subdivision 1 of §3853 of the BFSA Act.

Subdivision 1 of §3853 of the BFSFA Act reads: "...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 [their] place, meetings of the Authority and to vote or otherwise act in [their] behalf. Such designees shall be residents of the City of Buffalo. Written notice of such designation shall be furnished before any participation by the single designee...."

Recognition of Nikita M. Fortune

Chair Pro Tempore Floss introduced Resolution No. 25-08, "Honoring Buffalo Fiscal Stability Authority Administrative Assistant Nikita M. Fortune," and entered the following for the public record.

WHEREAS, on July 3, 2003, the New York State Governor signed into law Chapter 122 of the Laws of 2003, known as the Buffalo Fiscal Stability Authority Act, which created the Buffalo Fiscal Stability Authority to assist in the restoration of fiscal stability in the City of Buffalo and within its covered organizations; and

WHEREAS, Nikita M. Fortune was hired as Administrative Assistant to the Buffalo Fiscal Stability Authority (BFSFA) on December 8, 2014 and served the BFSFA for over ten years until May 30, 2025, demonstrating exceptional dedication, professionalism, and integrity; and

WHEREAS, Ms. Fortune ensured the smooth operation of the BFSFA's daily activities by providing skillful administrative support and served as a trusted resource to the Board of Directors, the Executive Director, staff, and stakeholders; and

WHEREAS, she exemplified the highest standards of courtesy and attention to detail, contributing substantially to the development of the written record of the BFSFA in addition to the success of numerous projects and initiatives; and

WHEREAS, the Board of Directors of the Buffalo Fiscal Stability Authority wishes to formally recognize and express its sincere gratitude for her outstanding contributions and the impact she has made; and

WHEREAS, Ms. Fortune's contributions to the Buffalo Fiscal Stability Authority, the City of Buffalo, and the community will endure and positively impact future generations.

NOW THEREFORE BE IT RESOLVED that the Buffalo Fiscal Stability Authority does hereby honor and appreciate Nikita M. Fortune for her outstanding contributions to the Buffalo Fiscal Stability Authority, to the City of Buffalo and its residents, and to the Western New York community.

This Resolution shall take effect immediately.

Chair Pro Tem Floss requested a motion to approve the resolution as read.

Motion by Director Hogues. Second by County Executive Poloncarz (Cornell).

Resolution No. 25-08 was approved 6-0.

Chair Pro Tem Floss thanked Ms. Fortune for attending the meeting via video conference and for all her hard work.

Ms. Fortune stated that it was a pleasure to work for the BFSA for ten years and an honor to serve the City of Buffalo in this capacity.

Approval of June 16, 2025 Minutes

Chair Pro Tem Floss introduced Resolution No. 25-09, “Approving Minutes from June 16, 2025,” and requested a motion to approve the item.

Motion by Director Hogues. Second by County Executive Poloncarz (Cornell).

Resolution No. 25-09 was approved 5-0. Director Keenan abstained as he had not been on the Board.

Buffalo Fiscal Stability Authority Business

Various BFSA Policies, Procedures, Guidelines, and Reports

Chair Pro Tem Floss reported that the Governance Committee had met earlier in the day and had forwarded a series of policies, procedures, guidelines, and reports to the full Board with a recommendation for approval.

Executive Director Robe briefly summarized the items.

Chair Pro Tem Floss requested a motion to approve Resolutions No. 25-10 through 25-23.

Motion by Director Hogues. Second by Director Keenan.

Resolutions No. 25-10 through 25-23 were unanimously approved.

Reconstitute Audit, Finance and Budget Committee

Chair Pro Tem Floss introduced Resolution No. 25-24, “Reconstitute the Audit, Finance and Budget Committee.”

Director SanFilippo requested committee membership.

The resolution was amended to remove Director Hogues and add Director SanFilippo.

Motion by Director SanFilippo. Second by Director Hogues.

Resolutions No. 25-24 was unanimously approved.

The Audit, Finance and Budget Committee was reconstituted to include Secretary Floss, Director Keenan, and Director SanFilippo as members. Secretary Floss was reappointed as Chair.

Reconstitute Governance Committee

Chair Pro Tem Floss introduced Resolution No. 25-25, “Reconstitute the Governance Committee”.

The resolution was amended to remove Director SanFilippo and add Director Hogues.

Motion by Director SanFilippo. Second by Director Hogues.

Resolutions No. 25-24 was unanimously approved.

The Governance Committee was reconstituted to include Secretary Floss, Director Keenan, and Director Hogues as members. Secretary Floss was reappointed as Chair.

Buffalo Urban Renewal Agency

Discussion with Management Regarding an Update on the Lead Remediation Grant

Chair Pro Tem Floss advanced the agenda to a discussion with Buffalo Urban Renewal Agency (BURA) Senior Program Manager, Maria Chudy. The Board had requested an update on the lead abatement grant and the progress to disburse the funds.

Senior Program Manager Chudy addressed the Board and provided the following update. BURA had been asked how many contracts were entered into ahead of the July deadline and what the average contract grant amount was. BURA entered eighteen contracts between January and the July deadline. The average contract was for about \$22,875. The total number of contracts let is twenty-five, eleven of which are currently in process to be completed and fully drawn out by the October deadline, for a total of thirty-four contracts in the program.

Chair Pro Tem Floss asked if funds that would not be used would be returned to the federal government. Senior Program Manager Chudy confirmed that approximately \$1.0 million would be unspent and returned. BURA had asked for and received an extension in 2024. It had requested a second extension in 2025, which was not approved. BURA’s management had believed the second extension was a formality based on interactions with the U.S. Housing and Urban Development (HUD) representatives. BURA was informed in June 2025 that a second extension was not approved.

Chair Pro Tem Floss made the following statements. The concern is how BURA got into a position to return \$1.0 million to the federal government. Lead abatement is critical to the City of Buffalo. Does BURA have policies and procedures in place now to prevent this from occurring again?

Senior Program Manager Chudy made the following statements. The grant funding was a lead-based paint abatement program, not lead water pipes. Unfortunately, the grant rolled out in early 2021. At that point, it was very difficult to get inside of units and conduct lead-based paint inspections. People had other priorities at the time, and lead paint abatement was not one of them. There was a slow start to the program. BURA saw an uptick in applications as it entered the post-COVID period, and BURA released some of the limitations that were initially imposed

on the grant. BURA was initially limited to four census tracts. BURA lifted that geographic limitation to serve the entire City. After this change, there was a major influx of applications and interest. There is an affordability requirement in the units that BURA serves, which must continue to be occupied by a low to moderate-income household that was secured by a lien. BURA eliminated the lien and replaced it with an affordability agreement that the owner would sign. Once BURA instituted both of those changes, there was an uptick in interest. If the City and BURA were to partake a similar program in the future, management has learned from this process and should be able to build on it.

Chair Pro Tem Floss noted that other counties received similar grants and were able to spend down all the money, even with the same limitations. They were also able to leverage other funds to do that. Do you know why BURA didn't do that?

Senior Program Manager Chudy noted that BURA was able to leverage around \$125,000 to \$150,000 in Community Development Block Grant (CDBG) funds. This way, when someone reaches out for lead paint abatement, they may also need a roof repair, or a sewer line repair, or something that would have made the unit infeasible for workers to go in and do the lead abatement.

BURA layered the CDBG funding to do the roof or the sewer first, or whatever the emergency need was, to stabilize the home, and then go in and do the lead abatement. BURA was able to leverage a portion of the CDBG grants. With respect to comparable municipalities and their performance under this grant, Senior Program Manager Chudy could not explicitly speak about BURA's peers and what they may or may not be leaving on the table.

Commission Cornell stated the following. The county has been running a similar program for decades and has a lot of experience and lessons learned. County officials have attended the conferences associated with this grant; there's been a lot of shared frustrations across the country. The certification requirement for the contractors doing the work under this program is a high bar.

Director Keenan asked who would have had to approve the second extension and if BURA knew the rationale given for not approving it. Senior Program Manager Chudy stated that every grantee is assigned a specific representative. Extension requests are made to this representative and escalated to their supervisor. Recent guidance regarding the review of unspent funds influenced the decision. BURA did not receive confirmation until June 2025 that the second extension had not been approved.

Director Hogues asked the following questions. What was the lead paint grant application process like, and did BURA advertise to individuals to make the community aware of the funds? Senior Program Manager Chudy stated the BURA regularly works with community-based organizations (CBOs) for the intake and outreach for the various housing programs BURA offers and to spread awareness of available funds. It does additional outreach at various housing facilities. BURA additionally works with the City of Buffalo Department of Permits and Inspections to spread awareness. Director Hogues also wanted to know if BURA was doing anything at this time to bring in additional contractors and get them certified at this higher threshold? Senior Program Manager Chudy stated at this time all activities around this program

have sunset. Director Hogues wanted to know if there were enough households in the City that would qualify under the current criteria. Ms. Chudy responded that there is still a need, especially with the number of housing units in Buffalo that were built before 1978.

Director SanFilippo had several questions about the program in general, concerning the timing and the amount allocated to the City of Buffalo. His concern was at what point administrators were concerned about the program and getting the funds disbursed. Senior Program Manager Chudy responded that it was always a concern for BURA to get these funds out the door to the community. It was difficult during COVID, and multiple managers were leading the program due to turnover.

Director Hogues stressed the importance of a rule being in place, so BURA does not give back millions of dollars of funding in the future. One million dollars at \$20,000 per unit would have covered an additional fifty houses. Children will be impacted because BURA's organizational house was not in order. He asked if any future grants would be available.

Chair Pro Tem Floss stated that funds are likely to be cut. He thanked Senior Program Manager Chudy for coming to answer the Board's questions and providing the update. He asked that she relay BFSA's concerns about returning unspent funds to BURA management, that plans and policies be in place to make sure programs are successful, and funds are spent down.

Buffalo City School District ***Review of the 2026-2029 Financial Plan***

Chair Pro Tem Floss introduced the staff's Buffalo City School District (BCSD) 2026-2029 Financial Plan analysis report. The report focuses on the three out-years of the Financial Plan; BFSA reported on the 2025-26 Adopted Budget on June 16, 2025.

Chair Pro Tem Floss asked Senior Analyst II Miller to present the staff's analysis.

The 2025-26 Adopted Budget was passed by the Board of Education on May 28th. The BFSA Board conducted its review on June 16th. The Financial Plan was submitted to BFSA on July 17th. Both the Adopted Budget and the Financial Plan were submitted after the April 8th statutory requirement.

The Financial Plan depicts a structural deficit as projected expenditures exceed forecasted revenues in all four financial years. The Adopted Budget includes a \$78.8 million deficit. The Financial Plan includes deficits between \$23.3 million and \$31.8 million annually.

The plan contains a cost reduction strategy focusing on aligning total staffing with the number of open buildings and the decline in pupil enrollment. In outyear one, the BCSD plans to close two yet-to-be-named schools and eliminate 100 full-time equivalent (FTE) positions from the General Fund. An additional 50 FTEs are eliminated in the outyears two and three. Positions are eliminated as people retire. Vacant positions will be removed. Layoffs are not expected but are possible.

General Fund revenue increases in each year of the plan at a 2.2% average annual growth rate. The net increase over the plan is \$74.6 million from year one to year four. Individual categories of revenue were discussed.

General Fund expenditures are a bit different. Expenditures decrease slightly by \$100,000 from year one to year two and then increase at an average annual growth rate of 0.6%. Projected expenditures are heavily impacted by the projected staff reduction and the two school closures.

The next key finding is that the BCSD has appropriated \$78.8 million in fund balance to fill the deficit. The cumulative four-year gap is \$158.0 million. The BCSD currently has sufficient fund balance to fill these deficits in the next 4 years, if some of the risks do not materialize.

The District estimates the total fiscal year-end (FYE) 2025 Unrestricted fund balance at \$342.5 million. The District estimates the total FYE 2029 Unrestricted fund balance at \$188.4 million. Unassigned fund balance is projected at \$56.1 million (above the 4% minimum retainage policy by \$7.8 million).

Senior Analyst Miller reviewed the historical and forecasted fund balance. FYE 2024 concluded with \$424.1 million in total fund balance. FYE 2025 saw a drawdown of approximately \$50.0 million to close an actual deficit. The Financial Plan includes reductions of fund balance in each fiscal year.

The next key point is that all collective bargaining units will either have expired contracts or expiring contracts, excluding the bus aides. BFSA's analysis estimates that the Financial Plan includes between \$20.0 million and \$27.0 million to fund expired/expiring labor agreements and step increases. BFSA analyzed how much contract settlements could cost. With either a 2% raise or 3% raise, holding all things constant and using the current staffing model, contract settlement costs would be \$65.0 million for 2% increase and \$98.3 million for a 3% increase. Approximately \$20.0 million to \$27.0 million is already built into the plan; the actual impact of these hypothetical settlements would be somewhat lower.

Director Keenan asked how much of the \$20.0 million to \$27.0 million was for step increases and how much was for contractual settlements. Senior Analyst Miller explained that the amounts were estimated internally and aren't explicitly in the District's Financial Plan. The estimates were created based on salary projections, assumed step increases, current contractual terms, and the hypothetical 2% to 3% increases. It was not broken out by step increases and contract increases.

BCSD Chief Financial Officer Barnes addressed the Board. He stated that the Financial Plan includes an assumptions section the BCSD utilized to project future employee compensation expenditures. It includes percent increases in each year based on step and assumed salary increases.

Director SanFilippo asked CFO Barnes if he agreed with the estimate. CFO Barnes believed the estimate was too high.

Senior Analyst Miller provided the following additional information. The internal analysis utilized the average 2024-25 employee compensation and increased it by assumed step increases and contractual increases for contracts current in 2025-26. The model then compared these amounts to the hypothetical 2% and 3% increases. A 2% gross increase would be \$65.0 million. The net increase would be between \$40.0 million and \$45.0 million after accounting for what had been built into the Financial Plan. The model is additionally based on the Financial Plan's staffing plan and BFSA's projections for New York State pension employer contribution rates. The estimated additional employee compensation and benefit costs are a risk identified within BFSA's analysis.

CFO Barnes indicated the difference in estimates was reasonable due to the inclusion of employee benefits.

Senior Analyst Miller continued the presentation to discuss the employee benefit expenditures in the Financial Plan. Budgeted General Fund Employee Benefits decrease significantly from 2025-26 to 2026-27 by \$17.7 million (7.2%). The reduction is driven by a \$12.2 million (20%) reduction in retiree health insurance expenditures based on an adjustment to more realistic levels due to actual retiree health insurance costs of \$52.0 million (unaudited) for FYE 2025 and the District's projections for a significant decrease in total gross allowable health insurance-related expenditures billed through its third-party administrator. This includes the impact from cost-containment strategies, including targeting the top three claim categories, including weight-loss drugs.

Commissioner Cornell noted that Erie County was examining the cost/benefit of the weight-loss drug.

CFO Barnes indicated the District's weight-loss drug costs were \$3.0 million in 2024. It was way up to \$12.0 million in 2025. People are signing up more and more every month. The District is self-insured. The insurance carrier will be instituting a stricter policy in January 2026.

The Directors discussed the potential costs and savings for providing the weight-loss drugs.

Senior Analyst Miller noted that the health insurance was one of the big opportunities and threats to the Financial Plan. If the savings materialize, it will free up a lot of money that the District can redirect to other areas of need. If they do not materialize, it will add a significant amount of costs.

CFO Barnes stated that he appreciated meeting with the BFSA staff. The staff does a deep dive on the numbers and challenges the BCSD's assumptions. Retiree health insurance is overstated in the Adopted Budget. When the plan was developed, the District did not have the full Q4 2025 numbers. FYE 2025 actual retiree health insurance costs were \$52.0 million (unaudited). The Adopted Budget included \$61.0 million in 2025-26. The Financial Plan's outyears are based more on the \$52.0 million and not the \$61.0 million, as Senior Analyst Miller mentioned earlier.

Senior Analyst Miller continued the presentation. In the 2024-25 Adopted Budget, the District continued \$45.0 million of programs previously funded by federal stimulus funds. These

programs are phased out over the Financial Plan. The District intends to curb these expenditures by reducing programs and services in the outyears and annually reducing a significant level of budgeted positions. These changes are included within the Financial Plan and are a part of the District's downsizing initiatives.

The next key finding is that the General Fund has provided approximately \$40.0 million in transfers to the Capital Fund over the past three fiscal years. A large amount of this funding was used for projects not subject to New York State (NYS) reimbursement. During 2024-25, the District implemented Phase 1 of a capital improvement plan (CIP). The final project list included twenty-one health and safety-related projects with a total project cost of \$37.0 million (all aidable). The funding for these projects was anticipated to be funded by a \$22.0 million bond offering through the City of Buffalo and \$15.0 million in General Fund transfers (\$11.0 million occurred in 24-25).

Director Keenan asked if the new superintendent had the ability and authority to revise the Financial Plan, the CIP, and other plans. CFO Barnes stated that the plans have been reviewed and discussed with the incoming superintendent. The superintendent may revise the plans if deemed appropriate.

The District is currently developing Phase 2 of the CIP, which includes the Buffalo State/DaVinci project. Except for the DaVinci project, the intent is for Phase 2 to be fully bond-financed and not rely on transfers from the General Fund; the sale of bonds is dependent on approvals by the City of Buffalo. Approximately \$24.0 million of the \$44.0 million DaVinci project is aidable. A \$25.0 million set aside in assigned fund balance for potential transfers required by the DaVinci project is included in the fund balance projection.

The Financial Plan assumes a fully executed lease for a new Central Commissary in early 2025-26. Lease payments will begin after construction is completed in 2026-27. The additional lease costs will create sizable deficits in the Food Service Fund that will be funded using Food Service Fund fund balance for approximately eight years. During years nine through fifteen, the General Fund will fund approximately \$23.0 million in deficits through budget appropriations. During year sixteen and thereafter, the lease payments decrease to a minimal annual level of approximately \$100,000.

The final key finding is that several of the District's main cost drivers have reduced rates of increase over the Financial Plan, including teacher compensation, health insurance for active employees, and health insurance for retirees. Charter School Tuition Payments are projected to be flat in all three outyears.

General Fund revenues total \$1,107.7 million in the Adopted Budget and increase \$74.6 million (6.7%) over the Financial Plan. NYS Aid is projected to increase by a net \$65.7 million (6.9%) over the Financial Plan based on a 3% inflationary rate, less declining Building Aid, and a static total Buffalo resident pupil enrollment in all area public schools.

NYS Aid may be impacted by potential federal aid cuts. The 2025-26 federal grant funding is not at risk, but approximately \$8.0 million annually is at risk in all outyears. NYS may need to

divert local resources to cover shortfalls, putting additional pressure on already strained budgets. The cuts would undermine efforts to provide equitable education.

There are potential Medicaid reimbursement cuts as well. Future reimbursements could be negatively impacted by future federal appropriations. The 2025 United States budget reconciliation law includes a planned reduction in the rate of increase in certain federal outlays, as compared to outyear projections. This may include eliminating the federal Medicaid reimbursement to NYS school districts for individuals determined ineligible for such benefits at the federal level. Medicaid reimbursements are \$5.0 million to \$5.3 million annually over the Financial Plan. The District cannot impact whether these cuts occur.

General Fund expenditures are projected to decrease by \$0.1 million from 2025-26 to 2026-27, an average annual growth rate of 0.8%. Expenditures are projected to total \$1,206.4 million in 2028-29.

Total projected Employee Compensation is \$432.3 million in 2026-27, \$1.0 million (0.2%) greater than the Adopted Budget. There is a net decrease of 100 FTEs, offset by salary steps and 2.5% to 4% assumed contractual increase for several employee groups with expired/expiring collective bargaining agreements. Total projected Employee Compensation increase \$11.1 million (2.6%) over the Financial Plan. BFSA estimates \$3.1 million to \$10.4 million is available annually for step increases/contract settlements (cumulatively \$20.0 million to \$27.0 million). BFSA estimates that the District would need an additional \$40.3 million cumulatively to fund a hypothetical 2% increase to all expired/expiring labor agreements.

Director Hogues asked how budgeted staffing had changed. Senior Analyst Miller presented a slide that depicted the budgeted staffing levels in 2024-25, the Adopted Budget, and the Financial Plan. General Fund budgeted positions are reduced by eighteen FTEs in the Adopted Budget as compared to the 2024-25 Adopted Budget. Budgeted positions increase by twenty-six FTEs on an All Funds basis when comparing the Adopted Budget to the 2024-25 Adopted Budget. Budgeted positions decrease by a net 200 FTEs over the Financial Plan on both a General Fund and All Funds basis. Fifty teacher positions are removed annually. Non-teacher positions are decreased by fifty in 2026-27 and maintained at this level throughout the Financial Plan outyears.

CFO Barnes noted that the position reductions will not be difficult after closing the two schools, eliminating positions as individuals retire, and eliminating vacant positions. Layoffs are not expected.

The Directors discussed the importance of maintaining classroom sizes and not eliminating classroom instruction. CFO Barnes explained that classroom instruction should not be impacted by the FTE reductions. Vacant positions will be removed. Teachers on special assignment will be reduced; these individuals will be offered positions in classrooms.

Senior Analyst Miller presented a slide that depicted historical pupil-to-staff and pupil-to-instructor ratios. The ratios were the lowest in FYE 2024 when the District had a considerable amount of federal stimulus funds available for additional personnel and programs. FYE 2025

depicts the end of the additional funding and the District's first initiatives to right-size the District's staffing to pupil ratios. The ratios are projected to remain lower than historical amounts throughout the Financial Plan.

Director Hogues asked CFO Barnes if any information could be relayed that demonstrated improved pupil outcomes from the additional federal stimulus funding. CFO Barnes stated that the information would be shared when it's available. He expanded on the District's federal Medicaid reimbursement and the federal school lunch program funding.

Senior Analyst Miller continued the presentation. Charter School Tuition Payments increase to \$180.7 million in 2025-26. The Adopted Budget is potentially underbudgeted by \$10.0 million to \$15.0 million. The actual amount cannot be estimated until the New York State Education Department (NYSED) finalizes 2025-26 special education rates. The District will need to address the additional expenditures via budgetary transfers, if possible, and/or by modifying the budget to increase overall appropriations if transfers are not sufficient.

Charter School Tuition Payments increase to \$197.5 million in 2026-27 and then held flat through 2028-29. The assumption is flat enrollment and flat tuition rates based on the District's projected flat annual operating expenses. This represents both an opportunity and a risk: the District would either have significant resources available to fund other areas or conversely, would need to redirect funds from other areas if tuition rates exceed the District's assumed amount.

Director SanFilippo asked if there was a deadline for when the NYSED would provide final special education rates. CFO Barnes stated that final rates are typically released after most school districts have adopted their respective budgets. Certain rates may take several years to finalize. The District's assumption of flat outyear base tuition rates assumes that District average annual operating expenses will essentially be flat, due to its right-sizing initiatives.

Senior Analyst Miller noted that the assumption of flat base charter school tuition rates was an additional opportunity and risk in the Financial Plan. If it occurs, a significant amount of resources would be freed up for the District to address other areas of need. If it is greater than what the District assumes, additional resources will need to be redirected to fund these under-projected expenditures.

Chair Pro Tem Floss discussed the complexity and institutional flaws within New York State charter school funding.

Senior Analyst Miller briefly reviewed Debt Service, Transportation, and All Other Expenditures. Debt Service is budgeted at \$78.4 million in 2025-26 and decreases by \$9.2 million (11.7%) by 2028-29. The District estimates approximately \$22.0 million in new debt will be issued in calendar year 2025 to fund the health and safety renovations of approximately \$37.0 million in aidable projects (97.4%).

Transportation is budgeted at \$72.5 million in 2025-26 and is expected to increase by \$9.1 million (12.6%) by 2028-29. The \$9.5 million (15.1%) increase over the 2024-25 Adopted Budget is due to the anticipated level of transportation services offered by the District and the

new busing contract with First Student, Inc. Transportation costs are largely aidable at an 87% reimbursement.

All Other Expenditures are essentially flat from 2025-26 to 2026-27. Closing two schools in 2026-27 is the basis for this projection. All Other Expenditures increase by \$19.9 million by outyear four.

The Executive Director discussed a schedule which quantified the risks in the Financial Plan as identified by the BFSAs during the review of the plan. These risks include potential loss to the federal Medicaid reimbursement, increased Charter School Tuition Payments, a possible need to provide General Fund support for services that are federally grant-funded if such funding is revoked, additional retiree health insurance costs if cost-avoidance strategies do not materialize, and additional costs for labor agreements. There was a conversation about CFO Barnes's numbers versus Senior Analyst Miller's estimates. The total risk to the plan over the four years is \$175.2 million.

Executive Director Robe deferred to Senior Analyst Miller to present how potential contract settlements could impact the Financial Plan's projected deficits. Senior Analyst Miller showed a chart that depicted the Financial Plan's projected cumulative deficits and the revised cumulative deficits with potential 2% and 3% contract settlements for all eligible collective bargaining units. The deficit scenarios listed did not include the additional cumulative four-year \$124.1 million noted as potentially at risk.

Executive Director Robe noted that there was a shift in how the budget and the financial plan is put together by the District. In prior years, one of BFSAs's consistent findings was that the District did not include an amount for contract increases. The current Financial Plan includes an estimate, so there's a more complete picture.

The District's 2026-2029 Financial Plan includes a cumulative four-year deficit of \$158.0 million, which is fully funded through fund balance, a nonrecurring funding source and an unsustainable practice. The reduction of \$158 million in reserves leaves the District with an estimated \$188 million in Unrestricted fund balance at the conclusion of the Financial Plan. This is the District's worst-case scenario. Significantly, the Unassigned fund balance available for future budgets is projected to be \$7.8 million on June 30, 2029. The importance of the District to achieve an operationally balanced budget is stressed as this amount is insufficient to cover budgetary shortfalls beyond the four-year plan.

As previously discussed throughout the presentation, there are risks associated with the spending plan that have been quantified at \$154.6 million. These are identified specifically in the areas of collective bargaining, healthcare costs, federal funding, and Charter School payments.

In addition, there is \$8 million in special revenue grant fund federal aid at risk beyond the first year of the plan. If these cuts were to occur, the General Fund would continue to fund these programs and services, and they would shift out of the Special Revenue Grant Fund into the General Fund. Right now, it's paid for outside of the General Fund.

The District's financial plan adjusts staffing in response to the decline in student enrollment. Beginning in 2026-27 and through 2028-2029, a total of 150 teaching positions are eliminated in the General Fund, along with fifty other positions for a total general fund reduction of 200. Additionally, two schools are projected to be closed. These key underlying assumptions were used in the development of the financial plan and require action by District officials and the Board of Education.

BFSA's recommendation is for the District to develop a gap-closing plan to address the financial risks identified by the BFSA.

The Directors discussed the status of pupil enrollment, teacher retirements, and potential cuts to federal funding. CFO Barnes noted that teacher retirements should be sufficiently high that the District can remove vacated positions. It is in the early stages of a potential retirement incentive as well.

RESOLUTION NO. 25-26 FINAL 2026-2029 FINANCIAL PLAN REVIEW

Chair Pro Tem Floss introduced BFSA Resolution No. 25-26, "Final 2026-2029 Financial Plan Review," and requested a motion to approve the item.

Motion by Director SanFilippo. Second by Director Hogues.

Resolution No. 25-26 was approved unanimously.

City of Buffalo

Parking Authority Update

Chair Pro Tem Floss introduced the next item for discussion: an update from City of Buffalo Commissioner Nosworthy regarding the parking authority.

Commissioner Nosworthy addressed the Board and provided the following information. The City Administration is moving forward with the establishment of the Parking and Mobility Authority. All appointments to the parking authority board will be submitted to the Buffalo Common Council for its first meeting in September. The City has also had the request for proposals (RFPs) for the title and survey completed. There were three responses for the survey RFP. All seemed well qualified. There were no submissions for the title RFP. The City is still on time for all that is needed. Bond Counsel will be selected soon.

Chair Pro Tem Floss asked what's being prepared to submit to the Common Council at the September meeting. Commissioner Nosworthy confirmed that the parking authority proposed board candidates would be submitted.

New Business

Bond Sale Update

Director Keenan inquired about the status of the City's bond issuance. The \$28.0 million cap is advisory, but the City Administration decided to request \$110.0 million, as a significant portion of that amount would be reimbursed. What's the impact on the financial plans if it's \$110.0 million?

Commissioner Nosworthy responded that the original request was for \$110.0 million. Once all the resolutions were submitted, the \$110.0 million was reduced to \$56.0 million to \$57.0 million. The Comptroller set the cap at \$28.0 million, outside of the potential Bond Anticipation Note (BAN) of \$7.0 million.

Director Keenan stated that the BFA has been looking at the Financial Plan, which includes the cost of issuance and repayment.

Commissioner Nosworthy replied that the City included the full amount up to the full \$56.0 million. If we don't go to the market, that would be a potential savings.

Director Keenan stated his impression that the reason the mayor recommended an amount that was so much higher than previous years was that a lot of it was reimbursable. Commissioner Nosworthy responded that it is true, on the District-side, about 97% to 98% is reimbursable. Director Keenan noted it was not really savings then, if such a large percentage would be reimbursed by NYS. Director SanFilippo stated that the full \$110.0 million is not all District projects.

Executive Director Robe commented that the borrowing should be viewed in three "buckets." The first is the \$28.0 million for City projects, the second is \$54.0 million for District projects that would be reimbursed up to 97%, and the third is a \$29.0 million BAN which would be reimbursed by the federal government. The BAN is necessary to front cash needed for projects that were subject to reimbursement. The City included the BAN as they do not have the funds available within their interfund loans. They'd be receiving a BAN, run those programs out, and submitting for reimbursement. The dollars come back to the City, so the cost to the City would be interest and issuance costs. The payment itself would come from the federal government. Looking at these together, two of them are highly reimbursable, one through federal aid for the City, and the second, the District, is 97% reimbursable from New York State aid. Then there's the \$28.0 million City piece that would be paid for through tax revenues.

Commissioner Nosworthy stated his understanding that the Comptroller was okay with the BAN piece. The issue is the \$28.0 million, plus the school projects that the Comptroller is requesting the City, and the District come together and prioritize. The Comptroller has expressed that she is comfortable going to the market to sell up to \$28.0 million in bonds plus the \$7.0 million BAN. That's where the debate is right now.

Commissioner Cornell inquired if the Buffalo Common Council had opined. Commissioner Nosworthy stated the Council had already voted on the capital budget for \$110.0 million. If they have a comment on the debt issuance request, they could comment on it.

Director Keenan inquired if the BFSA has taken a position on the debt issuance.

Director Cornell stated the following. It was a ministerial duty by the Comptroller's office. Something is missing in the conversation. Sometimes there are projects that are just not ready to go, so they drop off, but that authorization still exists for many years, and that's almost always the case. I can't think of a time when the County Comptroller has put his thumb on the scale, determining which projects to advance and borrow for.

Executive Director Robe responded that, as a matter of practice, the capital plan that has been passed by the Buffalo Common Council for many years has exceeded what the bond sale has been.

Commissioner Nosworthy stated that the Comptroller has made it very clear. She's not picking and choosing projects. She's asking the City and District to prioritize which projects to borrow for. A discussion concerning the role of the Comptroller and City Charter responsibilities as the fiscal officer of the City ensued.

Director SanFilippo commented that the position of the City is facing a \$60.0 million to \$70 million deficit, while paying down the overspending of the '80s and '90s.

Director Keenan stated the BFSA should have a position on this issuance based on what the Mayor and the Common Council have approved, compared to what the Comptroller is willing to issue as the financial oversight board of the City.

Director Floss commented that BFSA didn't want to get involved in the negotiations between the District, the City, and the Comptroller as they're working out their process. There is a role for BFSA to talk about how that cap is calculated. If we look at projects, there should be a way to evaluate projects that you're not rejecting, that bring huge economic benefits to the City. There needs to be a cost-benefit analysis done, which will allow us to talk about what the appropriate limits are. One of the fundamental differences this year from other years is that this is the first year that the District has come back into the process. That cap used to be only the City's cap, but now it includes the District. We need to have a better understanding of when the City and the District are borrowing and what reimbursable projects they are funding. How we come up with an appropriate cap, I don't know. The staff has been starting to look at that. I don't know that we're at a point right now to bring something to the Board as a policy or a recommendation. We need to continue to work on this, to put together an appropriate recommendation for a policy. I just don't think that we wanted to get involved in the negotiations in the middle of it, which would have probably made it worse and not better, but I do think that we need to sit down and ask the staff work on that, so that we can have further discussions on what an appropriate cap would be, and what an appropriate analysis would be.

A discussion on the City's borrowing history, including credit rating history, was held. A debt-management plan was established in the late '70s, including the establishment of the debt service fund.

CFO Barnes stated the following. The District hasn't been included in the cap for ten-plus years. The District thought about this in reviewing the Comptroller's cap. The Comptroller's plan said aidable projects should be prioritized and may be excluded from the cap. The District went to the CPC with aidable projects. We could take money out of our fund balance and pay for these construction costs, hurting the City and the District. That's what bonds are for. That's why New York State recommends the sale of bonds for capital projects.

Director Floss stated that we want to be careful. They're going through the process. I think we all agree that in some cases, if you're replacing windows or roofs in schools, this lowers operating costs over time, and there may be important projects that shouldn't wait. The question becomes, how do we recommend a policy and how do we review the history and help the District, the Comptroller's office, and the City get on the same page? Hopefully, we'll be able to make that kind of recommendation soon.

Privilege of the Floor

Chair Pro Tem Floss extended the privilege of the floor to any member of the public attending in person or virtually who wished to comment on the meeting topics.

A member of the press asked Director Keenan about his recent appointment.

Chair Pro Tem Floss requested a motion to adjourn.

Adjournment

Motion to adjourn by Director Hogues. Second by Director Keenan.

The Board voted unanimously to adjourn at 3:27 PM.

BUFFALO FISCAL STABILITY AUTHORITY
RESOLUTION NO. 25-XX
APPROVING MINUTES AND RESOLUTIONS FROM AUGUST 12, 2025

BE IT RESOLVED that the Buffalo Fiscal Stability Authority hereby approves the minutes of its meeting on August 12, 2025.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority ratifies and affirms Resolution Nos. 25-08 and 25-26 which were approved on August 12, 2025.

This resolution shall take effect immediately.

Approved September 22, 2025

Frederick G. Floss,
Secretary



BUFFALO FISCAL STABILITY AUTHORITY

TAB #4

**BUFFALO FISCAL STABILITY AUTHORITY
RESOLUTION NO. 25 -XX
APPROVE INDEPENDENT AUDIT REPORT AND ANNUAL REPORT
FOR FISCAL YEAR 2024-25**

WHEREAS, Chapter 122 of the Laws of 2003, as amended, requires that the Buffalo Fiscal Stability Authority (“BFSA”) be subject to an annual financial audit performed by an independent certified public accountant selected by the BFSA; and

WHEREAS, the accounting firm of Lumsden & McCormick, LLP, was selected and has conducted an audit of the BFSA’s general ledger; and

WHEREAS, Lumsden & McCormick, LLP, has presented the results of their independent audit and the related Independent Auditors’ Report on the BFSA’s financial statements for the fiscal year ended June 30, 2025, to the Audit, Finance and Budget Committee; and

WHEREAS, the Public Authorities Accountability Act of 2005 (specifically, Section 2800 of the Public Officers Law) requires state and local public authorities to file an annual report with the State of New York, detailing its operations and activities as well as other budgetary and financial data; and

WHEREAS, the Public Authorities Reform Act of 2009 maintains existing annual report requirements; and

WHEREAS, the annual report must be certified as accurate by the Executive Director of the BFSA; and

WHEREAS, much of the data and additional information within the annual report is required by regulations promulgated by the State Comptroller; and

WHEREAS, the BFSA staff has presented for approval a draft of the 2024-25 Annual Report in substantially its final form.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority does hereby accept the Lumsden & McCormick, LLP, Independent Auditors’ Report on BFSA’s Financial Statements for the Year Ended June 30, 2025, and the BFSA’s Annual Report for the year ended June 30, 2025, as prepared by the BFSA staff; and

BE IT FURTHER RESOLVED, that the Secretary, the Executive Director, and the Comptroller are hereby authorized to make such changes to the 2024-25 Annual Report and the Audited Financial Statements for the year ended June 30, 2025, in the forms presented, as they may deem necessary for their timely and accurate completion; and

BE IT FURTHER RESOLVED, that the Executive Director is hereby authorized to release these reports to the public and provide copies to the parties designated by Section 3871 of the BFS Act and Section 2800 of the Public Authorities Law; and

BE IT FURTHER RESOLVED, that the Executive Director is authorized to certify that financial statements filed with the above reports are accurate and correct.

This resolution shall take effect immediately.

Approved September 22, 2025

Frederick G. Floss,
Secretary