

Supplement dated April 18, 2022

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Official Statement dated April 5, 2022

relating to

**STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY
Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A**

The Official Statement is dated April 5, 2022 (the “Official Statement”). The State of New York Municipal Bond Bank Agency (the “Agency”), the City of Buffalo, New York (the “City”) and the City School District of the City of Buffalo (the “District”) have prepared this Supplement dated April 18, 2022, to the Official Statement (the “Supplement”) to reflect updates to Litigation language on pages C-56 through C-57 of the Official Statement. Other than with respect to the information provided herein, this Supplement is not otherwise updating the Official Statement, which speaks as of its date.

The Litigation Section is hereby replaced and superseded with the following:

LITIGATION

The City and the Buffalo CSD, and their respective officers and employees, are defendants in a number of lawsuits. The City, in common with other municipalities, receives numerous notices of claims for money damages deriving generally from sidewalk falls, park accidents, school accidents, City vehicle accidents, police arrests and various other negligence and personal injury claims. The City (as well as the Buffalo CSD) self-insures for tort claims. Budgetary reserves for such claims and payouts for such claims over the last few years are as set forth at the end of this section below.

The Department of Law of the City, headed by the Corporation Counsel, has determined that there are no pending lawsuits which will have the potential for an expenditure or exposure of more than \$5,000,000 in excess of any amounts provided for in budgetary or self-insurance reserves.

The Buffalo CSD is presently defending twenty-eight (28) litigation matters that were brought in response to the recently enacted Child Victims Act. At this time, the Buffalo CSD does not yet have sufficient information to determine if the potential claims are meritorious. In many cases, discovery has not been completed and it is difficult to predict a potential judgment. Any potential damages are not expected to be covered by insurance. The Buffalo CSD has set aside funds to pay settlements or judgments. If such funds are not sufficient, the City is authorized to issue bonds on behalf of the Buffalo CSD to finance any settlements or judgments.

In the opinion of the Buffalo CSD after consultations with its attorneys, unless otherwise set forth herein, there are no claims or actions pending which, if determined against the Buffalo CSD, would have an adverse material effect on the financial condition of the Buffalo CSD.

Tax Certiorari Proceedings

In common with other municipalities, the City receives numerous real property tax certiorari petitions contesting the validity of tax assessments. The City’s 2021-22 budget included \$219,623 for tax certiorari-related claims and judgments with \$56,881 having been paid out as of December 31, 2021. The City

expensed \$75,002 and \$70,654 for tax certiorari-related claims or judgments for fiscal year ended June 30, 2021 and June 30, 2020, respectively.

Provision for Judgments and Claims

The City's 2021-22 budget included \$574,749 for judgments and claims and \$5.0 million for workers compensation claims, of which \$321.692 and \$1.1 had been paid out as of December 31, 2021. The City expensed \$5.0 million for judgments and claims and \$2.6 million for workers compensation claims for fiscal year ended June 30, 2021. The City expensed \$6.6 million for judgments and claims and \$3.5 million for workers compensation claims for fiscal year ended June 30, 2020.

In the opinion of Harris Beach PLLC, New York, New York, Bond Counsel to the Agency ("Bond Counsel"), under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the 2022 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that, based on existing statutes, including the State of New York Municipal Bond Bank Agency Act (the "Act"), interest on the 2022 Series A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. Bond Counsel expresses no opinion regarding any other federal, New York State or local tax consequences related to the ownership of, or accrual or receipt of interest on, the 2022 Series A Bonds. See "TAX MATTERS" herein regarding certain other tax consideration.

\$7,385,000

**STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY
Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A**

Dated: Date of Delivery

Due: May 1, as shown below

The State of New York Municipal Bond Bank Agency (the "Agency") is issuing its Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A ("2022 Series A Bonds") only as fully registered Bonds without coupons, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2022 Series A Bonds. Individual purchases will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof. So long as Cede & Co. is the registered owner of the 2022 Series A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners (other than under the captions "Tax Exemption" and "Continuing Disclosure" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2022 Series A Bonds. So long as Cede & Co. is the registered owner of the 2022 Series A Bonds, as aforesaid, principal and semi-annual interest (payable May 1 and November 1, commencing May 1, 2023) are payable by The Bank of New York Mellon, as Trustee, to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursements to the Beneficial Owners. (See "Exhibit F—Book-Entry Only System" herein.) Capitalized undefined terms used in the front cover of this Official Statement have the meanings given to such terms elsewhere in this Official Statement.

The Bank of New York Mellon, New York, New York, as trustee ("Trustee")

*The 2022 Series A Bonds are **not** subject to optional redemption by the Agency prior to their stated maturities.*

The 2022 Series A Bonds will be issued pursuant to the State of New York Municipal Bond Bank Agency Act (the "Act") and a General Resolution and a Series Resolution to provide funds to (i) currently refund and redeem on the date of delivery of the 2022 Series A Bonds all of the Agency's Special Program (City of Buffalo) Revenue Bonds, 2012 Series A then outstanding, and (ii) pay legal, accounting, financing and other fees and expenses relating to the issuance of the 2022 Series A Bonds.

The 2022 Series A Bonds will be special revenue obligations of the Agency and will be secured by (i) Annual Payments payable by the City of Buffalo (the "City") pursuant to the Special Program Agreement, dated as of May 1, 2022 between the Agency and the City, which Annual Payments are expected to be paid from State School Aid and any other monies legally available therefor and (ii) all funds and accounts established by the General Resolution, all as more fully described herein. The payment of Annual Payments is, in general, dependent upon annual appropriations by the City. As additional security for the 2022 Series A Bonds, the Agency, under the Act, has a statutory right to intercept State School Aid payable to the City, as more fully described herein.

Pursuant to a Third Amended and Restated State Aid Trust Agreement, dated as of May 1, 2022, among the City School District of the City of Buffalo (the "District"), the City, Manufacturers and Traders Trust Company, as the Depository Bank (the "Depository") and the Trustee, as the Series Trustee in connection with the 2022A Series A Bonds, all State School Aid made payable to the District is deposited by the New York State Comptroller with the Depository and upon appropriation by the District, such State School Aid will be disbursed first for the payment of outstanding revenue anticipation notes of the City issued in anticipation of the receipt of State School Aid, if any, second for the payment of the principal of and interest on certain outstanding indebtedness of the Erie County Industrial Development Agency ("ECIDA") issued on behalf of the District, and third for the payment of the principal of, Sinking Fund Payments, if any, and interest on, the 2022 Series A Bonds.

The State of New York Municipal Bond Bank Agency ("Agency") has no taxing power. The 2022 Series A Bonds are not a debt of the State of New York (the "State") or the City. The obligation of the City to make payments pursuant to the Special Program Agreement is subject to, and dependent upon, the making of annual appropriations by the City and availability of monies to fund such payments. There can be no assurance that the City will appropriate the amounts due under the Special Program Agreement.

The 2022 Series A Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Harris Beach PLLC, New York, New York, Bond Counsel to the Agency. Certain legal matters will be passed upon for the City by its Corporation Counsel and Hawkins Delafield & Wood LLP, New York, New York, and for the Underwriters by Orrick, Herrington & Sutcliffe LLP, New York, New York, Counsel to the Underwriters. It is expected that the 2022 Series A Bonds in definitive form will be available for delivery in New York, New York on or about May 6, 2022.

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

\$7,385,000 Serial Bonds

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Number¹
2023	\$ 505,000	5.00%	1.84%	649887ET9
2024	720,000	5.00	2.13	649887EU6
2025	755,000	5.00	2.28	649887EV4
2026	790,000	5.00	2.40	649887EW2
2027	835,000	5.00	2.49	649887EX0
2028	875,000	5.00	2.56	649887EY8
2029	920,000	5.00	2.63	649887EZ5
2030	970,000	5.00	2.72	649887FA9
2031	1,015,000	5.00	2.79	649887FB7

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® numbers are included solely for the convenience of the owners of the 2022 Series A Bonds. Neither the Agency, the City, the District nor the Underwriters is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2022 Series A Bonds or as indicated above.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2022 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized by the Agency or any of the Underwriters named on the cover page (collectively, the “Underwriters”) to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from the Agency, the City and the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters or by any of such sources as to information from any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Agency, the City or the District or the other matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE 2022 SERIES A BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2022 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2022 SERIES A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the 2022 Series A Bonds to potential investors is made only by means of the entire Official Statement. Capitalized undefined terms used in this Summary Statement have the meanings given to such terms elsewhere in this Official Statement.

Issuer The State of New York Municipal Bond Bank Agency (the “Agency”) is a corporate governmental agency constituting a public benefit corporation of the State of New York (the “State”).

Securities Offered and Statutory Authorization \$7,385,000 Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A (the “2022 Series A Bonds”) are being issued by the Agency pursuant to the State of New York Municipal Bond Bank Agency Act, Title 18 of Article VIII of the Public Authorities Law of the State of New York, as amended (the “Act”), the Special Program (City of Buffalo) Resolution adopted by the Agency on September 13, 2012 Authorizing the Issuance of State of New York Municipal Bond Bank Agency Special Program (City Of Buffalo) Revenue Bonds (the “General Resolution”) and the 2022 Series A Special Program (City of Buffalo) Refunding Revenue Bond Series Resolution (the “Series Resolution”) adopted by the Agency on March 10, 2022 (the General Resolution and the Series Resolution are sometimes collectively referred to as the “Resolution”).

Purpose of Issue..... The proceeds of the 2022 Series A Bonds will be used on the date of delivery of the 2022 Series A Bonds to (i) currently refund and redeem all of the Agency’s Special Program (City of Buffalo) Revenue Bonds, 2012 Series A then outstanding, and (ii) pay legal, accounting, financing and other fees and expenses relating to the issuance of the 2022 Series A Bonds.

Not Debt of State or City The 2022 Series A Bonds will be special revenue obligations of the Agency and will be secured by (i) Annual Payments payable by the City of Buffalo (the “City”) pursuant to the Special Program Agreement (as defined below), which Annual Payments are expected to be paid from State School Aid and any other monies legally available therefor and (ii) all funds and accounts established by the General Resolution, all as more fully described herein. The payment of Annual Payments is, in

general, dependent upon annual appropriations by the City. **The Agency has no taxing power. The 2022 Series A Bonds are not a debt of the State or the City.**

Security for the Bonds

As security for and in connection with the issuance of the 2022 Series A Bonds, the Agency and the City have entered into a Special Program Agreement dated as of May 1, 2022 (the “Special Program Agreement”). The 2022 Series A Bonds will be payable from Annual Payments to be made by the City pursuant to the Special Program Agreement. Pursuant to an agreement (the “Appropriation Agreement Memorandum”) between the City and the City School District of the City of Buffalo (the “District”), the District has agreed with the City to each year include as an annual budgetary appropriation an amount sufficient to make the required Annual Payment on the 2022 Series A Bonds. In addition, the City, the District and Manufacturers and Traders Trust Company, as Depository Bank (the “Depository”) and The Bank of New York Mellon, as Series Trustee in connection with the 2022 Series A Bonds, have entered into a Third Amended and Restated State Aid Trust Agreement dated as of May 1, 2022 (the “State Aid Trust Agreement”), which provides for all State School Aid made payable to the District to be deposited with the Depository and upon appropriation by the District, for such State School Aid to be disbursed by the Depository.

Under the State Aid Trust Agreement, all State School Aid payable to the District during each December, January, February and March is deposited by the New York State Comptroller (the “State Comptroller”) directly into the State Aid Depository Fund for disbursement by the Depository first for the payment of outstanding revenue anticipation notes of the City issued in anticipation of the receipt of State School Aid, if any, second for the payment of principal and interest on certain outstanding indebtedness of the Erie County Industrial Development Agency (“ECIDA”) issued on behalf of the District, and third for the payment of the principal of, Sinking Fund Payment, if any, and interest on the 2022 Series A Bonds. Pursuant to the State Aid Trust Agreement and upon annual appropriation certification of required budget appropriations by the City and the District, out of the State School Aid received during the month of March, the Depository will, on each April 1, make the Annual Payment on behalf of the City to the Trustee in an amount

equal to the principal of, Sinking Fund Payments, if any and interest on, the 2022 Series A Bonds becoming due on the succeeding May 1 and November 1. (See “SECURITY FOR THE BONDS AND SOURCE OF ANNUAL PAYMENT—State Aid Trust Agreement” herein).

The ability of the Depository to pay the City’s Annual Payments required by the Special Program Agreement to the Trustee from State School Aid on deposit with it is conditioned upon (i) the appropriation by the State each year of State School Aid and (ii) the District making the required budget appropriation in each fiscal year. (See “SECURITY FOR THE BONDS AND SOURCE OF ANNUAL PAYMENT—Special Program Agreement” herein.)

State School Aid Intercept.....

In the event that the City fails to cause the preparation and delivery of the State School Aid Payment Certificate for the Annual Payment by February 15 of a Fiscal Year, the Agency shall certify to the State Comptroller that the City has failed to meet its obligations under the Special Program Agreement. The State Comptroller is then authorized to withhold from the City such State School Aid as is payable to the District in such amount so certified by the Agency as necessary to fulfill the City’s obligation under the Special Program Agreement and to immediately pay over to the Agency the amount so withheld. Certain other statutory provisions currently exist or may hereafter be enacted which permit the diversion of State School Aid otherwise payable to the District to be applied in satisfaction of City indebtedness (including the payment of Annual Payments pursuant to the Special Program Agreement) or obligations issued for school purposes or otherwise. However, the City has covenanted in the Special Program Agreement to the effect that it shall not incur any indebtedness or other obligation which is secured by a State School Aid intercept similar to that provided for in the Act with respect to the Annual Payments unless the amount of State School Aid received by the City in the preceding fiscal year of the City is at least equal to the maximum amount due in the current fiscal year or any succeeding fiscal year during which the 2022 Series A Bonds are Outstanding, on such proposed indebtedness or obligation and all other indebtedness or obligations of the City similarly secured by an intercept of State School Aid (including the Annual Payments), provided that certain of such indebtedness or obligations

	will not be included in such calculations to the extent that amounts have been set aside with a trustee for the purpose of paying debt service thereon. (See “Exhibit B—Form of the Special Program Agreement.”)
Interest and Principal	The 2022 Series A Bonds shall be dated the date of delivery, subject to the provisions of the General Resolution, and shall bear interest from the date thereof payable semi-annually on May 1 and November 1 of each year commencing May 1, 2023 at the rates and shall mature on the dates and in the amounts shown on the inside cover page hereof. (See “DESCRIPTION OF THE BONDS”).
No Optional Redemption	The 2022 Series A Bonds are not subject to optional redemption by the Agency prior to their stated maturities. (See “DESCRIPTION OF THE BONDS— No Optional Redemption”).
Tax Matters	In the opinion of Harris Beach PLLC, New York, New York, Bond Counsel to the Agency (“Bond Counsel”), under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the 2022 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not an “item of tax preference” for purposes of computing the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that, based on existing statutes, including the State of New York Municipal Bond Bank Agency Act (the “Act”), interest on the 2022 Series A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. Bond Counsel expresses no opinion regarding any other federal, New York State or local tax consequences related to the ownership of, or accrual or receipt of interest on, the 2022 Series A Bonds. See “TAX MATTERS” herein regarding certain other tax consideration.
Trustee	The Bank of New York Mellon.

**STATE OF NEW YORK
MUNICIPAL BOND BANK AGENCY**

OFFICIAL STATEMENT

Relating to

\$7,385,000

Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the Exhibits hereto, is to set forth information concerning the State of New York Municipal Bond Bank Agency (the “Agency”) in connection with the sale of its Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A (the “2022 Series A Bonds”). Information set forth on the cover page hereof and in the Exhibits hereto is part of this Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings as in the Special Program (City of Buffalo) Resolution adopted by the Agency on September 13, 2012 Authorizing the Issuance of State of New York Municipal Bond Bank Agency Special Program (City of Buffalo) Revenue Bonds (the “General Resolution”) and certain capitalized terms used herein are set forth in the Glossary of Defined Terms contained in Exhibit A. The 2022 Series A Bonds are authorized to be issued pursuant to the State of New York Municipal Bond Bank Agency Act, Title 18 of Article 8 of the Public Authorities Law of the State of New York, as amended (the “Act”), the General Resolution and the 2022 Series A Special Program (City of Buffalo) Revenue Bond Series Resolution (the “Series Resolution”), adopted by the Agency on March 10, 2022 (the General Resolution and the Series Resolution are sometimes collectively referred to herein as the “Resolution”).

PLAN OF REFUNDING

On October 4, 2012, the Agency issued \$13,860,000 Special Program (City of Buffalo) Revenue Refunding Bonds, 2012 Series A (the “2012 Series A Bonds”) on behalf of the City to currently refund the Agency’s Special Program (City of Buffalo) Revenue Bonds, 2001 Series A, which bonds were issued to pay a portion of the cost of settling litigation involving the City School District of the City of Buffalo (the “District”) and the teachers’ union in the City. Substantially all of the proceeds of the 2022 Series A Bonds will be used on the date of delivery of the 2022 Series A Bonds to currently refund and redeem all of the Agency’s 2012 Series A Bonds then outstanding.

SECURITY FOR THE BONDS AND SOURCE OF ANNUAL PAYMENTS

General

The 2022 Series A Bonds are special revenue obligations of the Agency, payable from and secured solely by a pledge of the Annual Payments, as hereinafter defined, and monies and investments held in all funds and accounts established pursuant to the General Resolution,

including the Revenue Fund, and Debt Service Fund, subject to the application thereof to the purposes and on the conditions authorized and permitted by the General Resolution.

The Annual Payments and the funds and accounts created under the General Resolution are specifically pledged in accordance with the provisions thereof as security for the 2022 Series A Bonds and such security and revenue sources are not available for the purpose of securing any other obligations of the Agency.

As security for and in connection with the issuance of the 2022 Series A Bonds, the Agency and the City have entered into a Special Program Agreement dated as of May 1, 2022 (the "Special Program Agreement"). The 2022 Series A Bonds will be payable from Annual Payments to be made by the City pursuant to the Special Program Agreement. However, pursuant to an agreement between the City and the District (the "Appropriation Agreement Memorandum"), the District has agreed with the City to each year include as an annual budgetary appropriation an amount sufficient to make the City's required Annual Payment for such year on the 2022 Series A Bonds.

The City, the District, Manufacturers and Traders Trust Company, as the Depository Bank (the "Depository") and The Bank of New York Mellon, as Trustee for the 2022 Series A Bonds (the "Trustee") and as Series Trustee in connection with the 2022A Series A Bonds ("Series Trustee"), have entered into a Third Amended and Restated State Aid Trust Agreement dated as of May 1, 2022 (the "State Aid Trust Agreement"), which provides for the total amount of State aid to education annually appropriated by the State Legislature and payable to the District or the City for the provision of public educational instruction in the City ("State School Aid") each December, January, February and March by the New York State Comptroller (the "State Comptroller") to be deposited instead with the Depository and upon appropriation by the District, for such State School Aid to be disbursed by the Depository: first for the payment of outstanding revenue anticipation notes of the City issued in anticipation of the receipt of State School Aid, if any, second for the payment of the principal of and interest on certain outstanding indebtedness of the Erie County Industrial Development Agency ("ECIDA") issued on behalf of the District, and third, for the payment of the principal of, Sinking Fund Payments, if any, and interest on the 2022 Series A Bonds.

Pursuant to the State Aid Trust Agreement and upon annual certification by the City and the District, out of the State School Aid received during the month of March, the Depository will, on each April 1, make the Annual Payment on behalf of the City to the Trustee in an amount equal to the principal of, Sinking Fund Payments, if any, and interest on the 2022 Series A Bonds becoming due on the succeeding May 1 and November 1. (See "State Aid Trust Agreement" herein). The ability of the Depository to pay the City's Annual Payments required by the Special Program Agreement to the Trustee from State School Aid on deposit with it is conditioned upon (i) the appropriation by the State each year of State School Aid and (ii) the District making the required budget appropriation in each fiscal year. (See "Special Program Agreement" herein.)

In the event the District fails to timely appropriate an amount sufficient to fund the City's Annual Payment requirement as more fully described below under the caption "Special Program Agreement", pursuant to the General Resolution and the Act, the Agency will notify the State Comptroller by February 15 of such fiscal year and the State Comptroller will intercept State School Aid, to the extent available, in an amount equal to the Annual Payment for such year. (See

“State School Aid Intercept” herein.) Certain other statutory provisions currently exist or may hereafter be enacted which permit the diversion of State School Aid otherwise payable to the District to be applied in satisfaction of City indebtedness or obligations issues for school purposes or otherwise. The City has covenanted in the Special Program Agreement to the effect that it shall not incur any indebtedness or other obligation which is secured by a State School Aid intercept similar to that provided for in the Act with respect to the Annual Payments unless the amount of State School Aid received by the City in the preceding fiscal year of the City is at least equal to the maximum amount due in the current fiscal year or any succeeding fiscal year during which the 2022 Series A Bonds are Outstanding, on such proposed indebtedness or obligation and all other indebtedness or obligations of the City similarly secured by an intercept of State School Aid (including the Annual Payments), provided that certain of such indebtedness or obligations will not be included in such calculations to the extent that amounts have been set aside with a trustee for the purpose of paying debt service thereon. (See “Exhibit B—Form of the Special Program Agreement.”)

Special Program Agreement

The 2022 Series A Bonds are secured by a pledge and assignment of the payments made by the City under the Special Program Agreement (said payments being hereinafter referred to as the “Annual Payments”) and the right of the Agency to enforce the payment thereof. The Special Program Agreement being executed in connection with the 2022 Series A Bonds provides for payment to the Agency on or before each April 1 of such sum, if any, as shall be necessary to provide for the payment of principal of, Sinking Fund Payments, if any, and interest on the 2022 Series A Bonds coming due on the next succeeding May 1 and November 1. The Special Program Agreement provides that the City’s obligation to make the payments due thereunder is absolute and unconditional, subject only to the “executory clause” described below, and that neither the Agency nor the City will terminate such Special Program Agreement for any reason, including any acts or circumstances which may constitute a failure of consideration or frustration of purpose or the failure of either the Agency or the City to perform or observe any duty, liability or obligation with respect to the Special Program Agreement. The City has agreed in the Special Program Agreement to include in each year as a requested appropriation item during the term of the Special Program Agreement, an amount equal to the principal of, Sinking Fund Payments, if any, and interest on the 2022 Series A Bonds coming due on the next May 1 and November 1. A copy of the form of Special Program Agreement to be executed in connection with the issuance of the 2022 Series A Bonds is attached hereto as Exhibit B.

The obligation of the City to fund or to pay the amounts provided for by the Special Program Agreement is subject to and dependent upon annual appropriations being made by the City for such purpose, shall not constitute a debt of the City within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of monies available for the purposes thereof. No liability shall be incurred by the City beyond monies available for said purpose. The Common Council of the City (“Common Council”) is not obligated to make appropriations to satisfy the City’s obligations under the Special Program Agreement and there can be no assurance that the Common Council will make any such appropriations. However, pursuant to the Appropriation Agreement Memorandum, the District is expected to appropriate each year an amount equal to the City’s Annual Payment for such year from its State School Aid payments being collected and to cause the Depository to disburse such amount each year to the

Trustee on behalf of the City. The District has agreed with the City, under the terms of the Appropriation Agreement Memorandum, to each year include as an annual budgetary appropriation an amount sufficient to make the City's required Annual Payment on the 2022 Series A Bonds.

State Aid Trust Agreement

To facilitate the making of Annual Payments by the City to the Agency under the Special Program Agreement, the City, the District, the Depository, and each Series Trustee have entered into certain amendments to the existing State Aid Trust Agreement (as so amended, the "State Aid Trust Agreement"). Under the terms of the State Aid Trust Agreement, the City and the District have instructed the State Comptroller to pay all State School Aid made payable to the District each December, January, February and March directly into the State Aid Depository Fund. Payment of State School Aid to the District is subject to annual appropriation by the State.

The State Aid Trust Agreement provides that upon appropriation by the District, State School Aid on deposit with the Depository shall be disbursed by the Depository: first for the payment of outstanding revenue anticipation notes of the City issued in anticipation of the receipt of State School Aid, if any, second for the payment of the principal of and interest on certain outstanding indebtedness of the ECIDA issued on behalf of the District, and third, for the payment of the principal of, Sinking Fund Payments, if any, and interest on the 2022 Series A Bonds. The amount payable by the City for the Annual Payment due to the Agency under the Special Program Agreement for each year, which Annual Payment is in an amount equal to the principal of, Sinking Fund Payments, if any, and interest on the 2022 Series A Bonds coming due on the next succeeding May 1 and November 1. (See "Exhibit G—Form of Third Amended and Restated State Aid Trust Agreement.")

Amounts held in the State Aid Depository Fund under the State Aid Trust Agreement are not pledged to the repayment of the 2022 Series A Bonds. The State Aid Depository Fund is not a fund held under the Resolution and neither the Trustee nor the holders of the 2022 Series A Bonds will have a security interest in amounts held therein. In addition, the obligations of the City, the District, the Depository and the Trustee relating to the collection, deposit and disbursement of State School Aid contained in the State Aid Trust Agreement are not statutory obligations but contractual obligations of the Depository, the City, the District and each Series Trustee. The failure of such parties to comply with the provisions of the State Aid Trust Agreement would be actionable solely as a breach of contract matter.

On or before November 1, 2022 for the Fiscal Year ending June 30, 2023, and on or before July 15 of each subsequent Fiscal Year, the City and the District shall prepare and deliver to the Trustee a certificate (the "State School Aid Payment Certificate") setting forth a statement that the District has appropriated an amount of State School Aid necessary to fund the debt service on all ECIDA Bonds and the amount of the Annual Payment on the 2022 Series A Bonds for such Fiscal Year. However, in the event that the District has not appropriated such amount of State School Aid in its adopted budget for such Fiscal Year, the State School Aid Payment Certificate for such Fiscal Year shall set forth a statement to such effect. Thereafter and not later than the end of the third business day immediately preceding March 31 of such Fiscal Year, if, from time to time, circumstances warrant, the City and the District shall prepare and deliver to the Depository a

revised State School Aid Payment Certificate setting forth a statement that the District has, subsequent to adoption of its budget for such Fiscal Year, appropriated an amount of State School Aid necessary to fund the debt service on the ECIDA Bonds and the amount of the Annual Payment on the 2022 Series A Bonds for such Fiscal Year. The Special Program Agreement provides that in the event that the State School Aid Payment Certificate applicable to a given fiscal year shall not have been delivered by February 15 of such year, (i) the due date for the Annual Payment for such year shall be advanced from April 1 of such year to February 15 of such year, and (ii) the statutory intercept of State School Aid provided for in the Act and in the General Resolution for non-payment of Annual Payments, shall be deemed triggered as of such February 15.

On or before November 10 of each Fiscal Year, the City and the District shall prepare and deliver to the Depository a certificate setting forth the Annual Payment Obligations on the 2022 Series A Bonds (computed as of the immediately preceding last business day of October of such Fiscal Year) due for such Fiscal Year.

During each “Collection Period” (December 1 through March 31 of each Fiscal Year), if the Depository has received a State School Aid Payment Certificate, the Depository will, immediately upon receipt of any payment of State School Aid, withdraw such State School Aid from the State School Aid Depository Fund and cause the amounts so withdrawn to be immediately paid in the following order of priority:

- (i) *first*, to the Series Trustee for deposit in the Bond Fund established pursuant to the related indentures for the ECIDA Bonds, allocable portions of the amounts due with respect to the ECIDA Bonds (including any prior month’s shortfalls);
- (ii) *second*, to the Series Trustee for deposit in any Debt Service Reserve Fund established with respect to the related indentures for the ECIDA Bonds until the total amount of such withdrawals is equal to the debt service reserve payment due, if any;
- (iii) *third*, (during the month of March) to the Trustee for deposit in the Revenue Fund established pursuant to the Resolution, an amount equal to the Annual Payment due on the 2022 Series A Bonds on the immediately following April 1; and
- (iv) *fourth*, thereafter to the General Fund of the City.

No amounts will be paid to the Trustee, as Series Trustee in connection with the 2022 Series A Bonds, until all amounts payable to the Series Trustee under items (i) and (ii) above have been paid in full.

State School Aid Intercept

In the event that the City fails to cause the preparation and delivery of the State School Aid Payment Certificate for the Annual Payment by February 15 of a Fiscal Year, the Agency shall certify to the State Comptroller that the City has failed to meet its obligations under the Special Program Agreement. The State Comptroller is then authorized to withhold from the City such State School Aid (as defined below) as is payable to the District in such amount so certified by the

Agency as necessary to fulfill the City’s obligation under the Special Program Agreement and to immediately pay over to the Agency the amount so withheld.

Certain other statutory provisions currently exist or may hereafter be enacted which permit the diversion of State School Aid otherwise payable to the District to be applied in satisfaction of City indebtedness or obligations issued for school purposes or otherwise. However, the City has covenanted in the Special Program Agreement to the effect that it shall not incur any indebtedness or other obligation which is secured by a State School Aid intercept similar to that provided for in the Act with respect to the Annual Payments unless the amount of State School Aid received by the City in the preceding fiscal year of the City is at least equal to the maximum amount due in the current fiscal year or any succeeding fiscal year during which the 2022 Series A Bonds are Outstanding, on such proposed indebtedness or obligation and all other indebtedness or obligations of the City similarly secured by an intercept of State School Aid (including the Annual Payments), provided that certain of such indebtedness or obligations will not be included in such calculations to the extent that amounts have been set aside with a trustee for the purpose of paying debt service thereon. (See “Exhibit B—Form of the Special Program Agreement.”)

State School Aid and Budget Appropriations

Approval of the 2020-21 and 2021-22 Budgets of the District

Under State law, the District is required to adopt a balanced budget for each fiscal year ending June 30. The District’s 2021-22 general fund budget of approximately \$972.5 million was adopted by the District’s Board of Education on May 19, 2021, representing an approximate 1.9% increase over the 2020-21 budget. Total State School Aid in the combined District budgets for 2021-22 is projected to be \$857.9 million.

State School Aid for ECIDA Bonds

During the period of December 2021 through March 2022, \$594.5 million of State School Aid will be required to be made available to make the maximum annual debt service payment on the ECIDA Bonds of \$88.4 million. The maximum annual debt service on the currently outstanding ECIDA Bonds as of the date of this Official Statement is \$94.8 million. After the payment of the debt service on the currently outstanding ECIDA Bonds, the available fiscal year 2021-22 State School Aid available for payment on the 2022 Series A Bonds is approximately \$364.4 million.

Enacted 2021-2022 State Budget

The adopted State budget for the State’s 2021-22 fiscal year (April 1 through March 31) included significant increases in State School Aid in the general fund, fully restored any State School Aid reductions from the 2020-21 fiscal year, and adopted legislation, that if followed, will fully fund State Foundation Aid by 2023-24. As of December 31, 2021, the overall State School Aid increase is projected to be approximately \$66.6 million or 8.5%, over the amount received in 2020-21, and \$62.2 million or 7.9% over the amount budgeted in 2020-21.

Proposed 2022-2023 State Budget

The State budget for the State’s 2022-23 fiscal year (April 1 through March 31), when adopted, is expected to include increases in State School Aid in the general fund, primarily through the second year of a three-year phase in of State Foundation Aid which was included in the legislation associated with the enacted 2021-22 State budget. As of the date of this Official Statement, the overall State School Aid increase is projected to be approximately \$39.5 million or 4.6% over the amount projected in 2021-22, and \$31.2 million or 3.6% over the amount budgeted in 2021-22. The data provided in this paragraph are preliminary projections and subject to change based on the State’s adopted 2022-23 fiscal year budget. There can be no assurances that the projected data will match the State’s adopted 2022-23 fiscal year budget.

State School Aid Categories Generally

The major revenue source for State School Aid is State income and sales taxes. The balance of State School Aid for public schools comes from a special revenue fund account supported by lottery receipts. The following table sets forth the total amount of State School Aid received by the District for fiscal years 2016-17 through 2020-21, as well as State School Aid Funds expected to be received in fiscal year 2021-22.

**STATE SCHOOL AID (ALL FUNDS)
RECEIVED BY THE DISTRICT
FOR FISCAL YEARS 2017 THROUGH 2022**

Fiscal Year Ending June 30	State School Aid Received
	(\$ in Millions)
2017	\$759.0
2018	811.7
2019	823.7
2020	828.0
2021	783.0
2022	849.6 ⁽¹⁾

Source: City of Buffalo Board of Education

⁽¹⁾ Projected as of December 31, 2021. There can be no assurances that the audited figures will match the projections set forth above.

No assurance can be given that the amounts of State School Aid will continue or be available in these amounts in future fiscal years. (See “Exhibit D—Financial Statements of the City of Buffalo” and “Exhibit E—Financial Statements of the City School District of the City of Buffalo.”)

The payments of State School Aid to the District are dependent upon the ability and willingness of the State Legislature to continue making appropriations for State School Aid, and

there can be no assurance that the State funds will be available in the amounts or at the times necessary to make payment on the 2022 Series A Bonds. The Act provides that nothing contained therein shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State School Aid; nor shall the State be obligated by the Act to maintain State School Aid at any particular level or amount. (See “Exhibit C—Information Regarding the City of Buffalo.”)

Beginning with the 2007-08 fiscal year, the majority of State School Aid to be received by the District has been calculated using “Foundation Aid.” Foundation Aid was established by the 2007-08 State budget and combined four categorical aid grants with certain other formula aids. Formula aids consist of State School Aid determined in accordance with an application submitted to the New York State Education Department (“SED”), which incorporates required data concerning district enrollment, attendance and approved expenditures. At its inception, Foundation Aid established minimum annual increases in State School Aid of 3.0% per year through 2010-11, with high poverty districts such as the District receiving more assistance. However, based on the economy of the State, the State School Aid guarantees were abandoned after the first year. The District received its first increase in Foundation Aid since 2008-09 with the adoption of the 2012-13 State Budget and has received increases each year since, until the 2020-21 State Budget, where Foundation Aid was frozen at the 2019-20 level, while the State implemented a “Pandemic Adjustment” which reduced overall State School Aid by \$29.5 million, offsetting the same amount of federal disaster relief received by the District under the federal government’s “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act.” Foundation Aid may decline in the future and no assurance can be given that Foundation Aid will continue at its current level. In addition, no assurance can be given that other categories of State School Aid will continue at current levels or will increase in the future. The adopted 2021-22 State Budget includes a \$43.3 million, or 8.0% increase in Foundation Aid, and legislation that if followed, will fully fund Foundation Aid by 2023-24.

Other State School Aid includes State Building Aid, the purpose of which is to assure that each school district provides suitable and adequate facilities to accommodate students and programs of the district. To this end, new facilities, new buildings, additions and major alterations must meet specific standards pertaining to type, size and number of teaching stations, as well as building code requirements. Existing facilities must meet health and safety regulations and reconstruction of existing facilities must meet building code requirements. The State Commissioner of Education must approve plans and specifications for the capital construction projects undertaken by public school districts. This charge is administered by the Office of Facilities Planning pursuant to Section 408 of the Education Law and Part 155.2 of the Regulations of the Commissioner of Education. State Building Aid is payable commencing 18 months after the State Education Department approves the final plans and specifications of a project with a Final Cost Report on file unless a waiver is granted by the Commissioner of Education. Currently, State Building Aid reimburses approximately 98.0% of approved costs for projects completed or now under construction for the District. State Building Aid fluctuates from year to year based on a number of factors including the ratio of the City’s wealth to the State’s average wealth. The receipt of such Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements.

In addition, within Foundation Aid there are stipulations that the District must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement as outlined in the Contract for Excellence (“CFE”) and the Community Schools set-aside that was established in 2016-17. For fiscal years 2015-16 through 2020-21 the total CFE set-aside was \$13.6 million. The Community Schools set-aside was \$12.5 million in 2016-17; \$15.5 million in 2017-18; \$18.3 million in 2018-19 and \$21.1 million in 2019-20 and 2020-21. In the adopted 2021-22 State Budget, the CFE set-aside is \$13.6 million, while the Community Schools set-aside is \$21.1 million. Future reductions in Foundation Aid or other aid categories of State School Aid to the District could adversely affect the financial condition of the District.

Another State School Aid category, Charter School Transitional Aid, was established in 2007-08 as part of the State Budget to help provide relief from the financial drain caused by the significant number of charter school students in certain school districts, including the District. Charter School Transitional Aid totaled \$5.3 million for 2017-18, \$9.3 million for 2018-19, and \$9.3 million for 2019-20. The 2020-21 projected amount for Charter School Transitional Aid is \$7.8 million. The 2021-22 budget for Charter School Transitional Aid is anticipated to be \$8.0 million. The aid continues on a rolling basis so long as charter school enrollment continues to increase.

In addition to Charter School Transition Aid, beginning with the year 2015-16, the State established another aid category called Charter School Supplemental Tuition Reimbursement, which reimburses the District for any amounts in base tuition paid in the prior year that exceed the 2010-11 base tuition of \$12,005 per pupil from 2014-15 through 2017-18. Subsequently, this amount was locked in at \$1,000 per pupil in 2018-19 and years thereafter. In 2017-18, this aid was \$4.0 million or \$500 per charter school pupil; in 2018-19, this aid was \$8.7 million; in 2019-20 this aid was \$9.0 million. The 2020-21 amount for Charter School Supplemental Tuition Reimbursement was \$9.2 million. The 2021-22 budget for Charter School Supplemental Tuition Reimbursement is \$9.2 million.

The District also receives State School Aid related to the Smart Schools Bond Act approved by New York State voters in 2014. The allocation for the District is \$56.0 million. The purpose of the Smart Schools Bond Act is to provide improved educational technology and infrastructure to improve learning and opportunity for students. These revenues are recorded in the capital fund and amounted to \$10.0 million in 2017-18, \$10.6 million in 2018-19, \$9.4 million in 2019-20 and \$0 (zero) in 2020-21. Because of uncertainty related to the timing of project approvals and receipt of funds, these revenues are not included in State School Aid revenue projections until received.

The District receives State School Aid for education in several installments paid to the City throughout its fiscal year based on a formula established by SED. These installments of State School Aid are paid net of the District’s contribution to the New York State Teachers’ Retirement System.

Chapter 57 of the Laws of 2005 provided for an apportionment to school districts for public pension accruals required to be accounted for beginning in the 2004-05 school year. Upon application, the apportionment is available to the District as revenue and may be used to offset any General Fund deficit resulting from the impact of the implementation of GASB Technical Bulletin 2004-2. The apportionment is an advance of the subsequent year’s general aid payable, and will

reduce general aid in such subsequent years. The District applied for and received an advance of \$11.5 million in each of the fiscal years 2004-05 through 2020-21. The District intends to continue this practice so long as the legislation is renewed.

In addition to State School Aid for education, the District receives federal medical reimbursement for certain health services provided to students. The District received a total of \$4.4 million for Medicaid reimbursement in fiscal year 2017-18, \$4.5 million for 2018-19, \$4.1 million for 2019-20, and \$2.2 million for 2020-21. The 2021-22 adopted budget for Medicaid reimbursement is \$3.0 million. Also included in the District 2020-21 adopted budget was \$29.6 million in federal aid under the CARES Act, which was used to offset a corresponding reduction in State School Aid. This amount has been received in the form of a grant, initially anticipated to be recorded in the grants fund; however, based on guidance from the State Comptroller's Office, the revenues and associated expenditures must be recorded in the general fund. The 2020-21 revenues from these federal funds were \$27.9 million, with the remaining unspent funds carrying over into 2021-22.

Pursuant to the Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act, the District expects to receive approximately \$89.2 million in additional federal disaster relief funds starting with its 2021-22 fiscal year. These funds are expected to be available through September 2023. Further, pursuant to the American Rescue Plan ("ARP"), the District expects to receive approximately \$200.4 million in additional federal disaster relief funds starting with its 2021-22 fiscal year. These funds are expected to be available through September 2024. These supplemental funds are expected to be treated as revenues in the special aid fund, and not offset a reduction in State School Aid. As of February 2022, the applications for both of these federal grant programs have been approved by the SED. As of December 31, 2021, a total of \$124.7 million in spending is budgeted for the 2021-22 fiscal year in both of these grants.

The amount of State School Aid to school districts, including the District, is dependent in part upon the financial condition of the State. Due to the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The 2019-20 and 2020-21 State budget provided the Governor with the ability to make mid-year aid cuts if State revenues or expenditures missed certain thresholds; that unilateral authority was removed in the 2021-22 State budget. The full impact of COVID-19 upon the State will not be known for some time, and federal stimulus funds appear to have mitigated the need for State School Aid cuts to localities and school districts at this time; however, future State School Aid reductions cannot be ruled out. In the future, the State may experience budgetary restrictions which will require certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or the delay, elimination or substantial reduction in payments to municipalities, school districts or other recipients of State School Aid in the State, including the City and the District. If this were to occur, the delay, elimination or substantial reduction in the payment of State School Aid could adversely affect the financial condition of municipalities and school districts in the State, including the City and the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

In addition, in this year or future years, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes or if the State experiences delays in the adoption of the State budget, the State may have to delay payments of aid to its municipalities and school districts, including the District, until sufficient State funds are available to make such payments. The District may be adversely affected by such delay. In certain years in the past, delays in adoption of the State budget have resulted in delays in the payment of State School Aid to municipalities and school districts

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

Payment of State School Aid for education may be withheld due to the failure of the City or the District to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes. The City and the District believe that they are in material compliance with all other requirements and have made the necessary debt service appropriations.

The Agency has no taxing power. The 2022 Series A Bonds are not a debt of the State or the City. The obligation of the City to make payments pursuant to the Special Program Agreement is subject to, and dependent upon, the making of annual appropriations by the City and availability of monies to fund such payments. There can be no assurance that the City will appropriate the amounts due under the Special Program Agreement.

New York State Budget Procedure

The following discussion is being included because payments on the 2022 Series A Bonds will be derived from State School Aid, which State School Aid is subject to annual appropriation by the State.

The State's budget process is based on an executive budget system under which the Governor is required by the State Constitution to seek and coordinate requests from agencies of State government, develop a "complete" plan of proposed expenditures and the revenues available to support them (a "balanced budget"), and submit a budget to the State Legislature along with the appropriation bills and other legislation required to carry out budgetary recommendations. The Governor also is required by the State Finance Law to manage the budget through administrative actions during the fiscal year. The State's fiscal year begins April 1 and ends on March 31. However, the actual "budget cycle," representing the time between early budget preparation and last-minute disbursements, begins approximately nine months earlier and lasts approximately 27 months - until the expiration of the State Comptroller's authority to honor vouchers against the previous fiscal year's appropriations:

Agency Budget Preparation (June-September/October)

The formal budget cycle begins when the Budget Director issues a policy memorandum - the “call letter”- to agency heads. The call letter outlines, in general terms, the Governor’s priorities for the coming year, alerts the agency heads to expected fiscal constraints and informs agencies of the schedule for submitting requests to the Division of the Budget.

Division of the Budget Review (September/October-December)

Agencies typically submit their budget requests to the Division of the Budget in September or October, with copies provided to the legislative fiscal committees. Examination units within the Division then analyze the requests of agencies for which they have responsibility. In November, the Budget Director conducts a series of constitutionally authorized “formal” budget hearings, giving agency heads an opportunity to present and discuss their budget requests and giving the staff of the Division of the Budget and the Governor’s office an “on-the-record” opportunity to raise critical questions on programs, policies and priorities.

Through late November, the Division’s examiners transform agency requests into preliminary budget and personnel recommendations which are reviewed in detail with the Director. The staff also prepares the appropriation bills and any other legislation required to carry out these recommendations. By early December, the Division of the Budget will normally have completed its recommendations on both revenues and expenditures, and presented them to the Governor and the Governor’s staff. Budget staff then prepares the tables and the narrative that accompany each agency budget, and the descriptions and forecasts of individual revenue sources.

The Governor’s Decisions (November-January)

The Governor and staff who also are preparing the annual Message to the Legislature (the “State-of-the-State” message which the Governor presents to the Legislature when it convenes in January) are conversant with the budget throughout its development.

Legislative Action (January-March)

The Governor typically submits the Executive Budget to the Legislature in mid-January or following a gubernatorial election year, by February 1, along with the related appropriation, revenue and other budget bills concerning State operations, aid to localities, capital projects and debt service. The State’s Five-Year Capital and Financing Plan (the “Financing Plan”) also is submitted with the Executive Budget. Within 10 days, the Division of the Budget provides the Legislature with additional financial information supporting the Executive Budget. A three-year financial projection is submitted within 30 days following submission of the Executive Budget, although it can be submitted earlier.

The Legislature, primarily through its fiscal committees - Senate Finance and Assembly Ways and Means - then analyzes the Executive spending proposals and revenue estimates, holding public hearings on major programs and seeking further information from the staffs of the Division of the Budget and other State agencies. Following that review, the Legislature acts on the appropriation bill submitted with the Executive Budget to reflect its decisions. The appropriation bills, except for those items which were added by the Legislature and the appropriation for the

Legislature and Judiciary, become law without further action by the Governor. The Governor must approve or disapprove all or parts of the appropriation bills covering the Legislature and Judiciary and may use the line item veto to disapprove items added by the Legislature. As provided in the Constitution, the Legislature may override the Governor's veto by the vote of two-thirds of the members of each house. The passage of the appropriation bills provides a legal foundation for the disbursement of funds during the new fiscal year.

Budget Execution (March)

At this point the budget process enters a new phase — budget execution. As a first step, the Division of the Budget approves “certificates of allocation” informing the State Comptroller that accounts may be established as specified in the certificates and that vouchers drawn against the accounts may be honored. In addition, the Division of the Budget monitors throughout the year on the flow of revenue and the pattern of expenditures against its projections. This information is reflected in quarterly updates of the Financial Plan which are provided to the State Legislature, as required by law, in April (or as soon as practicable after budget enactment), July, October and with the Executive Budget for the ensuing year.

Possible Delays in Budget Enactment

While the 2015-16, 2016-17, 2018-19 and 2019-20 Enacted State Budgets were timely adopted, the 2017-18 Enacted State Budget was adopted eight days late, the 2020-21 Enacted State Budget was adopted one day late and, the 2021-22 Enacted State Budget was adopted seven days late. In the past, adoption of State budgets has been significantly delayed beyond the time frames outlined above. Any delay in adoption of the State budget could delay the payment of State School Aid to municipalities and school districts in the State, including the District.

DESCRIPTION OF THE BONDS

General

The 2022 Series A Bonds shall be dated the date of delivery, and shall bear interest from such date payable semi-annually on May 1 and November 1 of each year commencing May 1, 2023 at the rates and shall mature on the dates and in the amounts shown on the cover page hereof.

The 2022 Series A Bonds will be issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof. The 2022 Series A Bonds are exchangeable or transferable at the corporate trust office of the Trustee. For every such exchange or transfer of the 2022 Series A Bonds, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

The principal of and interest on the 2022 Series A Bonds will be payable in legal tender of the United States of America at the corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee. (See “Exhibit F—Book-Entry Only System.”)

No Optional Redemption

The 2022 Series A Bonds are **not** subject to optional redemption by the Agency prior to their stated maturities.

No Additional Bonds

Only a refunding issue of the 2022 Series A Bonds is permitted by the General Resolution. Since, the 2022 Series A Bonds are not subject to optional redemption by the Agency prior to their stated maturities, no additional Bonds will be issued under General Resolution.

THE AGENCY

The Agency was created in 1972 by the Act and is a corporate governmental agency, constituting a public benefit corporation. The legislation creating the Agency determined the purpose thereof to be, in part, to foster and promote by all reasonable means the provision of adequate capital markets and facilities for borrowing money by its several municipalities for the financing of their public improvements or purposes from proceeds of bonds or notes issued by those municipalities, and to assist those municipalities in fulfilling their needs for improvements by use of creation of indebtedness and to the extent possible to reduce costs of indebtedness to taxpayers and residents of the State and to encourage continued investor interest in the purchase of bonds or notes of municipalities as sound and preferred securities for investment.

The Act further states that it is the policy of the State to provide a means by which certain special program municipalities may receive monies (a) to refund certain property taxes determined to be in excess of State constitutional tax limits or to reimburse such special program municipalities for the prior refunding of such taxes, (b) for the purpose of paying the cost of settling litigation involving the city school districts of such special program municipalities and the teachers' unions thereof and (c) to provide means by which municipalities in the State can take advantage of the opportunities for borrowing to provide for public improvements afforded by the American Recovery and Reinvestment Act of 2009, thereby resulting in efficiencies and interest rate savings to the municipality.

The membership of the Agency by statute consists of the State Comptroller (or a director appointed by the State Comptroller), the Secretary of State, the Director of the Budget and the Chairman of the New York State Housing Finance Agency, and three additional directors appointed by the Governor, with the advice and consent of the Senate, at least one of whom must be an elected official of a municipality. The directors appointed by the Governor serve for the full or unexpired terms of four years or until their successors have been appointed and qualified. The Agency's present directors and its executive officers are:

Directors/Members:*

Kenneth G. Adams - Chairperson

Joyce L. Miller – Governor Appointed

* There are currently two Governor-appointed vacancies on the Agency's Board of Directors.

Andrew A. SanFilippo – State Comptroller Appointed

Robert F. Mujica Jr. - Director of the New York State Division of the Budget

Robert J. Rodriguez - Secretary of State of the New York State Department of the State

Officers:

Ruthanne Visnauskas – Executive Director and Chief Executive Officer

Elizabeth Mallow – Senior Vice President and Executive Deputy Commissioner and Chief Operating Officer

Diana Nebiolo - Senior Vice President, Office of Professional Services

Lauren McGill – Senior Vice President and Acting Deputy Counsel

Darryl Johnson - Vice President and Deputy Chief Financial Officer

Michelle Okusanya – Vice President and Treasurer

Thehbia Hiwot - Vice President for Capital Markets

Miulina Ng – Vice President, Debt Issuance

The Agency and its corporate existence shall continue until terminated by law, provided, however, that no such law shall take effect so long as the Agency has bonds, notes or other obligations outstanding. The powers of the Agency, as provided in the Act, are vested in and exercised by no less than a majority of the directors thereof then in office. The Agency may delegate to one or more of its directors, or its officers, agents and employees, such powers and duties as it may deem proper.

Other Programs

Approximately \$134 million of bonds previously issued by the Agency under various statutory provisions are outstanding as of October 31, 2021. All of the Agency’s bonds are separately secured from the 2022 Series A Bonds.

Related Matters

From time to time, legislation is introduced on the federal and State levels which, if enacted into law, could affect the Agency and its operations. The Agency is not able to represent whether such bills will be introduced in the future or become law. In addition, the State undertakes periodic studies of public authorities in the State (including the Agency) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, could affect the Agency and its operations.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION AND THE 2022 SERIES A RESOLUTION

The Resolution contains terms and conditions relating to the issuance and sale of Bonds, including various covenants and security provisions, certain of which are summarized below. This description does not purport to be comprehensive or definitive and is subject to all of the provisions of the Resolution to which reference is hereby made, copies of which are available from the Agency or the Trustee. This summary uses various terms defined in the Resolution, and such terms as used herein, shall have the same meanings as so defined.

Resolution as Contract with Bondholders

Resolution Constitutes Contract. The Resolution shall be deemed to be and shall constitute a contract between the Agency and the Holders of the Bonds, and the pledges made in the Resolution and the covenants and agreements therein set forth to be performed by the Agency shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, without regard to the time or times of their maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the Resolution.

Pledge. The Resolution provides that Annual Payments, Advance Amortization Payments and the right to receive the Annual Payments and Advance Amortization Payments and all Funds and Accounts established by the Resolution, including the investments thereof and the proceeds of such investments, if any, are pledged to the Trustee for the payment of the principal and Redemption Price of and interest and Sinking Fund Payments on the Bonds in accordance with the terms and provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. This pledge shall be valid and binding from and after the date of adoption of the Resolution, and the Annual Payments, Advance Amortization Payments and the right to receive the Annual Payments and Advance Amortization Payments and all other monies and securities in the Funds and Accounts established by the Resolution so pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice thereof; *provided, however*, that this pledge shall be subject to any required application of the earnings on investments to comply with the tax covenants set forth in the Series Resolution.

Custody and Application of Bond Proceeds

The Series Resolution authorizing the issuance of the Bonds shall specify, among other things, the purposes for which the Bonds are being issued, which shall be limited to (i) the crediting of monies to the Bond Proceeds Account and the depositing of monies in the Capitalized Interest Account and the Cost of Issuance Account, if either is required by the Series Resolution, (ii) the refunding or redemption of Bonds and related purposes, as provided in the General Resolution, (iii) the funding of the payment of notes, bonds or other obligations, which may include interest thereon, previously issued by the Agency with respect to the Special Program Municipality,

(iv) the provision for any Bond discount, including underwriters' discount or underwriters' fee, for the Bonds, and (v) any combination thereof.

Establishment of Funds and Accounts. The following special Funds and Accounts shall be established and maintained pursuant to the provisions of the Resolution: *

- (1) Bond Proceeds Account
- (2) Program Financing Account
- (3) Revenue Fund
- (4) Debt Service Fund
 - (a) Interest Account
 - (b) Principal Account
 - (c) Sinking Fund Account
 - (d) Redemption Account
- (5) General Reserve Fund
- (6) Capitalized Interest Account
- (7) Cost of Issuance Account

Bond Proceeds Account

Upon the issuance, sale and delivery of the Bonds pursuant to the Resolution, the Series Resolution authorizing the Bonds shall provide for the payment into the Bond Proceeds Account established as a special trust account under the Resolution of the amount of the proceeds derived from the sale of the Bonds designated by the Series Resolution to be deposited in the Bond Proceeds Account for disbursement in accordance with the provisions of the Resolution, to pay a portion of the purchase price of Investment Obligations to be held by the Trustee pursuant to the provisions of the Resolution or to fund the payment of notes bonds or other obligations, which may include interest thereon, previously issued by the Agency with respect to the Special Purpose Municipality. The amounts withdrawn pursuant to the above shall be redeposited to the Bond Proceeds Account upon receipt by the Trustee of the first interest payment on the Investment Obligations so purchased.

Revenue Fund

(1) All Annual Payments held or collected by the Agency or the Trustee shall be deposited upon receipt in the Revenue Fund. There shall also be transferred to and deposited in the Revenue Fund any monies available for such purpose as provided in the Resolution and any monies received by the Agency pursuant to subdivision (4) of section 2436 of the Act as a result of a failure by the City to make an Annual Payment. Nothing contained in the Resolution shall be construed to prohibit the deposit of monies or investments in the Revenue Fund from sources other

* No deposit is being made to the Program Financing Account or the Capitalized Interest Account in connection with the issuance of the 2022 Series A Bonds.

than those set forth above. Monies and the proceeds of sale of securities from time to time in the Revenue Fund shall be paid out and applied for the uses and purposes for which the same are pledged or otherwise authorized by the provisions of the Resolution, in the manner provided in the Resolution.

(2) On or before each interest payment date on the Bonds, the Trustee shall withdraw from the Revenue Fund and deposit to the credit of the following Accounts in the Debt Service Fund the following amounts in the following order:

First, to the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will on such interest payment date be equal to the installment of the interest on the Bonds then falling due.

Second, to the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will on such date be equal to the amount of the principal of the Bonds then falling due.

Third, to the Sinking Fund Account an amount which, when added to the amount then on deposit in the Sinking Fund Account, will on such date be equal to the amount of the unpaid Sinking Fund Payments then falling due.

(3) On or before each interest payment date, after providing for all payments required to be made into the Debt Service Fund pursuant to paragraph (2) above, the Trustee shall withdraw from the Revenue Fund and deposit to the credit of, or transfer to, the General Reserve Fund, the balance of the monies so remaining in the Revenue Fund; provided, however, that the monies, if any, required to be deposited or maintained in the Revenue Fund pursuant to the Series Resolution shall be maintained in the Revenue Fund until applied for the purposes provided in the Series Resolution.

(4) On or before each November 1, the Trustee shall prepare the Annual Revenue Fund Credit Certificate, substantially in the form set forth in Exhibit A thereto, and mail a copy of such notice, postage prepaid, to the city school district of the Special Program Municipality, with a copy to the Agency.

Debt Service Fund

(1) The Debt Service Fund shall be held by the Trustee and shall be used solely for the purpose of paying the principal and Redemption Price of and interest and Sinking Fund Payments on the Bonds and of retiring such Bonds at or prior to maturity in the manner provided in the Resolution and in the Series Resolution. All monies deposited in the Debt Service Fund shall be disbursed and applied by the Trustee at the times and in the manner provided in the Resolution.

(2) There is created and established in the Debt Service Fund an account called the "Interest Account". The Trustee shall, on or before each interest payment date of the Bonds, payout of the monies then held for the credit of the Interest Account, including the monies credited thereto pursuant to this paragraph (2) and deposited therein pursuant to the Resolution to itself, the amounts required for the payment by it of the interest becoming due on the Bonds on such interest

payment date, and such amounts so withdrawn are irrevocably dedicated for and shall be applied to the payment of such interest.

(3) There is created and established in the Debt Service Fund an account called the “Principal Account”. The Trustee shall, on or before each principal payment date of the Bonds, payout of the monies then held for the credit of the Principal Account, including the monies credited thereto pursuant to this paragraph (3) and deposited therein pursuant to the Resolution to itself, the amounts required for the payment by it of the principal becoming due at maturity on the Bonds on such principal payment date and such amounts so withdrawn are irrevocably dedicated for and shall be applied to the payment of such principal.

(4) There is created and established in the Debt Service Fund an account called the “Sinking Fund Account”. The Trustee shall, on or before each Sinking Fund Payment date of the Bonds, payout of the monies then held for the credit of the Sinking Fund Account to itself, the amounts required for the payment by it of the Sinking Fund Payments then falling due, and such amounts so withdrawn are irrevocably dedicated for and shall be applied to the payment of such Sinking Fund Payments.

At any time during the twelve (12) month period preceding a Sinking Fund Payment date, the Agency may direct the Trustee to purchase Term Bonds of the maturity of Bonds with respect to which such Sinking Fund Payment was established. Such direction to purchase shall be made at a time no later than forty-five (45) days prior to such Sinking Fund Payment date and at a price not exceeding par plus accrued interest. The Term Bonds so delivered or purchased shall be applied as a credit against the next ensuing Sinking Fund Payment to the extent not theretofore applied as a credit against such Sinking Fund Payment. The Trustee shall withdraw monies from the Sinking Fund Account and the Revenue Fund to effectuate such purchase. All Term Bonds delivered or purchased as aforesaid shall, for the purposes of the Resolution, be deemed to be part of the Debt Service Fund.

(5) There is created and established in the Debt Service Fund an account called the “Redemption Account”.

(a) The Agency shall deposit or cause to be deposited in the Redemption Account such monies as shall be designated to be deposited therein pursuant to the provisions of the Resolution and the applicable Series Resolution.

The Trustee shall promptly apply monies so deposited in the Redemption Account to the purchase of Bonds at such purchase price, not exceeding the Redemption Price which would be payable on the next ensuing date on which such Bonds are redeemable at the option of the Agency as shall be determined by the Agency in its discretion and as shall be set forth in written instructions to the Trustee. The Trustee, to the extent monies are available in the Interest Account, shall pay the interest accrued on the Bonds so purchased to the date of delivery thereof to the Trustee from the Interest Account and any balance of such interest and the balance of the purchase price from monies deposited in the Redemption Account pursuant to this subparagraph (a), but no such purchase shall be made by the Trustee within the period of forty-five (45) days next preceding a date on which such Bonds are subject to redemption under the provisions of the Resolution.

In the event the Trustee is unable to purchase Bonds in accordance with and under the foregoing provisions of this subparagraph (a), the Trustee shall call for redemption on the next applicable redemption date on which such Bonds are redeemable at the option of the Agency, such amounts of Bonds as the Agency, in written instructions to the Trustee, shall determine, at the Redemption Price thereof, as will exhaust said monies as nearly as may be. Such redemption shall be made pursuant to the provisions of the Resolution, the Trustee, to the extent monies are available in the Interest Account, shall pay the interest accrued on the Bonds so redeemed to the date of redemption from the Interest Account and any balance of such interest and Redemption Price from monies deposited in the Redemption Account pursuant to this subparagraph (a).

(b) The Agency may, from time to time, by written instructions direct the Trustee to make purchases under subparagraph (a) above only after receipt of tenders after published notice. The Agency may specify the length of notice to be given and the dates on which tenders are to be accepted or may authorize the Trustee to determine the same in its discretion. All such tenders shall be sealed proposals and no tenders shall be considered or accepted at any price exceeding the price specified under subparagraph (a) above for the purchase of Bonds. The Trustee shall accept bids with the lowest price and if the monies available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and there shall be tenders at an equal price above the amount of monies available for purchase, then the Trustee shall select by lot, in such manner as the Trustee shall determine in its discretion, the Bonds tendered which shall be purchased. No purchase of Bonds, either on tenders or otherwise, shall be made by the Trustee within the period of forty-five (45) days next preceding any date on which such Bonds are subject to redemption.

(6) Whenever the assets of the Debt Service Fund shall be sufficient in the aggregate to provide monies to pay, redeem or retire all Bonds then Outstanding, including such interest thereon as may thereafter become due and payable to maturity or date of redemption, no further payments need be made into the Debt Service Fund.

(7) The Debt Service Fund shall be drawn upon for the sole purpose of paying the principal and Redemption Price of and Sinking Fund Payments and interest on the Bonds. Monies set aside from time to time with the Trustee for the payment of such principal, Redemption Price and Sinking Fund Payments and interest shall be held in trust for the Holders of the Bonds in respect of which the same shall have been set aside. Until so set aside for payment of principal, Redemption Price, Sinking Fund Payments or interest as aforesaid, all monies in the Debt Service Fund shall be held in trust for the benefit of the Holders of all Bonds at the time Outstanding equally and ratably and without any preference or distinction as between Bonds.

General Reserve Fund

Monies at any time held in the General Reserve Fund shall be applied at the direction of the Agency first, to the payment of the fees and expenses of the Trustee, second, to the payment of the fees of the qualified banks providing investment arrangements for the Bond Proceeds Account or the Program Financing Account, if any, third, to the payment of the administrative expenses of the Agency, and fourth, to any lawful use by the Agency. Any income or interest

earned by, or increment to, the General Reserve Fund due to the investment thereof shall be retained in said Fund.

Cost of Issuance Account

Upon the issuance of the Bonds the Agency shall direct the Trustee to deposit to the credit of the Cost of Issuance Account the amount of the proceeds of the Bonds designated for paying the Costs of Issuance of the Bonds. Nothing contained in the Resolution shall be construed to prohibit the deposit of monies or investments in any Account from sources other than the proceeds of sale of the Bonds. Amounts on deposit in the Cost of Issuance Account shall be expended for the Cost of Issuance of the Bonds, and for no other purpose, upon request signed by an Authorized Officer stating the amount and purpose of any such payment, and upon payment of all Costs of Issuance for the Bonds any amount remaining in such Account shall be paid to and deposited in the Redemption Account, or, at the direction of the Agency, to the Interest Account of the Debt Service Fund for the purpose of paying interest on the Bonds, upon receipt by the Trustee of a certificate of an Authorized Officer stating that such monies are no longer needed for the payment of Costs of Issuance.

Security for Deposits

Except as provided in the Resolution, all monies held by the Trustee shall be continuously and fully secured for the benefit of the Agency and the Holders of the Bonds by Investment Obligations of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, that it shall not be necessary for the Trustee to give security for the deposit of any monies with them held in trust for the payment of the principal, Sinking Fund Payments or Redemption Price of or interest on Bonds, or such amount of monies as is insured by federal deposit insurance, or for the Trustee to give security for any monies which shall be represented by obligations purchased under the provisions of the Resolution as an investment of such monies.

Investment of Funds and Accounts Held by the Trustee

Upon direction of the Agency confirmed in writing by an Authorized Officer, monies in the Funds and Accounts established pursuant to the Resolution shall be invested by the Trustee in Investment Obligations (except with respect to investments of amounts in the Debt Service Fund which shall be invested in accordance with the sixth paragraph under this heading) so that the maturity date or date of redemption at the option of the holder of such Investment Obligations shall coincide with, as nearly as practicable, but shall not be later than, the times at which monies in said Funds or Accounts will be required for the purposes in the Resolution provided.

In lieu of the investment of monies in Investment Obligations, the Trustee shall, upon direction of the Agency, deposit monies held by it under the Resolution in interest-bearing time deposits, or interest-bearing notes, make repurchase agreements or reverse repurchase agreements or make other similar banking arrangements or make such other investment arrangements involving Investment Obligations or other obligations which permit the Trustee to make the certification required by (i) herein with itself or with any other bank, trust company, national banking association or Bank Holding Company in the United States, or with any surety or insurance company or any other public or private corporation or make repurchase or reverse

repurchase agreements involving Investment Obligations, with any government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York and having capital aggregating at least seventy-five million dollars (\$75,000,000); *provided*, that upon the making of such deposit, agreement, investment or arrangement the Trustee shall certify in writing to the Agency; (i) that each such interest-bearing time deposit, interest-bearing note, repurchase agreement, reverse repurchase agreement or other similar banking arrangement or other investment arrangement involving Investment Obligations or other obligations shall permit the full principal amount of the monies so placed together with the investment income agreed to be paid to be available, without penalty, for use at the times provided with respect to the investment or reinvestment of such monies and (ii) that (A) the entity with which such interest-bearing time deposit, interest-bearing note, repurchase agreement or reverse repurchase agreement or other similar banking arrangement or other investment arrangement involving Investment Obligations or other obligations is made must be an entity (1) certain of whose unsecured and uncollateralized long-term debt obligations are assigned to a rating category which is equal to or higher than the rating category which the Bonds are assigned by each Rating Service then rating the Bonds at the time of the making of such investment, or (2) certain of whose letters of credit which have been issued in support of certain debt obligations of persons, which debt obligations are assigned to a rating category equal to or higher than the rating category which the Bonds are assigned by each Rating Service then rating the Bonds at the time of the making of such investment, or (B) the performance of the entity with which such interest-bearing time deposit, interest-bearing note, repurchase agreement or reverse repurchase agreement or other similar banking arrangement or other investment arrangement involving Investment Obligations or other obligations is made must be secured or guaranteed by contracts, agreements, arrangements or surety bonds with or from an entity certain of whose unsecured or uncollateralized long-term debt obligations are assigned to a rating category which is equal to or higher than the rating category which the Bonds are assigned by each Rating Service then rating the Bonds at the time of the making of such investment. In addition, the applicable short-term (rather than long-term) rating category of an entity described above may be utilized in satisfying the requirements of this section if (a) an Authorized Officer of the Agency certifies to the Trustee in connection with an investment that (i) the investment made with such entity would not cause, either directly or indirectly, each Rating Service then rating the Bonds to lower the rating category which the Bonds are assigned immediately prior to such proposed investment, and (ii) any such investment made with such entity shall be made in accordance with the terms and conditions, if any, including length hereof, specified in the approval of each Rating Service then rating the Bonds, and (b) if only one Rating Service satisfies the requirement of clause (i), the investment made with such entity shall still satisfy the applicable provisions of this section for long-term rating requirements as specified above with respect to such other Rating Service. The Agency shall require the valuation (which may be performed by the Trustee) of the obligations, if any, securing such deposit, agreement, investment or arrangement not less than once each week. Notwithstanding the above, at the direction of the Agency, the Trustee may also deposit monies held by it with entities not described in clauses (A) and (B) above, provided such deposit is fully insured as to principal and interest by Federal deposit insurance and provided that the Trustee shall certify in writing to the Agency that each investment shall permit monies so placed and investment income to be paid to be available for use at the times provided. The Agency shall require the valuation of the obligations (which valuations may be performed by the Trustee), if any, securing such interest-bearing time deposits,

interest-bearing notes, repurchase or reverse repurchase agreements or other similar banking arrangements or other investment arrangements not less than once each week.

Obligations purchased as an investment of monies in any Fund or Account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such Fund or Account and the income or interest earned by, or increment to, a Fund or Account due to the investment thereof or an amount equal to such interest or increment thereto shall, except as provided in the Resolution, be transferred by the Trustee upon direction of the Agency confirmed in writing as earned by an Authorized Officer to the Revenue Fund as earned, or as may otherwise be directed by a Series Resolution.

In computing the amount in any Fund or Account held by the Trustee under the provisions of the Resolution, obligations purchased as an investment of monies therein shall be valued (on the last day of each Fiscal Year) at market value, and any investment of monies pursuant to the second paragraph under this section, shall be valued at par.

The Trustee shall sell at the best price obtainable by the Trustee, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide monies to meet any payment or transfer from the Fund or Account for which such investment was made except that, in the case of investment arrangements involving Investment Obligations or other obligations, the Trustee shall sell such obligations in accordance with the terms of said investment arrangements. The Trustee shall advise the Agency in writing, on or before the twentieth (20th) day of each calendar month, of the details of all investments held for the credit of each Fund and Account in its custody under the provisions of the Resolution as of the end of the preceding month.

Investment of amounts held in the Debt Service Fund shall be in (i) Investment Obligations described in (a) of such definition and which mature not later than the earlier of (A) thirty (30) days of the making of such investment or (B) the times at which such amounts will be required for the purposes as provided in the General Resolution, or (ii) repurchase agreements the subject of which is limited to the Investment Obligations described in clause (a) of such definition, with any bank, trust company, national banking association or Bank Holding Company in the United States whose long-term unsecured debt obligations are rated in one of the two highest rating categories by each Rating Service then rating the Bonds. Such repurchase agreements shall provide (i) that the Investment Obligations shall be valued daily at market, and (ii) that additional Investment Obligations be added or substituted to the repurchase agreement daily to maintain the value of such Investment Obligations at their required level and shall terminate or be terminable not later than the times at which amounts thereunder will be required for the purposes provided for in the General Resolution.

Certain Other Covenants

Among other covenants made by the Agency in the Resolution are those related to the following matters:

Offices for Payment and Registration of Bonds. The Agency shall at all times maintain an office or agency in the City and State of New York, where Bonds may be

presented for payment. The Agency shall at all times maintain an office or agency in the State of New York, where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds.

Further Assurances. At any and all times the Agency shall, so far as it may be authorized or permitted by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, confirming and effecting all and singular the rights, the Annual Payments, and other monies, securities, funds and property pledged, or intended so as to be, or which the Agency may become bound to pledge or assign.

Power to Issue Bonds and Make Pledges. The Agency is duly authorized pursuant to law to create and issue the Bonds and to adopt the Resolution and to pledge the Annual Payments and the rights to enforce payment thereof under the Special Program Agreement and other monies, securities, funds and property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Annual Payments, and the rights to enforce payment thereof under the Special Program Agreement, and other monies, securities, funds and property so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Agency to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Agency in accordance with their terms and the terms of the Resolution. The Agency shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Annual Payments, and the rights to enforce payment thereof under the Special Program Agreement, and other monies, securities, funds and property pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

Accounts and Reports. The Agency shall keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the Special Program Agreement, the Annual Payments and all Funds and Accounts established by the Resolution, which shall at all reasonable times be subject to the inspection of the Trustee (it being understood that the Trustee shall have no obligation to do so) and the Holders of an aggregate of not less than five percent (5%) in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The Agency shall annually, within six (6) months after the close of each Fiscal Year, file with the Trustee a copy of an annual report for such Fiscal Year, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (a) its operations and accomplishments; (b) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the Agency for its operating and capital outlay purposes; (c) its assets and liabilities at the end of such Fiscal Year and the status of reserve, special or other funds and the Funds and Accounts established by the Resolution; and (d) a schedule of its Bonds Outstanding at the end of

such Fiscal Year, together with a statement of the amounts paid or otherwise redeemed during such Fiscal Year. A copy of each such annual report and Accountant's Certificate shall be mailed by the Agency to each Bondholder who shall have filed his name and address with the Agency for such purpose.

Budgets. The Agency shall, at least sixty (60) days prior to the beginning of each Fiscal Year, prepare and file in the office of the Trustee a preliminary budget covering its fiscal operations for the succeeding Fiscal Year which shall be open to inspection by any Bondholder (it being understood that the Trustee shall have no obligation with respect to the budgets referred to in the Resolution). The Agency shall also prepare a summary of such preliminary budget and on or before forty-five (45) days prior to the beginning of each Fiscal Year mail a copy thereof to any Bondholder who shall have filed his name and address with the Agency for such purpose. Copies of said preliminary budget filed with the Trustee shall be open for inspection by any Bondholder (it being understood that the Trustee shall have no obligation with respect to such preliminary budget).

The Agency shall adopt an annual budget covering its fiscal operations for the then current Fiscal Year not later than January 1 of each successive Fiscal Year and file the same with the Trustee and such budget shall be open to inspection by any Bondholder. In the event the Agency shall not adopt an annual budget for a Fiscal Year on or before January 1 of such Fiscal Year, the budget for the preceding Fiscal Year shall be deemed to have been adopted and be in effect for such Fiscal Year until the annual budget for such Fiscal Year shall have been adopted as above provided and filed with the Trustee.

Pledge and Assignment of Annual Payments. The Annual Payments are pledged and assigned to the Trustee for the benefit of the Holders of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and the Trustee shall have the legal right to enforce such pledge and assignment and the provisions of the Special Program Agreement providing for the payment thereof in the manner provided in the Special Program Agreement and the Resolution.

All Annual Payments shall be paid directly to the Trustee for the account of the Agency and deposited by the Trustee in the Revenue Fund. The Trustee, upon receiving any checks for payments on account thereof; shall endorse the same in the name and on behalf of the Agency and cause the same to be presented for collection in due course and deposit the proceeds thereof in the Revenue Fund, and is authorized and empowered so to do. Any Annual Payments which may be received by the Agency shall be paid over to the Trustee as received, and the Agency covenants and agrees so to do.

Further Assurances with Regard to Annual Payments. In order to assure the continued payment of Annual Payments under the Special Program Agreement and in compliance with the requirements of the Act, in the event that the Special Program Municipality shall fail to make a payment in such amount (as calculated in accordance with the Special Program Agreement) and by such date as is provided to be made by the Special Program Municipality in the Special Program Agreement, the Chairman of the Agency shall so certify to the State Comptroller, setting forth in such certificate the amount of the deficiency in payment. A copy of such certificate shall be promptly delivered by the

Chairman of the Agency to the Trustee. Pursuant to subdivision 4 of Section 2436 of the Act, the State Comptroller, upon receipt of such certificate, shall be authorized to withhold from the Special Program Municipality such School Aid (as defined in Section 2432(5-a) of the Act) as is payable to the city school district of the Special Program Municipality to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Agency the amount so withheld. All monies so received by the Agency from the State Comptroller shall be paid over to the Trustee as received for deposit in the Revenue Fund.

Compliance with Special Program Agreement. The Agency covenants that it will, at all times, comply with the covenants, terms and conditions of the Special Program Agreement and shall take all steps, actions and proceedings as may be necessary in order to require compliance by the Special Program Municipality with the covenants, terms and conditions thereof, the breach of which would in any way affect or impair the obligation of the Special Program Municipality to pay the Annual Payments at the times and in the manner and amounts provided in the Special Program Agreement.

Modification of Special Program Agreement. The Agency shall not consent to the modification of, or modify, the Annual Payments, or the security for or any terms or provisions of the Special Program Agreement in a manner detrimental to the Bondholders; provided, however, that the Agency may consent to such modification of and modify the Special Program Agreement so long as the Special Program Municipality shall remain obligated to pay Annual Payments in sufficient amounts to comply with the provisions of the Resolution.

Disposition of Advance Amortization Payments. The proceeds received by the Agency from an Advance Amortization Payment shall be deposited in the Redemption Account or if sufficient to defease the lien of the Resolution in the fund or account provided for in the Resolution.

Waiver of Laws. The Agency shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the Resolution or in the Series Resolution or any Supplemental Resolution or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Agency.

Issuance of Additional Obligations

Except with respect to the Refunding Issue permitted by the Resolution, the Agency shall not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Annual Payments, or which will be payable from the Funds and Accounts under the Resolution, subsequent to the issuance of the Bonds under the Resolution.

The Agency reserves the right to issue any obligations so long as the same are not a charge or lien on the Annual Payments or payable from the Debt Service Fund.

Modification of Resolution

The Resolution provides procedures whereby the Agency may amend the Resolution or the Series Resolution adopted thereunder by adoption of a Supplemental Resolution.

Any modification or amendment of the Resolution and of the rights and obligations of the Agency, and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution with the written consent given as provided in the Resolution, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like maturity remain Outstanding, the consent of the Holder of such Bond shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages of Bonds, the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this section, Bonds shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Agency and all Holders of Bonds. The Trustee may receive an opinion of counsel, including a Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular maturity would be so affected by any such modification or amendment of the Resolution.

Defaults and Remedies

The Resolution declares each of the following to be an "event of default":

(a) default is made in the payment of the principal or Sinking Fund Payments or interest on any Bond after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days; or

(b) the Agency shall fail or refuse to comply with the provisions of the Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the General Resolution, the Series Resolution or any Supplemental Resolution, or in the Bonds contained, and continuance of such default for a period of ninety (90) days after written notice thereof requiring the same to be remedied shall have been given to the Agency by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than five percent (5%) in principal amount of the Outstanding Bonds; or

(c) the Agency shall file a petition seeking a composition of indebtedness under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or of the State;

provided, however, that an event of default shall not be deemed to exist under the provisions of clause (b) above upon the failure of the Agency to enforce any obligation undertaken by the Special Program Municipality pursuant to the provisions of the Special Program Agreement, including the making of the stipulated Annual Payments, so long as the Agency shall be provided with monies sufficient in amount to pay the principal of, Sinking Fund Payments and interest on, all Bonds as the same shall become due.

Upon the happening and continuance of any event of default specified in the Resolution, then, and in such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by suit, action or proceeding in accordance with the New York Civil Practice Law and Rules, to enforce all rights of the Bondholders, including the right to require the Agency to collect Annual Payments adequate to carry out the covenants and agreements as to, and pledge of, such Annual Payments, and other properties pledged in the Resolution and to require the Agency to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit, to require the Agency to account as if it were the trustee of an express trust for the Holders of the Bonds;

(d) by action or suit, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(e) in accordance with the provisions of the Act, by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five percent (25%) in the principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

Bondholders' Direction of Proceedings

The Holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action or other proceeding under the Resolution, or for the protection or enforcement of any right under the Resolution or any

right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Resolution or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Resolution or for any other remedy thereunder or under law. It is understood and intended that no one or more Holders of the Bonds secured under the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution, or to enforce any right under the Resolution or under law with respect to the Bonds or the Resolution, except in the manner therein provided, and that all proceedings shall be instituted, had and maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions of this section or any other provisions of the Resolution, the obligation of the Agency shall be absolute and unconditional to pay the principal, Sinking Fund Payments and Redemption Price of and interest on the Bonds to the respective Holders thereof at the respective due dates thereof, and nothing in the Resolution shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything to the contrary notwithstanding contained in the Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require in any suit for the enforcement of any right or remedy under the Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five percent (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal, Sinking Fund Payments or Redemption Price of or interest on any Bond on or after the respective due dates thereof expressed in such Bonds.

Defeasance

(A) If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds then Outstanding, the principal, Sinking Fund Payments and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then and in that event the covenants, agreements and other obligations of the Agency to the Bondholders shall be discharged and satisfied. In such event, subject to any required application of the earnings on investments to comply with the tax covenants set forth in the Resolution, the Trustee shall, upon request of the Agency, execute and deliver to the Agency

all such instruments as may be desirable to evidence such release and discharge and the Trustee shall pay over or deliver to the Agency all monies or securities held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment for redemption. In the event that the Holders of all the Bonds Outstanding have been paid such amounts, the Trustee shall pay over or deliver to the Agency all remaining monies or securities held by it pursuant to the General Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(B) Bonds or interest installments for the payment or redemption of which sufficient monies shall then be held by the Trustee (through deposit by the Agency of funds for such payment or redemption or otherwise) whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning of the paragraph (A) above.

All Outstanding Bonds or a portion of all Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the paragraph (A) above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Agency shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish as provided in the Resolution notice of redemption of such Bonds or portions of Bonds on said date, (b) there shall have been deposited with the Trustee either monies in an amount which shall be sufficient, or non-callable obligations of the United States government or non-callable obligations the principal of and interest on which are directly guaranteed by the United States government, or non-callable obligations referred to in clause (e) of the definition of Investment Obligations, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time shall be sufficient to pay when due the principal, Sinking Fund Payments or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the registered Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which monies are to be available for the payment of the principal, Sinking Fund Payments or Redemption Price, if applicable, on said Bonds. Neither the obligations nor monies deposited with the Trustee pursuant to this section nor principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than, and shall be held in trust, for the payment of the principal, Sinking Fund Payments or Redemption Price, if any, and interest on said Bonds or portions of said Bonds, as the case may be; provided that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations of the United States government or obligations the principal of and interest on which are guaranteed by the United States government, or obligations referred to in clause (e) of the definition of Investment Obligations, maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Payments or Redemption Price, if any, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

Any income or interest earned by, or increment to, the investment of any such monies so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required to pay the principal, Sinking Fund Payments, Redemption Price, if any, and interest on such Bonds, as realized, be transferred by the Trustee to the Agency, and any such monies so paid by the Trustee to the Agency shall be released of the lien and pledge created by the Resolution.

AGREEMENT OF THE STATE

In accordance with the authority granted to the Agency pursuant to the provisions of Section 2442 of the Act, the Agency, on behalf of the State, has pledged to and agreed with the Holders of the 2022 Series A Bonds that the State will not limit or alter the rights vested by the Act in the Agency to fulfill the terms of any agreements made with Bondholders, or in any way impair the rights and remedies of such Holders until the 2022 Series A Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

LEGAL INVESTMENTS

Under the provisions of Section 2445 of the Act, the 2022 Series A Bonds, in the State of New York, are made securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. Certain of such investors may be subject to separate restrictions which limit or prevent their investment in the 2022 Series A Bonds.

TAX MATTERS

Certain Federal Income Tax Consequences

The following is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of the 2022 Series A Bonds. It does not purport to deal with federal income tax consequences applicable to all categories of investors, some of which will be subject to special rules. Holders of the Series 2022 A Bonds should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the 2022 Series A Bonds.

In the opinion of Harris Beach PLLC, Bond Counsel to the Agency, and assuming compliance with the representations, certifications and covenants described in the immediately succeeding paragraph, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinions, interest on the 2022 Series A Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, Bond Counsel is of the opinion that interest

on the 2022 Series A Bonds is not an “item of tax preference” for purposes of computing the federal alternative minimum tax imposed on individuals.

The Code establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the 2022 Series A Bonds in order that interest on the 2022 Series A Bonds be and remain excluded from gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of proceeds of 2022 Series A Bonds, restrictions on the investment of proceeds of 2022 Series A Bonds and certain other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the 2022 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2022 Series A Bonds irrespective of the date on which such noncompliance occurs. In connection with the issuance of the 2022 Series A Bonds, the Agency, the City, the District and others will make certain representations, warranties, factual certifications and statements of reasonable expectations and certain covenants to comply with provisions and procedures designed to assure compliance with such requirements. In rendering its above-described opinion, Bond Counsel will rely upon the accuracy of such representations and certifications and assume the continuing compliance by the Agency, the City and the District with such covenants, representations and warranties.

All of the 2022 Series A Bonds are initially offered to the public at prices greater than the amounts payable thereon at maturity (“Premium Bonds”). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Bond Counsel express no opinion regarding any other federal tax consequences related to the ownership or disposition of, or receipt or accrual of interest on, the 2022 Series A Bonds. The proposed form of the approving opinion of Bond Counsel relating to the 2022 Series A Bonds is attached to this Official Statement as Exhibit H.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the 2022 Series A Bonds should be aware that the accrual or receipt of tax-exempt interest on the 2022 Series A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient’s particular tax status or other items of income or deduction. Bond Counsel express no opinion regarding any such consequences. Examples of collateral federal income tax consequences of acquiring or holding the 2022 Series A Bonds include, without limitation, (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain

items, including interest on the 2022 Series A Bonds, (ii) interest on the 2022 Series A Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the 2022 Series A Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the 2022 Series A Bonds.

In addition, the Code generally denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the 2022 Series A Bonds.

The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to purchasing or holding the 2022 Series A Bonds.

State and Local Income Taxes

In the opinion of the Bond Counsel to the Agency, under existing statutes, including the State of New York Municipal Bond Bank Agency Act, interest on the 2022 Series A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. Any noncompliance with the federal income tax requirements described above would not, however, affect the exemption of interest on the 2022 Series A Bonds from personal income taxes imposed by the State of New York or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other New York State or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the 2022 Series A Bonds.

Interest on the 2022 Series A Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion, however, as to the tax treatment of the 2022 Series A Bonds under other state or local jurisdictions. Purchasers of 2022 Series A Bonds should consult their own tax advisors regarding the taxable status of the 2022 Series A Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations

Bond Counsel renders its opinions under laws as of the issue date, and assumes no obligation to (A) update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or (B) undertake to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2022 Series A Bonds may adversely affect the value of, or the tax status of, interest on, the 2022 Series A Bonds. Further, Bond Counsel expresses no opinion as to any federal, state or local tax consequences with respect to the 2022 Series A Bonds or the interest thereon of any action hereafter taken or not taken in reliance upon an opinion of other bond counsel.

No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not cause interest on the 2022 Series A Bonds to be subject, directly or indirectly, to federal or state or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decisions or action of the Internal Revenue Service, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the 2022 Series A Bonds for audit examination or the course or result of any Internal Revenue Service examination of the 2022 Series A Bonds or obligations which present similar tax issues, will not affect the market price or marketability of the 2022 Series A Bonds. Prospective purchasers of the 2022 Series A Bonds should consult their own tax advisors regarding the foregoing matters. See “Exhibit H—Form of Bond Counsel Opinion.”

LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2022 Series A Bonds or in any way contesting or affecting the validity of the 2022 Series A Bonds or any proceedings of the Agency taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the 2022 Series A Bonds or the existence or powers of the Agency.

LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 2022 Series A Bonds are subject to the approval of Harris Beach PLLC, New York, New York, Bond Counsel to the Agency. The approving opinion of Bond Counsel to the Agency, the form of which is attached hereto as Exhibit H, will be delivered with the 2022 Series A Bonds. Certain legal matters will be passed upon for the City by its Corporation Counsel and Hawkins Delafield & Wood LLP, New York, New York and for the Underwriters by their Counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

UNDERWRITING

FHN Financial Capital Markets, a division of First Horizon Bank, acting as representative for itself and the other underwriters (collectively, the “Underwriters”) have agreed, subject to certain conditions, to purchase the 2022 Series A Bonds from the Agency at an aggregate purchase price of \$8,193,135.70, plus an original issue premium of \$880,865.65 and less Underwriters’ discount of \$72,729.95. The Underwriters’ obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all such 2022 Series A Bonds if any such 2022 Series A Bonds are purchased. The 2022 Series A Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such 2022 Series A Bonds into investment trusts) at prices lower than the public offering prices shown on the cover page of this Official Statement, and such public offering prices may be changed, from time to time, by the Underwriters.

On February 28, 2022, First Horizon Corporation and TD Bank Group announced that First Horizon Corporation entered into a definitive agreement to be acquired by TD Bank Group. FHN Financial Capital Markets is the municipal underwriting business line of FHN Financial, the fixed income division of First Horizon Bank, whose parent company is First Horizon Corporation. The acquisition is expected to be completed in late 2022 or early 2023 pending regulatory approvals. This transaction is not anticipated to have any material effect on the transactions described in this Official Statement.

RATING

Moody's Investors Service ("Moody's"), upon the delivery of the 2022 Series A Bonds, will assign to the 2022 Series A Bonds the ratings shown on the cover of "Aa3". An explanation of the significance of such rating may be obtained from Moody's. There is no assurance that such rating will continue for any period of time or that it will not be revised or withdrawn entirely if, in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of such rating may have a material adverse effect on the market price of the 2022 Series A Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "1934 Act"), the City, as an obligated person under Rule 15c2-12, will undertake in a written agreement for the benefit of the holders of the 2022 Series A Bonds (the "Continuing Disclosure Agreement") to electronically file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") System established pursuant to Section 15(B)(1)(1) of the 1934 Act, or any successor thereto, on an annual basis on or prior to nine (9) months following the end of each City fiscal year, commencing the fiscal year ending June 30, 2022, (i) financial information and operating data concerning the City of the type included in this Official Statement, referred to herein as "Exhibit C—City Indebtedness," pages C-34 through C-41, (the "Buffalo Annual Information") and (ii) the audited financial statements, if any, of the City and the Board of Education of the District (the "Board") for each fiscal year commencing with the fiscal year ending June 30, 2022 unless any such audited financial statement, if any, shall not then be available in which case such unaudited financial statement shall be provided and an audited financial statement shall be delivered to EMMA, if any, within 30 days after it becomes available and in no event later than 360 days after the end of each fiscal year. The City is required by existing law to issue audited annual financial statements of the City after the close of the City fiscal year, and the City will undertake to provide the City's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards, if and when such statements are available. The Board is required by existing law to issue audited annual financial statements of the Board after the close of the fiscal year of the Board, and the City will undertake to provide the annual financial statements of the Board prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards, if and when such statements are available.

In addition, the Trustee and the City will undertake, for the benefit of the Holders of the 2022 Series A Bonds, to electronically file with the EMMA System in a timely manner, not in

excess of ten (10) business days after occurrence of any of the following events, notice of any such events with respect to the 2022 Series A Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2022 Series A Bonds, or other material events affecting the tax status of the 2022 Series A Bonds; (7) modifications to the rights of Holders of the 2022 Series A Bonds, if material; (8) 2022 Series A Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2022 Series A Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a “financial obligation” (as defined under Rule 15c2-12) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Holders of the 2022 Series A Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

In addition, the Trustee and the City will undertake, for the benefit of the Holders of the 2022 Series A Bonds, to electronically file with the EMMA System in a timely manner, notice of any failure by the City to provide the Buffalo Annual Information and annual financial statements of the City and the Board by the date required in the City’s undertaking described above, not in excess of ten (10) business days after occurrence.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertakings of the City, and no person, including a holder of the 2022 Series A Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data. Where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. Such undertakings, however, may be modified without the consent of the holders of the 2022 Series A Bonds under certain circumstances set forth in the Continuing Disclosure Agreement.

A form of the Continuing Disclosure Agreement is attached hereto as Exhibit I.

INDEPENDENT AUDITORS

The general purpose financial statements of the City as of and for the year ended June 30, 2021, set forth in Exhibit D to this Official Statement, have been audited by Drescher & Malecki, LLP, independent auditors, as stated in their report which appears in Exhibit D.

The general purpose financial statements of the Board of Education as of and for the year ended June 30, 2021, set forth in Exhibit E to this Official Statement, have been audited by Lumsden & McCormick LLP, independent auditors, as stated in their report which appears in Exhibit E.

FINANCIAL ADVISOR

Capital Markets Advisors LLC serves as independent financial advisor to the City on matters relating to debt management.

EXHIBITS

The Exhibits A through I are integral parts of this Official Statement and should be read in conjunction with the foregoing material.

MISCELLANEOUS

At the written direction of an Authorized Officer of the Agency, “CUSIP” identification numbers will be imprinted on the 2022 Series A Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2022 Series A Bonds, and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2022 Series A Bonds. In addition, failure on the part of the Agency to use such CUSIP numbers in any notice to Holders of the 2022 Series A Bonds shall not constitute an event of default or any similar violation of the Agency’s contract with such Holders.

All quotations from, and summaries and explanations of, the Act, the Special Program Agreement, the General Resolution, the Series Resolution, the Continuing Disclosure Agreement and State and federal laws and regulations contained herein do not purport to be complete, and reference is made to said laws, agreements and resolutions for full and complete statements of their provisions. Copies, in reasonable quantity, of the General Resolution and the Series Resolution may be obtained upon request directed to the Agency.

For information with respect to the State, reference is made to the State’s most current Annual Information Statement (“AIS”), as supplemented by the third quarterly update dated as March 7, 2022, copies of which are available by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or the Office of the State Comptroller, State Office Building, Albany, NY 12236, (518) 474- 4015. Copies of such documents are also available electronically on the Division of the Budget’s internet site at <https://www.budget.ny.gov/investor/ais/ALTaccessAgree2.html> as well as on file with the Electronic Municipal Market Access (“EMMA”) System.

For information with respect to the Agency, including its most recent audited financial statements, reference is made to the Agency's 2021 Annual Report, copies of which, in reasonable quantity, may be obtained upon request directed to the Public Information Office of the Agency, 641 Lexington Avenue, New York, New York 10022, Tel. (212) 688-4000.

Any statements in this Official Statement involving matters of estimate or opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or Holders of any of the 2022 Series A Bonds.

**STATE OF NEW YORK MUNICIPAL
BOND BANK AGENCY**

By: /s/ Thehbia Hiwot
Vice President for Capital Markets

GLOSSARY OF DEFINED TERMS

The following terms shall, for all purposes of the General Resolution, have the following meanings unless the context shall clearly indicate some other meaning:

“Accountant’s Certificate” shall mean an opinion signed by a certified accountant or a firm of certified public accountants of recognized standing selected by the Agency.

“Act” shall mean the State of New York Municipal Bond Bank Agency Act, Title 18 of Article 8 of the Public Authorities Law (Chapter 42 of the Consolidated Laws of the State of New York), as amended and supplemented.

“Advance Amortization Payment” shall mean the payment made by the Special Program Municipality in partial or full satisfaction of the Annual Payments (as such Annual Payments relate to the principal of or Sinking Fund Payments on the 2022 Series A Bonds) required under a Special Program Agreement in advance of the due dates thereof in accordance with the provisions of such Special Program Agreement.

“Agency” shall mean the State of New York Municipal Bond Bank Agency, the corporate governmental agency created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Agency.

“Annual Payments” shall mean the Annual Payments due and payable by the Special Program Municipality in accordance with the provisions of the Special Program Agreement.

“Annual Revenue Fund Credit Certificate” shall mean the certificate required by the General Resolution to be filed annually by the Trustee with the city school district of the Special Program Municipality, substantially in the form set forth in Exhibit A of the General Resolution.

“Authorized Officer” shall mean the Chairman or any senior officer of the Agency as defined in the Agency’s Bylaws.

“Bank Holding Company” shall mean a corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956 (12 U.S.C.A. Section 1841, *et seq.*).

“Bond” or “Bonds” shall mean any Bond or the issue of Bonds (including any Bond or the issue of Bonds constituting the Refunding Issue as defined in the General Resolution), as the case may be, established and created by the Resolution and issued pursuant to a Series Resolution.

“Bond Counsel” shall mean a firm or firms of attorneys specializing in the field of municipal finance and nationally recognized as expert in the field.

“Bondholder”, or “Holder”, or “Holder of Bonds”, or any similar term, shall mean any person or party who shall be the registered owner of any Outstanding Bond or 2022 Series A Bonds.

“Bonds Proceeds Account” shall mean the account by that name established by the Resolution.

“Capitalized Interest Account” shall mean the account by that name established by the Resolution.

“Code” shall mean the Internal Revenue Code of 1986 (Title 26 of the United States Code), as amended.

“Cost of Issuance” shall mean the items of expense to be paid or reimbursed directly or indirectly by the Agency and related to the authorization, sale and issuance of 2022 Series A Bonds, and the investment of the proceeds of 2022 Series A Bonds issued in relation thereto, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, professional consultants’ fees, costs of credit ratings, fees and charges of execution, transportation and safekeeping of 2022 Series A Bonds, costs and expenses of refunding 2022 Series A Bonds, and other costs, charges and fees in connection with the foregoing.

“Cost of Issuance Account” shall mean the account by that name established by the Resolution.

“Counsel’s Opinion” shall mean an opinion signed by an attorney or firm of attorneys selected by the Agency. Any such attorney may be a lawyer in the regular employment of the Agency.

“Debt Service Fund” shall mean the fund by that name established by the Resolution.

“Fiscal Year” shall mean the twelve (12) consecutive calendar months commencing with the first day of November and ending on the last day of the following October.

“General Reserve Fund” shall mean the fund by that name established by the Resolution. “General Resolution” shall mean the Special Program (City of Buffalo) Resolution adopted by the Agency on September 13, 2012 Authorizing the Issuance of State of New York Municipal Bond Bank Agency Special Program (City Of Buffalo) Revenue Bonds, as amended or supplemented from time to time by Supplemental Resolutions in accordance with the terms and provisions thereof.

“Interest Account” shall mean the account by that name established by the Resolution.

“Investment Obligations” shall mean, to the extent permitted by law, (a) direct obligations of the United States of America, including book entry securities issued by the United States Treasury (which may include State and Local Government Series), (b) obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America, (c) investments which evidence direct ownership of future interest and

principal payments of United States Treasury bonds or the obligations described in (e) below, (d) general obligations of any state, or of any municipality or political subdivision or agency of the State of New York, which obligations are rated in the highest rating category of each Rating Service then rating the 2022 Series A Bonds, (e) municipal obligations the payment of principal, redemption price, if any, and interest on which is irrevocably secured by obligations of the type referred to in (a) and (b) above and which obligations have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated in the highest rating category of each Rating Service then rating the 2022 Series A Bonds and (f) obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any agency of the United States of America controlled or supervised by and acting as an instrumentality of the United States of America as authorized by the Congress of the United States, which obligations are rated in the highest rating category of each Rating Service then rating the 2022 Series A Bonds.

“Outstanding”, when used with reference to 2022 Series A Bonds, shall mean, as of any date, 2022 Series A Bonds which have been delivered under the provisions of the Resolution, except: (i) any 2022 Series A Bonds cancelled by the Trustee at or prior to such date, (ii) 2022 Series A Bonds for the payment or redemption of which monies or investments as referred to in the General Resolution timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof) equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee in trust (whether at or prior to the maturity or redemption date), provided that if such 2022 Series A Bonds are to be redeemed, notice of such redemption shall have been given as in the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) 2022 Series A Bonds in lieu of or in substitution for which other 2022 Series A Bonds shall have been delivered pursuant to the Resolution and (iv) 2022 Series A Bonds or portions of 2022 Series A Bonds deemed to have been paid as provided in the Resolution.

“Principal Account” shall mean the account by that name established by the Resolution.

“Program Financing Account” shall mean the account by that name established by the Resolution.

“Rating Service” shall mean, collectively, S&P Global Ratings, Moody’s Investors Service, Inc., Fitch, Inc., and any other nationally recognized rating agency or the successor thereto which shall have issued a rating on any 2022 Series A Bonds Outstanding at the request of the Agency.

“Redemption Account” shall mean that account by that name established by the Resolution. “Redemption Price” shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution and the Series Resolution pursuant to which the same was issued.

“Refunding Issue” shall mean Bonds of one or more Series issued and delivered, subject to the provisions and limitations of the Resolution, for the purpose of refunding any part or all of the 2022 Series A Bonds of the Series then Outstanding.

“Resolution” shall mean the General Resolution and the Series Resolution.

“Revenue Fund” shall mean the fund by that name established pursuant to the Resolution.

“Serial Bonds” shall mean Bonds which mature in semi-annual or annual installments of principal, which need not be equal and the first installment of which may be deferred.

“Series of Bonds” or “Bonds of a Series” shall mean the Series of Bonds authorized by the Series Resolution.

“Series Resolution” shall mean a resolution of the Agency authorizing the issuance of the Bonds in accordance with the terms and provisions adopted by the Agency in accordance with the Resolution.

“Sinking Fund Account” shall mean the account by that name established by the Resolution. “Sinking Fund Payment” shall mean, with respect to the Bonds, the payments for Term Bonds established for the Bonds pursuant to the Resolution.

“Special Program Agreement” shall mean the Special Program Agreement by and between the Agency and the City of Buffalo, New York, dated as of May 1, 2022, as from time to time further amended and supplemented.

“Special Program Municipality” shall mean the City of Buffalo, New York, which is a special program municipality as defined in the Act.

“State” shall mean the State of New York.

“Supplemental Resolution” shall mean a resolution supplemental to or amendatory of the Resolution, adopted by the Agency in accordance with the Resolution.

“Term Bonds” shall mean Bonds not constituting Serial Bonds and for which Sinking Fund Payments are provided and specified by the Series Resolution authorizing the issuance of the Bonds.

“Trustee” shall mean the commercial bank, trust company or national banking association appointed pursuant to the Resolution to act as trustee under the Resolution, and its successor or successors and any other commercial bank, trust company or national banking association at any time substituted in its place pursuant to the Resolution.

“2022 Series A Resolution” shall mean the Series Resolution adopted by the Agency on March 10, 2022, relating to the Bonds.

Exhibit B

FORM OF THE SPECIAL PROGRAM AGREEMENT

[FORM OF SPECIAL PROGRAM AGREEMENT]

SPECIAL PROGRAM AGREEMENT

By and Between

STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY

and

CITY OF BUFFALO, NEW YORK

Dated as of May 1, 2022

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Exhibit A-1 State Aid Payment Certificate (Appropriation)

THIS SPECIAL PROGRAM AGREEMENT, dated as of May 1, 2022 (the “Special Program Agreement”), by and between STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, a body corporate and politic constituting a public benefit corporation of the State of New York (the “Agency”), and CITY OF BUFFALO, NEW YORK, a municipal corporation of the State of New York (the “Special Program Municipality”) (capitalized terms used in the recitals to this Special Program Agreement shall have the respective meanings set forth in Section 1.1 hereof);

WITNESSETH

WHEREAS, pursuant to Chapter 166 of the 1991 Laws of New York, as amended by Chapter 88 of the 2000 Laws of New York, the Agency has been empowered under the Act to issue its special program bonds to provide a means by which certain special program municipalities may receive moneys to be applied to the cost of settling litigation involving the city school districts of special program municipalities and the teachers’ unions of such special program municipalities; and

WHEREAS, the Agency has further been empowered under the Act to enter into special program agreements with special program municipalities to provide funds to special program municipalities for the purposes stated above, and to also provide for the payment of the Agency’s special program bonds issued for such purpose; and

WHEREAS, the Special Program Municipality is a city of the State of New York having a population of less than one million but more than three hundred fifty thousand, as determined according to the 1980 federal decennial census, and is a special program municipality within the meaning of the Act; and

WHEREAS, on December 7, 2000, the Agency adopted a General Resolution (the “Prior General Resolution”) and the 2001 Series A Special Program (City of Buffalo) Revenue Bond Series Resolution (the “2001 General Resolution”; and collectively with the Prior General Resolution, the “Prior Resolutions”) for the purpose of issuing its \$27,415,000 Special Program (City of Buffalo) Revenue Bonds, 2001 Series A (the “2001 Series A Bonds”); and

WHEREAS, on September 13, 2012, the Agency adopted a Resolution Authorizing the Issuance of State of New York Municipal Bond Bank Agency Special Program (City Of Buffalo) Revenue Bonds (the “General Resolution”) and the 2012 Series A Special Program (City of Buffalo) Refunding Revenue Bond Series Resolution (the “2012 Series Resolution”) for the purpose of authorizing and issuing Special Program Revenue Bonds to currently refund the 2001 Series A Bonds, such Special Program Revenue Bonds to be ratably secured by all Annual Payments to be made under a certain Special Program Agreement executed in connection therewith; and

WHEREAS, pursuant to the General Resolution and the 2012 Series Resolution, the Agency issued its \$13,860,000 Special Program (City of Buffalo) Refunding Revenue Bonds, 2012 Series A; and

WHEREAS, on March 10, 2022, in accordance with the General Resolution, the Agency adopted the 2022 Series A Special Program (City of Buffalo) Refunding Revenue Bond Series Resolution (the “Series Resolution”) for the purpose of authorizing and issuing Special Program Revenue Bonds to currently refund the 2012 Series A Bonds, such Special Program

Revenue Bonds to be ratably secured by all Annual Payments to be made under this Special Program Agreement; and

WHEREAS, pursuant to the General Resolution and the Series Resolution, the Agency has authorized its \$_____ Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A; and

WHEREAS, the Agency and the Special Program Municipality agree that their mutual public purposes and their best interests will be promoted by entering into this Special Program Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Defined Terms. All capitalized terms used in this Special Program Agreement and not otherwise defined herein shall have the meaning specified in the General Resolution.

“Act” shall mean the State of New York Municipal Bond Bank Agency Act, Title 18 of Article 8 of the Public Authorities Law (Chapter 42 of the Consolidated Laws of the State of New York), as amended and supplemented.

“Agency” shall mean the State of New York Municipal Bond Bank Agency, the corporate governmental agency created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Agency.

“Annual Payments” shall mean the payments to be made by the Special Program Municipality pursuant to Section 4.1 hereof.

“Bonds” shall mean the Agency’s \$_____ Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A issued pursuant to the General Resolution and the Series Resolution.

“Depository Bank” shall mean Manufacturers and Traders Trust Company, acting in such capacity pursuant to the State Aid Trust Agreement.

“General Resolution” shall mean the Special Program (City of Buffalo) Resolution of the Agency adopted on September 13, 2012 and entitled “A Resolution Authorizing the Issuance of Special Program Revenue Bonds of the State of New York Municipal Bond Bank Agency for the City of Buffalo; Providing for the Issuance of Said Bonds; Providing for the Payment of Principal and Interest of Said Bonds, and Providing for the Rights of the Holders Thereof”, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof.

“School District” shall mean city school district of the Special Program Municipality.

“Series Resolution” shall mean the 2022 Series A Special Program (City of Buffalo) Refunding Revenue Bond Series Resolution of the Agency adopted on March 10, 2022.

“Special Program Agreement” shall mean this Special Program Agreement dated as of May 1, 2022, between the Agency and the Special Program Municipality, and any and all amendments hereof and modifications hereto entered into in accordance herewith and with the General Resolution.

“Special Program Municipality” shall mean the City of Buffalo, New York.

“State Aid Revenues” shall mean the total amount of State aid to education annually appropriated by the New York State Legislature and paid to the School District or the Special Program Municipality or any officer thereof, for the provision of public educational instruction in the Special Program Municipality together with earnings on the investment thereof while in the custody of the Depository Bank;

“State Aid Trust Agreement” shall mean the Amended And Restated State Aid Trust Agreement, made as of May 1, 2022, by and among the School District, the Special Program Municipality, Manufacturers and Traders Trust Company, as the Depository Bank and as the trustee for certain bonds issued by the Erie County Industrial Development Agency (the “ECIDA Trustee”), pursuant to which State Aid Revenues are to be deposited in and periodically disbursed from the State Aid Depository Fund, and The Bank of New York Mellon, as the trustee for the Bonds;

“State Aid Depository Fund” means the fund established pursuant to the State Aid Trust Agreement for (i) the collection of State Aid Revenues received, and (ii) the making of period disbursements required by the State Aid Trust Agreement in the respective amounts necessary for (A) payment of debt service and other payments to be made (i) by the School District, and (ii) by the Special Program Municipality for revenue anticipation notes issued in anticipation of State Aid Revenues, and (B) Annual Payments to be made hereunder, which fund is held by the Depository Bank for the benefit of the bondholders described therein, including the owners of the Bonds.

“Trustee” means The Bank of New York Mellon, as Trustee for the Bonds

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder”, and any similar terms, as used in this Special Program Agreement, refer to this Special Program Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the Agency. The Agency represents and warrants to the Special Program Municipality as follows:

(a) The Agency is a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the State, and is authorized and empowered under the Act to adopt the General Resolution and the Series Resolution, to issue the Bonds and to enter into and perform its obligations under this Special Program Agreement.

(b) The Agency has duly adopted each of the General Resolution and the Series Resolution, and each continues in full force and effect without having been modified, amended or repealed.

(c) The Agency has duly authorized the execution, delivery and performance by the Agency of this Special Program Agreement.

Section 2.2. Representations and Warranties of the Special Program Municipality. The Special Program Municipality represents and warrants to the Agency as follows:

(a) The Special Program Municipality is a municipal corporation created and existing under the laws of the State, is duly authorized and empowered to enter into and perform its obligations under this Special Program Agreement, and constitutes a “special program municipality” under section 2432(12) of the Act.

(b) The Special Program Municipality has duly authorized the execution, delivery and performance of this Special Program Agreement.

(c) The Special Program Municipality has received copies of each of the General Resolution and the Series Resolution.

ARTICLE III

ISSUANCE OF BONDS AND USE OF PROCEEDS

Section 3.1. Agency to Issue Bonds. On the date of execution and delivery hereof, the Agency will issue, sell and deliver the Bonds in the principal amount of \$_____ pursuant to the General Resolution and the Series Resolution, the proceeds of which shall be deposited as provided in the General Resolution and the Series Resolution to currently refund the 2012 Series A Bonds for the benefit of the Special Program Municipality as provided therein. The obligation of the Agency to deposit the proceeds of the Bonds and the obligations of the Special Program Municipality under this Special Program Agreement shall be conditioned upon the sale by the Agency of the Bonds and the receipt by the Agency of amounts therefrom sufficient both for the purposes set forth herein and in the Series Resolution

Section 3.2. Use of Proceeds of Bonds. Proceeds from the sale of the Bonds shall be used, together with other available moneys, if any, to currently refund the 2012 Series A Bonds, the proceeds of which were used by the Special Program Municipality for the purposes stated in clause (b) of the first sentence of Section 2435-a(1) of the Act.

ARTICLE IV

ANNUAL PAYMENTS

Section 4.1. Annual Payments. Subject to the provisions of Section 4.4 hereof, the Special Program Municipality agrees to pay the Agency:

(i) on or before each April 1, the amounts of principal (whether at maturity or upon acceleration), Sinking Fund Payments, if any, and interest due on the Bonds (other than as a result of a redemption of Bonds, at the option of the Agency, pursuant to paragraph (1) of Section 208 of the Series Resolution) on the immediately succeeding May 1 and November 1 interest payment dates; provided, however, that; in the event the Special Program Municipality shall, in any year, fail to deliver to the Trustee the certificate described in Section 5.1 hereof, the date by which the Annual Payment for such year shall be due shall be February 15; and

(ii) promptly upon written request of the Agency, any and all amounts so requested by the Agency for the purpose of satisfying any rebate obligations payable pursuant to the Internal Revenue Code of 1986, as amended, which arise from or in any way relate to the issuance of the Bonds.

(the payments referred to in paragraphs (i) and (ii) above being collectively referred to as the “Annual Payments”).

Section 4.2. Prepayments. The Special Program Municipality may at its sole discretion, subject to the provisions of Section 4.4 below, (A) choose to prepay all or any part of the Annual Payments referred to in paragraph (i) of Section 4.1 above, or (B) cause the Authority to defease the Bonds prior to their maturity or redemption date as permitted by and in accordance with the terms of the Bonds and with the procedures and conditions set forth in the General Resolution and the Series Resolution. Any amounts so prepaid shall be applied by the Agency to pay, redeem or defease the Bonds in accordance with the terms of such Bonds; provided, however, that in connection with any such prepayment, in addition to the amounts so prepaid, the Special Program Municipality shall pay to the Agency the costs and expenses of the Agency in effecting any redemption or defeasance of the Bonds.

Section 4.3. Payment Obligation Unconditional. The Special Program Municipality agrees that, subject to the provisions of Section 4.4 hereof, its obligations to make Annual Payments shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the Special Program Municipality may have against the Agency, the Trustee or any other person or entity or the payments made hereunder.

Section 4.4. Certain Provisions of Special Program Agreement Executory. Notwithstanding any provision of this Special Program Agreement to the contrary, the obligation of the Special Program Municipality to fund or pay the amounts herein provided for shall not constitute a debt of the Special Program Municipality within the meaning of any constitutional or statutory provision, and shall be deemed executory only to the extent of moneys available, and no liability shall be incurred by the Special Program Municipality beyond the moneys available for the purpose, and such obligation is subject to annual appropriation by the appropriate legislative body of the Special Program Municipality.

Section 4.5. Payment of Annual Payments from the State Aid Depository Fund.

In accordance with its obligations set forth in Sections 4.1, 4.3 and 4.4 hereof, for so long as Bonds shall remain outstanding under the General Resolution, the Special Program Municipality agrees to make Annual Payments from State Aid Revenues deposited in the State Aid Depository Fund pursuant to the provisions of the State Aid Depository Agreement.

Section 4.6. Diversion of School Aid.

The Special Program Municipality acknowledges that, pursuant to section 813 of the General Resolution (and section 2436(4) of the Act), in the event it shall fail (for any reason, including the failure of the appropriate legislative body of the Special Program Municipality to appropriate moneys for such purpose) to make an Annual Payment in the amount and by the date the same is due as provided in Section 4.1 hereof, the Chairman of the Agency shall deliver a certificate to the State Comptroller certifying as to such failure and setting forth the amount of such deficiency, and the State Comptroller, upon receipt of such certificate, shall be authorized to withhold from the Special Program Municipality such school aid (as defined in section 2432(5-a) of the Act) as is payable to the School District to the extent of the amount so stated in such certificate of the Chairman as not having been made, and the State Comptroller shall immediately pay over to the Agency the amount of such school aid so withheld. Notwithstanding anything to the contrary contained herein, any amounts of such school aid received by the Agency shall be deemed to satisfy the Special Program Municipality's obligation to make Annual Payments pursuant to Section 4.1 of this Special Program Agreement to the extent of the amount received.

ARTICLE V

SPECIAL COVENANTS

Section 5.1. Covenant Relating to State Aid Payment Certificate; Remedy. The Special Program Municipality covenants and agrees that the Comptroller of the Special Program Municipality or his/her designee shall cause to be prepared and delivered commencing on November 1, 2022 for the fiscal year ending June 30, 2023 and on or before July 15 of each subsequent fiscal year, to the Trustee the certificate (the “State Aid Payment Certificate”) required by Section 202(d) of the State Aid Trust Agreement, which certificate shall be substantially in the form of Exhibit A-1 thereto and hereto. However, in the event that the School District shall not have appropriated such amount of State Aid Revenues in its adopted budget for such fiscal year by such November 1, 2022 or July 15, as applicable, the Agency and the Special Program Municipality hereby acknowledge that the Special Program Municipality shall be unable to cause to be prepared and delivered the State Aid Payment Certificate for such fiscal year by such date. Pursuant to Section 202(d) of the State Aid Trust Agreement, a State Aid Payment Certificate for any fiscal year (or a revision to an earlier State Aid Payment Certificate for such fiscal year) may be delivered no later than the third business day preceding March 31 of such fiscal year. However, in the event that the State Aid Payment Certificate applicable to a given fiscal year shall not have been delivered by February 15 of such year, the Special Program Municipality hereby further acknowledges and agrees that (i) the due date for the Annual Payment for such year provided for in Section 4.1 shall be advanced from April 1 of such year to February 15 of such year, and (ii) the statutory remedy provided for in section 2436 of the Act and in Section 813 of the General Resolution for non-payment of Annual Payments shall be deemed triggered as of such February 15.

Section 5.2. Limitation on Diversions of School Aid. The Special Program Municipality covenants and agrees that it shall not incur any indebtedness or other obligation for the non-payment of which there exists a statutory remedy to similar effect as that provided in section 2436 of the Act (except if such statutory remedy shall be expressly subordinate to the amounts certified under section 2436(4) of the Act) unless

(i) the amount of school aid (as defined in section 2432(5-a) of the Act) received by the city school district of the Special Program Municipality in the immediately preceding fiscal year of the Special Program Municipality, less

(ii) the maximum amount as shall become due in the current fiscal year or in any succeeding fiscal year of the Special Program Municipality, during which the Bonds shall be Outstanding, on such proposed indebtedness or other obligation and on all other outstanding indebtedness or other obligations of the Special Program Municipality for which there exists a statutory remedy to similar effect as that provided in section 2436 of the Act (except for (A) the Annual Payments described in paragraphs (i) and (ii) of Section 4.1 hereof and (B) any amount as shall become due on such other outstanding indebtedness or other obligations of the Special Program Municipality, in each case, for which payment has been provided through deposit of real property taxes or other funds in its Capital Debt Service Fund held by and maintained with Manufacturers and Traders Trust Company, Buffalo, New York, as Trustee, or any successor trustee pursuant to Chapter 12 of the New York Laws of 1977 and the Enabling Resolution adopted by its Common Council; provided, however, that the amounts set forth in this clause (B) shall

only be excepted so long as pursuant to said Chapter 12 and said Enabling Resolution such amounts may only be applied to the payment of amounts due on such outstanding indebtedness or other obligations and for no other purpose),

shall be at least equal to the maximum amount of Annual Payments described in paragraphs (i) and (ii) of Section 4.1 hereof and as shall be due in any succeeding fiscal year of the Special Program Municipality.

Section 5.3. Special Program Municipality to Request Appropriations. The Special Program Municipality agrees to request appropriations from its appropriate legislative body during the term of this Special Program Agreement for each year in an amount equal to the Annual Payments coming due in such year. To facilitate such agreement, the Special Program Municipality has entered into an agreement with the School District, pursuant to which the School District has agreed to (i) make necessary annual appropriations to fund the Annual Payments under this Agreement, and (ii) include such appropriations in its annual adopted budget.

Section 5.4. Obligation to Furnish Information. The Special Program Municipality agrees that whenever requested by the Agency with reasonable advance notification it shall provide and certify, or cause to be provided and certified, in form satisfactory to the Agency, such information concerning the Special Program Municipality and its financial operations and condition and such other matters, that the Agency considers necessary to enable it to complete and distribute an official statement, placement memorandum or other similar disclosure document relating to the sale, issuance or remarketing of the Bonds and to comply with any contractual agreements with respect to the provisions of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, including agreements requiring continuing disclosure of certain information with respect to the Special Program Municipality, and such other information necessary to enable the Agency to make any reports or filings required by law or government regulations in connection with the Bonds.

Section 5.5. No Termination of this Special Program Agreement. Neither the Agency nor the Special Program Municipality will terminate this Special Program Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Special Program Agreement.

Section 5.6. Tax Covenant. The Special Program Municipality hereby covenants and agrees that it shall neither take any action nor fail to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code and the regulations of the Treasury Department thereunder.

Section 5.7. Availability of School Aid. The Special Program Municipality agrees to take all actions and do all things permitted by law and necessary to cause the School District to take all actions and do all things permitted by law and necessary to be and remain eligible for, and to receive, school aid. In addition, the Special Program Municipality agrees to annually file with, and to cause the School District to annually file with, with the Depository Bank the certificate described in Section 202(f) of the State Aid Trust Agreement.

ARTICLE VI

PLEDGE AND ASSIGNMENT

Section 6.1. Consent to Pledge and Assignment. The Special Program Municipality hereby consents to the pledge and assignment by the Agency to the Trustee pursuant to the General Resolution as security for the Bonds, of (i) the Annual Payments and the rights under this Special Program Agreement to enforce the payment thereof, and (ii) the monies, securities, funds, accounts and other property pledged pursuant to the General Resolution, and agrees that the Annual Payments to be made hereunder shall be paid by the Special Program Municipality directly to the Trustee for the account of the Agency, and be applied in accordance with the terms of the General Resolution.

ARTICLE VII

EVENTS OF DEFAULT BY THE SPECIAL PROGRAM MUNICIPALITY AND REMEDIES

Section 7.1. Remedies of Agency. If, for any reason other than a failure by the appropriate legislative body of the Special Program Municipality to appropriate moneys to pay when due the Annual Payments provided for in Section 4.1 hereof, the Special Program Municipality shall fail to pay when due any of the Annual Payments provided for in Section 4.1 hereof or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Agency shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity as may appear necessary or desirable to collect the payment then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Special Program Municipality hereunder.

Section 7.2. Remedies of Agency Cumulative. The remedies conferred upon or reserved to the Agency under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies shall in no event include a termination of this Special Program Agreement, nor shall they include any amendment or modification of this Special Program Agreement that is prohibited by Section 5.5 or 9.4 hereof, nor shall they include the right to compel, directly or indirectly, the appropriation of any moneys by the appropriate legislative body of the Special Program Municipality for the making of any Annual Payment.

ARTICLE VIII

EVENTS OF DEFAULT BY THE AGENCY AND REMEDIES

Section 8.1. Remedies of Special Program Municipality. If the Agency shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed and such failure to observe or perform shall have continued for 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Agency by the Special Program Municipality, the Special Program Municipality shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity as may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Agency hereunder.

Section 8.2. Remedies of Special Program Municipality Cumulative. The remedies conferred upon or reserved to the Special Program Municipality under Section 8.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies shall in no event include a termination of this Special Program Agreement or of the obligations of the Special Program Municipality to make the Annual Payments provided for in Section 4.1 hereof, nor shall they include any amendment or modification of this Special Program Agreement that is prohibited by Section 5.5 or 9.4 hereof.

ARTICLE IX
MISCELLANEOUS

Section 9.1. Waivers Limited. The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

Section 9.2. Severability. In the event any provision of this Special Program Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.3. Notices. All notices provided for in this Special Program Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the Special Program Municipality and the Agency as follows:

If to the Special Program
Municipality:

City of Buffalo
City Hall
Buffalo, New York 14202
Attention: Comptroller

If to the Agency:

State of New York Municipal Bond Bank Agency
641 Lexington Avenue
New York, New York 10022
Attention: President and Chief Executive Officer

The Agency or the Special Program Municipality may from time to time designate in writing other representatives with respect to receipt of notices.

Section 9.4. Entire Agreement. This Special Program Agreement represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties in accordance with the provisions hereof and of the General Resolution. Such amendments shall not be contrary to the provisions of Section 815 of the General Resolution.

Section 9.5. Interested Parties. Nothing in this Special Program Agreement shall be construed to confer upon or to give to any person or corporation other than the Special Program Municipality, the Agency, the Trustee and the owners of any Bonds, any right, remedy or claim under or by reason of this Special Program Agreement or any provisions hereof.

Section 9.6. Governing Law. This Special Program Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits and actions arising out of this Special Program Agreement shall be instituted in a court of competent jurisdiction in the State.

Section 9.7. Term of Special Program Agreement. The term of this Special Program Agreement shall commence upon the issuance of the Bonds and shall continue until the payment in full of all Annual Payments due hereunder and the discharge of the lien of the General Resolution.

Section 9.8. Counterparts. This Special Program Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same instrument.

Section 9.9. Successors and Assigns. This Special Program Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and assigns.

IN WITNESS WHEREOF, the Agency has caused this Special Program Agreement to be executed in its name by its Senior Vice President as its duly authorized officer, and the Special Program Municipality has caused this Special Program Agreement to be executed by its Mayor and its Comptroller, all as of the date and year first above written.

**STATE OF NEW YORK MUNICIPAL
BOND BANK AGENCY**

By: _____
President, Finance and Development

CITY OF BUFFALO, NEW YORK

By: _____
Mayor

By: _____
Comptroller

Exhibit A-1

**State Aid Payment Certificate
(Appropriation)**

(Date)

Via Facsimile (716-842-4474)

Manufacturers and Traders Trust Company,
as Depository Bank and Series Trustee
One M&T Plaza
Buffalo, New York 14203
Attention: Corporate Trust Department
Russell Whitley

Via Facsimile (212-815-3455)

Bank of New York Mellon
as MBBA 2022 Series Trustee
101 Barclay Street, Floor 7W
New York, New York 10286
Attention: Corporate Trust Department

Ladies and Gentlemen:

Re: State Aid Payment Certificate

Reference is made to the Third Amended and Restated State Aid Trust Agreement, dated as of May 1, 2022 (the "State Aid Trust Agreement"), among the City School District of the City of Buffalo (the "District"), the City of Buffalo and Manufacturers and Traders Trust Company, as Depository Bank, Manufacturers and Traders Trust Company, as Series Trustee [and The Bank of New York Mellon, as MBBA 2022 Series Trustee] (the "State Aid Trust Agreement"). All capitalized terms not otherwise defined herein have the meanings attributed to them in the State Aid Trust Agreement.

The District is delivering this letter as the State Aid Payment Certificate required by the State Aid Trust Agreement. The District has appropriated an amount of State Aid Revenues necessary to fund the District's Aggregate Facilities Payment Obligations and Annual Payments on MBBA 2022 Refunding Bonds for Fiscal Year ending June 30, 20__ . The total amount of State Aid Revenues expected to be received during the period from December 1, 20__ through and including March 31, 20__ (the "Collection Period") is \$_____ and the Collection Percentage¹ for each month during the Collection Period is set forth below:

¹ Compute by dividing the State Aid Revenues expected to be received in the particular month by the total amount of State Aid Revenues expected to be received during the Collection Period, and then expressing the result as a percentage.

1.	December	___%
2.	January	___%
3.	February	___%
4.	March	___%
		<u>100%</u>

A revised State Aid Certificate can be delivered for a fiscal year, no later than the 3rd business day preceding March 31 of that fiscal year.

You are further advised that, in consultation with [_____, the District's Financial Advisor] [_____, a nationally recognized municipal securities underwriting firm], the long-term debt rating of each provider (the "Provider") of a Qualified Debt Service Reserve Fund Investment Agreement by each of Fitch, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") is set forth below:

<u>Name of Provider</u>	<u>Fitch Rating</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>
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Very truly yours,

_____, Superintendent

_____, Comptroller

Exhibit C

**INFORMATION REGARDING THE CITY OF BUFFALO
THE GOVERNMENT OF BUFFALO**

**CITY OF BUFFALO, NEW YORK
CONTINUING DISCLOSURE INFORMATION
DECEMBER 2021**

THE GOVERNMENT OF BUFFALO

The City of Buffalo (the “City”) was incorporated in 1832 and operates under a Charter adopted in August 1927 and revised in 2001 pursuant to the Municipal Home Rule Law of the State (the “Charter”). In its Charter, the City adopted the strong Mayor-Council form of government. The Mayor, as chief executive officer, is the head of the Executive Department and oversees all administrative functions. The Comptroller, as the chief fiscal officer, is the superintendent of the fiscal affairs of the City. The Common Council performs all legislative duties. As of July 1, 2012, the Buffalo Fiscal Stability Authority (“BFSA”) entered into an advisory period in which they operate with a reduced set of financial oversight powers and responsibilities over the City. (See “The BFSA” herein).

City Services

The City is responsible for and maintains police, fire, and sanitation services, streets and several parks and playgrounds. Although the City is also responsible, in large measure, for the financing of local primary and secondary educational expenditures, the Board of Education, comprising independently elected members, administers the City’s school system. Pursuant to State law, the County, not the City, is responsible for the local funding of mandated social service programs, such as Medicaid, Aid to Families with Dependent Children and home relief programs.

Elected Officials

The Mayor, elected by general election for a four-year term and eligible to succeed himself, has the power to appoint and remove the non-elected heads of City departments, boards, commissions and agencies except for the Management Information Systems Chief Information Officer and the Commissioner of Assessment and Taxation. The Chief Information Officer of Management Information Systems and Commissioner of Assessment and Taxation shall be appointed by the Mayor, the Comptroller and the President of the Common Council, by a majority thereof. Most major appointments are subject to the approval of the Common Council. In addition, the Mayor is responsible for the initial preparation of the City’s operating and capital budgets, which are then submitted to the Common Council for approval. The Mayor has the power of approval or veto of any additions to the budget made by the Common Council. The Mayor also has veto power over any resolution or ordinance passed by the Common Council. Any such vetoes can be overridden by a two-thirds majority vote of the Common Council.

The fiscal affairs of the City are the responsibility of the Comptroller, who is elected by the general electorate to a four-year term and is eligible to succeed herself. The specific responsibilities of the Comptroller are those delegated by the Charter and by the Common Council, as authorized by the Local Finance Law, and include the audit and control of all financial activities of all departments, boards, commissions and other agencies of the City. The Comptroller also supervises the debt management function and the temporary investment of monies for both the City and the Buffalo City School District (“Buffalo CSD”). In addition, the Comptroller serves as the head of the Department of Audit and Control, as well as chief fiscal officer of the Buffalo Sewer Authority and Buffalo Municipal Water Finance Authority. The Comptroller has the power to prevent any additions to the adopted operating or capital budget by refusing to sign the required certificate of necessity.

The legislative body of the City is the Common Council, which consists of nine council members, who are elected in a general election to four-year terms from their respective districts. At its organizational meeting, the Common Council is required to elect one of its members to serve a two-year term as President of the Common Council. In addition to the legislative power to adopt ordinances and resolutions, the Council has the specific power to override the Mayor’s veto of any ordinance approved by the Council, and to review and approve the operating and capital budgets and most mayoral appointments. In addition, the Council has the power to make

investigations of City affairs, to subpoena witnesses and records, to administer oaths and to compel testimony. The Council, through the adoption of salary ordinances passed separately from the budget, has the power to set salaries. The establishment of water rates is the responsibility of the Buffalo Water Board (defined herein).

DISCUSSION OF FINANCIAL OPERATIONS

Four-Year Financial Plans

General

Pursuant to State of New York (“State”) legislation enacted as Chapter 605 of the Laws of 2000, as amended (the “BFSA Act”), the City, the Buffalo CSD and other Covered Organizations are required to annually submit a four-year financial plan to the BFSA. Not more than twenty (20) days after such submission, the BFSA is required to determine whether such plan is complete and complies with the BFSA Act, and is required to submit its recommendations with respect to the financial plan. On May 1, 2021, the preliminary budgets and four-year financial plans were submitted for the City, the Buffalo CSD, the Buffalo Urban Renewal Agency and the Buffalo Municipal Housing Authority pursuant to the Act. On May 19, 2021, the BFSA determined that the four-year preliminary financial plan for the Buffalo CSD, the Buffalo Urban Renewal Agency and the Buffalo Municipal Housing Authority were complete and compliant and that the 2021-22 four-year preliminary financial plan for the City required additional supporting documentation of revenue estimates.

On June 21, 2021, the BFSA declared the City’s 2021-22 budget and 2022-2025 financial plan to be complete and compliant with the BFSA Act.

City of Buffalo

The four-year financial plan projects balanced budgets for all four years. In the out years the plan includes small increases in fringe benefits, flattening of pension costs and small increases in State Aid. As part of the strategic planning process, the City continues to assess its facilities and City-wide needs for the use and disposal of buildings. City expenses for health care have not increased due to changes made to coverage.

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The following chart summarizes revenues and expenditures under the City’s four-year financial plan.

**CITY OF BUFFALO FOUR-YEAR FINANCIAL PLAN
GENERAL FUND⁽¹⁾
(000’s Omitted)**

<u>ITEM DESCRIPTION</u>	<u>2021-2022⁽²⁾</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
General Fund Revenues:				
Property Tax	\$ 142,330	\$ 145,176	\$ 148,080	\$ 151,041
Star	5,535	5,535	5,535	5,535
NYS - General Aid	161,285	161,285	161,285	161,285
NYS - Other	11,000	26,055	30,000	15,000
Federal Aid	53,756	26,080	17,784	3,414
Sales Tax	86,455	88,184	90,389	92,196
Utility Tax	8,501	8,501	8,501	8,501
Departmental	56,551	63,292	64,942	95,288
Transfers In	<u>9,164</u>	<u>12,064</u>	<u>14,483</u>	<u>15,768</u>
Total Revenues	<u>534,577</u>	<u>536,172</u>	<u>540,999</u>	<u>548,028</u>
General Fund Expenditures:				
Personal Services	\$ 201,415	203,901	206,658	209,902
Departmental	42,267	39,660	40,036	40,427
Utilities	16,948	17,126	17,296	17,467
Fringe	155,877	160,368	162,514	166,565
Misc.	17,916	15,495	15,156	14,608
Interest & Debt	88	88	88	88
Board of Education	70,823	70,823	70,823	70,823
Capital Debt	28,843	28,311	28,028	27,748
Transfers Out	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Total Expenditures	<u>534,577</u>	<u>536,172</u>	<u>540,999</u>	<u>548,028</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deficit to be closed through Gap Closing Measures	\$ -	\$ -	\$ -	\$ -

⁽¹⁾Source: City of Buffalo Administration, Finance, Policy and Urban Affairs, Division of Budget as submitted to BFSAs, May 1, 2021.

⁽²⁾The 2021-22 Budget for Federal Aid includes \$50.4 million of Federal Stimulus funds. See also “Impacts of COVID-19 on the City” herein.

Buffalo CSD

On November 23, 2021, the Buffalo CSD submitted a four-year financial plan for years 2021-22 through 2024-25. The plan indicates budgetary surplus of \$20.0 million in 2021-22, \$4.2 million in 2022-23, \$19.8 million in 2023-24, and \$4.6 million in 2024-25 after the planned use of fund balance. The Buffalo CSD projects that it will use \$29.0 million of fund balance over the four-year period. The Buffalo CSD expects that any deficits would be closed through various gap closing measures, including increased revenues and the use of fund balance, efficiencies and savings and other cost reductions.

**BUFFALO CSD FOUR-YEAR FINANCIAL PLAN
GENERAL FUND⁽¹⁾
(000's Omitted)**

<u>ITEM DESCRIPTION</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
General Fund Revenues:				
Property Taxes	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823
New York State - Foundation Aid	587,487	615,051	642,615	642,615
Other State Aid	214,859	235,673	244,008	236,204
Federal Sources	4,600	3,030	3,060	3,091
Sales Tax	48,900	48,720	49,451	50,192
Departmental and Other Revenues	<u>17,331</u>	<u>19,589</u>	<u>17,785</u>	<u>11,963</u>
Total Revenues	<u>944,000</u>	<u>992,886</u>	<u>1,027,742</u>	<u>1,014,888</u>
General Fund Expenditures:				
Personal Services	\$ 331,594	\$ 345,885	\$ 350,014	\$ 354,096
Departmental Expenditures	80,739	78,802	79,209	79,625
Tuition (other than Charter Schools)	34,943	35,990	36,350	36,714
Charter School Tuition	144,454	147,998	152,513	160,554
Fringe Benefits	194,526	204,642	210,403	218,266
Utilities	8,695	8,747	8,922	9,100
Contingency	309	2,000	2,500	3,000
Transportation	46,235	62,214	63,334	64,474
Transfers to Debt Service Fund	108,965	109,840	102,114	91,916
Transfers to Other Funds	<u>2,540</u>	<u>2,540</u>	<u>2,540</u>	<u>2,540</u>
Total Expenditures	<u>953,000</u>	<u>998,658</u>	<u>1,007,899</u>	<u>1,020,285</u>
Change in Fund Balance	<u>\$ (9,000)</u>	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ (10,000)</u>
Projected Surplus after use of fund balance	\$ -	\$ 4,228	\$ 19,843	\$ 4,603

⁽¹⁾Source: Buffalo CSD, Division of Finance, as submitted to BFSAs, November 23, 2021.

Projected Financial Information

The management of the City and the Buffalo CSD have prepared the projected financial information set forth herein under the sub-headings “FOUR-YEAR FINANCIAL PLAN” to present the plan for the City and the Buffalo CSD for the fiscal years ending June 30, 2022 through June 30, 2025. The foregoing prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. However, in the view of the City’s and the Buffalo CSD’s management, such financial information was prepared on a reasonable basis, reflects the best available estimates and judgments as of the date of their preparation, and presents, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the City and the Buffalo CSD. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this document are cautioned not to place undue reliance on the prospective financial information.

Neither the City’s nor the Buffalo CSD’s independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information

contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The City and the Buffalo CSD used current financial information, historical trends, anticipated cost increases and projected changes in service delivery in developing the four-year plans. The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by the management of the City and the Buffalo CSD as of the date of preparation of the four-year plans, are subject to a wide variety of significant business, economic, and other risks and uncertainties that could cause actual results to differ materially from those contained in the prospective financial information. Accordingly, there can be no assurance that the prospective results are indicative of the future performance of the City or the Buffalo CSD or that actual results will not differ materially from those presented in the prospective financial information. Inclusion of the prospective financial information in this document should not be regarded as a representation by any person that the results contained in the prospective financial information will be achieved.

Financial Control Procedures

The publicly elected City Comptroller (“Comptroller”) is responsible for controlling municipal expenditures to ensure that budget appropriations for the City are not exceeded and for reviewing all revenues received by the City. Procedures of the Comptroller’s Division of Audit provide for pre-audits of requests for the encumbrance of municipal funds as to budget appropriation, departmental authorization and compliance with the Charter, City ordinances, and State laws. The Comptroller’s Division of Audit also conducts inspections to ensure that all revenues are being collected and deposited by the City. Similar audit and control procedures for the Buffalo CSD operating budget are exercised by the Buffalo CSD directly.

Expenditures of municipal appropriations are also monitored on a regular basis by the City’s Budget Division (the “Budget Division”). The Budget Division monitors payroll by a number of control systems including review of all personnel requisitions for adequate funding and legal authorization prior to filling vacancies or creating new positions.

The Comptroller’s Debt Management Policy establishes the overall annual debt capacity for the City and the Buffalo CSD. The affordability of the incurrence of debt will be determined by calculating various debt ratios.

The City has a “Rainy Day Policy” whereby fund balance in an amount equal to no less than 30 days of prior year expenditures is to be set aside to be used for extraordinary operating or capital needs that could not be anticipated.

Charter Revisions

The voters of the City approved the recommendations of the Charter Revision Commission on November 2, 1999. The amended Charter established more disciplined procedures for management of the City’s capital assets (parks, streets, building, equipment, vehicles, etc.) and for planning and authorizing capital projects. The Comptroller is required to submit at the outset of the capital budgeting process an estimate of the amount of new debt the City can prudently incur during the next fiscal year and the following four fiscal years. Capital programming and budgeting are integrated into the new strategic planning process, and the Citizens Planning Council is required to review proposed capital projects and recommend a capital budget and four-year program of capital investments. Projects may be recommended by individual members of the Common Council in initial preparation of the capital budget and four-year program, and the Common Council is empowered to review and amend the four-year capital program submitted by the Mayor. Those measures, together with Common Council representation on the Citizens Planning Council, encourage the Common Council to participate in the planning of the capital budget rather than simply to add on projects after the planning process has been completed. The Mayor is required to issue systematic reports on the management of the City’s Capital Assets and on Capital Investment proposals and decisions. The Capital Programming and Budgeting Process are completed by December 15th each year, which separates the process from the operating budget cycle, allows more time for deliberation by the Council, provides more definite information as to Debt Service Requirements for incorporation in the operating budget, and enables the City to take full advantage of the next construction

season and favorable market conditions early in the year for issuing bonds or notes and taking bids on construction contracts (see Sections 20-19 through 20-31 of the Charter).

Section 20 of the Charter was amended effective May 1, 2008 to include a fund balance policy. Starting with the 2007-08 fiscal year, unassigned fund balance in an amount equal to no less than 30 days of prior year expenditures is to be set aside to be used for extraordinary operating or capital needs that could not be anticipated. In addition, a reserve of fund balance in an amount equal to 15 days of prior year general fund expenditures could be set aside for purposes allowed for in General Municipal Law, Section 6-c.

After unanimous passage by the Common Council on October 2, 2012, and the approval of the Mayor on October 22, 2012, the Buffalo Fiscal Integrity Act amended Article 20 of the Charter to require the budget director to prepare and submit annually to the Mayor and Common Council a four-year financial plan. Beginning with the 2013-14 fiscal year, the four-year financial plan must include balanced budgets for each year included in the plan, covering all expenditures without a deficit when reported in accordance with generally accepted accounting principles (“GAAP”). The plan shall also include adequate reserves to maintain essential services, adequate cash resources to meet obligations, and one year of cash flow projections of receipts and disbursements. This approval codifies a practice that had commenced in 2003. The Comptroller must opine on the sufficiency of the financial plan and whether it contains sufficient data to support the outcomes projected.

Fund Structure and Accounts

The General Fund of the City is the general operating fund which is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for substantially all operating and maintenance costs. For a description of other governmental fund types see Appendix B to this Official Statement.

In accordance with State law, the Buffalo CSD maintains its own accounts independently of the City. The Buffalo CSD is responsible for managing and controlling its own budget appropriations approved by the City’s Common Council. Accordingly, the City levies and collects real property taxes for general City and Buffalo CSD purposes. The City accounts for the entire real property tax in its General Fund and records revenue allocations to Buffalo CSD as operating transfers. The City accounts for the Buffalo CSD as a component unit. The Buffalo CSD is accounted for in this manner since the Buffalo CSD is a legally separate organization. A summary of its financial statements are presented in a discrete (i.e., separate) column in the City’s government-wide financial statements, in accordance with the Governmental Accounting Standards Board, Statement No. 39, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

Basis of Accounting

The government-wide financial statements of the City are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements, including the General Fund, are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include New York State general purpose aid, sales taxes, and various categorical grants. Long-term historical payment

patterns of general purpose State aid are considered in determining whether such payments are susceptible to accrual.

Cash Management/Cash Flow

The Comptroller is empowered by (i) the Charter to invest all monies not immediately required and (ii) Common Council resolution to borrow monies as needed for the uninterrupted operations of the City, subject to the limitations of the Local Finance Law. Although the Treasurer has custody of all monies deposited with the City (both for City and Buffalo CSD purposes), the Comptroller is responsible for cash management.

Cash management is handled on a combined basis for the City and Buffalo CSD general funds and summaries of cash receipts and cash disbursements provide the basis for establishing borrowing needs. Prior years' experience shows that disbursements on a combined basis are fairly consistent for the twelve months of the fiscal year. The real property tax levy, which may be paid 50% in July and 50% in December without penalty, comprises about 10.5% and 10.8% for both of the combined general fund budgets of the City and Buffalo CSD in fiscal years 2021-22 and 2020-21, respectively.

There is currently no outstanding short-term debt relating to cash flow timing for the City, Buffalo CSD or the BFSA. Cash flow continues to be monitored and if necessary the City will utilize short-term indebtedness for operating needs.

Budget Process

On or before May 1, the Mayor submits the proposed executive budget to the Common Council. The Charter requires that the Mayor submit a balanced budget. The Council may delete, reduce or add expenditure items but may not modify the Mayor's estimates of revenue, except for the real property tax levy, which is levied in the amount necessary to balance total appropriations and estimated revenues. The Mayor may veto additions to the proposed budget; however, the Council may override any item veto by a two-thirds vote. If the budget has not been passed by the Council by June 8, the budget as submitted by the Mayor, including all additions which he has not vetoed, is adopted. Budget amendments during the fiscal year require approval of the Mayor, the Comptroller and two-thirds of the Council.

The Buffalo CSD submits its estimates of revenues and expenditures to the City's Budget Division. Pursuant to State law, the City determines total appropriations for the Board but the allocation of monies within its total appropriation is determined by the Board. The Board's budget, as contained within the Mayor's proposed budget, is not presented with the same detail and performance measures that appear in other sections of the City budget.

City and Buffalo CSD General Fund Financial Operations, 2020-21, 2019-20 and 2018-19

The City completed its most recent fiscal year, ended as of June 30, 2021, with revenues and other sources exceeding expenditures and other uses in the General Fund by \$14.8 million, determined in accordance with GAAP. This compares to prior fiscal years in which expenditures and other uses exceeded revenues and other sources in the General Fund by \$3.4 million for the fiscal year ended June 30, 2020, and revenues and other sources exceeded expenditures and other uses by \$0.9 million for the fiscal year ended June 30, 2019. At June 30, 2021, 2020 and 2019, the nonspendable fund balance, which is comprised of real estate acquired for resale and long term receivables, was \$23.6 million, \$24.4 million and \$29.6 million, respectively; the restricted fund balance, which consists of capital outlays, and emergency medical funds, was \$15.1 million, \$14.2 million and \$11.8 million, respectively; the committed fund balance, which consists of the Emergency Stabilization "Rainy Day Fund," was \$40.7 million, \$38.1 million and \$38.5 million, respectively; the assigned fund balance, which consists of encumbrances and potential judgments and claims was \$16.8 million, \$12.7 million and \$13.0 million, respectively; and the unassigned fund balance was \$8.2 million, \$0 million and \$0 million, respectively. In the fiscal year ended June 30, 2020, the State provided the City an advance payment of \$7.5 million for future expected Seneca revenue sharing payments owed to the City. As of March 1, 2022, the City has not received any of the Seneca revenue sharing payments. The amount of the Seneca sharing payments due to the City through the current fiscal year is approximately \$46.0 million.

The Buffalo CSD completed its fiscal year ended June 30, 2021 with revenues and other financing sources exceeding expenditures and other financing uses by \$46.7 million determined in accordance with GAAP. This compares with revenues and other financing sources exceeding expenditures and other financing uses by \$42.3 million for the fiscal year ended June 30, 2020, and revenues and other financing sources exceeding expenditures and other financing uses by \$28.9 million for the fiscal year ended June 30, 2019. At June 30, 2021, the non-spendable fund balance for inventory was \$0.8 million; the restricted fund balance for judgments and claims, unemployment insurance and stabilization was \$30.8 million; and the assigned fund balance of \$180.1 million consisted of amounts appropriated for the 2021-22 budget, capital needs, prior year claims, other post-employment benefits, health insurance, school budget equity, continuation of programs in expiring grants, and encumbrances. There is no committed fund balance. Unassigned fund balance is \$101.0 million.

City and Buffalo CSD General Fund 2020-21 Adopted Budgets

The City's adopted 2021-22 General Fund budgeted appropriations are \$534.6 million, representing a \$15.0 million or 2.9% increase over the 2020-21 adopted budget. The Buffalo CSD 2021-22 adopted General Fund budgeted appropriations are \$972.5 million, representing an increase of 1.9% from the 2020-21 adopted Budget. The adopted 2021-22 City and Buffalo CSD budgets aggregate to \$1,594.1 million, a \$30.7 million (or 2.0%) increase from the budget of \$1,563.4 million adopted for fiscal year 2020-21. (See "DISCUSSION OF FINANCIAL OPERATIONS – *Summary of Operations*" herein.) See also, "Impacts of COVID-19 on the City" herein.

Summary of Operations

The following two tables present separate summaries of operations for fiscal years 2018-19 through 2020-21 for the City General Fund and for the Buffalo CSD derived from audited financial statements and prepared in accordance with GAAP. The tables also show an adopted budget for fiscal year 2021-22 for the City and the Buffalo CSD, a revised budget for the City, and a projected budget for the Buffalo CSD for fiscal year 2021-22.

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CITY OF BUFFALO, NEW YORK
GENERAL FUND - SUMMARY OF OPERATIONS
AND CHANGES IN FUND BALANCE
Fiscal Year Ended June 30
(000's Omitted)

	<u>Actual</u> <u>2018-19</u>	<u>Actual</u> <u>2019-20</u>	<u>Actual</u> <u>2020-21</u>	<u>Adopted</u> <u>2021-22</u>	<u>Revised</u> <u>2021-22⁽¹⁾</u>
<u>REVENUES</u>					
Property Taxes and Other Tax Items	\$ 147,255	\$ 148,677	\$ 149,667	\$ 151,251	\$ 151,251
Utility and Other Non-Property Tax Items	13,263	12,592	12,189	12,201	12,201
Charges for Services	15,245	14,270	12,414	13,597	13,597
Interest	1,891	1,478	131	100	100
Federal Aid	2,818	3,052	43,164	53,897	53,897
State Aid	180,874	151,571	189,335	178,847	178,847
Local Sources and Other	88,466	88,447	98,140	87,038	87,038
Licenses and Permits	5,670	5,192	4,561	5,283	5,283
Fines	10,945	8,839	8,489	6,316	6,316
Miscellaneous	11,295	14,188	4,157	16,883	16,883
Total Revenues	<u>477,722</u>	<u>448,306</u>	<u>522,247</u>	<u>525,413</u>	<u>525,413</u>
<u>EXPENDITURES</u>					
General Government	61,540	57,356	58,051	71,619	75,934
Public Safety	160,425	159,607	157,915	162,391	163,602
Streets and Sanitation	12,785	12,020	11,731	12,975	14,307
Economic Assistance and Opportunity	2,389	2,253	2,542	3,359	3,546
Culture and Recreation	9,129	9,313	8,297	9,451	9,905
Health and Community Services	2,305	2,361	2,158	2,692	2,742
Education	70,823	70,823	70,823	70,823	70,823
Fringe Benefits	139,555	135,729	142,317	167,787	169,555
Other	3,341	8,130	8,184	4,150	4,197
Principal, Interest and Other Fiscal Charges	62	91	25,909	88	88
Total Expenditures	<u>462,354</u>	<u>457,683</u>	<u>487,927</u>	<u>505,335</u>	<u>514,699</u>
Excess (deficit) of revenues over expenditures	15,368	(9,377)	34,320	20,078	10,714
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	13,888	10,321	10,280	9,164	9,164
Transfers Out	(28,308)	(29,355)	(29,786)	(29,242)	(29,284)
Long-Term Deficiency Note	-	25,000	-	-	-
Total Other Financing (Uses) Sources	<u>(14,420)</u>	<u>5,966</u>	<u>(19,506)</u>	<u>(20,078)</u>	<u>(20,120)</u>
Change in Fund Balances	948	(3,411)	14,814	-	(9,406)
Fund Balance -Beginning of Year	<u>91,990</u>	<u>92,938</u>	<u>89,527</u>	<u>104,341</u>	<u>104,341</u>
Fund Balance -End of Year	<u>\$ 92,938</u>	<u>\$ 89,527</u>	<u>\$ 104,341</u>	<u>\$ 104,341</u>	<u>\$ 94,935</u>
<u>FUND BALANCE</u>					
Non Spendable	\$ 29,606	\$ 24,430	\$ 23,557		
Restricted	11,788	14,241	15,098		
Committed	38,529	38,140	40,661		
Assigned	13,015	12,716	16,830		
Unassigned	-	-	8,195		
Total Fund Balance	<u>\$ 92,938</u>	<u>\$ 89,527</u>	<u>\$ 104,341</u>		

Source: City of Buffalo, Department of Audit & Control, Division of Accounting

⁽¹⁾The 2021-22 budgetary figures reflect changes made to the budget as of December 31, 2021 and reflects the use of \$9.4 million of fund balance. The 2021-2022 Budget for Federal Aid includes \$50.4 million of federal stimulus funds. See also "Impacts of COVID-19 on the City" herein.

BUFFALO CSD
GENERAL FUND - SUMMARY OF OPERATIONS
AND CHANGES IN FUND BALANCE
Fiscal Year Ended June 30
(000's Omitted)

	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u> <u>Budget</u>	<u>Projected</u>
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2021-22⁽¹⁾</u>
REVENUES					
Property Taxes	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823
New York State - Foundation Aid	525,691	544,173	544,173	587,487	585,433
Other New York State Aid	234,717	235,098	193,848	222,859	210,344
Federal Sources	4,470	4,109	30,089	3,000	4,600
Sales Tax	48,767	48,519	54,352	48,000	51,600
Departmental and Other Revenues	<u>27,051</u>	<u>10,217</u>	<u>18,400</u>	<u>11,331</u>	<u>17,331</u>
Total Revenues	<u>911,519</u>	<u>912,939</u>	<u>911,685</u>	<u>943,500</u>	<u>940,131</u>
EXPENDITURES					
Personal Services	309,093	309,622	309,401	337,129	323,090
Departmental Expenditures	63,846	45,004	67,319	78,843	84,553
Tuition (other than Charter Schools)	34,807	34,807	33,074	34,939	35,065
Charter School Tuition	125,328	130,926	135,178	135,655	144,455
Fringe Benefits	175,287	171,374	177,812	196,912	187,675
Utilities	8,347	7,424	7,724	8,825	10,670
Contingency	-	-	-	7,500	289
Transportation	<u>48,599</u>	<u>48,599</u>	<u>25,992</u>	<u>61,192</u>	<u>45,113</u>
Total Expenditures	<u>765,307</u>	<u>747,756</u>	<u>756,500</u>	<u>860,995</u>	<u>830,910</u>
Excess (deficit) of revenue over expenditure	146,212	165,183	155,185	82,505	109,221
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	5,200	-	-
Transfers out	<u>(117,262)</u>	<u>(122,856)</u>	<u>(113,680)</u>	<u>(111,505)</u>	<u>(111,505)</u>
Total other financing sources (uses)	(117,262)	(122,856)	(108,480)	(111,505)	(111,505)
Change in Fund Balance	28,950	42,327	46,705	(29,000)	(2,284)
Fund Balance – beginning of year	<u>194,713</u>	<u>223,663</u>	<u>265,990</u>	<u>312,695</u>	<u>312,695</u>
Fund Balance – end of year	<u>\$ 223,663</u>	<u>\$ 265,990</u>	<u>\$ 312,695</u>	<u>\$ 283,695</u>	<u>\$ 310,411</u>
FUND BALANCE					
Non Spendable	\$ 886	\$ 1,043	\$ 827		
Restricted	24,782	30,805	30,806		
Committed	-	-	-		
Assigned	111,864	149,087	180,095		
Unassigned	<u>86,131</u>	<u>85,055</u>	<u>100,967</u>		
Total Fund Balance	<u>\$ 223,663</u>	<u>\$ 265,990</u>	<u>\$ 312,695</u>		

Source: Buffalo CSD, Division of Finance

⁽¹⁾2021-22 Projections are based on available data as of December 30, 2021 and are unaudited and subject to change. The figures under this column are based, in part, on projections derived from results of operations for the second quarter of FY21-22. No assurance can be given that such projections will be realized at year end.

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs of providing services on a continuing basis are financed or recovered primarily through revenues earned from user charges. The individual enterprises accounted for by the City in separate Enterprise Funds are solid waste collection and recycling, City-owned parking ramps and the water system.

The Solid Waste and Recycling Enterprise Fund was established on October 1, 1996 to account for the costs associated with the operation of refuse and recycling services in the City. The fund is supported by revenues from user fees assessed against all users of the service. Unpaid user fees become a lien against the property and are subject to the City's normal collection procedures. The change in net position for the year ended June 30, 2021 was \$0.8 million determined in accordance with GAAP. This compares to a change in net position of \$2.6 million for the year ended June 30, 2020. The City received \$23.6 million in user fees for the fiscal year ended June 30, 2021, \$24.4 million in user fees for the fiscal year ended June 30, 2020 and \$24.7 million for the fiscal year ended June 30, 2019. The adopted 2021-22 budget includes \$27.6 million for user fees. Nonspendable fund balance of the General Fund includes \$12.4 million to cover deficits incurred by the Solid Waste and Recycling Enterprise Fund at June 30, 2021.

The Parking Enterprise Fund was established July 1, 1989 to account for the operations of City-owned parking ramps. The City has a management agreement with Buffalo Civic Auto Ramps, a non-profit organization, to operate the downtown ramps and a parking ramp at an area hospital. Revenues collected in excess of normal operating costs are remitted to the City to cover administrative costs and debt service. Net position is reserved for debt service and major repairs. The change in net position for the fiscal year ended June 30, 2021 was \$(0.7) million determined in accordance with GAAP. This compares to a change in net position of \$(3.7) million for the fiscal year ended June 30, 2020 and \$(0.2) million for the fiscal year ended June 30, 2019. Operating transfers out to the General Fund were \$2.0 million for fiscal year ended June 30, 2021. The adopted budget for fiscal year 2021-22 is \$2.8 million. The 2021-22 budget amount includes \$2.0 million for debt service and \$0.5 million operating transfer to the General Fund.

The Water Enterprise Fund in conjunction with the Buffalo Water Board and the Buffalo Municipal Water Finance Authority, which are blended component units of the City, comprise the water system. The City's Water Enterprise Fund provides personnel to the operator contracted by the Water Board. Operating transfers from the Water Board cover all expenses of the Water Enterprise Fund. Total expenses of the Water Enterprise Fund for the fiscal year ended June 30, 2021 were \$9.9 million. This compares to total expenses of \$10.1 million for the fiscal year ended June 30, 2020 and \$10.0 million for the fiscal year ended June 30, 2019. The adopted budget for 2021-22 totals \$14.8 million. (See "CITY-RELATED ENTITIES – *Buffalo Municipal Water Finance Authority*" and "*–Buffalo Water Board*" herein.)

REVENUES

The 2021-22 adopted General Fund budget estimates revenues to be derived approximately 39.1% from municipally generated revenues; 34.0% from State aid; 10.3% from federal aid and other assistance; and 16.6% from other local governments, the majority of which is the shared County sales tax.

Municipally Generated Revenues

Primarily, municipally generated revenues include, in order of magnitude, real property taxes, utility taxes, parking fines and penalties, and an annual payment from the Buffalo Water Board.

Real Property Tax

Real property taxes become payable upon levy of such taxes by the Common Council. The City collects real property taxes for general City and Buffalo CSD purposes. The total amount of the taxpayer's bill is due and payable on July 1; however, the first half may be paid without penalty on or before July 31 and the second half on or before December 31. Penalties are assessed for delinquencies at an effective rate of 18.0% per annum.

The General Fund accounts for the full receipt of the tax levy, including that portion of the levy raised for the Buffalo CSD and that portion of the levy deposited in the capital debt service fund for the payment of capital debt service. The total valuation roll for general City tax purposes partially exempts certain properties (owned and occupied by veterans and senior citizens) which are taxable for school purposes. All provisions for uncollected taxes are charged against the general City budget. The Buffalo CSD receives its tax levy for operations in full from the City.

The City’s property tax levying powers, other than for debt service and certain other purposes, are limited by the State Constitution to 2.0% of the 5-year average full valuation of taxable real property of the City. On June 24, 2011, the Tax Levy Limitation Law was enacted, which imposes a tax Levy Limitation upon the municipalities, school districts and fire districts in the State, including the City, without providing an exclusion for debt service on obligations issued by municipalities, including the City. (See “PROPERTY TAXES - *Tax Levy Limitation Law*,” herein.) For a more complete discussion of property tax assessment, levy, collection and related matters, see “PROPERTY TAXES” herein.

BUDGETED ALLOCATION OF REAL PROPERTY TAX LEVY
Fiscal Year Ended June 30
(000’s Omitted)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Buffalo CSD Operations	\$ 60,357	\$ 60,393	\$ 61,066	\$ 61,754	\$ 65,193
City Operations	43,960	46,590	48,087	47,680	48,199
Capital Debt Service ⁽¹⁾	<u>35,301</u>	<u>38,337</u>	<u>38,712</u>	<u>38,431</u>	<u>34,473</u>
Total Budgeted Real Property Tax Levy	<u>\$ 139,618</u>	<u>\$ 145,320</u>	<u>\$ 147,865</u>	<u>\$ 147,865</u>	<u>\$ 147,865</u>

Source: City of Buffalo Administration, Finance, Policy and Urban Affairs, Division of Budget

⁽¹⁾The tax levy for Capital Debt Service includes City and Buffalo CSD debt

Utility Taxes

The Class I Utility Tax collected by the City quarterly is levied against gas, electric and telephone utilities. Since 1990, the utility tax rate has been 3.0% of total gross receipts. The revenue from this source was \$8.1 million for the 2020-21 fiscal year compared to \$8.8 million for the 2019-20 fiscal year and \$9.6 million for the 2018-19. The budgeted amount for 2021-22 is \$8.5 million.

Annual Payment from the Water Board

Pursuant to an operation agreement by and between the City and the Buffalo Water Board dated September 24, 1992, the Board initially paid the City \$4.0 million in the 1992-93 fiscal year. This amount may be increased by 5.0% compounded annually at the City’s sole discretion. The actual amounts received were \$7.6 million for 2020-21, \$7.2 million for 2019-20 and \$6.9 million for 2018-19. The adopted budget amount for 2021-22 is \$7.9 million. Such payment is made in lieu of utility taxes and also for certain legal, payroll and other services performed by City personnel.

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Departmental and Other Revenues

Departmental revenues consist of various fees received from licenses, permits, rentals, concessions, commissions and asset sales as well as interest earnings on the temporary investment of idle funds.

DEPARTMENTAL AND OTHER REVENUE Fiscal Year Ended June 30 (in millions)

	<u>Actual</u> <u>2018-19</u>	<u>Actual</u> <u>2019-20</u>	<u>Actual</u> <u>2020-21</u>	<u>Adopted</u> <u>2021-22</u>
Parking and Other Fines	\$11.0	\$8.9	\$8.6	\$6.3
Interest Earnings	1.9	1.5	0.3	0.1
License and Permits	5.7	5.2	4.6	5.3
Cable Franchise Tax	3.0	2.9	3.1	2.9
Payment In Lieu of Taxes	3.3	3.5	3.4	2.8

Source: City of Buffalo Administration, Finance, Policy and Urban Affairs, Division of Budget
City of Buffalo, Department of Audit & Control, Division of Accounting

Intergovernmental Revenues

The principal categories of State aid to the City are State aid for education, general State aid and Aid and Incentives for Municipalities (“AIM”). In addition, there are several lesser State aid, grants and shared revenues including the mortgage tax (collected for the City by the State at the rate of 50 cents per \$100 of mortgages) which was \$3.1 million for 2020-21, \$4.2 million for 2019-20, and \$3.9 million for 2018-19. The adopted budgeted amount for the 2021-22 fiscal year is \$3.9 million. State grants and aids for operating purposes are accounted for in the City’s General Fund. State aid for education is accounted for in the Buffalo CSD’s General Fund.

New York State Aid to Education

Beginning with the 2007-08 fiscal year, the majority of State aid to be received by the Buffalo CSD has been calculated using “Foundation Aid.” Foundation Aid was established by the 2007-08 State budget and combined four categorical aid grants with certain other formula aids. Formula aids consist of State aid determined in accordance with an application submitted to the State Education Department (“SED”), which incorporates required data concerning district enrollment, attendance and approved expenditures. At its inception, Foundation Aid established minimum annual increases in State aid of 3.0% per year through 2010-11, with high poverty districts such as the Buffalo CSD receiving more assistance. However, based on the economy of New York State, the State aid guarantees were abandoned after the first year. The Buffalo CSD received its first increase in Foundation Aid since 2008-09 with the adoption of the 2012-13 New York State Budget and has received increases each year since, until the 2020-21 State Budget, where Foundation Aid was frozen at the 2019-20 level, while the State implemented a Pandemic Adjustment which reduced overall State Aid by \$29.5 million, offsetting the same amount of Federal Disaster relief received by Buffalo CSD under the federal government’s “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act.” The adopted 2021-22 State Budget included a \$43.3 million, or 8.0% increase in Foundation Aid, and legislation that if followed, will fully fund Foundation Aid by 2023-24. Foundation Aid may decline in the future and no assurance can be given that Foundation Aid will continue at its current level.

The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. In addition, within Foundation Aid there are stipulations that the Buffalo CSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement as outlined in the Contract for Excellence (“CFE”) and the Community Schools set-aside that was established in 2016-17. For fiscal years 2014-15 through 2020-21, the total CFE set-aside was \$13.6 million.

The Community Schools set-aside was \$12.5 million in 2016-17; \$15.5 million in 2017-18; \$18.3 million in 2018-19 and \$21.1 million in 2019-20 and 2020-21. In the adopted 2021-22 State Budget, the CFE set-aside is \$13.6 million, while the Community Schools set-aside is \$21.1 million.

Other State aid includes State Building Aid, the purpose of which is to assure that each school district provides suitable and adequate facilities to accommodate students and programs of the district. To this end, new facilities, new buildings, additions and major alterations must meet specific standards pertaining to type, size and number of teaching stations, as well as building code requirements. Existing facilities must meet health and safety regulations and reconstruction of existing facilities must meet building code requirements.

The State Commissioner of Education must approve plans and specifications for the capital construction projects undertaken by public school districts. This charge is administered by the Office of Facilities Planning pursuant to Section 408 of the Education Law and Part 155.2 of the Regulations of the Commissioner of Education. State Building Aid is payable commencing 18 months after the State Education Department approves the final plans and specifications of a project with a Final Cost Report on file unless a waiver is granted by the Commissioner of Education. Currently, State Building Aid reimburses approximately 98.0% of approved costs for projects completed or now under construction for the Buffalo CSD. State Building Aid fluctuates from year to year based on a number of factors including the ratio of the City's wealth to the State's average wealth.

The Buffalo CSD depends on substantial financial assistance from the State. The Buffalo CSD received \$828.0 million of State Aid for all funds in fiscal year 2019-20 and \$783.0 million in fiscal year 2020-21. During 2020-21, the Buffalo CSD received \$8.8 million in State revenues that were originally reserved for as potential state aid reductions as of June 30, 2020. For the current fiscal year ending June 30, 2022, the Buffalo CSD budgeted \$857.9 million of State Aid receipts for all funds, and as of December 31, 2021, projects to receive approximately \$849.6 million by the close of such fiscal year. This projection is based upon the sum of: (i) a \$795.8 million apportionment to the Buffalo CSD for operations and maintenance expenses, (ii) \$52.2 million in projected receipts of State grant funding and (iii) \$1.6 million in projected receipt of food service funding. No assurance can be given that State Aid for all funds actually received by the Buffalo CSD in its 2021-22 fiscal year will equal the amounts estimated above.

Another State aid category, Charter School Transitional Aid, was established in the 2007-08 as part of the State Budget to help provide relief from the financial drain caused by the significant number of charter school students in certain school districts, including the Buffalo CSD. Charter School Transitional Aid totaled \$8.7 million for 2018-19, \$9.3 million for 2019-20, and \$7.8 million for 2020-21. The 2021-22 budgeted and projected amount for Charter School Transitional Aid is \$8.0 million and \$7.5 million, respectively, as of December 31, 2021. The aid continues on a rolling basis so long as charter school enrollment continues to increase.

In addition to Charter School Transition Aid, beginning with the year 2015-16, the State established another aid category called Charter School Supplemental Tuition Reimbursement, which reimburses Buffalo CSD for any amounts in base tuition paid in the prior year that exceed the 2010-11 base tuition of \$12,005 per pupil from 2014-15 through 2017-18. Subsequently, this amount was locked in at \$1,000 per pupil in 2018-19 and years thereafter. In 2018-19, this aid was \$8.7 million; in 2019-20, this aid was \$9.0 million; and in 2020-21, this aid was \$9.2 million. The 2021-22 budgeted and projected amount for Charter School Supplemental Tuition Reimbursement is \$9.2 million and \$9.7, respectively, as of December 31, 2021.

The Buffalo CSD also receives State aid related to the Smart Schools Bond Act approved by New York State voters in 2014. The allocation for Buffalo CSD is \$56.0 million. The purpose of the Smart Schools Bond Act is to provide improved educational technology and infrastructure to improve learning and opportunity for students. These revenues are recorded in the capital fund and amounted to \$10.6 million in 2018-19 and \$9.4 million in 2019-20. Because of uncertainty related to the timing of project approvals and receipt of funds, these revenues are not included in State aid revenue until received. Therefore, an additional \$9.0 million is expected to be received during the 2021-22 year relating to expenditures incurred during the 2020-21 year.

The Buffalo CSD receives State aid for education in several installments paid to the City throughout its fiscal year based on a formula established by SED. These installments of State aid are paid net of the Buffalo CSD's contributions to the New York State Teachers' Retirement System.

The projected State aid for the Buffalo CSD General Fund, as of December 31, 2021 is \$795.8 million, \$14.5 million less than the budget for the 2021-22 fiscal year, primarily due to lower reimbursable costs related to transportation, lower expenditure based aids and lower Foundation Aid due to lower student counts.

In fiscal year 1999-00, the Buffalo CSD received additional lottery aid in the amount of \$30.0 million which was provided to the Buffalo CSD to assist in funding the Buffalo Teachers Federation ("BTF") settlement payment. The \$30.0 million comprises two components: the first \$20.0 million was used for the teacher settlement amount paid in July 2001, and the second component of \$10.0 million was to be used as a stabilization reserve for the annual debt service owed to the New York State Municipal Bond Bank Agency for the \$25.0 million advanced to the Buffalo CSD for the BTF settlement. The \$30.0 million in lottery aid took the form of a "lottery advance" from the State. In effect, the \$20.0 million was a loan from the State which is to be paid back over 30 years. The repayment of this "loan" is captured in annual installments through a reduction in the amount of lottery aid paid to the Buffalo CSD, such deductions began in fiscal year 2001. The Buffalo CSD took an additional advance of \$1.4 million in the 2005-06 fiscal year in accordance with Chapter 465 of the Laws of 2005. This advance is also treated as a "loan" to be repaid over 30 years and the repayment is captured from annual aid installments. The Buffalo CSD records the gross amount of aid with its regular basic State aid amount and books debt service payments for the amount of the installments withheld by the State. As of June 30, 2021, the remaining debt outstanding is \$8.9 million.

Chapter 57 of the Laws of 2005 provided for an apportionment to school districts for public pension accruals required to be accounted for beginning in the 2004-05 school year. Upon application, the apportionment is available to the Buffalo CSD as revenue and may be used to offset any General Fund deficit resulting from the impact of the implementation of GASB Technical Bulletin 2004-2. The apportionment is an advance of the subsequent year's general aid payable, and will reduce general aid in such subsequent years. The Buffalo CSD applied for and received an advance of \$11.5 million in each of the fiscal years 2004-05 through 2020-21. The Buffalo CSD intends to continue this practice so long as the legislation is renewed.

Payment of State aid for education may be withheld due to the failure of the City or the Buffalo CSD to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes. The City and the Buffalo CSD believe that they are in material compliance with all other requirements and have made the necessary debt service appropriations.

In addition to State aid for education, the Buffalo CSD receives federal Medicaid reimbursement for certain health services provided to students. The Buffalo CSD received a total of \$4.5 million for Medicaid reimbursement in fiscal year 2018-19, \$4.1 million for 2019-20, and \$2.2 million for 2020-21. The 2021-22 budgeted and projected amount for Medicaid reimbursement is \$3.0 million as of December 31, 2021.

The Buffalo CSD 2020-21 adopted budget included \$29.6 million in federal aid under the CARES Act, which offset a corresponding State Aid reduction in that amount. The Buffalo CSD received \$27.9 million in revenues from these federal funds during 2020-21. \$1.6 million is projected to be received during 2021-22 as of December 31, 2021.

Pursuant to the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, Buffalo CSD expects to receive approximately \$89.2 million in additional federal disaster relief funds starting with its 2021-22 fiscal year. Further, pursuant to the American Rescue Plan (ARP), Buffalo CSD expects to receive \$200.4 million in additional federal disaster relief funds starting with its 2021-22 fiscal year. These funds are expected to be supplemental in nature, and not result in any reduction in State Aid. The application for the \$89.2 million CRRSA Act (ESSER 2) grant was submitted to, and approved by, the State as of October 2021, while

the \$200.4 million ARP Act (ESSER 3) application has been submitted to the State and was approved in February 2022. As of December 31, 2021, a total of \$124.7 million in spending is budgeted for the 2021-22 fiscal year with respect to both to these grants.

The amount of State aid to school districts, including Buffalo CSD is dependent in part upon the financial condition of the State. The 2019-20 and 2020-21 State budgets provided the Governor with the ability to make mid-year aid cuts if State revenues or expenditures missed certain thresholds; that unilateral authority was removed in the 2021-22 State budget. Due to the outbreak of COVID-19 in 2020, the State has declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. In 2020-21, the State reduced State Aid to the Buffalo CSD by \$29.6 million utilizing the CARES Act revenues to offset those cuts. In the 2021-22 State Budget, the \$29.6 million State Aid cuts were restored, to the Buffalo CSD. The CRRSA and ARP federal stimulus revenues are not anticipated to offset any State Aid cuts at this time.

In addition, in this year or future years, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes or if the State experiences delays in the adoption of the State budget, the State may have to delay payments of aid to its municipalities and school districts, including the Buffalo CSD, until sufficient State funds are available to make such payments. The Buffalo CSD may be adversely affected by such delay. In certain years in the past, delays in adoption of the State budget have resulted in delays in the payment of State aid to municipalities and school districts.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances.

In conjunction with the reconstruction of the Buffalo CSD school facilities and the issuance of the bonds by the Erie County Industrial Development Agency (“ECIDA”) to finance such reconstruction, the City and the Buffalo CSD have entered into a State Aid Trust Agreement. Pursuant to the State Aid Trust Agreement between the City, the Buffalo CSD, and Manufacturers and Traders Trust Company (“M&T”), the State Comptroller’s Office is directed by the City and the Buffalo CSD to pay all amounts of State aid to education appropriated by the State for the benefit of the Buffalo CSD to the State Aid Depository Fund held by M&T, as Depository Bank under such agreement. Amounts held in the State Aid Depository Fund are applied to pay debt service on such ECIDA bonds. (See “*BUFFALO CSD SCHOOL FACILITIES RECONSTRUCTION PROJECT*” herein.

New York State General Purpose Aid

Prior to the enactment of the BFSFA Act, the City received General Purpose Aid directly from the State. Pursuant to the BFSFA Act, the City receives General Purpose Aid from the State through the BFSFA. The budgeted amount for 2021-22 is \$165.2 million. General Purpose Aid revenue recognized in the 2020-21 fiscal year was \$180.9 million.

**STATE GENERAL PURPOSE AID
Fiscal Year Ended June 30
(000’s Omitted)**

	Actual	Actual	Actual	Adopted	Revised Budget
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2021-22</u>
Total General Purpose Aid	\$161,285	\$141,613	\$129,028	\$180,958	\$161,285

Source: City of Buffalo Department of Audit & Control, Division of Accounting

Pursuant to the BFSA Act, the amounts of municipal aid appropriated by the State as local government assistance for the benefit of the City and the City's and Buffalo CSD's share of County sales taxes shall be paid by the State Comptroller to the BFSA and the City shall have no right, title, or interest in such revenues paid to the BFSA. (See "*THE BUFFALO FISCAL STABILITY AUTHORITY*" herein.) After application of such revenues to debt service obligations and operating expenses of the BFSA and subject to the BFSA's agreements with the City, the balance of such revenues are to be transferred to the City as State BFSA Aid.

Federal Aids and Grants

Federal categorical grants received by the City for restricted purposes are not normally budgeted as General Fund revenues with the exception of the treatment of staff support grants or the administrative portion of grants managed by City departments. The funding level for the 2021-22 fiscal year for the Consolidated Plan, includes the Community Development Block Grant (CDBG) program, HOME Investment Partnership (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA), is \$31.8 million, which is an increase of \$16.5 million compared to 2020-21. A significant portion of these funds have been utilized to fund physical development related to neighborhood and commercial revitalization within the City. The termination or reduction of any of these programs could mean curtailment or assumption of these programs by the City.

Erie County Sales Tax

A general sales and compensating use tax of 8.75% is levied on all taxable retail sales in the County. Of the total 8.75% collected by the State, 4.0% is retained as State revenue and 4.75% is returned to the County. Of the County's 4.75%, 1.75% is retained by the County for County purposes, with one exception. As described below, \$12.5 million of the additional 1.00% sales tax imposed by the County is shared with local municipalities pursuant to State legislation. The remaining 3.0% is distributed among the County, local municipalities and school districts in the County pursuant to the sales tax sharing agreement. The City and the Buffalo CSD are parties to the agreement. The agreement provides that any party may terminate the agreement upon one year's prior written notice.

From 1985 and through 2006, the County annually received authorization from the State Legislature and Governor to assess an additional 1.00% sales tax to the base County sales tax of three percent. During that time all of the proceeds of the additional 1.00% sales tax were retained by the County. In 2006, the County was required by the State Legislature to adopt enabling legislation that shared \$12.5 million in revenue from the 1.00% sales tax with the cities, towns and villages in Erie County starting in 2007. That legislation was renewed by the State Legislature at the request of the County Legislature and County Executive in 2008 and 2010. Furthermore, following legislative changes in 2010, the sharing of \$12.5 million in sales tax revenue was made permanent as long as the County maintains a 1.00% sales tax.

The BFSA Act requires that the City's share of County sales taxes payable to the City under the foregoing agreement will be paid by the State Comptroller to the BFSA and the City will have no right, title or interest in such revenues. After use of such revenues to pay debt service obligations, if any, and operating expenses of the BFSA and subject to the BFSA's agreements with the City, such revenues are to be transferred to the City.

For fiscal year 2021-22, the City expects to receive \$87.9 million and the Buffalo CSD expects to receive \$51.6 million from this source as of December 31, 2021. Pursuant to the BFSA Act, the City's and the Buffalo CSD's share of sales tax is required to be received by the BFSA and subsequently forwarded to the City. The City's share will be reduced by the BFSA operational expenses which are projected to be \$1.0 million for 2021-22. For fiscal year 2020-21, the City received \$98.1 million and the Buffalo CSD received \$54.4 million from this source.

EXPENDITURES

City expenditures may be categorized as those made for general City services, for grants-in-aid or for operations of related entities and for debt service and certain other costs. City services are provided through numerous departments, as indicated by the following table.

<u>Department</u>	2021-22 <u>Appropriations</u>⁽¹⁾	Full-Time Funded <u>Positions</u>
Legislative	\$ 3,054,363	41
City Clerk	4,233,213	24
Executive	6,273,280	88
Audit & Control	4,011,561	52
Law	3,522,120	35
Assessment	2,611,466	32
Management Information Systems	6,256,361	34
Administration & Finance	10,261,949	56
Parking	3,175,947	36
Police	85,310,225	1,006
Fire	65,973,362	790
Human Resources	5,644,509	20
Public Works, Parks & Streets	33,440,973	363
Community Services	4,317,635	29
Permits & Inspections	<u>578,495</u>	<u>90</u>
 General City Total	 238,665,459	 2,696
 Division of Water	 8,492,652	 138
Parking	115,054	1
Refuse & Recycling	<u>19,382,595</u>	<u>147</u>
 Total	 <u>\$ 266,655,760</u>	 <u>2,982</u>

Source: City of Buffalo Administration, Finance, Policy and Urban Affairs, Division of Budget

⁽¹⁾Appropriations in the 2021-22 Adopted City Budget

FUNDED ANNUAL / FULL-TIME SALARIED POSITIONS BY MAJOR CITY DEPARTMENT⁽¹⁾ 2011-12 as compared to 2021-22

	<u>Number of Positions FY 2011-12</u>	<u>Number of Positions FY 2021-12</u>	<u>Number Increase (Decrease)</u>	<u>Percentage Increase (Reduction)</u>
Police	994	1,006	12	1.21%
Fire	774	790	16	2.07%
Public Works, Parks & Streets	361	363	2	0.55%

Source: City of Buffalo Administration, Finance, Policy and Urban Affairs, Division of Budget

⁽¹⁾Funded full-time salaried positions as of December 31, 2021

Employee Contracts

The City

Employee contracts are in place for the 2021-22 fiscal year with three of the City's eight bargaining units, as shown in the following table.

The following chart describes the City unions, number of employees, when present agreements expire and when past agreements have expired. For those agreements that have expired, negotiations have begun. The number of employees is effective as of December 31, 2021.

<u>Unions</u>	<u>Number of Employees</u>	<u>Present Agreements Expire</u>
PBA (Police Officers)	711	6/30/2019
Local 282 (Firefighters)	840	6/30/2025
Local 264 (Blue Collar)	529	6/30/2019
Local 650 (White Collar)	438	6/30/2024
CGA (Crossing Guards)	106	8/31/2019
Local 2651 (Building Inspectors)	53	6/30/2020
Local 264T (Pipe Caulkers)	29	6/30/2022
Local 17 (Operating Engineers)	24	6/30/2020

Source: City of Buffalo, Department of Audit Control, Division of Audit

Note: The CGA line item is seasonally adjusted reflective of layoffs during summer months.

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Buffalo CSD

Five employee contracts of the ten bargaining units representing the employees of the Buffalo CSD are in place for the 2021-22 fiscal year, as shown in the chart below. The remaining contracts have expired and are under negotiations.

The following chart describes the Buffalo CSD unions, approximate number of employees represented, and the present agreement expiration dates. For those agreements that have expired, negotiations have begun. The number of employees is effective as of December 31, 2021.

<u>Unions</u>	<u>Number of Employees⁽¹⁾</u>	<u>Present Agreements Expire</u>
BTF (Teachers)	3,598	06/30/19
BCSA (Administrators)	246	09/01/20
PCTEA (White Collar)	433	06/30/22
Local 264 (Blue Collar)	56	06/30/25
Local 264 (Cook Managers)	22	06/30/22
Local 264 (Food Service)	Variable	06/30/22
BEST (Teachers Aides & Assistants)	906	06/30/25
SUBSTITUTES UNITED (Substitute Teachers)	Variable	06/30/25
BASA (Substitute Administrators)	Variable	06/30/23
TRANSPORTATION AIDES (Bus Aides)	Variable	06/30/24
Local 409 (Engineers)	43	06/30/10
Trades	32	N/A
Exempt (includes Board)	41	N/A

Source: Buffalo CSD, Finance Department.

⁽¹⁾Includes General, Grants and Food Service Funds as of December 31, 2021

Pursuant to the BFSa Act, during a Control Period, the BFSa is empowered to impose a wage and/or hiring freeze with respect to employees of the City or any Covered Organization and to review and approve or disapprove any collective bargaining agreement to be entered into by the City or any Covered Organization. In accordance with the foregoing powers, on April 21, 2004, the BFSa adopted a general wage freeze resolution which, as of April 22, 2004, froze the wages of all City employees and employees of any non-exempted Covered Organizations at their current levels. In recognition of the City's improved fiscal health the BFSa lifted this wage freeze effective July 1, 2007, which allowed for a one step increase on employees' salary schedule.

Retirement Benefits

Most City employees who are eligible for pensions under the Retirement and Social Security Law of the State, as well as most civil service employees of the Buffalo CSD, are members of either the New York State and Local Employees' Retirement System (the "ERS") or the New York State and Local Police and Fire Retirement System (the "PFRS"). Eligible teachers in the Buffalo public school system are members of the State Teachers' Retirement System (the "TRS").

The ERS was established in 1920. In 1967, all police officers and firefighters were transferred into the separate PFRS. Both retirement systems are administered by the State Comptroller. The TRS, which was established in 1921, is separately administered by a ten member board. These retirement systems had been actuarially funded using an aggregate cost valuation method. Under this method, the unfunded cost of retirement benefits of active members was accrued and funded each year as a level percentage of compensation of such members. The aggregate cost valuation method does not develop a separately stated past service liability. In 1990, State laws were enacted to change from the aggregate cost valuation method to a projected unit credit ("PUC") valuation

method. This law was challenged and in Fiscal Year 1995, the Retirement System returned to the Aggregate Method of Valuation.

Benefit packages available to City and Buffalo CSD employees depends on the date of their enrollment in the system and/or their classification as first tier, second tier, third tier, fourth tier, fifth tier or sixth tier employees. Benefit packages available are prescribed by the State and are most liberal for first tier and least liberal for sixth tier employees. The followings tables exhibit the member enrollment date, related tier and contribution rate.

NYS Retirement System –Retirement Tier Schedule

NYS Retirement Tier	ERS/TRS Enrollment Date	PFRS Enrollment Date
Tier 1	before July 1, 1973	before July 1, 1973
Tier 2	July 1,1973 through July 26, 1976	July 1,1973 through July 30, 2009
Tier 3	July 27, 1976 through August 31, 1983	July 30, 2010 through January 8, 2010
Tier 4	September 1, 1983 through December 31, 2009	N/A
Tier 5	January 1, 2010 through March 31, 2012	January 9, 2010 through March 31, 2012
Tier 6	April 1, 2012 or after	April 1, 2012 or after

Source: Office of New York State Comptroller

NYS Retirement System – Employee Contribution Rate

Tiers 1-5

NYS Retirement Tier	ERS Contribution Rate	PFRS Contribution Rate	TRS Contribution Rate
Tier 1	0.0%	0.0%	0.0%
Tier 2	0.0%	0.0%	0.0%
Tier 3 ⁽¹⁾	3.0%	3.0%	3.0%
Tier 4 ⁽¹⁾	3.0%	na	3.0%
Tier 5 ⁽²⁾	3.0%	3.0%	3.5%

ERS/PFRS/TRS Tier 6⁽²⁾

Salary Range	≤ \$45,000	\$45,001-\$55,000	\$55,001-\$75,000	\$75,001-\$100,000	≥ \$100,001
Contribution Rate	3.0%	3.5%	4.5%	5.75%	6.0%

Source: Office of New York State Comptroller

⁽¹⁾First 10 years of employment

⁽²⁾For their entire career

Retirement Contribution Payments

Contribution payments for ERS/PFRS are to be made on or before the first day of February. Municipalities and school systems are allowed to prepay their annual contribution on or before the 15th of December and receive a discounted payment through a divide-by factor that represents 45 days of interest. On December 15, 2021, the City made a prepayment retirement contribution of \$10.8 million for the ERS, which includes Enterprise functions and \$33.5 million for PFRS, which created a savings of \$365,816. Chapter 49, Laws of 2003 changed the billing cycle and instituted a minimum contribution rate for both ERS and PFRS, which is equal to 4.5% of payroll every year, including years in which the investment performance of the system would make a lower contribution possible. Chapter 94, Laws of 2015 changed the calculation of employer contributions for the funding on the basis of rates determined on known salaries from the prior fiscal year rather than on an estimate of salaries from the incomplete current fiscal year.

There was a retirement contribution of \$6.2 million paid by the Buffalo CSD for the fiscal year ended March 31, 2021 for the ERS.

For fiscal year 2021-22, the Buffalo CSD contribution for TRS is 9.80% of salaries. Payment is withheld from aid to education payments in the fall of the fiscal year subsequent to which the rate is applicable. The Buffalo CSD records the liability in the year it is incurred, i.e., the year for which the rate is applicable.

For the City’s method of recording the estimated unbilled liability (See “DISCUSSION OF FINANCIAL OPERATIONS – Basis of Accounting,” herein.). Required Buffalo CSD contributions under the ERS follow the same billing and accounting procedures as those of the City.

The following table indicates general fund expenditures recorded by the City for ERS and PFRS and total expenditures paid by the Buffalo CSD for ERS and TRS during the fiscal years 2018 through 2021.

**TRS, ERS & PFRS EXPENDITURES
Fiscal Year Ended June 30**

	Actual 2018	Actual 2019	Actual 2020	Actual 2021
City (ERS) ⁽¹⁾	\$ 9,505,902	\$ 7,801,268	\$ 8,042,096	\$ 8,320,695
City (PFRS)	31,033,149	28,268,658	29,306,830	31,270,823
Board (ERS)	6,266,223	5,947,217	5,998,034	6,152,793
Board (TRS)	34,111,928	31,671,613	27,347,081	28,800,016

Source: City of Buffalo, Department of Audit & Control, Division of Accounting & Buffalo CSD, Finance Office

⁽¹⁾ Net of reimbursements received from the Buffalo Society of Natural Sciences, the Buffalo Fine Arts Academy and Enterprise

GASB 75 and Other Post-Employment Benefits (OPEB)

The City and Buffalo CSD provide post-employment healthcare benefits to former employees. In addition, the City is required to pay the difference in pay between a disabled firefighter’s pension payment and the current salary for a firefighter until the retiree reaches the age of 70. These benefits are both funded on a pay as you go basis. Under the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions” (GASB 75), the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

The City has contracted with an actuary to perform the actuarial calculation. The City’s total actuarial accrued liability as of June 30, 2021 was determined to be \$1.4 billion. The Buffalo CSD had an actuarial evaluation performed in accordance with GASB 75 that disclosed an accrued OPEB liability of \$2.5 billion as of June 30, 2021. There is no current requirement to fund the future OPEB obligation; however the Buffalo CSD assigned \$69.1 million of fund balance in fiscal year 2021-22 for such obligation.

Actuarial valuations will be required every two years since both the City and Buffalo CSD have OPEB plans with more than 200 members. Should the City and Buffalo CSD be required to fund their unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the City's and the Buffalo CSD's finances and could force the City and the Buffalo CSD to reduce services, raise taxes (with respect to the City) or both.¹ At the present time, however, there is no current or planned requirement for the City and the Buffalo CSD to partially fund their actuarial accrued OPEB liability.

Health Insurance

The City has negotiated discontinuing Health Care into retirement for a number of unions. This effects employees hired after 2016 for Blue Collar (264), Building Inspectors (2651), Operating Engineers (17/71), Crossing Guards and Caulkers (G). The City continues to provide health insurance coverage for Police (PBA), Fire (282) and White Collar (650) employees into retirement. City employees active and retired are covered through a self-insurance program.

Actual expenditures for 2020-21 totaled \$72.9 million which consisted of \$41.0 million for active employees and \$31.9 million for retired employees. The adopted budget for 2021-22 appropriates \$85.2 million for both active and retired employees.

The Buffalo CSD provides continuing health insurance coverage for substantially all Buffalo CSD employees, including certain teachers, who have retired from the Buffalo CSD. It is the Buffalo CSD's practice to fund actual claims paid and accrual an incurred but not reported liability at the end of each fiscal year. For the 2020-21 fiscal year the Buffalo CSD paid \$116.1 million for both active and retired employees. The adopted budget for 2021-22 appropriates \$128.6 million for both active and retired employees for the Buffalo CSD.

Debt Service

In fiscal year 2021-22, capital debt service charges for bond principal and interest and capital lease principal and interest obligations, for both the City and the Buffalo CSD are budgeted at \$41.1 million.

CITY-RELATED ENTITIES

Buffalo CSD

The Buffalo CSD is dependent on funding from the City, the County, the State and the federal government. It is governed by an independently elected nine-member Board of Education and operates pursuant to the New York State Education Law. The administration of the schools is the responsibility of the Superintendent of Schools who is appointed by the Board of Education of the Buffalo CSD. The school system operates 20 secondary schools, 37 elementary and intermediate schools, and two special schools. There are 21 charter schools with pupils from Buffalo that operate independently from the Buffalo CSD. All Charter Schools receive the same per pupil tuition rate for Buffalo resident pupils, regardless of their location.

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¹ The Buffalo CSD has no taxing power.

The following table sets forth information relating to the size of the school system.

SIZE OF BUFFALO SCHOOL SYSTEM

Fiscal Year Ended June 30:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022⁽⁴⁾</u>
Enrollment	33,512	33,337	32,918	30,952	30,540
Schools ⁽¹⁾	61	61	61	59	59
Instructional Staff ⁽²⁾	3,624	3,631	3,654	3,643	3,598
Administrative Personnel ⁽²⁾	257	262	257	255	246
Non-Certified Personnel ⁽²⁾⁽³⁾	1,531	1,561	1,548	1,504	1,533

Source: Buffalo CSD, Finance Office

⁽¹⁾Includes active schools (with student enrollment), swing schools (with temporary enrollment) and schools under reconstruction

⁽²⁾Paid from Buffalo CSD General, Grants and Food Service Funds

⁽³⁾Includes clerical, custodial, transportation, maintenance, instructional aides, exempt personnel and other full-time non-certified personnel

⁽⁴⁾Staff projected as of December 31, 2021; Enrollment as of December 31, 2021

Pursuant to the Charter Schools Acts, the Buffalo CSD is required to pay a State-set tuition rate to charter schools that enroll students residing in the City. Charter school enrollment of City resident pupils increased from 3,100 students in the 2003-04 school year to 9,749 in the 2020-21 school year and was originally projected for budgeting purposes to be 9,700 in 2021-22. As of December 31, 2021, the projected enrollment for 2021-22 is 10,164. Two charter schools that were expected to close at the conclusion of the 2020-21 fiscal year; however, as a result of a court action, they remained open during the 2021-22 year. Therefore, the Buffalo CSD increased the charter tuition budget by \$8.8 million as a result. The increases have been attributable to the availability of new seats and a continued growth of enrollment in existing charter schools. In 2003-04, the amount of charter school funding was \$8,434 per student (including \$7,934 for basic tuition, plus an estimated additional \$500 for special education funding) for a total of approximately \$26.4 million. The current funding rate for fiscal year 2021-22 is estimated to be \$13,983 per student (including \$13,308 for basic tuition, plus an estimated \$675 for special education funding). Total payments were \$130.8 million and \$135.3 million in fiscal years 2019-20 and 2020-21, respectively. The original budgeted amount for fiscal year 2021-22 is \$135.7 million, the modified budget and projection for the full fiscal year 2021-22 is \$145.5 million, as of September 30, 2021.

Under legislation enacted in 2015, there are 96 remaining charters that may be issued in the State, all of which are outside of New York City. Accordingly, enrollment in charter schools is expected to increase through a combination of newly approved schools opening and grade evolution within existing charter schools; however increases may be offset with potential charter closings. New charter schools are not subject to Buffalo CSD approval.

The Buffalo CSD's general fund operations, for its 2020-21 fiscal year, were funded 7.7% from the City, 3.3% from the federal government, 80.5% from State aid, 5.9% from an allotment of County sales tax revenues and 2.6% from other sources of revenue. The Buffalo CSD received \$54.4 million in sales tax revenues for 2020-21, and is projected to receive \$51.6 million for 2021-22, as of December 31, 2021.

The total amount of State aid the Buffalo CSD received for all funds during the 2020-21 fiscal year was \$782.9 million and is projected to receive \$849.6 million for 2021-22, as of December 31, 2021.

Buffalo Municipal Water Finance Authority

The Buffalo Municipal Water Finance Authority (the "Water Authority") is a public benefit corporation created by the Buffalo Municipal Water Finance Authority Act, constituting Title 2-B of Article 5 of the Public Authorities Law of the State of New York. The Water Authority is administered by a Board of Directors consisting of seven members. Four members of the Board are ex-officio members; two are appointed by the

Mayor and subject to confirmation by the City Common Council and one is appointed by the Governor. Pursuant to a Financing Agreement, the Water Authority has entered into an agreement with the Buffalo Water Board (the “Water Board”) and the City to provide for the financing of the acquisition of and capital improvements to the Water System through the issuance of bonds or other obligations of the Water Authority. The Water Authority has the power to issue bonds to finance renovations and improvements to the water system, to require the Water Board to fix rates sufficient to pay the costs of operating and financing the water system, and to require the City to adequately maintain the water system. The total water system revenue bonds outstanding as of December 31, 2021 is \$111,315,000. The Water Authority has no taxing power. The City is not liable to repay any debt issued by the Water Authority.

Buffalo Water Board

The Water Board is a corporate municipal instrumentality of the State created by Chapter 368 of the New York Law of 1988. Pursuant to an Acquisition Agreement by and between the Water Board and the City, the Water Board acquired title to the water system from the City on December 29, 1992.

Pursuant to the operation agreement amendment dated August 22, 1997, the Water Board assumed the responsibility to manage, operate, maintain and repair the water system. The operation of the water system includes the engagement of independent contractors for the fulfillment of the Water Board’s duties and obligations with respect to the water system. On May 13, 2020, the Water Board approved a contract with Veolia Water North America-Northeast, LLC (“Veolia”) for the management of the water system. The agreement executed by Veolia has a term of ten years commencing July 1, 2020. The employees of the City of Buffalo, Division of Water continue to operate, maintain, repair and improve the water system as provided for in the aforementioned Management Agreement. The Water Board will continue to provide water services for governmental purposes at no charge to the City. (See “REVENUES – Municipally Generated Revenues – Annual Payment from the Water Board,” herein).

The Water Board is empowered to establish, fix, revise, charge, collect and enforce the payment of all fees, rates, rents and other service charges for the use of or services furnished to the water system. The Water Board has covenanted to establish and collect rates, fees and charges to provide sufficient funds in each fiscal year to at least equal (a) 115% of estimated debt service on outstanding Water Authority indebtedness, (b) 100% of the operating expenses of the water system, (c) 100% of Water Authority and Water Board expenses and (d) 100% of amounts necessary to pay other required deposits.

The Water Board may have seven members, but currently consists of four members. The Water Board members are appointed by the Mayor and subject to confirmation by the City Common Council.

Buffalo Urban Renewal Agency

The Buffalo Urban Renewal Agency (“BURA”) was established under the General Municipal Law of the State in 1966 and is composed of the Mayor and eight other members, including the President of the Common Council, the Chairman of the Urban Renewal Committee of the Council, the Minority Leader of the Council, the Corporation Counsel of the City, the Executive Director of the Mayor’s Office of Strategic Planning, the Commissioner of Administration and Finance of the City, and two residents of the City appointed by the Mayor. The terms of the members expire with the term of the Mayor.

The City’s Office of Strategic Planning is designated as the operating arm of BURA. Historically, BURA was designated by the Common Council as the vehicle through which federal grants for urban renewal to the City are channeled. Effective with 2012-13 fiscal year, federal funds were allocated directly to the City. The City has entered into a sub-recipient agreement with BURA to administer some of these activities.

Buffalo Sewer Authority

The Buffalo Sewer Authority (the “Sewer Authority”) is a public benefit corporation created in 1935 under the Public Authorities Law of New York State. The Sewer Authority is responsible for the collection, conveyance and treatment of wastewater generated within the City and several suburban communities in order to eliminate sewage pollution in the Niagara and Buffalo Rivers and Lake Erie. Currently the Sewer Authority operates and

maintains 845 miles of sewers in the City. The Sewer Authority also operates the Bird Island Sewage Treatment Plant, which is a 180-million gallon per day treatment facility providing primary and secondary treatment and disinfection.

The Board of the Sewer Authority consists of five members appointed by the Mayor for a term of three years. These appointments are subject to confirmation by the Common Council. The Buffalo Sewer Authority is a separate entity which has the power to raise its own revenues, incur debt, construct facilities, and to enforce its rules, regulations and permits. With the consent of the City, the Sewer Authority is authorized to utilize the employees and facilities of the City to carry out its duties and responsibilities. The Sewer Authority utilizes the services of the City's Law Department, the Department of Audit and Control, the Assessment Department, the Treasury Division and the Water Board. Sewer rent charges based on assessed valuation are mailed with the City tax bills and sewer rents based upon water usage are billed by the Water Board. For all these services, the Sewer Authority paid the City \$3.9 million in 2020-21. This charge includes \$0.5 million for the Water Board. Finally, the Corporation Counsel, Comptroller and the Treasurer serve in the same capacity for the Sewer Authority as they do for the City.

The 2021-22 budget for the Sewer Authority totals \$58.5 million. There was a \$1.2 million decrease over the prior year. The major revenues for the Sewer Authority are sewer charges based upon water consumption. The sewer levy, which is a sewer charge based on assessed valuation, was held constant.

The outstanding debt for the Sewer Authority was \$90.3 million at June 30, 2021. The bonds were issued by New York State Environmental Facilities Corporation (the "EFC"), in 2012, 2014, 2015 and 2021.

The Sewer Authority received approval of its Combined Sewer Overflow Long Term Control Plan in March of 2014 from the United States Environmental Protection Agency (EPA) and New York State Department of Environmental Conservation (DEC). This plan is a system-wide analysis that assesses and prioritizes improvements necessary to comply with the Clean Water Act.

Buffalo Municipal Housing Authority

Public housing projects in the City are owned and operated by the Buffalo Municipal Housing Authority ("BMHA"), an independent government agency created in 1934 under the New York State Public Housing Law. The BMHA is administered by a seven-member board; five members are appointed by the Mayor for a five-year term and two members are elected by the tenants. The BMHA makes payments in lieu of taxes to the City on behalf of the low rent housing projects.

Under the State program, the BMHA constructed four projects with 1,934 units between July 1953 and November 1959. Funds for construction were provided through the issuance of State housing bonds. The original State subsidy for construction of these projects was based upon construction costs.

In March 1961, the BMHA, the City and the State entered into a contract whereby the BMHA receives an annual subsidy from the State and the City. The City is responsible for the annual net operating losses after the State subsidy amount. Currently, two of the projects have been federalized, one is vacant. The City doesn't anticipate making any further subsidy payments on these projects.

The BMHA constructed 22 federally aided housing projects with a total of 5,223 units between 1937 and 1980. Funds for the construction of these projects were made available through the issuance of public housing bonds by the U.S. Department of Housing and Urban Renewal. These projects have been financially self-supporting and are financed through federal rent subsidies, federal operating subsidies and debt service subsidies. Also, the federal government provides funding for modernization of these projects. Presently, the BMHA maintains 4,295 units. This reduction in units is due in part to demolitions and conversion of units to enhance marketability. In addition, the BMHA administers approximately 1,200 housing choice vouchers under two Section 8 programs.

The BMHA also participates in the implementation of the HOPE VI Grant Program (Homeownership and Opportunity for People Everywhere). This grant enables the demolition of obsolete public housing projects or portions thereof, the revitalization (where appropriate) of sites (including remaining public housing units) on which sites are located, replacement housing which will avoid or lessen concentration of very low-income

families, and tenant based assistance in accordance with Section 8 of the United States Housing Act of 1937 for the purpose of providing replacement housing and assisting tenants to be displaced by demolition.

Other Entities

Erie County

The County, in which the City is located, historically has been responsible for the funding and administration of social service programs such as Medicaid, Family Assistance and Safety Net Assistance programs for City residents.

The County operates the former City library system and meets all operating costs of the system. The City is responsible for capital construction costs and all maintenance for any branches located in the City.

The Delaware Park Zoo is operated under a private management contract with the Buffalo Zoological Society (the “Zoological Society”). The Zoo’s financial controls include contractual provisions that the Common Council must approve all fees charged by the Zoological Society and all concession licenses and sub-licenses; all substantial repairs must be approved by the City’s Director of Buildings; the Zoological Society’s proposed budget must be submitted to the City and all salaries over \$20,000 per year must be approved by the Mayor.

The County Department of Central Police Services has responsibility for police recruit training including City police officers, for the police laboratory, for police computer services and for the intake of complaint calls at the 911 communications center.

The amount of County real property taxes that may be levied in any fiscal year, other than for debt service on County indebtedness, is constitutionally limited to 1.5% (subject to an increase up to 2.0% by resolution of the County Legislature) of the average full valuation of taxable real estate for the previous five years. A local law, however, effective January 1, 1979, limits the maximum amount of real property taxes that can be levied other than for debt service to 1.0% of such average full valuation of taxable real property.

Niagara Frontier Transportation Authority

The Niagara Frontier Transportation Authority (the “NFTA”) was created in 1967 as a Public Benefit Corporation in New York State. The NFTA is a multi-modal transportation authority responsible for air and surface transportation in Erie and Niagara Counties. Its Board consists of a chairman and 10 other voting commissioners appointed by the Governor with the confirmation of the State Senate and 1 non-voting commissioner representing the authority’s largest union. There is a financial or operating relationship with the City related to the Board of Education’s payments to cover the cost of transporting school children to and from Buffalo CSD schools and the NFTA acts as a pass through of Federal Transit Administration grant funds for projects related to the Buffalo Niagara Medical Campus and Cars Sharing Main Street.

The NFTA operates a unified Metro Bus and Rail system in the two-county area with three transportation centers, the Metropolitan Transportation Center in the city of Buffalo, the Niagara Falls Transportation Center and the Portage Road Transit Center. The Metro Bus system is run by a subsidiary of the NFTA, Niagara Frontier Transit Metro System, Inc. This subsidiary began operations on April 1, 1974. Metros’ fleet includes 330 buses, 62 small buses for fixed route and Paratransit service, five MetroLink Trolleys, and 27 rail cars. The 78 bus routes, traveling 11.7 million miles per year, and the 6.2 mile rail line provide transportation service across the 1,575 square mile service area in Erie and Niagara counties, serving an estimated 28 million passengers a year.

The NFTA also operates the Buffalo Niagara International Airport (BNIA) and the Niagara Falls International Airport (NFIA). The BNIA is a 25-gate facility, which includes a federal inspection service providing accommodations for both domestic and international flights. Major national air carriers, which include Delta, American, Jet Blue, Southwest and United, and their respective regional air carriers service the BNIA. The Niagara Falls International Airport serves as the reliever airport for the area, and presently has commercial, charter and general aviation operations at the airport and a military base and home station for units of both the United States Air Force Reserve and the New York State Air National Guard.

Erie Canal Harbor Development Corporation

The Erie Canal Harbor Development Corporation (ECHDC) is governed by a nine-member board consisting of seven voting directors and two non-voting, ex-officio directors. The seven voting directors are recommended by the New York State Governor and are appointed by the New York State Urban Development Corporation d/b/a Empire State Development as sole shareholder of ECHDC. The two non-voting, ex-officio director positions are held by the Erie County Executive and the City of Buffalo Mayor.

As a subsidiary of Empire State Development, the states chief economic development agency, the ECHDC supports and promotes the creation of infrastructure and public activities at Canalside, the Ohio Street corridor and the Outer Harbor that is attracting critical mass, private investment and enhance the enjoyment of the waterfront for residents and tourists in Western New York. Its vision is to revitalize Western New York's waterfront and restore economic growth to Buffalo based on the regions legacy of pride, urban significance and natural beauty.

THE BUFFALO FISCAL STABILITY AUTHORITY

In May 2003, the State declared a state of fiscal crisis with respect to the City and on July 3, 2003, the Governor signed into law Chapter 122 of the Laws of 2003 of the State, as amended from time to time (the "BFSA Act"), creating the BFSA. The BFSA is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation with a broad range of financial control and oversight powers over the City. Such oversight includes reviewing and commenting on the terms of any proposed borrowing by the City and certain non-exempted "Covered Organizations" (as defined in the BFSA Act and include, among others, the Buffalo CSD).

The BFSA is governed by a board of nine directors, seven of which are appointed by the Governor of the State. Of the seven directors appointed by the Governor, one must be a resident of the City, one is to be appointed following the recommendation of the State Comptroller, and one is to be appointed on the joint recommendation of the Temporary President of the Senate and the Speaker of the Assembly. The Mayor of the City and the County Executive serve as ex officio directors. The Governor designates the Chairperson and Vice Chair from among the directors. Five directors constitute a quorum.

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, when reported in accordance with generally accepted accounting principles, and; (b) the Comptroller and the State Comptroller jointly certify that securities were sold by the City during the immediately preceding City fiscal year in the general public market and that there is a substantial likelihood that such securities can be sold by the City in the general public market from such date through the end of the next succeeding City fiscal year in amounts that will satisfy substantially all of the capital and cash flow requirements of the City during that period in accordance with the four-year financial plan then in existence." On May 29, 2012, the BFSA made a determination that all provisions of the BFSA Act with respect to transitioning into an advisory period 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 re-imposed.

Under the BFSA Act, the BFSA began its existence during a City control period, which means that the BFSA commenced operation with its maximum authorized complement of financial control and oversight powers, as described below. Under an advisory period, the BFSA operates with a reduced set of financial oversight powers and responsibilities. After an advisory period has been established, a control period may be re-imposed on the City upon a determination that a fiscal crisis is imminent or that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (a) the City shall have failed to adopt a balanced

budget, financial plan or budget modification as required by Sections 3856 and 3857 of the BFSA Act; (b) the City shall have failed to pay the principal of or interest on any of its bonds or notes when due; (c) the City shall have incurred an operating deficit of one percent or more in the aggregate results of operations of any major fund of the City or a Covered Organization during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles, subject to the provisions of the BFSA Act; (d) the chief fiscal officer's certification at any time, at the request of the BFSA or on the chief fiscal officer's initiative, which certification shall be made from time to time as promptly as circumstances warrant and reported to the BFSA, that on the basis of facts existing at such time such officer could not make the certification described in subdivision one of Section 3851 of the BFSA Act; or (e) the City shall have violated any provision of the BFSA Act.

During an advisory period, the BFSA is empowered, among other things, (i) to 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 of the Covered Organization's; (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 and comment on the impact of any collective bargaining agreement to be entered into by the City; and (vi) to impose a control period upon making one of the statutory findings. See “– THE BUFFALO STABILITY AUTHORITY – *BFSA Review of Financial Plans and Budgets*” below for additional information.

While currently under an advisory period, a control period could be re-imposed in the event of the occurrence of certain events as described above. During a control period, the BFSA would be empowered, among other things, (i) to approve or disapprove contracts, including collective bargaining agreements to be entered into by the City or any Covered Organization, binding or purporting to bind the City or any Covered Organization; (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 Organization 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 any Covered Organization; (v) to impose a wage or hiring freeze, or both, with respect to employees of the City or any Covered Organization; (vi) to review the operation, management, efficiency and productivity of the City and any Covered Organization; and (vii) upon a determination that no condition exists which would permit imposition of a control period to terminate the control period.

BFSA Review of Financial Plans and Budgets

The BFSA entered into an advisory period effective July 1, 2012. The BFSA is empowered under an advisory period to review and comment on the budget and financial plans of the City and the Covered Organizations. If the BFSA determines that the financial plan is complete and complies with the standards set forth in the BFSA Act, the BFSA shall make a certification to the City setting forth revenue estimates agreed to by the BFSA in accordance with such determination. In the event the BFSA disagrees with elements of the financial plan as provided for within the BFSA Act, the BFSA shall provide notice thereof to the City, with copies to the Director of the Budget, the State Comptroller, the Chair of the Assembly Ways and Means Committee and the Chair of the Senate Finance Committee, if in the judgment of the BFSA, such financial plan: (i) is incomplete; (ii) fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation; (iii) fails to provide that the operations of the City and the Covered Organizations will be conducted within the cash resources available; or (iv) fails to comply with the provisions of the BFSA Act or other requirements of law. The BFSA Act requires that the Financial Plan be considered as a whole including the City and all Covered Organizations under the BFSA Act. See “– THE BUFFALO STABILITY AUTHORITY – *BFSA Oversight Actions*” below for additional information.

BFSA Debt Issuances

The BFSA has the power to issue bonds and notes for various City purposes, including the restructuring of a portion of the City's outstanding debt. Pursuant to the BFSA Act, such bonds or notes are payable from City tax revenues, Buffalo CSD tax revenues and State aid revenues. City tax revenues consist of the portion of the net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County, currently at the rate of 4.75%, that are payable to the City under the local sales tax agreement among the City, the County and the cities of Lackawanna and Tonawanda (the "Local Sales Tax Agreement") authorized by Section 1262(c) of the State Tax Law on the sale and use of tangible personal property and services in the County (the "Local Sales Tax") (see "REVENUES—Erie County Sales Tax"). The BFSA Act requires the County to impose the Local Sales Tax at a rate of no less than 3% through the period ending June 30, 2037. Under the Local Sales Tax Agreement, the City is presently entitled to receive a pro rata share, on the basis of population, of (i) an amount equal to 10.0087% of the net collections from such 3%, which is shared among the City, Lackawanna and Tonawanda, and (ii) an amount equal to 25.6858% of the net collections from such 3%, which amount is shared among the City, Lackawanna, Tonawanda and the towns within the County. In addition, pursuant to Section 1262-q of the State Tax Law, as amended, during the period beginning January 1, 2007 through and including November 30, 2023, 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% of sales and compensating use taxes authorized by Section 1210(i)(4) of the State Tax Law, which allocation must be made in the manner and proportion required by the Local Sales Tax Agreement, and therefore result in additional City sales tax revenues of approximately \$5.7 million. The Buffalo CSD tax revenues consist of the portion of the County's net collections from the Local Sales Tax that is payable to the Buffalo CSD by the County pursuant to Section 1262(a) of the State Tax Law. The Buffalo CSD presently receives a pro rata share, on the basis of average daily attendance of public school pupils who are residents of the County, of an amount equal to 29.0% of the net collections from such 3%, which amount is shared among all school districts with territory in the County. Beginning with the State fiscal year 2019-20, State Law Section 1261(c)(5-a) required the State Comptroller to withhold and pay the towns and villages in the County from the sales tax remaining, after paying the BFSA, amounts equal to the base level of grants that these municipalities had received from the State under the Aid and Incentive for Municipalities ("AIM") program in the State fiscal year 2018-2019 as "AIM-related payments". Such AIM-related payments are made from the local, not the State, sales tax portion. The amount redistributed as AIM-related payments during the BFSA's fiscal year ended June 30, 2021 was \$722,107, consisting of \$454,293 from City sales tax and \$267,814 from Buffalo CSD sales tax. In December 2021, a total of \$595,670 was redistributed consisting of \$383,735 and \$211,935 from City and Buffalo CSD sales tax, respectively. Such redistributions were made to effectuate the AIM-related payments. There was no fiscal implication as the City and the Buffalo CSD had no right to the sales tax required to be withheld and distributed as AIM-related payments pursuant to the State Tax Law Section 1261(c)(5-a). State aid revenues consist of all general purpose local government aid, emergency financial assistance to certain cities, emergency financial assistance to eligible municipalities, supplemental municipal aid, and any successor type of aid and any new aid appropriated by the State as local government assistance for the benefit of the City, which are paid or payable to the BFSA pursuant to the BFSA Act, except as otherwise prescribed by the State Legislature. BFSA bonds and notes are not secured by or payable from State aid and the BFSA has no lien on or right to receive State aid.

The BFSA has issued five series of bonds on behalf of the City and Buffalo CSD in a total aggregate principal amount of \$156.6 million. As of December 15, 2021, a total of \$4.4 million is outstanding. The original bonds (Series 2004A, 2005A, 2005B&C, 2006A and 2007A) were issued to finance or refinance capital projects for the City and Buffalo CSD. In relation to each of such five series, the City issued and sold to BFSA corresponding general obligation bonds which were purchased by BFSA with the proceeds of its own bonds. (See "CITY INDEBTEDNESS – Debt Limit" – footnote 2 to the STATEMENT OF DEBT CONTRACTING POWER and footnote 1 to the STATEMENT OF DIRECT AND OVERLAPPING INDEBTEDNESS.)

BFSA AMOUNTS BORROWED ON BEHALF OF THE CITY (000's Omitted)

<u>Calendar Year Issued</u>	<u>Amount Outstanding at April 1, 2022</u>	<u>Series</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2007	\$3,865	2007A	4.0 - 5.0%	2023
2015	\$615	2015A	3.0 – 5.0%	2025

Source: Buffalo Fiscal Stability Authority

BFSA Oversight Actions Related to the City's 2021-22 Fiscal Year

On April 30, 2021, the City submitted to BFSA the 2022-25 four-year financial plan that included the City of Buffalo and Covered Organizations, along with the proposed City 2021-22 budget, for review and determination whether the financial plans were complete and complied with the standards set forth in the BFSA Act §3857, subd. 2. On May 19, 2021, BFSA found the 2022-25 financial plan of the Buffalo CSD, the Buffalo Urban Renewal Agency and the Buffalo Municipal Housing Authority to be compliant with the BFSA Act. The BFSA found the City's financial plan to be incomplete and required the submission of certain supporting documentation and underlying assumptions to support the revenue projections. The City submitted a revised four-year financial plan on June 1, 2021, and on June 21, 2021 the BFSA found the revised financial plan to be compliant with the BFSA Act.

On June 21, 2021, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Buffalo Educational Support Team, representing approximately 565 budgeted teacher aides, 386 budgeted teaching assistants, and 7 budgeted healthcare aides. The BFSA required that a modified 2022-2025 financial plan be submitted as the cumulative estimated costs of the contract of approximately \$22.1 million were not reflected in the plan.

On August 12, 2021, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Buffalo Association of Substitute Administrators ("BASA"), representing approximately 20 budgeted positions for substitute administrators, and also reviewed a proposed labor agreement with the Transportation Aides of Buffalo, New York State Substitute Teachers ("TAB"), representing approximately 370 budgeted bus aides. The total General Fund cumulative four-year estimated costs of these contracts were \$886,000 and \$3.4 million for BASA and TAB, respectively. The BFSA previously required the submission of a modified financial plan at its June 21, 2021 meeting; the BFSA further required the modified plan reflect the impact of these agreements. The BFSA accepted the District Superintendent's request to submit a modified financial plan by November 30, 2021.

On September 27, 2021, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO, representing approximately 55 blue-collar employees with 67 positions having been budgeted. The total General Fund cumulative four-year estimated cost of this contract is \$2.6 million; a modification to the Financial Plan was required. On October 15, 2021, the BFSA reviewed a Memorandum of Understanding between the District and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO, representing approximately 388 active food service workers. The four-year Food Service Fund cumulative estimated cost of the contract is \$3.0 million. A modification to the Financial Plan was required as necessary. The BFSA did not review a labor contract between the Buffalo CSD and the Substitutes United of Buffalo, representing the substitute teachers, as the Buffalo Board of Education ratified the agreement prior to the BFSA having an opportunity to receive and consider BFSA's comments. On December 15, 2021, the BFSA reviewed a 2022-2025 modified financial plan as submitted by the District and found such modified financial plan to be compliant with the BFSA Act. Also on December 15, 2021, the 2022 proposed capital budget and related five-year capital plan of the City was reviewed and commented on by the BFSA. On February 16, 2022, the BFSA reviewed a proposed labor agreement between the Buffalo Urban Renewal Agency and the Civil Service Employees Association, Local 1000, AFSCME, AFL-CIO, Local 815, representing approximately 27 employees with certain terms extended to 8 exempt employees; no financial plan modification was required. Also on February 16, 2022, the BFSA reviewed a modified City of Buffalo 2022-2025 financial plan and found the modified

financial plan to be compliant with the BFSa Act. BFSa reviewed and commented on terms of the proposed 2022 capital borrowing on February 16, 2022.

In accordance with the BFSa Act, for so long as an advisory period shall remain in effect, the City and the non-exempted Covered Organizations are required to submit their budget modifications to the BFSa to address changing expenditures and revenue projections.

BFSa Oversight Actions Related to the City's 2020-21 Fiscal Year

On May 1, 2020, the City submitted to BFSa the respective 2020-21 budgets and 2021-24 four-year financial plans of the City and Covered Organizations for review and determination whether the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 20, 2020, BFSa found the 2021-24 financial plan to be incomplete noting, and accepting, the Mayor's commitment for the submission of a revised financial plan. An alternative spending model was submitted by the Mayor on May 22, 2020. On June 17, 2020, the BFSa found the revised financial plan dated May 22, 2020 and budget adopted on June 4, 2020 to be incomplete and recommended a revised financial plan be submitted. No revised financial plan was submitted. On June 24, 2020, the BFSa reviewed a deficiency note transaction as proposed by the City of Buffalo. Also on June 24, 2020, the BFSa required the City to submit a final budget and financial plan to reflect the final adopted budget as well as modifications required to reflect the deficit note. The City submitted a final budget and financial plan on June 30, 2020, which was reviewed by BFSa on July 20, 2020. BFSa staff presented findings from the review of this item to the Board of Directors, which included the identification of various uncertain revenue estimates including federal stimulus, New York State aid and Tribal State Compact (i.e., casino) revenue, among other revenue and expenditure projections. A proposed resolution which would have determined that the financial plan did not comply with standards of the BFSa Act failed because BFSa had three board vacancies, one board member was unavailable to attend, and the Mayor abstained from the vote. The BFSa Board of Directors subsequently approved a resolution authorizing copies of 1) the draft resolution on the financial plan, which had failed to be adopted, along with a notation for the reason it had failed, 2) the City's adopted budget and financial plan, 3) the Mayor's letter of June 30, 2020 and 4) the BFSa's staff report, be transmitted to the Mayor, the State Director of the Budget, the State Comptroller, the Chair of the Assembly Ways and Means Committee, and the Chair of the Senate Finance Committee. Such transmission occurred July 21, 2020.

On August 3, 2020, the BFSa reviewed and commented on the Buffalo Municipal Housing Authority's proposed capital fund housing revenue bonds, Series 2020. On December 17, 2020, the 2021 proposed capital budget and related five-year capital plan of the City was reviewed and commented on by the BFSa. On March 25, 2021, the BFSa reviewed a financial plan modification submitted by the Buffalo Urban Renewal Agency for an additional \$11.7 million of planned spending of additional monies provided through the CARES Act and found such modification to be compliant with the BFSa Act. On March 29, 2021, the City submitted the proposed terms of the General Improvement Serial Bonds – 2021B to BFSa. On April 12, 2021, the BFSa reviewed and commented on the 2021B Bonds.

BFSa Oversight Actions Related to the City's 2019-20 Fiscal Year

On May 1, 2019, the City submitted to BFSa the respective 2019-20 budgets and 2020-23 four-year financial plans of the City and Covered Organizations for review and determination whether the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 20, 2019, BFSa found the 2020-23 financial plan to be incomplete and required the Buffalo Urban Renewal Agency submit a revised financial plan. A revised financial for the City was submitted on June 10, 2019 and a revised financial plan for the Buffalo Urban Renewal Agency was submitted on June 13, 2019; subsequently on June 17, 2019, the BFSa found the four-year financial plan to be complete and compliant with the BFSa Act.

On May 20, 2019, the BFSa reviewed a proposed labor agreement between the Buffalo Municipal Housing Authority and the International Union of Operating Engineers, Local 17-17S, AFL-CIO, representing approximately 6 operating engineers; a financial plan modification for the 2020-23 financial plan was not required. On July 29, 2019, the BFSa reviewed a proposed labor agreement between the Buffalo CSD and the

Professional, Clerical, and Technical Employees' Association, representing approximately 452 white-collar employees; a financial plan modification was not required. On September 23, 2019, the BFSA reviewed a proposed labor agreement between the City and the American Federation of State, County and Municipal Employees, AFL-CIO, Local 650, representing approximately 440 white-collar employees employed by the City. A draft modified financial plan was submitted to BFSA noting a final financial plan would be subsequently submitted. A final modified financial plan was not submitted. A tentative labor agreement was reviewed on October 29, 2019, between the Buffalo CSD and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO Cook Managers, representing approximately 23 cook managers; a modified financial plan was not required. On December 12, 2019, the 2020 proposed capital budget and related five-year capital plan of the City was reviewed and commented on by BFSA. On February 25, 2020, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Substitutes United/Buffalo-NYSUT union, representing approximately 619 substitute teachers; a modified financial plan was not required. On March 23, 2020, the BFSA reviewed and commented on the Buffalo Municipal Housing Authority's proposed capital fund housing revenue bonds, Series 2020. On April 14, 2020, the BFSA reviewed and commented on the City's proposed 2020 bond anticipation note sale. On June 24, 2020, the BFSA reviewed a deficit note transaction as proposed by the City.

BFSA Oversight Actions Related to the City's 2018-19 Fiscal Year

On May 1, 2018, the City submitted to BFSA the respective 2018-19 budgets and 2019-22 four-year financial plans of the City and Covered Organizations for review and determination that the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 16, 2018, BFSA found the preliminary 2019-22 financial plan to be incomplete and required the Buffalo Urban Renewal Agency submit a revised financial plan. A revised financial plan for both the Buffalo Urban Renewal Agency and the City was submitted on June 8, 2018 and subsequently on June 18, 2018 the BFSA found the four-year financial plan to be complete and compliant with the BFSA Act.

On September 10, 2018, the BFSA reviewed a proposed labor agreement between the Buffalo Municipal Housing Authority and the American Federation of State, County and Municipal Employees, Local 264, representing approximately 6 managerial employees, 58 white-collar employees and 74 blue-collar employees. The BMHA submitted a modified financial plan which increased both projected cumulative four-year revenues by \$1.9 million and projected expenditures by \$1.8 million, in order to address incremental labor costs. Also, on September 10, 2018, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Transportation Aides of Buffalo, representing bus aides; no financial plan modification was required. On November 28, 2018, the BFSA reviewed a proposed labor agreement between the City and the Buffalo Professional Firefighters Association, Inc., Local 282, I.A.F.F., AFL-CIO, representing approximately 656 uniformed fire positions; no financial plan modification was required. On December 18, 2018, the proposed 2019 capital budget and related five-year capital plan of the City was reviewed and commented on by BFSA. On March 13, 2019, the BFSA reviewed and commented on the final 2019 capital budget and related five-year capital plan of the City. On April 2, 2019, the BFSA reviewed and commented on the City's proposed 2019 bond anticipation note and related bond program. On May 20, 2019, the BFSA reviewed a proposed labor agreement between the Buffalo Municipal Housing Authority and the International Union of Operating Engineers, Local 17-17S, AFL-CIO, representing approximately 6 operating engineers. The estimated cost impact for 2018-19 did not require a financial plan modification.

CITY INDEBTEDNESS

At April 1, 2022 the City has outstanding gross indebtedness of \$140.6 million. Real property within the City is subject to assessment and taxation for City debt, as well as debt of the Sewer Authority and a proportionate share of County debt. The City expects to issue its General Improvement Serial Bonds – 2022 in an approximate aggregate principal amount of \$25,000,000 on or about April 29, 2022.

Certain Features of Debt Authorization

In general, the State Legislature has empowered the City to borrow and incur capital indebtedness by the enactment of the Local Finance Law, subject to certain constitutional provisions and to limitations imposed on the City by the BFSFA Act. The City is prohibited from giving or loaning any money or property to or in aid of any individual or private corporation or private undertaking or giving or loaning its credit to or in aid of any of the foregoing or any public corporation. The City may contract indebtedness only for City purposes. The City generally authorizes construction and financing of facilities which are of service to its citizens on a City-wide basis. The City finances and maintains refuse services, streets and schools, City-owned buildings and several parks and playgrounds, all of which necessitate a regular capital improvement program. Capital projects are normally planned and proposed to the Common Council by the City Administration. Certain capital projects are subject to regulation and approval of applicable commissions and agencies. In addition, the City is authorized to issue bonds to pay judgments and claims.

Each bond resolution requires approval by the Mayor within ten days after its passage or, if disapproved by the Mayor, must be passed again by three-fourths vote of the Common Council. Generally, each adopted bond resolution is thereafter subject to petition for repeal during the thirty-day period following its adoption. Each petition must be signed by electors of the City who were registered at the last preceding general election equal in number to at least 10% of registered voters in the City for such election. If a petition for repeal is filed, and such bond resolution is not repealed by the Council, it must be submitted to referendum for approval or disapproval by the electorate. Assuming no petition is presented and no referendum is required on the resolution, such resolution takes effect upon expiration of the thirty-day period.

The Local Finance Law also provides a twenty-day statute of limitations after publication of an adopted bond resolution together with a statutory form of notice which, in effect, stops legal challenges to the validity of obligations authorized by such bond resolution, except for alleged constitutional violations. The City followed this procedure for all of the bond resolution adopted to authorize issuance of the Bonds.

The City is authorized by the State Constitution to contract debt for objects or purposes which the State Legislature has determined to have a “period of probable usefulness” and the maximum maturity of such debt may not exceed the period of probable usefulness of the object or purpose as determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which it is contracted. Serial bonds mature in annual installments and may be issued to finance any object or purpose for which a “period of probable usefulness” has been determined by the State Legislature. With the exception of serial bonds issued under certain housing and urban renewal programs, no annual installment of a serial bond may be more than 50% in excess of the smallest prior installment unless the Common Council provides for substantially level or declining debt service in the manner prescribed by the State Legislature. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose determined by statute.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (constitutional, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

A condition precedent to the incurrence of capital indebtedness to be financed by borrowing is the adoption of a bond resolution in conformity with the provisions of the Local Finance Law, which law requires that the City estimate the maximum cost of, and amount to be expended for, the particular object or purpose to be financed. Except for financings prior to July 15, 2021, Section 107.00 (d)(9) of the Local Finance Law requires that the City provide a percentage of the cost to be financed from current funds, either budgeted or received from proceeds of capital note issues. In addition, there is no requirement for a current fund down payment with respect to projects having a useful life not in excess of five years, capital improvements estimated to be self-sustaining, improvements to docks, wharves, and piers, and certain other types of improvements.

In general, the Local Finance Law contains similar provisions providing the City with power to issue general obligation revenue and tax anticipation notes, budget and capital notes. The Common Council has delegated its power with respect to the issuance and sale of bonds and notes to the Comptroller, the chief fiscal officer of the City under its Charter.

All indebtedness contracted by the City pursuant to the Local Finance Law constitutes a general obligation of the City. As required by the State Constitution and applicable law, the City pledges its faith and credit for the payment of the principal of and interest on all City indebtedness.

Debt Limit

The State Constitution limits the amount of indebtedness, both funded and short-term, which the City may incur. In accordance with the BFSAs Act, debt issued by the BFSAs is not subject to the City's debt limit. The State Constitution provides that the City may not contract indebtedness in an amount greater than 9% of the average full value of taxable real property in the City for the most recent five years. Certain indebtedness is excluded in ascertaining the City's authority to contract indebtedness within the constitutional limits; accordingly, debt of this kind, commonly referred to as "excluded debt", may be issued without regard to the constitutional limits and without affecting the City's authority to issue debt subject to the limit. Such exclusions are authorized by the Constitution and include the following:

- (i) tax anticipation notes, revenue anticipation notes and budget notes, to the extent such obligations are retired within five years of their original issuance;
- (ii) indebtedness (commonly referred to as "self-sustaining debt") contracted for public improvements or services which provide sufficient annual revenue after paying annual operating expenses of the improvement or service, to pay at least 25% of the annual interest and principal installments due on such indebtedness (the indebtedness is excluded after approval by the State Comptroller in a proportion equal to the proportion of annual debt service covered by net revenues of the improvement or service for which it was contracted, and under State law, the revenues from such improvement or service, for the period of the exclusions, must be used solely for debt service on the excluded indebtedness, operating and other costs of the improvement or service, or deposited in a special account to be used for such purposes); and
- (iii) indebtedness contracted for supply of water.

The City received from the State Comptroller a renewal certificate stating that the City, in computing its debt contracting power pursuant to Article 8 of the Constitution of the State and Section 123.00 of the Local Finance Law, may exclude 100% of the principal amount of outstanding bonds heretofore issued for the construction of public parking facilities in the City which are operational, it having been shown during the fiscal year ended June 30, 2020 that the net revenues of the facilities are sufficient to pay 100% of the debt service on the respective issues of outstanding bonds. This certificate expires on October 1, 2022. The City expects to renew the exclusion prior to the expiration date. Authorized but unissued debt is not charged against the debt limit.

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The following table shows the debt-incurring power of the City within the debt limit as of April 1, 2021.

CITY OF BUFFALO
STATEMENT OF DEBT CONTRACTING POWER
APRIL 1, 2022^{(1) (2) (3)}

	<u>Amount</u>	<u>Percent</u>
Average Full Valuation of Taxable Real Property and Special Franchises as Determined by the Last Completed Assessment Roll and the Four Preceding Rolls	\$ 12,725,050,309	
Debt Contracting Limitation: Nine Percent of Average Full Valuation - Article VIII, Section 4, of the Constitution of the State of New York	\$ 1,145,254,528	100.00%
Gross Indebtedness:		
Borrowings:		
Serial Bonds	\$ 140,566,586	
Total Gross Debt	<u>140,566,586</u>	
Exclusions:		
Exempt Debt:		
Parking Facilities Bonds	5,107,086	
Reserve to Pay Non-Exempt Debt	819,782	
Appropriation in Current Budget to Pay Non-Exempt Debt Maturing during Remainder of FY	<u>-</u>	
Total Exclusions	<u>\$ 5,926,868</u>	
Net Indebtedness	<u>134,639,718</u>	11.8%
Debt-Contracting Margin	<u>1,010,614,810</u>	88.2%
Less Authorized But Unissued Non-Exempt Debt ⁽⁴⁾	<u>15,353,882</u>	1.3%
Effective Borrowing Capacity	<u>\$ 995,260,928</u>	86.9%

Source: City of Buffalo, Department of Audit and Control, Division of Cash and Debt Management

⁽¹⁾Computation of debt-contracting limitation, see Table of Constitutional Tax Levying and Debts Contracting Limitation under "Property Taxes," herein

⁽²⁾Included within debt amount are bonds of the City in the amount of \$2,811,586 sold to the BFSA

⁽³⁾Municipal Bond Bank Agency debt not included within this schedule

⁽⁴⁾Bond resolutions authorized for which debt has not been issued

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Debt Statement

The following table, showing all outstanding direct general obligation indebtedness to which the City has pledged its faith and credit for payment of principal and interest, indicates the net amount of debt which is actually serviced from general City revenues, and includes that portion of the debt of the Municipal Bond Bank Agency, of the County and the Sewer Authority for which the real property taxpayers of the City are responsible. No authorized but unissued debt has been included.

CITY OF BUFFALO STATEMENT OF DIRECT AND OVERLAPPING INDEBTEDNESS APRIL 1, 2022

DIRECT DEBT

Bonded Debt:

General Purpose ⁽¹⁾	\$	123,964,500	
School		11,495,000	
Off-Street Parking Facilities ⁽²⁾		5,107,086	
Total Bonded Debt	\$		140,566,586

Other Debt:

Municipal Bond Bank Agency ⁽³⁾		8,895,000	
Capital Lease Obligations		-	
Total Other Debt:			8,895,000

GROSS DIRECT DEBT

149,461,586

Deductions:

Self-Supporting debt			
Off-Street Parking Facilities		5,107,086	
Total Deductions			5,107,086

NET DIRECT DEBT

\$ 144,354,500

OVERLAPPING DEBT

	Outstanding		City Share %		City Share
Erie County	318,295,000	(4)	19.1%	(5)	60,794,345
Buffalo Sewer Authority	90,300,000		65.6%	(6)	59,236,800

NET OVERLAPPING DEBT

\$ 120,031,145

NET DIRECT AND OVERLAPPING DEBT

\$ 264,385,645

Source: City of Buffalo, Department of Audit and Control, Division of Cash and Debt Management.

⁽¹⁾Included within debt amount are bonds of the City sold to BFSA (total for each bonded debt, General Purpose - \$4,931,171)

⁽²⁾Pursuant to lease agreements between the City and various non-profit private parking operators, the City receives rentals from leased parking facilities in an annual amount sufficient to defray a significant amount of the principal and interest requirements on the City parking bonds which financed such facilities. The costs of operation, maintenance and repairs of such facilities are borne by the private operators. During the 2019-20 fiscal year, net revenues received by the City from rental payments were \$4,077,580 or over 100% of the \$1,647,171 for 2020-21 debt service budgeted to be paid on the City parking bonds that were eligible for debt exclusion. Only those bonds that have financed parking facilities which are operational and either partially or fully self-sustaining are eligible for exclusion.

⁽³⁾On or before April 1, under the State Aid Trust Agreement amongst the Buffalo CSD and Manufacturers Traders & Trust Co., as Depository Bank, a wire transfer of State Aid intercepted funds is submitted to MBBA.

⁽⁴⁾Debt figure as of June 30, 2021. Excludes County general obligations sold for sewer districts in the County payable from assessments on property outside the City. Such debt is paid from annual benefit assessments in each district by various fees and charges.

⁽⁵⁾Ratio of City to total County full valuation for 2022, as equalized by the County of Erie.

⁽⁶⁾Within the City, approximately 20.7% of the operating fund revenue of the Sewer Authority is derived from a sewer rent on the assessed value of real property, and 44.9% of the revenue is received from a sewer rent based on water usage, which total 65.6%.

Debt Ratios

The following table sets forth certain debt ratios based upon the City's Statement of Direct and Overlapping Indebtedness as of April 1, 2022.

	<u>Amount</u>	<u>Per Capita</u>	<u>Ratio to Assessed Value of Taxable Property</u>	<u>Ratio to Estimated Full Value of Taxable Property</u>
Gross Direct Debt	\$ 149,461,586	\$ 537	1.27%	0.99%
Net Direct Debt	144,354,500	519	1.23%	0.95%
Net Direct & Overlapping Debt	264,385,645	950	2.25%	1.74%

Source: City of Buffalo, Department of Audit and Control, Division of Cash and Debt Management

⁽¹⁾The population of the City determined by estimates made by the U.S. Bureau of the Census for 2020 is 278,349

⁽²⁾The taxable assessed valuation of the City for the 2021-22 fiscal year is \$11,728,446,507

⁽³⁾The full valuation of the City for the 2021-22 fiscal year based on the Special Equalization Ratio of .7732 established by the State Board of Equalization and Assessment is \$15,168,709,916

Debt Service Requirements

The following table shows the debt service requirements to maturity on the City's outstanding general obligation bonded indebtedness as of April 1, 2022.

ANNUAL DEBT SERVICE REQUIREMENTS Maturing During Fiscal Year Ending June 30:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 197,581	\$ 197,581
2023	32,803,965	6,450,683	39,254,648
2024	23,395,163	5,016,027	28,411,190
2025	19,197,458	3,996,436	23,193,894
2026	15,855,000	3,062,875	18,917,875
2027	11,010,000	2,268,125	13,278,125
2028	11,170,000	1,724,250	12,894,250
2029	8,820,000	1,190,950	10,010,950
2030	6,480,000	811,700	7,291,700
2031	6,765,000	524,200	7,289,200
2032	5,070,000	253,500	5,323,500
	<u>\$ 140,566,586</u>	<u>\$ 25,496,327</u>	<u>\$ 166,062,913</u>

Source: City of Buffalo, Department of Audit and Control, Division of Cash and Debt Management

Rate of Principal Retirement

The following table presents the amount and percentage of principal of general obligation long-term debt excluding the new issue to be retired over the following respective periods.

Fiscal Years	Amount	Percentage of Total
<u>Ending June 30:</u>	<u>Amount</u>	<u>Principal Amount Retired</u>
2022-2026	\$ 91,251,586	64.9%
2027-2031	44,245,000	31.5%
2032	5,070,000	3.6%
	<u>\$ 140,566,586</u>	<u>100.0%</u>

Source: City of Buffalo, Department of Audit and Control, Division of Cash and Debt Management

CITY OF BUFFALO, NEW YORK TREND OF INDEBTEDNESS LAST TEN FISCAL YEARS

<u>Ended</u>	<u>Gross</u>
<u>June 30:</u>	<u>Bonded Debt ⁽¹⁾</u>
2012	\$ 328,629,413
2013	288,134,741
2014	275,738,853
2015	266,986,629
2016	249,119,048
2017	237,798,085
2018	225,535,726
2019	213,588,818
2020	214,567,661
2021	173,726,171

Source: City of Buffalo, Department of Audit and Control, Division of Cash and Debt Management

⁽¹⁾Includes Buffalo CSD and Enterprise Debt

Short-Term Indebtedness

Imbalances in the City's cash flow throughout the year may necessitate the issuance of short-term indebtedness for operating needs. In accordance with the BFSa Act, debt issued by the City is subject to the review of the BFSa. (See "THE BUFFALO FISCAL STABILITY AUTHORITY" herein.) The following information describes the characteristics of each major type of short-term debt obligation that the City is authorized to issue.

Revenue Anticipation Notes

Revenue anticipation notes may be issued in any fiscal year in anticipation of the collection of estimated taxes (other than real property taxes), monies estimated to be received from the State and federal governments and certain other types of income which are due and payable in such fiscal year. Generally, such notes must mature within one year after the date of issuance and may be renewed from time to time for periods of up to one year in an amount not exceeding such uncollected revenue; however, the maturity of such notes, including renewals, may not extend beyond the end of the second fiscal year following the fiscal year in which such notes were originally issued. Interest on revenue anticipation notes is provided for by appropriation in the City budget. If such notes, including renewals, have not been redeemed by their final maturity, monies for the redemption thereof may be provided for either by the revenues in anticipation of which the original notes were issued, or by

appropriations in the City budget and from the proceeds of obligations issued in anticipation of revenue receipts budgeted to finance such appropriations. The City has not issued revenue anticipation notes since 2007.

Tax Anticipation Notes

Generally, tax anticipation notes may be issued by the City during a fiscal year in anticipation of the collection of real property taxes levied for such fiscal year. The notes must mature within one year from the date of their issuance. If the taxes against which such notes are issued remain uncollected, such notes may be renewed from time to time for periods of up to one year in an amount not exceeding the amount of such uncollected taxes. Such notes, including renewals, must be redeemed not later than five years from the date of original issuance. Payment of interest on such notes is provided by appropriation in the City budget. If such notes, including renewals, have not been redeemed from real property taxes within five years from the date on which the original notes were issued, monies for the redemption thereof must be provided by appropriation in the City budget. The proceeds of such notes may be used for any purpose for which the tax receipts against which such notes were issued could be used. The City has not issued tax anticipation notes since 1982.

Bond Anticipation Notes

Bond anticipation notes may be issued for any purpose for which bonds may be issued. Such notes must be redeemed either from the proceeds of the bonds in anticipation of which they were issued or from City appropriations. The proceeds of such notes may be used only for the same object or purpose for which the proceeds of the bonds in anticipation of which such notes have been issued may be used. Such notes may be renewed from time to time provided, however, that a portion thereof must be redeemed no later than two years after the date on which the original notes were issued and the final maturity thereof may not exceed five years from the original date of issuance of such notes. In no event, however, may such notes be renewed after receipt by the City of proceeds from the sale of the bonds in anticipation of which the notes were issued. Payment of interest on such notes is provided by appropriation in the City budget. The City last issued bond anticipation notes in the amount of \$34.8 million on April 16, 2020. They were redeemed on April 28, 2021 from the proceeds of the General Obligation Bonds.

Budget Notes

Budget notes generally may be issued for the purpose of covering expenditures for which an insufficient provision or no provision has been made in the City budget. In general, the maximum principal amount of budget notes which may be issued in any fiscal year may not exceed approximately 5% of the City budget; however, budget notes may also be issued in unlimited amounts for certain specified purposes. Budget notes must mature not later than the close of the fiscal year following the year in which they are issued and must be redeemed from taxes levied for the fiscal year of maturity or from other available revenues. However, if the budget notes are authorized subsequent to the adoption of the budget, such notes may mature at the end of the second year succeeding the year in which issued. Both principal and interest are provided by appropriation in the City budget in the year in which they mature. The City has not issued budget notes since 1992.

Deficiency Notes

The City may issue deficiency notes during any fiscal year to finance a deficiency in any fund or funds arising from revenues being less than the amount estimated in the budget for such current fiscal year. On June 30, 2020 the City issued \$25.0 million in deficiency notes which are redeemable at maturity on December 31, 2021. The notes were issued to cover the deficiency produced by the withholding of State Aid and the COVID-19 pandemic. The deficiency note was paid in full at June 30, 2021.

Urban Renewal Notes

The City may issue urban renewal notes in anticipation of the receipt of monies for an urban renewal projects under certain State and federal programs and from the sale of property acquired in connection with such projects. The City has not sold urban renewal notes since 1967 and does not currently anticipate the issuance of such debt. (See "CITY-RELATED ENTITIES – Buffalo Urban Renewal Agency" herein.)

Capital Notes

Capital notes may be issued to finance all or part of the costs of any object or purpose for which serial bonds may be issued. The City has not sold capital notes since 1970 and does not currently anticipate the issuance of such debt.

Prospective Long-Term Indebtedness of the City

As of April 1, 2022, the City had authorized but unissued general obligation debt in the amount of \$15.4 million. The 2022 Capital Improvement Budget, as submitted by the Mayor on November 1, 2021, which totaled \$28.2 million, was adopted on December 14, 2021.

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PROPERTY TAXES

The City derives its power to levy an ad valorem real property tax from Article 8, Section 10 of the State Constitution. The City is responsible for levying taxes for City and Buffalo CSD purposes. The City's property tax levying powers, other than for debt service and certain other purposes, are limited by the State Constitution to 2% of the most recent five-year average full valuation of taxable real property of the City. (See "REVENUES – Municipally Generated Revenues - Real Property Tax" herein.) On June 24, 2011, the Tax Levy Limitation Law (defined below) was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the City, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the City. (See "Tax Levy Limitation Law," herein.)

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and the Buffalo CSD). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

Prior to the enactment of the Tax Levy Limitation Law, all the taxable real property within the City had been subject to the levy of ad valorem taxes to pay the bonds and notes of the City and interest thereon without limitation as to rate or amount. However, the Tax Levy Limitation Law currently imposes a tax levy limitation upon the City for any fiscal year commencing after January 1, 2012, without providing an exclusion for debt service on obligations issued by the City. As a result, the power of the City to cause the levy of real estate taxes on all the taxable real property within the City for City purposes, including the payment of the principal of and interest on the Bonds, is subject to the statutory limitations imposed by the Tax Levy Limitation Law. Such statutory limitations do not apply to the City's power to increase its annual tax levy for Buffalo CSD purposes.

The following is a brief summary of certain relevant provisions of Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implications thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy of the City, subject to certain exceptions. The Tax Levy Limitation Law permits the City to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The City is required to calculate its tax levy limit for the upcoming year in accordance with the provisions above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the City, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by City. The Common Council of the City can adopt a resolution, approved by a vote of sixty percent of the total voting power of the Common Council, to override the tax levy limit for a given year.

There can be no assurances that the Tax Levy Limitation Law will not come under legal challenge for violating applicable law (i) for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limitation Law, (ii) by effectively eliminating the exception for debt service to general real estate

tax limitations, and (iii) by limiting the pledge of its faith and credit by a City for the payment of debt service on obligations issued by such City because the Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the City or such indebtedness incurred after the effective date of the Tax Levy Limitation Law.

It is possible that the Tax Levy Limitation Law will be subject to judicial review to resolve the constitutional issues raised by its adoption. Although courts in New York have historically been protective of the rights of holders of general obligation debt of political subdivisions, the outcome of any such legal challenge cannot be predicted.

**COMPUTATION OF REAL ESTATE TAX LEVYING LIMITATION⁽¹⁾
for the 2021-22 Fiscal Year**

Two Per Centum of Five-Year Average Full Valuation		\$	254,501,006
EXCLUSIONS ADDED THERETO			
Gross Debt Service	\$		38,947,678
Resources Applied to Debt			(4,724,850)
Interfund Transfers			-
Net Capital Debt Service ⁽²⁾			34,222,828
Appropriation for capital project account reserve			600,000
Appropriation for objects or purposes for which a period of probable usefulness is provided by Section 11.00 of Local Finance Law			8,331,001
Total Exclusions		\$	<u>43,153,829</u>
MAXIMUM TAXING POWER			297,654,835
REAL ESTATE TAX LEVY			<u>147,865,000</u>
TAX LEVYING MARGIN		\$	<u>149,789,835</u>

Source: City of Buffalo Administration, Finance, Policy and Urban Affairs, Division of Budget

⁽¹⁾City of Buffalo Adopted 2021-22 Budget

⁽²⁾Excludes Enterprise Fund – Water

The State Board of Equalization and Assessment annually establishes State Equalization Ratios for the City and all localities in the State which are determined by statistical sampling of market sales/assessment studies. The equalization ratios are used in calculation and distribution of certain State aid and are used by many localities in the calculation of debt contracting and real property taxing limitations. The debt contracting and real property taxing limitations are based on a percentage amount of average full valuation. The City determines the assessed valuation for taxable real properties. The State Board of Equalization determines the assessed valuation of special franchises and the taxable ceiling of railroad property. Special franchises include assessments on certain specialized equipment of utilities under, above, upon or through public streets or public places. Assessments are made on certain properties which are taxable for school purposes, but which the City exempts for general municipal purposes.

The following table indicates the recent five-year trend of assessed valuations, the State special equalization ratios assigned to the City by the State, and full valuations.

**COMPUTATION OF CONSTITUTIONAL TAX LEVYING AND
DEBT CONTRACTING LIMITATION
for the 2021-22 Fiscal Year**

Fiscal Year Ended June 30:	Assessed Valuation⁽¹⁾	State Special Equalization Ratio⁽²⁾	Full Valuation⁽³⁾
2018	\$ 6,676,563,860	0.6635	\$ 10,062,643,346
2019	6,668,535,362	0.6256	10,659,423,533
2020	6,661,426,846	0.499	13,349,552,798
2021	11,818,651,877	0.8216	14,384,921,954
2022	11,728,446,507	0.7732	15,168,709,916
Total Five-Year Full Valuation			\$ 63,625,251,546
Five-Year Average Full Valuation			\$ 12,725,050,309
Tax Levying Limitation: 2% of Average Full Valuation			\$ 254,501,006
Debt Contracting Limitation: 9% of Average Full Valuation			\$ 1,145,254,528

Source: City of Buffalo Administration, Finance Policy and Urban Affairs, Division of Budget

⁽¹⁾Includes: (a) property of veterans exempt for general City purposes but taxable for school purposes pursuant to Section 458 of Real Property Tax Law; (b) property owners 65 years of age or over with children attending public schools exempt for general City purposes but taxable for school purposes pursuant to Section 467 of the Real Property Tax Law; and (c) Special Franchises

⁽²⁾Special Equalization Ratios established by State Board of Equalization and Assessment in January 2020

⁽³⁾Determined by dividing Assessed Valuation by State Special Equalization Ratio

Preparation of the City assessment roll is the statutory responsibility of the City under the Real Property Tax Law of the State. The Assessment Department of the City undertakes regular inspections of properties to ensure that new construction or improvements or demolitions are reflected in the annual roll of taxable properties

The following table indicates the composition of total valuation of all properties in the City for the last five fiscal years and depicts the trend of taxable valuations by major category, tax-exempt properties by major category, and special franchises. The categories of property owned by veterans and senior citizens are partially exempt for real property tax purposes.

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COMPOSITION OF REAL PROPERTY
for the Fiscal Year Ended June 30

	2018	2019	2020	2021	2022
TOTAL ASSESSED REAL ESTATE	\$ 10,139,283,535	\$ 10,305,752,786	\$ 10,396,397,904	\$ 16,592,594,138	\$ 16,504,433,351
Special Franchise Assessment ⁽¹⁾	<u>346,541,805</u>	<u>329,173,554</u>	<u>310,855,096</u>	<u>466,911,076</u>	<u>490,364,209</u>
TOTAL ASSESSED VALUATION	10,485,825,340	10,634,926,340	10,707,253,000	17,059,505,214	16,994,797,560
Non-Taxable Real Estate	(3,824,599,267)	(3,957,238,119)	(4,047,105,680)	(5,307,042,781)	(5,368,251,515)
Railroad Exemption	<u>(59,566,594)</u>	<u>(80,632,428)</u>	<u>(67,564,988)</u>	<u>(40,753,588)</u>	<u>-</u>
TOTAL TAXABLE FOR GENERAL CITY PURPOSES	6,601,659,479	6,597,055,793	6,592,582,332	11,711,708,845	11,626,546,045
Veteran and Senior Citizen Exemptions subject to School	<u>74,904,381</u>	<u>71,479,569</u>	<u>68,844,514</u>	<u>106,943,032</u>	<u>101,900,462</u>
TOTAL TAXABLE FOR SCHOOL PURPOSES	\$ 6,676,563,860	\$ 6,668,535,362	\$ 6,661,426,846	\$ 11,818,651,877	\$ 11,728,446,507
TAX BASE FOR GENERAL CITY PURPOSES					
Homestead	\$ 4,251,700,447	\$ 4,262,336,895	\$ 4,278,680,596	\$ 7,219,070,343	\$ 7,189,304,149
Non-Homestead	<u>2,349,959,032</u>	<u>2,334,718,898</u>	<u>2,313,901,736</u>	<u>4,492,638,502</u>	<u>4,437,241,896</u>
TOTAL TAX BASE FOR GENERAL CITY PURPOSES	\$ 6,601,659,479	\$ 6,597,055,793	\$ 6,592,582,332	\$ 11,711,708,845	\$ 11,626,546,045
TAX BASE FOR SCHOOL PURPOSES					
Homestead	\$ 4,325,666,525	\$ 4,332,987,874	\$ 4,346,781,121	\$ 7,324,323,690	\$ 7,289,576,340
Non-Homestead	<u>2,350,897,335</u>	<u>2,335,547,488</u>	<u>2,314,645,725</u>	<u>4,494,328,187</u>	<u>4,438,870,167</u>
TOTAL TAX BASE FOR SCHOOL PURPOSES	\$ 6,676,563,860	\$ 6,668,535,362	\$ 6,661,426,846	\$ 11,818,651,877	\$ 11,728,446,507

Source: City of Buffalo, Department of Assessment.

⁽¹⁾Land and buildings. Pipes, conduits, wires, etc. through public streets assessed as special franchises. The characterization of real property as commercial or utility is not uniform from year to year.

⁽²⁾Taxable ceiling and extent of exemption established annually by State Board of Equalization and Assessment.

⁽³⁾Right, authority or permission to construct, maintain or operate in, under, above, upon or through any public street, highway, or other public place including water mains, pipes, tanks, conduits, wires for transformers. Assessment determined annually by State Board of Equalization and Assessment.

In addition to the partial property tax exemptions granted to veterans and senior citizens, both the City and the County have adopted policies for providing property tax exemptions to attract new business, residential development and industry in the City and surrounding areas. For 2021-22, \$1.1 billion will be exempted by these policies as compared to \$1.1 billion in 2020-21 and \$743.4 million in 2019-20.

For payments in lieu of taxes (PILOTs), the City received \$3.5 million in 2019-20 and \$3.4 million in 2020-21 and a budget of \$2.8 million for fiscal year 2021-22. As the tax exemptions granted under the City and County policies expire, the related property is placed on the tax rolls.

Tax Levy

The amount of real property tax that is annually levied by the City is raised for City and Buffalo CSD operating purposes (within the taxing limitations described above), for capital debt service (the portion of capital debt service for Buffalo CSD purposes not being constrained by the tax levying limitation) and includes the amounts required to balance the City and Buffalo CSD budgets after other revenue sources have been taken into account. Other taxing districts which levy taxes or charges on real property in the City are the Sewer Authority and the County.

As a matter of City policy, the Buffalo CSD is credited with the full amount of taxes levied by the City for school general operating purposes regardless of any deficiency in tax collections.

The following table indicates the total real property tax rates levied within the City for the last five fiscal years.

Table of Tax Rates Per \$1,000 of Assessed Valuation⁽¹⁾

Fiscal Year Ended June 30:	General City Purposes		School Purposes		Total City/School	Overlapping Entities		Total
	Operations	Capital Debt Service	Operations	Capital Debt Service		County of Erie ⁽²⁾	Buffalo Sewer Authority	
2018 (Homestead)	5.68	3.21	7.67	1.33	17.89	7.13	1.63	26.65
2018 (Non-Homestead)	8.43	4.76	11.56	2.01	26.76	7.13	1.63	35.52
2019 (Homestead)	5.97	3.58	7.62	1.32	18.49	7.33	1.62	27.44
2019 (Non-Homestead)	9.05	5.42	11.73	2.02	28.22	7.33	1.62	37.17
2020 (Homestead)	6.06	3.64	7.56	1.21	18.47	7.59	1.64	27.70
2020 (Non-Homestead)	9.59	5.78	12.18	1.94	29.49	7.59	1.64	38.72
2021 (Homestead)	3.24	2.00	4.14	0.61	9.99	5.04	0.95	15.98
2021 (Non-Homestead)	5.40	3.33	7.00	1.03	16.75	5.04	0.95	22.74
2022 (Homestead)	3.24	1.94	4.32	0.37	9.87	5.02	0.95	15.84
2022 (Non-Homestead)	5.61	3.36	7.59	0.66	17.22	5.02	0.95	23.19

Source: City of Buffalo, Department of Audit & Control, Division of Accounting, County of Erie, and Buffalo Sewer Authority

⁽¹⁾Tax rates reflect full value reassessment

⁽²⁾Erie County has a January 1 through December 31 fiscal year. 2022 Homestead and Non-Homestead Rates are based on 2021 Equalized Full Valuation

Tax Collection Procedure and History

The ad valorem real property tax rate is established as part of the City’s budget process to balance total appropriations and estimated revenues. (See “DISCUSSION OF FINANCIAL OPERATIONS – Budget Process” herein.) Real property taxes become payable upon levy of such taxes by the Common Council. The taxes are collected by the City Treasury. The total amount of the taxpayer’s bill is due and payable on July 1; however, the first half may be paid without penalty on or before July 31 and the second half on or before December 31. No discounts for prepayment are allowed. Penalties are assessed for delinquencies at an effective rate of 18% per annum.

Special assessments (for sidewalks, demolitions, lot clearance) on benefited property are due and payable on the date of the first publication of the special assessment notice and may be paid before the expiration of one month from such date without additions. At the expiration of one month, 1% per month is added to all past due and unpaid special assessments. Each year on March 1 the amount of all past due and unpaid special assessments and the interest accrued thereon is added to the real property tax roll for the succeeding fiscal year. Such special assessments are payable with the first half installment of real property taxes and subject to the same additions for non-payment that apply to the first half installment.

Real estate for which taxes remain unpaid as of May 25 is subject to the sale of a tax sale certificate, giving the purchaser a claim to the property. Within two years from the date of sale of the tax sale certificate, the property may be redeemed by the payment of the face amount of the tax sale certificate with interest at the rate of 1% per month. After the redemption period of two years, conveyance of the property may be secured or foreclosure proceedings instituted. Previously, such tax sale certificates were sold to private buyers; however, for many years the City has found no private bidders for the tax liens, and the City has itself acquired all tax liens. Consequently, the City has elected not to hold a sale of tax sale certificates since July 1, 1977. The City is empowered to seek personal judgment against the property owners. (See “PROPERTY TAXES – Real Property Tax Delinquencies” herein.)

The City does not collect real property taxes levied by the County and is not responsible for delinquencies of County taxes levied against City properties.

The following table shows the recent trend of current property tax levies as adjusted during the year, unpaid special assessments added to annual tax bills, collection of the total current levy, and total collections (i.e., including collections of delinquent taxes), all as of June 30 of the fiscal year indicated.

Table of Real Property Tax Levies and Collections
(000's Omitted)

Fiscal Year Ended June 30	Total Current Levy	Collected Within the Fiscal Year of the Levy		Interest Added to Levy⁽¹⁾	Final Tax Levy for Fiscal Year	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage				Amount	Percentage of Levy
2012	\$128,090	\$122,089	95.32%	\$1,191	\$129,281	\$7,185	\$129,274	99.92%
2013	123,947	117,559	94.85%	1,159	125,106	7,413	124,972	99.89%
2014	124,087	117,480	94.68%	1,203	125,290	7,748	125,228	99.95%
2015	122,333	116,451	95.19%	1,107	123,440	6,987	123,438	100.00%
2016	123,793	116,621	94.21%	1,150	124,943	7,691	124,312	99.49%
2017	127,982	120,785	94.38%	1,108	129,090	7,317	128,102	99.23%
2018	128,000	122,454	95.67%	1,021	129,021	6,355	128,809	99.84%
2019	135,095	129,245	95.60%	1,024	136,219	6,286	135,531	99.49%
2020	139,465	131,234	94.10%	1,239	140,704	5,074	136,308	96.88%
2021	142,330	131,583	92.45%	1,062	143,392	220	131,803	91.92%

Source: City of Buffalo, Department of Audit & Control, Division of Accounting

⁽¹⁾Interest of 18.0% for one year is added to tax levy for all properties not paid in current year.

Real Property Tax Delinquencies

As of June 30, 2021, cumulative real property tax delinquencies were \$12.8 million. The City reserved \$4.6 million as uncollectible at June 30, 2021. It is the City's policy to write off as uncollectible property taxes which have been delinquent for more than five years.

The primary mechanism for recovery of delinquent taxes has been tax foreclosure. Until June 22, 1975, the City foreclosed on properties following four years of tax delinquency. On June 23, 1975, the City enacted a two-year foreclosure law. The City began a one year foreclosure option on October 26, 1998 as a result of State legislation which was enacted as of January 1, 1995. The effective annual penalty rate for late payment is 18% per annum. This was increased effective July 1, 1992.

ECONOMIC AND DEMOGRAPHIC FACTORS

Major Taxpayers

The following table of the fifteen largest taxpayers indicates the distribution of taxable properties in the City. As indicated, two utilities are liable for approximately 6.1% and 1.8%, respectively, of the total tax levy for fiscal year 2021-22 and no other taxpayer individually accounts for more than 1.0% of the tax levy.

CITY OF BUFFALO FIFTEEN LARGEST PAYERS OF CITY REAL PROPERTY TAXES⁽¹⁾⁽²⁾⁽³⁾ Fiscal Year Ending June 30, 2022

<u>Rank</u>	<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Net Assessed Valuation</u>	<u>Real Property Tax Levied</u>	<u>Ratio of Tax to Tax Levy</u>
1	National Grid, PLC ⁽⁵⁾	Utility	\$521,880,498	\$8,983,182	6.08%
2	National Fuel Gas Corporation ⁽⁵⁾	Utility	150,090,974	2,583,531	1.75%
3	Consolidated Rail Corporation ⁽⁵⁾	Shipping/Transportation	77,633,334	949,667	0.64%
4	EGP 130 Buffalo, LLC	Commercial Real Estate	50,000,000	860,655	0.58%
5	Manufacturers and Trust Company ⁽³⁾	Bank	49,961,000	859,984	0.58%
6	Gold Wynn Residential USA	Commercial Real Estate	41,225,065	688,478	0.47%
7	Verizon Communication, Inc. ⁽⁵⁾	Telecommunications	37,620,684	647,569	0.44%
8	LCO Building, LLC	Commercial Real Estate	41,044,800	602,161	0.41%
9	G & I IX Empire, LLC	Retail Plaza	33,127,000	570,218	0.39%
10	Uniquist Delaware, LLC	Condominium/Hotel	41,500,000	568,032	0.38%
11	KEY Success, LLC	Commercial Real Estate	30,570,000	526,205	0.36%
12	Kissling Interest, LLC	Commercial Real Estate	28,663,800	493,393	0.33%
13	Violet Realty, Inc.	Commercial Real Estate	28,200,000	485,409	0.33%
14	Plaza Group, LLC	Commercial Real Estate	20,071,800	342,308	0.23%
15	Genesee Hotel Properties, LLC	Hotel/Hospitality	19,700,000	<u>339,098</u>	<u>0.23%</u>
Total: Top Fifteen Taxpayers				<u>19,499,890</u>	<u>13.19%</u>
Total: Real Property Tax Levy				<u>\$ 147,865,000</u>	<u>100.00%</u>

Source: City of Buffalo, Department of Audit & Control, Division of Investment & Debt Management

⁽¹⁾Based on assessed values greater than \$100,000

⁽²⁾Does not include those properties which are exempt from taxes and are making Payments In-Lieu of Taxes (PILOT)

⁽³⁾Based on a 2021-22 non-homestead tax rate of \$17.21 per thousand

⁽⁴⁾Taxes on bank property only. Does not include taxes paid as mortgagee.

⁽⁵⁾Includes Special Franchise Fees/Tax

Employment

The economy of the Buffalo area underwent a transition in the decade from 1980 to 1990. Traditionally dominated by heavy manufacturing and petrochemical industries, the area lost manufacturing jobs in part from the decline in steelmaking employment at both Bethlehem Steel and Republic Steel. However, these losses were offset by increases in employment in trade, government, services, finance, insurance and real estate and contract construction.

While total employment declined from 2000 through 2010, growth in government, services, financial and insurance sectors helped compensate for reductions in manufacturing and trade. Statistically, the Buffalo area's job categories compare well with the U.S. average in the year 2010 with slight variances in two categories – finance/insurance and mining/construction.

The City remains committed to its downtown development strategy as a means of further diversifying its employment base. (See “ECONOMIC AND DEMOGRAPHIC FACTORS – Development Activity” herein.)

Major employers in the Buffalo area include the State, University of Buffalo, the U.S. Government, Kaleida Health, the County, Buffalo CSD, Catholic Health Systems and Manufacturers and Traders Trust Company.

Trends in Employment by Category⁽¹⁾
2000-2021
(000's Omitted)

Category	2000		2010		2020		2021	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States
Manufacturing	83.0	17,263.0	49.6	11,528.0	49.2	12,179.1	51.5	12,346.2
Trade, Transportation & Utilities	109.3	26,225.0	97.8	24,636.0	91.6	26,589.9	96.6	27,707.5
Retail Trade	65.8	15,279.8	60.8	14,440.4	54.0	14,853.1	56.9	15,396.5
Wholesale Trade	23.9	5,933.2	21.1	5,452.1	20.0	5,639.9	19.8	5,678.0
Government	90.7	20,790.0	95.0	22,490.0	85.3	21,908.5	84.2	22,004.2
Service Providing	455.3	107,232.0	469.7	112,166.0	440.6	122,117.3	455.6	125,799.0
Other Services	23.1	5,168.0	23.4	5,331.0	21.3	5,393.8	23.5	5,455.7
Finance & Insurance	23.2	5,772.8	24.2	5,761.0	28.8	6,499.6	28.8	6,519.8
Mining & Logging	20.8	599.0	18.9	705.0	19.6	619.0	21.8	565.7
	<u>895.1</u>	<u>204,262.8</u>	<u>860.5</u>	<u>202,509.5</u>	<u>810.4</u>	<u>215,800.1</u>	<u>838.7</u>	<u>221,472.4</u>

Source: U.S. Department of Labor - Bureau of Labor Statistics Data

⁽¹⁾Does not include all categories of employment

Total Non-Agricultural Employment by Category⁽¹⁾
2000-2021
(000's Omitted)

Category	2000		2010		2020		2021	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States
Manufacturing	9.3%	8.5%	5.8%	5.7%	6.1%	5.6%	6.1%	5.6%
Trade, Transportation & Utilities	12.2%	12.8%	11.4%	12.2%	11.3%	12.3%	11.5%	12.5%
Retail Trade	7.4%	7.5%	7.1%	7.1%	6.7%	6.9%	6.8%	7.0%
Wholesale Trade	2.7%	2.9%	2.5%	2.7%	2.5%	2.6%	2.4%	2.6%
Government	10.1%	10.2%	11.0%	11.1%	10.5%	10.2%	10.0%	9.9%
Service Providing	50.9%	52.5%	54.6%	55.4%	54.4%	56.6%	54.3%	56.8%
Other Services	2.6%	2.5%	2.7%	2.6%	2.6%	2.5%	2.8%	2.5%
Finance & Insurance	2.6%	2.8%	2.8%	2.8%	3.6%	3.0%	3.4%	2.9%
Mining & Logging	2.3%	0.3%	2.2%	0.3%	2.4%	0.3%	2.6%	0.3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: U.S. Department of Labor - Bureau of Labor Statistics Data

⁽¹⁾Does not include all categories of employment

Unemployment Rates

The following table indicates that the City's rate of unemployment is higher than the State and national percentages. City data in the table were determined by using the Census share methodology, which is based on the ratio of the City to the County with respect to employment figures. 2011-2020 data for the City is based on the 2010 Census.

UNEMPLOYMENT RATES ⁽¹⁾

<u>Year</u>	<u>City</u>	<u>Buffalo MSA</u>	<u>NY State ⁽²⁾</u>	<u>United States</u>
2012	10.9%	8.5%	8.4%	8.1%
2013	9.7%	7.6%	7.5%	7.4%
2014	7.9%	6.2%	6.2%	6.2%
2015	7.1%	5.6%	5.3%	5.3%
2016	6.3%	4.9%	4.9%	4.9%
2017	6.7%	5.4%	4.7%	4.4%
2018	5.8%	4.7%	4.2%	3.9%
2019	5.5%	4.4%	3.8%	3.7%
2020	12.6%	9.5%	10.1%	8.1%
2021	7.9%	5.7%	7.2%	5.4%

Source: U.S. Department of Labor, Bureau of Labor Statistics

⁽¹⁾Total employment by place of residence

⁽²⁾Figures from 2013-2019 reflect revised population controls and model re-estimation

Population

The 2020 Census revealed that the City's population increased from 261,310 in 2010 to 278,349 in 2020.

POPULATION TREND 1990-2020

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
Buffalo	328,123	292,648	261,310	278,349
Erie County	968,532	950,265	919,040	954,236
Buffalo MSA	1,189,288	1,170,111	1,135,509	1,166,902
New York State	17,990,455	18,976,457	19,378,102	20,201,249
United States	249,632,692	281,421,906	308,745,538	331,449,281

Source: U.S. Department of Commerce, Bureau of the Census

CITY OF BUFFALO HOUSING CHARACTERISTICS 1990-2020

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
Year Round Housing Units	151,971	145,574	139,174	136,350
Occupied Housing Units	136,436	122,720	112,844	119,119
Persons Per Household	2.33	2.29	2.26	2.24

Source: U.S. Department of Commerce, Bureau of the Census

Development Activity

Corporate Headquarters

The City of Buffalo is the home to the corporate headquarters of M&T Bank. M&T Bank, founded in Buffalo in 1856, is one of the nation's largest 20 commercial banks, with \$143 billion in assets and more than 17,000 employees, a third of which are in the Buffalo area. M&T's footprint includes 700 branches in New York, Maryland, Pennsylvania, Virginia, Washington, D.C., West Virginia, Delaware, New Jersey and Florida.

M&T Bank executed a lease to establish a high-tech hub at Seneca One Tower, bringing 1,000 IT employees to Seneca One in 2020 and an additional 1,500 over the next 3 years. Each tech job has potential to result in 5 additional jobs for a total of 7,500 new jobs. The M&T Technology Division will be the anchor tenant at Seneca One.

ACV Auctions, Buffalo's first "unicorn" start-up company, presented its IPO in late Q1 2021. The company's IPO is the first from a Buffalo-based company since 2017. ACV Auctions was a company incubated in 43North in 2015 and is headquartered in downtown Buffalo.

HSBC bank has a major back-office presence in Buffalo, with more than 3,000 employees located in the area. Key Bank, Bank of America, Citizens Bank, and several local banks also have a major branch presence in the region.

Buffalo is home to the headquarters of several major corporations, including Delaware North Companies, Rich Products, Labatt USA, the New Era Cap Company and Lactalis American Group.

Business Development

43 North, a start-up pitch competition organization that awards \$5.0 million to various start-up companies that locate in the City of Buffalo and the Innovation Center, a business incubator and co-working site designed to promote entrepreneurship.

The University at Buffalo launched a start-up program of its own in 2021, titled Cultivator. Cultivator is part of the region's broader efforts to fund start-up companies.

Waterfront Development

The centerpiece of the waterfront development is the Canalside project, a year-round destination on the southern edge of downtown. More than 1.5 million visitors annually enjoy the attractions Canalside, which include concerts, ice skating, paddle boating, special events, and other activities. A new building at Canalside, the \$27.0 million Explore & More - Ralph C. Wilson, Jr. Children's Museum, is complete and open to the public. In addition, Canalside has added two new attractions; a solar-powered historic 1924 carousel housed inside a roundhouse enclosed in glass and a historic replica Longshed Boat Building which is a two-story gabled-roof wood structure.

Heritage Point project is a planned \$30.0 million mixed-use development on the former South "Aud" block which will include restaurants, retail, and apartments. While this project was paused in 2020, it is now restarted.

In 2018, the Ralph C. Wilson, Jr. Foundation announced \$100.0 million in funding for a complete reimagining of LaSalle Park, located on Buffalo's waterfront, as well as a shoreline trail system that connects Buffalo to Niagara Falls. Additional funding from the Wilson Foundation, the State, and the City was announced in 2019 for the construction of a new pedestrian bridge connecting LaSalle Park and the adjacent neighborhoods. Planning and development work continues on Centennial Park in 2021.

Downtown Development

Statler LLC purchased the Statler Hotel for \$7.8 million and has begun a \$150.0 million renovation to the historic building, which includes apartments, banquet facility, retail, on-site parking and conference space. The project is to be fully completed at the end of 2023.

Buffalo's tallest building, the Seneca One Tower, has plans of up to \$120.0 million worth of investments on a mixed-use redevelopment. Construction is expected to finish in 2021-22. The space will include retail, residential and commercial space. Douglas Development has agreed to a PIF (PILOT Increment Financing) and will forgo substantial tax benefits for the Seneca One Tower Project, contributing \$15.0 million in full tax payments towards a \$40.0 million Accelerator fund to support infrastructure improvements, business development and talent attraction in downtown Buffalo.

The Emerson Culinary School is renovating and expanding their facility. In 2020, Ellicott development announced plans to construct a mixed-use development on a surface parking lot at 11 St. Paul St. In proximity to the Buffalo Niagara Medical Campus, the development will include 14,000 square feet of retail, an Element by Westin Hotel with 103 extended-stay hotel rooms, and parking for 560 vehicles. The "Grid", an \$18.0 million five-story residential complex, was completed in February 2021 that is geared towards students and young professionals working and studying at the medical campus.

The \$45 million 201 Ellicott street project was completed in Q3 2021 and has brought more than 200 affordable residential units and a critical grocery store to downtown Buffalo.

The former Buffalo Police Headquarters in Downtown Buffalo is being rehabilitated into a mix of affordable and market rate apartments.

The Cars Sharing Main Street project continues to bring vehicular traffic back to Main Street, while preserving the light rail system on the thoroughfare. With the 500, 600, and 700 blocks of Main Street completed. The goal of this project is to increase economic development and activity downtown.

Neighborhood Development

Residential developments on the Buffalo River and the Old First Ward neighborhood include a \$40M redevelopment of the Silo City complex into primarily affordable housing, and a \$35M adaptive reuse project at the former Barcalo factory into more than 100 units of market-rate apartments and commercial space.

Uniland Development Company is constructing 12 upscale residences priced from \$850,000 to \$1.5 million in one of the City of Buffalo's most in-demand neighborhoods, the intersection of Delaware District and Elmwood Village. Construction began in January 2021 on the \$10.0 million project and is expected to be completed in 2021-22.

In July, 2021, the construction of a five-story \$7.0 million redevelopment of a former brownfield building at 1585 Hertel Avenue has come to a completion. Formerly a gas station, the building is home to 34 apartments, underground parking, as well as ground level commercial space.

The Grid, a 217-unit ground-up apartment building opened. The \$35.0 million project is adjacent to the Buffalo Niagara Medical Campus. The Buffalo Forge Project, a \$50.0 million 158-unit affordable housing project was completed.

The former Trico manufacturing facility restarted construction of \$105.0 million project, after a pause due to the pandemic. The 500,000 sq ft facility is to host 150 plus apartments and 100,000 sq ft of commercial space and parking stalls. This important project will serve as a connection between Downtown and the Medical Campus.

The Pardee is the first new building at Elmwood Crossing. In October 2021, Ellicott Development and Sinatra & Company Real Estate completed a five-story \$18.0 million mixed-use structure on a former Children's Hospital parking lot at the northeast corner of Elmwood and Bryant. Office space is available on the second floor and twenty-two apartments occupy floors three through five.

Whites and Family LP., has begun construction of a \$6.2 million project within the Elmwood Village. The Lofts @ 1020 is a 38,260 sq. ft. building that will include 26 market-rate apartments on its upper floors and three ground-floor commercial spaces. It is expected to be completed in Spring 2022.

Hispanics United of Buffalo/Acacia, Inc.'s La Plaza at 254 Virginia Street has begun the construction of a three-story senior housing project along Virginia Street. The project will contain 46 one-bedroom units, to include a senior center, laundry room, social day care, a resident meeting room, nutritional and other related services for the residents to be made available on the first floor. Commercial space will also be made available for area businesses. Completion is expected in the summer of 2022.

Education

In 2021, D'Youville College in the City's Westside opened its \$25 million Health Professions HUB which is a health-focused mixed-use development that will house the college's medical programs.

In addition to the University at Buffalo and SUNY Buffalo State College, the area is home to 20 other colleges & universities, for a total of 110,000 students and 32,000 employees in higher education, creating a \$3.2 billion economic impact.

The Northland Workforce Training Center a, workforce initiative under the New York State's Buffalo Billion investment, is focused on closing the skills gap of the local labor pool and providing training, co-ops, internships, apprenticeships, and permanent employment for Western New Yorkers seeking high-paying advanced manufacturing and energy careers.

Film Industry

Buffalo has seen an increase in film production activity in recent years. "A Quiet Place II", "Nightmare Alley" and "The Untitled Cabrini Film" have recently filmed in Buffalo. These productions provided a positive economic impact to region while filming in downtown Buffalo and throughout Western New York. Film productions have come to Buffalo for its historic architecture, pristine natural settings, low filming costs (estimated to be up to 30% cheaper than other cities), and New York State's Film Tax Credit incentives.

Currently, there are plans for two film studios in the City, including the development of a \$50 million film studio on Buffalo's West Side and a \$75 million project set for a 27-acre site in South Buffalo. These film and television production developments present an incredible opportunity for Buffalo residents and workers, as well as an opportunity to further diversify the Buffalo economy.

Entertainment and Culture

Downtown Buffalo is also the regional hub of Western New York entertainment, drawing approximately seven million visitors per year. The largest draw is special events, which attract 1.3 million visits per year for the Taste of Buffalo, Canalside Summer Music Series, the M&T Lunchtime concert series, the National Buffalo Wing Festival, and other events. Sporting events draw 1.2 million visits for hockey, baseball and lacrosse, while some 700,000 patrons enjoy Theatre District events. The City's vibrant arts community and world-renowned architecture are also major tourism draws.

Western New York is home to the Buffalo Bills of the National Football League (NFL). Buffalo is home to the Buffalo Sabres of the National Hockey League (NHL), and the Buffalo Bisons the Triple-A baseball team affiliated with the Toronto Blue Jays.

Buffalo is the home of numerous institutions devoted to the arts including Kleinhans Music Hall, the home of the Buffalo Philharmonic Orchestra, and the world-famous Albright-Knox Art Gallery which broke ground on its \$160.0 million expansion. The gallery will house temporarily on the Northland Campus during construction and the new Buffalo AKG Art Museum is expected to open in 2022.

The City's historic theater district provides the stage for legitimate theater with the largest concentration of theaters in New York State outside of New York City. Shea's Buffalo Theater, 710 Main Theatre, Alleyway Theatre, and the Irish Classical Theatre anchor the City's downtown theatre district.

The City is also the location of the Buffalo Museum of Science, the Buffalo and Erie County Historical Museum, the Buffalo Zoo, and the Botanical Gardens of Buffalo and Erie County.

Canadian Impact

The City's proximity to Canada has resulted in a positive economic impact, especially in retail and transportation. In addition to Canadian shoppers boosting sales tax revenue, Canadian travelers have also been credited with strengthening activity at the Buffalo Niagara International Airport. Canadians are estimated to make up 20-30% of passengers that use the airport, supporting 17,000 jobs with \$1.1 billion economic impact. With Canadian/American border closed there were no Canadians travelling from Buffalo Niagara International Airport. When border restrictions are lifted on April 1, 2022 it is expected Canadian travelers will start to return.

Local communities lost the impact that Canadians had on their economies because of Covid border restrictions. As restrictions are lifted it is expected that the economy will again benefit from Canadian visitors. The "Golden Horseshoe" region of Southern Ontario (Toronto-Niagara Falls-Hamilton area) is projected to grow from 8.8 million people today to 11.5 million by 2031, which should benefit local economies.

Transportation

The city is in the center of a transportation network of truck, rail, highway, water and air facilities.

A three-story, \$27.7 million Buffalo Exchange Street Amtrak Station has been completed construction. At 4,900 square feet, it will be three times larger. The station has the capacity to accommodate expanded train and bus services in the future.

The Port of Buffalo is eighth in size of the 54 Great Lakes ports and twenty-ninth in size of the 40 major U.S. ports. The Port's terminal facilities encompass 185,000 square feet of enclosed storage space for marine cargo and approximately 200 acres of open storage space. On May 28, 1976 a Foreign Trade Zone (the "FTZ") operation at the Port of Buffalo. Imported goods may be processed in the FTZ, sorted, stored and repackaged without payment of any duties until the goods are actually sold to importers in the United States or elsewhere. A total of 153 acres at the former Bethlehem Steel Plant has been designated as the FTZ and approximately 31 companies occupy the FTZ at the relocated Port of Buffalo.

Truck service is provided in the Buffalo area by various transcontinental, international and common carriers. Several freight and passenger lines, including Conrail, Amtrak and Canadian National Railways, provide rail service.

The Buffalo Niagara International Airport (BNIA), operated by the Niagara Frontier Transportation Authority (NFTA) is a regional airport serving the Buffalo-Niagara Metropolitan Area providing approximately 110 daily

flights. The following table sets forth the trend in passenger volume at the Buffalo Niagara International Airport from 2011 through 2021.

**Buffalo-Niagara International Airport
Passenger Volume Trend**

<u>Year</u>	<u>Passenger Volume</u>	<u>% Change from Prior Year</u>
2012	5,177,913	-0.3%
2013	5,134,925	-0.8%
2014	4,750,643	-7.5%
2015	4,679,070	-1.5%
2016	4,618,748	-1.3%
2017	4,704,114	1.8%
2018	5,059,555	7.6%
2019	4,967,859	-1.8%
2020	1,434,080	-71.1%
2021	2,925,782	104.0%

Source: Niagara Frontier Transportation Authority

BUFFALO CSD SCHOOL FACILITIES RECONSTRUCTION PROJECT

Pursuant to special State legislation enacted as Chapter 605 of the Laws of 2000, as amended (the “Buffalo School Act”), the Buffalo CSD has undertaken a multi-phase comprehensive redevelopment program to finance the renovation and building of public school buildings in the City (the “Program”).

The Joint Schools Construction Board, or the JSCB, was created by resolutions of the Buffalo CSD Board of Education and the City Common Council and by amendment of the Charter, and was granted additional powers with respect to construction of new school buildings by the Buffalo Schools Act, as well as certain limited functions with respect to the reconstruction of existing school buildings. The JSCB has been authorized under the Buffalo Schools Act to manage the acquisition, design, construction, reconstruction, renovation and financing of new public educational facilities in the City, and to create, coordinate efforts to enable compliance with, monitor and report on, a program-wide diversity plan for the Program. The JSCB has been authorized, by resolution of the Board of Education, to assist in the acquisition, renovation, reconstruction, improvement, equipping and furnishing of public educational facilities in the City.

Upon the voluntary resignation by the New York State Regent for the Eight District of the City, the JSCB by-laws were amended October 2013, to remove the ex-officio, non-voting appointed position from the JSCB to prevent the appearance of a conflict of interest. The JSCB is now comprised of the Mayor, the Comptroller, the Buffalo CSD Superintendent of Schools, a designee of the Common Council of the City and two designees of the Board of Education of the Buffalo CSD.

Pursuant to the Buffalo Schools Act and commencing in September 2003, the ECIDA has issued several series of its School Facility Revenue Bonds (City School District of the City of Buffalo Project) to fund five phases of the Program. As of June 30, 2021, the aggregate outstanding principal amount of such bonds totals \$540.7 million. These bonds are special limited obligations of the ECIDA secured by annual payments of State aid to education appropriated and made available to the Buffalo CSD.

The ECIDA has issued refunding bonds in July 2011, April 2012, April 2013, June 2015, October 2016, and May 2021 to refund the outstanding School Facility Revenue Bonds, Series 2003, 2004, a portion of 2009 and 2007/2008, a portion of 2009, and 2011, respectively. The ECIDA is anticipated to issue refunding bonds in May 2022 to refund the outstanding school facility revenue bonds, Series 2012A.

As a result of the completion of the projects overseen by JSCB, it is not anticipated that any more activity or business will be conducted by the JSCB.

IMPACTS OF COVID-19 ON THE CITY

The COVID-19 pandemic continued to impact revenues during the City's 2020-21 fiscal year. The City experienced decreases in parking fees and fine receipts (\$7.4 million), a reduction in the transfer from the Parking Fund in the amount of \$4.0 million due to an increase of work from home initiatives and a reduction of Building permits and Licenses (\$1.2 million). Due to continuation of the pandemic, the annual In Rem sale will be postponed until at least 2023. This created a budget deficit of \$2.8 million.

The City lowered revenue estimates for State aid by approximately \$32.0 million and sales tax receipts by approximately \$17.0 million in its 2020-21 Adopted Budget. To offset these revenue reductions, the City included Federal Stimulus Aid of \$65.0 million in the 2020-21 Adopted Budget and took other expenditure reduction measures.

New York State paid the City \$19.7 million of the State aid withheld at the end of the 2019-20 fiscal year and the full amount as in prior years. This resulted in State Aid exceeding budget by \$51.9 million and the State aid was used to retire the deficiency note issued by the City in 2019-20. Sales tax receipts have returned to pre-pandemic levels and receipts exceeded budget by \$25.8 million. These positive budget variances in State aid and sales taxes reduced the City's reliance on Federal Stimulus Aid by \$25.0 million.

The City continues to incur expenses associated with the COVID-19 pandemic, including but not limited to, costs related to PPE, cleaning supplies and equipment. The City received CARES funding of \$1 million as reimbursement for a substantial portion of said costs.

On March 11, 2021, President Biden signed into law the American Rescue Plan of 2021. This \$1.9 billion stimulus package includes \$36.0 billion in direct financial relief for state and local governments, including \$65.0 billion for cities, villages and towns and \$65.0 billion for counties. The allocation to the City is \$331.0 million. While the new law stipulates the allocation process and authorized use of funds, the U.S. Department of the Treasury issued the Final Rule January 27, 2022. These regulations that provide more detail and guidance go into effect April 1, 2022.

The City received the first tranche in May of 2021 in the amount of \$161.0 million; the second tranche will be paid in May of 2022. Buffalo submitted their proposed spending proposal of \$331.0 million to the Treasury Department in which \$107.9 million was included for general fund revenue replacement over four fiscal years. Other expenditure categories are Public Health, \$9.0 million; Negative Economic Impacts, \$92.0 million; Services to Disproportionately Impacted Communities, \$70.6 million; and Infrastructure, \$50.0 million. The expected allocation to the Buffalo CSD is \$200.4 million, which is in addition to the \$89.2 million allocated to the Buffalo CSD in the December 27, 2020 Coronavirus Response and Relief Supplemental Appropriations Act. While the new law stipulates the allocation process and authorized use of funds, the U.S. Department of the Treasury issued regulations that provide more detail and guidance.

Funds for local governments are expected to be disbursed in two equal installments (tranches) over a two-year period. Municipalities that are Community Development Block Grant (CDBG) entitlement communities will receive their first allocation (half of the total amount) directly from the U.S. Treasury Department within 60 days of the President signing the bill.

LITIGATION

The City and the Buffalo CSD, and their respective officers and employees, are defendants in a number of lawsuits. The City, in common with other municipalities, receives numerous notices of claims for money damages deriving generally from sidewalk falls, park accidents, school accidents, City vehicle accidents, police arrests and various other negligence and personal injury claims. The City (as well as the Buffalo CSD) self-

insures for tort claims. Budgetary reserves for such claims and payouts for such claims over the last few years are as set forth at the end of this section below.

The Department of Law of the City, headed by the Corporation Counsel, has determined that there are no pending lawsuits which will have the potential for an expenditure or exposure of more than \$5,000,000 in excess of any amounts provided for in budgetary or self-insurance reserves.

Tax Certiorari Proceedings

In common with other municipalities, the City receives numerous real property tax certiorari petitions contesting the validity of tax assessments. The City's 2021-22 budget included \$219,623 for tax certiorari-related claims and judgments with \$56,881 having been paid out as of December 31, 2021. The City expensed \$75,002 and \$70,654 for tax certiorari-related claims or judgments for fiscal year ended June 30, 2021 and June 30, 2020, respectively.

Provision for Judgments and Claims

The City's 2021-22 budget included \$574,749 for judgments and claims and \$5.0 million for workers compensation claims, of which \$321.692 and \$1.1 had been paid out as of December 31, 2021. The City expensed \$5.0 million for judgments and claims and \$2.6 million for workers compensation claims for fiscal year ended June 30, 2021. The City expensed \$6.6 million for judgments and claims and \$3.5 million for workers compensation claims for fiscal year ended June 30, 2020.

Exhibit D

FINANCIAL STATEMENTS OF THE CITY OF BUFFALO



CITY OF
BUFFALO
NEW YORK

**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**

FOR THE FISCAL YEAR
ENDED JUNE 30, 2021

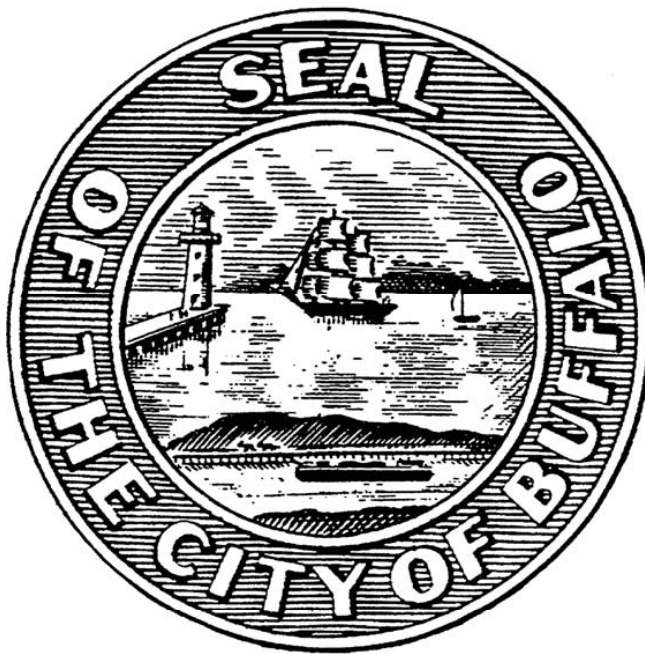
**BARBARA MILLER-
WILLIAMS
COMPTROLLER**

Cover photo by: David Granville

City of Buffalo, New York

Annual Comprehensive Financial Report

**For the Fiscal Year Ended June 30, 2021
Barbara Miller-Williams, Comptroller**



**Department of Audit and Control
65 Niagara Square • 1225 City Hall
Buffalo, New York 14202**

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INTRODUCTORY SECTION

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CITY OF BUFFALO
COMPTROLLER'S OFFICE
DEPARTMENT OF
AUDIT AND CONTROL

1225 CITY HALL
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DEPUTY COMPTROLLER

GREGG SZYMANSKI, CPA
INVESTMENT & DEBT MANAGEMENT

WILLIAM FERGUSON, CPA
CITY ACCOUNTANT

KEVIN KAUFMAN, CPA
CITY AUDITOR

BARBARA MILLER-WILLIAMS
COMPTROLLER

November 12, 2021

To the Mayor, Common Council Members and the Citizens/Taxpayers of the City of Buffalo:

I am pleased to submit the 189th Annual Financial Report of the City of Buffalo, New York (the City) for the fiscal year ended June 30, 2021. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. In as much as the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements.

Drescher & Malecki LLP, Certified Public Accountants, have issued an unmodified, or “clean,” opinion on the City’s financial statements as of and for the fiscal year ended June 30, 2021. The independent auditors’ report is located at the front of the financial section of this report.

The Management’s Discussion and Analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Buffalo, first settled in 1789, was incorporated as a city in 1832. It is located on the western border of New York State and the eastern shore of Lake Erie. It has a land area of 52.51 square miles and a population of 278,349 based on the 2020 census results. This is an increase of approximately 17,039 when compared to 2010 census. The City of Buffalo is the second largest city in the state and serves as the seat of the Erie County government. The Peace Bridge crossing the Niagara River connects downtown Buffalo with Fort Erie, Canada, and serves as a major link between the United States and Canada.

Mission Statement: “The Department of Audit & Control will protect, report and strengthen the City’s finances to help ensure an efficient, effective and transparent government that will better serve the citizens and taxpayers of Buffalo.”

The City operates under a charter adopted in 1927 and revised in 2001, which provides for a strong Mayor-Council-Comptroller form of government. The Mayor, elected by general election for a four-year term, is the head of the executive department and oversees all administrative functions. He has the power to appoint and remove the non-elected heads of City departments, boards, commissions, and agencies, most of which are subject to the approval of the Common Council.

The fiscal affairs of the City are the responsibility of the Comptroller, who is elected to a four-year term to lead the Department of Audit & Control (DAC). The specific responsibilities of the Comptroller include the audit and control of the financial activities of all departments and agencies of the City, as well its accounting, debt management, and investing functions.

The Common Council, which is the legislative body of the City, consists of nine council members who are elected in a general election to four-year terms for their respective districts. In addition to the legislative power to adopt ordinances and resolutions, the review and approval of the operating and capital budgets, and approval of mayoral appointments, the Common Council has power to investigate City affairs, subpoena records, and administer oaths.

The City provides a full range of services, including police and fire protection, sanitation services, the construction and maintenance of highways, streets, and other infrastructure, and recreation activities and cultural events. The City is also financially accountable for a legally separate school district and urban renewal agency, both of which are reported separately within the City's financial statements. Water services are provided through the Buffalo Water Board and Buffalo Municipal Water Finance Authority (BMWFA). In 2003, state law created the Buffalo Fiscal Stability Authority (BFSA). At the end of fiscal year 2011-2012, BFSA transitioned from a control period to an advisory period. Although the aforementioned are legally separate entities, they are in substance part of the primary government's operation and are included as an integral part of the City of Buffalo's financial statements. Additional information on all these legally separate entities can be found in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the Director of Budget on or before February 1, each year. On or before May 1, the Mayor submits the proposed executive budget to the Council. The City Charter requires that the Mayor submit a balanced budget. The Council may change expenditure items but may not modify the Mayor's estimates on revenue, except for the real property tax levy, which is levied in the amount necessary to balance total appropriations and estimated revenues. The Mayor may veto additions to the proposed budget. However, the Council may override any item vetoed by a two-thirds vote. If the budget has not been passed by the Council by June 1, the budget as submitted by the Mayor, including all additions that he has not vetoed, is adopted. Budget amendments during the fiscal year between functions require approval of the Mayor, Comptroller, and two-thirds of the Council.

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Local Economy

On March 11, 2020, the World Health Organization declared a pandemic caused by Coronavirus Disease (COVID-19), a severe respiratory disease caused by a strain of coronavirus that can be easily spread from person to person. This global health emergency has had drastic impacts on people and financial markets throughout the United States. In some regions, the pandemic still poses health risks and related challenges persist. In response to severe negative impacts of the pandemic, President Biden and Congress implemented a multifaceted plan intended to provide a pathway out of the pandemic, known as the American Rescue Plan Act (ARPA).

In its efforts to achieve and protect economic recovery, the federal government has offered immediate relief to families in the form of Economic Impact Payments of up to \$1,400 per person. For businesses, the Paycheck Protection Program provided an additional \$7 billion, vital to keeping hard-hit industries afloat. Finally, ARPA provided \$350 billion to eligible state, local, territorial and local governments to address the challenges of their own recovery.

In total, the City has been allocated \$331,356,932 under ARPA. The City received the first payment (\$165,678,466) of ARPA funds on June 1, 2021 and the second payment (\$165,678,466) is anticipated to be deposited a year later. The receipt of these funds and their ability to stimulate the economy comes with the recognition that we have to be responsible stewards of this money in accordance with guidance set forth by the United States Department of the Treasury. To that end, on August 26, 2021, The Administration and council members proposed and adopted a joint resolution that outlines protocols for the planning and approval of projects that can be funded with ARPA funds.

Proposals for allocations of ARPA funding have included revenue loss replacement, wraparound services assistance, community center renovations, park access equity, and upgrades to water, sewer and lead infrastructure.

Additionally, Fitch Ratings has affirmed that the city's financial outlook has changed from negative to stable and notes that general obligations remain at an 'A' rating. The revision of the outlook to stable from negative reflects Fitch Ratings' expectations for stability in financial operations after significant uncertainty in the early months of the coronavirus pandemic.

Projects and Investments

- ***The Statler*** is an 18-story, 850,000 square feet, \$150 million renovation that will include 600 indoor parking spots, 334 apartments and 183 hotel rooms
- ***Spectrum*** is a 4,500 square foot building is being built at 2228 Delaware Ave. A place for people to order services, make payments & exchange cable equipment. Expected store completion date late December, 2021

Mission Statement: "The Department of Audit & Control will protect, report and strengthen the City's finances to help ensure an efficient, effective and transparent government that will better serve the citizens and taxpayers of Buffalo."

- **Central Terminal** is a \$200 million renovation project where the first phase of rail renovation will be completed in 2022
- **Albright-Knox Art Gallery** is a 50,000 square foot addition to the existing gallery, with estimated project costs at \$168 million and an anticipated completion date in 2022
- The **American Malting Company Malthouse** is a \$70 million project that will turn a series of silos and grain mills (Silo City) into a residential complex that will be used for commercial and residential space. The first floor will be used for commercial space and the upper floors will be used for 158 one and two-bedroom apartments
- **Elmwood Crossing** is a mixed-use development of retail, townhomes, apartments and hotel service with estimated costs of \$125 million and an expected completion date in 2024
- **Trico Building** has resumed its 479,000 square-foot adaptive re-use complex with commercial, residential and parking, with estimated costs of \$80.5 million and a completion date in 2023
- **201 Ellicott St.** is a 1.1-acre mixed-use complex, built on a former parking lot, which includes a full-scale grocery, Braymiller Market, that will employ 62 people and opened on Sept. 8, 2021. The complex will also have 201 affordable apartments expected to open in late 2021. Estimated costs for this development project are at \$75 million
- The 287,000 square foot **AM&A's Department Store** at 377 Main St. will be turned into a mixed-use project that will be used for retail, office and residential use. Renovation expected costs at \$50 million and will take 24 to 36 months for completion
- Potential development at **80 West Huron** is a nine-story mixed-use project with anticipated renovation costs of \$20 million. The 77,000 square foot building will have street-level commercial space, 56 affordable apartments, office space and a rooftop terrace
- **61 Terrace Building** is a recently approved nine-story building with 300 indoor parking spaces and 148 apartments. Construction expected to start in Spring, 2022 with estimated costs of \$45 million

Mission Statement: "The Department of Audit & Control will protect, report and strengthen the City's finances to help ensure an efficient, effective and transparent government that will better serve the citizens and taxpayers of Buffalo."

Grants

The City continues to offset expenditures and augment public initiatives with grant funding.

A partial summary of grants awarded to the City follows:

- 2021-2026 **American Rescue Plan Act** allocation (US Department of Treasury) – \$331.4 million to support City’s response to the impact of COVID-19 and in the City’s efforts to contain COVID-19 on the community, residents, and businesses

- **Lead Service Line Replacement** - to replace broken lead lines that pose potential harm to drinking water
 - o 2021-2023 (HUD) - \$659,499 for remediation of contaminated soils
 - o 2021 Lead Hazard Grant (HUD) - \$68,410 for lead inspector salary and fringe
 - o 2021 LISC Grant - \$60,000 for lead inspector’s salaries and fringe

- 2021-2022 **Municipal Waste Reduction/Recycling Coordination (DEC)** - \$128,682 for recycling coordination activities

- 2021 **Census Grant (ESD)** - \$150,468 to promote census completion in the City of Buffalo

- 2021 **Auto Theft (MVTIF) Grant (NYS Division of Criminal Justice Services)** - \$106,884 to enhance auto theft and insurance fraud case work and prevention

- 2021-2022 **Build Back Better Initiative** (the Osborne Association as part of their grant awarded by the Community Foundation for Greater Buffalo) - \$25,000 to pilot the Safeguarding Children of Arrested Parents in Buffalo effort

- 2021-2022 **GIVE (Gun Involved Violence Elimination) Grant** (NYS Division of Criminal Justice Services) - \$623,844 to reduce incidences of gun violence through enhanced patrol and preventative measures

- 2020-2024 **JAG (Edward Byrne Memorial Justice Assistance) Grant** (US Department of Justice)- \$257,047 to cover overtime for increased police presence at large scale community events to enhance homeland security and gun violence efforts (in coordination with Erie County District Attorney and Central Police Services, Town of Cheektowaga, and Town of Amherst)

Mission Statement: “The Department of Audit & Control will protect, report and strengthen the City’s finances to help ensure an efficient, effective and transparent government that will better serve the citizens and taxpayers of Buffalo.”

- 2020-2023 **State Homeland Security Program (SHSP) Grant** (NYS Homeland Security and Emergency Services) - \$337,067 for equipment, training, and related items for BPD, BFD, and MIS to enhance homeland security and cyber security initiatives
- 2020-2023 **Stonegarden Grant** (US Department of Homeland Security) - \$44,000 to enhance homeland security water patrols
- 2021 **STOP DWI grant** (Erie County STOP DWI Office) - approximately \$60,000 to enhance alcohol traffic safety law enforcement and prevention activities

Long-term Financial Planning and Major Initiatives

As of June 30, 2021, the City's General Fund balance was at \$104.3 million, an increase of \$14.8 million from the prior fiscal year's ending fund balance. This significant growth in the City's fund balance is primarily due to an increase in sales tax receipts, restored state aid payments, increased federal aid and a reduction of budgeted expenditures. However, we have to continue our steadiness in financial operations, increase revenue, limit expenditure increases and continue to build adequate general fund reserve balances.

As we sustain our effort to ensure long-term financial recovery and growth of the City of Buffalo, the Department of Audit Control will continue to report, protect, and be economically responsible for the finances of the City. As before, we continue to stress the importance of stabilizing the City financial operations by increasing revenues and managing appropriations. We'll continue to encourage the improvement of City finances and actual use of a strong unassigned fund balance policy as well as establishing written financial contingency plans when facing potential budget shortfalls after the first quarter of any fiscal year.

In addition to the aforementioned general statement on major policy initiatives, The City also looks forward to several specific major initiatives intended to have significant positive impacts on the City's efficiency and return on investments.

With the receipt of ARPA relief funds, my department is committed to ensuring that these funds are spent according to the purposes set forth by the US Department of the Treasury, the Administration and the Common Council. This unprecedented relief to the City will be monitored by my department, will be recorded and reported accurately, and will also be available on our public transparency portal. To assist in that effort, my office now utilizes DebtBook, a debt management platform that allows the tracking of obligations by type, fund and purpose. It allows the unlimited sharing of debt related information with our team and outside consultants. This cloud-based platform improves efficiency, eliminates data entry errors, and makes reporting and payment processing easier. DebtBook creates a single source of truth that will make it easier to manage City-issued debt.

Mission Statement: "The Department of Audit & Control will protect, report and strengthen the City's finances to help ensure an efficient, effective and transparent government that will better serve the citizens and taxpayers of Buffalo."

Awards and Acknowledgements

GFOA Certificate:

For the fifteenth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in financial reporting to the City for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual financial report continues to meet the Certificate of Achievement Program's requirements and we will submit this report to the GFOA for consideration once again.

Award for Outstanding Achievement in PAFR

The City of Buffalo also earned the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) by the Government Finance Officers Association (GFOA) for the fiscal year ended on June 30, 2020, the seventh consecutive year the City has earned this prestigious award.

Conclusion

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Department of Audit and Control. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report.

Sincerely,



Barbara Miller-Williams
Comptroller

Mission Statement: "The Department of Audit & Control will protect, report and strengthen the City's finances to help ensure an efficient, effective and transparent government that will better serve the citizens and taxpayers of Buffalo."

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**CITY OF BUFFALO, NEW YORK
Elected City Officials
June 30, 2021**

Byron W. Brown, Mayor

Barbara Miller-Williams, City Comptroller

Darius G. Pridgen, President of the Council

**COUNCIL MEMBERS BY DISTRICT
(as of June 30, 2021)**

Delaware District—Joel P. Feroletto

Ellicott District—Darius G. Pridgen

Fillmore District—Mitch Nowakowski

Lovejoy District—Bryan Bollman

Masten District—Ulysees O. Wingo, Sr.

Niagara District—David A. Rivera

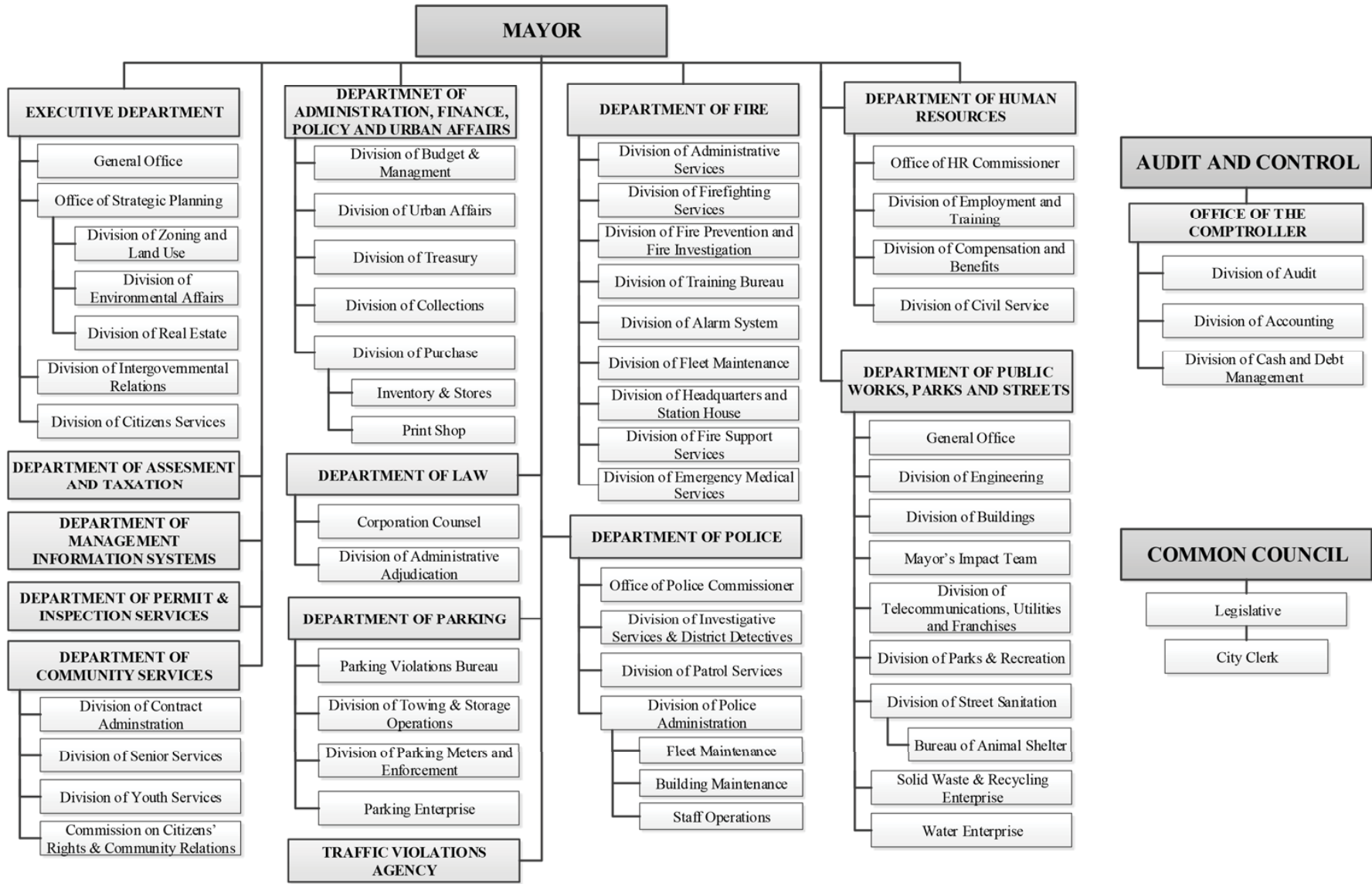
North District—Joseph Golombek, Jr.

South District—Christopher P. Scanlon

University District—Rasheed Wyatt

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CITY OF BUFFALO, NEW YORK
Organizational Chart
June 30, 2021



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Buffalo
New York**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Comptroller and City Council
of the City of Buffalo, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buffalo, New York (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Buffalo Fiscal Stability Authority ("BFSA"), which represents 1.7% and 0.2%, respectively, of the assets and revenues of the governmental activities. We also did not audit the financial statements of the Buffalo Board of Education ("BOE"), which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for BFSA and BBOE, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2021, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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.

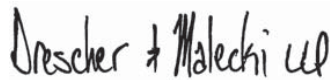
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The Introductory Section, Supplementary Information and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America by us and the other auditors. In our opinion, the Supplementary Information, as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Handwritten signature in black ink that reads "Drescher & Malecki LLP". The signature is written in a cursive, professional style.

October 29, 2021

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CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2021

As management of the City of Buffalo, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the City's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation. All amounts are expressed in thousands of dollars, unless otherwise indicated.

Financial Highlights

- The liabilities and deferred inflows of resources of the City's primary government exceeded assets and deferred outflows of resources at the close of the fiscal year ended June 30, 2021 by \$814,285. This consists of \$515,595 net investment in capital assets, \$41,250 restricted for specific purposes, and unrestricted net position of \$(1,371,130).
- The City's total primary government net position increased \$58,083 during the year ended June 30, 2021. Net position increased \$57,327 for governmental activities and increased \$756 for business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$171,525, an increase of \$59,072 from June 30, 2020.
- At the end of the current fiscal year, the combined committed, assigned and unassigned fund balance for the General Fund was \$65,686, or 12.7 percent of total General Fund expenditures and transfers out. Committed fund balance for the Emergency Stabilization fund is \$40,661, or 7.9 percent of total General Fund expenditures and transfers out, assigned fund balance is \$16,831, or 3.3 percent of total General Fund expenditures and transfers out, and unassigned fund balance is \$8,195, or 1.6 percent of total General Fund expenditures and transfers out.
- The City's total general obligation bonded debt outstanding, including notes that have been refinanced but have not yet matured, and bonds issued by the Buffalo Fiscal Stability Authority ("BFSA"), is \$175,235 (\$162,035 net governmental activities general obligation bonds issued by the City, \$6,440 governmental activities general obligation bonds issued by BFSA, and \$6,760 business-type activities general obligation bonds). During the year, the City issued refunding bonds of \$10,930, which along with premiums and cash contributions, refunded \$12,780 of previously outstanding serial bonds. The City also issued \$51,700 of public improvement serial bonds (\$50,610 issued by governmental activities and \$1,090 issued by business-type activities) and made total scheduled principal payments of \$33,560 (\$27,358 for net governmental activities general obligation bonds issued by the City, \$4,690 for governmental activities general obligation bonds issued by BFSA, and \$1,512 for business-type activities general obligation bonds) during the year ended June 30, 2021.
- The total Buffalo Municipal Water Finance Authority revenue bonds outstanding within the Water System at the end of the current fiscal year were \$117,455, as compared to \$121,060 at the beginning of the year as a result of the issuance of water system revenue bonds of \$4,580, the issuance of Water System revenue refunding bonds of \$16,850, which along with premiums and cash contributions, refunded \$18,805 of previously outstanding water system revenue bonds and made scheduled principal payments on water system revenue bonds of \$6,230.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contained other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government support, public safety, streets and sanitation, economic assistance and opportunity, culture and recreation, health and community services, and education. The business-type activities of the City include parking ramps, refuse collection services, and a water system.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Buffalo Board of Education, a legally separate school district for which the City is financially accountable, and the Buffalo Urban Renewal Agency, a public benefit corporation through which Federal urban renewal grants for the City are channeled. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund, which are considered major funds. Additionally, the General Fund of the Buffalo Fiscal Stability Authority ("BFSA") is reported as a major fund of the City (BFSA Special Revenue). Data from the City's Special Revenue and Permanent Funds, as well as the Debt Service Fund of the BFSA are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds—The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its solid waste and recycling collection, parking ramps, and water system operations. An *internal service fund* is used to account for the central print shop. Because the print shop predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste and Recycling Fund, Parking Fund and Water System. In addition, the Internal Service Fund is presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 24-28 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The City maintains two fiduciary funds, the Private Purpose Trust Fund and the Custodial Fund.

The fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-90 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's net pension liability, the City's total other postemployment benefits liability, and the City's budgetary comparison for the General Fund. Required supplementary information and related notes to the required supplementary information can be found on pages 91-102 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented along with other supplementary information immediately following the required supplementary information in the Supplementary Information section of this report on pages 103-110.

Finally, the Statistical Section can be found on pages 111-134 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City's primary government, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$814,285 at the close of the most recent fiscal year, as compared to \$872,368 at the close of the fiscal year ended June 30, 2020.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position—Primary Government (000's omitted)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 653,522	\$ 503,388	\$ 50,915	\$ 61,729	\$ 704,437	\$ 565,117
Capital assets	545,686	538,269	198,147	193,250	743,833	731,519
Total assets	<u>1,199,208</u>	<u>1,041,657</u>	<u>249,062</u>	<u>254,979</u>	<u>1,448,270</u>	<u>1,296,636</u>
Total deferred outflows of resources	<u>361,824</u>	<u>218,996</u>	<u>19,898</u>	<u>12,715</u>	<u>381,722</u>	<u>231,711</u>
Current and other liabilities	461,017	360,032	7,830	9,114	468,847	369,146
Noncurrent liabilities	<u>1,612,647</u>	<u>1,646,166</u>	<u>207,008</u>	<u>211,910</u>	<u>1,819,655</u>	<u>1,858,076</u>
Total liabilities	<u>2,073,664</u>	<u>2,006,198</u>	<u>214,838</u>	<u>221,024</u>	<u>2,288,502</u>	<u>2,227,222</u>
Total deferred inflows of resources	<u>330,448</u>	<u>154,863</u>	<u>25,328</u>	<u>18,630</u>	<u>355,776</u>	<u>173,493</u>
Net position:						
Net investment in capital assets	419,187	346,607	96,408	96,674	515,595	443,281
Restricted	41,250	39,147	-	-	41,250	39,147
Unrestricted	<u>(1,303,517)</u>	<u>(1,286,162)</u>	<u>(67,613)</u>	<u>(68,635)</u>	<u>(1,371,130)</u>	<u>(1,354,796)</u>
Total net position	<u>\$ (843,080)</u>	<u>\$ (900,408)</u>	<u>\$ 28,795</u>	<u>\$ 28,039</u>	<u>\$ (814,285)</u>	<u>\$ (872,369)</u>

The largest portion of the City's net position, \$515,595, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), net of accumulated depreciation and less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$41,250, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining component of the City's net position, \$(1,371,130), represents unrestricted net position which reflects liabilities not related to the City's capital assets and not expected to be repaid from current resources. Long-term liabilities are funded annually within the funds. Of note, the long-term liability associated with other postemployment benefits ("OPEB") obligations totals \$1,314,907. As the revenue recognition criteria for the future funding of this liability has not been met, no asset has been recorded to offset this liability.

Total net position of the City's primary government increased \$58,083. Significant changes from 2020 to 2021 in the Statement of Net Position and reasons for such changes are:

- Current and other assets increased by \$139,320. The primary reasons for the increase are an increase in restricted cash and cash equivalents of \$134,130 related to the receipt of the American Rescue Plan Act ("ARPA") funding received in advance of the services to be performed.
- Deferred outflows of resources increased \$150,011, due primarily to an increase in deferred outflows of resources relating to pensions and OPEB.
- Current and other liabilities increased \$99,701, due primarily to a \$125,716 increase in unearned revenues related to ARPA, offset by a decrease of \$34,800 in bond anticipation notes payable.
- Noncurrent liabilities decreased by \$38,421, primarily due to a \$179,999 decrease in net pension liabilities and a \$145,937 increase in total other postemployment benefits ("OPEB") liabilities.
- Deferred inflows of resources increased \$182,283, due primarily to an increase in deferred inflows of resources relating to pensions.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2021 and June 30, 2020.

Table 2—Condensed Statements of Changes in Net Position—Primary Government (000's omitted)

	Governmental Activities		Business-Type Activities		Total	
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 27,404	\$ 35,065	\$ 72,577	\$ 76,188	\$ 99,981	\$ 111,253
Operating grants and contributions	35,183	27,973	-	-	35,183	27,973
Capital grants and contributions	23,265	20,283	-	-	23,265	20,283
General revenues:						
Property taxes	141,488	139,185	-	-	141,488	139,185
Other taxes	19,489	21,180	-	-	19,489	21,180
Intergovernmental	155,617	107,868	581	630	156,198	108,498
Investment earnings	722	1,883	58	245	780	2,128
State aid	172,103	132,613	-	-	172,103	132,613
Miscellaneous	3,889	8,614	-	-	3,889	8,614
Total revenues	<u>579,160</u>	<u>494,664</u>	<u>73,216</u>	<u>77,063</u>	<u>652,376</u>	<u>571,727</u>
Expenses:						
General government support	81,077	85,385	-	-	81,077	85,385
Public safety	287,868	289,382	-	-	287,868	289,382
Streets and sanitation	43,532	41,633	-	-	43,532	41,633
Economic assist. and opportunity	24,239	25,661	-	-	24,239	25,661
Culture and recreation	13,677	13,735	-	-	13,677	13,735
Health and community services	3,555	3,901	-	-	3,555	3,901
Education	70,823	70,823	-	-	70,823	70,823
Interest and fiscal charges	7,342	5,342	-	-	7,342	5,342
Solid Waste and Recycling	-	-	22,499	22,005	22,499	22,005
Parking	-	-	2,218	2,090	2,218	2,090
Water System	-	-	37,463	35,992	37,463	35,992
Total expenses	<u>532,113</u>	<u>535,862</u>	<u>62,180</u>	<u>60,087</u>	<u>594,292</u>	<u>595,949</u>
Excess (deficiency) of revenues over expenses	47,048	(41,198)	11,036	16,976	58,083	(24,222)
Transfers	<u>10,280</u>	<u>10,321</u>	<u>(10,280)</u>	<u>(10,321)</u>	<u>-</u>	<u>-</u>
Change in net position	57,328	(30,877)	756	6,655	58,083	(24,222)
Net position—beginning, as restated	<u>(900,408)</u>	<u>(869,531)</u>	<u>28,039</u>	<u>21,384</u>	<u>(872,368)</u>	<u>(848,147)</u>
Net position—ending	<u>\$ (843,080)</u>	<u>\$ (900,408)</u>	<u>\$ 28,795</u>	<u>\$ 28,039</u>	<u>\$ (814,285)</u>	<u>\$ (872,368)</u>

Governmental activities—The largest funding sources for the City’s governmental activities, as a percent of total revenues, are state aid (29.7%), intergovernmental (26.9%) and property taxes (24.4%).

The largest expense categories for the City’s governmental activities are public safety (54.1%), general government support (15.2%) and education (13.3%). The education category represents the City allocation to the Board.

The City’s governmental activities did not incur significant changes in expenses from 2020 to 2021. However, significant changes in revenues for the City include the following:

- Total revenues increased \$84,496 in the current year as compared to last year. Intergovernmental increased \$47,749, while state aid increased \$39,490, mainly due to recovery aid from both state and federal governments.

Business-type activities—Business-type activities increased the City’s net position by \$756. Overall, revenues decreased \$3,847, expenses increased \$2,093, and transfers out decreased \$41 from 2020 to 2021. The overall increase in net position is due to the following:

- The Solid Waste and Recycling Fund recorded an increase in net position of \$822 as a result of normal operations where operating revenues exceeding operating expenses and transfers out.
- The net position of the Parking Fund decreased \$675, which was primarily a result of operating expenses, interest expense and transfers out exceeding operating and nonoperating revenues.
- The Water System’s net position increased by \$609 as a result of normal operations where operating revenues exceed combined operating and nonoperating expenses and transfers out.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Common Council.

At June 30, 2021, the City’s governmental funds reported combined ending fund balances of \$171,525, an increase of \$59,072 from the prior year. Approximately 4.8 percent of this amount, \$8,195, constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form, \$23,604, (2) restricted for particular purposes, \$81,632, (3) committed to particular purposes, \$40,661, or (4) assigned for particular purposes, \$17,434.

Nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance totaling \$23,604 consists of \$9,835 of real estate acquired for resale, \$12,441 to cover the deficit in the Solid Waste and Recycling Fund, \$1,299 for prepaid items and \$30 for Permanent Fund principal.

Restricted fund balance in the amount of \$81,632 are amounts constrained to specific purposes and consist of \$50,247 to finance specific capital projects, \$13,577 for future capital outlay, \$9,464 to pay debt service, \$6,711 for federal and state programs, \$1,521 for emergency medical services and \$111 for compliance of the Permanent Fund.

Commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City's highest level of decision-making authority. \$40,661 of fund balance is committed for the City's Emergency Stabilization fund. Assigned fund balance in the amount of \$17,434 consists of \$10,824 to liquidate contracts and purchase orders, \$807 for motor vehicle self-insurance, \$5,200 for judgments and claims, and \$603 in funds held by the BFSA. These assignments indicate management's intention to utilize these funds for the stated purposes.

The General Fund is the chief operating fund of the City. During the current fiscal year, total fund balance increased to \$104,341, an increase of \$14,813 from the prior year ended June 30, 2020 due primarily to increased intergovernmental revenues related to \$40,000 federal ARPA aid earned and used to support government services. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 1.6 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 20.2 percent of that same amount.

The Debt Service Fund has a total fund balance of \$7,041, which is restricted solely for the purpose of payment of future debt service. The increase in fund balance during the current year in the Debt Service Fund of \$2,291 is due primarily to a transfer of \$3,665 related to closed Capital Projects.

The Capital Projects Fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for in the appropriate proprietary fund. At the end of the current fiscal year, Capital Projects Fund fund balance was \$50,247, all of which is restricted for encumbrances and future projects. The increase in fund balance of \$44,751 is due to the issuance of serial bonds and related premiums in excess of capital outlay.

The BFSA Special Revenue Fund is used to account for the General Fund of the BFSA and, therefore, is their chief operating fund. Total fund balance at the end of the current fiscal year was \$620. Of this amount, \$17 is nonspendable for prepaid items and \$603 represents BFSA's assigned fund balance for operations. The \$16 increase in fund balance is attributable to an increase in intergovernmental revenues.

Proprietary funds—Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The net position of the enterprise funds at the end of the current fiscal year totaled \$28,795. The balance includes a net position of \$(58,295) for the Solid Waste and Recycling Fund, and net position balances of \$35,339 for the Parking Fund and \$51,751 for the Water System. The underlying reasons for any changes were described under the aforementioned heading Business-type activities.

The Internal Service Fund is used to account for the central print shop. The total net position at the end of the fiscal year was \$124. This represents an increase of \$12, which is due to charges for services exceeding services and supplies.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General Fund. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the City has appropriately assigned an equal amount of fund balance at year-end for this purpose. The budgetary comparison schedule for the General Fund, a major fund, is provided in the Required Supplementary Information section of this report to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended June 30, 2021 is presented below in Table 3.

Table 3—General Fund Budget

	Budgeted Amounts		Budgetary	Variance with
	Adopted	Final	Actual Amounts	Final Budget
Revenues and other financing sources	\$ 519,551	\$ 519,551	\$ 532,527	\$ 12,976
Expenditures and other financing uses	519,551	526,322	528,537	(2,215)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ (6,772)	\$ 3,990	\$ 10,762

Adopted budget compared to final budget—During the year, the City amended appropriations for various purposes. The primary increases were \$1,946 within public works, parks and streets to cover additional maintenance and equipment, and \$912 within police for additional equipment. These increases were supported by the use of fund balance.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations indicate that actual revenues and transfers in were \$12,976 above the final budget, due primarily to unanticipated aid from state and local governments. Actual expenditures and other financing uses were higher than the final budget by \$2,215, due primarily to the one-time payment of the City’s deficiency notes before maturity, which were partially offset by budgetary savings within employee benefits as the City had a reduction in personnel costs and incurred a decrease in retirement contributions.

Capital Assets and Debt Administration

Capital assets—The City’s capital assets for its governmental activities and business-type activities as of June 30, 2021 amounted to \$743,833 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the City’s capital asset policy.

Capital assets, net of depreciation for governmental activities and business-type activities as of June 30, 2021 and June 30, 2020 are presented in Table 4 below.

Table 4—Summary of Capital Assets (Net of Depreciation) (000's omitted)

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	2020
Land	\$ 9,792	\$ 9,792	\$ 3,308	\$ 3,362	\$ 13,100	\$ 13,154
Construction in progress	37,568	19,537	3,313	2,776	40,881	22,313
Buildings and improvements	186,410	190,923	115,781	116,878	302,191	307,801
Improvements other than buildings	25,598	27,090	19	33	25,617	27,123
Machinery and equipment	10,855	9,325	1,988	2,596	12,843	11,921
Infrastructure	<u>275,463</u>	<u>281,602</u>	<u>73,738</u>	<u>67,604</u>	<u>349,201</u>	<u>349,206</u>
Total	<u>\$ 545,686</u>	<u>\$ 538,269</u>	<u>\$ 198,147</u>	<u>\$ 193,249</u>	<u>\$ 743,833</u>	<u>\$ 731,518</u>

Significant changes from 2020 to 2021 in capital assets include:

- Construction in progress increased \$18,568 largely due to major street infrastructure capital projects underway during the year, such as cars on Lower Main Street and Niagara Street.

The City's infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide and proprietary fund financial statements. The City has elected to depreciate their infrastructure assets. Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long-term debt—At June 30, 2021, the City had total bonded debt outstanding for governmental activities of \$168,475, including bonds issued by BFSA, as compared to \$151,762 in the prior year as a result of scheduled principal payments, a bond refunding of \$9,840, which along with premiums and cash contributions refunded \$10,200 of previously outstanding serial bonds and a serial bond issuance of \$51,700. The amount attributed to BFSA's total bonded debt outstanding at the end of the current fiscal year is \$6,440.

The bonds outstanding for business-type activities at June 30, 2021 consisted of \$6,760 in general obligation bonds issued by the City for parking and \$117,455 of revenue bonds issued by the Water Authority reported within the Water System. During the year, the Authority made principal payments on water system revenue refunding bonds of \$6,230, issued a refunding bond of \$16,850, which along with premiums and cash contributions refunded \$18,805 of previously outstanding water system revenue bonds, and issued additional bonds of \$4,580.

A summary of the City's long-term liabilities at June 30, 2021 and June 30, 2020 is presented in Table 5 on the following page.

Table 5—Summary of Long-Term Liabilities (000's omitted)

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	2020
Bonds payable, net of premiums and discounts	\$ 193,498	\$ 165,719	\$ 135,982	\$ 138,400	\$ 329,480	\$ 304,119
Long-term deficiency notes	-	25,000	-	-	-	25,000
Compensated absences	26,561	24,444	1,370	1,296	27,931	25,740
Workers' compensation	8,530	9,213	1,801	2,065	10,331	11,278
Landfill post-closure monitoring	490	560	-	-	490	560
OPEB obligation	1,316,189	1,170,252	67,809	58,165	1,383,998	1,228,417
Judgments and claims	5,200	8,800	-	-	5,200	8,800
Net pension liability	62,179	242,178	45	11,984	62,224	254,162
Total	<u>\$ 1,612,647</u>	<u>\$ 1,646,166</u>	<u>\$ 207,007</u>	<u>\$ 211,910</u>	<u>\$ 1,819,654</u>	<u>\$ 1,858,076</u>

The New York State Constitution restricts the annual real property tax levy for operating expenses to two percent of average full value of taxable City property over the last five years. This limitation does not apply to taxes for debt service. The New York State Constitution also provides that the City may not contract indebtedness in an amount greater than nine percent of the average full value of taxable real property for the most recent five years. Water debt, self-sustaining debt and revenue anticipation notes are excluded from the debt limit. This limit as of fiscal year end was \$1,145,255. The City had a debt-contracting margin of \$1,013,822 on June 30, 2021. During the year ended June 30, 2021 the City had no changes in their bond ratings. Additional information on the City's long-term debt can be found in Note 12 to the financial statements.

Next Year's Budget

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2022 budget. The total budgeted appropriations for the City's General Fund operations are \$434,512. This budget is a \$15,547 increase from the fiscal year 2021 total budgeted appropriations of \$418,965. The 2021-2022 budget does not include an appropriation of fund balance. This budget was approved by the BFSAs.

The unemployment rate, which is not seasonally adjusted, for the Buffalo-Niagara region at June 30, 2021 was 5.7 percent. This compares to New York State's unemployment rate of 7.8 percent. These factors are considered in preparing the City's budget.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Buffalo, Office of the Comptroller, 1225 City Hall, Buffalo, New York 14202; Buffalo Board of Education, Finance, 708 City Hall, Buffalo, New York 14202; and Buffalo Urban Renewal Agency, 214 City Hall, Buffalo, New York 14202.

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BASIC FINANCIAL STATEMENTS

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CITY OF BUFFALO, NEW YORK
Statement of Net Position
June 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	BOE	BURA
ASSETS					
Cash and cash equivalents	\$ 336,356,075	\$ 17,437,558	\$ 353,793,633	\$ 12,292,758	\$ 4,929,745
Restricted cash and cash equivalents	232,503,146	31,649,366	264,152,512	23,450,001	1,109,877
Restricted investments	2,307,557	5,275,598	7,583,155	-	-
Receivables (net of allowances)	34,336,111	7,515,548	41,851,659	12,257,699	1,155,148
Intergovernmental receivables	9,298,408	-	9,298,408	158,236,744	1,473,884
Due from component units/ primary government	16,625,000	-	16,625,000	288,508,165	-
Internal balances	10,962,645	(10,962,645)	-	-	-
Prepaid items and other assets	1,298,531	-	1,298,531	1,798,577	75,851
Real estate acquired for resale	9,834,583	-	9,834,583	-	3,154,389
Capital assets not being depreciated	47,359,610	6,620,712	53,980,322	39,363,858	-
Capital assets, net of accumulated depreciation	498,326,381	191,525,927	689,852,308	700,022,126	405,112
Total assets	<u>1,199,208,047</u>	<u>249,062,064</u>	<u>1,448,270,111</u>	<u>1,235,929,928</u>	<u>12,304,006</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	127,753	2,593,600	2,721,353	19,847,050	-
Deferred outflows—relating to pensions	219,205,174	9,651,068	228,856,242	203,966,490	1,950,157
Deferred outflows—relating to OPEB	142,490,891	7,653,697	150,144,588	594,035,000	-
Total deferred outflows of resources	<u>361,823,818</u>	<u>19,898,365</u>	<u>381,722,183</u>	<u>817,848,540</u>	<u>1,950,157</u>
LIABILITIES					
Accounts payable and accrued liabilities	34,387,001	6,816,616	41,203,617	91,258,222	2,278,822
Retainages payable	910,430	-	910,430	525,949	-
Intergovernmental payables	11,465,577	575,985	12,041,562	34,408,572	-
Due to component units/primary government	288,508,165	-	288,508,165	16,625,000	-
Unearned revenue	125,745,671	437,740	126,183,411	-	-
Noncurrent liabilities:					
Due within one year	43,910,895	9,291,825	53,202,720	85,548,448	31,759
Due in more than one year	1,568,736,582	197,715,425	1,766,452,007	3,168,363,901	29,130,393
Total liabilities	<u>2,073,664,321</u>	<u>214,837,591</u>	<u>2,288,501,912</u>	<u>3,396,730,092</u>	<u>31,440,974</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	-	-	8,911,157	-
Deferred inflows—relating to pensions	245,274,882	13,244,462	258,519,344	75,395,947	2,448,566
Deferred inflows—relating to OPEB	85,172,867	12,083,435	97,256,302	979,774,000	-
Total deferred inflows of resources	<u>330,447,749</u>	<u>25,327,897</u>	<u>355,775,646</u>	<u>1,064,081,104</u>	<u>2,448,566</u>
NET POSITION					
Net investment in capital assets	419,187,147	96,407,679	515,594,826	117,508,660	405,112
Restricted for:					
Capital outlay	13,577,119	-	13,577,119	-	-
Debt service	9,464,436	-	9,464,436	22,544,800	-
Grants	6,710,980	-	6,710,980	-	1,032,654
Real estate held for sale	9,834,583	-	9,834,583	-	-
Judgments and claims	-	-	-	17,750,000	-
Unemployment insurance	-	-	-	9,156,044	-
Perpetual care—Expendable	111,180	-	111,180	-	-
Perpetual care—Unexpendable	30,000	-	30,000	-	-
Other purposes	1,521,293	-	1,521,293	4,394,207	-
Unrestricted	(1,303,516,943)	(67,612,738)	(1,371,129,681)	(2,578,386,439)	(21,073,143)
Total net position	<u>\$ (843,080,205)</u>	<u>\$ 28,794,941</u>	<u>\$ (814,285,264)</u>	<u>\$ (2,407,032,728)</u>	<u>\$ (19,635,377)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Activities
Year Ended June 30, 2021

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Total	BOE	BURA
Primary government:									
Governmental activities:									
General government support	\$ 81,077,004	\$ 9,868,772	\$ 2,221,006	\$ 530,386	\$ (68,456,840)	\$ -	\$ (68,456,840)	\$ -	\$ -
Public safety	287,868,047	9,114,796	4,497,956	186,265	(274,069,030)	-	(274,069,030)	-	-
Streets and sanitation	43,531,613	1,287,480	72,428	16,740,018	(25,431,687)	-	(25,431,687)	-	-
Economic assistance and opportunity	24,239,544	6,686,955	10,577,935	3,702,532	(3,272,122)	-	(3,272,122)	-	-
Culture and recreation	13,676,591	297,100	30,000	2,105,753	(11,243,738)	-	(11,243,738)	-	-
Health and community services	3,555,128	148,663	17,783,990	-	14,377,525	-	14,377,525	-	-
Education	70,822,758	-	-	-	(70,822,758)	-	(70,822,758)	-	-
Interest and fiscal charges	7,342,150	-	-	-	(7,342,150)	-	(7,342,150)	-	-
Total governmental activities	532,112,835	27,403,766	35,183,315	23,264,954	(446,260,800)	-	(446,260,800)	-	-
Business-type activities:									
Solid Waste and Recycling	22,499,166	23,994,580	-	-	-	1,495,414	1,495,414	-	-
Parking	2,218,019	3,296,780	-	-	-	1,078,761	1,078,761	-	-
Water System	37,462,810	45,285,571	-	-	-	7,822,761	7,822,761	-	-
Total business-type activities	62,179,995	72,576,931	-	-	-	10,396,936	10,396,936	-	-
Total primary government	\$ 594,292,830	\$ 99,980,697	\$ 35,183,315	\$ 23,264,954	(446,260,800)	10,396,936	(435,863,864)	-	-
Component units:									
BOE	\$ 972,095,510	\$ 4,106,343	\$ 165,293,555	\$ 9,045,735				(793,649,877)	-
BURA	56,178,694	1,330,338	49,121,934	-				-	(5,726,422)
Total component units	\$1,028,274,204	\$ 5,436,681	\$ 214,415,489	\$ 9,045,735				(793,649,877)	(5,726,422)
General revenues:									
Taxes:									
Property taxes					141,487,941	-	141,487,941	-	-
Interest and penalties					1,777,373	-	1,777,373	-	-
Mortgage taxes					3,077,510	-	3,077,510	-	-
Payments in lieu of taxes					3,400,508	-	3,400,508	-	-
Gross utility tax					11,233,932	-	11,233,932	-	-
Intergovernmental—unrestricted					155,617,027	581,177	156,198,204	54,352,281	-
Investment earnings					721,656	57,866	779,522	-	185,583
Contribution from City of Buffalo					-	-	-	70,822,758	-
State aid—unrestricted					172,102,607	-	172,102,607	738,021,384	-
Miscellaneous					3,889,308	-	3,889,308	14,544,559	2,837,273
Transfers					10,280,473	(10,280,473)	-	-	-
Total general revenues and transfers					503,588,335	(9,641,430)	493,946,905	877,740,982	3,022,856
Change in net position					57,327,535	755,506	58,083,041	84,091,105	(2,703,566)
Net position—beginning					(900,407,740)	28,039,435	(872,368,305)	(2,491,123,833)	(16,931,811)
Net position—ending					\$ (843,080,205)	\$ 28,794,941	\$ (814,285,264)	\$(2,407,032,728)	\$ (19,635,377)

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2021

	General	Debt Service	Capital Projects	BFSA Special Revenue	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 335,858,849	\$ -	\$ -	\$ 401,435	\$ -	\$ 336,260,284
Restricted cash and cash equivalents	144,748,122	6,343,408	73,830,253	-	7,581,363	232,503,146
Restricted investments	-	-	-	-	2,307,557	2,307,557
Receivables:						
Delinquent taxes and assessments	12,797,636	-	-	-	-	12,797,636
Accounts receivable	16,090,394	-	-	-	-	16,090,394
Other receivables	-	-	-	-	4,450	4,450
Due from other agencies	860,361	-	-	-	-	860,361
Intergovernmental receivables	5,928,754	-	5,068,268	16,826,719	286,680	28,110,421
Due from other funds	40,322,265	697,532	-	-	2,541,427	43,561,224
Allowances	(14,253,220)	-	-	-	-	(14,253,220)
Net receivables	61,746,190	697,532	5,068,268	16,826,719	2,832,557	87,171,266
Prepaid items	1,281,492	-	-	17,039	-	1,298,531
Real estate acquired for resale	9,834,583	-	-	-	-	9,834,583
Total assets	<u>\$ 553,469,236</u>	<u>\$ 7,040,940</u>	<u>\$ 78,898,521</u>	<u>\$ 17,245,193</u>	<u>\$ 12,721,477</u>	<u>\$ 669,375,367</u>
LIABILITIES						
Accounts payable	\$ 9,823,195	\$ -	\$ 2,497,351	\$ 9,478	\$ 809,054	\$ 13,139,078
Accrued liabilities	19,254,236	-	-	74,051	79,044	19,407,331
Intergovernmental payables	140,732	-	39,772	-	129,574	310,078
Due to other funds	2,714,903	-	17,150,589	10,308,459	2,428,149	32,602,100
Due to component units	273,311,083	-	8,964,268	6,232,814	-	288,508,165
Due to retirement systems	11,155,499	-	-	-	-	11,155,499
Unearned revenue	125,745,671	-	-	-	-	125,745,671
Total liabilities	<u>442,145,319</u>	<u>-</u>	<u>28,651,980</u>	<u>16,624,802</u>	<u>3,445,821</u>	<u>490,867,922</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue—property taxes	6,982,861	-	-	-	-	6,982,861
Total deferred inflows of resources	<u>6,982,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,982,861</u>
FUND BALANCES						
Nonspendable	23,556,866	-	-	17,039	30,000	23,603,905
Restricted	15,098,412	7,040,940	50,246,541	-	9,245,656	81,631,549
Committed	40,660,588	-	-	-	-	40,660,588
Assigned	16,830,528	-	-	603,352	-	17,433,880
Unassigned	8,194,662	-	-	-	-	8,194,662
Total fund balances	<u>104,341,056</u>	<u>7,040,940</u>	<u>50,246,541</u>	<u>620,391</u>	<u>9,275,656</u>	<u>171,524,584</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 553,469,236</u>	<u>\$ 7,040,940</u>	<u>\$ 78,898,521</u>	<u>\$ 17,245,193</u>	<u>\$ 12,721,477</u>	<u>\$ 669,375,367</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2021

Amounts reported for governmental activities in the statement of net position (page 18) are different because:

Total fund balances—governmental funds (page 20)	\$ 171,524,584
City capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of these assets is \$1,168,603,942 and the accumulated depreciation is \$622,917,951.	545,685,991
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.	127,753
Property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	6,982,861
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	16,625,000
Deferred outflows and inflows of resources related to pensions (including BFSA) and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to pensions employer contributions	\$ 11,194,003
Deferred outflows related to pensions experience, changes of assumptions, investment earnings, and changes in proportion	208,011,171
Deferred outflows related to OPEB liability	142,490,891
Deferred inflows related to pension plans	(245,274,882)
Deferred inflows related to OPEB liability	<u>(85,172,867)</u>
	31,248,316
Internal service funds are used by management to charge the costs of internal print services. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	123,789
Net accrued interest expense for serial bonds is not reported in the funds.	(1,840,592)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.	(910,430)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:	
General obligations bonds—City	\$ (162,034,637)
General obligations bonds—BFSA	(6,440,000)
Unamortized premiums on bonds—City	(24,216,047)
Unamortized premiums on bonds—BFSA	(807,454)
Compensated absences	(26,561,190)
Workers' compensation	(8,529,926)
Landfill post-closure monitoring costs	(490,000)
OPEB obligation—City	(1,314,907,205)
OPEB obligation—BFSA	(1,281,732)
Judgments and claims	(5,200,000)
Net pension liability—City	(62,177,589)
Net pension liability—BFSA	<u>(1,697)</u>
	<u>(1,612,647,477)</u>
Net position of governmental activities	<u>\$ (843,080,205)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended June 30, 2021

	General	Debt Service	Capital Projects	BFSA Special Revenue	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Property taxes, assessments, and other tax items	\$ 149,666,888	\$ -	\$ -	\$ -	\$ -	\$ 149,666,888
Utility and other nonproperty tax items	12,188,508	-	-	-	-	12,188,508
Intergovernmental	330,639,303	9,112,629	23,028,085	751,029	31,860,508	395,391,554
Investment interest	130,652	46,468	-	-	261,507	438,627
License, permit, rentals, fines, and other service charges	25,463,662	130,535	-	-	-	25,594,197
Miscellaneous	4,157,340	144,444	50,606	-	63,498	4,415,888
Total revenues	<u>522,246,353</u>	<u>9,434,076</u>	<u>23,078,691</u>	<u>751,029</u>	<u>32,185,513</u>	<u>587,695,662</u>
EXPENDITURES						
Current:						
General government support	58,051,336	-	-	509,565	543,709	59,104,610
Public safety	157,914,797	-	-	-	11,398,252	169,313,049
Streets and sanitation	11,730,753	-	-	-	32,117	11,762,870
Economic assistance and opportunity	2,542,443	-	-	-	20,088,425	22,630,868
Culture and recreation	8,297,311	-	-	-	32,630	8,329,941
Health and community services	2,157,829	-	-	-	21,000	2,178,829
Education	70,822,758	-	-	-	-	70,822,758
Fringe benefits	142,316,855	-	-	184,208	-	142,501,063
Other	8,183,783	-	-	-	-	8,183,783
Debt service:						
Principal	25,000,000	40,137,828	-	-	4,690,000	69,827,828
Interest and fiscal charges	909,196	6,580,251	211,401	-	613,554	8,314,402
Capital outlay:						
General government support	-	-	2,869,530	-	-	2,869,530
Public safety	-	-	2,597,750	-	-	2,597,750
Streets and sanitation	-	-	29,763,579	-	-	29,763,579
Economic assistance and opportunity	-	-	546,099	-	-	546,099
Culture and recreation	-	-	5,284,595	-	-	5,284,595
Total expenditures	<u>487,927,061</u>	<u>46,718,079</u>	<u>41,272,954</u>	<u>693,773</u>	<u>37,419,687</u>	<u>614,031,554</u>
Excess (deficiency) of revenues over expenditures	<u>34,319,292</u>	<u>(37,284,003)</u>	<u>(18,194,263)</u>	<u>57,256</u>	<u>(5,234,174)</u>	<u>(26,335,892)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	10,280,473	33,027,580	4,185,141	-	2,434,422	49,927,616
Transfers out	(29,786,283)	(6,154,685)	(3,665,178)	(40,997)	-	(39,647,143)
Serial bonds issued	-	-	50,610,172	-	-	50,610,172
Refunding bonds issued	-	10,930,000	-	-	-	10,930,000
Premium on serial bonds issued	-	1,772,439	11,815,147	-	-	13,587,586
Total other financing sources (uses)	<u>(19,505,810)</u>	<u>39,575,334</u>	<u>62,945,282</u>	<u>(40,997)</u>	<u>2,434,422</u>	<u>85,408,231</u>
Net change in fund balances	14,813,482	2,291,331	44,751,019	16,259	(2,799,752)	59,072,339
Fund balances—beginning	89,527,574	4,749,609	5,495,522	604,132	12,075,408	112,452,245
Fund balances—ending	<u>\$ 104,341,056</u>	<u>\$ 7,040,940</u>	<u>\$ 50,246,541</u>	<u>\$ 620,391</u>	<u>\$ 9,275,656</u>	<u>\$ 171,524,584</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities (page 19) are different because:

Net change in fund balances—total governmental funds (page 22)		\$ 59,072,339
<p>City governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and loss on disposals in the current period.</p>		
Capital asset additions, net	\$ 46,800,606	
Depreciation expense	(39,382,587)	
Loss on disposal of capital assets	(906)	7,417,113
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
		(1,253,611)
<p>Revenues reported in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds.</p>		
		(8,778,556)
<p>Net differences between pension contributions and OPEB changes recognized on the fund financial statements and the government-wide financial statements are as follows:</p>		
Direct pension contributions	\$ 40,431,730	
Cost of benefits earned net of employee contributions	(40,169,700)	
Changes in OPEB assumptions	(143,640,627)	(143,378,597)
<p>The internal service funds are used by management to charge the costs of internal print services. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		11,850
<p>In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid.</p>		
		(14,934)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:</p>		
Proceeds from general obligations bonds—City	\$ (50,610,172)	
Issuance of refunding bonds—City	(10,930,000)	
Refunded bonds—City	12,780,000	
Repayment of general obligations bonds—City	27,357,828	
Repayment of general obligations bonds—BFSA	4,690,000	
Premium on refunding bonds issued—City	(13,587,586)	
Amortization of bond premiums—City	2,312,217	
Amortization of bond premiums—BFSA	208,874	
Repayment of long-term deficiency notes	25,000,000	
Change in compensated absences	(2,117,305)	
Change in workers' compensation	683,326	
Change in landfill post-closure monitoring costs	70,000	
Change in other postemployment benefits obligation—City	145,729,472	
Change in other postemployment benefits obligation—BFSA	207,477	
Change in judgments and claims	2,457,800	144,251,931
Change in net position of governmental activities		\$ 57,327,535

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2021

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 86,281	\$ 3,232,963	\$ 14,118,314	\$ 17,437,558	\$ 95,791
Restricted cash and cash equivalents	-	2,143	31,647,223	31,649,366	-
Restricted investments	-	-	5,275,598	5,275,598	-
Receivables:					
Accounts receivable	9,182,731	954,052	25,809,527	35,946,310	24,477
Other receivables	134,656	-	1,479,684	1,614,340	-
Due from other agencies	-	-	128,029	128,029	-
Due from other funds	184,505	1,601,682	-	1,786,187	3,521
Allowances	(8,701,440)	-	(21,471,691)	(30,173,131)	-
Net receivables	<u>800,452</u>	<u>2,555,734</u>	<u>5,945,549</u>	<u>9,301,735</u>	<u>27,998</u>
Total current assets	<u>886,733</u>	<u>5,790,840</u>	<u>56,986,684</u>	<u>63,664,257</u>	<u>123,789</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	1	3,162,773	145,116	3,307,890	-
Construction in progress	-	384,992	2,927,830	3,312,822	-
Total capital assets not being depreciated	<u>1</u>	<u>3,547,765</u>	<u>3,072,946</u>	<u>6,620,712</u>	<u>-</u>
Capital assets being depreciated:					
Buildings, building improvements, and infrastructure	4,231,310	61,714,670	263,709,961	329,655,941	-
Improvements other than buildings	201,071	-	252,393	453,464	-
Machinery and equipment	9,795,824	240,541	1,933,345	11,969,710	-
Accumulated depreciation	(11,699,701)	(27,857,357)	(110,996,130)	(150,553,188)	-
Total capital assets being depreciated	<u>2,528,504</u>	<u>34,097,854</u>	<u>154,899,569</u>	<u>191,525,927</u>	<u>-</u>
Total noncurrent assets	<u>2,528,505</u>	<u>37,645,619</u>	<u>157,972,515</u>	<u>198,146,639</u>	<u>-</u>
Total assets	<u>3,415,238</u>	<u>43,436,459</u>	<u>214,959,199</u>	<u>261,810,896</u>	<u>123,789</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	15,380	2,578,220	2,593,600	-
Deferred outflows—relating to pensions	4,909,182	-	4,741,886	9,651,068	-
Deferred outflows—relating to OPEB	3,621,233	10,107	4,022,357	7,653,697	-
Total deferred outflows of resources	<u>8,530,415</u>	<u>25,487</u>	<u>11,342,463</u>	<u>19,898,365</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	835,077	86,294	1,681,893	2,603,264	-
Other accrued liabilities	903,985	65,485	3,243,882	4,213,352	-
Due to other funds	-	-	308,041	308,041	-
Due to retirement systems	292,167	1,607	282,211	575,985	-
Unearned revenue	437,740	-	-	437,740	-
Accrued compensated absences	35,556	-	57,183	92,739	-
Accrued workers' compensation	168,926	-	252,796	421,722	-
General obligation and revenue bonds payable within one year, net	-	1,785,819	6,991,545	8,777,364	-
Total current liabilities	<u>2,673,451</u>	<u>1,939,205</u>	<u>12,817,551</u>	<u>17,430,207</u>	<u>-</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2021

(concluded)

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Noncurrent liabilities:					
Due to other funds	12,440,791	-	-	12,440,791	-
Accrued compensated absences	503,504	-	773,678	1,277,182	-
Accrued workers' compensation	542,931	-	836,949	1,379,880	-
Accrued other postemployment benefits obligation	40,468,971	116,890	27,222,907	67,808,768	-
General obligation and revenue bonds payable, net	-	6,045,029	121,159,533	127,204,562	-
Net pension liability	22,906	-	22,127	45,033	-
Total noncurrent liabilities	<u>53,979,103</u>	<u>6,161,919</u>	<u>150,015,194</u>	<u>210,156,216</u>	-
Total liabilities	<u>56,652,554</u>	<u>8,101,124</u>	<u>162,832,745</u>	<u>227,586,423</u>	-
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	6,737,023	-	6,507,439	13,244,462	-
Deferred inflows—relating to OPEB	6,851,095	21,439	5,210,901	12,083,435	-
Total deferred inflows of resources	<u>13,588,118</u>	<u>21,439</u>	<u>11,718,340</u>	<u>25,327,897</u>	-
NET POSITION					
Net investment in capital assets	2,528,505	29,832,294	64,046,880	96,407,679	-
Unrestricted	(60,823,524)	5,507,089	(12,296,303)	(67,612,738)	123,789
Total net position	<u>\$ (58,295,019)</u>	<u>\$ 35,339,383</u>	<u>\$ 51,750,577</u>	<u>\$ 28,794,941</u>	<u>\$ 123,789</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF BUFFALO, NEW YORK
Statement of Revenues, Expenses, and Changes in Net Position—
Proprietary Funds
Year Ended June 30, 2021

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Operating revenues:					
Charges for services	\$ 23,579,523	\$ -	\$ 44,948,053	\$ 68,527,576	\$ 33,917
Rent	-	2,981,574	-	2,981,574	-
Other	415,057	-	337,518	752,575	-
Total operating revenues	<u>23,994,580</u>	<u>2,981,574</u>	<u>45,285,571</u>	<u>72,261,725</u>	<u>33,917</u>
Operating expenses:					
Services and supplies	17,609,490	72,499	20,071,092	37,753,081	22,067
Fringe benefits	4,424,394	24,836	3,048,813	7,498,043	-
Depreciation	465,282	1,644,526	6,991,675	9,101,483	-
Other	-	-	2,770,927	2,770,927	-
Total operating expenses	<u>22,499,166</u>	<u>1,741,861</u>	<u>32,882,507</u>	<u>57,123,534</u>	<u>22,067</u>
Operating income	<u>1,495,414</u>	<u>1,239,713</u>	<u>12,403,064</u>	<u>15,138,191</u>	<u>11,850</u>
Nonoperating revenues (expenses):					
Interest earnings	-	163	57,703	57,866	-
Interest expense	-	(476,158)	(4,575,992)	(5,052,150)	-
Gain (loss) on disposal of capital assets	-	315,206	(4,311)	310,895	-
Other	-	242,518	338,659	581,177	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>81,729</u>	<u>(4,183,941)</u>	<u>(4,102,212)</u>	<u>-</u>
Income before transfers	1,495,414	1,321,442	8,219,123	11,035,979	11,850
Transfers out	<u>(673,078)</u>	<u>(1,996,913)</u>	<u>(7,610,482)</u>	<u>(10,280,473)</u>	<u>-</u>
Change in net position	822,336	(675,471)	608,641	755,506	11,850
Total net position—beginning	<u>(59,117,355)</u>	<u>36,014,854</u>	<u>51,141,936</u>	<u>28,039,435</u>	<u>111,939</u>
Total net position—ending	<u>\$ (58,295,019)</u>	<u>\$ 35,339,383</u>	<u>\$ 51,750,577</u>	<u>\$ 28,794,941</u>	<u>\$ 123,789</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2021

	<u>Business-type Activities—Enterprise Funds</u>				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 24,434,065	\$ 2,807,619	\$ 46,214,303	\$ 73,455,987	\$ 22,881
Payments to suppliers and employees for goods and services	<u>(22,927,848)</u>	<u>(96,298)</u>	<u>(23,970,742)</u>	<u>(46,994,888)</u>	<u>(22,067)</u>
Net cash provided by operating activities	<u>1,506,217</u>	<u>2,711,321</u>	<u>22,243,561</u>	<u>26,461,099</u>	<u>814</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(673,078)	(1,996,913)	(5,822,802)	(8,492,793)	-
Advances from other funds	-	-	1,251,468	1,251,468	-
Repayment of advances from other funds	<u>(873,720)</u>	<u>(660,201)</u>	<u>(6,173,851)</u>	<u>(7,707,772)</u>	<u>(8)</u>
Net cash (used for) noncapital financing activities	<u>(1,546,798)</u>	<u>(2,657,114)</u>	<u>(10,745,185)</u>	<u>(14,949,097)</u>	<u>(8)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Sale (acquisition/construction) of capital assets	-	1,236,689	(14,924,405)	(13,687,716)	-
Redemption of bond anticipation notes	-	(1,500,000)	-	(1,500,000)	-
Principal payments on bonds	-	(1,512,171)	(6,230,000)	(7,742,171)	-
Payment to escrow agent	-	-	(18,805,000)	(18,805,000)	-
Proceeds from issuance of debt and premium	-	1,367,140	23,373,406	24,740,546	-
Interest payments and other fiscal charges	<u>-</u>	<u>(311,592)</u>	<u>(4,861,695)</u>	<u>(5,173,287)</u>	<u>-</u>
Net cash (used for) capital and related financing activities	<u>-</u>	<u>(719,934)</u>	<u>(21,447,694)</u>	<u>(22,167,628)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	-	-	12,194	12,194	-
Interest received on short-term investments	<u>-</u>	<u>163</u>	<u>45,509</u>	<u>45,672</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>163</u>	<u>57,703</u>	<u>57,866</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(40,581)	(665,564)	(9,891,615)	(10,597,760)	806
Cash, cash equivalents and investments—beginning	<u>126,862</u>	<u>3,900,670</u>	<u>60,932,750</u>	<u>64,960,282</u>	<u>94,985</u>
Cash, cash equivalents and investments—ending	<u>\$ 86,281</u>	<u>\$ 3,235,106</u>	<u>\$ 51,041,135</u>	<u>\$ 54,362,522</u>	<u>\$ 95,791</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2021

(concluded)

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 1,495,414	\$ 1,239,713	\$ 12,403,064	\$ 15,138,191	\$ 11,850
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	465,282	1,644,526	6,991,675	9,101,483	-
Pension expense	-	-	(2,106,616)	(2,106,616)	-
(Increase) decrease in receivables	439,485	(173,955)	928,732	1,194,262	(11,036)
(Increase) in deferred outflow—relating to pensions	(2,694,365)	(10,107)	(867,341)	(3,571,813)	-
(Increase) in deferred outflow—relating to OPEB	(804,449)	-	(2,716,008)	(3,520,457)	-
Increase (decrease) in payables	308,591	4,600	(667,666)	(354,475)	-
Increase (decrease) in other accrued liabilities	398,424	(9,369)	(16,692)	372,363	-
Increase in due to retirement systems	32,946	304	37,527	70,777	-
Increase in unearned revenue	127,570	-	-	127,570	-
Increase in compensated absences	17,115	-	56,918	74,033	-
(Decrease) in workers' compensation	(262,009)	-	(1,167)	(263,176)	-
Increase in accrued other postemployment benefits obligation	4,893,079	31,037	4,719,166	9,643,282	-
(Decrease) in net pension liability	(6,142,007)	-	-	(6,142,007)	-
Increase in deferred inflows—relating to pensions	6,565,435	-	6,345,474	12,910,909	-
(Decrease) in deferred inflows—relating to OPEB	(3,334,294)	(15,428)	(2,863,505)	(6,213,227)	-
Total adjustments	<u>10,803</u>	<u>1,471,608</u>	<u>9,840,497</u>	<u>11,322,908</u>	<u>(11,036)</u>
Net cash provided by operating activities	<u>\$ 1,506,217</u>	<u>\$ 2,711,321</u>	<u>\$ 22,243,561</u>	<u>\$ 26,461,099</u>	<u>\$ 814</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Fiduciary Net Position—
Fiduciary Funds
June 30, 2021

	<u>Private Purpose Trust</u>	<u>Custodial</u>
ASSETS		
Restricted cash and cash equivalents	\$ 23,912	\$ 1,451,430
Restricted investments	32,912	-
Receivables	<u>6,098</u>	<u>-</u>
Total assets	<u>62,922</u>	<u>1,451,430</u>
NET POSITION		
Restricted for:		
Trust arrangements	\$ 62,922	\$ -
Prisoner property	<u>-</u>	<u>1,451,430</u>
Total net position	<u>\$ 62,922</u>	<u>\$ 1,451,430</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Changes in Fiduciary Net Position—
Fiduciary Funds
Year Ended June 30, 2021

	Private Purpose Trust	Custodial
ADDITIONS		
Funds received on behalf of individuals	\$ 118	\$ 101,993
Interest earnings	118	-
Total additions	236	101,993
DEDUCTIONS		
Funds distributed to individuals	-	41,756
Total deductions	-	41,756
Change in fiduciary net position	118	60,237
Net position—beginning, as restated	62,804	1,391,193
Net position—ending	\$ 62,922	\$ 1,451,430

The notes to the financial statements are an integral part of this statement.

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CITY OF BUFFALO, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Buffalo, New York (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

The City of Buffalo, New York (the "City") is a municipal entity governed by an elected Mayor, Comptroller, and a nine-member elected City Common Council (the "Council").

The City's financial statements include those entities for which the City has clear oversight responsibility. This responsibility is determined through a review of such factors as the selecting of governing boards, financial interdependency and the ability to influence management and operations on a continuing basis. The accompanying financial statements present the City (the "primary government") and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units—The component unit columns in the government-wide financial statements include the financial data of the City's discretely presented component units. These component units are reported in a separate column to emphasize that they are legally separate from the City and that they are not simply an extension of the primary government.

Board of Education—The Board of Education, City of Buffalo, New York (the "Board") is a unit of local government created under the Constitution of the State, whose members are elected by the voters of the City in accordance with State statutes. The Board's primary function is to provide education for pupils. Services, such as transportation of pupils, administration, finance, and plant maintenance, support the primary function of the Board. The Board is financially dependent upon the City and has no independent authority to issue debt or levy taxes, with the exception of the Special Revenue Program Bonds issued by the State of New York Municipal Bond Bank Agency (see Note 12). The Board's Joint Schools

Construction Board (“JSCB”) bonds payable represent bonds issued by the Erie County Industrial Development Agency (the “Issuer”) to provide money to finance the renovation and/or equipping of certain public school facilities for use by the Board. The bonds are special limited obligations of the Issuer payable from amounts due from the Board under an installment sale agreement.

Buffalo Urban Renewal Agency—The Buffalo Urban Renewal Agency (“BURA”) is a public benefit corporation formed by an act of the State Legislature in 1966. Its corporate purpose includes the general planning and operation of various urban renewal programs designed to prevent or eliminate blight and deterioration in the Buffalo urban area. Most of the funding for the various programs conducted by BURA is obtained from the federal government through the City, representing an ongoing relationship with both financial benefit and burden to the City. Additionally, the majority of the governing body is composed of City officials and the City has the ability to remove appointed members and to approve BURA’s budget.

Blended Component Units—The following blended component units are legally separate entities from the City, but are, in substance, part of the City’s operations and therefore data from these units are combined with data of the primary government.

Buffalo Municipal Water Finance Authority (the “Authority”) and the Buffalo Water Board (the “Water Board”)—The Authority and the Water Board are legally separate from the City; however, the Authority and the Water Board are reported as if they were part of the primary government (the “Water System”) because a majority of their Boards of Directors and/or management are City officials. In addition, the sole purpose of the Authority was to facilitate the financing of the City Water System’s acquisition by the Water Board and to finance construction improvements. The Water Board purchased the net assets of the Water System and is responsible for generating sufficient revenues to meet the debt service requirements of the City and Authority related to the Water System.

Buffalo Fiscal Stability Authority—The Buffalo Fiscal Stability Authority (the “BFSA”) 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 “BFSA Act”), Chapter 122 of the State Laws of 2003, as amended from time to time. Nine directors, seven of which are appointed by the Governor, govern the BFSA. Its corporate purpose is to act as a temporary financial intermediary to the City. The BFSA is included as a blended component unit of the City’s primary government because their services are provided almost entirely to the City. The BFSA is fiscally dependent on the City, as they cannot issue debt without approval of the City, and cannot levy taxes or set rates that affect revenues. As such, the City is financially accountable for the BFSA.

Buffalo Fiscal Stability Authority Act—In May 2003, the State enacted the BFSA Act, pursuant to Chapter 122 of the State Laws of 2003. The BFSA Act provides the BFSA 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 BFSA Act defined and established a control period to be in effect as of the date of the BFSA Act and continue until specific conditions were met regarding the stability of the City’s finances. In May 2012, the BFSA determined that 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 BFSA determines at any time that a fiscal crisis is imminent or that any of the certain events, as outlined in the BFSA Act, have occurred or are likely to occur.

The Authority, the Water Board and the BFSFA are included as blended component units because exclusion would be misleading.

Complete financial statements of the individual component units can be obtained from their respective administrative offices as listed below:

Buffalo Board of Education Office of the Chief Financial Officer 708 City Hall Buffalo, NY 14202	Buffalo Municipal Water Finance Authority 502 City Hall Buffalo, NY 14202
City of Buffalo Urban Renewal Agency Financial Control of Agencies 214 City Hall Buffalo, NY 14202	Buffalo Water Board 502 City Hall Buffalo, NY 14202
Buffalo Fiscal Stability Authority Market Arcade Building, Suite 400 617 Main Street Buffalo, NY 14202	

Related Organizations—Although the following are related to the City, they are not included in the City’s reporting entity:

Buffalo Sewer Authority—The Mayor also appoints the Board of Directors of the Buffalo Sewer Authority (the “Sewer Authority”), but the City’s accountability for the Sewer Authority does not extend beyond making these appointments. The Sewer Authority has its own taxing and debt-raising powers.

Buffalo Municipal Housing Authority (the “Housing Authority”)—The Mayor also is responsible for appointing five of the seven members of the Board of Directors of the Housing Authority and funds the operating deficits of the state-sponsored projects. The City’s accountability does not extend beyond this point. The Housing Authority was created by the State Legislature as a separate and independent government body not under City control. A 1982 State Supreme Court ruling supported the City’s conclusion regarding the independence of the Housing Authority.

BURA Inc. (the “Corporation”)—As provided in Section 1411 of the Not-For-Profit Corporation Law, the Corporation is a charitable corporation as defined in Section 201 of the Not-For-Profit Corporation Law, and it is formed and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Current members of the Board of Directors of the Corporation are related to the City as five out of six work, or are on the Board, for BURA. However, the City cannot impose will upon the BURA Inc. nor is there a financial benefit/burden relationship with the City to require it to be presented as a component unit of the City.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. It is the City's policy to record transactions between funds as operating transfers. Interfund services provided and used are not eliminated in the process of consolidation.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- *General Fund*—The General Fund is the primary operating fund of the City and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The majority of current operations are financed by this fund and supported mainly by property taxes and intergovernmental revenues. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received, unless prohibited by the purpose and object of such funds.
- *Debt Service Fund*—The Debt Service Fund was established to receive and account for resources restricted for the payment of interest and principal on City and Board general improvement bonds, notes, and capital leases. The City has elected to report the Debt Service Fund as a major fund to enhance consistency, even though it did not meet the criteria for mandatory reporting in the current year.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources, such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing, or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for use of any of the enterprise funds are not included in the capital projects funds.
- *BFSA Special Revenue Fund*—This fund represents the General Fund of the BFSA and is used to account for all of their financial resources, except those required to be accounted for in another fund. This fund finances the operations of the BFSA, whereby they intercept state aid and sales tax from the City and transfer to the debt service account to pay debt issued on behalf of the City. The City has elected to report the BFSA Special Revenue Fund as a major fund to enhance consistency, even though it did not meet the criteria for mandatory reporting in the current year.

The City reports the following major proprietary funds:

- *Solid Waste and Recycling Fund*—The Solid Waste and Recycling Fund is used to account for the City's solid waste removal system.
- *Parking Fund*—The Parking Fund is used to account for public parking facilities operated by the City.
- *Water System Fund*—The Water System Fund accounts for the City's water treatment and distribution system and is responsible for water delivery to the residents of the City.

Additionally, the City reports the following fund types:

Internal Service Fund—The *Internal Service Fund* accounts for operations in which amounts expended for the print shop are reimbursed by charges to the operations of other funds.

Nonmajor Governmental Funds—The nonmajor governmental funds include the *Special Revenue Fund*, the *BFSA Debt Service Fund*, and *Permanent Fund*:

- *Special Revenue Fund*—The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes.
- *BFSA Debt Service Fund*—This fund accounts for the state aid and sales tax resources that the BFSA intercepts from the City to pay principal and interest on general obligations bonds issued by the BFSA on behalf of the City.
- *Permanent Fund*—The Permanent Fund is used to account for assets held by the City in a trustee capacity that are legally restricted to the extent that only earnings, and not principal, may be used for purposes stipulated in the bequests and trust agreements.

Fiduciary Funds—These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Private Purpose Trust Fund* and the *Custodial Fund*. Activities reported in the Private Purpose Trust fund represent certain trust arrangements, while activities in the Custodial Fund represent monies held for prisoners and deposits to be returned to other entities.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds and Private Purpose Trust Fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Custodial Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The City’s cash, cash equivalents, and investments include cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the United States Treasury, United State Agencies, repurchase agreements, obligations of New York State or its localities, certificates of deposit and revenue anticipation notes. Investments are stated at fair value based on quoted market prices.

Restricted Cash, Cash Equivalents and Investments—Unspent proceeds from debt are reported as restricted cash and cash equivalents within the City’s Debt Service Fund and Capital Projects Fund. The City also reports restricted cash and investments within its governmental and proprietary funds for amounts with constraints placed on their use by either external parties and/or statute and for unearned revenues. Additionally, the City reports restricted cash and investments within its fiduciary funds for amounts held on behalf of others.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than purchased.

Real Estate Acquired for Resale—Represents assets held by the City with the intention to resell.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as within each individual proprietary fund. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000, and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	50
Building improvements	20
Improvements other than buildings	10 - 30
Infrastructure	20 - 50
Water system	20 - 40
Machinery and equipment	4 - 30

The capitalization threshold for the Board is \$5,000. Capital assets of the Board are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	50
Building improvements	20
Land improvements	20
General equipment	10
Computer, business machine, and audio visual equipment	5
Automotive	7

BURA does not own infrastructure assets such as roads, bridges or sewers. BURA defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life exceeding five years. Assets are depreciated using the straight-line method over their useful lives, which range from 5 to 40 years.

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2021, the City reported unearned revenues within the General Fund and Solid Waste and Recycling Fund in the amounts of \$125,745,671 and \$437,740, respectively. The City received cash in advance related primarily to the American Rescue Plan Act relief funds, as well as other grants, prepaid user fees, and other items but has not performed the services, and therefore recognizes a liability.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2021, the City has three items that qualify for reporting in this category. The first item is deferred charge on refunding, which is reported within the proprietary funds. The second item is related to pensions and is also reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the City’s proportion of the collective net pension liability, the difference during the measurement period between the City’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The final item represents the effects of the change in the City’s proportion of the collective total OPEB liability and difference during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability, and is reported on the government-wide financial statements as well as within the individual proprietary funds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2021, the City has four items that qualify for reporting in this category. The first item arises under a modified accrual basis of accounting. Accordingly, *unavailable revenues* are reported as deferred inflows of resources only in the governmental funds’ balance sheet. The governmental funds report unavailable revenues from property taxes that will not be realized within the period of availability. These amounts are deferred and recognized in the period that the amounts become available. The second item is a deferred gain on refunding, which is reported in the government-wide financial statements. The third item represents the effect of the net change in the City’s proportion of the collective net pension liability and the difference during the measurement periods between the City’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements as well as within the individual proprietary funds. The final item represents the effects of the change in the City’s proportion of the collective total OPEB liability and difference during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability, and is reported on the government-wide financial statements as well as within the individual proprietary funds.

Net Position Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted–net position to have been depleted before unrestricted–net position is applied.

Fund Balance Flow Assumptions—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of

unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The Common Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The Common Council has by resolution authorized the Comptroller to assign fund balance. The Common Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of the assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City has adopted a minimum fund balance policy which outlines the City’s target to maintain unrestricted (committed, assigned and unassigned) fund balance of not less than fifteen percent of annual operating expenditures for the fiscal year. The City’s unrestricted fund balance currently falls below the fifteen percent threshold. It is the City’s intention to replenish its unrestricted fund balance to exceed the aforementioned threshold through cost controls and additional revenue sources.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied as of July 1, on which date they become liens on real property. The first half may be paid on or before July 31 without interest, and the second half on or before December 31 without interest. Interest on delinquent property taxes is charged at the rate of 18% per annum. The lien date is June 1 of the year following the levy of the taxes.

The City is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five-year average full-assessed valuation for general governmental services other than the payment of debt services and capital expenditures. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended June 30, 2021, the City had a legal tax margin of approximately \$107.9 million.

Compensated Absences—The City’s policy is to pay employees for unused vacation, compensatory time, and sick time based on union agreements when there is separation from service. For governmental activities, the amount is accrued in the government-wide statement of net position as a long-term liability. For business-type activities, the full liability is recognized in both the government-wide statement of net position and the proprietary fund financial statements.

Due to Retirement Systems—Amounts owed to the New York State Retirement Systems for wages of employees of the City, but not yet billed, are reported as liabilities in the financial statements.

Pension Plans—The City is mandated by New York State law to participate in the New York State Teacher’s Retirement System (“TRS”), the New York State Local Employees’ Retirement System (“ERS”) and the New York State Police and Fire Retirement System (“PFRS”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the City provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 8.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund’s principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: refuse collection charges for the Solid Waste and Recycling Fund, parking fees for the Parking Fund, and sale of water for the Water System. Operating expenses for the enterprise funds, and the Internal Service Fund, include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Other

Estimates—The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Reclassifications—Certain amounts were reclassified from the Board’s and BFSA’s financial statement presentation to conform to the City’s reporting presentation. In the Board’s statement of net position, \$9,382,380 previously classified as due from other governments was reclassified as due from component units. This amount represented sales tax from Erie County passed-through BFSA on behalf of the Board. And, in the BFSA’s statement of revenue, expenditures, and change in net position, \$332,465,623 in investment income and intergovernmental revenue offset other distributions relating to proceeds and interest payments on bonds issued by the BFSA on behalf of the City.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2021, the City implemented GASB Statement No. 84, *Fiduciary Activities*. Additionally, the City implemented GASB Statements No. 92, *Omnibus 2020*; No. 93, *Replacement of Interbank Offered Rates*; No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*; and No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). GASB Statement No. 97 increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of certain defined contribution plans and enhances the relevance, consistency and comparability of the accounting and reporting for internal Revenue Code Section 457 deferred compensation plans. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR, which replaces the acronym for comprehensive annual financial report (“CAFR”). Other than matter discussed in Note 2, the implementation of GASB Statements No. 84, 92, 93, 97 and 98 did not have a material impact on the City’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 87, *Leases*; and No. 89, *Interest Capitalization*, effective for the year ending June 30, 2022; No. 91, *Conduit Debt Obligations*; No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 94, and 96 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Deficit Fund Position—At June 30, 2021, the Solid Waste and Recycling Fund had a total net position of \$(58,295,019). This net position deficit includes accrued other postemployment benefits obligation (“OPEB”) of \$40,468,971 and deferred inflows related to OPEB of \$6,851,095. In addition, the Solid Waste and Recycling Fund reports a long-term interfund payable to the General Fund in the amount of \$12,440,791. Although the City anticipates the deficit to be remedied by future rate increases or through General Fund subsidies, no formal plan exists.

At June 30, 2021 the City’s governmental activities had a total net position of \$(843,080,205) due primarily to the City’s recognition of OPEB obligation of \$1,316,188,937.

The Board has a total net position of \$(2,407,032,728) at June 30, 2021, which is caused primarily by the Board’s recognition of their OPEB obligation of \$2.5 billion.

BURA has a total net position of \$(19,635,377) at June 30, 2021, which is caused primarily by BURA's recognition of their OPEB obligation of \$28,853,158.

Legal Compliance—Budgets—Through the budget, the Council sets the direction of the City, allocates its resources and established its priorities. The annual budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it established the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 1, for the fiscal year beginning July 1, the Mayor submits to the Common Council a complete operating plan of proposed expenditures and estimated revenues for the City's General Fund and the Debt Service Fund.
- The Council considers the operating budgets at the first meeting following their submission by the Mayor and has the power to delete, reduce, or add items to the budgets. If no additions are made by the Council, the budgets are passed by the Council and are adopted without any Mayoral actions. Any additions to the proposed executive budgets require Mayoral approval.
- The appropriation for every function of each City department, division, agency, or other purpose is fixed. The total expenditures for each function may not exceed the original appropriation during the fiscal year without Council approval. Increases over budget appropriations as originally adopted require a two-thirds vote of approval by the Council after certification by both the Mayor and Comptroller, demonstrating that the increase is necessary to meet a contingency which could not have been reasonably foreseen when the budget was adopted.
- Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year, pursuant to the Uniform System of Accounts promulgated by the Office of the New York State Comptroller.

2. RESTATEMENT OF NET POSITION

During the year ended June 30, 2021, the City implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of GASB Statement No. 84 establishes criteria for identifying fiduciary activities of state and local governments. This Statement also provides for the recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

The effect of this restatement to the City's fiduciary funds is summarized as follows:

	Custodial Fund
Net position—June 30, 2020, as previously stated	\$ -
GASB Statement No. 84 implementation	<u>1,391,193</u>
Net position—June 30, 2020, as restated	<u>\$ 1,391,193</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's available cash is deposited and invested in accordance with the State General Municipal Law (Article 2, Section 11), which governs the City's investment policies. The City has its own written investment guidelines, which have been established by the Comptroller's Office pursuant to Section 114A of the City Charter. The City is authorized to deposit or invest funds in banks or trust companies located in, and authorized to do business in, New York State. The City's investment policy governs the investment of excess funds. Permissible investments include time deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, and obligations of New York State and its localities. Cash in banks was fully collateralized at June 30, 2021, of which the bank carrying balance at June 30, 2021, was \$627,219,722.

Cash, cash equivalents and investments at June 30, 2021 are shown below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 8,650	\$ -	\$ -	\$ 8,650
Deposits	568,850,571	49,086,924	1,475,342	619,412,837
Investments	2,307,557	5,275,598	32,912	7,616,067
Total	<u>\$ 571,166,778</u>	<u>\$ 54,362,522</u>	<u>\$ 1,508,254</u>	<u>\$ 627,037,554</u>

Cash and cash equivalents consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 336,356,075	\$ 17,437,558	\$ -	\$ 353,793,633
Restricted cash and cash equivalents	232,503,146	31,649,366	-	264,152,512
Cash held in fiduciary funds	-	-	1,475,342	1,475,342
Total	<u>\$ 568,859,221</u>	<u>\$ 49,086,924</u>	<u>\$ 1,475,342</u>	<u>\$ 619,421,487</u>

Deposits—The City deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts or certificates of deposit issued by FDIC-insured commercial banks or trust companies located within New York State. Some of the City's accounts are required by various statutes and borrowing restrictions for specific funds, while the remainder are used for City operating cash and for investment purposes. There are no deposits which are uninsured or not collateralized.

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As noted above, by State Statute all deposits in excess of FDIC insurance coverage must be collateralized. Banks can satisfy collateral requirements by furnishing a letter of credit, a surety bond, or by pledging eligible securities as specified in Section 10 of the State General Municipal Law. Securities that may be pledged as collateral are limited to obligations of the United States or any obligation fully insured as to interest and principal by the United States acting through an agency, and obligations of the State or obligations of any municipal corporation, school district, or district corporation of the State. As of June 30, 2021, the City's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the City's name.

Governmental Activities Restricted Cash and Cash Equivalents—General Fund restricted cash of \$3,899,589 represents monies set aside as part of the funding requirements of the State for the settlement of a dispute between the Board and the Buffalo Teachers Federation. The initial settlement was bonded and such restricted cash will be used to pay the debt service requirements. Additionally, \$4,450 in restricted cash in the General Fund represents additional cash held in a bank custodial

account. Further, the City also reports \$125,745,671 of restricted cash related to unearned revenues within the General Fund due to the advanced funding related to the American Rescue Plan Act (“ARPA”). The Debt Service Fund restricted assets of \$6,343,408 are held by a trustee for future debt service payments. Restricted cash of \$73,830,253 is reported within the Capital Projects Fund for amounts representing nonoperating cash raised through borrowings, grants and transfers from other funds. Additionally, the City reports \$15,098,412, \$6,710,980, \$2,423,496, and \$141,180 in the General Fund, Special Revenue Fund, BFSAs Debt Service Fund and Permanent Fund, respectively, which represent amounts with constraints placed on their use by either external parties and/or statute.

Business-Type Activities Restricted Cash and Cash Equivalents—Business-type restricted cash and cash equivalents within Parking and Water System represents monies raised from the issuance of debt to fund additions to enterprise plant assets and may only be used for this purpose. The restricted cash and cash equivalents of the Parking and Water System consists primarily of Treasury notes, Treasury bills, and certificates of deposit with a commercial bank with original maturities of three months or less. At June 30, 2021, \$2,143 and \$15,266,787 of the Parking and Water System’s restricted cash and cash equivalents, respectively, consisted of U.S. government securities recorded in the Water System’s name and held in a bank custodial account. The Water System also maintains restricted money market accounts with fair values totaling \$16,380,436 at June 30, 2021.

Restricted Investments—At June 30, 2021, total investments of \$7,616,067 consisted of investments held by governmental activities of \$2,307,557, held by the business-type activities of \$5,275,598, and maintained in fiduciary funds of \$32,912. Investments at June 30, 2021 are presented in the following table:

	<u>Moody's Ratings</u>	<u>S&P Ratings</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of deposit	n/a	n/a	\$ 5,308,510	\$ 5,308,510	7/22/2021
U.S. Treasury SLGs	n/a	n/a	502,140	507,571	8/31/2021
Federal Home Loan Banks	Aaa/P-1	AA+/A-1+	1,756,635	1,799,986	8/31/2021
Total			<u>\$ 7,567,285</u>	<u>\$ 7,616,067</u>	

Investments in the City consist of certificates of deposit issued with thirteen week maturities. Investments in fiduciary funds consist solely of certificates of deposit at June 30, 2021. Additionally, investments include restricted amounts for those fund balances constrained to specific purposes through constitutional provisions or by enabling legislation.

The risk and type of investments presented above generally indicate activity and positions held throughout the year. Maturities related to the BFSAs’s investments are generally short-term with certificates of deposit issued with 30-day maturities and commercial paper due within 45 days.

Fair Value Measurements—Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;

- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All investments reported by the City are measured using level 1 inputs.

Custodial Credit Risk—Investments—For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the City's name.

Credit Risk—In compliance with the State law, City investments are limited to obligations of the Federal government, obligations guaranteed by the Federal government where the payment of principal and interest are guaranteed by the Federal government, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

Concentration of Credit Risk—To promote competition in rates and service cost, and to limit the risk of institutional failure, City deposits and investments are placed with multiple institutions. The general rule is not to place more than \$100 million or 50% of the City's total investment portfolio, whichever is less, in overnight investments with any one institution.

Interest Rate Risk—The City has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are limited to a maximum of two years, however the City generally limits its investments to 180 days or less.

Board of Education

At June 30, 2021, cash in banks was \$35,742,759, and were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—The Board has restricted cash of \$23,450,001 at June 30, 2021, for various purposes as follows:

- \$10,787,410 is restricted for the local share contribution held in trust which can only be disbursed in accordance with the Indenture Trust Agreement, and represents an amount of the Series 2008, 2009, 2011 and 2013 bond proceeds to be deposited and maintained by a trustee. Such cash is held with a fiscal agent.
- \$11,757,390 represents a local share contribution to be held in trust and can only be disbursed in accordance with the Local Share Trust and Depository Agreement.

- \$595,241 represents amounts to support obligations related to workers' compensation claims, along with an account held in trust with the Buffalo Teacher's Federation in relation to a previous teachers' settlement agreement.
- \$309,960 represents endowment funds and can be used in accordance with the respective endowment document.

Buffalo Urban Renewal Agency

At June 30, 2021, BURA reported total deposits of \$6,039,622. BURA's deposits are maintained in demand deposit or savings accounts. By State statute, all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2021, BURA's deposits were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—Restricted cash reported in BURA's General Fund for funds held in escrow and also in its special revenue funds as grant funds held prior to disbursement of approved expenditures. At June 30, 2021, BURA reported \$1,109,877 of restricted cash.

4. RECEIVABLES

Receivables at June 30, 2021, for the City's individual funds and related allowances for estimated uncollectible amounts are as follows:

	Gross Receivable	Allowance	Net Receivable
Receivables:			
Governmental funds:			
General Fund:			
Taxes	\$ 12,797,636	\$ (4,638,783)	\$ 8,158,853
Accounts receivable	16,090,394	(9,614,437)	6,475,957
Due from other agencies	860,361	-	860,361
Intergovernmental receivables	5,928,754	-	5,928,754
Due from other funds	40,322,265	-	40,322,265
Total	<u>\$ 75,999,410</u>	<u>\$ (14,253,220)</u>	<u>\$ 61,746,190</u>
Debt Service Fund:			
Due from other funds	<u>\$ 697,532</u>	<u>\$ -</u>	<u>\$ 697,532</u>
Capital Projects Fund:			
Intergovernmental receivables	<u>\$ 5,068,268</u>	<u>\$ -</u>	<u>\$ 5,068,268</u>
BFSAs Special Revenue Fund:			
Intergovernmental receivables	<u>\$ 16,826,719</u>	<u>\$ -</u>	<u>\$ 16,826,719</u>
Nonmajor governmental funds:			
Other receivables	\$ 4,450	\$ -	\$ 4,450
Intergovernmental receivables	286,680	-	286,680
Due from other funds	<u>2,541,427</u>	<u>-</u>	<u>2,541,427</u>
Total	<u>\$ 2,832,557</u>	<u>\$ -</u>	<u>\$ 2,832,557</u>
Total governmental funds	<u>\$ 101,424,486</u>	<u>\$ (14,253,220)</u>	<u>\$ 87,171,266</u>

	Gross Receivable	Allowance	Net Receivable
Receivables:			
Proprietary funds:			
Solid Waste and Recycling Fund:			
Accounts receivable	\$ 9,182,731	\$ (8,616,891)	\$ 565,840
Other receivables	134,656	(84,549)	50,107
Due from other funds	184,505	-	184,505
Total	<u>\$ 9,501,892</u>	<u>\$ (8,701,440)</u>	<u>\$ 800,452</u>
Parking Fund:			
Accounts receivable	\$ 954,052	\$ -	\$ 954,052
Due from other funds	1,601,682	-	1,601,682
Total	<u>\$ 2,555,734</u>	<u>\$ -</u>	<u>\$ 2,555,734</u>
Water System:			
Accounts receivable	\$ 25,809,527	\$ (21,471,691)	\$ 4,337,836
Other receivables	1,479,684	-	1,479,684
Due from other agencies	128,029	-	128,029
Total	<u>\$ 27,417,240</u>	<u>\$ (21,471,691)</u>	<u>\$ 5,945,549</u>
Internal Service Fund:			
Accounts receivable	\$ 24,477	\$ -	\$ 24,477
Due from other funds	3,521	-	3,521
Total	<u>\$ 27,998</u>	<u>\$ -</u>	<u>\$ 27,998</u>
Total proprietary funds	<u>\$ 39,502,864</u>	<u>\$ (30,173,131)</u>	<u>\$ 9,329,733</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York, State, or other local governments. Amounts are shown net of related advances from New York State. Intergovernmental receivables at June 30, 2021 are shown below:

Intergovernmental receivables:

Governmental funds:

General Fund:

Due from Erie County	\$ 230,389
Due from New York State, net	5,675,518
Due from federal government	22,847
Total	<u>\$ 5,928,754</u>

Capital Projects Fund:

Due from New York State	<u>\$ 5,068,268</u>
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BFSA Special Revenue Fund:

Due from New York State	<u>\$ 16,826,719</u>
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Total governmental funds	<u>\$ 27,823,741</u>
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Board of Education

At June 30, 2021, the Board accrued \$12,257,699 in accounts receivables and \$158,236,744 in intergovernmental receivables. In addition, the Board reports amounts owed from the City of \$288,508,165 as due from primary government at June 30, 2020.

Buffalo Urban Renewal Agency

Major revenues accrued by BURA at June 30, 2021 consisted of the following:

	General	Community Development Block Grant	Home Program	Nonmajor Governmental Funds	Total
Program loans receivable	\$ -	\$ 22,490,833	\$ 67,408,632	\$ 180,996	\$ 90,080,461
Notes receivable	1,924,908	-	-	-	1,924,908
Allowance for uncollectibles	<u>(769,760)</u>	<u>(22,490,833)</u>	<u>(67,408,632)</u>	<u>(180,996)</u>	<u>(90,850,221)</u>
Total receivables	<u>\$ 1,155,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,155,148</u>

Program Loans Receivable—Represents amounts due to BURA of \$90,080,460, which are entirely allowed for.

Notes Receivable—Represents amounts due from various sources for projects designed to stimulate economic development and housing improvements in the City, provided net of allowances for uncollectible accounts. BURA reports amounts of \$1,924,908 which are allowed for in the amount of \$769,760.

Intergovernmental Receivables—Represent amounts due from other units of government, such as federal government. Intergovernmental receivables at June 30, 2021 consisted of the following:

	Community Development Block Grant	Community Development Block Grant (COVID)	HOME Program	Nonmajor Governmental Funds	Total
Due from federal government	\$ 411,659	\$ 891,493	\$ 154,928	\$ 10,628	\$ 1,468,708
Due from City of Buffalo	-	-	-	5,176	5,176
Total	<u>\$ 411,659</u>	<u>\$ 891,493</u>	<u>\$ 154,928</u>	<u>\$ 15,804</u>	<u>\$ 1,473,884</u>

5. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government’s governmental activities, for the fiscal year ended June 30, 2021, was as follows:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Capital assets, not being depreciated:				
Land	\$ 9,791,873	\$ -	\$ -	\$ 9,791,873
Construction in progress	19,537,490	37,567,737	19,537,490	37,567,737
Total capital assets, not being depreciated	<u>29,329,363</u>	<u>37,567,737</u>	<u>19,537,490</u>	<u>47,359,610</u>
Capital assets, being depreciated:				
Buildings and building improvements	344,771,991	6,030,158	-	350,802,149
Improvements other than buildings	72,727,747	1,400,403	-	74,128,150
Machinery and equipment	72,433,397	4,965,229	839,114	76,559,512
Infrastructure	603,379,952	16,374,569	-	619,754,521
Total capital assets, being depreciated	<u>1,093,313,087</u>	<u>28,770,359</u>	<u>839,114</u>	<u>1,121,244,332</u>
Less accumulated depreciation for:				
Buildings and building improvements	153,848,848	10,543,219	-	164,392,067
Improvements other than buildings	45,638,383	2,891,869	-	48,530,252
Machinery and equipment	63,107,882	3,434,411	838,208	65,704,085
Infrastructure	321,778,459	22,513,088	-	344,291,547
Total accumulated depreciation	<u>584,373,572</u>	<u>39,382,587</u>	<u>838,208</u>	<u>622,917,951</u>
Total capital assets, being depreciated, net	<u>508,939,515</u>	<u>(10,612,228)</u>	<u>906</u>	<u>498,326,381</u>
Governmental activities capital assets, net	<u>\$ 538,268,878</u>	<u>\$ 26,955,509</u>	<u>\$ 19,538,396</u>	<u>\$ 545,685,991</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities, for the fiscal year ended June 30, 2021, was as follows:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Capital assets, not being depreciated:				
Land	\$ 3,362,210	\$ -	\$ 54,320	\$ 3,307,890
Construction in progress	<u>2,776,252</u>	<u>13,382,951</u>	<u>12,846,381</u>	<u>3,312,822</u>
Total capital assets, not being depreciated	<u>6,138,462</u>	<u>13,382,951</u>	<u>12,900,701</u>	<u>6,620,712</u>
Capital assets, being depreciated:				
Buildings and building improvements	188,553,063	5,242,630	3,408,476	190,387,217
Improvements other than buildings	483,948	-	50,902	433,046
Machinery and equipment	11,931,407	102,657	64,354	11,969,710
Infrastructure	<u>130,017,498</u>	<u>9,271,644</u>	<u>-</u>	<u>139,289,142</u>
Total capital assets, being depreciated	<u>330,985,916</u>	<u>14,616,931</u>	<u>3,523,732</u>	<u>342,079,115</u>
Less accumulated depreciation for:				
Buildings and building improvements	71,675,104	5,256,760	2,325,162	74,606,702
Improvements other than buildings	451,204	13,645	50,902	413,947
Machinery and equipment	9,335,564	692,841	47,098	9,981,307
Infrastructure	<u>62,412,995</u>	<u>3,138,237</u>	<u>-</u>	<u>65,551,232</u>
Total accumulated depreciation	<u>143,874,867</u>	<u>9,101,483</u>	<u>2,423,162</u>	<u>150,553,188</u>
Total capital assets, being depreciated, net	<u>187,111,049</u>	<u>5,515,448</u>	<u>1,100,570</u>	<u>191,525,927</u>
Business-type activities capital assets, net	<u>\$ 193,249,511</u>	<u>\$ 18,898,399</u>	<u>\$ 14,001,271</u>	<u>\$ 198,146,639</u>

Depreciation expense was charged to the functions and programs of the primary government as follows:

Governmental activities:	
General government support	\$ 4,873,634
Public safety	5,548,863
Streets and sanitation	21,658,589
Economic assistance and opportunity	575,768
Culture and recreation	6,694,166
Health and community services	<u>31,567</u>
Total governmental activities depreciation expense	<u>\$ 39,382,587</u>
Business-type activities:	
Solid waste and recycling	\$ 465,282
Parking	1,644,526
Water system	<u>6,991,675</u>
Total business-type activities depreciation expense	<u>\$ 9,101,483</u>

Board of Education

Capital asset activity for the Board, for the fiscal year ended June 30, 2021, was as follows:

	Balance 7/1/2020	Increases	Decreases and Reclassifications	Balance 6/30/2021
Capital assets, not being depreciated:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	29,354,345	7,289,910	292,297	36,351,958
Total capital assets, not being depreciated	<u>32,366,245</u>	<u>7,289,910</u>	<u>292,297</u>	<u>39,363,858</u>
Capital assets, being depreciated:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and building improvement	1,782,381,613	1,406,652	(292,297)	1,784,080,562
Equipment	41,821,233	10,071,949	112,053	51,781,129
Total capital assets, being depreciated	<u>1,829,745,532</u>	<u>11,478,601</u>	<u>(180,244)</u>	<u>1,841,404,377</u>
Less accumulated depreciation for:				
Land improvements	4,748,443	71,882	-	4,820,325
Buildings and building improvement	1,032,189,467	76,515,760	-	1,108,705,227
Equipment	25,177,562	2,791,190	112,053	27,856,699
Total accumulated depreciation	<u>1,062,115,472</u>	<u>79,378,832</u>	<u>112,053</u>	<u>1,141,382,251</u>
Total capital assets being depreciated, net	<u>767,630,060</u>	<u>(67,900,231)</u>	<u>(292,297)</u>	<u>700,022,126</u>
Board capital assets, net	<u>\$ 799,996,305</u>	<u>\$ (60,610,321)</u>	<u>\$ -</u>	<u>\$ 739,385,984</u>

Buffalo Urban Renewal Agency

Capital asset activity for BURA, for the fiscal year ended June 30, 2021, was as follows:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Capital assets, being depreciated:				
Buildings	\$ 772,054	\$ -	\$ -	\$ 772,054
Equipment	22,535	-	-	22,535
Total capital assets, being depreciated	<u>794,589</u>	<u>-</u>	<u>-</u>	<u>794,589</u>
Less accumulated depreciation for:				
Buildings	347,629	19,313	-	366,942
Equipment	22,535	-	-	22,535
Total accumulated depreciation	<u>370,164</u>	<u>19,313</u>	<u>-</u>	<u>389,477</u>
BURA capital assets, net	<u>\$ 424,425</u>	<u>\$ (19,313)</u>	<u>\$ -</u>	<u>\$ 405,112</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2021, were as follows:

	General Fund	BFSA Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 17,844,236	\$ 74,051	\$ -	\$ 17,918,287
Judgements and claims	1,410,000	-	-	1,410,000
Other accruals	-	-	79,044	79,044
Total accrued liabilities	<u>\$ 19,254,236</u>	<u>\$ 74,051</u>	<u>\$ 79,044</u>	<u>\$ 19,407,331</u>

7. PENSION OBLIGATIONS

The City participates in the New York State and Local Police and Fire Retirement System (“PFRS”) and the New York State and Local Employees’ Retirement System (“ERS”) (the “Systems”). These cost-sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law (“NYSRSSL”).

Plan Descriptions and Benefits Provided

Police and Fire Retirement System and Employees’ Retirement System (the “Systems”)—The Systems provide retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The City also participates in the Public Employees’ Group Life Insurance Plan (“GLIP”), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3.0%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2021, the City reported the liabilities on the following page for its proportionate share of the total pension liability for each of the Systems. The net pension liabilities were measured as of March 31, 2021. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2020, with updated procedures used to roll forward the total net pension liabilities to the measurement date. The City’s proportion of the net pension liabilities were based on projections of the City’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by PFRS and ERS Systems in reports provided to the City.

	Governmental activities		Business-type activities
	PFRS	ERS	ERS
Measurement date	March 31, 2020	March 31, 2020	March 31, 2020
Net pension liability	\$ 61,986,876	\$ 190,713	\$ 45,033
City's portion of the Plan's total net pension liability	3.5701051%	0.1915306%	0.0452236%

As of the March 31, 2021 measurement date, the City's governmental activities portion of the Plan's total net pension liability for PFRS and ERS, respectively, had increased 0.0160946% and decreased 0.0039045% from their portion of the Plan's total net pension liability of 3.5540105% and 0.1954351% on the March 31, 2020 measurement date. The City's business-type activities portion of the Plan's total net pension liability had decreased 0.0000326% from their portion of the Plan's total net pension liability of 0.0452562% from the March 31, 2020 measurement date.

For the year ended June 30, 2021, the City's governmental activities recognized pension expenses of \$33,250,055 and \$5,017,135 for PFRS and ERS, respectively. Business-type activities recognized pension expense of \$1,184,646 for ERS. At June 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Governmental activities		Business-type activities	Governmental activities		Business-type activities
	PFRS	ERS	ERS	PFRS	ERS	ERS
Differences between expected and actual experiences	\$ 13,754,560	\$ 2,329,130	\$ 549,961	\$ -	\$ -	\$ -
Changes of assumptions	152,295,055	35,066,184	8,279,825	-	661,359	156,160
Net difference between projected and actual earnings on pension plan investments	-	-	-	182,268,783	54,784,329	12,935,683
Changes in proportion and differences between the City's contributions and proportionate share of contributions	3,187,871	1,045,673	246,904	6,385,611	646,361	152,619
City's contributions subsequent to the measurement date	<u>8,744,982</u>	<u>2,432,567</u>	<u>574,378</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 177,982,468</u>	<u>\$ 40,873,554</u>	<u>\$ 9,651,068</u>	<u>\$ 188,654,394</u>	<u>\$ 56,092,049</u>	<u>\$ 13,244,462</u>

City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Governmental activities		Business-type activities
	PFRS	ERS	ERS
2022	\$ (7,392,894)	\$ (2,917,318)	\$ (688,828)
2023	(1,326,723)	(1,206,712)	(284,925)
2024	(7,115,467)	(2,928,022)	(691,355)
2025	(33,139,142)	(10,599,014)	(2,502,660)
2026	29,557,318	-	-

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the following actuarial assumptions:

	PFRS	ERS
Measurement date	March 31, 2021	March 31, 2021
Actuarial valuation date	April 1, 2020	April 1, 2020
Interest rate	5.90%	5.90%
Salary scale	6.20%	4.40%
Decrement tables	April 1, 2015- March 31, 2020	April 1, 2015- March 31, 2020
Inflation rate	2.7%	2.7%
Cost-of-living adjustments	1.4%	1.4%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2020.

The actuarial assumptions used in the April 1, 2020 valuations are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

	Target Allocation	Long-Term Expected Real Rate of Return
	PFRS and ERS	
Measurement date	March 31, 2021	
Asset class:		
Domestic equities	32.0 %	4.1 %
International equities	15.0	6.3
Private equity	10.0	6.8
Real estate	9.0	5.0
Absolute return strategies	4.0	3.6
Opportunistic portfolio	3.0	4.5
Real assets	3.0	6.0
Bonds and mortgages	23.0	0.0
Cash	1.0	0.5
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’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.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the City’s proportionate share of the net pension liabilities calculated using the discount rate of 5.9%, as well as what the City’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 263,603,133	\$ 61,986,876	\$ (104,899,279)
Employer's proportionate share of the net pension liability/(asset)—ERS	65,433,853	190,173	(59,892,169)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2020	April 1, 2020	
Employers' total pension liability	\$ 41,236,775	\$ 220,680,157	\$ 261,916,932
Plan fiduciary net position	39,500,500	220,580,583	260,081,083
Employers' net pension liability	\$ 1,736,275	\$ 99,574	\$ 1,835,849
System fiduciary net position as a percentage of total pension liability	95.8%	100.0%	99.3%

Payables to the Pension Plan—Employer contributions are paid annually based on the System’s fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid System wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$8,499,780 and \$2,764,932 for PFRS and ERS, respectively.

Buffalo Fiscal Stability Authority

The BFSFA also participates in the ERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2021, the BFSFA reported a liability of \$1,697 for its proportionate share of the net pension liability. At the March 31, 2021 measurement date, the BFSFA’s proportion was 0.001704%, a decrease of 0.0000561% from its proportion measured as of March 31, 2020.

For the year ended June 30, 2021, BFSFA recognized pension expense of \$20,893. At June 30, 2021, the BFSFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>ERS</u>	
Differences between expected and actual experiences	\$ 20,722	\$ -
Changes of assumptions	311,976	5,884
Net difference between projected and actual earnings on pension plan investments	-	487,404
Changes in proportion and differences between BFSFA's contributions and proportionate share of contributions	-	35,151
BFSFA contributions subsequent to the measurement date	<u>16,454</u>	<u>-</u>
Total	<u>\$ 349,152</u>	<u>\$ 528,439</u>

The BFSFA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2022. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>ERS</u>
2022	\$ (44,327)
2023	(20,843)
2024	(33,293)
2025	(97,278)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the BFSFA's proportionate share of the net pension liability/(asset) calculated using the discount rate of 5.9%, as well as what the BFSFA's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

<u>ERS</u>	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 470,950	\$ 1,697	\$ (431,064)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2021 amounted to \$16,454.

Board of Education

The Board participates in the Teachers' Retirement System ("TRS") and the ERS.

Plan Descriptions and Benefits Provided

Teachers' Retirement System—This is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and the New York State Retirement and Social Security Law ("NYSRSSL"). TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York State Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on TRS' website at www.nystrs.org.

Plan members who joined the TRS before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute three percent (3.0%) to three and one half percent (3.5%) of their annual salary. Employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2021, the Board reported the liability presented below for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of June 30, 2020 for TRS and March 31, 2021 for ERS. The total pension liability used to calculate the net pension liabilities were determined by actuarial valuations as of June 30, 2019 and April 1, 2020 for TRS and ERS, respectively, with update procedures used to roll forward the total pension liability to the measurement dates. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by TRS and ERS in reports provided to the Board.

	TRS	ERS
Measurement date	June 30, 2020	March 31, 2021
Net pension liability	\$ 50,249,458	\$ 147,015
Board's portion of the Plan's total net pension liability	1.818478%	0.147644%

As of their respective measurement dates, the Board's portion of the Plan's total pension liability for TRS and ERS, respectively, had increased 0.031797% and 0.002879% from their portion of the Plan's total pension liability of 1.818748% and 0.147644% on the June 30, 2019 and March 31, 2020 measurement dates.

For the year ended June 30, 2021, the Board recognized pension expense of \$66,388,439 for TRS and \$3,991,909 for ERS, respectively. At June 30, 2021, the Board reported the following deferred outflows of resources and deferred inflows of resources related to pensions.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ 44,028,580	\$ 2,575,188	\$ 1,795,447	\$ -
Changes of assumptions	63,553,870	22,653,634	27,031,245	509,817
Net difference between projected and actual earnings on pension plan investments	32,817,301	-	-	42,231,253
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	3,126,236	7,426,055	1,174,668	-
Board's contributions subsequent to the measurement date	<u>28,800,016</u>	<u>-</u>	<u>1,639,127</u>	<u>-</u>
Total	<u>\$ 172,326,003</u>	<u>\$ 32,654,877</u>	<u>\$ 31,640,487</u>	<u>\$ 42,741,070</u>

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as shown below:

Year Ending June 30,	TRS	ERS
2022	\$ 18,325,240	\$ (2,025,803)
2023	38,265,470	(559,111)
2024	31,027,320	(2,100,387)
2025	20,184,003	(8,054,409)
2026	990,423	-
Thereafter	2,078,564	-

Actuarial Assumptions—The total pension liability as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement dates. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2020	March 31, 2021
Actuarial valuation date	June 30, 2019	April 1, 2020
Interest rate	7.10%	5.90%
Salary scale	1.90-4.72%	4.40%
Decrement tables	July 1, 2009- June 30, 2014	April 1, 2015- March 31, 2020
Inflation rate	2.2%	2.7%
Cost of living adjustments	1.3%	1.4%

For TRS, annuitant mortality rates are based on July 1, 2010 – June 30, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2019. The actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2020. The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

Measurement date	TRS	ERS	TRS	ERS
	Target Allocation		Long-Term Expected Real Rate of Return	
			June 30, 2020	March 31, 2021
Asset class:				
Domestic equities	33.0 %	32.0 %	7.1 %	4.1 %
International equities	16.0	15.0	7.7	6.3
Global equities	4.0	0.0	7.4	0.0
Private equity	8.0	10.0	10.4	6.8
Real estate	11.0	9.0	6.8	5.0
Absolute return strategies	-	3.0	0.0	4.5
Domestic fixed income securities	16.0	4.0	1.8	3.6
Global fixed income securities	2.0	0.0	1.0	0.0
High-yield fixed income securities	1.0	0.0	3.9	0.0
Opportunistic portfolio	0.0	0.0	0.0	0.0
Private debt	1.0	0.0	5.2	0.0
Real assets	0.0	3.0	0.0	6.0
Bonds and mortgages	7.0	0.0	3.6	0.0
Short-term	1.0	23.0	0.7	0.0
Inflation-indexed bonds	0.0	1.0	0.0	0.5
Total	100.0 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension liability was 7.1% for TRS and 5.9% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’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.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the Board’s proportionate share of the net pension liabilities calculated using the discount rate of 7.10% for TRS and 5.9% for ERS, as well as what the Board’s proportionate share of the net pension liabilities/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.10% for TRS and 4.9% for ERS) or one percentage-point higher (8.10% for TRS and 6.9% for ERS) than the current assumption.

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$ 317,408,514	\$ 50,249,458	\$ (173,964,692)
	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
ERS			
Employer's proportionate share of the net pension liability/(asset)	\$ 40,805,568	\$ 147,015	\$ (37,349,688)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)	
	TRS	ERS
Valuation date	June 30, 2020	April 1, 2020
Employers' total pension liability	\$ 123,242,776	\$ 220,680,157
Plan fiduciary net position	120,479,505	220,580,583
Employers' net pension liability	<u>\$ 2,763,271</u>	<u>\$ 99,574</u>
System fiduciary net position as a percentage of the total pension liability	97.8%	100.0%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid TRS wages multiplied by the employer’s contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions for TRS as of June 30, 2021 amounted to \$28,800,016. For ERS, accrued retirement contributions as of June 30, 2021 amounted to \$1,639,127.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2021 based on paid ERS wages multiplied by the employer’s contribution rate, by tier.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2021, BURA reported a liability of \$5,405 for its proportionate share of the net pension liability. At the March 31, 2021 measurement date, BURA’s proportion was 0.0054278%, a decrease of 0.0016133% from its proportion measured as of March 31, 2020.

For the year ended June 30, 2021, BURA recognized pension expense of \$118,627. At June 30, 2021, BURA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 66,006	\$ -
Changes of assumptions	993,746	18,742
Net difference between projected and actual earnings on pension plan investments	705,798	2,258,339
Changes in proportion and differences between BURA's contributions and proportionate share of contributions	103,735	171,485
BURA contributions subsequent to the measurement date	<u>80,872</u>	<u>-</u>
Total	<u>\$ 1,950,157</u>	<u>\$ 2,448,566</u>

BURA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	ERS
2022	\$ (107,077)
2023	(48,156)
2024	(98,291)
2025	(325,757)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents BURA's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what BURA's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)	\$ 1,500,129	\$ 5,405	\$ (1,373,081)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2021 amounted to \$80,872.

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—The City maintains a single-employer benefits plan which provides continuation of medical insurance coverage to employees that retire under the New York State Retirement Systems at the same time such service is ended, if such employees have been continuously employed by the City for the equivalent of at least 10 years at the date of retirement. Based on collective bargaining agreements, the retiree and/or his beneficiaries receive health care coverage for the life of the retiree. The retiree’s share of premium costs depends on the employee group and length of service. Health care benefits for nonunion employees are similar to those of union employees pursuant to City Charter. Additionally, under requirements of state and local law, the City compensates firefighters that retire due to disability before the mandatory retirement age of 70. This compensation is equal to the differential between the retiree’s pension and the salary that he/she would receive if still in active service. There is no separate audited GAAP-basis postemployment benefit plan report available.

Employees Covered by Benefit Terms—There have been no significant changes in the number of employees covered. The number of participants as of July 1, 2020, the effective valuation date of the OPEB valuation, is as follows:

Active employees	2,609
Retired employees	2,905
Spouses of retirees	1,722
Dependents	922
Total	<u>8,158</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

Total OPEB Liability

The City’s total OPEB liabilities for governmental and business-type activities of \$1,314,907,205 and \$67,808,768, respectively, were measured as of June 30, 2021, and were determined by an actuarial valuation on October 8, 2021.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the October 8, 2021 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a measurement date of June 30, 2021. The discount rate was 2.21% as of June 30, 2021, as compared to 3.50% as of June 30, 2020. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2019. The New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.2%, while the ultimate healthcare cost trend rate is 3.8%.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2020 through June 30, 2021.

Changes in the Total OPEB Liability—The following tables presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability	
	Governmental Activities	Business-type Activities
Balances at June 30, 2020	\$ 1,169,177,733	\$ 58,165,486
Changes for the year:		
Service cost	44,673,052	1,792,631
Interest	41,552,757	2,013,434
Changes of assumptions	115,629,968	8,336,271
Contributions—employer	(56,126,305)	(2,499,054)
Net changes	145,729,472	9,643,282
Balances at June 30, 2021	\$ 1,314,907,205	\$ 67,808,768

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Governmental activities:			
Total OPEB liability	\$ 1,515,771,866	\$ 1,314,907,205	\$ 1,153,539,633
Business-type activities:			
Total OPEB liability	\$ 78,167,206	\$ 67,808,768	\$ 59,487,165

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (5.2%) and ultimate (3.8%) healthcare cost trend rates.

	1% Decrease (4.2% / 2.8%)	Healthcare Cost Trend Rates (5.2% / 3.8%)	1% Increase (6.2% / 4.8%)
Governmental activities:			
Total OPEB liability	\$ 1,140,297,738	\$ 1,314,907,205	\$ 1,538,411,486
Business-type activities:			
Total OPEB liability	\$ 58,804,290	\$ 67,808,768	\$ 79,334,714

Funding Policy—Contributions by the primary government may vary according to length of service. The cost of providing postemployment health care benefits is shared between the City and the retired employee. Substantially all employees may become eligible for those benefits if they reach normal retirement age and length of service requirement while working for these entities. The cost of retiree health care benefits is recognized as an expenditure as premiums are paid within the governmental funds. For the year ended June 30, 2021, the City’s governmental and business-type activities recognized OPEB expense of \$51,593,975 and \$2,537,160, respectively.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The City reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability. At June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the sources shown below.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 13,910,486	\$ 907,098	\$ -	\$ -
Changes of assumptions	128,580,405	6,746,599	85,172,867	12,083,435
Total	<u>\$ 142,490,891</u>	<u>\$ 7,653,697</u>	<u>\$ 85,172,867</u>	<u>\$ 12,083,435</u>

The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities
2022	\$ (16,969,148)	\$ (8,260,671)
2023	14,181,817	731,346
2024	14,181,817	731,346
2025	17,209,785	887,496
2026	17,834,630	919,718
Thereafter	10,879,123	561,027

Buffalo Fiscal Stability Authority

Plan Description—The BFSFA maintains a single-employer defined benefit healthcare plan (the “Plan”) providing for lifetime cost sharing of medical, dental, and vision premiums to eligible retirees and spouses.

The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retire from the BFSFA over age 55 and have a minimum of five years of service, and have satisfied requirements for retiring as a member of a retirement system.

Employees Covered by Benefit Terms—For the year ended June 30, 2021 there were no retirees of the BFSFA receiving benefits. At June 30, 2021, the following employees were covered by the benefit terms:

Active employees	5
Retired employees	<u>-</u>
Total	<u>5</u>

Total OPEB Liability

The BFSAs total OPEB liability of \$1,281,732 was measured as of June 30, 2021, and was determined by using the alternative measurement method, available to plans with fewer than 100 employees.

Actuarial Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the Plan as understood by the BFSAs and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the BFSAs and Plan members. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The following assumptions were made:

Healthcare cost trend rates – Initial rates of 4.9%, reduced to an ultimate rate of 4.3% after ten years.

Salary increases – 2.0%.

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

Discount rate – 2.16% (previously 2.21%) 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 in the Total OPEB Liability—The following tables presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balances at June 30, 2020	\$ 1,074,255
Changes for the year:	
Service cost	112,210
Interest	26,221
Changes of assumptions	16,090
Differences between expected and actual experience	52,956
Net changes	207,477
Balances at June 30, 2021	\$ 1,281,732

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 1,656,722	\$ 1,281,732	\$ 999,009

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (4.9%) and ultimate (4.3%) healthcare cost trend rates.

	1% Decrease <u>(3.9% / 3.3%)</u>	Healthcare Cost Trend Rates <u>(4.9% / 4.3%)</u>	1% Increase <u>(5.9% / 5.3%)</u>
Total OPEB liability	\$ 949,604	\$ 1,281,732	\$ 1,734,932

Funding Policy—Contributions may vary according to length of service. The cost of retiree health care benefits is recognized as an expenditure as premiums are paid within the governmental funds. For the year ended June 30, 2021, the Authority recognized OPEB expense of \$207,477.

Board of Education

Plan Description—The Board administers the Board of Education, City of Buffalo, New York’s Retiree Medical and Prescriptions Drug (the “Board’s Plan”) as a single-employer defined benefit other postemployment benefits plan. The Board’s Plan provides for the continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the Board subject to applicable collective bargaining and employment agreements. The Board’s Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose for paying benefits under the Board’s Plan.

Funding Policy—The obligations of the plan members, employers, and other entities are established by action of the Board pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members, varies depending on the applicable agreement. The Board currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Board’s Plan are paid by the Board.

Employees Covered by Benefit Terms—At June 30, 2021, the following employees were covered by the benefit terms:

Active employees	5,429
Retired employees and dependents	<u>4,017</u>
Total	<u>9,446</u>

Total OPEB Liability

The Board’s total OPEB liability of \$2,485,499,000 was measured as of June 30, 2021, using updated procedures to roll forward the actuarial valuation from June 30, 2021.

Actuarial Methods and Assumptions—The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Inflation	1.30%
Salary Increases	1.76% to 10.00%
Discount Rate	2.19%
Healthcare Cost Trend Rates	8.00% in 2022, with an ultimate rate of 4.50% for 2029
Retirees’ Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy

The discount rate was based on a range of indices of 20-year bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the MP-2020 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 – June 30, 2021.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability (in thousands)
Balance at July 1, 2020	\$ 2,613,913
Changes for the year:	
Service cost	83,558
Interest	70,869
Changes of assumptions	(420)
Differences between expected and actual experience	(502,178)
Contributions—employer	286,682
Benefit payments	(66,925)
Net changes	(128,414)
Balance at June 30, 2021	\$ 2,485,499

Changes of assumptions and other inputs reflect a change in the discount rate from 2.66 percent in 2020 to 2.19 percent in 2021.

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have a profound impact on total liabilities. The table below presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability (amounts in thousands).

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Total OPEB liability	\$ 2,980,370	\$ 2,485,499	\$ 2,097,532

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (8.0%)/ultimate (4.5%) healthcare cost trend rates (amounts in thousands).

	1% Decrease (7.0% to 3.5%)	Healthcare Cost Trend Rates (8.0% to 4.5%)	1% Increase (9.0% to 5.5%)
Total OPEB liability	\$ 2,049,084	\$ 2,485,499	\$ 3,062,689

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended June 30, 2021, the Board recognized OPEB expense of \$21,674,000. The Board reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability are required to be determined. The following table presents the Board’s deferred outflows and inflows of resources at June 30, 2021 (amounts in thousands):

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ 863,695
Changes of assumptions	<u>594,035</u>	<u>116,079</u>
Total	<u>\$ 594,035</u>	<u>\$ 979,774</u>

The amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Fiscal Year <u>Ending June 30,</u>	Amount (in thousands)
2022	\$ (132,333)
2023	(132,332)
2024	(64,110)
2025	(12,782)
2026	(13,396)
Thereafter	(30,786)

Buffalo Urban Renewal Agency

Plan Description—In addition to pension benefits, BURA provides continuation of medical insurance coverage to employees that retire under the New York State and Local Employees’ Retirement System at the same time they end their service to BURA. Based on the collective bargaining agreement, the retiree and his or her beneficiaries receive this coverage for the life of the retiree. Health care benefits for non-union employees are similar to those of union employees. The retiree’s share of premium cost range from 0%-25%, depending on the employee hire date.

Employees Covered by Benefit Terms—At June 30, 2021, the following employees were covered by the benefit terms:

Active employees	63
Retired employees and dependents	<u>24</u>
Total	<u>87</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

Total OPEB Liability

The Agency’s total OPEB liability of \$28,853,158 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 30, 2021 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2021. The discount rate was 2.18%, compared to 2.66% in the prior year. Mortality rates are based on the Pub-2010 Public Retirement Plans Mortality Tables. The 2020 New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 4.9%, while the ultimate healthcare cost trend rate is 4.3%.

Changes in the Total OPEB Liability—The following tables presents the changes to the total OPEB liability during the fiscal year, by source:

	<u>Total OPEB Liability</u>
Balances at June 30, 2020	<u>\$ 23,265,470</u>
Changes for the year:	
Service cost	465,889
Interest	624,953
Changes of assumptions	1,704,956
Effect of economic/demographic gains or losses	3,268,806
Benefit payments	<u>(476,916)</u>
Net changes	<u>5,587,688</u>
Balances at June 30, 2021	<u>\$ 28,853,158</u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (1.18%)	Current Discount Rate (2.18%)	1% Increase (3.18%)
Total OPEB liability	\$ 32,952,320	\$ 28,853,158	\$ 25,465,300

Additionally, healthcare costs can be subject to considerable volatility over time. The table on the following page presents the effect on the total OPEB liability of a 1% change in the initial (4.9%) and ultimate (4.3%) healthcare cost trend rates.

	1% Decrease (3.9% / 3.3%)	Healthcare Cost Trend Rates (4.9% / 4.3%)	1% Increase (5.9% / 5.3%)
Total OPEB liability	\$ 25,206,620	\$ 28,853,158	\$ 32,222,450

Funding Policy—Authorization for the Agency to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the Agency’s Board of Legislators. The Agency’s contributions to the OPEB plan are based on the negotiated contracts with the bargaining unit, as discussed in Note 17. Any amendments to the employer’s contributions are subject to the collective bargaining agreements. The Agency recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Agency’s governmental activities contributed \$476,916 for the fiscal year ended June 30, 2021.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Agency reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability are required to be determined. As of June 30, 2021, the Agency reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance coverage for the ballpark, public employee liability, and data processing equipment. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

The City is self-insured for general liability risk. The City is self-insured for workers’ compensation and has accrued its best estimate of both asserted and unasserted workers’ compensation losses. The reserve for workers’ compensation is recorded at an estimated percent value using a discount rate of 5%. For the fiscal years ended June 30, 2019, 2020, and 2021, the City expensed \$5,765,614, \$3,666,037 and \$3,041,562, respectively, for workers’ compensation claims, including medical payments for fire fighters and police officers. The estimated liabilities for business-type activities are recorded as liabilities of the individual enterprise funds; whereas, general liabilities are only recorded in the government-wide financial statements. For the fiscal years ended June 30, 2019, 2020, and 2021, the City incurred expenditures of \$3,155,911, \$6,786,877 and \$4,968,168, respectively, for property damage and personal injury claims.

At June 30, 2021, the City estimated the following workers’ compensation liabilities:

	Governmental Activities	Business-type Activities
Workers' compensation — fire and police medical	\$ 2,192,508	\$ -
Workers' compensation — other employees	6,337,418	1,801,601
Total	<u>\$ 8,529,926</u>	<u>\$ 1,801,601</u>

The business-type activities claims and judgments applicable to self-insurance claims are recorded as expenses and liabilities in the appropriate enterprise fund.

Changes in the reported liability in the governmental and business-type activities since June 30, 2019, are shown below:

	Governmental Activities	Business-type Activities
Estimated claims — June 30, 2019	\$ 9,072,907	\$ 2,239,446
Claims incurred	3,234,238	397,476
Payments 2019-2020	<u>(3,093,893)</u>	<u>(572,144)</u>
Estimated claims — June 30, 2020	9,213,252	2,064,778
Claims incurred	1,898,802	196,258
Payments 2020-2021	<u>(2,582,128)</u>	<u>(459,434)</u>
Estimated claims — June 30, 2021	<u>\$ 8,529,926</u>	<u>\$ 1,801,602</u>

The City has estimated claims arising during the ordinary course of its operation which are probable of a future loss to total \$5,200,000 and has been included within the City's long-term liabilities. Additionally, management has identified claims judged to be reasonably possible of a negative impact which are not included within the City's liabilities. Such claims have been estimated to range from \$3,300,000 to \$7,100,000.

10. LEASE OBLIGATIONS

Operating Leases—Operating lease obligations are primarily for rental of space, equipment and public safety vehicles. Lease expenditures/expenses for the year were approximately \$293,471. The future minimum rental payments required by the primary government for noncancelable operating leases are as follows:

Fiscal Year Ending June 30,	
2022	\$ 633,707
2023	635,498
2024	553,445
2025	250,772
2026	185,585
Thereafter	<u>102,893</u>
Total	<u>\$ 2,361,900</u>

Board of Education

Operating lease obligations are primarily for rental of property and equipment. Lease expenses for the year were approximately \$7,209,655. The future minimum rental payments required for noncancelable leases are shown below:

Fiscal Year Ending June 30,	
2022	\$ 6,667,000
2023	6,543,000
2024	6,576,000
2025	6,891,000
2026	6,541,000
2027-2031	24,173,000
2032-2035	11,917,000
Total	<u>\$ 69,308,000</u>

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are accounted for in the Capital Projects Fund for governmental activities and the Parking Fund for business-type activities. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The table below is a summary of the City’s short-term debt for the year ended June 30, 2021:

Description	Interest Rate	Issuance Date	Maturity Date	Balance 7/1/2020	Issued	Paid	Balance 6/30/2021
Governmental activities:							
Capital Projects Fund:							
Various capital projects	1.50%	4/28/2020	4/28/2021	\$ 33,299,600	\$ -	\$ 33,299,600	\$ -
Total governmental activities				<u>33,299,600</u>	<u>-</u>	<u>33,299,600</u>	<u>-</u>
Business-type activities:							
Parking Fund:							
Parking ramps	1.50%	4/28/2020	4/28/2021	1,500,000	-	1,500,000	-
Total business-type activities				<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The City's outstanding long-term liabilities include bonds payable, deficiency notes payable, compensated absences, workers' compensation, landfill post-closure monitoring costs, other postemployment benefits ("OPEB") obligations, judgments and claims, and net pension liability.

A summary of changes in the City's long-term debt at June 30, 2021 is presented in the following table:

	Balance 6/30/2020	Additions	Reductions	Balance 6/30/2021	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds, net - City	\$ 140,632,293	\$ 61,540,172	\$ 40,137,828	\$ 162,034,637	\$ 29,386,722
General obligations bonds, net - BFSAs	11,130,000	-	4,690,000	6,440,000	1,960,000
Premiums on bonds - City	12,940,678	13,587,586	2,312,217	24,216,047	3,266,003
Premiums on bonds - BFSAs	1,016,328	-	208,874	807,454	208,874
Total bonds payable	165,719,299	75,127,758	47,348,919	193,498,138	34,821,599
Long-term deficiency notes payable	25,000,000	-	25,000,000	-	-
Compensated absences	24,443,885	4,990,126	2,872,821	26,561,190	2,806,220
Workers' compensation	9,213,252	1,898,802	2,582,128	8,529,926	3,513,076
Landfill post-closure monitoring costs	560,000	-	70,000	490,000	70,000
OPEB obligation - City	1,169,177,733	201,855,777	56,126,305	1,314,907,205	-
OPEB obligation - BFSAs	1,074,255	207,477	-	1,281,732	-
Judgments and claims	8,800,000	1,368,168	4,968,168	5,200,000	2,700,000
Net pension liability - City*	241,711,975	-	179,534,386	62,177,589	-
Net pension liability - BFSAs*	466,096	-	464,399	1,697	-
Total governmental activities	<u>\$ 1,646,166,495</u>	<u>\$ 285,448,108</u>	<u>\$ 318,967,126</u>	<u>\$ 1,612,647,477</u>	<u>\$ 43,910,895</u>
	Balance 6/30/2020	Additions	Reductions	Balance 6/30/2021	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligations bonds - Parking	\$ 7,182,707	\$ 1,089,828	\$ 1,512,171	\$ 6,760,364	\$ 1,653,278
Water System revenue bonds	121,060,000	21,430,000	25,035,000	117,455,000	6,430,000
Premiums on bonds	10,342,031	2,220,718	621,268	11,941,481	704,086
Discounts on bonds	(185,086)	-	(10,167)	(174,919)	(10,000)
Total bonds payable	138,399,652	24,740,546	27,158,272	135,981,926	8,777,364
Compensated absences	1,295,888	164,443	90,410	1,369,921	92,739
Workers' compensation	2,064,778	196,258	459,434	1,801,602	421,722
OPEB obligation	58,165,486	12,142,336	2,499,054	67,808,768	-
Net pension liability*	11,984,109	-	11,939,076	45,033	-
Total business-type activities	<u>\$ 211,909,913</u>	<u>\$ 37,243,583</u>	<u>\$ 42,146,246</u>	<u>\$ 207,007,250</u>	<u>\$ 9,291,825</u>

*Reductions to the net pension liability are shown net of additions.

Serial Bonds—Governmental and business-type activities' long-term bonded debt consists of either general obligation bonds backed by the full faith and credit of the City or revenue bonds. The revenue bondholder's recourse is secured solely by the City's Water System revenues. Bonds issued by the BFSA are secured by sales tax and state aid. The debt issued by the City to the BFSA has been eliminated in the government-wide financial statements to eliminate the duplicative reporting of total outstanding debt. The debt issued by the City on behalf of the Board of Education is recorded as revenues and expenditures in the governmental funds.

In the current year, the City issued \$51,700,000 in Public Improvement Serial Bonds for various purposes and received a premium of \$12,193,974. The bonds carry an interest rate of 5.0% and mature on April 1, 2022. Additionally, on October 7, 2020, the City issued \$4,580,000 in Series 2020A Water System Revenue Bonds within its business-type activities. The serial bonds were issued at a premium of \$514,094. The bonds carry an interest rate of 2.0% - 5.0% and principal payments begin July 1, 2021 and mature on July 1, 2049.

Current Year Refunding—On February 18, 2021, the City issued \$10,930,000 in General Improvement Refunding Bonds, together with bond premiums received of \$1,670,924 and cash contributions, to refund \$12,780,000 of outstanding principal of the previously issued 2011C Serial Bonds of the City, the 2011D School District Serial Bonds and the 2012B School District Serial Bonds, which were called on April 1, 2021. Accordingly, 2021 Refunding Bonds are considered to be current refunding bonds. The 2021 Refunding Bonds carry an interest rate of 5.0% and mature on April 1, 2027. The refund resulted in a net present value benefit savings of \$1,251,538 to the City.

Further, on October 7, 2020, the City issued \$16,850,000 in Water System Revenue Refunding Bonds, together with bond premiums received of \$1,429,312 and the debt reserve, to refund \$18,805,000 of outstanding principal of the previously issued 2010 Serial Bonds originally issued for various purposes, which were called on November 23, 2020. The 2020 Refunding Bonds carry an interest rate of 2.0% - 5.0% and mature on July 1, 2040. The refund resulted in a net present value benefit savings of \$4,081,090 to the City and a deferred loss on refunding of \$461,825.

A summary of additions and payments for the year ended June 30, 2021 is presented on the following page.

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2020	Additions	Payments	Balance 6/30/2021	Due Within One Year
Governmental activities general obligations bonds issued by City of Buffalo:								
2005	\$ 26,167,250	5.0	2025	\$ 1,369,326	\$ -	\$ 248,477	\$ 1,120,849	\$ 260,501
2007	22,226,126	5.0	2023	5,583,735	-	1,773,413	3,810,322	1,859,084
2011	12,825,000	3.0-5.0	2021	175,000	-	175,000	-	-
2012	22,265,000	2.0-4.0	2026	10,200,000	-	10,200,000	-	-
2012	3,480,000	3.0-4.0	2022	380,000	-	190,000	190,000	190,000
2012	21,640,000	2.0-5.0	2023	6,780,000	-	2,180,000	4,600,000	2,265,000
2012	4,255,000	2.0-4.0	2024	100,000	-	20,000	80,000	20,000
2013	7,540,000	0.8-3.5	2025	3,380,000	-	635,000	2,745,000	655,000
2014	25,639,769	4.0-5.0	2023	8,980,000	-	2,920,000	6,060,000	2,990,000
2015	29,088,985	2.0-5.0	2026	16,000,000	-	2,525,000	13,475,000	2,570,000
2016	21,703,468	2.0-5.0	2028	15,723,857	-	1,646,499	14,077,358	1,730,720
2016	15,375,000	3.0-4.0	2024	11,140,000	-	3,000,000	8,140,000	3,140,000
2017	21,618,019	4.0-5.0	2029	17,278,436	-	1,566,330	15,712,106	1,646,198
2018	20,300,000	3.0-5.0	2030	17,485,000	-	1,240,000	16,245,000	1,305,000
2019	7,530,000	5.0	2025	7,530,000	-	1,360,000	6,170,000	1,430,000
2021	7,305,000	5.0	2027	-	7,305,000	-	7,305,000	1,325,000
2021	50,610,172	5.0	2032	-	50,610,172	-	50,610,172	4,989,804
Total				<u>122,105,354</u>	<u>57,915,172</u>	<u>29,679,719</u>	<u>150,340,807</u>	<u>26,376,307</u>
Governmental activities general obligations bonds issued by the City of Buffalo on behalf of discretely presented component unit – Board of Education:								
2011	\$ 21,825,000	3.0-4.0	2021	\$ 560,000	\$ -	\$ 560,000	\$ -	\$ -
2012	4,900,000	3.0-4.0	2026	2,240,000	-	2,240,000	-	-
2012	15,355,000	2.0-5.0	2021	2,705,000	-	2,705,000	-	-
2012	5,000,000	2.0-3.3	2027	2,570,000	-	2,570,000	-	-
2012	6,720,000	2.0-4.0	2025	2,300,000	-	440,000	1,860,000	445,000
2012	11,230,000	1.0-4.0	2023	4,070,000	-	980,000	3,090,000	1,005,000
2012	20,515,000	1.0-5.0	2024	7,400,000	-	1,855,000	5,545,000	1,910,000
2016	5,845,000	2.0-4.0	2023	3,635,000	-	1,130,000	2,505,000	1,180,000
2021	3,625,000	5.0	2027	-	3,625,000	-	3,625,000	590,000
Total				<u>25,480,000</u>	<u>3,625,000</u>	<u>12,480,000</u>	<u>16,625,000</u>	<u>5,130,000</u>
Less bonds issued by City to BFSAs:								
2005A	\$ 26,167,250	4.0-5.0	2025	\$ (1,369,326)	\$ -	\$ (248,477)	\$ (1,120,849)	\$ (260,501)
2007A	28,115,126	4.0-5.0	2023	(5,583,735)	-	(1,773,414)	(3,810,321)	(1,859,084)
Total mirror bonds				<u>(6,953,061)</u>	<u>-</u>	<u>(2,021,891)</u>	<u>(4,931,170)</u>	<u>(2,119,585)</u>
Net governmental activities general obligation bonds issued by the City of Buffalo				<u>140,632,293</u>	<u>61,540,172</u>	<u>40,137,828</u>	<u>162,034,637</u>	<u>29,386,722</u>

(continued)

(concluded)

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2020	Additions	Payments	Balance 6/30/2021	Due Within One Year
Governmental activities general obligations bonds issued by Buffalo Fiscal Stability Authority:								
2007A	\$ 28,470,000	4.0-5.0	2023	\$ 7,445,000	\$ -	\$ 1,755,000	\$ 5,690,000	\$ 1,825,000
2015A	14,170,000	3.0-5.0	2025	3,685,000	-	2,935,000	750,000	135,000
Total				<u>11,130,000</u>	<u>-</u>	<u>4,690,000</u>	<u>6,440,000</u>	<u>1,960,000</u>
Total governmental activities bonds				<u>151,762,293</u>	<u>61,540,172</u>	<u>44,827,828</u>	<u>168,474,637</u>	<u>31,346,722</u>
Unamortized premium - City				12,940,678	13,587,586	2,312,217	24,216,047	3,266,003
Unamortized premium - BFSA				1,016,328	-	208,874	807,454	208,874
Total governmental activities bonds, net				<u>\$ 165,719,299</u>	<u>\$ 75,127,758</u>	<u>\$ 47,348,919</u>	<u>\$ 193,498,138</u>	<u>\$ 34,821,599</u>
Business-type activities — general obligation bonds:								
Parking:								
2012	\$ 8,415,000	2.0-5.0	2022	\$ 2,045,000	\$ -	\$ 1,005,000	\$ 1,040,000	\$ 1,040,000
2016	4,066,532	2.0-5.0	2028	2,946,143	-	308,501	2,637,642	324,280
2017	2,741,981	4.0-5.0	2029	2,191,564	-	198,670	1,992,894	208,802
2021	1,089,828	5.0	2032	-	1,089,828	-	1,089,828	80,196
Total				<u>7,182,707</u>	<u>1,089,828</u>	<u>1,512,171</u>	<u>6,760,364</u>	<u>1,653,278</u>
Business-type activities — Water System Revenue Bonds:								
2006	\$ 19,917,236	3.6-4.8	2028	\$ 8,705,000	\$ -	\$ 970,000	\$ 7,735,000	\$ 1,000,000
2010	23,975,000	2.0-6.9	2041	19,395,000	-	19,395,000	-	-
2011	2,720,000	1.5-5.1	2022	570,000	-	280,000	290,000	290,000
2012	17,150,000	1.8-4.0	2043	14,495,000	-	425,000	14,070,000	435,000
2012	2,575,000	5.6-6.3	2031	2,040,000	-	145,000	1,895,000	155,000
2015	46,655,000	2.0-5.0	2036	39,880,000	-	3,100,000	36,780,000	3,300,000
2019	24,285,000	4.0-5.0	2049	24,285,000	-	385,000	23,900,000	400,000
2019	11,985,000	3.0-5.0	2038	11,690,000	-	335,000	11,355,000	350,000
2021	4,580,000	2.0-5.0	2050	-	4,580,000	-	4,580,000	50,000
2021	16,850,000	2.0-5.0	2041	-	16,850,000	-	16,850,000	450,000
Total				<u>121,060,000</u>	<u>21,430,000</u>	<u>25,035,000</u>	<u>117,455,000</u>	<u>6,430,000</u>
Total business-type activities bonds				<u>128,242,707</u>	<u>22,519,828</u>	<u>26,547,171</u>	<u>124,215,364</u>	<u>8,083,278</u>
Unamortized premium				10,342,031	2,220,718	621,268	11,941,481	704,086
Unamortized discount				(185,086)	-	(10,167)	(174,919)	(10,000)
Total business-type activities bonds, net				<u>\$ 138,399,652</u>	<u>\$ 24,740,546</u>	<u>\$ 27,158,272</u>	<u>\$ 135,981,926</u>	<u>\$ 8,777,364</u>

Amortization of Bond Premiums and Discounts—As previously discussed, during the year, the City issued Public Improvement Serial Bonds, General Improvement Refunding Bonds, Water System Revenue Bonds and Water System Revenue Refunding Bonds and received bonds premiums of \$13,587,586 and \$2,220,718 within the governmental and business-type activities, respectively. The premiums are being amortized on a straight-line annual basis over the life of the respective bonds. The total remaining unamortized premiums on bonds at June 30, 2021 are \$25,023,501 and \$11,941,481 reported in governmental activities and business-type activities, respectively. Additionally, unamortized discounts on bonds of \$174,919 are reported in business-type activities at June 30, 2021.

The City's debt service requirements for its bonds are as follows:

Governmental Activities—City of Buffalo, New York

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 26,376,307	\$ 6,891,067	\$ 33,267,374
2023	27,064,701	5,825,091	32,889,792
2024	18,578,271	4,582,175	23,160,446
2025	17,322,742	3,714,053	21,036,795
2026	14,399,536	2,857,252	17,256,788
2027-2031	41,653,776	6,245,741	47,899,517
2032	4,945,474	247,274	5,192,748
Total	<u>\$ 150,340,807</u>	<u>\$ 30,362,653</u>	<u>\$ 180,703,460</u>

Issued by City on behalf of Component Unit—Board of Education

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 5,130,000	\$ 550,306	\$ 5,680,306
2023	5,100,000	373,175	5,473,175
2024	4,145,000	213,400	4,358,400
2025	1,170,000	95,525	1,265,525
2026	715,000	54,000	769,000
2027	365,000	18,250	383,250
Total	<u>\$ 16,625,000</u>	<u>\$ 1,304,656</u>	<u>\$ 17,929,656</u>

Governmental Activities—Buffalo Fiscal Stability Authority

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,960,000	\$ 225,225	\$ 2,185,225
2023	2,040,000	143,825	2,183,825
2024	2,120,000	59,150	2,179,150
2025	155,000	12,125	167,125
2026	165,000	4,125	169,125
Total	<u>\$ 6,440,000</u>	<u>\$ 444,450</u>	<u>\$ 6,884,450</u>

Business-Type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 8,083,278	\$ 5,527,692	\$ 13,610,970
2023	7,074,263	5,040,968	12,115,231
2024	7,361,892	4,706,979	12,068,871
2025	7,779,718	4,340,607	12,120,325
2026	8,120,464	3,954,956	12,075,420
2027-2031	37,241,223	13,720,981	50,962,204
2032-2036	18,189,526	7,916,911	26,106,437
2037-2041	16,110,000	4,765,375	20,875,375
2042 and thereafter	14,255,000	2,631,114	16,886,114
Total	<u>\$ 124,215,364</u>	<u>\$ 52,605,583</u>	<u>\$ 176,820,947</u>

Defeased Debt—The City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. In each instance, the principal amount of the replacement bonds was equivalent to the amount outstanding of the old bonds at the time of issuance. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City’s financial statements. Principal balances of bonds outstanding at June 30, 2021 that are considered defeased amount to \$78,963,000.

Long-Term Deficiency Notes—In accordance with Section 29.20 of the local finance laws of the State of New York, any municipality, school district or district corporation may issue deficiency notes during any fiscal year to finance a deficiency in any fund or funds arising from revenues being less than the amount estimated in the budget for such current fiscal year. Such notes may be issued in such amount as the finance board shall determine to be necessary, but not to exceed five per centum of the amount of the annual budget of such municipality, school district or district corporation. On June 30, 2020, the City issued \$18,000,000 in 2020 deficiency notes with an interest rate of 1.2 and \$7,000,000 in 2020A deficiency notes with an interest rate of 1.3 percent. These notes were originally redeemable at maturity on December 31, 2021; however, the City redeemed these notes in full on April 28, 2021.

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$26,561,190 for governmental activities and \$1,369,921 for business-type activities, represents amounts relating to sick and personal leave for employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service) and, therefore, timing of future payments of such are not readily determinable. Typically, the General Fund has been used to liquidate this liability within the governmental funds. The City has estimated that \$2,806,220 and \$92,739 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers’ Compensation—Accrued workers’ compensation, which totals \$8,529,926 and \$1,801,602 for governmental activities and business-type activities, respectively, represents the City’s estimate of both asserted and unasserted workers’ compensation losses. The payments related to these liabilities are dependent upon many factors and, therefore, timing of future payments are not readily determinable. The City has estimated that \$3,513,076 and \$21,722 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year. Refer to Note 9 for additional information related to workers’ compensation.

Landfill Post-Closure Monitoring Costs—In accordance with the Environmental Conservation Law of the State of New York, the City is complying with post-closure monitoring of Unity Island. The cost of post-closure is based on the percentage of the landfill’s total capacity used to date, which is 100%. The City is still required to monitor the site for another 9 years, with an estimated annual cost of \$70,000 each of the remaining years. The estimate, which is subject to various changes resulting from inflation, deflation, technology or changes in the applicable laws or regulations, for the outstanding liability at June 30, 2021 was \$490,000.

OPEB Obligation—As explained in Note 8, the City provides health insurance coverage for certain retirees. The City’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. Typically, the General Fund has been used to liquidate this liability within the governmental funds. The long-term OPEB liability is estimated to be \$1,314,907,205 and \$67,808,768 in the governmental activities and business-type activities, respectively.

Judgments and Claims—As explained in Note 9, the City records a liability for general liability claims in the government-wide financial statements. The City’s judgments and claims liability, which totals \$5,200,000 at June 30, 2021, represents estimated amounts due for various outstanding claims. Payment of these estimated amounts are dependent upon many factors (including outstanding litigation). The City has estimated that \$2,700,000 of the aforementioned claims will be paid in the next fiscal year. An additional amount, \$1,410,000 met the criteria of a governmental fund liability and has been accrued within the General Fund at June 30, 2021.

Net Pension Liability—The City reports a liability for its proportionate share of the net pension liability for the Employee Retirement System and Police and Fire Retirement System. The net pension liability is estimated to be \$62,179,286 and \$45,033 in the governmental activities and business-type activities, respectively. Typically, the General Fund has been used to liquidate this liability within the governmental funds. Refer to Note 7 for additional information related to the City’s net pension liability.

Debt Contracting Limitation and Unissued Bonds—The City’s debt contracting limitation under its legal debt margin at June 30, 2021, was approximately \$1.01 billion. The effective borrowing capacity is \$1.00 billion.

The list of the City’s authorized and unissued bonds at June 30, 2021, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds—City of Buffalo	<u>\$ 15,353,882</u>

Board of Education

A summary of changes in the Board’s long-term liabilities for the year ended June 30, 2021, is as follows:

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Due Within One Year
Governmental activities:					
Due to other governments	\$ 7,413,332	\$ -	\$ 713,332	\$ 6,700,000	\$ 713,334
Revenue bonds payable	9,590,000	-	695,000	8,895,000	730,000
JSCB bonds payable	633,735,000	109,135,000	202,190,000	540,680,000	54,555,000
Premium on bonds	80,048,464	26,674,597	20,427,434	86,295,627	11,560,114
Compensated absences	23,903,228	847,021	-	24,750,249	8,594,000
Workers' compensation	48,006,000	2,690,000	-	50,696,000	9,396,000
OPEB obligation	2,613,913,000	441,109,000	569,523,000	2,485,499,000	-
Net pension liability*	38,334,713	12,061,760	-	50,396,473	-
Total	<u>\$ 3,454,943,737</u>	<u>\$ 592,517,378</u>	<u>\$ 793,548,766</u>	<u>\$ 3,253,912,349</u>	<u>\$ 85,548,448</u>

(*Additions to the net pension liability are shown net of reductions.)

Source of Funding—Amounts due to other governments, due to City of Buffalo (bonded debt), and revenue bonds payable are repaid through annual appropriation of the Board’s general fund. Payments for compensated absences are charged to the Board’s general fund.

Due to Other Governments—In June 2000, the State Legislature passed special legislation to advance the Board \$20,000,000 in lottery aid to help pay for a litigation settlement with the Buffalo Teachers Federation. In June 2006, the Board received an additional lottery advance of \$1,400,000. The advances are recorded as long-term interest-free loans with annual maturities as shown below:

Fiscal Year Ending June 30,	Principal
2022	\$ 713,334
2023	713,334
2024	713,334
2025	713,332
2026	713,334
2027-2031	2,899,999
2032-2036	233,333
Total	<u>\$ 6,700,000</u>

Revenue Bonds Payable—These bonds represent amounts due for Municipal Bond Agency Revenue Bonds issued pursuant to the State of New York Municipal Bond Agency (the Agency) Act and a General Resolution and a Series Resolution to provide funds to finance a portion of the cost of settling litigation between the Board and the Buffalo Teachers Federation, fund the debt service reserve fund to at least the debt service reserve fund requirement, and to pay legal, accounting, financing, and other fees and expenses related to the issuance of the bonds.

The bonds are special revenue obligations of the Agency and are secured by annual payments by the City from all monies legally available (which availability is, in general, dependent upon annual appropriations by the City), amounts received by the Agency pursuant to the Agency's statutory right to intercept State school aid payable to the City, and all funds and accounts established by the General Resolution described in the Official Statement.

Joint Schools Construction Board Bonds Payable—Represents bond payments due for the design, construction, and financing of public educational facilities in the City. The balance at June 30, 2021 is \$540,680,000.

Debt service requirements of the Board at June 30, 2021 are as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2022	\$ 60,415,000	\$ 26,291,748	\$ 86,706,748
2023	68,410,000	25,512,229	93,922,229
2024	73,215,000	21,471,116	94,686,116
2025	88,420,000	17,611,841	106,031,841
2026	62,740,000	14,109,034	76,849,034
2027-2031	206,690,000	30,157,264	236,847,264
2032-2036	6,310,000	315,500	6,625,500
Total	<u>\$ 566,200,000</u>	<u>\$ 135,468,732</u>	<u>\$ 701,668,732</u>

Compensated Absences—Compensated absences, which totaled \$24,750,249 at June 30, 2021, represent amounts relating to sick and personal leave for employees. Payment of these liabilities is dependent upon many factors (including retirement, termination, or employees leaving service), and, therefore, payment of such is not readily determinable. The Board has estimated that \$8,594,000 will be paid in the next fiscal year.

Workers' Compensation—Workers' compensation obligations total \$50,696,000 at June 30, 2021, representing estimated amounts due for various outstanding claims. The Board has estimated that \$9,396,000 will be paid in the next fiscal year.

OPEB Obligation—Refer to Note 8.

Net Pension Liability—Refer to Note 7.

Buffalo Urban Renewal Agency

BURA's outstanding long-term liabilities include compensated absences, other postemployment benefits ("OPEB") obligation, long-term retirement liability, net pension liability, and long-term due to other governments.

A summary of changes in BURA's long-term liabilities at June 30, 2021 follows:

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Due Within One Year
Governmental activities:					
Compensated absences	\$ 267,201	\$ 88,500	\$ 88,956	\$ 266,745	\$ 13,337
OPEB obligation	23,265,470	6,064,604	476,916	28,853,158	-
Long-term retirement liability	55,266	-	18,422	36,844	18,422
Net pension liability*	1,864,514	-	1,859,109	5,405	-
Total	<u>\$ 25,452,451</u>	<u>\$ 6,153,104</u>	<u>\$ 2,443,403</u>	<u>\$ 29,162,152</u>	<u>\$ 31,759</u>

(*Reductions to the net pension liability are shown net of additions)

Compensated Absences—BURA records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2021, for governmental activities is \$266,745. Management estimates that \$13,337 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation— Refer to Note 8.

Long-Term Retirement Liability—As explained in Note 7, BURA participates in the New York and Local Employees’ Retirement System (“ERS”). BURA elected to amortize certain payments relating to ERS during 2011 and 2013 over ten years in accordance with Chapter 260 of the Laws of 2004 of the State of New York. Accordingly, at June 30, 2021, BURA has recorded a liability in the amount of \$36,844, of which \$18,422 is considered due within one year.

Net Pension Liability— Refer to Note 7.

13. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the City’s governmental and business-type activities net investment in capital assets are shown below.

Governmental activities:

Capital assets, net of accumulated depreciation		\$ 545,685,991
Related debt:		
Serial bonds issued for capital assets	\$ (151,849,637)	
Unspent debt proceeds	<u>50,246,541</u>	
Bonds payable issued for capital assets		(101,603,096)
Deferred charge on refunding		127,753
Unamortized premiums		<u>(25,023,501)</u>
Net investment in capital assets—governmental activities		<u>\$ 419,187,147</u>

Business-type activities:

Capital assets, net of accumulated depreciation		\$ 198,146,639
Related debt:		
Serial bonds issued for capital assets	(124,215,364)	
Unspent debt proceeds	<u>31,649,366</u>	
Bonds payable issued for capital assets		(92,565,998)
Deferred charge on refunding		2,593,600
Unamortized premium		(11,941,480)
Unamortized discount		<u>174,918</u>
Net investment in capital assets—business-type activities		<u>\$ 96,407,679</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the City not restricted for any project or other purpose.

Nonspendable Fund Balance—In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the City at June 30, 2021 include:

Real estate acquired for sale	\$ 9,834,583
Long-term due from other funds	12,440,791
Prepaid items	1,298,531
Permanent Fund - Corpus	<u>30,000</u>
Total	<u>\$ 23,603,905</u>

- **Real Estate Acquired for Sale**—This amount represents real estate acquired for resale.
- **Long-term Due from Other Funds**—Represents a long-term receivable from the Solid Waste and Recycling Fund for operating losses incurred in the fund since its inception.
- **Prepaid Items**—Represents amounts prepaid to vendors and employees that are applicable to future accounting periods.
- **Permanent Fund—Corpus**—Represents the amount of principal that is nonspendable due to specific purposes stipulated in the bequest which established the Forsyth Park fund.

Restricted Fund Balance—In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balances of the City at June 30, 2021 are shown below:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Capital projects	\$ -	\$ -	\$ 50,246,541	\$ -	\$ 50,246,541
Capital outlay	13,577,119	-	-	-	13,577,119
Debt service	-	7,040,940	-	2,423,496	9,464,436
Grants	-	-	-	6,710,980	6,710,980
Emergency medical services	1,521,293	-	-	-	1,521,293
Permanent fund - interest	-	-	-	111,180	111,180
Total	<u>\$ 15,098,412</u>	<u>\$ 7,040,940</u>	<u>\$ 50,246,541</u>	<u>\$ 9,245,656</u>	<u>\$ 81,631,549</u>

- **Restricted for Capital Projects**—Represents funds that have been reserved to fund future capital projects and the purchase of capital assets. This amount includes commitments for the expenditures of monies within the Capital Projects Fund.
- **Restricted for Capital Outlay**—This category represents amounts set aside for future departmental capital expenditures.
- **Restricted for Debt Service**—Represents resources that have been legally restricted for principal and interest payments that will be made in future periods.
- **Restricted for Grants**—This category includes federal and state monies that have been restricted as they can only be used for specific purposes as authorized by grantor agencies. This amount includes amounts which are restricted by commitments for the expenditure of money within the Special Revenue Fund.

- **Restricted for Emergency Medical Services**—Represents funds that have been restricted as they can only be used for specific purposes as outlined within emergency ambulance service agreement.
- **Restricted for Permanent Fund – Interest**—Represents the amount of interest earnings on the nonspendable principal that is reserved to be used for specific purpose stipulated in the bequest which established the Forsyth Park fund. The interest earnings are limited to the purchase or erection of works of art to be placed in the park system of the City of Buffalo.

Committed Fund Balance—In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City’s highest level of decision-making authority, which is an adoption by the Common Council of an ordinance, modification to the City charter by the Common Council or a resolution of the Common Council. The City’s policy requires commitments to be adopted through formal action (adoption of an ordinance) of the Common Council. As of June 30, 2021, the City reported the commitment described below:

- **Committed to Emergency Stabilization**—Represents a minimum of 30 days of the prior fiscal year’s total General Fund operating expenditures. If during a fiscal year, the City has extraordinary operating or capital needs that could not be anticipated and cannot be funded with current budget resources, the City may use this fund. At June 30, 2021, the City reported \$40,660,588 within its Emergency Stabilization Fund.

Assigned Fund Balance—In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the City. For example, the amount appropriated to reduce the tax levy as determined through the budget process and finalized when the tax rates are established would be considered assigned fund balance. The Common Council authorizes the Comptroller to make a determination of the assigned amounts of fund balance. At June 30, 2021 assigned fund balance includes:

	General Fund	BFSA Special Revenue Fund	Total
Encumbrances	\$ 10,823,852	\$ -	\$ 10,823,852
Motor vehicle self-insurance	806,676	-	806,676
Judgments and claims	5,200,000	-	5,200,000
Specific use	-	603,352	603,352
Total	<u>\$ 16,830,528</u>	<u>\$ 603,352</u>	<u>\$ 17,433,880</u>

- **Assigned to Encumbrances**—Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of monies are recorded, is employed as part of the City’s budgetary control mechanism for all funds. Unencumbered appropriations lapse at fiscal year-end.
- **Assigned to Motor Vehicle Self-Insurance**—Represents fund balance set aside for motor vehicle self-insurance.
- **Assigned to Judgments and Claims**—Represents amounts assigned to cover potential settlement of various claims and litigation. The City estimates \$5,200,000 of potential settlements, which has been assigned for such purpose.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

If the City must use funds for emergency expenditures, the Common Council shall authorize the Comptroller to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds, as classified by GASB, will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the City will use unassigned fund balance.

14. RELATED PARTY TRANSACTIONS

The City provides annual support to the Board of Education. During the year ended June 30, 2021, the City contributed \$70,822,758 in economic support for operating purposes (\$63,903,427) and school tax relief reimbursement (\$6,919,331).

Buffalo Fiscal Stability Authority

The Act and other legal documents of the BFSA establish various legal financial relationships between the BFSA, the City and the Board of Education. The resulting financial transactions between the BFSA, the City, and the Board of Education include the receipt and use of revenues as well as BFSA debt issuances to fund financeable costs of the City. The receipt and remittance of revenues in 2021 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$152,294,354 were recorded, of which \$94,821,505 was or will be paid to the City and \$54,352,281 was designated for the District. The balance was retained for BFSA operations and to provide for a debt service sinking fund.
- State aid of \$180,957,607 was received during 2021.
- Distributions paid or accrued to the City in 2021 totaled \$278,274,179, which includes \$94,821,505 of sales tax receipts, \$183,327,151 of State aid and other revenue, and interest receipts of \$125,523.

Board of Education

During the year ended June 30, 2021, the Board transferred \$9,068,540 to the City for payment of the Board's portion of principal and interest on long-term debt.

Board Urban Renewal Agency

The City is the primary sponsor of the programs conducted by BURA and is a nominal recipient of most of BURA's federal and state funding. BURA is a related entity to the City, Buffalo Economic Renaissance Corporation ("BERC") and the Buffalo Neighborhood Revitalization Corporation ("BNRC").

In the past, BNRC received loans or grants from BURA under the CDBG program, the Section 108 Loan program, as well as various New York State grant programs. In turn, loan or grants were utilized to qualifying individuals and businesses for purposes of property rehabilitation, home acquisitions for low income individuals, or business development and expansion.

For the year ended June 30, 2021, no loans or grants were provided by BURA to BNRC. Under subrecipient agreements with BNRC, certain program income (such as loan repayments and interest) earned through the CDBG program may generally be retained as supplemental BURA funding, subject to applicable Federal regulations. The subrecipient agreements with these entities also provide that, upon termination of the subrecipient agreements, all unused program income, and any CDBG assets held by BNRC will revert to BURA.

At June 30, 2021, net amounts due from related parties consisted of:

Due from BNRC, net of payables	\$ 10,628
Due from City of Buffalo	<u>5,176</u>
Total	<u>\$ 15,804</u>

15. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are generally short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2021 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 40,322,265	\$ 2,714,903
Debt Service Fund	697,532	-
Capital Projects Fund	-	17,150,589
BFSA Special Revenue Fund	-	10,308,459
Nonmajor governmental funds	<u>2,541,427</u>	<u>2,428,149</u>
Total governmental funds	<u>43,561,224</u>	<u>32,602,100</u>
Proprietary funds:		
Solid Waste and Recycling Fund	184,505	12,440,791
Parking Fund	1,601,682	-
Water System	-	308,041
Internal Service Fund	<u>3,521</u>	<u>-</u>
Total proprietary funds	<u>1,789,708</u>	<u>12,748,832</u>
Total	<u>\$ 45,350,932</u>	<u>\$ 45,350,932</u>

To improve cash management, all City disbursements are made from a consolidated account in the General Fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both of these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the main reasons why interfund receivables and payables exist.

Included within the General Fund's due from other funds totaling \$40,322,265 is a portion due from the Solid Waste and Recycling Fund in the amount of \$12,440,791, which is considered long-term and has been reserved within nonspendable fund balance.

The City made the following transfers during the year ended June 30, 2021:

Transfers out:	Transfers in:				Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Governmental funds:					
General Fund	\$ -	\$ 29,362,402	\$ 423,881	\$ -	\$ 29,786,283
Debt Service Fund	-	-	3,761,260	2,393,425	6,154,685
Capital Projects Fund	-	3,665,178	-	-	3,665,178
BFSA Special Revenue Fund	-	-	-	40,997	40,997
Proprietary funds:					
Solid Waste & Recycling Fund	673,078	-	-	-	673,078
Parking Fund	1,996,913	-	-	-	1,996,913
Water System	7,610,482	-	-	-	7,610,482
Total	<u>\$ 10,280,473</u>	<u>\$ 33,027,580</u>	<u>\$ 4,185,141</u>	<u>\$ 2,434,422</u>	<u>\$ 49,927,616</u>

The City records the receipt of all property taxes levied as revenue in the General Fund and records a transfer to the Debt Service Fund where the payment on long-term debt is reported. Based on the financing and operation agreements of the Water Board, revenues collected are transferred to the Water Authority and Water Enterprise Fund to cover their operational costs. Other transfers are the result of indirect costs.

16. LABOR RELATIONS

Approximately 2,774 of the City’s employees are covered by a total of eight collective bargaining agreements. The following table shows, for each union, the dates through which a contract has been negotiated.

Union	Expiration Date
Firefighters	6/30/25
Blue Collar	6/30/19
White Collar	6/30/24
Police	6/30/19
Crossing Guards	8/31/19
Building Inspectors	6/30/20
Operating Engineers	6/30/20
Pipe Caulkers	6/30/22

17. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) and re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

The City considers encumbrances to be significant for amounts that are encumbered in excess of \$500,000. The City has a total of \$117,518,738 encumbrances outstanding at June 30, 2021. In the General Fund, encumbrances of \$10,823,852 are supported by assigned fund balance. The Capital Projects Fund and Special Revenue Fund have \$60,675,062 and \$31,153,018 of outstanding encumbrances, respectively. As of June 30, 2021, the City had the following significant encumbrances:

Description	General Fund	Capital Projects Fund	Special Revenue Fund
Buildings	\$ -	\$ 6,926,687	\$ 4,647,019
General improvements	1,271,101	-	3,036,211
Streets	1,238,056	38,822,802	3,680,613

Board of Education

Encumbrances—At June 30, 2021, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$6,784,000 in the Board’s General Fund.

Commitments—The Board has approved and plans to spend up to \$59,334,000 for various capital projects that remain in progress at year end. Amounts outstanding under these projects totaled \$8,436,000 at June 30, 2021.

18. TAX ABATEMENTS

The City is subject to programs entered into by Erie County Industrial Development Agency (“ECIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the ECIDA and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future these new revenues will increase periodically until the project is taxed at full assessed value. Assuming the ECIDA incentivized projects would have been completed absent tax abatements, the unrealized property tax revenue is \$9,484,432. However, during 2021, the City collected \$4,619,528 related to these new incentivized projects.

Additionally, the City offers other tax exemptions subject to various NYS programs such as land banks, historic properties, home improvements, mixed use properties, business investment properties and. These programs provide real property tax exemptions on certain allowable properties in accordance with the regulations of the NYS Real Property Tax Laws or the Not-For-Profit Laws of New York. Absent such exemptions, the unrealized property tax revenue is \$10,124,675. However, during 2021, the City collected \$3,106,834 related to the NYS programs.

19. CONTINGENCIES

Litigation—The City is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the City. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the City’s financial condition or results of operation.

Grants—In the normal course of operations, the City receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Revenue Sharing—On July 3, 2007, the Seneca Nation of Indians opened the Seneca Buffalo Creek Casino, which engages in Class III Gaming pursuant to authority contained in the Seneca Nation/New York State Gaming Compact (the "Compact"), which was made effective on August 18, 2002. After the conclusion of the initial fourteen year period of the Compact, the Compact was automatically extended in December 2016 for an additional seven years without objection by the Seneca Nation or the State. During the fiscal year ended June 30, 2017, the Seneca Nation notified State officials that they would be making their final casino revenue sharing payment as of December 31, 2016 under their interpretation of the Compact. New York State and the City contend that the revenue sharing payments are due from the Seneca Nation and that the compact requires that the Seneca Nation to make future payments.

Landfill Postclosure—As discussed in Note 12, the City is responsible to perform specified operation and maintenance functions at a landfill site for a period of thirty years. At June 30, 2021, the liability is \$490,000. The landfill postclosure care liability is an estimate and is subject to changes resulting from inflation, deflation, technology or changes in applicable laws or regulations.

Board of Education

Litigation—The Board is subject to claims and lawsuits that arise in the ordinary course of business. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and are included in accrued liabilities in the government-wide and fund financial statements. For claims not accrued, the ultimate outcome of the suits cannot presently be determined and no provisions for loss, if any, has been made in the accompanying financial statements. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the Board.

Separate from claims and lawsuits that arise in the ordinary course of business, legislation was put in place regarding historical claims that were previously time-barred. In 2019, the Governor of the State passed the Child Victims Act (CVA). Under the CVA, any individual who was a minor at the time they suffered any alleged sexual abuse could file a lawsuit through August 14, 2021. Additionally, the Act extended the look back window to file claims under the CVA regardless of when or how long ago the alleged abuse occurred.

This has resulted in the filing of thousands of lawsuits State-wide. Lawsuits have been initiated against the Board by former students who allege that inappropriate sexual contact occurred between them and employees of the Board between 30 and 50 years ago. The Board is using City of Buffalo Corporation Counsel and is not currently aware of any insurance available for these claims. As a result, the Board has accrued an appropriate amount in the government-wide and fund financial statements at June 30, 2021 based on best estimates as determined with counsel.

State Aid—The State periodically reviews its distribution of aid to school boards throughout the State. Thus, revenues recorded as of June 30, 2021 are subject to potential revision.

Grants—The The Board receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the Board. Based on prior experience, management expects such amounts to be immaterial.

Buffalo Urban Renewal Agency

Grants—In the normal course of operations, the Agency receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the Agency. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any such amounts to be immaterial.

Litigation—Various legal actions are pending against the Agency. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Agency.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2021, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability (Asset)—Teachers' Retirement System
Last Eight Fiscal Years*

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):								
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
BOE's proportion of the net pension liability (asset)	1.818478%	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%	1.695591%
BOE's proportionate share of the net pension liability (asset)	<u>\$ 50,249,458</u>	<u>\$ (46,418,092)</u>	<u>\$ (32,947,326)</u>	<u>\$ (13,960,812)</u>	<u>\$ 17,688,235</u>	<u>\$ (173,277,759)</u>	<u>\$ (188,878,283)</u>	<u>\$ (10,757,018)</u>
BOE's covered payroll	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212	\$ 258,505,177
BOE's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	16.3%	(15.6%)	(9.5%)	(4.8%)	6.9%	(69.2%)	(75.4%)	(4.2%)
Plan fiduciary net position as a percentage of the total pension liability	97.8%	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%	100.7%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Contributions—
Teachers' Retirement System
Last Eight Fiscal Years*

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):								
Contractually required contribution	\$ 28,800,016	\$ 27,347,081	\$ 31,671,613	\$ 34,111,928	\$ 34,062,426	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597
Contributions in relation to the contractually required contribution	<u>(28,800,016)</u>	<u>(27,347,081)</u>	<u>(31,671,613)</u>	<u>(34,111,928)</u>	<u>(34,062,426)</u>	<u>(33,792,412)</u>	<u>(43,929,324)</u>	<u>(40,700,597)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOE's covered payroll	\$ 302,203,736	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212
Contributions as a percentage of covered payroll	9.5%	8.9%	10.6%	9.8%	11.7%	13.3%	17.5%	16.3%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Police and Fire Retirement System
Last Eight Fiscal Years*

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):								
Measurement date	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	3.5701051%	3.5540105%	3.3630914%	3.4426958%	3.2577408%	3.1811703%	3.5779889%	3.5779889%
City's proportionate share of the net pension liability	<u>\$ 61,986,876</u>	<u>\$ 189,959,633</u>	<u>\$ 56,401,167</u>	<u>\$ 34,797,285</u>	<u>\$ 67,521,629</u>	<u>\$ 94,187,680</u>	<u>\$ 9,848,756</u>	<u>\$ 14,895,509</u>
City's covered payroll	\$ 128,339,690	\$ 128,323,193	\$ 129,836,155	\$ 128,055,727	\$ 131,271,249	\$ 131,399,856	\$ 121,626,842	\$ 130,718,240
City's proportionate share of the net pension liability as a percentage of its covered payroll	48.3%	148.0%	43.4%	27.2%	51.4%	71.7%	8.1%	11.4%
Plan fiduciary net position as a percentage of the total pension liability	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%	98.5%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Contributions—
Police and Fire Retirement System
Last Eight Fiscal Years*

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):								
Contractually required contribution	\$ 30,144,782	\$ 28,997,685	\$ 28,268,658	\$ 31,033,697	\$ 30,655,038	\$ 23,005,037	\$ 40,418,943	\$ 30,767,293
Contributions in relation to the contractually required contribution	<u>(30,144,782)</u>	<u>(28,997,685)</u>	<u>(28,268,658)</u>	<u>(31,033,697)</u>	<u>(30,655,038)</u>	<u>(23,005,037)</u>	<u>(40,418,943)</u>	<u>(30,767,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 129,260,553	\$ 127,230,633	\$ 128,980,918	\$ 130,584,701	\$ 134,207,252	\$ 130,265,189	\$ 123,270,081	\$ 137,177,059
Contributions as a percentage of covered payroll	23.3%	22.8%	21.9%	23.8%	22.8%	17.7%	32.8%	22.4%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Eight Fiscal Years*

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
City of Buffalo ("City"):								
City's proportion of the net pension liability	.2367542%	.2406913%	0.2387384%	0.2590897%	0.2342962%	0.2177420%	0.2151949%	0.2151949%
City's proportionate share of the net pension liability	<u>\$ 235,746</u>	<u>\$ 63,736,451</u>	<u>\$ 16,915,345</u>	<u>\$ 8,361,980</u>	<u>\$ 22,014,998</u>	<u>\$ 34,948,192</u>	<u>\$ 7,269,810</u>	<u>\$ 9,724,354</u>
City's covered payroll	\$ 72,517,696	\$ 73,268,212	\$ 73,215,087	\$ 70,012,046	\$ 75,362,488	\$ 66,139,468	\$ 59,801,701	\$ 57,291,143
City's proportionate share of the net pension liability as a percentage of its covered payroll	0.3%	87.0%	23.1%	11.9%	29.2%	52.8%	12.2%	17.0%
Buffalo Fiscal Stability Authority ("BFSA"):								
BFSA's proportion of the net pension liability	0.0017040%	0.0017601%	0.0018207%	0.0018707%	0.0019883%	0.0018893%	0.0018411%	0.0018411%
BFSA's proportionate share of the net pension liability	<u>\$ 1,697</u>	<u>\$ 466,096</u>	<u>\$ 129,004</u>	<u>\$ 60,374</u>	<u>\$ 186,826</u>	<u>\$ 303,242</u>	<u>\$ 62,198</u>	<u>\$ 67,581</u>
BFSA's covered payroll	\$ 398,106	\$ 375,073	\$ 366,813	\$ 368,236	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621
BFSA's proportionate share of the net pension liability as a percentage of its covered payroll	0.4%	124.3%	35.2%	16.4%	48.3%	85.5%	18.6%	19.4%
Board of Education ("BOE"):								
BOE's proportion of the net pension liability	0.1476440%	0.1447654%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%	0.142493%
BOE's proportionate share of the net pension liability	<u>\$ 147,015</u>	<u>\$ 38,334,713</u>	<u>\$ 9,912,527</u>	<u>\$ 4,402,094</u>	<u>\$ 12,444,723</u>	<u>\$ 22,702,665</u>	<u>\$ 4,813,758</u>	<u>\$ 6,439,054</u>
BOE's covered payroll	\$ 46,177,444	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,110,981	\$ 39,110,981
BOE's proportionate share of the net pension liability as a percentage of its covered payroll	0.3%	86.3%	23.3%	10.9%	30.1%	58.0%	12.3%	16.5%
Buffalo Urban Renewal Agency ("BURA"):								
BURA's proportion of the net pension liability	0.0054278%	0.0070411%	0.0065749%	0.0075896%	0.0079393%	0.0074517%	0.0080528%	0.0080528%
BURA's proportionate share of the net pension liability	<u>\$ 5,405</u>	<u>\$ 1,864,514</u>	<u>\$ 465,855</u>	<u>\$ 244,949</u>	<u>\$ 745,994</u>	<u>\$ 1,196,017</u>	<u>\$ 272,042</u>	<u>\$ 363,893</u>
BURA's covered payroll	\$ 1,909,348	\$ 2,073,426	\$ 2,352,824	\$ 2,224,950	\$ 2,314,866	\$ 2,317,443	\$ 2,107,411	\$ 2,259,204
BURA's proportionate share of the net pension liability as a percentage of its covered payroll	0.3%	89.9%	19.8%	11.0%	32.2%	51.6%	12.9%	16.1%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Contributions—
Employees' Retirement System
Last Eight Fiscal Years*

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):								
Contractually required contributions	\$ 10,227,468	\$ 9,934,514	\$ 9,816,623	\$ 11,048,864	\$ 10,020,599	\$ 10,243,551	\$ 11,374,650	\$ 11,646,194
Contributions in relation to the contractually required contribution	<u>(10,227,468)</u>	<u>(9,934,514)</u>	<u>(9,816,623)</u>	<u>(11,048,864)</u>	<u>(10,020,599)</u>	<u>(10,243,551)</u>	<u>(11,374,650)</u>	<u>(11,646,194)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 72,872,197	\$ 73,259,166	\$ 73,322,398	\$ 71,435,074	\$ 77,691,737	\$ 63,077,840	\$ 63,457,322	\$ 59,261,548
Contributions as a percentage of covered payroll	14.0%	13.6%	13.4%	15.5%	12.9%	16.2%	17.9%	19.7%
Buffalo Fiscal Stability Authority ("BFSA"):								
Contractually required contributions	\$ 59,480	\$ 56,308	\$ 54,897	\$ 55,466	\$ 58,035	\$ 67,365	\$ 62,469	\$ 75,625
Contributions in relation to the contractually required contribution	<u>(59,480)</u>	<u>(56,308)</u>	<u>(54,897)</u>	<u>(55,466)</u>	<u>(58,035)</u>	<u>(67,365)</u>	<u>(62,469)</u>	<u>(75,625)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BFSA's covered payroll	\$ 398,106	\$ 375,073	\$ 366,813	\$ 375,724	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621
Contributions as a percentage of covered payroll	14.9%	15.0%	15.0%	14.8%	15.0%	19.0%	18.7%	21.7%
Board of Education ("BOE"):								
Contractually required contributions	\$ 6,152,793	\$ 5,998,034	\$ 5,947,217	\$ 6,266,223	\$ 6,004,084	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573
Contributions in relation to the contractually required contribution	<u>(6,152,793)</u>	<u>(5,998,034)</u>	<u>(5,947,217)</u>	<u>(6,266,223)</u>	<u>(6,363,848)</u>	<u>(7,283,149)</u>	<u>(7,695,528)</u>	<u>(5,070,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (359,764)</u>	<u>\$ (359,764)</u>	<u>\$ (359,765)</u>	<u>\$ 3,423,927</u>
BOE's covered payroll	\$ 46,177,444	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043
Contributions as a percentage of covered payroll	13.3%	13.5%	14.0%	15.6%	15.4%	18.6%	19.4%	12.5%
Buffalo Urban Renewal Agency ("BURA"):								
Contractually required contributions	\$ 298,488	\$ 321,081	\$ 324,724	\$ 333,843	\$ 367,814	\$ 346,327	\$ 393,546	\$ 466,649
Contributions in relation to the contractually required contribution	<u>(298,488)</u>	<u>(321,081)</u>	<u>(324,724)</u>	<u>(333,843)</u>	<u>(367,814)</u>	<u>(346,327)</u>	<u>(393,546)</u>	<u>(466,649)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BURA's covered payroll	\$ 1,966,341	\$ 2,022,097	\$ 2,243,874	\$ 2,309,933	\$ 2,247,303	\$ 2,335,268	\$ 2,097,796	\$ 2,252,172
Contributions as a percentage of covered payroll	15.2%	15.9%	14.5%	14.5%	16.4%	14.8%	18.8%	20.7%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
Last Four Fiscal Years*

	Year Ended June 30,			
	2021	2020	2019	2018
City of Buffalo - Governmental Activities:				
Total OPEB liability				
Service cost	\$ 44,673,052	\$ 36,450,969	\$ 50,795,971	\$ 56,825,355
Interest	41,552,757	42,051,935	43,364,955	39,804,589
Changes of assumptions	115,629,968	66,787,588	(157,721,615)	(229,517,536)
Differences between expected and actual experience	-	-	2,570,396	-
Benefit payments	<u>(56,126,305)</u>	<u>(49,693,114)</u>	<u>(49,073,048)</u>	<u>(45,691,925)</u>
Net changes in total OPEB liability	<u>145,729,472</u>	<u>95,597,378</u>	<u>(110,063,341)</u>	<u>(178,579,517)</u>
Total OPEB liability—beginning	<u>1,169,177,733</u>	<u>1,073,580,355</u>	<u>1,183,643,696</u>	<u>1,362,223,213</u>
Total OPEB liability—ending	<u>\$ 1,314,907,205</u>	<u>\$ 1,169,177,733</u>	<u>\$ 1,073,580,355</u>	<u>\$ 1,183,643,696</u>
Plan fiduciary net position				
Contributions—employer	\$ 56,126,305	\$ 49,693,114	\$ 49,073,048	\$ 45,691,925
Benefit payments	<u>(56,126,305)</u>	<u>(49,693,114)</u>	<u>(49,073,048)</u>	<u>(45,691,925)</u>
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 1,314,907,205</u>	<u>\$ 1,169,177,733</u>	<u>\$ 1,073,580,355</u>	<u>\$ 1,183,643,696</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered-employee payroll	\$ 221,521,835	\$ 215,069,743	\$ 208,805,576	\$ 202,723,860
City's net OPEB liability as a percentage of covered-employee payroll	594%	544%	514%	584%
City of Buffalo - Business-type Activities:				
Total OPEB liability				
Service cost	\$ 1,792,631	\$ 1,590,966	\$ 2,465,958	\$ 2,725,605
Interest	2,013,434	2,060,463	2,548,259	2,385,850
Changes of assumptions	8,336,271	2,860,776	(20,239,077)	(13,881,054)
Differences between expected and actual experience	-	-	831,949	-
Benefit payments	<u>(2,499,054)</u>	<u>(2,358,395)</u>	<u>(2,978,914)</u>	<u>(2,233,175)</u>
Net changes in total OPEB liability	<u>9,643,282</u>	<u>4,153,810</u>	<u>(17,371,825)</u>	<u>(11,002,774)</u>
Total OPEB liability—beginning, as restated	<u>58,165,486</u>	<u>54,011,676</u>	<u>71,383,501</u>	<u>82,386,275</u>
Total OPEB liability—ending	<u>\$ 67,808,768</u>	<u>\$ 58,165,486</u>	<u>\$ 54,011,676</u>	<u>\$ 71,383,501</u>
Plan fiduciary net position				
Contributions—employer	\$ 2,499,054	\$ 2,358,395	\$ 2,978,914	\$ 2,233,175
Benefit payments	<u>(2,499,054)</u>	<u>(2,358,395)</u>	<u>(2,978,914)</u>	<u>(2,233,175)</u>
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 67,808,768</u>	<u>\$ 58,165,486</u>	<u>\$ 54,011,676</u>	<u>\$ 71,383,501</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered-employee payroll	\$ 16,972,355	\$ 16,478,015	\$ 15,998,073	\$ 15,532,110
City's net OPEB liability as a percentage of covered-employee payroll	400%	353%	338%	460%

(continued)

*Information prior to the year ended June 30, 2018 is not available.

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
Last Four Fiscal Years *
(Amounts expressed in thousands)

	Year Ended June 30,			
	2021	2020	2019	2018
Buffalo Fiscal Stability Authority ("BFSA"):				
Total OPEB liability				
Service cost	\$ 112	\$ 112	\$ 118	\$ 163
Interest	27	57	54	-
Differences between expected and actual experience	53	(900)	(58)	-
Changes of assumptions	16	292	115	-
Benefit payments	-	-	-	-
Net changes in total OPEB liability	<u>208</u>	<u>(439)</u>	<u>229</u>	<u>163</u>
Total OPEB liability—beginning, as restated	<u>1,074</u>	<u>1,513</u>	<u>1,284</u>	<u>1,121</u>
Total OPEB liability—ending	<u>\$ 1,282</u>	<u>\$ 1,074</u>	<u>\$ 1,513</u>	<u>\$ 1,284</u>
Plan fiduciary net position				
Contributions—employer	\$ -	\$ -	\$ -	\$ -
Benefit payments	-	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BFSA's net OPEB liability—ending	<u>\$ 1,282</u>	<u>\$ 1,074</u>	<u>\$ 1,513</u>	<u>\$ 1,284</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 407	\$ 413	\$ 384	\$ 376
BFSA's net OPEB liability as a percentage of covered-employee payroll	315.0%	260.0%	394.0%	341.5%
Buffalo Board of Education ("BBOE"):				
Total OPEB liability				
Service cost	\$ 83,558	\$ 72,956	\$ 71,543	\$ 82,946
Interest	70,869	85,561	90,227	92,126
Differences between expected and actual experience	(502,178)	(229,606)	(166,075)	(234,596)
Changes of assumptions	286,262	351,329	170,379	(124,198)
Benefit payments	<u>(66,925)</u>	<u>(61,469)</u>	<u>(61,084)</u>	<u>(61,431)</u>
Net changes in total OPEB liability	<u>(128,414)</u>	<u>218,771</u>	<u>104,990</u>	<u>(245,153)</u>
Total OPEB liability—beginning, as restated	<u>2,613,913</u>	<u>2,395,142</u>	<u>2,290,152</u>	<u>2,535,305</u>
Total OPEB liability—ending	<u>\$ 2,485,499</u>	<u>\$ 2,613,913</u>	<u>\$ 2,395,142</u>	<u>\$ 2,290,152</u>
Plan fiduciary net position				
Contributions—employer	\$ 66,925	\$ 61,469	\$ 61,084	\$ 61,431
Benefit payments	<u>(66,925)</u>	<u>(61,469)</u>	<u>(61,084)</u>	<u>(61,431)</u>
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BBOE's net OPEB liability—ending	<u>\$ 2,485,499</u>	<u>\$ 2,613,913</u>	<u>\$ 2,395,142</u>	<u>\$ 2,290,152</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 362,378	\$ 373,087	\$ 377,000	\$ 345,602
BBOE's net OPEB liability as a percentage of covered-employee payroll	685.9%	700.6%	635.3%	662.7%

(continued)

*Information prior to the year ended June 30, 2018 is not available.

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
Last Four Fiscal Years *
(Amounts expressed in thousands)

(concluded)

	Year Ended June 30,			
	2021	2020	2019	2018
Buffalo Urban Renewal Agency ("BURA"):				
Total OPEB liability				
Service cost	\$ 466	\$ 618	\$ 633	\$ 633
Interest	625	920	915	886
Effect of economic/demographic gains or losses	3,269	(5,404)	(1,008)	(274)
Changes of assumptions	1,705	2,438	-	-
Benefit payments	(477)	(332)	(450)	(463)
Net changes in total OPEB liability	<u>5,588</u>	<u>(1,760)</u>	<u>90</u>	<u>782</u>
Total OPEB liability—beginning, as restated	<u>23,265</u>	<u>25,025</u>	<u>24,935</u>	<u>24,153</u>
Total OPEB liability—ending	<u>\$ 28,853</u>	<u>\$ 23,265</u>	<u>\$ 25,025</u>	<u>\$ 24,935</u>
Plan fiduciary net position				
Contributions—employer	\$ 477	\$ 332	\$ 450	\$ 463
Benefit payments	(477)	(332)	(450)	(463)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BURA's net OPEB liability—ending	<u>\$ 28,853</u>	<u>\$ 23,265</u>	<u>\$ 25,025</u>	<u>\$ 24,935</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 1,966	\$ 2,022	\$ 2,244	\$ 2,310
BURA's net OPEB liability as a percentage of covered-employee payroll	1467.6%	1150.6%	1115.2%	1079.4%

*Information prior to the year ended June 30, 2018 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Adopted</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget</u>
REVENUES				
Property taxes, assessments, and other tax items	\$ 149,297,177	\$ 149,297,177	\$ 149,666,888	\$ 369,711
Utility and other nonproperty tax items	11,630,000	11,630,000	12,188,508	558,508
Federal aid	69,899,307	69,899,307	43,080,625	(26,818,682)
State aid	150,939,406	150,939,406	188,816,270	37,876,864
Local sources and other	72,335,975	72,335,975	98,742,408	26,406,433
Investment interest	1,000,000	1,000,000	130,652	(869,348)
Charges for services	15,259,848	15,259,848	12,418,659	(2,841,189)
Licenses and permits	5,418,464	5,418,464	4,555,790	(862,674)
Fines	15,481,925	15,481,925	8,489,213	(6,992,712)
Miscellaneous	14,004,882	14,004,882	4,157,340	(9,847,542)
Total revenues	<u>505,266,984</u>	<u>505,266,984</u>	<u>522,246,353</u>	<u>16,979,369</u>
EXPENDITURES				
Current:				
General government support:				
Legislative	5,650,752	6,190,917	5,063,887	1,127,030
Executive	2,789,309	2,847,599	2,680,708	166,891
Audit and control	3,871,988	3,923,860	3,820,446	103,414
Law	3,095,392	3,143,126	3,038,022	105,104
Assessment	2,479,232	2,481,473	1,970,690	510,783
Public works, parks and streets	8,940,100	9,923,063	8,262,004	1,661,059
Management information systems	5,839,137	6,375,141	6,015,935	359,206
Administration and finance	13,467,294	13,058,189	9,179,202	3,878,987
Human resources	5,119,011	5,566,778	3,883,075	1,683,703
Other	18,021,447	18,863,436	16,457,128	2,406,308
Public safety:				
Administration and finance	2,397,203	2,435,978	1,846,043	589,935
Police	86,053,364	86,965,361	84,643,037	2,322,324
Fire	63,079,032	63,903,448	64,551,477	(648,029)
Public works, parks and streets	2,491,720	2,554,454	2,242,247	312,207
Permit and inspection services	5,792,340	5,864,586	5,652,901	211,685
Streets and sanitation:				
Public works, parks and streets	11,930,123	12,893,415	12,881,274	12,141
Economic assistance and opportunity:				
Executive	2,922,478	3,358,682	3,162,602	196,080
Community services	182,784	182,784	151,700	31,084
Culture and recreation:				
Public works, parks and streets	6,063,398	6,365,576	6,266,034	99,542
Community services	2,900,019	2,954,806	2,874,593	80,213
Other	280,000	277,000	177,500	99,500
Health and community services:				
Public works, parks and streets	1,228,677	1,230,778	1,138,138	92,640
Community services	1,290,581	1,293,285	1,272,723	20,562
Other	-	3,000	3,000	-
Education				
Fringe benefits	70,822,758	70,822,758	70,822,758	-
Other	160,194,003	160,194,003	146,600,810	13,593,193
Other	2,703,000	2,703,419	8,183,783	(5,480,364)
Debt service	183,000	183,000	25,909,196	(25,726,196)
Total expenditures	<u>489,788,142</u>	<u>496,559,915</u>	<u>498,750,913</u>	<u>(2,190,998)</u>
Excess (deficiency) of revenues over expenditures	<u>15,478,842</u>	<u>8,707,069</u>	<u>23,495,440</u>	<u>14,788,371</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,283,560	14,283,560	10,280,473	(4,003,087)
Transfers out	<u>(29,762,402)</u>	<u>(29,762,402)</u>	<u>(29,786,283)</u>	<u>(23,881)</u>
Total other financing sources (uses)	<u>(15,478,842)</u>	<u>(15,478,842)</u>	<u>(19,505,810)</u>	<u>(4,026,968)</u>
Net change in fund balances	-	(6,771,773)	3,989,630	10,761,403
Fund balances—beginning	89,527,574	89,527,574	89,527,574	-
Fund balances—ending	<u>\$ 89,527,574</u>	<u>\$ 82,755,801</u>	<u>\$ 93,517,204</u>	<u>\$ 10,761,403</u>

The notes to the required supplementary information is an integral part of this schedule.

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CITY OF BUFFALO, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2021

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal budget is adopted for the Special Revenue Fund. Appropriation limits, where applicable, for the Special Revenue Fund are maintained based on individual grant and programs accepted by the City. The periods of such grants and program vary from the City’s fiscal year.

The appropriated budget is prepared by fund, function, department, division, agency or other purpose. The Comptroller may make transfers of appropriations within a department, transfers of appropriations between departments are made by the Common Council. The total expenditures for each function may not exceed the original appropriation during the fiscal year without Council approval. Increases over budget appropriations as originally adopted require a two-thirds vote of approval by the Council after certification by both the Mayor and Comptroller, demonstrating that the increase is necessary to meet a contingency which could not have been reasonably foreseen when the budget was adopted. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the City’s accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

The City reports its budgetary status with the actual data, including outstanding encumbrances as charges against budget appropriations. The following table includes a reconciliation of the budgetary-basis (i.e., non-GAAP) and the GAAP-basis operating results.

Excess of revenues and other financing sources over expenditures and other financing uses—GAAP basis	\$ 14,813,482
Less: encumbrances	<u>(10,823,852)</u>
Excess of revenues and other financing sources over expenditures and other financing uses—non-GAAP budgetary basis	<u>\$ 3,989,630</u>

Excess of Expenditures Over Appropriations—For the year ended June 30, 2021, the City had budgetary expenditures in excess of the final budget amount within public safety of \$648,029 pertaining to fire, which were caused by the effects of regular and overtime wages in addition to duty disability costs within the fire department which were not included in the adopted budget. Additionally, the City had budgetary expenditures in excess of the final budget amount within other expenditures of \$5,480,364 related to unanticipated judgments and claims, along with excess expenditures of \$25,486,571 within debt service expenditures for the early payment of the deficiency notes, which were originally due on December 31, 2021.

2. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the discount rate and the medical healthcare cost trend rate. The discount rate was 2.21% as of June 30, 2021, as compared to 3.50% as of June 30, 2020. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2019. The New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.2%, while the ultimate healthcare cost trend rate is 3.8%.

Buffalo Fiscal Stability Authority

Changes of Assumptions—The discount rate was 2.16% as of June 30, 2021, as compared to 2.21% as of June 30, 2020 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. Mortality rates are based on the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years. Salary increases were based on a 2.0% payroll growth. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 4.9%, while the ultimate healthcare cost trend rate is 4.3%.

Buffalo Board of Education

Changes of Assumptions—Changes of assumptions and other inputs reflect a change in the discount rate from 2.66% in 2020 to 2.19% in 2021, while the inflation rate remained unchanged at 1.30%.

Buffalo Urban Renewal Agency

Changes of Assumptions—In the June 30, 2021 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2021. The discount rate was 2.19%, compared to 2.66% in the prior year. Mortality rates are based on the MP-2020 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees. The 2015 New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 8.0%, while the ultimate healthcare cost trend rate is 4.5%.

SUPPLEMENTARY INFORMATION

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CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual (Non-GAAP Budgetary Basis)—Debt Service Fund
Year Ended June 30, 2021

	Budgeted Amounts		Budgetary Actual Amounts	Variance with Final Budget
	Adopted	Final		
REVENUES				
Intergovernmental charges	\$ 9,068,540	\$ 9,068,540	\$ 9,112,629	\$ 44,089
Investment interest	375,884	375,884	46,468	(329,416)
License, permit, rentals, fines, and other service charges	146,553	146,553	130,535	(16,018)
Miscellaneous	<u>217,029</u>	<u>217,029</u>	<u>144,444</u>	<u>(72,585)</u>
Total revenues	<u>9,808,006</u>	<u>9,808,006</u>	<u>9,434,076</u>	<u>(373,930)</u>
EXPENDITURES				
Debt service:				
Principal	29,379,720	29,379,720	40,137,828	(10,758,108)
Interest and fiscal charges	<u>6,979,028</u>	<u>6,979,028</u>	<u>6,580,251</u>	<u>398,777</u>
Total expenditures	<u>36,358,748</u>	<u>36,358,748</u>	<u>46,718,079</u>	<u>(10,359,331)</u>
Excess (deficiency) of revenues over expenditures	<u>(26,550,742)</u>	<u>(26,550,742)</u>	<u>(37,284,003)</u>	<u>(10,733,261)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	29,362,402	29,362,402	33,027,580	3,665,178
Transfers out	(3,785,141)	(1,551,053)	(6,154,685)	(4,603,632)
Issuance of refunding bonds	-	-	10,930,000	10,930,000
Premium on bonds	<u>192,472</u>	<u>192,472</u>	<u>1,772,439</u>	<u>1,579,967</u>
Total other financing sources (uses)	<u>25,769,733</u>	<u>28,003,821</u>	<u>39,575,334</u>	<u>11,571,513</u>
Net change in fund balances *	(781,009)	1,453,079	2,291,331	838,252
Fund balances—beginning	<u>4,749,609</u>	<u>4,749,609</u>	<u>4,749,609</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,968,600</u>	<u>\$ 6,202,688</u>	<u>\$ 7,040,940</u>	<u>\$ 838,252</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Special Revenue Fund — This fund is used to account for all of the special federal and state grants that are restricted for noncapital purposes by the grant award.

BFSA DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Buffalo Fiscal Stability Authority Debt Service Fund — This fund is used to account for debt issued by the BFSA.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Permanent Fund — This fund is used to purchase objects to enhance the beauty of the Park System in the City of Buffalo.

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CITY OF BUFFALO, NEW YORK
Combining Balance Sheet—
Nonmajor Governmental Funds
June 30, 2021

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Restricted cash and cash equivalents	\$ 7,435,356	\$ 70,749	\$ 75,258	\$ 7,581,363
Restricted investments	-	2,246,085	61,472	2,307,557
Receivables:				
Other receivables	-	-	4,450	4,450
Intergovernmental receivables	286,680	-	-	286,680
Due from other funds	<u>2,355,981</u>	<u>185,446</u>	<u>-</u>	<u>2,541,427</u>
Total assets	<u>\$ 10,078,017</u>	<u>\$ 2,502,280</u>	<u>\$ 141,180</u>	<u>\$ 12,721,477</u>
LIABILITIES				
Accounts payable	\$ 809,054	\$ -	\$ -	\$ 809,054
Accrued liabilities	260	78,784	-	79,044
Due to other governments	129,574	-	-	129,574
Due to other funds	<u>2,428,149</u>	<u>-</u>	<u>-</u>	<u>2,428,149</u>
Total liabilities	<u>3,367,037</u>	<u>78,784</u>	<u>-</u>	<u>3,445,821</u>
FUND BALANCES				
Nonspendable	-	-	30,000	30,000
Restricted	<u>6,710,980</u>	<u>2,423,496</u>	<u>111,180</u>	<u>9,245,656</u>
Total fund balances	<u>6,710,980</u>	<u>2,423,496</u>	<u>141,180</u>	<u>9,275,656</u>
Total liabilities and fund balances	<u>\$ 10,078,017</u>	<u>\$ 2,502,280</u>	<u>\$ 141,180</u>	<u>\$ 12,721,477</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2021

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Intergovernmental	\$ 31,860,508	\$ -	\$ -	\$ 31,860,508
Investment interest	39	261,362	106	261,507
Miscellaneous	63,498	-	-	63,498
Total revenues	<u>31,924,045</u>	<u>261,362</u>	<u>106</u>	<u>32,185,513</u>
EXPENDITURES				
Current:				
General government support	543,709	-	-	543,709
Public safety	11,398,252	-	-	11,398,252
Streets and sanitation	32,117	-	-	32,117
Economic assistance and opportunity	20,088,425	-	-	20,088,425
Culture and recreation	32,630	-	-	32,630
Health and community services	21,000	-	-	21,000
Debt service:				
Principal	-	4,690,000	-	4,690,000
Interest and fiscal charges	-	613,554	-	613,554
Total expenditures	<u>32,116,133</u>	<u>5,303,554</u>	<u>-</u>	<u>37,419,687</u>
Excess (deficiency) of revenues over expenditures	<u>(192,088)</u>	<u>(5,042,192)</u>	<u>106</u>	<u>(5,234,174)</u>
OTHER FINANCING SOURCES				
Transfers in	23,881	2,410,541	-	2,434,422
Total other financing sources	<u>23,881</u>	<u>2,410,541</u>	<u>-</u>	<u>2,434,422</u>
Net change in fund balances	(168,207)	(2,631,651)	106	(2,799,752)
Fund balances—beginning	6,879,187	5,055,147	141,074	12,075,408
Fund balances—ending	<u>\$ 6,710,980</u>	<u>\$ 2,423,496</u>	<u>\$ 141,180</u>	<u>\$ 9,275,656</u>

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WATER SYSTEM

The Water System is used to account for the City's water treatment and distribution system and is responsible for water delivery to the residents of the City. The Water System is comprised of the Water Board, Water Authority and Water Enterprise.

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CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2021

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 12,937,600	\$ 900,461	\$ 280,253	\$ -	\$ 14,118,314
Restricted cash and cash equivalents	-	31,647,223	-	-	31,647,223
Investments	5,275,598	-	-	-	5,275,598
Receivables:					
Accounts receivable	25,809,527	-	-	-	25,809,527
Other receivables	1,479,684	-	-	-	1,479,684
Due from other agencies	128,029	-	-	-	128,029
Due from other funds	1,787,680	95,659,351	32,797,454	(130,244,485)	-
Allowances	(21,471,691)	-	-	-	(21,471,691)
Net receivables	<u>7,733,229</u>	<u>95,659,351</u>	<u>32,797,454</u>	<u>(130,244,485)</u>	<u>5,945,549</u>
Total current assets	<u>25,946,427</u>	<u>128,207,035</u>	<u>33,077,707</u>	<u>(130,244,485)</u>	<u>56,986,684</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	145,116	-	-	-	145,116
Construction in progress	2,927,830	-	-	-	2,927,830
Total capital assets not being depreciated	<u>3,072,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,072,946</u>
Capital assets being depreciated:					
Buildings and infrastructure	263,709,961	-	-	-	263,709,961
Improvements other than buildings	252,393	-	-	-	252,393
Machinery and equipment	1,933,345	-	-	-	1,933,345
Accumulated depreciation	(110,996,130)	-	-	-	(110,996,130)
Total capital assets being depreciated	<u>154,899,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,899,569</u>
Total noncurrent assets	<u>157,972,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,972,515</u>
Total assets	<u>183,918,942</u>	<u>128,207,035</u>	<u>33,077,707</u>	<u>(130,244,485)</u>	<u>214,959,199</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	2,578,220	-	-	2,578,220
Deferred outflows—relating to pensions	4,741,886	-	4,741,886	(4,741,886)	4,741,886
Deferred outflows—relating to OPEB	-	-	4,022,357	-	4,022,357
Total deferred outflows of resources	<u>4,741,886</u>	<u>2,578,220</u>	<u>8,764,243</u>	<u>(4,741,886)</u>	<u>11,342,463</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,615,839	11,508	54,546	-	1,681,893
Other accrued liabilities	-	2,622,669	621,213	-	3,243,882
Due to other funds	128,786,973	-	-	(128,478,932)	308,041
Due to retirement systems	-	-	282,211	-	282,211
Accrued compensated absences	-	-	57,183	-	57,183
Accrued workers' compensation	-	-	252,796	-	252,796
General obligation and revenue bonds payable within one year	-	6,991,545	-	-	6,991,545
Total current liabilities	<u>130,402,812</u>	<u>9,625,722</u>	<u>1,267,949</u>	<u>(128,478,932)</u>	<u>12,817,551</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2021

(concluded)

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Noncurrent liabilities:					
Accrued compensated absences	-	-	773,678	-	773,678
Accrued workers' compensation	-	-	836,949	-	836,949
Accrued OPEB	-	-	27,222,907	-	27,222,907
General obligation and revenue bonds payable	-	121,159,533	-	-	121,159,533
Net pension liability	-	-	22,127	-	22,127
Total noncurrent liabilities	<u>-</u>	<u>121,159,533</u>	<u>28,855,661</u>	<u>-</u>	<u>150,015,194</u>
Total liabilities	<u>130,402,812</u>	<u>130,785,255</u>	<u>30,123,610</u>	<u>(128,478,932)</u>	<u>162,832,745</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	6,507,439	-	6,507,439	(6,507,439)	6,507,439
Deferred inflows—relating to OPEB	-	-	5,210,901	-	5,210,901
Total deferred inflows of resources	<u>6,507,439</u>	<u>-</u>	<u>11,718,340</u>	<u>(6,507,439)</u>	<u>11,718,340</u>
NET POSITION					
Net investment in capital assets	32,399,657	-	-	31,647,223	64,046,880
Unrestricted	<u>19,350,920</u>	<u>-</u>	<u>-</u>	<u>(31,647,223)</u>	<u>(12,296,303)</u>
Total net position	<u>\$ 51,750,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,750,577</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Revenues, Expenses, and Changes in Net Position—
Water System
Year Ended June 30, 2021

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Operating revenues:					
Charges for services	\$ 44,948,053	\$ -	\$ -	\$ -	\$ 44,948,053
Other	337,518	-	-	-	337,518
Total operating revenues	<u>45,285,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,285,571</u>
Operating expenses:					
Services and supplies	12,775,588	440,710	6,854,794	-	20,071,092
Fringe benefits	-	-	3,048,813	-	3,048,813
Depreciation	6,991,675	-	-	-	6,991,675
Other	4,558,607	-	-	(1,787,680)	2,770,927
Total operating expenses	<u>24,325,870</u>	<u>440,710</u>	<u>9,903,607</u>	<u>(1,787,680)</u>	<u>32,882,507</u>
Operating income (loss)	<u>20,959,701</u>	<u>(440,710)</u>	<u>(9,903,607)</u>	<u>1,787,680</u>	<u>12,403,064</u>
Nonoperating revenues (expenses):					
Interest earnings	57,703	-	-	-	57,703
Interest expense	(4,575,992)	-	-	-	(4,575,992)
Loss on disposal of capital assets	(4,311)	-	-	-	(4,311)
Other	338,659	-	-	-	338,659
Total nonoperating revenues (expenses)	<u>(4,183,941)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,183,941)</u>
Income (loss) before transfers	16,775,760	(440,710)	(9,903,607)	1,787,680	8,219,123
Transfers in	-	440,710	9,903,607	(10,344,317)	-
Transfers out	<u>(16,167,119)</u>	<u>-</u>	<u>-</u>	<u>8,556,637</u>	<u>(7,610,482)</u>
Change in net position	608,641	-	-	-	608,641
Total net position—beginning	51,141,936	-	-	-	51,141,936
Total net position—ending	<u>\$ 51,750,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,750,577</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2021

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 46,214,303	\$ -	\$ -	\$ -	\$ 46,214,303
Payments to suppliers and employees for goods and services	<u>(12,511,070)</u>	<u>(671,810)</u>	<u>(10,787,862)</u>	<u>-</u>	<u>(23,970,742)</u>
Net cash provided by (used for) operating activities	<u>33,703,233</u>	<u>(671,810)</u>	<u>(10,787,862)</u>	<u>-</u>	<u>22,243,561</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	440,710	9,903,607	-	10,344,317
Transfers to other funds	(16,167,119)	-	-	-	(16,167,119)
Advances from other funds	358,379	-	893,089	-	1,251,468
Advances to other funds	<u>-</u>	<u>(6,173,851)</u>	<u>-</u>	<u>-</u>	<u>(6,173,851)</u>
Net cash provided by (used for) noncapital financing activities	<u>(15,808,740)</u>	<u>(5,733,141)</u>	<u>10,796,696</u>	<u>-</u>	<u>(10,745,185)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(14,924,405)	-	-	-	(14,924,405)
Principal payments on bonds	-	(6,230,000)	-	-	(6,230,000)
Payment to escrow agent	-	(18,805,000)	-	-	(18,805,000)
Proceeds from issuance of debt and premium	-	23,373,406	-	-	23,373,406
Interest payments and other fiscal charges	<u>(4,237,333)</u>	<u>(624,362)</u>	<u>-</u>	<u>-</u>	<u>(4,861,695)</u>
Net cash (used for) capital and related financing activities	<u>(19,161,738)</u>	<u>(2,285,956)</u>	<u>-</u>	<u>-</u>	<u>(21,447,694)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	12,194	-	-	-	12,194
Interest received on short-term investments	<u>45,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,509</u>
Net cash provided by investing activities	<u>57,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,703</u>
Net increase (decrease) in cash and cash equivalents	(1,209,542)	(8,690,907)	8,834	-	(9,891,615)
Cash, cash equivalents and investments—beginning	<u>19,422,740</u>	<u>41,238,591</u>	<u>271,419</u>	<u>-</u>	<u>60,932,750</u>
Cash, cash equivalents and investments—ending	<u>\$ 18,213,198</u>	<u>\$ 32,547,684</u>	<u>\$ 280,253</u>	<u>\$ -</u>	<u>\$ 51,041,135</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2021

(concluded)

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 20,959,701	\$ (440,710)	\$ (9,903,607)	\$ 1,787,680	\$ 12,403,064
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	6,991,675	-	-	-	6,991,675
Change in pension	-	-	-	(2,106,616)	(2,106,616)
Decrease in receivables	928,732	-	-	-	928,732
(Increase) decrease in deferred outflows—relating to pensions	(867,341)	-	(867,341)	867,341	(867,341)
(Increase) in deferred outflows—relating to OPEB	-	-	(2,716,008)	-	(2,716,008)
(Decrease) in payables	(655,008)	(2,817)	(9,841)	-	(667,666)
Increase (decrease) in accrued liabilities	-	(228,283)	211,591	-	(16,692)
Increase in retirement systems	-	-	37,527	-	37,527
Increase in compensated absences	-	-	56,918	-	56,918
(Decrease) in workers' compensation	-	-	(1,167)	-	(1,167)
Increase in accrued other postemployment benefits obligation	-	-	4,719,166	-	4,719,166
Increase (decrease) in net pension liability	-	-	(5,797,069)	5,797,069	-
Increase (decrease) in deferred inflows—relating to pensions	6,345,474	-	6,345,474	(6,345,474)	6,345,474
(Decrease) in deferred inflows—relating to OPEB	-	-	(2,863,505)	-	(2,863,505)
Total adjustments	<u>12,743,532</u>	<u>(231,100)</u>	<u>(884,255)</u>	<u>(1,787,680)</u>	<u>9,840,497</u>
Net cash provided by (used for) operating activities	<u>\$ 33,703,233</u>	<u>\$ (671,810)</u>	<u>\$ (10,787,862)</u>	<u>\$ -</u>	<u>\$ 22,243,561</u>

STATISTICAL SECTION

This part of the City of Buffalo’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents:	Page
Financial Trends	111
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	120
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	124
<i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	130
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information.....	132
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report for the relevant year.

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CITY OF BUFFALO, NEW YORK
Table I—Net Position by Component
Last Ten Years
(Unaudited, amounts expressed in thousands)

	June 30,									
	2012	2013	2014 (1)	2015	2016	2017	2018 (2)	2019	2020	2021
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 268,899	\$ 269,691	\$ 277,507	\$ 322,566	\$ 346,504	\$ 354,182	\$ 356,804	\$ 361,486	\$ 346,607	\$ 419,187
Restricted	51,799	50,102	49,832	50,545	40,497	34,124	35,126	36,561	39,147	41,250
Unrestricted	<u>(251,118)</u>	<u>(258,859)</u>	<u>(336,171)</u>	<u>(372,634)</u>	<u>(434,459)</u>	<u>(529,408)</u>	<u>(1,353,289)</u>	<u>(1,267,578)</u>	<u>(1,286,162)</u>	<u>(1,303,517)</u>
Total governmental activities net position	<u>\$ 69,580</u>	<u>\$ 60,934</u>	<u>\$ (8,832)</u>	<u>\$ 477</u>	<u>\$ (47,458)</u>	<u>\$ (141,102)</u>	<u>\$ (961,359)</u>	<u>\$ (869,531)</u>	<u>\$ (900,408)</u>	<u>\$ (843,080)</u>
BUSINESS-TYPE ACTIVITIES:										
Net investment in capital assets	\$ 52,409	\$ 51,827	\$ 54,167	\$ 57,182	\$ 64,202	\$ 71,822	\$ 83,933	\$ 93,475	\$ 96,674	\$ 96,408
Unrestricted	<u>6,065</u>	<u>8,002</u>	<u>2,492</u>	<u>(531)</u>	<u>(1,578)</u>	<u>(4,008)</u>	<u>(73,244)</u>	<u>(72,091)</u>	<u>(68,635)</u>	<u>(67,613)</u>
Total business-type activities net position	<u>\$ 58,474</u>	<u>\$ 59,829</u>	<u>\$ 56,659</u>	<u>\$ 56,651</u>	<u>\$ 62,624</u>	<u>\$ 67,814</u>	<u>\$ 10,689</u>	<u>\$ 21,384</u>	<u>\$ 28,039</u>	<u>\$ 28,795</u>
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 321,308	\$ 321,518	\$ 331,674	\$ 379,748	\$ 410,706	\$ 426,004	\$ 440,737	\$ 454,962	\$ 443,281	\$ 515,595
Restricted	51,799	50,102	49,832	50,545	40,497	34,124	35,126	36,561	39,147	41,250
Unrestricted	<u>(245,053)</u>	<u>(250,857)</u>	<u>(333,679)</u>	<u>(373,165)</u>	<u>(436,037)</u>	<u>(533,416)</u>	<u>(1,426,533)</u>	<u>(1,339,669)</u>	<u>(1,354,797)</u>	<u>(1,371,130)</u>
TOTAL PRIMARY GOVERNMENT NET POSITION	<u>\$ 128,054</u>	<u>\$ 120,763</u>	<u>\$ 47,827</u>	<u>\$ 57,128</u>	<u>\$ 15,166</u>	<u>\$ (73,288)</u>	<u>\$ (950,670)</u>	<u>\$ (848,146)</u>	<u>\$ (872,368)</u>	<u>\$ (814,285)</u>

(1) The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transactions for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position at June 30, 2014 has been restated.

(2) The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions—an amendment of GASB Statement No. 45*. As a result, net position at June 30, 2017 has been restated.

CITY OF BUFFALO, NEW YORK
Table II—Changes in Net Position
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EXPENSES:										
Governmental activities:										
General government support (1)	\$ 69,127	\$ 96,480	\$ 103,880	\$ 87,297	\$ 110,385	\$ 116,246	\$ 99,579	\$ 80,519	\$ 85,385	\$ 81,077
Public safety (1)	310,287	309,014	327,213	302,214	274,293	289,679	250,593	211,347	289,382	287,868
Streets and sanitation (1)	30,717	34,240	26,763	39,220	35,729	48,233	48,621	28,010	41,633	43,532
Economic assistance and opportunity (1)	9,265	12,086	9,368	21,132	41,623	49,591	44,718	22,845	25,661	24,240
Culture and recreation (1)	15,428	16,906	13,310	10,925	15,977	24,154	17,865	15,270	13,735	13,676
Health and community services (1)	2,997	6,563	17,094	5,222	6,941	4,884	3,995	3,066	3,901	3,555
Education	70,323	70,323	70,323	70,323	70,323	70,323	70,823	70,823	70,823	70,823
Interest and fiscal charges	14,337	16,615	11,385	9,551	10,166	8,504	7,808	6,779	5,342	7,342
Total governmental activities expenses	<u>522,481</u>	<u>562,227</u>	<u>579,336</u>	<u>545,884</u>	<u>565,437</u>	<u>611,614</u>	<u>544,002</u>	<u>438,659</u>	<u>535,862</u>	<u>532,113</u>
Business-type activities:										
Solid Waste and Recycling	24,890	24,723	27,073	25,234	23,548	22,094	22,385	19,331	22,005	22,499
Parking	2,111	2,196	2,096	1,986	2,594	2,159	2,323	2,387	2,090	2,218
Water System	31,896	32,945	32,934	34,633	32,249	35,099	33,868	34,628	35,992	37,463
Total business-type activities expenses	<u>58,897</u>	<u>59,864</u>	<u>62,103</u>	<u>61,853</u>	<u>58,391</u>	<u>59,352</u>	<u>58,576</u>	<u>56,346</u>	<u>60,087</u>	<u>62,180</u>
Total primary government expenses	<u>581,378</u>	<u>622,091</u>	<u>641,439</u>	<u>607,737</u>	<u>623,828</u>	<u>670,966</u>	<u>602,578</u>	<u>495,005</u>	<u>595,949</u>	<u>594,293</u>
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
General government support	10,352	9,844	9,174	9,059	8,995	8,340	8,146	10,954	13,873	9,869
Public safety	10,339	13,308	11,723	11,828	12,427	12,598	14,107	14,474	12,587	9,115
Streets and sanitation	954	1,012	1,863	2,117	1,924	1,753	1,480	2,046	1,571	1,287
Economic assistance and opportunity	3,876	3,853	3,353	4,522	4,649	5,241	5,389	6,370	6,738	6,687
Culture and recreation	135	126	13	229	203	247	265	235	148	297
Health and community services	157	175	212	172	142	134	147	148	149	149
Operating grants and contributions	10,608	23,053	38,272	40,789	32,188	32,256	33,737	23,474	27,973	35,183
Capital grants and contributions	19,077	16,633	18,582	32,998	23,821	26,085	22,270	18,107	20,283	23,265
Total governmental activities program revenues	<u>55,498</u>	<u>68,004</u>	<u>83,192</u>	<u>101,714</u>	<u>84,349</u>	<u>86,654</u>	<u>85,541</u>	<u>75,808</u>	<u>83,322</u>	<u>85,852</u>

(continued)

CITY OF BUFFALO, NEW YORK
Table II—Changes in Net Position
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activities:										
Charges for services:										
Solid Waste and Recycling	19,681	18,479	19,290	19,667	19,135	18,944	18,940	25,298	25,280	23,994
Parking	7,639	7,721	7,165	7,720	8,063	11,381	7,090	8,364	591	3,297
Water System	40,324	44,135	44,414	43,104	43,078	43,004	41,810	46,594	50,317	45,286
Total business-type activities program revenues	<u>67,644</u>	<u>70,335</u>	<u>70,869</u>	<u>70,491</u>	<u>70,276</u>	<u>73,329</u>	<u>67,840</u>	<u>80,256</u>	<u>76,188</u>	<u>72,577</u>
Total primary government program revenues	<u>123,142</u>	<u>138,339</u>	<u>154,061</u>	<u>172,205</u>	<u>154,625</u>	<u>159,983</u>	<u>153,381</u>	<u>156,064</u>	<u>159,510</u>	<u>158,429</u>
NET (EXPENSE) REVENUE:										
Governmental activities	(466,983)	(494,223)	(496,144)	(444,170)	(481,088)	(524,960)	(458,461)	(362,851)	(452,540)	(446,261)
Business-type activities	<u>8,747</u>	<u>10,471</u>	<u>8,766</u>	<u>8,638</u>	<u>11,885</u>	<u>13,977</u>	<u>9,264</u>	<u>23,910</u>	<u>16,101</u>	<u>10,397</u>
Total primary government net (expense) revenue	<u>(458,236)</u>	<u>(483,752)</u>	<u>(487,378)</u>	<u>(435,532)</u>	<u>(469,203)</u>	<u>(510,983)</u>	<u>(449,197)</u>	<u>(338,941)</u>	<u>(436,439)</u>	<u>(435,864)</u>
GENERAL REVENUES AND TRANSFERS:										
Governmental activities:										
Taxes:										
Property taxes	127,638	123,612	123,989	124,101	124,896	127,541	129,632	136,701	139,185	141,488
Other tax items	10,442	11,061	10,397	11,424	14,087	11,203	10,417	9,736	9,507	8,256
Gross utility tax	12,951	12,253	11,351	13,013	10,565	11,041	10,676	12,532	11,673	11,234
Intergovernmental	93,982	93,004	95,447	98,149	97,471	95,998	106,609	108,175	107,867	155,617
Unrestricted grants and contributions	290	197	252	283	344	285	-	-	-	-
Investment earnings	3,325	2,454	2,099	1,610	3,262	1,279	1,253	2,268	1,883	722
State aid	164,596	198,322	179,423	167,725	168,311	164,724	161,528	168,785	132,613	172,102
Miscellaneous	3,178	37,275	3,210	27,928	7,971	9,586	1,675	2,594	8,614	3,889
Transfers	<u>7,603</u>	<u>7,399</u>	<u>11,901</u>	<u>9,246</u>	<u>6,246</u>	<u>9,659</u>	<u>14,293</u>	<u>13,888</u>	<u>10,321</u>	<u>10,280</u>
Total governmental activities general revenues and transfers	<u>424,005</u>	<u>485,577</u>	<u>438,069</u>	<u>453,479</u>	<u>433,153</u>	<u>431,316</u>	<u>436,083</u>	<u>454,679</u>	<u>421,663</u>	<u>503,588</u>

(continued)

CITY OF BUFFALO, NEW YORK
Table II—Changes in Net Position
Last Ten Years
(Unaudited, amounts expressed in thousands)

(concluded)

	Year ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activities:										
Intergovernmental	478	695	955	443	223	667	548	324	630	581
Investment earnings	456	292	213	157	111	205	291	349	245	58
Transfers	<u>(7,603)</u>	<u>(7,399)</u>	<u>(11,901)</u>	<u>(9,246)</u>	<u>(6,246)</u>	<u>(9,659)</u>	<u>(14,293)</u>	<u>(13,888)</u>	<u>(10,321)</u>	<u>(10,280)</u>
Total business-type activities general revenues and transfers	<u>(6,669)</u>	<u>(6,412)</u>	<u>(10,733)</u>	<u>(8,646)</u>	<u>(5,912)</u>	<u>(8,787)</u>	<u>(13,454)</u>	<u>(13,215)</u>	<u>(9,446)</u>	<u>(9,641)</u>
Total primary government general revenues and transfers	<u>417,336</u>	<u>479,165</u>	<u>427,336</u>	<u>444,833</u>	<u>427,241</u>	<u>422,529</u>	<u>422,629</u>	<u>441,464</u>	<u>412,217</u>	<u>493,947</u>
CHANGE IN NET POSITION:										
Governmental activities	(42,978)	(8,646)	(58,075)	9,309	(47,935)	(93,644)	(22,378)	91,828	(30,877)	57,327
Business-type activities	<u>2,078</u>	<u>4,059</u>	<u>(1,967)</u>	<u>(8)</u>	<u>5,973</u>	<u>5,190</u>	<u>(4,190)</u>	<u>10,695</u>	<u>6,655</u>	<u>756</u>
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	<u>\$ (40,900)</u>	<u>\$ (4,587)</u>	<u>\$ (60,042)</u>	<u>\$ 9,301</u>	<u>\$ (41,962)</u>	<u>\$ (88,454)</u>	<u>\$ (26,568)</u>	<u>\$ 102,523</u>	<u>\$ (24,222)</u>	<u>\$ 58,083</u>

CITY OF BUFFALO, NEW YORK
Table III—Governmental Activities Tax Revenues by Source
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PROPERTY TAX (1)	\$ 127,863	\$ 124,178	\$ 123,422	\$ 124,242	\$ 124,956	\$ 126,886	\$ 130,539	\$ 136,701	\$ 139,185	\$ 141,487
GROSS UTILITY TAX	10,098	9,408	8,579	10,253	7,598	8,299	7,748	9,579	8,759	11,234
CITY OF BUFFALO FRANCHISE TAX	2,852	2,845	2,772	2,761	2,967	2,742	2,927	2,953	2,914	3,145
MORTGAGE TAX	1,601	1,986	2,076	2,226	3,247	3,893	3,472	3,890	4,195	3,078
FOREIGN FIRE INSURANCE TAX	-	-	4,191	762	604	650	729	731	919	955
OCCUPANCY TAX	<u>10</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>3</u>
Total	<u>\$ 142,424</u>	<u>\$ 138,421</u>	<u>\$ 141,043</u>	<u>\$ 140,248</u>	<u>\$ 139,376</u>	<u>\$ 142,473</u>	<u>\$ 145,418</u>	<u>\$ 153,857</u>	<u>\$ 155,974</u>	<u>\$ 159,902</u>

(1) Does not include property tax levy paid by New York State as STAR Aid.

CITY OF BUFFALO, NEW YORK
Table IV—Fund Balances of Governmental Funds
Last Ten Years
(Unaudited, amounts expressed in thousands)

	June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GENERAL FUND:										
Nonspendable	\$ 22,881	\$ 24,635	\$ 26,693	\$ 27,749	\$ 27,700	\$ 28,299	\$ 31,020	\$ 29,606	\$ 24,430	\$ 23,557
Restricted	13,036	11,113	8,834	7,850	8,201	6,126	8,820	11,788	14,242	15,098
Committed	35,740	35,655	37,667	37,215	36,317	38,754	38,741	38,529	38,140	40,661
Assigned	29,787	30,452	42,478	34,970	35,371	35,248	13,409	13,015	12,716	16,830
Unassigned	12,187	63,943	30,701	43,441	41,889	6,503	-	-	-	8,195
Total General Fund	<u>\$ 113,631</u>	<u>\$ 165,798</u>	<u>\$ 146,373</u>	<u>\$ 151,225</u>	<u>\$ 149,478</u>	<u>\$ 114,930</u>	<u>\$ 91,990</u>	<u>\$ 92,938</u>	<u>\$ 89,528</u>	<u>\$ 104,341</u>
ALL OTHER GOVERNMENTAL FUNDS:										
Nonspendable	\$ 47	\$ 49	\$ 164	\$ 128	\$ 117	\$ 118	\$ 95	\$ 107	\$ 46	\$ 47
Restricted	112,134	75,005	72,263	77,808	66,568	59,538	57,397	36,754	22,290	66,534
Assigned	1,463	1,458	938	759	657	1,568	517	888	588	603
Total all other governmental funds	<u>\$ 113,644</u>	<u>\$ 76,512</u>	<u>\$ 73,365</u>	<u>\$ 78,695</u>	<u>\$ 67,342</u>	<u>\$ 61,224</u>	<u>\$ 58,009</u>	<u>\$ 37,749</u>	<u>\$ 22,924</u>	<u>\$ 67,184</u>

CITY OF BUFFALO, NEW YORK
Table V—Changes in Fund Balances of Governmental Funds
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVENUES:										
Property taxes, assessments, and other tax items	\$ 138,305	\$ 135,239	\$ 133,819	\$ 135,666	\$ 139,042	\$ 138,089	\$ 140,956	\$ 147,255	\$ 148,677	\$ 149,667
Utility and other nonproperty tax items	12,951	12,253	15,542	13,775	11,169	11,691	11,405	13,263	12,592	12,189
Intergovernmental	299,039	344,947	341,779	350,476	334,565	331,051	324,154	318,200	298,131	395,392
Investment interest	2,612	1,740	1,386	1,103	1,278	800	1,253	2,268	1,883	438
License, permit, rentals, fines, and service charges	21,252	24,464	22,756	23,638	26,848	29,075	30,365	32,007	28,518	25,594
Miscellaneous	8,296	41,067	5,410	32,839	9,610	8,585	8,275	12,861	15,052	4,416
Total revenues	482,455	559,710	520,692	557,497	522,512	519,291	516,408	525,854	504,853	587,696
EXPENDITURES:										
Current:										
General government support	69,827	59,333	69,585	62,944	58,263	59,407	60,806	62,302	58,139	59,105
Public safety	146,667	143,700	153,358	156,350	157,616	166,647	161,618	162,429	160,750	169,313
Streets and sanitation	27,495	9,826	14,243	15,450	13,617	13,158	13,140	12,809	12,086	11,763
Economic assistance and opportunity	7,478	4,779	16,691	20,005	19,757	27,908	28,420	18,090	21,750	22,631
Culture and recreation	12,633	6,943	6,811	8,801	7,261	9,535	9,102	9,136	9,323	8,330
Health and community services	1,846	5,194	5,920	3,610	4,636	2,600	2,607	2,395	2,370	2,179
Education	80,223	70,323	70,323	70,323	70,323	70,323	70,823	70,823	70,823	70,823
Fringe benefits	139,881	139,044	148,533	141,580	130,455	135,796	140,630	139,727	135,906	142,501
Other	3,272	7,413	7,109	3,720	3,938	8,876	7,119	3,341	8,130	8,184
Debt service:										
Principal retirement	41,278	41,710	38,520	41,145	37,069	35,192	30,810	32,615	43,417	69,828
Interest and other fiscal charges	15,734	14,200	12,033	11,723	12,597	10,954	9,664	8,834	8,378	8,314
Capital outlay	-	50,129	41,469	54,682	47,198	55,691	43,196	36,553	35,840	41,061
Total expenditures	546,334	552,594	584,595	590,333	562,730	596,087	577,935	559,054	566,912	614,032
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(63,879)	7,116	(63,903)	(32,836)	(40,218)	(76,796)	(61,527)	(33,200)	(62,059)	(26,336)

(continued)

CITY OF BUFFALO, NEW YORK
Table V—Changes in Fund Balances of Governmental Funds
Last Ten Years
(Unaudited, amounts expressed in thousands)

(concluded)

	Year ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OTHER FINANCING SOURCES (USES):										
Transfers in	66,272	63,681	72,895	61,759	49,048	50,212	50,562	49,384	46,657	49,928
Transfers out	(58,669)	(56,282)	(60,819)	(52,513)	(42,802)	(40,553)	(36,229)	(35,496)	(36,336)	(39,647)
Long-term deficiency notes	-	-	-	-	-	-	-	-	25,000	-
Issuance of serial bonds	83,615	39,285	25,640	29,089	57,093	21,618	20,300	-	7,530	61,540
Payments to refunded bond escrow agent	(31,621)	(40,566)	-	-	(45,391)	-	-	-	-	-
Premium on bonds	3,250	1,801	3,617	4,682	9,170	3,854	1,739	-	973	13,587
Total other financing sources (uses)	<u>62,847</u>	<u>7,919</u>	<u>41,333</u>	<u>43,017</u>	<u>27,118</u>	<u>35,131</u>	<u>36,372</u>	<u>13,888</u>	<u>43,824</u>	<u>85,408</u>
NET CHANGE IN FUND BALANCES	<u>\$ (1,032)</u>	<u>\$ 15,035</u>	<u>\$ (22,570)</u>	<u>\$ 10,181</u>	<u>\$ (13,100)</u>	<u>\$ (41,665)</u>	<u>\$ (25,155)</u>	<u>\$ (19,312)</u>	<u>\$ (18,235)</u>	<u>\$ 59,072</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES*	<u>11.20%</u>	<u>10.89%</u>	<u>9.45%</u>	<u>10.08%</u>	<u>9.70%</u>	<u>8.38%</u>	<u>7.45%</u>	<u>8.26%</u>	<u>9.92%</u>	<u>13.78%</u>

*The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings). As such, capital outlay used for the debt service as a percentage of noncapital expenditures is determined by removing total capital asset additions.

CITY OF BUFFALO, NEW YORK
Table VI—General Fund Tax Revenues by Source
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PROPERTY TAX (1)	\$ 127,638	\$ 123,612	\$ 123,989	\$ 124,101	\$ 124,896	\$ 125,611	\$ 127,541	\$ 137,520	\$ 139,170	\$ 141,411
GROSS UTILITY TAX	10,098	9,408	8,579	10,253	7,598	7,598	8,299	9,579	8,759	8,089
CITY OF BUFFALO FRANCHISE TAX	2,852	2,845	2,772	2,761	2,967	2,967	2,742	2,953	2,914	3,145
MORTGAGE TAX	1,601	1,986	2,076	2,226	3,247	3,247	3,893	3,890	4,195	3,078
FOREIGN FIRE INSURANCE TAX	-	-	4,191	762	604	604	650	731	919	955
OCCUPANCY TAX	<u>10</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>3</u>
Total	<u>\$ 142,199</u>	<u>\$ 137,855</u>	<u>\$ 141,610</u>	<u>\$ 140,107</u>	<u>\$ 139,316</u>	<u>\$ 140,031</u>	<u>\$ 143,128</u>	<u>\$ 154,676</u>	<u>\$ 155,959</u>	<u>\$ 156,681</u>

(1) Does not include property tax levy paid by New York State as STAR Aid.

CITY OF BUFFALO, NEW YORK
Table VII—Assessed Value and Estimated Actual Value of Taxable Real Property
Last Ten Years
(Unaudited, amounts expressed in thousands)

Fiscal Year Ended June 30,	Real Property Residential Property	Real Property Commercial Property	Special Franchise	Less Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (1)	Taxable Assessed Value as a Percentage of Actual Taxable Value
2012	\$ 5,122,964	\$ 4,533,896	\$ 379,675	\$ 3,630,741	\$ 6,405,794	\$ 22.37	\$ 6,851,849	93.49%
2013	5,333,731	4,395,804	379,675	3,671,093	6,438,117	21.53	6,849,060	94.00%
2014	5,378,214	4,395,026	386,755	3,662,040	6,497,955	21.28	6,730,842	96.54%
2015	5,384,744	4,349,066	378,939	3,596,402	6,516,347	21.06	6,905,105	94.37%
2016	5,510,697	4,407,764	346,254	3,708,056	6,556,659	20.90	7,042,598	93.10%
2017	5,451,885	4,507,715	339,488	3,647,140	6,651,948	20.99	7,885,192	84.36%
2018	5,538,804	4,540,912	346,542	3,809,262	6,616,996	20.91	8,671,988	76.30%
2019	5,633,124	4,672,628	329,174	3,966,391	6,668,535	21.79	9,917,512	67.24%
2020	5,597,421	4,798,977	310,855	4,045,826	6,661,427	22.20	10,733,849	62.06%
2021	8,145,304	8,447,290	466,911	5,240,854	11,818,651	12.51	12,018,153	98.34%

(1) Taxable assessed value adjusted by special equalization ratios established by New York State Office of Real Property Services.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table VIII—Direct and Overlapping Property Tax Rates
Last Ten Years
(Unaudited, per \$1,000 of assessed valuation)

Fiscal Year	(3) Class	City of Buffalo (1)			School District			City Direct Blended Rate (5)	(2) (4) Total County of Erie	(1) (4) Total Sewer Authority	Direct and Overlapping Rates
		Operating	Debt Service	Total City	Operating	Debt Service	Total School				
2012	H	5.16	4.08	9.24	7.38	1.34	8.72	22.37	5.49	1.70	29.56
2012	NH	9.00	7.12	16.12	13.14	2.39	15.53				
2013	H	4.76	4.18	8.94	7.63	1.38	9.01	21.53	5.45	1.70	28.68
2013	NH	7.60	6.67	14.27	12.43	2.26	14.69				
2014	H	4.82	4.09	8.91	7.65	1.39	9.04	21.28	5.39	1.71	28.38
2014	NH	7.46	6.32	13.78	12.06	2.19	14.25				
2015	H	5.12	3.68	8.80	7.67	1.39	9.06	21.06	5.45	1.72	28.23
2015	NH	7.82	5.62	13.44	11.94	2.17	14.11				
2016	H	5.52	3.26	8.78	7.69	1.40	9.09	20.90	5.95	1.66	28.51
2016	NH	8.26	4.88	13.14	11.72	2.13	13.85				
2017	H	5.82	3.14	8.96	7.56	1.37	8.93	20.99	6.46	1.65	29.10
2017	NH	8.71	4.69	13.40	11.51	2.09	13.60				
2018	H	5.68	3.21	8.89	7.67	1.33	9.00	20.91	7.13	1.63	29.67
2018	NH	8.43	4.76	13.19	11.56	2.01	13.57				
2019	H	5.97	3.58	9.55	7.62	1.32	8.94	21.79	7.33	1.62	30.74
2019	NH	9.05	5.42	14.47	11.73	2.01	13.74				
2020	H	6.05	3.64	9.69	7.56	1.21	8.77	22.20	7.60	1.64	31.44
2020	NH	9.59	5.78	15.37	12.18	1.95	14.13				
2021	H	3.24	2.00	5.24	4.14	0.61	4.75	12.51	5.04	0.95	18.50
2021	NH	5.40	3.33	8.73	7.00	1.03	8.03				

(1) The City of Buffalo and Buffalo Sewer Authority fiscal year begins on July 1.

(2) The County of Erie fiscal year begins on January 1.

(3) H — Homestead class NH — Non-homestead class.

(4) The County of Erie and the Buffalo Sewer Authority do not differentiate between Homestead and Non-homestead classes.

(5) The blended rate is calculated using the total tax levy and total taxable assessed valuation.

CITY OF BUFFALO, NEW YORK
Table IX—Principal Property Taxpayers
Years Ended June 30, 2021 and June 30, 2012
(Unaudited, amounts expressed in thousands)

Taxpayer	Year ended June 30,					
	2021			2012		
	Net Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Net Assessed Value	Rank	Percentage of Total Taxable Assessed Value
National Grid, PLC	\$ 502,563	1	5.69%	\$ 301,998	1	4.76%
National Fuel Fas Corporation	147,190	2	1.67%	129,254	2	2.40%
Consolidated Rail Corporation	79,200	3	0.63%	49,312	6	0.77%
EGP 130 Buffalo, LLC	50,000	4	0.57%			
Manufacturers and Trust Company	49,961	5	0.57%	59,100	5	0.92%
Uniquest Delaware, LLC	41,500	6	0.47%			
Violet Realty, Inc.	41,000	7	0.46%	26,385	7	0.41%
Verizon Communication, Inc.	37,248	8	0.42%	65,993	4	1.03%
LCO Building, LLC	41,045	9	0.40%			
G & IIX Empire, LLC	33,127	10	0.38%			
One Seneca Realty LLC				79,602	3	1.24%
Government Properties Income Trust				21,000	8	0.33%
WNY Lodging LLC				14,500	9	0.23%
General Mills				12,500	10	0.20%

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table X—Property Tax Levies and Collections
Last Ten Years
(Unaudited, amounts expressed in thousands)

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Interest Added to Levy (1)	Final Tax Levy for Fiscal Year	Collections in Subsequent Years	Total Collections to Date Percentage of Levy	
	Amount	Amount	Percentage				Amount	of Levy
2012	\$ 128,090	\$ 122,089	95.32	\$ 1,191	\$ 129,281	\$ 7,185	\$ 129,274	99.99
2013	123,947	117,559	94.85	1,159	125,106	7,413	124,972	99.89
2014	124,087	117,480	94.68	1,203	125,290	7,748	125,228	99.95
2015	122,333	116,451	95.19	1,107	123,440	6,987	123,438	99.99
2016	123,793	116,621	94.21	1,150	124,943	7,691	124,312	99.49
2017	127,982	120,785	94.38	1,108	129,090	7,317	128,102	99.23
2018	128,000	122,454	95.67	1,021	129,021	6,355	128,809	99.84
2019	135,195	129,245	95.60	1,024	136,219	6,286	135,531	99.49
2020	139,465	131,234	94.10	1,239	140,704	5,074	136,308	96.88
2021	142,330	131,583	92.45	1,062	143,392	220	131,803	91.92

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XI—Ratios of Outstanding Debt by Type
Last Ten Years

(Unaudited, amounts expressed in thousands, except Total Debt to City Population)

Fiscal Year Ended June 30,	Governmental Activities											Business-Type Activities				Total Primary	Total Primary	Total Debt to Personal Income (2)	Total Debt per Capita (2)
	City General Obligation Bonds (1)	Plus BFSAs Mirror City Bonds	City General Obligation Bonds Total	Board General Obligation Bonds (1)	Plus BFSAs Mirror Board Bonds	General Obligation Total Board	BFSAs Revenue Bonds	Total Governmental Activities Bonded Debt	Notes Payable	Capital Leases	General Obligation Bonds (1)	Water Authority Bonds	Business-Type Activities Bonded Debt	Capital Leases	Governmental Bonded Debt (1)(3)	Governmental Capital Leases			
2012	\$ 143,113	\$ 59,362	\$ 202,475	\$ 106,705	\$ 8,712	\$ 115,417	\$ 90,199	\$ 340,017	\$ 1,559	\$ 1,380	\$ 17,058	\$ 166,981	\$ 184,039	\$ 2,346	\$ 524,056	\$ 3,726	4.44	\$ 2,273	
2013	128,139	50,650	178,789	94,390	7,291	101,681	81,091	303,620	1,312	935	14,578	160,157	174,735	1,657	478,355	2,592	4.07	1,857	
2014	141,777	41,520	183,297	84,005	5,756	89,761	66,838	292,620	1,060	475	12,135	152,609	164,744	954	457,364	1,429	3.89	1,773	
2015	156,708	34,633	191,341	73,525	4,268	77,793	52,063	282,296	803	-	9,516	143,421	152,937	241	435,233	241	3.62	1,687	
2016	163,547	26,093	189,640	62,670	2,706	65,376	37,645	263,862	540	-	11,696	136,919	148,615	-	412,477	-	3.42	1,606	
2017	168,950	21,283	190,233	51,755	1,923	53,678	30,017	250,722	273	-	12,814	128,522	141,336	-	392,058	-	3.10	1,514	
2018	171,290	16,369	187,659	43,860	1,102	44,962	24,019	239,169	-	-	11,170	119,892	131,062	-	370,231	-	2.86	1,444	
2019	138,335	11,554	149,889	35,750	239	35,989	17,855	203,733	-	-	9,652	135,137	144,789	-	348,522	-	2.71	1,365	
2020	123,172	5,937	129,109	25,480	-	25,480	11,130	165,719	25,000	-	8,083	130,317	138,400	-	304,119	-	2.31	1,164	
2021	164,695	5,738	170,433	16,625	-	16,625	6,440	193,498	-	-	7,831	128,151	135,982	-	329,480	-	n/a	n/a	

Note: Detail regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Net of bonds issued by City to BFSAs starting in 2005.

(2) Population and income data can be found in the schedule of demographic and economic statistics.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XII—Ratios of General Bonded Debt Outstanding
Last Ten Years

(Unaudited, amounts expressed in thousands, except Total Debt to City Population)

Fiscal Year Ended June 30,	General Bonded Debt				Less Amounts Available in		Total Bonded Debt to Assessed Value (2)	Total Bonded Debt to Equalized Full Value (2)	Total Bonded Debt Per Capita (3)
	City	Schools (1)	Business-type	Total	Debt Service Fund	Total			
2012	\$ 202,475	\$ 115,417	\$ 17,058	\$ 334,950	\$ 1,719	\$ 333,231	5.20	4.86	\$ 1,260
2013	178,789	101,681	14,578	295,048	4,699	290,349	4.53	4.24	1,095
2014	183,297	89,761	12,135	285,193	9,970	275,223	4.27	4.09	1,026
2015	191,341	77,793	9,516	278,650	12,304	266,346	4.10	3.86	1,028
2016	189,640	65,376	11,696	266,712	5,067	261,645	4.02	3.72	1,018
2017	172,527	53,678	11,593	237,798	5,282	232,516	3.55	3.09	899
2018	170,518	44,962	10,056	225,536	3,267	222,269	3.34	2.70	915
2019	146,844	35,989	8,645	191,478	3,094	188,384	2.85	1.90	738
2020	136,903	25,480	7,183	169,566	1,403	168,163	2.52	1.47	603
2021	150,341	16,625	6,760	173,726	4,027	169,699	2.55	1.58	n/a

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Net of bonds issued by City to BFSAs starting in 2005.

(2) See the schedule of assessed value and estimated actual value of taxable real property for property value data.

(3) Population data can be found in the schedule of demographic and economic statistics.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XIII—Direct and Overlapping Debt
As of June 30, 2021
(Unaudited, amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt</u>
Erie County	\$ 331,110	16.5%	\$ 54,633
Buffalo Sewer Authority	43,143	65.5%	<u>26,948</u>
Subtotal — overlapping debt			81,581
City of Buffalo total gross debt			<u>175,861</u>
Total direct and overlapping debt			<u>\$ 257,442</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Buffalo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

- (1) Excludes County general obligations sold for sewer districts in the County payable from assessments on property outside the City.
- (2) The percentage of overlapping debt applicable is estimated using the ratio of City to total County full valuation as equalized by the County Commissioner of Finance. The Sewer Authority percentage is the amount of operating fund revenues derived from a sewer rent on the assessed value of real property within the City.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XIV—2021 Legal Debt Margin
As of June 30, 2021
(Unaudited, amounts expressed in thousands)

Legal Debt Margin Calculation for Fiscal Year 2021	
Average Full Valuation of Taxable Real Property and Special Franchises as Determined by the Last Completed Roll and the Four Preceding Rolls	<u>\$ 12,725,050</u>
Debt Contracting Limitation — Nine percent of average full valuation — Article VIII, Section 4 of the Constitution of the State of New York	\$ 1,145,255
Gross indebtedness:	
Borrowings:	
Serial bonds	<u>\$ 173,726</u>
Total gross debt	<u>173,726</u>
Exclusions:	
Exempt debt:	
Parking facilities bonds	6,760
Reserve to pay non-exempt debt	4,027
Appropriation in current budget to pay non-exempt debt maturing during remainder of fiscal year	<u>31,506</u>
Total exclusions	<u>42,293</u>
Net indebtedness	<u>131,433</u>
Debt contracting margin	1,013,822
Authorized but unissued non-exempt debt	<u>15,354</u>
Effective remaining borrowing capacity — July 1, 2021	<u>\$ 998,468</u>

Note: Under Article VIII, Section 4 of the Constitution of the State of New York, the City of Buffalo's outstanding general obligation debt should not exceed 9 percent of average full valuation of taxable property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XV—Legal Debt Margin Information
Last Ten Years
(Unaudited, amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 588,627	\$ 587,664	\$ 597,620	\$ 605,319	\$ 651,453	\$ 710,335	\$ 756,517	\$ 875,796	\$ 956,522	\$ 1,145,255
Total net debt applicable to limit	<u>271,565</u>	<u>233,488</u>	<u>224,650</u>	<u>206,700</u>	<u>197,475</u>	<u>188,360</u>	<u>179,607</u>	<u>166,266</u>	<u>172,817</u>	<u>131,433</u>
Debt contracting margin	317,062	354,176	372,970	398,619	453,978	521,975	576,910	709,530	783,705	1,013,822
Authorized but unissued non-exempt debt	<u>6,170</u>	<u>26,622</u>	<u>22,384</u>	<u>11,186</u>	<u>17,931</u>	<u>13,824</u>	<u>10,670</u>	<u>10,683</u>	<u>30,102</u>	<u>15,354</u>
Effective remaining borrowing capacity — July 1	<u>\$ 310,892</u>	<u>\$ 327,554</u>	<u>\$ 350,586</u>	<u>\$ 387,433</u>	<u>\$ 436,047</u>	<u>\$ 508,151</u>	<u>\$ 566,240</u>	<u>\$ 698,847</u>	<u>\$ 753,603</u>	<u>\$ 998,468</u>
Total net debt applicable to the limit as a percentage of debt limit	46.14 %	39.73 %	37.59 %	34.15 %	30.31 %	26.52 %	23.74 %	18.98 %	18.07 %	11.48 %

Note: Under Article VIII, Section 4 of the Constitution of the State of New York, the City of Buffalo's outstanding general obligation debt should not exceed 9 percent of average full valuation of taxable property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XVI—Debt Service Coverage for Buffalo Municipal Water Finance Authority Revenue Bonds
Last Ten Years
(Unaudited, amounts expressed in thousands)

Fiscal Year Ended June 30,	Cash Receipts	Cash Disbursements for Operations	Net Available Revenue	Debt Service Payment	Debt Coverage
2012	\$ 47,525	\$ 24,193	\$ 23,332	\$ 14,741	158.28 %
2013	47,411	26,182	21,229	13,543	156.75
2014	47,283	25,552	21,731	13,631	159.42
2015	50,719	29,623	21,096	14,068	149.96
2016	45,849	25,295	20,554	13,523	151.99
2017	47,286	24,678	22,608	14,005	161.43
2018	41,717	22,990	18,727	13,742	136.28
2019	46,130	25,749	20,381	12,854	158.56
2020	49,635	28,781	20,854	9,990	208.75
2021	45,134	22,890	22,244	11,217	198.31

Note: The Buffalo Water Board is required to set rates such that excess reserves and revenues collected in a fiscal year will be equal to 115% of the debt service payable in the fiscal year and 100% of the operating expenses and required deposits payable in the fiscal year.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XVII—Demographic and Economic Statistics
Last Ten Years
(Unaudited)

	Year ended June 30, 2021									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Population	259,384	258,959	258,703	258,071	256,902	258,612	256,304	255,284	261,346	n/a
Total personal income (in thousands)	\$ 11,756,580	\$ 11,805,941	\$ 11,803,842	\$ 12,015,270	\$ 12,053,328	\$ 12,661,644	\$ 12,932,075	\$ 12,869,888	\$ 13,175,498	n/a
Per capita personal income	\$ 45,325	\$ 45,590	\$ 45,627	\$ 46,558	\$ 46,918	48,960	50,456	50,414	\$ 51,611	n/a
School district enrollment	32,523	33,437	31,328	31,783	33,760	33,483	33,489	33,310	32,280	32,018
Unemployment rate	10.9 %	9.7 %	7.9%	7.1%	6.3%	6.7%	5.7%	5.5%	13.5%	n/a
Employed	103,000	103,100	103,000	103,500	103,300	103,100	102,900	102,300	96,500	n/a

- (1) U.S. Census Bureau (www.factfinder.census.gov).
(2) Buffalo City School District's Department of Research and Evaluation.
(3) www.labor.state.ny.us. See "Buffalo, City of".
(4) www.labor.ny.gov/stats/laus.asp See "Buffalo city, NY".

CITY OF BUFFALO, NEW YORK
Table XVIII—Principal Employers in the Buffalo Metropolitan Area
Years Ended June 30, 2021 and June 30, 2012
(Unaudited)

Employer	2021 (1)			2012 (2)		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of New York	23,901	1	5.69 %	25,244	1	4.35 %
Federal Executive Board (United States of America)	10,288	2	2.45	10,000	2	1.72
M&T Bank	8,400	3	2.00	4,593	9	0.79
Kaleida Health	8,345	4	1.99	7,106	4	1.23
Catholic Health	7,598	5	1.81	6,286	5	1.08
University at Buffalo	6,927	6	1.65	8,439	3	1.46
Buffalo Public Schools	6,380	7	1.52	4,949	8	0.85
Wegmans Food Markets	4,664	8	1.11			
Erie County	4,294	9	1.02	4,304	10	0.74
Erie County Medical Center	3,500	10	0.83			
Tops Markets				5,117	7	0.88
HSBC Bank, USA						
Employer Services Corp				<u>6,271</u>	6	1.08
Total	<u>84,297</u>			<u>82,309</u>		

(1) From "Buffalo Business First " (January 29, 2021 edition).

(2) From the "Business First Book of Lists 2012," Western New York's weekly business newspaper.

CITY OF BUFFALO, NEW YORK
Table XIX—Full-time Equivalent Employees by Function
Last Ten Years
(Unaudited)

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government support	366	355	366	354	373	388	388	378	377	369
Public safety:										
Police:										
Officers and exempt	684	713	718	699	690	753	762	734	746	718
Civilians	154	171	169	172	180	186	197	190	190	175
Fire:										
Firefighters and officers	651	592	564	654	593	583	652	709	724	699
Civilians	37	37	36	36	38	40	39	43	42	36
Other	132	136	138	134	129	138	138	137	134	130
Streets and sanitation	195	192	188	150	166	164	159	160	156	152
Economic assistance and opportunity	20	27	30	27	33	34	32	34	30	31
Culture and recreation	89	94	78	117	130	116	99	90	85	69
Health and community services	36	36	33	34	35	38	38	37	35	31
Business activities:										
Water	101	92	98	97	111	120	121	117	119	107
Solid waste and recycling	135	138	143	160	168	166	162	175	159	158
Parking	-	-	-	-	-	1	1	1	1	1
Total	<u>2,600</u>	<u>2,583</u>	<u>2,561</u>	<u>2,634</u>	<u>2,646</u>	<u>2,727</u>	<u>2,788</u>	<u>2,805</u>	<u>2,798</u>	<u>2,676</u>

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XX—Operating Indicators by Function
Last Ten Years
(Unaudited)

Function	Year ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration and finance —										
Parking summons issued	186,418	185,554	174,416	185,353	197,137	193,278	189,420	187,121	143,231	105,762
Police:										
Physical arrests	16,586	17,078	13,795	14,598	12,016	13,060	12,906	12,081	8,939	4,659
Traffic violations	18,439	30,918	34,944	40,021	55,676	58,579	41,172	32,386	28,723	16,279
Fire:										
Number of calls answered	32,609	33,223	34,480	35,847	38,039	n/a	34,752	n/a	n/a	42,651
Inspections	4,426	3,581	3,451	3,524	4,394	4,637	6,092	n/a	2,655	1,108
Public works:										
Street resurfacing (square yards)	626,244	769,887	438,427	472,056	437,531		378,000	520,137	506,304	539,673
Pothole material used (in tons)	1,540	1,333	1,705	1,452	1,398	1,217	1,378	1,350	1,043	761
Sanitation:										
Refuse collected (tons/day)	408	364	368	443	448	442	374	370	371	380
Recyclables collected (tons/day)	52	51	54	56	58	62	65	54	54	73
Permits and inspections:										
Demolitions and Abatement	137	203	230	270	136	164	113	84	79	60
Inspections	32,696	38,478	35,934	33,664	66,700	68,500	65,500	67,350	53,510	47,300
Water:										
Consumers	74,647	74,642	74,566	74,386	73,759	73,915	74,137	76,649	74,635	74,701
Water main breaks	244	273	321	391	308	392	336	387	238	348
Average daily consumption (thousands of gallons)	58,979	59,888	70,362	68,493	69,880	67,597	67,657	66,811	64,601	63,801

Source: Various City departments

CITY OF BUFFALO, NEW YORK
Table XXI—Capital Asset Statistics by Function
Last Ten Years
(Unaudited)

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Police:										
Stations (including headquarters)	6	6	8	6	8	6	6	8	7	7
Satellite stations (substations)	4	4	-	4	-	1	4	3	3	3
Fire stations (including headquarters)	20	20	20	20	20	20	20	20	20	20
Sanitation — Collection trucks	39	36	36	36	36	36	36	36	37	50
Highways and streets:										
Streets (miles)	720	635	635	632	632	632	532	628	627	627
Streetlights	31,538	31,538	31,863	31,879	31,909	31,931	31,935	31,935	31,935	31,941
Traffic signals	663	663	664	665	667	667	669	669	671	671
Culture and recreation:										
Parks acreage (including public squares and circles)	1,800	1,842	1,842	1,842	1,842	1,842	1,842	1,853	1,853	1,853
Parks (major)	29	29	29	29	29	29	29	29	29	29
Minor parks and playgrounds	60	61	61	61	61	61	61	61	61	61
Community centers	32	32	32	32	32	32	30	29	29	29
Education — School buildings	59	58	59	57	66	58	57	57	57	
Water:										
Water mains (miles)	809	810	808	806	797	789	779	784	781	780
Fire hydrants	7,997	8,023	7,959	7,962	7,959	7,964	7,974	7,989	7,994	7,999
Pumping plant-maximum daily capacity (thousands of gallons)	310,000	340,000	320,000	320,000	340,000	340,000	340,000	340,000	340,000	340,000
Filtration plant-maximum daily capacity (thousands of gallons)	160,000	160,000	160,000	160,000	180,000	160,000	160,000	160,000	160,000	160,000

Source: Various City departments

Exhibit E

**FINANCIAL STATEMENTS OF THE CITY
SCHOOL DISTRICT OF THE CITY OF BUFFALO**

**BOARD OF EDUCATION,
CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)**

FINANCIAL STATEMENTS

JUNE 30, 2021

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

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June 30, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Board of Education, City of Buffalo, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Board as of June 30, 2021, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted GASB Statement No. 84, *Fiduciary Activities*, in 2021. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries 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.

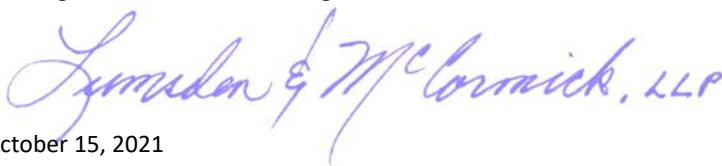
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the schedule of expenditures of federal awards 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 October 15, 2021 on our consideration of the Board'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 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 Board'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 Board's internal control over financial reporting and compliance.



October 15, 2021

Management's Discussion and Analysis (unaudited)

June 30, 2021

Introduction

Management's Discussion and Analysis (MD&A) of Board of Education, City of Buffalo, New York (the Board) provides an overview of the Board's financial activities and performance for the year ended June 30, 2021. The information contained in the MD&A should be considered in conjunction with the information presented as part of the Board's financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to a full understanding of the Board's financial position and results of operations. The Board's financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) fiduciary fund statements, (5) notes to the financial statements, and (6) supplementary information.

In 2021, the Board adopted GASB Statement No. 84, *Fiduciary Activities*. This statement redefines activities considered to be fiduciary, and as a result, payroll and employee third party withholdings are now recorded in the general fund. In addition, fiduciary liabilities are only recognized when an event has occurred that compels the Board to disburse fiduciary resources.

The government-wide financial statements are designed to provide readers with a broad overview of the Board's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between them is reported as net position. The statement of activities presents information showing how the Board's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows; thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the Board as a whole. All of the activities of the Board are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the Board's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the Board's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The Board's custodial fund includes extraclassroom activity funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Board's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide, governmental fund, and fiduciary fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

Condensed Statement of Net Position (in thousands)	2021	2020	Change	
			\$	%
Current and other assets	\$ 553,591	\$ 513,334	\$ 40,257	7.8%
Capital assets	739,386	799,996	(60,610)	(7.6%)
Total assets	1,292,977	1,313,330	(20,353)	(1.5%)
Deferred outflows of resources	817,848	620,884	196,964	31.7%
Long-term liabilities	3,270,537	3,480,424	(209,887)	(6.0%)
Other liabilities	183,240	148,967	34,273	23.0%
Total liabilities	3,453,777	3,629,391	(175,614)	(4.8%)
Deferred inflows of resources	1,064,081	795,947	268,134	33.7%
Net position				
Net investment in capital assets	117,509	98,848	18,661	18.9%
Restricted	53,845	59,102	(5,257)	(8.9%)
Unrestricted	(2,578,387)	(2,649,074)	70,687	(2.7%)
Total net position	\$ (2,407,033)	\$ (2,491,124)	\$ 84,091	(3.4%)

Net position amounted to a deficit of (\$2,407,033) and (\$2,491,124) as of June 30, 2021 and 2020, respectively. The net deficit is a result of recognition of the Board's total other postemployment benefits (OPEB) liability, which is an actuarial estimate of amounts the Board will owe for health insurance for its retirees. The largest positive portion of the Board's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment, less outstanding debt used to acquire those assets. The Board uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The Board's net position also includes resources that are subject to external restrictions on how they may be used, which includes reserves set aside for specific purposes governed by statutory law and regulations. Such reserves include funds for judgments, claims, and property loss, which are used for outstanding litigation or uninsured losses on Board property; the unemployment reserve, which is used to pay the cost of reimbursement to the State Unemployment Insurance Fund; and the stabilization reserve, which is used for unanticipated, extraordinary, or capital needs. Other restricted resources include funds restricted for debt service and special activities.

Total assets decreased by \$20,353 (\$4,392 decrease in 2020). Capital assets decreased \$60,610 due to current year depreciation of \$79,379, while the Board's proportionate share of the NYS Teachers' Retirement System (TRS) net pension position declined from an asset of \$46,418 to a liabilities of \$50,249 as a result of actuarial changes and investment losses. These decreases were offset by increases in current and other assets, including an increase of \$15,110 in cash held by the City of Buffalo as a result of the general fund surplus and State and Federal aid receivable of \$69,460 due to additional grant revenues and timing in collection of these funds.

Long-term liabilities, which include the Board's total OPEB liability of \$2,485,499 (\$2,613,913 in 2020), decreased by \$209,887 (\$173,879 increase in 2020), while other liabilities increased by \$34,273 (\$5,541 decrease in 2020). Other liabilities increased as a result of increases in accounts payable and accrued liabilities, while the amount due to the City of Buffalo for advances to the Special Aid Fund increased as a result of delays in grant reimbursements from New York State. A majority of the decrease in long-term liabilities relates to a decrease in the total OPEB liability of \$128,414, a \$96,358 reduction in total bonded debt due to regular payments made during the fiscal year, and savings resulting from debt refinancing activity. Offsetting these decreases, the Board's proportionate share of the TRS net pension liability and the NYS and Local Employees' Retirement System (ERS) net pension liability had a combined net increase of \$12,062.

Many of the Board's employees participate in TRS and ERS, which are reflected in amounts reported as net pension asset, net pension liability, and deferred outflows and deferred inflows of resources related to pensions. Changes in these balances, along with changes in the total OPEB liability and deferred outflows and deferred inflows related to OPEB, are heavily influenced by actuarial assumptions and investment performance versus expected performance. See the footnotes to the financial statements for further details.

Condensed Statement of Activities (in thousands)	2021	2020	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 4,106	\$ 4,543	\$ (437)	(9.6%)
Operating grants and contributions	165,294	135,075	30,219	22.4%
Capital grants and contributions	9,046	9,368	(322)	(3.4%)
General revenues				
Contributions from the City and school tax relief	70,823	70,823	-	-
State aid	738,021	779,271	(41,250)	(5.3%)
Sales tax and other	68,897	55,618	13,279	23.9%
Total revenues	1,056,187	1,054,698	1,489	0.1%
Expenses				
Instruction	793,546	835,618	(42,072)	(5.0%)
Support services				
General support	96,819	89,995	6,824	7.6%
Pupil transportation	32,342	43,205	(10,863)	(25.1%)
Food service	26,325	30,974	(4,649)	(15.0%)
Interest and other	23,064	28,114	(5,050)	(18.0%)
Total expenses	972,096	1,027,906	(55,810)	(5.4%)
Change in net position	84,091	26,792	57,299	213.9%
Net position – beginning	(2,491,124)	(2,517,916)	26,792	(1.1%)
Net position – ending	\$ (2,407,033)	\$ (2,491,124)	\$ 84,091	(3.4%)

Board revenues increased by \$1,489 or 0.1% (\$17,408 or 1.6% decrease in 2020). State aid within General Revenues decreased \$41,250 or 5.3% (\$8,620 or 1.1% increase in 2020) primarily as a result of New York State closing its 2020-21 budget deficit by cutting \$29,734 of State aid, which was shifted to Federal CARES Act revenues allocated to the Board. Meanwhile, reduced transportation aid of \$13,200 resulted from lower transportation expenses in the 2019-20 fiscal year as a result of COVID-19 school closures. Offsetting these State aid decreases, operating grants and contributions increased \$30,219 or 22.4% (\$4,314 or 3.1% decrease in 2020) due to the aforementioned Federal CARES Act revenues in the amount of \$27,921, while sales tax and other revenues increased \$13,279 or 23.9% (\$20,165 or 26.6% decrease in 2020) due primarily to an overall increase in sales tax revenues.

Total expenses decreased \$55,810 or 5.4% (\$25,759 or 2.6% increase in 2020). This decrease is primarily due to lower employee-related costs, and the allocation of a \$35,295 decrease in OPEB expense. Payroll and associated benefits are allocated among instruction and support services categories. Additionally, charter school tuition expenditures increased \$4,407. These increases were offset by a decrease in pupil transportation and food service expenses of \$10,863 and \$4,649 respectively, as a result of the closure of District schools related to the COVID-19 crisis, while interest and other expense was reduced \$5,050 due to continued reduction in the Board's outstanding debt as well as debt refinancing activity during 2020-21.

Financial Analysis of the Board's Funds

Total fund balances for the governmental funds increased from \$323,872 to \$365,615 as described below:

- Total revenues decreased by \$7,599 or 0.7%, mainly due to the reduction in overall State aid of \$45,075, which was offset by Federal aid increases of \$25,398 as a result of CARES Act revenues. Additionally, non property tax items (sales tax) increased by \$5,831, while miscellaneous revenues increased \$7,232 due to refunds of prior year expenditures including workers compensation and unemployment expenses.

- Total expenses decreased \$2,229 or 0.2% as a result of overall reduced spending related to the impact of the COVID-19 closures. Total regular instruction declined \$10,736, primarily in the Special Aid fund, while transportation decreased \$10,953 due to facility closures during the first half of the 2020-21 school year. These decreases were offset by an increase of \$4,407 in charter school tuition expense, and an increase in debt service principal payments of \$9,531 on outstanding bonds during the fiscal year, and an additional contribution towards refunded debt. Additionally, general support increased \$4,968 due to higher costs related to reopening schools in the second half of 2020-21, and providing technology for students and staff working remotely, while benefits increased due to higher TRS pension rates and retiree health insurance.
- The general fund experienced an increase in fund balance of \$46,706, to \$312,695, during 2021 compared to a \$42,326 increase for 2020. Significant changes in fund balance include assigned fund balance - designated for next year's budget which decreased \$21,000, from \$50,000 to \$29,000, as a result of the \$29,000 deficit budgeted in the 2021-22 fiscal year in response to projected increases in State aid in 2021-22. Additionally, assigned fund balance for OPEB and other benefits increased \$20,000 from \$49,146 to \$69,146, while a new assigned fund balance for the continuation of American Rescue Plan (ARP) items when the federal stimulus fund expires in 2024 was created and funded with \$30,000. Unassigned fund balance increased \$15,913, from \$85,055 to \$100,968, with \$38,900 being maintained for the required 4% minimum unassigned fund balance required by Board policy, and \$62,067 being the additional amount in excess of the Board policy minimum.
- The debt service fund experienced a decrease in fund balance of \$5,251 due to annual debt service requirements and refunding in 2020-21. The capital project fund experienced an \$11,097 reduction to negative \$605 due to capital outlay of \$17,046 against operating transfers in of \$5,983. It is anticipated that Smart Schools Bond Act revenue will be received from the State during 2021-22, reimbursing the Board for costs incurred during 2019-20 and 2020-21. The food service fund experienced an increase in fund balance of \$11,392 to \$30,486 due primarily to higher revenues related to Federal stimulus, while expenditures were lower due to the closure of most Board facilities for a large portion of the 2020-21 school year.

General Fund Budgetary Highlights

The total final revenue budget for 2021 was \$903,350. Actual revenues amounted to \$911,685, a favorable difference of \$8,335 or 0.9%. This favorable variance was primarily caused by \$10,352 in nonproperty tax items (Erie County Sales tax) in excess of the budget due to higher spending in the County as the economy began to recover from COVID-19 restrictions. State aid of \$738,021 was relatively flat, at \$184 over budget, as State aid reserved for in 2019-20 was collected in 2020-21, offsetting declines in certain formula-based aids. Contributions from the City of Buffalo and STAR aid combined were flat with budget at \$70,823. Charges for services were \$1,000 over budget, primarily due to conservative budgeting for tuitions and charges to other school districts, while miscellaneous revenues were \$848 under budget. Federal Stimulus Aid (CARES Act) revenue of \$27,921 was \$1,813 under budget as amounts anticipated to be spent during 2020-21 are now projected to be spent in 2021-22. Federal Medicaid revenues of \$2,168 were \$832 under budget due to reduced billable services provided.

Actual expenditures and carryover encumbrances were less than the final revised budget by \$80,297 or 9.5%. The favorable difference is attributable to many factors and many unknown items when the budget was prepared. As a result of the COVID-19 crisis, schools were closed for in-person education from the start of the 2020-21 school year in September 2021, with all student learning being done remotely, until February 2021, when a limited number of students returned to in-person instruction. Board staff continued to be paid throughout the closure, though many hourly and substitute staff worked less than in a typical year. Many costs related to the Board's vendors or that required in-person service were reduced because services could not be provided, while other costs were higher, including technology and services needed for remote instruction, and cleaning and personal protective equipment in anticipation of students' return to in-person instruction. However, the overall impact of COVID-19 resulted in significant budgetary savings in many of the functional expenditure categories below.

General support - central services, which includes plant and IT costs was \$4,296 under the revised budget because of savings in salary and hourly pay of \$1,622 due to vacancies and reduced overtime. There were further savings in utilities of \$567, software, supplies and repairs of \$824, and contractual costs of \$1,296 due to the closure of Board facilities. All other general support categories had a combined favorable budgetary variance of \$1,937, primarily in staffing.

Instruction, excluding charter school tuition, had budgetary savings of \$22,369 compared to the revised budget. Salaries had a favorable variance of \$17,202 to the revised budget, and \$12,532 to the original budget, with a portion of the difference between the two resulting from increased teaching positions added during the year for reasons of equity or compliance. Teacher salaries had a favorable budgetary variance of \$13,262 to the revised budget and \$6,913 to the original budget. Substitute teachers were utilized less due to the facility closures, resulting in a favorable budgetary variance of \$93 to the revised budget or \$2,744 to the original budget, with unused funds from the original budget being transferred to other lines. Teacher Aides and Assistants had a

favorable variance of \$2,138 to the revised budget and \$1,730 to the original budget. Contractual, software, and supplies costs had favorable budgetary variances of \$3,365 and \$5,707, respectively, to the revised and original budgets. Tuition, primarily to agencies, was \$1,846 favorable to the revised budget.

Charter school tuition was \$1,613 below the revised budget, and \$2,910 below the original budget. In actual dollars per pupil, charter school tuition decreased \$294 from \$13,494 to \$13,200, while charter pupils increased from 9,213 in 2019-20 to 9,749 in 2020-21, continuing the long-term trend of further saturation of charter school seats in Buffalo, which is approximately 25% of total K-12 seats in Buffalo in 2020-21. In response to an audit from the Office of the State Comptroller of New York, during the 2019-20 and 2020-21 fiscal years, the Board withheld cash payments to charter schools amounting to \$3,008 each year, or \$6,008 in total, related to prior year overpayments of special education tuition. These amounts withheld were recorded as expenditures pending final resolution.

Pupil transportation costs were \$35,492 below the revised budget due to the closure of schools from the beginning of the 2020-21 school year through February 2021, with limited bussing through the end of the year. Costs of yellow bus and public transportation were \$23,981 and \$6,470 under budget, respectively, while bus aide costs were \$3,055 under budget. All other transportation costs, including staff, contracts, supplies, and bus fuel were a combined \$1,953 under the revised budget. The Board did not pay for contracted transportation services during the period of the closure, which resulted in significant savings, while the public transportation budget benefited from Federal stimulus aid received by the NFTA to subsidize their costs.

Employee benefit costs were \$14,575 below the revised budget due to several factors. Self-insured employee and retiree health insurance costs paid during the fiscal year did not increase as much as anticipated, which resulted in an \$8,449 favorable variance to the revised budget, while lower salaries, overtime, and extra activity resulted in a \$4,044 favorable variance in pension and social security costs. Termination payments were \$562 under budget, while all other benefits, including supplemental insurance for vision and dental, workers compensation, and unemployment were \$1,520 under budget.

Operating transfers out were 1,146 below the revised budget, due to lower than anticipated transfers to the special aid fund. Operating transfers in were \$3,850 over the revised budget primarily as a result of the reversal of a \$5,200 transfer to the special aid fund that occurred in the prior year to cover the State aid revenue shortfall resulting from potential State withholding of 20% of outstanding State aid receivables at June 30, 2020. During the 2020-21 fiscal year, the State released all amounts withheld. Transfers to the City of Buffalo were flat with the revised budget.

Capital Assets

	2021	2020
Land	\$ 3,012	\$ 3,012
Construction in progress	36,352	29,354
Buildings and improvements	1,789,623	1,787,924
Equipment and vehicles	51,781	41,821
	<u>1,880,768</u>	1,862,111
Accumulated depreciation	<u>(1,141,382)</u>	(1,062,115)
	<u>\$ 739,386</u>	\$ 799,996

Current year additions of \$18,769 were offset by depreciation of \$79,379.

Debt

At June 30, 2021, the Board had \$566,200 in bonds outstanding, with \$60,415 due within one year (\$668,805 outstanding at June 30, 2020). Amounts due to New York State amounted to \$6,700, with \$713 due within one year (\$7,413 outstanding at June 30, 2020). Outstanding compensated absences payable were \$24,750 with \$8,594 expected to be paid within one year (\$23,903 outstanding at June 30, 2020).

Additional information on the Board's long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

Though COVID-19 has been impacting the Buffalo City School District for 18 months now, the ultimate impact of COVID-19 on the Board's operational and financial performance will still be dependent on further developments, including the continued duration and spread of the outbreak and its impact on all school districts and their residents, employees, and vendors. As of September 2021, the Board has fully opened its schools to all of its students, and is following all applicable Federal, State, and County guidance to safely open and keep open its schools. In addition to the COVID-19 health crisis, supply challenges, bus driver shortages, and staffing shortages are all concerns the Board is focusing on at this time.

However, as a result of an unprecedented Federal investment in education, the State adopted a budget for 2021-22 which included the largest increase in State Aid ever for the Board, along with unprecedented Federal Stimulus aid to be spent over the next three to four years. The State anticipates fully funding its Foundation Aid formula by 2023-24, while the Coronavirus Response and Relief Supplemental Appropriations Act and American Rescue Plan Federal stimulus funds are expected to provide necessary supplemental supports for our students to mitigate any impact of the COVID-19 crisis, and accelerate their learning.

Contacting the Board's Financial Management

This financial report is designed to provide our Board's residents, taxpayers, parents, students, investors, and creditors with a general overview of the Board's finances, and to show the Board's accountability for the money it receives. For more detailed information, questions may be directed to the Office of the Chief Financial Officer, Buffalo City School District, 708 City Hall, Buffalo, New York 14202.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Net Position

June 30, 2021

(With comparative totals as of June 30, 2020)

	2021	2020
Assets		
Cash and cash equivalents	\$ 12,292,758	\$ 10,543,453
Cash held by the City of Buffalo	339,322,237	324,211,910
Cash and cash equivalents with fiscal agent	10,787,410	16,019,666
Cash and cash equivalents - restricted	12,662,591	12,768,728
Due from other governments, net	9,382,380	4,582,974
Accounts receivable, net	12,257,699	10,926,011
State and federal aid receivable, net	155,087,178	85,627,080
Inventory and prepaid expenses	1,798,577	2,235,648
Net pension asset	-	46,418,092
Capital assets (Note 6)	1,880,768,235	1,862,111,777
Accumulated depreciation	(1,141,382,251)	(1,062,115,472)
Total assets	1,292,976,814	1,313,329,867
Deferred Outflows of Resources		
Defeasance loss	19,847,050	22,095,496
Deferred outflows of resources related to pensions	203,966,490	175,950,271
Deferred outflows of resources related to OPEB	594,035,000	422,838,000
Total deferred outflows of resources	817,848,540	620,883,767
Liabilities		
Accounts payable	41,236,499	32,964,748
Accrued liabilities	50,547,672	43,318,094
Due to other governments	1,401,230	1,401,230
Due to retirement systems	33,007,342	31,489,070
Due to fiduciary fund	-	503,704
Due to the City of Buffalo	57,046,886	39,289,914
Long-term liabilities		
Due within one year:		
Bonds	60,415,000	74,320,000
Due to New York State	713,334	713,332
Compensated absences	8,594,000	9,952,000
Workers' compensation	9,396,000	9,623,000
Due beyond one year:		
Bonds and related premiums	592,080,627	674,533,464
Due to New York State	5,986,666	6,700,000
Compensated absences	16,156,249	13,951,228
Workers' compensation	41,300,000	38,383,000
Net pension liability	50,396,473	38,334,713
Total OPEB liability	2,485,499,000	2,613,913,000
Total liabilities	3,453,776,978	3,629,390,497
Deferred Inflows of Resources		
Defeasance gain	8,911,157	-
Deferred inflows of resources related to pensions	75,395,947	70,532,970
Deferred inflows of resources related to OPEB	979,774,000	725,414,000
Total deferred inflows of resources	1,064,081,104	795,946,970
Net Position		
Net investment in capital assets	117,508,660	98,848,003
Restricted	53,845,051	59,102,539
Unrestricted	(2,578,386,439)	(2,649,074,375)
Total net position (deficit)	\$ (2,407,032,728)	\$ (2,491,123,833)

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Activities

For the year ended June 30, 2021

(With summarized comparative totals for June 30, 2020)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2021	2020
Governmental activities						
General support	\$ 96,818,561	\$ 18,924	\$ -	\$ -	\$ (96,799,637)	\$ (89,965,830)
Instruction - regular	656,731,556	3,895,345	129,178,478	9,045,735	(514,611,998)	(586,787,658)
Instruction - charter	136,814,846	-	-	-	(136,814,846)	(132,408,194)
Pupil transportation	32,341,564	-	-	-	(32,341,564)	(43,205,284)
Interest expense	22,860,629	-	-	-	(22,860,629)	(27,877,972)
School food service	26,324,611	192,074	36,115,077	-	9,982,540	1,561,109
Community service	203,743	-	-	-	(203,743)	(236,154)
	<u>\$ 972,095,510</u>	<u>\$ 4,106,343</u>	<u>\$ 165,293,555</u>	<u>\$ 9,045,735</u>	<u>(793,649,877)</u>	<u>(878,919,983)</u>
General revenues						
					63,903,427	62,148,344
Contribution from City of Buffalo					6,919,331	8,674,414
School tax relief reimbursement					54,352,281	48,519,017
Sales taxes					738,021,384	779,270,635
State aid					14,544,559	7,099,811
Miscellaneous					877,740,982	905,712,221
Total general revenues						
					84,091,105	26,792,238
Change in net position						
					(2,491,123,833)	(2,517,916,071)
Net position (deficit) - beginning					\$ (2,407,032,728)	\$ (2,491,123,833)
Net position (deficit) - ending						

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Balance Sheet - Governmental Funds

June 30, 2021
(With comparative totals as of June 30, 2020)

	General	Special Aid	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds	
						2021	2020
Assets							
Cash and cash equivalents	\$ 12,009,592	\$ 98,208	\$ -	\$ -	\$ 184,958	\$ 12,292,758	\$ 10,543,453
Cash held by the City of Buffalo	314,380,130	-	255,785	-	24,686,322	339,322,237	324,211,910
Cash and cash equivalents with fiscal agent	-	-	-	10,787,410	-	10,787,410	16,019,666
Cash and cash equivalents - restricted	595,241	-	-	11,757,390	309,960	12,662,591	12,768,728
Due from other governments, net	9,382,380	-	-	-	-	9,382,380	4,582,974
Accounts receivable, net	12,184,699	59,648	-	-	13,352	12,257,699	10,926,011
State and federal aid receivable, net	64,796,184	65,361,479	19,141,178	-	5,788,337	155,087,178	85,627,080
Due from other funds, net	10,430,676	-	-	-	-	10,430,676	9,999,219
Inventory and prepaid expenses	827,426	-	-	-	971,151	1,798,577	2,235,648
Total assets	\$ 424,606,328	\$ 65,519,335	\$ 19,396,963	\$ 22,544,800	\$ 31,954,080	\$ 564,021,506	\$ 476,914,689
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Accounts payable	\$ 33,637,014	\$ 5,507,051	\$ 1,045,953	\$ -	\$ 520,532	\$ 40,710,550	\$ 32,599,960
Accrued liabilities	43,865,483	2,448,137	-	-	453,052	46,766,672	37,759,094
Due to other governments	1,401,230	-	-	-	-	1,401,230	1,401,230
Due to retirement systems	33,007,342	-	-	-	-	33,007,342	31,489,070
Due to other funds, net	-	517,261	9,913,415	-	-	10,430,676	10,502,923
Due to the City of Buffalo	-	57,046,886	-	-	-	57,046,886	39,289,914
Total liabilities	111,911,069	65,519,335	10,959,368	-	973,584	189,363,356	153,042,191
Deferred Inflows of Resources							
Unavailable revenue	-	-	9,042,735	-	-	9,042,735	-
Fund Balances							
Nonspendable:							
Inventory and prepaid expenses	827,426	-	-	-	971,151	1,798,577	2,235,648
Endowment	-	-	-	-	309,960	309,960	312,277
Restricted:							
Unemployment insurance	9,156,044	-	-	-	-	9,156,044	9,156,044
Judgments, property loss, and claims	17,750,000	-	-	-	-	17,750,000	17,750,000
Fiscal stabilization	3,899,589	-	-	-	-	3,899,589	3,899,200
Debt service	-	-	-	22,544,800	-	22,544,800	27,795,408
Special activities	-	-	-	-	184,658	184,658	189,610
Assigned:							
OPEB and other employee benefits	69,146,089	-	-	-	-	69,146,089	49,146,089
American Rescue Plan continuation	30,000,000	-	-	-	-	30,000,000	-
Prior year claims	9,000,000	-	-	-	-	9,000,000	9,000,000
Capital projects and repairs	16,080,000	-	-	-	-	16,080,000	26,571,685
Health Insurance	15,084,559	-	-	-	-	15,084,559	15,084,559
School budget equity	5,000,000	-	-	-	-	5,000,000	5,000,000
School food service	-	-	-	-	29,514,727	29,514,727	17,901,129
Designated for subsequent year's expenditures	29,000,000	-	-	-	-	29,000,000	50,000,000
Other purposes	6,784,000	-	-	-	-	6,784,000	4,776,135
Unassigned	100,967,552	-	(605,140)	-	-	100,362,412	85,054,714
Total fund balances (deficit)	312,695,259	-	(605,140)	22,544,800	30,980,496	365,615,415	323,872,498
Total liabilities, deferred inflows of resources, and fund balances	\$ 424,606,328	\$ 65,519,335	\$ 19,396,963	\$ 22,544,800	\$ 31,954,080	\$ 564,021,506	\$ 476,914,689

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(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, 2021

Total fund balances - governmental funds		\$ 365,615,415
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.		739,385,984
Certain revenues are not considered earned until received in the governmental funds but are recognized when earned in the government-wide statements.		9,042,735
Defeasance losses and gains associated with bond refundings are recognized as deferred outflows of resources and deferred inflows of resources, respectively, in the government-wide statements.		10,935,893
The District'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 statements and include:		
Deferred outflows of resources related to pensions	203,966,490	
Net pension liability	(50,396,473)	
Deferred inflows of resources related to pensions	<u>(75,395,947)</u>	78,174,070
The District's total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:		
Deferred outflows of resources related to OPEB	594,035,000	
Total OPEB liability	(2,485,499,000)	
Deferred inflows of resources related to OPEB	<u>(979,774,000)</u>	(2,871,238,000)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Retainages payable	(525,949)	
Accrued interest	(3,781,000)	
Bonds and related premiums	(652,495,627)	
Due to other governments	(6,700,000)	
Compensated absences	(24,750,249)	
Workers' compensation	<u>(50,696,000)</u>	(738,948,825)
Net position - governmental activities		\$ (2,407,032,728)

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(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, 2021
(With summarized comparative totals for June 30, 2020)

	General	Special Aid	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds	
						2021	2020
Revenues							
Contributions from City of Buffalo	\$ 63,903,427	\$ -	\$ -	\$ -	\$ -	\$ 63,903,427	\$ 62,148,344
School tax relief reimbursement	6,919,331	-	-	-	-	6,919,331	8,674,414
Nonproperty tax items	54,352,281	-	-	-	-	54,352,281	48,519,017
Charges for services	3,895,345	-	-	-	-	3,895,345	3,536,185
Use of money and property	464,332	-	7,735	3,489	31	475,587	1,032,832
Sale of property and compensation for loss	7,854	-	-	-	-	7,854	10,513
Miscellaneous	14,032,394	2,604,578	-	-	158,277	16,795,249	9,426,037
State sources	738,021,384	43,837,905	3,000	-	1,100,453	782,962,742	828,037,071
Federal sources	30,088,505	52,647,490	-	-	34,859,906	117,595,901	92,336,103
Sales	-	-	-	-	192,074	192,074	978,051
Total revenues	911,684,853	99,089,973	10,735	3,489	36,310,741	1,047,099,791	1,054,698,567
Expenditures							
General support	78,974,769	3,849,224	44,089	1,042,845	22,851,922	106,762,849	101,794,526
Instruction - regular	334,495,567	69,939,738	-	-	-	404,435,305	415,171,348
Instruction - charter	135,322,196	1,492,650	-	-	-	136,814,846	132,408,193
Pupil transportation	29,764,177	-	-	-	-	29,764,177	40,716,981
Community service	130,942	-	-	-	10,859	141,801	153,754
Employee benefits	177,812,010	19,759,088	-	-	2,040,549	199,611,647	196,158,871
Debt service							
Principal	-	-	-	66,688,332	-	66,688,332	57,158,334
Interest	-	-	-	32,269,091	-	32,269,091	35,086,116
Capital outlay	-	-	17,046,184	-	273,959	17,320,143	17,389,273
Total expenditures	756,499,661	95,040,700	17,090,273	100,000,268	25,177,289	993,808,191	996,037,396
Excess revenues (expenditures)	155,185,192	4,049,273	(17,079,538)	(99,996,779)	11,133,452	53,291,600	58,661,171
Other financing sources (uses)							
Transfer to City of Buffalo for debt service	(9,068,540)	-	-	-	-	(9,068,540)	(11,675,122)
Operating transfers, net	(99,411,075)	(4,049,273)	5,982,713	97,226,314	251,321	-	-
Bond proceeds from current refundings	-	-	-	112,760,000	-	112,760,000	-
Bond premiums	-	-	-	26,674,597	-	26,674,597	-
Payments to escrow agents	-	-	-	(141,914,740)	-	(141,914,740)	-
Total other financing sources (uses)	(108,479,615)	(4,049,273)	5,982,713	94,746,171	251,321	(11,548,683)	(11,675,122)
Net change in fund balances	46,705,577	-	(11,096,825)	(5,250,608)	11,384,773	41,742,917	46,986,049
Fund balances - beginning	265,989,682	-	10,491,685	27,795,408	19,595,723	323,872,498	276,886,449
Fund balances (deficit) - ending	\$ 312,695,259	\$ -	\$ (605,140)	\$ 22,544,800	\$ 30,980,496	\$ 365,615,415	\$ 323,872,498

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(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, 2021

Total net change in fund balances - governmental funds \$ 41,742,917

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

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceed capital outlays (net of retainages). (60,771,482)

Certain revenue is not considered available and is therefore not yet recognized in the governmental funds. 9,042,735

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:

2021 TRS and ERS contributions	34,952,809	
2021 ERS accrued contribution	1,639,127	
2020 ERS accrued contribution	(1,538,198)	
2021 TRS net pension expense	(66,388,439)	
2021 ERS net pension expense	(3,991,909)	(35,326,610)

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. 45,251,000

Payments of long-term liabilities, including bonds and amounts due to New York State, are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position. 75,033,332

Net effect of bond refunding. 1,610,403

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:

Amortization of defeasance loss	(2,248,446)	
Amortization of bond premiums	11,516,277	
Interest	1,778,000	
Worker's compensation	(2,690,000)	
Compensated absences	(847,021)	7,508,810

Change in net position - governmental activities \$ 84,091,105

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Statement of Revenues, Expenditures, and Changes in
Fund Balance Budget (Non-GAAP) and Actual - General Fund**

For the year ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
Local sources					
Contributions from City of Buffalo	\$ 60,348,132	\$ 60,348,132	\$ 63,903,427		\$ 3,555,295
School tax relief reimbursement	10,474,626	10,474,626	6,919,331		(3,555,295)
Nonproperty tax items	44,000,000	44,000,000	54,352,281		10,352,281
Charges for services	2,895,519	2,895,519	3,895,345		999,826
Use of money and property	115,000	115,000	464,332		349,332
Sale of property and compensation for loss	64,939	64,939	7,854		(57,085)
Miscellaneous	14,880,269	14,880,269	14,032,394		(847,875)
State sources	737,987,966	737,837,572	738,021,384		183,812
Federal sources	32,583,549	32,733,943	30,088,505		(2,645,438)
Total revenues	903,350,000	903,350,000	911,684,853		8,334,853
Expenditures					
General support					
Board of education	339,122	345,804	297,596	9,270	(38,938)
Central administration	1,317,014	1,590,735	1,210,942	3,468	(376,325)
Finance	3,707,788	3,766,199	3,303,582	35,451	(427,166)
Staff	3,599,054	3,590,050	2,986,924	80,228	(522,898)
Central services	69,710,287	72,508,796	65,493,219	2,719,240	(4,296,337)
Special items	2,341,584	6,259,822	5,682,506	5,931	(571,385)
Instruction					
Instruction, administration, and improvement	36,255,919	36,591,699	34,383,234	153,601	(2,054,864)
Teaching - regular school	132,612,664	132,648,963	128,164,663	1,405,895	(3,078,405)
Charter school payments	138,232,504	136,935,429	135,322,196	18	(1,613,215)
Programs for children with handicapping conditions	115,598,104	117,300,869	109,351,697	85,490	(7,863,682)
Program for English Language Learners	19,321,262	18,996,237	14,975,413	49,136	(3,971,688)
Occupational education	22,632,010	22,483,817	21,372,421	9,676	(1,101,720)
Teaching - special schools	2,300,288	2,114,596	2,025,713	46	(88,837)
Instructional media	6,398,334	6,431,146	4,528,059	1,746,883	(156,204)
Pupil services	23,134,016	24,141,575	19,694,367	393,175	(4,054,033)
Pupil transportation	65,384,518	65,293,815	29,764,177	37,600	(35,492,038)
Community service	138,019	145,058	130,942	-	(14,116)
Employee benefits	201,612,000	192,436,057	177,812,010	48,892	(14,575,155)
Total expenditures	844,634,487	843,580,667	756,499,661	6,784,000	(80,297,006)
Excess revenues (expenditures)	58,715,513	59,769,333	155,185,192	(6,784,000)	88,631,859
Other financing sources (uses)					
Transfers to City of Buffalo for debt service	(9,084,850)	(9,084,850)	(9,068,540)		(16,310)
Operating transfers in	1,350,000	1,350,000	5,200,000		3,850,000
Operating transfers out	(105,756,798)	(105,756,798)	(104,611,075)		(1,145,723)
Appropriated fund balance, reserves, and carryover encumbrances	54,776,135	53,722,315	-		(53,722,315)
Total other financing sources (uses)	(58,715,513)	(59,769,333)	(108,479,615)		(48,710,282)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 46,705,577	\$ (6,784,000)	\$ 39,921,577

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Fiduciary Net Position - Custodial Fund

June 30, 2021

Assets

Cash \$ 1,067,860

Net Position

Extraclassroom Activity \$ 1,067,860

* * *

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Changes in Fiduciary Net Position - Custodial Fund

For the year ended June 30, 2021

Additions

Student activity receipts \$ 404,654

Deductions

Student activity disbursements 458,516

Change in net position (53,862)

Net position - beginning 6,007

Cumulative effect of a change in accounting principle (Note 2) 1,115,715

Net position - beginning as restated 1,121,722

Net position - ending \$ 1,067,860

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Board of Education, City of Buffalo, New York (the Board) is governed by Education and other laws of the State of New York (the State). The Board of Education has responsibility and control over all activities related to public school education within the Board. The Board's Superintendent is the chief executive officer. Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The Board provides education and support services such as administration, transportation, and plant maintenance. The Board receives funding from local, state, and federal sources and must comply with requirements of these funding sources. The Board is financially dependent upon the City of Buffalo (the City) and other governments and has no independent authority to contract bonded indebtedness or levy taxes, with the exception of the Special Program Revenue Bonds issued by the State of New York Municipal Bond Bank Agency (Note 7). The Board's reporting entity does not contain any component units as defined by accounting standards.

The financial statements of the Board, a component unit of the City, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Joint Schools Construction Board

The Buffalo Joint Schools Construction Board (the JSCB) is an inter-municipal joint cooperative board created by resolutions of the Board and the City of Buffalo Common Council (the Council) and by amendment of the City Charter, §18-59 and §18-60, to assist in a comprehensive program to redevelop the Board's school buildings and facilities. The JSCB is comprised of two Board designees, the Superintendent of Schools, the Mayor, the City Comptroller, and one Council designee.

As further explained in the JSCB Information section of these financial statements, although the Buffalo Schools Act conferred extensive powers upon the JSCB in relation to the construction of new educational facilities, it assigned to the JSCB only limited functions in relation to the reconstruction of existing schools, which the act authorized the Board to finance and implement as projects of the Erie County Industrial Development Agency (ECIDA). Phases I, II, III, IV, and V of the project were authorized by amendments to the Buffalo Schools Act as ECIDA reconstruction projects. The JSCB's role was principally to assist and advise the Board in developing projects up to the point when plans and specifications had been approved by the State Education Department, financing was completed and available, and construction began. The JSCB was also assigned to monitor implementation of the project's workforce and business diversification plan and to compare the financing available through ECIDA with financing available through the municipal bond agency, and to employ the financing that resulted in the lowest cost to the taxpayers. For Phase III, the JSCB was also required to submit certain cost reports to State officials and could not proceed with the projects if estimated costs did not meet certain limits prescribed in the Phase III regulation.

As a result of the completion of the projects overseen by JSCB, it is not anticipated that any more activity or business will be conducted and the JSCB special-revenue fund is no longer presented within the governmental funds. On a government-wide basis, all related capital assets and long-term debt are included within the Board's financial statements.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display financial activities of the overall Board, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the Board. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Board 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 Board's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the Board's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase of specific capital assets. Revenues that are not classified as program revenues, including the City's contribution, sales taxes, and state aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category - *governmental and fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Board reports the following major funds:

- *General fund.* This is the Board's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- *Debt service fund.* This fund is used to account for resources that are restricted to expenditure for principal and interest on the Board's long-term debt, except for amounts held by the City, which are recorded in the general and capital funds as transfers to the City. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.

The Board reports the following governmental funds as nonmajor governmental funds:

- *School food service fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the Board's breakfast, lunch, summer food, and Root Culinary programs.
- *Special activities fund.* This fund is used to account for transactions that support miscellaneous local grants and donations. The proceeds are legally restricted to expenditures for specified purposes.
- *Permanent fund.* This fund is used to report resources that are legally restricted to the extent that earnings, and not principal, may be used for the purposes that support the Board's programs.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The District maintains a custodial fund for the collection and distribution of student activity accounts.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund 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 Board receives value directly without giving equal value in exchange, include contributions from the City, sales taxes, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 Board considers all revenues reported in the governmental funds to be available if they are collected within one year after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Budget Process, Amendments, and Encumbrances

Prior to May 1, the Board submits to the Mayor of the City its budget request and financial plan for the fiscal year beginning July 1. On or before May 1, the Mayor submits to the City Council a complete operating plan which includes the Board's estimated revenues and proposed expenditures. The City Council then acts upon the Mayor's recommended Board budget and may make additions or deletions within its authority as provided by the City Charter. The Board's budget, as approved by the City Council, is limited to total estimated revenues and proposed expenditures.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Cash and Cash Equivalents

The Board's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Inventory and Prepaid Expenses

Inventories of food and or/supplies in the general and school food service funds are recorded at cost on a first-in, first-out basis. Donated commodities are stated at values which approximate market. Certain payments to vendors reflect expenditures applicable to future periods and are reflected as prepaid expenses.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-50
Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	7

Bond Defeasances

In the government-wide financial statements, gains or losses on bond refundings represent the difference between the price required to repay previously issued debt and the net carrying amount of the retired debt, and are recorded as either a deferred outflow or deferred inflow of resources. In subsequent years, these amounts are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

Unavailable Revenue

Nonexchange transactions in the form of Smart Schools Bond Act grants from the State are not considered available in the governmental funds and therefore are recorded as deferred inflows of resources.

Bond Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the government-wide 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.

Pensions

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

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense for the Board's defined benefit healthcare plan (Note 9) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrative and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for the payment of health insurance until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation, and defeasance gains and losses, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the Board's bonds. Restricted net position is consistent with restricted fund balance at June 30, 2021, plus nonspendable net position in the permanent fund.
- *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 Board.

Governmental Fund Statements

The Board considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the Board allows the Chief Financial Officer or his designee to determine the order in which to use committed, assigned, and unassigned resources when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law or State Education Law as authorized for use by the Board of Education. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the Board’s management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end.

Fund balance restrictions consist of the following reserves:

- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the Board has elected to use the benefit reimbursement method.
- *Judgments, property loss, and claims* – is used to cover self-insured property loss retention or liability claims that are not insured.
- *Fiscal stabilization* – created by the State Laws of 2000, Chapter 88, for the purpose of maintaining the fiscal stability of the Board, this reserve can be used to support the Board’s educational programs and any liability incurred by the Board in carrying out its functions and responsibilities under Education Law.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond premiums), and remaining bond proceeds not needed for their original purpose as required under §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Special activities* – is used to account for activity from miscellaneous local grants and donations.

The Board of Education has given the Chief Financial Officer the authority to assign fund balances for specific purposes that are neither restricted nor committed. Assigned fund balances include amounts designated for OPEB, health insurance, capital projects and repairs, and other purposes. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory, prepaid expenses, and endowment balances.

Interfund Balances

The operations of the Board include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the Board’s practice to settle these amounts at the net balances due between funds.

2. Change in Accounting Principle

Effective July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. This statement redefines activities considered to be fiduciary, and as a result, payroll and employee third party withholdings are recorded in the general fund. In addition, fiduciary liabilities are only recognized when an event has occurred that compels the District to disburse the fiduciary resources or no further action, approval, or condition is required prior to release of the assets. The impact of these required accounting changes is as follows:

	<u>Fiduciary Funds</u>
Fiduciary net position, July 1, 2020	\$ 6,007
Student activity accounts, net	1,115,715
Fiduciary net position, as restated, July 1, 2020	<u>\$ 1,121,722</u>

3. Stewardship and Compliance

The capital projects deficit fund balance of \$605,140 will be funded once grant proceeds become available.

4. Cash and Cash Equivalents

Cash management is governed by State laws and as established in the Board's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Board's banking policies permit the Chief Financial Officer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

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.

Custodial credit risk is the risk that in the event of a bank failure the Board's deposits may not be returned to it. At June 30, 2021, the Board's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in the Board's name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes.

Cash Held by the City of Buffalo

Amounts on deposit with the City on behalf of the Board total \$339,322,237. Such amounts represent cash held in the City's bank accounts. The cash is an asset of the Board and is specifically designated for Board purposes. These deposits are subject to applicable City and State investment and collateralization policies. The City has also advanced \$57,046,886 to the Board for purposes of providing cash flow to the special aid fund.

Cash and Cash Equivalents with Fiscal Agent

In accordance with the Indenture Trust Agreement, an amount of the Series 2009, 2012, 2013, 2015, and 2016 bond proceeds is to be deposited and maintained by the trustee in the debt service fund and amounted to \$10,787,410 as of June 30, 2021.

Restricted Cash and Cash Equivalents

Cash and cash equivalents in the amount of \$595,241 are restricted in the general fund to support obligations related to workers' compensation claims, along with an account held in trust with the Buffalo Teacher's Federation in relation to a previous teachers' settlement agreement.

In accordance with the Local Share Trust and Depository Agreement, the local share contribution of the JSCB projects is to be held in trust and can only be disbursed as specified by the aforementioned agreement. Such amounts total \$11,757,390 and are restricted within the debt service fund until completion of the related projects.

5. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 11,186,552	\$ 755,876	\$ 5,200,000	\$ 104,611,075
Special aid	202,934	720,195	1,150,727	5,200,000
Debt service	-	-	103,132,427	5,906,113
Capital projects	76,600	9,990,015	5,982,713	-
School food service	-	-	251,321	-
	<u>\$ 11,466,086</u>	<u>\$ 11,466,086</u>	<u>\$ 115,717,188</u>	<u>\$ 115,717,188</u>

The general fund provides cash flow to the various other funds; these amounts are repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program, to the school food service program for operations, to the capital projects fund for reconstruction expenditures, and to the debt service fund for principal and interest payments on serial bonds. The special aid fund made a permanent transfer to the general fund for the collection of state aid and grant receivables that were written off in the previous year. In accordance with the State's requirement, the debt service fund also transferred the difference between amounts received from building aid and amounts paid under refinanced JSCB debt agreements to the capital projects fund for capital expenditures.

6. Capital Assets

	July 1, 2020	Increases	Retirements/ Reclassifications	June 30, 2021
Non-depreciable capital assets:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	29,354,345	7,289,910	(292,297)	36,351,958
Total non-depreciable assets	<u>32,366,245</u>	<u>7,289,910</u>	<u>(292,297)</u>	<u>39,363,858</u>
Depreciable capital assets:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and improvements	1,782,381,613	1,406,652	292,297	1,784,080,562
Equipment and vehicles	41,821,233	10,071,949	(112,053)	51,781,129
Total depreciable assets	<u>1,829,745,532</u>	<u>11,478,601</u>	<u>180,244</u>	<u>1,841,404,377</u>
Less accumulated depreciation:				
Land improvements	4,748,443	71,882	-	4,820,325
Buildings and improvements	1,032,189,467	76,515,760	-	1,108,705,227
Equipment and vehicles	25,177,562	2,791,190	(112,053)	27,856,699
Total accumulated depreciation	<u>1,062,115,472</u>	<u>79,378,832</u>	<u>(112,053)</u>	<u>1,141,382,251</u>
Total depreciable assets, net	<u>767,630,060</u>	<u>(67,900,231)</u>	<u>292,297</u>	<u>700,022,126</u>
	<u>\$ 799,996,305</u>	<u>\$ (60,610,321)</u>	<u>\$ -</u>	<u>\$ 739,385,984</u>

Depreciation expense has been allocated to the following functions: general support \$4,927,987, instruction \$71,948,013, pupil transportation \$815,738, and food service \$1,687,094.

As of June 30, 2021, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 739,385,984
Defeasance loss	19,847,050
Defeasance gain	(8,911,157)
Bonds payable and related premiums, net of unspent proceeds	(632,813,217)
	<u>\$ 117,508,660</u>

7. Long-Term Liabilities

	July 1, 2020	Increases	Decreases	June 30, 2021	Amount Due in One Year
Due to City for bonds payable	\$ 25,480,000	\$ 3,625,000	\$ 12,480,000	\$ 16,625,000	\$ 5,130,000
JSCB bonds payable	633,735,000	109,135,000	202,190,000	540,680,000	54,555,000
Revenue bonds payable	9,590,000	-	695,000	8,895,000	730,000
Premium on bonds	80,048,464	26,674,597	20,427,434	86,295,627	11,560,114
Due to New York State	7,413,332	-	713,332	6,700,000	713,334
Compensated absences	23,903,228	847,021	-	24,750,249	8,594,000
Workers' compensation	48,006,000	2,690,000	-	50,696,000	9,396,000
	<u>\$ 828,176,024</u>	<u>\$ 142,971,618</u>	<u>\$ 236,505,766</u>	<u>\$ 734,641,876</u>	<u>\$ 90,678,448</u>

Due to City for Bonds Payable

Amounts due to the City are for bonds payable issued on behalf of the Board. Payments made to the City for purposes of principal and interest on bonds totaled \$9,068,540 for the year ended June 30, 2021.

Revenue Bonds Payable

These bonds represent amounts due for Municipal Bond Agency Revenue Bonds issued pursuant to the State of New York Municipal Bond Agency (the Agency) Act and a General Resolution and a Series Resolution to provide funds to finance a portion of the cost of settling litigation between the Board and the Buffalo Teachers Federation, fund the debt service reserve to at least the debt service reserve fund requirement, and to pay legal, accounting, financing, and other fees and expenses related to the issuance of the bonds.

The bonds are special revenue obligations of the Agency and are secured by annual payments by the City from all monies legally available (which availability is, in general, dependent upon annual appropriations by the City), amounts received by the Agency pursuant to the Agency's statutory right to intercept State school aid payable to the City, and all funds and accounts established by the General Resolution described in the Official Statement.

Due to New York State

In June 2000, the State Legislature passed special legislation to advance the Board \$20,000,000 in lottery aid, interest-free, to help pay a litigation settlement with the Buffalo Teachers' Federation. In June 2006, the Board received an additional lottery aid advance of \$1,400,000.

Current Refundings of Debt

In March 2021, the City of Buffalo issued a \$10,930,000 bond, which includes \$3,625,000 issued on behalf of the Board, with an interest rate of 5.0% to refund \$4,135,000 of outstanding bonds with interest rates ranging from 3.0% - 4.0%. The net proceeds of \$4,163,117 (including a premium of \$584,608 and payment of \$46,491 for issuance costs) were transferred to a fiscal agent to provide for the debt service payment on the original bonds that were called on April 1, 2021. The refunding decreased total debt service payments for the next 6 years by \$437,000, resulting in an economic impact of \$391,000.

In May 2021, the Board issued bonds totaling \$109,135,000, with an interest rate of 5.0% to refund \$136,910,000 of outstanding bonds with interest rates ranging from 5.00% - 5.25%. The net proceeds of \$134,228,635 (including a premium of \$26,089,989 and payment of \$996,354 for issuance costs) along with \$3,522,988 of additional funds were transferred to a fiscal agent to provide for the debt service payment on the original bonds that were called on June 14, 2021. The refunding decreased total debt service payments for the next 11 years by \$31,486,000, resulting in an economic impact of \$27,558,000.

Existing Obligations

Description	Maturity	Rate	Balance
Due to New York State	June 2036	0.0%	\$ 6,700,000
2012 Revenue bonds	May 2031	3.0%-5.0%	8,895,000
2012-2021 JSCB revenue and refunding bonds	May 2032	4.0%-5.0%	540,680,000
2011-2021 City of Buffalo serial and refunding bonds	April 2027	2.4%-5.0%	16,625,000
			<u>\$ 572,900,000</u>

Debt Service Requirements

Years ending June 30,	Bonds Payable		Due to New York State
	Principal	Interest	Principal
2022	\$ 60,415,000	\$ 26,291,748	\$ 713,334
2023	68,410,000	25,512,229	713,334
2024	73,215,000	21,471,116	713,332
2025	88,420,000	17,611,841	713,334
2026	62,740,000	14,109,034	713,334
2027-2031	206,690,000	30,157,264	2,899,999
2032-2036	6,310,000	315,500	233,333
	<u>\$ 566,200,000</u>	<u>\$ 135,468,732</u>	<u>\$ 6,700,000</u>

Leases

The Board leases property and equipment under the terms of various operating leases. Rental expense for all of such leases amounted to \$7,209,655 for the year ended June 30, 2021. Future minimum rentals to be paid for all noncancelable operating leases are:

Years ending June 30,	
2022	\$ 6,667,000
2023	6,543,000
2024	6,576,000
2025	6,891,000
2026	6,541,000
2027-2031	24,173,000
2032-2035	11,917,000
	<u>\$ 69,308,000</u>

8. Pension Plans

Plan Descriptions

The Board participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- 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: The Systems provide 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. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. 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. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers’ Retirement Board. This rate was 9.53% for 2021. For ERS, 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 Board to the pension accumulation fund. For 2021, these rates ranged from 9.7% - 21.6%.

The amount outstanding and payable to TRS for the year ended June 30, 2021 was \$28,800,016. A liability to ERS of \$1,639,127 is accrued based on the Board’s legally required contribution for employee services rendered from April 1 through June 30, 2021.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2021, the Board reported a liability of \$50,249,458 for its proportionate share of the TRS net pension position and a liability of \$147,015 for its proportionate share of the ERS net pension position.

The TRS net pension position was measured as of June 30, 2020, and the total pension liability was determined by an actuarial valuation as of June 30, 2019, with update procedures applied to roll forward the net pension position to June 30, 2020. The Board’s proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS’s total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2020, the Board’s proportion was 1.818478%, an increase of 0.031797 from its proportion measured as of June 30, 2019.

The ERS net pension position was measured as of March 31, 2021, and the total pension liability was determined by an actuarial valuation as of April 1, 2020. The Board’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 the March 31, 2021 measurement date, the Board’s proportion was 0.147644%, an increase of 0.002879 from its proportion measured as of March 31, 2020.

For the year ended June 30, 2021, the Board recognized net pension expense of \$70,380,348 on the government-wide statements (TRS expense of \$66,388,439 and ERS expense of \$3,991,909). At June 30, 2021, the Board reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,028,580	\$ 2,575,188	\$ 1,795,447	\$ -
Changes of assumptions	63,553,870	22,653,634	27,031,245	509,817
Net difference between projected and actual earnings on pension plan investments	32,817,301	-	-	42,231,253
Changes in proportion and differences between contributions and proportionate share of contributions	3,126,236	7,426,055	1,174,668	-
Board contributions subsequent to the measurement date	28,800,016	-	1,639,127	-
	<u>\$ 172,326,003</u>	<u>\$ 32,654,877</u>	<u>\$ 31,640,487</u>	<u>\$ 42,741,070</u>

Board contributions subsequent to the measurement date will be recognized as an addition to (a reduction of) the net pension asset (liability) in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2022	\$ 18,325,240	\$ (2,025,803)
2023	38,265,470	(559,111)
2024	31,027,320	(2,100,387)
2025	20,184,003	(8,054,409)
2026	990,423	-
Thereafter	2,078,654	-
	\$ 110,871,110	\$(12,739,710)

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2019 valuation, with update procedures used to roll forward the total pension liability to June 30, 2020, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.2%

Salary increases – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%

Projected Cost of Living Adjustments (COLA) – 1.3% compounded annually

Investment rate of return – 7.1% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2019, applied on a generational basis

Discount rate – 7.1%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation, with update procedures used to roll forward the total pension liability to March 31, 2021, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation – 2.7%

Salary increases – 4.4%

COLA – 1.4% annually

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

Mortality – Society of Actuaries' Scale MP-2020

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 the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33%	7.1%	32%	4.1%
Global and international equities	20%	7.4%-7.7%	15%	6.3%
Private equities	8%	10.4%	10%	6.8%
Real estate	11%	6.8%	9%	5.0%
Domestic fixed income securities	16%	1.8%	23%	-
Global fixed income securities	2%	1.0%	-	-
Bonds and mortgages	7%	3.6%	-	-
Short-term	1%	0.7%	1%	0.5%
Other	2%	3.9%-5.2%	10%	3.6%-6.0%
	<u>100%</u>		<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, the Systems' 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.

The following presents the Board's proportionate share of its net pension position calculated using the discount rate of 7.1% (TRS) and 5.9% (ERS) 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
Board's proportionate share of the TRS net pension asset (liability)	\$ (317,408,514)	\$ (50,249,458)	\$ 173,964,692
Board's proportionate share of the ERS net pension asset (liability)	\$ (40,805,568)	\$ (147,015)	\$ 37,349,688

9. OPEB

Plan Description

The Board maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical, prescription, vision, and dental insurance for virtually all Board retirees and their spouses. Benefit provisions are based on individual contracts with the Board, as negotiated from time to time. Eligibility is based on covered employees who retire from the Board over the age of 55 and have met vesting requirements. Retirees have various contribution requirements based on the bargaining agreement terms in effect at the time of retirement. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2021, employees covered by the Plan include:

Active employees	5,429
Inactive employees or beneficiaries currently receiving benefits	4,017
Inactive employees entitled to but not yet receiving benefits	-
	9,446

Total OPEB Liability

The Board's total OPEB liability of \$2,485,499,000 was measured as of June 30, 2021 and was determined by an actuarial valuation as of the same date.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rate – based on a combination of employer history, national trend surveys, and professional judgment, initially 8.0% and reduced to an ultimate rate of 4.5% after 2029

Salary increases – 1.76% to 10.00%

Mortality – MP-2020 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees

Discount rate – 2.19% based on a range of indices of 20-year bonds with an average rating of AA/Aa or higher as of the measurement date

Inflation rate – 1.3%

Changes in the Total OPEB Liability

	Total OPEB Liability (In thousands)
Balance at June 30, 2020	\$ 2,613,913
Changes for the year:	
Service cost	83,558
Interest	70,869
Changes of benefit terms	(420)
Differences between expected and actual experience	(502,178)
Changes of assumptions or other inputs	286,682
Benefit payments	(66,925)
Net changes	(128,414)
Balance at June 30, 2021	\$ 2,485,499

The following presents the sensitivity of the Board's total OPEB liability to changes in the discount rate, including what the Board'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 (amounts in thousands):

	1.0% Decrease (1.19%)	Discount Rate (2.19%)	1.0% Increase (3.19%)
Total OPEB liability	\$ (2,980,370)	\$ (2,485,499)	\$ (2,097,532)

The following presents the sensitivity of the Board's total OPEB liability to changes in the healthcare cost trend rates, including what the Board'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 (amounts in thousands):

	1.0% Decrease (7.00% to 3.50%)	Healthcare Cost Trend Rate (8.00% to 4.50%)	1.0% Increase (9.0% to 5.50%)
Total OPEB liability	\$ (2,049,084)	\$ (2,485,499)	\$ (3,062,689)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2021, the Board recognized OPEB expense of \$21,674,000. At June 30, 2021, the Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (863,695)
Changes of assumptions or other inputs	594,035	(116,079)
	<u>\$ 594,035</u>	<u>\$ (979,774)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	Amount (in thousands)
2022	\$ (132,333)
2023	(132,332)
2024	(64,110)
2025	(12,782)
2026	(13,396)
Thereafter	(30,786)
	<u>\$ (385,739)</u>

10. Risk Management

General Liability

The Board is self-insured for most liabilities, but has purchased commercial insurance for various risks including property damage, automobiles, and theft. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Health Insurance

The Board maintains a self-funded health insurance plan and the program is managed by a third party administrator. The Board makes weekly payments based on employee claims as well as payments for fees charged for administering the program and for excess insurance coverage. The Board has recorded an estimate for claims liabilities incurred but not paid based on an actuarial valuation. The Board maintains excess insurance coverage that limits their self-funded exposure to \$600,000 per individual occurrence in a given plan year in the aggregate.

At the end of the year, the Board records the liability for claims paid subsequent to year end as an accrued liability and a 21-day pre-funded escrow requirement held on deposit by the third party administrator as a receivable.

Claims activity is as follows:

	2021	2020
Estimated claims liability, beginning of year	\$ 10,235,122	\$ 10,235,122
Current year claims and changes in estimates	128,939,000	127,332,000
Claim payments	(128,939,000)	(127,332,000)
Estimated claims liability, end of year	<u>\$ 10,235,122</u>	<u>\$ 10,235,122</u>

Workers' Compensation

The Board is self-insured for workers' compensation and has accrued its best estimate of workers' compensation losses based on an actuarial valuation dated August 10, 2021. The estimate represents claims that have occurred and are open due to an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board as well as anticipated future payouts based on prior experience with actual payments of claims. Management believes the estimated liability is reasonable based upon historical experience and the opinions of internal risk management administrators and legal counsel.

Changes in the reported liability claims for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Estimated claims liability, beginning of year	\$ 48,006,000	\$ 44,682,000
Current year claims	8,854,000	11,477,000
Claim payments	(6,164,000)	(8,153,000)
Estimated claims liability, end of year	\$ 50,696,000	\$ 48,006,000

11. Commitments and Contingencies

Grants

The Board receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the Board. Based on prior experience, management expects such amounts to be immaterial.

Encumbrances

Significant outstanding encumbrances in the general fund as of June 30, 2021 include \$955,401 for equipment, \$3,176,508 for supplies, \$48,892 for benefits, and \$2,603,199 for contractual services.

Litigation

The Board is subject to claims and lawsuits that arise in the ordinary course of business. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and are included in accrued liabilities in the government-wide and fund financial statements. For claims not accrued, the ultimate outcome of the suits cannot presently be determined and no provisions for loss, if any, has been made in the accompanying financial statements. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the Board.

Separate from claims and lawsuits that arise in the ordinary course of business, legislation was put in place regarding historical claims that were previously time-barred. In 2019, the Governor of the State passed the Child Victims Act (CVA). Under the CVA, any individual who was a minor at the time they suffered any alleged sexual abuse could file a lawsuit through August 14, 2021. Additionally, the Act extended the look back window to file claims under the CVA regardless of when or how long ago the alleged abuse occurred.

This has resulted in the filing of thousands of lawsuits State-wide. Lawsuits have been initiated against the Board by former students who allege that inappropriate sexual contact occurred between them and employees of the Board between 30 and 50 years ago. The Board is using City of Buffalo Corporation Counsel and is not currently aware of any insurance available for these claims. As a result, the Board has accrued an appropriate amount in the government-wide and fund financial statements at June 30, 2021 based on best estimates as determined with counsel.

Commitments

The Board has approved and plans to spend up to \$59,334,000 for various capital projects that remain in progress at year end. Amounts outstanding under these projects totaled \$8,436,000 at June 30, 2021.

12. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease continued into 2021, and the Board was required to implement numerous safety measures and remote learning initiatives. The full extent of the impact of COVID-19 on the Board's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on school districts and their residents, employees, and vendors, none of which can be predicted.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System

As of the measurement date of June 30,	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension position	1.818478%	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%
District's proportionate share of the net pension asset (liability)	\$ (50,249,458)	\$ 46,418,092	\$ 32,947,326	\$ 13,960,812	\$ (17,688,235)	\$ 173,277,759	\$ 188,878,283
District's covered payroll	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212
District's proportionate share of the net pension position as a percentage of its covered payroll	16.28%	15.56%	9.47%	4.80%	6.94%	69.15%	75.41%
Plan fiduciary net position as a percentage of the total pension liability	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
The following is a summary of changes of assumptions:							
Inflation	2.2%	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%
Salary increases	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%
Investment rate of return	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Discount rate	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2019	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA

Data prior to 2014 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System

For the years ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 28,800,016	\$ 27,347,081	\$ 31,671,613	\$ 34,111,928	\$ 34,062,426	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597	\$ 28,341,558	\$ 26,491,441
Contribution in relation to the contractually required contribution	(28,800,016)	(27,347,081)	(31,671,613)	(34,111,928)	(34,062,426)	(33,792,412)	(43,929,324)	(40,700,597)	(28,341,558)	(26,491,441)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 302,203,736	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212	\$ 239,371,267	\$ 238,446,814
Contributions as a percentage of covered payroll	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System**

As of the measurement date of March 31,	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension position	0.147644%	0.144765%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%
District's proportionate share of the net pension liability	\$ (147,015)	\$ (38,334,713)	\$ (9,912,527)	\$ (4,402,094)	\$ (12,444,723)	\$ (22,702,665)	\$ (4,813,758)
District's covered payroll	\$ 46,177,444	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898
District's proportionate share of the net pension position as a percentage of its covered payroll	0.32%	86.33%	23.28%	10.95%	30.05%	58.05%	12.16%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
The following is a summary of changes of assumptions:							
Inflation	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2020	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System

For the years ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 6,152,793	\$ 5,998,034	\$ 5,947,217	\$ 6,266,223	\$ 6,004,084	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573	\$ 8,436,183	\$ 7,065,431
Contribution in relation to the contractually required contribution	(6,152,793)	(5,998,034)	(5,947,217)	(8,970,690)	(6,252,808)	(7,163,096)	(7,566,788)	(5,070,646)	(8,436,183)	(7,065,431)
Contribution deficiency (excess)*	\$ -	\$ -	\$ -	\$ (2,704,467)	\$ (248,724)	\$ (239,711)	\$ (231,025)	\$ 3,423,927	\$ -	\$ -
District's covered payroll	\$ 46,177,444	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043	\$ 39,735,784	\$ 34,302,213
Contributions as a percentage of covered payroll	13.32%	13.51%	13.97%	15.58%	14.50%	17.70%	18.53%	20.90%	21.23%	20.60%

**In 2014, the District elected to participate in the Contribution Stabilization Program. As a result, the District's 2014 payment was reduced by \$3,423,927, which was deferred and paid in installments over the next four years until fully repaid during 2018.*

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of Changes in the District's Total
OPEB Liability and Related Ratios (In thousands)

For the years ended June 30,	2021	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305	\$ 2,852,359
Changes for the year:					
Service cost	83,558	72,956	71,543	82,946	105,405
Interest	70,869	85,561	90,227	92,126	82,361
Changes of benefit terms	(420)	-	-	509	-
Differences between expected and actual experience	(502,178)	(229,606)	(166,075)	(234,596)	(202,349)
Changes of assumptions or other inputs	286,682	351,329	170,379	(124,707)	(238,475)
Benefit payments	(66,925)	(61,469)	(61,084)	(61,431)	(63,996)
Net change in total OPEB liability	(128,414)	218,771	104,990	(245,153)	(317,054)
Total OPEB liability - ending	\$ 2,485,499	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305
Covered-employee payroll	\$ 362,378	\$ 373,087	\$ 377,000	\$ 345,602	\$ 344,791
Total OPEB liability as a percentage of covered-employee payroll	685.9%	700.6%	635.3%	662.7%	735.3%

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

The following is a summary of changes of assumptions:

Healthcare cost trend rates	8.0%-4.5%	7.5%-4.5%	8.0%-4.5%	8.5%-5.5%	9.0%-5.0%
Salary increases	1.76%-10.00%	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%
Discount rate	2.19%	2.66%	3.51%	3.87%	3.56%
Inflation	1.30%	1.30%	1.30%	2.50%	1.30%
Society of Actuaries' mortality scale	MP-2020	MP-2018	MP-2018	MP-2017	MP-2015

Data prior to 2017 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of

Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2021

	School Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds	
				2021	2020
Assets					
Cash and cash equivalents	\$ 300	\$ 184,658	\$ -	\$ 184,958	\$ 189,910
Cash held by the City of Buffalo	24,686,322	-	-	24,686,322	17,050,881
Cash and cash equivalents - restricted	-	-	309,960	309,960	312,277
Accounts receivable	13,352	-	-	13,352	56,437
State and federal aid receivable	5,788,337	-	-	5,788,337	2,595,522
Inventory	971,151	-	-	971,151	1,192,707
Total assets	\$ 31,459,462	\$ 184,658	\$ 309,960	\$ 31,954,080	\$ 21,397,734
Liabilities and Fund Balances					
Accounts payable	\$ 520,532	\$ -	\$ -	\$ 520,532	\$ 1,314,423
Accrued liabilities	453,052	-	-	453,052	487,588
Total liabilities	973,584	-	-	973,584	1,802,011
Fund Balances					
Nonspendable:					
Inventory	971,151	-	-	971,151	1,192,707
Endowment	-	-	309,960	309,960	312,277
Restricted:					
Special activities	-	184,658	-	184,658	189,610
Assigned:					
School food service	29,514,727	-	-	29,514,727	17,901,129
Total fund balances	30,485,878	184,658	309,960	30,980,496	19,595,723
Total liabilities and fund balances	\$ 31,459,462	\$ 184,658	\$ 309,960	\$ 31,954,080	\$ 21,397,734

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New

Supplementary Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds

For the year ended June 30, 2021

	School Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds	
				2021	2020
Revenues					
Use of money and property	\$ -	\$ -	\$ 31	\$ 31	\$ 446
Miscellaneous	154,718	3,559	-	158,277	61,737
State sources	1,100,453	-	-	1,100,453	1,400,541
Federal sources	34,859,906	-	-	34,859,906	30,102,827
Sales	192,074	-	-	192,074	978,051
Total revenues	<u>36,307,151</u>	<u>3,559</u>	<u>31</u>	<u>36,310,741</u>	<u>32,543,602</u>
Expenditures					
General support	22,851,922	-	-	22,851,922	29,066,729
Community service	-	8,511	2,348	10,859	5,770
Employee benefits	2,040,549	-	-	2,040,549	2,299,464
Capital outlay	273,959	-	-	273,959	429,652
Total expenditures	<u>25,166,430</u>	<u>8,511</u>	<u>2,348</u>	<u>25,177,289</u>	<u>31,801,615</u>
Excess revenues (expenditures)	<u>11,140,721</u>	<u>(4,952)</u>	<u>(2,317)</u>	<u>11,133,452</u>	<u>741,987</u>
Other financing sources					
Operating transfers, net	<u>251,321</u>	<u>-</u>	<u>-</u>	<u>251,321</u>	<u>667,194</u>
Net change in fund balances	11,392,042	(4,952)	(2,317)	11,384,773	1,409,181
Fund balances - beginning	19,093,836	189,610	312,277	19,595,723	18,186,542
Fund balances - ending	<u>\$ 30,485,878</u>	<u>\$ 184,658</u>	<u>\$ 309,960</u>	<u>\$ 30,980,496</u>	<u>\$ 19,595,723</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Change from Original to Final Budget

For the year ended June 30, 2021

Original expenditure budget	\$ 954,700,000
Encumbrances carried over from prior year	4,776,135
Budget amendments:	
Cancelled encumbrances	<u>(1,053,820)</u>
Revised expenditure budget	<u>\$ 958,422,315</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2021

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Partial Refunding Savings Phase IV	11,063,175	11,159,952	10,782,271	173,432	10,955,703	204,249
Joint Schools Construction Board Local Share	-	2,632,956	2,613,256	19,700	2,632,956	-
Refunding Savings Phase III A&B	25,936,750	25,986,069	24,988,311	519,472	25,507,783	478,286
Consolidated Capital Funds	-	4,246,767	-	4,353	4,353	4,242,414
Partial Refunding 2 Savings Phase IV	17,676,113	17,941,237	7,146,463	7,283,492	14,429,955	3,511,282
Smart Schools Bond Act	10,000,000	40,645,722	29,984,994	9,045,735	39,030,729	1,614,993
	\$ 64,676,038	\$ 102,612,703	\$ 75,515,295	\$ 17,046,184	\$ 92,561,479	\$ 10,051,224

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through New York State Education Department			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	\$ 736,057
COVID-19 - Summer Food Service Program for Children	10.559	N/A	<u>30,437,689</u>
			31,173,746 ¹
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	TDA01-C00252GG-34100	3,280
Passed Through New York State Office of General Services			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	2,827,193
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	<u>79,758</u>
			2,906,951 ¹
Fresh Fruit and Vegetable Program	10.582	N/A	<u>858,967</u>
Total U.S. Department of Agriculture			<u>34,942,944</u>
U.S. Department of Defense			
ROTC Language and Culture Training Grants	12.357	N/A	<u>507,405</u>
U.S. Department of Education			
Direct programs			
Title I Grants to Local Educational Agencies	84.010	N/A	124,898
Indian Education Grants to Local Educational Agencies	84.060	S060A191033	14,725
Indian Education Grants to Local Educational Agencies	84.060	S060A211033	114,896
Innovative Approaches to Literacy; Promise Neighborhoods; and Full-Service Community Schools	84.215	S215F160281	7,990
Passed Through New York State Education Department			
Special Education Cluster:			
Special Education Grants to States	84.027	0032-20-0202	96,745
Special Education Grants to States	84.027	0032-21-0202	12,352,327
Special Education Grants to States	84.027	0032-22-0202	84,886
Special Education Preschool Grants	84.173	0033-20-0202	2,194
Special Education Preschool Grants	84.173	0033-21-0202	601,290
Special Education Preschool Grants	84.173	0033-22-0202	<u>10,449</u>
Total Special Education Cluster			13,147,891

¹ Total Child Nutrition Cluster - \$34,080,697

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department			
Adult Education - Basic Grants to States	84.002	0040-20-2096	\$ (100,018)
Adult Education - Basic Grants to States	84.002	0040-21-2096	78,826
Adult Education - Basic Grants to States	84.002	0138-20-2059	(7,076)
Adult Education - Basic Grants to States	84.002	0138-21-2059	161,428
Adult Education - Basic Grants to States	84.002	2338-20-3132	-
Adult Education - Basic Grants to States	84.002	2338-21-3132	506,624
Adult Education - Basic Grants to States	84.002	2338-20-3224	(13,989)
Adult Education - Basic Grants to States	84.002	2338-21-3224	74,977
Adult Education - Basic Grants to States	84.002	2338-20-3225	(44,488)
Adult Education - Basic Grants to States	84.002	2338-21-3225	86,306
Adult Education - Basic Grants to States	84.002	2338-20-3223	(186)
Adult Education - Basic Grants to States	84.002	2338-21-3223	90,141
Title I Grants to Local Educational Agencies	84.010	0011-20-2002	122,570
Title I Grants to Local Educational Agencies	84.010	0011-21-2002	1,361,274
Title I Grants to Local Educational Agencies	84.010	0011-20-2302	546
Title I Grants to Local Educational Agencies	84.010	0011-21-2302	125,626
Title I Grants to Local Educational Agencies	84.010	0011-20-2702	112,794
Title I Grants to Local Educational Agencies	84.010	0011-21-2702	342,773
Title I Grants to Local Educational Agencies	84.010	0011-20-5030	67,098
Title I Grants to Local Educational Agencies	84.010	0011-20-5032	63,513
Title I Grants to Local Educational Agencies	84.010	0011-20-5050	(2,409)
Title I Grants to Local Educational Agencies	84.010	0011-21-5050	490,180
Title I Grants to Local Educational Agencies	84.010	0011-20-5051	(5,894)
Title I Grants to Local Educational Agencies	84.010	0011-21-5051	495,149
Title I Grants to Local Educational Agencies	84.010	0011-20-5052	(228)
Title I Grants to Local Educational Agencies	84.010	0011-21-5052	408,754
Title I Grants to Local Educational Agencies	84.010	0011-20-5053	4,692
Title I Grants to Local Educational Agencies	84.010	0011-21-5053	459,014
Title I Grants to Local Educational Agencies	84.010	0011-20-5054	2,406
Title I Grants to Local Educational Agencies	84.010	0011-21-5054	389,015
Title I Grants to Local Educational Agencies	84.010	0011-20-5055	251
Title I Grants to Local Educational Agencies	84.010	0011-21-5055	442,159
Title I Grants to Local Educational Agencies	84.010	0011-19-7120	22
Title I Grants to Local Educational Agencies	84.010	0016-20-0740	26,687
Title I Grants to Local Educational Agencies	84.010	0016-21-0740	211,289
Title I Grants to Local Educational Agencies	84.010	0021-19-0740	3,140
Title I Grants to Local Educational Agencies	84.010	0021-20-0740	527,777
Title I Grants to Local Educational Agencies	84.010	0021-21-0740	22,329,405

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department, continued			
School Improvement Grants	84.377	0123-20-7002	\$ 1,624
School Improvement Grants	84.377	0123-21-7002	2,287
Career and Technical Education - Basic Grants to States	84.048	8000-20-0075	(3,989)
Career and Technical Education - Basic Grants to States	84.048	8000-21-0075	477,554
Career and Technical Education - Basic Grants to States	84.048	8000-20-9002	(54,289)
Career and Technical Education - Basic Grants to States	84.048	8000-21-9002	306,347
Career and Technical Education - Basic Grants to States	84.048	8000-22-9002	1,072
English Language Acquisition State Grants	84.365	0293-20-0740	102,548
English Language Acquisition State Grants	84.365	0293-21-0740	417,093
Supporting Effective Instruction State Grants	84.367	0145-20-1005	85,459
Supporting Effective Instruction State Grants	84.367	0145-21-1005	116,780
Supporting Effective Instruction State Grants	84.367	0147-20-0740	516,585
Supporting Effective Instruction State Grants	84.367	0147-21-0740	1,885,194
Student Support and Academic Enrichment Program	84.424	0204-20-0740	226,903
Student Support and Academic Enrichment Program	84.424	0204-21-0740	1,605,513
Education Stabilization Fund - Governor's Emergency Education Relief Fund	84.425C	N/A	7,001
Education Stabilization Fund - Governor's Emergency Education Relief Fund	84.425C	5895-21-0740	4,309,079
Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-0740	23,604,568
Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	84.425D	N/A	16,076
Total U.S. Department of Education			75,843,953
U.S. Department of Health and Human Services			
Teenage Pregnancy Prevention Program	93.297	N/A	61,523
Title V Sexual Risk Avoidance Education Program	93.787	90TS002-01-00	67,911
Total U.S. Department of Health and Human Services			129,434
U.S. Department of the Treasury			
Passed Through Erie County			
Coronavirus Relief Fund	21.019	2-20200030	4,396,846
Total Expenditures of Federal Awards			\$ 115,820,582

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, an entity as defined in Note 1 to the Board’s basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The Board uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Board’s financial reporting system.

Indirect Costs

The Board does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The Board is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a “non-monetary program.” During the year ended June 30, 2021, the Board used \$2,827,193 worth of commodities under the National School Lunch Program (CFDA Number 10.555).

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 Education
Board of Education, City of Buffalo, New York

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, each major fund, and the remaining fund information of Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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.

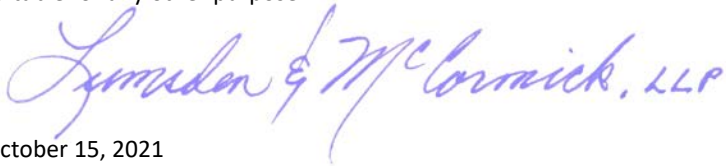
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 15, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Board of Education, City of Buffalo, New York

Report on Compliance for Each Major Federal Program

We have audited Board of Education, City of Buffalo, New York's (the Board), a component unit of the City of Buffalo, New York, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2021. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 15, 2021

Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Child Nutrition Cluster:		
COVID-19 – School Food Service Program for Children	10.559	\$ 30,437,689
National School Lunch Program	10.555	3,563,250
		<u>34,000,939</u>
Education Stabilization Fund:		
Governor's Emergency Education Relief Fund	84.425C	4,316,080
Elementary and Secondary School Emergency Relief Fund	84.425D	23,620,644
		<u>27,936,724</u>
Coronavirus Relief Fund	21.019	4,396,846
		<u>\$ 66,334,509</u>

Dollar threshold used to distinguish between type A and type B programs: \$3,474,617

Auditee qualified as low-risk auditee? No

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION

Information Regarding Joint Schools Construction Board Debt

For the year ended June 30, 2021

The Program

Authorization

The Program was developed by the Joint Schools Construction Board (JSCB) in conjunction with the Program Provider pursuant to the Buffalo Schools Act, the resolutions of the Board of Education and the Common Council, and the Charter of the City, and encompassed a comprehensive redevelopment program for the reconstruction of existing public schools and the construction of new public schools for the Buffalo City School District (Buffalo CSD). Prior to the Program, few new public schools had been built in the City and many elementary and secondary schools in the City were in need of substantial improvement, renovation, and reconstruction. The Buffalo Schools Act was enacted to encourage the City and the Buffalo CSD to cooperatively undertake new and innovative ways of renovating, building, and financing public schools within the City.

Program Overview

To date, \$1.304 billion aggregate principal amount of Project Bonds (excluding Project Bonds issued for refunding purposes) have been issued and are dedicated to the Program. Each phase of the Program has been completed. Currently no additional phases are anticipated to be undertaken for the Program.

In September 2003, the Erie County Industrial Development Agency (the Agency) issued its Series 2003 Bonds to provide funds for Phase I of the Program (the "Series 2003 Project"). The Series 2003 Project provided for the general reconstruction of nine school facilities and included site work, exterior and interior building improvements, mechanical and electrical upgrades, and the renovation and improvement of Buffalo CSD's telecommunications system and an energy program on a district-wide basis. Phase I was completed in April 2005. The Series 2003 Bonds were refunded in whole from proceeds of the sale of the Series 2011B Bonds, which were subsequently refunded in whole from proceeds of the sale of Series 2021B bonds on May 19, 2021.

In December 2004, the Agency issued its Series 2004 Bonds to provide funds for a portion of the cost of Phase II of the Program (the "Series 2004 Project"). The Series 2004 Project provided for the reconstruction of 13 existing schools, continued the construction of the district-wide technology and energy upgrades to create a state of the art educational environment, and provided for renovation of an outdoor sports facility for use district-wide. A portion of the proceeds of the Series 2007A Bonds was applied to finance additional costs relating to Phase II of the Program. Phase II of the Program was completed in July 2008. The Series 2004 Bonds were ultimately fully refunded from proceeds of the sale of the Series 2012A Bonds.

In August 2007, the Agency issued its Series 2007A Bonds to provide funds for a portion of the cost of Phase II of the Program and a portion of the cost of Phase III of the Program (the "Series 2007 Project"). The Series 2007 Project provided for the general reconstruction of four school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades begun with the Series 2003 Project. The technology portion of the Series 2004 Project and of the Series 2007 Project included an ongoing program known as E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis.

In February 2008, the Agency issued its Series 2008A Bonds to provide funds for the balance of the cost of Phase III of the Program (the "Series 2008 Project"). The Series 2008 Project provided for the general reconstruction of five school facilities including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2008 Project included E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis. These improvements are designed to deliver the flexible educational spaces, instructional technology, and social support necessary to enhance student achievement. Phase III of the Program is complete. The Series 2007A and 2008A Bonds were fully refunded from proceeds of the sale of the Series 2015A Bonds on June 24, 2015.

In November 2009, the Issuer issued its Series 2009A Bonds to provide funds for Phase IV of the Program (the “Series 2009 Project”). The Series 2009 project provided for the general reconstruction of 10 school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2009 Project includes expanded security cameras and an access control system on a district-wide basis. These improvements were designed to deliver the flexible educational spaces, instructional technology, and social support necessary to enhance student achievement. Phase IV of the Program is complete. The Series 2009A Bonds were refunded in part from proceeds of the sale of the Series 2013A bonds and partially from the proceeds of the Series 2016A Bonds.

In July 2011, the Issuer issued its Series 2011A Bonds to provide funds for Phase V of the Program (the “Series 2011 Project”). The Series 2011 Project provided for the general reconstruction of seven school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2011 project includes the creation of data server hubs for the Buffalo CSD at two school locations and improved network technology and access on a district-wide basis. Phase V of the Program is complete. The Series 2011A Bonds were refunded in whole from proceeds of the sale of the Series 2021A Bonds on May 19, 2021.

The Buffalo City School District and Board of Education

The Buffalo CSD is dependent on funding from the City, the County, the State, and the Federal government. It is governed by an independently elected nine-member Board of Education and operates pursuant to the New York State Education Law (the Education Law). The administration of the schools is the responsibility of the Superintendent of Schools who is appointed by the Board of Education of the Buffalo CSD. The school system operates 20 secondary schools, 37 elementary and intermediate schools, and 2 special schools. There are 21 charter schools that operate independently from the Buffalo CSD. All charter schools receive the same per pupil tuition rate for Buffalo Resident pupils, regardless of their location.

The following table sets forth information relating to the size of the school system:

Years ended June 30,	Size of Buffalo School System									
	2022 ⁽⁴⁾	2021	2020	2019	2018	2017	2016	2015	2014	2013
Enrollment	31,382	30,850	33,290	33,286	33,512	33,834	34,174	34,402	33,938	32,765
Schools ⁽¹⁾	59	59	61	61	61	61	61	62	65	68
Instructional staff ⁽²⁾	3,571	3,643	3,626	3,631	3,624	3,542	3,489	3,416	3,489	3,403
Administrative personnel ⁽²⁾	257	255	258	262	257	240	243	241	240	208
Non-certified personnel ⁽²⁾⁽³⁾	1,418	1,504	1,523	1,561	1,531	1,545	1,525	1,521	1,517	1,454

Source: Buffalo CSD, Finance Office

⁽¹⁾ Includes active schools (with student enrollment)

⁽²⁾ Paid from Buffalo CSD General, Grants, and Food Service Funds

⁽³⁾ Includes clerical, custodial, transportation, maintenance, instructional aides, exempt personnel, and other full-time non-certified personnel

⁽⁴⁾ Projected as of September 30, 2021

State Aid

State Aid (All Funds) Buffalo CSD	
Years ended June 30,	(in Millions)
2022 ⁽¹⁾	\$ 857.9
2021	783.0
2020	830.2
2019	822.1
2018	811.8
2017	764.7
2016	721.9
2015	697.9
2014	679.8
2013	661.8

Source: City of Buffalo Board of Education

⁽¹⁾ Projected as of September 30, 2021

BOOK-ENTRY-ONLY-SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2022 Series A Bonds. The 2022 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2022 Series A Bond certificate will be issued for each maturity of the 2022 Series A Bonds, totaling in the aggregate the principal amount of the 2022 Series A Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants,” and together with Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2022 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022 Series A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2022 Series A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase; Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2022 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2022 Series A Bonds, except in the event that use of the book-entry system for the 2022 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2022 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2022 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2022 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2022 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity and CUSIP number of the 2022 Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity and CUSIP number of the 2022 Series A Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2022 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2022 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2022 Series A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Underwriters, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The requirement for physical delivery of the 2022 Series A Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the applicable 2022 Series A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of applicable tendered 2022 Series A Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the 2022 Series A Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2022 Series A Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the applicable 2022 Series A Bond certificates will be printed and delivered to DTC.

The information herein concerning DTC and DTC's book-entry system has been obtained from sources that the Agency, the City, the District and the Underwriters believe to be reliable, but neither the Agency, the City, the District nor the Underwriters take any responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the 2022 Series A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NONE OF THE AGENCY, THE CITY, THE DISTRICT, THE UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2022 SERIES A BONDS.

So long as Cede & Co. is the registered owner of the 2022 Series A Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the 2022 Series A Bonds (other than under the captions "Tax Exemption" and "Continuing Disclosure" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2022 Series A Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of 2022 Series A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Agency, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2022 Series A Bonds if the Agency determines that (i) DTC is unable to discharge its responsibilities with respect to the 2022 Series A Bonds, or (ii) a continuation of the requirement that all of the 2022 Series A Bonds Outstanding be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Corporation or restricted registration is no longer in effect, the applicable 2022 Series A Bond certificates will be delivered as described in the Resolutions.

NONE OF THE AGENCY, THE CITY, THE DISTRICT, THE UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2022 SERIES A BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2022 SERIES A BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2022 SERIES A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2022 SERIES A BONDS; OR (VI) ANY OTHER MATTER.

Exhibit G

FORM OF THIRD AMENDED AND RESTATED STATE AID TRUST AGREEMENT

**[FORM OF THIRD AMENDED AND RESTATED
STATE AID TRUST AGREEMENT]**

CITY SCHOOL DISTRICT OF THE CITY OF BUFFALO

AND

CITY OF BUFFALO

AND

**MANUFACTURERS AND TRADERS TRUST COMPANY,
as Depository Bank**

AND

**MANUFACTURERS AND TRADERS TRUST COMPANY,
as Series Trustee**

AND

**THE BANK OF NEW YORK MELLON,
as MBBA 2022 Series Trustee**

**THIRD AMENDED AND RESTATED
STATE AID TRUST AGREEMENT**

Dated as of May 1, 2022

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THIRD AMENDED AND RESTATED STATE AID TRUST AGREEMENT

THIS THIRD AMENDED AND RESTATED STATE AID TRUST AGREEMENT, made as of May 1, 2022 (this “Agreement”), by and among CITY SCHOOL DISTRICT OF THE CITY OF BUFFALO (the “School District”), CITY OF BUFFALO (the “City”), MANUFACTURERS AND TRADERS TRUST COMPANY, as Depository Bank (the “Depository Bank”), MANUFACTURERS AND TRADERS TRUST COMPANY, as Series Trustee (the “Series Trustee”) under each indenture of trust pursuant to which a Series of Project Bonds (as defined below) shall be issued and outstanding, and THE BANK OF NEW YORK MELLON, as MBBA 2022 Series Trustee (the “MBBA 2022 Series Trustee”) under the MBBA Resolution (as defined below), amending and restating a certain State Aid Trust Agreement, dated as of September 1, 2003 (the “Original State Aid Trust Agreement”), as amended and restated by an Amended and Restated State Trust Agreement, dated as of December 1, 2004 (the “Amended and Restated State Aid Trust Agreement”), as amended by First Amendment to Amended and Restated State Aid Trust Agreement, dated as of June 28, 2005 (the “First Amendment”), by and among the School District, the City, the Depository Bank and the Series Trustee, and as amended by the Second Amended and Restated State Aid Trust Agreement, dated as of October 1, 2012 (the “Second Amended and Restated State Aid Trust Agreement”), by and among the School District, the City, the Depository Bank and the Series Trustee. Capitalized terms used but not defined in the recitals to this Agreement shall have the meanings set forth in Section 101 hereof.

WHEREAS, the Legislature of the State of New York, pursuant to the Buffalo Schools Act (defined herein), as amended, has enacted legislation authorizing the Erie County Industrial Development Agency (“ECIDA”) to finance, own or lease educational facilities of the City and the School District renovated, reconstructed or constructed pursuant to State law; and

WHEREAS, the City and the School District have financed various public school facilities through ECIDA and assisted in the acquisition, renovation, construction, reconstruction, improvement, equipping and furnishing of such public school facilities (collectively, the “Facilities”) within the City in order to implement the comprehensive redevelopment of the City’s public schools (the “Project”); and

WHEREAS, in order to finance a portion of the cost of the Project, the ECIDA issues from time to time in various Series its School Facility Revenue Bonds (City School District of the City of Buffalo Project), all pursuant to the Buffalo Schools Act, as amended, and other applicable legislation, and an indenture of trust for each such Series of Project Bonds, and to secure the Project Bonds with payments to be paid by the School District to the ECIDA pursuant to a Series Facilities Agreement (as hereinafter defined) pursuant to which the ECIDA leases, subleases or sells its leasehold interest in the Facilities to the District; and

WHEREAS, the School District’s obligation to make such payments to the ECIDA is subject to annual appropriation by the School District and is payable solely from the total amount of annual aid to education appropriated by the State Legislature and paid by the State to the School District or intercepted by the Comptroller of the State of New York and paid to the ECIDA or the related Series Trustee (acting on behalf of the ECIDA) pursuant to the Buffalo Schools Act, as amended, and earnings on the investment thereof while in the custody of the Depository Bank hereunder (“State Aid Revenues”); and

WHEREAS, pursuant to the State Education Law (1) the disbursement of State Aid Revenues is solely the prerogative and responsibility of the Buffalo Board of Education so long as such revenue is spent for the educational purposes appropriated and within the limits of the appropriation, (2) the Buffalo Board of Education shall make such classification of the funds under its management and control and the disbursements thereof as the Comptroller of the City (the “Comptroller”) shall require, and (3) the Buffalo Board of Education shall furnish such data in relation to such funds and their disbursements as the Comptroller shall require; and

WHEREAS, the Comptroller periodically authorizes the issuance of City revenue anticipation notes in anticipation of the receipt of State Aid Revenues and the Comptroller is required by State law to provide for the set aside of State Aid Revenues to provide for repayment of such notes; and

WHEREAS, the City and School District have determined to arrange for refinancing of certain refunding bonds issued in 2012 by the State of New York Municipal Bond Bank Agency (“MBBA”) on their behalf through issuance by MBBA of refunding bonds (the “MBBA 2022 Refunding Bonds”) and to provide for funding of annual payments by the City to MBBA for debt service on such MBBA 2022 Refunding Bonds (“Annual Payment Obligations on MBBA 2022 Refunding Bonds”) from State Aid Revenues; and

WHEREAS, the School District’s obligation to make such payments to MBBA will also be subject to annual appropriation by the School District and will be payable from the State Aid Revenues and earnings on the investment thereof while in the custody of the Depository Bank hereunder; and

WHEREAS, the establishment and maintenance of a State Aid Trust Agreement into which the State Aid Revenues are to be deposited for periodic disbursement in the respective amounts necessary for payment of debt service and other payments to be made by the School District due under such Series Facilities Agreements, Annual Payment Obligations on MBBA 2022 Refunding Bonds and City revenue anticipation notes issued in anticipation of State Aid Revenues has facilitated and will continue to facilitate the marketing and sale of the Project Bonds, City revenue anticipation notes, and MBBA 2022 Refunding Bonds secured by such payments; and

WHEREAS, pursuant to instructions delivered to the New York State Comptroller dated September 10, 2003, the Comptroller and the Superintendent of the School District have directed the New York State Comptroller’s Office to forward all State Aid Revenues to the State Aid Depository Fund as herein described; and

WHEREAS, in connection with the issuance by the ECIDA of its first Series of Project Bonds (the “Series 2003 Bonds”), the parties hereto entered into the Original State Aid Trust Agreement; and

WHEREAS, at the time of issuance of the Series 2003 Bonds, the parties hereto contemplated that the ECIDA and the School District would enter into facilities lease agreements to provide for, among other things, the payment of debt service due on the Project Bonds; and

WHEREAS, the parties hereto entered into the Amended and Restated State Aid Trust Agreement for the purpose of amending and restating the Original State Aid Trust

Agreement to modify certain definitions in order to facilitate the use by the ECIDA and the School District of installment sale agreements or other comparable agreements in addition to facilities lease agreements with respect to Project Bonds; and

WHEREAS, the parties hereto entered into the First Amendment to modify certain provisions of the Amended and Restated State Aid Trust Agreement to provide for use of investment earnings received on Qualified Debt Service Reserve Fund Investment Agreements to reduce the amount that would otherwise be payable by the Depository Bank from State Aid Revenues to each Series Trustee; and

WHEREAS, the parties hereto desire to further amend and restate the Second Amended and Restated State Aid Trust Agreement to modify certain provisions of the Second Amended and Restated State Aid Trust Agreement to provide for funding of the Annual Payment Obligations on MBBA 2022 Refunding Bonds from State Aid Revenues annually collected in March of each Collection Period;

NOW THEREFORE, in consideration of the respective representations and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 101. Definitions. In this Agreement, unless a different meaning clearly appears from the context:

(1) “Agreement” means this Third Amended and Restated State Aid Trust Agreement as the same may from time to time be amended or supplemented;

(2) “Aggregate” means, when used to qualify any other term in this Agreement, the aggregate, of the relevant term, with respect to all then existing Project Bonds, and then existing Series Facilities Agreements;

(3) “Amendment Date” means the date as of which this Agreement is entered into;

(4) “Base Facilities Agreement Payment” means, with respect to any Series Facilities Agreement, the Base Lease Payment, the Base Installment Purchase Payment or other like payment obligations as so defined in such Series Facilities Agreement;

(5) “Buffalo Schools Act” means the act of the Legislature of the State entitled: “AN ACT in relation to the construction of new educational facilities, the financing of such facilities, and the financing of the rehabilitation and reconstruction of existing facilities in the City of Buffalo”, constituting Chapter 605 of the Laws of 2000 of the State, as amended by

Chapter 59 of the Laws of 2003 of the State and by Chapter 421 of the Laws of 2004 of the State, and as the same may be further amended;

(6) “Chief Fiscal Officer” means the comptroller of the City or such other officer of the City who may hereafter be designated chief fiscal officer of the City;

(7) “City” means the City of Buffalo;

(8) “Collection Percentage” means, with respect to each month of a Collection Period, the ratio, expressed as a percentage, of the amount of State Aid Revenues expected to be received during such month of such Collection Period to the total amount of State Aid Revenues expected to be received during such Collection Period;

(9) “Collection Period” means the four month period from and including December 1 of a Fiscal Year through and including March 31 of such Fiscal Year;

(10) “Collecting Officer” means the Superintendent of the School District, the Chief Financial Officer of the School District and any other official empowered to demand, collect and receive State Aid Revenues;

(11) “Debt Service Reserve Fund” means, with respect to a Series of Project Bonds, the Debt Service Reserve Fund established for such Series of Project Bonds under the related Series Indenture;

(12) “Depository Bank” means Manufacturers and Traders Trust Company or any trust company or bank having the powers of a trust company in the State, having reported capital and surplus of not less than \$100,000,000 and rated not lower than investment grade by any Rating Agency appointed by the School District in the manner set forth herein, and any successor trust company or bank having the powers of a trust company in the State which may be substituted in its place pursuant to the provisions hereof. The Depository Bank shall be the same financial institution as each Series Trustee;

(13) “ECIDA” means the Erie County Industrial Development Agency;

(14) “Facilities Agreement Payment Date” means, with respect to any Series Facilities Agreement, the date the Net Base Installment Purchase Payments or other base payment obligations for principal and interest are due under such Series Facilities Agreement;

(15) “Facilities Payment Obligations” means, with respect to any Facilities Agreement, the Lease Payments, the Installment Purchase Payments or other like payment obligations as so defined in such Series Facilities Agreement;

(16) “Fiscal Year” means the fiscal year of the City and the School District;

(17) “General Fund” means the bank account designated by the Chief Fiscal Officer in written instructions delivered to the Depository Bank on the date of issuance of the first Series of Project Bonds, as the same may be re-designated;

(18) “Investment Securities” means any investments that the City would be permitted to invest in under the provisions of Section 11 of the General Municipal Law of the State, as amended from time to time;

(19) “MBBA 2022 Series Trustee” means Bank of New York Mellon, as Trustee under the MBBA Resolution, and any successor appointed pursuant to such Resolution;

(20) “MBBA Resolution” means, collectively, the State Municipal Bond Bank Agency Special Program (City of Buffalo) Revenue Bond Resolution adopted by such Agency on September 13, 2012 and the 2022 Series A Special Program (City of Buffalo) Revenue Bond Series Resolution adopted by such Agency on March 10, 2022;

(21) “MBBA Provisions” means, collectively, the provisions of this agreement relating to MBBA, the Special Program Agreement, the Annual Payment Obligations on MBBA 2022 Refunding Bonds, the certificate described in section 202(g) hereof, and the MBBA 2022 Refunding Bonds;

(22) “Net Base Facilities Agreement Payments” means, with respect to any Facilities Agreement, the Net Base Installment Purchase Payments or other net base payment obligations for principal and interest on the related Project Bonds (net of (y) any Scheduled Debt Service Reserve Fund Earnings to the extent that any such Scheduled Debt Service Reserve Fund Earnings shall not first be required when received under the related Series Indenture to satisfy any deficiency in the Debt Service Reserve Fund established for such Project Bonds, and (z) any amounts available in the Bond Fund established under the Series Indenture for such Project Bonds) as so defined in such Series Facilities Agreement;

(23) “Project Bonds” means bonds issued by the ECIDA or some other public entity pursuant to Series Indentures and the Buffalo Schools Act;

(24) “Qualified Debt Service Reserve Fund Investment Agreement” means, with respect to a Series of the Project Bonds, that investment agreement entered into by the Series Trustee with respect to the Debt Service Reserve Fund as such Agreement is so defined in the related Series Facilities Agreement or Series Indenture;

(25) “Ratable Basis” means, ratably based on the ratio of the amount, at issue, owing to a Series Trustee to the Aggregate of such amounts, at issue, owing to all Series Trustees;

(26) “Rating Agency” means any nationally recognized credit rating agency then rating any Series of the Project Bonds;

(27) “Reserve Payment” means, with respect to any Facilities Agreement, the reserve payment obligation in respect of a deficiency in the amount on deposit in the Debt Service Reserve Fund established under a Series Indenture for a Series of Project Bonds.

(28) “Scheduled Debt Service Reserve Fund Earnings” means, with respect to any Base Facilities Agreement Payment, those earnings scheduled to be received under a Series Indenture from a Qualified Debt Service Reserve Fund Investment Agreement, based on the amount on deposit in the related Debt Service Reserve Fund and subject to the Qualified Debt Service Reserve Fund Investment Agreement as of the last Business Day of October immediately preceding the Facilities Agreement Payment Date for such Base Facilities Agreement Payment under the related Series Facilities Agreement, for the period commencing on such Facilities Agreement Payment Date through and including the next following October 23rd (or, if such October 23rd shall not be a Business Day, then on the next preceding Business Day) provided that such earnings are required by the related Series Indenture to be deposited into the Bond Fund under such Series Indenture after receipt by the Series Trustee under such Series Indenture of a Project Fund Sufficiency Certificate (as defined in such Series Indenture);

(29) “Series Facilities Agreement” means the Facilities Lease Agreement (Series 2003 Project), dated as of September 1, 2003, as amended by an Amendatory Installment Sale Agreement (Series 2003 Project), dated as of June 28, 2005, by and between the ECIDA and the School District, the Installment Sale Agreement (Series 2004 Project), dated as of December 1, 2004, between the ECIDA and the School District, and each other facilities lease agreement, facilities installment sale agreement or other facilities agreement, pursuant to which the ECIDA or some other public entity shall lease, sublease or sell its leasehold interest in facilities to the District, in connection with the issuance of Project Bonds, as the same may be amended or supplemented;

(30) “Series Indenture” means the Indenture of Trust (Series 2003 Project) by and between the ECIDA and Manufacturers and Traders Trust Company, as Trustee, dated as of September 1, 2003, the Indenture of Trust (Series 2004 Project) by and between the ECIDA and Manufacturers and Traders Trust Company, as Trustee, dated as of December 1, 2004, and each other indenture of trust or bond resolution pursuant to which a series of Project Bonds shall be issued by ECIDA or some other public entity to

finance all or a portion of the Project, as the same may be amended or supplemented;

(31) “Series Trustee” means Manufacturers and Traders Trust Company, as Trustee under the Indenture of Trust (Series 2003 Bonds) and under the Indenture of Trust (Series 2004 Bonds) and each financial institution acting as trustee under another Series Indenture, and its respective successors, if any, appointed pursuant to such Series Indenture;

(32) “Special Program Agreement” means the Special Program Agreement by and between the MBBA and the City dated as of May 1, 2022, as from time to time amended and supplemented.

(33) “State” means the State of New York;

(34) “State Aid Depository Fund” or “Fund” means the fund so entitled which is held by the Depository Bank and is described and provided for in this Agreement;

(35) “State Aid Revenues” means the total amount of State aid to education annually appropriated by the New York State Legislature and paid to the School District or the City or any officer thereof, for the provision of public educational instruction in the City together with earnings on the investment thereof while in the custody of the Depository Bank; and

(36) “Superintendent” means the Superintendent of the City School District of the City of Buffalo.

Section 102. Interpretations. (a) Words importing the masculine gender include every other gender. Words importing persons include firms, limited liability companies, partnerships, associations and corporations. Words importing the singular number include the plural, and vice-versa; (b) the terms “herein”, “hereunder”, “hereby”, “hereof”, “hereto”, and other similar terms refer to this Agreement; and (c) the term “hereafter” means after the effective date of the Agreement, which shall be the date of issuance of the first Series of Project Bonds.

Section 103. Parties Interested Herein. Except as provided in Section 314 hereof, nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or give to, any person, other than the City, the Depository Bank, the School District and each Series Trustee any right, remedy or claim under or by reason of this Agreement or any stipulation, obligation, agreement or condition therein. Except as provided in Section 314 hereof, all of the stipulations, promises and agreements in this Agreement shall be for the sole and exclusive benefit of the City, the Depository Bank, the School District and each Series Trustee.

Section 104. Severability of Invalid Provisions. If any one or more of the provisions or agreements in this Agreement on the part of the City, the School District, the Depository Bank or a Series Trustee to be performed should be contrary to law, then such provision or provisions, agreement or agreements shall be deemed separable from the remaining provisions and agreements, and shall in no way affect the validity of the other provisions of this Agreement.

ARTICLE II

ESTABLISHMENT AND OPERATION OF THE FUND

Section 201. Establishment of State Aid Depository Fund. In order to facilitate the purposes of the Buffalo Schools Act and the payment of the Aggregate Facilities Payment Obligations, there was established as of December 1, 2004 a special fund which is known, and is referred to, as the State Aid Depository Fund. On the Amendment Date, the purpose of the State Aid Depository Fund is being broadened to provide for the payment of Annual Payment Obligations on MBBA 2022 Refunding Bonds, but without impairing in any way the original purpose of the State Aid Depository Fund. The Fund shall be held by and maintained with the Depository Bank, and the School District hereby agrees with the City, the Depository Bank, each Series Trustee and the MBBA 2022 Series Trustee that the School District will duly and punctually pay or cause to be paid the Aggregate Facilities Payment Obligations and the Annual Payment Obligations on MBBA 2022 Refunding Bonds from amounts received in the Fund, and that the School District will maintain the Fund with the Depository Bank, and will operate the Fund in the manner set forth herein.

Section 202. Operation of the Fund. Pursuant to written instructions to the New York State Comptroller dated September 10, 2003, the Chief Fiscal Officer and the Collecting Officer have directed the New York State Comptroller's Office to deposit all State Aid Revenues into the Fund except for any amount of State Aid Revenues withheld from the City or School District in accordance with the provisions of the Buffalo Schools Act, as the same may be amended.

(a) Notwithstanding the following provisions of this Section 202, if the Depository Bank receives written instructions from the Chief Fiscal Officer with an accompanying monthly payment schedule from the Chief Fiscal Officer indicating that, pursuant to applicable state law and if applicable any credit enhancement agreement to which the City is a party, State Aid Revenues must be set aside in a special bank account designated in such instructions to be used only for the payment in accordance with such payment schedule of outstanding revenue anticipation notes issued by the City (the "RAN Repayment Requirement"); then, each month, the Depository Bank shall immediately withdraw from the Fund all State Aid Revenues that are received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under this Section 202, to such special bank account, until the total amount of such withdrawals is equal to the portion of such RAN Repayment Requirement required, in accordance with such payment schedule, to be withdrawn and paid to such special bank account for such month or any prior month to the extent not yet paid.

(b) Commencing on September 16, 2003 through and including November 30, 2003, the Depository Bank shall immediately upon receipt of any payment of State Aid Revenues pay over to the General Fund all such State Aid Revenues.

(c) The Collecting Officer and the Chief Fiscal Officer shall prepare and deliver a certificate, substantially in the form of Exhibit A-1 hereto (the "State Aid Payment Certificate") to the Depository Bank, each Series Trustee and, for so long as any MBBA 2022 Refunding Bonds shall remain outstanding, the MBBA 2022 Series Trustee on or before (i) November 1, 2022 (with any State Aid Payment Certificate so delivered on or before November

1, 2022 for the Fiscal Year ending June 30, 2023 replacing any State Aid Certificate previously delivered by the Collecting Officer and the Chief Fiscal Officer for such Fiscal Year), and (ii) July 15 of each subsequent Fiscal Year. The State Aid Payment Certificate shall set forth (i) a statement that the District has appropriated an amount of State Aid Revenues necessary to fund the District's Aggregate Facilities Payment Obligations and from and after the Amendment Date, the Annual Payment Obligations on MBBA 2022 Refunding Bonds for such Fiscal Year (ii) the total amount of State Aid Revenues expected to be received during the next Collection Period and the Collection Percentage applicable to each month of such Collection Period, and (iii) a statement, developed with the assistance of the District's Financial Advisor or a nationally recognized municipal securities underwriting firm, setting forth the long-term debt rating of each provider of a Qualified Debt Service Reserve Fund Investment Agreement by each of Fitch, Inc., Moody's Investors Service, Inc. and S&P Global Ratings. However, in the event that the District shall not have appropriated such amount of State Aid Revenues in its adopted budget for such Fiscal Year the State Aid Payment Certificate for such Fiscal Year shall set forth a statement to such effect, shall not include any information regarding the collection of State Aid Revenues during the Collection Period and shall be substantially in the form of – Exhibit A-2 hereto. Thereafter and not later than the end of the third business day immediately preceding March 31 of such Fiscal Year, if circumstances warrant, the Collecting Officer and the Chief Fiscal Officer shall from time to time prepare and deliver to the Depository Bank a revised State Aid Payment Certificate setting forth, as appropriate (i) a statement that the District has, subsequent to adoption of its budget for such Fiscal Year, appropriated an amount of State Aid Revenues necessary to fund the District's Aggregate Facilities Payment Obligations and Annual Payment Obligations on MBBA 2022 Refunding Bonds for such Fiscal Year, or (ii) a revised total amount of State Aid Revenues expected to be received during the Collection Period for such Fiscal Year and, in either case, if applicable, Collection Percentages or revised Collection Percentages applicable to the remainder of such Collection Period.

(d) On or before November 10 of each Fiscal Year, commencing November 10, 2003, each Series Trustee shall prepare and deliver to the Collecting Officer, the Chief Fiscal Officer and the Depository Bank a certificate (the "Base Facilities Agreement Payment Certificate") setting forth the Net Base Facilities Agreement Payment (computed as of the immediately preceding last business day of October of such Fiscal Year) portion of the Facilities Payment Obligations due on the following April 1.

(e) On or before November 10 of each Fiscal Year, commencing November 10, 2003, each Series Trustee shall, in accordance with the provisions of the Series Indenture pursuant to which such Series Trustee has been appointed, prepare and deliver to the Collecting Officer, the Chief Fiscal Officer and the Depository Bank a certificate (the "Reserve Payment Certificate") setting forth the Reserve Payment (as defined in each Series Facilities Agreement and computed as of the immediately preceding last business day of October of such Fiscal Year) portion of the Facilities Payment Obligations due and the amount of the Debt Service Reserve Deficiency as of the date of such certificate.

(f) On or before November 10 of each Fiscal Year, commencing November 10, 2022, the Collecting Officer and the Chief Fiscal Officer shall, in accordance with the provisions of the MBBA Special Program Agreement, prepare and deliver to the Depository Bank a certificate setting forth the Annual Payment Obligations on MBBA 2022 Refunding Bonds (computed as of the immediately preceding last business day of October of such Fiscal

Year) due for such Fiscal Year as of the date of such certificate (the “Annual Payment Obligations on MBBA 2022 Refunding Bonds Certificate”).

(g) During each Collection Period beginning after November 30, 2003 (or beginning after the Amendment Date with respect to the Annual Payments on MBBA 2022 Refunding Bonds), if the Depository Bank has received a State Aid Payment Certificate with respect to such Collection Period that sets forth the statements required by clauses (i) and (ii) of the first sentence of Section 202(c), the Depository Bank shall, immediately upon receipt of any payment of State Aid Revenues, withdraw such State Aid Revenues from the Fund and cause the amounts so withdrawn to be immediately paid in the following order of priority:

(i) *first*, to each Series Trustee for deposit in the Bond Fund established pursuant to the related Series Indenture until the total amount of such withdrawals during each month of such Collection Period shall equal the sum of (A) the product of the Collection Percentage for such month multiplied by the Net Base Facilities Agreement Payment due the immediately following April 1 as set forth in the Base Facilities Agreement Payment Certificate most recently received by the Depository Bank, plus (B) during the months of January, February and March, the excess of the amount that should have been deposited in the Bond Fund in the immediately preceding month of the Collection Period pursuant to the provisions of this paragraph, over the amount in fact so deposited;

(ii) *second*, thereafter during each month of such Collection Period, to each Series Trustee for deposit in the Debt Service Reserve Fund established pursuant to the related Series Indenture until the total amount of such withdrawals is equal to the Reserve Payment due, if any, as set forth in the Reserve Payment Certificate most recently received by the Depository Bank;

(iii) *third*, thereafter during the month of March of such Collection Period (and only once the total amount of each such Base Facilities Agreement Payment and any such Reserve Payment has been paid in full to each Series Trustee), to the MBBA 2022 Series Trustee for deposit in the Revenue Fund established pursuant to the MBBA Resolution until the total amount of such withdrawals during such month shall equal the aggregate Annual Payment Obligations on MBBA 2022 Refunding Bonds due on the immediately following April 1 as set forth in the Annual Payments on MBBA 2022 Refunding Bonds Certificate most recently received by the Depository Bank, and

(iv) *fourth*, thereafter during each month of such Collection Period, to the General Fund.

In the event that any amount on deposit in the Fund in any month of the Collection Period, at any time, shall be less than the amount required to be paid to a Series Trustee under clauses (i) or (ii) above, the Depository Bank shall make payment to each Series Trustee on a Ratable Basis, in the priority indicated above. For purposes of the preceding sentence, “Ratable Basis” shall be first computed based on amounts payable to each Series Trustee under clause (i) above if there is not enough in the Fund to pay to each Series Trustee what is payable under clause (i) above, and, if the amounts payable under clause (i) have been

paid in full, then computed based on the amount payable to each Series Trustee under clause (ii). No amounts shall be paid the MBBA 2022 Series Trustee until all amounts payable to each Series Trustee under clause (i) and (ii) above have been paid in full.

Thereafter from April 1 until the commencement of the next Collection Period, immediately upon receipt of any payment of State Aid Revenues, the Depository Bank shall withdraw such State Aid Revenues from the Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

If the Depository Bank has not received with respect to a Collection Period for any reason a State Aid Payment Certificate that includes the statements required by clauses (i) and (ii) of the second sentence of Section 202(d), the Depository Bank, both during and after such Collection Period until the next Collection Period, shall withdraw any State Aid Revenues from the Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

Section 203. Procedure for Collection and Deposit of State Aid Revenues. The procedure set forth in this Article for the operation of the Fund is related to the School District's current procedure for the collection, deposit and disbursement of State Aid Revenues. Nothing herein contained shall prevent the City, the Depository Bank, the School District or the Series Trustees from effecting any change by amendment hereto modifying the procedures for the collection, deposit and disbursement of State Aid Revenues, without the consent of any other party; provided, however, that the School District hereby agrees with the City, the Depository Bank, each Series Trustee and the MBBA 2022 Series Trustee that (i) prior to making any such change, the School District shall notify each Rating Agency of such change and that prior to any such change there shall be delivered to the Depository Bank a rating confirmation of each Rating Agency that the then current unenhanced rating of the Project Bonds or MBBA 2022 Refunding Bonds will not be withdrawn or reduced as a result of such change and (ii) the School District will not change or alter the procedure for the collection and deposit of State Aid Revenues which in any manner would result in insufficient State Aid Revenues being available to timely pay Facilities Payment Obligations or the MBBA 2022 Refunding Bonds in accordance with the terms of this Agreement.

Section 204. Accounts, Reports and Certificates. The Depository Bank agrees that it will keep, or cause to be kept, proper books of record in which complete and accurate entries shall be made of all transactions relating to the Fund. The School District at its sole cost and expense shall cause such books of record relating to the Fund to be audited annually by one or more certified public accountants duly licensed by the State, and such audit shall be filed by the School District with the Chief Fiscal Officer, the Depository Bank and each Series Trustee.

ARTICLE III

THE DEPOSITORY BANK

Section 301. Appointment of Successor Depository Bank. The Collecting Officer may take any and all necessary action, subject to approval by the Chief Fiscal Officer, in connection with the removal of the Depository Bank and the designation of a successor Depository Bank. Each successor Depository Bank shall be a trust company or bank having the

powers of a trust company in the State with a reported capital and surplus of not less than \$100,000,000 and rated not less than investment grade by any Rating Agency. Any successor Depository Bank so designated shall be deemed to be the successor Depository Bank appointed by the Board of Education unless and until said Board shall take action to the contrary.

The Collecting Officer shall give notice to the Board of Education of any action with respect to the Depository Bank in accordance with this Article by filing or causing to be filed a signed statement of such action in the office of the Clerk to the Board of Education on the date such action is taken.

Section 302. Moneys on Deposit with the Depository Bank in the Fund. The Depository Bank shall hold all moneys deposited in the Fund in trust for the benefit of the School District and the City, and shall withdraw such moneys as provided in this Agreement.

Section 303. Investment of State Aid Depository Fund. Pending the withdrawals provided for in Section 202, moneys in the Fund shall be invested in Investment Securities maturing at such times and in such amounts as shall provide available moneys to make such withdrawals and payments from the Fund when required. Such investments shall be made for and on behalf of the School District by the Depository Bank upon written instructions from the Chief Fiscal Officer or his authorized deputy.

Section 304. Moneys held in Trust. All moneys held by the Depository Bank, as such, at any time pursuant to the terms of this Agreement shall be and hereby are assigned, transferred and set over unto such Depository Bank in trust for the purposes and under the terms and conditions of this Agreement.

Section 305. Responsibilities of the Depository Bank. The recital of facts herein contained shall be taken as the statements of the School District and the Depository Bank shall assume no responsibility for the correctness of same. The Depository Bank shall not be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or failure to perform its express obligations under this Agreement.

Section 306. Evidence on Which the Depository Bank May Act. The Depository Bank shall be protected in acting upon any notice, resolution, ordinance, request, consent, order, certificate, opinion or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Depository Bank shall be permitted to rely on any document transmitted to the Depository Bank by facsimile as if it were an original. The Depository Bank may consult with counsel, who may or may not be counsel to the School District or the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Section 307. Compensation and Expenses. Unless otherwise provided by contract with the Depository Bank, the School District shall pay to the Depository Bank from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder.

Section 308. Resignation of the Depository Bank. Subject to the applicable requirements for a successor depository bank set forth in Section 301 hereof, the Depository Bank may at any time resign and be discharged of the duties created by this Agreement by giving not less than 60 days' written notice to the School District, the Chief Fiscal Officer, the State Comptroller and each Series Trustee, and such resignation shall not take effect until a successor shall have been appointed by the Collecting Officer as provided in Section 301.

Section 309. Removal of Depository Bank. Subject to the appointment of a successor Depository Bank in accordance with the provisions of Section 301 hereof, the Depository Bank may be removed at any time by the School District by notice in writing filed with the Depository Bank, each Series Trustee and the State Comptroller.

Section 310. Regulations Regarding Investment of Fund. Investment Securities purchased as an investment of moneys in the Fund established under this Agreement shall be deemed at all times to be a part of the Fund, and the interest thereon and any profit arising on the sale thereof shall be credited to the Fund, and any loss resulting on the sale thereof shall be charged to the Fund. In computing the amount in the Fund for any purpose hereunder, such Investment Securities shall be valued at the lower of cost or market price thereof, exclusive of accrued interest, such valuation to be completed by a valuation service selected by the Depository Bank.

Section 311. Enforcement. The construction and enforcement of this Agreement shall be governed by the laws of the State of New York. The parties hereto consent to the jurisdiction of any state or federal court located in the State of New York for the resolution of any claim or controversy arising directly or indirectly from this Agreement.

Section 312. Execution. This Agreement may be executed simultaneously in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 313. Notices. (A) All notices, requests, demands and formal actions hereunder relating to the Project Bonds will be in writing, mailed, faxed or delivered to:

(a) **School District:**

City School District of the City of Buffalo
712 City Hall
Buffalo, New York 14202
Attention: Superintendent
Fax No.: (716) 851-3575

(b) **City:**

City of Buffalo
1225 City Hall
Buffalo, New York 14202
Attention: Comptroller
Fax No.: (716) 851-4031

- (c) **Depository Bank:**
Manufacturers and Traders Trust Company
One M&T Plaza, 7th Floor
Buffalo, New York 14203
Attention: Corporate Trust Department
Fax No.: (716) 842-4474
- (d) **Series Trustee:**
Manufacturers and Traders Trust Company
One M&T Plaza, 7th Floor
Buffalo, New York 14203
Attention: Corporate Trust Department
Fax No.: (716) 842-4474

(B) All notices, requests, demands and formal actions hereunder relating to the MBBA Provisions will be in writing, mailed, faxed or delivered to:

- (a) **School District:**
City School District of the City of Buffalo
712 City Hall
Buffalo, New York 14202
Attention: Superintendent
Fax No.: (716) 851-3575
- (b) **City:**
City of Buffalo
1225 City Hall
Buffalo, New York 14202
Attention: Comptroller
Fax No.: (716) 851-4031
- (c) **Depository Bank:**
Manufacturers and Traders Trust Company
One M&T Plaza, 7th Floor
Buffalo, New York 14203
Attention: Corporate Trust Department
Fax No.: (716) 842-4474
- (d) **MBBA:**
State of New York Municipal Bond Bank Agency
641 Lexington Avenue, 4th Floor
New York, New York 10022
Attention: _____
Fax No.: (212)

- (e) **MBBA 2022 Series Trustee:**
The Bank of New York Mellon
101 Barclay Street, Floor 7W
New York, New York 10286
Attention: Corporate Trust Department
Fax No.: (212) _____

Section 314. Third Party Beneficiaries. In consideration for the issuance by MBBA of its MBBA 2022 Refunding Bonds for the benefit of the City, it is the intent of this Agreement that MBBA and the MBBA Series Trustee shall be limited third party beneficiaries under this agreement and that they are each conferred with rights and remedies solely with respect to the provisions of this agreement relating to MBBA, the Special Program Agreement, the Annual Payment Obligations on MBBA 2022 Refunding Bonds the certificate described in section 202(g) hereof, and the MBBA 2022 Refunding Bonds (collectively, the “MBBA Provisions”). The parties hereto reserve the power to modify alter or amend this Agreement without the consent of MBBA and the MBBA 2022 Series Trustee provided that any such modification, alteration or amendment does not adversely impact or adversely affect the rights of MBBA and the MBBA 2022 Series Trustee under any of the MBBA Provisions.

Section 315. Identification of MBBA 2022 Series Trustee; Payment Instructions. To facilitate the making of Annual Payment Obligations on MBBA 2022 Refunding Bonds, the MBBA 2022 Series Trustee shall execute and deliver to the Depository Bank at the address set forth above a certificate to the Depository Bank stating that it is serving as the MBBA 2022 Series Trustee and setting forth payment instructions for use by the Depository Bank. If any successor MBBA 2022 Series Trustee is appointed, or the payment instructions or contact information shall change, MBBA shall cause a replacement certificate to be promptly delivered to the Depository Trustee.

Section 316. Amendment and Restatement. This Agreement amends and restates in its entirety the Amended and Restated State Aid Trust Agreement (which amended and restated the Original State Aid Trust Agreement), as amended by the First Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amended and Restated State Aid Trust Agreement to be executed as of the day and year first above written.

CITY OF BUFFALO

By: _____
Barbara Miller-Williams
Comptroller

**CITY SCHOOL DISTRICT OF THE
CITY OF BUFFALO**

By: _____
Louis Petrucci, President
Board of Education

**MANUFACTURERS AND TRADERS TRUST
COMPANY, as Depository Bank**

By _____
Russell T. Whitley
Assistant Vice President

**MANUFACTURERS AND TRADERS TRUST
COMPANY, as Series Trustee**

By _____
Russell T. Whitley
Assistant Vice President

THE BANK OF NEW YORK MELLON
as MBBA 2022 Trustee

By _____
Glenn Kunak
Vice President

Exhibit A-1

**State Aid Payment Certificate
(Appropriation)**

(Date)

Via Facsimile (716-842-4474)

Manufacturers and Traders Trust Company,
as Depository Bank and Series Trustee
One M&T Plaza
Buffalo, New York 14203
Attention: Corporate Trust Department
Russell Whitley

Via Facsimile (212-815-3455)

Bank of New York Mellon
as MBBA 2022 Series Trustee
101 Barclay Street, Floor 7W
New York, New York 10286
Attention: Corporate Trust Department

Ladies and Gentlemen:

Re: State Aid Payment Certificate

Reference is made to the Third Amended and Restated State Aid Trust Agreement, dated as of May 1, 2022 (the "State Aid Trust Agreement"), among the City School District of the City of Buffalo (the "District"), the City of Buffalo and Manufacturers and Traders Trust Company, as Depository Bank, Manufacturers and Traders Trust Company, as Series Trustee and The Bank of New York Mellon, as MBBA 2022 Series Trustee (the "State Aid Trust Agreement"). All capitalized terms not otherwise defined herein have the meanings attributed to them in the State Aid Trust Agreement.

The District is delivering this letter as the State Aid Payment Certificate required by the State Aid Trust Agreement. The District has appropriated an amount of State Aid Revenues necessary to fund the District's Aggregate Facilities Payment Obligations and Annual Payments on MBBA 2022 Refunding Bonds for Fiscal Year ending June 30, 20___. The total amount of State Aid Revenues expected to be received during the period from December 1, 20__ through and including March 31, 20__ (the "Collection Period") is \$_____ and the Collection Percentage¹ for each month during the Collection Period is set forth below:

¹ Compute by dividing the State Aid Revenues expected to be received in the particular month by the total amount of State Aid Revenues expected to be received during the Collection Period, and then expressing the result as a percentage.

1.	December	___%
2.	January	___%
3.	February	___%
4.	March	___%
		<u>100%</u>

A revised State Aid Certificate can be delivered for a fiscal year, no later than the 3rd business day preceding March 31 of that fiscal year.

You are further advised that, in consultation with [_____, the District's Financial Advisor] [_____, a nationally recognized municipal securities underwriting firm], the long-term debt rating of each provider (the "Provider") of a Qualified Debt Service Reserve Fund Investment Agreement by each of Fitch, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") is set forth below:

<u>Name of Provider</u>	<u>Fitch Rating</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>
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Very truly yours,

_____, Superintendent

_____, Comptroller

Exhibit A-2

**State Aid Payment Certificate
(Non-Appropriation)**

(Date)

Via Facsimile (716-842-4474)

Manufacturers and Traders Trust Company,
as Depository Bank and Series Trustee
One M&T Plaza
Buffalo, New York 14203
Attention: Corporate Trust Department
Russell Whitley

Via Facsimile (212-815-3455)

Bank of New York Mellon
as MBBA 2022 Series Trustee
101 Barclay Street, Floor 7W
New York, New York 10286
Attention: Corporate Trust Department

Ladies and Gentlemen:

Re: State Aid Payment Certificate

Reference is made to the Third Amended and Restated State Aid Trust Agreement, dated as of October 1, 2012 (the “State Aid Trust Agreement”), among the City School District of the City of Buffalo (the “District”) and the City of Buffalo and Manufacturers and Traders Trust Company, as Depository Bank, Manufacturers and Traders Trust Company, as Series Trustee and The Bank of New York Mellon, as MBBA 2022 Series Trustee] (the “State Aid Trust Agreement”). All capitalized terms not otherwise defined herein have the meanings attributed to them in the State Aid Trust Agreement.

The District is delivering this letter as the State Aid Payment Certificate required by the State Aid Trust Agreement. The District has not yet appropriated an amount of State Aid Revenues in its adopted budget for Fiscal Year ending June 30, 20__ for the payment of the Aggregate Facilities Payment Obligations and Annual Payments on MBBA 2022 Refunding Bonds for such Fiscal Year. [Insert the following sentence, if appropriate. It is anticipated that the budget will be revised and an updated State Aid Payment Certificate will be provided.]

You are further advised that, in consultation with [_____, the District’s Financial Advisor] [_____, a nationally recognized municipal securities underwriting firm], the long-term debt rating of each provider (the “Provider”) of a Qualified

Debt Service Reserve Fund Investment Agreement by each of Fitch, Inc. (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”) and S&P Global Ratings (“S&P”) is set forth below:

<u>Name of Provider</u>	<u>Fitch Rating</u>	<u>Moody’s Rating</u>	<u>S&P Rating</u>
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Very truly yours,

_____, Superintendent

_____, Comptroller

PROPOSED FORM OF BOND COUNSEL OPINION

*Upon delivery of the 2022 Series A Bonds
Harris Beach PLLC, Bond Counsel to the Agency,
proposes to render its approving opinion in substantially the following form:*

[Date of Closing]

State of New York Municipal Bond Bank Agency
641 Lexington Avenue
New York, New York 10022

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the State of New York Municipal Bond Bank Agency, a corporate governmental agency of the State of New York constituting a public benefit corporation (the “Agency”), of \$7,385,000 aggregate principal amount of Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A (the “2022 Series A Bonds”). The 2022 Series A Bonds are being issued pursuant to the State of New York Municipal Bond Bank Agency Act, Title 18 of 8 of the Public Authorities, Chapter 42 of the Consolidated Laws of the State of New York, as amended (the “Act”), the Special Program (City of Buffalo) Resolution, adopted by the Agency on September 13, 2012 Authorizing the Issuance of State of New York Municipal Bond Bank Agency Special Program (City Of Buffalo) Revenue Bonds (the “General Resolution”) and the 2022 Series A Special Program (City of Buffalo) Refunding Revenue Bond Series Resolution, adopted by the Agency on March 10, 2022, authorizing the 2022 Series A Bonds (the “Series Resolution”); and collectively with the General Resolution, the “Resolution”).

Capitalized terms used and not otherwise defined herein have the respective meanings given to them in the Resolution.

The 2022 Series A Bonds are dated their date of delivery and mature, are payable, bear interest and are subject to redemption all as provided in the Resolution.

As Bond Counsel, we have examined a certified copy of the Resolution and an executed 2022 Series A Bond. In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinions rendered below.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the 2022 Series A Bonds in order that interest on the 2022 Series A Bonds be and remain excluded from gross income for federal

income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of proceeds of 2022 Series A Bonds, restrictions on investment of proceeds of 2022 Series A Bonds and other certain other moneys and properties, and the rebate to the federal government of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the 2022 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2022 Series A Bonds, irrespective of the date on which such noncompliance occurs. The Resolution, the Arbitrage and Use of Proceeds Certificate, of the Agency, dated the date hereof, together with the accompanying Certificates, dated the date hereof from the Special Purpose Municipality and the District (collectively, the “Tax Certificate”), contain certain factual certifications, covenants, representations and warranties as to compliance with the requirements of the Code. In rendering the opinions set forth in paragraph 5 herein, we have assumed the accuracy of such factual certifications of, and continuing compliance by the Agency, the Special Purpose Municipality and the District with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions and the Tax Certificate.

Based on the foregoing, we are of the opinion that:

1. The Agency has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolution, and the Resolution has been duly adopted by the Agency, is in full force and effect and is valid and binding upon the Agency and enforceable in accordance with its terms; provided that no opinion is expressed as to the enforceability of the Resolution in accordance with its terms to the extent that the enforcement of any provision thereof may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors rights generally and by applicable law which may affect the availability of remedies.

2. The Resolution creates the valid pledge which it purports to create of the monies and investments held in all funds and accounts established by the subject to the application thereof to the purposes and on the conditions permitted by the Resolution.

3. The 2022 Series A Bonds have been duly and validly authorized and issued by the Agency and are valid and binding special revenue obligations of the Agency, payable solely from the sources provided therefor in the Resolution.

4. The 2022 Series A Bonds are not a debt of the State of New York or of the Special Program Municipality, and neither the State of New York nor the Special Program Municipality is liable thereon, nor shall the 2022 Series A Bonds be payable out of funds of the Agency other than those pledged for the payment of the 2022 Series A Bonds.

5. Under existing statutes, regulations, administrative rulings and court decisions, interest on the 2022 Series A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

6. Under existing statutes, including the Act, interest on the 2022 Series A Bonds is exempt from personal income taxes imposed by New York State or any political subdivision thereof.

We have examined an executed 2022 Series A Bond and, in our opinion, the form of said Bond and its execution is regular and proper.

Except as expressed in paragraphs 5 and 6 above, we express no opinion regarding the federal, State or local tax consequences related to the ownership or disposition of, or accrual or receipt of interest

on, the 2022 Series A Bonds. Furthermore, we express no opinion as to any federal, state or local tax consequences with respect to the 2022 Series A Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolution or the Tax Certificate or under any other relevant documents upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the 2022 Series A Bonds may affect the tax status of interest on the 2022 Series A Bonds. Further, although interest on the 2022 Series A Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a 2022 Series A Bond depending upon the tax status of such holder and such holder's other items of income and deduction.

This opinion is rendered under existing law as of the date hereof and we assume no obligation to update this opinion after the date hereof to (A) reflect any future action, fact or circumstance or change in law or interpretation, or (B) undertake to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2022 Series A Bonds may adversely affect the value of, or the tax status of, interest on, the 2022 Series A Bonds.

Respectfully submitted,

Exhibit I

FORM OF AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

THIS AGREEMENT, dated as of May 6, 2022, is made by and between the City and the Trustee, each as defined below in Section 1 (this “Agreement”).

In order to permit the Participating Underwriters to comply with the provisions of Rule 15c2-12 in connection with the public offering of the Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree for the sole and exclusive benefit of the Holders as follows:

SECTION 1. Definitions. Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Resolution.

“Agency” shall mean the State of New York Municipal Bond Bank Agency, a public benefit corporation of the State of New York and the issuer of the Bonds, its successors and assigns.

“Annual Information” shall mean the information specified in Section 3 hereof.

“Bonds” shall mean the State of New York Municipal Bond Bank Agency Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A.

“City” shall mean The City of Buffalo.

“District” shall mean the City School District of the City of Buffalo.

“EMMA” means the Electronic Municipal Market Access System of the MSRB. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Financial Obligation” shall mean, for purposes of the Listed Events, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

“GAAP” shall mean generally accepted accounting principles in effect from time to time in the United States.

“GAAS” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“General Resolution” shall mean the State of New York Municipal Bond Bank Agency Special Program (City of Buffalo) Resolution adopted by the Agency on September 13, 2012 Authorizing the Issuance of State of New York Municipal Bond Bank Agency Special Program (City of Buffalo) Revenue Bonds, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the General Resolution.

“Holder” shall mean any registered owner of Bonds, and if registered in the name of Cede & Co. through DTC, any beneficial owner of Bonds.

“Listed Events” shall mean any of the events listed in Section 2(B)(1) of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“Official Statement” shall mean that official statement prepared in connection with the issuance of the Bonds.

“Participating Underwriters” shall mean the original underwriters of the Bonds required to comply with the Rule 15c2-12 in connection with the offering of the Bonds.

“Resolution” shall mean, collectively, the General Resolution and the 2022 Series A Special Program (City of Buffalo) Refunding Revenue Bonds, adopted by the Agency on March 10, 2022.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

“Trustee” shall mean The Bank of New York Mellon, its successors and assigns.

SECTION 2. Obligations to Provide Continuing Disclosure.

(A) The City hereby undertakes, for the benefit of the Holders, to provide, no later than nine (9) months after the end of the fiscal years of the City commencing with the fiscal year ending June 30, 2022, to the Trustee and to EMMA, the Annual Information relating to such fiscal year, together with audited financial statements of the City and the District, respectively, for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided and such audited financial statements shall be delivered to the Trustee and to EMMA within 30 days after they become available but in no event later than 360 days after the end of such fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the City has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933; and

(B) In addition, the City and the Trustee hereby undertake, for the benefit of the Holders, to provide to EMMA:

(1) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds (the “Listed Events”):

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to the rights of Holders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the City;

Note: For the purposes of the event identified in this subparagraph (l), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by

a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect Holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties; and

(2) in a timely manner, notice of a failure by the Trustee or the City to comply with paragraph (A) or and subparagraph (1) of paragraph (B) hereof.

(C) Notifications. The City shall notify the Trustee upon the occurrence of any of the Listed Events upon becoming aware of the occurrence of any such Listed Event. With respect to the foregoing, the Trustee shall not be deemed to have become aware of any such Listed Event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(D) Designation of Obligated Person under Rule 15c2-12. The City is the “obligated person” within the meaning of Rule 15c2-12 for purposes of this Agreement.

(E) Other Information. Nothing herein shall be deemed to prevent the Trustee or the City from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Trustee or the City should disseminate any such additional information, the Trustee or the City shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(F) Disclaimer by the City and the Trustee. Each of the City and the Trustee shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Trustee shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information provided pursuant to

Section 2(A), and its obligations hereunder shall be limited solely to the undertaking set forth in Sections 2(A) and 2(B).

SECTION 3. Annual Information.

(A) Specified Information. The Annual Information shall consist of the following:

(i) financial information concerning the City of the type included in the Official Statement under the heading “SECURITY FOR THE BONDS AND SOURCE OF ANNUAL PAYMENTS—State School Aid and Budget Appropriations” and “Exhibit C—Information Regarding the City of Buffalo (pages C-34 through C-41)”, and

(ii) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of the aforesaid information.

(B) Cross-Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been filed with the MSRB.

(C) Information Categories. The requirements contained in this Agreement under Section 3(A)(i) are intended to set forth a general description of the type of financial information to be provided; such descriptions are not intended to state more than general categories of financial information; and where the provisions of Section 3(A)(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

SECTION 4. Remedies. If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of Article XI of the Resolution with respect to the enforcement of remedies of Holders upon the occurrence of an event of default under Section 1102 thereof as though such provisions applied hereunder. Each of the City and the Trustee reserves the right, but shall not be obligated to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Resolution or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 5, beneficial owners shall be deemed to be Holders for purposes of this Section 4.

SECTION 5. Parties in Interest. This Agreement is executed and delivered solely for the benefit of the Holders and, for the purposes of Section 4, beneficial owners of the Bonds. For the

purpose of such Section 4, beneficial owners of the Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 4 shall have any right to enforce the provisions hereof or any other rights hereunder.

SECTION 6. Amendments.

(A) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) the City and the Trustee at any time and from time to time may enter into amendments or changes to this Agreement for any purpose if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by the Trustee or by nationally recognized bond counsel or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with the consent of Holders pursuant to Section 1002 of the Resolution. In determining whether there is such a material impairment, the Trustee may rely upon an opinion of nationally recognized bond counsel. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the City or the Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the City or the Trustee for the benefit of the Holders, or to surrender any right or power herein conferred upon the City or the Trustee.

(B) Annual Information for any fiscal year containing any amended financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible, such comparison shall also be quantitative. A notice of the change in accounting principles shall be sent to the Trustee and to EMMA.

SECTION 7. Termination.

(A) The obligations of the City under this Agreement may be terminated if the City is no longer an “obligated person” within the meaning of Rule 15c2-12; provided, however, that if the City has obligated itself to provide information relating to any entity that thereafter continues to constitute such an “obligated person” within the meaning of Rule 15c2-12, the obligations of the City to provide such information shall not be terminated. Upon any such

termination, the City shall advise the Trustee and the Trustee shall provide notice thereof to EMMA.

(B) Notwithstanding the provisions of Section 7(A), this Agreement and the respective obligations of the City and the Trustee shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or defeased pursuant to the Resolution (a “Legal Defeasance”); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided, further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder.

SECTION 8. The Trustee.

(A) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of the Trustee and the Trustee shall not be subject to any liability hereunder for acting or failing to act as the case may be.

(B) The Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the Resolution for matters arising thereunder.

SECTION 9. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. TO THE EXTENT THIS AGREEMENT ADDRESSES MATTERS OF FEDERAL SECURITIES LAW, THIS AGREEMENT SHALL BE GOVERNED BY FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.

SECTION 10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.

[Signatures Begin on Following Page]

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Agreement as of the day and year first above written.

THE BANK OF NEW YORK MELLON, as
Trustee

By: _____

Name: _____

Title: _____

THE CITY OF BUFFALO, NEW YORK,
as City

By: _____

Name: _____

Title: _____

[Signature Page to Agreement to Provide Continuing Disclosure]

