

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 6, 2020**BOND ANTICIPATION NOTES****RATINGS:** (See “Ratings” herein)

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes 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”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including the City of New York. See “TAX MATTERS” herein.

The City will NOT designate the Notes as “qualified tax-exempt obligations” pursuant to the provisions of Section 265 of the Code.

**CITY OF BUFFALO, NEW YORK**
\$34,799,600* BOND ANTICIPATION NOTES – 2020
 (the “Notes”)
Date of Issue: April 28, 2020**Maturity Date:** April 28, 2021

The Notes are obligations of the City of Buffalo (the “City”), in the County of Erie (the “County”) in the State of New York (the “State”), and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the City, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 of the State of New York, as amended (See “PROPERTY TAXES- *Tax Levy Limitation Law*,” herein).

The Notes are dated April 28, 2020 and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Notes, payable on maturity. The Notes will mature on April 28, 2021. The Notes will not be subject to optional redemption prior to maturity.

The Notes will be issued as registered notes and, at the option of the purchaser, may be registered in the name of the purchaser or registered in the name of Cede & Co., as partnership nominee for The Depository Trust Company New York, New York (“DTC” or the “Securities Depository”) as book-entry notes.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the Paying Agent to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See “*Book-Entry-Only System*” herein).

If the Notes are registered in the name of the purchaser(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on the Notes will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s).

Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity. Principal and interest will be paid by Manufacturers & Traders Trust Company, Buffalo, New York, as Paying Agent, to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes, as described herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery on or about April 28, 2020.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE CITY FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE “RULE”). FOR A DESCRIPTION OF THE CITY’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING” HEREIN.

April __, 2020

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained in it are subject to completion and amendment in a final Official Statement. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there may not be any sale of the Notes offered by this Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of that jurisdiction.

No dealer, broker, salesman or other person has been authorized by the City, or any officer thereof, to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. 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 City, since the date hereof.

**CITY OF BUFFALO
NEW YORK**

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COMPTROLLER
Barbara Miller-Williams

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**OFFICIAL STATEMENT
OF THE
CITY OF BUFFALO, NEW YORK**

\$34,799,600* BOND ANTICIPATION NOTES – 2020

This Official Statement (the "Official Statement"), which includes the cover page, and appendices hereto, presents certain information relating to the City of Buffalo, New York (the "City"), located in the County of Erie (the "County"), State of New York (the "State"), and was prepared by the City in connection with the sale of its \$34,799,600* Bond Anticipation Notes – 2020 (the "Notes").

The factors affecting the City's financial condition and the Notes are described throughout this Official Statement and many of these factors, including economic and demographic factors, are complex and may influence the City's tax base, revenues, and expenditures. This Official Statement should be read in its entirety.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

INTRODUCTION

The City is a municipal corporation and the second largest city in the State. The City covers a land area of 42 square miles on the eastern shore of Lake Erie in western New York State. The City's 2010 population is estimated by the U.S. Bureau of the Census to be 261,310.

The Notes are general obligations of the City for which the City has pledged its faith and credit. For the payment of the principal of and interest on the Notes, the City has, under existing law, the power and statutory authorization to levy ad valorem taxes on all taxable real property in the City, subject to applicable statutory limitations. (See "PROPERTY TAXES - *Tax Levy Limitation Law*" herein).

With respect to the Notes, pursuant to special legislation enacted in March 1977 by the State at the request of the City, and an Enabling Resolution adopted by the Common Council of the City (the "Common Council" or the "Council") in March 1977, the City established a Capital Debt Service Fund (the "CDSF" or the "Fund"). In accordance with said Enabling Resolution, the City each year segregates and deposits with an appointed trustee the first real property taxes received in each of two tax collection periods, or other monies available in cash, in amounts sufficient to pay debt service on serial bonds, bond anticipation notes and capital notes issued by the City. Manufacturers and Traders Trust Company, Buffalo, New York (the "Trustee") serves as the trustee for the CDSF. The CDSF was established in order to enhance the market acceptance for capital debt bonds issued by the City. (See "PAYMENT AND SECURITY FOR THE NOTES – *Capital Debt Service Fund*" and Appendices D and E herein.).

* Preliminary, subject to change.

The audited government-wide financial statements for the City's fiscal year ended June 30, 2019 indicate a net position total of (\$848.1) million, an increase of \$102.5 million over the prior year. Total revenues increased by \$21.5 million. Total expenses decreased by \$107.6 million. Total Governmental Fund expenditures decreased \$18.9 million largely due to decreased program costs within the economic assistance and opportunity category related to a decrease in grants as well as decreased capital outlay for general government support. Government-wide expenses were significantly lower in 2019 primarily as a result of the change in actuarial assumptions used in measuring the OPEB obligation and the related deferred inflows and outflows of resources. General Fund revenues and other sources exceeded expenditures and other uses by \$0.9 million for the fiscal year ended June 30, 2019. This compares to expenditures and other uses exceeding revenues and other sources by \$22.9 million for the fiscal year ended June 30, 2018 and \$34.5 million for the fiscal year ended June 30, 2017, respectively. The City's audited General Fund fund balance at June 30, 2019 was \$92.9 million, compared to a General Fund fund balance of \$92.0 million at June 30, 2018 and \$114.9 million at June 30, 2017.

The Buffalo City School District's (referred to herein as the "Buffalo CSD" or the "CSD") General Fund revenues and other sources exceeded expenditures and other uses by \$28.9 million determined in accordance with GAAP for the fiscal year ended June 30, 2019. This compares to revenues and other sources exceeding expenditures and other uses by \$12.1 million for the fiscal year ended June 30, 2018 and expenditures and other uses exceeding revenues and other sources by \$20.7 million for the fiscal year ended June 30, 2017. The Buffalo CSD's General Fund fund balance at June 30, 2019 was \$223.7 million compared to a General Fund fund balance of \$194.7 million at June 30, 2018 and \$182.6 million at June 30, 2017. (See "DISCUSSION OF FINANCIAL OPERATIONS - City and Buffalo CSD General Fund Financial Operations, 2016-17, 2017-18 and 2018-19" and "Independent Audits" herein.)

City and CSD officials are assessing the impact that the outbreak of COVID-19 has had and will continue to have on the operations and finances of the City and the CSD. The full impact of COVID-19 will not be known for some time.

THE CITY'S FINANCIAL PRACTICES/OUTLOOK

Since 2003, the City has operated under the fiscal oversight of the Buffalo Fiscal Stability Authority ("BFSA"), imposed and enacted by the State, which was created by the Buffalo Fiscal Stability Authority Act (the "BFSA Act"). During this period, the City has experienced considerable and measurable improvement in its financial operations and cash flow results. On May 29, 2012, the BFSA determined that all provisions of §3851.1 of the BFSA Act have been met with respect to transitioning into an Advisory Period, and in accordance with this Section of the Act the Authority entered into an Advisory Period effective July 1, 2012. The advisory period shall continue through June 30, 2037, unless a control period is reimposed. (See "THE BUFFALO FISCAL STABILITY AUTHORITY" herein.)

THE NOTES

Description of the Notes

The Notes will be dated April 28, 2020 and will mature, without option of prior redemption, on April 28, 2021. The Notes will not be subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes may be issued as registered notes, and at the option of the purchaser(s), may be registered in the name of Cede & Co. as partnership nominees of The Depository Trust Company as book-entry notes or may be registered in the name of the purchaser(s).

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except one necessary odd denomination. A single note certificate will be issued for those Notes bearing the same rate of

interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the City to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "*Book-Entry-Only System*" herein).

If the Notes are issued registered to the purchaser, a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable at such bank(s) or trust company(ies) authorized to do business in the State of New York as may be selected by the successful bidder(s).

Authorization for the Notes

The Notes are authorized pursuant to the Constitution and Laws of the State, including various bond resolutions adopted by the Common Council and approved by the Mayor.

Purpose of the Notes

The proceeds received from the sale of the Notes will be applied to finance capital improvements of the City as detailed below pursuant to various bond resolutions adopted by the Common Council as detailed below:

Project	Date of Authorization	Outstanding BANs	Principal Payment	New Money	The Notes
Fire Apparatus - Purchase	02/16/16	\$1,048,865	\$62,865	\$0	\$986,000
Streets Vehicles	02/21/17	856,000	46,000	0	810,000
Improvements to Niagara Street	02/20/18	920,000	55,000	0	865,000
Allendale Theatre	02/20/18	310,000	20,000	0	290,000
Broadway Market Rehabilitation	02/20/18	500,000	30,000	0	470,000
Crane Branch Library	02/20/18	347,000	20,000	0	327,000
East Side Transfer Station	02/20/18	1,400,000	85,000	0	1,315,000
Museum of Science	02/20/18	400,000	25,000	0	375,000
Lasalle Seawall	02/16/16	0	0	300,000	300,000
Fire Apparatus - Purchase	02/19/19	0	0	920,000	920,000
Fire ARV Vehicles	02/19/19	280,000	50,000	0	230,000
Roadway Improvements	02/19/19	6,237,387	367,387	0	5,870,000
Broadway Market Fire Alarm	02/19/19	267,000	15,000	0	252,000
City Hall Improvements	02/19/19	1,500,000	90,000	0	1,410,000
Crane Branch Library	02/19/19	0	0	110,000	110,000
Downtown Ball Park	02/19/19	500,000	30,000	0	470,000
Ed Saunders/Gloria Parks	02/19/19	130,000	10,000	0	120,000
Fire Buildings- Various	02/19/19	1,117,588	64,988	0	1,052,600
Gates Circle Lampstands	02/19/19	149,000	24,000	0	125,000
History Museum	02/19/19	171,000	10,000	0	161,000
Kleinhans Boiler Room	02/19/19	100,000	5,000	0	95,000
Marcy Casino Stairs	02/19/19	175,100	10,100	0	165,000
Mead Resource Center	02/19/19	300,000	20,000	0	280,000
Niagara Branch Library	02/19/19	423,613	25,613	0	398,000
Police Garage Roof	02/19/19	900,000	55,000	0	845,000
Police Shooting Range	02/19/19	1,100,000	65,000	0	1,035,000
Riverside Rink	02/19/19	200,000	10,000	0	190,000
Zoo Cooling Tower	02/19/19	224,000	14,000	0	210,000
Parks Vehicles Purchase	02/19/19	123,600	4,600	0	119,000
Parks Improvements - Various	02/19/19	772,500	43,500	0	729,000
Tree Removal and Planting - Various	02/19/19	618,000	113,000	0	505,000
Demolition of Properties	02/19/19	1,000,000	180,000	0	820,000
Technology Upgrades	02/18/20	0	0	1,800,000	1,800,000
Police Cars - Purchase	02/18/20	0	0	1,000,000	1,000,000
Entertainment District (Match)	02/18/20	0	0	1,000,000	1,000,000
Infrastructure Improvements CW	02/18/20	0	0	4,500,000	4,500,000
Downtown Ball Park	02/18/20	0	0	500,000	500,000
Engine 25 Construction	02/18/20	0	0	525,000	525,000
Fire Buildings - Various	02/18/20	0	0	200,000	200,000
Machnica Center HVAC	02/18/20	0	0	75,000	75,000
Zoo Cooling Tower	02/18/20	0	0	250,000	250,000
Cazenovia Park Pathway (Abbott/Porter)	02/18/20	0	0	50,000	50,000
Parks Improvements Various	02/18/20	0	0	200,000	200,000
Parks Vehicles Acquisition	02/18/20	0	0	180,000	180,000
Tree Rehabilitation Program	02/18/20	0	0	670,000	670,000
Demolitions	02/18/20	0	0	500,000	500,000
Augsburger Parking Ramp	02/18/20	0	0	500,000	500,000
Turner Parking Ramp	02/18/20	0	0	1,000,000	1,000,000
Totals:		<u>\$22,070,653</u>	<u>\$1,551,053</u>	<u>\$14,280,000</u>	<u>\$34,799,600</u>

PAYMENT OF AND SECURITY FOR THE NOTES

General

Each Note when duly issued and paid for will constitute a contract between the City and the owner thereof. The Notes will be general obligations of the City and will contain a pledge of the faith and credit of the City for payment of principal and interest thereon. For the payment of such principal and interest, the City has, under existing law, the power and statutory authorization to levy ad valorem taxes on all taxable real property in the City, subject to applicable statutory limitations imposed by the Tax Levy Limitation Law. Such statutory limitation does not apply to the City's power to increase its annual tax levy for Buffalo CSD purposes. (See "PROPERTY TAXES - Tax Levy Limitation Law," herein).

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the City to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy. As a result, the power of the City to levy real estate taxes on all the taxable real property within the City is subject to statutory limitations set forth in Tax Levy Limitation Law. The State Constitution requires the City to provide by appropriation for the payment of interest on all obligations which will become due during the fiscal year. In addition, the State Constitution requires the City to provide in each year by appropriation for the payment of all installments of principal of the Notes which will become due and payable in such year.

No principal of or interest on City indebtedness is past due. The City has never defaulted in the payment of principal of or interest on any indebtedness.

Capital Debt Service Fund

Pursuant to State legislation requested by the City, the Capital Debt Service Fund Act of the City, constituting Chapter 12 of the Laws of the State of New York of 1977 (the "Act") and an Enabling Resolution adopted by the Common Council (the "Enabling Resolution"), the City has established the CDSF, held by and maintained with the Trustee, for the purpose of paying debt service due and payable on all general obligation bonds and capital notes, and the interest on and, under certain circumstances, the amortized principal of bond anticipation notes of the City (the "Capital Debt Obligations"). The Notes are entitled to the benefits of the Act and the Enabling Resolution, including certain covenants of the City authorized by the Act and set forth in the Enabling Resolution (see Appendices D and E).

Operation of the CDSF is coordinated with the City's real property tax collection procedure in the following manner. The first real property taxes collected during each of two collection periods commencing July 1 and December 1 are deposited in the CDSF until the amount on deposit in the CDSF during each collection period equals the amount necessary to pay capital debt service as allocated to such collection periods. Capital debt service due and payable from July 1 through December 31 is paid from amounts deposited during the first collection period (July 1 - November 30) and capital debt service due and payable from January 1 through June 30 is paid from amounts deposited during the second collection period (December 1 - June 30). The City may deposit other funds at any time into the CDSF as such other funds are required by law or otherwise to be applied to payment of capital debt service.

The amounts to be deposited in the CDSF are certified by the Comptroller pursuant to an annual certificate prepared prior to the commencement of each fiscal year. Such certificate and the amounts to be deposited must be amended, if necessary, in order to provide for the payment of debt service due and payable during the fiscal year on Capital Debt Obligations issued and sold after the commencement of the fiscal year.

If at any time during a collection period, the amount on deposit in the CDSF exceeds the unpaid amount of capital debt service allocated to such collection period and any prior collection period, such excess may be returned to the City in the manner provided by the Enabling Resolution.

The Act provides that the CDSF is City property devoted to essential governmental purposes and is not subject to any order, judgment, lien, encumbrance, attachment, set off or counterclaim by any creditors of the City, other than a creditor for whose benefit the CDSF is established.

In the Enabling Resolution, the City has covenanted with the Trustee and the holders of Capital Debt Obligations that it will comply in all respects with the provisions of the Act and the Enabling Resolution, and that it will maintain the CDSF with the Trustee and operate the CDSF in the manner described. The Enabling Resolution also includes the pledge and agreement of the State to respect the Act and the contract of the City with holders of Capital Debt Obligations.

Rights and Remedies

The Act authorizes the City to include in an enabling resolution certain covenants of the City to protect and safeguard the security and rights of certain holders of Capital Debt Obligations. The Enabling Resolution provides special rights and remedies for holders of Capital Debt Obligations, and contains covenants, including its covenant to comply in all respects with the provisions of the Act, to maintain the Fund with a trustee, and to operate the Fund in the manner set forth in the Enabling Resolution. In general, the rights afforded to holders of outstanding Capital Debt Obligations by the Act and the Enabling Resolution significantly supplement the rights presently afforded holders of general obligations issued under general State law by other political subdivisions of the State.

The Enabling Resolution vests in a trustee the powers of enforcement of the Enabling Resolution. The Enabling Resolution provides that it shall be an “event of default” should the City fail or refuse to maintain the CDSF and the covenants with respect thereto made with holders of Capital Debt Obligations, including default in the payment of the principal of and interest on their obligations. The Trustee, during the happening and continuance of an event of default, may, by mandamus or other suit in law or in equity, enforce all such rights, including the right to require the City to carry out the covenants made with such benefited holders, and may enjoin any acts or things which may be unlawful or in violation of the rights of such holders.

In addition, the Act provides such benefited holders with certain other rights. Under the General Municipal Law of the State, the amount of interest that may be adjudged due to creditors is limited to nine per centum (9.0%) per annum. Pursuant to the Act, however, the rate of interest to be paid by the City upon any judgment or accrued claim with respect to obligations issued by it shall be the rate of interest per annum so stated on such obligations. In addition, the Act provides that the provisions of Title 6-A of the Local Finance Law shall not apply to the City and obligations issued by it. Title 6-A provides that any municipality for which the State has declared a financial emergency has the power to stay the commencement and continuation of any enforcement against such municipality of any claim for payment relating to any contract debt or obligation of the municipality during the emergency period. Title 6-A also contains the consent of the State to any municipality filing a petition under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

Neither the Act nor the Enabling Resolution purports to create any priority for the benefited holders should the City be under the jurisdiction of any federal court or court of bankruptcy. Under the United States Constitution and subject to State consent, Congress has jurisdiction over such matters, and has enacted amendments to the federal bankruptcy statute, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, easier access to judicially approved adjustments of debts, including judicial control over identifiable and unidentifiable creditors.

Legislation affecting remedies on default has from time to time resulted in litigation. While courts of final jurisdiction in various states have upheld and sustained the rights of noteholders, State and Federal courts might hold that future events, including financial crises as they may occur in the State and in municipalities of the State, require the exercise by the State of its emergency and police powers to ensure the continuation of essential public services, or if it is reasonable and necessary to serve an important service. However, in granting the City certain powers and duties in connection with the establishment of the CDSF, the State authorized and directed

the City to include in its Enabling Resolution a pledge and agreement of the State with and for the benefit of the holders of Capital Debt Obligations.

The terms of the pledge and agreement are substantially as follows:

The State will not (a) repeal, revoke, repudiate, limit, alter, stay, suspend or otherwise reduce or rescind or impair the power of the City to exercise, perform, carry out and fulfill its responsibilities under the Act to the extent that the City has incorporated in the Enabling Resolution covenants and agreements to so exercise, perform, carry out and fulfill such responsibilities, (b) repeal, revoke, repudiate, limit, alter, stay, suspend or otherwise reduce or rescind or impair the rights and remedies of any such holders to fully enforce in a court of law such covenants and agreements so incorporated in the Enabling Resolution or to enforce the pledge and agreement of the State contained in the Act, or (c) otherwise exercise any sovereign power contrary to or inconsistent with the provisions of the Enabling Resolution.

The pledge and agreement shall be of no further force and effect if at any time all Capital Debt Obligations have been paid or provision for such payment has been made. The pledge and agreement by the State may be temporarily suspended upon the declaration of martial law in the City in the event of circumstances of the City deriving directly from a natural disaster (such as an earthquake or major conflagration or flood but not a snowstorm) or civil disturbance such as military invasions or civil insurrections but not strikes or crises created by fiscal or economic conditions or events.

In the opinion of Bond Counsel, the City has validly included the State pledge and agreement in the Enabling Resolution, and the State pledge and agreement is a valid and legally binding pledge and agreement of the State enforceable against the State in accordance with its terms.

Book-Entry-Only System

If the Notes are issued as book-entry notes, the Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered notes 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 note certificate will be issued for all of the Notes which bear the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world’s largest depository, 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 issues of 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. This eliminates 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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, however, 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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such notes 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.

Principal and interest payments on the Notes 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 City, on 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 or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, 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.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes 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”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the City (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Notes, and Bond Counsel has assumed compliance by the City with certain provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City, in executing the Tax Certificate, will certify to the effect that the City will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Notes is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Notes. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Notes even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the Note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, 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 such Note). An owner of a Premium Note must amortize the Note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the Note premium allocable to that period. In the case of a tax-exempt Premium Note, if the Note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of Note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of Note premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code.

For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City with respect to the Notes, which will be available at the time of delivery of the Notes, substantially in the forms as set forth in Appendix F hereto.

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The City’s credit rating could be affected by circumstances beyond the City’s control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of City property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the City’s credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Note is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the City to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The City is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received (“State Aid”). The availability of such monies and the timeliness of such payment may

be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. State aid appropriated and apportioned to the City can be paid only if the State has such monies available therefore. Should the City fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the City is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the City will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the City requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the City, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the City, may affect the market price and/or marketability for the Notes. (See "*The Tax Levy Limitation Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the City, could impair the financial condition of such entities, including the City, and the ability of such entities, including the City, to pay debt service on the Notes.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the City's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also 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 full impact of COVID-19 upon the State will not be known for some time. Similarly, the degree of the impact to the operations and finances of the City and the Buffalo CSD is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. Potential impacts to the City and the Buffalo CSD include, but are not limited to, decreases in major revenues such as sales tax and State aid. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the City and the Buffalo CSD. The City and the Buffalo CSD are monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

CYBER SECURITY

The City, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the City invests in various forms of cyber security, technical, and operational controls; however,

no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage City digital networks and systems and the costs of remedying any such damage could be substantial.

DISCLOSURE UNDERTAKING

In order to assist the purchaser in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”) with respect to the Notes, the City will execute an Undertaking to Provide Continuing Disclosure, the form of which is attached hereto as Appendix E.

Compliance History

The City is in compliance with all prior undertakings within the past five years.

RATINGS

Moody's Investors Service (“Moody’s”) and S&P Global (“S&P”) have assigned a rating of “MIG 1” and “SP-1+” to the Notes, respectively.

Moody’s, S&P and Fitch Ratings (“Fitch”) have assigned underlying ratings to the City’s bonded debt of “A1” Stable Outlook, “A+” Stable Outlook and “A+” Stable Outlook respectively.

These ratings reflect only the view of the rating agency furnishing the same, and an explanation of the significance of each of these ratings may be obtained only from the respective rating agency. There is no assurance that any of these ratings will be maintained for any given period of time or will not be raised, lowered or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any of these ratings may have an adverse effect on the market price of the Notes.

MUNICIPAL ADVISOR

Capital Markets Advisors LLC, has acted as the independent registered Municipal Advisor to the City in connection with the sale of the Notes.

In preparing this Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Notes.

ADDITIONAL INFORMATION

This Official Statement is not to be construed as a contract or an agreement between the City and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date hereof.

Additional copies of this Official Statement may be obtained upon request from the office of the Comptroller, Room 1225 City Hall, Buffalo, New York 14202 (716-851-5255), or from Capital Markets Advisors, LLC, 4211 N. Buffalo Street., Orchard Park, NY 14127, (716-662-3910).

The preparation and distribution of this Official Statement has been authorized by the applicable bond resolutions of the City, which delegate to the City Comptroller the power to sell and issue the Notes.

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at www.capmark.org. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Capital Markets Advisors, LLC has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Capital Markets Advisors, LLC and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Estimates and Forecasts. The statements contained in this Official Statement and the appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and the City assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material.

CITY OF BUFFALO

Barbara Miller-Williams
City Comptroller

April __, 2020

APPENDIX A

The projections included in this Official Statement are based on the estimates included in the City's and Buffalo CSD's 2019-2020 Adopted Budget. Such projections do not make any predictions as to the impact of COVID-19 on the City's and Buffalo CSD's financial position due to the COVID-19 pandemic. (See "MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE" herein.)

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. 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 to her by City 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 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.

DISCUSSION OF FINANCIAL OPERATIONS

Four-Year Financial Plans

General

Pursuant to 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 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, 2019, the Mayor submitted the preliminary four-year financial plan for the City and the Buffalo CSD pursuant to the Act. The BFSA determined that the four-year preliminary financial plan for the City of Buffalo, the Buffalo Municipal Housing Authority and the Buffalo City School District were complete and complied with the BFSA Act at its board meeting held on May 20, 2019. At that time, BURA was requested to revise their financial plan and resubmit to the BFSA for review. On June 17, 2019 the BFSA reviewed the revised plan and found the plan to be complete and compliant.

On June 10, 2019 the City of Buffalo submitted to BFSA a revised four-year financial plan based on the final approved adopted budget. The BFSA reviewed such revisions and deemed the revised four-year financial plan to be consistent with the budget certified by the Mayor and determined it to be complete and in compliance with the BFSA Act at its board meeting on June 17, 2019.

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>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
General Fund Revenues:				
Property Tax	\$ 139,465	\$ 142,254	\$ 145,100	\$ 148,001
Star	8,400	8,400	8,400	8,400
NYS - General Aid	161,285	161,285	161,285	162,898
NYS - Other	14,068	14,123	14,178	14,234
Federal Aid	2,760	2,760	2,760	2,760
Sales Tax	89,800	92,045	93,886	95,764
Utility Tax	10,910	10,910	10,910	10,910
Departmental	68,727	67,168	67,631	67,988
Transfers In	<u>13,268</u>	<u>13,630</u>	<u>14,011</u>	<u>14,431</u>
Total Revenues	<u>508,683</u>	<u>512,575</u>	<u>518,161</u>	<u>525,386</u>
General Fund Expenditures:				
Personal Services	\$ 200,878	\$ 202,957	\$ 206,051	\$ 208,949
Departmental	39,756	39,982	39,661	40,550
Utilities	17,350	17,525	17,780	17,955
Fringe	141,692	145,101	148,669	152,385
Misc.	8,439	6,974	6,248	6,077
Interest & Debt	390	390	390	390
Board of Education	70,823	70,823	70,823	70,823
Capital Debt	28,955	28,423	28,139	27,857
Transfers Out	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Total Expenditures	<u>508,683</u>	<u>512,575</u>	<u>518,161</u>	<u>525,386</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deficit to be closed through Gap Closing Measures				
Closing Measures	\$ -	\$ -	\$ -	\$ -

⁽¹⁾Source: City of Buffalo Administration, Finance, Policy and Urban Affairs, Division of Budget as submitted to BFSA, May 1, 2019.

Buffalo CSD

On May 1, 2019, the Buffalo CSD submitted a four-year financial plan for years 2019-20 through 2022-23. The plan indicates budgetary deficits of \$0 in 2019-20, \$18.7 million in 2020-21, \$17.5 million in 2021-22 and \$11.2 million in 2022-23 after the planned use of fund balance. The Buffalo CSD projects that it will use \$10.0 million of fund balance over the four year period. The Buffalo CSD expects that deficits will 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>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
General Fund Revenues:				
Property Taxes	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823
New York State - Foundation Aid	544,747	561,089	577,922	595,260
Other State Aid	239,636	237,956	238,198	240,566
Federal Medicaid	2,600	2,626	2,652	2,679
Sales Tax	47,000	47,705	48,421	49,147
Departmental and Other Revenues	<u>12,594</u>	<u>12,720</u>	<u>12,847</u>	<u>12,975</u>
Total Revenues	<u>917,400</u>	<u>932,919</u>	<u>950,863</u>	<u>971,450</u>
General Fund Expenditures:				
Personal Services	318,206	321,768	325,254	329,381
Departmental Expenditures	67,475	69,275	69,602	69,933
Tuition (other than Charter Schools)	34,095	34,436	34,780	35,128
Charter School Tuition	133,711	143,741	150,498	156,466
Fringe Benefits	194,597	201,341	208,742	217,975
Utilities	8,860	9,037	9,218	9,402
Contingency	3,300	3,830	4,330	4,830
Transportation	51,286	52,568	53,882	55,230
Transfers to Debt Service Fund	112,980	112,722	109,178	101,452
Transfers to Other Funds	<u>2,890</u>	<u>2,890</u>	<u>2,890</u>	<u>2,890</u>
Total Expenditures	<u>927,400</u>	<u>951,608</u>	<u>968,374</u>	<u>982,687</u>
Change in Fund Balance	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deficit to be closed through Gap Closing Measures	\$ -	\$ (18,689)	\$ (17,511)	\$ (11,237)

⁽¹⁾Source: Buffalo CSD, Division of Finance, as submitted to BFSa, May 1, 2019.

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 2020 through 2023. 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 currently available estimates and judgments, 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 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 encumbrance of municipal funds as to budget appropriation, departmental authorization, compliance with the City Charter, City ordinances, and State laws. The 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 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 a cap on borrowing for both the City and the Buffalo CSD in relation to various indices and requires the City to pay down more debt than it issues in a fiscal year.

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 year and the following four 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 City 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 shall 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. 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 shall 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.

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 the Board 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 City 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 10.9% and 10.8% for both of the combined general fund budgets of the City and the Board in fiscal year 2019-20 and 2018-19 respectively.

There is currently no outstanding short-term debt relating to cash flow timing for the City, Buffalo CSD or the BFSA.

Budget Process

On or before May 1, the Mayor submits the proposed executive budget to the Common Council. The City 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, 2018-19, 2017-18 and 2016-17

The City completed its fiscal year ended June 30, 2019 with revenues and other financing sources exceeding expenditures and other financing uses in the General Fund by \$0.9 million, determined in accordance with GAAP. This compares to prior fiscal years in which expenditures and other financing uses exceeded revenues and other financing sources by \$22.9 million in 2018 and expenditures and other financing uses exceeded revenues and other financing sources by \$34.5 million in 2017. At June 30, 2019, 2018 and 2017, the nonspendable fund balance, which is comprised of real estate acquired for resale and long term receivables, was \$29.6 million, \$31.0 million and \$28.3 million, respectively; the restricted fund balance, which consists of capital outlays, bond set asides and emergency medical funds, was \$11.8 million, \$8.8 million and \$6.1 million, respectively; the committed fund balance, which consists of the Emergency Stabilization "Rainy Day" Fund, was \$38.5 million, \$38.7 million and \$38.8 million, respectively; the assigned fund balance, which consists of encumbrances, potential judgments and claims and funds appropriated for next year's budget, was \$13.0 million, \$13.4 million and \$35.2 million, respectively; and the unassigned fund balance was \$0, \$0 and \$6.5 million, respectively.

The Buffalo CSD completed its fiscal year ended June 30, 2019 with revenues and other financing sources exceeding expenditures and other financing uses by \$28.9 million determined in accordance with GAAP. This

compares with revenues and other financing sources exceeding expenditures and other financing uses by \$12.1 million in 2018 and expenditures and other financing uses exceeding revenues and other financing sources by \$20.7 million in 2017. The State provided the City an advance payment of \$7.5 million in Seneca revenue for future expected Seneca revenue sharing payments owed to the City. At June 30, 2019, the non-spendable fund balance for inventory was \$0.9 million; the restricted fund balance for judgments and claims, unemployment insurance and stabilization was \$24.8 million; the assigned fund balance of \$111.9 million consists of amounts appropriated for the 2019-20 budget, capital needs, prior year claims, other post-employment benefits, health insurance, school budget equity and encumbrances. There is no committed fund balance. Unassigned fund balance is \$86.1 million.

City and Buffalo CSD General Fund 2019-20 Adopted Budgets

The City's adopted 2019-20 General Fund budgeted appropriations are \$508.7 million, representing a \$4.9 million or 1.0% decrease over the 2018-19 adopted budget. The Buffalo CSD 2019-20 adopted General Fund budgeted appropriations are \$927.4 million, representing an increase of 1.2% from the 2018-19 adopted Budget. The adopted 2019-20 City and Buffalo CSD budgets aggregate to \$1,523.0 million, a \$7.3 million (or 0.5%) decrease from the budget of \$1,530.3 million adopted for fiscal year 2018-19. (See "DISCUSSION OF FINANCIAL OPERATIONS – *Summary of Operations*" herein.)

Summary of Operations

The following two tables present separate summaries of operations for fiscal years 2016-17 through 2018-19 for the City General Fund and for the Buffalo CSD derived from financial statements and prepared in accordance with GAAP. The tables also show an adopted budget for fiscal year 2019-20 for the City and the Buffalo CSD and a revised budget for the City and a projected budget for the Buffalo CSD for fiscal year 2019-20.

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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)

	Actual	Actual	Actual	Adopted	Revised
	2016-17	2017-18	2018-19	2019-20	2019-20 ⁽¹⁾
<u>REVENUES</u>					
Property Taxes and Other Tax Items	\$ 138,089	\$ 140,957	\$ 147,255	\$ 150,251	\$ 150,251
Utility and Other Non-Property Tax Items	11,691	11,405	13,263	11,610	11,610
Charges for Services	13,166	14,004	15,245	20,013	20,013
Interest	622	881	1,891	1,200	1,200
Federal Aid	1,399	2,578	2,818	3,009	3,009
State Aid	179,665	174,669	180,874	183,703	183,703
Local Sources and Other	82,302	86,041	88,466	90,698	90,698
Licenses and Permits	4,959	5,252	5,670	6,190	6,190
Fines	10,796	10,967	10,945	13,738	13,738
Miscellaneous	6,156	6,631	11,295	15,003	15,003
Total Revenues	<u>448,845</u>	<u>453,385</u>	<u>477,722</u>	<u>495,415</u>	<u>495,415</u>
<u>EXPENDITURES</u>					
General Government	58,234	60,079	61,540	67,306	70,886
Public Safety	164,938	159,857	160,425	158,746	160,303
Streets and Sanitation	13,133	12,701	12,785	11,750	12,589
Economic Assistance and Opportunity	2,023	2,327	2,389	2,925	3,328
Culture and Recreation	9,191	9,093	9,129	11,058	11,476
Health and Community Services	2,392	2,363	2,305	2,501	2,620
Education	70,323	70,823	70,823	70,823	70,823
Fringe Benefits	135,637	140,469	139,555	151,179	151,109
Other	8,876	7,118	3,341	2,650	2,650
Interest and Other Fiscal Charges	303	61	62	390	390
Total Expenditures	<u>465,050</u>	<u>464,891</u>	<u>462,354</u>	<u>479,328</u>	<u>486,174</u>
Excess (deficit) of revenues over expenditures	(16,205)	(11,506)	15,368	16,087	9,241
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	13,134	17,894	13,888	13,268	13,268
Transfers Out	(31,477)	(29,328)	(28,308)	(29,355)	(29,355)
Total Other Financing (Uses) Sources	<u>(18,343)</u>	<u>(11,434)</u>	<u>(14,420)</u>	<u>(16,087)</u>	<u>(16,087)</u>
Change in Fund Balances	(34,548)	(22,940)	948	-	(6,846)
Fund Balance -Beginning of Year	<u>149,478</u>	<u>114,930</u>	<u>91,990</u>	<u>92,938</u>	<u>92,938</u>
Fund Balance -End of Year	<u>\$ 114,930</u>	<u>\$ 91,990</u>	<u>\$ 92,938</u>	<u>\$ 92,938</u>	<u>\$ 86,092</u>
<u>FUND BALANCE</u>					
Non Spendable	\$ 28,299	\$ 31,020	\$ 29,606		
Restricted	6,126	8,820	11,788		
Committed	38,754	38,741	38,529		
Assigned	35,248	13,409	13,015		
Unassigned	<u>6,503</u>	<u>-</u>	<u>-</u>		
Total Fund Balance	<u>\$ 114,930</u>	<u>\$ 91,990</u>	<u>\$ 92,938</u>		

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

⁽¹⁾The 2019-20 budgetary figures reflect changes made to the budget as of December 31, 2019 and reflects the use of \$6.8 million of fund balance.

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

	Actual	Actual	Actual	Adopted	Projected
	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>Budget</u>	<u>2019-20⁽¹⁾</u>
<u>REVENUES</u>					
Property Taxes	\$ 70,323	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823
New York State - Foundation Aid	494,327	511,147	525,691	544,747	544,173
Other New York State Aid	218,305	235,396	234,717	239,636	235,047
Federal Sources	4,165	4,403	4,470	2,600	3,200
Sales Tax	43,389	46,256	48,767	47,000	48,500
Departmental and Other Revenues	<u>17,111</u>	<u>10,744</u>	<u>27,051</u>	<u>12,594</u>	<u>12,594</u>
Total Revenues	<u>847,620</u>	<u>878,769</u>	<u>911,519</u>	<u>917,400</u>	<u>914,337</u>
<u>EXPENDITURES</u>					
Personal Services	297,113	290,019	309,093	322,164	319,081
Departmental Expenditures	70,471	61,190	63,846	66,993	68,570
Tuition (other than Charter Schools)	32,698	34,467	34,807	34,033	34,033
Charter School Tuition	106,378	118,343	125,328	133,771	131,921
Fringe Benefits	187,426	186,401	175,287	193,097	187,287
Utilities	7,968	8,426	8,347	8,860	8,683
Contingency	-	-	-	1,103	75
Transportation	<u>46,399</u>	<u>47,861</u>	<u>48,599</u>	<u>51,509</u>	<u>51,522</u>
Total Expenditures	<u>748,453</u>	<u>746,707</u>	<u>765,307</u>	<u>811,530</u>	<u>801,172</u>
Excess (deficit) of revenue over expenditur	99,167	132,062	146,212	105,870	113,165
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in					
Transfers out	<u>(119,823)</u>	<u>(119,952)</u>	<u>(117,262)</u>	<u>(115,870)</u>	<u>(115,728)</u>
Total other financing sources (uses)	<u>(119,823)</u>	<u>(119,952)</u>	<u>(117,262)</u>	<u>(115,870)</u>	<u>(115,728)</u>
Change in Fund Balance	(20,656)	12,110	28,950	(10,000)	(2,563)
Fund Balance – beginning of year	<u>203,259</u>	<u>182,603</u>	<u>194,713</u>	<u>223,663</u>	<u>223,663</u>
Fund Balance – end of year	<u>\$ 182,603</u>	<u>\$ 194,713</u>	<u>\$ 223,663</u>	<u>\$ 213,663</u>	<u>\$ 221,100</u>
<u>FUND BALANCE</u>					
Non Spendable	\$ 781	\$ 792	\$ 886		
Restricted	24,735	24,741	24,782		
Committed	-	-	-		
Assigned	87,087	91,394	111,864		
Unassigned	<u>70,000</u>	<u>77,786</u>	<u>86,131</u>		
Total Fund Balance	<u>\$ 182,603</u>	<u>\$ 194,713</u>	<u>\$ 223,663</u>		

Source: Buffalo CSD, Division of Finance

⁽¹⁾2019-20 Projections are based on available data as of December 31, 2019 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 FY19-20. 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 be 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. Net income for the year ended June 30, 2019 was \$5.3 million determined in accordance with GAAP. The income includes \$9.4 million for non-cash expenditures for other post employment benefits. This compares to a net loss of \$0.6 million for the year ended June 30, 2018. The City received \$24.7 million in user fees for the fiscal year ended June 30, 2019, \$18.6 million in user fees for the fiscal year ended June 30, 2018 and \$18.6 million for the fiscal year ended June 30, 2017. The adopted 2019-20 budget includes \$26.1 million for user fees. Nonspendable fund balance of the General Fund includes \$18.4 million to cover deficits incurred by the Solid Waste and Recycling Enterprise Fund.

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. Net loss for the fiscal year ended June 30, 2019 was \$0.2 million determined in accordance with GAAP. This compares to a net loss of \$5.7 million for the fiscal year ended June 30, 2018 and a net income of \$2.9 million for the fiscal year ended June 30, 2017. Operating transfers out to the General Fund were \$6.3 million for fiscal year ended June 30, 2019. The adopted budget for fiscal year 2019-20 is \$8.1 million. The 2019-20 budget amount includes \$1.8 million for debt service and \$5.3 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, 2019 were \$10.0 million. This compares to total expenses of \$11.0 million for the fiscal year ended June 30, 2018 and \$11.6 million for the fiscal year ended June 30, 2017. The adopted budget for 2019-20 totals \$14.5 million. (See "CITY-RELATED ENTITIES – *Buffalo Municipal Water Finance Authority*" and "*Buffalo Water Board*" herein.)

REVENUES

The 2019-20 adopted General Fund budget estimates revenues to be derived approximately 43.4% from municipally generated revenues; 38.7% from State aid; 0.6% from federal aid and other assistance; and 17.3% 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% 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 CDSF 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Buffalo CSD Operations	\$ 59,516	\$ 59,516	\$ 60,357	\$ 60,393	\$ 61,066
City Operations	41,941	45,021	43,960	46,590	48,087
Capital Debt Service ⁽¹⁾	<u>35,573</u>	<u>35,063</u>	<u>35,301</u>	<u>38,337</u>	<u>38,712</u>
Total Budgeted Real Property Tax Levy	<u><u>\$ 137,030</u></u>	<u><u>\$ 139,600</u></u>	<u><u>\$ 139,618</u></u>	<u><u>\$ 145,320</u></u>	<u><u>\$ 147,865</u></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 \$9.6 million for the 2018-19 fiscal year compared to \$7.7 million for the 2017-18 fiscal year and \$8.3 million for the 2016-17. The budgeted amount for 2019-20 is \$8.0 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 \$6.9 million for 2018-19, \$6.6 million for 2017-18 and \$6.3 million for 2016-17. The adopted budget amount for 2019-20 is \$7.2 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)

	Actual 2016-17	Actual 2017-18	Actual 2018-19	Adopted 2019-20
Parking and Other Fines	\$10.8	\$11.0	\$11.0	\$13.7
Interest Earnings	0.6	0.9	1.9	1.2
License and Permits	5.0	5.3	5.7	6.2
Cable Franchise Tax	2.7	3.0	3.0	2.9
Payment In Lieu of Taxes	3.6	3.5	3.3	3.1

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 \$3.9 million for 2018-19, \$3.5 million for 2017-18, and \$3.9 million for 2016-17. The adopted budgeted amount for the 2019-20 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.

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 receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. No increases in Foundation Aid were received in fiscal years 2010-11 or 2011-12. 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 2019-20 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.

The Buffalo CSD depends on substantial financial assistance from the State. The Buffalo CSD received \$811.7 million of State Aid for all funds in fiscal year 2017-18 and \$823.7 million in fiscal year 2018-19. For the current fiscal year ending June 30, 2020, the Buffalo CSD budgeted \$830.7 million of State Aid receipts for all funds, and as of December 31, 2019, expects to receive approximately \$830.7 million by the close of such fiscal year. This projection is based upon the sum of: (i) a \$779.2 million apportionment to the Buffalo CSD for operations and maintenance expenses, (ii) \$50.7 million in projected receipts of State grant funding and (iii) \$0.8 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 2019-20 fiscal year will equal the amounts estimated above, but the Buffalo CSD believes that this estimate of State Aid for all funds is reasonable based prior year State Aid receipts.

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 \$4.7 million for 2016-17, \$5.3 million for 2017-18 and \$8.7 million for 2018-19. The 2019-20 projected amount for Charter School Transitional Aid is \$9.3 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 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 2015-16, this aid was \$1.9 million or \$250 per charter school pupil; in 2016-17, this aid was \$2.8 million or \$350 per charter school pupil; in 2017-18, this aid was \$4.0 million or \$500 per charter school pupil; in 2018-19, this aid was \$8.7 million or \$1,000 per pupil; in 2019-20 this aid is projected to be \$9.0 million or \$1,000 per pupil.

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 \$10.0 million in 2017-18 and \$10.6 million in 2018-19. Because of uncertainty related to the timing of project approvals and receipt of funds, these revenues are not included in State aid revenue projections until received.

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, 2019 is \$779.2 million, under the budgeted the budgeted amount of \$784.4 million for the 2019-20 fiscal year.

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, 2019, the remaining debt outstanding is \$10.3 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 years 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 2018-19. 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 medical reimbursement for certain health services provided to students. The Buffalo CSD received a total of \$4.4 million for Medicaid reimbursement in fiscal year 2017-18, \$4.5 million for 2018-19 and has projected \$3.2 million for 2019-20.

The amount of State aid to school districts, including Buffalo CSD is dependent in part upon the financial condition of the State. Currently, 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 full impact of COVID-19 upon the State will not be known for some time; however, it is anticipated that the State will 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 aid in the State, including the City and Buffalo CSD. If this were to occur, the delay, elimination or substantial reduction in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State, including the City and Buffalo CSD, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. State Foundation Aid for 2020-21 has been frozen at the 2020-21. The Buffalo CSD is still analyzing the full impact of the recently adopted 2020-21 State Budget on the 2020-21 Buffalo CSD Budget.

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, including the diversion of federal resources to address the current COVID-19 outbreak.

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 BFSA Act, the City received General Purpose Aid directly from the State. Pursuant to the BFSA Act, the City receives General Purpose Aid from the State through the BFSA. The budgeted amount for 2019-20 is \$161.3 million. General Purpose Aid revenue recognized in the 2018-19 fiscal year was \$161.3 million.

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

	Actual	Actual	Actual	Adopted	Revised
	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>Budget</u>
					<u>2019-20</u>
Total General Purpose Aid	\$161,285	\$161,285	\$161,285	\$161,285	\$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.

State Aid and Incentives for Municipalities

New York State included \$16.1 million, \$12.8 million and \$12.8 million in its budgets for 2008-09, 2007-08 and 2006-07 respectively, for a total of \$41.7 million in State Aid and Incentives for Municipalities (AIM) funds. These funds, which were paid to the BFSA for distribution to the City, were to be used to reduce the property tax burden within the context of the approved four-year financial plan. Any funds not used for this

purpose were to be held by the BFSA for use by the City for initiatives to permanently reduce the cost of City government.

The AIM funding can be used to (1) minimize or reduce the real property tax burden; (2) invest in economic development or infrastructure to achieve economic revitalization and generate real property tax growth; and (3) support investments in technology or other reengineering initiatives that permanently minimize or reduce operating expenses.

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 2019-20 fiscal year for the Consolidated Plan, which 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 \$18.7 million, a decrease of \$0.1 million compared to 2018-19. 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% 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 one percent sales tax to the base County sales tax of three percent. During that time all of the proceeds of the additional one percent 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 one percent 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 one percent 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 2019-20, the City expects to receive \$89.9 million and the Buffalo CSD expects to receive \$48.5 million (as of December 31, 2019) from this source. 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 2019-20. For fiscal year 2018-19, the City received \$87.7 million and the Buffalo CSD received \$48.8 million from this source.

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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>	2019-20 <u>Appropriations⁽¹⁾</u>	Full-Time Funded <u>Positions</u>
Legislative	\$ 2,536,152	40
City Clerk	2,895,526	18
Executive	5,492,327	79
Audit & Control	3,628,905	50
Law	3,263,310	33
Assessment	2,719,166	33
Management Information Systems	5,617,457	31
Administration & Finance	8,724,005	55
Parking	3,198,691	38
Police	89,621,929	1,003
Fire	58,475,038	787
Human Resources	5,561,043	19
Public Works, Parks & Streets	31,021,592	358
Community Services	4,773,764	31
Permits & Inspections	<u>5,798,348</u>	<u>95</u>
General City Total	233,327,253	2,670
Division of Water	8,400,698	140
Parking	113,828	1
Refuse & Recycling	<u>17,709,335</u>	<u>145</u>
Total	<u>\$ 259,551,114</u>	<u>2,956</u>

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

⁽¹⁾Appropriations in the 2019-20 Adopted City Budget.

FUNDED ANNUAL / FULL-TIME SALARIED POSITIONS BY MAJOR CITY DEPARTMENT⁽¹⁾ 2009-10 as compared to 2019-20

	<u>Number of Positions FY 2009-10</u>	<u>Number of Positions FY 2019-20</u>	<u>Number Increase (Decrease)</u>	<u>Percentage Increase (Reduction)</u>
Police	1,004	1,003	(1)	-0.10%
Fire	763	787	24	3.15%
Public Works, Parks & Streets	346	358	12	3.47%

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

⁽¹⁾Funded full-time salaried positions as of December 31, 2020

Employee Contracts

The City

Employee contracts are in place for the 2019-20 fiscal year with five of the City's eight bargaining units, as shown in the following table. The contract with Local 650, which is to expire on June 30, 2024, was ratified by the union on July 12, 2019 and subsequently approved by the Common Council on October 29, 2019.

The following chart describes the City unions, number of employees, when present agreements expire and when past agreements have expired. The number of employees is effective as of March 13, 2020.

<u>Unions</u>	<u>Number of Employees</u>	<u>Present Agreements Expire</u>
PBA (Police Officers)	752	6/30/2019
Local 282 (Firefighters)	892	6/30/2025
Local 264 (Blue Collar)	546	6/30/2019
Local 650 (White Collar)	451	6/30/2024
CGA (Crossing Guards)	112	8/31/2019
Local 2651 (Building Inspectors)	57	6/30/2020
Local 264T (Pipe Caulkers)	33	6/30/2022
Local 17 (Operating Engineers)	27	6/30/2020

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

⁽¹⁾Seasonal Employees, laid –off during Summer Months

Buffalo CSD

Five employee contracts of the ten bargaining units representing the employees of the Buffalo CSD are in place for the 2019-20 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. The number of employees is effective as of December 31, 2019.

<u>Unions</u>	<u>Number of Employees⁽¹⁾</u>	<u>Present Agreements Expire</u>
BTF (Teachers)	3,664	06/30/19
BCSA (Administrators)	259	09/01/20
PCTEA (White Collar)	443	06/30/22
Local 264 (Blue Collar)	64	06/30/13
Local 264 (Cook Managers)	22	06/30/22
Local 264 (Food Service)	Variable	06/30/22
BEST (Teachers Aides & Assistants)	888	06/30/12
SUBSTITUTES UNITED (Substitute Teachers)	Variable	06/30/19
TRANSPORTATION AIDES (Bus Aides)	Variable	06/30/21
Local 409 (Engineers)	46	06/30/10
Trades	33	N/A
Exempt (includes Board)	45	N/A

Source: Buffalo CSD, Finance Department.

⁽¹⁾Includes General, Grants and Food Service Funds as of December 31, 2019

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, 2019, the City made a prepayment retirement contribution of \$9.9 million for the ERS, which includes the Buffalo Society of Natural Sciences, the Buffalo Fine Arts Academy and Enterprise functions and \$28.6 million for PFRS, which created a savings of \$327,680. 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 \$5.9 million paid by the Buffalo CSD for the fiscal year ended March 31, 2019 for the ERS.

For fiscal year 2019-20, the Buffalo CSD contribution for TRS is 8.9% 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 2016 through 2019.

TRS, ERS & PFRS EXPENDITURES
Fiscal Year Ended June 30

	Actual		Actual		Actual		Actual
	<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>
City (ERS) ⁽¹⁾	\$ 7,449,592	\$	8,135,000	\$	9,505,902	\$	7,801,268
City (PFRS)	26,505,798		31,191,636		31,033,149		28,268,658
Board (ERS)	7,188,437		6,363,848		6,266,223		5,947,217
Board (TRS)	33,911,658		34,062,426		34,111,928		31,671,613

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, 2019 was determined to be \$1.1 billion. The Buffalo CSD had an actuarial evaluation performed in accordance with GASB 75 that disclosed an accrued OPEB liability of \$2.4 billion as of June 30, 2019. There is no current requirement to fund the future OPEB obligation; however the Buffalo CSD assigned \$52.1 million of fund balance in fiscal year 2019-20 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 the School District be required to fund their unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the City's and the School District's finances and could force the City and the School District to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the City and the School District 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 2018-19 totaled \$76.5 million which consisted of \$39.9 million for active employees and \$36.6 million for retired employees. The adopted budget for 2019-20 appropriates \$77.0 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 these insurance premiums as billed. For the 2018-19 fiscal year the Buffalo CSD paid \$116.1 million for both active and retired employees. The adopted budget for 2019-20 appropriates \$132.7 million for both active and retired employees for the Buffalo CSD.

Debt Service

In fiscal year 2019-20, 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 \$44.0 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 16 secondary schools, 38 elementary and intermediate schools, and two special schools. There are 18 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.

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020⁽⁴⁾</u>
Enrollment	34,174	33,834	33,512	33,286	33,290
Schools ⁽¹⁾	61	61	61	61	61
Instructional Staff ⁽²⁾	3,489	3,542	3,624	3,631	3,626
Administrative Personnel ⁽²⁾	243	240	257	262	258
Non- Certified Personnel ⁽²⁾⁽³⁾	1,525	1,545	1,531	1,561	1,523

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⁾Projected as of December 31, 2019

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 9,002 in the 2018-19 school year and was projected for budgeting purposes to be 9,400 in 2019-20. As of December 31, 2019, the projected enrollment for 2019-20 is 9,300. The increases have been attributable through 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 is \$14,131 per student (including \$13,494 for basic tuition, plus an estimated \$637 for special education funding) as of December 31, 2019. Total payments were \$118.3 million and \$125.3 million in fiscal years 2017-18 and 2018-19 respectively. The budgeted amount for fiscal year 2019-20 is \$133.8 million, as of December 31, 2019, total payments are projected to be \$131.9 million.

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 2018-19 fiscal year, were funded 7.8% from the City, 0.5% from the Federal government, 83.4% from State aid, 5.3% from an allotment of County sales tax revenues and

3.0% from other sources of revenue. The Buffalo CSD received \$48.8 million in sales tax revenues for 2018-19, and is projected to receive \$48.5 million for 2019-20, as of December 31, 2019.

The total amount of State aid the Buffalo CSD received for all funds during the 2018-19 fiscal year was \$823.7 million and is projected to receive \$830.7 million for 2019-20, as of December 31, 2019.

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, require the Water Board to fix rates sufficient to pay the costs of operating and financing the Water System and require the City to adequately maintain the System. The total Water System Revenue bonds outstanding as of June 30, 2019 is \$125,270,000. 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 system includes the engagement of independent contractors for the fulfillment of the Water Board’s duties and obligations with respect to the system. The Water Board has contracted with an independent contractor to manage the system and a Management Agreement is in place which expires on June 30, 2020. The Water Board has conducted an RFP/RFQ to engage an independent contractor to continue management of the water system. The Water Board anticipates the award of a new contract, with the successful contractor, before July 1, 2020. The employees of the City of Buffalo, Division of Water continue to operate, maintain, repair and improve the 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 consists of seven members who 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 2018-19. 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 2019-20 budget for the Sewer Authority totals \$57.9 million. There was a \$2.2 million increase 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 \$36.8 million at June 30, 2019. The bonds were issued by New York State Environmental Facilities Corporation (the "EFC"), in 2003, 2004, 2006 and 2012 (Series 2003A, 2004B, 2004D, 2006C and 2012E). In addition the Sewer Authority has a \$8.7 million short-term loan from EFC. The Authority intends to exercise the option to convert this loan to long-term debt however it has not exercised that option.

The Sewer Authority received its final State Pollution Discharge Elimination System ("SPDES") permit effective July 1, 2004. This permit requires the Sewer Authority to prepare a long term plan to fund and abate CSO (Combined Sewer Overflows) in the City. The project to develop the CSO abatement started in January 2000 and was completed in July 2004 and forwarded to the DEC for review. The Sewer Authority, the DEC and the EPA are in discussions to develop an order of consent, which will detail the specifics of the plan that will be implemented.

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.

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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 and the JSCB).

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 reimposed.

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 reimposed 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. Due to the timing related to the City's ability to submit information to the BFSA to review, the BFSA, as of April 6, 2019, has not yet reviewed and commented on the terms of this specific borrowing. On May 20, 2019, BFSA found the financial plan incomplete with respect to the plan submitted by the Buffalo Urban Renewal Agency and required that a revised plan be submitted. The Buffalo Urban Renewal Agency submitted a revised financial plan on June 13, 2019, and on June 17, 2019, the BFSA found the 2020-23 financial plan to be complete and compliant with the BFSA Act. 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 Review of Financial Plans and Budgets*” below for additional information.

While currently under an advisory period, a control period could be reimposed 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 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. On May 20, 2019, BFSA found the financial plan incomplete with respect to the plan submitted by the Buffalo Urban Renewal Agency and required that a revised plan be submitted. The Buffalo Urban Renewal Agency submitted a revised financial plan on June 13, 2019, and on June 17, 2019, the BFSA found the 2020-23 financial plan to be complete and compliant with the BFSA Act. The BFSA Act requires that the Financial Plan be considered as a whole including the City and all Covered Organizations under the BFSA Act.

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, 2020, 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. During the State fiscal year 2019-20, State Law Section 1261(c)(5-a) required the State Comptroller ("OSC") 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 amounts redistributed as AIM-related payments in December 2019 were \$379,060 for the City and \$225,713 for the Buffalo CSD; a total of \$604,773 was redistributed from the City and Buffalo CSD in December 2019 to effectuate such 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 January 31, 2020, a total of \$11.1 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 January 31, 2020</u>	<u>Series</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2007	\$7,445	2007A	4.0 - 5.0%	2023
2015	\$3,685	2015A	3.0 – 5.0%	2025

Source: Buffalo Fiscal Stability Authority

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 has not yet been 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.

In accordance with the 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 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.

BFSA Oversight Actions Related to the City's 2017-18 Fiscal Year

On May 1, 2017, the City submitted to BFSA the respective 2017-18 budgets and 2018-21 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 15, 2017, BFSA found the preliminary 2018-21 financial plan to be complete and complied with the BFSA Act. The City submitted a final financial plan on June 9, 2017, and BFSA subsequently determined the final financial plan to be complete and complied with the BFSA Act on June 16, 2017.

On September 13, 2017, BFSA reviewed and commented on a proposed labor agreement between the Buffalo CSD and the Buffalo Council of Supervisors and Administrators representing approximately 253 administrators. No financial plan modification was required to address the incremental costs of this labor contract. On September 25, 2017, BFSA reviewed and commented on a proposed labor agreement between the City and the International Brotherhood of Teamsters Local 264, representing approximately 32 caulkers; no financial plan modification was necessary. On December 6, 2017, the proposed 2018 capital budget and related five-year capital plan of the City was reviewed and commented on by BFSA. On February 13, 2018, a proposed labor agreement between the Buffalo CSD and the Substitutes United/Buffalo – NYSUT union, representing substitute teachers of the school district, was reviewed; no financial plan modification was deemed necessary. On April 4, 2018, the BFSA reviewed the second quarter report as submitted by the City and found that unexpected budget variances resulted in the need for the Mayor to submit a financial plan modification. A modified financial plan was subsequently submitted on April 30, 2018 and provided a series of gap closing actions in the amount of \$15.4 million; the BFSA reviewed this item on May 16, 2018. Also, on April 4, 2018, the BFSA reviewed a proposed collective bargaining agreement between the Buffalo Urban Renewal Agency (BURA) and the Civil Service Employees Association, Local 1000, AFSCME, AFL-CIO, Local 815, representing approximately 30 nonexempt employees of BURA; no financial plan modification was required. On June 18, 2018, 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 the food service workers. No budget modification was necessary for 2017-18. A modified 2019-22 financial plan was submitted which included an increase in projected four-year cumulative revenues of \$3.9 million and also increased four-year cumulative projected expenditures by \$2.8 million.

BFSA Oversight Actions Related to the City's 2016-17 Fiscal Year

On April 29, 2016, the City submitted to BFSA the respective 2016-17 budgets and 2017-20 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 BFSA Act §3857, subd. 2. On May 18, 2016, the BFSA declared the financial plan to be incomplete with respect to the Buffalo CSD and required that a revised

financial plan be submitted; such revised financial plan was submitted on June 10, 2016. On June 21, 2016, the BFSA found the 2017-20 financial plan to be complete and compliant with the BFSA Act.

On December 7, 2016, the BFSA reviewed the terms of a ratified labor agreement between the Buffalo CSD and the Buffalo Teachers' Federation ("BTF"), representing approximately 3,466 teachers employed by the Buffalo CSD. This contract was ratified on October 17, 2016, prior to submission and review by the BFSA, in violation of §3859 subd. 1.(E) of the BFSA Act. The financial plan was found to be inconsistent with the anticipated additional costs for the BTF contract and as a result, the Buffalo CSD was required to submit a modified financial plan. On January 25, 2017, the Buffalo CSD submitted a modified budget and financial plan to address the incremental costs of the BTF labor agreement, which was reviewed by BFSA on February 6, 2017. The BFSA found the modified 2017-20 financial plan to include a nonspecific list of potential actions that Buffalo CSD officials could or could not decide to implement to address the budgetary gaps included within the financial plan. The BFSA directed the Buffalo CSD to provide a 2018-21 financial plan that clearly defines and delineates the Buffalo CSD's potential actions to close the budgetary gaps in each year of the 2018-21 financial plan. On March 8, 2017, the BFSA reviewed and commented on the terms of a tentative collective bargaining agreement between the City and the International Union of Operating Engineers, Local 17-17 ("Operating Engineers"), representing approximately 26 employees. No financial plan modification was necessary as these contract costs were included in the 2017-20 financial plan. On May 15, 2017, the BFSA reviewed and commented on a modification to an existing labor agreement between the Buffalo Municipal Housing Authority and American Federation of State, County and Municipal Employees ("AFSCME") Local 264 representing the blue-collar, white-collar and managerial units and the International Union of Operating Engineers Local 17-17S; no budget modification was required. The BFSA also approved the reallocation of approximately \$144,500 of New York State Efficiency Grant monies among various previously approved projects. Additionally, the BFSA reviewed a budget modification for the City in the amount of \$4.1 million for judgments and claims to be funded from assigned fund balance, \$3.8 million for capital outlay expenses to be funded from restricted fund balance, and \$500,000 for a payment from the Buffalo Sewer Authority to be used for demolitions.

Litigation Regarding Wage Freeze Imposed by BFSA

As a result of the fiscal-related actions taken by the BFSA, a number of affected collective bargaining units representing employees of the City and certain non-exempted Covered Organizations initiated legal proceedings in federal and state courts challenging certain of the BFSA actions, including the BFSA's imposition of the wage freeze on April 21, 2004. These bargaining units sought reversal of those actions, in particular the imposition of the wage freeze. These challenges were litigated by the bargaining units and were ultimately unsuccessful. On June 5, 2007, the BFSA adopted a resolution lifting the wage freeze effective July 1, 2007. By the same resolution, the BFSA approved the City's and Buffalo CSD's financial plan providing a one-step increase on employees' salary schedules effective July 1, 2007. Certain bargaining units challenged this action, claiming entitlement to three additional steps as of July 1, 2007; *i.e.*, the three additional salary steps employees would have received but for the wage freeze. On March 29, 2011, the New York State Court of Appeals, the State's highest Court, ruled in favor of the BFSA, the City, and the Buffalo CSD. In June 2011, the Buffalo Teachers Federation moved in Federal District Court to reopen the case in which the wage freeze had been found to be constitutional. The motion was a result of the decision by the Court of Appeals of New York finding that the steps and increments did not accrue during the wage freeze. BFSA opposed the motion which was denied on February 8, 2012. The Buffalo Teachers Federation appealed, and on March 18, 2013 the Second Circuit affirmed the decision of the District Court denying the motion to reopen the decision finding the wage freeze constitutional. The Union representing the Police commenced an action in Federal District Court on July 21, 2011 seeking a declaration that the statute creating the BFSA is unconstitutional based upon the imposition of the freeze and the lifting of the freeze. Both BFSA and the City moved to dismiss the complaint and the motion was granted on May 22, 2012. The Police Union did not file a notice of appeal and the action is concluded. On July 15, 2011, the Buffalo Professional Firefighters Association, Inc. brought a proceeding to declare a resolution enacted by the BFSA on May 11, 2011 to be invalid. The resolution ordered the City of Buffalo to not pay any increases in wages or benefits provided under a recent

arbitration award for the period beginning July 1, 2002 through June 30, 2004. BFSA and the City moved to dismiss the proceeding, the motion was granted on January 12, 2012, and a notice of appeal was filed by the Buffalo Professional Firefighters Association, Inc. On April 26, 2013, the Fourth Department affirmed the dismissal of the proceeding. Within a subsequent collective bargaining agreement executed in June 2013, the Buffalo Professional Firefighters Association, Inc. agreed to withdraw from this litigation. (See “LITIGATION” herein.)

CITY INDEBTEDNESS

At April 1, 2020, the City had outstanding general obligation serial bonds of \$176.8 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.

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 BFSA 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 resolutions adopted to authorize issuance of the Notes.

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 BFSA Act, debt issued by the BFSA 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, 2019 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, 2020. The City expects to renew the exclusion prior to the expiration date. Authorized but unissued debt is not charged against the debt limit.

The following table shows the debt-incurring power of the City within the debt limit as of April 1, 2020.

CITY OF BUFFALO
STATEMENT OF DEBT CONTRACTING POWER
April 1, 2020^{(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	\$9,731,062,380	
Debt Contracting Limitation: Nine Percent of Average Full Valuation - Article VIII, Section 4, of the Constitution of the State of New York	\$ 875,795,614	100.00%
Gross Indebtedness:		
Borrowings:		
Serial Bonds	\$ 154,768,061	
Bond Anticipation Note	22,070,653	
Total Gross Debt	<u>176,838,714</u>	
Exclusions:		
Exempt Debt:		
Parking Facilities Bonds	7,182,707	
Reserve to Pay Non-Exempt Debt	1,402,647	
Appropriation in Current Budget to Pay Non-Exempt Debt Maturing during Remainder of FY	<u>-</u>	
Total Exclusions	<u>\$ 8,585,354</u>	
Net Indebtedness	168,253,360	19.2%
Debt-Contracting Margin	707,542,254	80.8%
Less Authorized But Unissued Non-Exempt Debt ⁽⁴⁾	11,169,962	1.3%
Effective Borrowing Capacity	<u>\$ 696,372,292</u>	<u>79.5%</u>

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 \$6,953,061 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

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, 2020

DIRECT DEBT

Bonded Debt:

General Purpose ⁽¹⁾	\$ 122,105,354	
School	25,480,000	
Off-Street Parking Facilities ⁽²⁾	<u>7,182,707</u>	
Total Bonded Debt		<u>\$ 154,768,061</u>

Other Debt:

Bond Anticipation Note	22,070,653	
Municipal Bond Bank Agency ⁽³⁾	10,255,000	
Capital Lease Obligations	<u>-</u>	
Total Other Debt:		<u>32,325,653</u>

GROSS DIRECT DEBT		<u>187,093,714</u>
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Deductions:

Self-Supporting debt		
Off-Street Parking Facilities	<u>7,182,707</u>	
Total Deductions		<u>7,182,707</u>

NET DIRECT DEBT		<u>\$ 179,911,007</u>
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OVERLAPPING DEBT	<u>Outstanding</u>	<u>City Share %</u>	<u>City Share</u>
Erie County	345,940,000 ⁽⁴⁾	16.5% ⁽⁵⁾	57,080,100
Buffalo Sewer Authority	36,785,714	67.3% ⁽⁶⁾	24,756,786
NET OVERLAPPING DEBT			<u>\$ 81,836,886</u>

NET DIRECT AND OVERLAPPING DEBT		<u>\$ 261,747,893</u>
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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 - \$6,953,061)

(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 2018-19 fiscal year, net revenues received by the City from rental payments were \$7,378,941 or over 100% of the \$1,462,615 for 2019-20 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, 2019. 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 2019, as equalized by the County of Erie.

(6) Within the City, approximately 20.9% of the operating fund revenue of the Sewer Authority is derived from a sewer rent on the assessed value of real property, and 46.4% of the revenue is received from a sewer rent based on water usage, which total 67.3%.

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, 2020.

	<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	\$ 187,093,714	\$ 716	2.81%	1.74%
Net Direct Debt	179,911,007	688	2.70%	1.68%
Net Direct & Overlapping Debt	261,747,893	1,002	3.93%	2.62%

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 2010 is 261,310

⁽²⁾The taxable assessed valuation of the City for the 2019-20 fiscal year is \$6,661,426,846

⁽³⁾The full valuation of the City for the 2019-20 fiscal year based on the Special Equalization Ratio of .6206 established by the State Board of Equalization and Assessment is \$10,733,849,252

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, 2020.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 540,306	\$ 540,306
2021	30,891,891	6,536,213	37,428,104
2022	28,474,585	5,271,623	33,746,208
2023	28,078,964	4,057,596	32,136,560
2024	18,690,163	2,894,915	21,585,078
2025	14,537,458	2,143,236	16,680,694
2026	11,825,000	1,472,025	13,297,025
2027	7,055,000	908,788	7,963,788
2028	6,985,000	569,750	7,554,750
2029	4,430,000	245,700	4,675,700
2030	1,870,000	85,950	1,955,950
2031	1,930,000	28,950	1,958,950
	<u>\$ 154,768,061</u>	<u>\$ 24,755,052</u>	<u>\$ 179,523,113</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		Percentage of Total
<u>Ending June 30:</u>	<u>Amount</u>	<u>Principal Amount Retired</u>
2020-2024	\$106,135,603	68.6%
2025-2029	44,832,458	29.0%
2030-2032	<u>3,800,000</u>	<u>2.5%</u>
	<u>\$154,768,061</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 BONDED INDEBTEDNESS
LAST TEN FISCAL YEARS**

Fiscal Year Ended <u>June 30:</u>	Gross <u>Bonded Debt</u> ⁽¹⁾
2010	\$ 326,118,021
2011	313,957,579
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

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 currently has \$22,070,653 in bond anticipation notes outstanding, which will be redeemed at maturity on April 29, 2020 from the proceeds of the Notes and current funds of the City.

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. The City has not issued and currently does not anticipate the issuance of deficiency notes.

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, 2020, the City had authorized but unissued general obligation debt in the amount of \$11.2 million. The 2020 Capital Improvement Budget, which totaled \$49.8 million, was adopted on December 10, 2019.

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 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 imposes a tax levy limitation upon the City for any fiscal year commencing after January 1, 2012 continuing through June 15, 2020 unless extended, 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 2019-20 Fiscal Year**

Two Per Centum of Five-Year Average Full Valuation	\$	194,621,248
EXCLUSIONS ADDED THERETO		
Gross Debt Service	\$	41,934,409
Resources Applied to Debt		(3,472,465)
Interfund Transfers		-
Net Capital Debt Service ⁽²⁾		38,461,944
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		5,299,269
Total Exclusions	\$	44,361,213
MAXIMUM TAXING POWER		238,982,461
REAL ESTATE TAX LEVY		147,865,000
TAX LEVYING MARGIN	\$	91,117,461

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

⁽¹⁾City of Buffalo Adopted 2019-20 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 2019-20 Fiscal Year**

Fiscal Year		Assessed	State Special Equalization		Full
Ended June 30:		Valuation⁽¹⁾	Ratio⁽²⁾		Valuation⁽³⁾
2016	\$	6,556,659,039	0.7960	\$	8,237,008,843
2017		6,651,948,241	0.7089		9,383,478,969
2018		6,676,563,860	0.6716		9,941,280,316
2019		6,668,535,362	0.6437		10,359,694,519
2020		6,661,426,846	0.6206		10,733,849,252
Total Five-Year Full Valuation				\$	48,655,311,899
Five-Year Average Full Valuation				\$	9,731,062,380
Tax Levying Limitation: 2% of Average Full Valuation				\$	194,621,248
Debt Contracting Limitation: 9% of Average Full Valuation				\$	875,795,614

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 2019

⁽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

Effective with fiscal year 2011-12, the Mayor instituted a freeze on re-assessments. The City's Assessed Valuation has increased by \$104.8 million or 1.6%, since 2016. The City has undertaken a reassessment of all properties, which will be utilized for the 2020-21 fiscal year.

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**

	2016	2017	2018	2019	2020
TOTAL ASSESSED REAL ESTATE	\$ 9,918,460,512	\$ 9,959,600,594	\$ 10,139,283,535	\$ 10,305,752,786	\$ 10,396,397,904
Special Franchise Assessment ⁽³⁾	<u>346,254,297</u>	<u>339,488,005</u>	<u>346,541,805</u>	<u>329,173,554</u>	<u>310,855,096</u>
TOTAL ASSESSED VALUATION	10,264,714,809	10,299,088,599	10,485,825,340	10,634,926,340	10,707,253,000
Non-Taxable Real Estate	(3,735,815,552)	(3,675,831,416)	(3,824,599,267)	(3,957,238,119)	(4,047,105,680)
Railroad Exemption	<u>(51,751,425)</u>	<u>(50,852,248)</u>	<u>(59,566,594)</u>	<u>(80,632,428)</u>	<u>(67,564,988)</u>
TOTAL TAXABLE FOR GENERAL CITY PURPOSES	6,477,147,832	6,572,404,935	6,601,659,479	6,597,055,793	6,592,582,332
Veteran and Senior Citizen Exemptions subject to School Tax	<u>79,511,207</u>	<u>79,543,306</u>	<u>74,904,381</u>	<u>71,479,569</u>	<u>68,844,514</u>
TOTAL TAXABLE FOR SCHOOL PURPOSES	<u>\$ 6,556,659,039</u>	<u>\$ 6,651,948,241</u>	<u>\$ 6,676,563,860</u>	<u>\$ 6,668,535,362</u>	<u>\$ 6,661,426,846</u>
TAX BASE FOR GENERAL CITY PURPOSES					
Homestead	\$ 4,221,366,061	\$ 4,233,609,629	\$ 4,251,700,447	\$ 4,262,336,895	\$ 4,278,680,596
Non-Homestead	<u>2,255,781,771</u>	<u>2,338,795,306</u>	<u>2,349,959,032</u>	<u>2,334,718,898</u>	<u>2,313,901,736</u>
TOTAL TAX BASE FOR GENERAL CITY PURPOSES	<u>\$ 6,477,147,832</u>	<u>\$ 6,572,404,935</u>	<u>\$ 6,601,659,479</u>	<u>\$ 6,597,055,793</u>	<u>\$ 6,592,582,332</u>
TAX BASE FOR SCHOOL PURPOSES					
Homestead	\$ 4,300,072,065	\$ 4,312,244,867	\$ 4,325,666,525	\$ 4,332,987,874	\$ 4,346,781,121
Non-Homestead	<u>2,256,586,974</u>	<u>2,339,703,374</u>	<u>2,350,897,335</u>	<u>2,335,547,488</u>	<u>2,314,645,725</u>
TOTAL TAX BASE FOR SCHOOL PURPOSES	<u>\$ 6,556,659,039</u>	<u>\$ 6,651,948,241</u>	<u>\$ 6,676,563,860</u>	<u>\$ 6,668,535,362</u>	<u>\$ 6,661,426,846</u>

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 2019-20, \$743.4 million will be exempted by these policies as compared to \$813.4 million in 2018-19 and \$779.5 million in 2017-18.

For payments in lieu of taxes (PILOTs), the City received \$3.5 million in 2017-18 and \$3.3 million in 2018-19 and a budget of \$3.1 million for fiscal year 2019-20. 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:	<u>General City Purposes</u>		<u>School Purposes</u>		<u>Total City/School</u>	<u>Overlapping Entities</u>		<u>Total</u>
	<u>Operations</u>	<u>Capital Debt Service</u>	<u>Operations</u>	<u>Capital Debt Service</u>		<u>County of Erie⁽²⁾</u>	<u>Buffalo Sewer Authority</u>	
2016 (Homestead)	5.52	3.26	7.69	1.40	17.87	5.95	1.66	25.48
2016 (Non-Homestead)	8.26	4.88	11.72	2.13	26.99	5.95	1.66	34.60
2017 (Homestead)	5.82	3.14	7.56	1.37	17.89	6.45	1.65	25.99
2017 (Non-Homestead)	8.71	4.69	11.51	2.09	27.00	6.45	1.65	35.10
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	7.33	1.64	27.44
2020 (Non-Homestead)	9.59	5.78	12.18	1.94	29.49	7.33	1.64	38.46

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. 2020 Homestead and Non-Homestead Rates are based on 2019 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	Total	Collected Within the		Interest	Final Tax	Collections in	Total Collections to Date	
Year	Current	Fiscal Year of the Levy		Added to	Levy for	Subsequent	Percentage	
Ended	Levy	Amount	Percentage	Levy⁽¹⁾	Fiscal Year	Years	Amount	of Levy
June 30								
2010	\$126,219	\$119,932	95.02%	\$1,260	\$127,479	\$7,508	\$127,383	99.92%
2011	129,069	122,281	94.74%	1,224	130,293	7,447	129,728	99.57%
2012	128,090	122,089	95.32%	1,191	129,281	7,169	129,258	99.98%
2013	123,947	117,559	94.85%	1,159	125,106	7,342	124,901	99.84%
2014	124,087	117,480	94.68%	1,203	125,290	7,634	125,114	99.86%
2015	122,333	116,451	95.19%	1,107	123,440	6,953	123,404	99.97%
2016	123,793	116,621	94.21%	1,150	124,943	7,452	124,073	99.30%
2017	127,982	120,785	94.38%	1,108	129,090	6,851	127,636	98.87%
2018	128,000	122,454	95.67%	1,021	129,021	4,788	127,242	98.62%
2019	135,095	129,245	95.60%	1,024	136,219	785	130,030	95.46%

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, 2019, cumulative real property tax delinquencies were \$10.8 million. The City reserved \$2.8 million as uncollectible at June 30, 2019. 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 4.6% and 3.7%, respectively, of the total tax levy for fiscal year 2019-20 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, 2020

<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	\$230,598,123	\$6,800,325	4.60%
2	National Fuel Gas Corporation ⁽⁵⁾	Utility	185,042,368	5,456,888	3.69%
3	Manufacturers and Trust Company ⁽³⁾	Bank	41,440,000	1,222,063	0.83%
4	Consolidated Rail Corporation ⁽⁵⁾	Shipping/Transportation	78,800,674	1,107,097	0.75%
5	EGP 130 Buffalo, LLC	Commercial Real Estate	29,000,000	855,208	0.58%
6	Verizon Communication, Inc. ⁽⁵⁾	Telecommunications	28,618,383	843,954	0.57%
7	LCO Building, LLC	Commercial Real Estate	32,552,000	828,815	0.56%
8	Uniquist Delaware, LLC	Condominium/Hotel	31,950,000	737,964	0.50%
9	Violet Realty, Inc.	Commercial Real Estate	21,000,000	619,289	0.42%
10	G & I IX Empire, LLC	Retail Plaza	19,555,500	576,690	0.39%
11	HSBC Bank USA, N.A.	Bank	17,000,000	501,329	0.34%
12	Genesee Hotel Properties, LLC	Hotel/Hospitality	16,200,000	477,737	0.32%
13	Jemal's Seneca, LLC	Commercial Real Estate	13,149,000	387,763	0.26%
14	Fort Schuyler Management Corp	Management Corporation	12,851,431	378,988	0.26%
15	Buffalo State Ventures, LLC	Apartment Complex	12,000,000	353,879	0.24%
Total: Top Fifteen Taxpayers				21,147,990	14.30%
Total: Real Property Tax Levy				\$ 147,865,000	100.00%

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 non-homestead tax rate of \$29.49 per thousand

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

⁽⁵⁾Includes Special Franchise

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⁾
2000-2019
(000's Omitted)

Category	2000		2010		2018		2019	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA ⁽²⁾	United States
Manufacturing	83.0	17,263.0	49.6	11,528.0	52.5	12,688.3	51.5	12,840.0
Trade, Transportation & Utilities	109.3	26,225.0	97.8	24,636.0	100.8	27,658.9	100.9	27,715.0
Retail Trade	65.8	15,279.8	60.8	14,440.4	61.7	15,832.4	61.1	15,644.0
Wholesale Trade	23.9	5,933.2	21.1	5,452.1	21.6	5,852.7	20.7	5,903.4
Government	90.7	20,790.0	95.0	22,490.0	91.0	22,450.1	89.9	22,594.0
Service Providing	455.3	107,232.0	469.7	112,166.0	496.8	128,363.2	495.5	129,872.0
Other Services	23.1	5,168.0	23.4	5,331.0	26.6	5,844.5	25.8	5,893.0
Finance & Insurance	23.2	5,772.8	24.2	5,761.0	30.4	6,314.0	29.0	6,425.2
Mining & Logging	20.8	599.0	18.9	705.0	21.9	731.8	21.0	735.0
	<u>895.1</u>	<u>204,262.8</u>	<u>860.5</u>	<u>202,509.5</u>	<u>903.3</u>	<u>225,735.9</u>	<u>895.4</u>	<u>227,621.6</u>

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

⁽¹⁾ Does not include all categories of employment

⁽²⁾ Includes Preliminary Figures for December 2019

Total Non-Agricultural Employment by Category⁽¹⁾
2000-2019
(000's Omitted)

Category	2000		2010		2018		2019	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA ⁽²⁾	United States
Manufacturing	9.3%	8.5%	5.8%	5.7%	5.8%	5.6%	5.8%	5.6%
Trade, Transportation & Utilities	12.2%	12.8%	11.4%	12.2%	11.2%	12.3%	11.3%	12.2%
Retail Trade	7.4%	7.5%	7.1%	7.1%	6.8%	7.0%	6.8%	6.9%
Wholesale Trade	2.7%	2.9%	2.5%	2.7%	2.4%	2.6%	2.3%	2.6%
Government	10.1%	10.2%	11.0%	11.1%	10.1%	9.9%	10.0%	9.9%
Service Providing	50.9%	52.5%	54.6%	55.4%	55.0%	56.9%	55.3%	57.1%
Other Services	2.6%	2.5%	2.7%	2.6%	2.9%	2.6%	2.9%	2.6%
Finance & Insurance	2.6%	2.8%	2.8%	2.8%	3.4%	2.8%	3.2%	2.8%
Mining & Logging	2.3%	0.3%	2.2%	0.3%	2.4%	0.3%	2.3%	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

⁽²⁾ Includes Preliminary Figures for December 2019

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. The 2001-2010 data for the City is based on the City's population data from the 2000 Census. The 2011-2019 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</u> ⁽²⁾	<u>United States</u>
2011	10.6%	8.2%	8.3%	8.9%
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 ⁽³⁾	5.3%	4.2%	4.0%	3.7%

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

⁽³⁾City and Buffalo MSA figures represent preliminary figures for December.

Population

The 2010 Census revealed that the City's population declined from 292,648 in 2000 to 261,310 in 2010. The most recent estimate provided by the U.S. Department of Commerce, Bureau of the Census has the City of Buffalo with a population of 256,304 for 2018.

POPULATION TREND 1980-2010

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Buffalo	357,870	328,123	292,648	261,310
Erie County	1,015,472	968,532	950,265	919,040
Buffalo MSA	1,242,573	1,189,288	1,170,111	1,135,509
New York State	17,355,668	17,990,455	18,976,457	19,378,102
United States	225,234,182	249,632,692	281,421,906	308,745,538

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

CITY OF BUFFALO HOUSING CHARACTERISTICS 1980-2010

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Year Round Housing Units	156,393	151,971	145,574	139,174
Occupied Housing Units	140,954	136,436	122,720	112,844
Persons Per Household	2.41	2.33	2.29	2.26

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

Development Activity

The City's economy continues to build momentum, with major construction projects, primarily on the waterfront, Buffalo Niagara Medical Campus, and a solar products manufacturing facility. Since 2012, over \$7.2 billion in construction projects in the City are either completed, underway, or in the planning stages, according to the City of Buffalo Office of Economic Development. Such number climbs to more than \$18.1 billion when including projects from the surrounding communities.

Information Technology

M&T Bank executed a lease to establish a high-tech hub at Seneca One Tower, bringing 1000 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.

One Seneca Tower is now home to 43 North, a start-up pitch competition that awards \$5 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. 43 North recently relocated from the Buffalo Medical Campus in early 2020 and will complement M&T's new tech hub. More than 130 start-up companies have been founded at the campus, capitalizing on the synergy and opportunity created by so many different entities on one site. Seneca One's redevelopment and M&T's technology hub lease have spurred further tech-oriented office redevelopment in the 278 Main Place Mall on Main Street. The Main Place Mall is an anticipated \$75 million redevelopment to attract other large business tenants to the downtown corridor according to the Buffalo News.

Two major projects were completed on the Buffalo Niagara Medical Campus ("BNMC") in 2017, bringing the total number of employees at the 120-acre site to more than 17,000. Both Kaleida Health's \$250.0 million Oishei Children's Hospital and the University at Buffalo's \$375 million Jacobs School of Medicine and Biomedical Sciences opened for business on the campus, which is a consortium of the region's top health care, education, and research institutions. The campus was already home to Roswell Park Cancer Institute, Buffalo General Hospital, the Hauptman-Woodward Medical Research Institute, and the recently completed \$291.0 million facility that is home to the Kaleida Health Gates Vascular Institute and the University at Buffalo's Clinical and Translational Research Center.

Finance & Corporate Headquarters

The City 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 banks, with \$81.0 billion in assets and more than 15,000 employees, a third of which are located in the Buffalo area. M&T's footprint includes 750 branches in New York, Maryland, Pennsylvania, Virginia, Washington, D.C., West Virginia, Delaware, New Jersey, and Florida.

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 Rich Products, Labatt USA, the New Era Cap Company, Lactalis American Group, and Delaware North Companies.

Education

The construction of the University at Buffalo's new medical school at the Buffalo Niagara Medical Campus is part of the "UB2020" plan, a comprehensive growth strategy to increase jobs, enrollment, and research funding at the school, the largest public university in New York State, with more than 28,000 students across 3 campuses. UB 2020 is expected to create more than 1,000 jobs at the university, in addition to 2,000 private-sector research jobs and 1,600 construction jobs.

In 2019, SUNY Buffalo State College took a lead development role as the designated developer for the former City of Buffalo auto impound lot. Located on the Western end on of the 198, the development is

expected to enhance bridge connections to the existing campus and would support revitalization efforts on Buffalo's West Side.

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.

Northland

As Governor Andrew Cuomo's signature workforce initiative under the Buffalo Billion initiative, Northland Workforce Training Center is an industry-driven, public-private partnership between employers, educational institutions, community and faith-based organizations and state and local government focused on closing the skills gap of the local labor pool and creating economic on-ramps to training, co-ops, internships, apprenticeships, and permanent employment for Western New Yorkers seeking high-paying advanced manufacturing and energy careers. Twenty-four students graduated from the Northland Workforce Training Center in August of 2019 with certificates in advanced manufacturing and skilled trades.

Tesla

Tesla opened its 1.2 million square-foot solar product factory in 2017, where it has begun manufacturing its innovative solar roof tiles. There is currently a backlog of orders for the roof tiles, that Tesla executives have said they expect to "remain in excess of one year for the next several quarters," according to a February 9, 2018 article in The Buffalo News. Tesla has promised to create 1460 jobs to the Buffalo by April 2020, and the State says Tesla has increased hiring at the facility, putting it within reach of its April hiring goal according to the Buffalo News. The facility, constructed with \$750 million from New York State as part of its "Buffalo Billion," is currently the largest solar manufacturing facility in the western hemisphere, and will have the ability to expand five-fold to accommodate future growth.

Waterfront Development

Capitalizing on its Lake Erie shoreline and historic significance as the western terminus of the Erie Canal, the City has recently made great strides in developing its waterfront. The strategy, executed by all levels of government, has been to use public investment in parks and amenities in order to spur private development.

The centerpiece of this effort 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 million Explore & More - Ralph C. Wilson, Jr. Children's Museum, is complete and open to the public.

Canalside's popularity has led to more than a half billion dollars in private development in the area surrounding the attraction. This includes LECOM HarborCenter, where the National Hockey League's (NHL) Buffalo Sabres have completed a \$250.0 million project, which includes a 20-story facility with two ice rinks, a 200-room Marriott hotel, retail, and a high-end sports bar known as "716". Connected to the professional hockey arena, the Key Bank Center, the LECOM HarborCenter hosted the 2016 NHL Draft and the 2018 World Junior Hockey Championships. The Sabres' owners, Terry and Kim Pegula, have also completed renovations to an existing building nearby, which is the headquarters for both Pegula Sports and Entertainment, and beer company Labatt USA.

Canalside has even more attractions coming with the addition of a solar-powered carousel to be located near Clinton's Dish. This seasonal attraction consisting of a historic 1924 carousel will be housed inside a roundhouse enclosed in glass and will be completed 2020. Currently under construction is the Longshed Boat Building. The project consists of a two-story, gabled-roof wood structure that will include public restrooms, also expected to be completed in 2020. When it's finished, the Buffalo Maritime Center will move in to begin a two- to three-year project to build a 19th century packet boat with public participation and viewing. Approved by the Planning Board in the fall of 2019, the Heritage Point project is a planned \$30 million mixed-use development on the former South Aud block which will include restaurants, retail, and apartments.

Waterfront development has also spread past downtown, with recent park projects leading to nearby residential developments on the Outer Harbor and the Buffalo River. Buffalo Riverfest Park, Mutual Riverfront Park, and Buffalo RiverWorks have resulted in new apartment buildings on the Buffalo River, such as the \$18 million Buffalo River Landing and the \$9.0 million 301 Ohio building. Wilkeson Pointe and other improvements have led to the first residential project proposed on the Outer Harbor, a 23-story, \$100 million multi-phase housing, retail, and waterfront amenity project known as Queen City Landing.

In 2018, the Ralph C. Wilson, Jr. Foundation announced \$100 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 of Buffalo was announced in 2019 for the construction of a new pedestrian bridge connecting LaSalle Park and the adjacent neighborhoods.

Downtown Development

Buffalo's tallest building, the Seneca One Tower, was purchased in 2016 by Doug Jemal, the second largest commercial real estate developer in the Washington, D.C. market, who plans to spend as much as \$120 million on a mixed-use redevelopment, according to the Buffalo News. Construction is expected to finish in 2020. The space will include retail, residential, and commercial space with the largest tenant being M&T Bank for their new Tech Hub. According to the State of the City, Douglas Development has agreed to a PIF(PILOT Increment Financing), and will forgo substantial tax benefits for the Seneca One Tower Project, contributing \$15 million in full tax payments towards a \$40 million Accelerator fund to support infrastructure improvements, business development, and talent attraction in downtown Buffalo.

Delaware North's new headquarters, an \$80 million, 12-story office tower with a 120-room Westin hotel, opened in 2016. A \$40.0 million expansion of the Buffalo Creek Casino, including 360 new slot machines, 10 table games, a performance stage, and a high-end restaurant, was completed in 2017. The \$45 million 201 Ellicott projects will bring more than 200 affordable residential units and a grocery store to downtown buffalo. The Emerson Culinary School is renovating and expanding their facility. The project at 500 Pearl Street is now home to the 110 room Aloft Hotel, 12 high-end apartments, office space, first floor retail, and a restaurant. The \$70 million project also includes the 2018 renovation of the adjoining Buffalo Christian Center. 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. Also near BNMC, the "Grid" is an \$18 million five-story residential complex under construction that will be geared towards students and young professionals working and studying at the medical campus.

Infrastructure

An \$11 million investment in Ohio Street converted the formerly industrial street into a bicycle and pedestrian-friendly parkway that connects attractions at Canalside, the Buffalo River, and the Outer Harbor.

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 project is already fulfilling its goal of increasing economic development and activity on the street. An additional \$18 million in federal Transportation Investment Generating Economic Recovery (TIGER) grant funding for the project was announced in October 2015 and will be used for the portion of Main Street in the Canalside area, between Exchange and Scott Streets. Douglas Development's recent contributions to the Seneca One PIF will accelerate these infrastructure improvements for the Cars Sharing Main initiative downtown.

In 2016, Governor Cuomo committed \$1 million in State funding for a study to build a new passenger train station in the City. The three-story, \$27.7 million Buffalo Exchange Street Station is currently under construction and being built in the same location as the former station, but closer to the street. At 4,900 square feet, it will be three times larger. The station will also have the capacity to accommodate expanded train and bus services in the future.

Housing

In his State of the City, Mayor Byron Brown announced a goal to create 2,100 units of housing to meet the needs the new workforce along a Knowledge Corridor stretching from Canalside to the University at Buffalo South Campus. In 2019, over 400 new units of downtown housing underway, including approximately 115 units at Douglas Development's Seneca One and 201 units at Ciminelli's 201 Ellicott St project.

In addition to the residential projects on the waterfront and downtown, \$91.0 million is being invested in real estate projects, primarily housing, near the Metro Rail subway stations, primarily due to the Buffalo Niagara Medical Campus, Canalside, and the soon to be M&T Tech Hub being located on the city's subway system.

Since 2012, the sale of land from the City of Buffalo and other government agencies has led to the development of over 1000 market rate and affordable housing units either completed or underway. The City will receive over \$600,000 in tax revenue in 2020 from development related to city property transfers.

Kaleida Health has announced new plans for the former site of Women and Children's Hospital in the Elmwood Village. Sinatra and Company and Ellicott Development are spearheading a \$100 million project that calls for a grocery store, a hotel, a day care center and approximately 220 residential units.

Hospitality

The hotels at HARBORCenter and One Canalside are in addition to other new hotels recently completed or planned in the City that rehabilitate historic buildings. Benderson Development invested \$18 million in the 105-suite Residence Inn on Delaware Ave that replaced the longstanding Holiday Inn. The Hotel @ the Lafayette a \$46 million project, and the Webb Building, a \$9 million project, were completed in 2012. Construction is completed on the Tishman Building, a \$40 million project that includes a 123-room Hilton Garden Inn, and the Curtiss Building, a \$20 million 68-room luxury hotel. The Richardson Olmsted Complex, which renovated H.H. Richardson's architectural masterpiece into a 90-room, \$56.0 million boutique hotel and high-tech conference center, has also been completed. The Curtiss Building renovation into a boutique hotel, fine dining and spa is complete as well. The 120-room Westin hotel on Delaware Avenue opened in 2016, and Ellicott Development announced plans to develop an Element by Westin Hotel near the Buffalo Niagara Medical Campus.

Automotive Industry

More than \$1.0 billion has been invested or are slated to be invested in automotive factories in the Buffalo area. \$825.0 million was invested in the General Motors engine plant, which added 113 jobs in 2013, for a total of 1,902 jobs at the facility. Ford is currently implementing \$150.0 million in new investments to its stamping plant. The investments have led to 230 new jobs, for a total workforce of 1,950 employees, with more jobs expected when the investments are completed.

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.

The long term future of the National Football League's Buffalo Bills was ensured with the purchase of the franchise for \$1.4 billion by Buffalo Sabres owner Terry and Kim Pegula, who has committed to keeping the team in the region for the foreseeable future. Pegula has also committed to building a new stadium for the Bills, which could potentially be located in the City of Buffalo.

Buffalo is also home to the Buffalo Sabres of the National Hockey League (NHL), and the Buffalo Bisons baseball team, the Triple-A affiliate of the Toronto Blue Jays.

The City of 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 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.

Buffalo'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.

Library services are provided through the Buffalo and Erie County Public Library Systems with 218 employees, circulating over 7.6 million items at 37 branches located throughout Erie County.

Canadian Impact

Buffalo'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.

The impact of Canadians on the local economy is expected to increase as 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. An expanded Peace Bridge Plaza completed construction aimed at strengthening the region's ties with Southern Ontario by making border crossings quicker and easing congestion on the bridge. The plan also included \$2.0 million for improvements to the surrounding neighborhood.

Transportation

Buffalo is located in the center of a complex transportation network of truck, rail, highway, water and air facilities. The Peace Bridge Authority has begun a full EIS (Environmental Impact Statement) process to study location, size and design of one or two bridges and an associated plaza.

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") began 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 2009 through 2019.

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

Year	Passenger Volume	% Change from Prior Year
2010	5,203,104	-2.5%
2011	5,194,162	-0.2%
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%

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 City 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, 2019, the aggregate outstanding principal amount of such bonds totals \$689.5 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 and October 2016 to refund the outstanding School Facility Revenue Bonds, Series 2003, 2004, a portion of 2009 and 2007/2008 and a portion of 2009 respectively.

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 2019-20 budget included \$500,525 for tax certiorari-related claims and judgments with \$5,308 having been paid out as of December 31, 2019. The City expensed \$247,199 and \$61,242 for tax certiorari-related claims or judgments for fiscal year ended June 30, 2019 and June 30, 2018, respectively.

Provision for Judgments and Claims

The City's 2019-20 budget included \$2.0 million for judgments and claims and \$4.7 million for workers compensation claims, of which \$1.2 million and \$1.3 million respectively had been paid out as of December 31, 2019. The City expensed \$3.1 million for judgments and claims and \$4.0 million for workers compensation claims for fiscal year ended June 30, 2019. The City expensed \$7.0 million for judgments and claims and \$3.8 million for workers compensation claims for fiscal year ended June 30, 2018.

APPENDIX B**CITY OF BUFFALO, NEW YORK
BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION AS OF
AND FOR THE YEAR ENDED JUNE 30, 2019 AND INDEPENDENT AUDITOR'S REPORT**

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**CITY OF BUFFALO,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
June 30, 2019 and Independent Auditors' Reports*

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Year Ended June 30, 2019

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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, 2019, 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 2.1% and 0.1%, respectively, of the assets and revenues of the governmental activities. We also did not audit the financial statements of the Buffalo Board of Education ("BBOE"), 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 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 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, 2019, 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.

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 Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), 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, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic 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 31, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control over financial reporting and compliance.



October 31, 2019

CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2019

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, 2019. This document should be read in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. 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, 2019 by \$848,146. This consists of \$454,962 net investment in capital assets, \$36,561 restricted for specific purposes, and unrestricted net position of \$(1,339,669).
- The City's total primary government net position increased by \$102,523 during the year ended June 30, 2019. Net position increased \$91,828 for governmental activities and \$10,695 for business-type activities, respectively.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$130,687.
- At the end of the current fiscal year, the combined committed and assigned fund balance for the General Fund was \$51,544, or 10.5 percent of total General Fund expenditures and transfers out. Committed fund balance for the Emergency Stabilization fund is \$38,530, or 7.9 percent of total General Fund expenditures and transfers out, and assigned fund balance is \$13,015, or 2.7 percent of total General Fund expenditures and transfers out. The General Fund reported no unassigned fund balance as of June 30, 2019.
- 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 \$196,295 (\$171,080 net governmental activities general obligation bonds issued by the City, \$16,570 governmental activities general obligation bonds issued by BFSA, and \$8,645 business-type activities general obligation bonds). The City made total scheduled principal payments of \$34,025 (\$26,930 for net governmental activities general obligation bonds issued by the City, \$5,685 for governmental activities general obligation bonds issued by BFSA, and \$1,410 for business-type activities general obligation bonds) during the year ended June 30, 2019.
- The total Buffalo Municipal Water Finance Authority revenue bonds outstanding within the Water System at the end of the current fiscal year were \$125,270, as compared to \$114,580 at the beginning of the year. The Authority issued water system revenue bonds of \$36,270 and made principal payments on water system revenue refunding bonds of \$25,580, which had a net effect of a \$10,690 principal increase within the business-type activities.

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 15-16 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 17-20 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 21-25 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 Agency Fund.

The fiduciary fund financial statements can be found on pages 26-27 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 28-86 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 (asset)/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 87-98 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 99-107.

Finally, the Federal Awards Information can be found on pages 108-116.

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 \$848,146 at the close of the most recent fiscal year, as compared to \$950,670 at the close of the fiscal year ended June 30, 2018.

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,	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 460,564	\$ 457,514	\$ 60,601	\$ 39,990	\$ 521,165	\$ 497,504
Capital assets	530,464	510,509	192,770	191,425	723,234	701,934
Total assets	<u>991,028</u>	<u>968,023</u>	<u>253,371</u>	<u>231,415</u>	<u>1,244,399</u>	<u>1,199,438</u>
Deferred outflows of resources	<u>60,375</u>	<u>107,644</u>	<u>6,078</u>	<u>8,005</u>	<u>66,453</u>	<u>115,649</u>
Current and other liabilities	290,622	258,673	6,511	5,862	297,133	264,535
Noncurrent liabilities	1,396,491	1,507,354	205,828	207,242	1,602,319	1,714,596
Total liabilities	<u>1,687,113</u>	<u>1,766,027</u>	<u>212,339</u>	<u>213,104</u>	<u>1,899,452</u>	<u>1,979,131</u>
Deferred inflows of resources	<u>233,821</u>	<u>270,999</u>	<u>25,726</u>	<u>15,627</u>	<u>259,547</u>	<u>286,626</u>
Net position:						
Net investment in capital assets	361,486	356,804	93,475	83,933	454,962	440,737
Restricted	36,561	35,126	-	-	36,561	35,126
Unrestricted	<u>(1,267,578)</u>	<u>(1,353,289)</u>	<u>(72,091)</u>	<u>(73,244)</u>	<u>(1,339,669)</u>	<u>(1,426,533)</u>
Total net position	<u>\$ (869,531)</u>	<u>\$ (961,359)</u>	<u>\$ 21,384</u>	<u>\$ 10,689</u>	<u>\$ (848,146)</u>	<u>\$ (950,670)</u>

The largest portion of the City's net position, \$454,962, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), 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, \$36,561, 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, \$(1,339,669), 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 \$1,129,105. 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 \$102,523. Significant changes from 2018 to 2019 in the Statement of Net Position and reasons for such changes are:

- Current and other assets increased by \$23,661. The primary reasons for the increase are an increase in investments of \$20,052 coupled with an increase in cash and cash equivalents of \$10,588 related to current year operations, the timing of payments made by the City, along with the collection and related reduction of the due from the Board of Education in the amount of \$8,973.
- Deferred outflows of resources decreased \$49,196, due primarily to a decrease in deferred outflows relating to pensions.
- Current and other liabilities increased \$32,598, due to the issuance of bond anticipation notes in the amount of \$22,071, along with a \$17,649 increase in amounts owed to component units related to BBOE cash maintained by the City and the related timing of payments.
- Noncurrent liabilities decreased by \$112,277, primarily due to a \$127,205 decrease in total other postemployment benefits ("OPEB") liabilities.
- Deferred inflows of resources decreased by \$27,079, due primarily to a decrease in deferred inflows relating to pensions, which is partially offset by an increase in deferred inflows relating to OPEB.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2019 and June 30, 2018.

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,	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 34,227	\$ 29,534	\$ 80,256	\$ 67,840	\$ 114,483	\$ 97,374
Operating grants and contributions	23,474	33,737	-	-	23,474	33,737
Capital grants and contributions	18,107	22,270	-	-	18,107	22,270
General revenues:						
Property taxes	136,701	129,632	-	-	136,701	129,632
Other taxes	22,267	21,092	-	-	22,267	21,092
Intergovernmental	108,176	106,609	324	548	108,500	107,157
Investment earnings	2,268	1,253	349	291	2,617	1,544
State aid	168,785	161,528	-	-	168,785	161,528
Miscellaneous	2,594	1,675	-	-	2,594	1,675
Total revenues	<u>516,599</u>	<u>507,330</u>	<u>80,929</u>	<u>68,679</u>	<u>597,528</u>	<u>576,009</u>
Expenses:						
General government support	80,519	99,579	-	-	80,519	99,579
Public safety	211,347	250,593	-	-	211,347	250,593
Streets and sanitation	28,010	48,621	-	-	28,010	48,621
Economic assist. and opportunity	22,845	44,718	-	-	22,845	44,718
Culture and recreation	15,270	17,865	-	-	15,270	17,865
Health and community services	3,066	3,995	-	-	3,066	3,995
Education	70,823	70,823	-	-	70,823	70,823
Interest and fiscal charges	6,779	7,808	-	-	6,779	7,808
Solid Waste and Recycling	-	-	19,331	22,385	19,331	22,385
Parking	-	-	2,387	2,323	2,387	2,323
Water System	-	-	34,628	33,868	34,628	33,868
Total expenses	<u>438,659</u>	<u>544,002</u>	<u>56,346</u>	<u>58,576</u>	<u>495,005</u>	<u>602,578</u>
Excess (deficiency) of revenues over expenses	77,940	(36,672)	24,583	10,103	102,524	(26,569)
Transfers	<u>13,888</u>	<u>14,293</u>	<u>(13,888)</u>	<u>(14,293)</u>	<u>-</u>	<u>-</u>
Change in net position	91,828	(22,379)	10,695	(4,190)	102,524	(26,569)
Net position—beginning, as restated	<u>(961,359)</u>	<u>(938,980)</u>	<u>10,689</u>	<u>14,879</u>	<u>(950,670)</u>	<u>(924,101)</u>
Net position—ending	<u>\$ (869,531)</u>	<u>\$ (961,359)</u>	<u>\$ 21,384</u>	<u>\$ 10,689</u>	<u>\$ (848,146)</u>	<u>\$ (950,670)</u>

Governmental activities—The largest funding sources for the City’s governmental activities, as a percent of total revenues, are state aid (32.7%), property taxes (26.5%) and intergovernmental (20.9%).

The largest expense categories for the City’s governmental activities are public safety (48.2%), general government support (18.4%) and education (16.1%). The education category represents the City allocation to the Board.

Significant changes from 2018 to 2019 in revenues and expenses for the City include the following:

- Total revenues increased by \$9,269 in the current year as compared to last year. State aid, property taxes, and charges for services increased \$7,257, \$7,069 and \$4,693, while operating and capital grants and contributions decreased by \$10,263 and \$4,163, respectively.
- Total expenses decreased by \$105,343. Governmental fund expenditures decreased \$18,881 largely due to decreased program costs within economic assistance and opportunity related to a decrease in grants. Government-wide expenses were significantly lower in 2019 primarily as a result of the change in actuarial assumptions used in measuring the OPEB obligation and the related deferred inflows and outflows of resources. The net OPEB impact was a decrease in expenses of \$84,076,097 at June 30, 2019.

Business-type activities—Business-type activities increased the City’s net position by \$10,695. Overall, revenues increased \$12,250, expenses decreased \$2,230, and transfers out decreased \$405 from 2018 to 2019. The overall increase in net position is due to the following:

- The Solid Waste and Recycling Fund recorded an increase in net position of \$5,294 as a result of increased rates and operating revenues exceeding operating expenses and transfers out.
- The net position of the Parking Fund decreased \$214, which was primarily a result of operating expenses and transfers out exceeding operating revenues.
- The Water System’s net position increased by \$5,615 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, 2019, the City’s governmental funds reported combined ending fund balances of \$130,687, a decrease of \$19,312 from the prior year. The City reports no *unassigned fund balance* which, if present, would be available for spending at the City’s discretion. The total fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form, \$29,714, (2) restricted for particular purposes, \$48,542, (3) committed to particular purposes, \$38,529, or (4) assigned for particular purposes, \$13,902.

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 \$29,714 consists of \$9,342 of real estate acquired for sale, \$18,389 to cover the deficit in the Solid Waste and Recycling Fund, \$1,952 for prepaid items and \$30 for Permanent Fund principal.

Restricted fund balance in the amount of \$48,542 are amounts constrained to specific purposes and consist of \$19,214 to finance specific capital projects, \$10,086 for future capital outlay, \$12,751 to pay debt service, \$4,678 for federal and state programs, \$1,702 for emergency medical services and \$111 for compliance with 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. \$38,529 of fund balance is committed for the City's Emergency Stabilization fund. Assigned fund balance in the amount of \$13,902 consists of \$7,341 to liquidate contracts and purchase orders, \$766 for motor vehicle self-insurance, \$4,908 for judgments and claims, and \$888 in funds held by the BFSA. These assignments indicate management's intention to utilize these funds for the state purposes.

The General Fund is the chief operating fund of the City. During the current fiscal year, total fund balance increased to \$92,938. 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. As discussed, at June 30, 2019 the City reported no unassigned fund balance, while total fund balance represents approximately 18.9 percent of total General Fund expenditures and transfers out. The total fund balance of the City's General Fund increased \$949 during the current fiscal year. During the annual budget process, the City anticipated utilizing \$3,986 of fund balance. As a result of spending less than anticipated, the City's fund balance ended \$4,935 higher than anticipated.

The Debt Service Fund has a total fund balance of \$6,913, which is restricted solely for the purpose of payment of debt service. The decrease in fund balance during the current year in the Debt Service Fund of \$1,563 is due primarily to its planned use in the 2018-2019 adopted budget.

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 \$19,276, of which \$19,214 is restricted for encumbrances and future projects. The remaining \$62 is considered to not be in spendable form for prepaid items. The decrease in fund balance of \$19,102 is related to capital outlay in excess of revenues.

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 \$903. Of this amount, \$15 is nonspendable for prepaid items and \$888 represents BFSA's assigned fund balance for operations. The \$86 decrease in fund balance is attributable to a decrease 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 \$21,384. The balance includes a net position of \$(61,719) for the Solid Waste and Recycling Fund, and net position balances of \$39,703 for the Parking Fund and \$43,400 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 \$119. This represents an increase of \$16, which is due to revenues exceeding expenses.

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, 2019 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	\$ 509,583	\$ 509,583	\$ 491,617	\$ (17,966)
Expenditures and other financing uses	513,569	522,025	498,010	24,015
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (3,986)	\$ (12,442)	\$ (6,393)	\$ 6,049

Adopted budget compared to final budget—During the year, the City amended appropriations for various purposes. The primary increases were \$2,482 within other general government support expenditures to cover electrical costs, \$1,690 in public works, parks and streets of general government support for the new public safety headquarters renovation, and \$1,263 in public works, parks and streets of streets and sanitation for salt. Other amendments totaling \$2,588 were authorized during the year mainly due to increases in wages throughout various City departments and roll-forward of prior year's encumbrances.

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 \$17,966 below the final budget, while actual expenditures and other financing uses were less than the final budget by \$24,015. Regarding revenues, an unfavorable variance was noted within miscellaneous revenues as the City recorded sale of properties of \$4,153, while the budgeted amount was estimated at \$8,225. Further, state aid fell \$10,534 below the final budget primarily due to tribal compact funds, which were partially received in the amount of \$7,500, while the budgeted amount was \$17,000. Regarding expenditures, a favorable variance was noted within fringe benefits as the City had a reduction in personnel costs and incurred a decrease in retirement contribution, most notably, a \$2,764 decrease in police and fire retirement contribution in comparison with the prior year.

Capital Assets and Debt Administration

Capital assets—The City’s capital assets for its governmental activities and business-type activities as of June 30, 2019 amounted to \$723,234 (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, 2019 and June 30, 2018 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,	
	2019	2018	2019	2018	2019	2018
Land	\$ 9,792	\$ 10,048	\$ 3,362	\$ 3,362	\$ 13,154	\$ 13,410
Buildings and improvements	192,436	185,581	120,262	118,033	312,698	303,614
Improvements other than buildings	24,698	25,390	48	45	24,746	25,435
Machinery and equipment	11,109	12,883	2,297	2,265	13,406	15,148
Infrastructure	282,800	251,236	65,169	61,948	347,969	313,184
Construction in progress	9,629	25,371	1,632	5,772	11,261	31,143
Total	<u>\$ 530,464</u>	<u>\$ 510,509</u>	<u>\$ 192,770</u>	<u>\$ 191,425</u>	<u>\$ 723,234</u>	<u>\$ 701,934</u>

Significant changes from 2018 to 2019 in capital assets include:

- Buildings and improvements increased \$9,084 largely due to major capital projects completed during the year such as improvements to the Police and Fire Headquarters at the Michael J. Dillon U.S. Court House Building.
- Construction in progress decreased \$19,882 largely due to major capital projects completed during the year during the year such as the renovation of the new Police and Fire Headquarters at the Michael J. Dillon U.S. Court House Building, the Augspurger parking ramp and water infrastructure upgrades.
- Infrastructure increased \$34,785 largely due to the capitalization of the water infrastructure upgrades couples with an increase in transportation work related to improvements on city-wide roads and bridges.

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 4 to the financial statements.

Long-term debt—At June 30, 2019, the City had total bonded debt outstanding for governmental activities of \$187,650, including bonds issued by BFSa, as compared to \$220,264 in the prior year as a result of scheduled principal payments. The amount attributed to BFSa’s total bonded debt outstanding at the end of the current fiscal year is \$16,570.

The bonds outstanding for business-type activities at June 30, 2019 consisted of \$8,645 in general obligation bonds issued by the City for parking and \$125,270 of revenue bonds issued by the Water Authority reported within the Water System. During the year, the Authority issued water system revenue bonds of \$36,270 and made principal payments on water system revenue refunding bonds of \$25,580 which had a net effect of a \$10,690 principal increase.

A summary of the City's long-term liabilities at June 30, 2019 and June 30, 2018 is presented in Table 5 below.

Table 5—Summary of Long-Term Liabilities (000's omitted)

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2019	2018	2019	2018	2019	2018
Bonds payable, net of						
premiums and discounts	\$ 203,733	\$ 239,169	\$ 144,789	\$ 131,061	\$ 348,522	\$ 370,230
Compensated absences	30,462	24,541	1,541	1,386	32,003	25,927
Workers' compensation	9,073	8,006	2,239	1,901	11,312	9,907
Landfill post-closure monitoring	630	700	-	-	630	700
OPEB obligation	1,075,094	1,184,927	54,012	71,384	1,129,106	1,256,311
Judgments and claims	7,300	8,300	-	-	7,300	8,300
Net pension liability	70,198	41,711	3,247	1,509	73,445	43,220
Total	<u>\$ 1,396,490</u>	<u>\$ 1,507,354</u>	<u>\$ 205,828</u>	<u>\$ 207,241</u>	<u>\$ 1,602,318</u>	<u>\$ 1,714,595</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 \$875,796. The City had a debt-contracting margin of \$709,530 on July 1, 2019. During the year ended June 30, 2019 the City had no changes in their bond ratings.

Additional information on the City's long-term debt can be found in Note 11 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 2020 budget. The total budgeted appropriations for the City's General Fund operations are \$408,505. This budget is a \$5,948 decrease from the fiscal year 2019 total budgeted appropriations of \$414,453. The 2019-2020 budget does not include an appropriation of fund balance. This budget was approved by the BFSA.

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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	BOE	BURA
ASSETS					
Cash and cash equivalents	\$ 221,379,676	\$ 19,917,545	\$ 241,297,221	\$ 10,394,862	\$ 1,895,072
Restricted cash and cash equivalents	103,628,423	42,980,818	146,609,241	29,758,235	796,409
Investments	25,859,274	5,186,302	31,045,576	-	-
Receivables (net of allowances)	18,607,763	9,919,796	28,527,559	10,695,674	1,129,867
Intergovernmental receivables	26,402,153	-	26,402,153	102,477,677	1,020,910
Due from component units/ primary government	35,989,000	-	35,989,000	231,198,023	4,214
Internal balances	17,403,137	(17,403,137)	-	-	-
Prepaid items and other assets	1,952,254	-	1,952,254	1,598,824	75
Real estate acquired for resale	9,342,351	-	9,342,351	-	3,636,620
Noncurrent net pension asset	-	-	-	32,947,326	-
Capital assets not being depreciated	19,421,223	4,994,694	24,415,917	37,406,374	-
Capital assets, net of accumulated depreciation	511,043,176	187,775,001	698,818,177	822,473,808	443,738
Total assets	<u>991,028,430</u>	<u>253,371,019</u>	<u>1,244,399,449</u>	<u>1,278,950,803</u>	<u>8,926,905</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	1,561,007	2,905,405	4,466,412	24,343,942	-
Deferred outflows—relating to pensions	56,655,716	2,464,464	59,120,180	180,940,003	361,300
Deferred outflows—relating to OPEB	2,158,473	708,587	2,867,060	146,039,000	-
Total deferred outflows of resources	<u>60,375,196</u>	<u>6,078,456</u>	<u>66,453,652</u>	<u>351,322,945</u>	<u>361,300</u>
LIABILITIES					
Accounts payable and accrued liabilities	25,859,406	5,592,920	31,452,326	76,902,957	2,197,690
Retainages payable	1,606,123	-	1,606,123	382,834	-
Intergovernmental payables	9,724,078	526,066	10,250,144	38,450,673	4,474
Due to component units/primary government	231,202,237	-	231,202,237	35,989,000	-
Bond anticipation notes payable	22,070,653	-	22,070,653	-	-
Unearned revenue	159,954	391,721	551,675	-	-
Noncurrent liabilities:					
Due within one year	47,271,142	7,074,188	54,345,330	86,118,278	50,620
Due in more than one year	1,349,219,715	198,753,977	1,547,973,692	3,184,437,472	26,157,877
Total liabilities	<u>1,687,113,308</u>	<u>212,338,872</u>	<u>1,899,452,180</u>	<u>3,422,281,214</u>	<u>28,410,661</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	24,176,215	1,221,765	25,397,980	54,022,605	209,864
Deferred inflows—relating to OPEB	209,644,757	24,504,446	234,149,203	671,886,000	-
Total deferred inflows of resources	<u>233,820,972</u>	<u>25,726,211</u>	<u>259,547,183</u>	<u>725,908,605</u>	<u>209,864</u>
NET POSITION					
Net investment in capital assets	361,486,314	93,475,298	454,961,612	88,389,252	443,738
Restricted for:					
Capital outlay	10,086,296	-	10,086,296	-	-
Debt service	10,612,223	-	10,612,223	29,445,229	-
Grants	4,677,829	-	4,677,829	-	620,273
Real estate held for sale	9,342,351	-	9,342,351	-	-
Judgments and claims	-	-	-	17,750,000	-
Unemployment insurance	-	-	-	3,156,044	-
Perpetual care—Expendable	111,060	-	111,060	499,296	-
Perpetual care—Unexpendable	30,000	-	30,000	-	-
Other purposes	1,701,652	-	1,701,652	3,876,337	-
Unrestricted	<u>(1,267,578,379)</u>	<u>(72,090,906)</u>	<u>(1,339,669,285)</u>	<u>(2,661,032,229)</u>	<u>(20,396,331)</u>
Total net position	<u>\$ (869,530,654)</u>	<u>\$ 21,384,392</u>	<u>\$ (848,146,262)</u>	<u>\$(2,517,916,071)</u>	<u>\$(19,332,320)</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, 2019

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government support	\$ 80,519,442	\$ 10,953,962	\$ 2,700,949	\$ 779,168	\$ (66,085,363)	\$ -	\$ (66,085,363)	\$ -
Public safety	211,347,543	14,473,569	4,054,484	596,951	(192,222,539)	-	(192,222,539)	-
Streets and sanitation	28,009,698	2,046,304	83,583	15,117,837	(10,761,974)	-	(10,761,974)	-
Economic assistance and opportunity	22,845,203	6,370,156	2,286,237	489,795	(13,699,015)	-	(13,699,015)	-
Culture and recreation	15,269,640	235,311	-	1,122,802	(13,911,527)	-	(13,911,527)	-
Health and community services	3,066,340	148,057	14,349,011	-	11,430,728	-	11,430,728	-
Education	70,822,758	-	-	-	(70,822,758)	-	(70,822,758)	-
Interest and fiscal charges	6,778,504	-	-	-	(6,778,504)	-	(6,778,504)	-
Total governmental activities	438,659,127	34,227,359	23,474,264	18,106,553	(362,850,951)	-	(362,850,951)	-
Business-type activities:								
Solid Waste and Recycling	19,330,759	25,297,858	-	-	-	5,967,099	5,967,099	-
Parking	2,387,110	8,364,240	-	-	-	5,977,130	5,977,130	-
Water System	34,627,601	46,593,448	-	-	-	11,965,847	11,965,847	-
Total business-type activities	56,345,470	80,255,546	-	-	-	23,910,076	23,910,076	-
Total primary government	\$ 495,004,597	\$ 114,482,905	\$ 23,474,264	\$ 18,106,553	(362,850,951)	23,910,076	(338,940,875)	-
Component units:								
BOE	\$ 1,002,146,557	\$ 4,818,837	\$ 150,029,945	\$ -	-	-	(847,297,775)	-
BURA	46,353,441	1,366,431	43,598,292	-	-	-	-	(1,388,718)
Total component units	\$ 1,048,499,998	\$ 6,185,268	\$ 193,628,237	\$ -	-	-	(847,297,775)	(1,388,718)
General revenues:								
Taxes:								
Property taxes					136,701,074	-	136,701,074	-
Interest and penalties					2,500,833	-	2,500,833	-
Mortgage taxes					3,889,909	-	3,889,909	-
Payments in lieu of taxes					3,344,460	-	3,344,460	-
Gross utility tax					12,531,590	-	12,531,590	-
Intergovernmental—unrestricted					108,175,526	323,997	108,499,523	-
Investment earnings					2,267,907	349,368	2,617,275	-
Contribution from City of Buffalo					-	-	-	48,767,444
State aid—unrestricted					168,785,233	-	168,785,233	1,138,015
Miscellaneous					2,594,400	-	2,594,400	70,822,758
Transfers					13,888,009	-	13,888,009	-
Total general revenues and transfers					454,678,941	(13,888,009)	441,464,297	-
Change in net position					91,827,990	10,695,432	102,523,422	2,848,606
Net position—beginning					(961,358,644)	10,688,960	(950,669,684)	69,959,350
Net position—ending					\$ (869,530,654)	\$ 21,384,392	\$ (848,146,262)	(2,587,875,421)
								(20,792,208)
								\$ (19,332,320)

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2019

	General	Debt Service	Capital Projects	BFSA Special Revenue	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 220,821,038	\$ -	\$ -	\$ 451,040	\$ -	\$ 221,272,078
Restricted cash and cash equivalents	25,887,174	7,189,191	66,144,735	-	4,407,323	103,628,423
Investments	20,115,366	-	-	-	5,743,908	25,859,274
Receivables:						
Delinquent taxes and assessments	10,778,352	-	-	-	-	10,778,352
Accounts receivable	15,942,354	-	-	-	-	15,942,354
Other receivables	-	-	-	-	4,400	4,400
Due from other agencies	873,048	-	-	-	-	873,048
Intergovernmental receivables	8,492,644	-	2,590,143	14,361,808	84,510	25,529,105
Due from other funds	44,625,596	380,838	-	-	1,668,838	46,675,272
Allowances	(8,130,078)	-	-	-	-	(8,130,078)
Net receivables	72,581,916	380,838	2,590,143	14,361,808	1,757,748	91,672,453
Prepaid items	1,874,700	-	62,294	15,260	-	1,952,254
Real estate acquired for resale	9,342,351	-	-	-	-	9,342,351
Total assets	<u>\$ 350,622,545</u>	<u>\$ 7,570,029</u>	<u>\$ 68,797,172</u>	<u>\$ 14,828,108</u>	<u>\$ 11,908,979</u>	<u>\$ 453,726,833</u>
LIABILITIES						
Accounts payable	\$ 9,580,885	\$ -	\$ 2,664,646	\$ 5,283	\$ 755,991	\$ 13,006,805
Accrued liabilities	10,435,367	-	-	38,959	237,910	10,712,236
Intergovernmental payables	107,584	-	38,822	-	129,574	275,980
Due to other funds	2,027,761	657,113	17,926,282	8,537,322	124,100	29,272,578
Due to component units	219,033,529	-	6,820,939	5,343,555	4,214	231,202,237
Due to retirement systems	9,448,098	-	-	-	-	9,448,098
Bond anticipation notes payable	-	-	22,070,653	-	-	22,070,653
Unearned revenue	159,954	-	-	-	-	159,954
Total liabilities	<u>250,793,178</u>	<u>657,113</u>	<u>49,521,342</u>	<u>13,925,119</u>	<u>1,251,789</u>	<u>316,148,541</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue—property taxes	6,890,932	-	-	-	-	6,890,932
Total deferred inflows of resources	<u>6,890,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,890,932</u>
FUND BALANCES						
Nonspendable	29,606,150	-	62,294	15,260	30,000	29,713,704
Restricted	11,787,948	6,912,916	19,213,536	-	10,627,190	48,541,590
Committed	38,529,527	-	-	-	-	38,529,527
Assigned	13,014,810	-	-	887,729	-	13,902,539
Unassigned	-	-	-	-	-	-
Total fund balances	<u>92,938,435</u>	<u>6,912,916</u>	<u>19,275,830</u>	<u>902,989</u>	<u>10,657,190</u>	<u>130,687,360</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 350,622,545</u>	<u>\$ 7,570,029</u>	<u>\$ 68,797,172</u>	<u>\$ 14,828,108</u>	<u>\$ 11,908,979</u>	<u>\$ 453,726,833</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, 2019

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

Total fund balances—governmental funds (page 17)		\$ 130,687,360
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 \$1,077,960,869 and the accumulated depreciation is \$547,496,470.		530,464,399
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.		1,561,007
Property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		6,890,932
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.		35,989,000
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	\$ 9,488,377	
Deferred outflows related to pensions experience, changes of assumptions, investment earnings, and changes in proportion	47,167,339	
Deferred outflows related to OPEB liability	2,158,473	
Deferred inflows related to pension plans	(24,176,215)	
Deferred inflows related to OPEB liability	<u>(209,644,757)</u>	(175,006,783)
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.		119,405
Net accrued interest expense for serial bonds and BANs is not reported in the funds.		(2,138,994)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.		(1,606,123)
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	\$ (171,079,679)	
General obligations bonds—BFSA	(16,570,000)	
Unamortized premiums on bonds—City	(14,798,491)	
Unamortized premiums on bonds—BFSA	(1,285,099)	
Compensated absences	(30,462,401)	
Workers' compensation	(9,072,907)	
Landfill post-closure monitoring costs	(630,000)	
OPEB obligation—City	(1,073,580,355)	
OPEB obligation—BFSA	(1,513,486)	
Judgments and claims	(7,300,000)	
Net pension liability—City	(70,069,435)	
Net pension liability—BFSA	<u>(129,004)</u>	<u>(1,396,490,857)</u>
Net position of governmental activities		<u>\$ (869,530,654)</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, 2019

	General	Debt Service	Capital Projects	BFSA Special Revenue	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Property taxes, assessments, and other tax items	\$ 147,255,421	\$ -	\$ -	\$ -	\$ -	\$ 147,255,421
Utility and other nonproperty tax items	13,262,812	-	-	-	-	13,262,812
Intergovernmental	272,157,881	10,429,505	17,059,602	222,175	18,330,384	318,199,547
Investment interest	1,890,714	375,884	-	-	1,412	2,268,010
License, permit, rentals, fines, and other service charges	31,860,084	146,553	-	-	-	32,006,637
Miscellaneous	11,295,677	368,624	665,478	-	531,622	12,861,401
Total revenues	<u>477,722,589</u>	<u>11,320,566</u>	<u>17,725,080</u>	<u>222,175</u>	<u>18,863,418</u>	<u>525,853,828</u>
EXPENDITURES						
Current:						
General government support	61,540,385	-	-	505,389	256,233	62,302,007
Public safety	160,424,683	-	-	-	2,004,286	162,428,969
Streets and sanitation	12,785,379	-	-	-	23,970	12,809,349
Economic assistance and opportunity	2,388,366	-	-	-	15,701,247	18,089,613
Culture and recreation	9,129,187	-	-	-	6,988	9,136,175
Health and community services	2,305,708	-	-	-	89,221	2,394,929
Education	70,822,758	-	-	-	-	70,822,758
Fringe benefits	139,555,556	-	-	171,554	-	139,727,110
Other	3,340,600	-	-	-	-	3,340,600
Debt service:						
Principal	-	26,929,806	-	-	5,685,000	32,614,806
Interest and fiscal charges	61,700	7,947,790	36,635	-	788,005	8,834,130
Capital outlay:						
General government support	-	-	3,689,140	-	-	3,689,140
Public safety	-	-	5,771,779	-	-	5,771,779
Streets and sanitation	-	-	21,977,554	-	-	21,977,554
Economic assistance and opportunity	-	-	1,542,594	-	-	1,542,594
Culture and recreation	-	-	3,572,167	-	-	3,572,167
Total expenditures	<u>462,354,322</u>	<u>34,877,596</u>	<u>36,589,869</u>	<u>676,943</u>	<u>24,554,950</u>	<u>559,053,680</u>
Excess (deficiency) of revenues over expenditures	<u>15,368,267</u>	<u>(23,557,030)</u>	<u>(18,864,789)</u>	<u>(454,768)</u>	<u>(5,691,532)</u>	<u>(33,199,852)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	13,888,009	28,544,957	400,000	368,623	6,182,475	49,384,064
Transfers out	(28,307,561)	(6,551,098)	(637,396)	-	-	(35,496,055)
Total other financing sources (uses)	<u>(14,419,552)</u>	<u>21,993,859</u>	<u>(237,396)</u>	<u>368,623</u>	<u>6,182,475</u>	<u>13,888,009</u>
Net change in fund balances	948,715	(1,563,171)	(19,102,185)	(86,145)	490,943	(19,311,843)
Fund balances—beginning	<u>91,989,720</u>	<u>8,476,087</u>	<u>38,378,015</u>	<u>989,134</u>	<u>10,166,247</u>	<u>149,999,203</u>
Fund balances—ending	<u>\$ 92,938,435</u>	<u>\$ 6,912,916</u>	<u>\$ 19,275,830</u>	<u>\$ 902,989</u>	<u>\$ 10,657,190</u>	<u>\$ 130,687,360</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, 2019

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances—total governmental funds (page 19) \$ (19,311,843)

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 in the current period.

Capital asset additions, net	\$ 57,164,042	
Depreciation expense	(35,478,653)	
Loss on disposal	<u>(1,729,634)</u>	19,955,755

Buffalo Fiscal Stability Authority 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 depreciation expense exceeded capital outlays in the current period. (648)

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. (562,765)

Revenues reported in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds. (9,792,145)

Net differences between pension contributions and OPEB changes recognized on the fund financial statements and the government-wide financial statements are as follows:

Direct pension contributions	\$ 38,140,378	
Cost of benefits earned net of employee contributions	(50,399,114)	
Changes in OPEB assumptions	<u>(25,757,301)</u>	(38,016,037)

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. 16,406

In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid. 187,862

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:

Repayment of general obligations bonds—City	\$ 26,929,806	
Repayment of general obligations bonds—BFSA	5,685,000	
Amortization of bond premiums—City	2,342,802	
Amortization of bond premiums—BFSA	478,405	
Change in compensated absences	(5,921,461)	
Change in workers' compensation	(1,066,545)	
Change in landfill post-closure monitoring costs	70,000	
Change in other postemployment benefits obligation—City	110,063,341	
Change in other postemployment benefits obligation—BFSA	(229,943)	
Change in judgments and claims	<u>1,000,000</u>	<u>139,351,405</u>

Change in net position of governmental activities \$ 91,827,990

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, 2019

	Business-type Activities—Enterprise Funds				
	Solid Waste and Recycling	Parking	Water System	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,447,525	\$ 2,484,900	\$ 14,985,120	\$ 19,917,545	\$ 107,598
Restricted cash and cash equivalents	391,721	-	42,589,097	42,980,818	-
Investments	-	-	5,186,302	5,186,302	-
Receivables:					
Accounts receivable	9,656,496	2,060,770	21,432,802	33,150,068	12,735
Other receivables	106,239	-	1,651,317	1,757,556	-
Due from other agencies	-	-	127,425	127,425	-
Due from other funds	184,505	1,761,813	-	1,946,318	3,525
Allowances	(8,096,440)	-	(17,018,813)	(25,115,253)	-
Net receivables	1,850,800	3,822,583	6,192,731	11,866,114	16,260
Total current assets	4,690,046	6,307,483	68,953,250	79,950,779	123,858
Noncurrent assets:					
Capital assets not being depreciated:					
Land	1	3,217,093	145,116	3,362,210	-
Construction in progress	-	537,420	1,095,064	1,632,484	-
Total capital assets not being depreciated	1	3,754,513	1,240,180	4,994,694	-
Capital assets being depreciated:					
Buildings, building improvements, and infrastructure	4,088,220	73,651,618	240,755,942	318,495,780	-
Improvements other than buildings	201,071	32,817	252,393	486,281	-
Machinery and equipment	10,084,409	284,133	1,436,636	11,805,178	-
Accumulated depreciation	(11,372,749)	(34,060,586)	(97,578,903)	(143,012,238)	-
Total capital assets being depreciated	3,000,951	39,907,982	144,866,068	187,775,001	-
Total noncurrent assets	3,000,952	43,662,495	146,106,248	192,769,695	-
Total assets	7,690,998	49,969,978	215,059,498	272,720,474	123,858
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	87,409	2,817,996	2,905,405	-
Deferred outflows—relating to pensions	1,272,041	-	1,192,423	2,464,464	-
Deferred outflows—relating to OPEB	28,378	-	680,209	708,587	-
Total deferred outflows of resources	1,300,419	87,409	4,690,628	6,078,456	-
LIABILITIES					
Current liabilities:					
Accounts payable	589,554	494,740	1,492,594	2,576,888	1,371
Other accrued liabilities	308,088	84,150	2,623,794	3,016,032	-
Due to other funds	-	-	960,356	960,356	3,082
Due to retirement systems	270,976	1,075	254,015	526,066	-
Unearned revenue	391,721	-	-	391,721	-
Accrued compensated absences	32,026	-	47,024	79,050	-
Accrued workers' compensation	355,650	-	343,879	699,529	-
General obligation and revenue bonds payable within one year, net	-	1,569,612	4,725,997	6,295,609	-
Total current liabilities	1,948,015	2,149,577	10,447,659	14,545,251	4,453

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2019

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Noncurrent liabilities:					
Due to other funds	18,389,099	-	-	18,389,099	-
Accrued compensated absences	614,504	-	847,511	1,462,015	-
Accrued workers' compensation	665,002	-	874,915	1,539,917	-
Accrued other postemployment benefits obligation	33,267,195	74,751	20,669,730	54,011,676	-
General obligation and revenue bonds payable, net	-	8,083,042	130,410,248	138,493,290	-
Net pension liability	1,675,988	-	1,571,091	3,247,079	-
Total noncurrent liabilities	54,611,788	8,157,793	154,373,495	217,143,076	-
Total liabilities	56,559,803	10,307,370	164,821,154	231,688,327	4,453
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	630,618	-	591,147	1,221,765	-
Deferred inflows—relating to OPEB	13,519,683	46,852	10,937,911	24,504,446	-
Total deferred inflows of resources	14,150,301	46,852	11,529,058	25,726,211	-
NET POSITION					
Net investment in capital assets	3,000,952	34,097,250	56,377,096	93,475,298	-
Unrestricted	(64,719,639)	5,605,915	(12,977,182)	(72,090,906)	119,405
Total net position	\$ (61,718,687)	\$ 39,703,165	\$ 43,399,914	\$ 21,384,392	\$ 119,405

(concluded)

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, 2019

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Operating revenues:					
Charges for services	\$ 24,720,673	\$ -	\$ 46,092,946	\$ 70,813,619	\$ 59,020
Rent	-	7,527,956	-	7,527,956	-
Other	577,185	-	500,502	1,077,687	-
Total operating revenues	<u>25,297,858</u>	<u>7,527,956</u>	<u>46,593,448</u>	<u>79,419,262</u>	<u>59,020</u>
Operating expenses:					
Services and supplies	16,211,025	289,076	19,034,719	35,534,820	42,614
Fringe benefits	2,714,255	22,621	2,877,782	5,614,658	-
Depreciation	405,479	1,614,007	6,390,078	8,409,564	-
Other	-	-	1,376,233	1,376,233	-
Total operating expenses	<u>19,330,759</u>	<u>1,925,704</u>	<u>29,678,812</u>	<u>50,935,275</u>	<u>42,614</u>
Operating income	<u>5,967,099</u>	<u>5,602,252</u>	<u>16,914,636</u>	<u>28,483,987</u>	<u>16,406</u>
Nonoperating revenues (expenses):					
Interest earnings	-	13,751	335,617	349,368	-
Interest expense	-	(461,406)	(4,883,366)	(5,344,772)	-
Gain (loss) on disposal of capital assets	-	836,284	(65,423)	770,861	-
Other	-	107,518	216,479	323,997	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>496,147</u>	<u>(4,396,693)</u>	<u>(3,900,546)</u>	<u>-</u>
Income before transfers	5,967,099	6,098,399	12,517,943	24,583,441	16,406
Transfers out	<u>(673,078)</u>	<u>(6,312,000)</u>	<u>(6,902,931)</u>	<u>(13,888,009)</u>	<u>-</u>
Change in net position	5,294,021	(213,601)	5,615,012	10,695,432	16,406
Total net position—beginning	<u>(67,012,708)</u>	<u>39,916,766</u>	<u>37,784,902</u>	<u>10,688,960</u>	<u>102,999</u>
Total net position—ending	<u>\$ (61,718,687)</u>	<u>\$ 39,703,165</u>	<u>\$ 43,399,914</u>	<u>\$ 21,384,392</u>	<u>\$ 119,405</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, 2019

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 25,331,353	\$ 8,085,480	\$ 46,129,755	\$ 79,546,588	\$ 65,431
Payments to suppliers for goods and services	(16,212,461)	35,605	(21,104,934)	(37,281,790)	(41,620)
Payments to employees for services	(4,900,241)	(27,322)	(4,644,199)	(9,571,762)	-
Net cash provided by operating activities	<u>4,218,651</u>	<u>8,093,763</u>	<u>20,380,622</u>	<u>32,693,036</u>	<u>23,811</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(673,078)	(6,312,000)	(5,933,116)	(12,918,194)	-
Advances from other funds	-	-	8,292,539	8,292,539	-
Advances to other funds	(1,132,990)	(5,091,672)	(7,285,107)	(13,509,769)	(4,264)
Net cash (used for) noncapital financing activities	<u>(1,806,068)</u>	<u>(11,403,672)</u>	<u>(4,925,684)</u>	<u>(18,135,424)</u>	<u>(4,264)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(25,998)	(394,159)	(8,562,759)	(8,982,916)	-
Principal payments on bonds	-	(1,410,194)	(8,410,000)	(9,820,194)	-
Payment to escrow agent	-	-	(17,499,835)	(17,499,835)	-
Proceeds from issuance of debt and premium	-	-	41,175,542	41,175,542	-
Interest and other fiscal charges	-	(405,710)	(4,440,817)	(4,846,527)	-
Net cash provided by (used for) capital and related financing activities	<u>(25,998)</u>	<u>(2,210,063)</u>	<u>2,262,131</u>	<u>26,070</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	-	-	74,489	74,489	-
Interest received on short-term investments	-	13,751	261,128	274,879	-
Net cash provided by investing activities	<u>-</u>	<u>13,751</u>	<u>335,617</u>	<u>349,368</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,386,585	(5,506,221)	18,052,686	14,933,050	19,547
Cash, cash equivalents and investments—beginning	<u>452,661</u>	<u>7,991,121</u>	<u>44,707,833</u>	<u>53,151,615</u>	<u>88,051</u>
Cash, cash equivalents and investments—ending	<u>\$ 2,839,246</u>	<u>\$ 2,484,900</u>	<u>\$ 62,760,519</u>	<u>\$ 68,084,665</u>	<u>\$ 107,598</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2019

(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	\$ 5,967,099	\$ 5,602,252	\$ 16,914,636	\$ 28,483,987	\$ 16,406
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	405,479	1,614,007	6,390,078	8,409,564	-
Pension expense	-	-	(679,130)	(679,130)	-
(Increase) decrease in receivables	33,495	557,524	(463,693)	127,326	6,411
(Increase) decrease in deferred outflow—relating to pen	(28,378)	-	1,004,629	976,251	-
(Increase) decrease in deferred outflow—relating to OP	1,328,342	-	(680,209)	648,133	-
Increase (decrease) in payables	(198,976)	324,681	602,876	728,581	994
Increase (decrease) in other accrued liabilities	20,807	(9,271)	(325,038)	(313,502)	-
Increase in due to retirement systems	5,590	368	29,791	35,749	-
Increase in unearned revenue	197,540	-	-	197,540	-
Increase in compensated absences	127,464	-	27,400	154,864	-
Increase (decrease) in workers' compensation	(203,290)	-	541,546	338,256	-
(Decrease) in accrued other postemployment benefits obligation	(9,400,678)	(27,058)	(7,944,089)	(17,371,825)	-
Increase in net pension liability	858,003	-	-	858,003	-
(Decrease) in deferred inflows—relating to pensions	(1,955,580)	-	(1,593,921)	(3,549,501)	-
Increase in deferred inflows—relating to OPEB	7,061,734	31,260	6,555,746	13,648,740	-
Total adjustments	<u>(1,748,448)</u>	<u>2,491,511</u>	<u>3,465,986</u>	<u>4,209,049</u>	<u>7,405</u>
Net cash provided by operating activities	<u>\$ 4,218,651</u>	<u>\$ 8,093,763</u>	<u>\$ 20,380,622</u>	<u>\$ 32,693,036</u>	<u>\$ 23,811</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 23,911	\$ 1,870,952
Investments	32,912	-
Receivables	5,763	-
Total assets	<u>62,586</u>	<u>\$ 1,870,952</u>
LIABILITIES		
Accounts payable	-	\$ -
Intergovernmental payables	-	25,716
Amounts held in custody for others	-	1,845,236
Total liabilities	<u>-</u>	<u>\$ 1,870,952</u>
NET POSITION		
Restricted	<u>\$ 62,586</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Changes in Net Position—
Fiduciary Funds
Year Ended June 30, 2019

	<u>Private Purpose Trust</u>
ADDITIONS	
Interest earnings	\$ 189
DEDUCTIONS	
Awards	-
Total deductions	-
Change in net position	189
Net position—beginning	62,397
Net position—ending	<u>\$ 62,586</u>

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, 2019

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 11). 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 BFSA 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 *Agency Fund*. Activities reported in the Private Purpose Trust fund represent certain trust arrangements, while activities in the Agency Fund represent monies held for prisoners, deposits to be returned, and payroll withholdings due 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 Agency 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 and Cash Equivalents—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 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.

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, 2019, the City reported unearned revenues within the General Fund and Solid Waste and Recycling Fund in the amounts of \$159,954 and \$391,721, respectively. The City received cash in advance related to 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, 2019, the City has three items that qualify for reporting in this category. The first item is deferred loss on refunding, which is reported in the government-wide financial statements and 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 position asset or 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 net 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 net 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, 2019, the City has three 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 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 net 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 net 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, 2019, the City had a legal tax margin of approximately \$79.2 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.

Pensions—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 6.

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 7.

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 assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications—Certain amounts were reclassified from the Board’s, BURA’s, and BFSA’s financial statement presentation to conform to the City’s reporting presentation. In the Board’s statement of net position, \$5,343,555 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, \$292,467,483 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, 2019, the City implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Payments*. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow for asset retirement obligations. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statements No. 83 and 88 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. 84, *Fiduciary Activities*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2020, No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021, and No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, 90, and 91 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, 2019, the Solid Waste and Recycling Fund had a total net position of \$(61,718,687). This net deficit includes accrued other postemployment benefits obligation (“OPEB”) of \$33,267,195 and deferred inflows related to OPEB of \$13,519,683. In addition, the Solid Waste and Recycling Fund reports a long-term interfund payable to the General Fund in the amount of \$18,389,099. 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, 2019, the City’s governmental activities had a total net position of \$(868,686,359) due primarily to the City’s recognition of long-term liabilities including OPEB.

The Board has a total net position of \$(2,517,916,071) at June 30, 2019, which is caused primarily by its recognition of long-term liabilities including OPEB.

BURA has a total net position of \$(19,332,320) at June 30, 2019, which is caused primarily by the recognition of long-term liabilities including OPEB.

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. 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, 2019, of which the bank carrying balance at June 30, 2019, was \$391,536,179.

Cash, cash equivalents and investments at June 30, 2019 are shown below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 8,650	\$ -	\$ -	\$ 8,650
Deposits	324,999,449	62,898,363	1,894,863	389,792,675
Investments	25,859,274	5,186,302	32,912	31,078,488
Total	<u>\$ 350,867,373</u>	<u>\$ 68,084,665</u>	<u>\$ 1,927,775</u>	<u>\$ 420,879,813</u>

Cash and cash equivalents consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 221,379,676	\$ 19,917,545	\$ -	\$ 241,297,221
Restricted cash and cash equivalents	103,628,423	42,980,818	-	146,609,241
Cash held in fiduciary funds	-	-	1,894,863	1,894,863
Total	<u>\$ 325,008,099</u>	<u>\$ 62,898,363</u>	<u>\$ 1,894,863</u>	<u>\$ 389,801,325</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, 2019, 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 \$3,876,337 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, \$10,062,935 in restricted cash in the General Fund represents additional cash held in a bank custodial account. Further, the City also reports \$159,954 of restricted cash related to unearned revenues within the General Fund. The Debt Service Fund restricted assets of \$7,189,191 are held by a trustee for future debt service payments. Restricted cash of \$66,144,735 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 \$11,787,948, \$3,938,310, \$393,775, and \$75,238 in the General Fund, Special Revenue Fund, BFSFA 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 within the 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 Solid Waste Fund reports restricted cash of \$391,721 related to unearned revenues.

The restricted cash of the 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, 2019, \$28,103,416 of the Water System's restricted cash 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 \$14,485,681 at June 30, 2019.

Investments—At June 30, 2019, total investments of \$31,078,488 consisted of investments held by the General Fund of \$20,115,366, held by the BFSFA of \$5,743,908, held by the business-type activities of \$5,186,302, and maintained in fiduciary funds of \$32,912. Investments at June 30, 2019 are presented in the following table:

	Moody's Ratings	S&P Ratings	Cost	Fair Value	Maturity
Certificates of deposit	n/a	n/a	\$ 25,302,484	\$ 25,302,484	7/25/2019
U.S. Treasury SLGs	n/a	n/a	3,708,884	3,777,683	8/31/2019
Federal Home Loan Banks	Aaa/P-1	AA+/A-1+	1,973,552	1,998,321	8/31/2019
Total			<u>\$ 30,984,920</u>	<u>\$ 31,078,488</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, 2019. 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 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 | <p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> |
| 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, 2019, cash in banks was \$40,153,097, and were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—The Board has restricted cash of \$29,758,235 at June 30, 2019, for various purposes as follows:

- \$17,774,728 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.
- \$11,670,501 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.
- \$313,006 represents endowment funds and can be used in accordance with the respective endowment document.

Buffalo Urban Renewal Agency

At June 30, 2019, BURA reported total deposits of \$2,691,481. 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, 2019, 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, 2019, BURA reported \$796,409 of restricted cash.

3. RECEIVABLES

Receivables at June 30, 2019, 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	\$ 10,778,352	\$ (2,844,644)	\$ 7,933,708
Accounts receivable	15,942,354	(5,285,434)	10,656,920
Due from other agencies	873,048	-	873,048
Intergovernmental receivables	8,492,644	-	8,492,644
Due from other funds	44,625,596	-	44,625,596
Total	<u>\$ 80,711,994</u>	<u>\$ (8,130,078)</u>	<u>\$ 72,581,916</u>
Debt Service Fund:			
Due from other funds	<u>\$ 380,838</u>	<u>\$ -</u>	<u>\$ 380,838</u>
Capital Projects Fund:			
Intergovernmental receivables	<u>\$ 2,590,143</u>	<u>\$ -</u>	<u>\$ 2,590,143</u>
BFSA Special Revenue Fund:			
Intergovernmental receivables	<u>\$ 14,361,808</u>	<u>\$ -</u>	<u>\$ 14,361,808</u>
Nonmajor governmental funds:			
Other receivables	\$ 4,400	\$ -	\$ 4,400
Intergovernmental receivables	84,510	-	84,510
Due from other funds	1,668,838	-	1,668,838
Total	<u>\$ 1,757,748</u>	<u>\$ -</u>	<u>\$ 1,757,748</u>
Total governmental funds	<u>\$ 99,802,531</u>	<u>\$ (8,130,078)</u>	<u>\$ 91,672,453</u>

	Gross Receivable	Allowance	Net Receivable
Receivables:			
Proprietary funds:			
Solid Waste and Recycling Fund:			
Accounts receivable	\$ 9,656,496	\$ (8,027,907)	\$ 1,628,589
Other receivables	106,239	(68,533)	37,706
Due from other funds	184,505	-	184,505
Total	<u>\$ 9,947,240</u>	<u>\$ (8,096,440)</u>	<u>\$ 1,850,800</u>
Parking Fund:			
Accounts receivable	\$ 2,060,770	\$ -	\$ 2,060,770
Due from other funds	1,761,813	-	1,761,813
Total	<u>\$ 3,822,583</u>	<u>\$ -</u>	<u>\$ 3,822,583</u>
Water System:			
Accounts receivable	\$ 21,432,802	\$ (17,018,813)	\$ 4,413,989
Other receivables	1,651,317	-	1,651,317
Due from other agencies	127,425	-	127,425
Total	<u>\$ 23,211,544</u>	<u>\$ (17,018,813)</u>	<u>\$ 6,192,731</u>
Internal Service Fund:			
Accounts receivable	\$ 12,735	\$ -	\$ 12,735
Due from other funds	3,525	-	3,525
Total	<u>\$ 16,260</u>	<u>\$ -</u>	<u>\$ 16,260</u>
Total proprietary funds	<u>\$ 36,997,627</u>	<u>\$ (25,115,253)</u>	<u>\$ 11,882,374</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, 2019 are shown below:

Intergovernmental receivables:

Governmental funds:

General Fund:

Due from Erie County	\$ 317,995
Due from New York State	7,939,484
Due from federal government	235,165
Total	<u>\$ 8,492,644</u>

Capital Projects Fund:

Due from New York State	<u>\$ 2,590,143</u>
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BFSa Special Revenue Fund:

Due from New York State	<u>\$ 14,361,808</u>
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Nonmajor governmental funds:

Special Revenue Fund:

Due from New York State	\$ 34,510
Due from federal government	50,000
Total	<u>\$ 84,510</u>
Total governmental funds	<u>\$ 25,529,105</u>

Board of Education

Significant revenues accrued by the Board include the following:

Receivables at June 30, 2019, consisted of the following:

General Fund:	
Health insurance refunds	\$ 6,693,900
Tuition billing	1,633,567
Health services	1,614,959
Miscellaneous revenues	309,400
Special Aid Fund	246,093
Nonmajor governmental funds	197,755
Total	<u>\$ 10,695,674</u>

Intergovernmental receivables at June 30, 2019, consisted of the following:

General Fund:	
State aid - basic aid	\$ 29,609,427
State aid - excess cost aid	15,411,948
State aid - Medicaid	546,756
Special Aid Fund: Federal and State aid*	46,458,188
Capital Projects Fund: State awards	8,206,686
School Lunch Fund: Federal and state reimbursements	2,244,672
Total	<u>\$ 102,477,677</u>

*Amount reported net of unearned revenue

In addition, the Board reports amounts owed from the City of \$231,198,023 as due from primary government at June 30, 2019.

Buffalo Urban Renewal Agency

Major revenues accrued by BURA at June 30, 2019 consisted of the following:

	General	Community Development Block Grant	Home Program	Nonmajor Governmental Funds	Total
Program loans receivable	\$ -	\$ 22,689,289	\$ 65,469,851	\$ 166,676	\$ 88,325,816
Notes receivable	2,858,822	-	-	-	2,858,822
Allowance for uncollectibles	(1,728,955)	(22,689,289)	(65,469,851)	(166,676)	(90,054,771)
Total receivables	<u>\$ 1,129,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,129,867</u>

Program Loans Receivable—Represents amounts due to BURA of \$88,325,816, 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 \$2,858,822 which are allowed for in the amount of \$1,728,955.

Intergovernmental Receivables—Represent amounts due from other units of government, such as federal government. Intergovernmental receivables at June 30, 2019 consisted of the following:

	Community Development Block Grant	HOME Program	Nonmajor Governmental Funds	Total
Due from federal government	\$ 581,750	\$ 424,318	\$ 14,842	\$ 1,020,910

4. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government's governmental activities, for the fiscal year ended June 30, 2019, was as follows:

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Capital assets, not being depreciated:				
Land	\$ 10,048,121	\$ -	\$ 256,248	\$ 9,791,873
Construction in progress	25,371,453	9,629,350	25,371,453	9,629,350
Total capital assets, not being depreciated	35,419,574	9,629,350	25,627,701	19,421,223
Capital assets, being depreciated:				
Buildings and building improvements	325,246,160	16,761,299	4,372,179	337,635,280
Improvements other than buildings	65,707,144	1,928,274	9,959	67,625,459
Machinery and equipment	69,749,013	2,249,793	1,066,694	70,932,112
Infrastructure	530,123,768	52,223,027	-	582,346,795
Total capital assets, being depreciated	990,826,085	73,162,393	5,448,832	1,058,539,646
Less accumulated depreciation for:				
Buildings and building improvements	139,664,953	8,169,491	2,635,533	145,198,911
Improvements other than buildings	40,317,006	2,627,851	17,534	42,927,323
Machinery and equipment	56,866,254	4,019,291	1,062,691	59,822,854
Infrastructure	278,888,154	20,662,668	3,440	299,547,382
Total accumulated depreciation	515,736,367	35,479,301	3,719,198	547,496,470
Total capital assets, being depreciated, net	475,089,718	37,683,092	1,729,634	511,043,176
Governmental activities capital assets, net	\$ 510,509,292	\$ 47,312,442	\$ 27,357,335	\$ 530,464,399

Business-type Activities—Capital asset activity for the primary government's business-type activities, for the fiscal year ended June 30, 2019, was as follows:

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Capital assets, not being depreciated:				
Land	\$ 3,362,210	\$ -	\$ -	\$ 3,362,210
Construction in progress	5,772,607	2,750,943	6,891,066	1,632,484
Total capital assets, not being depreciated	9,134,817	2,750,943	6,891,066	4,994,694
Capital assets, being depreciated:				
Buildings and building improvements	188,648,667	7,858,338	2,597,423	193,909,582
Improvements other than buildings	489,222	26,000	28,941	486,281
Machinery and equipment	11,392,073	653,234	240,129	11,805,178
Infrastructure	118,488,730	6,097,468	-	124,586,198
Total capital assets, being depreciated	319,018,692	14,635,040	2,866,493	330,787,239
Less accumulated depreciation for:				
Buildings and building improvements	70,616,212	4,954,223	1,921,705	73,648,730
Improvements other than buildings	444,215	23,297	28,942	438,570
Machinery and equipment	9,126,747	555,930	174,706	9,507,971
Infrastructure	56,540,853	2,876,114	-	59,416,967
Total accumulated depreciation	136,728,027	8,409,564	2,125,353	143,012,238
Total capital assets, being depreciated, net	182,290,665	6,225,476	741,140	187,775,001
Business-type activities capital assets, net	\$ 191,425,482	\$ 8,976,419	\$ 7,632,206	\$ 192,769,695

Depreciation expense was charged to the functions and programs of the primary government as follows:

Governmental activities:	
General government support	\$ 4,373,854
Public safety	5,960,867
Streets and sanitation	18,800,624
Economic assistance and opportunity	549,575
Culture and recreation	5,766,202
Health and community services	28,179
Total governmental activities depreciation expense	<u>\$ 35,479,301</u>
Business-type activities:	
Solid waste and recycling	\$ 405,479
Parking	1,614,007
Water system	6,390,078
Total business-type activities depreciation expense	<u>\$ 8,409,564</u>

Board of Education

Capital asset activity for the Board, for the fiscal year ended June 30, 2019, was as follows:

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Capital assets, not being depreciated:				
Land	\$ 3,006,700	\$ 5,200	\$ -	\$ 3,011,900
Construction in progress	30,869,989	15,516,249	11,991,764	34,394,474
Total capital assets, not being depreciated	33,876,689	15,521,449	11,991,764	37,406,374
Capital assets, being depreciated:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and building improvement	1,756,583,589	12,623,084	-	1,769,206,673
Equipment	26,779,806	4,633,102	6,622	31,406,286
Total capital assets, being depreciated	1,788,906,081	17,256,186	6,622	1,806,155,645
Less accumulated depreciation for:				
Land improvements	4,570,639	89,717	-	4,660,356
Buildings and building improvement	878,361,912	76,964,260	-	955,326,172
Equipment	22,148,965	1,546,344	-	23,695,309
Total accumulated depreciation	905,081,516	78,600,321	-	983,681,837
Total capital assets being depreciated, net	883,824,565	(61,344,135)	6,622	822,473,808
Board capital assets, net	\$ 917,701,254	\$ (45,822,686)	\$ 11,998,386	\$ 859,880,182

Buffalo Urban Renewal Agency

Capital asset activity for BURA, for the fiscal year ended June 30, 2019, was as follows:

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Capital assets, being depreciated:				
Buildings	\$ 772,054	\$ -	\$ -	\$ 772,054
Equipment	22,535	-	-	22,535
Total capital assets, being depreciated	794,589	-	-	794,589
Less accumulated depreciation for:				
Buildings	309,003	19,313	-	328,316
Equipment	22,535	-	-	22,535
Total accumulated depreciation	331,538	19,313	-	350,851
BURA capital assets, net	\$ 463,051	\$ (19,313)	\$ -	\$ 443,738

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2019, were as follows:

	General Fund	BFSA Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 10,435,367	\$ 38,959	\$ -	\$ 10,474,326
Other accruals	-	-	237,910	237,910
Total accrued liabilities	<u>\$ 10,435,367</u>	<u>\$ 38,959</u>	<u>\$ 237,910</u>	<u>\$ 10,712,236</u>

6. 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, 2019, the City reported the liabilities on the following page for its proportionate share of the net pension liability for each of the Systems. The net pension liabilities were measured as of March 31, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2018, 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, 2019	March 31, 2019	March 31, 2019
Net pension liability	\$ 56,401,167	\$ 13,668,268	\$ 3,247,079
City's portion of the Plan's total net pension liability	3.3630914%	0.1929101%	0.0458283%

As of the March 31, 2019 measurement date, the City's governmental activities portion of the Plan's total net pension liability for PFRS and ERS, respectively, had decreased 0.0796044% and 0.0194213% from their portion of the Plan's total net pension liability of 3.4426958% and 0.2123314% on the March 31, 2018 measurement date. The City's business-type activities portion of the Plan's total net pension liability had decreased 0.0009299% from their portion of the Plan's total net pension liability of 0.0467582% on the March 31, 2018 measurement date.

For the year ended June 30, 2019, the City's governmental activities recognized pension expenses of \$38,814,560 and \$9,729,812 for PFRS and ERS, respectively. Business-type activities recognized pension expense of \$2,311,445 for ERS. At June 30, 2019, 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	\$ 13,701,404	\$ 2,691,568	\$ 639,417	\$ 6,021,756	\$ 917,525	\$ 217,970
Changes of assumptions	20,492,049	3,435,644	816,182	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	11,295,777	3,508,033	833,379
Changes in proportion and differences between the City's contributions and proportionate share of contributions	4,750,155	2,036,819	483,874	1,632,991	717,349	170,416
City contributions subsequent to the measurement date	7,265,027	2,209,902	524,991	-	-	-
Total	<u>\$ 46,208,635</u>	<u>\$ 10,373,933</u>	<u>\$ 2,464,464</u>	<u>\$ 18,950,524</u>	<u>\$ 5,142,907</u>	<u>\$ 1,221,765</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, 2020. 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
2020	\$ 13,144,630	\$ 3,470,661	\$ 824,501
2021	(1,786,730)	(2,192,567)	(520,873)
2022	917,936	8,505	2,021
2023	6,596,396	1,734,525	412,059
2024	1,120,852	-	-

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, 2019	March 31, 2019
Actuarial valuation date	April 1, 2018	April 1, 2018
Interest rate	7.00%	7.00%
Salary scale	5.00%	4.20%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014.

The actuarial assumptions used in the April 1, 2018 valuations are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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, 2019	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.0%. 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 7.0%, as well as what the City’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 (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 203,825,388	\$ 56,401,167	\$ (66,715,169)
Employer's proportionate share of the net pension liability/(asset)—ERS	73,956,590	16,915,345	(31,003,346)

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, 2018	April 1, 2018	
Employers' total pension liability	\$ 34,128,100	\$ 189,803,429	\$ 223,931,529
Plan fiduciary net position	32,451,037	182,718,124	215,169,161
Employers' net pension liability	<u>\$ 1,677,063</u>	<u>\$ 7,085,305</u>	<u>\$ 8,762,368</u>
System fiduciary net position as a percentage of total pension liability	95.1%	96.3%	96.1%

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, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid System wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$7,265,027 and \$2,734,893 for PFRS and ERS, respectively.

Buffalo Fiscal Stability Authority

The BFSA also participates in the ERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2019, the BFSA reported a liability of \$129,004 for its proportionate share of the net pension liability. At the March 31, 2019 measurement date, the BFSA’s

proportion was 0.0018207%, a decrease of 0.00005% from its proportion measured as of March 31, 2018.

For the year ended June 30, 2019, BFSA recognized pension expense of \$64,270. At June 30, 2019, the BFSA 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
	ERS	
Differences between expected and actual experiences	\$ 25,404	\$ 8,660
Changes of assumptions	32,426	-
Net difference between projected and actual earnings on pension plan investments	-	33,110
Changes in proportion and differences between BFSA's contributions and proportionate share of contributions	1,870	41,014
BFSA contributions subsequent to the measurement date	13,448	-
Total	<u>\$ 73,148</u>	<u>\$ 82,784</u>

The BFSA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2020. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	ERS
2020	\$ 12,008
2021	(37,458)
2022	(11,193)
2023	13,559

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the BFSA's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the BFSA'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 (6.0%) or one percentage-point higher (8.0%) than the current assumption.

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 564,028	\$ 129,004	\$ (236,446)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2019 amounted to \$13,448.

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 (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2019, the Board reported the following (asset)/liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability were measured as of June 30, 2018 for TRS and March 31, 2019 for ERS. The total pension (asset)/liability used to calculate the net pension (asset)/liability were determined by actuarial valuations as of June 30, 2017 and April 1, 2018 for TRS and ERS, respectively, with update procedures used to roll forward the total pension (asset)/liability to the measurement dates. The Board's proportion of the net pension (asset)/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, 2018	March 31, 2019
Net pension liability	\$ (32,947,326)	\$ 9,912,527
Board's portion of the Plan's total net pension liability	1.822042%	0.139903%

As of their respective measurement dates, the Board's portion of the Plan's total net pension (asset)/liability for TRS and ERS, respectively, had decreased 0.014667% and increased 0.003507% from their portion of the Plan's total net pension (asset)/liability of 1.836709% and 0.136396% on the June 30, 2017 and March 31, 2018 measurement dates.

For the year ended June 30, 2019, the Board recognized pension expense of \$24,051,707 for TRS and \$7,071,159 for ERS, respectively. At June 30, 2019, the Board 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	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ 24,621,271	\$ 1,951,984	\$ 4,459,873	\$ 665,409
Changes of assumptions	115,172,522	2,491,604	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	36,574,042	2,544,102
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	2,101,233	1,430,267	9,627,007	152,172
Board's contributions subsequent to the measurement date	31,671,613	1,499,509	-	-
Total	<u>\$ 173,566,639</u>	<u>\$ 7,373,364</u>	<u>\$ 50,660,922</u>	<u>\$ 3,361,683</u>

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending June 30, 2020. 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
2020	\$ 31,505,614	\$ 2,558,219
2021	20,902,923	(1,598,954)
2022	845,989	85,140
2023	20,825,299	1,467,767
2024	13,573,179	-
Thereafter	3,581,100	-

Actuarial Assumptions—The total pension (asset)/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, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Interest rate	7.25%	7.00%
Salary scale	1.90-4.70%	4.20%
Decrement tables	July 1, 2009- June 30, 2014	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.5%	1.3%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014. The actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014. The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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.

	TRS	ERS	TRS	ERS
	Target Allocation		Long-Term Expected Real Rate of Return	
Measurement date			June 30, 2018	March 31, 2019
Asset class:				
Domestic equities	33.0 %	36.0 %	5.8 %	4.6 %
International equities	16.0	14.0	7.3	6.4
Global equities	4.0	0.0	6.7	0.0
Private equity	8.0	10.0	8.9	7.5
Real estate	11.0	10.0	4.9	5.6
Absolute return strategies	0.0	2.0	0.0	3.8
Domestic fixed income securities	16.0	0.0	1.3	0.0
Global fixed income securities	2.0	0.0	0.9	0.0
High-yield fixed income securities	1.0	0.0	3.5	0.0
Opportunistic portfolio	0.0	3.0	0.0	5.7
Private debt	1.0	0.0	6.8	0.0
Real assets	0.0	3.0	0.0	5.3
Bonds and mortgages	7.0	17.0	2.8	1.3
Short-term	1.0	1.0	0.3	(0.3)
Inflation-indexed bonds	0.0	4.0	0.0	1.3
Total	100.0 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.25% for TRS and 7.0% 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 (asset)/liability.

Sensitivity of the Proportionate Share of the Net Pension (Asset)/Liability to the Discount Rate Assumption—The following chart presents the Board’s proportionate share of the net pension liabilities/(asset) calculated using the discount rate of 7.25% for TRS and 7.0% 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 (6.25% for TRS and 6.0% for ERS) or one percentage-point higher (8.25% for TRS and 8.0% for ERS) than the current assumption.

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$ 226,353,512	\$ (32,947,326)	\$ (250,169,370)
ERS			
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 43,339,150	\$ 9,912,527	\$ (18,168,207)

Pension Plan Fiduciary Net Position—The components of the current-year net pension (asset)/liability of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)	
	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ 118,107,254	\$ 189,803,429
Plan fiduciary net position	119,915,518	182,718,124
Employers' net pension (asset)/liability	<u>\$ (1,808,264)</u>	<u>\$ 7,085,305</u>
System fiduciary net position as a percentage of the total pension (asset)/liability	101.5%	96.3%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 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, 2019 amounted to \$35,276,557. For ERS, accrued retirement contributions as of June 30, 2019 amounted to \$1,499,508.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2019 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, 2019, BURA reported a liability of \$465,855 for its proportionate share of the net pension liability. At the March 31, 2019 measurement date, BURA’s proportion was 0.0065749%, a decrease of 0.0010147% from its proportion measured as of March 31, 2018.

For the year ended June 30, 2019, BURA recognized pension expense of \$295,690. At June 30, 2019, 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	\$ 91,737	\$ 31,272
Changes of assumptions	117,097	-
Net difference between projected and actual earnings on pension plan investments	-	119,564
Changes in proportion and differences between BURA's contributions and proportionate share of contributions	69,619	59,028
BURA contributions subsequent to the measurement date	82,847	-
Total	<u>\$ 361,300</u>	<u>\$ 209,864</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, 2020. 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
2020	\$ 103,759
2021	(85,849)
2022	(10,350)
2023	61,029

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/(asset) calculated using the discount rate of 7.0%, as well as what BURA'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 (6.0%) or one percentage-point higher (8.0%) than the current assumption.

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 2,036,791	\$ 465,855	\$ (853,843)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2019 amounted to \$82,847.

7. 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, 2018, the effective valuation date of the OPEB valuation, is as follows:

Active employees	2,635
Retired employees	2,829
Spouses of retirees	1,716
Dependents	901
Total	<u>8,081</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 \$1,073,580,355 and \$54,011,676, respectively, were measured as of June 30, 2019, and were determined by an actuarial valuation as of July 1, 2018.

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 July 1, 2018 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a measurement date of June 30, 2019. The discount rate was 3.87% as of June 30, 2019, as compared to 3.58% as of June 30, 2018. Mortality rates are based on the RP-2014 sex distinct Mortality Tables, adjusted to reflect the scale MP-2014 from the 2006 base year, and projected forward using scale MP-2017. 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 determined the initial healthcare cost trend rate used is 5.3%, while the ultimate healthcare cost trend rate is 4.00%.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2019.

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, 2018	\$ 1,183,643,696	\$ 71,383,501
Changes for the year:		
Service cost	50,795,971	2,465,958
Interest	43,364,955	2,548,259
Changes of assumptions	(157,721,615)	(20,239,077)
Differences between expected and actual experience	2,570,396	831,949
Contributions—employer	(49,073,048)	(2,978,914)
Net changes	(110,063,341)	(17,371,825)
Balances at June 30, 2019	\$ 1,073,580,355	\$ 54,011,676

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 net OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Governmental activities:			
Net OPEB liability	\$ 1,226,200,360	\$ 1,073,580,355	\$ 949,644,808
Business-type activities:			
Net OPEB liability	\$ 61,689,967	\$ 54,011,676	\$ 47,776,496

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (5.3%) and ultimate (4.0%) healthcare cost trend rates.

	1% Decrease (4.3% / 3.0%)	Healthcare Cost Trend Rates (5.3% / 4.0%)	1% Increase (6.3% / 5.0%)
Governmental activities:			
Net OPEB liability	\$ 941,147,625	\$ 1,073,580,355	\$ 1,239,875,492
Business-type activities:			
Net OPEB liability	\$ 47,349,004	\$ 54,011,676	\$ 62,377,961

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, 2019, the City's governmental and business-type activities recognized OPEB expense of \$36,578,259 and \$1,737,738, 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 net OPEB liability. At June 30, 2019, 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	\$ 2,158,473	\$ 708,587	\$ -	\$ -
Changes of assumptions	-	-	209,644,757	24,504,446
Total	<u>\$ 2,158,473</u>	<u>\$ 708,587</u>	<u>\$ 209,644,757</u>	<u>\$ 24,504,446</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
2020	\$ (60,910,602)	\$ (6,985,619)
2021	(60,910,602)	(6,985,619)
2022	(51,337,578)	(5,887,723)
2023	(15,324,775)	(1,757,544)
2024	(15,324,775)	(1,757,544)
Thereafter	(3,677,950)	(421,811)

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 with ten or more years of service. The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

Employees Covered by Benefit Terms—For the year ended June 30, 2019 there were no retirees of the BFSFA receiving benefits. At June 30, 2019, the following employees were covered by the benefit terms:

Active employees	5
Retired employees	-
Total	<u>5</u>

Total OPEB Liability

The BFSA's total OPEB liability of \$1,513,486 was measured as of June 30, 2019, 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 BFSA 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 BFSA 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 4.6% for medical, 7.6% for pharmacy, reduced to an ultimate rate of 4.7% for medical and pharmacy after ten years.

Salary increases – A 4.0% payroll growth rate was used.

Mortality – RP2000, mortality table for males and females projected 18 years.

Discount rate – 3.5% (previously 3.87%) 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.

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, 2018	\$ 1,283,543
Changes for the year:	
Service cost	118,694
Interest	54,267
Changes of assumptions	115,164
Differences between expected and actual experience	(58,182)
Net changes	229,943
Balances at June 30, 2019	\$ 1,513,486

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 net OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB liability	\$ 1,886,986	\$ 1,513,486	\$ 1,225,665

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (7.6%) and ultimate (4.7%) healthcare cost trend rates.

	1% Decrease (6.6% / 3.7%)	Healthcare Cost Trend Rates (7.6% / 4.7%)	1% Increase (8.6% / 5.7%)
Net OPEB liability	\$ 1,171,304	\$ 1,513,486	\$ 1,968,838

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, 2019, the Authority recognized OPEB expense of \$229,943.

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, 2019, the following employees were covered by the benefit terms:

Active employees	5,061
Retired employees and dependents	3,978
Total	<u>9,039</u>

Total OPEB Liability

The Board’s total OPEB liability of \$2,395,142,000 was measured as of June 30, 2019, using updated procedures to roll forward the actuarial valuation from June 30, 2018.

Actuarial Methods and Assumptions—The total OPEB liability in the June 30, 2019 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	4.70%, average, including inflation
Discount Rate	3.51%
Healthcare Cost Trend Rates	8.00% in 2019, with an ultimate rate of 4.50% for 2027
Retirees’ Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy

The discount rate was based on Fidelity Mutual General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates were based on the SOA Pubc-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2018.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019.

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, 2018	\$ 2,290,152
Changes for the year:	
Service cost	71,543
Interest	90,227
Changes of assumptions	170,379
Differences between expected and actual experience	(166,075)
Contributions—employer	(61,084)
Net changes	104,990
Balance at June 30, 2019	\$ 2,395,142

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.51 percent in 2019.

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 net OPEB liability (amounts in thousands).

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Net OPEB liability	\$ 2,848,796	\$ 2,395,142	\$ 2,037,864

Additionally, healthcare costs can be subject to considerable volatility over time. The table presented on the following page presents the effect on the net 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%)
Net OPEB liability	\$ 2,003,413	\$ 2,395,142	\$ 2,908,074

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended June 30, 2019, the Board recognized OPEB expense of \$42,833,000. 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 net OPEB liability are required to be determined. The following table presents the Board’s deferred outflows and inflows of resources at June 30, 2019 (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 457,545
Changes of assumptions	146,039	214,341
Total	<u>\$ 146,039</u>	<u>\$ 671,886</u>

The amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount (in thousands)
2020	\$ (118,937)
2021	(118,937)
2022	(118,937)
2023	(118,936)
2024	(50,714)
Thereafter	615

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, 2019, the following employees were covered by the benefit terms:

Active employees	41
Retired employees and dependents	<u>37</u>
Total	<u>78</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 \$25,024,994 was measured as of June 30, 2019, 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, 2019 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2019. The discount rate was 3.61%, the same as the prior year's discount rate. Mortality rates are based on the RP2000 Mortality Table. 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 4.6%, while the ultimate healthcare cost trend rate is 4.7%.

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, 2018	<u>\$ 24,934,650</u>
Changes for the year:	
Service cost	633,004
Interest	914,947
Effect of economic/demographic gains or losses	(1,007,888)
Benefit payments	<u>(449,719)</u>
Net changes	90,344
Balances at June 30, 2019	<u>\$ 25,024,994</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 net OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (2.61%)	Current Discount Rate (3.61%)	1% Increase (4.61%)
Net OPEB liability	\$ 28,461,640	\$ 25,024,994	\$ 22,161,670

Additionally, healthcare costs can be subject to considerable volatility over time. The table on the following page presents the effect on the net OPEB liability of a 1% change in the initial (4.6%) and ultimate (4.7%) healthcare cost trend rates.

	1% Decrease (3.6% / 3.7%)	Healthcare Cost Trend Rates (4.6% / 4.7%)	1% Increase (5.6% / 5.7%)
Net OPEB liability	\$ 21,954,000	\$ 25,024,994	\$ 28,687,390

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 12. 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 \$449,719 for the fiscal year ended June 30, 2019.

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 net OPEB liability are required to be determined. As of June 30, 2019, the Agency reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

8. 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, 2017, 2018, and 2019, the City expensed \$5,630,811, \$6,122,343, and \$5,765,614, 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, 2017, 2018, and 2019, the City incurred expenditures of \$8,091,500, \$7,858,300, and \$3,155,911, respectively, for property damage and personal injury claims.

At June 30, 2019, the City estimated the following workers' compensation liabilities:

	Governmental Activities	Business-type Activities
Workers' compensation — fire and police medical	\$ 3,431,911	\$ -
Workers' compensation — other employees	5,640,996	2,239,446
Total	<u>\$ 9,072,907</u>	<u>\$ 2,239,446</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, 2017, are shown below:

	Governmental Activities	Business-type Activities
Estimated claims — June 30, 2017	\$ 8,472,167	\$ 1,950,618
Claims incurred	4,998,801	608,310
Payments 2017-2018	<u>(5,464,606)</u>	<u>(657,738)</u>
Estimated claims — June 30, 2018	8,006,362	1,901,190
Claims incurred	6,132,630	1,037,785
Payments 2018-2019	<u>(5,066,085)</u>	<u>(699,529)</u>
Estimated claims — June 30, 2019	<u>\$ 9,072,907</u>	<u>\$ 2,239,446</u>

The City has estimated claims arising during the ordinary course of its operation which are probable of a future loss to total \$7,300,000 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 \$3,000,000 to \$8,200,000.

9. LEASE OBLIGATIONS

Operating Leases—Operating lease obligations are primarily for rental of space and equipment. Lease expenditures/expenses for the year were approximately \$255,720. The future minimum rental payments required by the primary government for noncancelable operating leases are as follows:

Fiscal Year Ending June 30,	
2020	\$ 257,312
2021	143,115
2022	121,486
2023	123,277
2024	125,134
Thereafter	<u>353,580</u>
Total	<u>\$ 1,123,904</u>

Buffalo Fiscal Stability Authority

The BFSFA has an operating lease agreement for office space. Rental expense totaled \$43,940 for the year ended June 30, 2019. Future minimum annual rental payments required under the lease are:

Fiscal Year Ending June 30,	
2020	\$ 43,940
2021	<u>10,985</u>
Total	<u>\$ 54,925</u>

Board of Education

Operating lease obligations are primarily for rental of space and equipment. Lease expenses for the year were approximately \$3,376,198. The future minimum rental payments required for noncancelable leases are shown below:

Fiscal Year Ending June 30,	
2020	\$ 5,443,651
2021	6,655,287
2022	6,492,927
2023	6,327,235
2024	6,357,133
2025-2029	29,045,692
2030-2034	16,901,057
2035-thereafter	1,704,917
Total	<u>\$ 78,927,899</u>

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. 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, 2019:

	Issued	Maturity	Interest Rate	Balance 7/1/2018	Issues	Redemptions	Balance 6/30/2019
Bond anticipation notes:							
Various capital projects	4/30/19	4/30/20	3.00%	\$ -	\$ 22,070,653	\$ -	\$ 22,070,653

11. 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, 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, 2019 is presented in the following table:

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds, net - City	\$ 198,009,485	\$ -	\$ 26,929,806	\$ 171,079,679	\$ 27,192,386
General obligations bonds, net - BFSA	22,255,000	-	5,685,000	16,570,000	5,440,000
Premiums on bonds - City	17,141,293	-	2,342,802	14,798,491	2,210,200
Premiums on bonds - BFSA	1,763,504	-	478,405	1,285,099	268,771
Total bonds payable	239,169,282	-	35,436,013	203,733,269	35,111,357
Compensated absences	24,540,940	8,578,516	2,657,055	30,462,401	2,713,196
Workers' compensation	8,006,362	6,132,630	5,066,085	9,072,907	6,366,589
Landfill post-closure monitoring costs	700,000	-	70,000	630,000	70,000
OPEB obligation - City	1,183,643,696	96,731,322	206,794,663	1,073,580,355	-
OPEB obligation - BFSA	1,283,543	288,125	58,182	1,513,486	-
Judgments and claims	8,300,000	180,000	1,180,000	7,300,000	3,010,000
Net pension liability - City*	41,650,166	28,419,269	-	70,069,435	-
Net pension liability - BFSA*	60,374	68,630	-	129,004	-
Total governmental activities	<u>\$ 1,507,354,363</u>	<u>\$ 140,398,492</u>	<u>\$ 251,261,998</u>	<u>\$ 1,396,490,857</u>	<u>\$ 47,271,142</u>
	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligations bonds - Parking	\$ 10,055,516	\$ -	\$ 1,410,194	\$ 8,645,322	\$ 1,462,615
Water System revenue bonds	114,580,000	36,270,000	25,580,000	125,270,000	4,210,000
Premiums on bonds	6,631,810	4,905,542	468,355	11,068,997	633,328
Discounts on bonds	(205,902)	-	(10,482)	(195,420)	(10,334)
Total bonds payable	131,061,424	41,175,542	27,448,067	144,788,899	6,295,609
Compensated absences	1,386,201	220,837	65,973	1,541,065	79,050
Workers' compensation	1,901,190	1,037,785	699,529	2,239,446	699,529
OPEB obligation	71,383,501	5,846,166	23,217,991	54,011,676	-
Net pension liability*	1,509,099	1,737,980	-	3,247,079	-
Total business-type activities	<u>\$ 207,241,415</u>	<u>\$ 50,018,310</u>	<u>\$ 51,431,560</u>	<u>\$ 205,828,165</u>	<u>\$ 7,074,188</u>

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.

On May 9, 2019, the City issued \$24,285,000 in Series 2019A Water System Revenue Bonds within its business-type activities. The serial bonds were issued at a premium of \$3,871,575. The bonds carry an interest rate of 4.0% - 5.0% and principal payments begin July 1, 2020 and mature on July 1, 2048.

Current Year Refunding—On May 9, 2019, the City issued \$11,985,000 in Water System Revenue Refunding Bonds, together with bond premiums received and the debt reserve, to refund \$17,170,000 of outstanding principal of the previously issued 2007 Serial Bonds originally issued for various purposes,

which were called on June 24, 2019. The 2019 Refunding Bonds carry an interest rate of 3.0% - 5.0% and mature on July 1, 2037. The refund resulted in a net present value benefit savings of \$1,312,621 to the City and a deferred loss on refunding of \$182,142.

A summary of additions and payments for the year ended June 30, 2019 is shown below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2018	Additions	Payments	Balance 6/30/2019	Due Within One Year
Governmental activities general obligations bonds issued by City of Buffalo:								
2005	\$ 26,167,250	5.0	2025	\$ 3,741,201	\$ -	\$ 1,204,549	\$ 2,536,652	\$ 1,167,326
2005	34,346,833	5.0	2019	320,001	-	320,001	-	-
2006	25,275,917	5.0	2022	3,428,367	-	1,683,746	1,744,621	1,744,622
2007	22,226,126	5.0	2023	8,879,157	-	1,606,266	7,272,891	1,689,155
2009	21,500,000	1.4-6.0	2024	1,480,000	-	1,480,000	-	-
2010	21,985,000	2.0-5.0	2025	11,975,000	-	1,500,000	10,475,000	1,575,000
2011	12,825,000	3.0-5.0	2021	530,000	-	180,000	350,000	175,000
2012	22,265,000	2.0-4.0	2026	13,145,000	-	1,450,000	11,695,000	1,495,000
2012	3,480,000	3.0-4.0	2022	755,000	-	185,000	570,000	190,000
2012	21,640,000	2.0-5.0	2023	10,870,000	-	1,995,000	8,875,000	2,095,000
2012	4,255,000	2.0-4.0	2024	540,000	-	235,000	305,000	205,000
2013	7,540,000	0.8-3.5	2025	4,605,000	-	605,000	4,000,000	620,000
2014	25,639,769	4.0-5.0	2023	14,655,000	-	2,815,000	11,840,000	2,860,000
2015	29,088,985	2.0-5.0	2026	20,945,000	-	2,455,000	18,490,000	2,490,000
2016	21,703,468	2.0-5.0	2028	18,785,249	-	1,494,903	17,290,346	1,566,489
2016	15,375,000	3.0-4.0	2024	15,375,000	-	1,385,000	13,990,000	2,850,000
2017	21,618,019	4.0-5.0	2029	20,189,235	-	1,419,903	18,769,332	1,490,896
2018	20,300,000	3.0-5.0	2030	20,300,000	-	1,620,000	18,680,000	1,195,000
Total				170,518,210	-	23,634,368	146,883,842	23,408,488
Governmental activities general obligations bonds issued by the City of Buffalo on behalf of discretely presented component unit – Board of Education:								
2006	\$ 2,483,000	5.0	2020	\$ 467,000	\$ -	\$ 228,000	\$ 239,000	\$ 239,000
2007	5,889,000	5.0	2019	635,000	-	635,000	-	-
2009	3,530,000	2.5-5.0	2024	245,000	-	245,000	-	-
2010	4,900,000	2.5-4.0	2025	2,555,000	-	330,000	2,225,000	340,000
2011	21,825,000	3.0-4.0	2021	1,615,000	-	510,000	1,105,000	545,000
2012	4,900,000	3.0-4.0	2026	2,890,000	-	320,000	2,570,000	330,000
2012	15,355,000	2.0-5.0	2021	7,880,000	-	2,550,000	5,330,000	2,625,000
2012	5,000,000	2.0-3.3	2027	3,210,000	-	315,000	2,895,000	325,000
2012	6,720,000	2.0-4.0	2025	3,130,000	-	410,000	2,720,000	420,000
2012	11,230,000	1.0-4.0	2023	5,960,000	-	935,000	5,025,000	955,000
2012	20,515,000	1.0-5.0	2024	10,865,000	-	1,695,000	9,170,000	1,770,000
2016	5,845,000	2.0-4.0	2023	5,510,000	-	800,000	4,710,000	1,075,000
Total				44,962,000	-	8,973,000	35,989,000	8,624,000
Less bonds issued by City to BFSa:								
2005A	\$ 26,167,250	4.0-5.0	2025	\$ (3,741,201)	\$ -	\$ (1,204,549)	\$ (2,536,652)	\$ (1,167,326)
2005BC	41,605,310	5.0	2019	(320,001)	-	(320,001)	-	-
2006A	27,758,917	4.0-5.0	2020	(3,895,367)	-	(1,911,746)	(1,983,621)	(1,983,621)
2007A	28,115,126	4.0-5.0	2023	(9,514,156)	-	(2,241,266)	(7,272,890)	(1,689,155)
Total mirror bonds				(17,470,725)	-	(5,677,562)	(11,793,163)	(4,840,102)
Net governmental activities general obligation bonds issued by the City of Buffalo				198,009,485	-	26,929,806	171,079,679	27,192,386
								(continued)

(concluded)

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2018	Additions	Payments	Balance 6/30/2019	Due Within One Year
Governmental activities general obligations bonds issued by Buffalo Fiscal Stability Authority:								
2005BC	\$ 47,065,000	5.0	2019	\$ 1,125,000	\$ -	\$ 805,000	\$ 320,000	\$ 320,000
2007A	28,470,000	4.0-5.0	2023	11,975,000	-	2,215,000	9,760,000	2,315,000
2015A	14,170,000	3.0-5.0	2025	9,155,000	-	2,665,000	6,490,000	2,805,000
Total				22,255,000	-	5,685,000	16,570,000	5,440,000
Total governmental activities bonds				220,264,485	-	32,614,806	187,649,679	32,632,386
Unamortized premium - City				17,141,293	-	2,342,802	14,798,491	2,210,200
Unamortized premium - BFSA				1,763,504	-	478,405	1,285,099	268,771
Total governmental activities bonds, net				\$ 239,169,282	\$ -	\$ 35,436,013	\$ 203,733,269	\$ 35,111,357
Business-type activities — general obligation bonds:								
Parking:								
2012	\$ 8,415,000	2.0-5.0	2022	\$ 3,975,000	\$ -	\$ 950,000	\$ 3,025,000	\$ 980,000
2016	4,066,532	2.0-5.0	2028	3,519,751	-	280,097	3,239,654	293,511
2017	2,741,981	4.0-5.0	2029	2,560,765	-	180,097	2,380,668	189,104
Total				10,055,516	-	1,410,194	8,645,322	1,462,615
Business-type activities — Water System Revenue Bonds:								
2006	\$ 19,917,236	3.6-4.8	2028	\$ 10,560,000	\$ -	\$ 915,000	\$ 9,645,000	\$ 940,000
2007	13,010,000	3.6-4.4	2038	10,285,000	-	10,285,000	-	-
2007	29,220,000	5.0	2027	11,145,000	-	11,145,000	-	-
2010	23,975,000	2.0-6.9	2041	20,515,000	-	550,000	19,965,000	570,000
2011	2,720,000	1.5-5.1	2022	1,105,000	-	265,000	840,000	270,000
2012	17,150,000	1.8-4.0	2043	15,310,000	-	405,000	14,905,000	410,000
2012	2,575,000	5.6-6.3	2031	2,315,000	-	135,000	2,180,000	140,000
2015	46,655,000	2.0-5.0	2036	43,345,000	-	1,880,000	41,465,000	1,585,000
2019	24,285,000	4.0-5.0	2049	-	24,285,000	-	24,285,000	-
2019	46,655,000	3.0-5.0	2038	-	11,985,000	-	11,985,000	295,000
Total				114,580,000	36,270,000	25,580,000	125,270,000	4,210,000
Total business-type activities bonds				124,635,516	36,270,000	26,990,194	133,915,322	5,672,615
Unamortized premium				6,631,810	4,905,542	468,355	11,068,997	633,328
Unamortized discount				(205,902)	-	(10,482)	(195,420)	(10,334)
Total business-type activities bonds, net				\$ 131,061,424	\$ 41,175,542	\$ 27,448,067	\$ 144,788,899	\$ 6,295,609

Amortization of Bond Premiums and Discounts—As previously discussed, on May 9, 2019, the City issued water system revenue bonds Series 2019A totaling \$24,285,000 and refunding bonds Series 2019B totaling \$11,985,000 and received bond premiums of \$4,905,542. The premiums are being amortized on a straight-line annual basis over the life of the bonds, which mature on July 1, 2048 and July 1, 2038, respectively. The total remaining unamortized premiums on bonds at June 30, 2019 are \$16,083,590 and \$11,068,997 reported in governmental activities and business-type activities, respectively. Additionally, unamortized discounts on bonds of \$195,420 are reported in business-type activities at June 30, 2019.

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
2020	\$ 23,408,488	\$ 6,555,544	\$ 29,964,032
2021	21,329,720	5,447,899	26,777,619
2022	21,951,503	4,479,517	26,431,020
2023	22,589,972	3,493,798	26,083,770
2024	14,127,555	2,521,781	16,649,336
2025-2029	39,676,604	4,803,109	44,479,713
2030-2031	3,800,000	114,900	3,914,900
Total	<u>\$ 146,883,842</u>	<u>\$ 27,416,548</u>	<u>\$ 174,300,390</u>

Issued by City on behalf of Component Unit—Board of Education

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 8,624,000	\$ 1,135,044	\$ 9,759,044
2021	8,695,000	809,800	9,504,800
2022	5,600,000	571,306	6,171,306
2023	5,575,000	386,550	5,961,550
2024	4,630,000	219,400	4,849,400
2025-2027	2,865,000	147,188	3,012,188
Total	<u>\$ 35,989,000</u>	<u>\$ 3,269,288</u>	<u>\$ 39,258,288</u>

Governmental Activities—Buffalo Fiscal Stability Authority

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 5,440,000	\$ 612,262	\$ 6,052,262
2021	4,690,000	373,575	5,063,575
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
2025-2026	320,000	16,250	336,250
Total	<u>\$ 16,570,000</u>	<u>\$ 1,430,287</u>	<u>\$ 18,000,287</u>

Business-Type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 5,672,615	\$ 5,870,971	\$ 11,543,586
2021	7,742,171	6,183,435	13,925,606
2022	8,113,082	5,821,329	13,934,411
2023	6,953,992	5,469,093	12,423,085
2024	7,232,608	5,133,288	12,365,896
2025-2029	40,575,854	19,762,273	60,338,127
2030-2034	21,860,000	11,363,261	33,223,261
2035-2039	17,085,000	6,900,888	23,985,888
2040 and thereafter	18,680,000	3,849,656	22,529,656
Total	<u>\$ 133,915,322</u>	<u>\$ 70,354,194</u>	<u>\$ 204,269,516</u>

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$30,462,401 for governmental activities and \$1,541,065 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 \$2,713,196 and \$79,050 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers' Compensation—Accrued workers' compensation, which totals \$9,072,907 and \$2,239,446 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 \$6,366,589 and \$699,529 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year. Refer to Note 8 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, 2019 was \$630,000.

OPEB Obligation—As explained in Note 7, 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 \$1,075,093,841 and \$54,011,676 in the governmental activities and business-type activities, respectively.

Judgments and Claims—As explained in Note 8, the City records a liability for general liability claims in the government-wide financial statements. The City's judgments and claims liability, which totals \$7,300,000 at June 30, 2019, 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 \$3,010,000 of the aforementioned claims will be paid in the next fiscal year.

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 \$70,198,439 and \$3,247,079 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 6 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, 2019, was approximately \$802.9 million. The effective borrowing capacity is \$610.8 million.

The list of the City's authorized and unissued bonds at June 30, 2019, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds—City of Buffalo	<u>\$ 10,683,466</u>

Board of Education

A summary of changes in the Board's long-term liabilities for the year ended June 30, 2019, is as follows:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Governmental activities:					
Due to other governments	\$ 8,840,000	\$ -	\$ 713,334	\$ 8,126,666	\$ 713,334
Revenue bonds payable	10,900,000	-	645,000	10,255,000	665,000
JSCB bonds payable	742,570,000	-	53,055,000	689,515,000	55,780,000
Premium on bonds	100,701,577	-	10,588,184	90,113,393	10,064,928
Compensated absences	23,627,437	10,026,316	10,844,589	22,809,164	10,469,016
Workers' compensation	43,763,000	10,480,000	9,561,000	44,682,000	8,426,000
OPEB obligation	2,290,152,000	166,074,000	61,084,000	2,395,142,000	-
Net pension liability - ERS*	4,402,094	5,510,433	-	9,912,527	-
Total	<u>\$ 3,224,956,108</u>	<u>\$ 192,090,749</u>	<u>\$ 146,491,107</u>	<u>\$ 3,270,555,750</u>	<u>\$ 86,118,278</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
2020	\$ 713,334
2021	713,332
2022	713,334
2023	713,334
2024	713,332
2025-2029	3,566,668
2030-2034	899,999
2035-2036	93,333
Total	<u>\$ 8,126,666</u>

Revenue Bonds Payable—Represents 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 (i) finance a portion of the cost of settling litigation involving the Board and the Buffalo Teachers Federation (ii) fund the Debt Service Reserve Fund to at least the Debt Service Reserve Fund Requirement and (iii) pay legal, accounting, financing, and other fees and expenses relating to the issuance of the Bonds.

The Bonds are special revenue obligations of the Agency and are secured by Annual Payments payable by the City from all monies legally available (which availability is, in general, dependent upon annual appropriations by the City), and 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.

The remaining annual maturities of revenue bonds payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 665,000	\$ 421,141	\$ 1,086,141
2021	695,000	390,466	1,085,466
2022	730,000	354,841	1,084,841
2023	765,000	336,591	1,101,591
2024	805,000	298,341	1,103,341
2025-2029	4,535,000	958,671	5,493,671
2030-2031	2,060,000	155,750	2,215,750
Total	<u>\$ 10,255,000</u>	<u>\$ 2,915,801</u>	<u>\$ 13,170,801</u>

Joint Schools Construction Board Bonds Payable—Represents bond payments due for the design, construction, and financing of public educational facilities in the City.

In prior years, the Board defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board's financial statements. The amount of \$148,000,000 of these bonds defeased in the prior years are outstanding at June 30, 2019.

The remaining annual maturities of Joint Schools Construction Board bonds payable are as follows:

Fiscal Year Ending				
June 30,	Principal	Interest	Total	
2020	\$ 55,780,000	\$ 34,664,975	\$ 90,444,975	
2021	65,280,000	31,878,625	97,158,625	
2022	74,675,000	28,617,375	103,292,375	
2023	78,495,000	24,886,475	103,381,475	
2024	75,735,000	20,964,725	96,699,725	
2025-2029	279,335,000	53,858,563	333,193,563	
2030-2032	60,215,000	4,748,388	64,963,388	
Total	<u>\$ 689,515,000</u>	<u>\$ 199,619,126</u>	<u>\$ 889,134,126</u>	

Compensated Absences—Compensated absences, which totaled \$22,809,164 at June 30, 2019, 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 \$10,469,016 will be paid in the next fiscal year.

Workers' Compensation—Workers' compensation obligations total \$44,682,000 at June 30, 2019, representing estimated amounts due for various outstanding claims.

OPEB Obligation—Refer to Note 7.

Net Pension Liability—The Board reported a liability, \$9,912,527, for its proportionate share of the net pension liability of the Employees' Retirement System. Refer to Note 6 for additional information related to the Board's net pension liability.

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, 2019 follows:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Governmental activities:					
Compensated absences	\$ 421,040	\$ 229,140	\$ 6,220	\$ 643,960	\$ 32,198
OPEB obligation	24,934,650	540,063	449,719	25,024,994	-
Long-term retirement liability	92,110	-	18,422	73,688	18,422
Net pension liability*	244,949	220,906	-	465,855	-
Long-term due to other governments	450,821	-	450,821	-	-
Total	<u>\$ 26,143,570</u>	<u>\$ 990,109</u>	<u>\$ 925,182</u>	<u>\$ 26,208,497</u>	<u>\$ 50,620</u>

(*Additions to the net pension liability are shown net of reductions)

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, 2019, for governmental activities is \$643,960. Management estimates that \$32,198 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—As explained in Note 7, BURA provides health insurance coverage for certain retirees. The BURA'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. The estimated long-term OPEB liability is \$25,024,994 as of June 30, 2019.

Long-Term Retirement Liability—As explained in Note 6, 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, 2019, BURA has recorded a liability in the amount of \$73,688, of which \$18,422 is considered due within one year.

Net Pension Liability—BURA reported a liability, \$465,855, for its proportionate share of the net pension liability of the Employees' Retirement System. Refer to Note 6 for additional information related to BURA's net pension liability.

Long-Term Due to Other Governments—Beginning in the year ended June 30, 2016, BURA reported a liability, which was owed to the City to be used to pay HUD for claims related to prior years' activity. Repayment was based on the future sale of property and availability of funds. For the year ended June 30, 2019, the Agency reported the liability as a current liability in the General Fund, as the liability is payable within 60 days of year-end.

12. 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	\$	530,464,399
Related debt:		
Serial bonds issued for capital assets	\$	(151,660,679)
Unspent debt proceeds		<u>19,275,830</u>
Bonds payable issued for capital assets		(132,384,849)
Bond anticipation notes payable		(22,070,653)
Deferred loss on refunding		1,561,007
Unamortized premiums		<u>(16,083,590)</u>
Net investment in capital assets—governmental activities	\$	<u>361,486,314</u>

Business-type activities:

Capital assets, net of accumulated depreciation	\$	192,769,695
Related debt:		
Serial bonds issued for capital assets		(133,915,322)
Unspent debt proceeds		<u>42,589,097</u>
Bonds payable issued for capital assets		(91,326,225)
Deferred loss on refunding		2,905,405
Unamortized premium		(11,068,997)
Unamortized discount		<u>195,420</u>
Net investment in capital assets—business-type activities	\$	<u>93,475,298</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, 2019 include:

Real estate acquired for sale	\$	9,342,351
Long-term due from other funds		18,389,099
Prepaid items		1,952,254
Permanent Fund - corpus		<u>30,000</u>
Total	\$	<u>29,713,704</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, 2019 are shown below:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Capital projects	\$ -	\$ -	\$ 19,213,536	\$ -	\$ 19,213,536
Capital outlay	10,086,296	-	-	-	10,086,296
Debt service	-	6,912,916	-	5,838,301	12,751,217
Grants	-	-	-	4,677,829	4,677,829
Emergency medical services	1,701,652	-	-	-	1,701,652
Permanent fund - interest	-	-	-	111,060	111,060
Total	<u>\$ 11,787,948</u>	<u>\$ 6,912,916</u>	<u>\$ 19,213,536</u>	<u>\$ 10,627,190</u>	<u>\$ 48,541,590</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, 2019, 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, 2019, the City reported \$38,529,527 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, 2019 assigned fund balance includes:

	General Fund	BFSA Special Revenue Fund	Total
Encumbrances	\$ 7,341,279	\$ -	\$ 7,341,279
Motor vehicle self-insurance	765,534	-	765,534
Judgments and claims	4,907,997	-	4,907,997
Specific use	-	887,729	887,729
Total	<u>\$ 13,014,810</u>	<u>\$ 887,729</u>	<u>\$ 13,902,539</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 \$7,300,000 of potential settlements, and has assigned \$4,907,997 of available fund balance for that 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.

13. RELATED PARTY TRANSACTIONS

The City provides annual support to the Board of Education. During the year ended June 30, 2019, the City contributed \$70,822,758 in economic support for operating purposes (\$61,367,016) and school tax relief reimbursement (\$9,455,742).

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 2019 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$136,927,595 were recorded, of which \$81,386,878 was or will be paid to the City and \$48,767,444 was designated for the District.
- State aid of \$161,285,233 was received during 2019.
- Distributions paid or accrued to the City in 2019 totaled \$249,403,956, which includes \$81,386,878 of sales tax receipts, \$167,836,331 of State aid and other revenue, and interest receipts of \$180,747.

Board of Education

During the year ended June 30, 2019, the Board transferred \$10,429,505 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 2010, the City notified BERC that effective May 1, 2010 the subrecipient agreements between BERC and BURA had expired. Additionally, BURA demanded the return of any unexpended program income. In order to ensure that any such program income is returned to BURA, BERC established an escrow account in the initial amount of \$800,000 and an agreement was reached whereby BERC would transfer to BURA such program income, if any, from real estate operations.

Furthermore, BERC was required to transfer control of all of its CDBG loans to BURA during the year ended June 30, 2012. As of June 30, 2019, all of BERC's assets and liabilities were transferred to BURA.

At June 30, 2019, net amounts due from related parties consisted of:

Due from BNRC, net of payables	\$ 10,628
Total	<u>\$ 10,628</u>

14. 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, 2019 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 44,625,596	\$ 2,027,761
Debt Service Fund	380,838	657,113
Capital Projects Fund	-	17,926,282
BFSA Special Revenue Fund	-	8,537,322
Nonmajor governmental funds	1,668,838	124,100
Total governmental funds	46,675,272	29,272,578
Proprietary funds:		
Solid Waste and Recycling Fund	184,505	18,389,099
Parking Fund	1,761,813	-
Water System	-	960,356
Internal Service Fund	3,525	3,082
Total proprietary funds	1,949,843	19,352,537
Total	\$ 48,625,115	\$ 48,625,115

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 \$44,625,596 is a portion due from the Solid Waste and Recycling Fund in the amount of \$18,389,099, 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, 2019:

Transfers out:	Transfers in:					Total
	General Fund	Debt Service Fund	Capital Projects Fund	BFSA Special Revenue Fund	Nonmajor Governmental Funds	
Governmental funds:						
General Fund	\$ -	\$ 27,907,561	\$ 400,000	\$ -	\$ -	\$ 28,307,561
Debt Service Fund	-	-	-	368,623	6,182,475	6,551,098
Capital Projects Fund	-	637,396	-	-	-	637,396
Proprietary funds:						
Solid Waste & Recycling Fund	673,078	-	-	-	-	673,078
Parking Fund	6,312,000	-	-	-	-	6,312,000
Water System	6,902,931	-	-	-	-	6,902,931
Total	\$ 13,888,009	\$ 28,544,957	\$ 400,000	\$ 368,623	\$ 6,182,475	\$ 49,384,064

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.

15. LABOR RELATIONS

Approximately 2,829 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	6/30/19
Police	6/30/19
Crossing Guards	8/31/19
Building Inspectors	6/30/20
Operating Engineers	6/30/20
Pipe Caulkers	6/30/22

16. 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 \$73,265,301 encumbrances outstanding at June 30, 2019. In the General Fund, encumbrances of \$7,341,279 are supported by assigned fund balance. The Capital Projects Fund and Special Revenue Fund have \$45,925,448 and \$19,998,574 of outstanding encumbrances, respectively. As of June 30, 2019, the City had the following significant encumbrances:

Description	General Fund	Capital Projects Fund	Special Revenue Fund
Street lighting	\$ 885,879	\$ -	\$ -
Buildings	-	-	5,909,505
Vehicles	-	1,763,942	-
Bridges	-	553,382	-
Streets	-	30,982,225	1,329,271

Board of Education

Encumbrances—At June 30, 2019, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$3,553,325 in the Board's General Fund.

Construction Commitment—As of June 30, 2019, the Board has approximately \$14,355,175 committed to various renovations.

17. 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 \$13,697,804. However, during 2019, the City collected \$3,344,460 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 property improvements in an Empire Zone. 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 \$12,124,258. However, during 2019, the City collected \$3,069,448 related to the NYS programs.

18. 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.

Subsequent to year end, New York State provided the City of Buffalo an advance payment of \$7,500,000 in Seneca revenue for future expected Seneca revenue sharing payments owed to the City. These funds were measurable and available soon enough after year end to liquidate liabilities that existed at year end, and therefore have been recorded as an intergovernmental receivable as of June 30, 2019. These funds will be deducted against any revenue that is received from the Nation in future years.

Landfill Postclosure—As discussed in Note 11, the City is responsible to perform specified operation and maintenance functions at a landfill site for a period of thirty years. At June 30, 2019, the liability is \$630,000. 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—Various types of claims have been asserted against the Board by various claimants. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and recorded in the government-wide financial statements. The claims are in various stages of processing and some may ultimately be brought to trial. Claims are paid and ultimately funded by the fund associated with the loss. 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. It is the opinion of management that there will not be any material adverse effects on the Board's financial statements as a result of these actions.

State Aid—The State periodically reviews its distribution of aid to school boards throughout the State. Thus, revenues recorded as of June 30, 2019 are subject to potential revision.

Grants—The Board has received grants, which are subject to audit by agencies of the State and federal governments. Such audits may result in disallowances and request for a return of funds. Based on prior years' experience, the Board's administration believes disallowances, if any, will 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.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2019, 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 Six Fiscal Years*

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):						
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
BOE's proportion of the net pension liability (asset)	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%	1.695591%
BOE's proportionate share of the net pension liability (asset)	<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	\$ 307,737,480	\$ 308,322,717	\$ 259,159,687	\$ 264,357,397	\$ 259,159,687	\$ 258,505,177
BOE's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(10.7%)	(4.5%)	6.8%	(65.5%)	(72.9%)	(4.2%)
Plan fiduciary net position as a percentage of the total pension liability	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 Six Fiscal Years*

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):						
Contractually required contribution	\$ 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	(31,671,613)	(34,111,928)	(34,062,426)	(33,792,412)	(43,929,324)	(40,700,597)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOE's covered payroll	\$ 319,875,090	\$ 307,737,480	\$ 308,322,717	\$ 259,159,687	\$ 258,505,177	\$ 248,023,907
Contributions as a percentage of covered payroll	9.9%	11.1%	11.0%	13.0%	17.0%	16.4%

*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 Six Fiscal Years*

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):						
Measurement date	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	3.3630914%	3.4426958%	3.2577408%	3.1811703%	3.5779889%	3.5779889%
City's proportionate share of the net pension liability	<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	\$ 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	43.4%	27.2%	51.4%	71.7%	8.1%	11.4%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	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 Six Fiscal Years*

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):						
Contractually required contribution	\$ 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	(28,268,658)	(31,033,697)	(30,655,038)	(23,005,037)	(40,418,943)	(30,767,293)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 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	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 Six Fiscal Years*

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Measurement date	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	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
City of Buffalo ("City"):						
City's proportion of the net pension liability	0.2387384%	0.2590897%	0.2342962%	0.2177420%	0.2151949%	0.2151949%
City's proportionate share of the net pension liability	<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	\$ 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	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	0.0018207%	0.0018707%	0.0019883%	0.0018893%	0.0018411%	0.0018411%
BFSA's proportionate share of the net pension liability	<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	\$ 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	35.2%	16.4%	48.3%	85.5%	18.6%	19.4%
Board of Education ("BOE"):						
BOE's proportion of the net pension liability	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%	0.142493%
BOE's proportionate share of the net pension liability	<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	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 49,237,845
BOE's proportionate share of the net pension liability as a percentage of its covered payroll	22.3%	10.3%	31.0%	54.8%	12.3%	13.1%
Buffalo Urban Renewal Agency ("BURA"):						
BURA's proportion of the net pension liability	0.0065749%	0.0075896%	0.0079393%	0.0074517%	0.0080528%	0.0080528%
BURA's proportionate share of the net pension liability	<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	\$ 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	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 Six Fiscal Years*

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):						
Contractually required contributions	\$ 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>(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>
City's covered payroll	\$ 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	13.4%	15.5%	12.9%	16.2%	17.9%	19.7%
Buffalo Fiscal Stability Authority ("BFSA"):						
Contractually required contributions	\$ 54,897	\$ 55,466	\$ 58,035	\$ 67,365	\$ 62,469	\$ 75,625
Contributions in relation to the contractually required contribution	<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>
BFSA's covered payroll	\$ 366,813	\$ 375,724	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621
Contributions as a percentage of covered payroll	15.0%	14.8%	15.0%	19.0%	18.7%	21.7%
Board of Education ("BOE"):						
Contractually required contributions	\$ 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>(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>\$ (359,764)</u>	<u>\$ (359,764)</u>	<u>\$ (359,765)</u>	<u>\$ 3,423,927</u>
BOE's covered payroll	\$ 57,124,503	\$ 55,203,507	\$ 53,178,712	\$ 51,421,185	\$ 50,901,094	\$ 40,651,043
Contributions as a percentage of covered payroll	10.4%	11.4%	12.0%	14.2%	15.1%	12.5%
Buffalo Urban Renewal Agency ("BURA"):						
Contractually required contributions	\$ 324,724	\$ 333,843	\$ 367,814	\$ 346,327	\$ 393,546	\$ 466,649
Contributions in relation to the contractually required contribution	<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>
BURA's covered payroll	\$ 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	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 Two Fiscal Years*
(Amounts expressed in thousands)

	Year Ended June 30,	
	2019	2018
City of Buffalo - Governmental Activities:		
Total OPEB liability		
Service cost	\$ 50,795,971	\$ 56,825,355
Interest	43,364,955	39,804,589
Changes of assumptions	(157,721,615)	(229,517,536)
Differences between expected and actual experience	2,570,396	-
Benefit payments	(49,073,048)	(45,691,925)
Net changes in total OPEB liability	(110,063,341)	(178,579,517)
Total OPEB liability—beginning	1,183,643,696	1,362,223,213
Total OPEB liability—ending	<u>\$ 1,073,580,355</u>	<u>\$ 1,183,643,696</u>
Plan fiduciary net position		
Contributions—employer	\$ 49,073,048	\$ 45,691,925
Benefit payments	(49,073,048)	(45,691,925)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<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%
Covered payroll	\$ 208,805,576	\$ 202,723,860
City's net OPEB liability as a percentage of covered-employee payroll	514%	584%
City of Buffalo - Business-type Activities:		
Total OPEB liability		
Service cost	\$ 2,465,958	\$ 2,725,605
Interest	2,548,259	2,385,850
Changes of assumptions	(20,239,077)	(13,881,054)
Differences between expected and actual experience	831,949	-
Benefit payments	(2,978,914)	(2,233,175)
Net changes in total OPEB liability	(17,371,825)	(11,002,774)
Total OPEB liability—beginning, as restated	71,383,501	82,386,275
Total OPEB liability—ending	<u>\$ 54,011,676</u>	<u>\$ 71,383,501</u>
Plan fiduciary net position		
Contributions—employer	\$ 2,978,914	\$ 2,233,175
Benefit payments	(2,978,914)	(2,233,175)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<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%
Covered payroll	\$ 15,998,073	\$ 15,532,110
City's net OPEB liability as a percentage of covered-employee payroll	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 Two Fiscal Years *
(Amounts expressed in thousands)

	Year Ended June 30,	
	2019	2018
Buffalo Fiscal Stability Authority ("BFSA"):		
Total OPEB liability		
Service cost	\$ 118	\$ 163
Interest	54	-
Differences between expected and actual experience	(58)	-
Changes of assumptions	115	-
Benefit payments	-	-
Net changes in total OPEB liability	229	163
Total OPEB liability—beginning, as restated	1,284	1,121
Total OPEB liability—ending	<u>\$ 1,513</u>	<u>\$ 1,284</u>
Plan fiduciary net position		
Contributions—employer	\$ -	\$ -
Benefit payments	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>
BFSA's net OPEB liability—ending	<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%
Covered payroll	\$ 384	\$ 376
BFSA's net OPEB liability as a percentage of covered-employee payroll	394.0%	341.5%
Buffalo Board of Education ("BBOE"):		
Total OPEB liability		
Service cost	\$ 71,543	\$ 82,946
Interest	90,227	92,126
Differences between expected and actual experience	(166,075)	(234,596)
Changes of assumptions	170,379	(124,198)
Benefit payments	(61,084)	(61,431)
Net changes in total OPEB liability	104,990	(245,153)
Total OPEB liability—beginning, as restated	2,290,152	2,535,305
Total OPEB liability—ending	<u>\$ 2,395,142</u>	<u>\$ 2,290,152</u>
Plan fiduciary net position		
Contributions—employer	\$ 61,084	\$ 61,431
Benefit payments	(61,084)	(61,431)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>
BBOE's net OPEB liability—ending	<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%
Covered payroll	\$ 309,501	\$ 345,602
BBOE's net OPEB liability as a percentage of covered-employee payroll	773.9%	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 Two Fiscal Years *
(Amounts expressed in thousands)

(concluded)

	Year Ended June 30,	
	2019	2018
Buffalo Urban Renewal Agency ("BURA"):		
Total OPEB liability		
Service cost	\$ 633	\$ 633
Interest	915	886
Effect of economic/demographic gains or losses	(1,008)	(274)
Changes of assumptions	-	-
Benefit payments	(450)	(463)
Net changes in total OPEB liability	90	782
Total OPEB liability—beginning, as restated	24,935	24,153
Total OPEB liability—ending	<u>\$ 25,025</u>	<u>\$ 24,935</u>
Plan fiduciary net position		
Contributions—employer	\$ 450	\$ 463
Benefit payments	(450)	(463)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>
BURA's net OPEB liability—ending	<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%
Covered payroll	\$ 2,244	\$ 2,310
BURA's net OPEB liability as a percentage of covered-employee payroll	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, 2019

	Budgeted Amounts		Budgetary	Variance with
	Adopted	Final	Actual Amounts	Final Budget
REVENUES				
Property taxes, assessments, and other tax items	\$ 146,992,208	\$ 146,503,636	\$ 147,255,421	\$ 751,785
Utility and other nonproperty tax items	12,110,000	12,110,000	13,262,812	1,152,812
Federal aid	2,341,000	2,341,000	2,817,669	476,669
State aid	191,407,849	191,407,849	180,873,903	(10,533,946)
Local sources and other	84,880,000	85,368,572	88,466,309	3,097,737
Investment interest	605,000	605,000	1,890,714	1,285,714
Charges for services	16,295,861	16,295,861	15,174,925	(1,120,936)
Licenses and permits	6,132,880	6,132,880	5,655,682	(477,198)
Fines	15,153,000	15,153,000	11,035,752	(4,117,248)
Miscellaneous	18,289,429	18,289,429	11,295,677	(6,993,752)
Total revenues	<u>494,207,227</u>	<u>494,207,227</u>	<u>477,728,864</u>	<u>(16,478,363)</u>
EXPENDITURES				
Current:				
General government support:				
Legislative	5,058,726	5,284,200	5,213,140	71,060
Executive	3,020,641	3,024,519	2,989,547	34,972
Audit and control	3,534,154	3,554,729	2,866,909	687,820
Law	3,551,774	3,885,954	3,253,923	632,031
Assessment	2,743,031	2,846,230	2,427,851	418,379
Public works, parks and streets	9,322,030	11,011,931	10,911,550	100,381
Management information systems	5,268,247	5,520,780	4,754,258	766,522
Administration and finance	10,209,785	10,442,063	10,039,756	402,307
Human resources	5,740,688	6,126,595	5,613,174	513,421
Other	18,711,500	21,193,653	18,284,097	2,909,556
Public safety:				
Administration and finance	2,286,774	2,335,120	2,622,756	(287,636)
Police	91,355,867	91,789,333	90,344,969	1,444,364
Fire	59,710,171	60,143,785	61,965,626	(1,821,841)
Public works, parks and streets	1,774,913	1,813,347	1,800,964	12,383
Permit and inspection services	5,783,838	5,832,765	5,496,179	336,586
Streets and sanitation:				
Public works, parks and streets	12,070,791	13,333,431	13,244,136	89,295
Economic assistance and opportunity:				
Executive	2,508,491	3,246,377	2,230,630	1,015,747
Community services	174,815	174,815	166,351	8,464
Culture and recreation:				
Public works, parks and streets	6,412,621	6,734,191	5,944,715	789,476
Community services	3,101,623	3,152,172	2,905,741	246,431
Other	860,000	1,054,360	515,110	539,250
Health and community services:				
Public works, parks and streets	1,200,126	1,241,852	1,210,435	31,417
Community services	1,260,738	1,263,858	1,092,273	171,585
Other	-	3,000	3,000	-
Education	70,822,758	70,822,758	70,822,758	-
Fringe benefits	154,128,664	153,745,668	139,579,728	14,165,940
Other	4,056,548	3,560,815	3,340,600	220,215
Debt service	592,000	578,900	61,700	517,200
Total expenditures	<u>485,261,314</u>	<u>493,717,201</u>	<u>469,701,876</u>	<u>24,015,325</u>
Excess (deficiency) of revenues over expenditures	<u>8,945,913</u>	<u>490,026</u>	<u>8,026,988</u>	<u>7,536,962</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,376,008	15,376,008	13,888,009	(1,487,999)
Transfers out	(28,307,561)	(28,307,561)	(28,307,561)	-
Total other financing sources (uses)	<u>(12,931,553)</u>	<u>(12,931,553)</u>	<u>(14,419,552)</u>	<u>(1,487,999)</u>
Net change in fund balances *	(3,985,640)	(12,441,527)	(6,392,564)	6,048,963
Fund balances—beginning	91,989,720	91,989,720	91,989,720	-
Fund balances—ending	<u>\$ 88,004,080</u>	<u>\$ 79,548,193</u>	<u>\$ 85,597,156</u>	<u>\$ 6,048,963</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The note 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, 2019

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 expenditures and other financing uses over revenues and other financing sources—GAAP basis	\$ 948,715
Less: encumbrances	<u>(7,341,279)</u>
Excess of revenues and other financing sources over expenditures and other financing uses—non-GAAP budgetary basis	<u>\$ (6,392,564)</u>

Excess of Expenditures Over Appropriations—For the year ended June 30, 2019, the City had budgetary expenditures in excess of the final budget amount within public safety of \$287,636 and \$1,821,841 pertaining to administration/finance and fire, respectively, 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.

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 3.87% as of June 30, 2019, as compared to 3.58% as of June 30, 2018. Mortality rates are based on the RP-2014 sex distinct Mortality Tables, adjusted to reflect the scale MP-2014 from the 2006 base year, and projected forward using scale MP-2017. 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 determined the initial healthcare cost trend rate used is 5.3%, while the ultimate healthcare cost trend rate is 4.00%.

Buffalo Fiscal Stability Authority

Changes of Assumptions—The discount rate was 3.5% as of June 30, 2019, as compared to 3.87% as of June 30, 2018 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 RP2000, mortality table for males and females projected 18 years. Salary increases were based on a 4.0% payroll growth. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 4.6%, while the ultimate healthcare cost trend rate is 4.7%.

Buffalo Board of Education

Changes of Assumptions—Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 % in 2018 to 3.51 % in 2019 and changes in the inflation rate from 2.50 % in 2018 to 1.30 percent in 2019.

Buffalo Urban Renewal Agency

Changes of Assumptions—There were no changes of assumptions for the year ended June 30, 2019. The discount rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date with a rate of 3.61% at June 30, 2019. Mortality rates were based on the RP2000 Mortality Table. Finally, the healthcare cost trend rate for medical has an initial rate of 4.60% and an ultimate rate of 4.70%..

SUPPLEMENTARY INFORMATION

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, 2019

	Budgeted Amounts		Budgetary	Variance with
	Adopted	Final	Actual Amounts	Final Budget
REVENUES				
Intergovernmental charges	\$ 10,429,505	\$ 10,429,505	\$ 10,429,505	\$ -
Investment interest	60,042	60,042	375,884	315,842
License, permit, rentals, fines, and other service charges	153,903	153,903	146,553	(7,350)
Miscellaneous	-	-	368,624	368,624
Total revenues	<u>10,643,450</u>	<u>10,643,450</u>	<u>11,320,566</u>	<u>677,116</u>
EXPENDITURES				
Debt service:				
Principal	32,607,368	26,929,807	26,929,806	1
Interest and fiscal charges	<u>9,339,349</u>	<u>9,339,349</u>	<u>7,947,790</u>	<u>1,391,559</u>
Total expenditures	<u>41,946,717</u>	<u>36,269,156</u>	<u>34,877,596</u>	<u>1,391,560</u>
Excess (deficiency) of revenues over expenditures	<u>(31,303,267)</u>	<u>(25,625,706)</u>	<u>(23,557,030)</u>	<u>2,068,676</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	27,907,561	27,907,561	28,544,957	637,396
Transfers out	-	(5,677,561)	(6,551,098)	(873,537)
Premium on bonds	<u>2,366,330</u>	<u>2,366,330</u>	<u>-</u>	<u>(2,366,330)</u>
Total other financing sources (uses)	<u>30,273,891</u>	<u>24,596,330</u>	<u>21,993,859</u>	<u>(2,602,471)</u>
Net change in fund balances *	(1,029,376)	(1,029,376)	(1,563,171)	(533,795)
Fund balances—beginning	<u>8,476,087</u>	<u>8,476,087</u>	<u>8,476,087</u>	<u>-</u>
Fund balances—ending	<u>\$ 7,446,711</u>	<u>\$ 7,446,711</u>	<u>\$ 6,912,916</u>	<u>\$ (533,795)</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, 2019

	Special Revenue	BFS Debt Service	Permanent	Total Nonmajor Funds
ASSETS				
Restricted cash and cash equivalents	\$ 3,938,310	\$ 393,775	\$ 75,238	\$ 4,407,323
Investments	-	5,682,436	61,472	5,743,908
Receivables:				
Other receivables	50	-	4,350	4,400
Intergovernmental receivables	84,510	-	-	84,510
Due from other funds	1,668,838	-	-	1,668,838
Total assets	<u>\$ 5,691,708</u>	<u>\$ 6,076,211</u>	<u>\$ 141,060</u>	<u>\$ 11,908,979</u>
LIABILITIES				
Accounts payable	\$ 755,991	\$ -	\$ -	\$ 755,991
Accrued liabilities	-	237,910	-	237,910
Due to other governments	129,574	-	-	129,574
Due to other funds	124,100	-	-	124,100
Due to component units	4,214	-	-	4,214
Total liabilities	<u>1,013,879</u>	<u>237,910</u>	<u>-</u>	<u>1,251,789</u>
FUND BALANCES				
Nonspendable	-	-	30,000	30,000
Restricted	4,677,829	5,838,301	111,060	10,627,190
Total fund balances	<u>4,677,829</u>	<u>5,838,301</u>	<u>141,060</u>	<u>10,657,190</u>
Total liabilities and fund balances	<u>\$ 5,691,708</u>	<u>\$ 6,076,211</u>	<u>\$ 141,060</u>	<u>\$ 11,908,979</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2019

	Special Revenue	BFSA Debt Service	Permanent	Total Nonmajor Funds
REVENUES				
Intergovernmental	\$ 18,330,384	\$ -	\$ -	\$ 18,330,384
Investment interest	1,184	-	228	1,412
Miscellaneous	<u>531,622</u>	<u>-</u>	<u>-</u>	<u>531,622</u>
Total revenues	<u>18,863,190</u>	<u>-</u>	<u>228</u>	<u>18,863,418</u>
EXPENDITURES				
Current:				
General government support	256,132	101	-	256,233
Public safety	2,004,286	-	-	2,004,286
Streets and sanitation	23,970	-	-	23,970
Economic assistance and opportunity	15,701,247	-	-	15,701,247
Culture and recreation	6,988	-	-	6,988
Health and community services	89,221	-	-	89,221
Debt service:				
Principal	-	5,685,000	-	5,685,000
Interest and fiscal charges	<u>-</u>	<u>788,005</u>	<u>-</u>	<u>788,005</u>
Total expenditures	<u>18,081,844</u>	<u>6,473,106</u>	<u>-</u>	<u>24,554,950</u>
Excess (deficiency) of revenues over expenditures	<u>781,346</u>	<u>(6,473,106)</u>	<u>228</u>	<u>(5,691,532)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>6,182,475</u>	<u>-</u>	<u>6,182,475</u>
Total other financing sources	<u>-</u>	<u>6,182,475</u>	<u>-</u>	<u>6,182,475</u>
Net change in fund balances	781,346	(290,631)	228	490,943
Fund balances—beginning	<u>3,896,483</u>	<u>6,128,932</u>	<u>140,832</u>	<u>10,166,247</u>
Fund balances—ending	<u>\$ 4,677,829</u>	<u>\$ 5,838,301</u>	<u>\$ 141,060</u>	<u>\$ 10,657,190</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, 2019

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 14,376,892	\$ 384,445	\$ 223,783	\$ -	\$ 14,985,120
Restricted cash and cash equivalents	-	42,589,097	-	-	42,589,097
Investments	5,186,302	-	-	-	5,186,302
Receivables:					
Accounts receivable	21,432,802	-	-	-	21,432,802
Other receivables	1,651,317	-	-	-	1,651,317
Due from other agencies	127,425	-	-	-	127,425
Due from other funds	969,815	91,664,933	34,397,853	(127,032,601)	-
Allowances	(17,018,813)	-	-	-	(17,018,813)
Net receivables	7,162,546	91,664,933	34,397,853	(127,032,601)	6,192,731
Total current assets	26,725,740	134,638,475	34,621,636	(127,032,601)	68,953,250
Noncurrent assets:					
Capital assets not being depreciated:					
Land	145,116	-	-	-	145,116
Construction in progress	1,095,064	-	-	-	1,095,064
Total capital assets not being depreciated	1,240,180	-	-	-	1,240,180
Capital assets being depreciated:					
Buildings and infrastructure	240,755,942	-	-	-	240,755,942
Improvements other than buildings	252,393	-	-	-	252,393
Machinery and equipment	1,436,636	-	-	-	1,436,636
Accumulated depreciation	(97,578,903)	-	-	-	(97,578,903)
Total capital assets being depreciated	144,866,068	-	-	-	144,866,068
Total noncurrent assets	146,106,248	-	-	-	146,106,248
Total assets	172,831,988	134,638,475	34,621,636	(127,032,601)	215,059,498
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	2,817,996	-	-	2,817,996
Deferred outflows—relating to pensions	1,192,423	-	1,192,423	(1,192,423)	1,192,423
Deferred outflows—relating to OPEB	-	-	680,209	-	680,209
Total deferred outflows of resources	1,192,423	2,817,996	1,872,632	(1,192,423)	4,690,628
LIABILITIES					
Current liabilities:					
Accounts payable	1,439,117	-	53,477	-	1,492,594
Other accrued liabilities	-	2,320,226	303,568	-	2,623,794
Due to other funds	128,594,233	-	-	(127,633,877)	960,356
Due to retirement systems	-	-	254,015	-	254,015
Accrued compensated absences	-	-	47,024	-	47,024
Accrued workers' compensation	-	-	343,879	-	343,879
General obligation and revenue bonds payable within one year	-	4,725,997	-	-	4,725,997
Total current liabilities	130,033,350	7,046,223	1,001,963	(127,633,877)	10,447,659

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2019

(concluded)

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Noncurrent liabilities:					
Accrued compensated absences	-	-	847,511	-	847,511
Accrued workers' compensation	-	-	874,915	-	874,915
Accrued OPEB	-	-	20,669,730	-	20,669,730
General obligation and revenue bonds payable	-	130,410,248	-	-	130,410,248
Net pension liability	-	-	1,571,091	-	1,571,091
Total noncurrent liabilities	-	130,410,248	23,963,247	-	154,373,495
Total liabilities	130,033,350	137,456,471	24,965,210	(127,633,877)	164,821,154
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	591,147	-	591,147	(591,147)	591,147
Deferred inflows—relating to OPEB	-	-	10,937,911	-	10,937,911
Total deferred inflows of resources	591,147	-	11,529,058	(591,147)	11,529,058
NET POSITION					
Net investment in capital assets	13,787,999	-	-	42,589,097	56,377,096
Unrestricted	29,611,915	-	-	(42,589,097)	(12,977,182)
Total net position	\$ 43,399,914	\$ -	\$ -	\$ -	\$ 43,399,914

CITY OF BUFFALO, NEW YORK
Combining Schedule of Revenues, Expenses, and Changes in Net Position—
Water System
Year Ended June 30, 2019

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Operating revenues:					
Charges for services	\$ 46,092,946	\$ -	\$ -	\$ -	\$ 46,092,946
Other	500,502	-	-	-	500,502
Total operating revenues	<u>46,593,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,593,448</u>
Operating expenses:					
Services and supplies	11,376,286	531,797	7,126,636	-	19,034,719
Fringe benefits	-	-	2,877,782	-	2,877,782
Depreciation	6,390,078	-	-	-	6,390,078
Other	2,346,048	-	-	(969,815)	1,376,233
Total operating expenses	<u>20,112,412</u>	<u>531,797</u>	<u>10,004,418</u>	<u>(969,815)</u>	<u>29,678,812</u>
Operating income (loss)	<u>26,481,036</u>	<u>(531,797)</u>	<u>(10,004,418)</u>	<u>969,815</u>	<u>16,914,636</u>
Nonoperating revenues (expenses):					
Interest earnings	335,617	-	-	-	335,617
Interest expense	(4,883,366)	-	-	-	(4,883,366)
Loss on disposal of capital assets	(65,423)	-	-	-	(65,423)
Other	216,479	-	-	-	216,479
Total nonoperating revenues (expenses)	<u>(4,396,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,396,693)</u>
Income (loss) before transfers	22,084,343	(531,797)	(10,004,418)	969,815	12,517,943
Transfers in	-	531,797	10,004,418	(10,536,215)	-
Transfers out	<u>(16,469,331)</u>	<u>-</u>	<u>-</u>	<u>9,566,400</u>	<u>(6,902,931)</u>
Change in net position	5,615,012	-	-	-	5,615,012
Total net position—beginning	<u>37,784,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,784,902</u>
Total net position—ending	<u>\$ 43,399,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,399,914</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2019

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 46,129,755	\$ -	\$ -	\$ -	\$ 46,129,755
Payments to suppliers for goods and services	(13,144,858)	(858,840)	(7,101,236)	-	(21,104,934)
Payments to employees for services	(589,292)	-	(4,054,907)	-	(4,644,199)
Net cash provided by (used for) operating activities	<u>32,395,605</u>	<u>(858,840)</u>	<u>(11,156,143)</u>	<u>-</u>	<u>20,380,622</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	531,797	10,004,418	-	10,536,215
Transfers to other funds	(16,469,331)	-	-	-	(16,469,331)
Advances from other funds	-	7,098,529	1,194,010	-	8,292,539
Advances to other funds	(7,285,107)	-	-	-	(7,285,107)
Net cash provided by (used for) noncapital financing activities	<u>(23,754,438)</u>	<u>7,630,326</u>	<u>11,198,428</u>	<u>-</u>	<u>(4,925,684)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(8,562,759)	-	-	-	(8,562,759)
Principal payments on bonds	-	(8,410,000)	-	-	(8,410,000)
Payment to escrow agent	-	(17,499,835)	-	-	(17,499,835)
Proceeds from issuance of debt and premium	-	41,175,542	-	-	41,175,542
Interest payments	(4,666,887)	226,070	-	-	(4,440,817)
Net cash provided by (used for) capital and related financing activities	<u>(13,229,646)</u>	<u>15,491,777</u>	<u>-</u>	<u>-</u>	<u>2,262,131</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	74,489	-	-	-	74,489
Interest received on short-term investments	261,128	-	-	-	261,128
Net cash provided by investing activities	<u>335,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,617</u>
Net increase (decrease) in cash and cash equivalents	(4,252,862)	22,263,263	42,285	-	18,052,686
Cash, cash equivalents and investments—beginning	<u>23,816,056</u>	<u>20,710,279</u>	<u>181,498</u>	<u>-</u>	<u>44,707,833</u>
Cash, cash equivalents and investments—ending	<u>\$ 19,563,194</u>	<u>\$ 42,973,542</u>	<u>\$ 223,783</u>	<u>\$ -</u>	<u>\$ 62,760,519</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2019

(concluded)

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:					
Operating income (loss)	\$ 26,481,036	\$ (531,797)	\$ (10,004,418)	\$ 969,815	\$ 16,914,636
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	6,390,078	-	-	-	6,390,078
Pension expense	-	-	-	(679,130)	(679,130)
(Increase) in receivables	(463,693)	-	-	-	(463,693)
(Increase) decrease in deferred outflows—relating to pensions	1,004,629	-	1,004,629	(1,004,629)	1,004,629
Decrease in deferred outflows—relating to OPEB	-	-	(680,209)	-	(680,209)
Increase in payables	577,476	-	25,400	-	602,876
Increase (decrease) in accrued liabilities	-	(327,043)	2,005	-	(325,038)
Increase in retirement systems	-	-	29,791	-	29,791
Increase in compensated absences	-	-	27,400	-	27,400
Increase in workers' compensation	-	-	541,546	-	541,546
(Decrease) in accrued other postemployment benefits obligation	-	-	(7,944,089)	-	(7,944,089)
Increase (decrease) in net pension liability	-	-	879,977	(879,977)	-
Increase (decrease) in deferred inflows—relating to pensions	(1,593,921)	-	(1,593,921)	1,593,921	(1,593,921)
Increase in deferred inflows—relating to OPEB	-	-	6,555,746	-	6,555,746
Total adjustments	<u>5,914,569</u>	<u>(327,043)</u>	<u>(1,151,725)</u>	<u>(969,815)</u>	<u>3,465,986</u>
Net cash provided by (used for) operating activities	<u>\$ 32,395,605</u>	<u>\$ (858,840)</u>	<u>\$ (11,156,143)</u>	<u>\$ -</u>	<u>\$ 20,380,622</u>

AGENCY FUND

The Agency Fund is used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds, such as payroll withholdings, are reported as liabilities.

CITY OF BUFFALO, NEW YORK
Statement of Changes in Assets and Liabilities—
Agency Fund
Year Ended June 30, 2019

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
ASSETS				
Cash and cash equivalents	\$ 1,749,832	\$ 12,797,290	\$ 12,676,170	\$ 1,870,952
Due from other funds	-	15,666,206	15,666,206	-
Total assets	<u>\$ 1,749,832</u>	<u>\$ 28,463,496</u>	<u>\$ 28,342,376</u>	<u>\$ 1,870,952</u>
LIABILITIES				
Accounts payable	\$ 72,792	\$ 27,361,428	\$ 27,434,220	\$ -
Intergovernmental payables	25,716	-	-	25,716
Amounts held in custody for others:				
Prisoner property	1,421,323	270,488	256,148	1,435,663
Fire insurance proceeds	193,369	20,000	45,000	168,369
Medical reimbursements	20,953	224,459	62,348	183,064
Miscellaneous - other	<u>15,679</u>	<u>12,647,948</u>	<u>12,605,487</u>	<u>58,140</u>
Total amounts held in custody for others	<u>1,651,324</u>	<u>13,162,895</u>	<u>12,968,983</u>	<u>1,845,236</u>
Total liabilities	<u>\$ 1,749,832</u>	<u>\$ 40,524,323</u>	<u>\$ 40,403,203</u>	<u>\$ 1,870,952</u>

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FEDERAL AWARDS INFORMATION

CITY OF BUFFALO, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Subrecipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<i>Direct programs:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 7,430,767	\$ 12,498,692
Emergency Solutions Grant Program	14.231	N/A	1,175,967	1,175,967
HOME Investment Partnerships Program	14.239	N/A	1,772,123	1,772,123
Housing Opportunities for Persons with AIDS	14.241	N/A	381,312	381,312
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>10,760,169</u>	<u>15,828,094</u>
U.S. DEPARTMENT OF JUSTICE:				
<i>Direct programs:</i>				
Special Data Collections and Statistical Studies	16.734	N/A	-	50,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	358,312
Equitable Sharing Program	16.922	N/A	-	241,688
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>-</u>	<u>650,000</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
<i>Passed through New York State Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	See note 5	-	5,525,639
Total Highway Planning and Construction Cluster			-	5,525,639
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	5,525,639
U.S. DEPARTMENT OF TREASURY:				
<i>Passed through New York State Office of Attorney General:</i>				
Equitable Sharing	21.016	N/A	-	150,000
TOTAL U.S. DEPARTMENT OF TREASURY			-	150,000
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<i>Passed through Erie County:</i>				
Homeland Security Preparedness Technical Assistance Program	97.067	N/A	-	11,631
<i>Passed through New York State Division of Homeland Security/Emergency Services:</i>				
Homeland Security Preparedness Technical Assistance Program	97.067	C152350	-	142,229
Homeland Security Preparedness Technical Assistance Program	97.067	C152360	-	78,923
Homeland Security Preparedness Technical Assistance Program	97.067	C152370	-	68,517
Homeland Security Preparedness Technical Assistance Program	97.067	T970379	-	48,800
Homeland Security Preparedness Technical Assistance Program	97.067	C845080	-	10,000
Total Homeland Security Preparedness Technical Assistance Program			-	360,100
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036	4204DRNY	-	28,437
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	388,537
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ 10,760,169</u>	<u>\$ 22,542,270</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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CITY OF BUFFALO, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Buffalo, New York (the "City") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. The following notes were identified on the Schedule:

- (a) Includes all federal award programs of the City of Buffalo, New York. The federal expenditures of the Buffalo Board of Education (the "Board") and the City of Buffalo Urban Renewal Agency ("BURA") have not been included.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the basic financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. MATCHING COSTS

Matching costs, i.e., the City's share of certain program costs, are not included in the reported expenditures.

4. AMOUNTS PROVIDED TO SUBRECIPIENTS

Certain program funds are passed through the City to subrecipient organizations. The City identifies, to the extent practical, the total amount provided to subrecipients from each federal program; however, the Schedule does not contain separate schedules disclosing how the subrecipients outside of the City's control utilize the funds. The City requires subrecipients receiving funds to submit separate audit reports disclosing the use of the program funds.

5. DETAIL OF FEDERAL HIGHWAY ADMINISTRATION (CFDA 20.205) EXPENDITURES

Detail of highway administration expenditures for the year ended June 30, 2019 with their corresponding pass-through grantor numbers are as follows:

	Expenditures		Pass-through
	Year Ended		Grantor Number
	June 30, 2019	CFDA No.	
Bailey Avenue Bridge over Cazenovia Creek	\$ 1,066,795	20.205	D017846
Restoration of Vehicle Traffic on Main St-500 Block	411,305	20.205	D034003
Buffalo-Niagara Medical Campus - Phase 3	108,167	20.205	D034267
Niagara St - PH III	731,091	20.205	D034866
Bridge Bearing Replacement & Concrete Repair	9,793	20.205	D034848
South Ogden Street Bridge Over Buffalo River	96,450	20.205	D034896
Cars on Main - Lower Main	1,739,414	20.205	D035251
Bridge Wash & Deck Seal	9,342	20.205	D035479
Bridge Joint/Bearing/Concrete Repair	698,801	20.205	D035480
Deck Joint Replacement - 3 Bridges	17,419	20.205	D035477
Ohio St. Lift Bridge	329,505	20.205	D035050
Dewey over CSXT Bridge Replacement	120,202	20.205	D035580
Bicycle Master Plan	84,208	20.205	D035750
Route 5 (Main St) @ Kensington & Humbolt Pkwy	18,575	20.205	D035876
Warren Spahn Way over Caz Crk. Bridge Rehab	48,480	20.205	D035875
Pavement Rehab Walden Ave: Genesee to Sycamore	36,092	20.205	D035874
Total	<u>\$ 5,525,639</u>		

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Certified Public Accountants

**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**

To the Honorable Comptroller and City Council of the
 City of Buffalo, New York:

We have audited, 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, the 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2019. Our report includes a reference to other auditors who audited the financial statements of the Buffalo Fiscal Stability Authority and the Buffalo Board of Education, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. We have also audited the financial statements of the Buffalo Urban Renewal Agency (the "Agency"). This report does not include the results of our testing of internal control over financial reporting and compliance and other matters of the Agency which are reported on separately in our report dated September 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 to those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 City'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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

October 31, 2019

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
 FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
 ON INTERNAL CONTROL OVER COMPLIANCE IN
 ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Honorable Comptroller and City Council of the
 City of Buffalo, New York:

Report on Compliance for Each Major Federal Program

We have audited the City of Buffalo, New York's (the "City") 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 City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Buffalo Board of Education (the "Board") and the Buffalo Urban Renewal Agency (the "Agency"), which expended \$92,490,505 and \$45,604,064 in federal awards, respectively, which are not included in the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2019. Our compliance audit, described below, did not include the operations of the Board or the Agency. Our audit did not include the operations of the Board since other auditors were engagement to perform such audit in accordance with the Uniform Guidance. Our audit did not include the operations of the Agency since its compliance audit is reported on separately in our report dated September 17, 2019 based on our audit of the operations of the Agency in accordance with the Uniform Guidance.

Management's Responsibility

The City's management is responsible for compliance with the federal statutes, regulations, and 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 City'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 ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "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 City'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 City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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, 2019.

Report on Internal Control Over Compliance

Management of the City 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 City'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 City'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.

Drescher & Malecki LLP

October 31, 2019

CITY OF BUFFALO, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified*

*(which report includes a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
--	-----------	--	--

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.231	Emergency Solutions Grants Program
14.239	HOME Investment Partnerships Program
20.205	Highway Planning and Construction (Federal-Aid Highway Program)

Dollar threshold used to distinguish between Type A and Type B programs?	\$ <u>750,000</u>
--	-------------------

Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ <input type="checkbox"/> No	
--	---	-----------------------------------	--

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

CITY OF BUFFALO, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended June 30, 2019
(Follow up on June 30, 2018 Findings)

Finding 2018-001—Solid Waste and Recycling Fund Deficit

Effective July 1, 2018, user fee rates for residential and commercial users within the Solid Waste and Recycling Fund increased per tote size ranging from 65.1% to 131.1% and 104.7% to 186.6%, respectively. These increases exclude the fixed rate per customer, which remained unchanged for residential users and increased 26.2% for commercial users. Such an increase aligned with management's corrective action plan identified in the significant deficiency identified as finding 2018-001 to repay the General Fund's advances to the Solid Waste and Recycling Fund. As of June 30, 2019, operating revenues increased \$6,357,986 from the prior year. Additionally, the Solid Waste and Recycling Fund was not reliant on the General Fund to subsidize operations and therefore, did not report operating transfers in during the year, as compared to \$3,553,892 in the prior year. Additionally, the Solid Waste and Recycling Fund was able to pay \$1,132,990 on the loan owed to the General Fund. Accordingly, the significant deficiency identified as Finding 2018-001 has been addressed.

APPENDIX C

**BUFFALO CSD
COMPONENT FINANCIAL STATEMENTS
June 30, 2019**

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**AUDITED
BASIC FINANCIAL STATEMENTS**

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK

A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK

JUNE 30, 2019

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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The President and Members of the
Board of Education of
Board of Education, City of Buffalo, New York
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the 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, 2019, 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.

Auditor's 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 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 Board'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 Board'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 aggregate remaining fund information of the Board, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Board's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is 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. 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 Information Regarding Joint School Construction Board Debt has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Freed Maxick CPAs, P.C.

Buffalo, New York
October 21, 2019

**Management's Discussion and Analysis
Board of Education, City of Buffalo, New York
Fiscal Year ended June 30, 2019**

As management of the Board of Education, City of Buffalo, New York (the "Board") we offer readers of the Board's financial statements this narrative discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2019.

Financial Highlights

- The 2018-19 fiscal year ended with an operating surplus of \$28.9 million in the general fund, as overall general fund revenues increased by \$32.47 million from the prior year, while expenditures and other uses of funds increased by \$15.9 million. This follows a 2017-18 surplus of \$12.1 million.
- The \$28.9 million general fund surplus was largely the result of the District's conversion to a traditional model of self-insurance for employee and retiree healthcare costs starting on July 1, 2018. The District recognized \$15.1 million of revenue related to the return of prior year premium equivalent overpayments and recognized the 14-day pre-fund requirement of its third-party administrator as a receivable against future insurance payments. These were one-time events, not expected to be repeated. Meanwhile, the District also had an overall reduction in health insurance expenditures of \$15.4 million, which includes an increase in health insurance contributions from employees and retirees of \$0.8 million. Such reductions in cost, while very favorable in 2018-19, could reverse in future years.
- Total general fund State aid increased \$13.9 million to \$760.4 million in 2018-19 mainly due to increases in State Foundation aid of \$14.5 million and Charter School Transitional and Supplemental aid of 8.7 million. Offsetting these increases. Building aid was down \$8.8 million and all other formula aids were down \$0.6 million. The Building aid decline was the result of the prior year receipt of one-time retroactive adjustments in 2017-18.
- Overall general fund expenditures and other uses of funds increased \$18.6 million in 2018-19 when compared to 2017-18. The increase was a result of increases in instruction of \$19.2 million, which was primarily teacher salaries, while charter schools expenditures increased by \$7.0 million. The increase was offset by a decrease in employee benefits of \$11.1 million.
- Total employee benefit expenditures in the general fund decreased by \$11.1 million to \$175.3 million in 2018-19. This decrease was mainly the result of the aforementioned reduction in health insurance costs, along with a decrease in State Employee Retirement System payments of \$2.5 million as contributions fell to a more normalized level in 2018-19 after the District paid off the remaining balance of previously deferred pension payments under the Chapter 57 Laws of 2013 in 2017-18. Offsetting these increases were increases in Teachers Retirement System pension costs of \$3.8 million, primarily due to higher salaries, and a \$2.2 million increase in termination payments to teachers as there were more retirements in 2018-19 than in 2017-18.
- Tuition payments to charter schools in the general fund increased \$7.0 million in 2018-19 to \$125.4 million. The increase was due mainly to an increase in charter school students during the 2018-19 year of 334 full-time equivalent students to 9,004 coupled with a \$345 per pupil increase in the base tuition rate, offset by a decrease in charter school special education tuition payments of \$0.5 million.
- During 2018-19, the District settled its labor contract with its Transportation Aides, which was ratified on September 19, 2018, with an estimated 2018-19 cost of \$0.2 million.
- Total fund balance for all funds increased \$31.3 million to \$276.9 million, with the most significant factors being the aforementioned \$28.9 million surplus in the general fund along with a \$4.7 million increase in the capital projects fund as receipts of funds exceeded usage. Meanwhile, Food Service and Debt Service funds saw declines of \$1.3 million and \$1.0 million, respectively.
- Total fund balance in the general fund was \$223.7 million at June 30, 2019, up \$28.9 million from the prior year. Nonspendable and restricted fund balance together was \$25.7 million, up \$0.1 million from the prior year, while assigned fund balance was \$111.9 million, for an increase of \$20.5 million, primarily due to new assignment categories related to health insurance and school budget equity. Unassigned fund balance was \$86.1 million, or an increase of \$8.3 million, primarily as a result of the 2018-19 operating surplus.
- Total expenditures in the Special Aid fund decreased by \$7.4 million to \$119.3 million in 2018-19. A significant portion of this increase was the result of grant runoff in 2018-19, including the \$2.8 million Federal Temporary Emergency Impact Aid for Displaced Students program, which was a 2017-18 grant, and a reduction of \$2.1 million for the State funded Community Schools Grant, along with several expiring school improvement grants.
- Debt Service expenditures decreased by \$5.9 million based on scheduled debt payments. There was no refinancing activity or newly issued debt in 2018-19.

- School food service expenditures increased \$3.4 million to \$34.9 million, while revenues increased \$1.8 million to \$33.2 million, which when combined with \$0.5 million in interfund transfers in, resulted in a deficit of \$1.3 million, decreasing fund balance to \$17.7 million.
- Capital project expenditures in 2018-19 decreased \$6.5 million over the prior year, to \$18.7 million, primarily as a result of timing of capital projects as several large projects from the 2017-18 fiscal year wound down in 2018-19. Smart Schools Bond Act expenditures increased \$0.6 million to \$10.6 million.
- Capital assets, net of accumulated depreciation, decreased \$57.8 million to \$859.9 million mainly due to the depreciation of existing assets. Net investment in capital assets (Capital assets less outstanding debt) amounted to \$88.4 million at June 30, 2019.
- Government-wide net position increased by \$70.0 million to negative (\$2,517.9) million, representing all changes in the assets and liabilities of the Board, including long-term assets and liabilities such as long-term debt, other post-employment benefits (OPEB) and deferred pension outflows and inflows.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Board:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Board's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Board, reporting the Board's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the Board acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Board's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Board of Education, City of Buffalo, New York's Annual Financial Report

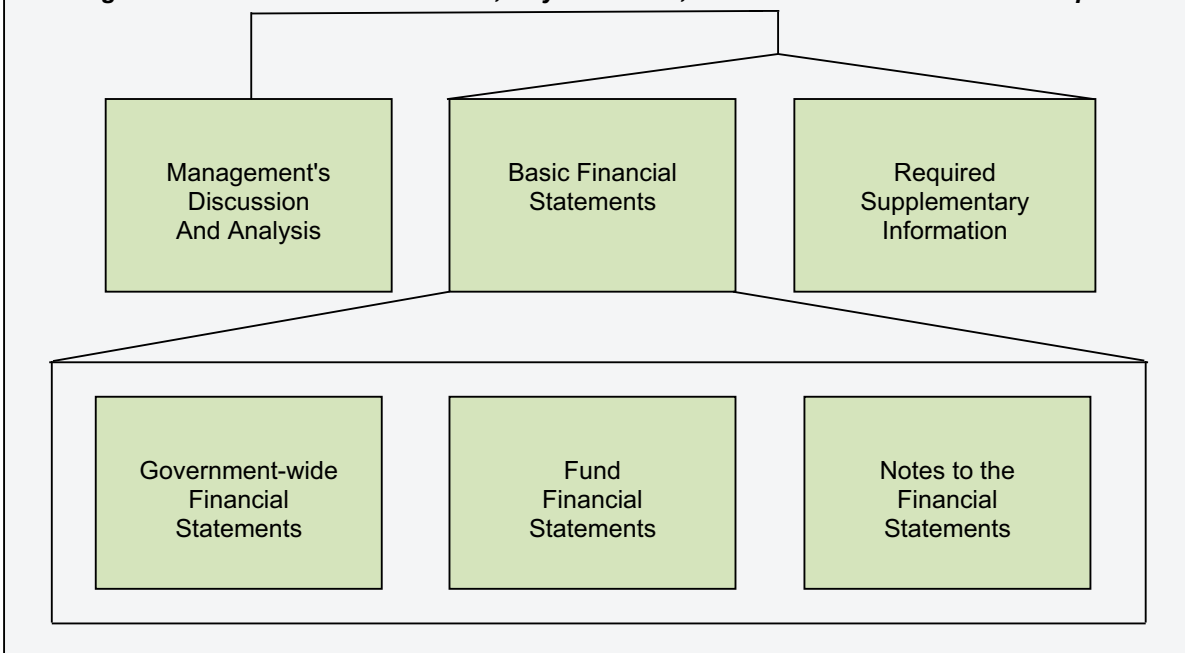


Figure A-2 summarizes the major features of the Board's financial statements, including the portion of the Board's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
		Fund Financial Statements	
	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire Board (except Fiduciary funds)	The activities of the Board that are not proprietary or fiduciary.	Instances in which the Board administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out-flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net assets - the difference between the Board's assets and liabilities - is one way to measure the Board's financial health or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Board's overall health, you need to consider additional non-financial factors such as the financial condition of the State, changes in the City's property tax base, and the condition of school buildings and other facilities.

In the government-wide financial statements, the Board's activities are shown as governmental activities. Most of the Board's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds - not the Board as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- The Board establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The Board has two types of funds:

- **Governmental Funds:** All of the Board's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the relationship (or differences) between them.
- **Fiduciary Funds:** The Board is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The Board is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the Board as a Whole

As previously noted, over time, net position may serve as a useful indicator of a government's financial position. The Board's net position was negative (\$2,517.9) million at the close of the most recent fiscal year, compared to negative (\$2,587.9) million in the prior year, for an increase of \$70.0 million in the current year.

The largest portion of the Board's net position, an amount totaling \$88.4 million, reflects its investment in capital assets (e.g., land, buildings, building improvements) less any outstanding debt used to acquire those assets. The Board uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Board'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. \$54.7 million of the Board's net position is subject to external restrictions or State law with \$29.4 million of that amount being restricted for debt service. The remaining negative balance for unrestricted net position of \$2,661.1 million shows that excess funds are not currently available to meet the Board's ongoing and long-term obligations, such as OPEB liability. The District's OPEB liability amounts to \$2,395.1 million and is funded on a pay-as-you-go basis, with funds budgeted annually to cover current-year costs. Therefore, the OPEB liability is not pre-funded and will impact future years' budgets.

Figure A-3

Condensed Statement of Net Assets
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2019	2018	2018-2019
Current and other assets	\$ 424,895	\$ 363,398	16.92%
Capital assets not being depreciated	37,406	33,877	10.42%
Capital assets, net of accumulated depreciation	822,474	883,824	-6.94%
TRS pension asset	32,947	13,961	100.00%
Total assets	1,317,722	1,295,060	1.75%
Deferred outflow of resources - Pension	180,940	197,865	-8.55%
Deferred outflow of resources - OPEB	146,039	-	100.00%
Deferred charge on refunding	24,344	26,592	-8.45%
	351,323	224,457	56.52%
Current liabilities	154,507	124,394	24.21%
Long term liabilities	3,306,545	3,269,918	1.12%
Total liabilities	3,461,052	3,394,312	1.97%
Deferred inflow of resources - Pension	54,023	63,993	-15.58%
Deferred inflow of resources - OPEB	671,886	649,088	3.51%
	725,909	713,081	1.80%
Invested in capital assets, net of related debt	88,389	80,991	9.13%
Restricted for:			
Capital development fund	-	204	-100.00%
Debt service	29,445	30,444	-3.28%
Endowment	499	503	-0.80%
Joint Schools Construction Board	-	146	-100.00%
Judgments and claims	17,750	17,750	0.00%
Stabilization	3,876	3,835	1.07%
Unemployment insurance	3,156	3,156	0.00%
Unrestricted (deficit)	(2,661,031)	(2,724,905)	-2.34%
Total net assets	\$ (2,517,916)	\$ (2,587,876)	-2.70%

Current and other assets increased \$61.5 million from June 30, 2018 to \$424.9 million at June 30, 2019. The main drivers of the increase were an increase of \$32.2 million in cash held by the City of Buffalo as a result of the general fund surplus and timing differences in pay dates causing the final 2018-19 teacher payroll to be disbursed in July; along with a \$26.6 million increase in state and federal aid receivable, as a result of an increase in state aid during 2018-19.

Capital assets being depreciated decreased \$61.4 million due mainly to current year depreciation of \$78.6 million, while asset additions totaled \$17.3 million. Capital assets not being depreciated increased \$3.6 million as a result of an increase in construction in process in the current year.

The TRS Pension asset increased \$18.9 million to \$32.9 million at June 30, 2019 as a result of changes in the underlying assumptions.

Deferred outflow of resources for the pension decreased by \$16.9 million mainly due changes in underlying assumptions, while the deferred outflow of resources for the OPEB liability increased from zero to \$146.0 million due to changes in the mortality and interest rate assumptions used.

Current liabilities increased \$30.1 million to \$154.5 million at June 30, 2019. The main reason for the increase was an increase in the general fund accrued liabilities of \$9.5 million due to an increase in accrued payroll. General fund accounts payable increased \$7.1 million as a result of timing of payments. The special aid fund had a \$14.6 million increase in the amount due to the City of Buffalo as the timing of disbursements and reimbursement claims at year end resulted in a higher liability balance than the prior year, while the capital fund had a \$2.1 million decrease in accounts payable as a relatively high balance in the prior year was reduced to a more normalized level.

Long-term liabilities increased \$36.6 million in the current year, with the OPEB liability increasing by \$105.0 million to \$2,395.1 million as the result of changes in assumptions, particularly in the mortality assumptions and discount rate. The ERS pension liability, the Board's proportionate share of the total ERS system liability, increased \$5.5 to \$9.9 million at June 30, 2019, as a result of changes in underlying assumptions. Serial bonds and other long-term obligations decreased by \$63.3 million, due mainly to regular payments for bonded and other debt, while there were no debt refundings or new issued debt during the year.

Deferred inflows of resources increased by \$12.8 million to \$725.9 million at June 30, 2019. This was primarily the result of deferred postemployment inflows which increased \$22.8 million as a result of changes in assumptions, particularly differences between expected and actual experience. Deferred pension inflows decreased \$10.0 million as a result of differences between projected and actual earnings on pension plan investments.

In considering the viability of the Board, it is important to consider that 86% of all revenues come from formula-based state and federal aid and state and federal operating and capital grants and contributions, while State aid alone is 83% of general fund revenues. Continued increases in state aid are dependent on many factors outside the District's control, including wider economic conditions in the nation and state. Therefore, continued support from these sources is critical to the financial and educational success of the Board. 83% of all expenses are directed to instruction.

Figure A-4

*Changes in Net Position
(in thousands of dollars)*

	Governmental Activities and Total District		Total Percentage Change
	2019	2018	2018-2019
Revenues:			
Contributions from City of Buffalo	\$ 61,367	\$ 60,348	1.69%
School tax relief reimbursement	9,456	10,475	-9.73%
Non-property taxes	48,767	46,256	5.43%
Charges for services	4,819	3,832	25.76%
Operating grants and contributions	150,030	147,820	1.50%
Use of money and property	1,138	554	105.42%
Other miscellaneous revenues	25,878	8,456	206.03%
State and federal aid, unallocated	770,651	764,177	0.85%
Total revenues	1,072,106	1,041,918	2.90%
Expenses:			
General support	81,924	82,175	-0.31%
Instruction	702,001	719,243	-2.40%
Instruction - charter school payments	128,232	119,591	7.23%
Pupil transportation	57,572	58,434	-1.48%
Community Service	218	294	-25.85%
Interest	30,347	33,411	-9.17%
Capital outlay	1,853	2,706	-31.52%
Total expenses	1,002,147	1,015,854	-1.35%
Changes in net positions	\$ 69,959	\$ 26,064	168.41%

Total revenues of \$1,072.1 million in 2018-19 increased \$30.2 million from \$1,041.2 million in 2017-18. Other miscellaneous revenues increased \$17.8 million due primarily to \$15.1 million of revenue related to the return of prior year premium equivalent overpayments and recognition of the 14-day pre-fund requirement of its third-party administrator as a receivable against future insurance payments. Unallocated state and federal aid of \$770.3 million increased \$6.0 million in 2018-19, mainly due to increases in State sources in the general fund. Total program revenues, which consist of operating grants and revenues along with charges for services, increased \$3.2 million to \$154.9 million in 2018-19.

Total expenses of \$1,002.2 million in 2017-18 decreased \$13.7 million from \$1,015.8 million in 2017-18. Regular instruction decreased \$17.2 million mainly as a result a reduction in allocated costs including depreciation expense, health insurance, and the impact of other postemployment expenses. Charter school tuition increased \$7.0 million due to higher student counts and a higher tuition rate in 2018-19. Transportation decreased \$0.8 million, and interest expense decreased \$3.0 million.

Financial Analysis of The Board's Funds

The General Fund is the chief operating fund of the Board. At the end of 2018-19, the Board had a total fund balance of \$223.7 million. Total fund balance increased \$28.9 million during 2018-19, which is a result of the general fund operating surplus in 2018-19.

As a measure of liquidity, it may be useful to compare the fund balances to the total General Fund expenditures. Unassigned fund balance of \$86.1 million at June 30, 2019, was 11.3% of the current year expenditures and other uses of funds (down 0.2% from the previous year), while the total fund balance was 29.2% of the current year expenditures and other uses of funds (an increase of 0.3% from previous year). As of June 30, 2019, the Board's policies require maintenance of \$37.1 million minimum in unassigned fund balance. The increase in the unassigned fund balance is the result of the net changes in the other fund balance categories outlined below and the general fund operating surplus of \$28.9 million in 2018-19.

As of June 30, 2019, non-spendable fund balance was \$0.9 million, an increase of \$0.1 million from 2017-18, while restricted fund balance was \$24.8 million, an increase of \$0.1 million from 2017-18.

As of June 30, 2019, \$10.0 million of assigned fund balance is appropriated for the 2019-20 budget. This is a decrease of \$9.0 million from the prior year budget. The District's Four-Year Financial Plan anticipates a reduced reliance on fund balance usage annually.

As of June 30, 2019, the Board has assigned \$9.0 million for prior year claims, with \$3.0 million related to potential State aid audit claims and \$6.0 million for settlements with unions whose contracts have expired. This is unchanged from the prior year.

As of June 30, 2019, \$3.6 million is assigned to prior year encumbrances, an increase of \$0.4 million from the prior year. Another \$52.1 million is assigned for OPEB and other employee benefits, an increase of \$4.0 million from the prior year. \$17.1 million is assigned for capital project seed money and un-aidable projects and leases, an increase of \$5.0 million from the prior year.

In 2018-19, two new categories of assigned fund balance were established. The first, Assigned for Health Insurance, may be used to offset future healthcare cost increases. The second, Assigned for School Budget Equity, may be utilized for equity investments in schools identified as underfunded high needs schools under New York State Education Law Section 3614.

The fund balance in the Debt Service Fund declined by \$1.0 million to \$29.5 million as a result of the debt payments and transfers. The fund balance in the Capital Funds increased \$4.7 million to \$5.6 million as revenues and interfund transfers in exceeded capital outlay. The School Lunch fund balance decreased \$1.3 million to \$17.7 million due to a deficit in the fund in 2018-19. These fund balances must be used for the specific purpose of the respective fund and cannot be transferred to the general fund.

Figure A-5

**Revenues, Expenditures and Changes in Fund
Balances - Governmental Major Funds
(in thousands of dollars)**

	2019		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 911,519	\$ 882,569	\$ 223,663
Special Aid Fund	119,302	119,302	-
Joint Schools Construction			
Board Fund	11	101	-
Debt Service Fund	103,987	104,986	29,446
Capital Projects Fund	23,390	18,738	5,591
School Food Service Fund	33,644	34,911	17,688
Special Activities Fund	5	4	186
Permanent Fund	-	5	313
	2018		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 878,769	\$ 866,659	\$ 194,713
Special Aid Fund	126,700	126,700	-
Joint Schools Construction			
Board Fund	14	-	90
Debt Service Fund	104,025	106,477	30,445
Capital Projects Fund	18,476	25,269	939
School Food Service Fund	31,780	31,531	18,955
Special Activities Fund	6	2	185
Permanent Fund	-	4	318

General Fund Budgetary Highlights

The General Fund ended 2018-19 with a \$28.9 million operating surplus, which follows a \$12.1 million surplus in 2017-18. This surplus was largely the result of the District's conversion to a traditional model of self-insurance for employee and retiree healthcare costs starting on July 1, 2018. The District recognized \$15.1 million of revenue related to the return of prior year premium equivalent overpayments and recognized the 14-day pre-fund requirement of its third-party administrator as a receivable against future insurance payments. These were one-time events, not expected to be repeated. Meanwhile, the District also had an overall reduction in health insurance expenditures of \$15.4 million, which includes an increase in health insurance contributions from employees and retirees of \$0.8 million. Such reductions in cost, while very favorable in 2018-19, could reverse in future years. Total revenues and transfers in were \$911.5 million, while total expenditures and transfers out were \$882.6 million.

Within the General Fund, there was an overall unfavorable revenue budgetary variance of \$7.4 million compared to the original and revised budget. The largest variance, appropriated fund balance, appears as a \$21.5 million unfavorable budget variance, when including the \$2.5 million appropriated for carry over encumbrances. The remaining \$19.0 million was appropriated for 2018-19 operations. These are not true revenues, but are budgeted with the anticipation of an operating loss, which ultimately would decrease fund balance on the balance sheet.

State aid, including formula-based aid, lottery aid and other reimbursable aids of \$760.4 million was \$4.2 million under budget mainly due to building aid which was \$2.0 million under budget, while several formula based aids were \$2.7 million under budget as a result of underlying reimbursement data coming in below the original estimates. Offsetting these decreases, Charter School Supplemental and Transitional Aid was \$0.6 million over budget.

Federal revenues, consisting of Medicare reimbursements of \$4.5 million were \$1.9 million over budget due to a continuation of successful initiatives undertaken to recoup Medicaid claims from prior years that had not been received. Non-property tax items, consisting of Erie County Sales tax revenues of \$48.8 million were \$4.1 million over budget as a result of the budget being conservatively set, while overall sales tax collections in the county have risen with the strong local economy. Miscellaneous local sources had an \$11.8 million favorable variance due primarily to \$15.1 million of revenue related to the return of prior year premium equivalent overpayments and the recognition of the 14-day pre-fund requirement of its third-party administrator as a receivable against future insurance payments.

The Board had favorable budgetary variances within the General Fund expenditures of \$30.3 million when compared to the original and \$32.8 million compared to the revised budget. The difference between the original and revised budget was \$2.5 million in carryover encumbrances.

General support, which encompasses central services such as physical plant and information technology, along with central administration and special items, such as legal settlements and contingencies, had a favorable variance of \$0.9 million to the original budget and a favorable variance of \$3.0 million to the revised budget. Favorable variances in special items, which include a contingency that is budgeted to be utilized to cover the cost of union contract settlements and to add instructional staff for reasons of equity, had a \$0.4 million favorable variance to the original and revised budget as funds were unspent or replenished with savings from other areas. Central services, which encompass physical plant and information technology, had a favorable variance of \$0.2 million to the original budget and \$1.9 million favorable variances to the revised budget. The variance between the original and revised budget was primarily due to equipment and maintenance carry over encumbrances from the prior year of approximately \$1.7 million paid in 2018-19. Additional savings were due to staffing vacancies of \$0.9 million and utilities of approximately \$0.3 million, while contractual expenditures related to the building engineers increased \$1.0 million. There were relatively minor variances in the other general support categories.

Instruction – Administration and Improvement, which is where the majority of District administrators are charged, had a favorable variance to the original budget of \$1.0 million and a favorable variance to the revised budget of \$1.5 million. The change from original to revised budget was primarily related to additional staffing positions added to the revised budget amounting to approximately \$0.3 million, while actual expenditures were favorable to budget as a result of vacant positions and a lower than budgeted average salary, amounting to \$1.4 million.

Regular instruction had an unfavorable variance to the original budget of \$3.1 million and favorable variance to the revised budget of \$4.4 million. The change from original to revised budget was primarily related to additional staffing positions added to the revised budget amounting to approximately \$5.7 million along with \$1.7 million related to textbook adoptions. Actual salary expenditures were favorable to the revised budget as a result of vacant positions and a lower than budgeted average salary, which amounted to \$3.5 million, while non-salary expenditures were \$0.9 million under budget due to contractual services.

Special Education Instruction and Instructional Media had only minor variances from the original and revised budget. Pupil services had a favorable variance to the original budget of \$1.4 million and a favorable variance to the revised budget of \$1.6 million. Approximately \$0.3 million of the favorable variance had to do with vacant positions and positive lower-than-budgeted average salary, while approximately \$1.1 million relates to lower-than-expected costs in the general fund for the District's nursing contract, due to a new vendor that was able to provide comparable services at a lower cost than the previous provider.

Charter school tuition expense was favorable by \$4.2 million to the original budget and favorable to the revised budget by \$0.5 million. Charter school pupil counts declined throughout the year as more students returned to the District and other schools, and budgeted funding is allocated to the regular and special education instruction. Though charter school pupil counts continue to grow year over year, including an addition of 366 FTEs during 2018-19 from 2017-18, during each year, there is a reduction in charter school pupils from the beginning of the year to the end of year, and this variance has become more pronounced in recent years and results in significant budget variances.

Transportation had a favorable variance to the original budget of \$3.8 million and a favorable variance to the revised budget of \$3.9 million mainly due to savings in yellow bus transportation contract costs due to more favorable routing.

Employee benefits had a favorable variance of \$22.9 million compared to the original budget and \$17.2 million favorable variance compared to the revised budget. Health insurance costs were \$20.0 million under the original budget and \$13.6 million under the revised budget as a result of the aforementioned cost reductions from the conversion to traditional model of self-insurance for employee and retiree healthcare costs, along with cost savings initiatives such as the voluntary enrollment of retirees in a Medicare Advantage product, savings negotiated as part of collective bargaining agreements, and other initiatives in the District's four-year financial plan. Unemployment expenses were \$1.3 million under the original and revised budget due to very little layoff activity, while workers' compensation costs were \$0.7 million under the original and revised budgets due to cost savings initiatives. Employee Retirement System (ERS) pension expenses, Teachers Retirement System (TRS) pension expenses, and Social Security were under their revised budget by \$1.0 million, \$0.2 million, and \$0.5 million, respectively, mainly as a result of vacant positions during the year. TRS expenditures were flat with the original budget, which was increased due to additional instructional staffing budget positions added during the year. Termination payouts for retirees were relatively flat with the original and revised budget.

Interfund transfers had an unfavorable variance with the original budget of \$0.6 million, but a favorable variance with the revised budget of \$0.6 million. A \$0.6 million transfer was required to fund the transfer to the District's summer handicapped program, which requires a general fund subsidy each year. Transfers to the City of Buffalo for debt service were flat with the original and revised budget.

Capital Asset and Debt Administration

Capital Assets

The Board's investment in capital assets (net of accumulated depreciation) for its governmental funds totaled \$859.9 million as of June 30, 2019. This investment in capital assets includes land, buildings and building improvements, land improvements and equipment. The net decrease from the previous fiscal year was \$57.8 million. This was mainly due to the depreciation expense of \$78.6 million offset by additions of \$20.8 million.

Figure A-6

Capital Assets Net of Depreciation
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2019	2018	2018-2019
Land	\$ 3,012	\$ 3,007	0.17%
Construction work in process	34,394	30,870	11.42%
Land improvements	882	972	-9.26%
Buildings	813,881	878,222	-7.33%
Equipment	7,711	4,631	66.51%
Total	<u>\$ 859,880</u>	<u>\$ 917,702</u>	<u>-6.30%</u>

Long-Term Debt

Total long-term debt outstanding at June 30, 2019, totaled \$3,306.5 million, of which \$735.8 million pertained to bonded debt. There was no refinancing activity in 2018-19. During the year, regular principal payments on bonded debt totaled \$62.7 million. Postemployment benefits increased \$105.0 million to \$2,395.1 million due to changes in actuary assumptions, particularly a change in mortality assumptions and discount rate, which increased the liability, while the difference between expected and actual experience resulted in an offsetting \$170.4 million reduction in the liability.

Additional information on the Board's long-term debt can be found in Note G.4 to the financial statements on pages 41-43 of this report.

Figure A-7

Outstanding Long-Term Debt
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2019	2018	2018-2019
Due to City of Buffalo Debt Service Fund	\$ 35,989	\$ 44,962	-19.96%
Revenue bonds payable	10,255	10,900	-5.92%
JSCB bonds payable	689,515	742,570	-7.14%
Premiums on bonds	90,113	100,702	-10.52%
Pension - ERS	9,913	4,402	125.19%
Post employment benefits	2,395,142	2,290,152	4.58%
Other long-term obligations	75,618	76,230	-0.80%
	<u>\$ 3,306,545</u>	<u>\$ 3,269,918</u>	<u>1.12%</u>

Factors Bearing on the Board's Future

The 2019-20 adopted federal fund budget is \$927.4 million, an increase of \$11.0 million from the 2018-19 budget. The 2019-20 budget year is the fourth year of the Board's Education Bargain, a comprehensive redesign of how the District educates its students through reduced class sizes in grades K-3, new innovative high schools, extended learning time, community schools, student support services and a new relationship with teachers. Significant gains in student achievement have resulted from this investment in District students.

Total 2019-20 budgeted expenditures are increasing \$11.0 million from the 2018-19 adopted budget mainly due to increases in salaries of \$9.7 million related to contractual salary increases, and charter school tuition expense of \$4.2 million due to higher pupil counts and tuition rates. Other increases of \$2.4 million include contracts, facilities, utilities, supplies and equipment. Transportation costs are expected to remain flat in 2018-19, increasing only \$0.1 million. Partially offsetting these increases is a \$6.7 million decrease employee and retiree benefits.

Total budgeted revenues in 2019-20 are expected to increase \$11.0 million, including an increase of \$19.7 million in State Aid. To close the 2019-20 deficit, the Board has appropriated \$10.0 million in fund balance, a decrease of \$9.0 million from the 2018-19 budget. A reduction in fund balance usage was projected in the Board's four-year financial plan.

On August 21, 2019, the Board ratified a successor contract with the Professional, Clerical and Technical Employee's Association (PCTEA). The cost of this three-year contract is anticipated to be \$2.5 million through 2019-20, \$2.5 million in 2020-21 and \$3.4 million in 2021-22, for a cumulative cost of \$8.4 million over three years. This contract is not anticipated to require any adjustment to the District's 2019-20 budget or four-year financial plan at this time. As part of this contract, new hires after June 30, 2020 to the PCTEA union are ineligible for retiree health insurance.

On August 16, 2019, the Board and the Local 264 Cook Managers tentatively agreed to a contract, which has not been ratified yet, as the Buffalo Fiscal Stability Authority has not yet expressed an opinion on this tentative agreement.

The Board has established a comprehensive four-year financial plan with achievable targets to ensure the long-term fiscal solvency of the District and continues to follow it. However, the Board continues to face structural deficit drivers that include increased charter school tuition expenditures based on projected increases in charter school pupil counts and rising tuition rates, along with annual budgeted increases in employee and retiree health insurance. Progress in reducing health insurance costs has been accomplished through new contracts in 2016-17 with teachers, in 2017-18 with administrators, PCTEA in 2019-20 and has been demonstrated in the savings shown above in 2018-19 as a result of the District's conversion to a traditional model of self-insurance or employee and retiree healthcare costs in 2018-19.

The District is negotiating the elimination of retiree health insurance into its collective bargaining agreements, with the two most recent agreements, PCTEA, and the tentative Local 264 Cook Managers contracts eliminating retiree health insurance for future retirees after June 30, 2020. These initiatives, among others, are expected to continue to favorably impact the District's OPEB liability into the future. However, the long-term trend of health insurance cost growth in the marketplace is increasing, and pressure to control these costs will continue, while self-insurance may lead to significant fluctuations of insurance costs in future years.

Similar to national trends, teacher shortages may impact the District in the future, which makes it important that the Board has a fair and competitive collective bargaining agreement with the teachers to replace the contract that expired after the 2018-19 fiscal year. Further, changes in how students are educated, including the implementation of virtual learning and other advancing technology will likely begin to change how resources are deployed and how students are educated in the coming years.

The Board has little control over revenues, of which 85% in the general fund come from the State, and NYS Education Law Section 3614, related to school budget transparency and equity, may necessitate how funding is allocated to schools. Meanwhile, the District continues to lobby for the full implementation in the State's Foundation Aid formula.

Contacting the Board's Financial Management

This financial report is designed to provide the Board's citizens, taxpayers, customers, and investors and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact 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
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 10,394,862
Cash held by the City of Buffalo	264,626,050
Cash with fiscal agent	17,774,728
Cash and cash equivalents - restricted	11,983,507
Receivables	10,695,674
State and federal aid receivable	102,477,677
Due from other governments	5,343,555
Inventory	1,598,824
Capital assets not being depreciated	37,406,374
Capital assets, net of accumulated depreciation	822,473,808
Net pension asset	32,947,326
Total assets	<u>1,317,722,385</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	180,940,003
Deferred postemployment outflows	146,039,000
Deferred charge on refunding	24,343,942
Total deferred outflows of resources	<u>351,322,945</u>

LIABILITIES

Accounts payable	39,011,931
Accrued liabilities	30,943,932
Retainages payable	382,834
Interest payable	6,116,784
Due to fiduciary fund	830,310
Due to the City of Buffalo	38,771,582
Due to other governments	1,674,608
Due to retirement systems	36,776,065
Long-term liabilities:	
Due and payable within one year	94,742,278
Due and payable after one year	3,211,802,472
Total liabilities	<u>3,461,052,796</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	54,022,605
Deferred postemployment inflows	671,886,000
Total deferred inflows of resources	<u>725,908,605</u>

NET POSITION

Net investment in capital assets	88,389,252
Restricted for:	
Debt service	29,445,229
Endowments	499,296
Judgment and claims	17,750,000
Stabilization	3,876,337
Unemployment insurance	3,156,044
Unrestricted (deficit)	(2,661,032,229)
Total net position	<u>\$ (2,517,916,071)</u>

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Functions/Programs:				
Governmental activities:				
General support	\$ 81,923,829	\$ -	\$ 3,738,639	\$ (78,185,190)
Instruction - regular	702,001,243	4,818,837	144,541,873	(552,640,533)
Instruction - charter school	128,231,817	-	-	(128,231,817)
Pupil transportation	57,571,613	-	1,749,433	(55,822,180)
Interest	30,346,950	-	-	(30,346,950)
Home and community services	218,306	-	-	(218,306)
Capital outlay	1,852,799	-	-	(1,852,799)
Total governmental activities	\$ 1,002,146,557	\$ 4,818,837	\$ 150,029,945	\$ (847,297,775)
General revenues:				
Contribution from City of Buffalo				61,367,016
School tax relief reimbursement				9,455,742
Non-property taxes				48,767,444
Use of money and property				1,138,015
State aid - basic formula				682,192,116
State aid - lottery				88,458,956
Miscellaneous local sources				25,877,836
Total general revenues				917,257,125
Change in net position				69,959,350
Net position - beginning of year				(2,587,875,421)
Net position - end of year				\$ (2,517,916,071)

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,115,283	\$ 92,989	\$ -	\$ 186,590	\$ 10,394,862
Cash held by the City of Buffalo	246,396,936	-	2,007,793	16,221,321	264,626,050
Cash with fiscal agent	-	-	-	17,774,728	17,774,728
Cash and cash equivalents - restricted	-	-	-	11,983,507	11,983,507
Receivables	10,251,826	246,093	-	197,755	10,695,674
Due from other funds	12,690,548	-	9,629,660	-	22,320,208
State and federal aid receivable	45,568,131	46,458,188	8,206,686	2,244,672	102,477,677
Due from other governments	5,343,555	-	-	-	5,343,555
Inventory	886,304	-	-	712,520	1,598,824
Total assets	\$ 331,252,583	\$ 46,797,270	\$ 19,844,139	\$ 49,321,093	\$ 447,215,085
LIABILITIES					
Accounts payable	\$ 31,247,547	\$ 4,417,859	\$ 2,106,218	\$ 1,240,307	\$ 39,011,931
Accrued liabilities	27,404,348	3,090,569	-	449,015	30,943,932
Due to other funds	10,486,815	517,260	12,146,443	-	23,150,518
Due to the City of Buffalo	-	38,771,582	-	-	38,771,582
Due to other governments	1,674,608	-	-	-	1,674,608
Due to retirement systems	36,776,065	-	-	-	36,776,065
Total liabilities	107,589,383	46,797,270	14,252,661	1,689,322	170,328,636
FUND BALANCES					
Nonspendable	886,304	-	-	1,025,526	1,911,830
Restricted	24,782,381	-	-	29,631,519	54,413,900
Assigned	111,863,973	-	5,591,478	16,974,726	134,430,177
Unassigned	86,130,542	-	-	-	86,130,542
Total fund balances	223,663,200	-	5,591,478	47,631,771	276,886,449
Total liabilities and fund balances	\$ 331,252,583	\$ 46,797,270	\$ 19,844,139	\$ 49,321,093	\$ 447,215,085

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts reported for governmental activities in the Statement of Net Position (page 15) are different because:

Total fund balances - governmental funds (page 18)	\$	276,886,449
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets are \$1,843,562,019 and the accumulated depreciation is \$983,681,837.		859,880,182
Pension assets (TRS) used in governmental activities are not financial resources and therefore are not reported in the funds		32,947,326
Long-term liabilities not due and payable in the current period and therefore are not reported in the funds.		
Retainages payable	\$	(382,834)
Bonds payable		(699,770,000)
Compensated absences		(22,809,164)
Judgements and claims		(44,682,000)
Due to the City of Buffalo debt service fund		(35,989,000)
Due to other governments		(8,126,666)
ERS pension liability		(9,912,527)
Net postemployment obligations		<u>(2,395,142,000)</u>
		(3,216,814,191)
To recognize interest accrual on long-term debt.		(6,116,784)
Deferred outflows of resources associated with advance refunding are reported as expenditures in the governmental funds.		24,343,942
Bond premiums are recorded as revenues in the governmental funds. The premium amount is \$258,894,978 and the accumulated amortization is \$168,781,585.		(90,113,393)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:		
Net postemployment deferred outflows and inflows of resources		(525,847,000)
Net pension deferred outflows and inflows of resources		<u>126,917,398</u>
Net position of governmental activities	\$	<u><u>(2,517,916,071)</u></u>

See notes to basic financial statements.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Contribution from City of Buffalo	\$ 61,367,016	\$ -	\$ -	\$ -	61,367,016
School tax relief reimbursement	9,455,742	-	-	-	9,455,742
Non-property taxes	48,767,444	-	-	-	48,767,444
Charges for services	3,517,805	-	-	1,301,032	4,818,837
Use of money and property	326,408	-	39,780	771,827	1,138,015
Sale of property and compensation for loss	34,374	-	-	-	34,374
Miscellaneous local sources	22,761,223	3,005,014	-	77,225	25,843,462
State sources	760,408,033	51,694,162	10,640,884	977,571	823,720,650
Federal sources	4,469,862	61,662,289	-	30,828,216	96,960,367
Total revenues	911,107,907	116,361,465	10,680,664	33,955,871	1,072,105,907
EXPENDITURES					
Current:					
General support	69,489,775	3,027,638	-	1,276,205	73,793,618
Instruction - regular schools	340,096,412	89,055,701	-	31,276,476	460,428,589
Instruction - charter school	125,419,915	1,223,081	-	-	126,642,996
Pupil transportation	54,868,459	1,665,173	-	-	56,533,632
Home and community services	145,300	-	-	9,512	154,812
Employee benefits	175,286,497	24,330,843	-	2,358,748	201,976,088
Debt service:					
Principal	-	-	-	54,413,334	54,413,334
Interest	-	-	-	37,753,516	37,753,516
Capital outlay:					
General support	-	-	8,023,760	-	8,023,760
Instruction	-	-	10,713,975	-	10,713,975
Total expenditures	765,306,358	119,302,436	18,737,735	127,087,791	1,030,434,320

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019
(Continued)

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Excess (deficit) of revenues over expenditures	145,801,549	(2,940,971)	(8,057,071)	(93,131,920)	41,671,587
OTHER FINANCING SOURCES (USES)					
Transfer to City of Buffalo debt service fund	(10,429,505)	-	-	-	(10,429,505)
Interfund transfers in	411,262	2,940,971	12,709,558	103,692,000	119,753,791
Interfund transfers out	(106,832,971)	-	-	(12,920,820)	(119,753,791)
Total other financing sources (uses)	(116,851,214)	2,940,971	12,709,558	90,771,180	(10,429,505)
Net change in fund balances	28,950,335	-	4,652,487	(2,360,740)	31,242,082
Fund balances - beginning	194,712,865	-	938,991	49,992,511	245,644,367
Fund balances - ending	\$ 223,663,200	\$ -	\$ 5,591,478	\$ 47,631,771	\$ 276,886,449

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS, STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Amounts reported for governmental activities in the Statement of Activities (page 16) are different because:

Net change in fund balances - total governmental funds (page 20) \$ 31,242,082

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 20,785,871	
Depreciation expense	<u>(78,600,321)</u>	(57,814,450)

Change in proportionate share of net pension asset (liability) and OPEB reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.

Net pension - proportionate share - TRS	18,986,514	
Net pension - proportionate share - ERS	(5,510,433)	
Other postemployment benefits	<u>(104,990,000)</u>	(91,513,919)

Change in proportionate share of net deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the Board's contributions and its proportionate share of total contributions subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net pension - proportionate share - TRS	\$ (11,341,438)	
Net pension - proportionate share - ERS	4,386,853	
Other postemployment benefits	<u>123,241,000</u>	116,286,415

The net effect of various transactions involving capital assets (i.e. sales, trades, donations) is to decrease net position.

(6,622)

The governmental funds report bond proceeds and other long-term debt as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal (due to City of Buffalo)	\$ 8,973,000	
Repayment of due to other governments	713,334	
Repayment of revenue bonds payable	645,000	
Repayment of Joint School Construction Board debt	53,055,000	
Interest expense - general obligation bonds	523,333	
Amortization of deferred outflow	(2,248,446)	
Amortization of bond premium	<u>10,588,184</u>	72,249,405

In the Statement of Activities, certain operating expenses - compensated absences (vacation & sick leave), amounts due to retirement systems, judgment and claims, and workers' compensation - are measured by the amounts accrued or 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 is as follows:

Retainages	\$ (382,834)	
Worker's compensation	(919,000)	
Compensated absences	<u>818,273</u>	<u>(483,561)</u>

Change in net position of governmental activities \$ 69,959,350

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust	Agency
	<hr/>	<hr/>
ASSETS:		
Cash and cash equivalents	\$ -	\$ 700
Cash and cash equivalents - restricted	5,998	984,262
Due from other funds	<hr/> -	<hr/> 857,155
Total assets	<hr/> 5,998	<hr/> 1,842,117
	<hr/>	<hr/>
LIABILITIES:		
Employee benefits	-	857,154
Extraclassroom activity balances	-	984,262
Due to other funds	<hr/> -	<hr/> 26,845
Total liabilities	<hr/> -	<hr/> 1,868,261
	<hr/>	<hr/>
NET POSITION:		
Restricted for agency	-	(26,144)
Restricted for scholarships	<hr/> 5,998	<hr/> -
Total net position	<hr/> \$ 5,998	<hr/> \$ (26,144)

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Private Purpose Trust
	<hr/>
ADDITIONS:	
Interest	\$ <hr/> 10
Change in net position	10
Net position - beginning	<hr/> 5,988
Net position - ending	\$ <hr/> <hr/> 5,998

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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.

A. REPORTING ENTITY

The Board is a unit of local government created under the Constitution of the State. The Board is financially dependent upon 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 (see Note 3.G).

The Board is governed by the Education Law and other laws of the State of New York. The Board of Education is an independent entity consisting of nine members.

The scope of activities included within the accompanying financial statements are those transactions which comprise Board operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the Board is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the Board officials exercise oversight responsibility.

The reporting entity of the Board is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the Board. The Board is a component unit of the City of Buffalo. The decision to include a potential component unit in the Board's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the Board's reporting entity.

1. INCLUDED IN THE REPORTING ENTITY

The Extraclassroom Activity Funds of the Board represent funds of the students within the Board. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the Board with respect to financial transactions and designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found in the Board's business office. The Board accounts for assets held as an agent for various student organizations in the Agency Fund of the Board.

B. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE STATEMENTS:

While separate government-wide and fund statements are presented, they are interrelated. The Statement of Net Position and the Statement of Activities present financial information about the Board's governmental activities. These statements include the financial activities of the overall Board in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through property taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

The Statement of Net Position presents the financial position of the District at fiscal year-end. 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 and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including the City contribution, are presented as general revenues.

2. 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 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Board reports the following major governmental funds:

General Fund: This is the Board's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants that are legally restricted to expenditures for a specified purpose. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

Capital Projects Fund - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The Board reports the following governmental funds as nonmajor governmental funds:

Joint Schools Construction Board (JSCB) Fund - The JSCB fund is used to account for transactions associated with the design, construction, reconstruction, and financing of public educational facilities in the City. The JSCB is authorized to act as an agent to enter into contracts on behalf of the Board and the Common Council of the City of Buffalo, New York (the Council) for the construction of new educational facilities in accordance with applicable state and local laws. Activities of the fund are complete as of June 30, 2019.

Debt Service Fund - The debt service fund is used to account for payments made on the Board's long-term debt, except for amounts held by the City. Those payments are recorded in the general and capital funds as transfers to the City of Buffalo.

School Food Service Fund - This fund is used to record the Board's breakfast, lunch, summer food, and Root Culinary programs.

Special Activities Fund - This fund is used to account for transactions that support the Board's regular programs. 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 only earnings, and not principal, may be used for purposes that support the Board's programs.

Additionally, the Board reports the following fund types:

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the Board acts as trustee or agent for resources that are the property of others. These activities are not included in the government-wide financial statements, because their resources are not the property of the Board, and are not available to be used. There are two classes of fiduciary funds:

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the Board or representatives of the donors may serve on committees to determine who benefits from these trust agreements.

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement or results of operations. Assets are held by Board as agent for various student groups or extraclassroom activity funds and for payroll or employee withholdings.

During the course of operations the Board 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 funds) are eliminated so that only the net amount is included as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in 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.

C. 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 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 the timing of related cash flows. Nonexchange transactions, in which the Board gives or receives value without directly receiving or giving value in exchange, includes state aid, grants or donations. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund 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 Board considers revenues to be available if they are collected within one year 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 workers' compensation, are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year end). All other revenue items are considered to be measurable and available only when cash is received by the Board.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. 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.

2. RESTRICTED ASSETS

Certain assets are classified on the Balance Sheet and the Statement of Net Position as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes. Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the government-wide financial statements and their use is limited by applicable bond covenants.

3. RECEIVABLES

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles requires the establishment of an allowance for uncollectible receivables, however, no allowance for uncollectible receivables has been provided by management since management believes that such allowance would not be material.

4. INVENTORY

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 or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial.

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

5. INTERFUND TRANSACTIONS

The operations of the Board include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The Board typically loans resources between funds for the purpose of providing cash flow. These inter-fund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Position for inter-fund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all inter-fund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Board's practice to settle these amounts as a net balance based upon the right of legal offset.

Refer to Note 3.H for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital assets, which include property and equipment, are reported in the government-wide financial statements.

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received. As the Board constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. 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.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	straight-line	50 years
Building and improvements	5,000	straight-line	20 years
Land improvements	5,000	straight-line	20 years
General equipment	5,000	straight-line	10 years
Computer, business machine, and audio visual equipment	5,000	straight-line	5 years
Automotive	5,000	straight-line	7 years

7. INSURANCE

The Board insures against liability for many risks including, but not limited to, property damage and automobile, but is self-insured for personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net 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. The Board has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the Board's proportion of the collective net pension liability, the difference during the measurement period between the Board's contributions and its proportional share of total contributions to the pension systems not included in pension expense and any contributions to the pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 3.F. The third item is related to Other Postemployment Benefits (OPEB) reported in the government-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 3.G.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

In addition to liabilities, the Statement of Net 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. The Board has two items that qualify for reporting in this category. First is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the Board's proportion of the collective net pension liability and difference during the measurement periods between the Board's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 3.E. The second item is related to OPEB reported in the governmental-wide Statement of Net Position. This represents the net effect of the changes of assumptions or other inputs, along with net change in actual and expected experience. See details of deferred OPEB inflows in Note 3.F.

9. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full from current financial resources. Claims and judgments and compensated absences that will be paid from governmental funds, are reported as a liability in the governmental funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the governmental fund financial statements when due.

Long-term obligations represent the Board's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Premiums received upon the issuance of debt are included as other financing sources in the governmental fund 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.

Bond Defeasance – 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 retired debt, and are recorded as either a deferred outflow or 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.

10. VESTED EMPLOYEE BENEFITS

Compensated Absences

Compensated absences consist of unpaid accumulated sick and vacation time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment or a credit to be used towards health insurance based on unused accumulated sick leave, based on contractual provisions. These payments are budgeted annually without accrual.

Board employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year end in the government-wide financial statements. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

In the governmental fund statements only, the amount of matured vacation time is accrued within the General Fund based on expendable and available financial resources. Sick time is expensed on a pay-as-you-go basis.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

11. POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the Board provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. The obligation of the Board and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method (see Note 3.F).

12. NET POSITION FLOW ASSUMPTION

Sometimes the Board 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Board's policy that the Chief Financial Officer, or their designee will assess the current financial condition of the Board and then determine the order of application of expenses to which restricted and unrestricted net position will be applied.

13. FUND BALANCE FLOW ASSUMPTIONS

Sometimes the Board 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.

The Board has adopted a formal spending policy under the provisions of GASB Statement No. 54 stating the Board will assess the current financial condition of the Board and then determine the order of application of expenditures to which fund balance classifications will be charged.

14. FUND BALANCE POLICIES

Fund balance of the Board's funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Board 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 Board's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the Board that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Chief Financial Officer, or their designee, to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue 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 an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

E. PROGRAM REVENUES

Amounts reported as *program revenues* include 1) charges to taxpayers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All other internally dedicated resources are reported as general revenues rather than as program revenues.

F. USE OF 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 reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2019, the Board adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

The Board has evaluated Statements No. 83 and 88 and have determined that they have no impact on the Board's operations in the current year.

The GASB has issued the following new pronouncements:

- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020.
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending June 30, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2022.

The Board is currently reviewing these statements and plans on adoption, as required.

NOTE 2 - STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

LEGAL COMPLIANCE BUDGETS

BUDGET POLICIES

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.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related 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 expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

The Board's investment policies are governed by State statutes. In addition, the Board has its own written investment policy. The Board funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, 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.

The Board's aggregate bank balances were fully collateralized at June 30, 2019.

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 with Fiscal Agent - Debt Service Fund

In accordance with the Indenture Trust Agreement, an amount of the Series 2008, 2009, 2011, 2012 and 2013 bond proceeds is to be deposited and maintained by the trustee in the Debt Service Fund.

Restricted Cash - General

Cash is restricted to support obligations related to workers' compensation claims, along with an account held in trust with the Teacher's Federation in relation to the teacher's settlement.

Restricted Cash - Debt Service Fund

In accordance with the Local Share Trust and Depository Agreement, the local share contribution is to be held in trust and can only be disbursed as specified by the aforementioned agreement.

Cash held by City of Buffalo

Amounts on deposit with the City on behalf of the Board total \$264,626,050. Cash held by the City of Buffalo represents 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 \$38,771,582 of certain Board funds, as discussed in Note 8.

Extraclassroom Activity Cash

Deposits totaled \$984,262 and were fully collateralized at June 30, 2019.

Investment and Deposit Policy

The Board follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Finance Department.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Board's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Credit Risk

The Board's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Board's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Board's investment and deposit policy, all deposits of the Board including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The Board restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

B. RECEIVABLES

Significant revenues accrued by the Board include the following:

Receivables consist of the following at June 30, 2019:

General Fund:	
Health Services	\$ 1,614,959
Tuition billing	1,633,567
Health insurance advances	6,693,900
Miscellaneous receivables	309,400
	<u>\$ 10,251,826</u>

State and federal aid receivable, consist of the following at June 30, 2019:

General Fund:	
State aid - basic aid	\$ 29,609,427
State aid - excess cost aid	15,411,948
State aid - medicaid	546,756
	<u>45,568,131</u>
Special Aid Fund:	
Federal awards	46,458,188 *
Capital Fund:	
State awards	8,206,686
School Food Service:	
Federal and State Reimbursements	<u>2,244,672</u>
Total	<u>\$ 102,477,677</u>

*Amount reported net of unearned revenue.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Due from other governments which represents amounts due primarily from Erie County consist of the following at June 30, 2019:

General Fund:	
Erie County Sales Tax	\$ <u>5,343,555</u>

C. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	Balance 07/01/18	Increases	Decreases	Balance 06/30/19
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 3,006,700	\$ 5,200	\$ -	\$ 3,011,900
Construction work in progress	30,869,989	15,516,249	11,991,764	34,394,474
Capital assets, not being depreciated	<u>33,876,689</u>	<u>15,521,449</u>	<u>11,991,764</u>	<u>37,406,374</u>
Capital assets that are depreciated:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and building improvements	1,756,583,589	12,623,084	-	1,769,206,673
Equipment	26,779,806	4,633,102	6,622	31,406,286
Capital assets, being depreciated	<u>1,788,906,081</u>	<u>17,256,186</u>	<u>6,622</u>	<u>1,806,155,645</u>
Less accumulated depreciation:				
Land improvement	4,570,639	89,717	-	4,660,356
Buildings and building improvements	878,361,912	76,964,260	-	955,326,172
Equipment	22,148,965	1,546,344	-	23,695,309
Total accumulated depreciation	<u>905,081,516</u>	<u>78,600,321</u>	<u>-</u>	<u>983,681,837</u>
Total capital assets being depreciated, net	<u>883,824,565</u>	<u>(61,344,135)</u>	<u>6,622</u>	<u>822,473,808</u>
Governmental activities capital assets, net	<u>\$ 917,701,254</u>	<u>\$ (45,822,686)</u>	<u>\$ 11,998,386</u>	<u>\$ 859,880,182</u>

D. ACCRUED LIABILITIES

Accrued liabilities reported by the Board at June 30, 2019, were as follows:

	General Fund	Special Aid Fund	School Food Service	Total
Accrued payroll and benefits	\$ 11,624,175	\$ 3,090,569	\$ 449,015	\$ 15,163,759
Self-funded insurance	10,225,210	-	-	10,225,210
Termination accrual	2,499,493	-	-	2,499,493
Miscellaneous	3,055,470	-	-	3,055,470
	<u>\$ 27,404,348</u>	<u>\$ 3,090,569</u>	<u>\$ 449,015</u>	<u>\$ 30,943,932</u>

E. PENSION OBLIGATIONS

The Board participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Provisions and Administration

The TRS System provides retirement benefits as well as, death and disability 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. The System is governed by a 10 member Board of Trustees. System 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 Public Schools and BOCES who elected to participate in TRS. 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 System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. Additional information regarding the System, 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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

The ERS System provides 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 net assets and record changes in plan 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 New York State Retirement and Social Security Law (RSSL). 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 Board 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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. ERS issues a publicly available financial report that contains financial statements and required supplementary information. That report, including information with regard 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.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent 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. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31st.

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

At June 30, 2019, the Board reported the following amounts for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of June 30, 2018, for TRS and March 31, 2019, for ERS. The total pension amount used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The Board's proportion of the net pension (asset)/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 the TRS and ERS Systems in reports provided to the Board.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Net pension (asset)/liability	\$ (32,947,326)	\$ 9,912,527
Board's portion of the Plan's total		
Net pension (asset)/liability	1.822042%	0.139903%
Change in proportion since		
the prior measurement date	(0.014667)	0.003507

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2019, the Board recognized pension expense of \$24,051,707 for TRS and \$7,071,159 for ERS, respectively. At June 30, 2019, the Board's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 24,621,271	\$ 1,951,984	\$ 4,459,873	\$ 665,409
Change of assumptions	115,172,522	2,491,604	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	36,574,042	2,544,102
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	2,101,233	1,430,267	9,627,007	152,172
Board's contributions subsequent to the measurement date	<u>31,671,613</u>	<u>1,499,509</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 173,566,639</u>	<u>\$ 7,373,364</u>	<u>\$ 50,660,922</u>	<u>\$ 3,361,683</u>

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	TRS	ERS
Year ended June 30th:		
2020	\$ 31,505,614	\$ 2,558,219
2021	20,902,923	(1,598,954)
2022	845,989	85,140
2023	20,825,299	1,467,767
2024	13,573,179	-
Thereafter	3,581,100	-

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Interest rate	7.25%	7.00%
Salary scale	1.90% - 4.72%	4.20%
Decrement tables	July 1, 2009 June 30, 2014 System's Experience	April 1, 2010 March 31, 2015 System's Experience
Inflation rate	2.25%	2.50%
Cost of living adjustments	1.50%	1.30%

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
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For TRS, the actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The long-term expected 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 weighting 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	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	June 30, 2018	March 31, 2019
			TRS	ERS
<u>Asset Class:</u>				
Domestic equity	33.0 %	36.0 %	5.8 %	4.6 %
International equity	16.0	14.0	7.3	6.4
Private equity	8.0	10.0	8.9	7.5
Real estate	11.0	10.0	4.9	5.6
Global equities	4.0	-	6.7	-
Absolute return strategies	-	2.0	-	3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	7.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.3	-0.3
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-	1.3	-
Global fixed income securities	2.0	-	0.9	-
Private debt	1.0	-	6.8	-
High yield income securities	1.0	-	3.5	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate

The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% 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 determined. Based upon the 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.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following tables present the Board's proportionate share of the net pension amount calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the Board's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25% for TRS and 6.0% for ERS) and or 1-percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<u>TRS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 226,353,512	\$ (32,947,326)	\$ (250,169,370)
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 43,339,150	\$ 9,912,527	\$ (18,168,207)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

	(Dollars in Thousands)	
	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ 118,107,254	\$ 189,803,429
Plan net position	119,915,518	182,718,124
Employers' net pension (asset)/ liability	\$ (1,808,264)	\$ 7,085,305
Ratio of plan net position to the employers' total pension (asset)/liability	-101.5%	96.3%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employee and employer contributions for the fiscal year ended June 30, 2019, based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019, amounted to \$35,276,557.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019, through June 30, 2019, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019, amounted to \$1,499,508.

F. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)
Plan Description

The Board administers the Board of Education, City of Buffalo, New York's Retiree Medical and Prescription Drug (the Plan) as a single-employer defined benefit other postemployment benefit plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental 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 Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the 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 vary 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 plan are paid by the Board.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Employees Covered by Benefit Terms

As of June 30, 2019, the following employees were covered by the benefit terms:

Retirees and dependents	3,978
Active employees	5,061
Total	<u>9,039</u>

The Board's total OPEB liability of \$2,395,142,000 was measured as of June 30, 2019, using updated procedures to roll forward the total OPEB actuarial valuation from June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019, 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	4.70%, average, including inflation
Discount Rate	3.51%
Healthcare Cost Trend Rates	8.00% in 2019, with an ultimate rate of 4.50% in 2027
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy.

The discount rate was based on Fidelity Mutual General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates were based on the SOA Pubc-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2018.

The actuarial assumptions used in the June 30, 2019, valuation follow those used in the TRS and ERS actuarial valuations.

Changes in the Total OPEB Liability

	(in thousands)
Balance at July 1, 2018	\$ 2,290,152
<u>Changes for the year:</u>	
Service cost	71,543
Interest	90,227
Changes of benefit terms	-
Differences between expected and actual experience	(166,075)
Changes in assumptions or other inputs	170,379
Benefit payments	(61,084)
Net changes	<u>104,990</u>
Balance at June 30, 2019	<u>\$ 2,395,142</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.51 percent in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following present the total OPEB liability of the District, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate (amounts in thousands):

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB Liability	\$ <u>2,848,796</u>	\$ <u>2,395,142</u>	\$ <u>2,037,864</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current healthcare cost trend rate (amount in thousands):

	1% Decrease (7.00% decreasing to 3.50%)	Healthcare Cost Trend Rates (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
Total OPEB Liability	\$ <u>2,003,413</u>	\$ <u>2,395,142</u>	\$ <u>2,908,074</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Board recognized OPEB expense of \$42,833,000. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflow 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	\$ -	\$ 457,545
Changes of assumptions	146,039	214,341
Total	\$ <u>146,039</u>	\$ <u>671,886</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u> (in thousands)
2020	\$ (118,937)
2021	(118,937)
2022	(118,937)
2023	(118,936)
2024	(50,714)
Thereafter	615

G. LONG-TERM LIABILITIES

1. GENERAL OBLIGATION BONDS

The Board issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City of Buffalo.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
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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 debt service expenditures. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

2. SERIAL BONDS

The Board borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the City of Buffalo. The provisions will be in the General Fund's future budgets for capital indebtedness.

3. OTHER LONG-TERM LIABILITIES

In addition to the above long-term debt, the Board had a non-current liability for compensated absences, workers' compensation, net pension liability (Note 3.E) and other postemployment benefits. (Note 3.F.)

4. CHANGES IN LONG-TERM LIABILITIES

Changes in the Board's long-term liabilities for the year ended June 30, 2019 are as follows:

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
Government activities:					
Due to other governments	\$ 8,840,000	\$ -	\$ 713,334	\$ 8,126,666	\$ 713,334
Due to City of Buffalo					
Debt Service Fund	44,962,000	-	8,973,000	35,989,000	8,624,000
Revenue bonds payable	10,900,000	-	645,000	10,255,000	665,000
JSCB bonds payable	742,570,000	-	53,055,000	689,515,000	55,780,000
Premium on bonds	100,701,577	-	10,588,184	90,113,393	10,064,928
Compensated absences	23,627,437	10,026,316	10,844,589	22,809,164	10,469,016
Net pension liability (ERS) - proportionate share*	4,402,094	5,510,433	-	9,912,527	-
Total OPEB liability	2,290,152,000	166,074,000	61,084,000	2,395,142,000	-
Workers' compensation	43,763,000	10,480,000	9,561,000	44,682,000	8,426,000
Total long-term liabilities	\$ 3,269,918,108	\$ 192,090,749	\$ 155,464,107	\$ 3,306,544,750	\$ 94,742,278

*Additions/reductions to net pension liabilities are presented net.

Source of Funding - Amounts due to other governments; due to City of Buffalo (bond debt); and revenue bonds payable are repaid through annual appropriation of the General Fund. Payments for compensated absences and postemployment benefit obligations are charged to the 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 litigation settlement with the Buffalo Teachers Federation. In June 2006 the Board received an additional lottery aid advance of \$1,400,000. The advances are recorded as long-term interest-free loans with annual maturities as follows:

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

<u>Fiscal Year</u>	<u>Principal</u>
2020	\$ 713,334
2021	713,332
2022	713,334
2023	713,334
2024	713,332
2025-2029	3,566,668
2030-2034	899,999
2035-2036	93,333
Total	<u>\$ 8,126,666</u>

Due to City of Buffalo Debt Service Fund - Represents payments due to the City for the maturity of serial bonds, which were issued by the City on behalf of the Board.

The remaining annual maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,624,000	\$ 1,135,044	\$ 9,759,044
2021	8,695,000	809,800	9,504,800
2022	5,600,000	571,306	6,171,306
2023	5,575,000	386,550	5,961,550
2024	4,630,000	219,400	4,849,400
2025-2027	2,865,000	147,188	3,012,188
Total	<u>\$ 35,989,000</u>	<u>\$ 3,269,288</u>	<u>\$ 39,258,288</u>

Revenue Bonds Payable - Represents 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 (i) finance a portion of the cost of settling litigation involving the Board and the Buffalo Teachers Federation; (ii) fund the Debt Service Reserve Fund to at least the Debt Service Reserve Fund Requirement; and (iii) pay legal, accounting, financing, and other fees and expenses relating to the issuance of the Bonds.

The Bonds are special revenue obligations of the Agency and are secured by Annual Payments payable by the City from all monies legally available (which availability is, in general, dependent upon annual appropriations by the City), and 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.

The remaining annual maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 665,000	\$ 421,141	\$ 1,086,141
2021	695,000	390,466	1,085,466
2022	730,000	354,841	1,084,841
2023	765,000	336,591	1,101,591
2024	805,000	298,341	1,103,341
2025-2029	4,535,000	958,671	5,493,671
2030-2031	2,060,000	155,750	2,215,750
Total	<u>\$ 10,255,000</u>	<u>\$ 2,915,801</u>	<u>\$ 13,170,801</u>

JSCB Bonds Payable - Represents bond payments due for the design, construction, and financing of public educational facilities in the City (see Note 5).

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

The remaining annual maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 55,780,000	\$ 34,664,975	\$ 90,444,975
2021	65,280,000	31,878,625	97,158,625
2022	74,675,000	28,617,375	103,292,375
2023	78,495,000	24,886,475	103,381,475
2024	75,735,000	20,964,725	96,699,725
2025-2029	279,335,000	53,858,563	333,193,563
2030-2032	60,215,000	4,748,388	64,963,388
Total	<u>\$ 689,515,000</u>	<u>\$ 199,619,126</u>	<u>\$ 889,134,126</u>

In prior years, the Board defeased JSCB bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board's financial statements. As of June 30, 2019 there was no defeased bonds from prior years are outstanding.

Compensated Absences - As described in Note 1.D.10, compensated absences, which total \$22,809,164 at June 30, 2019, represent amounts relating to sick, vacation and personal leave for employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service). The Board has estimated that \$10,469,016 will be paid in the next fiscal year.

Workers' Compensation - Workers' compensation obligations total \$44,682,000 at June 30, 2019, represent estimated amounts due for various outstanding claims.

Operating Leases - Operating lease obligations are primarily for rental of space and equipment. Lease expenditures and expenses for the year were \$3,376,198. The future minimum lease payments required for noncancellable operating leases are as follows:

<u>Fiscal Year</u>	
2020	\$ 5,443,651
2021	6,655,287
2022	6,492,927
2023	6,327,235
2024	6,357,133
2025-2029	29,045,692
2030-2034	16,901,057
2035	1,704,917
Total	<u>\$ 78,927,899</u>

H. INTERFUND ACTIVITY

Interfund activity at June 30, 2019, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 12,690,548	\$ 10,486,815	\$ 411,262	\$ 106,832,971
Capital Projects Fund	9,629,660	12,146,443	12,709,558	-
Special Aid Fund	-	517,260	2,940,971	-
Debt Service Fund	-	-	103,226,733	12,819,220
School Lunch Fund	-	-	465,267	-
Joint Schools Construction				
Board Fund	-	-	-	101,600
Agency Fund	857,155	26,845	-	-
Total	<u>\$ 23,177,363</u>	<u>\$ 23,177,363</u>	<u>\$ 119,753,791</u>	<u>\$ 119,753,791</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

Interfund receivables and payables were incurred primarily due to cash not being transferred prior to fiscal year end. The majority of the interfund revenues and expenses were for debt service and capital project expenses, unfunded grant expenditures and unspent bond proceeds associated with capital projects.

I. NET POSITION AND FUND BALANCE

1. NET POSITION

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 debt used to fund capital asset purchases reduce the balance in this category.

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 provision or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2019, plus nonspendable net position in the permanent fund.

Unrestricted net position - This category represents net position of the Board not restricted for any project or other purpose.

2. FUND BALANCE

In the governmental fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts 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 Board at June 30, 2019, include:

- *Permanent Fund* – represents assets that are legally restricted for endowment. This balance is nonspendable as the asset does not represent an available resource.
- *Inventory* - represents nonspendable inventory in the school lunch fund and school store.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority, the Board of Education. As of June 30, 2019, the Board had no committed fund balances.

Assigned – represents amounts that are constrained by the Board's intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Assigned to specific use* – Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose related to each fund's operations and represents amounts within funds that are not restricted or committed.
- *Assigned to subsequent year's expenditure* – represents available fund balance being appropriated to meet expenditure requirements in the 2020 fiscal year.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

As of June 30, 2019, fund balances were classified as follows:

	General	Capital Projects	Nonmajor Funds	Total
<u>Nonspendable</u>				
Inventory	\$ 886,304	\$ -	\$ 712,520	\$ 1,598,824
Endowment	-	-	313,006	313,006
<u>Restricted:</u>				
Unemployment insurance	3,156,044	-	-	3,156,044
Judgments, property loss and claims	17,750,000	-	-	17,750,000
Stabilization	3,876,337	-	-	3,876,337
Debt service	-	-	29,445,229	29,445,229
Special activities fund	-	-	186,290	186,290
<u>Assigned:</u>				
Subsequent years' expenditures	10,000,000	-	-	10,000,000
OPEB and other employee benefits	52,146,089	-	-	52,146,089
Prior year claims	9,000,000	-	-	9,000,000
Capital projects and repairs	17,080,000	5,591,478	-	22,671,478
Health insurance	15,084,559	-	-	15,084,559
School budget equity	5,000,000	-	-	5,000,000
School food service	-	-	16,974,726	16,974,726
Encumbrances:				
General support	2,255,043	-	-	2,255,043
Instruction	1,288,472	-	-	1,288,472
Transportation	2,320	-	-	2,320
Other	7,490	-	-	7,490
<u>Unassigned:</u>				
General	86,130,542	-	-	86,130,542
Total	\$ 223,663,200	\$ 5,591,478	\$ 47,631,771	\$ 276,886,449

NOTE 4 - AGENCY FUNDS

An agency fund exists for temporary deposit of funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2019.

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19
Cash	\$ 2,304	\$ 119,120,805	\$ 119,122,409	\$ 700
Extraclassroom activity cash	941,908	1,776,769	1,734,415	984,262
Due from other funds	317,123	14,612,127	14,072,095	857,155
	<u>\$ 1,261,335</u>	<u>\$ 135,509,701</u>	<u>\$ 134,928,919</u>	<u>\$ 1,842,117</u>
Employee liabilities	\$ 317,123	\$ 48,042,969	\$ 47,502,938	\$ 857,154
Extraclassroom activity balance	941,908	1,776,769	1,734,415	984,262
Due to other funds	1,162	29,919	4,236	26,845
Agency reserve	1,142	14,920,939	14,948,225	(26,144)
	<u>\$ 1,261,335</u>	<u>\$ 64,770,596</u>	<u>\$ 64,189,814</u>	<u>\$ 1,842,117</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - JOINT SCHOOLS CONSTRUCTION BOARD

The Buffalo Joint Schools Construction Board (the JSCB) is an inter-municipal board created as a joint cooperative board by resolutions of the Board and the City of Buffalo Common Council (the Council) and 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.

Although the Buffalo Schools Act confers extensive powers upon the JSCB in relation to the construction of new educational facilities, it assigns to the JSCB only limited functions in relation to the reconstruction of existing schools, which the act authorizes the Board to finance and implement as projects of the Erie County Industrial Development Agency (the ECIDA). Phase I, II, III, IV and V of the Program have been authorized by amendments to the Buffalo Schools Act as ECIDA reconstruction projects. The JSCB's role in those phases has been principally to assist and advise the Board in developing projects up to the point when plans and specifications have been approved by the State Education Department, financing is completed and available and construction can begin. The JSCB has also been assigned to monitor implementation of the Program's workforce and business diversification plan and to compare the financing of the Project available through ECIDA with financing of the Project available through the Municipal Bond Agency (and to employ the financing that will result in the lowest cost to the taxpayers of the City and the State). 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.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

A. CONTINGENCIES

1. GRANT AWARDS

The Board participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the Board's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Board anticipates such amounts, if any, will be immaterial.

2. LITIGATION

Various types of claims have been asserted against the Board by various claimants. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and recorded in the government-wide financial statements. The claims are in various stages of processing and some may ultimately be brought to trial. Claims are paid and ultimately funded by the fund associated with the loss. 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. It is the opinion of management that there will not be any material adverse effects on the Board's financial statements as a result of these actions.

3. STATE AID

The State periodically reviews its distribution of aid to school boards throughout the state. Thus, revenues recorded as of June 30, 2019, are subject to potential revision.

B. CONSTRUCTION COMMITMENTS

As of June 30, 2019, the Board has approximately \$14,355,175 committed to various renovations.

C. ENCUMBRANCES

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$3,553,325 in the General Fund.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - RISK MANAGEMENT

The Board is self-insured for workers' compensation and has accrued its best estimate of workers' compensation losses. The plan establishes reserve liabilities based on the estimated cost of individual claims incurred. Those estimates are determined based on many factors, one of the most significant being past experience. Since the reserve liability is an estimate it may not reflect the plan's ultimate liability.

The schedule below presents the changes in the Board's estimated claims since June 30, 2017. The estimated claims represent 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. Estimated claims represents anticipated future payouts based on prior experience with actual payments of claims.

The Board is self-insured for health insurance and the program is managed by a third party administrator. The Board has recorded an estimate for claim liabilities incurred but not paid based on an actuarial valuation. The Board purchases stop loss insurance to reimburse the Board for individual claims in excess of \$500,000.

At the end of the year, the Board records the liability for claims paid subsequent to year end as an accrued liability and the excess premiums held on deposit by the third party administrator as a receivable.

	Workers' Compensation
Estimated claims as of June 30, 2017	\$ 42,074,000
Claims incurred during the year	11,667,000
Payments made during the year, net	<u>(9,978,000)</u>
Estimated claims as of June 30, 2018	43,763,000
Claims incurred during the year	10,480,000
Payments made during the year, net	<u>(9,561,000)</u>
Estimated claims as of June 30, 2019	<u><u>\$ 44,682,000</u></u>

NOTE 8 - RELATED PARTY TRANSACTIONS

The amounts classified as due to the City of Buffalo, in the Special Aid Fund, represent cash advances made to the Board totaling \$38,771,582.

Additionally, the Board transferred \$10,429,505 to the City for payment of the Board's portion of principal and interest on long-term debt.

NOTE 9 - SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after October 21, 2019, which is the date these financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET
(NON-GAAP BASIS) AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Adopted Budget*</u>	<u>Final Budget</u>	<u>Actual Revenues</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local sources:				
Contribution from City of Buffalo	\$ 60,348,132	\$ 60,348,132	\$ 61,367,016	\$ 1,018,884
School tax relief reimbursement	10,474,626	10,474,626	9,455,742	(1,018,884)
Nonproperty tax items	44,642,049	44,642,049	48,767,444	4,125,395
Charges for services	2,200,000	2,200,000	3,517,805	1,317,805
Use of money and property	115,000	115,000	326,408	211,408
Sale of property and compensation for loss	64,939	64,939	34,374	(30,565)
Miscellaneous local sources	10,951,368	10,951,368	22,761,223	11,809,855
State sources:				
Basic formula	656,115,984	656,115,984	655,553,578	(562,406)
Lottery aid	91,000,000	91,000,000	88,458,956	(2,541,044)
Other aid	17,537,902	17,537,902	16,395,499	(1,142,403)
Federal sources	<u>2,600,000</u>	<u>2,600,000</u>	<u>4,469,862</u>	<u>1,869,862</u>
Total revenues	896,050,000	896,050,000	911,107,907	15,057,907
Other sources:				
Interfund transfers in	1,350,000	1,350,000	411,262	(938,738)
Appropriated fund balance	<u>19,000,000</u>	<u>21,531,165</u>	<u>-</u>	<u>(21,531,165)</u>
Total revenues and other sources	<u>\$ 916,400,000</u>	<u>\$ 918,931,165</u>	<u>\$ 911,519,169</u>	<u>\$ (7,411,996)</u>

The notes to the required supplementary information is an integral part of this schedule.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET
(NON-GAAP BASIS) AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019 (Continued)

	<u>Adopted Budget*</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
EXPENDITURES					
General support:					
Board of education	\$ 238,147	\$ 238,490	\$ 212,834	\$ 10,151	\$ 15,505
Central administration	1,102,429	1,086,188	964,490	-	121,698
Finance	3,469,038	3,588,903	3,299,741	27,756	261,406
Staff	3,721,571	3,840,150	3,560,484	95,948	183,718
Central services	61,958,991	63,703,117	59,672,331	2,099,641	1,931,145
Special items	2,164,775	2,230,453	1,779,896	10,200	440,357
Instruction:					
Instruction, administration, and improvements	33,126,950	33,576,922	31,975,946	120,414	1,480,562
Teaching - regular school	169,451,283	176,912,706	171,743,658	812,394	4,356,654
Teaching - special education	110,936,250	111,295,931	111,131,335	20,023	144,573
Charter school payments	129,650,714	125,891,600	125,419,915	-	471,685
Instructional media	5,525,172	5,538,745	5,334,246	133,755	70,744
Pupil services	21,503,033	21,726,709	19,911,228	177,543	1,637,938
Pupil transportation	58,656,690	58,782,628	54,868,459	38,010	3,876,159
Home and community services	135,989	145,989	145,300	-	689
Employee benefits	198,145,101	192,477,326	175,286,495	7,490	17,183,341
Total expenditures	799,786,133	801,035,857	765,306,358	3,553,325	32,176,174
Other uses:					
Interfund transfers out	116,613,867	117,895,308	117,262,476	-	632,832
Total expenditures and other uses	<u>\$ 916,400,000</u>	<u>\$ 918,931,165</u>	<u>\$ 882,568,834</u>	<u>\$ 3,553,325</u>	<u>\$ 32,809,006</u>
Net change in fund balance			<u>\$ 28,950,335</u>		

* See Schedule of Change from Original Budget to Final Budget on page 59 for reconciliation of GAAP to budgetary basis.

The notes to the required supplementary information is an integral part of this schedule.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
LAST FIVE FISCAL YEARS***

	Year Ended June 30,				
	2015	2016	2017	2018	2019
Teachers' Retirement System (TRS)					
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
District's proportion of the net pension (asset)/liability	1.695591%	1.668248%	1.651498%	1.836709%	1.822042%
District's proportionate share of the net pension (asset)/liability	<u>\$ (188,878,283)</u>	<u>\$ (173,277,759)</u>	<u>\$ 17,688,235</u>	<u>\$ (13,960,812)</u>	<u>\$ (32,947,326)</u>
District's covered payroll	\$ 248,023,907	\$ 258,505,177	\$ 259,159,687	\$ 308,322,717	\$ 307,737,480
District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	-76.2%	-67.0%	6.8%	-4.5%	-10.7%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-111.5%	-110.5%	99.0%	-100.7%	-101.5%
Employees' Retirement System (ERS)					
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
District's proportion of the net pension liability	0.142493%	0.141447%	0.132444%	0.136396%	0.139903%
District's proportionate share of the net pension liability	<u>\$ (4,813,758)</u>	<u>\$ 22,702,665</u>	<u>\$ 12,444,723</u>	<u>\$ 4,402,094</u>	<u>\$ 9,912,527</u>
District's covered payroll	\$ 39,110,981	\$ 41,408,099	\$ 40,206,979	\$ 42,572,064	\$ 44,405,569
District's proportionate share of the net pension liability as a percentage of its covered payroll	-12.3%	54.8%	31.0%	10.3%	22.3%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	97.9%	98.2%	96.3%

* This schedule is intended to show information for ten years. Since 2015 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

The notes to the required supplementary information are an integral part of this schedule.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF THE BOARD'S CONTRIBUTIONS
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED JUNE 30,**

	TEACHERS' RETIREMENT SYSTEM									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 15,246,576	\$ 20,465,737	\$ 26,491,441	\$ 28,341,558	\$ 40,700,597	\$ 43,929,324	\$ 33,792,412	\$ 34,062,426	\$ 34,111,928	\$ 31,671,613
Contributions in relation to the contractually required contribution	15,246,576	20,465,737	26,491,441	28,341,558	40,700,597	43,929,324	33,792,412	34,062,426	34,111,928	31,671,613
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	247,755,396	251,885,437	242,820,821	243,486,199	248,023,907	258,505,177	259,159,687	308,322,717	307,737,480	319,875,090
Contributions as a percentage of covered payroll	6%	8%	11%	12%	16%	17%	13%	11%	11%	10%

	EMPLOYEES' RETIREMENT SYSTEM									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 2,391,143	\$ 4,440,936	\$ 7,065,431	\$ 8,436,183	\$ 8,494,573	\$ 7,335,763	\$ 6,923,385	\$ 6,004,084	\$ 6,266,223	\$ 5,947,217
Contributions in relation to the contractually required contribution	2,391,143	4,440,936	7,065,431	8,436,183	5,070,646	7,695,528	7,283,149	6,363,848	6,266,223	5,947,217
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ 3,423,927	\$ (359,765)	\$ (359,764)	\$ (359,764)	\$ -	\$ -
Board's covered payroll	40,385,561	38,838,292	34,302,213	39,735,784	40,651,043	50,901,094	51,421,185	53,178,712	55,203,507	57,124,503
Contributions as a percentage of covered payroll	6%	11%	21%	21%	12%	15%	14%	12%	11%	10%

The notes to the required supplementary information are an integral part of this schedule.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF CHANGE IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS*

Measurement Date	2018	2019
	June 30, 2018 (In Thousands)	June 30, 2019 (In Thousands)
Total OPEB Liability		
Service cost	\$ 82,946	\$ 71,543
Interest	92,126	90,227
Changes in benefit terms	509	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(234,596)	(166,075)
Changes of assumptions or other inputs	(124,707)	170,379
Benefit payments	<u>(61,431)</u>	<u>(61,084)</u>
Net change in total OPEB liability	(245,153)	104,990
Total OPEB liability - beginning	<u>2,535,305</u>	<u>2,290,152</u>
Total OPEB liability - ending	<u>\$ 2,290,152</u>	<u>\$ 2,395,142</u>
Covered-employee payroll	\$ 345,602	\$ 377,000
Total OPEB liability as a percentage of covered-employee payroll	662.7%	635.3%

* This schedule is intended to show information for ten years. Since 2018 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

The notes to the required supplementary information are an integral part of this schedule.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - BUDGETARY INFORMATION

BUDGET BASIS OF ACCOUNTING

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only fund with legally approved budget for the fiscal year ended June 30, 2019, and therefore, is the only fund presented on the Budgetary Comparison Schedule.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

The capital projects fund is appropriated on a project-length basis. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Other special revenue funds and the private purpose trust fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

NOTE 2 - FACTORS AFFECTING TRENDS IN OTHER POSTEMPLOYMENT BENEFITS AND PENSIONS

The Board has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The Board currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis. Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.51 percent in 2019 and changes in the inflation rate from 2.50 percent in 2018 to 1.30 percent in 2019.

The Board's proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invest in. In addition, the discount factor has varied from 7.5 percent to 7.0 percent over the past four years.

SUPPLEMENTARY INFORMATION

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**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
COMBINING STATEMENT BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Debt Service	School Food Service	Joint Schools Construction Board	Special Activities	Permanent Fund	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ 300	-	\$ 186,290	-	\$ 186,590
Cash held by the City of Buffalo	-	16,221,321	-	-	-	16,221,321
Cash with fiscal agent	17,774,728	-	-	-	-	17,774,728
Cash and cash equivalents - restricted	11,670,501	-	-	-	313,006	11,983,507
Receivables	-	197,755	-	-	-	197,755
State and federal aid receivable	-	2,244,672	-	-	-	2,244,672
Inventory	-	712,520	-	-	-	712,520
Total assets	\$ 29,445,229	\$ 19,376,568	\$ -	\$ 186,290	\$ 313,006	\$ 49,321,093
LIABILITIES						
Accounts payable	\$ -	\$ 1,240,307	-	\$ -	-	\$ 1,240,307
Accrued liabilities	-	449,015	-	-	-	449,015
Total liabilities	-	1,689,322	-	-	-	1,689,322
FUND BALANCES						
Nonspendable	-	712,520	-	-	313,006	1,025,526
Restricted	29,445,229	-	-	186,290	-	29,631,519
Assigned	-	16,974,726	-	-	-	16,974,726
Total fund balances	29,445,229	17,687,246	-	186,290	313,006	47,631,771
Total liabilities and fund balances	\$ 29,445,229	\$ 19,376,568	\$ -	\$ 186,290	\$ 313,006	\$ 49,321,093

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Debt Service	School Food Service	Joint Schools Construction Board	Special Activities	Permanent Fund	Total
REVENUES						
Charges for services	\$ -	\$ 1,301,032	\$ -	\$ -	\$ -	\$ 1,301,032
Use of money and property	759,871	-	11,426	-	530	771,827
Miscellaneous local sources	-	71,885	-	5,340	-	77,225
State sources	-	977,571	-	-	-	977,571
Federal sources	-	30,828,216	-	-	-	30,828,216
Total revenues	759,871	33,178,704	11,426	5,340	530	33,955,871
EXPENDITURES						
Current:						
General support	-	1,276,205	-	-	-	1,276,205
Instruction - regular schools	-	31,276,476	-	-	-	31,276,476
Home and community services	-	-	-	4,165	5,347	9,512
Employee benefits	-	2,358,748	-	-	-	2,358,748
Debt service:						
Principal	54,413,334	-	-	-	-	54,413,334
Interest	37,753,516	-	-	-	-	37,753,516
Total expenditures	92,166,850	34,911,429	-	4,165	5,347	127,087,791
Excess (deficit) of revenues over expenditures	(91,406,979)	(1,732,725)	11,426	1,175	(4,817)	(93,131,920)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	103,226,733	465,267	-	-	-	103,692,000
Interfund transfers out	(12,819,220)	-	(101,600)	-	-	(12,920,820)
Total other financing sources	90,407,513	465,267	(101,600)	-	-	90,771,180
Net change in fund balances	(999,466)	(1,267,458)	(90,174)	1,175	(4,817)	(2,360,740)
Fund balances - beginning	30,444,695	18,954,704	90,174	185,115	317,823	49,992,511
Fund balances - ending	\$ 29,445,229	\$ 17,687,246	\$ -	\$ 186,290	\$ 313,006	\$ 47,631,771

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2019

Adopted Budget	\$	916,400,000
Additions:		
Prior year encumbrances		3,168,105
Budget Revisions:		
Cancelled encumbrances		<u>(636,940)</u>
Final Budget	\$	<u>918,931,165</u>

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures/Reclassifications To Date</u>			<u>Outstanding Encumbrances</u>	<u>Over (Under) Budget</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		
Computers & Technology	\$ 1,200,000	\$ 1,236,462	\$ 1,085,067	\$ 104,815	\$ 1,189,882	\$ 2,490	\$ 44,090
Refunding Savings Phase II	27,917,363	27,944,206	27,584,592	184,256	27,768,848	-	175,358
Partial Refunding Savings Phase IV	11,063,175	11,079,507	10,666,601	66,481	10,733,082	200,820	145,605
JSCB Local Share	-	2,596,756	2,572,506	24,250	2,596,756	-	-
Refunding Savings Phase III A&B	25,936,750	25,944,908	17,200,235	6,655,853	23,856,088	1,443,810	645,010
PA System Upgrades	145,584	315,584	-	224,789	224,789	89,339	1,456
Consolidated Capital Funds	-	4,246,767	-	-	-	-	4,246,767
Partial Refunding 2 Savings Phase IV	17,676,113	17,704,798	-	844,782	844,782	8,042,818	8,817,198
Pool Heater Replacement - School 84	30,000	30,000	-	23,350	23,350	-	6,650.00
Smart Schools Bond Act	10,000,000	26,360,170	10,007,636	10,609,159	20,616,795	4,575,898	1,167,477
Total Capital Project Expenditures and Other Financing Uses	\$ 93,968,985	\$ 117,459,158	\$ 69,116,637	\$ 18,737,735	\$ 87,854,372	\$ 14,355,175	\$ 15,249,611

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

Capital assets, net	\$	859,880,182
Add:		
Cash held by City of Buffalo		2,007,793
Cash with fiscal agents		17,774,728
Deferred charge on refunding		24,343,942
Total additions		<u>44,126,463</u>
Deduct:		
Joint School Construction Boards bonds payable		689,515,000
Due to City of Buffalo debt service fund		35,989,000
Premium on bonds		90,113,393
Total deductions		<u>815,617,393</u>
Net investment in capital assets	\$	<u><u>88,389,252</u></u>

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INTERNAL CONTROL AND COMPLIANCE

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**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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 aggregate remaining fund information of Board of Education, City of Buffalo, New York (the Board), as of and for the year ended June 30, 2019, 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 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the 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 of the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 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 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 Board'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 determination of financial statement amounts. 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.

Freed Maxick CPAs, P.C.

Buffalo, New York
October 21, 2019

JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION

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**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
INFORMATION REGARDING JOINT SCHOOLS CONSTRUCTION BOARD DEBT
FOR THE YEAR ENDED JUNE 30, 2019**

THE PROGRAM

Authorization

The Program was developed by the 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 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.

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 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 refunded in whole 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 refunded in whole from proceeds of the sale of the Series 2015A Bonds on June 24, 2015.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
INFORMATION REGARDING JOINT SCHOOLS CONSTRUCTION BOARD DEBT
FOR THE YEAR ENDED JUNE 30, 2019 (Continued)

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 substantially 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 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, 38 elementary and intermediate schools, and 3 special schools. There are 19 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:

SIZE OF BUFFALO SCHOOL SYSTEM
Fiscal Year Ended June 30

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u> ⁽⁴⁾
Enrollment	32,765	33,938	34,402	34,174	33,834	33,512	33,286	33,290
Schools ⁽¹⁾	68	65	62	61	61	61	61	61
Instructional Staff ⁽²⁾	3,403	3,489	3,416	3,489	3,542	3,624	3,631	3,626
Administrative Personnel ⁽²⁾	208	240	241	243	240	257	262	258
Non-Certified Personnel ⁽²⁾⁽³⁾	1,454	1,517	1,521	1,525	1,545	1,531	1,561	1,523

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, 2019.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
INFORMATION REGARDING JOINT SCHOOLS CONSTRUCTION BOARD DEBT
FOR THE YEAR ENDED JUNE 30, 2019 (Continued)

STATE AID

State Aid (All Funds)
 Buffalo CSD
 Fiscal Years
 2011 through 2020

Fiscal Year Ending June 30,	State Aid
	Received
	(\$ in Millions)
2011	\$625.9
2012	624.4
2013	661.8
2014	679.8
2015	697.9
2016	721.9
2017	764.7
2018	811.8
2019	822.1
2020 ⁽¹⁾	829.4

⁽¹⁾ Projected as of October 7, 2019.

Source: City of Buffalo Board of Education

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APPENDIX D

SUMMARY OF THE ACT

The Act and the Enabling Resolution contain various covenants and provisions, certain of which are summarized herein. Reference should be made to the Act and the Enabling Resolution for a full and complete statement of their provisions, including the definition of certain words and terms not defined herein.

Authorization for Fund (Section 3)

The City is authorized by the Enabling Resolution to establish and maintain with a Trustee a Capital Debt Service Fund for the purpose of paying Capital Debt Service. The Chief Fiscal Officer shall annually certify to the Collecting Officer and Trustee the amount of real property taxes to be deposited into the Fund at the time or times specified in the Enabling Resolution. Other Moneys may be deposited into the Fund. Amounts in the Fund shall be withdrawn by the Trustee for the purpose of paying Capital Debt Service.

Special Covenants to Secure Certain Obligations and Performance of the Act (Section 4)

At the discretion of the Common Council, the Enabling Resolution may contain certain covenants of the City to protect and safeguard the security and rights of Holders of Obligations issued and sold subject thereto and other Capital Debt Obligations outstanding. Such Enabling Resolution may contain covenants as to: (a) the establishment and maintenance of the Fund and its requirements; (b) the powers and duties of the Trustee; and (c) conditions which would give rise to an event of default.

Rights and Remedies of Holders of Certain Obligations (Section 5)

Holders of Obligations for the benefit of which the Fund is established shall have certain rights and remedies in addition to any rights and remedies under law, subject to the Enabling Resolution establishing said Fund. (See “Payment of and Security for the Bonds – Rights and Remedies” herein.)

State Pledge and Agreement (Section 6)

The State pledges to and agrees with and for the benefit of the Holders of Obligations benefited by the fund to refrain from the performance of certain acts. (See “Payment of and Security for the Bonds – Rights and Remedies” herein.) The City is authorized and directed to include this pledge in the Enabling Resolution.

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APPENDIX E

SUMMARY OF ENABLING RESOLUTION

Definitions (Section 101)

“Act” means the act of the legislature of the State entitled “AN ACT in relation to certain financing by the City of Buffalo, to authorizing the establishment of a debt service fund, to prescribing and limiting powers and procedures with respect to such fund, and to providing for the rights of holders of certain obligations of such city”, approved March 8, 1977 and constituting Chapter 12 of the Laws of 1977 of the State;

“Capital Debt Obligations” means serial bonds, bond anticipation notes and capital notes;

“Capital Debt Service” means with respect to a fiscal year (a) all principal due or becoming due in said year on any serial bonds and capital notes, (b) all amounts appropriated for principal amortization for said year on bond anticipation notes and (c) all interest due or becoming due for said year on serial bonds, capital notes and bond anticipation notes;

“Capital Debt Service Fund” or “Fund” means the fund so entitled which is held by the Trustee and is described and provided for in the Resolution;

“Capital Debt Service Requirement” means the amount of Capital Debt Service on Obligations in a fiscal year;

“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;

“City” means the City of Buffalo;

City Taxes means and includes all taxes on real property levied and assessed by the City based on valuation thereof, and shall not mean any rent, rate, fee, special assessment or other charge based on benefit or use;

“Collecting Officer” means the treasurer of the City and any other official empowered to demand, collect and receive City Taxes;

“Collection Period” means a length of time during which City Taxes are received by the Collecting Officer;

“Common Council” means the common council of the City;

“First Collection Period” means the Collection Period commencing on the first day of July and ending on and including the last day of November;

“Holder” or “Holders” means any person who shall be the bearer of an Obligation or Obligations registered to bearer or not registered, or the registered owner of any Obligation or Obligations which shall at the time be registered other than to bearer;

“Investment Securities” means any investment authorized pursuant to paragraph b of section one hundred sixty-five of the local finance law, except an investment in any obligation of any political subdivision of the State; provided such investment shall be payable or redeemable within such times as the proceeds thereof shall be needed to make payments from the Fund;

“Obligation” or “Obligations” means and includes all Capital Debt Obligations issued and sold subject to the Resolution and all Outstanding Capital Debt Obligations and any coupons appurtenant thereto;

“Other Capital Debt Redemption Sources” means all or part of the proceeds of Capital Debt Obligations issued, or other funds received, which are to be applied to payment of Capital Debt Service;

“Other Moneys” means and includes (a) accrued interest received at the time of delivery of any Obligation or Obligations; (b) the proceeds of any Obligation or Obligations no longer required for the object or purpose for which such Obligation or Obligations are issued; (c) investment earnings and capital gains on any Obligation or Obligations; (d) rents, rates, fees, special assessments or other charges based on benefit or use; (e) Other Capital Debt Redemption Sources; (f) funds received by the City which are required by law to be expended only for the payment of Capital Debt Service on an Obligation or Obligations; and (g) any other revenue received by the City, whether or not required by law to be expended for payment of Capital Debt Service on any Obligation or Obligations, which the Chief Fiscal Officer determines to so expend;

“Outstanding Capital Debt Obligations” means serial bonds, capital notes and bond anticipation notes outstanding on the date Capital Debt obligations are issued and sold subject to the Resolution;

“Resolution” means this resolution as the same may from time to time be amended or supplemented;

“Second Collection Period” means the Collection Period commencing on the first day of December and ending on and including the last day of June;

“State” means the State of New York; and

“Trustee” means any trust company or bank having the power of a trust company in the State, appointed by the City in the manner set forth in the Resolution, 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 Resolution.

Establishment of Capital Debt Service Fund (Section 201)

The City establishes a special fund to be known as the Capital Debt Service Fund (Fund) for the purpose of paying Capital Debt Service on Obligations for the benefit of Holders of Obligations; such Fund to be held, by and maintained with the Trustee. The City covenants with the Trustee and Holders of Obligations that it will comply in all respects with the provisions of the Act and the Resolution, that it will duly and punctually pay or cause to be paid Capital Debt Service on such Obligations, and that it will maintain the Fund with the trustee, and will operate the Fund in the manner set forth in the Resolution.

Operation of the Fund (Section 202)

On or before the first day of each fiscal year commencing hereafter, the Chief Fiscal Officer shall prepare and deliver to the Trustee and to the Collecting Officer, a certificate setting forth: (a) the Capital Debt Service Requirement for such fiscal year, (b) the portions of such Capital Debt Service Requirement allocated to each Collection Period, being July 1 through December 31, for the First Collection Period and January 1 through June 30 for the Second Collection Period, (c) a schedule of the amounts of Capital Debt Service Requirement allocated to each Collection Period and the date or dates when and place or places where such amounts are due and payable, and (d) the amount to be deposited in the Fund during each Collection Period, which amount shall equal the portion of the Capital Debt Service Requirement allocated to such period.

Commencing on the first day of each Collection Period, the Collecting Officer shall deposit real property tax collections in the Fund, until the amount so deposited equals the Capital Debt Service Requirement allocated to such period. At any time, Other Moneys shall be deposited in the Fund. When the amount deposited in the Fund equals the unpaid Capital Debt Service Requirement allocated to such period and any prior period, no further real property taxes shall thereafter be deposited in the Fund during such period. If at any time during a Collection Period the amount in the Fund exceeds the unpaid amount of Capital Debt Service Requirement

allocated to such period and any other prior period, such excess may be returned to the City in the manner set forth in Section 304.

The Chief Fiscal Officer's certificate shall be amended in order to provide for the payment of Capital Debt Service on Obligations issued after the commencement of the fiscal year for which such certificate was prepared, and such certificate as amended shall show the change in the amount to be deposited in the Fund.

Covenant as to City Tax Collection Procedure (Section 203)

The City covenants with the Trustee and the Holders of Obligations that it will not adopt a new tax collection procedure which in any manner shall provide insufficient City Taxes to timely pay portions of a Capital Debt Service Requirement allocated to any Collection Period as such portions and periods may be determined pursuant to the amended Resolution.

Negative Pledge (Section 204)

The City will not issue any Capital Debt Obligations other than Capital Debt Obligations issued and sold subject to the Resolution or any other forms of indebtedness and execute other contracts secured by a pledge of the revenues, moneys and securities in or payable to the Fund, and will not create or cause to be created any lien or charge upon the revenues, moneys and securities in or payable to the Fund.

Accounts, Reports and Certificates (Section 205)

The City covenants 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 City shall cause such books of record to be audited annually by one or more certified public accountants duly licensed by the State, and such audit shall be filed by the City with the Trustee.

Issuance and Sale of Capital Debt Obligations (Section 206)

All Capital Debt Obligations shall hereafter be issued and sold subject to the Resolution, unless the Common Council shall determine by resolution adopted by two-thirds of all the members of such Council and approved by the Mayor that a particular issue of Capital Debt obligations shall not be issued and sold subject to the Resolution, and such resolution shall be filed with the Trustee.

Moneys in the Fund (Section 302, 303 and 304)

The Trustee shall hold all moneys deposited in the Fund for the benefit of Holders of Obligations, and shall withdraw all amounts as may be necessary to pay the Capital Debt Service Requirement. Pending such withdrawals, moneys in the Fund may be invested in Investment Securities. If at any time during a Collection Period the amounts in the Fund exceed the unpaid amount of the Capital Debt Service Requirement allocated to such Collection Period and any prior Collection Period, the Chief Fiscal Officer may request the Trustee to, and the Trustee shall, pay over to the Chief Fiscal Officer the amount of such excess for use by the City in the manner provided by Law.

Resignation and Removal of Trustee (Section 310, 311 and 312)

The Trustee may resign by giving written and publication notice, and may be removed by the City or the holders of a majority in principal amount of Obligations outstanding provided at the time of any such removal or resignation a successor Trustee shall be appointed. A successor Trustee may be appointed by the City or the Holders of a majority in principal amount of Obligations outstanding, and any successor Trustee appointed by Holders shall supersede a successor Trustee appointed by the City.

Remedies and Abrogation of Right to Appoint Trustee (Sections 401 and 404)

The Holders shall be entitled to the benefits and be subject to the provision of Section 5 of the Act. (See “Summary of the Act.”) The powers provided by said Section 5 are conferred on the Trustee, and the right or privilege of the Holders of any Obligations to be issued and sold subject to the Resolution hereafter to appoint a different Trustee is abrogated.

Events of Default (Section 402)

Each of the following constitutes an event of default under the Resolution: (1) default by the City in the payment of principal or interest on any Obligation, whether at maturity or upon call for redemption, which default shall continue for a period of thirty days; or (2) failure or refusal by the City to maintain the Fund and the covenants with respect thereto which continues for a period of 45 days after written notice of such default to the City by the Trustee or the Holders of five per cent of the principal amount of Obligations outstanding; or (3) filing by the City of a petition seeking a composition of indebtedness under any applicable law or statute of the United States of America or of the State or seeking by the City of application of laws then in effect under the bankruptcy provision of the United States Constitution.

Enforcement by Trustee (Section 403)

Upon the happening and continuance of any event of default the Trustee may, and upon the written request of the Holders of twenty-five percent in principal amount of Obligations outstanding shall, exercise all or any of the powers of any such Holders set forth below and in addition (a) bring suit for any principal or interest then due with respect to such Obligations; (b) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of such Obligations, including any right to require the City to carry out the provisions of any contract with the Holders and to perform its duties thereunder; (c) bring suit upon such Obligations; and (d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of such Holders.

Enforcement by Holders (Section 405)

Any Holder of an Obligation at any time outstanding, whether or not then due and payable or reduced to judgment and either on his own behalf or on behalf of all persons similarly situated, may (a) by mandamus, original or ancillary, mandatory or other injunction, or any other order, process or decree, or by any other suit, action or proceeding at law or in equity, enforce all contractual or other rights of such Holder or Holders, including any right to require the City to carry out the provisions of any contract with such Holder or Holders and to perform its duties thereunder; and (b) by action, suit or other proceeding, enjoin any acts or things which may be unlawful or in violation of the rights of such Holder or Holders.

Restriction on Action by Holders (Section 406)

No Holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Resolution or for any other remedy hereunder, unless either (a) such Holder previously shall have given to the City and the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted requesting the Trustee to institute such suit, action or proceeding, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, or (b) such Holder previously shall have obtained the written consent of the Trustee to the institution of such suit, action or proceeding, and such suit, action or proceeding is brought for the ratable benefit of all Holders of Obligations.

Limitation on Powers of Trustee (Section 407)

Nothing in this Resolution contained shall be deemed to give power to the Trustee either as such or as attorney-in-fact of the Holders of Obligations to vote the claims of such Holders in any bankruptcy proceeding or to accept or consent to any plan of reorganization, readjustment, arrangement or composition or other like plan, or any other action of any character to waive or change any right of any such Holder or to give consent on behalf of any such Holder to any modification or amendment of the Resolution requiring such consent pursuant to the provisions of the Resolution.

Right to Enforce Payment of Obligations Unimpaired (Section 408)

Nothing in the Resolution contained shall affect or impair the right of the Holder of any Obligation to enforce payment of the principal of and interest on his Obligation, or the duty of the City to pay the principal of and interest on such Obligation to the Holder thereof at the time and place or places set forth in said Obligation.

Powers of Amendment (Sections 502 and 503)

Any modification or amendment of the Resolution and of the rights and obligations of the City and of the Holders of Obligations may be made by written consent of the Holder of at least two-thirds in principal amount of the Obligations outstanding at the time such consent is given; provided, however, that no such modification or amendment shall permit a change in the terms of redemption or maturity or the principal of any Obligation outstanding or of any installment of interest thereon or a reduction in the principal amount or the redemption price, if any, thereof or the rate of interest thereon, or the requirements for the discharge and satisfaction of the obligations of the City without the consent of the Holders of such Obligations, or shall reduce the percentage or otherwise affect the description of Obligations the consent of the Holders of which is required to effect such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without the filing with the Trustee of its written assent thereto.

Amendments Not Requiring Consent of Holders (Section 506)

The Resolution may be amended for any of the following purposes without consent of Holders: (1) to add to the covenants or agreements to be observed by the City; (2) to add to the limitations or restrictions to be observed by the City; (3) to surrender any right, power or privilege reserved to or conferred upon the City by the Resolution; (4) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; (5) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution; and (6) to effect any change in the operation of the Fund necessitated by any change or alteration in the procedure for collection of City Taxes.

Defeasance (Section 602)

The covenants, agreement and other obligations of the City to the Holders shall be discharged and shall be of no further force and effect if any time during a Collection Period: (a) there is on deposit in the Fund sufficient money or direct obligations of the United States of America or of the State, the principal of and interest on which will provide moneys to pay the unpaid amount of the Capital Debt Service Requirement of such Collection Period and any prior Collection Period as well as all the principal of and interest due or to become due on all Capital Debt Obligations issued and sold subject to the Resolution, (b) irrevocable instructions from the City to the Trustee for such payment on all Capital Debt Obligations issued and sold subject to the Resolution have been given, and (c) notice to the Holders of Obligations of the provisions for payment made herein has been given.

Regulations Regarding Investment of the Fund (Section 605)

Investment Securities purchased as an investment of moneys in the Fund shall be deemed at all times to be part of the Fund, and the interest thereon and any profit arising on the sale thereof shall be credited to the Fund, 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.

APPENDIX F

Hawkins Delafield & Wood LLP
 7 World Trade Center
 250 Greenwich Street
 New York, New York 10007

April 28, 2020

The Council of the
 City of Buffalo,
 in the County of Erie, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Buffalo (the “City”), in the County of Erie, New York, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$34,799,600 Bond Anticipation Note-2020 (the “Note”) of the City, dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation of the City for which the City has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the City is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note 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”), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with

such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the City will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the City's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the City with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the City, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the **City of Buffalo**, in the County of Erie, a municipal corporation of the State of New York.

“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.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Comptroller as of April 28, 2020.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s \$34,799,600 Bond Anticipation Note-2020, dated April 28, 2020, maturing on April 28, 2021, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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 of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (vii) modifications to rights of Securities holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, 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 Issuer;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (xv) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priorities rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **April 28, 2020**.

CITY OF BUFFALO, NEW YORK

By _____
Comptroller



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