

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 3, 2023

SERIAL BONDS

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 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds 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 Bonds 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 Bonds as “qualified tax-exempt obligations” pursuant to the provisions of Section 265 of the Code.



CITY OF BUFFALO, NEW YORK

\$26,000,000* GENERAL IMPROVEMENT SERIAL BONDS – 2023
(the “Bonds”)

Date of Issue: Date of Delivery

Maturity Dates: April 1, 2024-2036
(as shown on the inside cover)

The Bonds 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 Bonds 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 Bonds are dated the date of delivery and will mature on the dates and in the amounts, will bear interest at the rates and will have the yields or public offering prices shown on the inside cover of this Official Statement. Interest on the Bonds will be payable on the dates as shown on the inside cover of this Official Statement, calculated on a 30-day month and 360-day year basis. Principal and interest will be paid by Manufacturers & Traders Trust Company, Buffalo, New York, as Paying Agent, to the Depository Trust Company (“DTC” or the “Securities Depository”), which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds will be subject to optional redemption prior to maturity, see “Optional Redemption” herein.

The Bonds will be issued in book-entry form, registered to DTC in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. Payments of principal of and interest on the Bonds will be made by the City to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds. (See “*Book-Entry-Only System*” herein).

The Bonds are offered when, as and if issued and received by the purchaser 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 Bonds will be available for delivery on or about April 27, 2023.

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 BONDS AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING” HEREIN.

* Preliminary, subject to change.

\$26,000,000* GENERAL IMPROVEMENT SERIAL BONDS – 2023

Dated: Date of Delivery

Principal Due: April 1 as shown below
Interest Due: April 1, 2024, October 1, 2024 and
semi-annually thereafter on April 1 and
October 1 in each year until maturity

<u>Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2024	\$1,995,000			
2025	2,190,000			
2026	2,295,000			
2027	2,395,000			
2028	2,450,000			
2029	2,085,000			
2030	2,155,000			
2031	2,225,000			
2032	2,290,000			
2033***	2,220,000			
2034***	1,270,000			
2035***	1,295,000			
2036***	1,135,000			

* Preliminary, subject to change. The principal amounts of the Bonds are subject to adjustment following their sale, pursuant to the terms of the accompanying Notice of Sale.

** CUSIP numbers have been assigned by an organization not affiliated with the City and are included solely for the convenience of the holders of the Bonds. The City is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated above.

*** Subject to optional redemption prior to maturity as described herein.

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 Bonds 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**

MAYOR
Byron W. Brown

COMPTROLLER
Barbara Miller-Williams

COMMON COUNCIL
Darius G. Pridgen, President

Bryan J. Bollman
Joel P. Feroletto
David A. Rivera

Mitchell P. Nowakowski
Christopher P. Scanlon
Ulysees O. Wingo, Sr.

Joseph Golombek, Jr.
Rasheed N.C. Wyatt

Delano D. Dowell
Commissioner of Administration,
Finance, Policy and Urban Affairs

Cavette Chambers
Corporation Counsel

Hawkins Delafield & Wood LLP
Bond Counsel

Capital Markets Advisors, LLC
Municipal Advisor

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

\$26,000,000* GENERAL IMPROVEMENT SERIAL BONDS – 2023

This Official Statement (the "Official Statement"), which includes the cover page, inside 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 \$26,000,000* General Improvement Serial Bonds – 2023 (the "Bonds").

The factors affecting the City's financial condition and the Bonds 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 Bonds and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds 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 2020 population is estimated by the U.S. Bureau of the Census to be 278,349.

The Bonds are 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 Bonds, 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 Bonds, 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 BONDS – *Capital Debt Service Fund*" and Appendices D and E herein.)

The audited government-wide financial statements for the City's fiscal year ended June 30, 2022 indicate a net position total of (\$724,168) million, an increase of \$90.1 million over the prior year. Total revenues increased by \$35.1 million mainly due to increases in operating and capital grants and contributions due to new programs and projects underway following the pandemic. Total expenses increased by \$3.1 million. General Fund revenues and other sources exceeded expenditures and other uses by \$20.7 million for the fiscal year ended June 30, 2022. This compares to revenues and other sources exceeding expenditures and other uses by \$14.8 million for the fiscal year ended June 30, 2021 and expenditures and other uses exceeding revenues and other sources by \$3.4 million for the fiscal year ended June 30, 2020. The City's audited General Fund fund balance at June

* Preliminary, subject to change.

30, 2022 was \$125.1 million, compared to a General Fund fund balance of \$104.3 million at June 30, 2021 and \$89.5 million at June 30, 2020.

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 \$11.9 million determined in accordance with GAAP for the fiscal year ended June 30, 2022. This compares to revenues and other sources exceeding expenditures and other uses by \$46.7 million and \$42.3 million for the fiscal years ended June 30, 2021 and 2020, respectively. The Buffalo CSD's General Fund fund balance at June 30, 2022 was \$324.6 million compared to a General Fund fund balance of \$312.7 million at June 30, 2021, \$266.0 million at June 30, 2020 and \$223.7 million at June 30, 2019. (See "DISCUSSION OF FINANCIAL OPERATIONS - City and Buffalo CSD General Fund Financial Operations, 2021-22, 2020-21 and 2019-20" and "Independent Audits" herein.)

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 BONDS

Description of the Bonds

The Bonds will be dated the date of delivery and will mature in the principal amounts in each of the years and will bear interest at the rates shown on the inside cover page hereof.

Interest on the Bonds will be payable on April 1, 2023, October 1, 2023 and semi-annually thereafter on April 1 and October 1 in each year until maturity. Principal and interest will be paid by the City's Paying Agent, Manufacturers and Traders Trust Company, Buffalo, New York, 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 Bonds, as described herein under "THE BONDS – Book-Entry-Only System."

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, Jersey City, New Jersey ("DTC"). DTC will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds.

The record date for payment of the principal of and interest on the Bonds will be the fifteenth day (whether or not a business day) of the calendar month immediately preceding each interest payment date.

Authorization for the Bonds

The Bonds 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 Bonds

The proceeds received from the sale of the Bonds will provide \$26,000,000 of new money financing and applied to finance capital improvements of the City as detailed below pursuant to various bond resolutions adopted by the Common Council as detailed below:

Object or Purpose	Date of Authorization	Amount of Authorization	2023 New Money	The Bonds
Acquisition of Fire Apparatus - Pumper/Engine	2/18/2020	\$ 575,000	\$ 198,832	\$ 198,832
City Hall Improvements	2/18/2020	1,100,000	350,000	350,000
Dump Trump/Snow Plow Purchase	2/16/2021	1,070,000	500,000	500,000
Police Training Facility	2/16/2021	1,879,700	979,700	979,700
Park Improvement - Various	2/16/2021	1,468,800	867,000	867,000
Security Features - Parks (Various Sites)	2/16/2021	1,448,600	816,000	816,000
Acquisition of Fire Apparatus - Pumper/Engine	2/21/2023	650,000	650,000	650,000
Rapid Response Vehicle w/Trailer	2/21/2023	97,105	97,105	97,105
Front End Loaders - Purchase	2/21/2023	232,593	232,593	232,593
Sanitation Vehicles - Purchase	2/21/2023	242,450	242,450	242,450
Snow Plow - Purchase	2/21/2023	246,624	246,624	246,624
Street Sweeper - Purchase	2/21/2023	278,333	278,333	278,333
Engineering Fleet Vehicles (Dump Truck ,Pickup, Utility Truck w/Plows)	2/21/2023	450,000	450,000	450,000
Infrastructure on City Roads	2/21/2023	8,175,000	7,675,000	7,675,000
Alleyway Theatre Roof	2/21/2023	550,000	550,000	550,000
City Hall	2/21/2023	1,803,500	1,803,500	1,803,500
Downtown Ballpark	2/21/2023	535,000	535,000	535,000
Ed Saunders CC Kitchen	2/21/2023	25,000	25,000	25,000
Engine 1 Pipe Replacement	2/21/2023	75,000	75,000	75,000
Engine 25 Construction	2/21/2023	850,000	850,000	850,000
Fire Gear Washing Facility	2/21/2023	100,000	100,000	100,000
Fire Station Building Improvements (Various)	2/21/2023	500,000	500,000	500,000
Fire Station Emergency Generators	2/21/2023	1,070,000	523,882	523,882
Frank Merriweather Library	2/21/2023	485,000	185,000	185,000
Marcy Casino Stairs	2/21/2023	300,000	300,000	300,000
Mead Resource Center	2/21/2023	150,000	150,000	150,000
Museum of Science Sewer/Drainage	2/21/2023	100,000	100,000	100,000
Old First Ward CC Paving	2/21/2023	70,000	70,000	70,000
Police District B Renovations	2/21/2023	647,350	647,350	647,350
Police District E Renovations	2/21/2023	267,500	267,500	267,500
Police Graage Windows	2/21/2023	410,131	410,131	410,131
Police Training Facility	2/21/2023	535,000	535,000	535,000
Public Art	2/21/2023	130,000	130,000	130,000
Special Operation Center Roof	2/21/2023	1,177,000	1,177,000	1,177,000
Zoo Main Building ADA	2/21/2023	702,000	702,000	702,000
Zoo Roof Reconstruction	2/21/2023	200,000	200,000	200,000
Park Fleet Vehicles	2/21/2023	1,000,000	1,000,000	1,000,000
Hank Nowak Park Improvements	2/21/2023	80,000	80,000	80,000
Tree Removal/Replacement	2/21/2023	1,000,000	1,000,000	1,000,000
Demolitions	2/21/2023	500,000	500,000	500,000

Total

\$ 31,176,686	\$ 26,000,000	\$ 26,000,000
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Optional Redemption

The Bonds maturing in the years 2024 to 2032, inclusive, are not subject to redemption prior to maturity.

The Bonds maturing on or after April 1, 2033 will be subject to redemption prior to maturity, at the option of the City, on any date on or after April 1, 2032, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

The City may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each maturity selected, as the City shall determine to be in the best interest of the City at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the City by lot in any customary manner of selection as determined by the City. Notice of such call for redemption shall be given by mailing such notice to the registered owner(s) of the Bonds to be redeemed not more than sixty (60) days nor less than thirty (30) days prior to the proposed redemption date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall,

on the date of redemption set forth in such call for redemption, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

PAYMENT OF AND SECURITY FOR THE BONDS

General

Each Bond when duly issued and paid for will constitute a contract between the City and the owner thereof. The Bonds 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 Bonds, 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 Bonds 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 Bonds 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 bondholders, 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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities, 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 bond certificate will be issued for each maturity of the Bonds and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, Beneficial Owners are, 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 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such issue to be redeemed. The City is not responsible for sending notices to Beneficial Owners.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) 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 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bond 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, bond 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.

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 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds 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 Bonds 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 Bonds, 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 Bonds 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 Bonds 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 Bonds, 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, or 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 Bonds.

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 Bonds in order that interest on the Bonds 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 Bonds, 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 Bonds 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 Bonds 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 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. 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 Bonds.

Prospective owners of the Bonds 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 Bonds 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 Bond (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 bond 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 Bonds. In general, the issue price for each maturity of Bonds 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 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds 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 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond 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 Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. 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 Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds 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 Bonds.

Bond Premium

In general, if an owner acquires a bond 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 bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond 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 bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond 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 Bond may realize a taxable gain upon disposition of the Premium Bond 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 Bonds should consult their own tax advisors regarding the treatment of bond 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 bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. 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 Bond 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 Bonds 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 Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds 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 Bonds.

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City with respect to the Bonds, which will be available at the time of delivery of the Bonds, 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 Bonds, 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 Bonds.

If and when an owner of any of the Bonds should elect to sell a Bond 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 Bonds. The market value of the Bonds is dependent upon the ability of holder to potentially incur a capital loss if such Bond 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 Bonds. 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 Bonds, 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 City’s receipt of State aid may be delayed as a result of the State’s failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. 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 Bonds, for income taxation purposes could have an adverse effect on the market value of the Bonds (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 Bonds. (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 Bonds.

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 COVID-19 outbreak 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: The spread or resurfacing of the outbreak could have a material adverse effect on the State and municipalities, including the City. The City is continuously monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. See also “*Impacts of COVID-19*” under “*DISCUSSION OF FINANCIAL OPERATIONS*” in Appendix A for a discussion of the impacts of the COVID-19 pandemic upon the City and the BOE.

RATINGS

Moody’s Investors Service (“Moody’s”) and S&P Global (“S&P”) have assigned underlying ratings to the City’s outstanding uninsured bonds, including the Bonds, of “A1” and “A+”, respectively. The City has not requested a rating from Fitch Ratings on the Bonds. On September 9, 2021 Fitch Ratings assigned an underlying rating of ‘A’ Stable Outlook to certain outstanding uninsured bonds of the City.

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 Bonds.

MUNICIPAL ADVISOR

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

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 Bonds.

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.

On March 12, 2021, the Buffalo City School District experienced a cyber-attack which resulted in certain computer files and systems becoming inoperable. As a result of the attack, the School District has incurred and will continue to incur significant costs to restore operability of its systems and to conduct an investigation. As of March 24, 2022, the District has restored or is in the process of restoring its student management, facilities management, and financial operating systems, or utilizing manual workarounds or alternate procedures where necessary. Restoration costs through June 30, 2022 were approximately \$6.1 million, with federal stimulus funds accounting for \$5.5 million. There will be continuing costs to restore systems and to make enhancements to harden its network and security infrastructure in future years. Those costs are uncertain at this time; however, certain contracts budgeted for those purposes in federal stimulus funds are \$10.0 million and \$5.5 million in 2022-23 and 2023-24, respectively. Despite steps taken to prevent a similar incident in the future, no school district can provide assurances that such enhancements will be completely successful, and any future attacks could materially impact the School District's operations and financial condition.

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 Bonds, the City will execute an Undertaking to Provide Continuing Disclosure, the form of which is attached hereto as Appendix G.

Compliance History

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

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 Bonds. 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, New York 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 Bonds.

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 __, 2023

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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 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, 2022, the preliminary budgets and four-year financial plans were submitted for the City, the Buffalo CSD, the Buffalo Urban Renewal Agency and the Buffalo Municipal Housing Authority pursuant to the Act. On June 22, 2022, the BFSA determined that the four-year preliminary financial plan for the City of Buffalo, Buffalo City School District, the Buffalo Urban Renewal Agency and the Buffalo Municipal Housing Authority were complete and compliant and that the 2023-26 four-year preliminary financial plan for the City required additional supporting documentation of revenue estimates.

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>2022-2023⁽²⁾</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
General Fund Revenues:				
Taxes	\$ 165,595	\$ 168,786	\$ 172,727	\$ 179,391
Non-Property Taxes	12,407	12,407	12,407	12,407
Licenses and Permits	4,657	4,704	4,748	4,771
Intergovernmental	335,547	316,356	304,666	310,059
Service Charges	15,102	16,473	16,947	17,590
Fines	8,173	8,186	9,199	10,212
Interest	100	500	1,000	1,000
Miscellaneous	16,003	21,563	29,721	18,933
Transfers In	<u>10,664</u>	<u>12,483</u>	<u>12,924</u>	<u>15,221</u>
Total Revenues	<u>\$ 568,248</u>	<u>\$ 561,458</u>	<u>\$ 564,339</u>	<u>\$ 569,584</u>
General Fund Expenditures:				
Personal Services	\$ 266,396	260,004	262,116	265,957
Grants In-Aid	465	465	465	465
Misc. Utilities	19,255	17,468	17,641	17,816
Misc. Services	1,392	1,392	1,391	1,392
Misc. Other	4,450	4,250	3,650	3,150
Fringe Personal Services	7,140	7,211	7,284	7,356
Fringe Benefits	163,204	165,311	166,775	168,768
Debt Service	88	88	88	88
Interfund Transfers Out	<u>105,858</u>	<u>105,269</u>	<u>104,929</u>	<u>104,592</u>
Total Expenditures	<u>\$ 568,248</u>	<u>\$ 561,458</u>	<u>\$ 564,339</u>	<u>\$ 569,584</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, April 29, 2022.

⁽²⁾The 2022-23 Budget for Federal Aid includes \$52.6 million of Federal Stimulus funds.

Buffalo CSD

On May 1, 2022, the Buffalo CSD submitted a four-year financial plan for years 2022-23 through 2025-26. The plan indicates budgetary deficit of \$34.6 million in 2022-23, \$8.3 million in 2023-24, \$16.6 million in 2024-25, and \$30.8 million in 2025-26 after the planned use of fund balance. The Buffalo CSD projects that it will use \$90.2 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>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
General Fund Revenues:				
Property Taxes	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823
New York State - Foundation Aid	620,407	664,390	677,678	691,231
Other State Aid	223,282	229,235	227,091	214,523
Federal Sources	3,000	3,030	3,060	3,091
Sales Tax	48,720	49,451	50,193	50,945
Departmental and Other Revenues	<u>19,296</u>	<u>17,488</u>	<u>11,663</u>	<u>11,780</u>
Total Revenues	<u>985,528</u>	<u>1,034,417</u>	<u>1,040,508</u>	<u>1,042,393</u>
General Fund Expenditures:				
Personal Services	\$ 342,985	\$ 345,883	\$ 349,272	\$ 352,856
Departmental Expenditures	82,071	82,467	82,868	83,276
Tuition (other than Charter Schools)	34,668	35,015	35,365	35,719
Charter School Tuition	154,640	165,885	176,216	185,443
Fringe Benefits	197,012	201,850	207,744	213,871
Utilities	12,385	12,509	12,634	12,760
Contingency	31,200	29,600	42,300	51,300
Transportation	53,609	55,217	56,873	58,580
Transfers to Debt Service Fund	108,442	100,957	90,747	76,265
Transfers to Other Funds	<u>3,089</u>	<u>13,289</u>	<u>3,089</u>	<u>3,089</u>
Total Expenditures	<u>1,020,101</u>	<u>1,042,672</u>	<u>1,057,108</u>	<u>1,073,159</u>
Change in Fund Balance	<u>\$ (34,573)</u>	<u>\$ (8,255)</u>	<u>\$ (16,600)</u>	<u>\$ (30,766)</u>
Projected Surplus after use of fund balance	\$ -	\$ -	\$ -	\$ -

⁽¹⁾Source: Buffalo CSD, Division of Finance, as submitted to BFSA, May 1, 2022.

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 2023 through 2026. 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 and 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 the overall annual debt capacity for the City and the Buffalo CSD. The affordability of the incurrence of debt will be determined by calculating various debt ratios.

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

Charter Revisions

The voters of the City approved the recommendations of the Charter Revision Commission on November 2, 1999. The amended charter established more disciplined procedures for management of the City's capital assets (parks, streets, building, equipment, vehicles, etc.) and for planning and authorizing capital projects. The Comptroller is required to submit at the outset of the capital budgeting process an estimate of the amount of new debt the City can prudently incur during the next 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 10.3% and 10.5% for both of the combined general fund budgets of the City and the Board in fiscal years 2022-23 and 2021-22 respectively.

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

Budget Process

On or before May 1, the Mayor submits the proposed executive budget to the Common Council. The 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, 2021-22, 2020-21 and 2019-20

The City completed its fiscal year ended June 30, 2022 with revenues and other sources exceeding expenditures and other uses in the General Fund by \$20.7 million, as determined in accordance with GAAP. This compares to prior fiscal years in which revenues and other sources exceeded expenditures and other uses in the General Fund by \$14.8 million for the fiscal year ended June 30, 2021, and expenditures and other uses exceeded revenues and other sources in the General Fund by \$3.4 million for the fiscal year ended June 30, 2020. At June 30, 2022, 2021 and 2020, the nonspendable fund balance, which is comprised of real estate acquired for resale, prepaid items and long term receivables, was \$26.5 million, \$23.6 million and \$24.4 million, respectively; the restricted fund balance, which consists of capital outlays, and emergency medical funds, was \$15.8 million, \$15.1 million and \$14.2 million, respectively; the committed fund balance, which consists of the Emergency Stabilization "Rainy Day" Fund, was \$41.1 million, \$40.7 million and \$38.1 million, respectively; the assigned fund balance, which consists of encumbrances, motor vehicle self-insurance and potential judgments and claims was \$17.5 million, \$16.8 million and \$12.7 million, respectively; and the unassigned fund balance was \$24.0 million, \$8.2 million and \$0 million, respectively. In fiscal year 2019-20, the State provided the City an advance payment of \$7.5 million for future expected Seneca revenue sharing payments owed to the City. In fiscal 2021-2022, the City received \$34.8 million from the State, recognizing amounts received from the Seneca Nation

through December 31, 2021 (net of the \$7.5 million advance), and also accrued an additional \$4.3 million representing the amounts through June 30, 2022, which were received subsequent June 30, 2022.

The Buffalo CSD completed its fiscal year ended June 30, 2022 with revenues and other financing sources exceeding expenditures and other financing uses by \$11.9 million determined in accordance with GAAP. This compares with revenues and other financing sources exceeding expenditures and other financing uses by \$46.7 million in 2021 and revenues and other financing sources exceeding expenditures and other financing uses by \$42.3 million in 2020. At June 30, 2022, the non-spendable fund balance for inventory was \$1.0 million; the restricted fund balance for judgments and claims, unemployment insurance and stabilization was \$30.8 million; the assigned fund balance of \$187.7 million consists of amounts appropriated for the 2022-23 budget, capital needs, prior year claims, other post-employment benefits, health insurance, school budget equity, continuation of programs in expiring grants, and encumbrances. There is no committed fund balance. Unassigned fund balance was \$105.1 million.

City and Buffalo CSD General Fund 2022-23 Adopted Budgets

The City's adopted 2021-22 General Fund budgeted appropriations are \$534.6 million, representing a \$15.0 million or 2.9% increase over the 2020-21 adopted budget. The Buffalo CSD 2022-23 adopted General Fund budgeted appropriations are \$1,020.1 million, representing an increase of 4.9% from the 2021-22 adopted Budget. The adopted 2022-23 City and Buffalo CSD budgets aggregate to \$1,773.2 million, a \$179.1 million (or 11.2%) increase from the budget of \$1,594.1 million adopted for fiscal year 2021-22. (See "DISCUSSION OF FINANCIAL OPERATIONS – *Summary of Operations*" herein.)

Summary of Operations

The following two tables present separate summaries of operations for fiscal years 2019-20 through 2021-22 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 2022-23 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 2022-23.

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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
	2019-20	2020-21	2021-22	2022-23	2022-23 ⁽¹⁾
<u>REVENUES</u>					
Property Taxes and Other Tax Items	\$ 148,677	\$ 149,667	\$ 160,544	\$ 158,075	\$ 158,075
Utility and Other Non-Property Tax Items	12,592	12,189	14,389	12,407	12,407
Charges for Services	14,270	12,414	11,705	15,102	15,102
Interest	1,478	131	258	100	100
Federal Aid	3,052	43,164	18,264	56,017	56,017
State Aid	151,571	189,335	202,882	180,352	180,352
Local Sources and Other	88,447	98,140	108,537	105,178	105,178
Licenses and Permits	5,192	4,561	5,024	4,657	4,657
Fines	8,839	8,489	8,312	8,174	8,174
Miscellaneous	14,188	4,157	6,606	16,003	16,003
Total Revenues	<u>448,306</u>	<u>522,247</u>	<u>536,521</u>	<u>556,065</u>	<u>556,065</u>
<u>EXPENDITURES</u>					
General Government	57,356	58,051	66,313	81,278	86,259
Public Safety	159,607	157,915	178,031	173,412	177,331
Streets and Sanitation	12,020	11,731	14,948	15,333	17,724
Economic Assistance and Opportunity	2,253	2,542	2,924	4,494	4,670
Culture and Recreation	9,313	8,297	8,460	9,583	10,216
Health and Community Services	2,361	2,158	2,252	3,404	3,457
Education	70,823	70,823	70,823	70,823	70,823
Fringe Benefits	135,729	142,317	145,776	168,828	167,241
Other	8,130	8,184	3,508	4,450	4,466
Principal, Interest and Other Fiscal Charges	91	25,909	709	88	102
Total Expenditures	<u>457,683</u>	<u>487,927</u>	<u>493,744</u>	<u>531,693</u>	<u>542,289</u>
Excess (deficit) of revenues over expenditures	(9,377)	34,320	42,777	24,372	13,776
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	10,321	10,280	11,564	10,664	10,664
Transfers Out	(29,355)	(29,786)	(33,622)	(35,036)	(35,077)
Long-Term Deficiency Note	25,000	-	-	-	-
Total Other Financing (Uses) Sources	<u>5,966</u>	<u>(19,506)</u>	<u>(22,058)</u>	<u>(24,372)</u>	<u>(24,413)</u>
Change in Fund Balances	(3,411)	14,814	20,719	-	(10,637)
Fund Balance -Beginning of Year	<u>92,938</u>	<u>89,527</u>	<u>104,341</u>	<u>125,060</u>	<u>125,060</u>
Fund Balance -End of Year	<u>\$ 89,527</u>	<u>\$ 104,341</u>	<u>\$ 125,060</u>	<u>\$ 125,060</u>	<u>\$ 114,423</u>
<u>FUND BALANCE</u>					
Non Spendable	\$ 24,430	\$ 23,557	\$ 26,517		
Restricted	14,241	15,098	15,821		
Committed	38,140	40,661	41,145		
Assigned	12,716	16,830	17,527		
Unassigned	-	8,195	24,050		
Total Fund Balance	<u>\$ 89,527</u>	<u>\$ 104,341</u>	<u>\$ 125,060</u>		

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

⁽¹⁾The 2022-23 budgetary figures reflect changes made to the budget as of December 31, 2022 and reflects the use of \$10.6 million of fund balance. The 2022-23 Budget for Federal Aid includes \$51.8 million of Federal Stimulus funds.

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>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>Budget</u>	<u>2022-23⁽¹⁾</u>
REVENUES					
Property Taxes	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823
New York State - Foundation Aid	544,173	544,173	585,433	620,407	620,407
Other New York State Aid	235,098	193,848	208,196	223,282	223,282
Federal Sources	4,109	30,089	3,121	3,000	3,000
Sales Tax	48,519	54,352	56,939	48,720	51,720
Departmental and Other Revenues	<u>10,217</u>	<u>18,400</u>	<u>15,021</u>	<u>19,268</u>	<u>19,268</u>
Total Revenues	<u>912,939</u>	<u>911,685</u>	<u>939,533</u>	<u>985,500</u>	<u>988,500</u>
EXPENDITURES					
Personal Services	309,622	309,401	318,783	342,985	336,994
Departmental Expenditures	45,004	67,319	74,036	82,070	88,056
Tuition (other than Charter Schools)	34,807	33,074	30,084	34,668	32,960
Charter School Tuition	130,926	135,178	141,619	154,640	148,140
Fringe Benefits	171,374	177,812	184,260	197,012	194,236
Utilities	7,424	7,724	11,140	12,385	12,385
Contingency	-	-	-	31,200	19,927
Transportation	<u>48,599</u>	<u>25,992</u>	<u>43,073</u>	<u>53,609</u>	<u>50,923</u>
Total Expenditures	<u>747,756</u>	<u>756,500</u>	<u>802,995</u>	<u>908,569</u>	<u>883,621</u>
Excess (deficit) of revenue over expenditure	165,183	155,185	136,538	76,931	104,879
OTHER FINANCING SOURCES (USES)					
Transfers in	-	5,200	-	-	-
Transfers out	<u>(122,856)</u>	<u>(113,680)</u>	<u>(124,623)</u>	<u>(111,531)</u>	<u>(120,979)</u>
Total other financing sources (uses)	<u>(122,856)</u>	<u>(108,480)</u>	<u>(124,623)</u>	<u>(111,531)</u>	<u>(120,979)</u>
Change in Fund Balance	42,327	46,705	11,915	(34,600)	(16,100)
Fund Balance – beginning of year	<u>223,663</u>	<u>265,990</u>	<u>312,695</u>	<u>324,610</u>	<u>324,610</u>
Fund Balance – end of year	<u>\$ 265,990</u>	<u>\$ 312,695</u>	<u>\$ 324,610</u>	<u>\$ 290,010</u>	<u>\$ 308,510</u>
FUND BALANCE					
Non Spendable	\$ 1,043	\$ 827	\$ 1,006		
Restricted	30,805	30,806	30,806		
Committed	-	-	-		
Assigned	149,087	180,095	187,707		
Unassigned	<u>85,055</u>	<u>100,967</u>	<u>105,091</u>		
Total Fund Balance	<u>\$ 265,990</u>	<u>\$ 312,695</u>	<u>\$ 324,610</u>		

Source: Buffalo CSD, Division of Finance

⁽¹⁾2022-23 Projections are based on available data as of December 31, 2022 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 FY22-23. 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. The change in net position for the year ended June 30, 2022 was \$0.9 million determined in accordance with GAAP. This compares to a change in net position of \$0.8 million for the year ended June 30, 2021. The City received \$22.8 million in user fees for the fiscal year ended June 30, 2022, \$23.6 million in user fees for the fiscal year ended June 30, 2021 and \$24.4 million for the fiscal year ended June 30, 2019. The adopted 2022-23 budget includes \$30.7 million for user fees. Nonspendable fund balance of the General Fund includes \$15.7 million to cover deficits incurred by the Solid Waste and Recycling Enterprise Fund at June 30, 2022.

The Parking Enterprise Fund was established July 1, 1989 to account for the operations of City-owned parking ramps. The City has a management agreement with Buffalo Civic Auto Ramps, a non-profit organization, to operate the downtown ramps and a parking ramp at an area hospital. Revenues collected in excess of normal operating costs are remitted to the City to cover administrative costs and debt service. Net position is reserved for debt service and major repairs. The change in net position for the fiscal year ended June 30, 2022 was \$(0.2) million determined in accordance with GAAP. This compares to a change in net position of \$(0.7) million for the fiscal year ended June 30, 2021 and \$(3.7) million for the fiscal year ended June 30, 2020. Operating transfers out to the General Fund were \$2.0 million for fiscal year ended June 30, 2021. The adopted budget for fiscal year 2022-23 is \$2.9 million. The 2022-23 budget amount includes \$.9 million for debt service and \$1.6 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, 2022 were \$7.2 million. This compares to total expenses of \$9.9 million for the fiscal year ended June 30, 2021 and \$10.2 million for the fiscal year ended June 30, 2020. The adopted budget for 2022-23 totals \$14.3 million. (See "CITY-RELATED ENTITIES – *Buffalo Municipal Water Finance Authority*" and "*Buffalo Water Board*" herein.)

REVENUES

The 2022-23 adopted General Fund budget estimates revenues to be derived approximately 38.6% from municipally generated revenues; 31.8% from State aid; 9.9% from federal aid and other assistance; and 18.6% from other local governments, the majority of which is the shared County sales tax.

Municipally Generated Revenues

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

Real Property Tax

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

The General Fund accounts for the full receipt of the tax levy, including that portion of the levy raised for the Buffalo CSD and that portion of the levy deposited in the 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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Buffalo CSD Operations	\$ 60,393	\$ 61,066	\$ 61,754	\$ 65,193	\$ 65,409
City Operations	46,590	48,087	47,680	48,199	47,582
Capital Debt Service ⁽¹⁾	<u>38,337</u>	<u>38,712</u>	<u>38,431</u>	<u>34,473</u>	<u>40,049</u>
Total Budgeted Real Property Tax Levy	<u><u>\$ 145,320</u></u>	<u><u>\$ 147,865</u></u>	<u><u>\$ 147,865</u></u>	<u><u>\$ 147,865</u></u>	<u><u>\$ 153,040</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 \$10.9 million for the 2021-22 fiscal year compared to \$8.1 million for the 2020-21 fiscal year and \$8.8 million for the 2019-20. The budgeted amount for 2022-23 is \$8.5 million.

Annual Payment from the Water Board

Pursuant to an operation agreement by and between the City and the Buffalo Water Board dated September 24, 1992, the Board initially paid the City \$4.0 million in the 1992-93 fiscal year. This amount may be increased by 5.0% compounded annually at the City's sole discretion. The actual amounts received were \$8.0 million for 2021-22, \$7.6 million for 2020-21 and \$7.2 million for 2019-20. The adopted budget amount for 2022-23 is \$8.4 million. Such payment is made in lieu of utility taxes and also for certain legal, payroll and other services performed by City personnel.

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Departmental and Other Revenues

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

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

	<u>Actual</u> <u>2019-20</u>	<u>Actual</u> <u>2020-21</u>	<u>Actual</u> <u>2021-22</u>	<u>Adopted</u> <u>2022-23</u>
Parking and Other Fines	\$8.9	\$8.6	\$8.4	\$8.2
Interest Earnings	1.5	0.3	0.3	0.1
License and Permits	5.2	4.6	5.0	4.6
Cable Franchise Tax	2.9	3.1	2.9	3.0
Payment In Lieu of Taxes	3.5	3.4	3.2	4.9

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 \$6.8 million for 2021-22, \$3.1 million for 2020-21, and \$4.2 million for 2019-20. The adopted budgeted amount for the 2022-23 fiscal year is \$3.9 million. State grants and aids for operating purposes are accounted for in the City's General Fund. State aid for education is accounted for in the Buffalo CSD's General Fund.

New York State Aid to Education

Beginning with the 2007-08 fiscal year, the majority of State aid to be received by the Buffalo CSD has been calculated using "Foundation Aid." Foundation Aid was established by the 2007-08 State budget and combined four categorical aid grants with certain other formula aids. Formula aids consist of State aid determined in accordance with an application submitted to the State Education Department ("SED"), which incorporates required data concerning district enrollment, attendance and approved expenditures. At its inception, Foundation Aid established minimum annual increases in State aid of 3.0% per year through 2010-11, with high poverty districts such as the Buffalo CSD receiving more assistance. However, based on the economy of New York State, the State aid guarantees were abandoned after the first year. The Buffalo CSD received its first increase in Foundation Aid since 2008-09 with the adoption of the 2012-13 New York State Budget and has received increases each year since, until the 2020-21 State Budget, where Foundation Aid was frozen at the 2019-20 level, while the State implemented a Pandemic Adjustment which reduced overall State Aid by \$29.5 million, offsetting the same amount of Federal Disaster relief received by Buffalo CSD under the Federal CARES Act. The adopted 2021-22 State Budget included a \$43.3 million, or 8.0% increase in Foundation Aid, and legislation that if followed, will fully fund Foundation Aid by 2023-24. The adopted 2022-23 State Budget included a \$32.9 million, or 5.6% increase in Foundation Aid, as part of the second year of the three year phase-in of Foundation Aid legislated in the 2021-22 State Budget. Foundation Aid may decline in the future and no assurance can be given that Foundation Aid will continue at its current level.

The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. In addition, within Foundation Aid there are stipulations that the Buffalo CSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student

achievement as outlined in the Contract for Excellence (“CFE”) and the Community Schools set-aside that was established in 2016-17. For fiscal years 2014-15 through 2021-20, 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 through 2021-22. In the adopted 2022-23 State Budget, the CFE set-aside is \$13.6 million, while the Community Schools set-aside is \$21.1 million.

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

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

The Buffalo CSD depends on substantial financial assistance from the State. The Buffalo CSD received \$783.0 million of State Aid for all funds in fiscal year 2020-21 and \$833.2 million in fiscal year 2021-22. During 2020-21, the Buffalo CSD received \$8.8 million in State revenues that were originally reserved for as potential state aid reductions as of June 30, 2020. For the current fiscal year ending June 30, 2023, the Buffalo CSD budgeted \$895.9 million of State Aid receipts for all funds, and as of December 31, 2022, projects to receive approximately \$895.7 million by the close of such fiscal year. This projection is based upon the sum of: (i) a \$843.7 million apportionment to the Buffalo CSD for operations and maintenance expenses, (ii) \$50.4 million in projected receipts of State grant funding and (iii) \$1.6 million in projected receipt of food service funding. No assurance can be given that State Aid for all funds actually received by the Buffalo CSD in its 2022-23 fiscal year will equal the amounts estimated above.

Another State aid category, Charter School Transitional Aid, was established in the 2007-08 as part of the State Budget to help provide relief from the financial drain caused by the significant number of charter school students in certain school districts, including the Buffalo CSD. Charter School Transitional Aid totaled \$9.3 million for 2019-20, \$7.8 million for 2020-21 and in 2021-22, this aid was \$9.7 million. The 2022-23 budgeted and projected amount for Charter School Transitional Aid is \$8.9 million for both, as of December 31, 2022. The aid continues on a rolling basis so long as charter school enrollment continues to increase.

In addition to Charter School Transition Aid, beginning with the year 2015-16, the State established another aid category called Charter School Supplemental Tuition Reimbursement, which reimburses Buffalo CSD for any amounts in base tuition paid in the prior year that exceed the 2010-11 base tuition of \$12,005 per pupil from 2014-15 through 2017-18. Subsequently, this amount was locked in at \$1,000 per pupil in 2018-19 and years thereafter. In 2018-19, this aid was \$8.7 million; in 2019-20, this aid was \$9.0 million; and in 2020-21, this aid was \$9.2 million; and in 2021-22, this aid was \$9.7 million. The 2022-23 budgeted and projected amount for Charter School Supplemental Tuition Reimbursement is \$10.0 million for both, as of December 31, 2022.

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

to be received during the 2022-23 year relating to expenditures incurred during the 2020-21 through 2022-23 years.

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, 2022 is \$843.7 million, which is in line with the budget for the 2022-23 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, 2022, the remaining debt outstanding is \$7.4 million.

Chapter 57 of the Laws of 2005 provided for an apportionment to school districts for public pension accruals required to be accounted for beginning in the 2004-05 school year. Upon application, the apportionment is available to the Buffalo CSD as revenue and may be used to offset any General Fund deficit resulting from the impact of the implementation of GASB Technical Bulletin 2004-2. The apportionment is an advance of the subsequent year's general aid payable, and will reduce general aid in such subsequent years. The Buffalo CSD applied for and received an advance of \$11.5 million in each of the fiscal years 2004-05 through 2021-22. The Buffalo CSD intends to continue this practice so long as the legislation is renewed.

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

In addition to State aid for education, the Buffalo CSD receives federal Medicaid reimbursement for certain health services provided to students. The Buffalo CSD received a total of \$4.1 million for Medicaid reimbursement for 2019-20, \$2.2 million for 2020-21 and \$2.3 million for 2021-22. The 2022-23 budgeted and projected amount for Medicaid reimbursement is \$3.0 million as of December 31, 2022.

The Buffalo CSD 2020-21 adopted budget included \$29.6 million in Federal Aid under the CARES Act, which offset a corresponding State Aid reduction in that amount. The Buffalo CSD received \$27.9 million in revenues from these federal funds during 2020-21, \$0.4 million in 2021-22. \$1.2 million is projected to be received during 2022-23 as of December 31, 2022.

Pursuant to the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, Buffalo CSD expects to receive approximately \$89.2 million in additional federal disaster relief funds starting with its 2021-22 fiscal year. Further, pursuant to the American Rescue Plan (ARP), Buffalo CSD expects to receive \$200.4 million in additional federal disaster relief funds starting with its 2021-22 fiscal year. These funds are expected

to be supplemental in nature, and not result in any reduction in State Aid. The application for the \$89.2 million CRRSA Act (ESSER 2) grant was submitted to, and approved by, the State as of October 2021, while the \$200.4 million ARP Act (ESSER 3) application has been submitted to the State and was approved in February 2022. Total revenues under these funding sources in the 2021-22 fiscal year amounted to \$16.4 million and \$8.2 million respectively.

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

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

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

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

New York State General Purpose Aid

Prior to the enactment of the 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 2022-23 is \$161.3 million. General Purpose Aid revenue recognized in the 2021-22 fiscal year was \$161.3 million.

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

	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>Revised</u> <u>Budget</u>
	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2022-23</u>
Total General Purpose Aid	\$141,613	\$180,958	\$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.

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 2022-23 fiscal year for the Consolidated Plan, includes the Community Development Block Grant (CDBG) program, HOME Investment Partnership (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA), is \$19.3 million, which is a decrease of \$12.5 million compared to 2021-22. 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 the exception of a lump-sum \$12.5 million. The remaining 3.0% is distributed among the County, local municipalities and school districts in the County pursuant to the sales tax sharing agreement, as follows (1) The County retains 35.3055%; (2) 10.0087% is allocated on the basis of population to the Cities of Buffalo, Lackawanna and Tonawanda; (3) 25.6858% is divided among the Cities of Buffalo, Lackawanna, Tonawanda and the towns on the basis of population.; and (4) 29% is divided among all the 29 school districts in Erie County on the basis of the average daily attendance of public school pupils. The agreement provides that any party may terminate the agreement upon one year's prior written notice.

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 2022-23 the City and Buffalo CSD have budgeted \$104.3 million and \$48.7 million respectively in sales tax. 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 2022-23. For fiscal year 2021-22, the City received \$108.1 million and the Buffalo CSD received \$54.4 million from this source.

EXPENDITURES

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

<u>Department</u>	<u>2022-23</u> <u>Appropriations⁽¹⁾</u>	<u>Full-Time</u> <u>Funded</u> <u>Positions</u>
Legislative	\$ 3,466,996	41
City Clerk	3,183,099	27
Executive	8,093,855	96
Audit & Control	4,127,924	52
Law	4,901,324	49
Assessment	3,762,576	34
Management Information Systems	7,114,452	33
Administration & Finance	12,908,006	61
Parking	3,856,618	45
Police	90,714,289	1,020
Fire	71,029,517	789
Human Resources	5,844,680	25
Public Works, Parks & Streets	36,076,387	346
Community Services	5,321,760	47
Permits & Inspections	<u>5,994,923</u>	<u>92</u>
General City Total	266,396,406	2,757
Division of Water	8,786,312	138
Parking	115,771	1
Refuse & Recycling	<u>22,530,252</u>	<u>148</u>
Total	<u>\$ 297,828,741</u>	<u>3,044</u>

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

⁽¹⁾Appropriations in the 2022-23 Adopted City Budget.

FUNDED ANNUAL / FULL-TIME SALARIED POSITIONS BY MAJOR CITY DEPARTMENT⁽¹⁾

2012-13 as compared to 2022-23

	<u>Number of</u> <u>Positions</u> <u>FY 2012-13</u>	<u>Number of</u> <u>Positions</u> <u>FY 2022-23</u>	<u>Number</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Increase</u> <u>(Reduction)</u>
Police	994	1,020	26	2.62%
Fire	774	789	15	1.94%
Public Works, Parks & Streets	361	346	(15)	-4.16%

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

⁽¹⁾Funded full-time salaried positions as of December 31, 2022

Employee Contracts

The City

Employee contracts are in place for the 2022-23 fiscal year with three of the City's eight bargaining units, as shown in the following table.

The following chart describes the City unions, number of employees, when present agreements expire and when past agreements have expired. For those agreements that have expired, negotiations have begun. The number of employees is effective as of December 31, 2022.

<u>Unions</u>	<u>Number of Employees</u>	<u>Present Agreements Expire</u>
PBA (Police Officers)	736	6/30/2021
Local 282 (Firefighters)	880	6/30/2025
Local 264 (Blue Collar)	516	6/30/2025
Local 650 (White Collar)	433	6/30/2024
CGA (Crossing Guards)	101 ⁽¹⁾	8/31/2019
Local 2651 (Building Inspectors)	54	6/30/2020
Local 264T (Pipe Caulkers)	26	6/30/2022
Local 17 (Operating Engineers)	24	6/30/2020

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

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

Buffalo CSD

Ten employee contracts of the eleven bargaining units representing the employees of the Buffalo CSD are in place for the 2022-23 fiscal year, as shown in the chart below. The remaining contracts have expired and are under negotiations.

The following chart describes the Buffalo CSD unions, approximate number of employees represented, and the present agreement expiration dates. For those agreements that have expired, negotiations have begun. The number of employees is effective as of December 31, 2022.

<u>Unions</u>	<u>Number of Employees⁽¹⁾</u>	<u>Present Agreements Expire</u>
BTF (Teachers)	3,641	06/30/19
BCSA (Administrators)	266	06/30/26
PCTEA (White Collar)	456	06/30/26
Local 264 (Blue Collar)	61	06/30/25
Local 264 (Cook Managers)	23	06/30/26
Local 264 (Food Service)	Variable	06/30/23
BEST (Teachers Aides & Assistants)	896	06/30/25
SUBSTITUTES UNITED (Substitute Teachers)	Variable	06/30/24
BASA (Substitute Administrators)	Variable	06/30/23
TRANSPORTATION AIDES (Bus Aides)	Variable	06/30/24
Local 409 (Engineers)	36	06/30/26
Trades	38	N/A
Exempt (includes Board)	38	N/A

Source: Buffalo CSD, Finance Department.

⁽¹⁾Includes General, Grants and Food Service Funds as of December 31, 2022

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, 2022, the City made a prepayment retirement contribution of \$8.5 million for the ERS, which includes Enterprise functions and \$34.9 million for PFRS, which created a savings of \$311,697. Chapter 49, Laws of 2003 changed the billing cycle and instituted a minimum contribution rate for both ERS and PFRS, which is equal to 4.5% of payroll every year, including years in which the investment performance of the system would make a lower contribution possible. Chapter 94, Laws of 2015 changed the calculation of employer contributions for the funding on the basis of rates determined on known salaries from the prior fiscal year rather than on an estimate of salaries from the incomplete current fiscal year.

There was a retirement contribution of \$6.5 million paid by the Buffalo CSD for the fiscal year ended March 31, 2022 for the ERS.

For fiscal year 2022-23, the Buffalo CSD contribution for TRS is 10.29% 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 2019 through 2022.

TRS, ERS & PFRS EXPENDITURES
Fiscal Year Ended June 30

	Actual 2019	Actual 2020	Actual 2021	Actual 2022
City (ERS) ⁽¹⁾	\$ 7,801,268	\$ 8,042,096	\$ 8,320,695	\$7,956,228
City (PFRS)	28,268,658	29,306,830	31,270,823	32,749,379
Board (ERS)	5,947,217	5,998,034	6,152,793	6,502,836
Board (TRS)	31,671,613	27,347,081	28,800,016	31,173,278

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, 2022 was determined to be \$1.3 billion. The Buffalo CSD had an actuarial evaluation performed in accordance with GASB 75 that disclosed an accrued OPEB liability of \$1.7 billion as of June 30, 2022. There is no current requirement to fund the future OPEB obligation; however the Buffalo CSD assigned \$70.0 million of fund balance in fiscal year 2022-23 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 2021-22 totaled \$80.8 million which consisted of \$43.5 million for active employees and \$37.3 million for retired employees. The adopted budget for 2022-23 appropriates \$95.7 million for both active and retired employees.

The Buffalo CSD provides continuing health insurance coverage for substantially all Buffalo CSD employees, including certain teachers, who have retired from the Buffalo CSD. It is the Buffalo CSD's practice to fund actual claims paid and accrual an incurred but not reported liability at the end of each fiscal year. For the 2021-22 fiscal year the Buffalo CSD paid \$119.6 million for both active and retired employees. The adopted budget for 2022-23 appropriates \$130.8 million for both active and retired employees for the Buffalo CSD.

Debt Service

In fiscal year 2022-23, 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 \$42.4 million.

CITY-RELATED ENTITIES

Buffalo CSD

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

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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022⁽⁴⁾</u>	<u>2023⁽⁴⁾</u>
Enrollment	33,337	32,918	30,952	30,471	29,851
Schools ⁽¹⁾	61	61	59	59	59
Instructional Staff ⁽²⁾	3,631	3,654	3,643	3,598	3,641
Administrative Personnel ⁽²⁾	262	257	255	246	266
Non-Certified Personnel ⁽²⁾⁽³⁾	1,561	1,548	1,504	1,533	1,557

Source: Buffalo CSD, Finance Office

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

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

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

⁽⁴⁾Staff projected as of December 31, 2022; Enrollment as of January 18, 2023

Pursuant to the Charter Schools Acts, the Buffalo CSD is required to pay a State-set tuition rate to charter schools that enroll students residing in the City. Charter school enrollment of City resident pupils increased from 3,100 students in the 2003-04 school year to 9,749 in the 2021-22 school year and was originally projected for budgeting purposes to be 10,839 in 2022-23. As of September 30, 2021, the projected enrollment for 2022-23 is 10,164. The increases have been attributable to the availability of new seats and a continued growth of enrollment in existing charter schools. In 2003-04, the amount of charter school funding was \$8,434 per student (including \$7,934 for basic tuition, plus an estimated additional \$500 for special education funding) for a total of approximately \$26.4 million. The current funding rate for fiscal year 2022-23 is estimated to be \$14,267 per student (including \$13,417 for basic tuition, plus an estimated \$850 for special education funding). Total payments were \$135.3 million and \$141.6 million in fiscal years 2020-21 and 2021-22, respectively. The original budgeted amount for fiscal year 2022-23 is \$154.6 million, the modified budget and projection for the full fiscal year 2022-23 is \$154.6 million, as of December 31, 2022.

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 2021-22 fiscal year, were funded 7.7% from the City, 0.3% from the Federal government, 86.6% from State aid, 6.2% from an allotment of County sales tax revenues and

1.6% from other sources of revenue. The Buffalo CSD received \$56.9 million in sales tax revenues for 2021-22, and is projected to receive \$49.7 million for 2022-23, as of December 31, 2022.

The total amount of State aid the Buffalo CSD received for all funds during the 2021-22 fiscal year was \$833.2 million and is projected to receive \$895.7 million for 2022-23, as of December 31, 2022.

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 April 1, 2023 is \$116,050,000. 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. On May 13, 2020, the Water Board approved a contract with Veolia Water North America-Northeast, LLC (“Veolia”) for the management of the System. The agreement executed by Veolia has a term of ten years commencing July 1, 2020. The employees of the City of Buffalo, Division of Water continue to operate, maintain, repair and improve the system as provided for in the aforementioned Management Agreement. The Water Board will continue to provide water services for governmental purposes at no charge to the City. (See “REVENUES – Municipally Generated Revenues – Annual Payment from the Water Board,” herein).

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

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

Buffalo Urban Renewal Agency

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

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

Buffalo Sewer Authority

The Buffalo Sewer Authority (the "Sewer Authority") is a public benefit corporation created in 1935 under the Public Authorities Law of New York State. The Sewer Authority is responsible for the collection, conveyance and treatment of wastewater generated within the City and several suburban communities in order to eliminate sewage pollution in the Niagara and Buffalo Rivers and Lake Erie. Currently the Sewer Authority operates and maintains 845 miles of sewers in the City. The Sewer Authority also operates the Bird Island Sewage Treatment Plant, which is a 180-million gallon per day treatment facility providing primary and secondary treatment and disinfection.

The Board of the Sewer Authority consists of five members appointed by the Mayor for a term of three years. These appointments are subject to confirmation by the Common Council. The Buffalo Sewer Authority is a separate entity which has the power to raise its own revenues, incur debt, construct facilities, and to enforce its rules, regulations and permits. With the consent of the City, the Sewer Authority is authorized to utilize the employees and facilities of the City to carry out its duties and responsibilities. The Sewer Authority utilizes the services of the City's Law Department, the Department of Audit and Control, the Assessment Department, the Treasury Division and the Water Board. Sewer rent charges based on assessed valuation are mailed with the City tax bills and sewer rents based upon water usage are billed by the Water Board. For all these services, the Sewer Authority paid the City \$3.9 million in 2021-22. 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 2022-23 budget for the Sewer Authority totals \$61.5 million. There was a \$3.0 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 \$87.1 million at June 30, 2022. \$39.1 million of these bonds were issued by New York State Environmental Facilities Corporation (the "EFC"), in 2012, 2014, 2015 and 2021.

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).

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

The BFSA Act provides that the BFSA shall have different financial control and oversight powers depending upon whether the City’s financial condition causes it to be in a “control period” or an “advisory period.” Pursuant to the BFSA Act, an advisory period may not begin until the BFSA has determined that: “(a) for each of the three immediately preceding City fiscal years, the City has adopted and adhered to budgets covering all expenditures, other than capital items, the results of which did not show a deficit, without the use of any BFSA assistance as provided for within the BFSA Act, when reported in accordance with generally accepted accounting principles, and; (b) the Comptroller and the State Comptroller jointly certify that securities were sold by the City during the immediately preceding City fiscal year in the general public market and that there is a substantial likelihood that such securities can be sold by the City in the general public market from such date through the end of the next succeeding City fiscal year in amounts that will satisfy substantially all of the capital and cash flow requirements of the City during that period in accordance with the four-year financial plan then in existence.” On May 29, 2012, the BFSA made a determination that all provisions of the BFSA Act with respect to transitioning into an advisory period had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is re-imposed.

Under the BFSA Act, the BFSA began its existence during a City control period, which means that the BFSA commenced operation with its maximum authorized complement of financial control and oversight powers, as described below. Under an advisory period the BFSA operates with a reduced set of financial oversight powers and responsibilities. After an advisory period has been established, a control period may be re-imposed on the City upon a determination that a fiscal crisis is imminent or that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (a) the City shall have failed to adopt a balanced budget, financial plan or budget modification as required by Sections 3856 and 3857 of the BFSA Act; (b) the City shall have failed to pay the principal of or interest on any of its bonds or notes when due; (c) the City shall have incurred an operating deficit of one percent or more in the aggregate results of operations of any major fund of the City or a Covered Organization during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles, subject to the provisions of the BFSA Act; (d) the chief fiscal officer’s certification at any time, at the request of the BFSA or on the chief fiscal officer’s initiative, which certification shall be made from time to time as promptly as circumstances warrant and reported to the BFSA, that on the basis of facts existing at such time such officer could not make the certification described in subdivision one of Section 3851 of the BFSA Act; or (e) the City shall have violated any provision of the BFSA Act.

During an advisory period, the BFSA is empowered, among other things, (i) to review the operation, management, efficiency and productivity of City operations and of any Covered Organization’s operations, and to make reports and recommendations thereon; (ii) to review and comment on the budget, financial plan and financial plan modifications of the City and any of the Covered Organization’s; (iii) to audit compliance with

the City and any of the Covered Organization's financial plans; (iv) to review and comment on the terms of any proposed borrowing, including the prudence of each proposed issuance of bonds or notes by the City; (v) to assess and comment on the impact of any collective bargaining agreement to be entered into by the City; and (vi) to impose a control period upon making one of the statutory findings. See “– THE BUFFALO STABILITY AUTHORITY – *BFSA Review of Financial Plans and Budgets*” below for additional information.

While currently under an advisory period, a control period could be re-imposed in the event of the occurrence of certain events as described above. During a control period, the BFSA would be empowered, among other things, (i) to approve or disapprove contracts, including collective bargaining agreements to be entered into by the City or any Covered Organization, binding or purporting to bind the City or any Covered Organization; (ii) to approve or disapprove the terms of borrowings by the City and Covered Organizations; (iii) to approve, disapprove or modify the City's financial plans and take any action necessary in order to implement the financial plan should the City or any Covered Organization fail to comply with any material action necessary to fulfill the plan, including issuing binding orders to the appropriate local officials; (iv) to set a maximum level of spending for any proposed budget of any Covered Organization; (v) to impose a wage or hiring freeze, or both, with respect to employees of the City or any Covered Organization; (vi) to review the operation, management, efficiency and productivity of the City and any Covered Organization; and (vii) upon a determination that no condition exists which would permit imposition of a control period to terminate the control period.

BFSA Review of Financial Plans and Budgets

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

BFSA Debt Issuances

The BFSA has the power to issue bonds and notes for various City purposes, including the restructuring of a portion of the City's outstanding debt. Pursuant to the BFSA Act, such bonds or notes are payable from City tax revenues, Buffalo CSD tax revenues and State aid revenues. City tax revenues consist of the portion of the net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County, currently at the rate of 4.75%, that are payable to the City under the local sales tax agreement among the City, the County and the cities of Lackawanna and Tonawanda (the “Local Sales Tax Agreement”) authorized by Section 1262(c) of the State Tax Law on the sale and use of tangible personal property and services in the County (the “Local Sales Tax”) (see “REVENUES–Erie County Sales Tax”). The BFSA Act requires the County to impose the Local Sales Tax at a rate of no less than 3% through the period ending June 30, 2037. Under the Local Sales Tax Agreement, the City is presently entitled to receive a pro rata share, on the basis of population, of (i) an amount equal to 10.0087% of the net collections from such 3%, which is shared among the City, Lackawanna and Tonawanda, and (ii) an amount equal to 25.6858% of the net collections from such 3%, which amount is shared among the City, Lackawanna, Tonawanda and the towns within the County. In addition, pursuant to Section 1262-q of the State Tax Law, as amended, during the period beginning January 1, 2007 through and including November 30, 2023, the County is required to allocate to the cities and towns within the

County the first \$12.5 million of any net collections from the additional 1% of sales and compensating use taxes authorized by Section 1210(i)(4) of the State Tax Law, which allocation must be made in the manner and proportion required by the Local Sales Tax Agreement, and therefore result in additional City sales tax revenues of approximately \$5.7 million. The Buffalo CSD tax revenues consist of the portion of the County's net collections from the Local Sales Tax that is payable to the Buffalo CSD by the County pursuant to Section 1262(a) of the State Tax Law. The Buffalo CSD presently receives a pro rata share, on the basis of average daily attendance of public school pupils who are residents of the County, of an amount equal to 29.0% of the net collections from such 3%, which amount is shared among all school districts with territory in the County. Beginning with the State fiscal year 2019-20, State Law Section 1261(c)(5-a) required the State Comptroller to withhold and pay the towns and villages in the County from the sales tax remaining, after paying the BFSa, amounts equal to the base level of grants that these municipalities had received from the State under the Aid and Incentive for Municipalities ("AIM") program in the State fiscal year 2018-2019 as "AIM-related payments". Such AIM-related payments are made from the local, not the State, sales tax portion. The amount redistributed as AIM-related payments during the BFSa's fiscal year ended June 30, 2022 was \$714,138, consisting of \$459,859 from City sales tax and \$254,279 from Buffalo CSD sales tax. Such redistributions were made to effectuate the AIM-related payments. There was no fiscal implication as the City and the Buffalo CSD had no right to the sales tax required to be withheld and distributed as AIM-related payments pursuant to the State Tax Law Section 1261(c)(5-a). The 2022-23 Enacted State budget eliminated AIM-related payments and the withholdings from local sales tax collections used to fund such payments, beginning July 1, 2022.

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 March 31, 2023, a total of \$2.4 million is outstanding. The original bonds (Series 2004A, 2005A, 2005B&C, 2006A and 2007A) were issued to finance or refinance capital projects for the City and Buffalo CSD. In relation to each of such five series, the City issued and sold to BFSa corresponding general obligation bonds which were purchased by BFSa with the proceeds of its own bonds. (See "CITY INDEBTEDNESS – Debt Limit" – footnote 2 to the STATEMENT OF DEBT CONTRACTING POWER and footnote 1 to the STATEMENT OF DIRECT AND OVERLAPPING INDEBTEDNESS.)

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

<u>Calendar Year Issued</u>	Amount	<u>Series</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
	<u>Outstanding at March 31, 2023</u>			
2007	\$1,970	2007A	4.0 - 5.0%	2023
2015	\$470	2015A	3.0 – 5.0%	2025

Source: Buffalo Fiscal Stability Authority

BFSa Oversight Actions Related to the City's 2022-23 Fiscal Year

On May 2, 2022, the City submitted to BFSa the 2023-26 four-year financial plan that included the City of Buffalo and Covered Organizations, along with the proposed City 2022-23 budget, for review and determination whether the financial plans were complete and complied with the standards set forth in the BFSa Act §3857, subd. 2. On May 18, 2022, BFSa reviewed the 2023-26 financial plan; no action was taken on this date. On May 20, 2022, the City's 2022-23 budget was adopted, as amended, and was further modified on June 14, 2022; a revised City 2023-26 financial plan was subsequently submitted to BFSa. On June 22, 2022, the BFSa found the 2023-26 financial plans of the Buffalo CSD, the Buffalo Urban Renewal Agency and the Buffalo Municipal

Housing Authority to be complete and compliant with the BFSA Act. The BFSA found the City's financial plan to be complete and compliant with the BFSA Act, contingent on the appropriate filing and subsequent approval of a revised City of Buffalo Recovery Plan. Such City of Buffalo Recovery Plan was found to be inconsistent with the 2023-26 City financial plan, resulting in a shortfall in revenue estimates in the financial plan for federal stimulus funding for revenue replacement estimated at \$36.4 million. On December 6, 2022, as such revision had not been completed or filed, the BFSA declared the City's 2023-26 financial plan to be incomplete and out of balance by an adjusted amount of \$38.5 million and required the submission of a revised City of Buffalo Recovery Plan or other planned actions as necessary to balance the financial plan no later than January 16, 2023. As of March 8, 2023, neither a revised City Recovery Plan nor other planned actions to balance the financial plan had been submitted. No further action was taken by BFSA on this date as the City conveyed that such submission is pending.

On June 22, 2022, the BFSA reviewed a proposed labor agreement between the City and the American Federation of State, County and Municipal Employees, AFL-CIO, Local 264, representing approximately 612 blue-collar employees. The total estimated cost for this agreement over the 2023-26 financial plan is \$16.6 million; these increased costs were included in the financial plan and therefore no modification was required. Also on June 22, 2022, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Professional, Clerical, and Technical Employees' Association, representing approximately 519 budgeted white-collar employees and security officers. The total estimated cost for this agreement over the 2023-26 financial plan is \$14.6 million; these increased costs were included in the financial plan and therefore no modification was required. On July 19, 2022, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Buffalo Council of Supervisors and Administrators, representing approximately 278 budgeted union administrator positions. The total estimated cost for this agreement over the 2023-26 financial plan is \$27.1 million; no financial plan modification was required. On September 21, 2022, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the International Union of Operating Engineers, Local 409, representing approximately 58 budgeted custodial until service workers. The total estimated cost for this agreement over the 2023-26 financial plan is \$22.1 million; no financial plan modification was required. Also on September 21, 2022, BFSA reviewed a proposed labor agreement between the Buffalo Urban Renewal Agency (BURA) and the Civil Service Employees Association, Local 1000, AFSCME, AFL-CIO, Local 815, representing approximately 29 budgeted positions; with the exception of negotiated salary increases, the terms of this labor contract are extended to exempt employees. The total estimated cost for this agreement over the 2023-26 financial plan is \$1.5 million. A modified financial plan was submitted in conjunction with the proposed labor agreement and was reviewed by BFSA and was determined to be complete and compliant with the standards set forth in the BFSA Act §3857, subd. 2. On December 6, 2022, BFSA reviewed and commented on the proposed 2023 capital budget and related five-year capital plan. The final 2023 capital budget along with the proposed 2023 capital borrowing were reviewed and commented on by BFSA on March 8, 2023.

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

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

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

On June 21, 2021, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Buffalo Educational Support Team, representing approximately 565 budgeted teacher aides, 386 budgeted teaching

assistants, and 7 budgeted healthcare aides. The BFSa required that a modified 2022-2025 financial plan be submitted as the cumulative estimated costs of the contract of approximately \$22.1 million were not reflected in the plan. On August 12, 2021, the BFSa reviewed a proposed labor agreement between the Buffalo CSD and the Buffalo Association of Substitute Administrators (BASA), representing approximately 20 budgeted positions for substitute administrators, and also reviewed a proposed labor agreement with the Transportation Aides of Buffalo, New York State Substitute Teachers (TAB), representing approximately 370 budgeted bus aides. The total General Fund cumulative four-year estimated costs of these contracts were \$886,000 and \$3.4 million for BASA and TAB, respectively. The BFSa previously required the submission of a modified financial plan at its June 21, 2021 meeting; the BFSa further required the modified plan reflect the impact of these agreements. The BFSa accepted the District Superintendent's request to submit a modified financial plan by November 30, 2021. On September 27, 2021, the BFSa reviewed a proposed labor agreement between the Buffalo CSD and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO, representing approximately 55 blue-collar employees with 67 positions having been budgeted. The total General Fund cumulative four-year estimated cost of this contract is \$2.6 million; A modification to the Financial Plan was required as necessary. On October 15, 2021, the BFSa reviewed a Memorandum of Understanding between the District and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO, representing approximately 388 active food service workers. The four-year Food Service Fund cumulative estimated cost of the contract is \$3.0 million. A modification to the Financial Plan was required as necessary. The BFSa did not review a labor contract between the Buffalo CSD and the Substitutes United of Buffalo, representing the substitute teachers, as the Buffalo Board of Education ratified the agreement prior to the BFSa having an opportunity to receive and consider BFSa's comments. On December 15, 2021, the BFSa reviewed a 2022-2025 modified financial plan as submitted by the District and found such modified financial plan to be compliant with the BFSa Act. Also on December 15, 2021, the 2022 proposed capital budget and related five-year capital plan of the City was reviewed and commented on by the BFSa. On February 16, 2022, the BFSa reviewed a proposed labor agreement between the Buffalo Urban Renewal Agency and the Civil Service Employees Association, Local 1000, AFSCME, AFL-CIO, Local 815, representing approximately 27 employees with certain terms extended to 8 exempt employees; no financial plan modification was required. Also on February 16, 2022, the BFSa reviewed a modified City of Buffalo 2022-2025 financial plan and found the modified financial plan to be compliant with the BFSa Act. BFSa reviewed and commented on terms of the proposed 2022 capital borrowing on February 16, 2022. On June 22, 2022, the BFSa reviewed a proposed labor agreement between the City and the American Federation of State, County and Municipal Employees, AFL-CIO, Local 264, representing approximately 612 budgeted blue-collar employees. The total 2021-22 estimated cost for this agreement is \$3.4 million including both retroactive and current fiscal year costs; no budget modification was required for 2021-22. Also on June 22, 2022, the BFSa reviewed a proposed labor agreement between the Buffalo CSD and the Professional, Clerical, and Technical Employees' Association, representing approximately 519 budgeted white-collar employees and security officers. The total 2021-22 estimated cost for this agreement is \$0.5 million; no budget modification was required for 2021-22.

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

On May 1, 2020, the City submitted to BFSa the respective 2020-21 budgets and 2021-24 four-year financial plans of the City and Covered Organizations for review and determination whether the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 20, 2020, BFSa found the 2021-24 financial plan to be incomplete noting, and accepting, the Mayor's commitment for the submission of a revised financial plan. An alternative spending model was submitted by the Mayor on May 22, 2020. On June 17, 2020, the BFSa found the revised financial plan dated May 22, 2020 and budget adopted on June 4, 2020 to be incomplete and recommended a revised financial plan be submitted. No revised financial plan was submitted. On June 24, 2020, the BFSa reviewed a deficiency note transaction as proposed by the City of Buffalo. Also on June 24, 2020, the BFSa required the City to submit a final budget and financial plan to reflect the final adopted budget as well as modifications required to reflect the deficit note. The City submitted a final budget and financial plan on June 30, 2020, which was reviewed by BFSa on July 20, 2020. BFSa staff presented findings from the review of this item to the Board of Directors, which included the identification of various uncertain revenue estimates including federal stimulus, New York State aid and Tribal State Compact

(i.e., casino) revenue, among other revenue and expenditure projections. A proposed resolution which would have determined that the financial plan did not comply with standards of the BFSA Act failed because BFSA had three board vacancies, one board member was unavailable to attend, and the Mayor abstained from the vote. The BFSA Board of Directors subsequently approved a resolution authorizing copies of 1) the draft resolution on the financial plan, which had failed to be adopted, along with a notation for the reason it had failed, 2) the City's adopted budget and financial plan, 3) the Mayor's letter of June 30, 2020 and 4) the BFSA's staff report, be transmitted to the Mayor, the State Director of the Budget, the State Comptroller, the Chair of the Assembly Ways and Means Committee, and the Chair of the Senate Finance Committee. Such transmission occurred July 21, 2020.

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

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

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

On May 20, 2019, the BFSA reviewed a proposed labor agreement between the Buffalo Municipal Housing Authority and the International Union of Operating Engineers, Local 17-17S, AFL-CIO, representing approximately 6 operating engineers; a financial plan modification for the 2020-23 financial plan was not required. On July 29, 2019, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Professional, Clerical, and Technical Employees' Association, representing approximately 452 white-collar employees; a financial plan modification was not required. On September 23, 2019, the BFSA reviewed a proposed labor agreement between the City and the American Federation of State, County and Municipal Employees, AFL-CIO, Local 650, representing approximately 440 white-collar employees employed by the City. A draft modified financial plan was submitted to BFSA noting a final financial plan would be subsequently submitted. A final modified financial plan was not submitted. A tentative labor agreement was reviewed on October 29, 2019, between the Buffalo CSD and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO Cook Managers, representing approximately 23 cook managers; a modified financial plan was not required. On December 12, 2019, the 2020 proposed capital budget and related five-year capital plan of the City was reviewed and commented on by BFSA. On February 25, 2020, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Substitutes United/Buffalo-NYSUT union, representing approximately 619 substitute teachers; a modified financial plan was not required. On March 23, 2020, the BFSA reviewed and commented on the Buffalo Municipal Housing Authority's proposed capital fund housing revenue bonds, Series 2020. On April 14, 2020, the BFSA reviewed and commented on the City's proposed 2020 bond anticipation note sale. On June 24, 2020, the BFSA reviewed a deficit note transaction as proposed by the City.

CITY INDEBTEDNESS

At April 1, 2023 the City has outstanding gross indebtedness of \$128.7 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 resolution adopted to authorize issuance of the Bonds.

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

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

A condition precedent to the incurrence of capital indebtedness to be financed by borrowing is the adoption of a bond resolution in conformity with the provisions of the Local Finance Law, which law requires that the City

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

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

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

Debt Limit

The State Constitution limits the amount of indebtedness, both funded and short-term, which the City may incur. In accordance with the 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, 2020 that the net revenues of the facilities are sufficient to pay 100% of the debt service on the respective issues of outstanding bonds. This certificate expires on October 1, 2022. The City expects to renew the exclusion prior to the expiration date. Authorized but unissued debt is not charged against the debt limit.

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CITY OF BUFFALO
STATEMENT OF DEBT CONTRACTING POWER
April 1, 2023^{(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	\$ 13,652,228,002	
Debt Contracting Limitation: Nine Percent of Average Full Valuation - Article VIII, Section 4, of the Constitution of the State of New York	\$ 1,228,700,520	100.00%
Gross Indebtedness:		
Borrowings:		
Serial Bonds	\$ 128,712,621	
Total Gross Debt	<u>128,712,621</u>	
Exclusions:		
Exempt Debt:		
Parking Facilities Bonds	4,467,823	
Reserve to Pay Non-Exempt Debt	1,199,725	
Appropriation in Current Budget to Pay Non-Exempt Debt Maturing during Remainder of FY	<u>-</u>	
Total Exclusions	<u>\$ 5,667,548</u>	
Net Indebtedness	<u>123,045,073</u>	10.0%
Debt-Contracting Margin	1,105,655,447	90.0%
Less Authorized But Unissued Non-Exempt Debt ⁽⁴⁾	<u>41,027,489</u>	3.3%
Effective Borrowing Capacity	<u>\$ 1,064,627,958</u>	86.6%

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 \$587,621 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, 2023

DIRECT DEBT

Bonded Debt:

General Purpose ⁽¹⁾	\$ 117,849,798	
School	6,395,000	
Off-Street Parking Facilities ⁽²⁾	<u>4,467,823</u>	
Total Bonded Debt		<u>\$ 128,712,621</u>

Other Debt:

Municipal Bond Bank Agency ⁽³⁾	7,385,000	
Capital Lease Obligations	<u>-</u>	
Total Other Debt:		<u>7,385,000</u>

GROSS DIRECT DEBT 136,097,621

Deductions:

Self-Supporting debt		
Off-Street Parking Facilities	<u>4,467,823</u>	
Total Deductions		<u>4,467,823</u>

NET DIRECT DEBT \$ 131,629,798

OVERLAPPING DEBT	<u>Outstanding</u>	<u>City Share %</u>	<u>City Share</u>
Erie County	317,610,000 ⁽⁴⁾	18.4% ⁽⁵⁾	58,440,240
Buffalo Sewer Authority	87,075,895	61.0% ⁽⁶⁾	<u>53,116,296</u>
NET OVERLAPPING DEBT			<u>\$ 111,556,536</u>

NET DIRECT AND OVERLAPPING DEBT \$ 243,186,334

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 - \$587,621)

⁽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 2021-22 fiscal year, net revenues received by the City from rental payments were \$4,465,038 of the \$891,679 for 2022-23 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, 2022. Excludes County general obligations sold for sewer districts in the County payable from assessments on property outside the City. Such debt is paid from annual benefit assessments in each district by various fees and charges.

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

⁽⁶⁾Within the City, approximately 19.7% of the operating fund revenue of the Sewer Authority is derived from a sewer rent on the assessed value of real property, and 41.3% of the revenue is received from a sewer rent based on water usage, which total 61.0%.

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, 2023.

	<u>Amount</u>	<u>Per Capita</u> ⁽¹⁾	<u>Ratio to Assessed Value of Taxable Property</u> ⁽²⁾	<u>Ratio to Estimated Full Value of Taxable Property</u> ⁽³⁾
Gross Direct Debt	\$ 136,097,621	\$ 489	1.16%	0.90%
Net Direct Debt	131,629,798	473	1.12%	0.87%
Net Direct & Overlapping Debt	243,186,334	874	2.07%	1.60%

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

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

⁽²⁾The taxable assessed valuation of the City for the 2022-23 fiscal year is \$11,617,074,959

⁽³⁾The full valuation of the City for the 2022-23 fiscal year based on the Special Equalization Ratio of .7400 established by the State Board of Equalization and Assessment is \$15,698,749,945

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, 2023.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 25,340,163	\$ 6,071,552	\$ 31,342,990
2025	21,242,458	4,893,561	26,128,444
2026	17,640,000	3,850,175	21,490,175
2027	12,890,000	2,966,175	15,856,175
2028	12,845,000	2,328,300	15,173,300
2029	10,590,000	1,711,250	12,301,250
2030	8,320,000	1,243,500	9,563,500
2031	8,705,000	864,000	9,569,000
2032	7,105,000	496,300	7,601,300
2033	1,980,000	161,400	2,141,400
2034	2,055,000	82,200	2,137,200
	<u>\$ 128,712,621</u>	<u>\$ 24,668,413</u>	<u>\$ 153,304,734</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>
2024-2028	\$ 89,957,621	69.9%
2029-2033	36,700,000	28.5%
2034-2035	<u>2,055,000</u>	<u>1.6%</u>
	<u>\$128,712,621</u>	<u>100.0%</u>

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

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

<u>Ended June 30:</u>	<u>Gross Bonded Debt</u> ⁽¹⁾
2013	\$ 288,134,741
2014	275,738,853
2015	266,986,629
2016	249,119,048
2017	237,798,085
2018	225,535,726
2019	213,588,818
2020	214,567,661
2021	173,726,171
2022	163,441,586

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

⁽¹⁾Includes Buffalo CSD and Enterprise Debt

Short-Term Indebtedness

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

Revenue Anticipation Notes

Revenue anticipation notes may be issued in any fiscal year in anticipation of the collection of estimated taxes (other than real property taxes), monies estimated to be received from the State and federal governments and certain other types of income which are due and payable in such fiscal year. Generally, such notes must mature within one year after the date of issuance and may be renewed from time to time for periods of up to one year in an amount not exceeding such uncollected revenue; however, the maturity of such notes, including renewals, may not extend beyond the end of the second fiscal year following the fiscal year in which such notes were originally issued. Interest on revenue anticipation notes is provided for by appropriation in the City budget. If such notes, including renewals, have not been redeemed by their final maturity, monies for the redemption thereof may be provided for either by the revenues in anticipation of which the original notes were issued, or by appropriations in the City budget and from the proceeds of obligations issued in anticipation of revenue receipts budgeted to finance such appropriations. The City has not issued revenue anticipation notes since 2007.

Tax Anticipation Notes

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

Bond Anticipation Notes

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

Budget Notes

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

Deficiency Notes

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

Urban Renewal Notes

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

Capital Notes

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

Prospective Long-Term Indebtedness of the City

As of April 1, 2023, the City had authorized but unissued general obligation debt in the amount of \$15.6 million. The 2023 Capital Improvement Budget, as submitted by the Mayor on November 1, 2022, which totaled \$29.3 million, was adopted on December 13, 2022.

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, 2021 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 2022-23 Fiscal Year**

Two Per Centum of Five-Year Average Full Valuation	\$	273,044,560
EXCLUSIONS ADDED THERETO		
Gross Debt Service	\$	41,286,781
Resources Applied to Debt		(1,487,571)
Interfund Transfers		-
Net Capital Debt Service ⁽²⁾		39,799,210
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		12,016,219
Total Exclusions	\$	52,415,429
MAXIMUM TAXING POWER		325,459,989
REAL ESTATE TAX LEVY		153,040,275
TAX LEVYING MARGIN	\$	172,419,714

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

⁽¹⁾City of Buffalo Adopted 2022-23 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 2022-23 Fiscal Year**

Fiscal Year		Assessed	State Special Equalization		Full
Ended June 30:		Valuation⁽¹⁾	Ratio⁽²⁾		Valuation⁽³⁾
2019	\$	6,668,535,362	0.6222	\$	10,717,671,749
2020		6,661,426,846	0.4963		13,422,177,808
2021		11,818,651,877	0.8647		13,667,921,680
2022		11,728,446,507	0.7949		14,754,618,829
2023		11,617,074,959	0.7400		15,698,749,945
Total Five-Year Full Valuation				\$	68,261,140,010
Five-Year Average Full Valuation				\$	13,652,228,002
Tax Levying Limitation: 2% of Average Full Valuation				\$	273,044,560
Debt Contracting Limitation: 9% of Average Full Valuation				\$	1,228,700,520

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 2022

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

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

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

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COMPOSITION OF REAL PROPERTY
for the Fiscal Year Ended June 30

	2019	2020	2021	2022	2023
TOTAL ASSESSED REAL ESTATE	\$ 10,305,752,786	\$ 10,396,397,904	\$ 16,592,594,138	\$ 16,504,433,351	\$ 16,475,672,311
Special Franchise Assessment ⁽¹⁾	<u>329,173,554</u>	<u>310,855,096</u>	<u>466,911,076</u>	<u>490,364,209</u>	<u>437,333,745</u>
TOTAL ASSESSED VALUATION	10,634,926,340	10,707,253,000	17,059,505,214	16,994,797,560	16,913,006,056
Non-Taxable Real Estate	(3,957,238,119)	(4,047,105,680)	(5,307,042,781)	(5,368,251,515)	(5,391,123,160)
Railroad Exemption	<u>(80,632,428)</u>	<u>(67,564,988)</u>	<u>(40,753,588)</u>	<u>-</u>	<u>-</u>
TOTAL TAXABLE FOR GENERAL CITY PURPOSES	6,597,055,793	6,592,582,332	11,711,708,845	11,626,546,045	11,521,882,896
Veteran and Senior Citizen Exemptions subject to School Tax	<u>71,479,569</u>	<u>68,844,514</u>	<u>106,943,032</u>	<u>101,900,462</u>	<u>95,192,063</u>
TOTAL TAXABLE FOR SCHOOL PURPOSES	\$ 6,668,535,362	\$ 6,661,426,846	\$ 11,818,651,877	\$ 11,728,446,507	\$ 11,617,074,959
TAX BASE FOR GENERAL CITY PURPOSES					
Homestead	\$ 4,262,336,895	\$ 4,278,680,596	\$ 7,219,070,343	\$ 7,189,304,149	\$ 7,188,874,143
Non-Homestead	<u>2,334,718,898</u>	<u>2,313,901,736</u>	<u>4,492,638,502</u>	<u>4,437,241,896</u>	<u>4,333,008,753</u>
TOTAL TAX BASE FOR GENERAL CITY PURPOSES	\$ 6,597,055,793	\$ 6,592,582,332	\$ 11,711,708,845	\$ 11,626,546,045	\$ 11,521,882,896
TAX BASE FOR SCHOOL PURPOSES					
Homestead	\$ 4,332,987,874	\$ 4,346,781,121	\$ 7,324,323,690	\$ 7,289,576,340	\$ 7,262,471,244
Non-Homestead	<u>2,335,547,488</u>	<u>2,314,645,725</u>	<u>4,494,328,187</u>	<u>4,438,870,167</u>	<u>4,334,603,715</u>
TOTAL TAX BASE FOR SCHOOL PURPOSES	\$ 6,668,535,362	\$ 6,661,426,846	\$ 11,818,651,877	\$ 11,728,446,507	\$ 11,597,074,959

Source: City of Buffalo, Department of Assessment.

⁽¹⁾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 2022-23, \$1.1 billion will be exempted by these policies as compared to \$1.1 billion in 2021-22 and \$1.1 billion in 2020-21.

For payments in lieu of taxes (PILOTs), the City received \$3.4 million in 2020-21 and \$3.2 million in 2021-22 and a budget of \$4.9 million for fiscal year 2022-23. As the tax exemptions granted under the City and County policies expire, the related property is placed on the tax rolls.

Tax Levy

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

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

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

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

Fiscal Year Ended June 30:	General City Purposes		School Purposes		Overlapping Entities			Total
		Capital Debt		Capital Debt	Total	County of	Buffalo	
	<u>Operations</u>	<u>Service</u>	<u>Operations</u>	<u>Service</u>	<u>City/School</u>	<u>Erie ⁽²⁾</u>	<u>Sewer Authority</u>	
2019 (Homestead)	5.97	3.58	7.62	1.32	18.49	7.33	1.62	27.44
2019 (Non-Homestead)	9.05	5.42	11.73	2.02	28.22	7.33	1.62	37.17
2020 (Homestead)	6.06	3.64	7.56	1.21	18.47	7.59	1.64	27.70
2020 (Non-Homestead)	9.59	5.78	12.18	1.94	29.49	7.59	1.64	38.72
2021 (Homestead)	3.24	2.00	4.14	0.61	9.99	5.04	0.95	15.98
2021 (Non-Homestead)	5.40	3.33	7.00	1.03	16.75	5.04	0.95	22.74
2022 (Homestead)	3.24	1.94	4.32	0.37	9.87	5.02	0.95	15.84
2022 (Non-Homestead)	5.61	3.36	7.59	0.66	17.22	5.02	0.95	23.19
2023 (Homestead)	3.21	2.34	4.36	0.36	10.27	5.20	0.95	16.42
2023 (Non-Homestead)	5.65	4.11	7.76	0.64	18.16	5.20	0.95	24.31

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. 2023 Homestead and Non-Homestead Rates are based on 2022 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								
2013	\$123,947	\$117,559	94.85%	\$1,159	\$125,106	\$7,413	\$124,972	99.89%
2014	124,087	117,480	94.68%	1,203	125,290	7,748	125,228	99.95%
2015	122,333	116,451	95.19%	1,107	123,440	6,987	123,438	100.00%
2016	123,793	116,621	94.21%	1,150	124,943	7,691	124,312	99.49%
2017	127,982	120,785	94.38%	1,108	129,090	7,317	128,102	99.23%
2018	128,000	122,454	95.67%	1,021	129,021	6,355	128,809	99.84%
2019	135,095	129,245	95.60%	1,024	136,219	6,286	135,531	99.49%
2020	139,465	131,234	94.10%	1,239	140,704	5,074	136,308	96.88%
2021	142,330	131,583	92.45%	1,062	143,392	220	131,803	91.92%
2022	147,000	135,078	91.86%	1,006	148,046	208	135,286	91.38%

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, 2022, cumulative real property tax delinquencies were \$13.0 million. The City reserved \$6.7 million as uncollectible at June 30, 2022. It is the City's policy to write off as uncollectible property taxes which have been delinquent for more than five years.

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

ECONOMIC AND DEMOGRAPHIC FACTORS

Major Taxpayers

The following table of the fifteen largest taxpayers indicates the distribution of taxable properties in the City. As indicated, two utilities are liable for approximately 6.1% and 1.8%, respectively, of the total tax levy for fiscal year 2022-23 and no other taxpayer individually accounts for more than 1.0% of the tax levy.

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

<u>Rank</u>	<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Net Assessed Valuation</u>	<u>Real Property Tax Levied</u>	<u>Ratio of Tax to Tax Levy</u>
1	National Grid, PLC(5)	Utility	\$486,613,954	\$8,841,471	5.78%
2	National Fuel Gas Corporation(5)	Utility	135,130,247	2,455,232	1.60%
3	Consolidated Rail Corporation(5)	Shipping/Transportation	79,199,874	1,124,759	0.73%
4	Gold Wynn Residential USA	Commercial Real Estate	67,621,865	1,118,960	0.73%
5	EGP 130 Buffalo, LLC	Commercial Real Estate	50,000,000	908,469	0.59%
6	Manufacturers and Trust Company(4)	Bank	49,961,000	907,760	0.59%
7	LCO Building, LLC	Commercial Real Estate	41,044,800	741,905	0.49%
8	Uniquist Delaware, LLC	Condominium/Hotel	35,000,000	635,928	0.42%
9	Verizon Communication, Inc.(5)	Telecommunications	34,195,323	621,308	0.41%
10	KEY Success, LLC	Commercial Real Estate	30,570,000	555,438	0.36%
11	Douglas Development Corporation	Commercial Real Estate	65,723,000	529,313	0.35%
12	Violet Realty, Inc.	Commercial Real Estate	28,200,000	512,376	0.34%
13	Priam Enterprises, Inc.	Commercial Real Estate	42,100,000	364,034	0.24%
14	Seneca-Larkin Holdings, LLC	Commercial Real Estate	19,671,800	357,424	0.23%
15	Plaza Group, LLC	Commercial Real Estate	19,086,800	<u>343,362</u>	<u>0.22%</u>
Total: Top Fifteen Taxpayers				<u>20,017,740</u>	<u>13.08%</u>
Total: Real Property Tax Levy				<u>\$ 153,040,275</u>	<u>100.00%</u>

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

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

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

⁽³⁾Based on a 2022-23 non-homestead tax rate of \$18.17 per thousand

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

⁽⁵⁾Includes Special Franchise Fees/Tax

Employment

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

Statistically, the Buffalo area's job categories compare well with the U.S. average 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⁾

2010-2022

(000's Omitted)

Category	2010		2020		2021		2022	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States
Manufacturing	49.6	11,528.0	49.2	12,179.1	51.5	12,346.2	52.0	12,824.8
Trade, Transportation & Utilities	97.8	24,636.0	91.6	26,589.9	96.6	27,707.5	100.5	28,642.5
Retail Trade	60.8	14,440.4	54.0	14,853.1	56.9	15,396.5	57.3	15,475.1
Wholesale Trade	21.1	5,452.1	20.0	5,639.9	19.8	5,678.0	19.8	5,962.6
Government	95.0	22,490.0	85.3	21,908.5	84.2	22,004.2	83.4	22,171.3
Service Providing	469.7	112,166.0	440.6	122,117.3	455.6	125,799.0	465.5	131,397.3
Other Services	23.4	5,331.0	21.3	5,393.8	23.5	5,455.7	24.2	5,707.8
Finance & Insurance	24.2	5,761.0	28.8	6,499.6	28.8	6,519.8	26.3	6,672.2
Mining & Logging	18.9	705.0	19.6	619.0	21.8	565.7	21.4	604.9
	<u>860.5</u>	<u>202,509.5</u>	<u>810.4</u>	<u>215,800.1</u>	<u>838.7</u>	<u>221,472.4</u>	<u>850.4</u>	<u>229,458.6</u>

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

⁽¹⁾Does not include all categories of employment

Total Non-Agricultural Employment by Category⁽¹⁾

2010-2022

(000's Omitted)

Category	2010		2020		2021		2022	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States
Manufacturing	5.8%	5.7%	6.1%	5.6%	6.1%	5.6%	6.1%	5.6%
Trade, Transportation & Utilities	11.4%	12.2%	11.3%	12.3%	11.5%	12.5%	11.8%	12.5%
Retail Trade	7.1%	7.1%	6.7%	6.9%	6.8%	7.0%	6.7%	6.7%
Wholesale Trade	2.5%	2.7%	2.5%	2.6%	2.4%	2.6%	2.3%	2.6%
Government	11.0%	11.1%	10.5%	10.2%	10.0%	9.9%	9.8%	9.6%
Service Providing	54.6%	55.4%	54.4%	56.6%	54.3%	56.8%	54.7%	57.3%
Other Services	2.7%	2.6%	2.6%	2.5%	2.8%	2.5%	2.8%	2.5%
Finance & Insurance	2.8%	2.8%	3.6%	3.0%	3.4%	2.9%	3.1%	2.9%
Mining & Logging	2.2%	0.3%	2.4%	0.3%	2.6%	0.3%	2.5%	0.3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

⁽¹⁾Does not include all categories of employment

Unemployment Rates

The following table indicates that the City's rate of unemployment is higher than the State and national percentages. City data in the table were determined by using the Census share methodology, which is based on the ratio of the City to the County with respect to employment figures. 2013-2022 data for the City is based on the 2020 Census.

UNEMPLOYMENT RATES ⁽¹⁾

<u>Year</u>	<u>City</u>	<u>Buffalo MSA</u>	<u>NY State ⁽²⁾</u>	<u>United States</u>
2013	9.7%	7.6%	7.5%	7.4%
2014	7.9%	6.2%	6.2%	6.2%
2015	7.1%	5.6%	5.3%	5.3%
2016	6.3%	4.9%	4.9%	4.9%
2017	6.7%	5.4%	4.7%	4.4%
2018	5.8%	4.7%	4.2%	3.9%
2019	5.5%	4.4%	3.8%	3.7%
2020	12.6%	9.5%	10.1%	8.1%
2021	7.9%	5.7%	7.2%	5.4%
2022	5.0%	3.6%	7.0%	3.6%

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

⁽¹⁾Total employment by place of residence

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

Population

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

POPULATION TREND 1990-2020

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

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

CITY OF BUFFALO HOUSING CHARACTERISTICS 1990-2020

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

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

Development Demographics

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

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

Canalside, 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. the \$27.0 million Explore & More - Ralph C. Wilson, Jr. Children's Museum,. In addition, Canalside has added two new attractions; a solar-powered historic 1924 carousel housed inside a roundhouse enclosed in glass and a historic replica Longshed Boat Building which is a two-story gabled-roof wood structure.

Buffalo is the home of numerous institutions devoted to the arts including Kleinhans Music Hall, the home of the Buffalo Philharmonic Orchestra, and the world-famous Albright-Knox Art Gallery which broke ground on its \$160.0 million expansion. The gallery will house temporarily on the Northland Campus during construction and the new Buffalo AKG Art Museum is expected to open in 2023.

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

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

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

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 major economic impact, exceeding \$3.2 billion.

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

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

The City's proximity to Canada has resulted in a positive economic impact, especially in retail and transportation. In addition to Canadian shoppers boosting sales tax revenue, Canadian travelers have also been

credited with strengthening activity at the Buffalo Niagara International Airport. Canadians are estimated to make up 20-30% of passengers that use the airport, supporting 17,000 jobs with \$1.1 billion economic impact. With Canadian/American border closed there were no Canadians travelling from Buffalo Niagara International Airport.

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

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. Foreign Trade Zone (the "FTZ") operation was enacted 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 over 100 flights per day. The following table sets forth the trend in passenger volume at the Buffalo Niagara International Airport from 2017 through 2021.

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

<u>Year</u>	<u>Passenger Volume</u>	<u>% Change from Prior Year</u>
2017	4,704,114	1.8%
2018	5,059,555	7.6%
2019	4,967,859	-1.8%
2020	1,434,080	-71.1%
2021	2,925,782	104.0%

Source: Niagara Frontier Transportation Authority

Development Activity

Completed Projects

57 Howard - WNY Housing Coalition	\$30.0 million
Redevelopment of a former Public School (PS 75) and the construction of 12 homes. The former school was transformed into a mix of 47 Studio Apartments, residential common space and commercial space with the homes will adding an additional 18 rental units. Commercial space is the new corporate offices of the Western New York (WNY) Veteran's Housing Coalition	
695 Genesee – Mount Aaron Village	\$20.3 million
The construction of affordable townhomes and multi-family apartment buildings on nineteen vacant residential lots on Adams, Genesee and Grey Streets. The project consists of 59 units in four multi-family rental buildings. Of the four, one is a three-story building with 16 one-bedroom units and 27 two-bedroom units. The other three buildings have a total of 16 two-story, three-bedroom townhomes.	
253-269 Virginia - Hispanos Unidos de Buffalo Inc.	\$16.6 million
A supportive housing project which contains forty-six 1-bedroom rental units for low-income senior citizens ages 55 and older. La Plaza also includes a restaurant/café, laundry room, community room, space for a senior recreational program, social day care and other senior service programs, as well as office space for other not for profits.	
151 Lofts - Stephen Development	\$2.0 million
The conversion of an Eagle Steet warehouse in Downtown Buffalo into eight two-story apartments.	
Buffalo Film Works – Buffalo Studios	\$5.0 million
The conversion of an abandoned factory in the Seneca-Babcock neighborhood into a 120,000 square feet of stage space and 60,000 square feet of flex space for production support.	

Under-Construction Projects

101 Swinburne - Community Services for Every1	\$18.0 million
Conversion of the academic building at the former St. John Kanty Roman Catholic Church into 37 affordable housing units with accessory parking. Additionally, the project will use the existing commercial kitchen, cafeteria and gymnasium to provide a human service facility with an outreach program.	
907 Michigan - Roswell Park Outreach Center	\$3.0 million
Adaptive reuse of a historic Fruit Belt home and the new construction of an addition to create 3,100 square feet of space for the Hospital's Community Outreach and Engagement team.	
Pilgrim Village - SAA-EVI	\$92.0 million
Construction of a 132-unit affordable apartment building for families and a 105-unit apartment building for seniors. Additionally, the development will include 4,900 square feet of commercial space.	
204 High Street - Douglas Development	\$2.0 million
Historic home in Buffalo's Fruit Belt, into seven apartments.	
791 Washington - Krog Group	\$105.0 million
Former TRICO building at 791 Washington Street will transform a historic factory building into approximately 243 apartments of various sizes, 250 interior parking spaces and approximately 60,000 square feet of commercial space.	

1432 Niagara - Westminster Economic Development Initiative	\$7.5 million
Renovation of the 16,000 square foot vacant building at 1432 Niagara Street will provide space for 24 restaurant, retail and professional services businesses, test and rental kitchens for independent chefs, classrooms, event space and seating for 200+ patrons.	
Elmwood Crossing Folwell Apartments – People, Inc.	\$15.0 million
Reuse of a vacant building at the former Women and Children’s Hospital into 44 affordable housing units for seniors.	
Westside Homes Project – PUSH, Buffalo	\$20.0 million
The rehabilitation of four units in two buildings and construction of twelve new buildings on various sites consisting of 2-4 family homes and small multi-family buildings.	
Albright Knox Gundlach Museum	\$195.0 million
The expansion and renovation of the former Albright-Knox Museum of Art. It is set to reopen to the public in May of 2023 with a renovated and expanded campus.	
2929 Main - McGuire Development, Blackfish Investments	\$65.0 million
Conversion of a former industrial site into a new residential complex. The development will create 312 housing units, 1,500 square feet of retail, and 3,675 square feet of office space.	
356 Hertel - Kam Cleanup LLC	\$32.0 million
Renovation and repurposing of the historic John Kam Malt and Kiln House into 82 apartments, a self-storage facility and 14,000 square feet of retail space. Additionally, the project will include amenities such as an onsite dog park, dog wash, pedestrian gathering plaza and permanent and visitor bike storage.	
Cannabis Cultivation/Manufacturing - Zephyr Partners	\$200.0 million
Construction of a cannabis cultivation facility with processing, quality control, extraction, research and shipping/receiving facilities. Roughly 65% of the built structures will house the growing facilities while the other 35% will house the accessory functions.	
Silo City - Generation Development	\$75.0 million
Reuse of the former American Malting Company malthouse for residential and commercial uses. The development will create approximately 158 residential units and approximately 40k square feet of commercial space.	
Barcalo Manufacturing Complex - Barcalo Buffalo LLC	\$35.0 million
The former Barcalo Manufacturing Complex in Buffalo’s Old First Ward will be converted into 119 apartments and approximately 40,000 square feet of commercial space.	
Statler Hotel Project - Douglas Development	\$150.0 million
Renovation of the former Hotel Statler into 334 new residential units, 183 hotel rooms, structured parking, commercial space and event space.	
Terminal B - Erie County Harbor Development Corp	\$13.0 million
Transformation of an existing Terminal B warehouse into a concert and special event venue site, which will include site landscape, new utility service, improved site lighting, construction of two small structures and improvements to the pedestrian walkways.	

Heritage Point - Sinatra & Company Real Estate	\$40.0 million
Construction of two six-story mixed-use buildings on the former Buffalo Memorial Auditorium site. The development will feature 64 apartments, ground floor retail and commercial space for restaurants.	
The West End - Ciminelli Real Estate	\$20.0 million
Located on Buffalo's waterfront near Ralph Wilson Centennial park, building 20 upscale waterfront townhomes creating a dense, urban village setting.	
Veteran's Hospital – US Department of Veteran's Affairs	\$200.0 million
Renovation and updating of Veteran's Hospital, which includes, the construction of a 9,000-square-foot laboratory to be built as a second floor atop the research facility, two additional floors will be added to the existing parking ramp, infrastructure improvements across the campus and the renovations to outpatient clinics and inpatient units, including a new men's unit for post-traumatic stress disorder; medical equipment upgrades in operating and procedure rooms; and a new women's wellness unit.	
Mohawk Ramp – Douglas Development	\$200.0 million
Redevelopment of the city-owned Mohawk Parking Ramp and adjacent properties into 4,500 square feet of commercial space with a restaurant/cafe, an R&D lab and ground-floor retail, 200 residential units and 800 parking spaces.	
Ralph C Wilson Centennial Park – Wilson Foundation	\$110.0 million
Transformation of the existing LaSalle/Centennial Park into a regional waterfront destination that will create flexible spaces for strolling, picnicking, sledding, and all kinds of informal activities, which will include upgrades to existing sports fields, expanded pedestrian and bike paths, the planting of 2,000 trees and a new pedestrian bridge across Interstate 190..	
Salvation Army Renovation	\$86.0 million
Redevelopment of their Main Street in Allentown. Three existing buildings would be demolished and replaced by a seven-story, 147-unit apartment building, a three-story, 80-bed shelter and 16 two-story townhouses.	
Great Point Studios - Great Point Opportunity Fund B QOZB LLC	\$50.0 million
Construction of three sound stages – two 5,000 square feet and another 20,000 square foot – plus support facilities including dressing rooms, carpentry shops and set construction space. In all, the project will encompass 65,000 square feet.	
Sonwil Distribution Center	\$55.0 million
Construction of a 328,000 square feet distribution center which includes thirty-five truck bays that allow for weather-protected loading and unloading with dock levelers that are an automated pallet-like system that directly loads into 18-wheelers with technology that allows trucks to be unloaded in 11 minutes, twelve CSX rail docks and 1,500 feet of new track bed installed by Sonwil service, a second-story employee lounge with a fitness center and showers and two lounges with fireplaces for truckers to use.	

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, 2022, the aggregate outstanding principal amount of such bonds totals \$476.5 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, October 2016, and May 2021 to refund the outstanding School Facility Revenue Bonds, Series 2003, 2004, a portion of 2009 and 2007/2008, a portion of 2009, and 2011, respectively. The ECIDA is anticipated to issue refunding bonds in 2023 to refund the outstanding school facility revenue bonds, Series 2013A.

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

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 other than with respect to a wrongful conviction case which could have potential exposure in the range of approximately \$6,500,000, there are no pending lawsuits which will have the potential for an expenditure or exposure of more than \$5,000,000 in excess of any amounts provided for in budgetary or self-insurance reserves.

The Buffalo CSD is presently defending up to eighteen (18) litigation matters that were brought in response to the recently enacted Child Victims Act. At this time, the Buffalo CSD does not yet have sufficient information to determine if the potential claims are meritorious. In many cases, discovery has not been completed and it is difficult to predict a potential judgement. Any potential damages are not expected to be covered by insurance. The Buffalo CSD has set aside funds to pay settlements or judgements. If such funds are not sufficient, the City is authorized to issue bonds on behalf of the Buffalo CSD to finance any settlements or judgments.

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

Tax Certiorari Proceedings

In common with other municipalities, the City receives numerous real property tax certiorari petitions contesting the validity of tax assessments. The City's 2022-23 budget included \$500,000 for tax certiorari-related claims and judgments with \$170,538 having been paid out as of December 31, 2022. The City expensed \$161,374 and

\$75,003 for tax certiorari-related claims or judgments for fiscal year ended June 30, 2022 and June 30, 2021, respectively.

Provision for Judgments and Claims

The City's 2022-23 budget included \$650,000 for judgments and claims and \$3.4 million for workers compensation claims, of which \$448,307 and \$2.0 million had been paid out as of December 31, 2022. The City expensed \$731,000 for judgments and claims and \$2.6 million for workers compensation claims for fiscal year ended June 30, 2022. The City expensed \$5.0 million for judgments and claims and \$2.6 million for workers compensation claims for fiscal year ended June 30, 2021.

APPENDIX B

CITY OF BUFFALO, NEW YORK
BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION AS OF
AND FOR THE YEAR ENDED JUNE 30, 2022 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, 2022 and Independent Auditors' Reports*

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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 Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our report and the report of other auditors, the accompanying financial statements 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, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Buffalo Fiscal Stability Authority ("BFSA"), which represents 1.3% 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

City management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

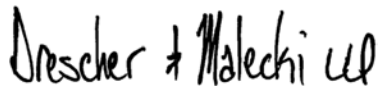
Supplementary Information

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 Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information 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. The 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 Schedule of Expenditures of Federal Awards is 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 *Governmental Auditing Standards*, we have also issued our report dated October 28, 2022 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 28, 2022

CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the City's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation. All amounts are expressed in thousands of dollars, unless otherwise indicated.

Financial Highlights

- The liabilities and deferred inflows of resources of the City's primary government exceeded assets and deferred outflows of resources at the close of the fiscal year ended June 30, 2022 by \$724,168. This consists of \$556,365 net investment in capital assets, \$30,467 restricted for specific purposes, and unrestricted net position of \$(1,311,000).
- The City's total primary government net position increased \$90,118 during the year ended June 30, 2022. Net position increased \$86,403 for governmental activities and increased \$3,715 for business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$193,655, an increase of \$22,130 from June 30, 2021.
- At the end of the current fiscal year, the combined committed, assigned and unassigned fund balance for the General Fund was \$82,722, or 15.7 percent of total General Fund expenditures and transfers out. Committed fund balance for the Emergency Stabilization Fund is \$41,145, or 7.8 percent of total General Fund expenditures and transfers out, assigned fund balance is \$17,527, or 3.3 percent of total General Fund expenditures and transfers out, and unassigned fund balance is \$24,050, or 4.6 percent of total General Fund expenditures and transfers out.
- The City's total general obligation bonded debt outstanding, including notes that have been refinanced but have not yet matured, and bonds issued by the Buffalo Fiscal Stability Authority ("BFSA"), is \$165,110 (\$155,523 net governmental activities general obligation bonds issued by the City, \$4,480 governmental activities general obligation bonds issued by BFSA, and \$5,107 business-type activities general obligation bonds). During the year, the City issued \$22,875 of public improvement serial bonds within governmental activities and made total scheduled principal payments of \$33,000 (\$29,387 for net governmental activities general obligation bonds issued by the City, \$1,960 for governmental activities general obligation bonds issued by BFSA, and \$1,653 for business-type activities general obligation bonds) during the year ended June 30, 2022.
- The total Buffalo Municipal Water Finance Authority revenue bonds outstanding within the Water System at the end of the current fiscal year were \$122,660, as compared to \$117,455 at the beginning of the year as a result of the issuance of Water System Revenue Bonds of \$13,435, the issuance of Water System Revenue Refunding Bonds of \$11,835, which along with premiums and cash contributions, refunded \$14,070 of previously outstanding water system revenue bonds and made scheduled principal payments on water system revenue bonds of \$5,995.

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, education and interest and fiscal charges. 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. Data from the City's Special Revenue and Permanent Funds, as well as the BFSA General Fund and the BFSA Debt Service Fund 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 Fund. 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 Custodial 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 liability/(asset), 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 87-100 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 101-108.

Finally, the Federal Awards can be found on pages 109-118 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City's primary government, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$724,168 at the close of the most recent fiscal year, as compared to \$814,285 at the close of the fiscal year ended June 30, 2021.

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,	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 911,738	\$ 674,522	\$ 61,716	\$ 50,915	\$ 973,454	\$ 725,437
Noncurrent assets	595,271	527,241	196,424	198,147	791,695	725,388
Total assets	<u>1,507,009</u>	<u>1,201,763</u>	<u>258,140</u>	<u>249,062</u>	<u>1,765,149</u>	<u>1,450,825</u>
Total deferred outflows of resources	<u>280,916</u>	<u>361,824</u>	<u>14,163</u>	<u>19,898</u>	<u>295,079</u>	<u>381,722</u>
Current and other liabilities	683,044	461,017	8,410	7,830	691,454	468,847
Noncurrent liabilities	1,497,723	1,615,202	208,635	207,008	1,706,358	1,822,210
Total liabilities	<u>2,180,767</u>	<u>2,076,219</u>	<u>217,045</u>	<u>214,838</u>	<u>2,397,812</u>	<u>2,291,057</u>
Total deferred inflows of resources	<u>363,835</u>	<u>351,448</u>	<u>22,748</u>	<u>25,328</u>	<u>386,583</u>	<u>376,776</u>
Net position:						
Net investment in capital assets	458,624	419,187	97,741	96,408	556,365	515,595
Restricted	30,467	41,250	-	-	30,467	41,250
Unrestricted	<u>(1,245,768)</u>	<u>(1,303,517)</u>	<u>(65,232)</u>	<u>(67,613)</u>	<u>(1,311,000)</u>	<u>(1,371,130)</u>
Total net position	<u>\$ (756,677)</u>	<u>\$ (843,080)</u>	<u>\$ 32,509</u>	<u>\$ 28,795</u>	<u>\$ (724,168)</u>	<u>\$ (814,285)</u>

The largest portion of the City's net position, \$556,365, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, infrastructure and right-to-use leased assets), net of accumulated depreciation/amortization and less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$30,467, 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, \$(1,311,000), 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 \$1,312,274. 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 \$90,117. Significant changes from 2021 to 2022 in the Statement of Net Position and reasons for such changes are:

- Current and other assets increased by \$248,017. The primary reasons for the increase are an increase in restricted cash and cash equivalents of \$173,633 related to the receipt of the American Rescue Plan Act ("ARPA") funding received in advance of the services to be performed.
- Deferred outflows of resources decreased \$86,643, due primarily to a decrease in deferred outflows of resources relating to pensions and OPEB.
- Current and other liabilities increased \$222,607, due primarily to a \$150,393 increase in unearned revenues related to ARPA.
- Noncurrent liabilities decreased by \$115,852, primarily due to a \$42,496 decrease in net pension liabilities and a \$71,723 decrease in total other postemployment benefits ("OPEB") liabilities.
- Deferred inflows of resources increased \$9,807, due primarily to an increase in deferred inflows of resources relating to OPEB.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2022 and June 30, 2021.

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,	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 28,873	\$ 27,404	\$ 74,826	\$ 72,577	\$ 103,699	\$ 99,981
Operating grants and contributions	50,558	35,183	-	-	50,558	35,183
Capital grants and contributions	44,754	23,265	-	-	44,754	23,265
General revenues:						
Property taxes	146,960	141,488	-	-	146,960	141,488
Other taxes	27,407	19,489	-	-	27,407	19,489
Intergovernmental	148,107	155,617	133	581	148,240	156,198
Investment earnings	297	722	41	58	338	780
State aid	160,945	172,103	-	-	160,945	172,103
Miscellaneous	4,622	3,889	-	-	4,622	3,889
Total revenues	<u>612,523</u>	<u>579,160</u>	<u>75,000</u>	<u>73,216</u>	<u>687,523</u>	<u>652,376</u>
Expenses:						
General government support	85,101	81,077	-	-	85,101	81,077
Public safety	281,064	287,868	-	-	281,064	287,868
Streets and sanitation	45,282	43,532	-	-	45,282	43,532
Economic assist. and opportunity	31,335	24,239	-	-	31,335	24,239
Culture and recreation	13,694	13,677	-	-	13,694	13,677
Health and community services	3,581	3,555	-	-	3,581	3,555
Education	70,823	70,823	-	-	70,823	70,823
Interest and fiscal charges	3,826	7,342	-	-	3,826	7,342
Solid Waste and Recycling	-	-	23,512	22,499	23,512	22,499
Parking	-	-	1,945	2,218	1,945	2,218
Water System	-	-	37,244	37,463	37,244	37,463
Total expenses	<u>534,706</u>	<u>532,113</u>	<u>62,701</u>	<u>62,180</u>	<u>597,407</u>	<u>594,292</u>
Excess of revenues over expenses	77,818	47,048	12,299	11,036	90,117	58,083
Transfers	<u>8,585</u>	<u>10,280</u>	<u>(8,585)</u>	<u>(10,280)</u>	<u>-</u>	<u>-</u>
Change in net position	86,403	57,328	3,714	756	90,117	58,083
Net position—beginning	<u>(843,080)</u>	<u>(900,408)</u>	<u>28,795</u>	<u>28,039</u>	<u>(814,285)</u>	<u>(848,147)</u>
Net position—ending	<u>\$ (756,677)</u>	<u>\$ (843,080)</u>	<u>\$ 32,509</u>	<u>\$ 28,795</u>	<u>\$ (724,168)</u>	<u>\$ (790,063)</u>

Governmental activities—The largest funding sources for the City’s governmental activities, as a percent of total revenues, are state aid (26.3%), intergovernmental (24.2%) and property taxes (24.0%).

The largest expense categories for the City’s governmental activities are public safety (52.6%), general government support (15.9%) and education (13.2%). The education category represents the City allocation to the Buffalo Board of Education (the “Board”).

The City’s governmental activities did not incur significant changes in expenses from 2021 to 2022. However, significant changes in revenues for the City include the following:

- Total revenues increased \$33,363 in the current year as compared to last year, mainly due to increase in operating and capital grants and contributions of \$36,863 due to new programs and projects underway following the pandemic.

Business-type activities—Business-type activities increased the City’s net position by \$3,715. Overall, revenues increased \$1,784, expenses increased \$521, and transfers out decreased \$1,695 from 2021 to 2022. The overall increase in net position is due to the following:

- The Solid Waste and Recycling Fund recorded a decrease in net position of \$889 as a result of normal operations where operating expenses and transfers out exceeding operating revenues.
- The net position of the Parking Fund decreased \$244, which was primarily a result of operating expenses, interest expense and transfers out exceeding operating and nonoperating revenues.
- The Water System’s net position increased by \$4,848 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, 2022, the City’s governmental funds reported combined ending fund balances of \$193,655, an increase of \$22,130 from the prior year. Approximately 12.4 percent of this amount, \$24,050, constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form, \$26,572, (2) restricted for particular purposes, \$83,802, (3) committed to particular purposes, \$41,145, or (4) assigned for particular purposes, \$18,085.

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 \$26,572 consists of \$9,599 of real estate acquired for resale, \$15,651 to cover the deficit in the Solid Waste and Recycling Fund, \$1,291 for prepaid items and \$30 for Permanent Fund principal.

Restricted fund balance in the amount of \$83,802 are amounts constrained to specific purposes and consist of \$53,365 to finance specific capital projects, \$15,225 for future capital outlay, \$5,591 to pay debt service, \$8,914 for federal and state programs, \$596 for emergency medical services and \$111 for compliance of the Permanent Fund.

Commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City's highest level of decision-making authority. \$41,145 of fund balance is committed for the City's Emergency Stabilization fund. Assigned fund balance in the amount of \$18,085 consists of \$11,702 to liquidate contracts and purchase orders, \$824 for motor vehicle self-insurance, \$5,000 for judgments and claims, and \$559 in funds held by the BFSa. These assignments indicate management's intention to utilize these funds for the stated purposes.

The General Fund is the chief operating fund of the City. During the current fiscal year, total fund balance increased to \$125,060, an increase of \$20,719 from the prior year ended June 30, 2021 due primarily to increased sales tax. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 4.6 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 23.7 percent of that same amount.

The Debt Service Fund has a total fund balance of \$3,101, which is restricted solely for the purpose of payment of future debt service. The decrease in fund balance during the current year in the Debt Service Fund of \$3,939 was mainly from the planned use of fund balance.

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 \$53,365, all of which is restricted for encumbrances and future projects. The increase in fund balance of \$3,118 is due to the intergovernmental and other revenues, as well as the issuance of serial bonds and related premiums, in excess of capital outlay.

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 \$32,509. The balance includes a net position of \$(59,184) for the Solid Waste and Recycling Fund, and net position balances of \$35,096 for the Parking Fund and \$56,598 for the Water System Fund. 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 \$123. This represents a decrease of \$1 from the prior year.

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, 2022 is presented below in Table 3.

Table 3—General Fund Budget

	Budgeted Amounts		Budgetary	Variance with Final Budget
	Adopted	Final	Actual Amounts	
Revenues and other financing sources	\$ 534,577	\$ 538,915	\$ 548,085	\$ 9,170
Expenditures and other financing uses	<u>534,577</u>	<u>546,910</u>	<u>539,068</u>	<u>7,842</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ (7,995)</u>	<u>\$ 9,017</u>	<u>\$ 17,012</u>

Adopted budget compared to final budget—During the year, the City amended appropriations for various purposes. The primary increases were \$4,355 within public works, parks and streets to cover additional maintenance and equipment, as well as \$3,075 within other expenditures for legal settlements. These increases were supported by the use of fund balance.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations indicate that actual revenues and transfers in were \$9,170 above the final budget, due primarily to unanticipated sales tax somewhat offset by less federal aid than anticipated. Actual expenditures and other financing uses were lower than the final budget by \$7,841, due primarily to budgetary savings within employee benefits offset by overspending certain personal services due to unanticipated overtime.

Capital Assets and Debt Administration

Capital assets—The City's capital assets for its governmental activities and business-type activities as of June 30, 2022 amounted to \$775,865 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, machinery and equipment, infrastructure, right-to-use leased assets and construction in progress.

All depreciable/amortizable capital assets were depreciated/amortized from acquisition date to the end of the current year as outlined in the City's capital asset policy.

Capital assets, net of depreciation/amortization for governmental activities and business-type activities as of June 30, 2022 and June 30, 2021 are presented in Table 4 below.

Table 4—Summary of Capital Assets (Net of Depreciation) (000's omitted)

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2021		2021		2021	
	2022	(as adjusted)	2022	2021	2022	(as adjusted)
Land	\$ 9,792	\$ 9,792	\$ 3,308	\$ 3,308	\$ 13,100	\$ 13,100
Buildings and improvements	179,807	186,410	113,242	115,781	293,049	302,191
Improvements other than buildings	25,370	25,598	10	19	25,380	25,617
Machinery and equipment	9,840	10,855	1,406	1,988	11,246	12,843
Infrastructure	283,331	275,463	74,454	73,738	357,785	349,201
Right-to-use leased assets	1,873	2,555	-	-	1,873	2,555
Construction in progress	69,428	37,568	4,004	3,313	73,432	40,881
Total	<u>\$ 579,441</u>	<u>\$ 548,241</u>	<u>\$ 196,424</u>	<u>\$ 198,147</u>	<u>\$ 775,865</u>	<u>\$ 746,388</u>

Significant changes from 2021 to 2022 in capital assets include:

- Construction in progress increased \$32,551 largely due to major street infrastructure capital projects underway during the year during the year.

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, 2022, the City had total bonded debt outstanding for governmental activities of \$160,003, including bonds issued by BFSA, as compared to \$168,475 in the prior year as a result of schedule principal payments and a serial bond issuance of \$22,875. The amount attributed to BFSA's total bonded debt outstanding at the end of the current fiscal year is \$4,480.

The bonds outstanding for business-type activities at June 30, 2022 consisted of \$5,107 in general obligation bonds issued by the City for parking and \$122,660 of revenue bonds issued by the Water Authority reported within the Water System. During the year, the Authority made principal payments on water system revenue refunding bonds of \$5,995, issued a refunding bond of \$11,835, which along with premiums and cash contributions, refunded \$14,070 of previously outstanding water system revenue bonds and issued additional bonds of \$13,435.

A summary of the City's long-term liabilities at June 30, 2022 and June 30, 2021 is presented in Table 5 on the following page.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2021		2021		2021	
	2022	(as adjusted)	2022	(as adjusted)	2022	(as adjusted)
Bonds payable, net of premiums and discounts	\$ 183,711	\$ 193,498	\$ 142,184	\$ 135,982	\$ 325,895	\$ 329,480
Lease liability	1,895	2,555	-	-	1,895	2,555
Compensated absences	30,508	26,561	1,207	1,370	31,715	27,931
Workers' compensation	7,907	8,530	1,525	1,801	9,432	10,331
Landfill post-closure monitoring	420	490	-	-	420	490
OPEB obligation	1,248,555	1,316,189	63,719	67,809	1,312,274	1,383,998
Judgments and claims	5,000	5,200	-	-	5,000	5,200
Net pension liability	19,727	62,179	-	45	19,727	62,224
Total	<u>\$ 1,497,723</u>	<u>\$ 1,615,202</u>	<u>\$ 208,635</u>	<u>\$ 207,007</u>	<u>\$ 1,706,358</u>	<u>\$ 1,822,209</u>

The New York State Constitution restricts the annual real property tax levy for operating expenses to two percent of average full value of taxable City property over the last five years. This limitation does not apply to taxes for debt service. The New York State Constitution also provides that the City may not contract indebtedness in an amount greater than nine percent of the average full value of taxable real property for the most recent five years. Water debt, self-sustaining debt and revenue anticipation notes are excluded from the debt limit. This limit as of fiscal year end was \$1,228,701. The City had a debt-contracting margin of \$1,105,276 on June 30, 2022. During the year ended June 30, 2022 the City had no changes in their bond ratings. Additional information on the City's long-term debt can be found in Note 10 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 2023 budget. The total budgeted appropriations for the City's General Fund operations are \$566,729. This budget is a \$32,152 increase from the fiscal year 2022 total budgeted appropriations of \$534,577. The 2022-2023 budget does not include an appropriation of fund balance. This budget was approved by the BFSA.

The unemployment rate, not seasonally adjusted, for the region at June 30, 2022 was 3.6 percent. This compares to New York State's average unemployment rate of 4.4 percent. These factors, as well as others, are considered in preparing the City's budget.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Buffalo, Office of the Comptroller, 1225 City Hall, Buffalo, New York 14202; Buffalo Board of Education, Finance, 708 City Hall, Buffalo, New York 14202; and Buffalo Urban Renewal Agency, 214 City Hall, Buffalo, New York 14202.

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BASIC FINANCIAL STATEMENTS

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CITY OF BUFFALO, NEW YORK
Statement of Net Position
June 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Board	BURA
ASSETS					
Cash and cash equivalents	\$ 406,985,387	\$ 20,591,162	\$ 427,576,549	\$ 10,544,938	\$ 3,731,533
Restricted cash and cash equivalents	394,789,673	40,896,422	435,686,095	22,806,788	962,908
Restricted investments	2,201,351	5,285,037	7,486,388	-	-
Receivables (net of allowances)	18,216,970	8,102,055	26,319,025	13,452,229	1,150,030
Leases receivable	21,440,011	-	21,440,011	-	455,666
Intergovernmental receivables	28,955,696	-	28,955,696	147,064,345	2,753,406
Due from component units/ primary government	11,495,000	-	11,495,000	344,834,118	781,752
Internal balances	16,762,999	(16,762,999)	-	-	-
Prepaid items and other assets	1,291,217	-	1,291,217	1,842,972	16,640
Real estate acquired for resale	9,599,208	-	9,599,208	-	3,154,389
Noncurrent net pension asset	15,830,070	3,604,201	19,434,271	320,208,560	507,377
Capital assets not being depreciated/amortized	79,219,767	7,312,393	86,532,160	46,395,344	-
Capital assets, net of accumulated depreciation/amortization	500,221,165	189,111,422	689,332,587	662,141,063	431,756
Total assets	1,507,008,514	258,139,693	1,765,148,207	1,569,290,357	13,945,457
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	2,605,081	2,605,081	17,598,604	-
Deferred outflows—relating to pensions	168,057,539	6,811,937	174,869,476	201,348,665	1,084,460
Deferred outflows—relating to OPEB	112,858,249	4,745,609	117,603,858	478,550,000	-
Total deferred outflows of resources	280,915,788	14,162,627	295,078,415	697,497,269	1,084,460
LIABILITIES					
Accounts payable and accrued liabilities	50,530,650	7,503,764	58,034,414	93,224,491	2,861,481
Retainages payable	1,338,327	-	1,338,327	675,087	-
Intergovernmental payables	9,504,757	384,288	9,889,045	37,171,906	-
Due to component units/primary government	345,615,870	-	345,615,870	11,495,000	-
Unearned revenue	276,054,395	522,020	276,576,415	4,537,787	500
Noncurrent liabilities:					
Due within one year	48,177,053	8,590,044	56,767,097	88,249,749	36,530
Due in more than one year	1,449,545,742	200,045,048	1,649,590,790	2,327,500,719	9,061,676
Total liabilities	2,180,766,794	217,045,164	2,397,811,958	2,562,854,739	11,960,187
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	71,010	-	71,010	17,247,413	-
Deferred inflows—relating to leases	21,020,089	-	21,020,089	-	443,092
Deferred inflows—relating to pensions	229,993,125	12,381,702	242,374,827	387,827,258	1,845,770
Deferred inflows—relating to OPEB	112,750,302	10,366,013	123,116,315	1,452,126,000	-
Total deferred inflows of resources	363,834,526	22,747,715	386,582,241	1,857,200,671	2,288,862
NET POSITION					
Net investment in capital assets	458,623,742	97,741,042	556,364,784	114,005,961	414,620
Restricted for:					
Capital outlay	15,225,054	-	15,225,054	-	11,991
Debt service	5,590,527	-	5,590,527	21,901,527	-
Grants	8,914,872	-	8,914,872	-	915,824
Judgments and claims	-	-	-	17,750,000	-
Unemployment insurance	-	-	-	9,156,044	-
Perpetual care—Expendable	111,187	-	111,187	-	-
Perpetual care—Unexpendable	30,000	-	30,000	-	-
Other purposes	595,803	-	595,803	4,392,423	-
Unrestricted	(1,245,768,203)	(65,231,601)	(1,310,999,804)	(2,320,473,739)	(561,567)
Total net position	\$ (756,677,018)	\$ 32,509,441	\$ (724,167,577)	\$ (2,153,267,784)	\$ 780,868

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, 2022

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units			
					Governmental Activities	Business-type Activities	Total	BOE	BURA	
Primary government:										
Governmental activities:										
General government support	\$ 85,101,086	\$ 9,277,163	\$ 2,210,784	\$ 703,462	\$ (72,909,677)	\$ -	\$ (72,909,677)	\$ -	\$ -	
Public safety	281,064,363	10,312,179	5,162,316	641,397	(264,948,471)	-	(264,948,471)	-	-	
Streets and sanitation	45,281,761	3,356,503	46,353	35,351,164	(6,527,741)	-	(6,527,741)	-	-	
Economic assistance and opportunity	31,334,878	5,353,620	29,634,506	2,995,989	6,649,237	-	6,649,237	-	-	
Culture and recreation	13,693,782	349,247	1,375,000	5,062,403	(6,907,132)	-	(6,907,132)	-	-	
Health and community services	3,580,577	224,698	12,128,590	-	8,772,711	-	8,772,711	-	-	
Education	70,822,758	-	-	-	(70,822,758)	-	(70,822,758)	-	-	
Interest and fiscal charges	3,826,110	-	-	-	(3,826,110)	-	(3,826,110)	-	-	
Total governmental activities	534,705,315	28,873,410	50,557,549	44,754,415	(410,519,941)	-	(410,519,941)	-	-	
Business-type activities:										
Solid Waste and Recycling	23,511,661	23,295,302	-	-	-	(216,359)	(216,359)	-	-	
Parking	1,944,687	4,468,038	-	-	-	2,523,351	2,523,351	-	-	
Water System	37,244,427	47,062,504	-	-	-	9,818,077	9,818,077	-	-	
Total business-type activities	62,700,775	74,825,844	-	-	-	12,125,069	12,125,069	-	-	
Total primary government	\$ 597,406,090	\$103,699,254	\$ 50,557,549	\$ 44,754,415	(410,519,941)	12,125,069	(398,394,872)	-	-	
Component units:										
Board	\$ 850,366,618	\$ 4,973,233	\$ 174,418,636	\$ 3,406,408				(667,568,341)	-	
BURA	53,580,463	927,169	53,220,813	-				-	567,519	
Total component units	\$ 903,947,081	\$ 5,900,402	\$ 227,639,449	\$ 3,406,408				(667,568,341)	567,519	
General revenues:										
Taxes:										
Property taxes					146,959,746	-	146,959,746	-	-	
Interest and penalties					2,273,869	-	2,273,869	-	-	
Mortgage taxes					6,774,792	-	6,774,792	-	-	
Payments in lieu of taxes					4,535,556	-	4,535,556	-	-	
Gross utility tax					13,822,653	-	13,822,653	-	-	
Intergovernmental—unrestricted					148,107,243	132,726	148,239,969	56,938,685	-	
Investment earnings					296,642	41,346	337,988	-	207,710	
Contribution from City of Buffalo					-	-	-	70,822,903	-	
State aid—unrestricted					160,945,338	-	160,945,338	793,628,788	-	
Miscellaneous					4,622,648	-	4,622,648	10,691,884	450,974	
Transfers					8,584,641	(8,584,641)	-	-	-	
Total general revenues and transfers					496,923,128	(8,410,569)	488,512,559	932,082,260	658,684	
Change in net position					86,403,187	3,714,500	90,117,687	264,513,919	1,226,203	
Net position—beginning, as restated					(843,080,205)	28,794,941	(814,285,264)	(2,417,781,703)	(445,335)	
Net position—ending					\$ (756,677,018)	\$ 32,509,441	\$ (724,167,577)	\$(2,153,267,784)	\$ 780,868	

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

CITY OF BUFFALO, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2022

	General	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 406,542,156	\$ -	\$ -	\$ 346,850	\$ 406,889,006
Restricted cash and cash equivalents	295,698,206	2,948,569	86,540,241	9,602,657	394,789,673
Restricted investments	-	-	-	2,201,351	2,201,351
Receivables:					
Delinquent taxes and assessments	13,033,260	-	-	-	13,033,260
Accounts receivable	19,679,663	-	-	-	19,679,663
Other receivables	-	-	-	24,452	24,452
Due from other agencies	1,366,345	-	-	-	1,366,345
Allowances	(15,912,177)	-	-	-	(15,912,177)
Net receivables	18,167,091	-	-	24,452	18,191,543
Leases receivable	21,440,011	-	-	-	21,440,011
Intergovernmental receivables	2,957,835	-	8,291,887	17,705,974	28,955,696
Due from other funds	46,368,261	152,907	-	185,446	46,706,614
Prepaid items	1,266,500	-	-	24,717	1,291,217
Real estate acquired for resale	9,599,208	-	-	-	9,599,208
Total assets	<u>\$ 802,039,268</u>	<u>\$ 3,101,476</u>	<u>\$ 94,832,128</u>	<u>\$ 30,091,447</u>	<u>\$ 930,064,319</u>
LIABILITIES					
Accounts payable	\$ 8,851,649	\$ -	\$ 6,928,896	\$ 324,749	\$ 16,105,294
Accrued liabilities	32,997,532	-	-	114,460	33,111,992
Intergovernmental payables	109,043	-	40,072	4,785	153,900
Due to other funds	-	-	19,058,525	10,888,591	29,947,116
Due to component units	323,622,824	-	15,362,677	6,630,369	345,615,870
Due to retirement systems	9,350,857	-	-	-	9,350,857
Unearned revenue	275,977,370	-	77,025	-	276,054,395
Total liabilities	<u>650,909,275</u>	<u>-</u>	<u>41,467,195</u>	<u>17,962,954</u>	<u>710,339,424</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to leases	21,020,089	-	-	-	21,020,089
Unavailable revenue—property taxes	5,049,998	-	-	-	5,049,998
Total deferred inflows of resources	<u>26,070,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,070,087</u>
FUND BALANCES					
Nonspendable	26,517,077	-	-	54,717	26,571,794
Restricted	15,820,857	3,101,476	53,364,933	11,515,110	83,802,376
Committed	41,145,318	-	-	-	41,145,318
Assigned	17,526,774	-	-	558,666	18,085,440
Unassigned	24,049,880	-	-	-	24,049,880
Total fund balances	<u>125,059,906</u>	<u>3,101,476</u>	<u>53,364,933</u>	<u>12,128,493</u>	<u>193,654,808</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 802,039,268</u>	<u>\$ 3,101,476</u>	<u>\$ 94,832,128</u>	<u>\$ 30,091,447</u>	<u>\$ 930,064,319</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, 2022

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

Total fund balances—governmental funds (page 17)		\$ 193,654,808
Net pension assets (including BFSA) are not financial resources and, therefore, are not reported in the funds.		15,830,070
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 \$1,239,838,590 and the accumulated depreciation/amortization is \$660,397,658.		579,440,932
Property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		5,049,998
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.		11,495,000
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	\$ 9,373,822	
Deferred outflows related to pensions experience, changes of assumptions, investment earnings, and changes in proportion	158,683,717	
Deferred outflows related to OPEB liability	112,858,249	
Deferred inflows related to pension plans	(229,993,125)	
Deferred inflows related to OPEB liability	<u>(112,750,302)</u>	(61,827,639)
Deferred gains associated with refunding of bonds are not reported in the governmental funds. The gain is reported as a deferred inflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		(71,010)
Internal service funds are used by management to charge the costs of internal print services. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		123,271
Net accrued interest expense for serial bonds is not reported in the funds.		(1,311,326)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.		(1,338,327)
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	\$ (155,522,915)	
General obligations bonds—BFSA	(4,480,000)	
Unamortized premiums on bonds—City	(23,109,695)	
Unamortized premiums on bonds—BFSA	(598,580)	
Lease liability	(1,894,923)	
Compensated absences	(30,507,969)	
Workers' compensation	(7,907,075)	
Landfill post-closure monitoring costs	(420,000)	
OPEB obligation—City	(1,247,537,593)	
OPEB obligation—BFSA	(1,017,350)	
Judgments and claims	(5,000,000)	
Net pension liability—City	<u>(19,726,695)</u>	(1,497,722,795)
Net position of governmental activities		<u>\$ (756,677,018)</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, 2022

	General	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes, assessments, and other tax items	\$ 160,543,963	\$ -	\$ -	\$ -	\$ 160,543,963
Utility and other nonproperty tax items	14,388,634	-	-	-	14,388,634
Intergovernmental	329,682,736	5,630,161	43,968,396	29,883,911	409,165,204
Investment interest	258,290	38,352	-	163	296,805
License, permit, rentals, fines, and other service charges	25,041,206	220,267	763,938	-	26,025,411
Miscellaneous	6,605,982	140,797	1,700,000	51,937	8,498,716
Total revenues	<u>536,520,811</u>	<u>6,029,577</u>	<u>46,432,334</u>	<u>29,936,011</u>	<u>618,918,733</u>
EXPENDITURES					
Current:					
General government support	66,312,600	-	-	882,453	67,195,053
Public safety	178,031,272	-	-	1,563,459	179,594,731
Streets and sanitation	14,948,268	-	-	30,488	14,978,756
Economic assistance and opportunity	2,923,802	-	-	26,628,534	29,552,336
Culture and recreation	8,460,408	-	-	45,450	8,505,858
Health and community services	2,252,226	-	-	159,648	2,411,874
Education	70,822,758	-	-	-	70,822,758
Fringe benefits	145,775,754	-	-	-	145,775,754
Other	3,508,096	-	-	-	3,508,096
Debt service:					
Principal	660,133	29,386,722	-	1,960,000	32,006,855
Interest and fiscal charges	48,500	7,058,842	115,478	199,795	7,422,615
Capital outlay:					
General government support	-	-	6,733,180	-	6,733,180
Public safety	-	-	3,167,136	-	3,167,136
Streets and sanitation	-	-	52,211,649	-	52,211,649
Economic assistance and opportunity	-	-	619,965	-	619,965
Culture and recreation	-	-	5,901,184	-	5,901,184
Total expenditures	<u>493,743,817</u>	<u>36,445,564</u>	<u>68,748,592</u>	<u>31,469,827</u>	<u>630,407,800</u>
Excess (deficiency) of revenues over expenditures	<u>42,776,994</u>	<u>(30,415,987)</u>	<u>(22,316,258)</u>	<u>(1,533,816)</u>	<u>(11,489,067)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,564,084	28,842,667	400,000	6,745,705	47,552,456
Transfers out	(33,622,228)	(2,366,144)	-	(2,979,443)	(38,967,815)
Serial bonds issued	-	-	22,875,000	-	22,875,000
Premium on serial bonds issued	-	-	2,159,650	-	2,159,650
Total other financing sources (uses)	<u>(22,058,144)</u>	<u>26,476,523</u>	<u>25,434,650</u>	<u>3,766,262</u>	<u>33,619,291</u>
Net change in fund balances	20,718,850	(3,939,464)	3,118,392	2,232,446	22,130,224
Fund balances—beginning	<u>104,341,056</u>	<u>7,040,940</u>	<u>50,246,541</u>	<u>9,896,047</u>	<u>171,524,584</u>
Fund balances—ending	<u>\$ 125,059,906</u>	<u>\$ 3,101,476</u>	<u>\$ 53,364,933</u>	<u>\$ 12,128,493</u>	<u>\$ 193,654,808</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, 2022

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) \$ 22,130,224

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/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense and loss on disposals in the current period.

Capital asset additions, net	\$ 70,593,151	
Depreciation/amortization expense	(38,765,747)	
Loss on disposal of capital assets	<u>(627,519)</u>	31,199,885

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. (198,763)

Revenues reported in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds. (7,062,863)

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	\$ 42,361,322	
Cost of benefits earned net of employee contributions	(19,944,539)	
Changes in OPEB assumptions	<u>(57,210,077)</u>	(34,793,294)

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. (518)

In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid. 101,369

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:

Proceeds from general obligations bonds—City	\$ (22,875,000)	
Repayment of general obligations bonds—City	29,386,722	
Repayment of general obligations bonds—BFSA	1,960,000	
Premium on refunding bonds issued—City	(2,159,650)	
Amortization of bond premiums—City	3,266,002	
Amortization of bond premiums—BFSA	208,874	
Repayment of lease liability	660,133	
Change in compensated absences	(3,946,779)	
Change in workers' compensation	622,851	
Change in landfill post-closure monitoring costs	70,000	
Change in other postemployment benefits obligation—City	67,369,612	
Change in other postemployment benefits obligation—BFSA	264,382	
Change in judgments and claims	<u>200,000</u>	<u>75,027,147</u>

Change in net position of governmental activities \$ 86,403,187

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, 2022

	Business-type Activities—Enterprise Funds				
	Solid Waste and Recycling	Parking	Water System	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 93,202	\$ 5,278,009	\$ 15,219,951	\$ 20,591,162	\$ 96,381
Restricted cash and cash equivalents	-	2,143	40,894,279	40,896,422	-
Restricted investments	-	-	5,285,037	5,285,037	-
Receivables:					
Accounts receivable	11,585,674	949,017	29,689,082	42,223,773	25,427
Other receivables	126,627	-	1,445,616	1,572,243	-
Due from other agencies	-	-	127,425	127,425	-
Allowances	(10,886,476)	-	(24,934,910)	(35,821,386)	-
Net receivables	825,825	949,017	6,327,213	8,102,055	25,427
Due from other funds	184,505	-	123,295	307,800	3,501
Total current assets	1,103,532	6,229,169	67,849,775	75,182,476	125,309
Noncurrent assets:					
Net pension asset	1,906,049	-	1,698,152	3,604,201	-
Capital assets not being depreciated:					
Land	1	3,162,773	145,116	3,307,890	-
Construction in progress	-	299,535	3,704,968	4,004,503	-
Total capital assets not being depreciated	1	3,462,308	3,850,084	7,312,393	-
Capital assets being depreciated:					
Buildings, building improvements, and infrastructure	4,231,308	62,254,598	270,102,244	336,588,150	-
Improvements other than buildings	201,071	(20,418)	252,393	433,046	-
Machinery and equipment	9,795,825	240,540	1,913,140	11,949,505	-
Accumulated depreciation	(12,102,211)	(29,404,890)	(118,352,178)	(159,859,279)	-
Total capital assets being depreciated	2,125,993	33,069,830	153,915,599	189,111,422	-
Total noncurrent assets	4,032,043	36,532,138	159,463,835	200,028,016	-
Total assets	5,135,575	42,761,307	227,313,610	275,210,492	125,309
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	-	2,605,081	2,605,081	-
Deferred outflows—relating to pensions	3,602,429	-	3,209,508	6,811,937	-
Deferred outflows—relating to OPEB	2,197,337	7,208	2,541,064	4,745,609	-
Total deferred outflows of resources	5,799,766	7,208	8,355,653	14,162,627	-
LIABILITIES					
Current liabilities:					
Accounts payable	590,792	-	2,162,599	2,753,391	2,038
Other accrued liabilities	1,367,921	64,364	3,318,088	4,750,373	-
Due to other funds	-	1,419,430	-	1,419,430	-
Due to retirement systems	202,638	1,114	180,536	384,288	-
Unearned revenue	522,020	-	-	522,020	-
Accrued compensated absences	30,615	-	51,681	82,296	-
Accrued workers' compensation	152,598	-	300,281	452,879	-
General obligation and revenue bonds payable within one year, net	-	771,992	7,282,877	8,054,869	-
Total current liabilities	2,866,584	2,256,900	13,296,062	18,419,546	2,038

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2022

(concluded)

	Business-type Activities—Enterprise Funds				
	Solid Waste and Recycling	Parking	Water System	Total	Internal Service Fund
Noncurrent liabilities:					
Due to other funds	15,651,369	-	-	15,651,369	-
Accrued compensated absences	448,118	-	676,377	1,124,495	-
Accrued workers' compensation	378,776	-	692,887	1,071,663	-
Accrued other postemployment benefits obligation	38,340,119	119,324	25,260,040	63,719,483	-
General obligation and revenue bonds payable, net	-	5,273,037	128,856,370	134,129,407	-
Total noncurrent liabilities	54,818,382	5,392,361	155,485,674	215,696,417	-
Total liabilities	57,684,966	7,649,261	168,781,736	234,115,963	2,038
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	6,547,948	-	5,833,754	12,381,702	-
Deferred inflows—relating to OPEB	5,886,883	23,574	4,455,556	10,366,013	-
Total deferred inflows of resources	12,434,831	23,574	10,289,310	22,747,715	-
NET POSITION					
Net investment in capital assets	2,125,994	30,489,252	65,125,796	97,741,042	-
Unrestricted	(61,310,450)	4,606,428	(8,527,579)	(65,231,601)	123,271
Total net position	\$ (59,184,456)	\$ 35,095,680	\$ 56,598,217	\$ 32,509,441	\$ 123,271

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, 2022

	Business-type Activities—Enterprise Funds				
	Solid Waste and Recycling	Parking	Water System	Total	Internal Service Fund
Operating revenues:					
Charges for services	\$ 22,816,224	\$ -	\$ 47,008,945	\$ 69,825,169	\$ 39,795
Rent	-	4,468,038	-	4,468,038	-
Other	479,078	-	53,559	532,637	-
Total operating revenues	23,295,302	4,468,038	47,062,504	74,825,844	39,795
Operating expenses:					
Services and supplies	19,977,502	61,446	24,439,300	44,478,248	40,313
Fringe benefits	3,131,648	21,391	462,847	3,615,886	-
Depreciation	402,511	1,547,532	7,381,562	9,331,605	-
Other	-	-	532,437	532,437	-
Total operating expenses	23,511,661	1,630,369	32,816,146	57,958,176	40,313
Operating income (loss)	(216,359)	2,837,669	14,246,358	16,867,668	(518)
Nonoperating revenues (expenses):					
Interest earnings	-	220	41,126	41,346	-
Interest expense	-	(314,318)	(4,428,281)	(4,742,599)	-
Other	-	132,726	-	132,726	-
Total nonoperating revenues (expenses)	-	(181,372)	(4,387,155)	(4,568,527)	-
Income (loss) before transfers	(216,359)	2,656,297	9,859,203	12,299,141	(518)
Transfers out	(673,078)	(2,900,000)	(5,011,563)	(8,584,641)	-
Change in net position	(889,437)	(243,703)	4,847,640	3,714,500	(518)
Total net position—beginning	(58,295,019)	35,339,383	51,750,577	28,794,941	123,789
Total net position—ending	<u>\$ (59,184,456)</u>	<u>\$ 35,095,680</u>	<u>\$ 56,598,217</u>	<u>\$ 32,509,441</u>	<u>\$ 123,271</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, 2022

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 23,085,424	\$ 4,473,073	\$ 46,680,840	\$ 74,239,337	\$ 38,845
Payments to suppliers and employees for goods and services	(25,616,003)	(163,277)	(28,118,691)	(53,897,971)	(38,275)
Net cash provided by (used for) operating activities	(2,530,579)	4,309,796	18,562,149	20,341,366	570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(673,078)	(2,900,000)	(5,011,563)	(8,584,641)	-
Repayment of advances from other funds	-	-	(3,714,056)	(3,714,056)	-
Advances from other funds	3,210,578	3,021,112	4,122,179	10,353,869	20
Net cash provided by (used for) noncapital financing activities	2,537,500	121,112	(4,603,440)	(1,944,828)	20
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Sale (acquisition/construction) of capital assets	-	(434,051)	(7,174,730)	(7,608,781)	-
Principal payments on bonds	-	(1,653,278)	(5,995,000)	(7,648,278)	-
Payment to escrow agent	-	-	(14,070,000)	(14,070,000)	-
Proceeds from issuance of debt and premium	-	-	28,522,195	28,522,195	-
Interest payments and other fiscal charges	-	(298,753)	(4,924,168)	(5,222,921)	-
Net cash (used for) capital and related financing activities	-	(2,386,082)	(3,641,703)	(6,027,785)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	-	-	1,430	1,430	-
Interest received on short-term investments	-	220	39,696	39,916	-
Net cash provided by investing activities	-	220	41,126	41,346	-
Net increase in cash and cash equivalents	6,921	2,045,046	10,358,132	12,410,099	590
Cash, cash equivalents and investments—beginning	86,281	3,235,106	51,041,135	54,362,522	95,791
Cash, cash equivalents and investments—ending	<u>\$ 93,202</u>	<u>\$ 5,280,152</u>	<u>\$ 61,399,267</u>	<u>\$ 66,772,621</u>	<u>\$ 96,381</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2022

(concluded)

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (216,359)	\$ 2,837,669	\$ 14,246,358	\$ 16,867,668	\$ (518)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	402,511	1,547,532	7,381,562	9,331,605	-
Pension expense	-	-	(861,586)	(861,586)	-
(Increase) decrease in receivables	(209,878)	5,035	(381,664)	(586,507)	(950)
(Increase) in net pension asset	(1,906,049)	-	(1,698,152)	-	-
Decrease in deferred outflow—relating to pensions	1,423,896	2,899	1,532,378	2,959,173	-
Decrease in deferred outflow—relating to OPEB	1,306,753	-	1,481,293	2,788,046	-
Increase (decrease) in payables	(244,285)	(86,294)	480,706	150,127	2,038
Increase (decrease) in other accrued liabilities	463,936	(1,121)	74,206	537,021	-
(Decrease) in due to retirement systems	(89,529)	(493)	(101,675)	(191,697)	-
Increase in unearned revenue	84,280	-	-	84,280	-
(Decrease) in compensated absences	(60,327)	-	(102,803)	(163,130)	-
(Decrease) in workers' compensation	(180,483)	-	(96,577)	(277,060)	-
Increase (decrease) in accrued other postemployment benefits obligation	(2,128,852)	2,434	(1,962,867)	(4,089,285)	-
(Decrease) in net pension liability	(22,906)	-	-	(22,906)	-
(Decrease) in deferred inflows—relating to pensions	(189,075)	-	(673,685)	(862,760)	-
Increase (decrease) in deferred inflows—relating to OPEB	(964,212)	2,135	(755,345)	(1,717,422)	-
Total adjustments	(2,314,220)	1,472,127	4,315,791	3,473,698	1,088
Net cash provided by (used for) operating activities	<u>\$ (2,530,579)</u>	<u>\$ 4,309,796</u>	<u>\$ 18,562,149</u>	<u>\$ 20,341,366</u>	<u>\$ 570</u>

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

CITY OF BUFFALO, NEW YORK
Statement of Fiduciary Net Position—
Fiduciary Funds
June 30, 2022

	Private Purpose Trust	Custodial
ASSETS		
Restricted cash and cash equivalents	\$ 23,912	\$ 1,558,403
Restricted investments	32,912	-
Receivables	6,105	-
Total assets	<u>62,929</u>	<u>1,558,403</u>
NET POSITION		
Restricted for:		
Trust arrangements	\$ 62,929	\$ -
Prisoner property	-	1,558,403
Total net position	<u>\$ 62,929</u>	<u>\$ 1,558,403</u>

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

CITY OF BUFFALO, NEW YORK
Statement of Changes in Fiduciary Net Position—
Fiduciary Funds
Year Ended June 30, 2022

	Private Purpose Trust	Custodial
ADDITIONS		
Funds received on behalf of individuals	\$ -	\$ 149,865
Interest earnings	<u>7</u>	<u>-</u>
Total additions	<u>7</u>	<u>149,865</u>
DEDUCTIONS		
Funds distributed to individuals	<u>-</u>	<u>42,892</u>
Total deductions	<u>-</u>	<u>42,892</u>
Change in fiduciary net position	7	106,973
Net position—beginning	<u>62,922</u>	<u>1,451,430</u>
Net position—ending	<u><u>\$ 62,929</u></u>	<u><u>\$ 1,558,403</u></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, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Buffalo, New York (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

The City of Buffalo, New York (the "City") is a municipal entity governed by an elected Mayor, Comptroller, and a nine-member elected City Common Council (the "Council").

The City's financial statements include those entities for which the City has clear oversight responsibility. This responsibility is determined through a review of such factors as the selecting of governing boards, financial interdependency and the ability to influence management and operations on a continuing basis. The accompanying financial statements present the City (the "primary government") and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units—The component unit columns in the government-wide financial statements include the financial data of the City's discretely presented component units. These component units are reported in a separate column to emphasize that they are legally separate from the City and that they are not simply an extension of the primary government.

Board of Education—The Board of Education, City of Buffalo, New York (the "Board") is a unit of local government created under the Constitution of the State, whose members are elected by the voters of the City in accordance with State statutes. The Board's primary function is to provide education for pupils. Services, such as transportation of pupils, administration, finance, and plant maintenance, support the primary function of the Board. The Board is financially dependent upon the City and has no independent authority to issue debt or levy taxes, with the exception of the Special Revenue Program Bonds issued by the State of New York Municipal Bond Bank Agency (see Note 12). The Board's Joint Schools

Construction Board (“JSCB”) bonds payable represent bonds issued by the Erie County Industrial Development Agency (the “Issuer”) to provide money to finance the renovation and/or equipping of certain public school facilities for use by the Board. The bonds are special limited obligations of the Issuer payable from amounts due from the Board under an installment sale agreement.

Buffalo Urban Renewal Agency—The Buffalo Urban Renewal Agency (“BURA”) is a public benefit corporation formed by an act of the State Legislature in 1966. Its corporate purpose includes the general planning and operation of various urban renewal programs designed to prevent or eliminate blight and deterioration in the Buffalo urban area. Most of the funding for the various programs conducted by BURA is obtained from the federal government through the City, representing an ongoing relationship with both financial benefit and burden to the City. Additionally, the majority of the governing body is composed of City officials and the City has the ability to remove appointed members and to approve BURA’s budget.

Blended Component Units—The following blended component units are legally separate entities from the City, but are, in substance, part of the City’s operations and therefore data from these units are combined with data of the primary government.

Buffalo Municipal Water Finance Authority (the “Authority”) and the Buffalo Water Board (the “Water Board”)—The Authority and the Water Board are legally separate from the City; however, the Authority and the Water Board are reported as if they were part of the primary government (the “Water System”) because a majority of their Boards of Directors and/or management are City officials. In addition, the sole purpose of the Authority was to facilitate the financing of the City Water System’s acquisition by the Water Board and to finance construction improvements. The Water Board purchased the net assets of the Water System and is responsible for generating sufficient revenues to meet the debt service requirements of the City and Authority related to the Water System.

Buffalo Fiscal Stability Authority—The Buffalo Fiscal Stability Authority (the “BFSA”) is a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation created by the Buffalo Fiscal Stability Authority Act (the “BFSA Act”), Chapter 122 of the State Laws of 2003, as amended from time to time. Nine directors, seven of which are appointed by the Governor, govern the BFSA. Its corporate purpose is to act as a temporary financial intermediary to the City. The BFSA is included as a blended component unit of the City’s primary government because their services are provided almost entirely to the City. The BFSA is fiscally dependent on the City, as they cannot issue debt without approval of the City, and cannot levy taxes or set rates that affect revenues. As such, the City is financially accountable for the BFSA.

Buffalo Fiscal Stability Authority Act—In May 2003, the State enacted the BFSA Act, pursuant to Chapter 122 of the State Laws of 2003. The BFSA Act provides the BFSA different financial control and oversight powers depending upon whether the City’s financial condition causes it to be in a control period or an advisory period. The BFSA Act defined and established a control period to be in effect as of the date of the BFSA Act and continue until specific conditions were met regarding the stability of the City’s finances. In May 2012, the BFSA determined that such conditions had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. A control period may be reimposed if the BFSA determines at any time that a fiscal crisis is imminent or that any of the certain events, as outlined in the BFSA Act, have occurred or are likely to occur.

The Authority, the Water Board and the BFSFA are included as blended component units because exclusion would be misleading.

Complete financial statements of the individual component units can be obtained from their respective administrative offices as listed below:

Buffalo Board of Education Office of the Chief Financial Officer 708 City Hall Buffalo, NY 14202	Buffalo Municipal Water Finance Authority 502 City Hall Buffalo, NY 14202
City of Buffalo Urban Renewal Agency Financial Control of Agencies 214 City Hall Buffalo, NY 14202	Buffalo Water Board 502 City Hall Buffalo, NY 14202
Buffalo Fiscal Stability Authority Market Arcade Building, Suite 400 617 Main Street Buffalo, NY 14202	

Related Organizations—Although the following are related to the City, they are not included in the City’s reporting entity:

Buffalo Sewer Authority—The Mayor also appoints the Board of Directors of the Buffalo Sewer Authority (the “Sewer Authority”), but the City’s accountability for the Sewer Authority does not extend beyond making these appointments. The Sewer Authority has its own taxing and debt-raising powers.

Buffalo Municipal Housing Authority (the “Housing Authority”)—The Mayor also is responsible for appointing five of the seven members of the Board of Directors of the Housing Authority and funds the operating deficits of the state-sponsored projects. The City’s accountability does not extend beyond this point. The Housing Authority was created by the State Legislature as a separate and independent government body not under City control. A 1982 State Supreme Court ruling supported the City’s conclusion regarding the independence of the Housing Authority.

BURA Inc. (the “Corporation”)—As provided in Section 1411 of the Not-For-Profit Corporation Law, the Corporation is a charitable corporation as defined in Section 201 of the Not-For-Profit Corporation Law, and it is formed and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Current members of the Board of Directors of the Corporation are related to the City as five out of six work, or are on the Board, for BURA. However, the City cannot impose will upon the BURA Inc. nor is there a financial benefit/burden relationship with the City to require it to be presented as a component unit of the City.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. It is the City's policy to record transactions between funds as operating transfers. Interfund services provided and used are not eliminated in the process of consolidation.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- *General Fund*—The General Fund is the primary operating fund of the City and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The majority of current operations are financed by this fund and supported mainly by property taxes and intergovernmental revenues. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received, unless prohibited by the purpose and object of such funds.
- *Debt Service Fund*—The Debt Service Fund was established to receive and account for resources restricted for the payment of interest and principal on City and Board general improvement bonds, notes, and capital leases. The City has elected to report the Debt Service Fund as a major fund to enhance consistency, even though it did not meet the criteria for mandatory reporting in the current year.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources, such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing, or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for use of any of the enterprise funds are not included in the capital projects funds.

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 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 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.
- *BFSA Debt Service Fund*—This fund accounts for the state aid and sales tax resources that the BFSA intercepts from the City to pay principal and interest on general obligations bonds issued by the BFSA on behalf of the City.
- *Permanent Fund*—The Permanent Fund is used to account for assets held by the City in a trustee capacity that are legally restricted to the extent that only earnings, and not principal, may be used for purposes stipulated in the bequests and trust agreements.

Fiduciary Funds—These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Private Purpose Trust Fund* and the *Custodial Fund*. Activities reported in the Private Purpose Trust fund represent certain trust arrangements, while activities in the Custodial Fund represent monies held for prisoners and deposits to be returned to other entities.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Property taxes, sales taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds and Private Purpose Trust Fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Custodial Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The City's cash, cash equivalents, and investments include cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the United States Treasury, United State Agencies, repurchase agreements, obligations of New York State or its localities, certificates of deposit and revenue anticipation notes. Investments are stated at fair value based on quoted market prices.

Restricted Cash, Cash Equivalents and Investments—Unspent proceeds from debt are reported as restricted cash and cash equivalents within the City's Debt Service Fund and Capital Projects Fund. The City also reports restricted cash and investments within its governmental and proprietary funds for amounts with constraints placed on their use by either external parties and/or statute and for unearned revenues. Additionally, the City reports restricted cash and investments within its fiduciary funds for amounts held on behalf of others.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than purchased.

Real Estate Acquired for Resale—Represents assets held by the City with the intention to resell.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure, and right-to-use leased 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 (\$5,000 for assets purchased with federal funds), 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. Right-to-use leased assets are initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and are amortized on a straight line basis over their useful lives.

Land and construction in progress are not depreciated/amortized. The other capital assets of the primary government are depreciated/amortized 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
Right-to-use leased assets	3 - 6

The capitalization threshold for the Board is \$5,000. Capital assets of the Board are depreciated/amortized 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
Right-to-use leased assets	5

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/amortized 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, 2022, the City reported unearned revenues within the General Fund, Capital Projects Fund and Solid Waste and Recycling Fund in the amounts of \$275,977,370, \$77,025 and \$522,020, respectively. The City received cash in advance related primarily to the American Rescue Plan Act relief funds, as well as other grants, prepaid user fees, and other items but has not performed the services, and therefore recognizes a liability.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets 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, 2022, the City has three items that qualify for reporting in this category. The first item is deferred charge on refunding, which is reported within the proprietary funds. The second item is related to pensions and is also reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the City's proportion of the collective net pension liability/(asset), the difference during the measurement period between the City's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The final item represents the effects of the change in the City's proportion of the collective total OPEB liability and difference during the measurement period between certain employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability, and is reported on the government-wide financial statements as well as within the individual proprietary funds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets 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, 2022, the City has five items that qualify for reporting in this category. The first item arises under a modified accrual basis of accounting. Accordingly, *unavailable revenues* are reported as deferred inflows of resources only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from property taxes that will not be realized within the period of availability. These amounts are deferred and recognized in the period that the amounts become available. The second item is a deferred gain on refunding, which is reported in the government-wide financial statements. The third item is related to leases receivable and reported on the government-wide statements and on the balance sheet of governmental funds, is recognized at the commencement of the City's lease receivable and amortized over the life of the lease. The fourth item represents the effect of the net change in the City's proportion of the collective net pension liability/(asset) 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 fifth item represents the effects of the change in the City's proportion of the collective total OPEB liability and difference during the measurement period between certain employer's contributions and its proportionate share of the total

of certain contributions from employers included in the collective total OPEB liability, and is reported on the government-wide financial statements as well as within the individual proprietary funds.

Net Position Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted–net position to have been depleted before unrestricted–net position is applied.

Fund Balance Flow Assumptions—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The Common Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The Common Council has by resolution authorized the Comptroller to assign fund balance. The Common Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of the assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Common Council adopted a revised fund balance policy on May 31, 2022 whereby the City is to maintain assigned and unassigned fund balance (in total) equal to or no less than 30 days of prior year expenditures. The City’s assigned and unassigned fund (in total) is in compliance with this policy.

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, 2022 the City had a legal tax margin of approximately \$149.8 million.

Compensated Absences—The City's policy is to pay employees for unused vacation, compensatory time, and sick time based on union agreements when there is separation from service. For governmental activities, the amount is accrued in the government-wide statement of net position as a long-term liability. For business-type activities, the full liability is recognized in both the government-wide statement of net position and the proprietary fund financial statements.

Due to Retirement Systems—Amounts owed to the New York State Retirement Systems for wages of employees of the City, but not yet billed, are reported as liabilities in the financial statements.

Pension Plans—The City is mandated by New York State law to participate in the New York State Teacher's Retirement System ("TRS"), the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 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 Fund. Operating expenses for the enterprise funds, and the Internal Service Fund, include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Other

Estimates—The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Reclassifications—Certain amounts were reclassified from the Board's and BFSA's financial statement presentation to conform to the City's reporting presentation. In the Board's statement of net position, \$5,848,608 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, \$325,366,212 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, 2022, the City implemented GASB Statement No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and No. 91, *Conduit Debt Obligations*. GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. As a result of the implementation of GASB Statement No. 87, the City made adjustments to leases receivable, capital assets, lease liabilities and deferred inflows relating to leases. There was no material impact to net net position. GASB Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. GASB Statement No. 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statements No. 87, 89, and 91 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. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*, effective for the year ending June 30, 2023, and the remainder of No. 99, *Omnibus 2022*; and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024, and No. 101, *Compensated Absences*, effective for the year ending June 30, 2025. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 99, 100, and 101 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, 2022, the Solid Waste and Recycling Fund had a total net position of \$(59,184,456). This net position deficit includes accrued other postemployment benefits obligation ("OPEB") of \$38,340,119 and deferred inflows related to OPEB of \$5,886,883. In addition, the Solid Waste and Recycling Fund reports a long-term interfund payable to the General Fund in the amount of \$15,651,369. 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, 2022 the City's governmental activities had a total net position of \$(756,677,018) due primarily to the City's recognition of OPEB obligation of \$1,248,554,943.

The Board has a total net position of \$(2,153,267,784) at June 30, 2022, which is caused primarily by the Board's recognition of their OPEB obligation of \$1.7 billion and the related deferred inflows of resources of \$1.5 billion.

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, 2022, of which the bank carrying balance at June 30, 2022, was \$873,382,868.

Cash, cash equivalents and investments at June 30, 2022 are shown below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 8,200	\$ -	\$ -	\$ 8,200
Deposits	801,766,860	61,487,584	1,582,342	864,836,786
Investments	2,201,351	5,285,037	32,912	7,519,300
Total	<u>\$ 803,976,411</u>	<u>\$ 66,772,621</u>	<u>\$ 1,615,254</u>	<u>\$ 872,364,286</u>

Cash and cash equivalents consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 406,985,387	\$ 20,591,162	\$ -	\$ 427,576,549
Restricted cash and cash equivalents	394,789,673	40,896,422	-	435,686,095
Cash held in fiduciary funds	-	-	1,582,342	1,582,342
Total	<u>\$ 801,775,060</u>	<u>\$ 61,487,584</u>	<u>\$ 1,582,342</u>	<u>\$ 864,844,986</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, 2022, the City’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the City’s name.

Governmental Activities Restricted Cash and Cash Equivalents—General Fund restricted cash of \$3,899,979 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. Further, the City also reports \$275,977,370 of restricted cash related to unearned revenues within the General Fund due to the advanced funding related to the American Rescue Plan Act (“ARPA”). The Debt Service Fund restricted assets of \$2,948,569 are held by a trustee for future debt service payments. Restricted cash of \$86,540,241 is reported within the Capital Projects Fund for amounts representing nonoperating cash raised through borrowings, grants and transfers from other funds. Additionally, the City reports \$15,820,857, \$9,311,466, \$215,928, and \$75,263 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 and cash equivalents within Parking Fund and Water System Fund represents monies raised from the issuance of debt to fund additions to enterprise plant assets and may only be used for this purpose. The restricted cash and cash equivalents of the Parking Fund and Water System Fund 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, 2022, \$2,143 and \$24,295,270 of the Parking and Water System’s restricted cash and cash equivalents, respectively, consisted of U.S. government securities recorded in the Water System’s name and held in a bank custodial account. The Water System also maintains restricted money market accounts with fair values totaling \$16,599,009 at June 30, 2022.

Restricted Investments—At June 30, 2022, total investments of \$7,519,300 consisted of investments held by governmental activities of \$2,201,351, held by the business-type activities of \$5,285,037 and maintained in fiduciary funds of \$32,912. Investments at June 30, 2022 are presented in the following table:

	<u>Moody's Ratings</u>	<u>S&P Ratings</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of deposit	n/a	n/a	\$ 5,285,037	\$ 5,285,037	7/28/2022
U.S. Treasury SLGs	n/a	n/a	1,748,817	1,735,144	8/31/2022
Federal Home Loan Banks	Aaa/P-1	AA+/A-1+	485,446	499,119	8/31/2022
Total			<u>\$ 7,519,300</u>	<u>\$ 7,519,300</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, 2022. 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, 2022, cash in banks was \$33,351,726, and were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—The Board has restricted cash of \$22,806,788 at June 30, 2022 for various purposes as follows:

- \$10,148,486 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.
- \$11,753,041 represents a local share contribution to be held in trust and can only be disbursed in accordance with the Local Share Trust and Depository Agreement.
- \$595,447 represents amounts to support obligations related to workers' compensation claims, along with an account held in trust with the Buffalo Teacher's Federation in relation to a previous teachers' settlement agreement.
- \$309,814 represents endowment funds and can be used in accordance with the respective endowment document.

Buffalo Urban Renewal Agency

At June 30, 2022, BURA reported total deposits of \$4,694,441. 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, 2022, 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, 2022, BURA reported \$962,908 of restricted cash.

3. RECEIVABLES

Receivables at June 30, 2022, for the City's individual funds and related allowances for estimated uncollectible amounts are as follows:

	Gross Receivable	Allowance	Net Receivable
Governmental funds:			
General Fund:			
Taxes	\$ 13,033,260	\$ (6,718,077)	\$ 6,315,183
Accounts receivable	19,679,663	(9,194,100)	10,485,563
Due from other agencies	1,366,345	-	1,366,345
Total	<u>\$ 34,079,268</u>	<u>\$ (15,912,177)</u>	<u>\$ 18,167,091</u>
Nonmajor governmental funds:			
Other receivables	24,452	-	24,452
Total governmental funds	<u>34,103,720</u>	<u>(15,912,177)</u>	<u>18,191,543</u>
Proprietary funds:			
Solid Waste and Recycling Fund:			
Accounts receivable	11,585,674	(10,804,189)	781,485
Other receivables	126,627	(82,287)	44,340
Total	<u>11,712,301</u>	<u>(10,886,476)</u>	<u>825,825</u>
Parking Fund:			
Accounts receivable	949,017	-	949,017
Total	<u>949,017</u>	<u>-</u>	<u>949,017</u>
Water System Fund:			
Accounts receivable	29,689,082	(24,934,910)	4,754,172
Other receivables	1,445,616	-	1,445,616
Due from other agencies	127,425	-	127,425
Total	<u>31,262,123</u>	<u>(24,934,910)</u>	<u>6,327,213</u>
Internal Service Fund:			
Accounts receivable	25,427	-	25,427
Total	<u>25,427</u>	<u>-</u>	<u>25,427</u>
Total proprietary funds	<u>43,948,868</u>	<u>(35,821,386)</u>	<u>8,127,482</u>
Total primary government	<u>\$ 78,052,588</u>	<u>\$ (51,733,563)</u>	<u>\$ 26,319,025</u>

Lease Receivable—During the year ended June 30, 2022, the City began recognizing the lease of a building to a third party. The lease has ninety-six remaining years and the City will receive variable annual payments annual payments. The District recognized \$208,121 in lease revenue and \$211,801 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the City’s receivable for lease payments was \$21,440,011. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$21,020,089.

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, 2022 are shown below:

Intergovernmental receivables:

Governmental funds:

General Fund:

Due from Erie County	\$ 393,132
Due from New York State, net	2,544,703
Due from federal government	<u>20,000</u>
Total	<u>2,957,835</u>

Capital Projects Fund:

Due from New York State	<u>8,291,887</u>
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Nonmajor governmental funds:

Due from New York State	16,368,128
Due from federal government	<u>1,337,846</u>
Total	<u>17,705,974</u>

Total governmental funds	<u><u>\$ 28,955,696</u></u>
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Board of Education

At June 30, 2022, the Board accrued \$13,452,229 in accounts receivables and \$147,064,345 in intergovernmental receivables. In addition, the Board reports amounts owed from the City of \$344,834,118 as due from primary government at June 30, 2022.

Buffalo Urban Renewal Agency

Major revenues accrued by BURA at June 30, 2022 consisted of the following:

	General	Community Development Block Grant	Home Program	Nonmajor Governmental Funds	Total
Program loans receivable	\$ -	\$ 23,510,686	\$ 70,014,581	\$ 159,496	\$ 93,684,763
Notes receivable	1,908,739	-	-	-	1,908,739
Allowance for uncollectibles	<u>(758,709)</u>	<u>(23,510,686)</u>	<u>(70,014,581)</u>	<u>(159,496)</u>	<u>(94,443,472)</u>
Total receivables	<u>\$ 1,150,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,030</u>

Program Loans Receivable—Represents amounts due to BURA of \$93,684,763, which are entirely allowed for.

Lease Receivable—BURA leases real property for the premises commonly known as 450 Exchange Street to a third party. The lease has eighteen years remaining and BURA will receive monthly payments ranging from \$2,250 to \$3,250. BURA recognized \$39,574 in rental income during the current fiscal year related to this lease. As of June 30, 2022, BURA’s receivable for lease payments

was \$455,666. Also, BURA reports a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$443,092

Notes Receivable—Represents amounts due from various sources for projects designed to stimulate economic development and housing improvements in the City, provided net of allowances for uncollectible accounts. BURA reports amounts of \$1,908,739 which are allowed for in the amount of \$758,709.

Intergovernmental Receivables—Represent amounts due from other units of government, such as federal government. Intergovernmental receivables at June 30, 2022 consisted of the following:

	General	Community Development Block Grant	Community Development Block Grant (COVID)	Section 8 Housing Program	HOME Program	Emergency Rent Assistance Program	Nonmajor Governmental Funds	Total
Due from federal government	\$ 3,635	\$ 668,026	\$ 1,269,475	\$ 100	\$ 801,532	\$ -	\$ 10,628	\$ 2,753,396
Due from City of Buffalo	-	-	-	-	-	732,692	49,070	781,762
Total	<u>\$ 3,635</u>	<u>\$ 668,026</u>	<u>\$ 1,269,475</u>	<u>\$ 100</u>	<u>\$ 801,532</u>	<u>\$ 732,692</u>	<u>\$ 59,698</u>	<u>\$ 3,535,158</u>

4. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government's governmental activities, for the fiscal year ended June 30, 2022, was as follows:

	Balance 7/1/2021 (as adjusted)	Increases	Decreases	Balance 6/30/2022
Capital assets, not being depreciated/amortized:				
Land	\$ 9,791,873	\$ -	\$ -	\$ 9,791,873
Construction in progress	37,567,737	69,427,894	37,567,737	69,427,894
Total capital assets, not being depreciated/amortized	<u>47,359,610</u>	<u>69,427,894</u>	<u>37,567,737</u>	<u>79,219,767</u>
Capital assets, being depreciated/amortized:				
Buildings and building improvements	350,802,149	3,386,526	602,901	353,585,774
Improvements other than buildings	74,128,150	2,642,743	-	76,770,893
Machinery and equipment	76,559,512	2,377,081	1,310,658	77,625,935
Infrastructure	619,754,521	30,326,644	-	650,081,165
Right-to-use leased assets	2,555,056	-	-	2,555,056
Total capital assets, being depreciated/amortized	<u>1,123,799,388</u>	<u>38,732,994</u>	<u>1,913,559</u>	<u>1,160,618,823</u>
Less accumulated depreciation/amortization for:				
Buildings and building improvements	164,392,067	9,386,713	-	173,778,780
Improvements other than buildings	48,530,252	2,870,386	-	51,400,638
Machinery and equipment	65,704,085	3,368,403	1,286,040	67,786,448
Infrastructure	344,291,547	22,458,457	-	366,750,004
Right-to-use leased assets	-	681,788	-	681,788
Total accumulated depreciation/amortization	<u>622,917,951</u>	<u>38,765,747</u>	<u>1,286,040</u>	<u>660,397,658</u>
Total capital assets, being depreciated/amortized, net	<u>500,881,437</u>	<u>(32,753)</u>	<u>627,519</u>	<u>500,221,165</u>
Governmental activities capital assets, net	<u>\$ 548,241,047</u>	<u>\$ 69,395,141</u>	<u>\$ 38,195,256</u>	<u>\$ 579,440,932</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities, for the fiscal year ended June 30, 2022, was as follows:

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022
Capital assets, not being depreciated:				
Land	\$ 3,307,890	\$ -	\$ -	\$ 3,307,890
Construction in progress	3,312,822	6,336,897	5,645,216	4,004,503
Total capital assets, not being depreciated	<u>6,620,712</u>	<u>6,336,897</u>	<u>5,645,216</u>	<u>7,312,393</u>
Capital assets, being depreciated:				
Buildings and building improvements	190,387,217	2,861,126	-	193,248,343
Improvements other than buildings	433,046	-	-	433,046
Machinery and equipment	11,969,710	5,309	25,514	11,949,505
Infrastructure	139,289,142	4,050,665	-	143,339,807
Total capital assets, being depreciated	<u>342,079,115</u>	<u>6,917,100</u>	<u>25,514</u>	<u>348,970,701</u>
Less accumulated depreciation for:				
Buildings and building improvements	74,606,702	5,399,148	-	80,005,850
Improvements other than buildings	413,947	9,259	-	423,206
Machinery and equipment	9,981,307	588,262	25,514	10,544,055
Infrastructure	65,551,232	3,334,936	-	68,886,168
Total accumulated depreciation	<u>150,553,188</u>	<u>9,331,605</u>	<u>25,514</u>	<u>159,859,279</u>
Total capital assets, being depreciated, net	<u>191,525,927</u>	<u>(2,414,505)</u>	<u>-</u>	<u>189,111,422</u>
Business-type activities capital assets, net	<u>\$ 198,146,639</u>	<u>\$ 3,922,392</u>	<u>\$ 5,645,216</u>	<u>\$ 196,423,815</u>

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

Governmental activities:	
General government support	\$ 4,779,352
Public safety	5,698,795
Streets and sanitation	20,941,176
Economic assistance and opportunity	588,961
Culture and recreation	6,725,896
Health and community services	31,567
Total governmental activities depreciation/amortization expense	<u>\$ 38,765,747</u>
Business-type activities:	
Solid waste and recycling	\$ 402,511
Parking	1,547,532
Water system	7,381,562
Total business-type activities depreciation expense	<u>\$ 9,331,605</u>

Board of Education

Capital asset activity for the Board, for the fiscal year ended June 30, 2022, was as follows:

	Balance 7/1/2021 (as restated)	Increases	Decreases and Reclassifications	Balance 6/30/2022
Capital assets, not being depreciated/amortized:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	36,351,958	9,030,855	1,999,369	43,383,444
Total capital assets, not being depreciated/amortized	39,363,858	9,030,855	1,999,369	46,395,344
Capital assets, being depreciated/amortized:				
Land improvements	5,542,686	995,525	-	6,538,211
Buildings and building improvement	1,784,080,562	-	(1,999,369)	1,786,079,931
Equipment	51,781,129	3,611,807	170,200	55,222,736
Right-to-use leased assets	58,655,121	2,776,898	-	61,432,019
Total capital assets, being depreciated/amortized	1,900,059,498	7,384,230	(1,829,169)	1,909,272,897
Less accumulated depreciation/amortization for:				
Land improvements	4,820,325	77,442	-	4,897,767
Buildings and building improvement	1,108,705,227	76,632,826	-	1,185,338,053
Equipment	27,856,699	5,426,991	170,200	33,113,490
Right-to-use leased assets	19,170,184	4,612,340	-	23,782,524
Total accumulated depreciation/amortization	1,160,552,435	86,749,599	170,200	1,247,131,834
Total capital assets being depreciated/amortized, net	739,507,063	(79,365,369)	(1,999,369)	662,141,063
Board capital assets, net	\$ 778,870,921	\$ (70,334,514)	\$ -	\$ 708,536,407

Buffalo Urban Renewal Agency

Capital asset activity for BURA, for the fiscal year ended June 30, 2022, was as follows:

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022
Capital assets, being depreciated/amortized:				
Buildings	\$ 772,054	\$ -	\$ -	\$ 772,054
Equipment	22,535	32,850	-	55,385
Right-to-use leased assets	-	22,586	-	22,586
Total capital assets, being depreciated/amortized	794,589	55,436	-	850,025
Less accumulated depreciation/amortization for:				
Buildings	366,942	19,313	-	386,255
Equipment	22,535	3,833	-	26,368
Right-to-use leased assets	-	5,646	-	5,646
Total accumulated depreciation/amortization	389,477	28,792	-	418,269
BURA capital assets, net	\$ 405,112	\$ 26,644	\$ -	\$ 431,756

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2022, were as follows:

	General Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 32,997,532	\$ 62,258	\$ 33,059,790
Other accruals	-	52,202	52,202
Total accrued liabilities	<u>\$ 32,997,532</u>	<u>\$ 114,460</u>	<u>\$ 33,111,992</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 Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2022, the City reported the liability/(asset) on the following page for its proportionate share of the total pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of March 31, 2021. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by actuarial valuations as of April 1, 2021, with updated procedures used to roll forward the total net pension liability/(asset) to the measurement date. The City’s proportion of the net pension liability/(asset) was 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	City Total
	PFRS	ERS	ERS	ERS
Measurement date	March 31, 2022	March 31, 2022	March 31, 2022	March 31, 2022
Net pension liability/(asset)	\$ 19,726,695	\$ (15,687,390)	\$ (3,604,211)	\$ (19,291,601)
City's portion of the Plan's total net pension liability/(asset)	3.4727375%	0.1905724%	0.0454224%	0.2359948%

As of the March 31, 2022 measurement date, the City's governmental activities portion of the Plan's total net pension liability/(asset) for PFRS and ERS, respectively, had decreased 0.0973676% and decreased 0.0009582% from their portion of the Plan's total net pension liability of 3.5701051% and 0.1915306% on the March 31, 2021 measurement date. The City's business-type activities portion of the Plan's total net pension liability/(asset) had increased 0.0001988% from their portion of the Plan's total net pension liability/(asset) of 0.0452236% from the March 31, 2021 measurement date.

For the year ended June 30, 2022, the City's primary government recognized aggregate pension expenses of \$17,958,416 and \$1,321,090 for PFRS and ERS, respectively. The City's governmental activities recognized aggregate pension expenses of \$17,958,416 for PFRS and \$1,063,288 for ERS (which includes aggregate pension income of 10,985 related to BFSA). Business-type activities recognized aggregate pension expense of \$246,817 for ERS. At June 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows				Deferred Inflows			
	of Resources				of Resources			
	Governmental activities		Business-type activities	Total Primary Government	Governmental activities		Business-type activities	Total Primary Government
	PFRS	ERS	ERS	ERS	PFRS	ERS	ERS	ERS
Differences between expected and actual experiences	\$ 10,634,807	\$ 1,188,028	\$ 272,952	\$ 1,460,980	\$ -	\$ 1,540,940	\$ 354,034	\$ 1,894,974
Changes of assumptions	118,068,547	26,180,495	6,015,025	32,195,520	-	441,767	101,497	543,264
Net difference between projected and actual earnings on pension plan investments	-	-	-	-	165,755,774	51,369,628	11,802,282	63,171,910
Changes in proportion and differences between the City's contributions and proportionate share of contributions	1,746,919	612,840	140,801	753,641	9,828,389	539,352	123,889	663,241
City's contributions subsequent to the measurement date	7,694,654	1,667,778	383,159	2,050,937	-	-	-	-
Total	<u>\$ 138,144,927</u>	<u>\$ 29,649,141</u>	<u>\$ 6,811,937</u>	<u>\$ 36,461,078</u>	<u>\$ 175,584,163</u>	<u>\$ 53,891,687</u>	<u>\$ 12,381,702</u>	<u>\$ 66,273,389</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, 2023. 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,	Governmental activities		Business-type activities
	PFRS	ERS	ERS
2023	\$ (9,526,721)	\$ (3,968,356)	\$ (945,846)
2024	(15,168,154)	(5,680,743)	(1,353,989)
2025	(40,478,272)	(13,313,755)	(3,173,295)
2026	20,507,663	(2,947,470)	(479,794)
2027	(468,406)	-	-

Actuarial Assumptions—The total pension liability/(asset) 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, 2022	March 31, 2022
Actuarial valuation date	April 1, 2021	April 1, 2021
Interest rate	5.90%	5.90%
Salary scale	6.20%	4.40%
Decrement tables	April 1, 2015- March 31, 2020	April 1, 2015- March 31, 2020
Inflation rate	2.7%	2.7%
Cost-of-living adjustments	1.4%	1.4%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2020.

The actuarial assumptions used in the April 1, 2021 valuations are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the table on the following page.

	Target Allocation	Long-Term Expected Real Rate of Return
	PFRS and ERS	
Measurement date	March 31, 2022	
Asset class:		
Domestic equities	32.0 %	3.3 %
International equities	15.0	5.9
Private equity	10.0	6.5
Real estate	9.0	5.0
Opportunistics/absolute return strategies	3.0	4.1
Credit	4.0	3.8
Real assets	3.0	5.6
Bonds and mortgages	23.0	0.0
Cash	1.0	(1.0)
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the City's proportionate share of the net pension (assets)/liabilities calculated using the discount rate of 5.9%, as well as what the City's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 218,429,052	\$ 19,726,695	\$ (145,573,832)
Employer's proportionate share of the net pension liability/(asset)—ERS	49,656,371	(19,291,601)	(76,963,253)

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, 2021	April 1, 2021	
Employers' total pension liability	\$ 42,237,292	\$ 223,874,888	\$ 266,112,180
Plan fiduciary net position	41,669,250	232,049,473	273,718,723
Employers' net pension liability	<u>\$ 568,042</u>	<u>\$ (8,174,585)</u>	<u>\$ (7,606,543)</u>
System fiduciary net position as a percentage of total pension liability	98.7%	103.7%	102.9%

Payables to the Pension Plan—Employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid System wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$7,694,654 and \$2,040,491 for PFRS and ERS, respectively.

Buffalo Fiscal Stability Authority

The BFSA also participates in the ERS.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2022, the BFSA reported an asset of \$142,680 for its proportionate share of the net pension asset. At the March 31, 2022 measurement date, the BFSA's proportion was 0.0017454%, an increase of 0.0000414% from its proportion measured as of March 31, 2021.

For the year ended June 30, 2022, BFSA recognized aggregate pension income of \$10,985. At June 30, 2022, 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	\$ 10,805	\$ 14,015
Changes of assumptions	238,117	4,018
Net difference between projected and actual earnings on pension plan investments	-	467,217
Changes in proportion and differences between BFSA's contributions and proportionate share of contributions	3,159	32,025
BFSA contributions subsequent to the measurement date	<u>11,390</u>	<u>-</u>
Total	<u>\$ 263,471</u>	<u>\$ 517,275</u>

The BFSA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension asset in the year ending June 30, 2023. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>ERS</u>
2023	\$ (48,748)
2024	(61,591)
2025	(127,211)
2026	(27,644)

Sensitivity of the Proportionate Share of the Net Pension Asset 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 5.9%, 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 (4.9%) or one percentage-point higher (6.9%) than the current assumption.

<u>ERS</u>	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 367,257	\$ (142,680)	\$ (569,218)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2022 amounted to \$11,390.

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 NYSTRS Annual Comprehensive 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, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2022, the Board reported the assets presented below for its proportionate share of the net pension asset for each of the Systems. The net pension asset was measured as of June 30, 2021 for TRS and March 31, 2022 for ERS. The total pension asset used to calculate the net pension assets were determined by actuarial valuations as of June 30, 2021 and April 1, 2022 for TRS and ERS, respectively, with update procedures used to roll forward the total pension liability to the measurement dates. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by TRS and ERS in reports provided to the Board.

	TRS	ERS
Measurement date	June 30, 2021	March 31, 2022
Net pension asset	\$ 308,539,289	\$ 11,669,271
Board's portion of the Plan's total net pension asset	1.780475%	0.142751%

As of their respective measurement dates, the Board's portion of the Plan's total pension liability for TRS and ERS, respectively, had decreased 0.038003% and 0.004893% from their portion of the Plan's total pension liability on the June 30, 2020 and March 31, 2021 measurement dates.

For the year ended June 30, 2022, the Board recognized pension income of \$18,881,804 for TRS and pension expense of \$939,461 for ERS, respectively. At June 30, 2022, the Board reported the following deferred outflows of resources and deferred inflows of resources related to pensions.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ 42,528,868	\$ 883,730	\$ 1,602,993	\$ 1,146,248
Changes of assumptions	101,485,022	19,474,705	17,971,503	328,614
Net difference between projected and actual earnings on pension plan investments	-	-	322,918,290	38,211,974
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	3,517,914	708,581	5,274,835	372,801
Board's contributions subsequent to the measurement date	31,173,278	1,576,567	-	-
Total	<u>\$ 178,705,082</u>	<u>\$ 22,643,583</u>	<u>\$ 347,767,621</u>	<u>\$ 40,059,637</u>

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. 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:

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2023	\$ (41,006,190)	\$ (2,692,694)
2024	(48,095,377)	(4,187,506)
2025	(58,678,712)	(9,948,363)
2026	(77,470,904)	(2,164,058)
2027	14,603,807	-
Thereafter	10,411,559	-

Actuarial Assumptions—The total pension liability as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement dates. The actuarial valuations used the following actuarial assumptions:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2021	March 31, 2022
Actuarial valuation date	June 30, 2020	April 1, 2021
Interest rate	6.95%	5.90%
Salary scale	1.95% - 5.18%	4.40%
Decrement tables	July 1, 2015 - June 30, 2020	April 1, 2015 - March 31, 2020
Inflation rates	2.40%	2.70%
Cost-of-living adjustments	1.30%	1.40%

For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2020, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020.

For TRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. For ERS, the actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 presented below:

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2021	March 31, 2022
Asset class:				
Domestic equities	33.0 %	32.0 %	6.8 %	3.3 %
International equities	16.0	15.0	7.6	5.9
Global equities	4.0	0.0	7.1	0.0
Private equity	8.0	10.0	10.0	6.5
Real estate	11.0	9.0	6.5	5.0
Opportunistic/Absolute return strategy	0.0	3.0	0.0	4.1
Credit	0.0	4.0	0.0	3.8
Domestic fixed income securities	16.0	0.0	1.3	0.0
Global bonds	2.0	0.0	0.8	0.0
High-yield bonds	1.0	0.0	3.8	0.0
Private debt	1.0	0.0	5.9	0.0
Real assets	0.0	3.0	0.0	5.6
Real estate debt	7.0	0.0	3.3	0.0
Fixed income	0.0	23.0	0.0	0.0
Cash	1.0	1.0	(0.2)	(1.0)
Total	100.00 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension asset was 6.95% for TRS and 5.90% 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 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 Asset to the Discount Rate Assumption—The chart on the following page presents the Board’s proportionate share of the net pension asset calculated using the discount rate of 6.95% for TRS and 5.90% for ERS, as well as what the Board’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage-point lower (5.95% for TRS and 4.90% for ERS) or one percentage-point higher (7.95% for TRS and 6.90% for ERS) than the current assumption.

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension liability/(asset)	\$ (32,376,700)	\$ (308,539,289)	\$ (540,633,906)
ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension liability/(asset)	\$ 30,036,577	\$ (11,669,271)	\$ (46,554,201)

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

	(Dollar in Thousands)	
	TRS	ERS
Valuation date	June 30, 2020	April 1, 2021
Employers' total pension liability	\$ 130,819,415	\$ 223,874,888
Plan fiduciary net position	148,148,457	232,049,473
Employers' net pension (asset)	<u>\$ (17,329,042)</u>	<u>\$ (8,174,585)</u>
System fiduciary net position as a percentage of total pension liability/(asset)	113.2%	103.7%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 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, 2022 amounted to \$31,173,278. For ERS, accrued retirement contributions as of June 30, 2022 amounted to \$1,576,567.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. Accrued retirement contributions as of June 30, 2022 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2022, BURA reported an asset of \$507,377 for its proportionate share of the net pension asset. At the March 31, 2022 measurement date, BURA's proportion was 0.0062068%, an increase of 0.000779% from its proportion measured as of March 31, 2021.

For the year ended June 30, 2022, BURA recognized pension expense of \$23,750. At June 30, 2022, 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	\$ 38,424	\$ 49,839
Changes of assumptions	846,756	14,288
Net difference between projected and actual earnings on pension plan investments	-	1,661,448
Changes in proportion and differences between BURA's contributions and proportionate share of contributions	127,285	120,195
BURA contributions subsequent to the measurement date	71,995	-
Total	<u>\$ 1,084,460</u>	<u>\$ 1,845,770</u>

BURA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension asset in the year ending June 30, 2023. 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
2023	\$(128,257)
2024	(185,789)
2025	(444,008)
2026	(75,251)

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) 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 5.9%, 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 (4.9%) or one percentage-point higher (6.9%) than the current assumption.

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)	\$ 1,305,984	\$ (507,377)	\$ (2,024,167)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2022 amounted to \$71,995.

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, 2020, the effective valuation date of the OPEB valuation, is as follows:

Active employees	2,609
Retired employees	2,905
Spouses of retirees	1,722
Dependents	<u>922</u>
Total	<u>8,158</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

Total OPEB Liability

The City’s total OPEB liabilities for governmental and business-type activities of \$1,247,537,593 and \$63,719,483, respectively, were measured as of June 30, 2021, and were determined by an interim actuarial valuation on September 21, 2022.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the October 8, 2021 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a measurement date of June 30, 2021. The discount rate was 2.14% as of June 30, 2022, as compared to 2.21% as of June 30, 2021. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2020. The New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.2%, while the ultimate healthcare cost trend rate is 3.7%.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2020 through June 30, 2021.

Changes in the Total OPEB Liability—The following tables presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability		
	Governmental Activities	Business-type Activities	Total Primary Government
Balances at June 30, 2021	\$ 1,314,907,205	\$ 67,808,768	\$ 1,382,715,973
Changes for the year:			
Service cost	56,686,224	2,144,170	58,830,394
Interest	29,722,153	1,479,728	31,201,881
Changes of assumptions	(96,606,264)	(5,165,418)	(101,771,682)
Contributions—employer	(57,171,725)	(2,547,765)	(59,719,490)
Net changes	(67,369,612)	(4,089,285)	(71,458,897)
Balances at June 30, 2022	\$ 1,247,537,593	\$ 63,719,483	\$ 1,311,257,076

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability:

	Decrease (1.14%)	Discount Rate (2.14%)	Increase (3.14%)
Total OPEB liability for Governmental Activities	\$ 1,430,691,201	\$ 1,247,537,593	\$ 1,099,095,832
Total OPEB liability for Business-type Activities	73,074,274	63,719,483	56,137,641
Total Primary Government	\$ 1,503,765,475	\$ 1,311,257,076	\$ 1,155,233,473

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (5.2%) and ultimate (3.7%) healthcare cost trend rates.

	1% Decrease (4.2% / 2.7%)	Healthcare Cost Trend Rates (5.2% / 3.7%)	1% Increase (6.2% / 4.7%)
Total OPEB liability for Governmental Activities	\$ 1,075,947,114	\$ 1,247,537,593	\$ 1,466,762,316
Total OPEB liability for Business-type Activities	54,955,293	63,719,483	74,916,649
Total Primary Government	\$ 1,130,902,407	\$ 1,311,257,076	\$ 1,541,678,965

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, 2022, the City's governmental activities recognized aggregate OPEB expense of \$44,129,484 (which includes BFSA aggregate OPEB income of \$264,382) and the City's business-type activities recognized aggregate OPEB expense of \$2,267,470.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The City reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability. At June 30, 2022, 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	Total	Governmental Activities	Business-type Activities	Total
			Primary Government			Primary Government
Differences between expected and actual experience	\$ 11,256,877	\$ 689,080	\$ 11,945,957	\$ -	\$ -	\$ -
Changes of assumptions	101,601,372	4,056,529	105,657,901	112,750,302	10,366,013	123,116,315
Total	<u>\$ 112,858,249</u>	<u>\$ 4,745,609</u>	<u>\$ 117,603,858</u>	<u>\$ 112,750,302</u>	<u>\$ 10,366,013</u>	<u>\$ 123,116,315</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	City Total
2023	\$ 133,635	\$ (6,957,900)	\$ (6,824,265)
2024	13,370	(696,138)	(682,768)
2025	1,815	(94,495)	(92,680)
2026	(25,387)	1,321,820	1,296,433
2027	(15,486)	806,310	790,824

Buffalo Fiscal Stability Authority

Plan Description—The BFSFA maintains a single-employer defined benefit healthcare plan (the “Plan”) providing for lifetime cost sharing of medical, dental, and vision premiums to eligible retirees and spouses.

The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retire from the BFSFA over age 55 and have a minimum of five years of service, and have satisfied requirements for retiring as a member of a retirement system.

Employees Covered by Benefit Terms—For the year ended June 30, 2022 there were no retirees of the BFSFA receiving benefits. At June 30, 2022, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The BFSA's total OPEB liability of \$1,017,350 was measured as of June 30, 2022, 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 4.9%, reduced to an ultimate rate of 4.3% after ten years.

Salary increases – 2.0%.

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

Discount rate – 3.34% (previously 2.16%) based on the 20-Year tax-exempt municipal bond yield for bonds with an average rating of AA or higher as of the measurement date.

Turnover – 50% based on historical experience.

Changes in the Total OPEB Liability—The following tables presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balances at June 30, 2021	\$ 1,281,732
Changes for the year:	
Service cost	112,210
Interest	30,109
Changes of assumptions	(331,281)
Differences between expected and actual experience	(75,420)
Net changes	(264,382)
Balances at June 30, 2022	\$ 1,017,350

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (2.34%)	Current Discount Rate (3.34%)	1% Increase (4.34%)
Total OPEB liability	\$ 1,290,765	\$ 1,017,350	\$ 807,419

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (4.9%) and ultimate (4.3%) healthcare cost trend rates.

	1% Decrease (3.9% / 3.3%)	Healthcare Cost Trend Rates (4.9% / 4.3%)	1% Increase (5.9% / 5.3%)
Total OPEB liability	\$ 779,735	\$ 1,017,350	\$ 1,331,701

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, 2022, the Authority recognized OPEB expense of \$264,382.

Board of Education

Plan Description—The Board administers the Board of Education, City of Buffalo, New York’s Retiree Medical and Prescriptions Drug (the “Board’s Plan”) as a single-employer defined benefit other postemployment benefits plan. The Board’s Plan provides for the continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the Board subject to applicable collective bargaining and employment agreements. The Board’s Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose for paying benefits under the Board’s Plan.

Funding Policy—The obligations of the plan members, employers, and other entities are established by action of the Board pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members, varies depending on the applicable agreement. The Board currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Board’s Plan are paid by the Board.

Employees Covered by Benefit Terms—At June 30, 2021, the following employees were covered by the benefit terms:

Active employees	5,429
Retired employees and dependents	4,017
Total	<u>9,446</u>

Total OPEB Liability

The Board’s total OPEB liability of \$1,733,208,000 was measured as of June 30, 2022, using updated procedures to roll forward the actuarial valuation from June 30, 2021.

Actuarial Methods and Assumptions—The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Inflation	1.30%
Salary Increases	1.76% to 10.00%
Discount Rate	4.09%
Healthcare Cost Trend Rates	7.5% in 2022, with an ultimate rate of 4.5% for 2029
Retirees’ Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy

The discount rate was based on a range of indices of 20-year bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the MP-2020 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 – June 30, 2021.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability (in thousands)
Balance at July 1, 2021	\$ 2,485,499
Changes for the year:	
Service cost	86,668
Interest	55,739
Changes of assumptions	(189)
Differences between expected and actual experience	(210,089)
Contributions—employer	(630,109)
Benefit payments	(54,311)
Net changes	(752,291)
Balance at June 30, 2022	\$ 1,733,208

Changes of assumptions and other inputs reflect a change in the discount rate from 2.19 percent in 2021 to 4.09 percent in 2022.

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have a profound impact on total liabilities. The table below presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability (amounts in thousands).

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB liability	\$ 2,030,091	\$ 1,733,208	\$ 1,495,727

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (8.0%)/ultimate (4.5%) healthcare cost trend rates (amounts in thousands).

	1% Decrease (6.5% to 3.5%)	Healthcare Cost Trend Rates (7.5% to 4.5%)	1% Increase (8.5% to 5.5%)
Total OPEB liability	\$ 1,452,803	\$ 1,733,208	\$ 2,095,721

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended June 30, 2022, the Board recognized OPEB income of \$110,143,000. The Board reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability are required to be determined. The following table presents the Board’s deferred outflows and inflows of resources at June 30, 2022 (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 845,085
Changes of assumptions	478,550	607,041
Total	<u>\$ 478,550</u>	<u>\$ 1,452,126</u>

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

Fiscal Year Ending June 30,	Amount (in thousands)
2023	\$ (252,361)
2024	(184,139)
2025	(132,811)
2026	(133,425)
2027	(150,815)
Thereafter	(120,025)

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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	41
Active employees	<u>28</u>
Total	<u>69</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 (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

BURA's total OPEB liability of \$8,789,545 was measured as of June 30, 2022, and was determined by an actuarial valuation as of the same 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, 2022 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2022. The discount rate used was 3.00%, compared to 2.18% in the prior year. Mortality rates are based on the Pub-2010 Public Retirement Plans Mortality Tables. The 2021 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 5.70% for medical, while the ultimate healthcare cost trend rate is 5.20%.

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
Balance at June 30, 2021, as restated:	<u>\$ 9,663,116</u>
Changes for the year:	
Service cost	163,869
Interest	209,880
Effect of economic/demographic gains or losses	(12,099)
Change of assumptions	(834,171)
Benefit payments	<u>(401,050)</u>
Net changes	<u>(873,571)</u>
Balance at June 30, 2022	<u><u>\$ 8,789,545</u></u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Total OPEB liability	\$ 9,825,672	\$ 8,789,545	\$ 7,897,491

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (5.70%) and ultimate (5.20%) healthcare cost trend rates:

	1% Decrease (4.70% / 4.20%)	Healthcare Cost Trend Rates (5.70% / 5.20%)	1% Decrease (6.70% / 6.20%)
Total OPEB liability	\$ 7,925,970	\$ 8,789,545	\$ 9,796,524

Funding Policy—Authorization for BURA to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by BURA’s Board. BURA’s contributions to the OPEB plan are based on the negotiated contracts with the bargaining unit. Any amendments to the employer’s contributions are subject to the collective bargaining agreements. BURA recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. BURA contributed \$401,050 for the fiscal year ended June 30, 2022.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—BURA may report 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 OPEB liability are required to be determined. As of June 30, 2022, BURA 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, 2020, 2021, and 2022, the City expensed \$3,666,037, \$3,041,562 and \$3,306,772, 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, 2020, 2021, and 2022, the City incurred expenditures of \$6,786,877, \$4,968,168 and \$797,035, respectively, for property damage and personal injury claims.

At June 30, 2022, the City estimated the following workers’ compensation liabilities:

	Governmental Activities	Business-type Activities
Workers' compensation — fire and police medical	\$ 2,581,811	\$ -
Workers' compensation — other employees	5,325,264	1,542,542
Total	<u>\$ 7,907,075</u>	<u>\$ 1,542,542</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, 2020, are shown below:

	Governmental Activities	Business-type Activities
Estimated claims — June 30, 2020	\$ 9,213,252	\$ 2,064,778
Claims incurred	1,898,802	196,258
Payments 2020-2021	(2,582,128)	(459,434)
Estimated claims — June 30, 2021	8,529,926	1,801,602
Claims incurred	2,231,042	175,819
Payments 2021-2022	(2,853,893)	(452,879)
Estimated claims — June 30, 2022	<u>\$ 7,907,075</u>	<u>\$ 1,524,542</u>

The City has estimated claims arising during the ordinary course of its operation which are probable of a future loss to total \$5,000,000 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 \$7,000,000.

9. LEASE LIABILITY

The City is a lessee for a noncancellable lease of various equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

During the years ended June 30, 2018 and 2021, the City entered into long-term, lease agreements as the lessee for the acquisition and use of various equipment. As a result of the implementation of the GASB Statement No. 87, *Leases*, the City now reports those as lease liabilities. As of June 30, 2022, the value of the lease liabilities was \$1,894,923. The City is required to make annual principal and interest payments ranging from \$14,345 to \$169,952. The leases have interest rates ranging between 2.0 and 5.0%. The value of the right-to-use lease assets as of the end of the current fiscal year was \$2,555,056 and had accumulated amortization of \$681,788.

The future principal and interest payments as of June 30, 2022, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 663,073	\$ 18,596	\$ 681,669
2024	687,413	11,773	699,186
2025	290,562	6,382	296,944
2026	126,171	2,745	128,916
2027	93,225	1,140	94,365
2028	34,479	150	34,629
Total	<u>\$ 1,894,923</u>	<u>\$ 40,786</u>	<u>\$ 1,935,709</u>

10. 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, lease liability, 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, 2022 is presented in the table on the following page.

	Balance 6/30/2021 (as adjusted)	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds, net - City	\$ 162,034,637	\$ 22,875,000	\$ 29,386,722	\$ 155,522,915	\$ 31,865,737
General obligations bonds, net - BFSA	6,440,000	-	1,960,000	4,480,000	2,040,000
Premiums on bonds - City	24,216,047	2,159,650	3,266,002	23,109,695	3,300,516
Premiums on bonds - BFSA	807,454	-	208,874	598,580	208,874
Total bonds payable	193,498,138	25,034,650	34,821,598	183,711,190	37,415,127
Lease liability	2,555,056	-	660,133	1,894,923	663,073
Compensated absences	26,561,190	6,421,420	2,474,641	30,507,969	2,703,583
Workers' compensation	8,529,926	2,231,042	2,853,893	7,907,075	3,985,270
Landfill post-closure monitoring costs	490,000	-	70,000	420,000	70,000
OPEB obligation - City	1,314,907,205	86,408,377	153,777,989	1,247,537,593	-
OPEB obligation - BFSA	1,281,732	142,319	406,701	1,017,350	-
Judgments and claims	5,200,000	597,035	797,035	5,000,000	3,340,000
Net pension liability - City*	62,177,589	-	42,450,894	19,726,695	-
Net pension liability - BFSA*	1,697	-	1,697	-	-
Total governmental activities	<u>\$ 1,615,202,533</u>	<u>\$ 120,834,843</u>	<u>\$ 238,314,581</u>	<u>\$ 1,497,722,795</u>	<u>\$ 48,177,053</u>
	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligations bonds - Parking	\$ 6,760,364	\$ -	\$ 1,653,278	\$ 5,107,086	\$ 639,263
Water System revenue bonds	117,455,000	25,270,000	20,065,000	122,660,000	6,610,000
Premiums on bonds	11,941,481	3,252,195	682,498	14,511,178	811,872
Discounts on bonds	(174,919)	-	(80,931)	(93,988)	(6,266)
Total bonds payable	135,981,926	28,522,195	22,319,845	142,184,276	8,054,869
Compensated absences	1,369,921	15,555	178,685	1,206,791	82,296
Workers' compensation	1,801,602	175,819	452,879	1,524,542	452,879
OPEB obligation	67,808,768	3,623,898	7,713,183	63,719,483	-
Net pension liability*	45,033	-	45,033	-	-
Total business-type activities	<u>\$ 207,007,250</u>	<u>\$ 32,337,467</u>	<u>\$ 30,709,625</u>	<u>\$ 208,635,092</u>	<u>\$ 8,590,044</u>

*Reductions to the net pension liability are shown net of additions.

Serial Bonds—Governmental and business-type activities' long-term bonded debt consists of either general obligation bonds backed by the full faith and credit of the City or revenue bonds. The revenue bondholder's recourse is secured solely by the City's Water System revenues. Bonds issued by the BFSA are secured by sales tax and state aid. The debt issued by the City to the BFSA has been eliminated in the government-wide financial statements to eliminate the duplicative reporting of total outstanding debt. The debt issued by the City on behalf of the Board of Education is recorded as revenues and expenditures in the governmental funds.

In the current year, the City issued \$22,875,000 in Public Improvement Serial Bonds for various purposes and received a premium of \$2,159,650. The bonds carry an interest rate ranging between 4.0 - 5.0% and mature on April 1, 2034. Additionally, on December 15, 2021, the City issued \$13,435,000 in Water

System Revenue Bonds and received a premium of \$1,784,359. The bonds carry an interest rate ranging between 2.0 – 4.0% and mature on April 1, 2051

Current Year Refunding—On December 15, 2021, the City issued \$11,835,000 in Water System Revenue Refunding Bonds, together with bond premiums received of \$1,467,836 and the debt reserve, to refund \$14,070,000 of outstanding principal of the previously issued 2012 Serial Bonds originally issued for various purposes, which were called on January 31, 2022. The 2021 Revenue Refunding Bonds carry an interest rate of 3.0% - 4.0% and mature on July 1, 2033. The refund will provide an aggregate difference in debt service between the refunding debt and the refunded debt of \$3,034,610 and resulted in a net present value benefit savings of \$4,081,090 to the City and a deferred loss on refunding of \$1,984,432.

A summary of additions and payments for the year ended June 30, 2022 is presented on the following page.

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2021	Additions	Payments	Balance 6/30/2022	Due Within One Year
Governmental activities general obligations bonds issued by City of Buffalo:								
2005	\$ 26,167,250	5.0	2025	\$ 1,120,849	\$ -	\$ 260,501	\$ 860,348	\$ 272,726
2007	22,226,126	5.0	2023	3,810,322	-	1,859,084	1,951,238	1,951,238
2012	3,480,000	3.0-4.0	2022	190,000	-	190,000	-	-
2012	21,640,000	2.0-5.0	2023	4,600,000	-	2,265,000	2,335,000	2,335,000
2012	4,255,000	2.0-4.0	2024	80,000	-	20,000	60,000	20,000
2013	7,540,000	0.8-3.5	2025	2,745,000	-	655,000	2,090,000	675,000
2014	25,639,769	4.0-5.0	2023	6,060,000	-	2,990,000	3,070,000	3,070,000
2015	29,088,985	2.0-5.0	2026	13,475,000	-	2,570,000	10,905,000	2,625,000
2016	21,703,468	2.0-5.0	2028	14,077,358	-	1,730,720	12,346,638	1,814,940
2016	15,375,000	3.0-4.0	2024	8,140,000	-	3,140,000	5,000,000	3,290,000
2017	21,618,019	4.0-5.0	2029	15,712,106	-	1,646,198	14,065,908	1,726,068
2018	20,300,000	3.0-5.0	2030	16,245,000	-	1,305,000	14,940,000	1,370,000
2019	7,530,000	5.0	2025	6,170,000	-	1,430,000	4,740,000	1,505,000
2021	7,305,000	5.0	2027	7,305,000	-	1,325,000	5,980,000	1,390,000
2021	50,610,172	5.0	2032	50,610,172	-	4,989,804	45,620,368	5,019,729
2022	22,875,000	4.0-5.0	2034	-	22,875,000	-	22,875,000	1,925,000
Total				<u>150,340,807</u>	<u>22,875,000</u>	<u>26,376,307</u>	<u>146,839,500</u>	<u>28,989,701</u>
Governmental activities general obligations bonds issued by the City of Buffalo on behalf of discretely presented component unit – Board of Education:								
2012	6,720,000	2.0-4.0	2025	\$ 1,860,000	\$ -	\$ 445,000	\$ 1,415,000	\$ 455,000
2012	11,230,000	1.0-4.0	2023	3,090,000	-	1,005,000	2,085,000	1,025,000
2012	20,515,000	1.0-5.0	2024	5,545,000	-	1,910,000	3,635,000	1,970,000
2016	5,845,000	2.0-4.0	2023	2,505,000	-	1,180,000	1,325,000	1,030,000
2021	3,625,000	5.0	2027	3,625,000	-	590,000	3,035,000	620,000
Total				<u>16,625,000</u>	<u>-</u>	<u>5,130,000</u>	<u>11,495,000</u>	<u>5,100,000</u>
Less bonds issued by City to BFSAs:								
2005A	\$ 26,167,250	4.0-5.0	2025	\$ (1,120,849)	\$ -	\$ (260,501)	\$ (860,348)	\$ (272,726)
2007A	28,115,126	4.0-5.0	2023	(3,810,321)	-	(1,859,084)	(1,951,237)	(1,951,238)
Total mirror bonds				<u>(4,931,170)</u>	<u>-</u>	<u>(2,119,585)</u>	<u>(2,811,585)</u>	<u>(2,223,964)</u>
Net governmental activities general obligation bonds issued by the City of Buffalo				<u>162,034,637</u>	<u>22,875,000</u>	<u>29,386,722</u>	<u>155,522,915</u>	<u>31,865,737</u>

(continued)

(concluded)

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2021	Additions	Payments	Balance 6/30/2022	Due Within One Year
Governmental activities general obligations bonds issued by Buffalo Fiscal Stability Authority:								
2007A	\$ 28,470,000	4.0-5.0	2023	\$ 5,690,000	\$ -	\$ 1,825,000	\$ 3,865,000	\$ 1,895,000
2015A	14,170,000	3.0-5.0	2025	750,000	-	135,000	615,000	145,000
Total				<u>6,440,000</u>	<u>-</u>	<u>1,960,000</u>	<u>4,480,000</u>	<u>2,040,000</u>
Total governmental activities bonds				<u>168,474,637</u>	<u>22,875,000</u>	<u>31,346,722</u>	<u>160,002,915</u>	<u>33,905,737</u>
Unamortized premium - City				24,216,047	2,159,650	3,266,002	23,109,695	3,300,516
Unamortized premium - BFSFA				<u>807,454</u>	<u>-</u>	<u>208,874</u>	<u>598,580</u>	<u>208,874</u>
Total governmental activities bonds, net				<u>\$ 193,498,138</u>	<u>\$ 25,034,650</u>	<u>\$ 34,821,598</u>	<u>\$ 183,711,190</u>	<u>\$ 37,415,127</u>
Business-type activities — general obligation bonds:								
Parking:								
2012	\$ 8,415,000	2.0-5.0	2022	\$ 1,040,000	\$ -	\$ 1,040,000	\$ -	\$ -
2016	4,066,532	2.0-5.0	2028	2,637,642	-	324,280	2,313,362	340,060
2017	2,741,981	4.0-5.0	2029	1,992,894	-	208,802	1,784,092	218,932
2021	1,089,828	5.0	2032	<u>1,089,828</u>	<u>-</u>	<u>80,196</u>	<u>1,009,632</u>	<u>80,271</u>
Total				<u>6,760,364</u>	<u>-</u>	<u>1,653,278</u>	<u>5,107,086</u>	<u>639,263</u>
Business-type activities — Water System Revenue Bonds:								
2006	\$ 19,917,236	3.6-4.8	2028	\$ 7,735,000	\$ -	\$ 1,000,000	\$ 6,735,000	\$ 1,035,000
2011	2,720,000	1.5-5.1	2022	290,000	-	290,000	-	-
2012	17,150,000	1.8-4.0	2043	14,070,000	-	14,070,000	-	-
2012	2,575,000	5.6-6.3	2031	1,895,000	-	155,000	1,740,000	160,000
2015	46,655,000	2.0-5.0	2036	36,780,000	-	3,300,000	33,480,000	2,830,000
2019	24,285,000	4.0-5.0	2049	23,900,000	-	400,000	23,500,000	420,000
2019	11,985,000	3.0-5.0	2038	11,355,000	-	350,000	11,005,000	865,000
2021	4,580,000	2.0-5.0	2050	4,580,000	-	50,000	4,530,000	90,000
2021	16,850,000	2.0-5.0	2041	16,850,000	-	450,000	16,400,000	585,000
2022	13,435,000	2.0-4.0	2052	-	13,435,000	-	13,435,000	245,000
2022	11,835,000	2.0-4.0	2043	<u>-</u>	<u>11,835,000</u>	<u>-</u>	<u>11,835,000</u>	<u>380,000</u>
Total				<u>117,455,000</u>	<u>25,270,000</u>	<u>20,065,000</u>	<u>122,660,000</u>	<u>6,610,000</u>
Total business-type activities bonds				<u>124,215,364</u>	<u>25,270,000</u>	<u>21,718,278</u>	<u>127,767,086</u>	<u>7,249,263</u>
Unamortized premium				11,941,481	3,252,195	682,498	14,511,178	811,872
Unamortized discount				<u>(174,919)</u>	<u>-</u>	<u>(80,934)</u>	<u>(93,985)</u>	<u>(6,266)</u>
Total business-type activities bonds, net				<u>\$ 135,981,926</u>	<u>\$ 28,522,195</u>	<u>\$ 22,319,842</u>	<u>\$ 142,184,279</u>	<u>\$ 8,054,869</u>

Amortization of Bond Premiums and Discounts—As previously discussed, during the year, the City issued Public Improvement Serial Bonds, General Improvement Refunding Bonds, Water System Revenue Bonds and Water System Revenue Refunding Bonds and received bonds premiums of \$2,159,650 and \$3,252,195 within the governmental and business-type activities, respectively. The premiums are being amortized on a straight-line annual basis over the life of the respective bonds. The total remaining unamortized premiums on bonds at June 30, 2022 are \$23,109,695 and \$14,511,178 reported in governmental activities and business-type activities, respectively.

Additionally, unamortized discounts on bonds of \$93,985 are reported in business-type activities at June 30, 2022.

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
2023	\$ 28,989,701	\$ 6,823,904	\$ 35,813,605
2024	20,523,271	5,568,975	26,092,246
2025	19,367,742	4,603,603	23,971,345
2026	16,184,536	3,644,552	19,829,088
2027	11,747,787	2,833,324	14,581,111
2028-2032	45,991,463	6,496,491	52,487,954
thereafter	4,035,000	243,600	4,278,600
Total	<u>\$ 146,839,500</u>	<u>\$ 30,214,449</u>	<u>\$ 177,053,949</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 5,100,000	\$ 373,175	\$ 5,473,175
2024	4,145,000	213,400	4,358,400
2025	1,170,000	95,525	1,265,525
2026	715,000	54,000	769,000
2027	365,000	18,250	383,250
Total	<u>\$ 11,495,000</u>	<u>\$ 754,350</u>	<u>\$ 12,249,350</u>

Governmental Activities—Buffalo Fiscal Stability Authority

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 2,040,000	\$ 143,825	\$ 2,183,825
2024	2,120,000	59,150	2,179,150
2025	155,000	12,125	167,125
2026	165,000	4,125	169,125
Total	<u>\$ 4,480,000</u>	<u>\$ 219,225</u>	<u>\$ 4,699,225</u>

Business-Type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 7,249,263	\$ 5,473,308	\$ 12,722,571
2024	7,551,892	5,124,831	12,676,723
2025	7,984,718	4,745,859	12,730,577
2026	8,335,464	4,347,289	12,682,753
2027	8,757,213	3,929,496	12,686,709
2028-2032	33,773,536	13,745,013	47,518,549
2033-2037	19,425,000	8,712,838	28,137,838
2038-2042	16,555,000	5,567,860	22,122,860
2043 and thereafter	18,135,000	3,343,076	21,478,076
Total	<u>\$ 127,767,086</u>	<u>\$ 54,989,570</u>	<u>\$ 182,756,656</u>

Defeased Debt—The City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. In each instance, the principal amount of the replacement bonds was equivalent to the amount outstanding of the old bonds at the time of issuance. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City’s financial statements. Principal balances of bonds outstanding at June 30, 2022 that are considered defeased amount to \$70,186,000.

Lease Liability—The City has entered into long-term leases for vehicles and equipment. The outstanding balance at June 30, 2022 was \$1,894,923. Refer to Note 9 for additional information related to the City’s leases.

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$30,507,969 for governmental activities and \$1,206,791 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 \$2,703,583 and \$82,296 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers’ Compensation—Accrued workers’ compensation, which totals \$7,907,075 and \$1,524,542 for governmental activities and business-type activities, respectively, represents the City’s estimate of both asserted and unasserted workers’ compensation losses. The payments related to these liabilities are dependent upon many factors and, therefore, timing of future payments are not readily determinable. The City has estimated that \$3,985,270 and \$452,879 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, 2022 was \$420,000.

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 \$1,248,554,943 and \$63,719,483 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 \$5,000,000 at June 30, 2022, 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 \$3,340,000 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 Police and Fire Retirement System. The net pension liability is estimated to be \$19,726,695 in the governmental activities. 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, 2022, was approximately \$1.23 billion. The effective borrowing capacity is \$1.09 billion.

The list of the City’s authorized and unissued bonds at June 30, 2022, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds—City of Buffalo	<u>\$ 15,353,882</u>

Board of Education

A summary of changes in the Board’s long-term liabilities for the year ended June 30, 2022, is as follows:

	Balance 7/1/2021 (as restated)	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Governmental activities:					
Due to other governments	\$ 6,700,000	\$ -	\$ 713,334	\$ 5,986,666	\$ 713,334
Revenue bonds payable	8,895,000	7,385,000	8,895,000	7,385,000	505,000
JSCB bonds payable	540,680,000	71,150,000	135,310,000	476,520,000	63,895,000
Premium on bonds	86,295,627	4,593,742	21,914,752	68,974,617	-
Leases	50,233,912	2,776,898	4,970,304	48,040,506	5,483,415
Compensated absences	24,750,249	1,309,430	-	26,059,679	8,820,000
Workers' compensation	50,696,000	-	1,120,000	49,576,000	8,833,000
OPEB obligation	2,485,499,000	142,407,000	894,698,000	1,733,208,000	-
Net pension liability*	50,396,473	-	50,396,473	-	-
Total	<u>\$ 3,304,146,261</u>	<u>\$ 229,622,070</u>	<u>\$ 1,118,017,863</u>	<u>\$ 2,415,750,468</u>	<u>\$ 88,249,749</u>

(*Reductions to the net pension liability are shown net of additions.)

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
2023	\$ 713,334
2024	713,332
2025	713,334
2026	713,334
2027	713,332
2028-2032	2,233,334
2033-2035	186,666
Total	<u>\$ 5,986,666</u>

Revenue Bonds Payable—These bonds represent amounts due for Municipal Bond Agency Revenue Bonds issued pursuant to the State of New York Municipal Bond Agency (the Agency) Act and a General Resolution and a Series Resolution to provide funds to finance a portion of the cost of settling litigation between the Board and the Buffalo Teachers Federation, fund the debt service reserve fund to at least the debt service reserve fund requirement, and to pay legal, accounting, financing, and other fees and expenses related to the issuance of the bonds.

The bonds are special revenue obligations of the Agency and are secured by annual payments by the City from all monies legally available (which availability is, in general, dependent upon annual appropriations by the City), amounts received by the Agency pursuant to the Agency's statutory right to intercept State school aid payable to the City, and all funds and accounts established by the General Resolution described in the Official Statement.

Joint Schools Construction Board Bonds Payable—Represents bond payments due for the design, construction, and financing of public educational facilities in the City. The balance at June 30, 2022 is \$476,520,000.

Debt service requirements of the Board at June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 69,500,000	\$ 24,564,303	\$ 94,064,303
2024	77,810,000	21,170,650	98,980,650
2025	73,865,000	17,368,650	91,233,650
2026	63,365,000	13,691,500	77,056,500
2027	54,485,000	10,522,125	65,007,125
2028-2032	156,375,000	17,510,250	173,885,250
Total	<u>\$ 495,400,000</u>	<u>\$ 104,827,478</u>	<u>\$ 600,227,478</u>

Compensated Absences—Compensated absences, which totaled \$26,059,679 at June 30, 2022, represent amounts relating to sick and personal leave for employees. Payment of these liabilities is dependent upon many factors (including retirement, termination, or employees leaving service), and, therefore, payment of such is not readily determinable. The Board has estimated that \$8,820,000 will be paid in the next fiscal year.

Workers' Compensation—Workers' compensation obligations total \$49,576,000 at June 30, 2022, representing estimated amounts due for various outstanding claims. The Board has estimated that \$8,833,000 will be paid in the next fiscal year.

OPEB Obligation—Refer to Note 7.

Buffalo Urban Renewal Agency

BURA's outstanding long-term liabilities include compensated absences, other postemployment benefits ("OPEB") obligation, long-term retirement liability, net pension liability, and long-term due to other governments.

A summary of changes in BURA's long-term liabilities at June 30, 2022 follows:

	Balance 7/1/2021 (as restated)	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Lease liability	\$ -	\$ 22,586	\$ 5,450	\$ 17,136	\$ 4,453
Compensated absences	266,745	77,535	71,177	273,103	13,655
OPEB obligation	9,663,116	373,749	1,247,320	8,789,545	-
Long-term retirement liability	36,844	-	18,422	18,422	18,422
Net pension liability *	5,405	-	5,405	-	-
Total	<u>\$ 9,972,110</u>	<u>\$ 473,870</u>	<u>\$ 1,347,774</u>	<u>\$ 9,098,206</u>	<u>\$ 36,530</u>

(*Reductions to the net pension liability are shown net of additions.)

Lease Liability—BURA entered into long-term capital lease for copier equipment. The outstanding balance at June 30, 2022 was \$17,136.

Compensated Absences—As explained in Note 1, BURA records the value of compensated absences in the government-wide financial statements. 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, 2022, for governmental activities is \$273,103. Management estimates that \$13,655 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation— Refer to Note 7.

Long-Term Retirement Liability—As explained in Note 7, BURA participates in the New York and Local Employees' Retirement System ("ERS"). BURA elected to amortize certain payments relating to ERS during 2011 and 2013 over ten years in accordance with Chapter 260 of the Laws of 2004 of the State of New York. Accordingly, at June 30, 2022, BURA has recorded a liability in the amount of \$18,422, all of which is considered due within one year.

11. 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/amortization 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/amortization	\$ 579,440,932
Related debt:	
Serial bonds issued for capital assets	\$ (148,507,915)
Unspent debt proceeds	<u>53,364,933</u>
Bonds payable issued for capital assets	(95,142,982)
Lease liability	(1,894,923)
Deferred gain on refunding	(71,010)
Unamortized premiums	<u>(23,708,275)</u>
Net investment in capital assets—governmental activities	<u>\$ 458,623,742</u>

Business-type activities:

Capital assets, net of accumulated depreciation	\$ 196,423,815
Related debt:	
Serial bonds issued for capital assets	(127,767,086)
Unspent debt proceeds	<u>40,896,422</u>
Bonds payable issued for capital assets	(86,870,664)
Deferred charge on refunding	2,605,081
Unamortized premium	(14,511,178)
Unamortized discount	<u>93,988</u>
Net investment in capital assets—business-type activities	<u>\$ 97,741,042</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, 2022 include:

Real estate acquired for sale	\$ 9,599,208
Long-term due from other funds	15,651,369
Prepaid items	1,291,217
Permanent Fund - Corpus	<u>30,000</u>
Total	<u>\$ 26,571,794</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, 2022 are shown below:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Capital projects	\$ -	\$ -	\$ 53,364,933	\$ -	\$ 53,364,933
Capital outlay	15,225,054	-	-	-	15,225,054
Debt service	-	3,101,476	-	2,489,051	5,590,527
Grants	-	-	-	8,914,872	8,914,872
Emergency medical services	595,803	-	-	-	595,803
Permanent fund - interest	-	-	-	111,187	111,187
Total	<u>\$ 15,820,857</u>	<u>\$ 3,101,476</u>	<u>\$ 53,364,933</u>	<u>\$ 11,515,110</u>	<u>\$ 83,802,376</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, 2022, 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, 2022, the City reported \$41,145,318 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, 2022 assigned fund balance includes:

	General Fund	Nonmajor Funds	Total
Encumbrances	\$ 11,702,256	\$ -	\$ 11,702,256
Motor vehicle self-insurance	824,518	-	824,518
Judgments and claims	5,000,000	-	5,000,000
Specific use	-	558,666	558,666
Total	<u>\$ 17,526,774</u>	<u>\$ 558,666</u>	<u>\$ 18,085,440</u>

- ***Assigned to Encumbrances***—Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of monies are recorded, is employed as part of the City’s budgetary control mechanism for all funds. Unencumbered appropriations lapse at fiscal year-end.
- ***Assigned to Motor Vehicle Self-Insurance***—Represents fund balance set aside for motor vehicle self-insurance.
- ***Assigned to Judgments and Claims***—Represents amounts assigned to cover potential settlement of various claims and litigation. The City estimates \$5,000,000 of potential settlements, which has been assigned for such purpose.
- ***Assigned to Specific Use***—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

If the City must use funds for emergency expenditures, the Common Council shall authorize the Comptroller to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds, as classified by GASB, will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the City will use unassigned fund balance.

12. RELATED PARTY TRANSACTIONS

The City provides annual support to the Board of Education. During the year ended June 30, 2022, the City contributed \$70,822,903 in economic support for operating purposes (\$64,436,923) and school tax relief reimbursement (\$6,385,980).

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 2022 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$164,604,677 were recorded, of which \$107,665,993 was or will be paid to the City and \$56,938,684 was designated for the District. The balance was retained for BFSA operations and to provide for a debt service sinking fund.
- State aid of \$161,285,233 was received during 2022.
- Distributions paid or accrued to the City in 2022 totaled \$268,498,606, which includes \$107,665,993 of sales tax receipts, \$160,761,535 of State aid and other revenue, and interest receipts of \$71,078.

Board of Education

During the year ended June 30, 2022, the Board transferred \$5,630,306 to the City for payment of the Board's portion of principal and interest on long-term debt.

Board Urban Renewal Agency

The City is the primary sponsor of the programs conducted by BURA and is a nominal recipient of most of BURA's federal and state funding. BURA is a related entity to the City, Buffalo Economic Renaissance Corporation ("BERC") and the Buffalo Neighborhood Revitalization Corporation ("BNRC").

In the past, BNRC received loans or grants from BURA under the CDBG program, the Section 108 Loan program, as well as various New York State grant programs. In turn, loan or grants were utilized to qualifying individuals and businesses for purposes of property rehabilitation, home acquisitions for low income individuals, or business development and expansion.

For the year ended June 30, 2022, no loans or grants were provided by BURA to BNRC. Under subrecipient agreements with BNRC, certain program income (such as loan repayments and interest) earned through the CDBG program may generally be retained as supplemental BURA funding, subject to applicable Federal regulations. The subrecipient agreements with these entities also provide that, upon termination of the subrecipient agreements, all unused program income, and any CDBG assets held by BNRC will revert to BURA.

For the year ended June 30, 2022, amounts due from the City of Buffalo include emergency rent assistance funding, along with lead remediation services. The Agency incurred expenditures upfront.

At June 30, 2022, net amounts due from related parties consisted of:

Due from BNRC, net of payables	\$ 10,628
Due from City of Buffalo	<u>781,762</u>
Total	<u>\$ 792,390</u>

13. 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, 2022 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 46,368,261	\$ -
Debt Service Fund	152,907	-
Capital Projects Fund	-	19,058,525
Nonmajor governmental funds	<u>185,446</u>	<u>10,888,591</u>
Total governmental funds	<u>46,706,614</u>	<u>29,947,116</u>
Proprietary funds:		
Solid Waste and Recycling Fund	184,505	15,651,369
Parking Fund	-	1,419,430
Water System Fund	123,295	-
Internal Service Fund	<u>3,501</u>	<u>-</u>
Total proprietary funds	<u>311,301</u>	<u>17,070,799</u>
Total	<u>\$ 47,017,915</u>	<u>\$ 47,017,915</u>

To improve cash management, all City disbursements are made from a consolidated account in the General Fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both of these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the main reasons why interfund receivables and payables exist.

Included within the General Fund's due from other funds totaling \$46,368,261 is a portion due from the Solid Waste and Recycling Fund in the amount of \$15,651,369, 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, 2022:

Transfers out:	Transfers in:				Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	
Governmental funds:					
General Fund	\$ -	\$ 28,842,667	\$ 400,000	\$ 4,379,561	\$ 33,622,228
Debt Service Fund	-	-	-	2,366,144	2,366,144
Nonmajor governmental funds	2,979,443	-	-	-	2,979,443
Proprietary funds:					
Solid Waste & Recycling Fund	673,078	-	-	-	673,078
Parking Fund	2,900,000	-	-	-	2,900,000
Water System	5,011,563	-	-	-	5,011,563
Total	<u>\$ 11,564,084</u>	<u>\$ 28,842,667</u>	<u>\$ 400,000</u>	<u>\$ 6,745,705</u>	<u>\$ 47,552,456</u>

The City records the receipt of all property taxes levied as revenue in the General Fund and records a transfer to the Debt Service Fund where the payment on long-term debt is reported. Based on the financing and operation agreements of the Water Board, revenues collected are transferred to the Water Authority and Water Enterprise Fund to cover their operational costs. Other transfers are the result of indirect costs.

14. LABOR RELATIONS

Approximately 2,774 of the City's employees are covered by a total of eight collective bargaining agreements. The following table shows, for each union, the dates through which a contract has been negotiated.

Union	Expiration Date
Firefighters	6/30/25
Blue Collar	6/30/25
White Collar	6/30/24
Police	6/30/19
Crossing Guards	8/31/19
Building Inspectors	6/30/20
Operating Engineers	6/30/20
Pipe Caulkers	6/30/22

15. 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 \$134,739,494 encumbrances outstanding at June 30, 2022. In the General Fund, encumbrances of \$11,702,256 are supported by assigned fund balance. The Capital Projects Fund and Special Revenue Fund have \$65,915,081 and \$35,355,530 of outstanding encumbrances, respectively. As of June 30, 2022, the City had the following significant encumbrances:

Description	General Fund	Capital Projects Fund	Nonmajor Governmental Funds
Buildings	\$ -	\$ -	\$ 3,963,035
Vehicles	966,693	-	-
Streets	-	39,282,385	10,083,213

Board of Education

Encumbrances—At June 30, 2022, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$7,942,807 in the Board’s General Fund.

Commitments—The Board has approved and plans to spend up to \$138,602,000 for various capital projects that remain in progress at year end. As of June 30, 2022, the Board has spent \$102,248,000 and has open commitments to contractors of \$15,010,000.

16. 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 \$13,416,858. However, during 2022, the City collected \$3,641,465 related to these new incentivized projects.

Additionally, the City offers other tax exemptions subject to various NYS programs such as land banks, historic properties, home improvements, mixed use properties, business investment properties and. These programs provide real property tax exemptions on certain allowable properties in accordance with the regulations of the NYS Real Property Tax Laws or the Not-For-Profit Laws of New York. Absent such exemptions, the unrealized property tax revenue is \$11,290,266. However, during 2022, the City collected \$3,444,798 related to the NYS programs.

17. 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.

Landfill Postclosure—As discussed in Note 10, the City is responsible to perform specified operation and maintenance functions at a landfill site for a period of thirty years. At June 30, 2022, the liability is \$420,000. The landfill postclosure care liability is an estimate and is subject to changes resulting from inflation, deflation, technology or changes in applicable laws or regulations.

Board of Education

Litigation—The Board is subject to claims and lawsuits that arise in the ordinary course of business. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and are included in accrued liabilities in the government-wide and fund financial statements. For claims not accrued, the ultimate outcome of the suits cannot presently be determined and no provisions for loss, if any, has been made in the accompanying financial statements. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the Board.

Separate from claims and lawsuits that arise in the ordinary course of business, legislation was put in place regarding historical claims that were previously time-barred. In 2019, the Governor of the State passed the Child Victims Act (CVA). Under the CVA, any individual who was a minor at the time they suffered any alleged sexual abuse could file a lawsuit through August 14, 2021. Additionally, the Act extended the look back window to file claims under the CVA regardless of when or how long ago the alleged abuse occurred.

This has resulted in the filing of thousands of lawsuits State-wide. Lawsuits have been initiated against the Board by former students who allege that inappropriate sexual contact occurred between them and employees of the Board between 30 and 50 years ago. The Board is using City of Buffalo Corporation Counsel and is not currently aware of any insurance available for these claims. As a result, the Board has accrued an appropriate amount in the government-wide and fund financial statements at June 30, 2021 based on best estimates as determined with counsel.

State Aid—The State periodically reviews its distribution of aid to school boards throughout the State. Thus, revenues recorded as of June 30, 2021 are subject to potential revision.

Grants—The Board receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the Board. Based on prior experience, management expects such amounts to be immaterial.

Buffalo Urban Renewal Agency

Grants—In the normal course of operations, the Agency receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the Agency. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any such amounts to be immaterial.

Litigation—Various legal actions are pending against the Agency. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Agency.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2022, 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 Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):									
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
BOE's proportion of the net pension liability (asset)	1.780475%	1.818478%	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%	1.695591%
BOE's proportionate share of the net pension liability (asset)	<u>\$ (308,539,289)</u>	<u>\$ 50,249,458</u>	<u>\$ (46,418,092)</u>	<u>\$ (32,947,326)</u>	<u>\$ (13,960,812)</u>	<u>\$ 17,688,235</u>	<u>\$ (173,277,759)</u>	<u>\$ (188,878,283)</u>	<u>\$ (10,757,018)</u>
BOE's covered payroll	\$ 302,203,736	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212	\$ 258,505,177
BOE's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	102.1%	16.3%	(15.6%)	(9.5%)	(4.8%)	6.9%	(69.2%)	(75.4%)	(4.2%)
Plan fiduciary net position as a percentage of the total pension liability	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%	100.7%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Contributions—
Teachers' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):									
Contractually required contribution	\$ 31,173,278	\$ 28,800,016	\$ 27,347,081	\$ 31,671,613	\$ 34,111,928	\$ 34,062,426	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597
Contributions in relation to the contractually required contribution	<u>(31,173,278)</u>	<u>(28,800,016)</u>	<u>(27,347,081)</u>	<u>(31,671,613)</u>	<u>(34,111,928)</u>	<u>(34,062,426)</u>	<u>(33,792,412)</u>	<u>(43,929,324)</u>	<u>(40,700,597)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOE's covered payroll	\$ 318,094,673	\$ 302,203,736	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212
Contributions as a percentage of covered payroll	9.8%	9.5%	8.9%	10.6%	9.8%	11.7%	13.3%	17.5%	16.3%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Police and Fire Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):									
Measurement date	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	3.4727375%	3.5701051%	3.5540105%	3.3630914%	3.4426958%	3.2577408%	3.1811703%	3.5779889%	3.5779889%
City's proportionate share of the net pension liability	<u>\$ 19,726,695</u>	<u>\$ 61,986,876</u>	<u>\$ 189,959,633</u>	<u>\$ 56,401,167</u>	<u>\$ 34,797,285</u>	<u>\$ 67,521,629</u>	<u>\$ 94,187,680</u>	<u>\$ 9,848,756</u>	<u>\$ 14,895,509</u>
City's covered payroll	\$ 137,738,491	\$ 128,339,690	\$ 128,323,193	\$ 129,836,155	\$ 128,055,727	\$ 131,271,249	\$ 131,399,856	\$ 121,626,842	\$ 130,718,240
City's proportionate share of the net pension liability as a percentage of its covered payroll	14.3%	48.3%	148.0%	43.4%	27.2%	51.4%	71.7%	8.1%	11.4%
Plan fiduciary net position as a percentage of the total pension liability	98.7%	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%	98.5%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Contributions—
Police and Fire Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2021	2021	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):									
Contractually required contribution	\$ 32,449,379	\$ 30,144,782	\$ 28,997,685	\$ 28,268,658	\$ 31,033,697	\$ 30,655,038	\$ 23,005,037	\$ 40,418,943	\$ 30,767,293
Contributions in relation to the contractually required contribution	<u>(32,449,379)</u>	<u>(30,144,782)</u>	<u>(28,997,685)</u>	<u>(28,268,658)</u>	<u>(31,033,697)</u>	<u>(30,655,038)</u>	<u>(23,005,037)</u>	<u>(40,418,943)</u>	<u>(30,767,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 134,516,802	\$ 129,260,553	\$ 127,230,633	\$ 128,980,918	\$ 130,584,701	\$ 134,207,252	\$ 130,265,189	\$ 123,270,081	\$ 137,177,059
Contributions as a percentage of covered payroll	24.1%	23.3%	22.8%	21.9%	23.8%	22.8%	17.7%	32.8%	22.4%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Proportionate Share of the
Net Pension Liability/(Asset)—Employees' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2021	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability/(asset)	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
City of Buffalo ("City"):									
City's proportion of the net pension liability/(asset)	0.2359948%	0.2367542%	0.2406913%	0.2387384%	0.2590897%	0.2342962%	0.2177420%	0.2151949%	0.2151949%
City's proportionate share of the net pension liability/(asset)	<u>\$ (19,291,601)</u>	<u>\$ 235,746</u>	<u>\$ 63,736,451</u>	<u>\$ 16,915,345</u>	<u>\$ 8,361,980</u>	<u>\$ 22,014,998</u>	<u>\$ 34,948,192</u>	<u>\$ 7,269,810</u>	<u>\$ 9,724,354</u>
City's covered payroll	\$ 78,122,864	\$ 72,517,696	\$ 73,268,212	\$ 73,215,087	\$ 70,012,046	\$ 75,362,488	\$ 66,139,468	\$ 59,801,701	\$ 57,291,143
City's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(24.7)	0.3%	87.0%	23.1%	11.9%	29.2%	52.8%	12.2%	17.0%
Buffalo Fiscal Stability Authority ("BFSA"):									
BFSA's proportion of the net pension liability/(asset)	0.0017454%	0.0017040%	0.0017601%	0.0018207%	0.0018707%	0.0019883%	0.0018893%	0.0018411%	0.0018411%
BFSA's proportionate share of the net pension liability/(asset)	<u>\$ (142,680)</u>	<u>\$ 1,697</u>	<u>\$ 466,096</u>	<u>\$ 129,004</u>	<u>\$ 60,374</u>	<u>\$ 186,826</u>	<u>\$ 303,242</u>	<u>\$ 62,198</u>	<u>\$ 67,581</u>
BFSA's covered payroll	\$ 384,523	\$ 398,106	\$ 375,073	\$ 366,813	\$ 368,236	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621
BFSA's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(37.1)	0.4%	124.3%	35.2%	16.4%	48.3%	85.5%	18.6%	19.4%

(continued)

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Proportionate Share of the
Net Pension Liability/(Asset)—Employees' Retirement System
Last Nine Fiscal Years*

(concluded)

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2021	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability/(asset)	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
Board of Education ("BOE"):									
BOE's proportion of the net pension liability/(asset)	0.1427510%	0.1476440%	0.1447654%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%	0.142493%
BOE's proportionate share of the net pension liability/(asset)	<u>\$ (11,669,271)</u>	<u>\$ 147,015</u>	<u>\$ 38,334,713</u>	<u>\$ 9,912,527</u>	<u>\$ 4,402,094</u>	<u>\$ 12,444,723</u>	<u>\$ 22,702,665</u>	<u>\$ 4,813,758</u>	<u>\$ 6,439,054</u>
BOE's covered payroll	\$ 44,498,145	\$ 46,177,444	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,110,981	\$ 39,110,981
BOE's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(26.2)	0.3%	86.3%	23.3%	10.9%	30.1%	58.0%	12.3%	16.5%
Buffalo Urban Renewal Agency ("BURA"):									
BURA's proportion of the net pension liability/(asset)	0.0062068%	0.0054278%	0.0070411%	0.0065749%	0.0075896%	0.0079393%	0.0074517%	0.0080528%	0.0080528%
BURA's proportionate share of the net pension liability/(asset)	<u>\$ (507,377)</u>	<u>\$ 5,405</u>	<u>\$ 1,864,514</u>	<u>\$ 465,855</u>	<u>\$ 244,949</u>	<u>\$ 745,994</u>	<u>\$ 1,196,017</u>	<u>\$ 272,042</u>	<u>\$ 363,893</u>
BURA's covered payroll	\$ 2,187,921	\$ 1,909,348	\$ 2,073,426	\$ 2,352,824	\$ 2,224,950	\$ 2,314,866	\$ 2,317,443	\$ 2,107,411	\$ 2,259,204
BURA's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(23.2)	0.3%	89.9%	19.8%	11.0%	32.2%	51.6%	12.9%	16.1%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Contributions—
Employees' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):									
Contractually required contributions	\$ 9,848,004	\$ 10,227,468	\$ 9,934,514	\$ 9,816,623	\$ 11,048,864	\$ 10,020,599	\$ 10,243,551	\$ 11,374,650	\$ 11,646,194
Contributions in relation to the contractually required contribution	<u>(9,848,004)</u>	<u>(10,227,468)</u>	<u>(9,934,514)</u>	<u>(9,816,623)</u>	<u>(11,048,864)</u>	<u>(10,020,599)</u>	<u>(10,243,551)</u>	<u>(11,374,650)</u>	<u>(11,646,194)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 75,763,951	\$ 72,872,197	\$ 73,259,166	\$ 73,322,398	\$ 71,435,074	\$ 77,691,737	\$ 63,077,840	\$ 63,457,322	\$ 59,261,548
Contributions as a percentage of covered payroll	13.0%	14.0%	13.6%	13.4%	15.5%	12.9%	16.2%	17.9%	19.7%
Buffalo Fiscal Stability Authority ("BFSA"):									
Contractually required contributions	\$ 63,939	\$ 59,480	\$ 56,308	\$ 54,897	\$ 55,466	\$ 58,035	\$ 67,365	\$ 62,469	\$ 75,625
Contributions in relation to the contractually required contribution	<u>(63,939)</u>	<u>(59,480)</u>	<u>(56,308)</u>	<u>(54,897)</u>	<u>(55,466)</u>	<u>(58,035)</u>	<u>(67,365)</u>	<u>(62,469)</u>	<u>(75,625)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BFSA's covered payroll	\$ 384,523	\$ 398,106	\$ 375,073	\$ 366,813	\$ 375,724	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621
Contributions as a percentage of covered payroll	16.6%	14.9%	15.0%	15.0%	14.8%	15.0%	19.0%	18.7%	21.7%

(continued)

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Contributions—
Employees' Retirement System
Last Nine Fiscal Years*

(concluded)

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):									
Contractually required contributions	\$ 6,502,836	\$ 6,152,793	\$ 5,998,034	\$ 5,947,217	\$ 6,266,223	\$ 6,004,084	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573
Contributions in relation to the contractually required contribution	<u>(6,502,836)</u>	<u>(6,152,793)</u>	<u>(5,998,034)</u>	<u>(5,947,217)</u>	<u>(6,266,223)</u>	<u>(6,363,848)</u>	<u>(7,283,149)</u>	<u>(7,695,528)</u>	<u>(5,070,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (359,764)</u>	<u>\$ (359,764)</u>	<u>\$ (359,765)</u>	<u>\$ 3,423,927</u>
BOE's covered payroll	\$ 44,498,145	\$ 46,177,444	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043
Contributions as a percentage of covered payroll	14.6%	13.3%	13.5%	14.0%	15.6%	15.4%	18.6%	19.4%	12.5%
Buffalo Urban Renewal Agency ("BURA"):									
Contractually required contributions	\$ 314,610	\$ 298,488	\$ 321,081	\$ 324,724	\$ 333,843	\$ 367,814	\$ 346,327	\$ 393,546	\$ 466,649
Contributions in relation to the contractually required contribution	<u>(314,610)</u>	<u>(298,488)</u>	<u>(321,081)</u>	<u>(324,724)</u>	<u>(333,843)</u>	<u>(367,814)</u>	<u>(346,327)</u>	<u>(393,546)</u>	<u>(466,649)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BURA's covered payroll	\$ 2,248,084	\$ 1,966,341	\$ 2,022,097	\$ 2,243,874	\$ 2,309,933	\$ 2,247,303	\$ 2,335,268	\$ 2,097,796	\$ 2,252,172
Contributions as a percentage of covered payroll	14.0%	15.2%	15.9%	14.5%	14.5%	16.4%	14.8%	18.8%	20.7%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
Last Five Fiscal Years*

	Year Ended June 30,				
	2022	2021	2020	2019	2018
City of Buffalo - Total Primary Government:					
Total OPEB liability					
Service cost	\$ 58,942	\$ 46,578	\$ 38,154	\$ 53,380	\$ 59,714
Interest	31,232	43,593	44,169	45,967	42,191
Changes of assumptions	(102,102)	123,982	69,941	(177,846)	(243,399)
Differences between expected and actual experience	(76)	53	(900)	3,344	-
Benefit payments	(59,720)	(58,625)	(52,051)	(52,052)	(47,925)
Net changes in total OPEB liability	(71,724)	155,581	99,313	(127,207)	(189,419)
Total OPEB liability—beginning	1,383,998	1,228,417	1,129,105	1,256,312	1,445,730
Total OPEB liability—ending	<u>\$ 1,312,274</u>	<u>\$ 1,383,998</u>	<u>\$ 1,228,418</u>	<u>\$ 1,129,105</u>	<u>\$ 1,256,311</u>
Plan fiduciary net position					
Contributions—employer	\$ 59,720	\$ 58,625	\$ 52,051	\$ 52,052	\$ 47,925
Benefit payments	(59,720)	(58,625)	(52,051)	(52,052)	(47,925)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 1,312,274</u>	<u>\$ 1,383,998</u>	<u>\$ 1,228,418</u>	<u>\$ 1,129,105</u>	<u>\$ 1,256,311</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
Covered-employee payroll	\$ 246,057	\$ 238,901	\$ 231,961	\$ 225,188	\$ 218,632
City's net OPEB liability as a percentage of covered-employee payroll	533%	579%	530%	501%	575%
City of Buffalo - Governmental Activities:					
Total OPEB liability					
Service cost	\$ 56,686	\$ 44,673	\$ 36,451	\$ 50,796	\$ 56,825
Interest	29,722	41,553	42,052	43,365	39,805
Changes of assumptions	(96,606)	115,630	66,788	(157,722)	(229,518)
Differences between expected and actual experience	-	-	-	2,570	-
Benefit payments	(57,172)	(56,126)	(49,693)	(49,073)	(45,692)
Net changes in total OPEB liability	(67,370)	145,730	95,598	(110,064)	(178,580)
Total OPEB liability—beginning	1,314,907	1,169,178	1,073,580	1,183,644	1,362,223
Total OPEB liability—ending	<u>\$ 1,247,537</u>	<u>\$ 1,314,908</u>	<u>\$ 1,169,178</u>	<u>\$ 1,073,580</u>	<u>\$ 1,183,643</u>
Plan fiduciary net position					
Contributions—employer	\$ 57,172	\$ 56,126	\$ 49,693	\$ 49,073	\$ 45,692
Benefit payments	(57,172)	(56,126)	(49,693)	(49,073)	(45,692)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 1,247,537</u>	<u>\$ 1,314,908</u>	<u>\$ 1,169,178</u>	<u>\$ 1,073,580</u>	<u>\$ 1,183,643</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
Covered-employee payroll	\$ 228,167	\$ 221,522	\$ 215,070	\$ 208,806	\$ 202,724
City's net OPEB liability as a percentage of covered-employee payroll	547%	594%	544%	514%	584%

(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 Five Fiscal Years *
(Amounts expressed in thousands)

	Year Ended June 30,				
	2022	2021	2020	2019	2018
City of Buffalo - Business-type Activities:					
Total OPEB liability					
Service cost	\$ 2,144	\$ 1,793	\$ 1,591	\$ 2,466	\$ 2,726
Interest	1,480	2,013	2,060	2,548	2,386
Changes of assumptions	(5,165)	8,336	2,861	(20,239)	(13,881)
Differences between expected and actual experience	-	-	-	832	-
Benefit payments	(2,548)	(2,499)	(2,358)	(2,979)	(2,233)
Net changes in total OPEB liability	(4,089)	9,643	4,154	(17,372)	(11,002)
Total OPEB liability—beginning, as restated	67,809	58,165	54,012	71,384	82,386
Total OPEB liability—ending	<u>\$ 63,720</u>	<u>\$ 67,808</u>	<u>\$ 58,166</u>	<u>\$ 54,012</u>	<u>\$ 71,384</u>
Plan fiduciary net position					
Contributions—employer	\$ 2,548	\$ 2,499	\$ 2,358	\$ 2,979	\$ 2,233
Benefit payments	(2,548)	(2,499)	(2,358)	(2,979)	(2,233)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 63,720</u>	<u>\$ 67,808</u>	<u>\$ 58,166</u>	<u>\$ 54,012</u>	<u>\$ 71,384</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
Covered-employee payroll	\$ 17,482	\$ 16,972	\$ 16,478	\$ 15,998	\$ 15,532
City's net OPEB liability as a percentage of covered-employee payroll	364%	400%	353%	338%	460%
Buffalo Fiscal Stability Authority ("BFSA"):					
Total OPEB liability					
Service cost	\$ 112	\$ 112	\$ 112	\$ 118	\$ 163
Interest	30	27	57	54	-
Differences between expected and actual experience	(76)	53	(900)	(58)	-
Changes of assumptions	(331)	16	292	115	-
Benefit payments	-	-	-	-	-
Net changes in total OPEB liability	(265)	208	(439)	229	163
Total OPEB liability—beginning, as restated	1,282	1,074	1,513	1,284	1,121
Total OPEB liability—ending	<u>\$ 1,017</u>	<u>\$ 1,282</u>	<u>\$ 1,074</u>	<u>\$ 1,513</u>	<u>\$ 1,284</u>
Plan fiduciary net position					
Contributions—employer	\$ -	\$ -	\$ -	\$ -	\$ -
Benefit payments	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BFSA's net OPEB liability—ending	<u>\$ 1,017</u>	<u>\$ 1,282</u>	<u>\$ 1,074</u>	<u>\$ 1,513</u>	<u>\$ 1,284</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 408	\$ 407	\$ 413	\$ 384	\$ 376
BFSA's net OPEB liability as a percentage of covered-employee payroll	249.3%	315.0%	260.0%	394.0%	341.5%

(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 Five Fiscal Years *
(Amounts expressed in thousands)

(concluded)

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Buffalo Board of Education ("BBOE"):					
Total OPEB liability					
Service cost	\$ 86,668	\$ 83,558	\$ 72,956	\$ 71,543	\$ 82,946
Interest	55,739	70,869	85,561	90,227	92,126
Differences between expected and actual experience	(210,089)	(502,178)	(229,606)	(166,075)	(234,596)
Changes of assumptions	(630,298)	286,262	351,329	170,379	(124,198)
Benefit payments	(54,311)	(66,925)	(61,469)	(61,084)	(61,431)
Net changes in total OPEB liability	(752,291)	(128,414)	218,771	104,990	(245,153)
Total OPEB liability—beginning, as restated	(49,806)	78,608	(140,163)	(245,153)	-
Total OPEB liability—ending	<u>\$ (802,097)</u>	<u>\$ (49,806)</u>	<u>\$ 78,608</u>	<u>\$ (140,163)</u>	<u>\$ (245,153)</u>
Plan fiduciary net position					
Contributions—employer	\$ 54,311	\$ 66,925	\$ 61,469	\$ 61,084	\$ 61,431
Benefit payments	(54,311)	(66,925)	(61,469)	(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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BBOE's net OPEB liability—ending	<u>\$ (802,097)</u>	<u>\$ (49,806)</u>	<u>\$ 78,608</u>	<u>\$ (140,163)</u>	<u>\$ (245,153)</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 349,555	\$ 362,378	\$ 373,087	\$ 377,000	\$ 345,602
BBOE's net OPEB liability as a percentage of covered-employee payroll	-229.5%	-13.7%	21.1%	-37.2%	-70.9%
Buffalo Urban Renewal Agency ("BURA"):					
Total OPEB liability					
Service cost	\$ 164	\$ 466	\$ 618	\$ 633	\$ 633
Interest	210	625	920	915	886
Effect of economic/demographic gains or losses	(12)	3,269	(5,404)	(1,008)	(274)
Changes of assumptions	(834)	1,705	2,438	-	-
Benefit payments	(401)	(477)	(332)	(450)	(463)
Net changes in total OPEB liability	(873)	5,588	(1,760)	90	782
Total OPEB liability—beginning, as restated	9,663	23,265	25,025	24,935	24,153
Total OPEB liability—ending	<u>\$ 8,790</u>	<u>\$ 28,853</u>	<u>\$ 23,265</u>	<u>\$ 25,025</u>	<u>\$ 24,935</u>
Plan fiduciary net position					
Contributions—employer	\$ 401	\$ 477	\$ 332	\$ 450	\$ 463
Benefit payments	(401)	(477)	(332)	(450)	(463)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BURA's net OPEB liability—ending	<u>\$ 8,790</u>	<u>\$ 28,853</u>	<u>\$ 23,265</u>	<u>\$ 25,025</u>	<u>\$ 24,935</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 2,248	\$ 1,966	\$ 2,022	\$ 2,244	\$ 2,310
BURA's net OPEB liability as a percentage of covered-employee payroll	391.0%	1467.6%	1150.6%	1115.2%	1079.4%

*Information prior to the year ended June 30, 2018 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Budgetary	Variance with
	Adopted	Final	Actual Amounts	Final Budget
REVENUES				
Property taxes, assessments, and other tax items	\$ 156,786,032	\$ 156,786,032	\$ 160,543,963	\$ 3,757,931
Utility and other nonproperty tax items	12,201,000	12,201,000	14,388,634	2,187,634
Federal aid	50,430,000	46,092,164	15,379,562	(30,712,602)
State aid	175,913,126	184,588,798	205,732,363	21,143,565
Local sources and other	87,903,865	87,903,865	108,150,889	20,247,024
Investment interest	100,000	100,000	258,290	158,290
Charges for services	13,674,035	13,674,035	11,725,397	(1,948,638)
Licenses and permits	8,917,014	8,917,014	11,087,479	2,170,465
Fines	2,605,200	2,605,200	2,648,252	43,052
Miscellaneous	16,883,038	16,883,038	6,605,982	(10,277,056)
Total revenues	<u>525,413,310</u>	<u>529,751,146</u>	<u>536,520,811</u>	<u>6,769,665</u>
EXPENDITURES				
Current:				
General government support:				
Legislative	7,287,576	8,038,499	7,289,532	748,967
Executive	3,879,433	3,925,705	3,744,955	180,750
Audit and control	4,011,561	2,849,069	2,801,348	47,721
Law	3,522,120	3,824,876	3,381,511	443,365
Assessment	2,611,466	2,323,162	1,901,232	421,930
Public works, parks and streets	10,007,073	11,988,083	12,135,018	(146,935)
Management information systems	6,256,361	6,558,859	5,523,995	1,034,864
Administration and finance	10,261,949	11,860,912	11,818,174	42,738
Human resources	5,644,509	5,749,464	3,359,850	2,389,614
Other	18,136,500	21,113,745	20,587,832	525,913
Public safety:				
Administration and finance	13,267,997	13,271,788	13,519,279	(247,491)
Police	74,179,056	75,071,371	88,307,487	(13,236,116)
Fire	63,836,534	64,110,485	66,714,146	(2,603,661)
Public works, parks and streets	5,309,018	5,497,004	5,034,914	462,090
Permit and inspection services	5,798,495	5,968,290	5,617,901	350,389
Streets and sanitation:				
Public works, parks and streets	12,974,987	16,342,800	14,948,268	1,394,532
Economic assistance and opportunity:				
Community services	3,358,903	2,943,822	2,923,802	20,020
Culture and recreation:				
Public works, parks and streets	3,094,026	3,476,740	2,745,925	730,815
Community services	6,357,168	6,427,744	5,714,483	713,261
Health and community services:				
Community services	2,692,227	2,718,876	2,252,226	466,650
Education	70,822,758	70,822,758	70,822,758	-
Fringe benefits	167,787,010	160,410,210	147,585,016	12,825,194
Other	4,150,000	7,225,354	6,007,788	1,217,566
Debt service	88,000	767,878	708,633	59,245
Total expenditures	<u>505,334,727</u>	<u>513,287,494</u>	<u>505,446,073</u>	<u>7,841,421</u>
Excess of revenues over expenditures	<u>20,078,583</u>	<u>16,463,652</u>	<u>31,074,738</u>	<u>14,611,086</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,164,084	9,164,084	11,564,084	2,400,000
Transfers out	(29,242,667)	(33,622,228)	(33,622,228)	-
Total other financing sources (uses)	<u>(20,078,583)</u>	<u>(24,458,144)</u>	<u>(22,058,144)</u>	<u>2,400,000</u>
Net change in fund balances	-	(7,994,492)	9,016,594	17,011,086
Fund balances—beginning	104,341,056	104,341,056	104,341,056	-
Fund balances—ending	<u>\$ 104,341,056</u>	<u>\$ 96,346,564</u>	<u>\$ 113,357,650</u>	<u>\$ 17,011,086</u>

The notes to the required supplementary information is an integral part of this schedule.

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CITY OF BUFFALO, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2022

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal budget is adopted for the Special Revenue Fund. Appropriation limits, where applicable, for the Special Revenue Fund are maintained based on individual grant and programs accepted by the City. The periods of such grants and program vary from the City's fiscal year.

The appropriated budget is prepared by fund, function, department, division, agency or other purpose. The Comptroller may make transfers of appropriations within a department, transfers of appropriations between departments are made by the Common Council. The total expenditures for each function may not exceed the original appropriation during the fiscal year without Council approval. Increases over budget appropriations as originally adopted require a two-thirds vote of approval by the Council after certification by both the Mayor and Comptroller, demonstrating that the increase is necessary to meet a contingency which could not have been reasonably foreseen when the budget was adopted. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the City's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

The City reports its budgetary status with the actual data, including outstanding encumbrances as charges against budget appropriations. The following table includes a reconciliation of the budgetary-basis (i.e., non-GAAP) and the GAAP-basis operating results.

Excess of revenues and other financing sources over expenditures and other financing uses—GAAP basis	\$ 20,718,850
Less: encumbrances	<u>(11,702,256)</u>
Excess of revenues and other financing sources over expenditures and other financing uses—non-GAAP budgetary basis	<u>\$ 9,016,594</u>

Excess of Expenditures Over Appropriations—For the year ended June 30, 2022, the City had budgetary expenditures in excess of the final budget amount within general government support of \$146,935 related to public works, parks and street, which were caused by additional equipment purchases. Additionally, the City had budgetary expenditures in excess of the final budget amount within public safety of \$247,491, \$13,236,116 and \$2,603,661 pertaining to administration, police and fire, respectively, which were caused by the effects of regular and overtime wages in addition to the effect of arbitration settlement of police salaries for fiscal year 2022 and 2021, and duty disability costs within the fire department, all of 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 2.14% as of June 30, 2022, as compared to 2.21% as of June 30, 2021. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2020. The New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.2%, while the ultimate healthcare cost trend rate is 3.7%.

Trust Assets—There are no assets accumulated in a trust that meets the criteria of GASB requirements to pay related benefits.

Buffalo Fiscal Stability Authority

Changes of Assumptions—The discount rate was 2.16% as of June 30, 2021, as compared to 2.21% as of June 30, 2020 based on the 20-Year tax-exempt municipal bond yield for bonds with an average rating of AA or higher as of the measurement date. Mortality rates are based on the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years. Salary increases were based on a 2.0% payroll growth. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 4.9%, while the ultimate healthcare cost trend rate is 4.3%.

Trust Assets—There are no assets accumulated in a trust that meets the criteria of GASB requirements to pay related benefits.

Buffalo Board of Education

Changes of Assumptions—Changes of assumptions and other inputs reflect a change in the discount rate from 2.19% in 2021 to 3.34% in 2021.

Trust Assets—There are no assets accumulated in a trust that meets the criteria of GASB requirements to pay related benefits.

Buffalo Urban Renewal Agency

Changes of Assumptions—In the June 30, 2022 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2022. The discount rate was 3.00%, compared to 2.18% in the prior year. Mortality rates are based on the MP-2020 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees. The 2021 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 5.7%, while the ultimate healthcare cost trend rate is 5.2%.

Trust Assets—There are no assets accumulated in a trust that meets the criteria of GASB requirements to pay related benefits.

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, 2022

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Adopted</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental charges	\$ 5,630,161	\$ 5,630,161	\$ 5,630,161	\$ -
Investment interest	394,135	394,135	38,352	(355,783)
License, permit, rentals, fines, and other service charges	216,091	216,091	220,267	4,176
Miscellaneous	<u>257,712</u>	<u>257,712</u>	<u>140,797</u>	<u>(116,915)</u>
Total revenues	<u>6,498,099</u>	<u>6,498,099</u>	<u>6,029,577</u>	<u>(468,522)</u>
EXPENDITURES				
Debt service:				
Principal	31,506,307	31,506,307	29,386,722	2,119,585
Interest and fiscal charges	<u>7,591,996</u>	<u>7,596,396</u>	<u>7,058,842</u>	<u>537,554</u>
Total expenditures	<u>39,098,303</u>	<u>39,102,703</u>	<u>36,445,564</u>	<u>2,657,139</u>
Deficiency of revenues over expenditures	<u>(32,600,204)</u>	<u>(32,604,604)</u>	<u>(30,415,987)</u>	<u>2,188,617</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	28,842,667	28,842,667	28,842,667	-
Transfers out	<u>-</u>	<u>-</u>	<u>(2,366,144)</u>	<u>(2,366,144)</u>
Total other financing sources (uses)	<u>28,842,667</u>	<u>28,842,667</u>	<u>26,476,523</u>	<u>(2,366,144)</u>
Net change in fund balances *	(3,757,537)	(3,761,937)	(3,939,464)	(177,527)
Fund balances—beginning	<u>7,040,940</u>	<u>7,040,940</u>	<u>7,040,940</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,283,403</u>	<u>\$ 3,279,003</u>	<u>\$ 3,101,476</u>	<u>\$ (177,527)</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 SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Buffalo Fiscal Stability Authority Special Revenue Fund — This fund is BFSA's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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, 2022

	Special Revenue	BFSA Special Revenue	BFSA Debt Service	Permanent	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 346,850	\$ -	\$ -	\$ 346,850
Restricted cash and cash equivalents	9,311,466	-	215,928	75,263	9,602,657
Restricted investments	-	-	2,139,879	61,472	2,201,351
Receivables:					
Other receivables	20,000	-	-	4,452	24,452
Intergovernmental receivables	1,337,846	16,368,128	-	-	17,705,974
Due from other funds	-	-	185,446	-	185,446
Prepaid items	-	24,717	-	-	24,717
Total assets	<u>\$ 10,669,312</u>	<u>\$ 16,739,695</u>	<u>\$ 2,541,253</u>	<u>\$ 141,187</u>	<u>\$ 30,091,447</u>
LIABILITIES					
Accounts payable	\$ 313,885	\$ 10,864	\$ -	\$ -	\$ 324,749
Accrued liabilities	-	62,258	52,202	-	114,460
Due to other governments	4,785	-	-	-	4,785
Due to other funds	654,008	10,234,583	-	-	10,888,591
Due to component units	781,762	5,848,607	-	-	6,630,369
Total liabilities	<u>1,754,440</u>	<u>16,156,312</u>	<u>52,202</u>	<u>-</u>	<u>17,962,954</u>
FUND BALANCES					
Nonspendable	-	24,717	-	30,000	54,717
Restricted	8,914,872	-	2,489,051	111,187	11,515,110
Assigned	-	558,666	-	-	558,666
Total fund balances	<u>8,914,872</u>	<u>583,383</u>	<u>2,489,051</u>	<u>141,187</u>	<u>12,128,493</u>
Total liabilities and fund balances	<u>\$ 10,669,312</u>	<u>\$ 16,739,695</u>	<u>\$ 2,541,253</u>	<u>\$ 141,187</u>	<u>\$ 30,091,447</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2022

	Special Revenue	BFSA Special Revenue	BFSA Debt Service	Permanent	Total Nonmajor Funds
REVENUES					
Intergovernmental	\$ 29,360,176	\$ 523,735	\$ -	\$ -	\$ 29,883,911
Investment interest	156	-	-	7	163
Miscellaneous	51,937	-	-	-	51,937
Total revenues	<u>29,412,269</u>	<u>523,735</u>	<u>-</u>	<u>7</u>	<u>29,936,011</u>
EXPENDITURES					
Current:					
General government support	180,916	701,537	-	-	882,453
Public safety	1,563,459	-	-	-	1,563,459
Streets and sanitation	30,488	-	-	-	30,488
Economic assistance and opportunity	26,628,534	-	-	-	26,628,534
Culture and recreation	45,450	-	-	-	45,450
Health and community services	159,648	-	-	-	159,648
Debt service:					
Principal	-	-	1,960,000	-	1,960,000
Interest and fiscal charges	-	-	199,795	-	199,795
Total expenditures	<u>28,608,495</u>	<u>701,537</u>	<u>2,159,795</u>	<u>-</u>	<u>31,469,827</u>
Excess (deficiency) of revenues over expenditures	<u>803,774</u>	<u>(177,802)</u>	<u>(2,159,795)</u>	<u>7</u>	<u>(1,533,816)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	4,379,561	140,794	2,225,350	-	6,745,705
Transfers out	(2,979,443)	-	-	-	(2,979,443)
Total other financing sources (uses)	<u>1,400,118</u>	<u>140,794</u>	<u>2,225,350</u>	<u>-</u>	<u>3,766,262</u>
Net change in fund balances	2,203,892	(37,008)	65,555	7	2,232,446
Fund balances—beginning	6,710,980	620,391	2,423,496	141,180	9,896,047
Fund balances—ending	<u>\$ 8,914,872</u>	<u>\$ 583,383</u>	<u>\$ 2,489,051</u>	<u>\$ 141,187</u>	<u>\$ 12,128,493</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, 2022

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 13,552,118	\$ 1,387,336	\$ 280,497	\$ -	\$ 15,219,951
Restricted cash and cash equivalents	-	40,894,279	-	-	40,894,279
Investments	5,285,037	-	-	-	5,285,037
Receivables:					
Accounts receivable	29,689,082	-	-	-	29,689,082
Other receivables	1,445,616	-	-	-	1,445,616
Due from other agencies	127,425	-	-	-	127,425
Allowances	(24,934,910)	-	-	-	(24,934,910)
Net receivables	<u>6,327,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,327,213</u>
Due from other funds	-	93,830,680	30,503,946	(124,211,331)	123,295
Total current assets	<u>25,164,368</u>	<u>136,112,295</u>	<u>30,784,443</u>	<u>(124,211,331)</u>	<u>67,849,775</u>
Noncurrent assets:					
Net pension assets	1,698,152	-	1,698,152	(1,698,152)	1,698,152
Capital assets not being depreciated:					
Land	145,116	-	-	-	145,116
Construction in progress	<u>3,704,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,704,968</u>
Total capital assets not being depreciated	<u>3,850,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,850,084</u>
Capital assets being depreciated:					
Buildings and infrastructure	270,102,244	-	-	-	270,102,244
Improvements other than buildings	252,393	-	-	-	252,393
Machinery and equipment	1,913,140	-	-	-	1,913,140
Accumulated depreciation	<u>(118,352,178)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,352,178)</u>
Total capital assets being depreciated	<u>153,915,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,915,599</u>
Total noncurrent assets	<u>159,463,835</u>	<u>-</u>	<u>1,698,152</u>	<u>(1,698,152)</u>	<u>159,463,835</u>
Total assets	<u>184,628,203</u>	<u>136,112,295</u>	<u>32,482,595</u>	<u>(125,909,483)</u>	<u>227,313,610</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	2,605,081	-	-	2,605,081
Deferred outflows—relating to pensions	3,209,508	-	3,209,508	(3,209,508)	3,209,508
Deferred outflows—relating to OPEB	-	-	2,541,064	-	2,541,064
Total deferred outflows of resources	<u>3,209,508</u>	<u>2,605,081</u>	<u>5,750,572</u>	<u>(3,209,508)</u>	<u>8,355,653</u>
LIABILITIES					
Current liabilities:					
Accounts payable	2,120,503	10,609	31,487	-	2,162,599
Other accrued liabilities	-	2,567,520	750,568	-	3,318,088
Due to other funds	123,285,237	-	-	(123,285,237)	-
Due to retirement systems	-	-	180,536	-	180,536
Accrued compensated absences	-	-	51,681	-	51,681
Accrued workers' compensation	-	-	300,281	-	300,281
General obligation and revenue bonds payable within one year	<u>-</u>	<u>7,282,877</u>	<u>-</u>	<u>-</u>	<u>7,282,877</u>
Total current liabilities	<u>125,405,740</u>	<u>9,861,006</u>	<u>1,314,553</u>	<u>(123,285,237)</u>	<u>13,296,062</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2022

	Water Board	Water Authority	Water Enterprise	Eliminations	(concluded) Total Water System
Noncurrent liabilities:					
Accrued compensated absences	-	-	676,377	-	676,377
Accrued workers' compensation	-	-	692,887	-	692,887
Accrued OPEB	-	-	25,260,040	-	25,260,040
General obligation and revenue bonds payable	-	128,856,370	-	-	128,856,370
Total noncurrent liabilities	-	128,856,370	26,629,304	-	155,485,674
Total liabilities	125,405,740	138,717,376	27,943,857	(123,285,237)	168,781,736
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	5,833,754	-	5,833,754	(5,833,754)	5,833,754
Deferred inflows—relating to OPEB	-	-	4,455,556	-	4,455,556
Total deferred inflows of resources	5,833,754	-	10,289,310	(5,833,754)	10,289,310
NET POSITION					
Net investment in capital assets	24,231,517	-	-	40,894,279	65,125,796
Unrestricted	32,366,700	-	-	(40,894,279)	(8,527,579)
Total net position	<u>\$ 56,598,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,598,217</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Revenues, Expenses, and Changes in Net Position—
Water System
Year Ended June 30, 2022

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Operating revenues:					
Charges for services	\$ 47,008,945	\$ -	\$ -	\$ -	\$ 47,008,945
Other	53,559	-	-	-	53,559
Total operating revenues	<u>47,062,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,062,504</u>
Operating expenses:					
Services and supplies	17,214,753	460,955	6,763,592	-	24,439,300
Fringe benefits	-	-	462,847	-	462,847
Depreciation	7,381,562	-	-	-	7,381,562
Other	532,437	-	-	-	532,437
Total operating expenses	<u>25,128,752</u>	<u>460,955</u>	<u>7,226,439</u>	<u>-</u>	<u>32,816,146</u>
Operating income (loss)	<u>21,933,752</u>	<u>(460,955)</u>	<u>(7,226,439)</u>	<u>-</u>	<u>14,246,358</u>
Nonoperating revenues (expenses):					
Interest earnings	41,126	-	-	-	41,126
Interest expense	(4,428,281)	-	-	-	(4,428,281)
Total nonoperating revenues (expenses)	<u>(4,387,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,387,155)</u>
Income (loss) before transfers	17,546,597	(460,955)	(7,226,439)	-	9,859,203
Transfers in	-	460,955	7,226,439	(7,687,394)	-
Transfers out	<u>(12,698,957)</u>	<u>-</u>	<u>-</u>	<u>7,687,394</u>	<u>(5,011,563)</u>
Change in net position	4,847,640	-	-	-	4,847,640
Total net position—beginning	<u>51,750,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,750,577</u>
Total net position—ending	<u>\$ 56,598,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,598,217</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2022

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 46,680,840	\$ -	\$ -	\$ -	\$ 46,680,840
Payments to suppliers and employees for goods and services	(18,081,985)	(517,003)	(9,519,703)	-	(28,118,691)
Net cash provided by (used for) operating activities	28,598,855	(517,003)	(9,519,703)	-	18,562,149
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	460,955	7,226,439	-	7,687,394
Transfers to other funds	(12,698,957)	-	-	-	(12,698,957)
Advances to other funds	(3,714,056)	-	-	-	(3,714,056)
Advances from other funds	-	1,828,671	2,293,508	-	4,122,179
Net cash provided by (used for) noncapital financing activities	(16,413,013)	2,289,626	9,519,947	-	(4,603,440)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(7,174,730)	-	-	-	(7,174,730)
Principal payments on bonds	-	(5,995,000)	-	-	(5,995,000)
Payment to escrow agent	-	(14,070,000)	-	-	(14,070,000)
Proceeds from issuance of debt and premium	-	28,522,195	-	-	28,522,195
Interest payments and other fiscal charges	(4,428,281)	(495,887)	-	-	(4,924,168)
Net cash provided by (used for) capital and related financing activities	(11,603,011)	7,961,308	-	-	(3,641,703)
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	1,430	-	-	-	1,430
Interest received on short-term investments	39,696	-	-	-	39,696
Net cash provided by investing activities	41,126	-	-	-	41,126
Net increase in cash and cash equivalents	623,957	9,733,931	244	-	10,358,132
Cash, cash equivalents and investments—beginning	18,213,198	32,547,684	280,253	-	51,041,135
Cash, cash equivalents and investments—ending	\$ 18,837,155	\$ 42,281,615	\$ 280,497	\$ -	\$ 61,399,267

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2022

(concluded)

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 21,933,752	\$ (460,955)	\$ (7,226,439)	\$ -	\$ 14,246,358
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	7,381,562	-	-	-	7,381,562
Change in pension	-	-	-	(861,586)	(861,586)
(Increase) in receivables	(381,664)	-	-	-	(381,664)
(Increase) in net pension asset	(1,698,152)	-	(1,698,152)	1,698,152	(1,698,152)
(Increase) decrease in deferred outflows—relating to pensions	1,532,378	-	1,532,378	(1,532,378)	1,532,378
Decrease in deferred outflows—relating to OPEB	-	-	1,481,293	-	1,481,293
Increase (decrease) in payables	504,664	(899)	(23,059)	-	480,706
Increase (decrease) in accrued liabilities	-	(55,149)	129,355	-	74,206
(Decrease) in retirement systems	-	-	(101,675)	-	(101,675)
(Decrease) in compensated absences	-	-	(102,803)	-	(102,803)
(Decrease) in workers' compensation	-	-	(96,577)	-	(96,577)
(Decrease) in accrued other postemployment benefits obligation	-	-	(1,962,867)	-	(1,962,867)
(Decrease) in net pension liability	-	-	(22,127)	22,127	-
(Decrease) in deferred inflows—relating to pensions	(673,685)	-	(673,685)	673,685	(673,685)
(Decrease) in deferred inflows—relating to OPEB	-	-	(755,345)	-	(755,345)
Total adjustments	<u>6,665,103</u>	<u>(56,048)</u>	<u>(2,293,264)</u>	<u>-</u>	<u>4,315,791</u>
Net cash provided by (used for) operating activities	<u>\$ 28,598,855</u>	<u>\$ (517,003)</u>	<u>\$ (9,519,703)</u>	<u>\$ -</u>	<u>\$ 18,562,149</u>

FEDERAL AWARDS INFORMATION

CITY OF BUFFALO, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title (1a)	Federal Assistance Listing 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>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 15,827,338	\$ 15,827,338
Total CDBG - Entitlement Grants Cluster			<u>15,827,338</u>	<u>15,827,338</u>
Emergency Solutions Grant Program	14.231	N/A	4,069,458	4,069,458
HOME Investment Partnerships Program	14.239	N/A	2,802,265	2,802,265
Housing Opportunities for Persons with AIDS	14.241	N/A	727,859	727,859
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>23,426,920</u>	<u>23,426,920</u>
U.S. DEPARTMENT OF JUSTICE:				
<i>Passed through Rochester Institute of Technology:</i>				
Project Safe Neighborhoods	16.609	N/A	-	25,960
<i>Direct programs:</i>				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	140,273
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	241,115
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	N/A	-	31,672
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>-</u>	<u>439,020</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	-	22,358,490
Total Highway Planning and Construction Cluster			<u>-</u>	<u>22,358,490</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>-</u>	<u>22,358,490</u>
U.S. DEPARTMENT OF TREASURY:				
<i>Passed through New York State Office of Attorney General:</i>				
Equitable Sharing	21.016	N/A	-	16,250
<i>Direct program:</i>				
Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	-	15,379,562
TOTAL U.S. DEPARTMENT OF TREASURY			<u>-</u>	<u>15,395,812</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<i>Direct program:</i>				
Assistance to Firefighters Grant	97.044	N/A	-	108,967
<i>Passed through New York State Division of Homeland Security/Emergency Services:</i>				
Homeland Security Preparedness Technical Assistance Program	97.067	C845080	-	92,542
Homeland Security Preparedness Technical Assistance Program	97.067	C152390	-	132,467
Total Homeland Security Preparedness Technical Assistance Program			<u>-</u>	<u>225,009</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>-</u>	<u>333,976</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ 23,426,920</u>	<u>\$ 61,954,218</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, 2022

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, 2022. 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: Federal Assistance Listing Numbers, previously known as 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 PLANNING AND CONSTRUCTION (ALN 20.205) EXPENDITURES

Detail of highway planning and construction expenditures for the year ended June 30, 2022 with their corresponding pass-through grantor numbers are as follows:

	<u>Expenditures</u>	<u>ALN No.</u>	<u>Pass-through Grantor Number</u>
South Ogden St. Bridge over Buffalo River	\$ 1,311,994	20.205	D034896
Cars on Main - Lower Main	3,955,958	20.205	D035251
Ohio St. Lift Bridge	9,307,090	20.205	D035050
Dewey over CSXT Bridge Replacement	210,273	20.205	D035580
Bicycle Master Plan	10,714	20.205	D035750
Safe Routes to School, Clinton St.	-	20.205	D036427
Route 5 (Main St) @ Kensington & Humbolt Pkwy	370,744	20.205	D035876
Warren Spahn Way over Caz Crk. Bridge Rehab	2,481,928	20.205	D035875
Pavement Rehab Walden Ave: Genesee to Sycamore	177,992	20.205	D035874
Pavement Rehab Fillmore Ave: E. Ferry to Kensington	35,342	20.205	D036038
BNMC PH 4 - Complete Streets Features around BNMC and Resurfacing of Washington & Virginia Streets	641,397	20.205	D036023
Buffalo Roadways Rehab	151,455	20.205	D036046
Pedestrian Safety Action Plan	68,802	20.205	D035997
Niagara Street Sustainable Corridor & Community Integration Project	1,714,537	20.205	D035843
Main St Rehab - Ferry St to Delevan Ave	641,700	20.205	D036429
Jefferson Complete Street - Utica to Main	103,490	20.205	D040157
Bridge Washing - 38 Bridges	62,553	20.205	D040125
Busti Ave - Traffic Calming & Bicycle Improvements	112,375	20.205	D040032
Cazenovia Creek Bridge Repairs	328,000	20.205	D040189
Curb & Joint Repairs	290,323	20.205	D040148
Allen St. Ph 2 - Wadsworth to Delaware	381,823	20.205	D040209
Total	<u>\$ 22,358,490</u>		

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, 2022, 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 28, 2022. 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") which is shown as a Discretely Presented Component Unit. 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 28, 2022.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

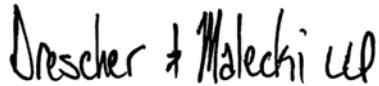
deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

A handwritten signature in black ink that reads "Drescher & Malecki LLP". The signature is written in a cursive, stylized font.

October 28, 2022

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

Opinion on 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, 2022. 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 \$130,090,765 and \$56,432,895 in federal awards, respectively, which are not included in the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2022. 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 28, 2022 based on our audit of the operations of the Agency in accordance with the Uniform Guidance.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

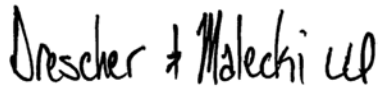
Report on Internal Control Over Compliance

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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Handwritten signature in black ink, reading "Drescher & Malecki LLP".

October 28, 2022

CITY OF BUFFALO, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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 ☒ No

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.231	Emergency Solutions Grant Program
14.239	HOME Investment Partnerships Program
20.205	Highway Planning and Construction Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs? \$ 1,858,627

Auditee qualified as low-risk auditee? _____ ☒ Yes ☐ 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 Year Audit Findings
Year Ended June 30, 2022
(Follow up on June 30, 2021 Findings)

No findings were reported.

APPENDIX C

**BUFFALO CSD
COMPONENT FINANCIAL STATEMENTS
June 30, 2022**

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**BOARD OF EDUCATION,
CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)**

FINANCIAL STATEMENTS

JUNE 30, 2022

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Board of Education, City of Buffalo, New York

Report on the Audit of the Financial Statements

Opinions

We have audited 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), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2022, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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.

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 19, 2022

Management's Discussion and Analysis (unaudited)

June 30, 2022

Introduction

Management's Discussion and Analysis (MD&A) of Board of Education, City of Buffalo, New York (the Board) provides an overview of the Board's financial activities and performance for the year ended June 30, 2022. The information contained in the MD&A should be considered in conjunction with the information presented as part of the Board's financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to a full understanding of the Board's financial position and results of operations. The Board's financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) fiduciary fund statements, (5) notes to the financial statements, and (6) supplementary information.

In 2022, the Board adopted GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and that recognized income or expenditures, based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The government-wide financial statements are designed to provide readers with a broad overview of the Board's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. The statement of activities presents information showing how the Board's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the Board as a whole. All of the activities of the Board are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the Board's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the Board's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The Board maintains a custodial fund for extraclassroom activity accounts. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Board's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide, governmental fund, and fiduciary fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

Condensed Statement of Net Position (in thousands)	2022	2021	Change	
			\$	%
Current and other assets	\$ 932,052	\$ 553,591	\$ 378,461	68.4%
Capital assets	708,536	739,386	(30,850)	(4.2%)
Total assets	1,640,588	1,292,977	347,611	26.9%
Deferred outflows of resources	697,497	817,848	(120,351)	(14.7%)
Long-term liabilities	2,427,245	3,270,537	(843,292)	(25.8%)
Other liabilities	206,907	183,240	23,667	12.9%
Total liabilities	2,634,152	3,453,777	(819,625)	(23.7%)
Deferred inflows of resources	1,857,201	1,064,081	793,120	74.5%
Net position				
Net investment in capital assets	114,006	117,509	(3,503)	(3.0%)
Restricted	53,200	53,845	(645)	(1.2%)
Unrestricted	(2,320,474)	(2,578,387)	257,913	(10.0%)
Total net position	\$ (2,153,268)	\$ (2,407,033)	\$ 253,765	(10.5%)

Net position amounted to a deficit of (\$2,153,268) and (\$2,407,033) as of June 30, 2022 and 2021, respectively. The net deficit is a result of recognition of the Board's total other postemployment benefits (OPEB) liability, which is an actuarial estimate of amounts the Board will owe for health insurance for its retirees. The largest positive portion of the Board's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment, less outstanding debt used to acquire those assets. The Board uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The Board's net position also includes resources that are subject to external restrictions on how they may be used, which includes reserves set aside for specific purposes governed by statutory law and regulations. Such reserves include funds for judgments, claims, and property loss, which are used for outstanding litigation or uninsured losses on Board property; the unemployment reserve, which is used to pay the cost of reimbursement to the State Unemployment Insurance Fund; and the stabilization reserve, which is used for unanticipated, extraordinary, or capital needs. Other restricted resources include funds restricted for debt service and special activities.

Total assets increased by \$347,611 (\$20,353 decrease in 2021). Capital assets decreased \$30,850 due to current year depreciation and amortization of \$86,750 exceeding additions of \$16,415, as well as being offset by \$39,485 due to the implementation of GASB 87. The increase in current and other assets of \$378,461 (\$40,257 increase in 2021) is primarily due to recognizing a net pension asset of \$320,209 for the Board's proportionate share of the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) net pension positions, compared to a liability of \$50,396 in 2021. Fluctuations are largely a result of investment earnings exceeding projected estimates and changes in actuarial assumptions. The remaining increase in current and other assets is due to an increase of \$70,961 in cash held by the City of Buffalo on the Board's behalf as a result of current year operating results and timing of payments back to the City.

Long-term liabilities, which include the Board's total OPEB liability of \$1,733,208 (\$2,485,499 in 2021), decreased by \$843,292 (\$209,887 decrease in 2021), while other liabilities increased by \$23,667 (\$34,273 increase in 2021). Other liabilities increased primarily due to timing of payments to the City of Buffalo for advances as a result of delays in grant reimbursements from New York State. A majority of the decrease in long-term liabilities relates to the decrease in the total OPEB liability of \$752,291 and an \$88,121 net reduction in total bonded debt due to principal payments made during the fiscal year, amortization of bond premiums, and savings resulting from debt refinancing activity.

Many of the Board's employees participate in TRS and ERS, which are reflected in amounts reported as net pension asset, net pension liability, and deferred outflows and deferred inflows of resources related to pensions. Changes in these balances, along with changes in the total OPEB liability and deferred outflows and deferred inflows related to OPEB, are heavily influenced by actuarial assumptions and investment performance versus expected performance. See the footnotes to the financial statements for further details.

Condensed Statement of Activities (in thousands)	2022	2021	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 4,973	\$ 4,106	\$ 867	21.1%
Operating grants and contributions	174,419	165,294	9,125	5.5%
Capital grants and contributions	3,406	9,046	(5,640)	(62.3%)
General revenues				
Contributions from the City and school tax relief	70,823	70,823	-	0.0%
State aid	793,629	738,021	55,608	7.5%
Sales tax and other	67,631	68,897	(1,266)	(1.8%)
Total revenue	1,114,881	1,056,187	58,694	5.6%
Expenses				
Instruction	659,591	793,546	(133,955)	(16.9%)
Support services				
General support	90,120	96,819	(6,699)	(6.9%)
Pupil transportation	48,667	32,342	16,325	50.5%
Food service	33,106	26,325	6,781	25.8%
Interest and other	18,883	23,064	(4,181)	(18.1%)
Total expenses	850,367	972,096	(121,729)	(12.5%)
Change in net position	264,514	84,091	180,423	214.6%
Net position – beginning	(2,407,033)	(2,491,124)	84,091	(3.4%)
Cumulative effect of change in accounting principle	(10,749)		(10,749)	
Net position – ending	\$ (2,153,268)	\$ (2,407,033)	\$ 253,765	(10.5%)

Board revenues increased by \$58,694 or 5.6% (\$1,489 or 0.1% increase in 2021). State aid within general revenues increased \$55,608 or 7.5% (\$41,250 or 5.3% decrease in 2021) primarily as a result of a \$40,400 increase in Foundation aid from the State-adopted legislation that allows for the full phase-in of Foundation aid over a three-year period through 2024, as well as a one-time pandemic adjustment in 2021, which reduced prior year aid by \$29,734 but reinstated it for 2022. These increases were offset by reduced transportation aid of \$7,394 resulting from lower transportation expenses in 2021 and reduced CTE-related aid of \$1,700 due to decreased enrollment. Operating grants and contributions increased \$9,125 or 5.5% (\$30,219 or 22.4% increase in 2021) due to continued increases in Federal CARES Act revenues, while capital grants and contributions decreased \$5,640 or 62.3% (\$322 or 3.4% decrease in 2021) due to less Smart Schools Bond Act revenue, as such amounts are only recognized to the extent of project costs.

Total expenses decreased \$121,729 or 12.5% (\$55,810 or 5.4% decrease in 2021). Employee-related costs, which are allocated among general support, instruction, and transportation, decreased primarily due to decreases in OPEB expense of \$131,817 and pension expense of \$88,323. These decreases are offset by an increase in payroll of \$27,369; increases in contractual expenses due to the return to fully in-person learning and the resulting increases in utilities and transportation and related costs; an increase of \$6,297 in charter school payments due to 272 additional full-time equivalents; and an increase in health insurance costs due to additional claims. All salaries and employee benefits-related costs are allocated among the instruction and support services categories. Finally, food service costs increased \$6,781 or 25.8% (\$4,649 or 15.0% decrease in 2021) due to the reopening of Emerson School of Hospitality, the new culinary school, and reopening of after school and Saturday programs.

Financial Analysis of the Board's Funds

Total fund balances for the governmental funds increased from \$365,615 to \$397,004 as described below:

- Total revenues increased by \$64,749 or 6.2% (\$7,599 or 0.7% decrease in 2021), mainly due to the increase in total State aid of \$50,301 (\$45,074 decrease in 2021), as well as an increase of \$14,839 in Federal aid (\$25,260 increase in 2021) due to continued and additional pandemic-related funding.
- Total expenses increased \$82,762 or 8.3% (2,229 or 0.2% decrease in 2021) as a result of the return to in-person instruction for 2022. As noted previously, this resulted in increases in salaries, benefits, transportation costs, utilities, and charter school payments, among other increases.

- During 2022, the general fund experienced an increase in fund balance of \$11,915, to \$324,610, compared to a \$46,706 increase for 2021. Significant changes in fund balance include assigned fund balance - designated for next year's budget which increased from \$29,000 to \$34,600 as a result of the \$34,600 deficit budgeted in the 2022-23 fiscal year largely due to a \$26,200 contract contingency for several major union contracts, including the teachers' contract. Additionally, \$1,158 was added to assigned fund balance for encumbrances at year end and \$853 was added for OPEB and other benefits. Unassigned fund balance increased \$4,123, from \$100,968 to \$105,091, with \$40,804 being maintained for the required 4% minimum unassigned fund balance required by Board policy, and \$64,287 being the additional amount in excess of the Board policy minimum.
- The debt service fund experienced a decrease in fund balance of \$643 due to annual debt service requirements and two bond refundings in 2021-22. The capital projects fund experienced an increase in fund balance of \$11,973 to \$11,368 due to operating transfers in of \$23,930 against capital outlays of \$12,338, net of new leases. It is anticipated that Smart Schools Bond Act revenue will be received from the State during 2022-23, reimbursing the Board for costs incurred during 2020-21 and 2021-22. The food service fund experienced an increase in fund balance of \$8,146 to \$38,632 due primarily to additional Federal stimulus funds, while expenditures were higher due to resumption of in-person instruction at all Board facilities in 2021-22 after the closure of most Board facilities for a large portion of the 2020-21 school year.

General Fund Budgetary Highlights

The total final revenue budget for 2022 was \$943,300. Actual revenues amounted to \$939,533, an unfavorable difference of \$3,767 or 0.4%. Total State Aid was \$16,717 below budget due to negative variances in Foundation Aid (\$2,054), Transportation Aid (\$6,599), Special Services Aid (\$11,067) and High Cost Aid (\$3,809). The main positive variances offsetting these shortfalls were in sales tax revenues (\$8,939), miscellaneous local sources (\$2,487), and invoicing to other districts (\$1,443).

Actual expenditures and carryover encumbrances were less than the final revised budget by \$42,488 or 5.0%. The main reasons for the favorable variance include budgetary savings in the following areas: salaries and associated benefits of \$25,879 due to vacancies; transportation of \$20,788 (from original) and \$2,745 (from revised); contracts of \$5,259; tuition to other districts and agencies of \$4,340; and lower than revised budget expenditures of \$7,002 for supplies, software, and repairs and maintenance. Offsetting these positive variances was an initially unbudgeted \$10,000 transfer to the capital project fund from budgetary savings in transportation.

Capital Assets

	2022	2021
Land	\$ 3,012	\$ 3,012
Construction in progress	43,383	36,352
Buildings and improvements	1,792,618	1,789,623
Equipment and vehicles	55,223	51,781
	<u>1,894,236</u>	<u>1,880,768</u>
Accumulated depreciation	(1,223,349)	(1,141,382)
	<u>670,887</u>	<u>739,386</u>
Right-to-use lease assets, net	37,649	-
	<u>\$ 708,536</u>	<u>\$ 739,386</u>

Current year additions of \$16,415 were offset by depreciation expense, amortization expense, and disposals of \$86,750. The difference of \$39,485 represents the beginning of year impact from the implementation of GASB 87.

Debt

At June 30, 2022, the Board had \$543,441 in bonds and leases outstanding, with \$74,983 due within one year (\$566,200 outstanding at June 30, 2021). Amounts due to New York State amounted to \$5,987, with \$713 due within one year (\$6,700 outstanding at June 30, 2021). Outstanding compensated absences and workers' compensation claims payable were \$75,636 with \$17,653 expected to be paid within one year (\$75,446 outstanding at June 30, 2021).

Additional information on the Board's long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

The extent of the impact of COVID-19 on the Board's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on school districts, including its residents, employees, and vendors, none of which can be predicted. Federal revenue sources have increased due to additional pandemic-related funding, but the full extent of Federal assistance is not yet known. The Board will need to plan accordingly to ensure continuity of programs upon the eventual reduction in these funds.

School districts in New York State are also impacted by the political pressures imposed on elected officials in funding of education. Year to year changes in funding levels and State aid formulas complicate this planning process.

Contacting the Board's Financial Management

This financial report is designed to provide our Board's residents, taxpayers, parents, students, investors, and creditors with a general overview of the Board's finances, and to show the Board's accountability for the money it receives. For more detailed information, questions may be directed to the Office of the Chief Financial Officer, Buffalo City School District, 708 City Hall, Buffalo, New York 14202.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Net Position

June 30, 2022

Assets

Cash and cash equivalents	\$ 10,544,938
Cash held by the City of Buffalo	410,283,150
Cash and cash equivalents with fiscal agent	10,148,486
Cash and cash equivalents - restricted	12,658,302
Due from other governments	5,848,608
Accounts receivable	13,452,229
State and federal aid receivable	147,064,344
Inventory and prepaid expenses	1,842,972
Net pension asset	320,208,560
Capital assets (Note 5)	1,955,668,241
Accumulated depreciation and amortization	(1,247,131,834)
Total assets	1,640,587,996

Deferred Outflows of Resources

Defeasance loss	17,598,604
Deferred outflows of resources related to pensions	201,348,665
Deferred outflows of resources related to OPEB	478,550,000
Total deferred outflows of resources	697,497,269

Liabilities

Accounts payable	40,217,764
Accrued liabilities	53,681,814
Due to other governments	1,401,230
Due to retirement systems	35,770,676
Unearned revenue	4,537,787
Due to the City of Buffalo	71,297,639
Long-term liabilities	
Due within one year:	
Leases	5,483,415
Bonds	69,500,000
Due to New York State	713,334
Compensated absences	8,820,000
Workers' compensation	8,833,000
Due beyond one year:	
Leases	42,557,091
Bonds and related premiums	494,874,617
Due to New York State	5,273,332
Compensated absences	17,239,679
Workers' compensation	40,743,000
Total OPEB liability	1,733,208,000
Total liabilities	2,634,152,378

Deferred Inflows of Resources

Defeasance gain	17,247,413
Deferred inflows of resources related to pensions	387,827,258
Deferred inflows of resources related to OPEB	1,452,126,000
Total deferred inflows of resources	1,857,200,671

Net Position

Net investment in capital assets	114,005,961
Restricted	53,199,994
Unrestricted	(2,320,473,739)
Total net position (deficit)	\$ (2,153,267,784)

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Activities

For the year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 90,120,463	\$ 34,893	\$ -	\$ -	\$ (90,085,570)
Instruction - regular	515,710,492	4,338,070	136,129,589	3,406,408	(371,836,425)
Instruction - charter	143,879,981	-	-	-	(143,879,981)
Pupil transportation	48,666,588	-	-	-	(48,666,588)
Interest expense	18,844,780	-	-	-	(18,844,780)
School food service	33,106,393	600,270	38,289,047	-	5,782,924
Community service	37,921	-	-	-	(37,921)
	<u>\$ 850,366,618</u>	<u>\$ 4,973,233</u>	<u>\$ 174,418,636</u>	<u>\$ 3,406,408</u>	<u>(667,568,341)</u>
General revenues					
					64,436,923
					6,385,980
					56,938,685
					793,628,788
					10,691,884
					<u>932,082,260</u>
					264,513,919
					(2,407,032,728)
					(10,748,975)
					<u>(2,417,781,703)</u>
					\$ (2,153,267,784)

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Balance Sheet - Governmental Funds

June 30, 2022

	General	Special Aid	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 10,342,131	\$ 19,877	\$ -	\$ -	\$ 182,930	\$ 10,544,938
Cash held by the City of Buffalo	373,794,028	-	3,381,496	-	33,107,626	410,283,150
Cash and cash equivalents with fiscal agent	-	-	-	10,148,486	-	10,148,486
Cash and cash equivalents - restricted	595,447	-	-	11,753,041	309,814	12,658,302
Due from other governments	5,848,608	-	-	-	-	5,848,608
Accounts receivable	13,326,743	48,789	-	-	76,697	13,452,229
State and federal aid receivable	28,779,502	89,602,523	22,547,586	-	6,134,733	147,064,344
Due from other funds, net	507,276	-	9,985	-	-	517,261
Inventory and prepaid expenses	1,005,728	-	-	-	837,244	1,842,972
Total assets	\$ 434,199,463	\$ 89,671,189	\$ 25,939,067	\$ 21,901,527	\$ 40,649,044	\$ 612,360,290
Liabilities						
Accounts payable	\$ 27,579,005	\$ 8,530,548	\$ 2,496,692	\$ -	\$ 936,432	\$ 39,542,677
Accrued liabilities	44,838,520	4,787,954	-	-	588,340	50,214,814
Due to other governments	1,401,230	-	-	-	-	1,401,230
Due to retirement systems	35,770,676	-	-	-	-	35,770,676
Due to other funds, net	-	517,261	-	-	-	517,261
Unearned revenue	-	4,537,787	-	-	-	4,537,787
Due to the City of Buffalo	-	71,297,639	-	-	-	71,297,639
Total liabilities	109,589,431	89,671,189	2,496,692	-	1,524,772	203,282,084
Deferred Inflows of Resources						
Unavailable revenue	-	-	12,074,346	-	-	12,074,346
Fund Balances						
Nonspendable	1,005,728	-	-	-	1,147,058	2,152,786
Restricted	30,806,023	-	-	21,901,527	182,630	52,890,180
Assigned	187,707,366	-	11,368,029	-	37,794,584	236,869,979
Unassigned	105,090,915	-	-	-	-	105,090,915
Total fund balances	324,610,032	-	11,368,029	21,901,527	39,124,272	397,003,860
Total liabilities, deferred inflows of resources, and fund balances	\$ 434,199,463	\$ 89,671,189	\$ 25,939,067	\$ 21,901,527	\$ 40,649,044	\$ 612,360,290

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

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

June 30, 2022

Total fund balances - governmental funds \$ 397,003,860

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

Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. 708,536,407

Defeasance losses and gains associated with bond refundings are recognized as deferred outflows of resources and deferred inflows of resources, respectively, in the government-wide statements. 351,191

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

Net pension asset	320,208,560	
Deferred outflows of resources related to pensions	201,348,665	
Deferred inflows of resources related to pensions	(387,827,258)	133,729,967

The District's total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:

Deferred outflows of resources related to OPEB	478,550,000	
Total OPEB liability	(1,733,208,000)	
Deferred inflows of resources related to OPEB	(1,452,126,000)	(2,706,784,000)

Certain revenues are not considered earned until received in the governmental funds but are recognized when earned in the government-wide statements. 12,074,346

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

Leases	(48,040,506)	
Retainages payable	(675,087)	
Accrued interest	(3,467,000)	
Bonds and related premiums	(564,374,617)	
Due to New York State	(5,986,666)	
Compensated absences	(26,059,679)	
Workers' compensation	(49,576,000)	(698,179,555)

Net position - governmental activities \$(2,153,267,784)

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

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

For the year ended June 30, 2022

	General	Special Aid	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Contributions from City of Buffalo	\$ 64,436,923	\$ -	\$ -	\$ -	\$ -	\$ 64,436,923
School tax relief reimbursement	6,385,980	-	-	-	-	6,385,980
Nonproperty tax items	56,938,685	-	-	-	-	56,938,685
Charges for services	4,338,070	-	-	-	-	4,338,070
Use of money and property	71,826	-	6,635	29,999	29	108,489
Sale of property and compensation for loss	113,868	-	-	-	-	113,868
Miscellaneous	10,498,055	2,575,820	-	-	154,438	13,228,313
State sources	793,628,788	37,689,790	374,797	-	1,570,073	833,263,448
Federal sources	3,120,694	92,743,285	-	-	36,570,901	132,434,880
Sales	-	-	-	-	600,270	600,270
Total revenues	939,532,889	133,008,895	381,432	29,999	38,895,711	1,111,848,926
Expenditures						
General support	74,587,529	13,889,528	-	1,020,490	28,704,480	118,202,027
Instruction - regular	346,667,293	101,852,541	-	-	-	448,519,834
Instruction - charter	142,402,697	2,084,978	-	-	-	144,487,675
Pupil transportation	48,154,369	33,568	-	-	-	48,187,937
Community service	42,202	-	-	-	8,568	50,770
Employee benefits	184,260,362	19,553,825	-	-	2,423,254	206,237,441
Debt service						
Principal	4,481,486	136,216	-	61,198,334	352,602	66,168,638
Interest	2,399,165	125,870	-	26,941,857	76,209	29,543,101
Capital outlay	-	-	15,114,757	-	58,212	15,172,969
Total expenditures	802,995,103	137,676,526	15,114,757	89,160,681	31,623,325	1,076,570,392
Excess revenues (expenditures)	136,537,786	(4,667,631)	(14,733,325)	(89,130,682)	7,272,386	35,278,534
Other financing sources (uses)						
Transfer to City of Buffalo for debt service	(5,630,306)	-	-	-	-	(5,630,306)
Operating transfers, net	(118,992,707)	4,667,631	23,929,596	89,524,090	871,390	-
Lease proceeds	-	-	2,776,898	-	-	2,776,898
Bond proceeds from current refundings	-	-	-	78,535,000	-	78,535,000
Bond premiums	-	-	-	4,593,742	-	4,593,742
Payments to escrow agents	-	-	-	(84,165,423)	-	(84,165,423)
Total other financing sources (uses)	(124,623,013)	4,667,631	26,706,494	88,487,409	871,390	(3,890,089)
Net change in fund balances	11,914,773	-	11,973,169	(643,273)	8,143,776	31,388,445
Fund balances (deficit) - beginning	312,695,259	-	(605,140)	22,544,800	30,980,496	365,615,415
Fund balances - ending	\$ 324,610,032	\$ -	\$ 11,368,029	\$ 21,901,527	\$ 39,124,272	\$ 397,003,860

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

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

For the year ended June 30, 2022

Total net change in fund balances - governmental funds \$ 31,388,445

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

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation and amortization expense. This is the amount by which depreciation and amortization expense and disposals exceed capital outlays (net of retainages). (70,483,652)

Certain revenue is not considered available and is therefore not yet recognized in the governmental funds. 3,031,611

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

2022 TRS and ERS contributions	37,676,114	
2022 ERS accrued contribution	1,576,567	
2021 ERS accrued contribution	(1,639,127)	
2022 TRS pension income	18,881,804	
2022 ERS pension expense	(939,461)	55,555,897

OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. 164,454,000

Leases are recorded as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position. (2,776,898)

Payments of long-term liabilities, including bonds, leases, and amounts due to New York State, are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position. 71,298,638

Net effect of bond refunding. 1,036,681

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:

Net amortization of defeasance gain and loss	(846,504)	
Amortization of bond premiums	11,731,131	
Interest	314,000	
Workers' compensation	1,120,000	
Compensated absences	(1,309,430)	11,009,197

Change in net position - governmental activities \$ 264,513,919

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Statement of Revenues, Expenditures, and Changes in
Fund Balance Budget (Non-GAAP) and Actual - General Fund**

For the year ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
Local sources					
Contributions from City of Buffalo	\$ 64,794,859	\$ 64,794,859	\$ 64,436,923		\$ (357,936)
School tax relief reimbursement	6,027,899	6,027,899	6,385,980		358,081
Nonproperty tax items	48,000,000	48,000,000	56,938,685		8,938,685
Charges for services	2,895,519	2,895,519	4,338,070		1,442,551
Use of money and property	215,000	215,000	71,826		(143,174)
Sale of property and compensation for loss	10,000	10,000	113,868		103,868
Miscellaneous	8,010,929	8,010,929	10,498,055		2,487,126
State sources	810,345,794	810,345,794	793,628,788		(16,717,006)
Federal sources	3,000,000	3,000,000	3,120,694		120,694
Total revenues	943,300,000	943,300,000	939,532,889		(3,767,111)
Expenditures					
General support					
Board of education	354,949	368,050	293,919	13,445	(60,686)
Central administration	1,694,490	1,538,535	1,083,543	3,228	(451,764)
Finance	4,088,179	4,111,270	3,514,298	38,915	(558,057)
Staff	3,725,081	4,039,975	2,993,627	129,934	(916,414)
Central services	75,370,352	72,924,811	63,357,070	5,126,085	(4,441,656)
Special items	8,872,863	3,804,451	3,345,072	81,183	(378,196)
Instruction					
Instruction, administration, and improvement	38,313,885	38,891,033	36,065,571	183,767	(2,641,695)
Teaching - regular school	138,079,706	142,122,315	133,295,073	1,282,284	(7,544,958)
Charter school payments	135,874,700	141,797,654	141,795,003	399	(2,252)
Programs for children with handicapping conditions	118,989,391	117,652,056	109,579,587	174,169	(7,898,300)
Program for English Language Learners	17,822,944	17,406,788	16,412,409	29,369	(965,010)
Occupational education	22,730,421	23,097,444	21,661,180	40,477	(1,395,787)
Teaching - special schools	2,442,832	1,457,636	1,377,793	4,315	(75,528)
Instructional media	7,994,618	7,544,705	6,234,786	221,467	(1,088,452)
Pupil services	25,381,333	25,460,493	22,648,588	456,120	(2,355,785)
Pupil transportation	68,942,371	50,945,505	48,154,369	45,841	(2,745,295)
Community service	139,589	139,589	42,202	-	(97,387)
Employee benefits	196,960,892	193,242,863	184,260,362	111,809	(8,870,692)
Debt service					
Principal	-	4,481,486	4,481,486	-	-
Interest	-	2,399,165	2,399,165	-	-
Total expenditures	867,778,596	853,425,824	802,995,103	7,942,807	(42,487,914)
Excess revenues (expenditures)	75,521,404	89,874,176	136,537,786	(7,942,807)	38,720,803
Other financing sources (uses)					
Transfers to City of Buffalo for debt service	(5,748,606)	(5,746,855)	(5,630,306)		(116,549)
Operating transfers in	200,000	200,000	-		(200,000)
Operating transfers out	(105,756,798)	(118,992,707)	(118,992,707)		-
Appropriated fund balance, reserves, and carryover encumbrances	35,784,000	34,665,386	-		(34,665,386)
Total other financing sources (uses)	(75,521,404)	(89,874,176)	(124,623,013)		(34,748,837)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 11,914,773	\$ (7,942,807)	\$ 3,971,966

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Fiduciary Net Position - Custodial Fund

June 30, 2022

Assets

Cash	\$ 1,068,408
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Net Position

Extraclassroom Activity	\$ 1,068,408
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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Changes in Fiduciary Net Position - Custodial Fund

For the year ended June 30, 2022

Additions

Student activity additions	\$ 841,100
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Deductions

Student activity deductions	840,552
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Change in net position	548
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Net position - beginning	1,067,860
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Net position - ending	\$ 1,068,408
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Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York (the City), is governed by Education and other laws of the State of New York (the State). The Board of Education has responsibility and control over all activities related to public school education within the Board's school system. The Board's Superintendent is the chief executive officer. Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The Board provides education and support services such as administration, transportation, and plant maintenance. The Board receives funding from local, state, and federal sources and must comply with requirements of these funding sources. The Board is financially dependent upon the City and other governments and has no independent authority to contract bonded indebtedness or levy taxes, with the exception of the Special Program Revenue Bonds issued by the State of New York Municipal Bond Bank Agency (Note 6). The Board's reporting entity does not contain any component units as defined by accounting standards.

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Joint Schools Construction Board

The Buffalo Joint Schools Construction Board (the JSCB) is an inter-municipal joint cooperative board created by resolutions of the Board and the City of Buffalo Common Council (the Council) and by amendment of the City Charter, §18-59 and §18-60, to assist in a comprehensive program to redevelop the Board's school buildings and facilities. The JSCB is comprised of two Board designees, the Superintendent of Schools, the Mayor, the City Comptroller, and one Council designee.

As further explained in the JSCB Information section of these financial statements, although the Buffalo Schools Act conferred extensive powers upon the JSCB in relation to the construction of new educational facilities, it assigned to the JSCB only limited functions in relation to the reconstruction of existing schools, which the act authorized the Board to finance and implement as projects of the Erie County Industrial Development Agency (ECIDA). Phases I, II, III, IV, and V of the project were authorized by amendments to the Buffalo Schools Act as ECIDA reconstruction projects. The JSCB's role was principally to assist and advise the Board in developing projects up to the point when plans and specifications had been approved by the New York State Education Department, financing was completed and available, and construction began. The JSCB was also assigned to monitor implementation of the project's workforce and business diversification plan and to compare the financing available through ECIDA with financing available through the municipal bond agency, and to employ the financing that resulted in the lowest cost to the taxpayers. For Phase III, the JSCB was also required to submit certain cost reports to State officials and could not proceed with the projects if estimated costs did not meet certain limits prescribed in the Phase III regulation.

As a result of the completion of the projects overseen by JSCB, it is not anticipated that any more activity or business will be conducted and the JSCB special revenue fund is no longer presented within the governmental funds. On a government-wide basis, all related capital assets and long-term debt are included within the Board's financial statements.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display financial activities of the overall Board, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the Board. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Board does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the Board's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase of specific capital assets, if any. Revenues that are not classified as program revenues, including the City's contribution, sales taxes, and state aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Board reports the following major funds:

- *General fund.* This is the Board's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.

The Board also elected to display the following as major funds:

- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- *Debt service fund.* This fund is used to account for resources that are restricted to expenditure for principal and interest on the Board's long-term debt, except for amounts held by the City, which are recorded in the general and capital funds as transfers to the City. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.

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

- *Food service fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the Board's breakfast, lunch, summer food, and Root Culinary programs.
- *Special activities fund.* This fund is used to account for transactions that support miscellaneous local grants and donations. The proceeds are legally restricted to expenditures for specified purposes.
- *Permanent fund.* This fund is used to report resources that are legally restricted to the extent that earnings, and not principal, may be used for the purposes that support the Board's programs.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The Board maintains a custodial fund for its student activity accounts.

Basis of Accounting and Measurement Focus

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if they are collected within one year after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budget Process, Amendments, and Encumbrances

Prior to May 1, the Board submits to the Mayor of the City its budget request and financial plan for the fiscal year beginning July 1. On or before May 1, the Mayor submits to the City Council a complete operating plan which includes the Board's estimated revenues and proposed expenditures. The City Council then acts upon the Mayor's recommended Board budget and may make additions or deletions within its authority as provided by the City Charter. The Board's budget, as approved by the City Council, is limited to total estimated revenues and proposed expenditures.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Cash and Cash Equivalents

The Board's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Inventory and Prepaid Expenses

Inventories of food and/or supplies in the general and food service funds are recorded at cost on a first-in, first-out basis. Donated commodities are stated at values which approximate market. Certain payments to vendors reflect expenditures applicable to future periods and are reflected as prepaid expenses.

Capital Assets

Capital assets are generally reported at actual or estimated historical cost based on appraisals. Financed right-to-use lease assets are recorded at the present value of the lease liability. Contributed assets are recorded at fair value at the time received. Depreciation and amortization are provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-50
Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	5-7

Bond Defeasances

In the government-wide financial statements, gains or losses on bond refundings represent the difference between the price required to repay previously issued debt and the net carrying amount of the retired debt, and are recorded as either a deferred outflow or deferred inflow of resources. In subsequent years, these amounts are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

Unavailable Revenue

Nonexchange transactions in the form of Smart Schools Bond Act grants from the State are not considered available in the governmental funds and therefore are recorded as deferred inflows of resources.

Bond Premiums

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

Pensions

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

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense for the Board's defined benefit healthcare plan (Note 8) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrative and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for the payment of health insurance until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation and amortization, and defeasance gains and losses, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the Board's bonds. Restricted net position is consistent with restricted fund balance at June 30, 2022, plus nonspendable net position in the permanent fund.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the Board.

Governmental Fund Statements

The Board considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the Board allows the Chief Financial Officer or his designee to determine the order in which to use committed, assigned, and unassigned resources when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Fund balance is categorized as follows:

Nonspendable:	
Inventory and prepaid expenses	\$ 1,842,972
Endowment	309,814
Restricted:	
Unemployment insurance	9,156,044
Judgments, property loss, and claims	17,750,000
Fiscal stabilization	3,899,979
Debt service	21,901,527
Special activities	182,630
Assigned:	
OPEB and other employee benefits	70,000,000
American Rescue Plan continuation	30,000,000
Prior year claims	9,000,000
Capital projects and repairs	27,448,029
Health Insurance	15,084,559
School budget equity	5,000,000
School food service	37,794,584
Designated for subsequent year	34,600,000
Other purposes	7,942,807
Unassigned	105,090,915
	<u>\$ 397,003,860</u>

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

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law or State Education Law as authorized for use by the Board of Education. Earnings on invested resources are required to be added to the various reserves.

Fund balance restrictions consist of the following reserves:

- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the Board has elected to use the benefit reimbursement method.
- *Judgments, property loss, and claims* – is used to cover self-insured property loss retention or liability claims that are not insured.
- *Fiscal stabilization* – created by the State Laws of 2000, Chapter 88, for the purpose of maintaining the fiscal stability of the Board, this reserve can be used to support the Board’s educational programs and any liability incurred by the Board in carrying out its functions and responsibilities under Education Law.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond premiums), and remaining bond proceeds not needed for their original purpose as required under §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Special activities* – is used to account for activity from miscellaneous local grants and donations.

Committed fund balances, if any, are authorized by the Board of Education as recommended by the Board’s management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end.

The Board of Education has given the Chief Financial Officer the authority to assign fund balances for specific purposes that are neither restricted nor committed. Assigned fund balances include amounts designated for OPEB, health insurance, continuation of programs initially funded through the American Rescue Plan Act, capital projects and repairs, and other purposes. Significant outstanding encumbrances included in other assigned fund balance in the general fund as of June 30, 2022 include \$1,523,224 for equipment, \$2,646,697 for supplies, \$112,672 for benefits, and \$3,660,214 for contractual services.

Interfund Balances

The operations of the Board include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

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

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the Board’s practice to settle these amounts at the net balances due between funds.

2. Change in Accounting Principle

Effective July 1, 2021, the Board adopted GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The impact of these required accounting changes on the Board’s government-wide activity is as follows:

Net position (deficit), July 1, 2021	\$ (2,407,032,728)
Right-to-use lease assets	58,655,121
Accumulated amortization	(19,170,184)
Lease liability	(50,233,912)
Net position (deficit), as restated, July 1, 2021	<u>\$ (2,417,781,703)</u>

3. Cash and Cash Equivalents

Cash management is governed by State laws and as established in the Board's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Board's banking policies permit the Chief Financial Officer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the Board's deposits may not be returned to it. At June 30, 2022, the Board's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in the Board's name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes.

Cash Held by the City of Buffalo

Amounts on deposit with the City on behalf of the Board total \$410,283,150. Such amounts represent cash held in the City's bank accounts. The cash is an asset of the Board and is specifically designated for Board purposes. These deposits are subject to applicable City and State investment and collateralization policies. The City has also advanced \$71,297,639 to the Board for purposes of providing cash flow to the special aid fund.

Cash and Cash Equivalents with Fiscal Agent

In accordance with the Indenture Trust Agreement, an amount of the Series 2009, 2015, 2021 and 2022 bond proceeds is to be deposited and maintained by the trustee in the debt service fund and amounted to \$10,148,486 as of June 30, 2022.

Restricted Cash and Cash Equivalents

Cash and cash equivalents in the amount of \$595,447 are restricted in the general fund to support obligations related to workers' compensation claims, along with an account held in trust with the Buffalo Teacher's Federation in relation to a previous teachers' settlement agreement.

In accordance with the Local Share Trust and Depository Agreement, the local share contribution of the JSCB projects is to be held in trust and can only be disbursed as specified by the aforementioned agreement. Such amounts total \$11,753,041 and are restricted within the debt service fund until completion of the related projects.

4. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 11,396,670	\$ 10,889,394	\$ -	\$ 118,992,707
Special aid	202,934	720,195	4,667,631	-
Debt service	-	-	103,222,786	13,698,696
Capital projects	10,000,000	9,990,015	23,929,596	-
Food service	-	-	871,390	-
	<u>\$ 21,599,604</u>	<u>\$ 21,599,604</u>	<u>\$ 132,691,403</u>	<u>\$ 132,691,403</u>

The general fund provides cash flow to the various other funds; these amounts are repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program, to the food service program for operations, to the capital projects fund for reconstruction expenditures, and to the debt service fund for principal and interest payments on serial bonds. In accordance with the State's requirement, the debt service fund also transferred the difference between amounts received from building aid and amounts paid under refinanced JSCB debt agreements to the capital projects fund for capital expenditures.

5. Capital Assets

	July 1, 2021 (As restated)	Increases	Retirements/ Reclassifications	June 30, 2022
Non-depreciable and non-amortizable capital assets:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	36,351,958	9,030,855	(1,999,369)	43,383,444
Total non-depreciable and non-amortizable assets	39,363,858	9,030,855	(1,999,369)	46,395,344
Depreciable capital assets:				
Land improvements	5,542,686	995,525	-	6,538,211
Buildings and improvements	1,784,080,562	-	1,999,369	1,786,079,931
Equipment and vehicles	51,781,129	3,611,807	(170,200)	55,222,736
Total depreciable assets	1,841,404,377	4,607,332	1,829,169	1,847,840,878
Less accumulated depreciation:				
Land improvements	4,820,325	77,442	-	4,897,767
Buildings and improvements	1,108,705,227	76,632,826	-	1,185,338,053
Equipment and vehicles	27,856,699	5,426,991	(170,200)	33,113,490
Total accumulated depreciation	1,141,382,251	82,137,259	(170,200)	1,223,349,310
Total depreciable assets, net	700,022,126	(77,529,927)	1,999,369	624,491,568
Right-to-use lease assets				
Buildings	55,746,120	2,517,401	-	58,263,521
Vehicles	580,331	259,497	-	839,828
Equipment	2,328,670	-	-	2,328,670
Less accumulated amortization	19,170,184	4,612,340	-	23,782,524
Total right-to-use assets, net	39,484,937	(1,835,442)	-	37,649,495
	\$ 778,870,921	\$ (70,334,514)	\$ -	\$ 708,536,407

Depreciation and amortization expense has been allocated to the following functions: general support \$8,942,904, instruction \$74,957,826, pupil transportation \$844,085, and food service \$2,004,784.

As of June 30, 2022, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 708,536,407
Defeasance loss	17,598,604
Lease liability	(48,040,506)
Defeasance gain	(17,247,413)
Bonds payable and related premiums, net of unspent proceeds	(546,841,131)
	<u>\$ 114,005,961</u>

6. Long-Term Liabilities

	July 1, 2021 (As restated)	Increases	Decreases	June 30, 2022	Amount Due in One Year
Leases	\$ 50,233,912	\$ 2,776,898	\$ 4,970,304	\$ 48,040,506	\$ 5,483,415
Due to City for bonds payable	16,625,000	-	5,130,000	11,495,000	5,100,000
JSCB bonds payable	540,680,000	71,150,000	135,310,000	476,520,000	63,895,000
Revenue bonds payable	8,895,000	7,385,000	8,895,000	7,385,000	505,000
Premium on bonds	86,295,627	4,593,742	21,914,752	68,974,617	-
Due to New York State	6,700,000	-	713,334	5,986,666	713,334
Compensated absences	24,750,249	1,309,430	-	26,059,679	8,820,000
Workers' compensation	50,696,000	-	1,120,000	49,576,000	8,833,000
	<u>\$ 784,875,788</u>	<u>\$ 87,215,070</u>	<u>\$ 178,053,390</u>	<u>\$ 694,037,468</u>	<u>\$ 93,349,749</u>

Due to City for Bonds Payable

Amounts due to the City are for bonds payable issued on behalf of the Board. Payments made to the City for purposes of principal and interest on bonds totaled \$5,680,306 for the year ended June 30, 2022.

Revenue Bonds Payable

These bonds represent amounts due for Municipal Bond Agency Revenue Bonds issued pursuant to the State of New York Municipal Bond Agency (the Agency) Act and a General Resolution and a Series Resolution to provide funds to finance a portion of the cost of settling litigation between the Board and the Buffalo Teachers Federation, fund the debt service reserve to at least the debt service reserve fund requirement, and to pay legal, accounting, financing, and other fees and expenses related to the issuance of the bonds.

The bonds are special revenue obligations of the Agency and are secured by annual payments by the City from all monies legally available (which availability is, in general, dependent upon annual appropriations by the City), amounts received by the Agency pursuant to the Agency's statutory right to intercept State school aid payable to the City, and all funds and accounts established by the General Resolution described in the Official Statement.

Due to New York State

In June 2000, the State Legislature passed special legislation to advance the Board \$20,000,000 in lottery aid, interest-free, to help pay a litigation settlement with the Buffalo Teachers' Federation. In June 2006, the Board received an additional lottery aid advance of \$1,400,000.

Current Refundings of Debt

In April 2022, the Agency issued bonds totaling \$7,385,000 on behalf of the Board, with an interest rate of 5.0%, to refund \$8,165,000 of outstanding bonds with interest rates ranging from 3.0% - 5.0%. The net proceeds of \$8,001,379 (including a premium of \$880,866 and payment of \$264,487 for issuance costs) along with \$168,296 of additional funds were transferred to a fiscal agent to provide for the debt service payment on the original bonds that were called on May 6, 2022. The refunding decreased total debt service payments for the next 9 years by \$360,000, resulting in an economic impact of \$318,000.

In May 2022, the Board issued bonds totaling \$71,150,000, with an interest rate of 5.0%, to refund \$75,555,000 of outstanding bonds with an interest rate of 5.00%. The net proceeds of \$74,106,873 (including a premium of \$3,712,876 and payment of \$756,003 for issuance costs) along with \$1,888,875 of additional funds were transferred to a fiscal agent to provide for the debt service payment on the original bonds that were called on June 13, 2022. The refunding decreased total debt service payments for the next 4 years by \$3,053,000, resulting in an economic impact of \$2,882,000.

Existing Obligations

Description	Maturity	Rate	Balance
Due to New York State	June 2036	0.0%	\$ 5,986,666
2022 Revenue bonds	May 2031	5.0%	7,385,000
2012-2022 JSCB revenue and refunding bonds	May 2032	4.0%-5.0%	476,520,000
2011-2021 City of Buffalo serial and refunding bonds	April 2027	2.4%-5.0%	11,495,000
Building lease – 2006	August 2025	5.0%	1,171,560
Building lease – 2013	July 2027	4.0%	3,043,005
Building lease – 2014	June 2028	5.0%	10,737,229
Building lease – 2014	July 2023	5.0%	517,251
Building lease – 2020	December 2034	5.0%	28,616,799
Building lease – 2022	March 2025	5.0%	532,691
Building lease – 2022	June 2031	5.0%	1,848,494
Vehicle leases – 2020	June 2024	5.0%	123,313
Vehicle leases – 2021	November 2025	5.0%	194,373
Vehicle leases – 2022	May 2027	5.0%	255,681
Equipment lease – 2020	June 2024	5.0%	1,000,110
			<u>\$ 549,427,172</u>

Debt Service Requirements

Years ending June 30,	Bonds Payable		Due to New York State	Leases	
	Principal	Interest	Principal	Principal	Interest
2023	\$ 69,500,000	\$ 24,564,303	\$ 713,334	\$ 5,483,415	\$ 2,367,843
2024	77,810,000	21,170,650	713,332	5,363,368	2,059,079
2025	73,865,000	17,368,650	713,334	5,108,582	1,857,078
2026	63,365,000	13,691,500	713,334	4,824,399	1,602,415
2027	54,485,000	10,522,125	713,332	5,099,716	1,362,322
2028-2032	156,375,000	17,510,250	2,233,334	15,208,856	3,812,742
2033-2035	-	-	186,666	6,952,170	633,133
	\$ 495,400,000	\$ 104,827,478	\$ 5,986,666	48,040,506	13,694,612

7. Pension Plans

Plan Descriptions

The Board participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

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

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 9.80% for 2022. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Board to the pension accumulation fund. For 2022, these rates ranged from 10.7% - 25.2%.

The amount outstanding and payable to TRS for the year ended June 30, 2022 was \$31,173,278. A liability to ERS of \$1,576,567 is accrued based on the Board's legally required contribution for employee services rendered from April 1 through June 30, 2022.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2022, the Board reported an asset of \$308,539,289 for its proportionate share of the TRS net pension position and an asset of \$11,669,271 for its proportionate share of the ERS net pension position.

The TRS total pension liability at the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, with update procedures applied to roll forward the total pension liability to June 30, 2021. The Board's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2021, the Board's proportion was 1.780475%, a decrease of 0.038003 from its proportion measured as of June 30, 2020.

The ERS total pension liability at the March 31, 2022 measurement date was determined by an actuarial valuation as of April 1, 2021, with update procedures applied to roll forward the total pension liability to March 31, 2022. The Board's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At March 31, 2022, the Board's proportion was 0.142751%, a decrease of 0.004893 from its proportion measured as of March 31, 2021.

For the year ended June 30, 2022, the Board recognized net pension income of \$17,942,343 on the government-wide statements (TRS income of \$18,881,804 and ERS expense of \$939,461). At June 30, 2022, the Board reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,528,868	\$ (1,602,993)	\$ 883,730	\$ (1,146,248)
Changes of assumptions	101,485,022	(17,971,503)	19,474,705	(328,614)
Net difference between projected and actual earnings on pension plan investments	-	(322,918,290)	-	(38,211,974)
Changes in proportion and differences between contributions and proportionate share of contributions	3,517,914	(5,274,835)	708,581	(372,801)
Board contributions subsequent to the measurement date	31,173,278	-	1,576,567	-
	<u>\$ 178,705,082</u>	<u>\$ (347,767,621)</u>	<u>\$ 22,643,583</u>	<u>\$ (40,059,637)</u>

Board contributions subsequent to the measurement date will be recognized as an addition to (a reduction of) the net pension asset (liability) in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2023	\$ (41,006,190)	\$ (2,692,694)
2024	(48,095,377)	(4,187,506)
2025	(58,678,712)	(9,948,363)
2026	(77,470,904)	(2,164,058)
2027	14,603,807	-
Thereafter	10,411,559	-
	<u>\$ (200,235,817)</u>	<u>\$ (18,992,621)</u>

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2020 valuation, with update procedures used to roll forward the total pension liability to June 30, 2021, were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020. These assumptions are:

Inflation – 2.4%

Salary increases – Based on TRS member experience, dependent on service, ranging from 1.95%-5.18%

Projected Cost of Living Adjustments (COLA) – 1.3% compounded annually

Investment rate of return – 6.95% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries’

Scale MP-2020, applied on a generational basis

Discount rate – 6.95%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2021 valuation, with update procedures used to roll forward the total pension liability to March 31, 2022, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation – 2.7%

Salary increases – 4.4%

COLA – 1.4% annually

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

Mortality – Society of Actuaries’ Scale MP-2020

Discount rate – 5.9%

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

Investment Asset Allocation

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

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33%	6.8%	32%	3.3%
Global and international equities	20%	7.1%-7.6%	15%	5.9%
Private equities	8%	10.0%	10%	6.5%
Real estate	11%	6.5%	9%	5.0%
Domestic fixed income securities	16%	1.3%	23%	-
Global fixed income securities	2%	0.8%	-	-
Bonds and mortgages	7%	3.3%	-	-
Short-term	1%	(0.2)%	1%	(1.0)%
Other	2%	3.8%-5.9%	10%	3.8%-5.8%
	100%		100%	

Discount Rate

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

The following presents the Board's proportionate share of its net pension position calculated using the discount rate of 6.95% (TRS) and 5.9% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	At Current Discount Rate		
	1.0% Decrease		1.0% Increase
Board's proportionate share of the TRS net pension asset (liability)	\$ 32,376,700	\$ 308,539,289	\$ 540,633,906
Board's proportionate share of the ERS net pension asset (liability)	\$ (30,036,577)	\$ 11,669,271	\$ 46,554,201

8. OPEB

Plan Description

The Board maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical, prescription, vision, and dental insurance for virtually all Board retirees and their spouses. Benefit provisions are based on individual contracts with the Board, as negotiated from time to time. Eligibility is based on covered employees who retire from the Board over the age of 55 and have met vesting requirements. Retirees have various contribution requirements based on the bargaining agreement terms in effect at the time of retirement. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2021, employees covered by the Plan include:

Active employees	5,429
Inactive employees or beneficiaries currently receiving benefits	4,017
Inactive employees entitled to but not yet receiving benefits	-
	<u>9,446</u>

Total OPEB Liability

The Board's total OPEB liability of \$1,733,208,000 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021, rolled forward through an interim valuation to June 30, 2022.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rate – based on a combination of employer history, national trend surveys, and professional judgment, initially 7.5% and reduced to an ultimate rate of 4.5% after 2029

Salary increases – 1.76% to 10.00%

Mortality – MP-2020 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees

Discount rate – 4.09% based on a range of indices of 20-year bonds with an average rating of AA/Aa or higher as of the measurement date

Inflation rate – 1.3%

Changes in the Total OPEB Liability

	Total OPEB Liability (In thousands)
Balance at June 30, 2021	<u>\$ 2,485,499</u>
Changes for the year:	
Service cost	86,668
Interest	55,739
Changes of benefit terms	(189)
Differences between expected and actual experience	(210,089)
Changes of assumptions or other inputs	(630,109)
Benefit payments	<u>(54,311)</u>
Net changes	<u>(752,291)</u>
Balance at June 30, 2022	<u>\$ 1,733,208</u>

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

	1.0% Decrease (3.09%)	Discount Rate (4.09%)	1.0% Increase (5.09%)
Total OPEB liability	<u>\$ (2,030,091)</u>	<u>\$ (1,733,208)</u>	<u>\$ (1,495,727)</u>

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

	1.0% Decrease (6.50% to 3.50%)	Healthcare Cost Trend Rate (7.50% to 4.50%)	1.0% Increase (8.50% to 5.50%)
Total OPEB liability	<u>\$ (1,452,803)</u>	<u>\$ (1,733,208)</u>	<u>\$ (2,095,721)</u>

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2022, the Board recognized OPEB income of \$110,143,000. At June 30, 2022, the Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (845,085)
Changes of assumptions or other inputs	478,550	(607,041)
	<u>\$ 478,550</u>	<u>\$ (1,452,126)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	Amount (in thousands)
2023	\$ (252,361)
2024	(184,139)
2025	(132,811)
2026	(133,425)
2027	(150,815)
Thereafter	(120,025)
	<u>\$ (973,576)</u>

9. Risk Management

General Liability

The Board is self-insured for most liabilities, but has purchased commercial insurance for various risks including property damage, automobiles, and theft. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Health Insurance

The Board maintains a self-funded health insurance plan and the program is managed by a third party administrator. The Board makes weekly payments based on employee claims as well as payments for fees charged for administering the program and for excess insurance coverage. The Board has recorded an estimate for claims liabilities incurred but not paid based on an actuarial valuation. The Board maintains excess insurance coverage that limits their self-funded exposure to \$600,000 per individual occurrence in a given plan year in the aggregate.

At the end of the year, the Board records the liability for claims paid subsequent to year end as an accrued liability and a 21-day pre-funded escrow requirement held on deposit by the third party administrator as a receivable.

Claims activity is as follows:

	2022	2021
Estimated claims liability, beginning of year	\$ 10,235,122	\$ 10,235,122
Current year claims and changes in estimates	137,160,000	128,939,000
Claim payments	(137,160,000)	(128,939,000)
Estimated claims liability, end of year	<u>\$ 10,235,122</u>	<u>\$ 10,235,122</u>

Workers' Compensation

The Board is self-insured for workers' compensation and has accrued its best estimate of workers' compensation losses based on an actuarial valuation dated July 21, 2022. The estimate represents claims that have occurred and are open due to an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board as well as anticipated future payouts based on prior experience with actual payments of claims. Management believes the estimated liability is reasonable based upon historical experience and the opinions of internal risk management administrators and legal counsel.

Changes in the reported liability claims for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Estimated claims liability, beginning of year	\$ 50,696,000	\$ 48,006,000
Current year claims	8,470,000	8,854,000
Claim payments	(9,590,000)	(6,164,000)
Estimated claims liability, end of year	\$ 49,576,000	\$ 50,696,000

10. Commitments and Contingencies

Grants

The Board receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the Board. Based on prior experience, management expects such amounts to be immaterial.

Litigation

The Board is subject to claims and lawsuits that arise in the ordinary course of business. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and are included in accrued liabilities in the government-wide and fund financial statements. For claims not accrued, the ultimate outcome of the suits cannot presently be determined and no provisions for loss, if any, have been made in the accompanying financial statements. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the Board.

Separate from claims and lawsuits that arise in the ordinary course of business, legislation was put in place regarding historical claims that were previously time-barred. In 2019, the Governor of the State passed the Child Victims Act (CVA) which has now been amended twice. Under the CVA, any individual who was a minor at the time they suffered any alleged sexual abuse could file a lawsuit through August 14, 2021. Additionally, the Act extended the look back window to file claims under the CVA regardless of when or how long ago the alleged abuse occurred.

This has resulted in the filing of thousands of lawsuits State-wide. Lawsuits have been initiated against the Board by former students who allege that inappropriate sexual contact occurred between them and employees of the Board between 30 and 50 years ago. The Board is using City of Buffalo Corporation Counsel and is not currently aware of any insurance available for these claims.

As a result, the Board has accrued an appropriate amount in the government-wide and fund financial statements at June 30, 2022 based on best estimates as determined with counsel. Subsequent to year end, the Board settled several CVA cases levied against the Board, however the Board's exposure to the remaining CVA claims has not yet been determined.

Commitments

The Board has approved and plans to spend up to \$138,602,000 for various capital projects that remain in progress at year end. As of June 30, 2022, the Board has spent \$102,248,000 and has open commitments to contractors of \$15,010,000.

12. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease have required the Board to implement numerous safety measures and remote learning initiatives. The full extent of the impact of COVID-19 on the Board's operational and financial performance will continue to depend on further developments, including the duration and spread of the outbreak and its impact on school districts and their residents, employees, and vendors, none of which can be predicted.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System

As of the measurement date of June 30,	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension position	1.780475%	1.818478%	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%
District's proportionate share of the net pension asset (liability)	\$ 308,539,289	\$ (50,249,458)	\$ 46,418,092	\$ 32,947,326	\$ 13,960,812	\$ (17,688,235)	\$ 173,277,759	\$ 188,878,283
District's covered payroll	\$ 302,203,736	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212
District's proportionate share of the net pension position as a percentage of its covered payroll	102.10%	16.28%	15.56%	9.47%	4.80%	6.94%	69.15%	75.41%
Plan fiduciary net position as a percentage of the total pension liability	113.20%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
The following is a summary of changes of assumptions:								
Inflation	2.4%	2.2%	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%
Salary increases	1.95%-5.18%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%
Investment rate of return	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Discount rate	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2020	MP-2019	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA

Data prior to 2014 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of Board Contributions
New York State Teachers' Retirement System

For the years ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 31,173,278	\$ 28,800,016	\$ 27,347,081	\$ 31,671,613	\$ 34,111,928	\$ 34,062,426	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597	\$ 28,341,558
Contribution in relation to the contractually required contribution	(31,173,278)	(28,800,016)	(27,347,081)	(31,671,613)	(34,111,928)	(34,062,426)	(33,792,412)	(43,929,324)	(40,700,597)	(28,341,558)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 318,094,673	\$ 302,203,736	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212	\$ 239,371,267
Contributions as a percentage of covered payroll	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

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

As of the measurement date of March 31,	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension position	0.142751%	0.147644%	0.144765%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%
District's proportionate share of the net pension asset (liability)	\$ 11,669,271	\$ (147,015)	\$ (38,334,713)	\$ (9,912,527)	\$ (4,402,094)	\$ (12,444,723)	\$ (22,702,665)	\$ (4,813,758)
District's covered payroll	\$ 44,498,145	\$ 46,177,444	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898
District's proportionate share of the net pension position as a percentage of its covered payroll	26.22%	0.32%	86.33%	23.28%	10.95%	30.05%	58.05%	12.16%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
The following is a summary of changes of assumptions:								
Inflation	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2020	MP-2020	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of Board Contributions
New York State and Local Employees' Retirement System

For the years ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 6,502,836	\$ 6,152,793	\$ 5,998,034	\$ 5,947,217	\$ 6,266,223	\$ 6,004,084	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573	\$ 8,436,183
Contribution in relation to the contractually required contribution	(6,502,836)	(6,152,793)	(5,998,034)	(5,947,217)	(8,970,690)	(6,252,808)	(7,163,096)	(7,566,788)	(5,070,646)	(8,436,183)
Contribution deficiency (excess)*	\$ -	\$ -	\$ -	\$ -	\$ (2,704,467)	\$ (248,724)	\$ (239,711)	\$ (231,025)	\$ 3,423,927	\$ -
District's covered payroll	\$ 44,498,145	\$ 46,177,444	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043	\$ 39,735,784
Contributions as a percentage of covered payroll	14.61%	13.32%	13.51%	13.97%	15.58%	14.50%	17.70%	18.53%	20.90%	21.23%

**In 2014, the District elected to participate in the Contribution Stabilization Program. As a result, the District's 2014 payment was reduced by \$3,423,927, which was deferred and paid in installments over the next four years until fully repaid during 2018.*

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of Changes in the Board's Total
OPEB Liability and Related Ratios (In thousands)

For the years ended June 30,	2022	2021	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 2,485,499	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305	\$ 2,852,359
Changes for the year:						
Service cost	86,668	83,558	72,956	71,543	82,946	105,405
Interest	55,739	70,869	85,561	90,227	92,126	82,361
Changes of benefit terms	(189)	(420)	-	-	509	-
Differences between expected and actual experience	(210,089)	(502,178)	(229,606)	(166,075)	(234,596)	(202,349)
Changes of assumptions or other inputs	(630,109)	286,682	351,329	170,379	(124,707)	(238,475)
Benefit payments	(54,311)	(66,925)	(61,469)	(61,084)	(61,431)	(63,996)
Net change in total OPEB liability	(752,291)	(128,414)	218,771	104,990	(245,153)	(317,054)
Total OPEB liability - ending	\$ 1,733,208	\$ 2,485,499	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305
Covered-employee payroll	\$ 349,555	\$ 362,378	\$ 373,087	\$ 377,000	\$ 345,602	\$ 344,791
Total OPEB liability as a percentage of covered-employee payroll	495.8%	685.9%	700.6%	635.3%	662.7%	735.3%

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

The following is a summary of changes of assumptions:

Healthcare cost trend rates	7.5%-4.5%	8.0%-4.5%	7.5%-4.5%	8.0%-4.5%	8.5%-5.5%	9.0%-5.0%
Salary increases	1.76%-10.00%	1.76%-10.00%	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%
Discount rate	4.09%	2.19%	2.66%	3.51%	3.87%	3.56%
Inflation	1.30%	1.30%	1.30%	1.30%	2.50%	1.30%
Society of Actuaries' mortality scale	MP-2020	MP-2020	MP-2018	MP-2018	MP-2017	MP-2015

Data prior to 2017 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2022

	Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 300	\$ 182,630	\$ -	\$ 182,930
Cash held by the City of Buffalo	33,107,626	-	-	33,107,626
Cash and cash equivalents - restricted	-	-	309,814	309,814
Accounts receivable	76,697	-	-	76,697
State and federal aid receivable	6,134,733	-	-	6,134,733
Inventory	837,244	-	-	837,244
Total assets	<u>\$ 40,156,600</u>	<u>\$ 182,630</u>	<u>\$ 309,814</u>	<u>\$ 40,649,044</u>
Liabilities				
Accounts payable	\$ 936,432	\$ -	\$ -	\$ 936,432
Accrued liabilities	588,340	-	-	588,340
Total liabilities	<u>1,524,772</u>	<u>-</u>	<u>-</u>	<u>1,524,772</u>
Fund Balances				
Nonspendable	837,244	-	309,814	1,147,058
Restricted	-	182,630	-	182,630
Assigned	37,794,584	-	-	37,794,584
Total fund balances	<u>38,631,828</u>	<u>182,630</u>	<u>309,814</u>	<u>39,124,272</u>
Total liabilities and fund balances	<u>\$ 40,156,600</u>	<u>\$ 182,630</u>	<u>\$ 309,814</u>	<u>\$ 40,649,044</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds

For the year ended June 30, 2022

	Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds
Revenues				
Use of money and property	\$ -	\$ -	\$ 29	\$ 29
Miscellaneous	148,073	6,365	-	154,438
State sources	1,570,073	-	-	1,570,073
Federal sources	36,570,901	-	-	36,570,901
Sales	600,270	-	-	600,270
Total revenues	38,889,317	6,365	29	38,895,711
Expenditures				
General support	28,704,480	-	-	28,704,480
Community service	-	8,393	175	8,568
Employee benefits	2,423,254	-	-	2,423,254
Debt service				
Principal	352,602	-	-	352,602
Interest	76,209	-	-	76,209
Capital outlay	58,212	-	-	58,212
Total expenditures	31,614,757	8,393	175	31,623,325
Excess revenues (expenditures)	7,274,560	(2,028)	(146)	7,272,386
Other financing sources				
Operating transfers, net	871,390	-	-	871,390
Net change in fund balances	8,145,950	(2,028)	(146)	8,143,776
Fund balances - beginning	30,485,878	184,658	309,960	30,980,496
Fund balances - ending	\$ 38,631,828	\$ 182,630	\$ 309,814	\$ 39,124,272

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Change from Original to Final Budget

For the year ended June 30, 2022

Original expenditure budget	\$ 972,500,000
Encumbrances carried over from prior year	6,784,000
Budget amendments:	
Cancelled encumbrances	<u>(1,118,614)</u>
Revised expenditure budget	<u>\$ 978,165,386</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2022

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Partial Refunding Savings Phase IV	11,063,175	11,159,952	10,955,703	71,353	11,027,056	132,896
Refunding Savings Phase III A&B	25,936,750	26,126,069	25,507,783	352,195	25,859,978	266,091
Consolidated Capital Funds	-	4,246,767	4,353	1,021,837	1,026,190	3,220,577
Partial Refunding 2 Savings Phase IV	17,676,113	17,941,237	14,429,955	1,874,045	16,304,000	1,637,237
Refunding Savings 2 Phase II	13,680,688	13,685,351	-	5,562,288	5,562,288	8,123,063
Capital Outlay 2023	10,000,000	10,000,000	-	-	-	10,000,000
Smart Schools Bond Act	10,000,000	55,442,938	39,030,729	3,438,134	42,468,863	12,974,075
	\$ 88,356,726	\$ 138,602,314	\$ 89,928,523	\$ 12,319,852	\$ 102,248,375	\$ 36,353,939

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

The Board of Education
Board of Education, City of Buffalo, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2022, 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 19, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 19, 2022

JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION

Information Regarding Joint Schools Construction Board Debt

For the year ended June 30, 2022

The Program

Authorization

The Program was developed by the Joint Schools Construction Board (JSCB) in conjunction with the Program Provider pursuant to the Buffalo Schools Act, the resolutions of the Board of Education and the Common Council, and the Charter of the City, and encompassed a comprehensive redevelopment program for the reconstruction of existing public schools and the construction of new public schools for the Buffalo City School District (Buffalo CSD). Prior to the Program, few new public schools had been built in the City and many elementary and secondary schools in the City were in need of substantial improvement, renovation, and reconstruction. The Buffalo Schools Act was enacted to encourage the City and the Buffalo CSD to cooperatively undertake new and innovative ways of renovating, building, and financing public schools within the City.

Program Overview

To date, \$1.304 billion aggregate principal amount of Project Bonds (excluding Project Bonds issued for refunding purposes) have been issued and are dedicated to the Program. Each phase of the Program has been completed. Currently no additional phases are anticipated to be undertaken for the Program.

In September 2003, the Erie County Industrial Development Agency (the Agency) issued its Series 2003 Bonds to provide funds for Phase I of the Program (the "Series 2003 Project"). The Series 2003 Project provided for the general reconstruction of nine school facilities and included site work, exterior and interior building improvements, mechanical and electrical upgrades, and the renovation and improvement of Buffalo CSD's telecommunications system and an energy program on a district-wide basis. Phase I was completed in April 2005. The Series 2003 Bonds were refunded in whole from proceeds of the sale of the Series 2011B Bonds, which were subsequently refunded in whole from proceeds of the sale of Series 2021B Bonds on May 19, 2021.

In December 2004, the Agency issued its Series 2004 Bonds to provide funds for a portion of the cost of Phase II of the Program (the "Series 2004 Project"). The Series 2004 Project provided for the reconstruction of 13 existing schools, continued the construction of the district-wide technology and energy upgrades to create a state of the art educational environment, and provided for renovation of an outdoor sports facility for use district-wide. A portion of the proceeds of the Series 2007A Bonds was applied to finance additional costs relating to Phase II of the Program. Phase II of the Program was completed in July 2008. The Series 2004 Bonds were refunded in whole from proceeds of the sale of the Series 2012A bonds, which were subsequently refunded in whole from proceeds of the sale of Series 2022A Bonds on May 18, 2022.

In August 2007, the Agency issued its Series 2007A Bonds to provide funds for a portion of the cost of Phase II of the Program and a portion of the cost of Phase III of the Program (the "Series 2007 Project"). The Series 2007 Project provided for the general reconstruction of four school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades begun with the Series 2003 Project. The technology portion of the Series 2004 Project and of the Series 2007 Project included an ongoing program known as E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis.

In February 2008, the Agency issued its Series 2008A Bonds to provide funds for the balance of the cost of Phase III of the Program (the “Series 2008 Project”). The Series 2008 Project provided for the general reconstruction of five school facilities including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2008 Project included E-RATE to renovate and improve the Buffalo CSD’s telecommunications system on a district-wide basis. These improvements are designed to deliver the flexible educational spaces, instructional technology, and social support necessary to enhance student achievement. Phase III of the Program is complete. The Series 2007A and 2008A Bonds were fully refunded from proceeds of the sale of the Series 2015A Bonds on June 24, 2015.

In November 2009, the Issuer issued its Series 2009A Bonds to provide funds for Phase IV of the Program (the “Series 2009 Project”). The Series 2009 project provided for the general reconstruction of 10 school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2009 Project includes expanded security cameras and an access control system on a district-wide basis. These improvements were designed to deliver the flexible educational spaces, instructional technology, and social support necessary to enhance student achievement. Phase IV of the Program is complete. The Series 2009A Bonds were refunded in part from proceeds of the sale of the Series 2013A Bonds and partially from the proceeds of the Series 2016A Bonds.

In July 2011, the Issuer issued its Series 2011A Bonds to provide funds for Phase V of the Program (the “Series 2011 Project”). The Series 2011 Project provided for the general reconstruction of seven school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2011 project includes the creation of data server hubs for the Buffalo CSD at two school locations and improved network technology and access on a district-wide basis. Phase V of the Program is complete. The Series 2011A Bonds were refunded in whole from proceeds of the sale of the Series 2021A Bonds on May 19, 2021.

The Buffalo City School District and Board of Education

The Buffalo CSD is dependent on funding from the City, the County, the State, and the Federal government. It is governed by an independently elected nine-member Board of Education and operates pursuant to the New York State Education Law (the Education Law). The administration of the schools is the responsibility of the Superintendent of Schools who is appointed by the Board of Education of the Buffalo CSD. The school system operates 20 secondary schools, 37 elementary and intermediate schools, and 2 special schools. There are 21 charter schools that operate independently from the Buffalo CSD. All charter schools receive the same per pupil tuition rate for Buffalo Resident pupils, regardless of their location.

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

Years ended June 30,	Size of Buffalo School System									
	2023 ⁽⁴⁾	2022	2021	2020	2019	2018	2017	2016	2015	2014
Enrollment	30,500	30,441	30,850	33,290	33,286	33,512	33,834	34,174	34,402	33,938
Schools ⁽¹⁾	59	59	59	61	61	61	61	61	62	65
Instructional staff ⁽²⁾	3,595	3,648	3,643	3,626	3,631	3,624	3,542	3,489	3,416	3,489
Administrative personnel ⁽²⁾	262	247	255	258	262	257	240	243	241	240
Non-certified personnel ⁽²⁾⁽³⁾	1,607	1,537	1,504	1,523	1,561	1,531	1,545	1,525	1,521	1,517

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, 2022

State Aid

State Aid (All Funds)		
Buffalo CSD		
Years ended June 30,	(in Millions)	
2023 ⁽¹⁾	\$	895.9
2022		833.2
2021		783.0
2020		830.2
2019		822.1
2018		811.8
2017		764.7
2016		721.9
2015		697.9
2014		679.8

Source: City of Buffalo Board of Education

⁽¹⁾ Projected as of September 30, 2022

Buffalo City School District Bargaining Units

Eight employee contracts of the 11 bargaining units representing the employees of the Buffalo CSD were in place for the 2021-22 fiscal year, while ten contracts are in place for the 2022-23 fiscal year. One contract is expired and remains under negotiation.

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 September 30, 2022.

Union	Number of Employees ⁽¹⁾	Present Agreement Expires
BTF (Teachers)	3,648	06/30/2019
BCSA (Administrators)	247	06/30/2026
PCTEA (White Collar)	432	06/30/2026
Local 264 (Blue Collar)	81	06/30/2025
Local 264 (Cook Managers)	23	06/30/2026
Local 264 (Food Service)	Variable	06/30/2023
BEST (Teachers Aides & Assistants)	908	06/30/2025
Substitutes United (Substitute Teachers)	Variable	06/30/2024
BASA (Substitute Administrators)	Variable	06/30/2023
TAB (Bus Aides)	Variable	06/30/2024
Local 409 (Engineers)	41	06/30/2026
Trades	35	N/A
Exempt (includes Board)	40	N/A

Source: Buffalo CSD, Finance Office

⁽¹⁾ Includes General, Grants, and Food Service Funds as of September 30, 2022

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.

Hawkins Delafield & Wood LLP

7 WORLD TRADE CENTER
250 GREENWICH STREET
NEW YORK, NY 10007
WWW.HAWKINS.COM

April 27, 2023

The Common Council of the
City of Buffalo, 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 \$26,000,000 General Improvement Serial Bonds-2023 (the “Bonds”), 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 on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and legally binding general obligations 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 Bonds and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Bonds 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 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded 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 Bonds, restrictions on the investment of proceeds of the Bonds 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 Bonds 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 Bonds, the City will execute a Tax Certificate relating to the Bonds 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 Bonds 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 Bonds, 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 Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances that may hereafter come to our attention, for any changes in law or in interpretations thereof that may hereafter occur or for any other reason. We express no opinion as to the consequence of any change in law or interpretation thereof, or otherwise, that may hereafter be enacted, arise or occur, and we note that such changes may take place or be proposed from time to time. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel as to the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax laws.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds 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 Bonds.

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

“Annual Information” shall mean the information specified in Section 3 hereof.

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “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, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the Comptroller as of April 13, 2023.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

“Securities” shall mean the Issuer’s **\$26,000,000 General Improvement Serial Bonds-2023**, dated April 27, 2023, maturing in various principal amounts on April 1 in each of the years 2024 to 2036, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Capital Markets Advisors, LLC, 4211 North Buffalo Street, Orchard Park, New York 14127 to the EMMA System:

- (i) (A) no later than nine (9) months after the end of each fiscal year, commencing with the fiscal year ending June 30, 2023, the Annual Information relating to such fiscal year, and (B) no later than nine (9) months after the end of each fiscal year, commencing with the fiscal year ending June 30, 2023, the audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and

then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to the EMMA System within thirty (30) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933; and

- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other events affecting the tax status of the Securities;
 - (7) modifications to rights of Securities holders, if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution, or sale of property securing repayment of the Securities, if material;
 - (11) rating changes;
 - (12) 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;

- (13) 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;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

- (iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Information required by Section 3 hereof.

(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. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with Appendix A of the Issuer's final official statement relating to the Securities.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which are (i) available to the public on the EMMA System or (ii) filed with the SEC. If such a document is a final official statement, it also must be available from the EMMA System.

(c) Annual Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm. The Issuer's Annual Financial Report Update Document prepared by the Issuer and filed annually with New York State in accordance with applicable law, shall not be subject to the foregoing requirements.

Section 5. 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 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with paragraph (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 7. 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 modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or
- (f) 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 7 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 8. 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 pursuant to 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.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. 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 10. 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 27, 2023.

CITY OF BUFFALO

By _____
Comptroller and Chief Fiscal Officer

