

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, however, interest on the Bonds is included in “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 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. 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

\$43,000,000* SERIAL BONDS – 2024A
(the “Series A Bonds”)

Date of Issue: Date of Delivery

Maturity Dates: April 1, 2025-2029
(as shown on the inside cover)

and

\$27,000,000* GENERAL IMPROVEMENT SERIAL BONDS – 2024B
(the “Series B Bonds”, and together with the Series A Bonds, the “Bonds”)

Date of Issue: Date of Delivery

Maturity Dates: April 1, 2025-2035
(as shown on the inside cover)

The \$43,000,000* Serial Bonds - 2024A (the “Series A Bonds”) and the \$27,000,000* General Improvement Serial Bonds - 2024B (the “Series B Bonds” and together with the Series A Bonds 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 Series A Bonds will not be subject to optional redemption prior to maturity. The Series B Bonds will be subject to redemption prior to final 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 respective final approving opinions 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 30, 2024.

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.

\$43,000,000* SERIAL BONDS – 2024A
(the “Series A Bonds”)

Dated: Date of Delivery

Principal Due: April 1 as shown below
Interest Due: April 1, 2025, October 1, 2025 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>
2025	\$6,880,000			
2026	8,255,000			
2027	8,945,000			
2028	9,635,000			
2029	9,285,000			

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

\$27,000,000* GENERAL IMPROVEMENT SERIAL BONDS – 2024B
(the “Series B Bonds”)

Dated: Date of Delivery

Principal Due: April 1 as shown below
Interest Due: April 1, 2025, October 1, 2025 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>
2025	\$2,675,000			
2026	3,095,000			
2027	3,260,000			
2028	2,570,000			
2029	2,640,000			
2030	2,275,000			
2031	2,345,000			
2032	2,315,000			
2033*	2,395,000			
2034*	2,315,000			
2035*	1,115,000			

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

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

⁺ 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.

**CITY OF BUFFALO
NEW YORK**

MAYOR
Byron W. Brown

COMPTROLLER
Barbara Miller-Williams

COMMON COUNCIL
Christopher P. Scanlon, President

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

Mitchell P. Nowakowski
Zeneta B. Everhart
Leah Halton-Pope

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

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.

TABLE OF CONTENTS

INTRODUCTION	1	Certain Collateral Federal Tax Consequences.....	10
THE CITY’S FINANCIAL PRACTICES/OUTLOOK.....	2	Original Issue Discount	10
THE BONDS	2	Bond Premium	10
Description of the Bonds	2	Information Reporting and Backup Withholding	11
Authorization for the Bonds.....	3	Miscellaneous.....	11
Purpose of the Bonds	3	LEGAL MATTERS	11
PAYMENT OF AND SECURITY FOR THE BONDS	5	MARKET MATTERS AFFECTING FINANCINGS OF	
General	5	THE MUNICIPALITIES OF THE STATE	11
Capital Debt Service Fund	5	RATINGS	12
Rights and Remedies	6	MUNICIPAL ADVISOR	13
Book-Entry-Only System	7	CYBER SECURITY	13
TAX MATTERS	9	DISCLOSURE UNDERTAKING	13
Opinion of Bond Counsel	9	ADDITIONAL INFORMATION	13
Certain Ongoing Federal Tax Requirements and			
Certifications	9		
THE GOVERNMENT OF BUFFALO	A-1	Health Insurance	A-22
City Services	A-1	Debt Service	A-23
Elected Officials	A-1	CITY-RELATED ENTITIES	A-23
DISCUSSION OF FINANCIAL OPERATIONS.....	A-2	Other Entities.....	A-26
Four-Year Financial Plans	A-2	THE BUFFALO FISCAL STABILITY AUTHORITY	A-28
Projected Financial Information	A-4	CITY INDEBTEDNESS	A-34
Financial Control Procedures	A-5	Certain Features of Debt Authorization	A-34
Charter Revision.....	A-5	Debt Limit	A-35
Fund Structure and Accounts	A-6	Debt Statement	A-36
Basis of Accounting	A-6	Debt Ratios	A-38
Cash Management/Cash Flow	A-7	Debt Service Requirements	A-38
Budget Process	A-7	Rate of Principal Retirement.....	A-39
City and Buffalo CSD General Fund Financial Operations,		Short-Term Indebtedness	A-39
2022-23, 2021-22 and 2020-21.....	A-7	Prospective Long-Term Indebtedness of the City.....	A-41
City and Buffalo CSD General Fund 2023-24 Adopted		PROPERTY TAXES	A-41
Budget	A-8	Tax Levy Limitation Law	A-41
Summary of Operations.....	A-8	Tax Levy.....	A-44
City and Buffalo CSD General Fund 2024-25 Fiscal Year...A-11		Tax Collection Procedure and History.....	A-45
ENTERPRISE FUNDS	A-11	Real Property Tax Delinquencies	A-46
REVENUES	A-11	ECONOMIC AND DEMOGRAPHIC FACTORS.....	A-47
Municipally Generated Revenues.....	A-11	Major Taxpayers.....	A-47
Departmental and Other Revenues	A-13	Employment	A-47
Intergovernmental Revenues	A-13	Unemployment Rates.....	A-49
New York State Aid to Education	A-13	Population.....	A-49
New York State General Purpose Aid	A-16	Development Demographics.....	A-50
Federal Aids and Grants	A-17	Development Activity.....	A-52
Erie County Sales Tax.....	A-17	BUFFALO CSD SCHOOL FACILITIES RECONSTRUCTION	
EXPENDITURES	A-18	PROJECT	A-55
Employee Contracts.....	A-19	LITIGATION	A-55
Retirement Benefits	A-20	Tax Certiorari Proceedings	A-56
GASB 75 and Other Post-employment Benefits.....	A-22	Provision for Judgments and Claims	A-56
APPENDIX B – City of Buffalo Basic Financial Statements FYE June 30, 2023			
APPENDIX C – Buffalo CSD Component Financial Statements FYE June 30, 2023			
APPENDIX D – Summary of the Act			
APPENDIX E – Summary of Enabling Resolution			
APPENDIX F – Form of Approving Legal Opinion of Bond Counsel			
APPENDIX G – Form of Disclosure Undertaking			

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

\$43,000,000* SERIAL BONDS – 2024A
(the “Series A Bonds”)
and

\$27,000,000* GENERAL IMPROVEMENT SERIAL BONDS – 2024B
(the “Series B Bonds”, and together with the Series A Bonds, the “Bonds”)

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 \$43,000,000* Serial Bonds - 2024A (the “Series A Bonds”) and the \$27,000,000* General Improvement Serial Bonds - 2024B (the “Series B Bonds” and together with the Series A Bonds 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, 2023 indicate a net position total of (\$729,063) million, a decrease of \$4.9 million over the prior year, as restated. Total revenues

* Preliminary, subject to change.

increased by \$65.9 million mainly due to increases in operating grants and contributions due to the recognition of American Rescue Plan Act funds. Total expenses increased \$160.9 million, mainly due to increases in public safety and general government support related to increases in the net pension liability and related deferred inflows and outflows of resources as well as new claims and judgements. General Fund revenues and other sources exceeded expenditures and other uses by \$24.4 million for the fiscal year ended June 30, 2023. This compares to revenues and other sources exceeding expenditures and other uses by \$20.7 million and 14.8 million for the fiscal years ended June 30, 2022 and 2021, respectively. The City's audited General Fund fund balance at June 30, 2023 was \$149.4 million, compared to a General Fund fund balance of \$125.1 million at June 30, 2022 and \$104.3 million at June 30, 2021.

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 \$50.9 million determined in accordance with GAAP for the fiscal year ended June 30, 2023. This compares to revenues and other sources exceeding expenditures and other uses by \$11.9 million and \$46.7 million for the fiscal years ended June 30, 2022 and 2021, respectively. The Buffalo CSD's General Fund fund balance at June 30, 2023 was \$375.5 million compared to a General Fund fund balance of \$324.6 at June 30, 2022, \$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, 2022-23, 2021-22 and 2020-21" 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, 2025, October 1, 2025 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

Series A Bonds

The proceeds received from the sale of the Series A Bonds will provide \$43,000,000 of new money financing of the City as detailed below pursuant to a bond resolution adopted by the Common Council as detailed below:

<u>Object or Purpose</u>	<u>Date of Authorization</u>	<u>Amount of Authorization</u>	<u>2024 New Money</u>	<u>Series A Bonds</u>
Payment of a Settled Claim - Chelsea L. Ellis	12/12/2023	43,000,000	43,000,000	43,000,000
Total		\$43,000,000	\$43,000,000	\$43,000,000

Series B Bonds

The proceeds received from the sale of the Series B Bonds will provide \$27,000,000 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 on the next page:

(remainder of this page intentionally left blank)

<u>Object or Purpose</u>	<u>Date of Authorization</u>	<u>Amount of Authorization</u>	<u>2024 New Money</u>	<u>Series B Bonds</u>
Fire Apparatus - Aerial Ladder	2/18/2020	\$1,300,000	\$96,400	\$96,400
Fire Apparatus - Pumper/Engine	2/18/2020	575,000	376,168	376,168
Museum of Science Roof	2/16/2021	1,273,053	787,500	787,500
Dump Truck Snow Plow - Purchase	2/22/2022	1,070,000	570,000	570,000
Fire Station Emergency Generators	2/22/2022	1,020,000	713,832	713,832
Fire Apparatus - Aerial Ladder/Tower	2/21/2023	1,650,000	1,650,000	1,650,000
History Museum Restoration & Drainage Improvements	12/12/2023	543,560	543,560	543,560
Parking Department Loaders	1/23/2024	245,000	245,000	245,000
Acquisition of Police Vehicles	1/23/2024	2,000,000	2,000,000	2,000,000
Command Response Vehicles	1/23/2024	140,000	140,000	140,000
Acquisition of Fire Apparatus - Aerial Ladder	1/23/2024	1,853,600	1,853,600	1,853,600
Acquisition of Fire Apparatus - Engine Pumper	1/23/2024	275,000	275,000	275,000
Bobcat	1/23/2024	85,000	85,000	85,000
Front Loaders	1/23/2024	2,000,000	2,000,000	2,000,000
Infrastructure on City Roads	1/23/2024	8,262,440	8,262,440	8,262,440
Alleyway Theatre Masonry	1/23/2024	46,500	46,500	46,500
City Court Elevator Replacement	1/23/2024	800,000	800,000	800,000
Downtown Ballpark	1/23/2024	535,000	535,000	535,000
Engine 4 Roof Replacement	1/23/2024	550,000	550,000	550,000
Improvements to Various Fire Station Buildings	1/23/2024	750,000	500,000	500,000
Fire Department Gender Neutral Facilities	1/23/2024	1,000,000	300,000	300,000
Soldiers and Sailors Monument Design	1/23/2024	270,000	270,000	270,000
Seneca Street Garage Wall Restoration	1/23/2024	500,000	500,000	500,000
Shea's Performing Arts Center Roof Replacement	1/23/2024	500,000	500,000	500,000
City Zoo Perimeter Fence	1/23/2024	600,000	300,000	300,000
Roof Replacements at the City Zoo	1/23/2024	1,000,000	400,000	400,000
Delaware Labor Center Improvements	1/23/2024	200,000	200,000	200,000
City-wide Parks Fleet Vehicles	1/23/2024	1,000,000	1,000,000	1,000,000
Tree Trimming and Replacement	1/23/2024	1,000,000	1,000,000	1,000,000
Demolition of Properties	1/23/2024	500,000	500,000	500,000

Total	\$31,544,153	\$27,000,000	\$27,000,000
--------------	---------------------	---------------------	---------------------

Optional Redemption

The Series A Bonds will not be subject to optional redemption prior the final maturity date.

The Series B Bonds maturing in the years 2025 to 2032, inclusive, are not subject to redemption prior to maturity.

The Series B 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 Series B Bonds to be redeemed, plus accrued interest to the date of redemption.

The City may select the maturities of the Series B 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 Series B Bonds of any maturity are to be redeemed prior to maturity, the particular Series B 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 Series B 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 Series B 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 each series 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.

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 August 8, 2023, Fitch Ratings upgraded the City’s underlying rating from ‘A’ to ‘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 of June 2024, the District will have restored its student management, facilities management, and financial operating systems to a more secure environment than was in place prior to 2021. Restoration costs through June 30, 2023 were approximately \$9 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 including essential IT managed services to staff, maintain and upgrade network infrastructure, firewalls, licensing, replacement cycle for building closets and Wifi systems as well as Cyber Services for 24x7 managed service operations center. 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 in all material respect 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 North Buffalo Street, Suite 19, 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 __, 2024

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, 2023, 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 July 27, 2023, the BFSA determined that the four-year 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 2024-2027 four-year 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.

(The remainder of this page intentionally left blank)

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>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2026-2027</u>
General Fund Revenues:				
Taxes	\$ 176,302	\$ 173,370	\$ 176,499	\$ 179,991
Non-Property Taxes	12,350	12,350	12,350	12,350
Licenses and Permits	5,392	5,446	5,497	5,535
Intergovernmental	330,898	331,860	323,614	334,526
Service Charges	14,375	15,318	15,323	15,552
Fines	10,421	15,057	19,757	20,701
Interest	5,000	3,250	1,750	1,750
Miscellaneous	16,063	16,941	22,523	14,523
Transfers In	<u>11,194</u>	<u>12,174</u>	<u>14,303</u>	<u>16,319</u>
Total Revenues	<u>\$ 581,995</u>	<u>\$ 585,766</u>	<u>\$ 591,616</u>	<u>\$ 601,247</u>
General Fund Expenditures:				
Personal Services	276,316	279,456	284,503	\$ 288,841
Grants In-Aid	400	400	400	400
Misc. Utilities	18,307	18,488	18,672	18,857
Misc. Services	1,442	1,442	1,442	1,442
Misc. Other	6,085	6,085	6,085	6,085
Fringe Personal Services	7,643	7,719	7,796	7,874
Fringe Benefits	173,324	173,969	176,080	180,078
Debt Service	88	88	88	88
Interfund Transfers Out	<u>98,390</u>	<u>98,119</u>	<u>96,550</u>	<u>97,582</u>
Total Expenditures	<u>\$ 581,995</u>	<u>\$ 585,766</u>	<u>\$ 591,616</u>	<u>\$ 601,247</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 28, 2023.

⁽²⁾The 2023-24 Budget for Federal Aid includes \$30.6 million of Federal Stimulus funds.

Buffalo CSD

On June 9, 2023, the Buffalo CSD submitted a four-year financial plan for years 2023-24 through 2026-27. The plan indicates deficits of \$37.7 million in 2023-24, \$29.4 million in 2024-25, and \$40.1 million in 2025-26 and \$38.3 million in 2026-27 before the planned use of fund balance. The Buffalo CSD projects that it will use \$145.5 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>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2026-2027</u>
General Fund Revenues:				
Property Taxes	\$ 70,800	\$ 70,800	\$ 70,800	\$ 70,800
New York State - Foundation Aid	688,800	706,700	724,900	743,500
Other State Aid	230,000	238,800	225,900	219,400
Federal Sources	3,000	3,030	3,060	3,091
Sales Tax	53,200	54,000	54,800	55,600
Departmental and Other Revenues	<u>19,200</u>	<u>13,270</u>	<u>13,540</u>	<u>13,609</u>
Total Revenues	<u>1,065,000</u>	<u>1,086,600</u>	<u>1,093,000</u>	<u>1,106,000</u>
General Fund Expenditures:				
Personal Services	\$ 362,800	\$ 364,100	\$ 364,700	\$ 368,500
Departmental Expenditures	99,101	100,474	101,544	102,514
Tuition (other than Charter Schools)	34,900	35,000	35,400	35,700
Charter School Tuition	158,900	167,800	176,900	186,200
Fringe Benefits	204,500	210,400	216,300	223,100
Utilities	12,783	12,910	13,040	13,170
Contingency	63,600	67,600	80,000	80,000
Transportation	61,400	63,300	65,200	67,100
Transfers to Debt Service Fund	101,000	90,700	76,200	64,400
Transfers to Other Funds	<u>3,716</u>	<u>3,716</u>	<u>3,716</u>	<u>3,716</u>
Total Expenditures	<u>1,102,700</u>	<u>1,116,000</u>	<u>1,133,000</u>	<u>1,144,400</u>
Change in Fund Balance	<u>\$ (37,700)</u>	<u>\$ (29,400)</u>	<u>\$ (40,100)</u>	<u>\$ (38,300)</u>
Projected Surplus after use of fund balance	\$ 283,300	\$ 253,900	\$ 213,800	\$ 175,500

⁽¹⁾Source: Buffalo CSD, Division of Finance, as submitted to BFSA, June 9, 2023.

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 2024 through 2027. 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 10.05% and 10.33% for both of the combined general fund budgets of the City and the Board in fiscal years 2023-24 and 2022-23 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, 2022-23, 2021-22 and 2020-21

The City completed its fiscal year ended June 30, 2023 with revenues and other sources exceeding expenditures and other uses in the General Fund by \$24.4 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 \$20.7 million for the fiscal year ended June 30, 2022, and expenditures and other uses exceeded revenues and other sources in the General Fund by \$14.8 million for the fiscal year ended June 30, 2021. At June 30, 2023, 2022 and 2021, the nonspendable fund balance, which is comprised of real estate acquired for resale, prepaid items and long term receivables, was \$30.2 million, \$26.5 million and \$23.6 million, respectively; the restricted fund balance, which consists of capital outlays, and emergency medical funds, was \$18.3 million, \$15.8 million and \$15.1 million, respectively; the committed fund balance, which consists of the Emergency Stabilization "Rainy Day" Fund, was \$43.3 million, \$41.1 million and \$40.7 million, respectively; the assigned fund balance, which consists of encumbrances, motor vehicle self-insurance and potential judgments and claims was \$42.7 million, \$17.5 million and \$16.8 million, respectively; and the unassigned fund balance was \$14.9 million, \$24.0 million and \$8.2 million, respectively.

The Buffalo CSD completed its fiscal year ended June 30, 2023 with revenues and other financing sources exceeding expenditures and other financing uses by \$50.9 million determined in accordance with GAAP. This compares with revenues and other financing sources exceeding expenditures and other financing uses by \$11.9 million in 2022 and revenues and other financing sources exceeding expenditures and other financing uses by \$46.7 million in 2021. At June 30, 2023, the non-spendable fund balance for inventory was \$1.2 million; the restricted fund balance for judgments and claims, unemployment insurance and stabilization was \$30.8 million; the assigned fund balance of \$192.1 million consists of amounts appropriated for the 2023-24 budget, capital needs, prior year claims, other post-employment benefits, health insurance, continuation of programs in expiring grants, and encumbrances. There is no committed fund balance. Unassigned fund balance was \$151.4 million.

City and Buffalo CSD General Fund 2023-24 Adopted Budgets

The City's adopted 2023-24 General Fund budgeted appropriations are \$565.8 million, representing a \$9.7 million or 1.8% increase over the 2022-23 adopted budget. The Buffalo CSD 2023-24 adopted General Fund budgeted appropriations are 1,102.7 million, representing an increase of 8.1% from the 2022-23 adopted Budget. The adopted 2023-24 City and Buffalo CSD budgets aggregate to \$1,891.3 million, a \$118.1 million (or 6.7%) increase from the budget of \$1,773.2 million adopted for fiscal year 2022-23. (See "DISCUSSION OF FINANCIAL OPERATIONS – *Summary of Operations*" herein.)

Summary of Operations

The following two tables present separate summaries of operations for fiscal years 2020-2021 through 2022-2023 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 2023-24 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 2023-24

(The remainder of this page intentionally left blank)

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

	Actual <u>2020-21</u>	Actual <u>2021-22</u>	Actual <u>2022-23</u>	Adopted <u>2023-24</u>	Revised <u>2023-24</u> ⁽¹⁾
<u>REVENUES</u>					
Property Taxes and Other Tax Items	\$ 149,667	\$ 160,544	\$ 163,730	\$ 170,302	\$ 170,302
Utility and Other Non-Property Tax Items	12,189	14,389	13,023	12,350	12,350
Charges for Services	12,414	11,705	14,187	14,375	14,375
Interest	131	258	13,922	5,000	5,000
Federal Aid	43,164	18,264	80,284	36,077	36,077
State Aid	189,335	202,882	169,425	183,418	183,418
Local Sources and Other	98,140	108,537	114,479	112,403	112,403
Licenses and Permits	4,561	5,024	5,878	5,392	5,392
Fines	8,489	8,312	7,414	10,421	10,421
Miscellaneous	4,157	6,606	7,384	16,063	16,063
Total Revenues	<u>522,247</u>	<u>536,521</u>	<u>589,726</u>	<u>565,801</u>	<u>565,801</u>
<u>EXPENDITURES</u>					
General Government	58,051	66,313	70,298	82,040	89,694
Public Safety	157,915	178,031	179,722	179,159	184,378
Streets and Sanitation	11,731	14,948	18,191	13,758	19,740
Economic Assistance and Opportunity	2,542	2,924	3,163	5,190	5,738
Culture and Recreation	8,297	8,460	8,441	9,364	10,702
Health and Community Services	2,158	2,252	3,224	3,745	3,847
Education	70,823	70,823	70,823	70,823	70,823
Fringe Benefits	142,317	145,776	158,242	179,175	177,437
Other	8,184	3,508	5,297	6,085	8,737
Principal, Interest and Other Fiscal Charges	25,909	709	1,785	88	102
Total Expenditures	<u>487,927</u>	<u>493,744</u>	<u>519,186</u>	<u>549,427</u>	<u>571,198</u>
Excess (deficit) of revenues over expenditures	34,320	42,777	70,540	16,374	(5,397)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	10,280	11,564	11,864	11,194	11,194
Transfers Out	(29,786)	(33,622)	(61,171)	(27,568)	(27,568)
Transfers from Capital Outlay	-	-	-	-	1,800
Leases and subscription liability issued	-	-	2,128	-	-
Total Other Financing (Uses) Sources	<u>(19,506)</u>	<u>(22,058)</u>	<u>(47,179)</u>	<u>(16,374)</u>	<u>(14,574)</u>
Change in Fund Balances	14,814	20,719	23,361	-	(19,971)
Fund Balance -Beginning of Year	<u>89,527</u>	<u>104,341</u>	<u>125,060</u>	<u>125,060</u>	<u>125,060</u>
Fund Balance -End of Year	<u>\$ 104,341</u>	<u>\$ 125,060</u>	<u>\$ 148,421</u>	<u>\$ 125,060</u>	<u>\$ 105,089</u>
<u>FUND BALANCE</u>					
Non Spendable	\$ 23,557	\$ 26,517	\$ 30,202		
Restricted	15,098	15,821	18,286		
Committed	40,661	41,145	43,266		
Assigned	16,830	17,527	42,752		
Unassigned	8,195	24,050	14,915		
Total Fund Balance	<u>\$ 104,341</u>	<u>\$ 125,060</u>	<u>\$ 149,421</u>		

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

⁽¹⁾ The 2023-24 budgetary figures reflect changes made to the budget as of December 31, 2023 and reflect the use of \$20.0 million of fund balance, including the \$18.7 million of previous years' encumbrances which were rolled to 2023-24. These figures do not necessarily reflect the anticipated results for 2023-24, as there are encumbrances that will either be cancelled or rolled to the next fiscal year. The 2023-24 Budget for Federal Aid includes \$30.2 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)

	<u>Actual</u> <u>2019-20</u>	<u>Actual</u> <u>2020-21</u>	<u>Actual</u> <u>2021-22</u>	<u>Actual</u> <u>2022-23</u>	<u>Projected</u> <u>2023-24¹⁾</u>
REVENUES					
Property Taxes	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,719
New York State - Foundation Aid	544,173	544,173	585,433	619,626	688,802
Other New York State Aid	235,098	193,848	208,196	228,583	230,036
Federal Sources	4,109	30,089	3,121	4,978	3,000
Sales Tax	48,519	54,352	56,939	59,860	53,200
Departmental and Other Revenues	10,217	18,400	15,021	25,271	19,243
Total Revenues	<u>912,939</u>	<u>911,685</u>	<u>939,533</u>	<u>1,009,141</u>	<u>1,065,000</u>
EXPENDITURES					
Personal Services	309,622	309,401	318,783	324,676	387,460
Departmental Expenditures	45,004	67,319	74,036	78,866	101,562
Tuition (other than Charter Schools)	34,807	33,074	30,084	30,496	34,931
Charter School Tuition	130,926	135,178	141,619	147,964	155,918
Fringe Benefits	171,374	177,812	184,260	186,469	211,567
Utilities	7,424	7,724	11,140	11,293	12,906
Contingency	-	-	-	-	3,527
Transportation	48,599	25,992	43,073	48,478	60,937
Total Expenditures	<u>747,756</u>	<u>756,500</u>	<u>802,995</u>	<u>828,242</u>	<u>968,808</u>
Excess (deficit) of revenue over expenditure	165,183	155,185	136,538	180,899	96,192
OTHER FINANCING SOURCES (USES)					
Transfers in	-	5,200	-	-	-
Transfers out	(122,856)	(113,680)	(124,623)	(129,999)	(109,477)
Total other financing sources (uses)	(122,856)	(108,480)	(124,623)	(129,999)	(109,477)
Change in Fund Balance	42,327	46,705	11,915	50,900	(13,285)
Fund Balance – beginning of year	<u>223,663</u>	<u>265,990</u>	<u>312,695</u>	<u>324,610</u>	<u>375,510</u>
Fund Balance – end of year	<u>\$ 265,990</u>	<u>\$ 312,695</u>	<u>\$ 324,610</u>	<u>\$ 375,510</u>	<u>\$ 362,225</u>
FUND BALANCE					
Non Spendable	\$ 1,043	\$ 827	\$ 1,006	1,184	1,184
Restricted	30,805	30,806	30,806	30,845	30,845
Committed	-	-	-	-	-
Assigned	149,087	180,095	187,707	192,094	192,321
Unassigned	85,055	100,967	105,091	151,387	137,875
Total Fund Balance	<u>\$ 265,990</u>	<u>\$ 312,695</u>	<u>\$ 324,610</u>	<u>\$ 375,510</u>	<u>\$ 362,225</u>

Source: Buffalo CSD, Division of Finance

(1)2023-24 Projections are based on available data as of December 31, 2023 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 FY23-24. No assurance can be given that such projections will be realized at year end.

City and Buffalo CSD General Fund 2024-25 Fiscal Year

While the fiscal 2024-25 budget of the City and School District is in the development phase as of the date of the Official Statement, management continues to work to increase revenues and manage expenditures, as necessary. Further development of the respective budgets for 2024-25 is also pending the adoption of the final State Budget.

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, 2023 was \$(1.2) million determined in accordance with GAAP. This compares to a change in net position of \$(0.9) million for the year ended June 30, 2022. The City received \$24.9 million in user fees for the fiscal year ended June 30, 2023, \$22.8 million in user fees for the fiscal year ended June 30, 2022 and \$23.6 million for the fiscal year ended June 30, 2021. The adopted 2023-24 budget includes \$31.0 million for user fees. Nonspendable fund balance of the General Fund includes \$19.4 million to cover deficits incurred by the Solid Waste and Recycling Enterprise Fund at June 30, 2023.

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, 2023 was \$(0.7) million determined in accordance with GAAP. This compares to a change in net position of \$(0.2) million for the fiscal year ended June 30, 2022 and \$(0.7) million for the fiscal year ended June 30, 2021. Operating transfers out to the General Fund were \$2.8 million for fiscal year ended June 30, 2023. The adopted budget for fiscal year 2023-24 is \$3.1 million. The 2023-24 budget amount includes \$0.9 million for debt service and \$1.7 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, 2023 were \$10.1 million. This compares to total expenses of \$7.2 million for the fiscal year ended June 30, 2022 and \$9.9 million for the fiscal year ended June 30, 2021. The adopted budget for 2023-24 totals \$14.4 million. (See "CITY-RELATED ENTITIES – *Buffalo Municipal Water Finance Authority*" and "*Buffalo Water Board*" herein.)

REVENUES

The 2023-24 adopted General Fund budget estimates revenues to be derived approximately 36.2% from municipally generated revenues; 33.3% from State aid; 8.4% from federal aid and other assistance; and 19.3% from other local governments, the majority of which is the shared County sales tax.

Municipally Generated Revenues

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

Real Property Tax

Real property taxes become payable upon levy of such taxes by the Common Council. The City collects real property taxes for general City and Buffalo CSD purposes. The total amount of the taxpayer's bill is due and payable on July 1; however, the first half may be paid without penalty on or before July 31 and the second half on or before December 31. Penalties are assessed for delinquencies at an effective rate of 18.0% 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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Buffalo CSD Operations	\$ 61,066	\$ 61,754	\$ 65,193	\$ 65,409	\$ 66,466
City Operations	48,087	47,680	48,199	47,582	60,909
Capital Debt Service ⁽¹⁾	<u>38,712</u>	<u>38,431</u>	<u>34,473</u>	<u>40,049</u>	<u>31,525</u>
Total Budgeted Real Property Tax Levy	<u>\$ 147,865</u>	<u>\$ 147,865</u>	<u>\$ 147,865</u>	<u>\$ 153,040</u>	<u>\$ 158,900</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 \$10.3 million for the 2022-23 fiscal year compared to \$10.9 million for the 2021-22 fiscal year and \$8.1 million for the 2020-21. The budgeted amount for 2023-24 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 \$8.4 million for 2022-23, \$8.0 million for 2021-22 and \$7.6 million for 2020-21. The adopted budget amount for 2023-24 is \$8.8 million. Such payment is made in lieu of utility taxes and also for certain legal, payroll and other services performed by City personnel.

(The remainder of this page intentionally left blank)

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>2020-21</u>	<u>Actual</u> <u>2021-22</u>	<u>Actual</u> <u>2022-23</u>	<u>Adopted</u> <u>2023-24</u>
Parking and Other Fines	\$8.6	\$8.4	\$7.4	\$10.4
Interest Earnings	0.3	0.3	15.6	5.8
License and Permits	4.6	5.0	5.3	5.4
Cable Franchise Tax	3.1	2.9	3.0	3.0
Payment In Lieu of Taxes	3.4	3.2	3.7	5.1

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

Intergovernmental Revenues

The principal categories of State aid to the City are State aid for education, general State aid and Aid and Incentives for Municipalities (AIM). In addition, there are several lesser State aid, grants and shared revenues including the mortgage tax (collected for the City by the State at the rate of 50 cents per \$100 of mortgages) which was \$4.7 million for 2022-23, \$6.8 million for 2021-22, and \$3.1 million for 2020-21. The adopted budgeted amount for the 2023-24 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. Foundation Aid for the 2019-20 fiscal year was \$544.1 million, \$544.1 million for 2020-21, \$585.4 million for 2021-22, \$619.6 million for 2022-23 and the adopted 2023-24 State Budget included \$688.2 million, a \$68.6 million, or 11.1% increase in Foundation Aid, as part of the third and final 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 2022-23, 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 2022-23. In the adopted 2023-24 State Budget, the CFE set-aside increased to \$20.9 million, an increase of \$7.4 million or 20% from 2022-23 as part of the full phase in of Foundation Aid, 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 \$833.3 million of State Aid for all funds in fiscal 2021-22 and \$895.1 for all funds in 2022-23. For the current fiscal year ending June 30, 2024, the Buffalo CSD budgeted \$974.5 million of State Aid receipts for all funds, and projects to receive approximately \$974.5 million by the close of such fiscal year. This projection is based upon the sum of: (i) a \$918.8 million apportionment to the Buffalo CSD for operations and maintenance expenses, (ii) \$54.0 million in projected receipts of State grant funding and (iii) \$1.7 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 2023-24 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, \$9.7 million for 2021-21 and in 2022-23, this aid was \$9.9 million. The 2023-24 budgeted and projected amount for Charter School Transitional Aid is \$9.6 million for both, as of December 31, 2023. 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 it was \$9 million, in 2020-21 it was \$9.2 million, in 2021-22 it was \$9.7 million in 2022-23 it was \$10.1 million. The 2023-24 budgeted and projected amount for Charter School Supplemental Tuition Reimbursement is \$10.0 million, as of December 31, 2023.

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 \$3.4 million was received during the 2022-23 year relating to expenditures incurred during the 2020-21 through 2022-23 years. As of the

date of this Official Statement, the Buffalo CSD does not yet know the amount it expects to claim for the the 2023-24 fiscal year.

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

The projected State aid for the Buffalo CSD General Fund, as of December 31, 2023 is \$918.8 million, which is in line with the budget for the 2023-24 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, 2023, the remaining debt outstanding is \$5.3 million.

Chapter 57 of the Laws of 2005 provided for an apportionment to school districts for public pension accruals required to be accounted for beginning in the 2004-05 school year. Upon application, the apportionment is available to the Buffalo CSD as revenue and may be used to offset any General Fund deficit resulting from the impact of the implementation of GASB Technical Bulletin 2004-2. The apportionment is an advance of the subsequent 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 2023-24. 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 and \$2.3 million in 2022-23. The 2023-24 budgeted and projected amount for Medicaid reimbursement is \$3.0 million as of December 31, 2023. The Buffalo CSD 2023-24 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, \$1.15 million in 2022-23 and no further revenues are expected beyond the 2022-23 fiscal year.

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 Final Cost Report for the \$89.2

million CRRSA Act (ESSER 2) grant was submitted to the State October 31, 2023, while the \$200.4 million ARP Act (ESSER 3) grant ends September 30, 2024 and the Final Cost Report will be submitted October 30, 2024. Total revenues under these funding sources in the 2021-22 fiscal year amounted to \$16.4 million and \$8.2 million respectively and \$60.9 million and \$92.4 million in the 2022-2023. The last year of the ESSER 3 grant is 2023-2024 and has a budget of approximately \$92.0 million.

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 2023-24 is \$161.3 million. General Purpose Aid revenue recognized in the 2022-23 fiscal year was \$161.3 million.

(The remainder of this page intentionally left blank)

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

	Actual	Actual	Actual	Adopted	Revised
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>Budget</u>
Total General Purpose Aid	\$180,958	\$161,285	\$161,285	\$161,285	\$161,285

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

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

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 2023-24 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 \$19.1 million, which is a decrease of \$0.2 million compared to 2022-23. 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. The City's share is reduced by the BFSa operational expenses, which is projected to be \$1.0 million for 2023-24

For fiscal year 2023-24 the City and Buffalo CSD have budgeted \$111.3 million and \$53.2 million respectively in sales tax. For fiscal year 2022-23, the City received \$112.0 million and the Buffalo CSD received \$59.9 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>2023-24</u> <u>Appropriations⁽¹⁾</u>	<u>Full-Time</u> <u>Funded</u> <u>Positions</u>
Legislative	\$ 3,448,980	41
City Clerk	4,086,315	26
Executive	8,870,042	103
Audit & Control	4,374,884	52
Law	5,227,343	41
Assessment	3,693,647	33
Management Information Systems	6,479,390	33
Administration & Finance	10,796,212	55
Parking	4,225,196	41
Police	94,634,319	1,020
Fire	70,893,155	790
Human Resources	6,002,429	23
Public Works, Parks & Streets	37,772,038	347
Community Services	4,817,116	49
Permits & Inspections	<u>6,509,878</u>	<u>95</u>
General City Total	271,830,944	2,749
Division of Water	8,766,245	140
Parking	118,361	1
Refuse & Recycling	<u>22,902,205</u>	<u>148</u>
Total	<u>\$ 303,617,755</u>	<u>3,038</u>

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

⁽¹⁾Appropriations in the 2023-24 Adopted City Budget.

FUNDED ANNUAL / FULL-TIME SALARIED POSITIONS

BY MAJOR CITY DEPARTMENT⁽¹⁾

2013-2014 as compared to 2023-2024

	<u>Number of</u> <u>Positions</u> <u>FY 2013-14</u>	<u>Number of</u> <u>Positions</u> <u>FY 2023-24</u>	<u>Number</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Increase</u> <u>(Reduction)</u>
Police	1,015	1,020	5	0.49%
Fire	763	790	27	3.54%
Public Works, Parks & Streets	362	347	(15)	-4.14%

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

⁽¹⁾Funded full-time salaried positions as of December 31, 2023

Employee Contracts

The City

Employee contracts are in place for the 2023-2024 fiscal year with eight 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, 2023.

<u>Unions</u>	<u>Number of Employees</u>	<u>Present Agreements Expire</u>
PBA (Police Officers)	731	6/30/2025
Local 282 (Firefighters)	869	6/30/2025
Local 264 (Blue Collar)	510	6/30/2025
Local 650 (White Collar)	435	6/30/2024
CGA (Crossing Guards)	102 ⁽¹⁾	8/31/2024
Local 2651 (Building Inspectors)	50	6/30/2026
Local 264T (Pipe Caulkers)	22	6/30/2026
Local 17 (Operating Engineers)	24	6/30/2026

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

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

Buffalo CSD

Eleven employee contracts of the eleven bargaining units representing the employees of the Buffalo CSD are in place for the 2023-24 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 March 4, 2024.

<u>Unions</u>	<u>Number of Employees⁽¹⁾</u>	<u>Present Agreements Expire</u>
BTF (Teachers)	3,773	06/30/26
BCSA (Administrators)	296	06/30/26
PCTEA (White Collar)	494	06/30/26
Local 264 (Blue Collar)	59	06/30/25
Local 264 (Cook Managers)	24	06/30/26
Local 264 (Food Service)	Variable	06/30/27
BEST (Teachers Aides & Assistants)	958	06/30/25
SUBSTITUTES UNITED (Substitute Teachers)	Variable	06/30/24
BASA (Substitute Administrators)	Variable	06/30/25
TRANSPORTATION AIDES (Bus Aides)	Variable	06/30/24
Local 409 (Engineers)	40	06/30/26
Trades	42	N/A
Exempt (includes Board)	52	N/A

Source: Buffalo CSD, Finance Department.

⁽¹⁾Includes General, Grants and Food Service Funds as of March 4, 2024

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, 2023, the City made a prepayment retirement contribution of \$10.0 million for the ERS, which includes Enterprise functions and \$39.1 million for PFRS, which created a savings of \$352,966. 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 \$4.9 million paid by the Buffalo CSD for the fiscal year ended March 31, 2023 for the ERS.

For fiscal year 2023-24, the Buffalo CSD contribution for TRS is 9.76% 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 2020 through 2023.

TRS, ERS & PFRS EXPENDITURES
Fiscal Year Ended June 30

	Actual 2020	Actual 2021	Actual 2022	Actual 2023
City (ERS) ⁽¹⁾	\$ 8,042,096	\$ 8,320,695	\$ 8,069,961	\$ 7,712,765
City (PFRS)	29,306,830	31,270,823	35,046,089	35,572,383
Board (ERS)	5,998,034	6,152,793	6,502,836	6,306,270
Board (TRS)	27,347,081	28,800,016	31,173,278	41,262,500

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, 2023 was determined to be \$1.2 billion. The Buffalo CSD had an actuarial evaluation performed in accordance with GASB 75 that disclosed an accrued OPEB liability of \$1.8 billion as of June 30, 2023. 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 2023-24 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 2022-23 totaled \$93.7 million which consisted of \$57.6 million for active employees and \$36.1 million for retired employees. The adopted budget for 2023-24 appropriates \$108.8 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 2022-23 fiscal year the Buffalo CSD paid \$117.4 million for both active and retired employees. The adopted budget for 2023-24 appropriates \$120.9 million for both active and retired employees for the Buffalo CSD.

Debt Service

In fiscal year 2023-24, 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 \$34.5 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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023⁽⁴⁾</u>	<u>2024⁽⁴⁾</u>
Enrollment	32,918	30,952	30,471	29,778	29,553
Schools ⁽¹⁾	61	59	59	59	60
Instructional Staff ⁽²⁾	3,654	3,643	3,598	3,868	3,851
Administrative Personnel ⁽²⁾	257	255	246	301	302
Non-Certified Personnel ⁽²⁾⁽³⁾	1,548	1,504	1,533	1,843	1,880

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, 2023; Enrollment as of December 31, 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 10,332 in the 2022-23 school year and was originally projected for budgeting purposes to be 11,100 in 2023-24. As of December 31, 2023, the projected enrollment for 2023-24 is 11,100. Two charter schools originally expected to close in 2021-22 have remained open, and are expected to remain open at least through the 2023-24 school year. Moreover, Brick Buffalo Academy Charter School opened as of July 1, 2023 and has a projected enrollment of 162 pupils. Also, Buffalo Collegiate Charter School closed at the end of 2022-23 and it is assumed many of those pupils have been or will be absorbed by other local charter schools. The increases in Charter enrollment have been attributable through the availability of new seats, continued growth of enrollment in existing charter schools and with Brick, additional 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 funding rate for Fiscal Year 2022-23 was \$14,267 per student (including \$13,417 for basic tuition, plus an estimated \$850 for special education funding). Total payments were \$136.8 million, \$144.5 million, and \$150.9 million in Fiscal Years 2020-21, 2021-22, and 2022-23 respectively. The budgeted amount for Fiscal Year 2023-24 is \$159.2 million. The current funding rate for Fiscal Year 2023-24 is estimated to be \$14,816 per student (including \$13,966 for basic tuition, plus an estimated \$850 for special education funding).

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 2022-23 fiscal year, were funded 7.02% from the City, 0.49% from the Federal government, 84.05% from State aid, 5.93% from an allotment of County sales tax revenues and 2.5% from other sources of revenue. The Buffalo CSD received \$59.86 million in sales tax revenues for 2022-23, and is projected to receive \$53.2 million for 2023-24, as of September 30, 2023.

The total amount of State aid the Buffalo CSD received for all funds during the 2022-23 fiscal year was \$895.1 million and is projected to receive \$974.5 million for 2023-24, as of December 31, 2023.

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 December 31, 2023 is \$142,160,000. 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 (10) 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 2022-23. 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 2023-24 budget for the Sewer Authority totals \$69.8 million. There was a \$8.3 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 \$83.8 million at June 30, 2023. \$36.9 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.

(The remainder of this page intentionally left blank)

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 City Comptroller and the State Comptroller jointly certify that securities were sold by the City during the immediately preceding City fiscal year in the general public market and that there is 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 FISCAL 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 FISCAL 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.

State aid revenues consist of all general purpose local government aid, emergency financial assistance to certain cities, emergency financial assistance to eligible municipalities, supplemental municipal aid, and any successor type of aid and any new aid appropriated by the State as local government assistance for the benefit of the City, which are paid or payable to the BFSa pursuant to the BFSa Act, except as otherwise prescribed by the State Legislature. BFSa bonds and notes are not secured by or payable from State aid and the BFSa has no lien on or right to receive State aid.

The BFSa has issued five series of bonds on behalf of the City and Buffalo CSD in a total aggregate principal amount of \$156.6 million. As of December 31, 2023, a total of \$0.3 million of such bonds 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)

Amount Outstanding at				
<u>Calendar Year Issued</u>	<u>December 31, 2023</u>	<u>Series</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2015	\$320	2015A	5.0%	2025

Source: Buffalo Fiscal Stability Authority

BFSa Oversight Actions Related to the City's 2023-24 Fiscal Year

On May 1, 2023, the City submitted to the BFSa the 2024-27 four-year financial plan that included the City of Buffalo, the Buffalo Urban Renewal Agency, and the Buffalo Municipal Housing Authority, along with the proposed City 2023-24 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. The 2024-27 four-year financial plan excluded the individual financial plan of the Buffalo CSD. The BFSa reviewed the 2024-27 financial plan on May 17, 2023, and on June 5, 2023, declared such plan to be incomplete. The BFSa furthermore required the City to submit supporting documentation and/or reasonable underlying assumptions for certain revenue estimates, to submit a revised City of Buffalo Recovery Plan that provided adequate resources for federal stimulus for revenue loss as included in the proposed City 2023-24 budget and related four-year financial plan, and to submit the Buffalo CSD 2024-27 financial plan upon completion. Such items were to be submitted no later than June 12, 2023. On June 21, 2023, the BFSa reviewed the City's adopted 2023-24 budget and again found the 2024-27 financial plan to be incomplete; the BFSa again required the City to submit supporting documentation and/or reasonable underlying assumptions for certain revenue estimates, to submit a revised City of Buffalo Recovery Plan that provided adequate resources for federal stimulus for revenue loss as included in the proposed City 2023-24 budget and related four-year financial plan, and to submit the Buffalo CSD 2024-27 financial plan upon completion, no later than June 30, 2023. The City submitted the final 2024-27 financial plan on July 7, 2023, which contained the financial plan of the Buffalo CSD, and the BFSa reviewed such financial plan on July 26, 2023. The BFSa contingently approved the 2024-27 financial plan based on approval of the draft revised City of Buffalo Recovery Plan, which had been submitted to the City of Buffalo Common Council but had not yet been acted upon. This contingency was resolved on July 27, 2023, upon approval of the revised City of Buffalo Recovery Plan by the City of Buffalo Common Council.

On July 26, 2023, the BFSA reviewed a proposed labor agreement between the Buffalo Municipal Housing Authority (BMHA) and the American Federation of State, County, and Municipal Employees (AFSCME), Local 264, representing approximately 6 managerial members, 46 white-collar members, and 52 blue-collar members; additionally a labor agreement with Local 17-S International Union of Operating Engineers, representing approximately 18 members, was reviewed. The total estimated cost for these agreements over the 2024-27 financial plan is \$4.7 million; a financial plan modification is to be completed by BMHA. On October 5, 2023, BFSA reviewed and commented on the final 2024 City capital budget and related five-year capital plan. Additionally, BFSA reviewed a proposed memorandum of agreement between the City and AFSCME, AFL-CIO, Local 2651, representing approximately 51 building inspectors. The total cost of this contract over the 2024-27 financial plan was estimated at \$4.4 million; no financial plan modification was necessary. On November 13, 2023, the BFSA reviewed and commented on a proposed labor agreement between the City and the International Union of Operating Engineers, Local 17-17S, representing approximately 23 operating engineers. The total estimated cost over the 2024-27 financial plan was \$1.1 million; no financial plan modification was required. On December 5, 2023, the BFSA reviewed a memorandum of agreement between the City and the International Brotherhood of Teamsters Local 264T, representing approximately 22 caulkers. The total estimated cost of this agreement was \$1.3 million over the 2024-27 financial plan impacting the Water Fund solely; no financial plan modification was required. On January 11, 2024, the BFSA reviewed a proposed labor agreement between the City and the Police Benevolent Association representing approximately 727 police officers; the terms of this agreement are also extended to 10 exempt positions within the police department. The total cost of this contract over the 2024-27 financial plan was estimated at \$70.0 million and a projected financial plan gap between \$5.0 million and \$20.0 million was identified. The BFSA indicated a budget gap plan is to be submitted with the upcoming 2025-28 financial plan to address such budgetary shortfalls as projected over the financial plan. On March 25, 2024, the BFSA reviewed and commented on the proposed 2024 bond issue.

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 2022-23 Fiscal Year

On May 2, 2022, the City submitted to the 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, the 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 the 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 the BFSA on this date as the City conveyed that such submission was 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, the 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 the 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, the 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 the BFSA on March 8, 2023.

On April 24, 2023, the Buffalo CSD entered into a collective bargaining agreement (“CBA”) with the Buffalo Teachers Federation without first providing the prospective agreement to the BFSA in order to assess the fiscal impact of the CBA to the City. The Buffalo CSD has taken the position that during an advisory period, the Buffalo CSD has no obligation to provide its tentative CBA’s to the BFSA before they are ratified. BFSA disagrees. Because BFSA believes that these agreements have a “significant impact on the City’s long-term fiscal condition” (BFSA Act §3859(1)(e)), it remains the BFSA’s position that the submission of any tentative CBA’s is required under the Act. This is true regardless of whether an advisory period or a control period is in effect. This issue between BFSA and BCSD remains unresolved.

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. The BFSA reviewed and commented on terms of the City's proposed 2022 capital borrowing on February 16, 2022.

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

On May 1, 2020, the City submitted to the 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 BFSA Act §3857, subd. 2. On May 20, 2020, the 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 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 the BFSA on July 20, 2020. The 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 the 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 Series 2021B to BFSA. On April 12, 2021, the BFSA reviewed and commented on the Series 2021B Bonds.

(The remainder of this page intentionally left blank)

CITY INDEBTEDNESS

At April 1, 2024 the City has outstanding gross indebtedness of \$124.7 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 has not 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, 2023 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 expired on October 1, 2023 and has not been renewed. The City has not renewed the exclusion prior to the expiration date. Authorized but unissued debt is not charged against the debt limit.

CITY OF BUFFALO
STATEMENT OF DEBT CONTRACTING POWER
April 1, 2024^{(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	\$ 15,584,185,933	
Debt Contracting Limitation: Nine Percent of Average Full Valuation - Article VIII, Section 4, of the Constitution of the State of New York	\$ 1,402,576,734	100.00%
Gross Indebtedness:		
Borrowings:		
Serial Bonds	<u>\$ 124,737,458</u>	
Total Gross Debt	<u>124,737,458</u>	
Exclusions:		
Exempt Debt:		
Parking Facilities Bonds	-	
Reserve to Pay Non-Exempt Debt	112,763	
Appropriation in Current Budget to Pay Non-Exempt Debt Maturing during Remainder of FY	<u>-</u>	
Total Exclusions	<u>\$ 112,763</u>	
Net Indebtedness	<u>124,624,695</u>	8.9%
Debt-Contracting Margin	<u>1,277,952,039</u>	91.1%
Less Authorized But Unissued Non-Exempt Debt ⁽⁴⁾	<u>85,667,673</u>	6.1%
Effective Borrowing Capacity	<u>\$ 1,192,284,366</u>	85.0%

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 \$302,458 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, 2024

DIRECT DEBT

Bonded Debt:

General Purpose ⁽¹⁾	\$ 118,691,527	
School	2,250,000	
Off-Street Parking Facilities ⁽²⁾	<u>3,795,931</u>	
Total Bonded Debt		<u>\$ 124,737,458</u>

Other Debt:

Municipal Bond Bank Agency ⁽³⁾	6,880,000	
Capital Lease Obligations	<u>-</u>	
Total Other Debt:		<u>6,880,000</u>

GROSS DIRECT DEBT 131,617,458

Deductions:

Self-Supporting debt		
Off-Street Parking Facilities	<u>-</u>	
Total Deductions		<u>-</u>

NET DIRECT DEBT \$ 131,617,458

OVERLAPPING DEBT	<u>Outstanding</u>	<u>City Share %</u>	<u>City Share</u>
Erie County	294,315,000 ⁽⁴⁾	18.2% ⁽⁵⁾	53,565,330
Buffalo Sewer Authority	83,071,619	63.6% ⁽⁶⁾	52,833,550
NET OVERLAPPING DEBT			<u><u>\$ 106,398,880</u></u>

NET DIRECT AND OVERLAPPING DEBT \$ 238,016,338

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 - \$302,458)

⁽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 2022-23 fiscal year, net revenues received by the City from rental payments were \$4,155,255, over 100% of the \$891,680 for 2022-23 debt service.

⁽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, 2023. 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 2023, as equalized by the County of Erie.

⁽⁶⁾Within the City, approximately 28.5% of the operating fund revenue of the Sewer Authority is derived from a sewer rent on the assessed value of real property, and 35.1% of the revenue is received from a sewer rent based on water usage, which total 63.6%.

Debt Ratios

The following table sets forth certain debt ratios based upon the City's Statement of Direct and Overlapping Indebtedness as of April 1, 2024.

	<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	\$ 131,617,458	\$ 473	1.13%	0.72%
Net Direct Debt	131,617,458	473	1.13%	0.72%
Net Direct & Overlapping Debt	238,016,338	857	2.04%	1.30%

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 2023-24 fiscal year is \$11,639,305,776

⁽³⁾The full valuation of the City for the 2023-24 fiscal year based on the Special Equalization Ratio of .6351 established by the State Board of Equalization and Assessment is \$18,326,729,296

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, 2024.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 7,575	\$ 7,575
2025	23,197,458	5,900,786	29,098,244
2026	19,665,000	4,767,225	24,432,225
2027	14,990,000	3,781,975	18,771,975
2028	15,020,000	3,039,100	18,059,100
2029	12,425,000	2,313,300	14,738,300
2030	10,230,000	1,753,800	11,983,800
2031	10,680,000	1,278,800	11,958,800
2032	9,150,000	812,350	9,962,350
2033	4,070,000	375,200	4,445,200
2034	3,175,000	212,400	3,387,400
2035	1,145,000	85,400	1,230,400
2036	990,000	39,600	1,029,600
	<u>\$ 124,737,458</u>	<u>\$ 24,367,511</u>	<u>\$ 149,104,969</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	\$ 72,872,458	58.4%
2029-2033	46,555,000	37.3%
2034-2036	5,310,000	<u>4.3%</u>
	<u>\$ 124,737,458</u>	<u>100.0%</u>

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

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

<u>Ended</u>	<u>Gross</u>
<u>June 30:</u>	<u>Bonded Debt ⁽¹⁾</u>
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
2023	151,962,622

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, 2024, the City had authorized but unissued general obligation debt in the amount of \$85.7 million. The 2024 Capital Improvement Budget, as submitted by the Mayor on June 13, 2023, which totaled \$27.6 million, was adopted on September 19, 2023.

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, 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 2023-24 Fiscal Year

Two Per Centum of Five-Year Average Full Valuation		\$ 311,683,719
EXCLUSIONS ADDED THERETO		
Gross Debt Service	\$ 33,364,596	
Resources Applied to Debt	(2,089,861)	
Interfund Transfers	-	
Net Capital Debt Service ⁽²⁾	31,274,735	
Appropriation for capital project account reserve	1,400,000	
Appropriation for objects or purposes for which a period of probable usefulness is provided by Section 11.00 of Local Finance Law	11,421,201	
Total Exclusions		\$ 44,095,936
MAXIMUM TAXING POWER		355,779,655
REAL ESTATE TAX LEVY		158,900,000
TAX LEVYING MARGIN		\$ 196,879,655

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

⁽¹⁾City of Buffalo Adopted 2023-24 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 2023-24 Fiscal Year**

Fiscal Year		Assessed	State Special Equalization		Full
Ended June 30:		Valuation⁽¹⁾	Ratio⁽²⁾		Valuation⁽³⁾
2020	\$	6,661,426,846	0.4937	\$	13,492,863,776
2021		11,818,651,877	0.8601		13,741,020,669
2022		11,728,446,507	0.7561		15,511,766,310
2023		11,617,074,959	0.6895		16,848,549,614
2024		11,639,305,776	0.6351		18,326,729,296
Total Five-Year Full Valuation				\$	77,920,665
Five-Year Average Full Valuation				\$	15,584,133
Tax Levying Limitation: 2% of Average Full Valuation				\$	311,683
Debt Contracting Limitation: 9% of Average Full Valuation				\$	1,402,572

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 2023

⁽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.

(The remainder of this page intentionally left blank)

**COMPOSITION OF REAL PROPERTY
for the Fiscal Year Ended June 30**

	2020	2021	2022	2023	2024
TOTAL ASSESSED REAL ESTATE	\$ 10,396,397,904	\$ 16,592,594,138	\$ 16,504,433,351	\$ 16,475,672,311	\$ 16,425,980,358
Special Franchise Assessment ⁽¹⁾	<u>310,855,096</u>	<u>466,911,076</u>	<u>490,364,209</u>	<u>437,333,745</u>	<u>447,606,264</u>
TOTAL ASSESSED VALUATION	10,707,253,000	17,059,505,214	16,994,797,560	16,913,006,056	16,873,586,622
Non-Taxable Real Estate	(4,047,105,680)	(5,307,042,781)	(5,368,251,515)	(5,391,123,160)	(5,326,381,167)
Railroad Exemption	<u>(67,564,988)</u>	<u>(40,753,588)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TAXABLE FOR GENERAL CITY PURPOSES	6,592,582,332	11,711,708,845	11,626,546,045	11,521,882,896	11,547,205,455
Veteran and Senior Citizen Exemptions subject to School Tax	<u>68,844,514</u>	<u>106,943,032</u>	<u>101,900,462</u>	<u>95,192,063</u>	<u>(94,100,321)</u>
TOTAL TAXABLE FOR SCHOOL PURPOSES	\$ 6,661,426,846	\$ 11,818,651,877	\$ 11,728,446,507	\$ 11,617,074,959	\$ 11,453,105,134
TAX BASE FOR GENERAL CITY PURPOSES					
Homestead	\$ 4,278,680,596	\$ 7,219,070,343	\$ 7,189,304,149	\$ 7,188,874,143	\$ 7,221,709,917
Non-Homestead	<u>2,313,901,736</u>	<u>4,492,638,502</u>	<u>4,437,241,896</u>	<u>4,333,008,753</u>	<u>4,323,495,538</u>
TOTAL TAX BASE FOR GENERAL CITY PURPOSES	\$ 6,592,582,332	\$ 11,711,708,845	\$ 11,626,546,045	\$ 11,521,882,896	\$ 11,545,205,455
TAX BASE FOR SCHOOL PURPOSES					
Homestead	\$ 4,346,781,121	\$ 7,324,323,690	\$ 7,289,576,340	\$ 7,262,471,244	\$ 7,314,204,584
Non-Homestead	<u>2,314,645,725</u>	<u>4,494,328,187</u>	<u>4,438,870,167</u>	<u>4,334,603,715</u>	<u>4,325,101,192</u>
TOTAL TAX BASE FOR SCHOOL PURPOSES	\$ 6,661,426,846	\$ 11,818,651,877	\$ 11,728,446,507	\$ 11,597,074,959	\$ 11,639,305,776

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 2023-24, \$1.1 billion will be exempted by these policies as compared to \$1.1 billion in 2022-23 and \$1.1 billion in 2021-22.

For payments in lieu of taxes (PILOTs), the City received \$3.2 million in 2021-22 and \$3.6 million in 2022-23 and a budget of \$5.1 million for fiscal year 2023-24. 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.

(The remainder of this page intentionally left blank)

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

Fiscal Year Ended June 30:	General City <u>Purposes</u>		School <u>Purposes</u>		Total <u>City/School</u>	Overlapping <u>Entities</u>		<u>Total</u>
	<u>Operations</u>	Capital Debt	<u>Operations</u>	Capital Debt		County of Erie ⁽²⁾	Buffalo Sewer	
		<u>Service</u>		<u>Service</u>			<u>Authority</u>	
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
2024 (Homestead)	4.14	1.85	4.46	0.29	10.74	5.06	1.56	17.36
2024 (Non-Homestead)	7.18	3.20	7.83	0.51	18.72	5.06	1.56	25.34

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. 2024 Homestead and Non-Homestead Rates are based on 2023 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								
2014	124,087	117,480	94.68%	\$1,203	\$125,290	\$7,788	\$125,268	99.98%
2015	122,333	116,451	95.19%	1,107	123,440	6,988	123,439	99.99%
2016	123,793	116,621	94.21%	1,150	124,943	7,756	124,377	99.55%
2017	127,982	120,785	94.38%	1,108	129,090	7,391	128,176	99.29%
2018	128,000	122,454	95.67%	1,021	129,021	6,505	128,959	99.95%
2019	135,195	129,245	95.60%	1,024	136,219	6,642	135,887	99.76%
2020	139,465	131,234	94.10%	1,239	140,704	6,351	137,585	97.78%
2021	142,330	131,583	92.45%	1,062	143,392	3,527	135,110	94.22%
2022	147,040	135,078	91.86%	1,006	148,046	208	135,286	91.38%
2023	153,400	145,776	92.25%	868	153,909	1,337	147,113	95.58%

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, 2023, cumulative real property tax delinquencies were \$14.4 million. The City reserved \$8.1 million as uncollectible at June 30, 2023. 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.

(The remainder of this page intentionally left blank)

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 5.8% and 1.6%, respectively, of the total tax levy for fiscal year 2023-24 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, 2023

<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	\$494,434,043	\$9,257,479	5.83%
2	National Fuel Gas Corporation(5)	Utility	137,574,738	2,575,865	1.62%
3	Gold Wynn Residential USA	Commercial Real Estate	59,487,865	1,092,757	0.69%
4	EGP 130 Buffalo, LLC	Commercial Real Estate	50,000,000	936,169	0.59%
5	Manufacturers and Trust Company(4)	Bank	49,961,000	935,439	0.59%
6	Consolidated Rail Corporation(5)	Shipping/Transportation	49,598,100	858,998	0.54%
7	Douglas Development Corporation	Commercial Real Estate	94,923,000	847,314	0.53%
8	LCO Building, LLC	Commercial Real Estate	41,044,800	768,498	0.48%
9	Uniquet Delaware, LLC	Condominium/Hotel	38,000,000	711,489	0.45%
10	CSX Transportation	Shipping/Transportation	36,476,145	633,035	0.40%
11	Verizon Communication, Inc.(5)	Telecommunications	32,682,301	611,923	0.39%
12	KEY Success, LLC	Commercial Real Estate	30,570,000	572,374	0.36%
13	Seneca-Larkin Holdings, LLC	Commercial Real Estate	19,671,800	368,323	0.23%
14	Fort Schuyler Management	SUNY Private Corp.	18,496,000	346,308	0.22%
15	Iskalo Development Corporation	Commercial Real Estate	20,488,000	339,705	0.21%
Total: Top Fifteen Taxpayers				20,855,675	13.13%
Total: Real Property Tax Levy				\$ 158,900,000	100.00%

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

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

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

⁽³⁾Based on a 2023-24 non-homestead tax rate of \$18.72 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⁾

2010-2023

(000's Omitted)

Category	2010		2020		2022		2023	
	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	52.0	12,824.8	54.5	12,938.9
Trade, Transportation & Utilities	97.8	24,636.0	91.6	26,589.9	100.5	28,642.5	96.5	28,847.4
Retail Trade	60.8	14,440.4	54.0	14,853.1	57.3	15,475.1	55.6	15,590.5
Wholesale Trade	21.1	5,452.1	20.0	5,639.9	19.8	5,962.6	20.5	6,116.2
Government	95.0	22,490.0	85.3	21,908.5	83.4	22,171.3	87.3	22,781.3
Service Providing	469.7	112,166.0	440.6	122,117.3	465.5	131,397.3	475.8	134,452.8
Other Services	23.4	5,331.0	21.3	5,393.8	24.2	5,707.8	24.7	5,825.7
Finance & Insurance	24.2	5,761.0	28.8	6,499.6	26.3	6,672.2	25.8	6,731.1
Mining & Logging	18.9	705.0	19.6	619.0	21.4	604.9	21.5	1,244.7
	<u>860.5</u>	<u>202,509.5</u>	<u>810.4</u>	<u>215,800.1</u>	<u>850.4</u>	<u>229,458.6</u>	<u>862.2</u>	<u>234,528.6</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⁾

2010-2023

(000's Omitted)

Category	2010		2020		2022		2023	
	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%	6.3%	5.5%
Trade, Transportation & Utilities	11.4%	12.2%	11.3%	12.3%	11.8%	12.5%	11.2%	12.3%
Retail Trade	7.1%	7.1%	6.7%	6.9%	6.7%	6.7%	6.4%	6.7%
Wholesale Trade	2.5%	2.7%	2.5%	2.6%	2.3%	2.6%	2.4%	2.6%
Government	11.0%	11.1%	10.5%	10.2%	9.8%	9.6%	10.1%	9.7%
Service Providing	54.6%	55.4%	54.4%	56.6%	54.7%	57.3%	55.2%	57.3%
Other Services	2.7%	2.6%	2.6%	2.5%	2.9%	2.5%	2.9%	2.5%
Finance & Insurance	2.8%	2.8%	3.6%	3.0%	3.1%	2.9%	3.0%	2.9%
Mining & Logging	2.2%	0.3%	2.4%	0.3%	2.5%	0.3%	2.5%	0.5%
	<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

(The remainder of this page intentionally left blank)

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. 2014-2023 data for the City is based on the 2020 Census.

UNEMPLOYMENT RATES ⁽¹⁾

<u>Year</u>	<u>City</u>	<u>Buffalo</u> <u>MSA</u>	<u>NY State</u> ⁽²⁾	<u>United</u> <u>States</u>
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%
2023	4.9%	3.6%	4.1%	3.6%

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

⁽¹⁾Total employment by place of residence

⁽²⁾Figures from 2014-2019 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 opened 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.

Buffalo-Niagara International Airport
Passenger Volume Trend

<u>Year</u>	<u>Passenger Volume</u>	<u>% Change from Prior Year</u>
2018	5,014,000	-
2019	4,892,000	-2.4%
2020	1,412,000	-71.1%
2021	2,875,000	103.6%
2022	3,990,000	38.8%
2023	4,555,000	14.2%

Source: U.S. Dept of Transportation Bureau of Transportation Statistics
As of December 2023

(The remainder of this page intentionally left blank)

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.	
Albright Knox Gundlach Museum	\$195.0 million
The expansion and renovation of the former Albright-Knox Museum of Art.	
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.	

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.	
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.	
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.	
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	\$21.0 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.	

Rail on Main - McGuire Development, Blackfish Investments	\$44.0 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	\$15.0 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	\$70.0 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.	
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	\$12.0 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	\$30.0 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.	

(The remainder of this page intentionally left blank)

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, 2023, the aggregate outstanding principal amount of such bonds totals \$412.6 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, May 2021, and November 2023 to refund the outstanding School Facility Revenue Bonds, Series 2003, 2004, a portion of 2009 and 2007/2008, a portion of 2009, 2011, and 2013 respectively.

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

- i. a wrongful conviction case which could have potential exposure in the range of approximately \$6,500,000.
- ii. a police vehicle/pedestrian personal injury accident case that was settled for \$43,000,000 for which the funds are expected to be bonded. (See “Authorization for the Bonds” herein)

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 fifteen (15) 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 2023-24 revised budget included \$309,653 for tax certiorari-related claims and judgments with \$39,162 having been paid out as of December 31, 2023. The City expensed \$272,992 and \$161,374 for tax certiorari-related claims or judgments for fiscal year ended June 30, 2023 and June 30, 2022, respectively.

Provision for Judgments and Claims

The City's 2023-24 revised budget included \$567,265 for judgments and claims and \$3.0 million for workers compensation claims, of which \$69,875 and \$1.7 million had been paid out as of December 31, 2023. The City expensed \$515,729 for judgments and claims and \$3.2 million for workers compensation claims for fiscal year ended June 30, 2023. The City expensed \$731,000 for judgments and claims and \$2.6 million for workers compensation claims for fiscal year ended June 30, 2022.

APPENDIX B

**CITY OF BUFFALO, NEW YORK
BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION AS OF
AND FOR THE YEAR ENDED JUNE 30, 2023 AND INDEPENDENT AUDITOR'S REPORT**

(THIS PAGE INTENTIONALLY LEFT BLANK)

**CITY OF BUFFALO,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
June 30, 2023 and Independent Auditors' Reports*

CITY OF BUFFALO, NEW YORK
Table of Contents
Year Ended June 30, 2023

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet—Governmental Funds	17
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Government-wide Statement of Activities	20
Statement of Net Position—Proprietary Funds.....	21
Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds	23
Statement of Cash Flows—Proprietary Funds.....	24
Statement of Fiduciary Net Position—Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position—Fiduciary Funds	27
Notes to the Financial Statements	28
Required Supplementary Information:	
Schedule of the Local Government's Proportionate Share of the Net Pension Liability/(Asset)—Teachers' Retirement System.....	87
Schedule of the Local Government's Contributions—Teachers' Retirement System	88
Schedule of the Local Government's Proportionate Share of the Net Pension Liability—Police and Fire Retirement System.....	89
Schedule of the Local Government's Contributions—Police and Fire Retirement System.....	90

(continued)

CITY OF BUFFALO, NEW YORK
Table of Contents
Year Ended June 30, 2023

(concluded)

	<u>Page</u>
Schedule of the Local Governments' Proportionate Share of the Net Pension Liability/(Asset)—Employees' Retirement System	91
Schedule of the Local Governments' Contributions—Employees' Retirement System.....	93
Schedule of Changes in the Total OPEB Liability and Related Ratios	95
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual (Non-GAAP Budgetary Basis)—General Fund.....	98
Notes to the Required Supplementary Information	99
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual (Non-GAAP Budgetary Basis)—Debt Service Fund.....	101
Combining Balance Sheet—Nonmajor Governmental Funds.....	102
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	103
Combining Statement of Net Position—Water System	104
Combining Statement of Revenues, Expenses, and Changes in Net Position—Water System	106
Combining Statement of Cash Flows—Water System.....	107
Federal Awards Information:	
Schedule of Expenditures of Federal Awards	109
Notes to the Schedule of Expenditures of Federal Awards	110
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 <i>Government Auditing Standards</i>	112
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	114
Schedule of Findings and Questioned Costs	117
Summary Schedule of Prior Year Audit Findings.....	119



DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



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, 2023, 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 audit 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Buffalo Fiscal Stability Authority ("BFSA"), which represents 1.4% and 0.03%, 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"), are presented for purposes of additional analysis and are 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 Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 31, 2023 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.

Handwritten signature in black ink that reads "Drescher & Malecki LLP".

October 31, 2023

CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2023

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, 2023. 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. 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, 2023 by \$729,063. This consists of \$596,689 net investment in capital assets, \$36,618 restricted for specific purposes, and unrestricted net position of \$(1,362,370).
- The City's total primary government net position decreased \$4,895 during the year ended June 30, 2023. Net position decreased \$4,605 for governmental activities and decreased \$291 for business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$234,879, an increase of \$41,224 from June 30, 2022.
- At the end of the current fiscal year, the combined committed, assigned and unassigned fund balance for the General Fund was \$100,933, or 17.4 percent of total General Fund expenditures and transfers out. Committed fund balance for the Emergency Stabilization Fund is \$43,266, or 7.5 percent of total General Fund expenditures and transfers out, assigned fund balance is \$42,752, or 7.4 percent of total General Fund expenditures and transfers out, and unassigned fund balance is \$14,915, or 2.6 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 \$153,815 (\$146,907 net governmental activities general obligation bonds issued by the City, \$2,440 governmental activities general obligation bonds issued by BFSA, and \$4,468 business-type activities general obligation bonds). During the year, the City issued \$23,250 of public improvement serial bonds within governmental activities and made total scheduled principal payments of \$34,545 (\$31,866 for net governmental activities general obligation bonds issued by the City, \$2,040 for governmental activities general obligation bonds issued by BFSA, and \$639 for business-type activities general obligation bonds) during the year ended June 30, 2023.
- The total Buffalo Municipal Water Finance Authority revenue bonds outstanding within the Water System at the end of the current fiscal year were \$116,050, as compared to \$122,660 at the beginning of the year, as a result of scheduled principal payments of \$6,610.

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 (“Board”), a legally separate school district for which the City is financially accountable, and the Buffalo Urban Renewal Agency (“BURA”), 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 109-119 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 \$729,063 at the close of the most recent fiscal year, as compared to \$724,168 at the close of the fiscal year ended June 30, 2022.

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,	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 890,680	\$ 927,568	\$ 63,842	\$ 61,716	\$ 954,522	\$ 989,284
Capital assets	602,955	579,441	199,620	196,424	802,575	775,865
Total assets	1,493,635	1,507,009	263,462	258,140	1,757,097	1,765,149
Total deferred outflows of resources	254,271	280,916	10,450	14,163	264,721	295,079
Current and other liabilities	626,439	683,044	25,835	8,410	652,274	691,454
Noncurrent liabilities	1,635,144	1,497,723	202,478	208,636	1,837,622	1,706,359
Total liabilities	2,261,583	2,180,767	228,313	217,046	2,489,896	2,397,813
Total deferred inflows of resources	247,605	363,835	13,379	22,748	260,984	386,583
Net position:						
Net investment in capital assets	499,193	458,624	97,496	97,741	596,689	556,365
Restricted	36,618	30,467	-	-	36,618	30,467
Unrestricted	(1,297,093)	(1,245,768)	(65,278)	(65,232)	(1,362,371)	(1,311,000)
Total net position	\$ (761,282)	\$ (756,677)	\$ 32,218	\$ 32,509	\$ (729,064)	\$ (724,168)

The largest portion of the City's net position, \$596,689, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, infrastructure, right-to-use lease assets and subscription 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, \$36,618, 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, \$(1,362,370), 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 \$1,180,594. 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 decreased \$4,896. Significant changes from 2022 to 2023 in the Statement of Net Position and reasons for such changes are:

- Current and other assets decreased by \$36,888. The primary reasons for the decrease are a decrease in restricted cash and cash equivalents of \$37,698 related to the use of the American Rescue Plan Act ("ARPA") funding received in advance of the services to be performed.
- Deferred outflows of resources decreased \$30,358, due primarily to a decrease in deferred outflows of resources relating to pensions and OPEB.
- Current and other liabilities decreased by \$39,180, due primarily to a \$72,860 decrease in unearned revenues related to ARPA.
- Noncurrent liabilities increased by \$131,263, primarily due to an increase of \$249,992 in net pension liabilities, offset slightly by a decrease in total other postemployment benefits ("OPEB") liabilities.
- Deferred inflows of resources decreased \$125,599, due primarily to a decrease in deferred inflows of resources relating to pensions.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2023 and June 30, 2022.

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,	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 32,303	\$ 28,873	\$ 80,120	\$ 74,826	\$ 112,423	\$ 103,699
Operating grants and contributions	114,592	50,558	-	-	114,592	50,558
Capital grants and contributions	39,621	44,754	2,053	-	41,674	44,754
General revenues:						
Property taxes	151,701	146,960	-	-	151,701	146,960
Other taxes	25,211	27,407	-	-	25,211	27,407
Intergovernmental	124,741	148,107	133	133	124,874	148,240
Investment earnings	15,868	297	608	41	16,476	338
State aid	161,550	160,945	-	-	161,550	160,945
Miscellaneous	4,900	4,622	-	-	4,900	4,622
Total revenues	670,487	612,523	82,914	75,000	753,401	687,523
Expenses:						
General government support	153,140	85,101	-	-	153,140	85,101
Public safety	346,000	281,064	-	-	346,000	281,064
Streets and sanitation	50,930	45,282	-	-	50,930	45,282
Economic assist. and opportunity	38,578	31,335	-	-	38,578	31,335
Culture and recreation	13,787	13,694	-	-	13,787	13,694
Health and community services	4,620	3,581	-	-	4,620	3,581
Education	70,823	70,823	-	-	70,823	70,823
Interest and fiscal charges	4,156	3,826	-	-	4,156	3,826
Solid Waste and Recycling	-	-	28,864	23,512	28,864	23,512
Parking	-	-	1,824	1,945	1,824	1,945
Water System	-	-	45,575	37,244	45,575	37,244
Total expenses	682,034	534,706	76,263	62,701	758,297	597,407
Excess of revenues over expenses	(11,546)	77,818	6,651	12,299	(4,896)	90,117
Transfers	6,942	8,585	(6,942)	(8,585)	-	-
Change in net position	(4,604)	86,403	(291)	3,714	(4,896)	90,117
Net position—beginning	(756,677)	(843,080)	32,509	28,795	(724,168)	(848,147)
Net position—ending	<u>\$ (761,282)</u>	<u>\$ (756,677)</u>	<u>\$ 32,218</u>	<u>\$ 32,509</u>	<u>\$ (729,063)</u>	<u>\$ (758,030)</u>

Governmental activities—The largest funding sources for the City’s governmental activities, as a percent of total revenues, are state aid (24.1%), property taxes (22.6%) and intergovernmental (18.6%).

The largest expense categories for the City’s governmental activities are public safety (50.7%), general government support (22.4%) and education (10.4%). The education category represents the City allocation to the Buffalo Board of Education (the “Board”).

- Total expenses increased \$147,328 in the current year as compared to last year, mainly due to increases in public safety and general government support related to increases in the net pension liability and related deferred inflows and outflows of resources as well as new claims and judgements.
- Total revenues increased \$57,964 in the current year as compared to last year, mainly due to increase in operating grants and contributions of \$64,034 due to the recognition of American Rescue Plan Act funds.

Business-type activities—Business-type activities decreased the City’s net position by \$291. Overall, revenues increased \$7,914, expenses increased \$13,562, and transfers out decreased \$1,643 from 2022 to 2023. The overall decrease in net position is due to the following:

- The Solid Waste and Recycling Fund recorded a decrease in net position of \$1,220 as a result of normal operations where operating expenses and transfers out exceeding operating revenues.
- The net position of the Parking Fund decreased \$735, 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 \$1,664 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, 2023, the City’s governmental funds reported combined ending fund balances of \$234,879, an increase of \$41,224 from the prior year. Approximately 6.4 percent of this amount, \$14,915, 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, \$30,248, (2) restricted for particular purposes, \$103,514, (3) committed to particular purposes, \$43,266, or (4) assigned for particular purposes, \$42,936.

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 \$30,248 consists of \$9,533 of real estate acquired for resale, \$19,395 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 \$103,514 are amounts constrained to specific purposes and consist of \$66,927 to finance specific capital projects, \$17,718 for future capital outlay, \$7,937 to pay debt service, \$10,253 for federal and state programs, \$568 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. \$43,265 of fund balance is committed for the City's Emergency Stabilization fund. Assigned fund balance in the amount of \$42,936 consists of \$18,698 to liquidate contracts and purchase orders, \$854 for motor vehicle self-insurance, \$23,200 for judgments and claims, and \$184 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 \$149,421, an increase of \$24,361 from the prior year ended June 30, 2022 due primarily to increased federal aid. 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 2.6 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 25.8 percent of that same amount.

The Debt Service Fund has a total fund balance of \$5,376, which is restricted solely for the purpose of payment of future debt service. The increase in fund balance during the current year in the Debt Service Fund of \$2,274 was mainly due to additional transfers in from closed projects.

The Capital Projects Fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for in the appropriate proprietary fund. At the end of the current fiscal year, Capital Projects Fund fund balance was \$66,927, all of which is restricted for encumbrances and future projects. The increase in fund balance of \$13,562 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 \$32,218. The balance includes a net position of \$(60,404) for the Solid Waste and Recycling Fund, and net position balances of \$34,361 for the Parking Fund and \$58,262 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 \$108. This represents a decrease of \$16 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, 2023 is presented below in Table 3.

Table 3—General Fund Budget

	Budgeted Amounts		Budgetary	Variance with
	Adopted	Final	Actual Amounts	Final Budget
Revenues and other financing sources	\$ 566,729	\$ 594,067	\$ 603,718	\$ 9,651
Expenditures and other financing uses	<u>566,729</u>	<u>600,468</u>	<u>598,055</u>	<u>2,413</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ (6,401)</u>	<u>\$ 5,663</u>	<u>\$ 12,064</u>

Adopted budget compared to final budget—During the year, the City amended appropriations for various purposes. The primary increases were \$6,614 within public works, parks and streets to cover additional maintenance and equipment, as well as \$25,135 within transfers out for the recognition of American Rescue Plan Act funds. These increases were supported by increased aid and 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 \$9,651 above the final budget, due primarily to unanticipated interest earnings and sales tax somewhat offset by less state aid than anticipated. Actual expenditures and other financing uses were lower than the final budget by \$2,413, due primarily to budgetary savings within streets and sanitation.

Capital Assets and Debt Administration

Capital assets—The City's capital assets for its governmental activities and business-type activities as of June 30, 2023 amounted to \$802,575 (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 lease assets, subscription 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, 2023 and June 30, 2022 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,	
	2023	2022	2023	2022	2023	2022
Land	\$ 9,792	\$ 9,792	\$ 3,308	\$ 3,308	\$ 13,100	\$ 13,100
Buildings and improvements	179,471	179,807	114,197	113,242	293,668	293,049
Improvements other than buildings	25,279	25,370	1	10	25,280	25,380
Machinery and equipment	10,394	9,840	2,123	1,406	12,517	11,246
Infrastructure	290,012	283,331	76,725	74,454	366,737	357,785
Right-to-use lease assets	1,191	1,873	-	-	1,191	1,873
Subscription assets	1,188	-	-	-	1,188	-
Construction in progress	85,628	69,428	3,266	4,004	88,894	73,432
Total	<u>\$ 602,955</u>	<u>\$ 579,441</u>	<u>\$ 199,620</u>	<u>\$ 196,424</u>	<u>\$ 802,575</u>	<u>\$ 775,865</u>

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, 2023, the City had total bonded debt outstanding for governmental activities of \$149,347, including bonds issued by BFSa, as compared to \$160,003 in the prior year as a result of scheduled principal payments and a serial bond issuance of \$23,250. The amount attributed to BFSa's total bonded debt outstanding at the end of the current fiscal year is \$2,440.

The bonds outstanding for business-type activities at June 30, 2023 consisted of \$4,468 in general obligation bonds issued by the City for parking and \$116,050 of revenue bonds issued by the Water Authority reported within the Water System. During the year, the City made principal payments on behalf of the Parking Fund of \$639, while the Authority made principal payments on water system revenue refunding bonds of \$6,610.

A summary of the City's long-term liabilities at June 30, 2023 and June 30, 2022 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,	
	2023	2022	2023	2022	2023	2022
Bonds payable, net of premiums and discounts	\$ 172,862	\$ 183,711	\$ 134,129	\$ 142,184	\$ 306,991	\$ 325,895
Lease liability	1,656	1,895	-	-	1,656	1,895
Subscription liability	644	-	-	-	644	-
Compensated absences	27,084	30,508	1,382	1,207	28,466	31,715
Workers' compensation	8,821	7,907	1,117	1,525	9,938	9,432
Landfill post-closure monitoring	350	420	-	-	350	420
OPEB obligation	1,125,336	1,248,555	56,273	63,719	1,181,609	1,312,274
Judgments and claims	57,600	5,000	-	-	57,600	5,000
Net pension liability	240,790	19,727	9,577	-	250,367	19,727
Total	<u>\$ 1,635,143</u>	<u>\$ 1,497,723</u>	<u>\$ 202,478</u>	<u>\$ 208,635</u>	<u>\$ 1,837,621</u>	<u>\$ 1,706,358</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 \$1,267,538. The City had a debt-contracting margin of \$1,282,565 on June 30, 2023. During the year ended June 30, 2023, 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 2024 budget. The total budgeted appropriations for the City's General Fund operations are \$576,995. This budget is a \$10,266 increase from the fiscal year 2023 total budgeted appropriations of \$566,729. The 2023-2024 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, 2023 was 3.2 percent. This compares to New York State's average unemployment rate of 3.9 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, 920 City Hall, Buffalo, New York 14202.

** THIS PAGE INTENTIONALLY LEFT BLANK **

BASIC FINANCIAL STATEMENTS

** THIS PAGE INTENTIONALLY LEFT BLANK **

CITY OF BUFFALO, NEW YORK
Statement of Net Position
June 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Board	BURA
ASSETS					
Cash and cash equivalents	\$ 421,940,562	\$ 19,408,165	\$ 441,348,727	\$ 10,676,825	\$ 4,550,223
Restricted cash and cash equivalents	368,101,457	29,886,787	397,988,244	23,948,067	1,363,344
Restricted investments	2,238,666	5,430,413	7,669,079	-	-
Receivables (net of allowances)	15,297,492	9,102,493	24,399,985	16,600,775	1,168,488
Leases receivable	21,833,806	-	21,833,806	-	442,922
Intergovernmental receivables	26,290,597	14,040	26,304,637	185,995,818	3,119,045
Due from component units/ primary government	6,395,000	-	6,395,000	375,499,959	58,333
Internal balances	17,759,082	(17,759,082)	-	-	-
Prepaid items and other assets	1,290,572	-	1,290,572	2,233,152	137,819
Real estate acquired for resale	9,532,620	-	9,532,620	-	3,019,389
Capital assets not being depreciated/amortized	95,419,823	6,574,127	101,993,950	56,252,244	-
Capital assets, net of accumulated depreciation/amortization	507,535,651	193,045,854	700,581,505	587,340,218	408,289
Total assets	<u>1,493,635,328</u>	<u>245,702,797</u>	<u>1,739,338,125</u>	<u>1,258,547,058</u>	<u>14,267,852</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	2,263,944	2,263,944	15,350,158	-
Deferred outflows—relating to pensions	157,451,931	6,438,003	163,889,934	209,226,170	940,996
Deferred outflows—relating to OPEB	96,819,036	1,747,759	98,566,795	415,660,000	-
Total deferred outflows of resources	<u>254,270,967</u>	<u>10,449,706</u>	<u>264,720,673</u>	<u>640,236,328</u>	<u>940,996</u>
LIABILITIES					
Accounts payable and accrued liabilities	33,346,426	6,916,875	40,263,301	93,605,258	2,138,249
Retainages payable	1,752,950	-	1,752,950	1,073,010	-
Intergovernmental payables	12,615,935	581,185	13,197,120	45,076,402	-
Due to component units/primary government	375,584,890	-	375,584,890	6,395,000	-
Unearned revenue	203,138,604	577,853	203,716,457	-	596,764
Noncurrent liabilities:					
Due within one year	54,066,402	8,854,481	62,920,883	97,852,248	14,571
Due in more than one year	1,581,077,189	193,623,902	1,774,701,091	2,370,775,620	9,780,154
Total liabilities	<u>2,261,582,396</u>	<u>210,554,296</u>	<u>2,472,136,692</u>	<u>2,614,777,538</u>	<u>12,529,738</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	167,937	-	167,937	13,496,367	-
Deferred inflows—relating to leases	20,800,558	-	20,800,558	-	412,532
Deferred inflows—relating to pensions	12,821,606	437,217	13,258,823	20,030,050	132,747
Deferred inflows—relating to OPEB	213,815,378	12,942,507	226,757,885	1,133,067,000	-
Total deferred inflows of resources	<u>247,605,479</u>	<u>13,379,724</u>	<u>260,985,203</u>	<u>1,166,593,417</u>	<u>545,279</u>
NET POSITION					
Net investment in capital assets	499,193,460	97,495,985	596,689,445	135,744,328	395,606
Restricted for:					
Capital outlay	17,717,788	-	17,717,788	-	10,647
Debt service	7,937,302	-	7,937,302	23,026,574	-
Grants	10,253,155	-	10,253,155	-	717,268
Judgments and claims	-	-	-	17,750,000	-
Unemployment insurance	-	-	-	9,156,044	-
Perpetual care—Expendable	111,287	-	111,287	-	-
Perpetual care—Unexpendable	30,000	-	30,000	-	-
Other purposes	568,417	-	568,417	4,431,126	-
Unrestricted	(1,297,092,989)	(65,277,502)	(1,362,370,491)	(2,072,695,641)	1,010,310
Total net position	<u>\$ (761,281,580)</u>	<u>\$ 32,218,483</u>	<u>\$ (729,063,097)</u>	<u>\$ (1,882,587,569)</u>	<u>\$ 2,133,831</u>

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

CITY OF BUFFALO, NEW YORK
Statement of Activities
Year Ended June 30, 2023

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	Board	BURA
Primary government:									
Governmental activities:									
General government support	\$ 153,140,137	\$ 12,252,822	\$ 1,888,030	\$ 19,028	\$ (138,980,257)	\$ -	\$ (138,980,257)	\$ -	\$ -
Public safety	345,999,406	8,646,374	6,321,312	95,224	(330,936,496)	-	(330,936,496)	-	-
Streets and sanitation	50,930,310	5,467,144	-	27,600,795	(17,862,371)	-	(17,862,371)	-	-
Economic assistance and opportunity	38,577,844	5,400,699	26,655,356	1,553,519	(4,968,270)	-	(4,968,270)	-	-
Culture and recreation	13,786,797	358,177	25,000	10,352,696	(3,050,924)	-	(3,050,924)	-	-
Health and community services	4,620,101	177,629	79,701,907	-	75,259,435	-	75,259,435	-	-
Education	70,822,758	-	-	-	(70,822,758)	-	(70,822,758)	-	-
Interest and fiscal charges	4,155,926	-	-	-	(4,155,926)	-	(4,155,926)	-	-
Total governmental activities	682,033,279	32,302,845	114,591,605	39,621,262	(495,517,567)	-	(495,517,567)	-	-
Business-type activities:									
Solid Waste and Recycling	28,863,932	25,563,542	-	2,053,605	-	(1,246,785)	(1,246,785)	-	-
Parking	1,823,810	3,729,241	-	-	-	1,905,431	1,905,431	-	-
Water System	45,574,957	50,826,725	-	-	-	5,251,768	5,251,768	-	-
Total business-type activities	76,262,699	80,119,508	-	-	-	5,910,414	5,910,414	-	-
Total primary government	\$ 758,295,978	\$ 112,422,353	\$ 114,591,605	\$ 39,621,262	(495,517,567)	5,910,414	(489,607,153)	-	-
Component units:									
Board	\$ 1,044,376,599	\$ 4,803,827	\$ 303,812,014	\$ 3,222,528				(732,538,230)	-
BURA	56,540,789	1,067,216	55,255,951	-				-	(217,622)
Total component units	\$ 1,100,917,388	\$ 5,871,043	\$ 359,067,965	\$ 3,222,528				(732,538,230)	(217,622)
General revenues:									
Taxes:									
Property taxes					151,701,377	-	151,701,377	-	-
Interest and penalties					2,474,291	-	2,474,291	-	-
Mortgage taxes					4,683,569	-	4,683,569	-	-
Payments in lieu of taxes					4,870,855	-	4,870,855	-	-
Gross utility tax					13,182,280	-	13,182,280	-	-
Intergovernmental—unrestricted					124,740,745	132,729	124,873,474	59,860,152	-
Investment earnings					15,868,408	607,416	16,475,824	-	149,555
Contribution from City of Buffalo					-	-	-	70,822,758	-
State aid—unrestricted					161,549,843	-	161,549,843	848,208,811	-
Miscellaneous					4,900,120	-	4,900,120	24,326,724	1,421,030
Transfers					6,941,517	(6,941,517)	-	-	-
Total general revenues and transfers					490,913,005	(6,201,372)	484,711,633	1,003,218,445	1,570,585
Change in net position					(4,604,562)	(290,958)	(4,895,520)	270,680,215	1,352,963
Net position—beginning, as restated					(756,677,018)	32,509,441	(724,167,577)	(2,153,267,784)	780,868
Net position—ending					\$ (761,281,580)	\$ 32,218,483	\$ (729,063,097)	\$ (1,882,587,569)	\$ 2,133,831

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

CITY OF BUFFALO, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2023

	General	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 421,601,429	\$ -	\$ -	\$ 262,707	\$ 421,864,136
Restricted cash and cash equivalents	225,286,733	3,412,653	126,742,900	12,659,171	368,101,457
Restricted investments	-	-	-	2,238,666	2,238,666
Receivables:					
Delinquent taxes and assessments	14,390,412	-	-	-	14,390,412
Accounts receivable	16,615,261	-	328,000	4,548	16,947,809
Due from other agencies	842,801	-	-	-	842,801
Allowances	(16,911,444)	-	-	-	(16,911,444)
Net receivables	14,937,030	-	328,000	4,548	15,269,578
Leases receivable	21,833,806	-	-	-	21,833,806
Intergovernmental receivables	3,287,940	-	3,869,326	19,133,331	26,290,597
Due from other funds	45,543,307	1,963,313	-	1,255,662	48,762,282
Prepaid items	1,273,917	-	-	16,655	1,290,572
Real estate acquired for resale	9,532,620	-	-	-	9,532,620
Total assets	<u>\$ 743,296,782</u>	<u>\$ 5,375,966</u>	<u>\$ 130,940,226</u>	<u>\$ 35,570,740</u>	<u>\$ 915,183,714</u>
LIABILITIES					
Accounts payable	\$ 6,012,961	\$ -	\$ 574,254	\$ 3,897,291	\$ 10,484,506
Accrued liabilities	21,693,986	-	-	49,788	21,743,774
Intergovernmental payables	113,907	-	40,272	129,574	283,753
Due to other funds	-	-	19,296,481	11,710,043	31,006,524
Due to component units	324,918,993	-	44,025,676	6,613,621	375,558,290
Due to retirement systems	12,318,026	-	-	14,156	12,332,182
Unearned revenue	203,061,579	-	77,025	-	203,138,604
Total liabilities	<u>568,119,452</u>	<u>-</u>	<u>64,013,708</u>	<u>22,414,473</u>	<u>654,547,633</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to leases	20,800,558	-	-	-	20,800,558
Unavailable revenue—property taxes	4,956,245	-	-	-	4,956,245
Total deferred inflows of resources	<u>25,756,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,756,803</u>
FUND BALANCES					
Nonspendable	30,201,483	-	-	46,655	30,248,138
Restricted	18,286,205	5,375,966	66,926,518	12,925,778	103,514,467
Committed	43,265,526	-	-	-	43,265,526
Assigned	42,752,069	-	-	183,834	42,935,903
Unassigned	14,915,244	-	-	-	14,915,244
Total fund balances	<u>149,420,527</u>	<u>5,375,966</u>	<u>66,926,518</u>	<u>13,156,267</u>	<u>234,879,278</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 743,296,782</u>	<u>\$ 5,375,966</u>	<u>\$ 130,940,226</u>	<u>\$ 35,570,740</u>	<u>\$ 915,183,714</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, 2023

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

Total fund balances—governmental funds (page 17)		\$ 234,879,278
City capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund statements. The cost of these assets is \$1,302,178,022 and the accumulated depreciation/amortization is \$699,222,548.		602,955,474
Property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the fund statements.		4,956,245
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the fund statements.		6,395,000
Deferred outflows and inflows of resources related to pensions (including BFSFA) and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements.		
Deferred outflows related to pensions employer contributions	\$ 12,348,752	
Deferred outflows related to pensions experience, changes of assumptions, investment earnings, and changes in proportion	145,103,179	
Deferred outflows related to OPEB liability	96,819,036	
Deferred inflows related to pension plans	(12,821,606)	
Deferred inflows related to OPEB liability	<u>(213,815,378)</u>	27,633,983
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.		(167,937)
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.		107,505
Net accrued interest expense for serial bonds is not reported in the fund statements.		(1,144,587)
To recognize retainages payable on outstanding capital projects not recorded in the fund statements.		(1,752,950)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
General obligations bonds—City	\$ (146,907,178)	
General obligations bonds—BFSFA	(2,440,000)	
Unamortized premiums on bonds—City	(23,125,506)	
Unamortized premiums on bonds—BFSFA	(389,706)	
Lease liability	(1,656,333)	
Subscription liability	(643,922)	
Compensated absences	(27,083,858)	
Workers' compensation	(8,821,461)	
Landfill post-closure monitoring costs	(350,000)	
OPEB obligation—City	(1,124,320,628)	
OPEB obligation—BFSFA	(1,015,188)	
Judgments and claims	(57,600,000)	
Net pension liability—City	(240,414,533)	
Net pension liability—BFSFA	<u>(375,278)</u>	(1,635,143,591)
Net position of governmental activities		<u>\$ (761,281,580)</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, 2023

	General	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes, assessments, and other tax items	\$ 163,730,092	\$ -	\$ -	\$ -	\$ 163,730,092
Utility and other nonproperty tax items	13,023,202	-	-	-	13,023,202
Intergovernmental	364,187,783	5,413,517	42,190,007	32,691,394	444,482,701
Investment interest	13,922,054	1,946,354	-	8,857	15,877,265
License, permit, rentals, fines, and other service charges	27,478,774	109,570	2,211,537	-	29,799,881
Miscellaneous	7,384,576	142,246	866,439	119,132	8,512,393
Total revenues	<u>589,726,481</u>	<u>7,611,687</u>	<u>45,267,983</u>	<u>32,819,383</u>	<u>675,425,534</u>
EXPENDITURES					
Current:					
General government support	70,298,468	-	-	940,792	71,239,260
Public safety	179,722,260	-	-	12,063,643	191,785,903
Streets and sanitation	18,191,658	-	-	3,796,029	21,987,687
Economic assistance and opportunity	3,162,976	-	-	33,726,866	36,889,842
Culture and recreation	8,440,850	-	-	558,023	8,998,873
Health and community services	3,224,069	-	-	227,329	3,451,398
Education	70,822,758	-	-	-	70,822,758
Employee benefits	158,241,903	-	-	-	158,241,903
Other	5,296,730	-	-	-	5,296,730
Debt service:					
Principal	1,722,835	31,865,737	-	2,040,000	35,628,572
Interest and fiscal charges	61,800	7,075,748	125,818	110,015	7,373,381
Capital outlay:					
General government support	-	-	8,876,808	-	8,876,808
Public safety	-	-	3,811,007	-	3,811,007
Streets and sanitation	-	-	38,854,548	-	38,854,548
Economic assistance and opportunity	-	-	519,062	-	519,062
Culture and recreation	-	-	5,906,471	-	5,906,471
Total expenditures	<u>519,186,307</u>	<u>38,941,485</u>	<u>58,093,714</u>	<u>53,462,697</u>	<u>669,684,203</u>
Excess (deficiency) of revenues over expenditures	<u>70,540,174</u>	<u>(31,329,798)</u>	<u>(12,825,731)</u>	<u>(20,643,314)</u>	<u>5,741,331</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,863,634	35,590,164	1,307,000	26,593,205	75,354,003
Transfers out	(60,171,355)	(2,364,544)	(954,470)	(4,922,117)	(68,412,486)
Serial bonds issued	-	-	23,250,000	-	23,250,000
Leases issued	424,485	-	-	-	424,485
Subscription liability issued	1,703,683	-	-	-	1,703,683
Premium on serial bonds issued	-	378,668	2,784,786	-	3,163,454
Total other financing sources (uses)	<u>(46,179,553)</u>	<u>33,604,288</u>	<u>26,387,316</u>	<u>21,671,088</u>	<u>35,483,139</u>
Net change in fund balances	24,360,621	2,274,490	13,561,585	1,027,774	41,224,470
Fund balances—beginning	125,059,906	3,101,476	53,364,933	12,128,493	193,654,808
Fund balances—ending	<u>\$ 149,420,527</u>	<u>\$ 5,375,966</u>	<u>\$ 66,926,518</u>	<u>\$ 13,156,267</u>	<u>\$ 234,879,278</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, 2023

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)		\$ 41,224,470
--	--	---------------

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 in the current period.

Capital asset additions, net	\$ 63,787,910	
Depreciation/amortization expense	<u>(40,273,368)</u>	23,514,542

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.	(96,927)
---	----------

Revenues reported in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds.	(5,193,752)
---	-------------

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	\$ 46,562,246	
Cost of benefits earned net of employee contributions	(76,889,521)	
Changes in OPEB assumptions	<u>(117,104,289)</u>	(147,431,564)

The internal service funds are used by management to charge the costs of internal print services. The net expense of certain activities of internal service funds is reported with governmental activities.	(15,766)
---	----------

In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid.	(247,884)
--	-----------

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:

General obligations bonds issued—City	\$ (23,250,000)	
Repayment of general obligations bonds—City	31,865,737	
Repayment of general obligations bonds—BFSA	2,040,000	
Premium on general obligations bonds issued—City	(3,163,454)	
Amortization of bond premiums—City	3,147,643	
Amortization of bond premiums—BFSA	208,874	
Lease liability issued	(424,485)	
Repayment of lease liability	663,074	
Subscription liability issued	(1,703,683)	
Repayment of subscription liability	1,059,761	
Change in compensated absences	3,424,111	
Change in workers' compensation	(914,386)	
Change in landfill post-closure monitoring costs	70,000	
Change in other postemployment benefits obligation—City	123,216,965	
Change in other postemployment benefits obligation—BFSA	2,162	
Change in judgments and claims	<u>(52,600,000)</u>	<u>83,642,319</u>

Change in net position of governmental activities		<u>\$ (4,604,562)</u>
---	--	-----------------------

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, 2023

	Business-type Activities—Enterprise Funds				
	Solid Waste and Recycling	Parking	Water System	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 3,792,697	\$ 15,615,468	\$ 19,408,165	\$ 76,426
Restricted cash and cash equivalents	145,325	2,142	29,739,320	29,886,787	-
Restricted investments	-	-	5,430,413	5,430,413	-
Receivables:					
Accounts receivable	12,084,537	1,309,023	33,443,010	46,836,570	27,914
Other receivables	229,414	-	1,363,484	1,592,898	-
Due from other agencies	-	-	127,425	127,425	-
Allowances	(11,506,072)	-	(27,948,328)	(39,454,400)	-
Net receivables	807,879	1,309,023	6,985,591	9,102,493	27,914
Intergovernmental receivables	-	-	14,040	14,040	-
Due from other funds	884,505	291,233	460,127	1,635,865	3,324
Total current assets	1,837,709	5,395,095	58,244,959	65,477,763	107,664
Noncurrent assets:					
Capital assets not being depreciated:					
Land	1	3,162,773	145,116	3,307,890	-
Construction in progress	-	299,535	2,966,702	3,266,237	-
Total capital assets not being depreciated	1	3,462,308	3,111,818	6,574,127	-
Capital assets being depreciated:					
Buildings, building improvements, and infrastructure	5,378,743	59,611,762	281,571,409	346,561,914	-
Improvements other than buildings	201,071	-	252,393	453,464	-
Machinery and equipment	10,701,455	218,744	2,062,630	12,982,829	-
Accumulated depreciation	(12,536,639)	(28,851,637)	(125,564,077)	(166,952,353)	-
Total capital assets being depreciated	3,744,630	30,978,869	158,322,355	193,045,854	-
Total noncurrent assets	3,744,631	34,441,177	161,434,173	199,619,981	-
Total assets	5,582,340	39,836,272	219,679,132	265,097,744	107,664
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	-	2,263,944	2,263,944	-
Deferred outflows—relating to pensions	3,529,496	-	2,908,507	6,438,003	-
Deferred outflows—relating to OPEB	862,538	16,282	868,939	1,747,759	-
Total deferred outflows of resources	4,392,034	16,282	6,041,390	10,449,706	-
LIABILITIES					
Current liabilities:					
Accounts payable	1,217,657	544	2,056,321	3,274,522	159
Other accrued liabilities	652,580	55,114	2,934,659	3,642,353	-
Due to retirement systems	317,639	1,793	261,753	581,185	-
Unearned revenue	577,853	-	-	577,853	-
Accrued compensated absences	29,466	-	68,655	98,121	-
Accrued workers' compensation	96,498	-	302,361	398,859	-
General obligation and revenue bonds payable within one year, net	-	804,621	7,552,880	8,357,501	-
Total current liabilities	2,891,693	862,072	13,176,629	16,930,394	159

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2023

(concluded)

	Business-type Activities—Enterprise Funds				
	Solid Waste and Recycling	Parking	Water System	Total	Internal Service Fund
Noncurrent liabilities:					
Due to other funds	19,394,947	-	-	19,394,947	-
Accrued compensated absences	575,921	-	707,876	1,283,797	-
Accrued workers' compensation	353,044	-	364,949	717,993	-
Accrued other postemployment benefits obligation	34,431,787	124,579	21,716,663	56,273,029	-
General obligation and revenue bonds payable, net	-	4,468,416	121,303,485	125,771,901	-
Net pension liability	5,250,482	-	4,326,700	9,577,182	-
Total noncurrent liabilities	<u>60,006,181</u>	<u>4,592,995</u>	<u>148,419,673</u>	<u>213,018,849</u>	<u>-</u>
Total liabilities	<u>62,897,874</u>	<u>5,455,067</u>	<u>161,596,302</u>	<u>229,949,243</u>	<u>159</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	239,694	-	197,523	437,217	-
Deferred inflows—relating to OPEB	7,241,125	36,938	5,664,444	12,942,507	-
Total deferred inflows of resources	<u>7,480,819</u>	<u>36,938</u>	<u>5,861,967</u>	<u>13,379,724</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	3,744,631	29,170,282	64,581,072	97,495,985	-
Unrestricted	(64,148,950)	5,190,267	(6,318,819)	(65,277,502)	107,505
Total net position	<u>\$ (60,404,319)</u>	<u>\$ 34,360,549</u>	<u>\$ 58,262,253</u>	<u>\$ 32,218,483</u>	<u>\$ 107,505</u>

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

** THIS PAGE INTENTIONALLY LEFT BLANK **

CITY OF BUFFALO, NEW YORK
Statement of Revenues, Expenses, and Changes in Net Position—
Proprietary Funds
Year Ended June 30, 2023

	Business-type Activities—Enterprise Funds				
	Solid Waste and Recycling	Parking	Water System	Total	Internal Service Fund
Operating revenues:					
Charges for services	\$ 24,853,754	\$ -	\$ 48,816,987	\$ 73,670,741	\$ 46,544
Rent	-	4,383,101	-	4,383,101	-
Other	709,788	-	2,009,738	2,719,526	-
Total operating revenues	<u>25,563,542</u>	<u>4,383,101</u>	<u>50,826,725</u>	<u>80,773,368</u>	<u>46,544</u>
Operating expenses:					
Services and supplies	22,579,602	14,380	29,283,686	51,877,668	62,310
Fringe benefits	5,849,903	46,568	3,272,497	9,168,968	-
Depreciation	434,427	1,518,436	7,475,357	9,428,220	-
Other	-	-	1,053,202	1,053,202	-
Total operating expenses	<u>28,863,932</u>	<u>1,579,384</u>	<u>41,084,742</u>	<u>71,528,058</u>	<u>62,310</u>
Operating income (loss)	<u>(3,300,390)</u>	<u>2,803,717</u>	<u>9,741,983</u>	<u>9,245,310</u>	<u>(15,766)</u>
Nonoperating revenues (expenses):					
Interest earnings	-	26,709	580,707	607,416	-
Interest expense	-	(244,426)	(4,490,215)	(4,734,641)	-
Loss on disposal of capital assets	-	(653,860)	-	(653,860)	-
Other	-	132,729	-	132,729	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>(738,848)</u>	<u>(3,909,508)</u>	<u>(4,648,356)</u>	<u>-</u>
Income (loss) before capital contributions and transfers	(3,300,390)	2,064,869	5,832,475	4,596,954	(15,766)
Capital contributions	2,053,605	-	-	2,053,605	-
Transfers in	700,000	-	-	700,000	-
Transfers out	<u>(673,078)</u>	<u>(2,800,000)</u>	<u>(4,168,439)</u>	<u>(7,641,517)</u>	<u>-</u>
Change in net position	(1,219,863)	(735,131)	1,664,036	(290,958)	(15,766)
Total net position—beginning	<u>(59,184,456)</u>	<u>35,095,680</u>	<u>56,598,217</u>	<u>32,509,441</u>	<u>123,271</u>
Total net position—ending	<u>\$ (60,404,319)</u>	<u>\$ 34,360,549</u>	<u>\$ 58,262,253</u>	<u>\$ 32,218,483</u>	<u>\$ 107,505</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, 2023

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 25,581,488	\$ 4,023,095	\$ 50,154,307	\$ 79,758,890	\$ 44,057
Payments to suppliers and employees for goods and services	(28,599,865)	(59,430)	(33,578,380)	(62,237,675)	(64,189)
Net cash provided by (used for) operating activities	(3,018,377)	3,963,665	16,575,927	17,521,215	(20,132)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	700,000	-	-	700,000	-
Transfers to other funds	(673,078)	(2,800,000)	(4,168,439)	(7,641,517)	-
Repayment of advances from other funds	-	(1,710,663)	(3,582,607)	(5,293,270)	-
Advances from other funds	3,043,578	-	2,556,153	5,599,731	177
Net cash provided by (used for) noncapital financing activities	3,070,500	(4,510,663)	(5,194,893)	(6,635,056)	177
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	-	(81,335)	(11,143,847)	(11,225,182)	-
Principal payments on bonds	-	(639,263)	(6,610,000)	(7,249,263)	-
Interest payments and other fiscal charges	-	(244,426)	(4,821,960)	(5,066,386)	-
Net cash (used for) capital and related financing activities	-	(965,024)	(22,575,807)	(23,540,831)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	-	-	96,614	96,614	-
Interest received on short-term investments	-	26,709	484,093	510,802	-
Net cash provided by investing activities	-	26,709	580,707	607,416	-
Net increase in cash and cash equivalents	52,123	(1,485,313)	(10,614,066)	(12,047,256)	(19,955)
Cash, cash equivalents and investments—beginning	93,202	5,280,152	61,399,267	66,772,621	96,381
Cash, cash equivalents and investments—ending	\$ 145,325	\$ 3,794,839	\$ 50,785,201	\$ 54,725,365	\$ 76,426

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2023

(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)	\$ (3,300,390)	\$ 2,803,717	\$ 9,741,983	\$ 9,245,310	\$ (15,766)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	434,427	1,518,436	7,475,357	9,428,220	-
Pension expense	-	-	689,622	689,622	-
Decrease (increase) in receivables	17,946	(360,006)	(672,418)	(1,014,478)	(2,487)
Decrease in net pension asset	1,906,049	-	1,698,152	-	-
Decrease (increase) in deferred outflow—pensions	1,334,799	(9,074)	301,001	1,626,726	-
Decrease in deferred outflow—relating to OPEB	72,933	-	1,672,125	1,745,058	-
Increase (decrease) in payables	627,406	544	(106,278)	521,672	(1,879)
(Decrease) in other accrued liabilities	(715,341)	(9,250)	(383,429)	(1,108,020)	-
Increase in due to retirement systems	115,001	679	81,217	196,897	-
Increase in unearned revenue	55,833	-	-	55,833	-
Increase in compensated absences	126,654	-	48,473	175,127	-
(Decrease) in workers' compensation	(81,832)	-	(325,858)	(407,690)	-
(Decrease) increase in accrued other postemployment benefits obligation	(3,908,332)	5,255	(3,543,377)	(7,446,454)	-
Increase in net pension liability	5,250,482	-	4,326,700	9,577,182	-
(Decrease) in deferred inflows—pensions	(6,308,254)	-	(5,636,231)	(11,944,485)	-
Increase in deferred inflows—relating to OPEB	1,354,242	13,364	1,208,888	2,576,494	-
Total adjustments	282,013	1,159,948	6,833,944	8,275,905	(4,366)
Net cash provided by (used for) operating activities	<u>\$ (3,018,377)</u>	<u>\$ 3,963,665</u>	<u>\$ 16,575,927</u>	<u>\$ 17,521,215</u>	<u>\$ (20,132)</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, 2023

	Private Purpose Trust	Custodial
ASSETS		
Restricted cash and cash equivalents	\$ 23,912	\$ 1,370,946
Restricted investments	32,912	-
Receivables	6,302	-
Total assets	<u>63,126</u>	<u>1,370,946</u>
NET POSITION		
Restricted for:		
Trust arrangements	63,126	-
Prisoner property	-	1,370,946
Total net position	<u>\$ 63,126</u>	<u>\$ 1,370,946</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, 2023

	Private Purpose Trust	Custodial
ADDITIONS		
Funds received on behalf of individuals	\$ -	\$ 745,869
Interest earnings	<u>197</u>	<u>-</u>
Total additions	<u>197</u>	<u>745,869</u>
DEDUCTIONS		
Funds distributed to individuals	<u>-</u>	<u>933,326</u>
Total deductions	<u>-</u>	<u>933,326</u>
Change in fiduciary net position	197	(187,457)
Net position—beginning	<u>62,929</u>	<u>1,558,403</u>
Net position—ending	<u><u>\$ 63,126</u></u>	<u><u>\$ 1,370,946</u></u>

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

** THIS PAGE INTENTIONALLY LEFT BLANK **

CITY OF BUFFALO, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2023

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 BFSA are included as blended component units because exclusion would be misleading.

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

Buffalo Board of Education Office of the Chief Financial Officer 708 City Hall Buffalo, NY 14202	Buffalo Municipal Water Finance Authority 502 City Hall Buffalo, NY 14202
City of Buffalo Urban Renewal Agency Financial Control of Agencies 920 City Hall Buffalo, NY 14202	Buffalo Water Board 502 City Hall Buffalo, NY 14202
Buffalo Fiscal Stability Authority Ellicott Square Building - Suite 800 295 Main Street Buffalo, NY 14203	

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.

Broadway Market Management Inc. (Previously known as 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 enterprise 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 lease/subscription liability acquisitions 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 fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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.

Intergovernmental Receivables—Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the City to reimburse it for expenditures incurred pursuant to state and federally funded programs.

Lease Receivable—The City is a lessor for noncancellable leases of buildings. The City recognizes a lease receivable and a deferred inflow of resources in the statement of net position. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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 real estate assets held by the City with the intention to resell.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure, subscription assets and right-to-use lease 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. Subscription and right-to-use lease assets are initially measured as the initial amount of the liability, adjusted for payments made at or before the 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 lease assets	3 - 6
Subscription assets	2 - 5

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 lease 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 statement purposes. At June 30, 2023, the City reported unearned revenues within the General Fund, Capital Projects Fund and Solid Waste and Recycling Fund in the amounts of \$203,061,579, \$77,025 and \$577,853, 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, 2023, the City has three items that qualify for reporting in this category. The first item is deferred charge on refunding, which is reported within the proprietary funds. The second item is related to pensions and is also reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the City's proportion of the collective net pension liability, the difference during the measurement period between the City's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The final item represents the effects of the change in the City's proportion of the collective total OPEB liability and difference during the measurement period between certain 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, 2023, 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 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, 2023 the City had a legal tax margin of approximately \$196.9 million.

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

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

Pension Plans—The City is mandated by New York State law to participate in the New York State Teacher's Retirement System ("TRS"), the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance

with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 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. Estimates also affect the reported amounts of revenue and expenses/expenditures during the reporting 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, \$6,555,288 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, \$333,723,164 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, 2023, the City implemented 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*. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnerships arrangements ("PPPs"). GASB Statement No. 96 improves financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements ("SBITAs") and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature related to GASB Statements No. 94 and 96. The implementation of GASB Statements No. 94, 96, and a portion of 99 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 the remainder of GASB Statement 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. 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, 2023, the Solid Waste and Recycling Fund reported a total net position of \$(60,404,319). This net position deficit includes accrued other postemployment benefits obligation (“OPEB”) of \$34,431,787 and deferred inflows related to OPEB of \$7,241,125. In addition, the Solid Waste and Recycling Fund reports a long-term interfund payable to the General Fund in the amount of \$19,394,947. 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, 2023 the City’s governmental activities reported a total net position of \$(761,281,580) due primarily to the recognition of the \$1,125,335,816 OPEB obligation and the related deferred inflows of resources of \$213,815,378.

The Board reported a total net position of \$(1,882,587,569) at June 30, 2023, which is caused primarily by the Board’s recognition of their OPEB obligation of \$1.8 billion and the related deferred inflows of resources of \$1.1 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, 2023, of which the bank carrying balance at June 30, 2023, was \$795,035,161.

Cash, cash equivalents and investments at June 30, 2023 are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 8,200	\$ -	\$ -	\$ 8,200
Deposits	790,033,819	49,294,952	1,394,858	840,723,629
Investments	2,238,666	5,430,413	32,912	7,701,991
Total	<u>\$ 792,280,685</u>	<u>\$ 54,725,365</u>	<u>\$ 1,427,770</u>	<u>\$ 848,433,820</u>

Cash and cash equivalents consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 421,940,562	\$ 19,408,165	\$ -	\$ 441,348,727
Restricted cash and cash equivalents	368,101,457	29,886,787	-	397,988,244
Cash held in fiduciary funds	-	-	1,394,858	1,394,858
Total	<u>\$ 790,042,019</u>	<u>\$ 49,294,952</u>	<u>\$ 1,394,858</u>	<u>\$ 840,731,829</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, 2023, 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 \$3,938,949 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 \$203,061,579 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 \$3,412,653 are held by a trustee for future debt service payments. Restricted cash of \$126,742,900 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 \$18,286,205, \$9,670,728, \$2,561,336, and \$111,287 in the General Fund, Special Revenue Fund, BFSAs Debt Service Fund and Permanent Fund, respectively, which represent amounts with constraints placed on their use by either external parties and/or statute.

Business-Type Activities Restricted Cash and Cash Equivalents—Business-type restricted cash and cash equivalents within the Solid Waste and Recycling Fund, Parking Fund and Water System Fund represents unearned revenues and 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, 2023, \$2,142 and \$29,739,320 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 \$16,897,320 at June 30, 2023.

Restricted Investments—At June 30, 2023, total investments of \$7,701,991 consisted of investments held by governmental activities of \$2,238,666, held by the business-type activities of \$5,430,413 and maintained in fiduciary funds of \$32,912. Investments at June 30, 2023 are presented in the following table:

	Moody's Ratings	S&P Ratings	Cost	Fair Value	Maturity
Certificates of deposit	n/a	n/a	\$ 5,430,413	\$ 5,430,413	7/28/2023
U.S. Treasury SLGs	n/a	n/a	618,499	591,342	8/31/2023
Federal Home Loan Banks	Aaa/P-1	AA+/A-1+	1,653,079	1,680,236	8/31/2023
Total			<u>\$ 7,701,991</u>	<u>\$ 7,701,991</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, 2023. Additionally, investments include restricted amounts for those fund balances constrained to specific purposes through constitutional provisions or by enabling legislation.

The risk and type of investments presented above generally indicate activity and positions held throughout the year. Maturities related to the BFSAs’s investments are generally short-term with certificates of deposit issued with 30-day maturities and commercial paper due within 45 days.

Fair Value Measurements—Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <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. |

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All investments reported by the City are measured using level 1 inputs.

Custodial Credit Risk—Investments—For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the City's name.

Credit Risk—In compliance with the State law, City investments are limited to obligations of the Federal government, obligations guaranteed by the Federal government where the payment of principal and interest are guaranteed by the Federal government, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

Concentration of Credit Risk—To promote competition in rates and service cost, and to limit the risk of institutional failure, City deposits and investments are placed with multiple institutions. The general rule is not to place more than \$100 million or 50% of the City's total investment portfolio, whichever is less, in overnight investments with any one institution.

Interest Rate Risk—The City has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are limited to a maximum of two years, however the City generally limits its investments to 180 days or less.

Board of Education

At June 30, 2023, cash in banks was \$34,624,892, and were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—The Board has restricted cash of \$23,948,067 at June 30, 2023 for various purposes as follows:

- \$10,907,317 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.
- \$12,119,257 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.
- \$609,056 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.
- \$312,437 represents endowment funds and can be used in accordance with the respective endowment document.

Buffalo Urban Renewal Agency

At June 30, 2023, BURA reported total deposits of \$4,550,223. 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, 2023, 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, 2023, BURA reported \$1,363,344 of restricted cash.

3. RECEIVABLES

Receivables at June 30, 2023, 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	\$ 14,390,412	\$ (8,097,414)	\$ 6,292,998
Accounts receivable	16,615,261	(8,814,030)	7,801,231
Due from other agencies	842,801	-	842,801
Total	<u>31,848,474</u>	<u>(16,911,444)</u>	<u>14,937,030</u>
Capital Projects Fund:			
Accounts receivable	328,000	-	328,000
Nonmajor governmental funds:			
Accounts receivable	4,548	-	4,548
Total governmental funds	<u>32,181,022</u>	<u>(16,911,444)</u>	<u>15,269,578</u>
Proprietary funds:			
Solid Waste and Recycling Fund:			
Accounts receivable	12,084,537	(11,409,017)	675,520
Other receivables	229,414	(97,055)	132,359
Total	<u>12,313,951</u>	<u>(11,506,072)</u>	<u>807,879</u>
Parking Fund:			
Accounts receivable	<u>1,309,023</u>	<u>-</u>	<u>1,309,023</u>
Water System Fund:			
Accounts receivable	33,443,010	(27,948,328)	5,494,682
Other receivables	1,363,484	-	1,363,484
Due from other agencies	127,425	-	127,425
Total	<u>34,933,919</u>	<u>(27,948,328)</u>	<u>6,985,591</u>
Internal Service Fund:			
Accounts receivable	<u>27,914</u>	<u>-</u>	<u>27,914</u>
Total proprietary funds	<u>48,584,807</u>	<u>(39,454,400)</u>	<u>9,130,407</u>
Total primary government	<u>\$ 80,765,829</u>	<u>\$ (56,365,844)</u>	<u>\$ 24,399,985</u>

Lease Receivable—The City leases a building to a third party. At June 30, 2023, the lease has ninety-five remaining years and the City will receive variable annual payments. The City recognized \$275,010 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the City's receivable for lease payments was \$21,833,806. 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, 2023, the balance of the deferred inflow of resources was \$20,800,558.

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, 2023 are shown below:

Governmental funds:

General Fund:

Due from Erie County	\$ 268,452
Due from New York State, net	2,695,606
Due from federal government	<u>323,882</u>
Total	<u>3,287,940</u>

Capital Projects Fund:

Due from New York State	<u>3,869,326</u>
-------------------------	------------------

Nonmajor governmental funds:

Due from New York State	<u>19,133,331</u>
Total	<u>19,133,331</u>

Total governmental funds	<u>\$ 26,290,597</u>
--------------------------	----------------------

Board of Education

At June 30, 2023, the Board accrued \$16,600,776 in accounts receivables and \$185,995,818 in intergovernmental receivables. In addition, the Board reports amounts owed from the City of \$375,499,958 as due from primary government at June 30, 2023.

Buffalo Urban Renewal Agency

Major revenues accrued by BURA at June 30, 2023 consisted of the following:

	General	Community Development Block Grant	Home Program	Nonmajor Governmental Funds	Total
Program loans receivable	\$ -	\$ 26,178,861	\$ 72,048,266	\$ 159,496	\$ 98,386,623
Notes receivable	1,919,613	-	-	1,600	1,921,213
Allowance for uncollectibles	<u>(752,725)</u>	<u>(26,178,861)</u>	<u>(72,048,266)</u>	<u>(159,496)</u>	<u>(99,139,348)</u>
Total receivables	<u>\$ 1,166,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,600</u>	<u>\$ 1,168,488</u>

Program Loans Receivable—Represents amounts due to BURA of \$98,386,623, which are entirely allowed for.

Notes Receivable—Represents amounts due from various sources for projects designed to stimulate economic development and housing improvements in the City, provided net of allowances for uncollectible accounts. BURA reports amounts of \$1,919,613 which are allowed for in the amount of \$752,725.

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 \$44,816 in rental income during the current fiscal year related to this lease. As of June 30, 2023, BURA's receivable for lease payments was \$442,922. 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, 2023, the balance of the deferred inflow of resources was \$412,532.

Intergovernmental Receivables—Represent amounts due from other units of government, such as federal government. Intergovernmental receivables at June 30, 2023 consisted of the following:

	General	Community Development Block Grant	Community Development Block Grant (COVID)	HOME Program	Nonmajor Governmental Funds	Total
Due from federal government	\$ 3,776	\$ 1,652,194	\$ 945,807	\$ 490,926	\$ 26,342	\$ 3,119,045
Due from City of Buffalo	-	-	-	-	58,333	58,333
Total	<u>\$ 3,776</u>	<u>\$ 1,652,194</u>	<u>\$ 945,807</u>	<u>\$ 490,926</u>	<u>\$ 84,675</u>	<u>\$ 3,177,378</u>

4. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government's governmental activities, for the fiscal year ended June 30, 2023, was as follows:

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital assets, not being depreciated/amortized:				
Land	\$ 9,791,873	\$ -	\$ -	\$ 9,791,873
Construction in progress	<u>69,427,894</u>	<u>85,627,951</u>	<u>69,427,895</u>	<u>85,627,950</u>
Total capital assets, not being depreciated/amortized	<u>79,219,767</u>	<u>85,627,951</u>	<u>69,427,895</u>	<u>95,419,823</u>
Capital assets, being depreciated/amortized:				
Buildings and building improvements	353,585,774	9,040,775	-	362,626,549
Improvements other than buildings	76,770,893	2,658,149	-	79,429,042
Machinery and equipment	77,625,935	3,986,454	1,448,478	80,163,911
Infrastructure	650,081,165	29,971,043	-	680,052,208
Right-to-use lease assets	2,555,056	-	-	2,555,056
Subscription assets	<u>-</u>	<u>1,931,433</u>	<u>-</u>	<u>1,931,433</u>
Total capital assets, being depreciated/amortized	<u>1,160,618,823</u>	<u>47,587,854</u>	<u>1,448,478</u>	<u>1,206,758,199</u>
Less accumulated depreciation/amortization for:				
Buildings and building improvements	173,778,780	9,377,174	-	183,155,954
Improvements other than buildings	51,400,638	2,749,551	-	54,150,189
Machinery and equipment	67,786,448	3,431,539	1,448,478	69,769,509
Infrastructure	366,750,004	23,290,029	-	390,040,033
Right-to-use lease assets	681,788	681,788	-	1,363,576
Subscription assets	<u>-</u>	<u>743,287</u>	<u>-</u>	<u>743,287</u>
Total accumulated depreciation/amortization	<u>660,397,658</u>	<u>40,273,368</u>	<u>1,448,478</u>	<u>699,222,548</u>
Total capital assets, being depreciated/amortized, net	<u>500,221,165</u>	<u>7,314,486</u>	<u>-</u>	<u>507,535,651</u>
Governmental activities capital assets, net	<u>\$ 579,440,932</u>	<u>\$ 92,942,437</u>	<u>\$ 69,427,895</u>	<u>\$ 602,955,474</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities, for the fiscal year ended June 30, 2023, was as follows:

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital assets, not being depreciated:				
Land	\$ 3,307,890	\$ -	\$ -	\$ 3,307,890
Construction in progress	4,004,503	8,607,479	9,345,743	3,266,239
Total capital assets, not being depreciated	<u>7,312,393</u>	<u>8,607,479</u>	<u>9,345,743</u>	<u>6,574,129</u>
Capital assets, being depreciated:				
Buildings and building improvements	193,248,343	7,075,275	2,680,348	197,643,270
Improvements other than buildings	433,046	-	-	433,046
Machinery and equipment	11,949,505	1,380,686	347,362	12,982,829
Infrastructure	143,339,807	5,599,252	-	148,939,059
Total capital assets, being depreciated	<u>348,970,701</u>	<u>14,055,213</u>	<u>3,027,710</u>	<u>359,998,204</u>
Less accumulated depreciation for:				
Buildings and building improvements	80,005,850	5,504,855	2,064,786	83,445,919
Improvements other than buildings	423,206	9,259	-	432,465
Machinery and equipment	10,544,055	586,507	270,361	10,860,201
Infrastructure	68,886,168	3,327,599	-	72,213,767
Total accumulated depreciation	<u>159,859,279</u>	<u>9,428,220</u>	<u>2,335,147</u>	<u>166,952,352</u>
Total capital assets, being depreciated, net	<u>189,111,422</u>	<u>4,626,993</u>	<u>692,563</u>	<u>193,045,852</u>
Business-type activities capital assets, net	<u>\$ 196,423,815</u>	<u>\$ 13,234,472</u>	<u>\$ 10,038,306</u>	<u>\$ 199,619,981</u>

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

Governmental activities:	
General government support	\$ 5,260,947
Public safety	5,548,672
Streets and sanitation	22,505,654
Economic assistance and opportunity	601,617
Culture and recreation	6,324,937
Health and community services	31,541
Total governmental activities depreciation/amortization expense	<u>\$ 40,273,368</u>
Business-type activities:	
Solid waste and recycling	\$ 434,427
Parking	1,518,436
Water system	7,475,357
Total business-type activities depreciation expense	<u>\$ 9,428,220</u>

Board of Education

Capital asset activity for the Board, for the fiscal year ended June 30, 2023, was as follows:

	Balance 7/1/2022	Increases	Decreases and Reclassifications	Balance 6/30/2023
Capital assets, not being depreciated/amortized:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	43,383,444	16,622,961	6,766,061	53,240,344
Total capital assets, not being depreciated/amortized	46,395,344	16,622,961	6,766,061	56,252,244
Capital assets, being depreciated/amortized:				
Land improvements	6,538,211	636,676	-	7,174,887
Buildings and building improvement	1,786,079,931	6,563,816	-	1,792,643,747
Equipment	55,222,736	3,686,908	8,359	58,901,285
Right-to-use lease assets	61,432,019	-	2,976,581	58,455,438
Total capital assets, being depreciated/amortized	1,909,272,897	10,887,400	2,984,940	1,917,175,357
Less accumulated depreciation/amortization for:				
Land improvements	4,897,767	124,228	-	5,021,995
Buildings and building improvement	1,185,338,053	74,768,244	-	1,260,106,297
Equipment	33,113,490	6,135,857	8,359	39,240,988
Right-to-use lease assets	23,782,524	4,659,916	2,976,581	25,465,859
Total accumulated depreciation/amortization	1,247,131,834	85,688,245	2,984,940	1,329,835,139
Total capital assets being depreciated/amortized, net	662,141,063	(74,800,845)	-	587,340,218
Board capital assets, net	\$ 708,536,407	\$ (58,177,884)	\$ 6,766,061	\$ 643,592,462

Buffalo Urban Renewal Agency

Capital asset activity for BURA, for the fiscal year ended June 30, 2023, was as follows:

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital assets, being depreciated/amortized:				
Buildings	\$ 772,054	\$ -	\$ -	\$ 772,054
Equipment	55,385	8,331	-	63,716
Right-to-use lease assets	22,586	-	-	22,586
Total capital assets, being depreciated/amortized	850,025	8,331	-	858,356
Less accumulated depreciation/amortization for:				
Buildings	386,255	19,313	-	405,568
Equipment	26,368	7,968	-	34,336
Right-to-use lease assets	5,646	4,517	-	10,163
Total accumulated depreciation/amortization	418,269	31,798	-	450,067
BURA capital assets, net	\$ 431,756	\$ (23,467)	\$ -	\$ 408,289

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2023, were as follows:

	General Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 21,693,986	\$ 25,270	\$ 21,719,256
Other accruals	-	24,518	24,518
Total accrued liabilities	\$ 21,693,986	\$ 49,788	\$ 21,743,774

6. PENSION PLANS

The City participates in the New York State and Local Police and Fire Retirement System (“PFRS”) and the New York State and Local Employees’ Retirement System (“ERS”) (the “Systems”). These cost-sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law (“NYSRSSL”).

Plan Descriptions and Benefits Provided

Police and Fire Retirement System and Employees’ Retirement System (the “Systems”)—The Systems provide retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The City also participates in the Public Employees’ Group Life Insurance Plan (“GLIP”), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3.0%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2023, the City reported the liabilities on the following page for its proportionate share of the total pension liability for each of the Systems. The net pension liabilities were measured as of March 31, 2023. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2022, with updated procedures used to roll forward the total net pension liabilities to the measurement date. The City’s proportion of the net pension liabilities were based on projections of the City’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by PFRS and ERS Systems in reports provided to the City.

	Governmental activities		Business-type activities	City Total
	PFRS	ERS	ERS	ERS
Measurement date	March 31, 2023	March 31, 2023	March 31, 2023	March 31, 2023
Net pension liability	\$ 198,800,544	\$ 41,613,989	\$ 9,577,182	\$ 51,191,196
City's portion of the Plan's total net pension liability	3.6076864%	0.1940588%	0.0446612%	0.2387200%

As of the March 31, 2023 measurement date, the City's governmental activities portion of the Plan's total net pension liability for PFRS and ERS, respectively, had increased 0.1349489% and increased 0.0034864% from their portion of the Plan's total net pension liability of 3.4727375% and 0.1905724% on the March 31, 2022 measurement date. The City's business-type activities portion of the Plan's total net pension liability had decreased 0.0007612% from their portion of the Plan's total net pension liability/(asset) of 0.0454224% from the March 31, 2022 measurement date.

For the year ended June 30, 2023, the City's primary government recognized aggregate pension expenses of \$60,125,212 and \$18,030,797 for PFRS and ERS, respectively. The City's governmental activities recognized aggregate pension expenses of \$60,125,212 for PFRS and \$14,657,469 for ERS (which includes aggregate pension expense of \$117,013 related to BFSA). Business-type activities recognized aggregate pension expense of \$3,373,310 for ERS. At June 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources				Deferred Inflows of Resources			
	Governmental activities		Business-type activities	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	\$ 19,430,751	\$ 4,432,215	\$ 1,020,042	\$ 5,452,257	\$ -	\$ 1,168,678	\$ 268,963	\$ 1,437,641
Changes of assumptions	96,874,987	20,210,437	4,651,285	24,861,722	-	223,363	51,405	274,768
Net difference between projected and actual earnings on pension plan investments	351,450	-	-	-	-	244,480	56,265	300,745
Changes in proportion and differences between the City's contributions and proportionate share of contributions	2,764,832	813,710	187,271	1,000,981	10,881,291	263,240	60,584	323,824
City's contributions subsequent to the measurement date	9,817,067	2,517,529	579,405	3,096,934	-	-	-	-
Total	<u>\$ 129,239,087</u>	<u>\$ 27,973,891</u>	<u>\$ 6,438,003</u>	<u>\$ 34,411,894</u>	<u>\$ 10,881,291</u>	<u>\$ 1,899,761</u>	<u>\$ 437,217</u>	<u>\$ 2,336,978</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, 2024. 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
	PFRS	ERS	activities
2024	\$ 19,811,838	\$ 5,643,722	\$ 1,298,868
2025	(6,487,251)	(2,127,648)	(489,665)
2026	56,869,428	8,611,089	1,981,790
2027	35,045,116	11,429,438	2,630,388
2028	3,301,598	-	-

Actuarial Assumptions—The total pension liability as of the measurement date was 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, 2023	March 31, 2023
Actuarial valuation date	April 1, 2022	April 1, 2022
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	2.9%	2.9%
Cost-of-living adjustments	1.5%	1.5%

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-2021.

The actuarial assumptions used in the April 1, 2022 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, 2023	
Asset class:		
Domestic equities	32.0 %	4.3 %
International equities	15.0	6.9
Private equity	10.0	7.5
Real estate	9.0	4.6
Opportunistic/absolute return strategies	3.0	5.4
Credit	4.0	5.4
Real assets	3.0	5.8
Bonds and mortgages	23.0	1.5
Cash	1.0	0.0
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 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—PFRS	\$ 414,409,040	\$ 198,800,544	\$ 20,263,764
Employer's proportionate share of the net pension liability/(asset)—ERS	123,707,164	51,191,196	(9,404,331)

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, 2022	April 1, 2022	
Employers' total pension liability	\$ 43,835,333	\$ 232,627,259	\$ 276,462,592
Plan fiduciary net position	38,324,863	211,183,223	249,508,086
Employers' net pension liability	<u>\$ 5,510,470</u>	<u>\$ 21,444,036</u>	<u>\$ 26,954,506</u>
System fiduciary net position as a percentage of total pension liability	87.4%	90.8%	90.3%

Payables to the Pension Plan—Employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2023 represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid System wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$9,817,067 and \$2,500,959 for PFRS and ERS, respectively.

Buffalo Fiscal Stability Authority

The BFSA also participates in the ERS.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2023, the BFSA reported a liability of \$375,278 for its proportionate share of the net pension liability. At the March 31, 2023 measurement date, the BFSA's proportion was 0.0017500%, an increase of 0.0000046% from its proportion measured as of March 31, 2022.

For the year ended June 30, 2023, BFSA recognized aggregate pension expense of \$117,013. At June 30, 2023, 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	\$ 39,970	\$ 10,539
Changes of assumptions	182,259	2,014
Net difference between projected and actual earnings on pension plan investments	-	2,205
Changes in proportion and differences between BFSA's contributions and proportionate share of contributions	2,568	25,796
BFSA contributions subsequent to the measurement date	<u>14,156</u>	<u>-</u>
Total	<u>\$ 238,953</u>	<u>\$ 40,554</u>

The BFSA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2024. 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>
2024	\$ 38,574
2025	(27,229)
2026	72,593
2027	100,305

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the BFSA's proportionate share of the net pension liability/(asset) calculated using the discount rate of 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 (4.9%)</u>	<u>Current Assumption (5.9%)</u>	<u>1% Increase (6.9%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 906,886	\$ 375,278	\$ (68,942)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2023 amounted to \$14,156.

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 Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2023, the Board reported the liabilities presented below for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of June 30, 2022 for TRS and March 31, 2023 for ERS. The total pension liability used to calculate the net pension liabilities were determined by actuarial valuations as of June 30, 2022 and April 1, 2023 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, 2022	March 31, 2023
Net pension liability	\$ 34,456,003	\$ 32,095,778
Board's portion of the Plan's total net pension liability	1.795620%	0.149672%

As of their respective measurement dates, the Board's portion of the Plan's total pension liability for TRS and ERS, respectively, had increased 0.015145% and 0.0069213% from their portion of the Plan's total pension liability on the June 30, 2021 and March 31, 2022 measurement dates.

For the year ended June 30, 2023, the Board recognized pension expense of \$42,403,351 for TRS and pension expense of \$11,589,050 for ERS, respectively. At June 30, 2023, 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	\$ 36,105,530	\$ 3,418,451	\$ 690,438	\$ 901,371
Changes of assumptions	66,838,818	15,587,780	13,879,853	172,274
Net difference between projected and actual earnings on pension plan investments	44,520,425	-	-	188,561
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	2,552,872	719,638	3,917,952	279,601
Board's contributions subsequent to the measurement date	37,757,659	1,724,997	-	-
Total	\$ 187,775,304	\$ 21,450,866	\$ 18,488,243	\$ 1,541,807

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as shown below:

Year Ending June 30,	TRS	ERS
2024	\$ 24,240,381	\$ 4,422,189
2025	13,553,437	(1,611,924)
2026	(5,398,718)	6,554,475
2027	87,462,067	8,819,322
2028	11,232,265	-
Thereafter	439,970	-

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

	TRS	ERS
Measurement date	June 30, 2022	March 31, 2023
Actuarial valuation date	June 30, 2021	April 1, 2022
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%	2.90%
Cost-of-living adjustments	1.30%	1.50%

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 MP2021, 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-2021.

For TRS, the actuarial assumptions used in the June 30, 2021 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, 2022 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 Asset class:	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2022	March 31, 2023
Domestic equities	33.0 %	32.0 %	6.5 %	4.3 %
International equities	16.0	15.0	7.2	6.9
Global equities	4.0	0.0	6.9	0.0
Private equity	8.0	10.0	9.9	7.5
Real estate	11.0	9.0	6.2	4.6
Opportunistic portfolio/Absolute return strategies	0.0	3.0	0.0	5.4
Credit	0.0	4.0	0.0	5.4
Domestic fixed income securities	16.0	0.0	1.1	0.0
Global bonds	2.0	0.0	0.6	0.0
High-yield bonds	1.0	0.0	3.3	0.0
Private debt	2.0	0.0	5.3	0.0
Real assets	0.0	3.0	0.0	5.8
Real estate debt	6.0	0.0	2.4	0.0
Fixed income	0.0	23.0	0.0	1.5
Cash	1.0	1.0	(0.3)	0.0
Total	100.0 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension liability 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 Liability to the Discount Rate Assumption—The chart on the following page presents the Board's proportionate share of the net pension liability 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 liability 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.

	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$ 317,700,507	\$ 34,456,003	\$ (203,750,765)
	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
ERS			
Employer's proportionate share of the net pension liability/(asset)	\$ 77,561,729	\$ 32,095,778	\$ (5,896,313)

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, 2021	April 1, 2022
Employers' total pension liability	\$ 133,883,474	\$ 232,627,259
Plan fiduciary net position	<u>131,964,582</u>	<u>211,183,223</u>
Employers' net pension liability	<u>\$ 1,918,892</u>	<u>\$ 21,444,036</u>
System fiduciary net position as a percentage of total pension liability	98.6%	90.8%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 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, 2023 amounted to \$37,757,659. For ERS, accrued retirement contributions as of June 30, 2023 amounted to \$1,724,997.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. Accrued retirement contributions as of June 30, 2023 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2023 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2023, BURA reported a liability of \$1,283,409 for its proportionate share of the net pension liability. At the March 31, 2023 measurement date, BURA's proportion was 0.0059849%, a decrease of 0.0002219% from its proportion measured as of March 31, 2022.

For the year ended June 30, 2023, BURA recognized pension expense of \$454,519. At June 30, 2023, 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	\$ 136,693	\$ 36,043
Changes of assumptions	623,306	6,889
Net difference between projected and actual earnings on pension plan investments	-	7,540
Changes in proportion and differences between BURA's contributions and proportionate share of contributions	109,065	82,275
BURA contributions subsequent to the measurement date	71,932	-
Total	<u>\$ 940,996</u>	<u>\$ 132,747</u>

BURA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2024. 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
2024	\$ 174,914
2025	(74,547)
2026	281,965
2027	353,985

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)	\$ 3,101,450	\$ 1,283,409	\$ (235,775)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2023 amounted to \$71,932.

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, 2022, the effective valuation date of the OPEB valuation, is as follows:

Active employees	2,447
Retired employees	2,878
Spouses of retirees	1,678
Dependents	865
Total	<u>7,868</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 \$1,124,320,628 and \$56,273,029, respectively, were measured as of June 30, 2023, and were determined by an interim actuarial valuation on October 13, 2023.

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 13, 2023 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a measurement date of June 30, 2023. The discount rate was 3.54% as of June 30, 2023, as compared to 2.14% as of June 30, 2022. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2021. 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 6.5%, 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, 2022 through June 30, 2023.

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, 2022	\$ 1,247,537,593	\$ 63,719,483	\$ 1,311,257,076
Changes for the year:			
Service cost	51,444,322	1,990,435	53,434,757
Interest	27,204,385	1,344,182	28,548,567
Effect of plan changes	38,578	22,056	60,634
Changes of assumptions	(158,944,662)	(8,347,647)	(167,292,309)
Differences between expected and actual	16,312,115	(107,714)	16,204,401
Contributions—employer	(59,271,703)	(2,347,766)	(61,619,469)
Net changes	(123,216,965)	(7,446,454)	(130,663,419)
Balances at June 30, 2023	\$ 1,124,320,628	\$ 56,273,029	\$ 1,180,593,657

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 (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability for governmental activities	\$ 1,272,752,835	\$ 1,124,320,628	\$ 1,002,121,659
Total OPEB liability for business-type activities	63,702,164	56,273,029	50,156,886
Total primary government	\$ 1,336,454,999	\$ 1,180,593,657	\$ 1,052,278,545

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 (6.5%) and ultimate (3.7%) healthcare cost trend rates.

	1% Decrease (5.5% / 2.7%)	Healthcare Cost Trend Rates (6.5% / 3.7%)	1% Increase (7.5% / 4.7%)
Total OPEB liability for governmental activities	\$ 994,033,536	\$ 1,124,320,628	\$ 1,287,286,122
Total OPEB liability for business-type activities	49,752,070	56,273,029	64,429,565
Total primary government	\$ 1,043,785,606	\$ 1,180,593,657	\$ 1,351,715,687

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, 2023, the City's governmental activities recognized aggregate

OPEB expense of \$53,159,027 (which includes BFSA aggregate OPEB income of \$2,162) and the City's business-type activities recognized aggregate OPEB expense of \$475,656.

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, 2023, 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 Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Differences between expected and actual experience	\$ 22,196,697	\$ 381,300	\$ 22,577,997	\$ -	\$ -	\$ -
Changes of assumptions	74,622,339	1,366,459	75,988,798	213,815,378	12,942,507	226,757,885
Total	<u>\$ 96,819,036</u>	<u>\$ 1,747,759</u>	<u>\$ 98,566,795</u>	<u>\$ 213,815,378</u>	<u>\$ 12,942,507</u>	<u>\$ 226,757,885</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
2024	\$ (25,928,333)	\$ (2,480,942)	\$ (28,409,275)
2025	(23,022,280)	(2,202,878)	(25,225,158)
2026	(22,422,593)	(2,145,497)	(24,568,090)
2027	(22,640,867)	(2,166,382)	(24,807,249)
2028	(22,982,269)	(2,199,049)	(25,181,318)

Buffalo Fiscal Stability Authority

Plan Description—The BFSA 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 BFSA 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, 2023 there were no retirees of the BFSA receiving benefits. At June 30, 2023, 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 \$1,015,188 was measured as of June 30, 2023, 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 4.7%, reduced to an ultimate rate of 4.2% after ten years.

Salary increases – 2.0%.

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

Discount rate – 3.6% (previously 3.34%) 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 table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balances at June 30, 2022	\$ 1,017,350
Changes for the year:	
Service cost	112,210
Interest	37,739
Changes of assumptions	(60,985)
Differences between expected and actual experience	(91,126)
Net changes	(2,162)
Balances at June 30, 2023	\$ 1,015,188

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 (2.6%)	Current Discount Rate (3.6%)	1% Increase (4.6%)
Total OPEB liability	\$ 1,274,968	\$ 1,015,188	\$ 813,930

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 (4.7%) and ultimate (4.2%) healthcare cost trend rates.

	1% Decrease (3.7% / 3.2%)	Healthcare Cost Trend Rates (4.7% / 4.2%)	1% Increase (5.7% / 5.2%)
Total OPEB liability	\$ 780,298	\$ 1,015,188	\$ 1,325,225

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, 2023, the Authority recognized OPEB income of \$2,162.

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, 2023, the following employees were covered by the benefit terms:

Active employees	6,483
Retired employees and dependents	4,016
Total	<u>10,499</u>

Total OPEB Liability

The Board’s total OPEB liability of \$1,799,713,000 was measured as of June 30, 2023 and was determined by an actuarial valuation as of the same date.

Actuarial Methods and Assumptions—The total OPEB liability in the June 30, 2023 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	1.84% to 12.31%
Discount Rate	4.13%
Healthcare Cost Trend Rates	7.5% in 2023, 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-2021 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2022 – June 30, 2023.

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, 2022	\$ 1,733,208
Changes for the year:	
Service cost	45,233
Interest	71,628
Changes of assumptions	61,362
Differences between expected and actual experience	(56,918)
Benefit payments	(54,800)
Net changes	66,505
Balance at June 30, 2023	\$ 1,799,713

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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB liability	\$ 2,101,089	\$ 1,799,713	\$ 1,558,214

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	\$ 1,529,495	\$ 1,799,713	\$ 2,146,108

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended June 30, 2023, the Board recognized OPEB income of \$134,864,000. 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, 2023 (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 665,173
Changes of assumptions	415,660	467,894
Total	<u>\$ 415,660</u>	<u>\$ 1,133,067</u>

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

Fiscal Year Ending June 30,	Amount (in thousands)
2024	\$ (183,504)
2025	(132,176)
2026	(132,790)
2027	(150,180)
2028	(119,390)
Thereafter	633

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, 2023, 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 \$8,297,946 was measured as of June 30, 2023, 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, 2023 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2023. The discount rate used was 3.75%, compared to 3.00% in the prior year. Mortality rates are based on the Pub-2010 Public Retirement Plans Mortality Tables. The 2022 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, 2022:	<u>\$ 8,789,545</u>
Changes for the year:	
Service cost	141,929
Interest	263,656
Effect of economic/demographic gains or losses	78,218
Change of assumptions	(687,421)
Benefit payments	<u>(287,981)</u>
Net changes	<u>(491,599)</u>
Balance at June 30, 2023	<u>\$ 8,297,946</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 (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB liability	\$ 9,223,165	\$ 8,297,946	\$ 7,512,678

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	\$ 7,454,730	\$ 8,297,946	\$ 9,281,748

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 \$287,981 for the fiscal year ended June 30, 2023.

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, 2023, 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, 2021, 2022, and 2023, the City expensed \$3,041,562, \$3,306,772 and \$2,614,314 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, 2021, 2022, and 2023, the City incurred expenditures of \$4,968,168, \$797,035 and \$5,821,115 respectively, for property damage and personal injury claims.

At June 30, 2023, the City estimated the following workers’ compensation liabilities:

	Governmental Activities	Business-type Activities
Workers' compensation — fire and police medical	\$ 2,857,869	\$ -
Workers' compensation — other employees	<u>5,963,592</u>	<u>1,116,852</u>
Total	<u>\$ 8,821,461</u>	<u>\$ 1,116,852</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, 2021, are shown below:

	Governmental Activities	Business-type Activities
Estimated claims — June 30, 2021	\$ 8,529,926	\$ 1,801,602
Claims incurred	2,231,042	175,819
Payments 2021-2022	<u>(2,853,893)</u>	<u>(452,879)</u>
Estimated claims — June 30, 2022	7,907,075	1,524,542
Claims incurred	2,246,225	874,785
Payments 2022-2023	<u>(1,331,839)</u>	<u>(1,282,475)</u>
Estimated claims — June 30, 2023	<u>\$ 8,821,461</u>	<u>\$ 1,116,852</u>

The City has estimated claims arising during the ordinary course of its operations which are probable of a future loss to total \$57,600,000 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 \$12,000,000 to \$32,000,000.

9. LEASE AND SUBSCRIPTION LIABILITIES

The City is a lessee for a noncancellable lease of various equipment and a subscriber of various information technology agreements. Under GASB Statement No. 87, *Leases*, the City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. Under GASB Statement No. 96, *Subscription Based Information Technology Agreements*, the City recognizes a subscription liability and a subscription asset in the government-wide financial statements. The City recognizes lease and subscription liabilities with an initial, individual value of \$100,000 or more.

At the commencement of a lease, the City initially measures the lease/subscription liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the lease/subscription liability is reduced by the principal portion of lease/subscription payments made. The lease/subscription asset is initially measured as the initial amount of the lease/subscription liability, adjusted for lease/subscription payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease/subscription 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/subscription payments to present value, (2) lease/subscription term, and (3) lease/subscription 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/subscription terms include the noncancellable period of the lease/subscription. Lease/subscription payments included in the measurement of the 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/subscription and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

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

During the years ended June 30, 2018, 2021 and 2023, the City entered into long-term, lease agreements as the lessee for the acquisition and use of various equipment and vehicles. As of June 30, 2023, the value of the lease liabilities was \$1,656,333. The City is required to make annual principal and interest payments ranging from \$12,720 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 \$1,873,268 and had accumulated amortization of \$681,787.

At June 30, 2023, the City maintained several subscription based information technology agreements. As a result of the implementation of the GASB Statement No. 96, *Subscription Based Information Technology Agreements*, the City now reports those as subscription liabilities. As of June 30, 2023, the value of the subscription liabilities was \$643,922. The City is required to make annual principal and interest payments ranging from \$17,034 to \$337,396. The agreements have interest rates ranging between 2.0 and 5.0%. The value of the subscription assets as of the end of the current fiscal year was \$1,931,433 and had accumulated amortization of \$704,416.

The future principal and interest payments as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Lease Liability		Subscription Liability		Total
	Principal	Interest	Principal	Interest	
2024	\$ 774,420	\$ 17,523	\$ 591,843	\$ 15,065	\$ 791,943
2025	381,680	10,804	52,079	1,627	392,484
2026	221,545	5,777	-	-	227,322
2027	193,004	2,719	-	-	195,723
2028	85,684	374	-	-	86,058
Total	<u>\$ 1,656,333</u>	<u>\$ 37,197</u>	<u>\$ 643,922</u>	<u>\$ 16,692</u>	<u>\$ 1,693,530</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, subscription 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, 2023 is presented in the below:

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds, net - City	\$ 155,522,915	\$ 23,250,000	\$ 31,865,737	\$ 146,907,178	\$ 26,268,108
General obligations bonds, net - BFSA	4,480,000	-	2,040,000	2,440,000	2,120,000
Premiums on bonds - City	23,109,695	3,163,454	3,147,643	23,125,506	3,377,667
Premiums on bonds - BFSA	598,580	-	208,874	389,706	172,048
Total bonds payable	183,711,190	26,413,454	37,262,254	172,862,390	31,937,823
Lease liability	1,894,923	424,484	663,074	1,656,333	774,420
Subscription liability	-	1,703,683	1,059,761	643,922	591,843
Compensated absences	30,507,969	1,359,103	4,783,214	27,083,858	2,360,021
Workers' compensation	7,907,075	2,246,225	1,331,839	8,821,461	4,332,295
Landfill post-closure monitoring costs	420,000	-	70,000	350,000	70,000
OPEB obligation - City	1,247,537,593	94,999,400	218,216,365	1,124,320,628	-
OPEB obligation - BFSA	1,017,350	149,949	152,111	1,015,188	-
Judgments and claims	5,000,000	58,421,115	5,821,115	57,600,000	14,000,000
Net pension liability - City*	19,726,695	220,687,838	-	240,414,533	-
Net pension liability - BFSA*	-	375,278	-	375,278	-
Total governmental activities	\$ 1,497,722,795	\$ 406,780,529	\$ 269,359,733	\$ 1,635,143,591	\$ 54,066,402
	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligations bonds - Parking	\$ 5,107,086	\$ -	\$ 639,263	\$ 4,467,823	\$ 671,892
Water System revenue bonds	122,660,000	-	6,610,000	116,050,000	6,880,000
Premiums on bonds	14,511,178	-	811,871	13,699,307	811,872
Discounts on bonds	(93,988)	-	(6,260)	(87,728)	(6,263)
Total bonds payable	142,184,276	-	8,054,874	134,129,402	8,357,501
Compensated absences	1,206,791	373,868	198,741	1,381,918	98,121
Workers' compensation	1,524,542	874,785	1,282,475	1,116,852	398,859
OPEB obligation	63,719,483	3,356,673	10,803,127	56,273,029	-
Net pension liability*	-	9,577,182	-	9,577,182	-
Total business-type activities	\$ 208,635,092	\$ 14,182,508	\$ 20,339,217	\$ 202,478,383	\$ 8,854,481

*Additions to the net pension liability are shown net of reductions.

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 \$23,250,000 in Public Improvement Serial Bonds for various purposes and received a premium of \$2,784,786. The bonds carry an interest rate ranging between 4.0 - 5.0% and mature on April 1, 2036.

A summary of additions and payments for the year ended June 30, 2023 is presented below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2022	Additions	Payments	Balance 6/30/2023	Due Within One Year
Governmental activities general obligations bonds issued by City of Buffalo:								
2005	\$ 26,167,250	5.0	2025	\$ 860,348	\$ -	\$ 272,726	\$ 587,622	\$ 285,163
2007	22,226,126	5.0	2023	1,951,238	-	1,951,238	-	-
2012	21,640,000	2.0-5.0	2023	2,335,000	-	2,335,000	-	-
2012	4,255,000	2.0-4.0	2024	60,000	-	20,000	40,000	20,000
2013	7,540,000	0.8-3.5	2025	2,090,000	-	675,000	1,415,000	695,000
2014	25,639,769	4.0-5.0	2023	3,070,000	-	3,070,000	-	-
2015	29,088,985	2.0-5.0	2026	10,905,000	-	2,625,000	8,280,000	2,690,000
2016	21,703,468	2.0-5.0	2028	12,346,638	-	1,814,940	10,531,698	1,907,580
2016	15,375,000	3.0-4.0	2024	5,000,000	-	3,290,000	1,710,000	1,710,000
2017	21,618,019	4.0-5.0	2029	14,065,908	-	1,726,068	12,339,840	1,814,812
2018	20,300,000	3.0-5.0	2030	14,940,000	-	1,370,000	13,570,000	1,440,000
2019	7,530,000	5.0	2025	4,740,000	-	1,505,000	3,235,000	1,575,000
2021	7,305,000	5.0	2027	5,980,000	-	1,390,000	4,590,000	1,460,000
2021	50,610,172	5.0	2032	45,620,368	-	5,019,729	40,600,639	4,980,716
2022	22,875,000	4.0-5.0	2034	22,875,000	-	1,925,000	20,950,000	1,945,000
2023	23,250,000	4.0-5.0	2036	-	23,250,000	-	23,250,000	1,885,000
Total				146,839,500	23,250,000	28,989,701	141,099,799	22,408,271
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	\$ 1,415,000	\$ -	\$ 455,000	\$ 960,000	\$ 475,000
2012	11,230,000	1.0-4.0	2023	2,085,000	-	1,025,000	1,060,000	1,060,000
2012	20,515,000	1.0-5.0	2024	3,635,000	-	1,970,000	1,665,000	1,665,000
2016	5,845,000	2.0-4.0	2023	1,325,000	-	1,030,000	295,000	295,000
2021	3,625,000	5.0	2027	3,035,000	-	620,000	2,415,000	650,000
Total				11,495,000	-	5,100,000	6,395,000	4,145,000
Less bonds issued by City to BFSAs:								
2005A	\$ 26,167,250	4.0-5.0	2025	\$ (860,348)	\$ -	\$ (272,727)	\$ (587,621)	\$ (285,163)
2007A	28,115,126	4.0-5.0	2023	(1,951,237)	-	(1,951,237)	-	-
Total mirror bonds				(2,811,585)	-	(2,223,964)	(587,621)	(285,163)
Net governmental activities general obligation bonds issued by the City of Buffalo				155,522,915	23,250,000	31,865,737	146,907,178	26,268,108

(continued)

(concluded)

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2022	Additions	Payments	Balance 6/30/2023	Due Within One Year
Governmental activities general obligations bonds issued by Buffalo Fiscal Stability Authority:								
2007A	\$ 28,470,000	4.0-5.0	2023	\$ 3,865,000	\$ -	\$ 1,895,000	\$ 1,970,000	\$ 1,970,000
2015A	14,170,000	3.0-5.0	2025	615,000	-	145,000	470,000	150,000
Total				<u>4,480,000</u>	<u>-</u>	<u>2,040,000</u>	<u>2,440,000</u>	<u>2,120,000</u>
Total governmental activities bonds				<u>160,002,915</u>	<u>23,250,000</u>	<u>33,905,737</u>	<u>149,347,178</u>	<u>28,388,108</u>
Unamortized premium - City				23,109,695	2,784,786	3,300,517	22,593,964	3,377,667
Unamortized premium - BFSFA				598,580	-	208,874	389,706	172,048
Total governmental activities bonds, net				<u>\$ 183,711,190</u>	<u>\$ 26,034,786</u>	<u>\$ 37,415,128</u>	<u>\$ 172,330,848</u>	<u>\$ 31,937,823</u>
Business-type activities — general obligation bonds:								
Parking:								
2016	4,066,532	2.0-5.0	2028	\$ 2,313,362	\$ -	\$ 340,060	\$ 1,973,302	\$ 357,420
2017	2,741,981	4.0-5.0	2029	1,784,092	-	218,932	1,565,160	230,188
2021	1,089,828	5.0	2032	1,009,632	-	80,271	929,361	84,284
Total				<u>5,107,086</u>	<u>-</u>	<u>639,263</u>	<u>4,467,823</u>	<u>671,892</u>
Business-type activities — Water System Revenue Bonds:								
2006	\$ 19,917,236	3.6-4.8	2028	\$ 6,735,000	\$ -	\$ 1,035,000	\$ 5,700,000	\$ 1,070,000
2012	2,575,000	5.6-6.3	2031	1,740,000	-	160,000	1,580,000	165,000
2015	46,655,000	2.0-5.0	2036	33,480,000	-	2,830,000	30,650,000	2,940,000
2019	24,285,000	4.0-5.0	2049	23,500,000	-	420,000	23,080,000	445,000
2019	11,985,000	3.0-5.0	2038	11,005,000	-	865,000	10,140,000	900,000
2021	4,580,000	2.0-5.0	2050	4,530,000	-	90,000	4,440,000	90,000
2021	16,850,000	2.0-5.0	2041	16,400,000	-	585,000	15,815,000	615,000
2022	13,435,000	2.0-4.0	2052	13,435,000	-	245,000	13,190,000	260,000
2022	11,835,000	2.0-4.0	2043	11,835,000	-	380,000	11,455,000	395,000
Total				<u>122,660,000</u>	<u>-</u>	<u>6,610,000</u>	<u>116,050,000</u>	<u>6,880,000</u>
Total business-type activities bonds				<u>127,767,086</u>	<u>-</u>	<u>7,249,263</u>	<u>120,517,823</u>	<u>7,551,892</u>
Unamortized premium				14,511,178	-	811,871	13,699,307	811,872
Unamortized discount				(93,988)	-	(6,260)	(87,728)	(6,263)
Total business-type activities bonds, net				<u>\$ 142,184,276</u>	<u>\$ -</u>	<u>\$ 8,054,874</u>	<u>\$ 134,129,402</u>	<u>\$ 8,357,501</u>

Amortization of Bond Premiums and Discounts—As previously discussed, during the year, the City issued Public Improvement Serial Bonds and received bonds premiums of \$3,163,454 within the governmental activities. 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, 2023 are \$23,125,506 and \$13,699,307 reported in governmental activities and business-type activities, respectively. Additionally, unamortized discounts on bonds of \$87,728 are reported in business-type activities at June 30, 2023.

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
2024	\$ 22,408,271	\$ 6,597,927	\$ 29,006,198
2025	21,322,742	5,618,403	26,941,145
2026	18,209,536	4,561,602	22,771,138
2027	13,847,787	3,649,124	17,496,911
2028	14,203,887	2,963,362	17,167,249
2029-2033	45,797,576	6,462,329	52,259,905
thereafter	5,310,000	337,400	5,647,400
Total	<u>\$ 141,099,799</u>	<u>\$ 30,190,147</u>	<u>\$ 171,289,946</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$ 6,395,000</u>	<u>\$ 381,175</u>	<u>\$ 6,776,175</u>

Governmental Activities—Buffalo Fiscal Stability Authority

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$ 2,440,000</u>	<u>\$ 75,400</u>	<u>\$ 2,515,400</u>

Business-Type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
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	9,376,113	3,487,601	12,863,714
2029-2033	28,452,423	12,266,076	40,718,499
2034-2038	19,190,000	8,074,646	27,264,646
2039-2043	15,380,000	4,946,814	20,326,814
2044 and thereafter	15,490,000	2,593,651	18,083,651
Total	<u>\$ 120,517,823</u>	<u>\$ 49,516,263</u>	<u>\$ 170,034,086</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, 2023 that are considered defeased amount to \$62,895,000.

Lease Liability—The City has entered into long-term leases for vehicles and equipment. The outstanding balance at June 30, 2023 was \$1,656,333. Refer to Note 9 for additional information related to the City’s leases.

Subscription Liability—The City has entered into long-term subscription based information technology agreements. The outstanding balance at June 30, 2023 was \$643,922. Refer to Note 9 for additional information related to the City’s subscription liability.

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$27,083,858 for governmental activities and \$1,381,918 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 \$2,360,021 and \$98,121 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers’ Compensation—Accrued workers’ compensation, which totals \$8,821,461 and \$1,116,852 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 \$4,332,295 and \$398,859 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 8 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, 2023 was \$350,000.

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 \$1,125,335,816 and \$56,273,029 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 \$57,600,000 at June 30, 2023, 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 \$14,000,000 of the aforementioned claims will be paid in the next fiscal year.

Net Pension Liability—The City reports a liability for its proportionate share of the net pension liability for the Employee Retirement System and Police and Fire Retirement System. The net pension liability is estimated to be \$240,789,811 and \$9,577,182 in the governmental activities and business-type activities, respectively. Typically, the General Fund has been used to liquidate this liability within the governmental funds. Refer to Note 6 for additional information related to the City's net pension liability.

Debt Contracting Limitation and Unissued Bonds—The City's debt contracting limitation under its legal debt margin at June 30, 2023, was approximately \$1.40 billion. The effective borrowing capacity is \$1.27 billion.

The list of the City's authorized and unissued bonds at June 30, 2023, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds—City of Buffalo	\$ 15,027,000

Board of Education

A summary of changes in the Board's long-term liabilities for the year ended June 30, 2023, is as follows:

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
Governmental activities:					
Due to other governments	\$ 5,986,666	\$ -	\$ 713,332	\$ 5,273,334	\$ 713,334
Revenue bonds payable	7,385,000	-	505,000	6,880,000	720,000
JSCB bonds payable	476,520,000	-	63,895,000	412,625,000	72,945,000
Premium on bonds	68,974,617	-	9,942,466	59,032,151	-
Leases	48,040,506	-	5,483,415	42,557,091	5,363,368
Compensated absences	26,059,679	1,256,832	-	27,316,511	9,245,546
Workers' compensation	49,576,000	-	897,000	48,679,000	8,865,000
OPEB obligation	1,733,208,000	178,223,000	111,718,000	1,799,713,000	-
Net pension liability*	-	66,551,781	-	66,551,781	-
Total	\$ 2,415,750,468	\$ 246,031,613	\$ 193,154,213	\$ 2,468,627,868	\$ 97,852,248

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

Source of Funding—Amounts due to other governments, due to City of Buffalo (bonded debt), and revenue bonds payable are repaid through annual appropriation of the Board's general fund. Payments for compensated absences are charged to the Board's general fund.

Due to Other Governments—In June 2000, the State Legislature passed special legislation to advance the Board \$20,000,000 in lottery aid to help pay for a litigation settlement with the Buffalo Teachers Federation. In June 2006, the Board received an additional lottery advance of \$1,400,000. The advances are recorded as long-term interest-free loans with annual maturities as shown below:

Fiscal Year Ending June 30,	Principal
2024	\$ 713,332
2025	713,334
2026	713,334
2027	713,332
2028	713,334
2029-2033	1,566,666
2034-2035	140,002
Total	<u>\$ 5,273,334</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, 2023 is \$412,625,000.

Debt service requirements of the Board (which include revenue bonds, JSCB bonds and City of Buffalo bonds issued on behalf of the Board of \$6,395,000) at June 30, 2023 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	55,995,000	7,796,875	63,791,875
2029-2032	100,380,000	9,786,000	110,166,000
Total	<u>\$ 425,900,000</u>	<u>\$ 80,335,800</u>	<u>\$ 506,235,800</u>

Compensated Absences—Compensated absences, which totaled \$27,316,511 at June 30, 2023, 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 \$9,245,546 will be paid in the next fiscal year.

Workers' Compensation—Workers' compensation obligations total \$48,679,000 at June 30, 2023, representing estimated amounts due for various outstanding claims. The Board has estimated that \$8,865,000 will be paid in the next fiscal year.

OPEB Obligation—Refer to Note 7.

Net Pension Liability—The Board reports a liability for its proportionate share of the net pension liability for the Employee Retirement System and Teachers Retirement System. The net pension liability is estimated to be \$66,551,781.

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, 2023 follows:

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
Lease liability	\$ 17,136	\$ -	\$ 4,453	\$ 12,683	\$ 4,537
Compensated absences	273,103	142,595	215,011	200,687	10,034
OPEB obligation	8,789,545	483,803	975,402	8,297,946	-
Long-term retirement liability	18,422	-	18,422	-	-
Net pension liability *	-	1,283,409	-	1,283,409	-
Total	<u>\$ 9,081,070</u>	<u>\$ 1,909,807</u>	<u>\$ 1,213,288</u>	<u>\$ 9,794,725</u>	<u>\$ 14,571</u>

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

Lease Liability—BURA entered into long-term capital lease for copier equipment. The outstanding balance at June 30, 2023 was \$12,683.

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, 2023, for governmental activities is \$200,687. Management estimates that \$10,034 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.

Net Pension Liability—BURA reports a liability for its proportionate share of the net pension liability for the Employee Retirement System. The net pension liability is estimated to be \$1,283,409.

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	\$	602,955,474
Related debt:		
Serial bonds issued for capital assets	\$	(142,952,178)
Unspent debt proceeds		<u>67,500,772</u>
Bonds payable issued for capital assets		(75,451,406)
Capital Projects Fund accounts payable		(574,254)
Retainages payable		(1,752,950)
Lease liability		(1,656,333)
Subscription liability		(643,922)
Deferred gain on refunding		(167,937)
Unamortized premiums		<u>(23,515,212)</u>
Net investment in capital assets—governmental activities	\$	<u>499,193,460</u>

Business-type activities:

Capital assets, net of accumulated depreciation	\$	199,619,981
Related debt:		
Serial bonds issued for capital assets	(120,517,823)	
Unspent debt proceeds	<u>29,741,462</u>	
Bonds payable issued for capital assets		(90,776,361)
Deferred charge on refunding		2,263,944
Unamortized premium		(13,699,307)
Unamortized discount		<u>87,728</u>
Net investment in capital assets—business-type activities	\$	<u>97,495,985</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, 2023 include:

Real estate acquired for sale	\$ 9,532,619
Long-term due from other funds	19,394,947
Prepaid items	1,290,572
Permanent Fund - Corpus	<u>30,000</u>
Total	<u>\$ 30,248,138</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, 2023 are shown below:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Capital projects	\$ -	\$ -	\$ 66,926,518	\$ -	\$ 66,926,518
Capital outlay	17,717,788	-	-	-	17,717,788
Debt service	-	5,375,966	-	2,561,336	7,937,302
Grants	-	-	-	10,253,155	10,253,155
Emergency medical services	568,417	-	-	-	568,417
Permanent fund - interest	-	-	-	111,287	111,287
Total	<u>\$ 18,286,205</u>	<u>\$ 5,375,966</u>	<u>\$ 66,926,518</u>	<u>\$ 12,925,778</u>	<u>\$ 103,514,467</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, 2023, the City reported \$43,265,526 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, 2023 assigned fund balance includes:

	General Fund	Nonmajor Funds	Total
Encumbrances	\$ 18,697,689	\$ -	\$ 18,697,689
Motor vehicle self-insurance	854,380	-	854,380
Judgments and claims	23,200,000	-	23,200,000
Specific use	-	183,834	183,834
Total	<u>\$ 42,752,069</u>	<u>\$ 183,834</u>	<u>\$ 42,935,903</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 that the City has assigned to use for the potential settlement of various claims and litigation.
- ***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

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, 2023, the City contributed \$70,822,758 in economic support for operating purposes (\$64,898,651) and school tax relief reimbursement (\$5,924,107).

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 2023 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$172,308,454 were recorded, of which \$109,877,885 was or will be paid to the City and \$59,860,152 was designated for the District. The balance was retained for BFSA operations and to provide for a debt service sinking fund.
- State aid of \$161,585,233 was received during 2023.
- Distributions paid or accrued to the City in 2023 totaled \$273,899,653, which includes \$109,877,885 of sales tax receipts, \$163,949,777 of State aid and other revenue, and interest receipts of \$71,991.

Board of Education

During the year ended June 30, 2023, the Board transferred \$5,413,517 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, 2023, 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, 2023, 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, 2023, net amounts due from related parties consisted of:

Due from BNRC, net of payables	\$ 10,628
Due from City of Buffalo	<u>58,333</u>
Total	<u>\$ 68,961</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, 2023 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 45,543,307	\$ -
Debt Service Fund	1,963,313	-
Capital Projects Fund	-	19,296,481
Nonmajor governmental funds	<u>1,255,662</u>	<u>11,710,043</u>
Total governmental funds	<u>48,762,282</u>	<u>31,006,524</u>
Proprietary funds:		
Solid Waste and Recycling Fund	884,505	19,394,947
Parking Fund	291,233	-
Water System Fund	460,127	-
Internal Service Fund	<u>3,324</u>	<u>-</u>
Total proprietary funds	<u>1,639,189</u>	<u>19,394,947</u>
Total	<u>\$ 50,401,471</u>	<u>\$ 50,401,471</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 \$45,543,307 is a portion due from the Solid Waste and Recycling Fund in the amount of \$19,394,947, which is considered long-term and has been reserved within nonspendable fund balance.

Interfund transactions between component units and the primary government—The City records a due from component unit of \$6,395,000 related to bonds issued on behalf of the Board.

The Board records a due from the City of \$375,499,959 representing amounts on deposit with the City on behalf of the Board. 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.

BURA's due from the City is disclosed in Note 12.

The City made the following transfers during the year ended June 30, 2023:

Transfers out:	Transfers in:					Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Solid Waste & Recycling Fund	
Governmental funds:						
General Fund	\$ -	\$ 34,635,694	\$ 1,307,000	\$ 24,228,661	\$ -	\$ 60,171,355
Debt Service Fund	-	-	-	2,364,544	-	2,364,544
Capital Projects Fund	-	954,470	-	-	-	954,470
Nonmajor governmental funds	4,222,117	-	-	-	700,000	4,922,117
Proprietary funds:						
Solid Waste & Recycling Fund	673,078	-	-	-	-	673,078
Parking Fund	2,800,000	-	-	-	-	2,800,000
Water System	4,168,439	-	-	-	-	4,168,439
Total	<u>\$ 11,863,634</u>	<u>\$ 35,590,164</u>	<u>\$ 1,307,000</u>	<u>\$ 26,593,205</u>	<u>\$ 700,000</u>	<u>\$ 76,054,003</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 CONTRACTS

Approximately 2,770 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 \$141,069,588 encumbrances outstanding at June 30, 2023. In the General Fund, encumbrances of \$18,697,689 are supported by assigned fund balance. The Capital Projects Fund and Special Revenue Fund have \$42,225,002 and \$37,540,178 of outstanding encumbrances, respectively. As of June 30, 2023, the City had the following significant encumbrances:

Description	General Fund	Capital Projects Fund	Nonmajor Governmental Funds
Buildings	\$ -	\$ -	\$ 3,639,651
Vehicles	4,889,099	-	-
Electricity	1,575,154	-	-
Technical services	540,055	-	-
Workers' compensation	1,343,802	-	-
Streets	-	35,920,722	4,770,312
Contractual services	-	-	6,904,523

Board of Education

Encumbrances—At June 30, 2023, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$6,191,694 in the Board’s General Fund.

Commitments—The Board has approved and plans to spend up to \$169,744,000 for various capital projects that remain in progress at year end. As of June 30, 2023, the Board has spent \$118,455,000 and has open commitments to contractors of \$6,459,000.

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 \$14,312,096. However, during 2023, the City collected \$4,526,165 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 \$12,632,866. However, during 2023, the City collected \$3,574,626 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 number of claims have increased from the prior year and should certain claims reach an unfavorable decision of require a significant settlement, the City will consider the issuance of long-term debt. 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, 2023, the liability is \$350,000. 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, 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. The Child Victims Act, as amended, allowed any individual who was a minor at the time they suffered any alleged sexual abuse to file a lawsuit before August 14, 2021, regardless of when 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 dating as far back as the 1940s. The Board is using City of Buffalo Corporation Counsel and is not currently aware of any insurance available for these claims, although the oldest claim may be indemnified by a third party. As a result, the Board has accrued an appropriate amount in the government-wide and fund financial statements at June 30, 2023 based on best estimates as determined with counsel. In addition, during the year the Board settled several CVA cases levied against the Board. The Board's exposure to the remaining CVA claims has not yet been determined.

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 31, 2023, which is the date the financial statements are available for issuance, and have determined, except as disclosed below, there are no subsequent events that require disclosure under generally accepted accounting principles.

On August 1, 2023, the City issued \$32,990,000 in Water System Revenue Bonds, Series 2023-A, with an interest rate of 5.00 percent for various water projects. The bonds mature on July 1, 2053.

* * * * *

** THIS PAGE INTENTIONALLY LEFT BLANK **

REQUIRED SUPPLEMENTARY INFORMATION

*** THIS PAGE INTENTIONALLY LEFT BLANK ***

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability (Asset)—Teachers' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board of Education ("Board"):										
Measurement date	June 30, 2022	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
Board's proportion of the net pension liability (asset)	1.795620%	1.780475%	1.818478%	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%	1.695591%
Board's proportionate share of the net pension liability (asset)	<u>\$ 34,456,003</u>	<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>
Board'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	\$ 258,505,177
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	10.8%	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	98.6%	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%	100.7%

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

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board of Education ("Board"):										
Contractually required contribution	\$ 37,757,659	\$ 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>(37,757,659)</u>	<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>	<u>\$ -</u>
Board's covered payroll	\$ 366,935,462	\$ 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	10.3%	9.8%	9.5%	8.9%	10.6%	9.8%	11.7%	13.3%	17.5%	16.3%

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

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):										
Measurement date	March 31, 2023	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	3.6076864%	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>\$ 198,800,544</u>	<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	\$ 148,581,586	\$ 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	133.8%	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	87.4%	98.7%	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%	98.5%

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

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):										
Contractually required contribution	\$ 36,982,344	\$ 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>(36,982,344)</u>	<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>	<u>\$ -</u>
City's covered payroll	\$ 155,065,986	\$ 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	23.8%	24.1%	23.3%	22.8%	21.9%	23.8%	22.8%	17.7%	32.8%	22.4%

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

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2023	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
Plan fiduciary net position as a percentage of the total pension liability/(asset)	90.8%	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)	0.2387200%	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>\$ 51,191,196</u>	<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	\$ 81,531,359	\$ 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/ as a percentage of its covered payroll	62.8%	(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)	0.0017500%	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>\$ 375,278</u>	<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	\$ 403,866	\$ 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/ as a percentage of its covered payroll	92.9%	(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 Ten Fiscal Years

(concluded)

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2023	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
Plan fiduciary net position as a percentage of the total pension liability/(asset)	90.8%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
Board of Education ("Board"):										
Board's proportion of the net pension liability/(asset)	0.1496720%	0.1427510%	0.1476440%	0.1447654%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%	0.142493%
Board's proportionate share of the net pension liability/(asset)	<u>\$ 32,095,778</u>	<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>
Board's covered payroll	\$ 47,469,694	\$ 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
Board's proportionate share of the net pension liability as a percentage of its covered payroll	67.6%	(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)	0.0059849%	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>\$ 1,283,409</u>	<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	\$ 2,247,218	\$ 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 as a percentage of its covered payroll	57.1%	(23.2)	0.3%	89.9%	19.8%	11.0%	32.2%	51.6%	12.9%	16.1%

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

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):										
Contractually required contributions	\$ 9,531,410	\$ 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>(9,531,410)</u>	<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>	<u>\$ -</u>
City's covered payroll	\$ 86,941,604	\$ 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	11.0%	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	\$ 48,492	\$ 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>(48,492)</u>	<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>	<u>\$ -</u>
BFSA's covered payroll	\$ 403,866	\$ 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	12.0%	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 Ten Fiscal Years

(concluded)

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board of Education ("Board"):										
Contractually required contributions	\$ 5,000,684	\$ 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>(5,000,684)</u>	<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>\$ -</u>	<u>\$ (359,764)</u>	<u>\$ (359,764)</u>	<u>\$ (359,765)</u>	<u>\$ 3,423,927</u>
Board's covered payroll	\$ 47,469,694	\$ 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	10.5%	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	\$ 287,917	\$ 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>(287,917)</u>	<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>	<u>\$ -</u>
BURA's covered payroll	\$ 2,225,818	\$ 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	12.9%	14.0%	15.2%	15.9%	14.5%	14.5%	16.4%	14.8%	18.8%	20.7%

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
Last Six Fiscal Years*
(Amounts expressed in thousands)

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
City of Buffalo - Total Primary Government:						
Total OPEB liability						
Service cost	\$ 53,546	\$ 58,942	\$ 46,578	\$ 38,154	\$ 53,380	\$ 59,714
Interest	28,587	31,232	43,593	44,169	45,967	42,191
Effect of plan changes	61	-	-	-	-	-
Changes of assumptions	(167,353)	(102,102)	123,982	69,941	(177,846)	(243,399)
Differences between expected and actual experience	16,113	(76)	53	(900)	3,344	-
Benefit payments	(61,620)	(59,720)	(58,625)	(52,051)	(52,052)	(47,925)
Net changes in total OPEB liability	(130,666)	(71,724)	155,581	99,313	(127,207)	(189,419)
Total OPEB liability—beginning	1,312,274	1,383,998	1,228,417	1,129,105	1,256,312	1,445,730
Total OPEB liability—ending	<u>\$ 1,181,608</u>	<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	\$ 61,620	\$ 59,720	\$ 58,625	\$ 52,051	\$ 52,052	\$ 47,925
Benefit payments	(61,620)	(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>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 1,181,608</u>	<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%	0%
Covered-employee payroll	\$ 253,441	\$ 246,057	\$ 238,901	\$ 231,961	\$ 225,188	\$ 218,632
City's net OPEB liability as a percentage of covered-employee payroll	466%	533%	579%	530%	501%	575%
City of Buffalo - Governmental Activities:						
Total OPEB liability						
Service cost	\$ 51,444	\$ 56,686	\$ 44,673	\$ 36,451	\$ 50,796	\$ 56,825
Interest	27,205	29,722	41,553	42,052	43,365	39,805
Effect of plan changes	39	-	-	-	-	-
Changes of assumptions	(158,945)	(96,606)	115,630	66,788	(157,722)	(229,518)
Differences between expected and actual experience	16,312	-	-	-	2,570	-
Benefit payments	(59,272)	(57,172)	(56,126)	(49,693)	(49,073)	(45,692)
Net changes in total OPEB liability	(123,217)	(67,370)	145,730	95,598	(110,064)	(178,580)
Total OPEB liability—beginning	1,247,537	1,314,907	1,169,178	1,073,580	1,183,644	1,362,223
Total OPEB liability—ending	<u>\$ 1,124,320</u>	<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	\$ 59,272	\$ 57,172	\$ 56,126	\$ 49,693	\$ 49,073	\$ 45,692
Benefit payments	(59,272)	(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>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 1,124,320</u>	<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%	0%
Covered-employee payroll	\$ 235,013	\$ 228,167	\$ 221,522	\$ 215,070	\$ 208,806	\$ 202,724
City's net OPEB liability as a percentage of covered-employee payroll	478%	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 Six Fiscal Years *
(Amounts expressed in thousands)

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
City of Buffalo - Business-type Activities:						
Total OPEB liability						
Service cost	\$ 1,990	\$ 2,144	\$ 1,793	\$ 1,591	\$ 2,466	\$ 2,726
Interest	1,344	1,480	2,013	2,060	2,548	2,386
Effect of plan changes	22	-	-	-	-	-
Changes of assumptions	(8,347)	(5,165)	8,336	2,861	(20,239)	(13,881)
Differences between expected and actual experience	(108)	-	-	-	832	-
Benefit payments	(2,348)	(2,548)	(2,499)	(2,358)	(2,979)	(2,233)
Net changes in total OPEB liability	(7,447)	(4,089)	9,643	4,154	(17,372)	(11,002)
Total OPEB liability—beginning, as restated	63,720	67,809	58,165	54,012	71,384	82,386
Total OPEB liability—ending	\$ 56,273	\$ 63,720	\$ 67,808	\$ 58,166	\$ 54,012	\$ 71,384
Plan fiduciary net position						
Contributions—employer	\$ 2,348	\$ 2,548	\$ 2,499	\$ 2,358	\$ 2,979	\$ 2,233
Benefit payments	(2,348)	(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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's net OPEB liability—ending	\$ 56,273	\$ 63,720	\$ 67,808	\$ 58,166	\$ 54,012	\$ 71,384
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%
Covered-employee payroll	\$ 18,006	\$ 17,482	\$ 16,972	\$ 16,478	\$ 15,998	\$ 15,532
City's net OPEB liability as a percentage of covered-employee payroll	313%	364%	400%	353%	338%	460%
Buffalo Fiscal Stability Authority ("BFSA"):						
Total OPEB liability						
Service cost	\$ 112	\$ 112	\$ 112	\$ 112	\$ 118	\$ 163
Interest	38	30	27	57	54	-
Differences between expected and actual experience	(91)	(76)	53	(900)	(58)	-
Changes of assumptions	(61)	(331)	16	292	115	-
Benefit payments	-	-	-	-	-	-
Net changes in total OPEB liability	(2)	(265)	208	(439)	229	163
Total OPEB liability—beginning, as restated	1,017	1,282	1,074	1,513	1,284	1,121
Total OPEB liability—ending	\$ 1,015	\$ 1,017	\$ 1,282	\$ 1,074	\$ 1,513	\$ 1,284
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BFSA's net OPEB liability—ending	\$ 1,015	\$ 1,017	\$ 1,282	\$ 1,074	\$ 1,513	\$ 1,284
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 422	\$ 408	\$ 407	\$ 413	\$ 384	\$ 376
BFSA's net OPEB liability as a percentage of covered-employee payroll	240.5%	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 Seven Fiscal Years *
(Amounts expressed in thousands)

(concluded)

	Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Buffalo Board of Education ("BBOE"):							
Total OPEB liability							
Service cost	\$ 45,233	\$ 86,668	\$ 83,558	\$ 72,956	\$ 71,543	\$ 82,946	\$ 105,405
Interest	71,628	55,739	70,869	85,561	90,227	92,126	82,361
Differences between expected and actual experience	(56,918)	(210,089)	(502,178)	(229,606)	(166,075)	(234,596)	(202,349)
Changes of assumptions	61,362	(630,298)	286,262	351,329	170,379	(124,198)	(238,475)
Benefit payments	(54,800)	(54,311)	(66,925)	(61,469)	(61,084)	(61,431)	(63,996)
Net changes in total OPEB liability	66,505	(752,291)	(128,414)	218,771	104,990	(245,153)	(317,054)
Total OPEB liability—beginning, as restated	1,733,208	2,485,499	2,613,913	2,395,142	2,290,152	2,535,305	2,852,359
Total OPEB liability—ending	\$ 1,799,713	\$ 1,733,208	\$ 2,485,499	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305
Plan fiduciary net position							
Contributions—employer	\$ 54,800	\$ 54,311	\$ 66,925	\$ 61,469	\$ 61,084	\$ 61,431	\$ 63,996
Benefit payments	(54,800)	(54,311)	(66,925)	(61,469)	(61,084)	(61,431)	(63,996)
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-	-
Plan fiduciary net position—ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BBOE's net OPEB liability—ending	<u>\$ 1,799,713</u>	<u>\$ 1,733,208</u>	<u>\$ 2,485,499</u>	<u>\$ 2,613,913</u>	<u>\$ 2,395,142</u>	<u>\$ 2,290,152</u>	<u>\$ 2,535,305</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 391,540	\$ 349,555	\$ 362,378	\$ 373,087	\$ 377,000	\$ 345,602	\$ 344,791
BBOE's net OPEB liability as a percentage of covered-employee payroll	459.6%	495.8%	685.9%	700.6%	635.3%	662.7%	735.3%
Buffalo Urban Renewal Agency ("BURA"):							
Total OPEB liability							
Service cost	\$ 142	\$ 164	\$ 466	\$ 618	\$ 633	\$ 633	
Interest	264	210	625	920	915	886	
Effect of economic/demographic gains or losses	78	(12)	3,269	(5,404)	(1,008)	(274)	
Changes of assumptions	(688)	(834)	1,705	2,438	-	-	
Benefit payments	(288)	(401)	(477)	(332)	(450)	(463)	
Net changes in total OPEB liability	(492)	(873)	5,588	(1,760)	90	782	
Total OPEB liability—beginning, as restated	8,790	9,663	23,265	25,025	24,935	24,153	
Total OPEB liability—ending	\$ 8,298	\$ 8,790	\$ 28,853	\$ 23,265	\$ 25,025	\$ 24,935	
Plan fiduciary net position							
Contributions—employer	\$ 288	\$ 401	\$ 477	\$ 332	\$ 450	\$ 463	
Benefit payments	(288)	(401)	(477)	(332)	(450)	(463)	
Net change in plan fiduciary net position	-	-	-	-	-	-	
Plan fiduciary net position—beginning	-	-	-	-	-	-	
Plan fiduciary net position—ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
BURA's net OPEB liability—ending	<u>\$ 8,298</u>	<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%	0.0%	
Covered-employee payroll	\$ 2,280	\$ 2,248	\$ 1,966	\$ 2,022	\$ 2,244	\$ 2,310	
BURA's net OPEB liability as a percentage of covered-employee payroll	363.9%	391.0%	1467.6%	1150.6%	1115.2%	1079.4%	

*Information prior to the year ended June 30, 2017 and June 30, 2018 is not available for BBOE and BURA, respectively.

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, 2023

	Budgeted Amounts		Budgetary	Variance with
	Adopted	Final	Actual Amounts	Final Budget
REVENUES				
Property taxes, assessments, and other tax items	\$ 164,075,400	\$ 164,075,400	\$ 163,730,092	\$ (345,308)
Utility and other nonproperty tax items	12,407,000	12,407,000	13,023,202	616,202
Federal aid	51,841,195	74,841,195	75,352,117	510,922
State aid	179,406,195	183,744,031	177,057,363	(6,686,668)
Local sources and other	104,300,000	104,300,000	111,778,303	7,478,303
Investment interest	100,000	100,000	13,922,054	13,822,054
Charges for services	15,102,049	15,102,049	14,187,479	(914,570)
Licenses and permits	10,195,650	10,195,650	11,382,629	1,186,979
Fines	2,635,000	2,635,000	1,908,666	(726,334)
Miscellaneous	16,002,812	16,002,812	7,384,576	(8,618,236)
Total revenues	<u>556,065,301</u>	<u>583,403,137</u>	<u>589,726,481</u>	<u>6,323,344</u>
EXPENDITURES				
Current:				
General government support:				
Legislative	7,193,250	7,159,202	6,966,266	192,936
Executive	4,484,565	4,505,032	4,414,772	90,260
Audit and control	4,174,976	2,990,606	2,970,408	20,198
Law	4,901,497	5,073,891	4,731,096	342,795
Assessment	3,719,180	3,493,940	3,072,761	421,179
Public works, parks and streets	10,288,418	12,186,903	12,124,494	62,409
Management information systems	7,113,901	7,387,178	7,366,676	20,502
Administration and finance	12,864,724	14,448,921	14,073,475	375,446
Human resources	5,853,738	6,297,387	5,930,355	367,032
Other	20,646,715	21,274,058	20,993,288	280,770
Public safety:				
Administration and finance	14,775,706	14,776,902	14,937,172	(160,270)
Police	78,449,395	81,267,827	87,424,359	(6,156,532)
Fire	67,809,043	67,831,381	67,889,190	(57,809)
Public works, parks and streets	5,832,494	6,215,350	5,862,285	353,065
Permit and inspection services	5,940,710	6,463,980	6,098,839	365,141
Streets and sanitation:				
Public works, parks and streets	15,333,460	21,947,653	18,191,658	3,755,995
Economic assistance and opportunity:				
Community services	3,741,275	3,297,104	3,162,976	134,128
Culture and recreation:				
Public works, parks and streets	3,284,233	3,322,981	3,225,621	97,360
Community services	6,293,962	6,434,252	6,250,976	183,276
Health and community services:				
Community services	3,320,257	3,365,403	3,224,069	141,334
Education	70,822,758	70,822,758	70,822,758	-
Employee benefits	170,310,985	161,708,142	160,166,840	1,541,302
Other	4,450,000	6,240,811	6,199,026	41,785
Debt service	88,000	1,784,635	1,784,635	-
Total expenditures	<u>531,693,242</u>	<u>540,296,297</u>	<u>537,883,995</u>	<u>2,412,302</u>
Excess of revenues over expenditures	<u>24,372,059</u>	<u>43,106,840</u>	<u>51,842,486</u>	<u>8,735,646</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,663,634	10,663,634	11,863,634	1,200,000
Transfers out	(35,035,693)	(60,171,355)	(60,171,355)	-
Leases issued	-	-	424,484	424,484
Subscription liability issued	-	-	1,703,683	1,703,683
Total other financing sources (uses)	<u>(24,372,059)</u>	<u>(49,507,721)</u>	<u>(46,179,554)</u>	<u>3,328,167</u>
Net change in fund balances	-	(6,400,881)	5,662,932	12,063,813
Fund balances—beginning	125,059,906	125,059,906	125,059,906	-
Fund balances—ending	<u>\$ 125,059,906</u>	<u>\$ 118,659,025</u>	<u>\$ 130,722,838</u>	<u>\$ 12,063,813</u>

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

*** THIS PAGE INTENTIONALLY LEFT BLANK ***

CITY OF BUFFALO, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2023

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	\$ 24,360,621
Less: encumbrances	<u>(18,697,689)</u>
Excess of revenues and other financing sources over expenditures and other financing uses—non-GAAP budgetary basis	<u>\$ 5,662,932</u>

Excess of Expenditures Over Appropriations—For the year ended June 30, 2023, the City had budgetary expenditures in excess of the final budget amount for public safety of \$160,270, \$6,156,532 and \$57,809 pertaining to administration, police and fire, respectively, which were caused by the effects of regular and overtime wages, 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 3.54% as of June 30, 2023, as compared to 2.14% as of June 30, 2022. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2021. 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 6.5%, 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 3.6% as of June 30, 2023, as compared to 3.34% as of June 30, 2022 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 4.7%, while the ultimate healthcare cost trend rate is 4.2%.

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 3.34% in 2022 to 4.13% 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, 2023 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2023. The discount rate was 3.75%, compared to 3.00% 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 2022 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, 2023

	Budgeted Amounts		Budgetary	Variance with
	Adopted	Final	Actual Amounts	Final Budget
REVENUES				
Intergovernmental charges	\$ 5,413,517	\$ 5,413,517	\$ 5,413,517	\$ -
Investment interest	46,468	46,468	1,946,354	1,899,886
License, permit, rentals, fines, and other service charges	130,535	130,535	109,570	(20,965)
Miscellaneous	149,470	149,470	142,246	(7,224)
Total revenues	<u>5,739,990</u>	<u>5,739,990</u>	<u>7,611,687</u>	<u>1,871,697</u>
EXPENDITURES				
Debt service:				
Principal	34,089,701	34,089,701	31,865,736	2,223,965
Interest and fiscal charges	<u>7,280,309</u>	<u>7,280,309</u>	<u>6,697,081</u>	<u>583,228</u>
Total expenditures	<u>41,370,010</u>	<u>41,370,010</u>	<u>38,562,817</u>	<u>2,807,193</u>
Deficiency of revenues over expenditures	<u>(35,630,020)</u>	<u>(35,630,020)</u>	<u>(30,951,130)</u>	<u>4,678,890</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	34,635,693	34,635,693	35,590,164	954,471
Transfers out	<u>-</u>	<u>-</u>	<u>(2,364,544)</u>	<u>(2,364,544)</u>
Total other financing sources (uses)	<u>34,635,693</u>	<u>34,635,693</u>	<u>33,225,620</u>	<u>(1,410,073)</u>
Net change in fund balances *	(994,327)	(994,327)	2,274,490	3,268,817
Fund balances—beginning	<u>3,101,476</u>	<u>3,101,476</u>	<u>3,101,476</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,107,149</u>	<u>\$ 2,107,149</u>	<u>\$ 5,375,966</u>	<u>\$ 3,268,817</u>

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

** THIS PAGE INTENTIONALLY LEFT BLANK **

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.

** THIS PAGE INTENTIONALLY LEFT BLANK **

CITY OF BUFFALO, NEW YORK
Combining Balance Sheet—
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue	BFSA Special Revenue	BFSA Debt Service	Permanent	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 262,707	\$ -	\$ -	\$ 262,707
Restricted cash and cash equivalents	12,360,690	-	223,214	75,267	12,659,171
Restricted investments	-	-	2,177,194	61,472	2,238,666
Receivables:					
Accounts receivable	-	-	-	4,548	4,548
Intergovernmental receivables	904,946	18,228,385	-	-	19,133,331
Due from other funds	1,070,216	-	185,446	-	1,255,662
Prepaid items	-	16,655	-	-	16,655
Total assets	<u>\$ 14,335,852</u>	<u>\$ 18,507,747</u>	<u>\$ 2,585,854</u>	<u>\$ 141,287</u>	<u>\$ 35,570,740</u>
LIABILITIES					
Accounts payable	\$ 3,894,790	\$ 2,501	\$ -	\$ -	\$ 3,897,291
Accrued liabilities	-	25,270	24,518	-	49,788
Due to other governments	129,574	-	-	-	129,574
Due to other funds	-	11,710,043	-	-	11,710,043
Due to component units	58,333	6,555,288	-	-	6,613,621
Due to retirement systems	-	14,156	-	-	14,156
Total liabilities	<u>4,082,697</u>	<u>18,307,258</u>	<u>24,518</u>	<u>-</u>	<u>22,414,473</u>
FUND BALANCES					
Nonspendable	-	16,655	-	30,000	46,655
Restricted	10,253,155	-	2,561,336	111,287	12,925,778
Assigned	-	183,834	-	-	183,834
Total fund balances	<u>10,253,155</u>	<u>200,489</u>	<u>2,561,336</u>	<u>141,287</u>	<u>13,156,267</u>
Total liabilities and fund balances	<u>\$ 14,335,852</u>	<u>\$ 18,507,747</u>	<u>\$ 2,585,854</u>	<u>\$ 141,287</u>	<u>\$ 35,570,740</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue	BFSA Special Revenue	BFSA Debt Service	Permanent	Total Nonmajor Funds
REVENUES					
Intergovernmental	\$ 32,485,014	\$ 206,380	\$ -	\$ -	\$ 32,691,394
Investment interest	8,757	-	-	100	8,857
Miscellaneous	119,132	-	-	-	119,132
Total revenues	<u>32,612,903</u>	<u>206,380</u>	<u>-</u>	<u>100</u>	<u>32,819,383</u>
EXPENDITURES					
Current:					
General government support	209,274	731,518	-	-	940,792
Public safety	12,063,643	-	-	-	12,063,643
Streets and sanitation	3,796,029	-	-	-	3,796,029
Economic assistance and opportunity	33,726,866	-	-	-	33,726,866
Culture and recreation	558,023	-	-	-	558,023
Health and community services	227,329	-	-	-	227,329
Debt service:					
Principal	-	-	2,040,000	-	2,040,000
Interest and fiscal charges	-	-	110,015	-	110,015
Total expenditures	<u>50,581,164</u>	<u>731,518</u>	<u>2,150,015</u>	<u>-</u>	<u>53,462,697</u>
Excess (deficiency) of revenues over expenditures	<u>(17,968,261)</u>	<u>(525,138)</u>	<u>(2,150,015)</u>	<u>100</u>	<u>(20,643,314)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	24,228,661	142,244	2,222,300	-	26,593,205
Transfers out	(4,922,117)	-	-	-	(4,922,117)
Total other financing sources (uses)	<u>19,306,544</u>	<u>142,244</u>	<u>2,222,300</u>	<u>-</u>	<u>21,671,088</u>
Net change in fund balances	1,338,283	(382,894)	72,285	100	1,027,774
Fund balances—beginning	8,914,872	583,383	2,489,051	141,187	12,128,493
Fund balances—ending	<u>\$ 10,253,155</u>	<u>\$ 200,489</u>	<u>\$ 2,561,336</u>	<u>\$ 141,287</u>	<u>\$ 13,156,267</u>

** THIS PAGE INTENTIONALLY LEFT BLANK **

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.

** THIS PAGE INTENTIONALLY LEFT BLANK **

CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2023

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 13,444,261	\$ 1,883,877	\$ 287,330	\$ -	\$ 15,615,468
Restricted cash and cash equivalents	-	29,739,320	-	-	29,739,320
Investments	5,430,413	-	-	-	5,430,413
Receivables:					
Accounts receivable	33,443,010	-	-	-	33,443,010
Other receivables	1,363,484	-	-	-	1,363,484
Due from other agencies	127,425	-	-	-	127,425
Allowances	(27,948,328)	-	-	-	(27,948,328)
Net receivables	6,985,591	-	-	-	6,985,591
Intergovernmental receivables	14,040	-	-	-	14,040
Due from other funds	-	97,413,287	30,051,858	(127,005,018)	460,127
Total current assets	25,874,305	129,036,484	30,339,188	(127,005,018)	58,244,959
Noncurrent assets:					
Capital assets not being depreciated:					
Land	145,116	-	-	-	145,116
Construction in progress	2,966,702	-	-	-	2,966,702
Total capital assets not being depreciated	3,111,818	-	-	-	3,111,818
Capital assets being depreciated:					
Buildings and infrastructure	281,571,409	-	-	-	281,571,409
Improvements other than buildings	252,393	-	-	-	252,393
Machinery and equipment	2,062,630	-	-	-	2,062,630
Accumulated depreciation	(125,564,077)	-	-	-	(125,564,077)
Total capital assets being depreciated	158,322,355	-	-	-	158,322,355
Total noncurrent assets	161,434,173	-	-	-	161,434,173
Total assets	187,308,478	129,036,484	30,339,188	(127,005,018)	219,679,132
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	2,263,944	-	-	2,263,944
Deferred outflows—relating to pensions	2,908,507	-	2,908,507	(2,908,507)	2,908,507
Deferred outflows—relating to OPEB	-	-	868,939	-	868,939
Total deferred outflows of resources	2,908,507	2,263,944	3,777,446	(2,908,507)	6,041,390
LIABILITIES					
Current liabilities:					
Accounts payable	2,041,207	7,473	7,641	-	2,056,321
Other accrued liabilities	-	2,436,590	498,069	-	2,934,659
Due to other funds	125,389,302	-	-	(125,389,302)	-
Due to retirement systems	-	-	261,753	-	261,753
Accrued compensated absences	-	-	68,655	-	68,655
Accrued workers' compensation	-	-	302,361	-	302,361
General obligation and revenue bonds payable within one year	-	7,552,880	-	-	7,552,880
Total current liabilities	127,430,509	9,996,943	1,138,479	(125,389,302)	13,176,629

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2023

	Water Board	Water Authority	Water Enterprise	Eliminations	(concluded) Total Water System
Noncurrent liabilities:					
Accrued compensated absences	-	-	707,876	-	707,876
Accrued workers' compensation	-	-	364,949	-	364,949
Accrued OPEB	-	-	21,716,663	-	21,716,663
General obligation and revenue bonds payable	-	121,303,485	-	-	121,303,485
Net pension liability	4,326,700	-	4,326,700	(4,326,700)	4,326,700
Total noncurrent liabilities	4,326,700	121,303,485	27,116,188	(4,326,700)	148,419,673
Total liabilities	131,757,209	131,300,428	28,254,667	(129,716,002)	161,596,302
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	197,523	-	197,523	(197,523)	197,523
Deferred inflows—relating to OPEB	-	-	5,664,444	-	5,664,444
Total deferred inflows of resources	197,523	-	5,861,967	(197,523)	5,861,967
NET POSITION					
Net investment in capital assets	34,841,752	-	-	29,739,320	64,581,072
Unrestricted	23,420,501	-	-	(29,739,320)	(6,318,819)
Total net position	<u>\$ 58,262,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,262,253</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Revenues, Expenses, and Changes in Net Position—
Water System
Year Ended June 30, 2023

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Operating revenues:					
Charges for services	\$ 48,816,987	\$ -	\$ -	\$ -	\$ 48,816,987
Other	2,009,738	-	-	-	2,009,738
Total operating revenues	<u>50,826,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,826,725</u>
Operating expenses:					
Services and supplies	22,378,710	65,911	6,839,065	-	29,283,686
Fringe benefits	-	-	3,272,497	-	3,272,497
Depreciation	7,475,357	-	-	-	7,475,357
Other	1,053,202	-	-	-	1,053,202
Total operating expenses	<u>30,907,269</u>	<u>65,911</u>	<u>10,111,562</u>	<u>-</u>	<u>41,084,742</u>
Operating income (loss)	<u>19,919,456</u>	<u>(65,911)</u>	<u>(10,111,562)</u>	<u>-</u>	<u>9,741,983</u>
Nonoperating revenues (expenses):					
Interest earnings	580,707	-	-	-	580,707
Interest expense	(4,490,215)	-	-	-	(4,490,215)
Total nonoperating revenues (expenses)	<u>(3,909,508)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,909,508)</u>
Income (loss) before transfers	16,009,948	(65,911)	(10,111,562)	-	5,832,475
Transfers in	-	65,911	10,111,562	(10,177,473)	-
Transfers out	<u>(14,345,912)</u>	<u>-</u>	<u>-</u>	<u>10,177,473</u>	<u>(4,168,439)</u>
Change in net position	1,664,036	-	-	-	1,664,036
Total net position—beginning	<u>56,598,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,598,217</u>
Total net position—ending	<u>\$ 58,262,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,262,253</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2023

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 50,154,307	\$ -	\$ -	\$ -	\$ 50,154,307
Payments to suppliers and employees for goods and services	<u>(22,821,586)</u>	<u>(199,977)</u>	<u>(10,556,817)</u>	<u>-</u>	<u>(33,578,380)</u>
Net cash provided by (used for) operating activities	<u>27,332,721</u>	<u>(199,977)</u>	<u>(10,556,817)</u>	<u>-</u>	<u>16,575,927</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	65,911	10,111,562	-	10,177,473
Transfers to other funds	(14,345,912)	-	-	-	(14,345,912)
Advances to other funds	-	(3,582,607)	-	-	(3,582,607)
Advances from other funds	<u>2,104,065</u>	<u>-</u>	<u>452,088</u>	<u>-</u>	<u>2,556,153</u>
Net cash provided by (used for) noncapital financing activities	<u>(12,241,847)</u>	<u>(3,516,696)</u>	<u>10,563,650</u>	<u>-</u>	<u>(5,194,893)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(11,143,847)	-	-	-	(11,143,847)
Principal payments on bonds	-	(6,610,000)	-	-	(6,610,000)
Interest payments and other fiscal charges	<u>(4,490,215)</u>	<u>(331,745)</u>	<u>-</u>	<u>-</u>	<u>(4,821,960)</u>
Net cash provided by (used for) capital and related financing activities	<u>(15,634,062)</u>	<u>(6,941,745)</u>	<u>-</u>	<u>-</u>	<u>(22,575,807)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	96,614	-	-	-	96,614
Interest received on short-term investments	<u>484,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>484,093</u>
Net cash provided by investing activities	<u>580,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,707</u>
Net increase in cash and cash equivalents	37,519	(10,658,418)	6,833	-	(10,614,066)
Cash, cash equivalents and investments—beginning	<u>18,837,155</u>	<u>42,281,615</u>	<u>280,497</u>	<u>-</u>	<u>61,399,267</u>
Cash, cash equivalents and investments—ending	<u>\$ 18,874,674</u>	<u>\$ 31,623,197</u>	<u>\$ 287,330</u>	<u>\$ -</u>	<u>\$ 50,785,201</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2023

(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)	\$ 19,919,456	\$ (65,911)	\$ (10,111,562)	\$ -	\$ 9,741,983
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	7,475,357	-	-	-	7,475,357
Change in pension	-	-	-	689,622	689,622
(Increase) in receivables	(672,418)	-	-	-	(672,418)
Decrease in net pension asset	1,698,152	-	1,698,152	(1,698,152)	1,698,152
Decrease (increase) in deferred outflows—relating to pensions	301,001	-	301,001	(301,001)	301,001
Decrease in deferred outflows—relating to OPEB	-	-	1,672,125	-	1,672,125
(Decrease) in payables	(79,296)	(3,136)	(23,846)	-	(106,278)
(Decrease) in accrued liabilities	-	(130,930)	(252,499)	-	(383,429)
Increase in retirement systems	-	-	81,217	-	81,217
Increase in compensated absences	-	-	48,473	-	48,473
(Decrease) in workers' compensation	-	-	(325,858)	-	(325,858)
(Decrease) in accrued other postemployment benefits obligation	-	-	(3,543,377)	-	(3,543,377)
Increase (decrease) in net pension liability	4,326,700	-	4,326,700	(4,326,700)	4,326,700
(Decrease) increase in deferred inflows—relating to pensions	(5,636,231)	-	(5,636,231)	5,636,231	(5,636,231)
Increase in deferred inflows—relating to OPEB	-	-	1,208,888	-	1,208,888
Total adjustments	<u>7,413,265</u>	<u>(134,066)</u>	<u>(445,255)</u>	<u>-</u>	<u>6,833,944</u>
Net cash provided by (used for) operating activities	<u>\$ 27,332,721</u>	<u>\$ (199,977)</u>	<u>\$ (10,556,817)</u>	<u>\$ -</u>	<u>\$ 16,575,927</u>

FEDERAL AWARDS INFORMATION

CITY OF BUFFALO, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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	\$ 19,032,095	\$ 19,032,095
Total CDBG - Entitlement Grants Cluster			<u>19,032,095</u>	<u>19,032,095</u>
Emergency Solutions Grant Program	14.231	N/A	3,074,190	3,074,190
HOME Investment Partnerships Program	14.239	N/A	3,107,672	3,107,672
Housing Opportunities for Persons with AIDS	14.241	N/A	849,458	849,458
Lead-based Paint Capital Fund Program	14.888	N/A	-	131,531
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>26,063,415</u>	<u>26,194,946</u>
U.S. DEPARTMENT OF THE INTERIOR:				
<i>Passed through New York State Office of Parks, Recreation and Historic Preservation:</i>				
Historic Preservation Fund Grants-In-Aid	15.904	N/A	-	30,000
TOTAL U.S. DEPARTMENT OF THE INTERIOR			<u>-</u>	<u>30,000</u>
U.S. DEPARTMENT OF JUSTICE:				
<i>Passed through New York State Division of Criminal Justice Services:</i>				
National Criminal History Improvement Program (NCHIP)	16.554	N/A	-	12,500
<i>Passed through Rochester Institute of Technology:</i>				
Project Safe Neighborhoods	16.609	N/A	-	174,667
<i>Direct programs:</i>				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	172,313
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	240,330
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	N/A	-	151,169
Equitable Sharing Program	16.922	N/A	-	91,871
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>-</u>	<u>842,850</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	-	18,532,885
Total Highway Planning and Construction Cluster			<u>-</u>	<u>18,532,885</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>-</u>	<u>18,532,885</u>
U.S. DEPARTMENT OF TREASURY:				
<i>Passed through New York State Office of Attorney General:</i>				
Equitable Sharing	21.016	N/A	-	79,379
<i>Direct programs:</i>				
Emergency Rental Assistance Program	21.023	N/A	-	731,092
Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	-	75,352,116
TOTAL U.S. DEPARTMENT OF TREASURY			<u>-</u>	<u>76,162,587</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<i>Direct program:</i>				
Assistance to Firefighters Grant	97.044	N/A	-	270,485
<i>Passed through New York State Division of Homeland Security/Emergency Services:</i>				
Homeland Security Preparedness Technical Assistance Program	97.067	C845080	-	115,832
Homeland Security Preparedness Technical Assistance Program	97.067	C152390	-	178,226
Total Homeland Security Preparedness Technical Assistance Program			<u>-</u>	<u>294,058</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>-</u>	<u>564,543</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ 26,063,415</u>	<u>\$ 122,327,811</u>

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

** THIS PAGE INTENTIONALLY LEFT BLANK **

CITY OF BUFFALO, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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, 2023. 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, 2023 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	\$ 3,070,019	20.205	D034896
Cars on Main - Lower Main	2,816,203	20.205	D035251
Ohio St. Lift Bridge	3,761,790	20.205	D035050
Dewey over CSXT Bridge Replacement	1,847,811	20.205	D035580
Bicycle Master Plan	34,333	20.205	D035750
Route 5 (Main St) @ Kensington & Humbolt Pkwy	626,460	20.205	D035876
Warren Spahn Way over Caz Crk. Bridge Rehab	29,842	20.205	D035875
BNMC PH 4 - Complete Streets Features around BNMC and Resurfacing of Washington & Virginia Streets	95,224	20.205	D036023
Buffalo Roadways Rehab	3,350,160	20.205	D036046
Pedestrian Safety Action Plan	64,301	20.205	D035997
Jefferson Complete Street - Utica to Main	158,981	20.205	D040157
Busti Ave - Traffic Calming & Bicycle Improvements	83,372	20.205	D040032
Curb & Joint Repairs	431,085	20.205	D040148
Niagara St / Scajaquada Creek Bridge Repair	273,356	20.205	D040188
Michigan Ave Lift Bridge Substructure Repairs	72,560	20.205	D040658
Allen St. Ph 2 - Wadsworth to Delaware	1,817,388	20.205	D040209
Total	<u>\$ 18,532,885</u>		



DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



**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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2023. 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 were reported on separately in our report dated September 28, 2023.

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 were not 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, flowing style.

October 31, 2023



DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



**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 identified as subject to audit 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, 2023. 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 \$250,935,086 and \$62,468,134 in federal awards, respectively, which are not included in the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2023. 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, 2023 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, 2023.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards issued by the Comptroller General of the United States ("Government Auditing Standards") requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in the accompany schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



October 31, 2023

CITY OF BUFFALO, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report 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>
14.218	CDBG - Entitlement Grants Cluster
14.241	Housing Opportunities for Persons with AIDS
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs? \$ 3,000,000

Auditee qualified as low-risk auditee? _____ ☒ Yes _____ No

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

We consider the following finding presented below to be a reportable instance of noncompliance.

Finding 2023-001—Reporting Requirements ALN #14.218 & 14.241

Criteria—As outlined within the Federal Funding Accountability and Transparency Act (“FFATA”), as amended by Section 6202 of Public Law 110-252, and also codified within Title 2, Part 170 of the *Code of Federal Regulations*, recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (“FSRS”).

Condition and Context—We found that the City awarded more than \$30,000 to a subrecipient of the program. However, no first-tier subaward information was submitted through the FSRS as required by the FFATA and Title 2, Part 170 of the *Code of Federal Regulations*.

Cause—The City did not comply with the compliance reporting requirements as outlined by the FFATA and Title 2, Part 170 of the *Code of Federal Regulations*.

Effect or Potential Effect—Noncompliance with the reporting requirements of the FFATA and Title 2, Part 170 of the *Code of Federal Regulations*.

Recommendation—We recommend that the City follow all reporting requirements as outlined by the FFATA and Title 2, Part 170 of the *Code of Federal Regulations*.

View of Responsible Officials and Planned Corrective Action Plan—The City was unaware of the FFATA reporting requirements. As a result of this finding, we have reached out to HUD to obtain reporting instructions and have begun the process of gathering subrecipient information necessary for reporting. As soon as all pertinent information has been gathered, the Office of Strategic Planning will begin filing all past due reports until we become current.

CITY OF BUFFALO, NEW YORK
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2023
(Follow up on June 30, 2022 Findings)

No findings were reported.

** THIS PAGE INTENTIONALLY LEFT BLANK **

APPENDIX C

**BUFFALO CSD
COMPONENT FINANCIAL STATEMENTS
June 30, 2023**

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

FINANCIAL STATEMENTS

JUNE 30, 2023

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

Table of Contents

June 30, 2023

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Statement of Net Position

Statement of Activities

Balance Sheet – Governmental Funds

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

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP) and Actual – General Fund

Statements of Fiduciary Net Position and Changes in Fiduciary Net Position – Custodial Fund

Notes to Financial Statements

Required Supplementary Information (Unaudited)

Schedule of the Board's Proportionate Share of the Net Pension Position – New York State Teachers' Retirement System

Schedule of Board Contributions – New York State Teachers' Retirement System

Schedule of the Board's Proportionate Share of the Net Pension Position – New York State and Local Employees' Retirement System

Schedule of Board Contributions – New York State and Local Employees' Retirement System

Schedule of Changes in the Board's Total Other Postemployment Benefits (OPEB) Liability and Related Ratios

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

Schedule of Change from Original to Final Budget

Schedule of Capital Project Expenditures

Schedule of Expenditures of Federal Awards and related notes

Reports on Federal Award Programs

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*

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings

Joint Schools Construction Board Information

Information Regarding Joint Schools Construction Board Debt

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, 2023, 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, 2023, 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 (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023 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 "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 18, 2023

Management's Discussion and Analysis (unaudited)

June 30, 2023

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, 2023. 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.

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 its 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)	2023	2022	Change	
			\$	%
Current and other assets	\$ 728,084	\$ 932,052	\$ (203,968)	(21.9%)
Capital assets	643,592	708,536	(64,944)	(9.2%)
Total assets	1,371,676	1,640,588	(268,912)	(16.4%)
Deferred outflows of resources	640,236	697,497	(57,261)	(8.2%)
Long-term liabilities	2,475,023	2,427,245	47,778	2.0%
Other liabilities	252,884	206,907	45,977	22.2%
Total liabilities	2,727,907	2,634,152	93,755	3.6%
Deferred inflows of resources	1,166,593	1,857,201	(690,608)	(37.2%)
Net position				
Net investment in capital assets	135,744	114,006	21,738	19.1%
Restricted	54,364	53,200	1,164	2.2%
Unrestricted	(2,072,696)	(2,320,474)	247,778	(10.7%)
Total net position (deficit)	\$ (1,882,588)	\$ (2,153,268)	\$ 270,680	(12.6%)

Net position is a deficit of (\$1,882,588) and (\$2,153,268) as of June 30, 2023 and 2022, 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 or lease those assets. The Board uses capital assets to provide services to students; consequently, these assets are not available for future spending.

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

Total assets decreased by \$268,912 (\$347,611 increase in 2022). Capital assets decreased \$64,944 due to current year depreciation and amortization of \$85,688 exceeding additions of \$20,744. The decrease in current and other assets of \$203,968 (\$378,461 increase in 2022) is primarily due to recognition of 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 position BPSs in 2022 compared to a liability of \$66,552 in 2023. Fluctuations are largely a result of investment losses. This decrease was partially offset by an increase of \$71,791 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. State and federal aid receivable also increased \$38,931 (\$8,023 decrease in 2022) due to additional Federal grant funds earned in 2023.

Long-term liabilities, which include the Board's total OPEB liability of \$1,799,713 (\$1,733,208 in 2022), increased by \$47,778 (\$843,292 decrease in 2022), while other liabilities increased by \$45,977 (\$23,667 increase in 2022). 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. The increase in long-term liabilities is due to an increase in the total OPEB liability of \$66,505 and recognition of the net pension liability of \$66,552 as mentioned above, offset by an \$85,639 net reduction in debt due to principal payments made during the fiscal year and amortization of bond premiums.

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)	2023	2022	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 4,804	\$ 4,973	\$ (169)	(3.4%)
Operating grants and contributions	303,812	174,419	129,393	74.2%
Capital grants and contributions	3,222	3,406	(184)	(5.4%)
General revenues				
Contributions from the City and school tax relief	70,823	70,823	-	0.0%
State aid	848,209	793,629	54,580	6.9%
Sales tax and other	84,187	67,631	16,556	24.5%
Total revenue	1,315,057	1,114,881	200,176	18.0%
Expenses				
Instruction	810,429	659,591	150,838	22.9%
Support services				
General support	122,342	90,120	32,222	35.8%
Pupil transportation	56,491	48,667	7,824	16.1%
Food service	38,342	33,106	5,236	15.8%
Interest and other	16,773	18,883	(2,110)	(11.2%)
Total expenses	1,044,377	850,367	194,010	22.8%
Change in net position	270,680	264,514	6,166	2.3%
Net position (deficit) – beginning	(2,153,268)	(2,417,782)	264,514	(10.9%)
Net position (deficit) – ending	\$ (1,882,588)	\$ (2,153,268)	\$ 270,680	(12.6%)

Board revenues increased by \$200,176 or 18.0% (\$58,694 or 5.6% increase in 2022). Operating grants and contributions increased \$129,393 or 74.2% (\$9,125 or 5.5% increase in 2022) due to continued increases in Federal American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP/ESSER) revenues. State aid within general revenues increased \$54,580 or 6.9% (\$55,608 or 7.5% increase in 2022) primarily because of a \$34,193 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. Also increasing were Charter School Transitional Aid (\$2,643), Public High Cost (\$3,514) and Transportation Aid (\$16,185). These increases were offset by reduced Private Excess Cost Aid (\$2,156) and relatively small decreases in Building Aid, Special CTE-related Aid, and Textbook, Hardware, Software, and Library Aid.

Total expenses increased \$194,010 or 22.8% (\$121,729 or 12.5% decrease in 2022). Salaries increased \$78,319 or 20.1% (\$27,369 or 7.6% increase in 2022) due to contractual salary increases, filling of vacant positions, and settlement of the Buffalo Teachers' Federation (BTF) contract, which resulted in retroactive and bonus payments of \$46,496. Pension expense, which is allocated among general support, instruction, transportation, and food service, was \$53,992 in 2023, compared to pension income, reflected as a negative expense, of \$17,942 in 2022; this resulted in an increase of \$71,934. This increase was partially offset by OPEB income, allocated amongst the same categories, which increased from \$110,143 in 2022 to \$134,864 in 2023 as a result of amortization of deferred inflows. The Board noted various other expense increases, most notably in the form of additional spending on programs using ARP/ESSER Federal grant funding. In addition to salaries already mentioned, these grants also covered related employee benefits such as health insurance and payroll taxes, as well as other program costs. Other Board cost increases of significant included charter school tuition of \$6,345 due to an overall increase in students attending charter schools, \$2,711 for contractual rate increases for transportation, and \$3,748 for utilities with return to a full year of in-person learning.

Financial Analysis of the Board's Funds

Total fund balances for the governmental funds increased from \$397,004 to \$464,526 as described below:

- Total revenues increased by \$199,985 or 18.0% (\$64,749 or 6.2% increase in 2022), mainly due to an increase of \$122,423 in Federal aid (\$14,839 increase in 2022) due to continued and additional pandemic-related funding and the increase in total State aid of \$61,886 (\$50,301 increase in 2022) as mentioned above.

- Total expenses before other financing sources and uses increased \$162,328 or 15.1% (\$82,762 or 8.3% increase in 2022) as a result of increased spending in the second year of the ARP/ESSER grant budgets and the BTF contract settlement in late 2023 as described above.
- During 2023, the general fund experienced an increase in fund balance of \$50,917, to \$375,527 as of year end, compared to an increase of \$11,915 for 2022. Significant changes in fund balance include assigned fund balance - designated for next year's budget which increased from \$34,600 to \$37,725 largely due to the costs associated with the second year of the BTF contract, other contract increases, and increases to Security and Athletic budgets. Additionally, \$8,000 was added to assigned fund balance for capital projects, encumbrances at year end decreased by \$1,751, and \$30 was added for OPEB and other benefits. Unassigned fund balance increased \$46,226, from \$105,091 to \$151,317, with \$44,109 being maintained for the required 4% minimum unassigned fund balance required by Board policy, and \$107,208 being the additional amount in excess of the Board policy minimum.
- The debt service fund experienced an increase in fund balance of \$1,125 due to current year interest earnings. The capital projects fund experienced an increase in fund balance of \$15,008 to \$26,376 due to operating transfers in of \$30,702 against capital outlays of \$16,225 and use of money and property of \$531. The food service fund experienced an increase in fund balance of \$472 to an ending balance of \$39,596 after a return to more normalized funding and operation expenditures during the year.

General Fund Budgetary Highlights

The total final revenue budget for 2023 was \$985,300. Actual revenues amounted to \$1,009,141, a favorable difference of \$23,841 or 2.4%. Total State Aid was \$4,519 above budget due to increased Public Excess Cost Aid due to data revisions submitted during the year resulting in increased student counts and reimbursable costs. Non-State Aid revenues were \$19,322 above budget including sales tax (\$11,100 over budget), invoicing to other districts and tuition reimbursements for foster children (\$2,900 greater than budget) Medicaid reimbursements (\$900), and interfund revenues (\$3,900 greater than budget), mainly due to indirect costs from the ARP/ESSER expenditures.

Actual expenditures and carryover encumbrances were less than the final revised budget by \$61,222 or 6.8%. The main reasons for the favorable variance include budgetary savings in the following areas: salaries and associated benefits of \$42,600 due to vacancies and the use of ARP/ESSER funding to cover the BTF retroactive and bonus amounts; transportation of \$4,465 (from the revised budget); tuition to other districts and agencies of \$3,826; and lower than revised budget expenditures of \$17,728 for contracts, supplies, software, and repairs and maintenance.

Offsetting these positive variances was an initially unbudgeted \$17,000 transfer to the capital projects fund from budgetary savings in several areas including charter tuitions, transportation (bus aides), and student tuitions.

Capital Assets (in thousands)

	2023	2022
Land	\$ 3,012	\$ 3,012
Construction in progress	53,240	43,383
Buildings and improvements	1,799,819	1,792,618
Equipment and vehicles	58,901	55,223
	<u>1,914,972</u>	<u>1,894,236</u>
Accumulated depreciation	(1,304,369)	(1,223,349)
	<u>610,603</u>	<u>670,887</u>
Right-to-use lease assets, net	32,989	37,649
	<u>\$ 643,592</u>	<u>\$ 708,536</u>

Current year additions of \$20,744 were offset by depreciation and amortization expense of \$85,688.

Debt

At June 30, 2023, the Board had \$468,457 in bonds and leases outstanding, with \$83,173 due within one year (\$543,441 outstanding at June 30, 2022). Amounts due to New York State amounted to \$5,273, with \$713 due within one year (\$5,987 outstanding at June 30, 2022). Outstanding compensated absences and workers' compensation claims payable were \$75,996 with \$18,111 expected to be paid within one year (\$75,636 outstanding at June 30, 2022).

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

Current Financial Issues and Concerns

Federal revenue sources have increased in 2022 and 2023 due to additional pandemic-related funding, which essentially ends by June 30, 2024. The Board will need to plan accordingly to ensure continuity of programs or make spending cuts upon the reduction in these funds. The 2024 year is the last year of the full phase-in of the Foundation Aid formula. The Board has experienced enrollment declines in the last three years which may negatively impact the Foundation Aid formula going forward. 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, 2023

(With comparative totals as of June 30, 2022)

	2023	2022
Assets		
Cash and cash equivalents	\$ 10,676,825	\$ 10,544,938
Cash held by the City of Buffalo	482,074,323	410,283,150
Cash and cash equivalents with fiscal agent	10,907,317	10,148,486
Cash and cash equivalents - restricted	13,040,750	12,658,302
Due from other governments	6,555,288	5,848,608
Accounts receivable	16,600,776	13,452,229
State and federal aid receivable	185,995,818	147,064,344
Inventory and prepaid expenses	2,233,152	1,842,972
Net pension asset	-	320,208,560
Capital assets (Note 4)	1,973,427,601	1,955,668,241
Accumulated depreciation and amortization	(1,329,835,139)	(1,247,131,834)
Total assets	1,371,676,711	1,640,587,996
Deferred Outflows of Resources		
Defeasance loss	15,350,158	17,598,604
Deferred outflows of resources related to pensions	209,226,170	201,348,665
Deferred outflows of resources related to OPEB	415,660,000	478,550,000
Total deferred outflows of resources	640,236,328	697,497,269
Liabilities		
Accounts payable	55,380,874	40,217,764
Accrued liabilities	39,297,394	53,681,814
Due to other governments	1,401,230	1,401,230
Due to retirement systems	43,675,172	35,770,676
Unearned revenue	-	4,537,787
Due to the City of Buffalo	113,129,653	71,297,639
Long-term liabilities		
Due within one year:		
Leases	5,363,368	5,483,415
Bonds	77,810,000	69,500,000
Due to New York State	713,332	713,334
Compensated absences	9,245,546	8,820,000
Workers' compensation	8,865,000	8,833,000
Due beyond one year:		
Leases	37,193,723	42,557,091
Bonds and related premiums	407,122,151	494,874,617
Due to New York State	4,560,002	5,273,332
Compensated absences	18,070,965	17,239,679
Workers' compensation	39,814,000	40,743,000
Net pension liability	66,551,781	-
Total OPEB liability	1,799,713,000	1,733,208,000
Total liabilities	2,727,907,191	2,634,152,378
Deferred Inflows of Resources		
Defeasance gain	13,496,367	17,247,413
Deferred inflows of resources related to pensions	20,030,050	387,827,258
Deferred inflows of resources related to OPEB	1,133,067,000	1,452,126,000
Total deferred inflows of resources	1,166,593,417	1,857,200,671
Net Position		
Net investment in capital assets	135,744,328	114,005,961
Restricted	54,363,744	53,199,994
Unrestricted	(2,072,695,641)	(2,320,473,739)
Total net position (deficit)	\$ (1,882,587,569)	\$ (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, 2023

(With summarized comparative totals for June 30, 2022)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2023	2022
Governmental activities						
General support	\$ 122,341,914	\$ 8,080	\$ -	\$ -	\$ (122,333,834)	\$ (90,085,570)
Instruction - regular	659,696,429	3,738,365	267,597,183	3,222,528	(385,138,353)	(371,836,425)
Instruction - charter	150,732,689	-	-	-	(150,732,689)	(143,879,981)
Pupil transportation	56,490,484	-	-	-	(56,490,484)	(48,666,588)
Interest expense	15,510,423	-	-	-	(15,510,423)	(18,844,780)
School food service	38,341,936	1,057,382	36,214,831	-	(1,069,723)	5,782,924
Community service	1,262,724	-	-	-	(1,262,724)	(37,921)
	<u>\$ 1,044,376,599</u>	<u>\$ 4,803,827</u>	<u>\$ 303,812,014</u>	<u>\$ 3,222,528</u>	<u>(732,538,230)</u>	<u>(667,568,341)</u>
General revenues						
Contribution from City of Buffalo					64,898,651	64,436,923
School tax relief reimbursement					5,924,107	6,385,980
Sales taxes					59,860,152	56,938,685
State aid					848,208,811	793,628,788
Miscellaneous					24,326,724	10,691,884
Total general revenues					<u>1,003,218,445</u>	<u>932,082,260</u>
Change in net position					270,680,215	264,513,919
Net position (deficit) - beginning					(2,153,267,784)	(2,417,781,703)
Net position (deficit) - ending					<u>\$ (1,882,587,569)</u>	<u>\$ (2,153,267,784)</u>

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

Balance Sheet - Governmental Funds

June 30, 2023
(With comparative totals as of June 30, 2022)

	General	Special Aid	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds	
						2023	2022
Assets							
Cash and cash equivalents	\$ 10,476,789	\$ 19,606	\$ -	\$ -	\$ 180,430	\$ 10,676,825	\$ 10,544,938
Cash held by the City of Buffalo	406,814,367	-	38,711,982	-	36,547,974	482,074,323	410,283,150
Cash and cash equivalents with fiscal agent	-	-	-	10,907,317	-	10,907,317	10,148,486
Cash and cash equivalents - restricted	609,056	-	-	12,119,257	312,437	13,040,750	12,658,302
Due from other governments	6,555,288	-	-	-	-	6,555,288	5,848,608
Accounts receivable	15,943,339	52,202	-	-	605,235	16,600,776	13,452,229
State and federal aid receivable	33,362,679	134,663,316	15,399,177	-	2,570,646	185,995,818	147,064,344
Due from other funds, net	10,654,006	-	-	-	-	10,654,006	517,261
Inventory and prepaid expenses	1,254,427	-	-	-	978,725	2,233,152	1,842,972
Total assets	\$ 485,669,951	\$ 134,735,124	\$ 54,111,159	\$ 23,026,574	\$ 41,195,447	\$ 738,738,255	\$ 612,360,290
Liabilities							
Accounts payable	\$ 32,094,742	\$ 18,580,146	\$ 2,301,808	\$ -	\$ 1,331,168	\$ 54,307,864	\$ 39,542,677
Accrued liabilities	32,971,439	2,508,064	-	-	267,891	35,747,394	50,214,814
Due to other governments	1,401,230	-	-	-	-	1,401,230	1,401,230
Due to retirement systems	43,675,172	-	-	-	-	43,675,172	35,770,676
Due to other funds, net	-	517,261	10,136,745	-	-	10,654,006	517,261
Unearned revenue	-	-	-	-	-	-	4,537,787
Due to the City of Buffalo	-	113,129,653	-	-	-	113,129,653	71,297,639
Total liabilities	110,142,583	134,735,124	12,438,553	-	1,599,059	258,915,319	203,282,084
Deferred Inflows of Resources							
Unavailable revenue	-	-	15,296,874	-	-	15,296,874	12,074,346
Fund Balances							
Nonspendable	1,254,427	-	-	-	1,291,162	2,545,589	2,152,786
Restricted	30,844,603	-	-	23,026,574	180,130	54,051,307	52,890,180
Assigned	192,111,577	-	26,375,732	-	38,125,096	256,612,405	236,869,979
Unassigned	151,316,761	-	-	-	-	151,316,761	105,090,915
Total fund balances	375,527,368	-	26,375,732	23,026,574	39,596,388	464,526,062	397,003,860
Total liabilities, deferred inflows of resources, and fund balances	\$ 485,669,951	\$ 134,735,124	\$ 54,111,159	\$ 23,026,574	\$ 41,195,447	\$ 738,738,255	\$ 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, 2023

Total fund balances - governmental funds \$ 464,526,062

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. 643,592,462

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. 1,853,791

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

Deferred outflows of resources related to pensions	209,226,170	
Net pension liability	(66,551,781)	
Deferred inflows of resources related to pensions	<u>(20,030,050)</u>	122,644,339

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	415,660,000	
Total OPEB liability	(1,799,713,000)	
Deferred inflows of resources related to OPEB	<u>(1,133,067,000)</u>	(2,517,120,000)

Certain revenues are not considered earned until received in the governmental funds but are recognized when earned in the government-wide statements. 15,296,874

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

Retainages payable	(1,073,010)	
Accrued interest	(3,550,000)	
Leases	(42,557,091)	
Bonds and related premiums	(484,932,151)	
Due to New York State	(5,273,334)	
Compensated absences	(27,316,511)	
Workers' compensation	<u>(48,679,000)</u>	(613,381,097)

Net position - governmental activities \$ (1,882,587,569)

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, 2023
(With summarized comparative totals for June 30, 2022)

	General	Special Aid	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds	
						2023	2022
Revenues							
Contributions from City of Buffalo	\$ 64,898,651	\$ -	\$ -	\$ -	\$ -	\$ 64,898,651	\$ 64,436,923
School tax relief reimbursement	5,924,107	-	-	-	-	5,924,107	6,385,980
Nonproperty tax items	59,860,152	-	-	-	-	59,860,152	56,938,685
Charges for services	3,738,365	-	-	-	-	3,738,365	4,338,070
Use of money and property	204,011	-	530,765	1,053,489	2,893	1,791,158	108,489
Sale of property and compensation for loss	12,073	-	-	-	-	12,073	113,868
Miscellaneous	21,315,882	1,958,015	-	-	1,271,302	24,545,199	13,228,313
State sources	848,208,811	45,427,039	-	-	1,513,331	895,149,181	833,263,448
Federal sources	4,978,973	215,233,156	-	-	34,645,889	254,858,018	132,434,880
Sales	-	-	-	-	1,057,382	1,057,382	600,270
Total revenues	1,009,141,025	262,618,210	530,765	1,053,489	38,490,797	1,311,834,286	1,111,848,926
Expenditures							
General support	83,265,629	34,937,149	-	-	33,682,054	151,884,832	118,202,027
Instruction - regular	348,568,384	189,306,382	-	-	-	537,874,766	448,519,834
Instruction - charter	148,369,025	2,547,589	-	-	-	150,916,614	144,487,675
Pupil transportation	54,253,212	1,053,215	-	-	-	55,306,427	48,187,937
Community service	43,471	-	-	-	1,218,461	1,261,932	50,770
Employee benefits	186,731,621	38,357,141	-	-	2,607,988	227,696,750	206,237,441
Debt service							
Principal	4,808,004	305,178	-	65,113,332	370,233	70,596,747	66,168,638
Interest	2,190,205	119,060	-	24,191,129	58,578	26,558,972	29,543,101
Capital outlay	-	-	16,225,037	-	576,490	16,801,527	15,172,969
Total expenditures	828,229,551	266,625,714	16,225,037	89,304,461	38,513,804	1,238,898,567	1,076,570,392
Excess revenues (expenditures)	180,911,474	(4,007,504)	(15,694,272)	(88,250,972)	(23,007)	72,935,719	35,278,534
Other financing sources (uses)							
Transfer to City of Buffalo for debt service	(5,413,517)	-	-	-	-	(5,413,517)	(5,630,306)
Operating transfers, net	(124,580,621)	4,007,504	30,701,975	89,376,019	495,123	-	-
Lease proceeds	-	-	-	-	-	-	2,776,898
Bond proceeds from current refundings	-	-	-	-	-	-	78,535,000
Bond premiums	-	-	-	-	-	-	4,593,742
Payments to escrow agents	-	-	-	-	-	-	(84,165,423)
Total other financing sources (uses)	(129,994,138)	4,007,504	30,701,975	89,376,019	495,123	(5,413,517)	(3,890,089)
Net change in fund balances	50,917,336	-	15,007,703	1,125,047	472,116	67,522,202	31,388,445
Fund balances - beginning	324,610,032	-	11,368,029	21,901,527	39,124,272	397,003,860	365,615,415
Fund balances - ending	\$ 375,527,368	\$ -	\$ 26,375,732	\$ 23,026,574	\$ 39,596,388	\$ 464,526,062	\$ 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, 2023

Total net change in fund balances - governmental funds \$ 67,522,202

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). (65,341,868)

Certain revenue is not considered available and is therefore not yet recognized in the governmental funds. 3,222,528

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:

2023 TRS and ERS contributions	42,758,343	
2023 ERS accrued contribution	1,724,997	
2022 ERS accrued contribution	(1,576,567)	
2023 TRS pension expense	(42,403,351)	
2023 ERS pension expense	<u>(11,589,050)</u>	(11,085,628)

OPEB income (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. 189,664,000

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. 75,696,747

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	1,502,600	
Amortization of bond premiums	9,942,466	
Interest	(83,000)	
Workers' compensation	897,000	
Compensated absences	<u>(1,256,832)</u>	11,002,234

Change in net position - governmental activities \$ 270,680,215

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, 2023

	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	\$ 64,898,651		\$ 103,792
School tax relief reimbursement	6,027,899	6,027,899	5,924,107		(103,792)
Nonproperty tax items	48,720,000	48,720,000	59,860,152		11,140,152
Charges for services	2,895,519	2,895,519	3,738,365		842,846
Use of money and property	215,000	215,000	204,011		(10,989)
Sale of property and compensation for loss	10,000	10,000	12,073		2,073
Miscellaneous	15,947,242	15,947,242	21,315,882		5,368,640
State sources	843,689,481	843,689,481	848,208,811		4,519,330
Federal sources	3,000,000	3,000,000	4,978,973		1,978,973
Total revenues	985,300,000	985,300,000	1,009,141,025		23,841,025
Expenditures					
General support					
Board of education	382,313	378,963	367,964	5,225	(5,774)
Central administration	1,677,977	3,810,438	3,374,535	6,688	(429,215)
Finance	4,330,452	4,634,423	3,518,004	33,539	(1,082,880)
Staff	4,069,609	4,085,591	3,270,674	257,428	(557,489)
Central services	82,519,618	79,470,371	71,523,080	3,639,590	(4,307,701)
Special items	28,615,527	12,909,978	1,211,372	31,390	(11,667,216)
Instruction					
Instruction, administration, and improvement	37,945,012	42,288,966	36,239,253	122,865	(5,926,848)
Teaching - regular school	143,906,202	139,216,216	130,784,545	1,481,590	(6,950,081)
Charter school payments	154,878,428	148,402,332	148,185,100	-	(217,232)
Programs for children with handicapping conditions	122,724,327	122,016,627	114,195,806	150,426	(7,670,395)
Program for English Language Learners	17,760,958	18,126,880	16,523,859	-	(1,603,021)
Occupational education	22,711,252	23,018,950	21,943,587	21,510	(1,053,853)
Teaching - special schools	1,175,755	1,124,984	1,039,590	66	(85,328)
Instructional media	6,392,535	6,459,207	4,433,165	203,047	(1,822,995)
Pupil services	27,676,071	27,221,367	23,592,504	215,309	(3,413,554)
Pupil transportation	63,119,138	58,735,678	54,253,212	17,627	(4,464,839)
Community service	55,500	60,994	43,471	-	(17,523)
Employee benefits	196,323,809	196,682,701	186,731,621	5,394	(9,945,686)
Debt service					
Principal	-	4,808,004	4,808,004	-	-
Interest	-	2,190,205	2,190,205	-	-
Total expenditures	916,264,483	895,642,875	828,229,551	6,191,694	(61,221,630)
Excess revenues (expenditures)	69,035,517	89,657,125	180,911,474	(6,191,694)	85,062,655
Other financing sources (uses)					
Transfers to City of Buffalo for debt service	(5,473,175)	(5,473,175)	(5,413,517)		(59,658)
Operating transfers in	200,000	200,000	-		(200,000)
Operating transfers out	(106,305,149)	(125,247,771)	(124,580,621)		(667,150)
Appropriated fund balance, reserves, and carryover encumbrances	42,542,807	40,863,821	-		(40,863,821)
Total other financing sources (uses)	(69,035,517)	(89,657,125)	(129,994,138)		(40,337,013)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 50,917,336	\$ (6,191,694)	\$ 44,725,642

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, 2023

Assets

Cash	\$ 1,120,518
------	--------------

Net Position

Extraclassroom activity	\$ 1,120,518
-------------------------	--------------

* * *

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, 2023

Additions

Student activity additions	\$ 1,209,775
----------------------------	--------------

Deductions

Student activity deductions	1,157,665
-----------------------------	-----------

Change in net position	52,110
------------------------	--------

Net position - beginning	1,068,408
--------------------------	-----------

Net position - ending	\$ 1,120,518
------------------------------	---------------------

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 5). 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.
- *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.

The Board also elected to display the following as a major fund:

- *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 accumulated for future principal and interest payments 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.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if they are collected within one year after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities 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 GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 initial 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 assets 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 income (expense) for the Board's defined benefit healthcare plan (Note 7) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

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

The District is required to classify net position into three categories:

- *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 related liabilities and deferred inflows of resources. Restrictions are imposed by external organizations such as federal or state laws or required by the terms of the District's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the 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	\$ 2,233,152
Endowment	312,437
Restricted:	
Unemployment insurance	9,156,044
Judgments, property loss, and claims	17,750,000
Fiscal stabilization	3,938,559
Debt service	23,026,574
Special activities	180,130
Assigned:	
OPEB and other employee benefits	70,030,324
American Rescue Plan continuation	30,000,000
Prior year claims	9,000,000
Capital projects and repairs	50,455,732
Health Insurance	15,084,559
School food service	38,125,096
Designated for subsequent year	37,725,000
Other purposes	6,191,694
Unassigned	151,316,761
	<u>\$ 464,526,062</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 include scholarships donated to the District by third parties for the benefit of students and 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, 2023 include \$590,255 for equipment, \$1,718,839 for supplies, \$6,257 for benefits, and \$3,876,343 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. 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, 2023, 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 \$482,074,323. 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 \$113,129,653 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 must be deposited and maintained by the trustee in the debt service fund and amounted to \$10,907,317 as of June 30, 2023.

Restricted Cash and Cash Equivalents

Cash and cash equivalents in the amount of \$609,056 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 addition, \$312,437 represents a restricted endowment within the permanent fund.

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 \$12,119,257 and are restricted within the debt service fund until completion of the related projects.

3. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 12,334,702	\$ 1,680,696	\$ -	\$ 124,580,621
Special aid	202,934	720,195	4,007,504	-
Capital projects	-	10,136,745	30,701,975	-
Debt service	-	-	103,077,994	13,701,975
Food service	-	-	495,123	-
	<u>\$ 12,537,636</u>	<u>\$ 12,537,636</u>	<u>\$ 138,282,596</u>	<u>\$ 138,282,596</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.

4. Capital Assets

	July 1, 2022	Increases	Retirements/ Reclassifications	June 30, 2023
Non-depreciable and non-amortizable capital assets:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	43,383,444	16,622,961	(6,766,061)	53,240,344
Total non-depreciable and non-amortizable assets	<u>46,395,344</u>	<u>16,622,961</u>	<u>(6,766,061)</u>	<u>56,252,244</u>
Depreciable capital assets:				
Land improvements	6,538,211	636,676	-	7,174,887
Buildings and improvements	1,786,079,931	5,614	6,558,202	1,792,643,747
Equipment and vehicles	55,222,736	3,479,049	199,500	58,901,285
Total depreciable assets	<u>1,847,840,878</u>	<u>4,121,339</u>	<u>6,757,702</u>	<u>1,858,719,919</u>
Accumulated depreciation:				
Land improvements	(4,897,767)	(124,228)	-	(5,021,995)
Buildings and improvements	(1,185,338,053)	(74,768,244)	-	(1,260,106,297)
Equipment and vehicles	(33,113,490)	(6,135,857)	8,359	(39,240,988)
Total accumulated depreciation	<u>(1,223,349,310)</u>	<u>(81,028,329)</u>	<u>8,359</u>	<u>(1,304,369,280)</u>
Total depreciable assets, net	<u>624,491,568</u>	<u>(76,906,990)</u>	<u>6,766,061</u>	<u>554,350,639</u>
Right-to-use lease assets:				
Buildings	58,263,521	-	(2,976,581)	55,286,940
Vehicles	839,828	-	-	839,828
Equipment	2,328,670	-	-	2,328,670
Accumulated amortization	(23,782,524)	(4,659,916)	2,976,581	(25,465,859)
Total right-to-use assets, net	<u>37,649,495</u>	<u>(4,659,916)</u>	<u>-</u>	<u>32,989,579</u>
	<u>\$ 708,536,407</u>	<u>\$ (64,943,945)</u>	<u>\$ -</u>	<u>\$ 643,592,462</u>

Depreciation and amortization expense have been allocated to the following functions: general support \$8,793,112, instruction \$73,531,715, pupil transportation \$1,071,484, and food service \$2,291,934.

As of June 30, 2023, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 643,592,462
Defeasance loss	15,350,158
Lease liability	(42,557,091)
Defeasance gain	(13,496,367)
Bonds payable and related premiums, net of unspent proceeds	(467,144,834)
	<u>\$ 135,744,328</u>

5. Long-Term Liabilities

	July 1, 2022	Increases	Decreases	June 30, 2023	Amount Due in One Year
Leases	\$ 48,040,506	\$ -	\$ 5,483,415	\$ 42,557,091	\$ 5,363,368
Due to City for bonds payable	11,495,000	-	5,100,000	6,395,000	4,145,000
JSCB bonds payable	476,520,000	-	63,895,000	412,625,000	72,945,000
Revenue bonds payable	7,385,000	-	505,000	6,880,000	720,000
Premium on bonds	68,974,617	-	9,942,466	59,032,151	-
Due to New York State	5,986,666	-	713,332	5,273,334	713,332
Compensated absences	26,059,679	1,256,832	-	27,316,511	9,245,546
Workers' compensation	49,576,000	-	897,000	48,679,000	8,865,000
	<u>\$ 694,037,468</u>	<u>\$ 1,256,832</u>	<u>\$ 86,536,213</u>	<u>\$ 608,758,087</u>	<u>\$ 101,997,246</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 \$5,413,517 for the year ended June 30, 2023.

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.

Existing Obligations

Description	Maturity	Rate	Balance
Due to New York State	June 2036	0.0%	\$ 5,273,334
2022 Revenue bonds	May 2031	5.0%	6,880,000
2012-2022 JSCB revenue and refunding bonds	May 2032	4.0%-5.0%	412,625,000
2011-2021 City of Buffalo serial and refunding bonds	April 2027	2.4%-5.0%	6,395,000
Building lease – 2006	August 2025	5.0%	801,327
Building lease – 2013	July 2027	4.0%	2,554,220
Building lease – 2014	June 2028	5.0%	9,179,293
Building lease – 2020	December 2034	5.0%	27,025,894
Building lease – 2022	March 2025	5.0%	356,163
Building lease – 2022	June 2031	5.0%	1,719,844
Vehicle leases – 2020	June 2024	5.0%	63,194
Vehicle leases – 2021	November 2025	5.0%	136,272
Vehicle leases – 2022	May 2027	5.0%	208,633
Equipment lease – 2020	June 2024	5.0%	512,251
			<u>\$ 473,730,425</u>

Debt Service Requirements

Years ending June 30,	Bonds Payable		Due to New	Leases	
	Principal	Interest	York State	Principal	Interest
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	55,995,000	7,796,875	713,334	4,643,236	1,107,432
2029-2033	100,380,000	9,786,000	1,566,666	13,252,132	3,052,919
2034-2036	-	-	140,002	4,265,658	285,524
	\$ 425,900,000	\$ 80,335,800	\$ 5,273,334	\$ 42,557,091	\$ 11,326,769

6. 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 10.29% for 2023. 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 2023, these rates ranged from 8.3% - 17.5%.

The amount outstanding and payable to TRS for the year ended June 30, 2023 was \$37,757,659. A liability to ERS of \$1,724,997 is accrued based on the Board's legally required contribution for employee services rendered from April 1 through June 30, 2023.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2023, the Board reported a liability of \$34,456,003 for its proportionate share of the TRS net pension position and a liability of \$32,095,778 for its proportionate share of the ERS net pension position.

The TRS total pension liability at the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, with update procedures applied to roll forward the total pension liability to June 30, 2022. 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, 2022, the Board's proportion was 1.795620%, an increase of 0.015145 from its proportion measured as of June 30, 2021.

The ERS total pension liability at the March 31, 2023 measurement date was determined by an actuarial valuation as of April 1, 2022, with update procedures applied to roll forward the total pension liability to March 31, 2023. 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, 2023, the Board's proportion was 0.149672%, an increase of 0.006921 from its proportion measured as of March 31, 2022.

For the year ended June 30, 2023, the Board recognized net pension expense of \$53,992,401 on the government-wide statements (TRS expense of \$42,403,351 and ERS expense of \$11,589,050). At June 30, 2023, 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	\$ 36,105,530	\$ (690,438)	\$ 3,418,451	\$ (901,371)
Changes of assumptions	66,838,818	(13,879,853)	15,587,780	(172,274)
Net difference between projected and actual earnings on pension plan investments	44,520,425	-	-	(188,561)
Changes in proportion and differences between contributions and proportionate share of contributions	2,552,872	(3,917,952)	719,638	(279,601)
Board contributions subsequent to the measurement date	37,757,659	-	1,724,997	-
	<u>\$ 187,775,304</u>	<u>\$ (18,488,243)</u>	<u>\$ 21,450,866</u>	<u>\$ (1,541,807)</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
2024	\$ 24,240,381	\$ 4,422,189
2025	13,553,437	(1,611,924)
2026	(5,398,718)	6,554,475
2027	87,462,067	8,819,322
2028	11,232,265	-
Thereafter	439,970	-
	<u>\$ 131,529,402</u>	<u>\$ 18,184,062</u>

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2021 valuation, with update procedures used to roll forward the total pension liability to June 30, 2022, 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-2021, 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, 2022 valuation, with update procedures used to roll forward the total pension liability to March 31, 2023, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation – 2.9%

Salary increases – 4.4%

COLA – 1.5% annually

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

Mortality – Society of Actuaries’ Scale MP-2021

Discount rate – 5.9%

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

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and 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%	6.5%	32%	4.3%
Global and international equities	20%	6.9%-7.2%	15%	6.9%
Private equities	8%	9.9%	10%	7.5%
Real estate equities	11%	6.2%	9%	4.6%
Domestic fixed income securities	16%	1.1%	23%	1.5%
Global fixed income securities	2%	0.6%	-	-
Bonds and mortgages	6%	2.4%	-	-
Short-term	1%	(0.3)%	1%	-
Other	3%	3.3%-5.3%	10%	5.4%-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.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
Board's proportionate share of the TRS net pension asset (liability)	\$ (317,700,507)	\$ (34,456,003)	\$ 203,750,765
Board's proportionate share of the ERS net pension asset (liability)	\$ (77,561,729)	\$ (32,095,778)	\$ 5,896,313

7. 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 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, 2023, employees covered by the Plan include:

Active employees	6,483
Inactive employees or beneficiaries currently receiving benefits	4,016
Inactive employees entitled to but not yet receiving benefits	-
	<u>10,499</u>

Total OPEB Liability

The Board's total OPEB liability of \$1,799,713,000 was measured as of June 30, 2023 and was determined by an actuarial valuation as of the same date.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rate – based on a combination of employer history, national trend surveys, and professional judgment, initially 7.5% and reduced to an ultimate rate of 4.5% after 2029 for pre-65 and initially 6.5% reduced to an ultimate rate of 4.5% after 2032 for post-65

Salary increases – 1.84% to 12.31%

Mortality – Society of Actuaries' Pub-2010 General Headcount Weighted Mortality Table fully generational for healthy general and teacher retirees using scale MP-2021

Discount rate – 4.13% 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, 2022	<u>\$ 1,733,208</u>
Changes for the year:	
Service cost	45,233
Interest	71,628
Changes of benefit terms	-
Differences between expected and actual experience	(56,918)
Changes of assumptions or other inputs	61,362
Benefit payments	<u>(54,800)</u>
Net changes	<u>66,505</u>
Balance at June 30, 2023	<u>\$ 1,799,713</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 (3.13%)	Discount Rate (4.13%)	1.0% Increase (5.13%)
Total OPEB liability	<u>\$ (2,101,089)</u>	<u>\$ (1,799,713)</u>	<u>\$ (1,558,214)</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 (6.5% to 3.5%)	Healthcare Cost Trend Rate (7.5% to 4.5%)	1.0% Increase (8.5% to 5.5%)
Total OPEB liability	<u>\$ (1,529,495)</u>	<u>\$ (1,799,713)</u>	<u>\$ (2,146,108)</u>

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2023, the Board recognized OPEB income of \$134,864,000. At June 30, 2023, 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	\$ -	\$ (665,173)
Changes of assumptions or other inputs	415,660	(467,894)
	<u>\$ 415,660</u>	<u>\$ (1,133,067)</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)
2024	\$ (183,504)
2025	(132,176)
2026	(132,790)
2027	(150,180)
2028	(119,390)
Thereafter	633
	<u>\$ (717,407)</u>

8. 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. The liability is recorded on both the government-wide and governmental fund financial statements as it is expected to be paid with currently available financial resources.

Claims activity is as follows:

	2023	2022
Estimated claims liability, beginning of year	\$ 10,235,122	\$ 10,235,122
Current year claims and changes in estimates	128,968,000	137,160,000
Claim payments	(128,968,000)	(137,160,000)
Estimated claims liability, end of year	<u>\$ 10,235,122</u>	<u>\$ 10,235,122</u>

Workers' Compensation

The Board is self-insured for workers' compensation and has accrued its best estimate of workers' compensation losses based on an actuarial valuation dated August 9, 2023. 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, 2023 and 2022 are as follows:

	2023	2022
Estimated claims liability, beginning of year	\$ 49,576,000	\$ 50,696,000
Current year claims	1,705,000	8,470,000
Claim payments	(2,602,000)	(9,590,000)
Estimated claims liability, end of year	\$ 48,679,000	\$ 49,576,000

The liability is recorded only on the government-wide financial statements as it is not expected to be paid with currently available financial resources.

9. 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. The Child Victims Act, as amended, allowed any individual who was a minor at the time they suffered any alleged sexual abuse to file a lawsuit before August 14, 2021, regardless of when 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 dating as far back as the 1940s. The Board is using City of Buffalo Corporation Counsel and is not currently aware of any insurance available for these claims, although the oldest claim may be indemnified by a third party. As a result, the Board has accrued an appropriate amount in the government-wide and fund financial statements at June 30, 2023 based on best estimates as determined with counsel. In addition, during the year the Board settled several CVA cases levied against the Board. 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 \$169,744,000 for various capital projects that remain in progress at year end. As of June 30, 2023, the Board has spent \$118,455,000 and has open commitments to contractors of \$6,459,000.

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,	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension position	1.795620%	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)	\$ (34,456,003)	\$ 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	\$ 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
District's proportionate share of the net pension position as a percentage of its covered payroll	10.83%	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	98.57%	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%	2.4%	2.2%	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%
Salary increases	1.95%-5.18%	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%	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%
Investment rate of return	6.95%	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Discount rate	6.95%	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2021	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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 37,757,659	\$ 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
Contribution in relation to the contractually required contribution	(37,757,659)	(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)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 366,935,462	\$ 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	10.29%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%

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,	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension position	0.149672%	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)	\$ (32,095,778)	\$ 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	\$ 47,469,694	\$ 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	67.61%	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	90.78%	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	2.9%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2021	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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 5,000,684	\$ 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
Contribution in relation to the contractually required contribution	(5,000,684)	(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)
Contribution deficiency (excess)*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,704,467)	\$ (248,724)	\$ (239,711)	\$ (231,025)	\$ 3,423,927
District's covered payroll	\$ 47,469,694	\$ 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	10.53%	14.61%	13.32%	13.51%	13.97%	15.58%	14.50%	17.70%	18.53%	20.90%

**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,	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 1,733,208	\$ 2,485,499	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305	\$ 2,852,359
Changes for the year:							
Service cost	45,233	86,668	83,558	72,956	71,543	82,946	105,405
Interest	71,628	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	(56,918)	(210,089)	(502,178)	(229,606)	(166,075)	(234,596)	(202,349)
Changes of assumptions or other inputs	61,362	(630,109)	286,682	351,329	170,379	(124,707)	(238,475)
Benefit payments	(54,800)	(54,311)	(66,925)	(61,469)	(61,084)	(61,431)	(63,996)
Net change in total OPEB liability	66,505	(752,291)	(128,414)	218,771	104,990	(245,153)	(317,054)
Total OPEB liability - ending	\$ 1,799,713	\$ 1,733,208	\$ 2,485,499	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305
Covered-employee payroll	\$ 391,540	\$ 349,555	\$ 362,378	\$ 373,087	\$ 377,000	\$ 345,602	\$ 344,791
Total OPEB liability as a percentage of covered-employee payroll	459.6%	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%	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	1.84%-12.31%	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	4.13%	4.09%	2.19%	2.66%	3.51%	3.87%	3.56%
Inflation	1.30%	1.30%	1.30%	1.30%	1.30%	2.50%	1.30%
Society of Actuaries' mortality scale	MP-2021	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, 2023

	Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds	
				2023	2022
Assets					
Cash and cash equivalents	\$ 300	\$ 180,130	\$ -	\$ 180,430	\$ 182,930
Cash held by the City of Buffalo	36,547,974	-	-	36,547,974	33,107,626
Cash and cash equivalents - restricted	-	-	312,437	312,437	309,814
Accounts receivable	605,235	-	-	605,235	76,697
State and federal aid receivable	2,570,646	-	-	2,570,646	6,134,733
Inventory	978,725	-	-	978,725	837,244
Total assets	\$ 40,702,880	\$ 180,130	\$ 312,437	\$ 41,195,447	\$ 40,649,044
Liabilities					
Accounts payable	\$ 1,331,168	\$ -	\$ -	\$ 1,331,168	\$ 936,432
Accrued liabilities	267,891	-	-	267,891	588,340
Total liabilities	1,599,059	-	-	1,599,059	1,524,772
Fund Balances					
Nonspendable	978,725	-	312,437	1,291,162	1,147,058
Restricted	-	180,130	-	180,130	182,630
Assigned	38,125,096	-	-	38,125,096	37,794,584
Total fund balances	39,103,821	180,130	312,437	39,596,388	39,124,272
Total liabilities and fund balances	\$ 40,702,880	\$ 180,130	\$ 312,437	\$ 41,195,447	\$ 40,649,044

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, 2023

	Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds	
				2023	2022
Revenues					
Use of money and property	\$ -	\$ -	\$ 2,893	\$ 2,893	\$ 29
Miscellaneous	55,611	1,215,691	-	1,271,302	154,438
State sources	1,513,331	-	-	1,513,331	1,570,073
Federal sources	34,645,889	-	-	34,645,889	36,570,901
Sales	1,057,382	-	-	1,057,382	600,270
Total revenues	37,272,213	1,215,691	2,893	38,490,797	38,895,711
Expenditures					
General support	33,682,054	-	-	33,682,054	28,704,480
Community service	-	1,218,191	270	1,218,461	8,568
Employee benefits	2,607,988	-	-	2,607,988	2,423,254
Debt service					
Principal	370,233	-	-	370,233	352,602
Interest	58,578	-	-	58,578	76,209
Capital outlay	576,490	-	-	576,490	58,212
Total expenditures	37,295,343	1,218,191	270	38,513,804	31,623,325
Excess revenues (expenditures)	(23,130)	(2,500)	2,623	(23,007)	7,272,386
Other financing sources					
Operating transfers, net	495,123	-	-	495,123	871,390
Net change in fund balances	471,993	(2,500)	2,623	472,116	8,143,776
Fund balances - beginning	38,631,828	182,630	309,814	39,124,272	30,980,496
Fund balances - ending	\$ 39,103,821	\$ 180,130	\$ 312,437	\$ 39,596,388	\$ 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, 2023

Original expenditure budget	\$ 1,020,100,000
Encumbrances carried over from prior year	7,942,807
Budget amendments:	
Cancelled encumbrances	<u>(1,678,986)</u>
Revised expenditure budget	<u>\$ 1,026,363,821</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, 2023

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Partial Refunding Savings Phase IV	\$ 11,063,175	11,230,675	\$ 11,027,056	\$ 114,895	\$ 11,141,951	\$ 88,724
Refunding Savings Phase III A&B	25,936,750	26,076,750	25,859,978	73,955	25,933,933	142,817
Consolidated Capital Funds	-	4,329,018	1,026,190	2,267,817	3,294,007	1,035,011
Partial Refunding 2 Savings Phase IV	17,676,113	17,851,469	16,304,000	696,915	17,000,915	850,554
Refunding Savings 2 Phase II	13,680,688	14,129,614	5,562,288	4,709,187	10,271,475	3,858,139
Capital Outlay 2023	10,000,000	6,916,869	-	-	-	6,916,869
Smart Schools Bond Act	10,000,000	55,442,938	42,468,863	3,271,167	45,740,030	9,702,908
JSCB Local Share Yr. 2	13,683,975	13,683,975	-	300,972	300,972	13,383,003
All High Phase III	5,000,000	5,000,000	-	-	-	5,000,000
School 8 - DaVinci Swing School	12,000,000	12,000,000	-	2,425,119	2,425,119	9,574,881
School 86 - Emergency Project	-	3,083,131	-	2,347,011	2,347,011	736,120
	<u>\$ 119,040,701</u>	<u>\$ 169,744,439</u>	<u>\$ 102,248,375</u>	<u>\$ 16,207,038</u>	<u>\$ 118,455,413</u>	<u>\$ 51,289,026</u>

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

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Grant Title	Assistance Listing Number	Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through New York State Education Department			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 8,532,760
National School Lunch Program	10.555	N/A	21,644,897
Summer Food Service Program for Children	10.559	N/A	1,651,522
			<u>31,829,179</u> ¹
Farm to School Grant Program	10.575	N/A	28,804
Pandemic EBT Administrative Costs	10.649	N/A	66,543
Child Nutrition Discretionary Grants Limited Availability	10.579	0005-21-0042	31,940
Child Nutrition Discretionary Grants Limited Availability	10.579	0005-22-0075	17,057
Passed Through New York State Office of General Services			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	1,508,437 ¹
Fresh Fruit and Vegetable Program	10.582	N/A	1,241,730
Total U.S. Department of Agriculture			<u>34,723,690</u>
U.S. Department of Defense			
ROTC Language and Culture Training Grants	12.357	N/A	<u>203,237</u>
U.S. Department of Education			
Direct programs			
Title I Grants to Local Educational Agencies	84.010	N/A	50,564
Indian Education Grants to Local Educational Agencies	84.060	S060A211033	9,993
Indian Education Grants to Local Educational Agencies	84.060	S060A221033	54,737
Passed Through New York State Education Department			
Special Education Cluster:			
Special Education Grants to States	84.027	0032-21-0202	(1,418)
Special Education Grants to States	84.027	0032-22-0202	278,921
Special Education Grants to States	84.027	0032-23-0202	12,152,204
COVID-19 Special Education Grants to States	84.027	5532-22-0202	1,194,978
Special Education Preschool Grants	84.173	0033-22-0202	28,629
Special Education Preschool Grants	84.173	0033-23-0202	558,174
COVID-19 Special Education Preschool Grants	84.173	5533-22-0202	171,050
Total Special Education Cluster			<u>14,382,538</u>

¹ Total Child Nutrition Cluster - \$33,337,616

See accompanying notes.

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

Supplementary Information
Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Grant Title	Assistance Listing Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department, continued			
Adult Education - Basic Grants to States	84.002	0040-22-2096	\$ 4,597
Adult Education - Basic Grants to States	84.002	0040-23-2096	(354)
Adult Education - Basic Grants to States	84.002	0138-22-2059	8,177
Adult Education - Basic Grants to States	84.002	0138-23-5302	150,312
Adult Education - Basic Grants to States	84.002	2338-22-3132	13,309
Adult Education - Basic Grants to States	84.002	2338-22-3223	(3,338)
Adult Education - Basic Grants to States	84.002	2338-22-3224	4,974
Adult Education - Basic Grants to States	84.002	2338-22-3225	2,161
Adult Education - Basic Grants to States	84.002	2338-23-5102	481,966
Adult Education - Basic Grants to States	84.002	2338-23-5406	111,842
Adult Education - Basic Grants to States	84.002	2338-23-5407	119,855
Adult Education - Basic Grants to States	84.002	2338-23-5408	122,188
Title I Grants to Local Educational Agencies	84.010	0011-22-1002	75,080
Title I Grants to Local Educational Agencies	84.010	0011-23-1002	79,719
Title I Grants to Local Educational Agencies	84.010	0011-21-2002	(6)
Title I Grants to Local Educational Agencies	84.010	0011-22-2002	116,128
Title I Grants to Local Educational Agencies	84.010	0011-23-2002	1,688,229
Title I Grants to Local Educational Agencies	84.010	0011-22-4002	110,967
Title I Grants to Local Educational Agencies	84.010	0011-20-5030	(4,292)
Title I Grants to Local Educational Agencies	84.010	0011-20-5032	139
Title I Grants to Local Educational Agencies	84.010	0011-22-6002	88,122
Title I Grants to Local Educational Agencies	84.010	0011-23-6002	413,634
Title I Grants to Local Educational Agencies	84.010	0011-23-8002	157,376
Title I Grants to Local Educational Agencies	84.010	0016-22-0740	32,362
Title I Grants to Local Educational Agencies	84.010	0016-23-0740	149,817
Title I Grants to Local Educational Agencies	84.010	0021-21-0740	(244)
Title I Grants to Local Educational Agencies	84.010	0021-22-0740	7,590,634
Title I Grants to Local Educational Agencies	84.010	0021-23-0740	27,678,113
Career and Technical Education - Basic Grants to States	84.048	8000-22-0075	14,102
Career and Technical Education - Basic Grants to States	84.048	8000-23-0075	570,535
Career and Technical Education - Basic Grants to States	84.048	8000-21-9002	466
Career and Technical Education - Basic Grants to States	84.048	8000-22-9002	58,420
Career and Technical Education - Basic Grants to States	84.048	8000-23-9002	394,587
English Language Acquisition State Grants	84.365	0149-22-0740	450,872
English Language Acquisition State Grants	84.365	0149-23-0740	24,927
English Language Acquisition State Grants	84.365	0293-22-0740	242,740
English Language Acquisition State Grants	84.365	0293-23-0740	612,668

See accompanying notes.

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

Supplementary Information
Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Grant Title	Assistance Listing Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department, continued			
Supporting Effective Instruction State Grants	84.367	0145-21-1005	(13,736)
Supporting Effective Instruction State Grants	84.367	0147-20-0740	64
Supporting Effective Instruction State Grants	84.367	0147-22-0740	254,948
Supporting Effective Instruction State Grants	84.367	0147-23-0740	2,165,348
Student Support and Academic Enrichment Program	84.424	0204-22-0740	118,171
Student Support and Academic Enrichment Program	84.424	0204-23-0740	2,389,668
Education Stabilization Fund:			
Governor's Emergency Education Relief Fund	84.425C	N/A	1,724
Governor's Emergency Education Relief Fund	84.425C	5895-21-0740	90,223
Elementary and Secondary School Emergency Relief Fund	84.425D	N/A	28,359
Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-0740	755,529
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5891-21-0740	60,958,062
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5880-21-0740	92,416,392
American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children and Youth Fund	84.425W	5212-21-3120	18,298
American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children and Youth Fund	84.425W	5218-21-0740	90,439
Total Education Stabilization Fund			<u>154,359,026</u>
Total U.S. Department of Education			<u>215,332,105</u>
U.S. Department of Homeland Security			
Passed Through New York State Division of Homeland Security and Emergency Services			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	152378	<u>210,289</u>
U.S. Department of Health and Human Services			
Direct programs			
Teenage Pregnancy Prevention Program	93.297	N/A	25,489
Passed Through New York State Education Department			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	0164-22-1001	111,637
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	0164-23-1001	328,639
Total U.S. Department of Health and Human Services			<u>465,765</u>
Total Expenditures of Federal Awards			<u>\$ 250,935,086</u>

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, an entity as defined in Note 1 to the Board's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The Board uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Board's financial reporting system.

Indirect Costs

The Board does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The Board is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2023, the Board used \$1,508,437 worth of commodities under the National School Lunch Program (Assistance Listing Number 10.555).

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the 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, 2023, 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 18, 2023.

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 18, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Board of Education, City of Buffalo, New York's (the Board), a component unit of the City of Buffalo, New York, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2023. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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* 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 Board 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 Board'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 Board'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 Board'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 Board'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 Board'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 Board'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 Board'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 a 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 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.

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

October 18, 2023

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

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number	Amount
Education Stabilization Fund	84.425	\$ 154,359,026
Title I Grants to Local Educational Agencies	84.010	38,226,342
Special Education Cluster		
Special Education Grants to States	84.027	13,624,685
Special Education Preschool Grants	84.173	757,853
		<u>206,967,906</u>

Dollar threshold used to distinguish between type A and type B programs: \$7,528,053

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

Summary Schedule of Prior Audit Findings

For the year ended June 30, 2023

Finding 2022-001:

Assistance Listing #84.425U Education Stabilization Fund: American Rescue Plan Elementary and Secondary School Emergency Relief Fund
(Internal Control over Major Programs under The Uniform Guidance)

Condition: The Board implemented new payroll procedures at the beginning of the year ended June 30, 2022 to attempt to reduce the amount of manual recordkeeping required. As a result, they were unable to provide timesheets for four employees for the July 16, 2021 pay period.

Current Status: The District immediately reverted to its prior recordkeeping process after that pay period and the issue has therefore been rectified.

JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION

Information Regarding Joint Schools Construction Board Debt

For the year ended June 30, 2023

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, 38 elementary and intermediate schools, and 2 special schools. There are 22 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									
	2024 ⁽⁴⁾	2023	2022	2021	2020	2019	2018	2017	2016	2015
Enrollment	29,778	30,500	30,441	30,850	33,290	33,286	33,512	33,834	34,174	34,402
Schools ⁽¹⁾	60	59	59	59	61	61	61	61	61	62
Instructional staff ⁽²⁾	3,854	3,595	3,648	3,643	3,626	3,631	3,624	3,542	3,489	3,416
Administrative personnel ⁽²⁾	303	262	247	255	258	262	257	240	243	241
Non-certified personnel ⁽²⁾⁽³⁾	1,890	1,607	1,537	1,504	1,523	1,561	1,531	1,545	1,525	1,521

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, 2023

State Aid

State Aid (All Funds)		
Buffalo CSD		
Years ended June 30,	(in Millions)	
2024 ⁽¹⁾	\$	975.7
2023		895.1
2022		833.2
2021		783.0
2020		830.2
2019		822.1
2018		811.8
2017		764.7
2016		721.9
2015		697.9

Source: City of Buffalo Board of Education

⁽¹⁾ Projected as of September 30, 2023

Buffalo City School District Bargaining Units

All 11 bargaining units representing the employees of the Buffalo CSD had employee contracts in place for the 2022-23 fiscal year, and have contracts in place for the 2023-24 fiscal year.

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, 2023.

Union	Number of Employees ⁽¹⁾	Present Agreement Expires
BTF (Teachers)	3,737	06/30/2026
BCSA (Administrators)	295	06/30/2026
PCTEA (White Collar)	476	06/30/2026
Local 264 (Blue Collar)	62	06/30/2025
Local 264 (Cook Managers)	25	06/30/2026
Local 264 (Food Service)	Variable	06/30/2027
BEST (Teachers Aides & Assistants)	945	06/30/2025
Substitutes United (Substitute Teachers)	Variable	06/30/2024
BASA (Substitute Administrators)	Variable	06/30/2025
TAB (Bus Aides)	Variable	06/30/2024
Local 409 (Engineers)	36	06/30/2026
Trades	39	N/A
Exempt (includes Board)	50	N/A

Source: Buffalo CSD, Finance Office

⁽¹⁾ Includes General, Grants, and Food Service Funds as of September 30, 2023

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.

(THIS PAGE INTENTIONALLY LEFT BLANK)

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, New York 10007

April 30, 2024

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 [\$43,000,000 Serial Bonds - 2024A (the “Bonds”)] [\$27,000,000 General Improvement Serial Bonds - 2024B (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:

Concurrently with the issuance of the Bonds, the City is issuing its [\$43,00,000 Serial Bonds–2024A (the “Series A Bonds”)] [\$27,000,000 General Improvement Serial Bonds-2024 Series B (the “Series B Bonds”)]. The Bonds are treated, together with the Series [A][B] Bonds, as a single issue for federal tax purposes. We have served as Bond Counsel with respect to the issuance of the Series [A][B] Bonds. On the date hereof, we have rendered our opinion with respect to the exclusion of interest on the Series [A][B] Bonds from gross income for Federal income tax purposes subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on the Series [A][B] Bonds and the Bonds to become subject to Federal income taxation retroactive to the date of issue thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

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; however interest on the Bonds is included in “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of 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

(THIS PAGE INTENTIONALLY LEFT BLANK)

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 9, 2024][April 24,2024].

“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 **\$43,000,000 Serial Bonds - 2024A (the “Series A Bonds”) and the \$27,000,000 General Improvement Serial Bonds - 2024B (the “Series B Bonds” and together with the Series A Bonds the “Bonds”)**, dated April 30, 2024, maturing in various principal amounts on April 1 in each of the years 2025 to 2029 for the Series A Bonds and the years 2025 to 2036 for the Series B Bonds, 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, 2024, 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, 2024, 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 30, 2024.

CITY OF BUFFALO

By _____
Comptroller and Chief Fiscal Officer

